

Geratherm®



"Investing in Health Care"

Annual Report
2007

GERATHERM MEDICAL
2007
2006
**Change
over 2006**

Turnover	8,802 kEUR	8,590 kEUR	2.5%
including export share	7,082 kEUR	6,814 kEUR	3.9%
Export rate	80 %	79 %	1.3%
Gross result (EBITDA)	931 kEUR	1,001 kEUR	-7.0%
EBITDA - margin	10.6 %	11.7 %	-9.4%
Depreciation	-314 kEUR	-343 kEUR	-8.5%
Operating result (EBIT)	617 kEUR	658 kEUR	-6.2%
Result of ordinary activities	1,440 kEUR	1,957 kEUR	-26.4%
Financial result	823 kEUR	1,299 kEUR	-36.6%
Shareholder result	1,393 kEUR	1,903 kEUR	-26.8%
At a glance			
Long-term assets	5,154 kEUR	5,164 kEUR	-0.2%
Short-term assets	13,012 kEUR	13,856 kEUR	-6.1%
Balance sheet total	18,166 kEUR	19,020 kEUR	-4.5%
Equity capital	16,378 kEUR	17,505 kEUR	-6.4%
Equity return	8.5 %	10.9 %	-21.8%
Equity ratio	90.2 %	92.0 %	-2.0%
Cash and securities	7,968 kEUR	8,916 kEUR	-10.6%
Result per share pursuant to IFRS (EPS)*	0,31 EUR	0,42 EUR	-26.2%
Result per share pursuant to DVFA *	0,31 EUR	0,42 EUR	-26.2%
Suggested dividend per share	0,30 EUR	0,40 EUR	-25.0%
Staff number (annual average) without boards	78	72	8.3%
No-par shares	4,500,000	4,500,000	
*relating to non-par shares in circulation	4,500,000	4,500,000	

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Business Year 2007

Turnover increase + 2.5%

Operating profit + kEUR 617

Financial result + kEUR 823


Shareholder result + kEUR 1,393

Result per share 31 cents (previous year: 42 cents)

Tax-neutral payout 30 cents per share

Further growth planned for 2008

We are expanding our strategic focus

A photograph of two surgeons in an operating room. The surgeon in the foreground is wearing a blue surgical cap, clear protective eyewear, and a blue surgical mask. He is looking directly at the camera. The surgeon in the background is also wearing a blue surgical cap and is looking towards the camera. The background shows surgical lights and medical equipment.

„Geratherm Medical develops, produces and markets products in the areas of Cardio, Temperature Management and Respiratory”

Dr. Gert Frank - CEO

Rudolf Bröcker

Supervisory Board Chairman



Throughout the past business year of 2007, the Supervisory Board monitored and advised the Board of Management prudently and regularly. The Board of Management briefed the Supervisory Board regularly, timely and comprehensively, providing oral and written information about all the issues relevant to the company, concern-

ing the business development, the risk situation and the risk management. The Supervisory Board convened for four sessions in the business year of 2007 to discuss these matters.

Apart from the regular exchange of information between the Supervisory Board and the Board of Management, the Chairman of the Supervisory Board and the Board of Management discussed individual items over the telephone regularly. The Board of Management coordinated the strategic alignment of Geratherm Medical with the Supervisory Board, especially setting up and integrating the new business area of Respiratory. The broader line-up of Geratherm Medical AG, including the areas of Cardio-Stroke / Temperature Management / Respiratory, was supported by the Supervisory Board. The new strategy was accompanied on the background of the necessary impulses for growth for Geratherm as well as under the aspect of risk diversification.

There were no conflicts of interest of its members brought to the attention of the Supervisory Board in 2007, so that every member was able to participate in every discussion and decision.

The regular meetings of the Supervisory Board focussed on the current business development, the financial situation and the future financial structure as well as the financial investments conducted. The Chairman of the Supervisory Board was informed on the value of these financial investments at least once a month. The coordinated strategy – to concentrate securities investments primarily in the area of the MedTech-Biotech industry – was implemented in 2007.

At the shareholders' meeting in Frankfurt am Main on 11 June 2007, Mr. Firus Mettler was elected a new member of the Supervisory Board to replace Dr. Gmür, who returned his mandate for reasons of retirement.

