


# Geratherm®



Half-yearly report 2007

**"Investing in Health Care"**

## Course of Business from 1 January to 30 June 2007

- Turnover first half of 2007 + 1.3 %; EBIT + 11.9 %
- EPS first half 10 cents (p. y. 8 cents) Q II 6 cents (p. y. 3 cents)
- Extension of business area - Respiratory

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

The business development during the second quarter 2007 proved notably better than in the comparative period of the previous year. During the second quarter, the turnover increased by 7.5 %. The gross profit grew by 12.3 % and thus even more strongly than the turnover. The operating result stood at kEUR 124 and thus clearly above that of the previous year (previous year: kEUR 23). The financial result was also able to perform better at kEUR 132, so that the result of ordinary business activities of kEUR 256 was nearly double that of the previous year's quarter. The result per share also doubled during the second quarter 2007 to reach 6 cents (previous year: 3 cents).

#### Facts and Figures

(in kEUR)

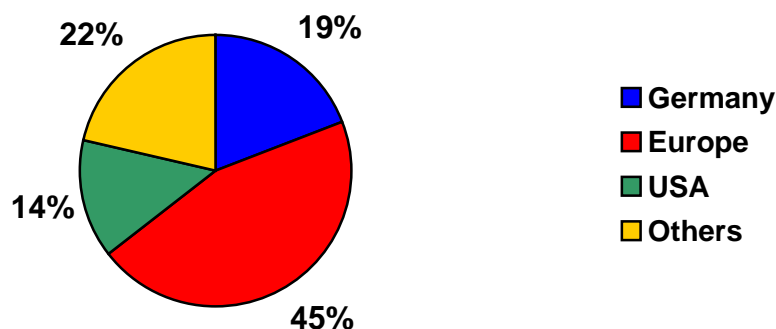
	II/07	I/07	IV/06	III/06	II/06
Turnover	2,183	2,086	2,709	1,668	2,031
EBITDA	9.2%	9.6%	15.0%	12.4%	5.4%
EBIT	124	131	314	116	23
EPS (EUR)	0.06	0.04	0.18	0.16	0.03
Cashflow	192	187	215	187	88

### Turnover development during the first half of 2007

A slight turnover growth of 1.3 % was recorded for the first half of the year. There were strong turnover increases in the markets of the USA and Asia. The turnover of EUR 4.3 million during the first half of 2007 was achieved with an export rate of 80.8 % - as in the previous year. The turnover of kEUR 820 in Germany was slightly higher than the previous year. The turnover of Geratherm was mainly generated through the foreign business.

The turnover split across the individual regions has remained relatively stable. There was a strong increase of 6.1 % in the US market. In Europe, there was a slight turnover drop of 5.1 %. The turnover in the region of the Middle East also developed somewhat more weakly, which was set off, however, by strong growth in Asia and Latin America. The Geratherm do Brasil subsidiary displayed strong growth, as in the previous year, and increased the turnover volume by 50.7 % to reach kEUR 440 over the first six months.

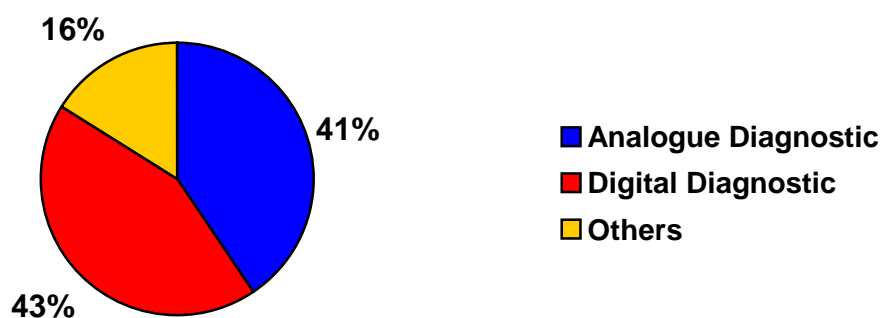
#### Turnover by regions 01.01.- 30.06.2007



Once again, the Analogue Diagnostics products on the basis of gallium proved the mainstays of turnover with a share of 40.5 %. The absolute turnover share continued to decrease – as planned – and stood at kEUR 1,728 for the first half. Altogether, the minus of 6.1 % for this product area was not as strong as during the first half of 2006. The turnover drop was influenced by currency exchange rates fluctuations, as a large part of the products are sold on US-dollar basis in the US-market.