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

Report of the Supervisory Board

the unqualified audit certificate for the business year of 2007 by the auditors commissioned, the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Jena. 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.

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.

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

At its meeting on 14th of march 2008, the Supervisory Board approved of the Annual Accounts of 31 December 2007 and the Group Financial Statement according to IFRS, which are thus agreed. The Supervisory Board agreed 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 30 Cent per no-par share for the year 2007.

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 to be 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 successful work in the business year 2007.

Geschwenda, dated this day 14th of march 2008

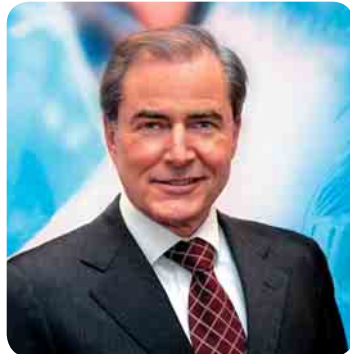
For the Supervisory Board



Rudolf Bröcker – Chairman of the Supervisory Board

Dear shareholders and friends of Geratherm,

Dr. Gert Frank
Chairman of the Board



We were able to conclude the business year 2007 with a positive result. The core business of Geratherm took a sound course. We were able to achieve an after tax result of EUR 1.39 million or 31 cents per share respectively from the operations and financial results.

The result is lower than that of the previous year, which was determined by much higher financial results. All in all, we are satisfied with the course of our activities.

We have moved a bit closer to attaining our goal of broadening the basis of Geratherm Health Care and positioning it in the higher MedTech range.

Report of the Managing Board

The awards we have won throughout the 2007 business year also reflect that Geratherm is regarded as an innovative company. In the area of temperature management, Geratherm Medical was presented with the Frost & Sullivan Award 2007. Geratherm received this Award from Frost & Sullivan for the remarkable contribution in the area of vital body data (temperature measurement). We regard this distinction as a confirmation of the route we have adopted and as a stimulus to continue to be among the leading companies within the area of **medical temperature measurement**.

Our activities in the **Cardio/Stroke** segment are meeting with growing interest in the health sector. In October 2007, the Kaufmaennische Krankenkasse (KKH – a health insurance provider) presented us with the Innovation Prize 2007 for the development of a stroke early-warning system, the so-called SRA method. The Cardio/Stroke activities are bundled in the apoplex subsidiary.

In the middle of the business year, we set up our third pillar, Respiratory. The company deals with innovative products for pulmonary function diagnostics. The newly developed products will be brought to the market as of March 2008.

In summary, we are confident that the Geratherm company has been set up properly for the medium term. The three areas of Cardio/Stroke – Temperature Management and Respiratory are operating more or less independently of one another. However, within the framework of Geratherm Health Care, the market presentation has been designed to comprise all three areas, availing of the respective synergies.

The business activities of Geratherm Medical were set into positive international framework conditions. The burden of the severe dollar decline could be balanced out by the purchasing side. The financial independence enabled Geratherm to finance the business activities independent of the banks. The customer basis is stable and there is a high export share.

The development on the international financial markets provided for a very heterogeneous picture in 2007. The problems of the US-American real estate market reached the board rooms of international banks in the middle of the year. The insecurity of the economic developments as well as the banking crisis put the international share markets under great pressure at the end of the year. The great performance growth, as seen in the German DAX share index, near to evaporated during the first weeks of the new year.

“We have moved a bit closer to attaining our goal of broadening the basis of Geratherm Health Care and positioning it in the higher MedTech range.”

We have maintained our strategy of investing cash more in securities of the health care sector. During the course of the year, we availed of attractive investment opportunities and mainly developed our previous positions further. Despite the most careful selection, we were not able to avoid the market development completely. However, we achieved a much better result than comparable indices. Altogether, we were able to record a slight plus as per 31 December 2007. The value of our investments was driven clearly by our engagement in the US biotech companies Onyx and Rigel. Both more than tripled. The latter security was realised and we were able to achieve a positive financial result for 2007.

The business year 2007 did not turn out an excellent but a good business year. We were able to achieve the greatest part of the goals set for 2007. The core business continues to be stable and enables us to penetrate into new operational areas of business. The latter are still burdening the operational result much but we believe that they are of great significance in

the medium-term for the future of Geratherm. We see growth potential for the company in high-yield innovative products. Furthermore, we regard the route adopted as the right one, which is to position Geratherm as a competitive MedTech company in the market over the medium-term.