The area of Digital Diagnostics was able to latch on to the growth achieved so far and recorded a plus of 7.1 % for this first half of 2007.

#### Turnover by segments 01.01.- 30.06.2007



The turnover share of the Other Products area also increased by 7.0 % during the first half of 2007. The new product area of Warming Systems, included in the above business area, increased with a plus of 60.2 % to reach kEUR 269 during the first half of 2007. The turnover of the Cardio area, with the apoplex medical GmbH subsidiary recorded invoiced sales of kEUR 18 for the first time. As regards the second half of 2007, we expect to see further clear increases contributed by the new business areas of Geratherm.

### **Earnings situation**

Gross earnings from the turnover could be increased by 3.6 % to reach kEUR 2,421 during the first half of 2007. The gross margin amounted to 56.7 %. The brutto result (EBITDA) stood at kEUR 401 (previous year: kEUR 390). The operating result (EBIT) in the amount of kEUR 255 during the first half of 2007 displayed an increase of 11.9 % and was thus significantly higher than that of the previous year.

The earnings situation is still being influenced strongly negatively by the start-up losses of the new Cardio and Warming Systems business areas in the amount of kEUR 168. Without these investments, which are burdening the earnings statement of Geratherm negatively, we would be able to achieve a significantly more positive result in our regular business.

A positive financial result in the amount of kEUR 196 (previous year: kEUR 138) could be established, once again, for the first half of 2007. The interest earnings amounted to kEUR 69 (previous year: kEUR 65). In total, a result from ordinary business activity in the amount of kEUR 451 was generated from the operating result and the financial result, which was 23.4 % higher than that of the comparative period during the last year. The Group's after tax result (EAT) amounted to kEUR 469 during the first half of 2007, which corresponds with a plus of 31.0 % as compared to the same previous year's period. The earnings per share were 10 cents (previous year 8 cents).

### **Assets and financial situation**

As in the previous period, the Geratherm Medical company featured a sound asset situation. The balance sum of EUR 17.5 million was constituted mainly by equity capital. The equity capital ratio amounted to 91.0 %. As per 30 June 2007, the company held cash and securities in the amount of EUR 7.6 million (previous year: EUR 8.4 million). The return on equity amounted to 5.9 % (previous year: 4.3 %) for the first six months of 2007.

As regards the assets, the greatest changes were recorded in the short-term assets. The finished products and goods increased by kEUR 321 to reach kEUR 1,239 as per 30 June 2007, relating to the balancing date. There was a clear decrease in the receivables from deliveries and services, which were reduced by kEUR 493 to reach kEUR 1,702 relating to the balancing date.

The cashflow from the operating activity increased significantly to reach kEUR 774 (previous year: kEUR 257) during the first six months. The cashflow from investments amounted to kEUR -2,434, which is due to investments in securities. The cashflow from financing activity amounted to kEUR -1,643. This item reflected mainly the dividend payout in the amount of EUR 1.8 million for the business year 2006. The cash balance at the end of the reporting period stood at kEUR 1,826 (previous year: kEUR 3,313).

### **Research and development**

The research and development activities mainly concentrated on the two new areas of Warming Systems and Cardio during the first half of the year. In the area of Warming Systems, we focused on the development of a new generation of products, which we will introduce as of the middle of next year. The development expenditure will amount to approximately kEUR 200. In the Cardio area, we are continuing our efforts to broaden the scientific acceptance and to inform the medical users of the new method of detecting atrial fibrillation. Together with the University of Münster, a new supplementary trial comprising more than 100 patients could be concluded with good results.

Furthermore, an agreement could be signed with the national German "Atrial Fibrillation" network of competence. At the beginning of November 2007, apoplex medical is planning a campaign at a national level with the pharmacies of Germany, the German Apoplexy Aid Organisation (Deutsche Schlaganfallhilfe) and the Association of Office-based Cardiologists (Verband niedergelassener Kardiologen). As regards the international market, management is currently holding licensing negotiations with a major ECG manufacturer.

### **Miscellaneous**

In June 2007, Geratherm Medical was awarded the "Frost & Sullivan Award 2007". Geratherm was decorated by Frost & Sullivan for its considerable contribution in the area of monitoring vital patient data. We were very happy to receive the Innovation Award 2007 and regard the distinction as a confirmation of the path adopted by us thus far and as an encouragement to continue in our efforts to be among the leading companies within our industry.

Within the framework of new growth opportunities outside the core business, Geratherm Respiratory was founded with an equity capital of EUR 350,000 at the beginning of May 2007. The company is currently in the phase of setting up. Geratherm holds 55 % in the company. The remainder is held by management and financial investors. The focus is currently on preparing the market launch and the development of products, which will lead to an initial turnover in the fourth quarter of 2007. The company is planning for a turnover of EUR 150,000 this year. We do not expect any start-up losses worth mentioning.

On 30 June 2007, the Geratherm Group employed a total of 76 staff members (31 December 2006: 72). 93.4 % of the staff members are employed in Germany.

At the Annual General Meeting in Frankfurt am Main on 11 June 2007, all items on the agenda were discussed and approved of by our shareholders. Geratherm Medical AG paid out to its shareholders a tax-neutral dividend in the amount of 40 cents per share for the business year of 2006 from the deposit account.

There was a planned change in the composition of the Supervisory Board. Dr Klaus Gmür retired from the Supervisory Board for reasons of old age and was replaced by Mr Firus Mettler, who was elected as a new Supervisory Board Member at the Annual General Meeting with no votes against.

For the second half of 2007, we expect a positive course of business. Turnover should develop moderately, with an over-proportionate increase in the operating earning quality.

There are risks through the changed framework conditions, such as exchange rates, raw material prices and the capital market development.

We expect the license for our warming systems to be issued by the US military air force during the second half of 2007. As regards the civilian area, we have already received the license. The Warming Systems have also been listed by the NHS (the National Health System of British hospitals) with the start of the third quarter 2007. These prerequisites should enable us to generate a significant turnover boost in the medium term.

## GERATHERM

## AT A GLANCE

Group financial ratio	Jan.-June 2007	Jan.-June 2006	Change
<b>Sales</b>	4,269 kEUR	4,213 kEUR	1.3 %
Export share	3,449 kEUR	3,401 kEUR	1.4 %
Export ratio	81 %	81 %	
Gross profit (EBITDA)	401 kEUR	390 kEUR	2.9 %
<b>EBITDA – Margin</b>	9.4 %	9.3 %	1.1 %
Amortization and depreciation	-146 kEUR	-162 kEUR	-9.8 %
<b>Operating results (EBIT)</b>	255 kEUR	228 kEUR	11.9 %
Result of ordinary activities	451 kEUR	366 kEUR	23.4 %
Financial results	196 kEUR	138 kEUR	42.3 %
<b>Group period result (EAT)</b>	469 kEUR	358 kEUR	31.0 %
Long-term assets	5,144 kEUR	5,202 kEUR	-1.1 %
Short-term assets	12,368 kEUR	12,681 kEUR	-2.5 %
Total assets	17,512 kEUR	17,883 kEUR	-2.1 %
Equity capital	15,938 kEUR	16,493 kEUR	-3.4 %
Return on equity	5.9 %	4.3 %	35.6 %
Equity ratio	91.0 %	92.2 %	-1.3 %
Cash, cash equivalents and securities	7,656 kEUR	8,393 kEUR	-8.8 %
<b>Earnings per share according to IFRS (EPS)*</b>	0.10 EUR	0.08 EUR	25.0 %
Earnings per Share according to DVFA*	0.10 EUR	0.08 EUR	25.0 %
Number of employees at end of the period	76	73	4.1 %
Individual shares	4,500,000	4,500,000	
* based on individual shares in circulation	4,500,000	4,500,000	