“We see growth potential for the company in high-yield innovative products.”

The turnover of Geratherm increased slightly by 2.5% to reach EUR 8.8 million in 2007. The operating result (EBIT) remained more or less stable at kEUR 617. The start-up losses of apoplex medical GMBH and Geratherm Respiratory GmbH continued to burden the result. Without this burden from the new business areas, the EBIT yield of the Geratherm Medical AG core business stood at 10.8%. Looking ahead at the year 2008, we expect that the burden from the new business areas will decrease significantly or that initial turnover and results will contribute to the result of the Group, respectively.

Report of the Board

In the 2007 business year, we were able to achieve a result of ordinary business activities in the amount of kEUR 1,440 (previous year: kEUR 1,957). The significant reduction of the deferred tax credit – due, on the one hand to the new tax laws and, on the other hand, to the change in the assessment of the usability of losses carried forward – reduced the result for the shareholders of the parent company to kEUR 1,393 (previous year: kEUR 1,903). The result per share dropped to 31 cents (previous year: 42 cents).

We would like to thank our shareholders, customers and staff for the trust displayed and commitment to Geratherm.

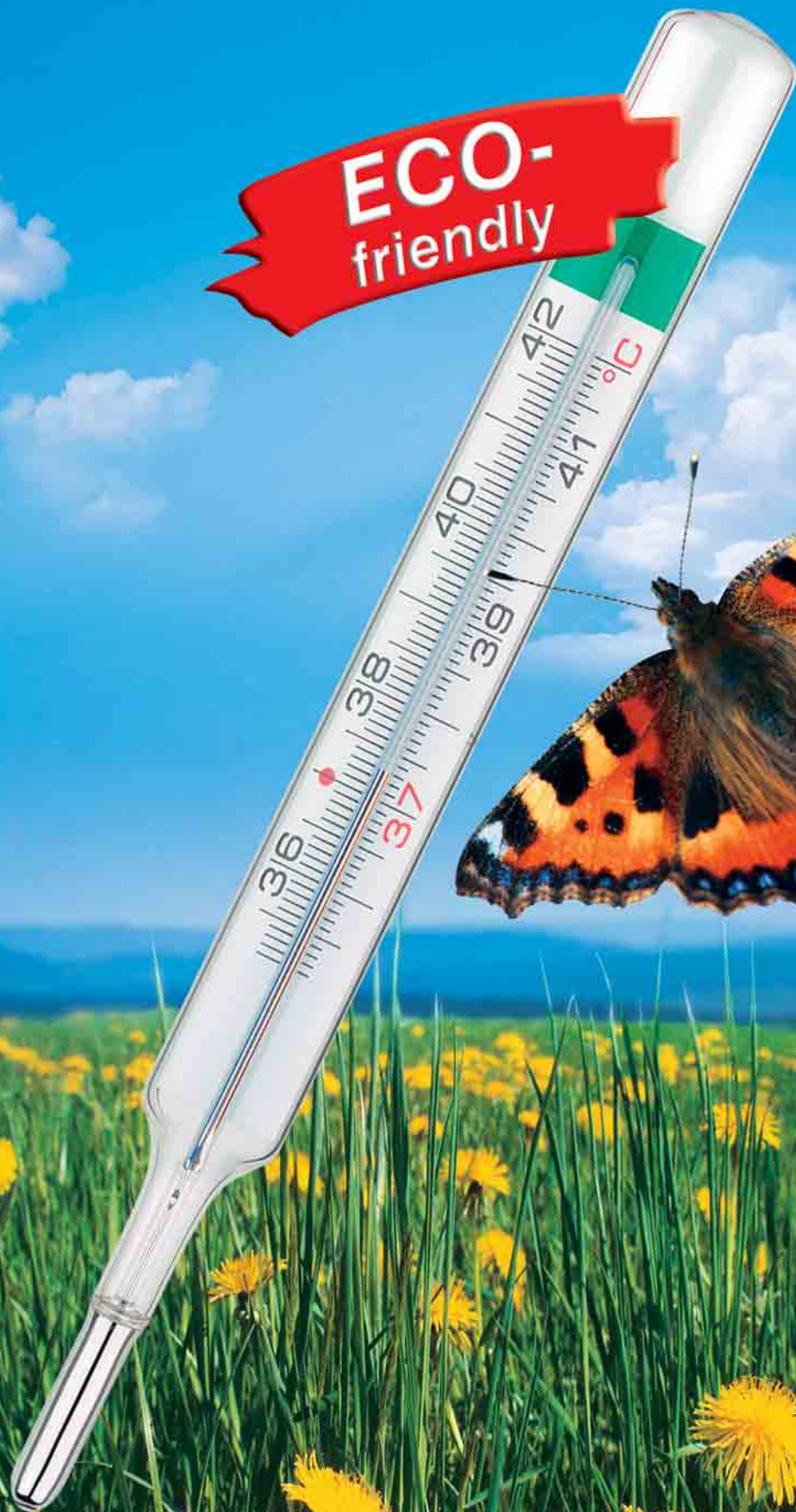
This year's Shareholders' Meeting will take place in Frankfurt on Main, Hotel Hessischer Hof, on 9 June 2008. We would like to invite you cordially and look forward to welcoming you in Frankfurt on that day.