## Consolidated profit and loss statement of 1 January 2006 to 30 June 2007

	Apr.-June 2007 EUR	Apr.-June 2006 EUR	Change	Jan.-June 2007 EUR	Jan.-June 2006 EUR	Change
Sales revenues	2,183,202	2,031,827	7.5%	4,269,274	4,213,353	1.3%
Change in inventory of semi-finished and finished products	-7,271	80,960	>-100.0%	57,399	97,277	-41.0%
Other capitalized own work	45,287	23,425	93.3%	74,018	51,195	44.6%
Other operating income	28,799	43,934	-34.4%	58,720	81,560	-28.0%
	2,250,017	2,180,146	3.2%	4,459,411	4,443,385	0.4%
Cost of materials						
Cost of raw materials, consumables and						
Goods for resale	-925,214	-1,015,653	-8.9%	-1,888,429	-2,013,241	-6.2%
Costs of purchased services	-71,600	-49,004	46.1%	-149,981	-94,087	59.4%
	-996,814	-1,064,657	-6.4%	-2,038,410	-2,107,328	-3.3%
<b>Gross profit or loss</b>	<b>1,253,203</b>	<b>1,115,489</b>	<b>12.3%</b>	<b>2,421,001</b>	<b>2,336,057</b>	<b>3.6%</b>
Personnel expenses						
Wages and salaries	-438,687	-426,787	2.8%	-896,644	-848,017	5.7%
Social security, pension and other benefits	-99,060	-95,574	3.6%	-188,850	-191,211	-1.2%
	-537,747	-522,361	2.9%	-1,085,494	-1,039,228	4.5%
Amortization of intangible assets and depreciation of tangible assets	-75,469	-86,860	-13.1%	-145,895	-161,705	-9.8%
Other operating expenses	-516,130	-483,557	6.7%	-934,594	-907,304	3.0%
<b>Operating result</b>	<b>123,857</b>	<b>22,711</b>	<b>&gt;100.0%</b>	<b>255,018</b>	<b>227,820</b>	<b>11.9%</b>
Dividend income	15,777	37,970	-58.4%	17,198	41,575	-58.6%
Income from securities trading	94,795	45,738	>100.0%	126,814	74,238	70.8%
Losses from securities trading	0	0		0	-35,069	-100.0%
Securities-related expenses	-6,760	0		-14,755	0	
Other interest and similar income	30,160	30,541	-1.2%	68,845	65,273	5.5%
Interest and other expenses	-1,927	-7,727	-75.1%	-1,929	-8,205	-76.5%
<b>Financial result</b>	<b>132,045</b>	<b>106,522</b>	<b>24.0%</b>	<b>196,173</b>	<b>137,812</b>	<b>42.3%</b>
<b>Profit (loss) on ordinary activities</b>	<b>255,902</b>	<b>129,233</b>	<b>98.0%</b>	<b>451,191</b>	<b>365,632</b>	<b>23.4%</b>
Income taxes	-16,761	-16,768	0.0%	-33,521	-34,003	-1.4%
<b>Net profit for the period</b>	<b>239,141</b>	<b>112,465</b>	<b>&gt;100.0%</b>	<b>417,670</b>	<b>331,629</b>	<b>25.9%</b>
Result allotted to other shareholders	-27,892	-15,592	78.9%	-51,599	-26,665	93.5%
<b>Group period result</b>	<b>267,033</b>	<b>128,057</b>	<b>&gt;100.0%</b>	<b>469,269</b>	<b>358,294</b>	<b>31.0%</b>
EBITDA	199,326	109,571	81.9%	400,913	389,525	2.9%
Earnings per share undiluted	0.06	0.03	100.0%	0.10	0.08	25.0%



**Consolidated balance sheet 30 June 2007**

Assets	30. June 2007 EUR	31. December 2006 EUR	Change
<b>A. Long-term assets</b>			
<b>I. Intangible assets</b>			
1. Development costs	373,457	356,150	4.9%
2. Software	31,732	34,951	-9.2%
3. Goodwill	75,750	75,750	0.0%
	480,939	466,851	3.0%
<b>II. Tangible assets</b>			
1. Land, land rights and buildings	1,386,276	1,423,559	-2.6%
2. Technical equipment and machinery	235,747	229,035	2.9%
3. Other equipment, factory and office equipment	168,470	127,586	32.0%
4. Prepayments	0	10,895	-100.0%
	1,790,493	1,791,075	0.0%
<b>III. Deferred taxation</b>	2,872,377	2,905,898	-1.2%
	<b>5,143,809</b>	<b>5,163,824</b>	<b>-0.4%</b>
<b>B. Short-term assets</b>			
<b>I. Inventories</b>			
1. Raw materials and supplies	921,865	979,283	-5.9%
2. Unfinished goods	645,956	673,780	-4.1%
3. Finished goods and merchandise	1,239,441	918,701	34.9%
	2,807,262	2,571,764	9.2%
<b>II. Receivables and other assets</b>			
1. Trade receivables	1,701,802	2,195,113	-22.5%
2. Tax receivables	167,882	116,133	44.6%
3. Other assets	35,145	56,876	-38.2%
	1,904,829	2,368,122	-19.6%
<b>III. Securities</b>	5,829,529	3,786,646	53.9%
<b>IV. Cash and cash equivalents</b>	1,826,695	5,129,570	-64.4%
	<b>12,368,315</b>	<b>13,856,102</b>	<b>-10.7%</b>
	<b>17,512,124</b>	<b>19,019,926</b>	<b>-7.9%</b>
<b>Equity and Liabilities</b>			
<b>A. Equity capital</b>			
I. Subscribed capital	4,500,000	4,500,000	0.0%
II. Capital reserves	7,570,000	7,570,000	0.0%
III. Other reserves	3,697,781	5,378,250	-31.2%
IV. Minority interest	169,812	56,616	>100.0%
	<b>15,937,593</b>	<b>17,504,866</b>	<b>-9.0%</b>
<b>B. Investments subsidies received</b>	<b>584,040</b>	<b>608,031</b>	<b>-3.9%</b>
<b>C. Short-term debts</b>			
1. Payments on accounts	15,757	22,451	-29.8%
2. Trade payables	378,979	282,251	34.3%
3. Tax liabilities	25,014	47,286	-47.1%
4. Other liabilities	570,741	555,041	2.8%
	<b>990,491</b>	<b>907,029</b>	<b>9.2%</b>
	<b>17,512,124</b>	<b>19,019,926</b>	<b>-7.9%</b>

## Group cash flow statement of 01 January 2007 to 30 June 2007

	Jan.-June 2007 kEUR	Jan.- June 2006 kEUR
Group period result	469	358
Earnings Minority interests	-52	-26
Other costs affecting income/expenses	15	0
Dividend income	-17	-42
Interest income	-69	-65
Interest costs	2	8
Decrease of deferred taxes	34	34
Depreciation on fixed assets	146	162
Income from securities trading	-127	-74
Losses from securities trading	0	35
Amortization of public grants and subsidies	-24	-40
Losses from disposal of fixed assets	2	0
<b>Gross cash flow</b>	<b>379</b>	<b>350</b>
Increase of inventories	-235	-221
Decrease of trade receivables and other assets	463	31
Decrease / increase in current liabilities and other liabilities	83	-2
Monies received from dividends	17	42
Monies received from interest	69	65
Cash outflow from interest	-2	-8
<b>Cash flow from operations</b>	<b>774</b>	<b>257</b>
Cash outflow for investments in fixed assets	-161	-126
Monies received based on financial assets	827	1,430
Cash outflow based on financial assets	-3,100	-2,773
<b>Cash flow from investments</b>	<b>-2,434</b>	<b>-1,469</b>
Cash inflow from minority interest	157	0
Dividend payments	-1,800	-1,440
<b>Cash flow from financing activities</b>	<b>-1,643</b>	<b>-1,440</b>
<b>Change in cash and cash equivalents</b>	<b>-3,303</b>	<b>-2,652</b>
<b>Cash and cash equivalents at beginning of the reporting period</b>	<b>5,129</b>	<b>5,965</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,826</b>	<b>3,313</b>

## Group equity change calculation by 30. June 2007

	Subscribed capital	Capital reserve	Other reserves		Accumulated earnings	Minority interests	Equity capital
			Market valuation reserve	Currency conversion reserve			
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>1. January 2006</b>	<b>4,500,000</b>	<b>7,570,000</b>	<b>150,816</b>	<b>4,542</b>	<b>4,834,408</b>	<b>62,522</b>	<b>17,122,288</b>
Not realized profit/losses from evaluation of securities			479,366				479,366
Currency conversion in the Group				-7		-6	-13
Dividend paid out to shareholders					-1,440,000		-1,440,000
Income and expenses included in equity capital			479,366	-7	-1,440,000	-6	-960,647
Group period result					358,294	-26,665	331,629
<b>30. June 2006</b>	<b>4,500,000</b>	<b>7,570,000</b>	<b>630,182</b>	<b>4,535</b>	<b>3,752,702</b>	<b>35,851</b>	<b>16,493,270</b>
<b>1. January 2007</b>	<b>4,500,000</b>	<b>7,570,000</b>	<b>78,591</b>	<b>2,205</b>	<b>5,297,454</b>	<b>56,616</b>	<b>17,504,866</b>
Foundation of the subsidiary Geratherm Respiratory GmbH						157,500	157,500
Not realized profit/losses from evaluation of securities			-357,331				-357,331
Currency conversion in the Group				7,593		7,295	14,888
Dividend paid out to Shareholders					-1,800,000		-1,800,000
Income and expenses included in equity capital			-357,331	7,593	-1,800,000	7,295	-2,142,443
Group period result					469,269	-51,599	417,670
<b>30. June 2007</b>	<b>4,500,000</b>	<b>7,570,000</b>	<b>-278,740</b>	<b>9,798</b>	<b>3,966,723</b>	<b>169,812</b>	<b>15,937,593</b>