Yours faithfully



Dr. Gert Frank

**ECO-
friendly**

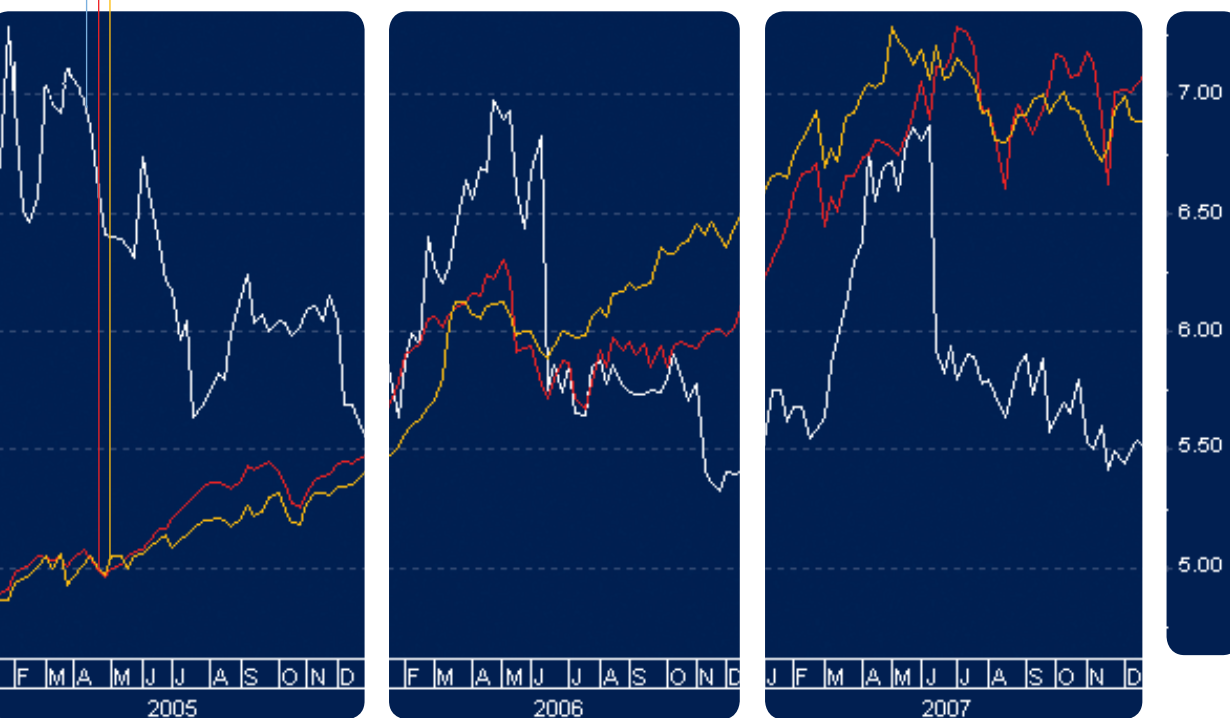


The Geratherm share

The stock markets developed altogether positively throughout the course of the year 2007, however, with very different outcomes. The German share market (DAX) spearheaded the development with a plus of 22%. The EURO-STOXX-50-Index, with a plus of 7%, lagged behind clearly, as did the American S&P 500 market index with a plus of 4%. The health area trailed behind this development significantly by the end of the year. There was more or less no index of the Med-tech/Biotech/Pharma area that was able to record a positive development in 2007. This development changed sharply in the first weeks of January 2008, however. Especially the 2007 stock market gains of the German share index DAX were burnt up during the first weeks of the new year.

GME – Geratherm Medical
PRIME PHRM&HCR
GEX TOTAL RETURN I

The share of Geratherm Medical AG was able to track a stable course during 2007. The volatility of the share was low. The range of the share price was between EUR 7.00 at the peak and EUR 5.25 at the trough. The year-end price in Xetra trading stood at EUR 5.60 and, thus, more or less at the level of the previous year.



The trading volume of the Geratherm share in 2007 at the German stock exchanges (Xetra) amounted to 698,281 items (previous year: 664,514). The major part of the transactions was conducted through the electronic platform Xetra of the German Stock Exchange

(Deutsche Börse). The average daily turnover stood at 2,984 items. The highest daily turnover was recorded at 27,496 shares in April.

The Geratherm share was listed for official trading at the Frankfurt Stock Exchange first in the year 2000. The share of the company is listed in the so-called Prime Standard, the highest quality segment. Furthermore, Geratherm Medical AG is listed in the so-called German Entrepreneurial Index (GEX-Index) and the German Health Care Index. The above graph shows the chart curve of the Geratherm share over the past 3 years in comparison with the GEX and the Prime & Health Care Index. The company has a stable shareholder structure of approx. 1,700 shareholders. The free float of the company amounts to 39.7%.

Geratherm Medical undertakes to provide the most frank and transparent financial reporting possible. This relates to the product range, our customers and markets that form the foundation for our business activities. Our focus is on a sound and continuous development of the Geratherm Medical company.

We make available to our shareholders and interested parties in Geratherm topical information as promptly as possible within the framework of our investor relations activities. All news and publications are available from the Investor Relations section of our corporate website (www.geratherm.com).

“On the basis of the Xetra closing price of EUR 5.60 at the 2007 year end, this amounts to a net dividend yield for our shareholders of 5.4%.”

Within the framework of our investor relations activities, we took part in the MedTech Day in Frankfurt in April 2007. All the major German listed medical technology companies presented themselves to international investors at this event. In addition, we conducted road shows for German and French investors in the months of June and July 2007.

The result per share was 31 cents (previous year: 42 cents) in the business year of 2007. The current as well as the future payouts will be taken from the tax deposit account. Geratherm Medical AG still has a tax credit balance in the deposit account (Section 27 German Corporation Tax Law - KStG) in the amount of EUR 20 million.

The Supervisory Board and the Board of Management of Geratherm Medical will suggest to the Shareholders' Meeting on 9 June 2008 to effect a tax-neutral payout from the deposit account (dividend) to our

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Geratherm-Share

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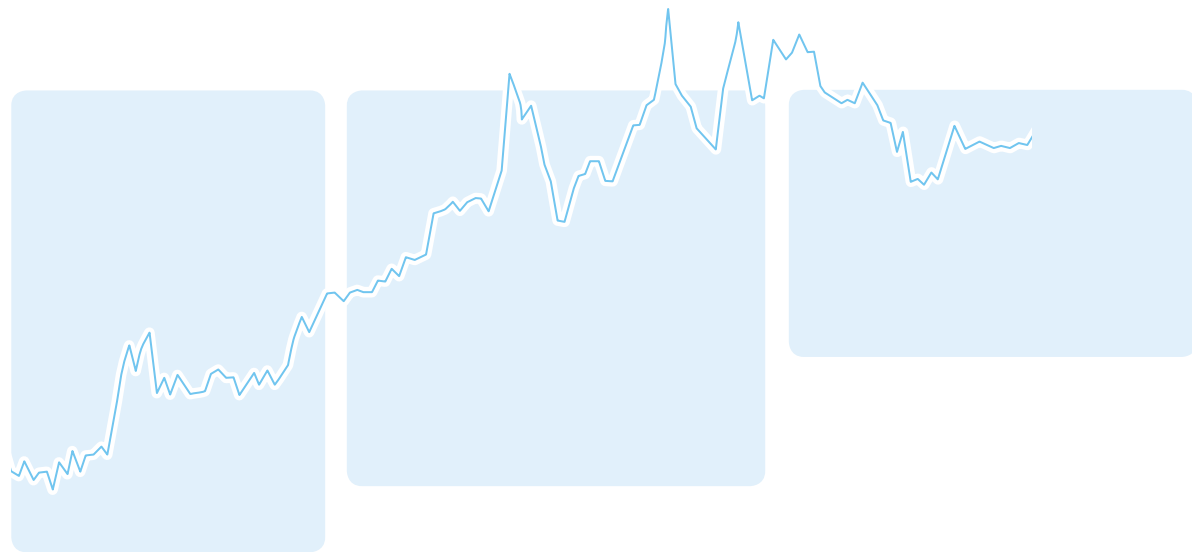
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shareholders. From the balance profit established on 31 December 2007 in the amount of EUR 2,787,412, a dividend of EUR 1,350,000 is to be paid out. This corresponds with a dividend of 30 cents per no-par share. The remaining sum will be carried forward to new account.