## Segment reporting of 1 January 2007 to 30 June 2007

By Region	Germany		Europe		USA		Others		Total	
	Jan.- June 2007	Jan.- June 2006	Jan.- June 2007	Jan.- June 2006	Jan.- June 2007	Jan.- June 2006	Jan.- June 2007	Jan.- June 2006	Jan.- June 2007	Jan.- June 2006
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
<b>Sales revenues</b>	<b>820</b>	<b>812</b>	<b>1,933</b>	<b>2,037</b>	<b>601</b>	<b>575</b>	<b>915</b>	<b>789</b>	<b>4,269</b>	<b>4,213</b>
<b>Gross profit or loss</b>	<b>523</b>	<b>507</b>	<b>1,063</b>	<b>1,096</b>	<b>331</b>	<b>309</b>	<b>504</b>	<b>424</b>	<b>2,421</b>	<b>2,336</b>
<b>Operating results</b>	<b>55</b>	<b>49</b>	<b>112</b>	<b>107</b>	<b>35</b>	<b>30</b>	<b>53</b>	<b>42</b>	<b>255</b>	<b>228</b>
including:										
Amortization of intangible assets and depreciation of tangible assets	32	35	64	76	20	21	30	30	146	162
Amortization of public grants and subsidies	5	8	11	19	3	5	5	8	24	40
<b>Acquisition costs of fixed assets for the period</b>	<b>134</b>	<b>122</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>4</b>	<b>161</b>	<b>126</b>
<b>Book value of fixed assets</b>	<b>2,214</b>	<b>2,263</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>9</b>	<b>2,272</b>	<b>2,272</b>

According to areas of activity	Analogue Diagnostic Products		Digital Diagnostic Products		Others		Total	
	Jan.-June 2007	Jan.-June 2006	Jan.-June 2007	Jan.-June 2006	Jan.-June 2007	Jan.-June 2006	Jan.-June 2007	Jan.-June 2006
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Sales revenues</b>	<b>1,728</b>	<b>1,840</b>	<b>1,851</b>	<b>1,729</b>	<b>690</b>	<b>644</b>	<b>4,269</b>	<b>4,213</b>
<b>Gross profit or loss</b>	<b>1,226</b>	<b>1,292</b>	<b>772</b>	<b>595</b>	<b>423</b>	<b>449</b>	<b>2,421</b>	<b>2,336</b>
<b>Operating results</b>	<b>317</b>	<b>257</b>	<b>214</b>	<b>121</b>	<b>-276</b>	<b>-150</b>	<b>255</b>	<b>228</b>
Financial results							196	138
Taxes							-34	-34
Minority share in results							52	26
<b>Group period result</b>							<b>469</b>	<b>358</b>
including:								
Amortization of intangible assets and depreciation of tangible assets	49	56	40	27	57	79	146	162
Amortization of public grants and subsidies	10	17	10	16	4	7	24	40
<b>Acquisition cost of fixed assets for the period</b>	<b>18</b>	<b>27</b>	<b>36</b>	<b>0</b>	<b>107</b>	<b>99</b>	<b>161</b>	<b>126</b>
<b>Book value of fixed assets</b>	<b>754</b>	<b>850</b>	<b>287</b>	<b>283</b>	<b>1,231</b>	<b>1,139</b>	<b>2,272</b>	<b>2,272</b>
<b>Deferred taxes</b>					<b>2,872</b>	<b>2,930</b>	<b>2,872</b>	<b>2,930</b>
<b>Short- term assets</b>	<b>2,182</b>	<b>1,990</b>	<b>1,430</b>	<b>1,438</b>	<b>8,756</b>	<b>9,253</b>	<b>12,368</b>	<b>12,681</b>
<b>Total assets</b>	<b>2,936</b>	<b>2,840</b>	<b>1,717</b>	<b>1,721</b>	<b>12,859</b>	<b>13,322</b>	<b>17,512</b>	<b>17,883</b>
<b>Short- term liabilities</b>	<b>153</b>	<b>88</b>	<b>164</b>	<b>83</b>	<b>673</b>	<b>575</b>	<b>990</b>	<b>746</b>
<b>Investment subsidies received</b>					<b>584</b>	<b>643</b>	<b>584</b>	<b>643</b>

## Explanation of the IFRS Interim Group Financial Statement for the period of 1 January 2007 – 30 June 2007

### Balancing and evaluation methods

The Interim Group Financial Statement of Geratherm Medical AG for the second quarter of 2007 was prepared according to the rules of the International Financial Reporting Standards (IFRS), valid on the accounting date, and pursuant to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they are to be applied bindingly within the European Union.

All balancing, evaluation and consolidation principles were maintained, as detailed in the Annex of the Group Financial Statement 2006.

## Consolidated companies

There were changes to the group of consolidated companies during the second quarter of 2007. The consolidated companies comprise Geratherm Medical AG, GME Rechte und Beteiligungen GmbH, Geratherm Medical do Brasil Ltda., apoplex medical technologies GmbH and Geratherm Respiratory GmbH.

Company	Shareholding
GME Rechte und Beteiligungen GmbH, Geschwenda/Germany	100 %
Geratherm Medical do Brasil Ltda., Sao Paulo/Brazil	51 %
apoplex medical technologies GmbH, Pirmasens/Germany	60 %
Geratherm Respiratory GmbH, Bad Kissingen/Germany	55 %

## Explanations

### Long-term assets

As per 30 June 2007, development cost was activated for self-developed intangible assets in the amount of kEUR 74 (previous year: kEUR 51), relating to the development of the new Stroke Risk Analyser SRA IV for the prevention of strokes as well as initial investments for the new generation of warming systems.

Further additions to the long-term assets in the amount of kEUR 87 (previous year: kEUR 75) mainly relate to substitute investments in production plant as well as other furniture and fixtures.

### Short-term assets

The short-term assets display greater changes mainly in the items of securities and cash. As per 30 June 2007, the stock of securities increased by kEUR 3,100 (previous year: kEUR 2,773) through purchases. Securities were sold in the amount of kEUR 827 (previous year: kEUR 1,430). Thus, a profit in the amount of kEUR 127 (previous year: profit of kEUR 74; loss of kEUR 35) was realized. The purchasing cost as per 30 June 2007 in the amount of kEUR 6,108 (previous year: kEUR 4,450) is matched by a stock of securities evaluated as by the prices of 30 June 2007 in the amount of kEUR 5,829 (previous year: kEUR 5,080).

This results in non-realized profits and losses in the amount of kEUR -279 (previous year: kEUR 630). These are included in the item of market evaluation provisions in equity capital.

The change in the available cash was altogether kEUR -3,303 (previous year: kEUR -2,652). This is mainly due to the payment of the dividends on 12 June 2007 in the amount of kEUR 1,800 (previous year: kEUR 1,440) and the investment in the form of securities.

### Equity capital

The subscribed capital of Geratherm Medical AG amounted to EUR 4,500,000 on 30 June 2007 and is split into 4,500,000 shares in the name of the bearer. The subscribed capital has been paid in full. The company did not own any own shares on 30 June 2007.

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

No audit has been conducted on the half-year financial report by an auditing company.

### Responsibility Statement pursuant to Section 37y WpHG (Securities Trading Act) in connection with Section 37w Para. 2 No. 3 WpHG (Securities Trading Act)

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Geschwenda, dated August 2007



Dr. Gert Frank  
Chairman of the Board



Thomas Robst  
Director of Sales & Marketing

## Dates for futher reporting 2007

Interim Report 3<sup>rd</sup> Quarter 2007  
22 November 2007



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Medical Diagnostic Systems

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