On the basis of the Xetra closing price of EUR 5.60 at the year end of 2007, this amounts to a net dividend yield for our shareholders of 5.4%.

We will endeavour to achieve an adequate yield and increase in value for the capital made available to us by the shareholders also in the future.



“Tax-neutral payout (dividend) suggested”

Operational Product Areas

Geratherm Medical AG has a sound core business. The products for the measurement of body temperature and blood pressure are sold exclusively to pharmacies and hospitals in more than 60 countries. This core business will most likely add a stable contribution towards the success of the company also in the years to come.

We have decided to penetrate two new fields of business with a relatively high expenditure of which we believe that they serve discerning markets and will provide for a sufficient margin in the medium term.

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Cardio/Stroke

Screening for cardiac arrhythmia



Temperature Management

Measurement and maintenance of body temperature



Respiratory

Pulmonary function diagnostics





Cardio/Stroke

The product area of Cardio/Stroke is focussed in the subsidiary apoplex medical technologies GmbH, Pirmasens. Geratherm holds 60% of the company. The management of apoplex medical holds the other 40%. All shareholders have accompanied the development of the company financially in 2007, just as in the years before.

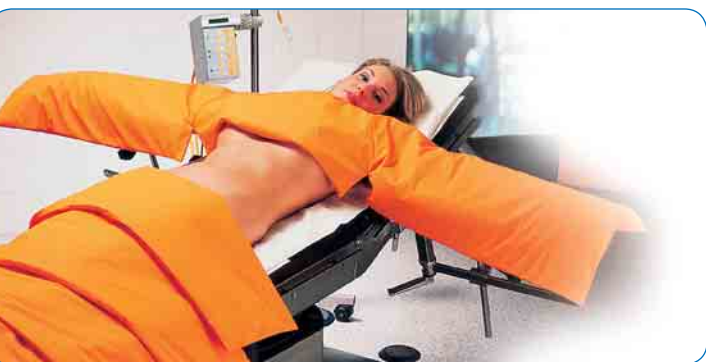
In the product area of Cardio/Stroke of apoplex, products are being developed and sold that are dedicated to the detection of cardiac arrhythmia. Cardiac arrhythmia is one of the lead causes for stroke. The patient solution offered by apoplex is a screening method for the detection of atrial fibrillation. This preventative analysis serves the early detection of atrial fibrillation in patients who display a respective disposition due to their age and their individual risk factors. The aim is to prevent stroke. Atrial fibrillation is the most frequent significant cardiac arrhythmia and is observed in some 0.4 to 2% of the general population. On average, 6% of the patients with atrial fibrillation suffer a stroke. 15 to 20% of all strokes occur during atrial fibrillation.

Operational Product Areas

Thanks to the screening method introduced to the market by apoplex, risk patients with atrial fibrillation are to be identified and treated in a targeted manner. This is to reduce the risk of a patient suffering a stroke by 30%. An early detection and therapy of atrial fibrillation is to prevent vascular dementia and the connected subsequent cost.

Temperature Management

Building on our know-how in the area of body temperature measurement, we are undertaking greater efforts to penetrate more complex

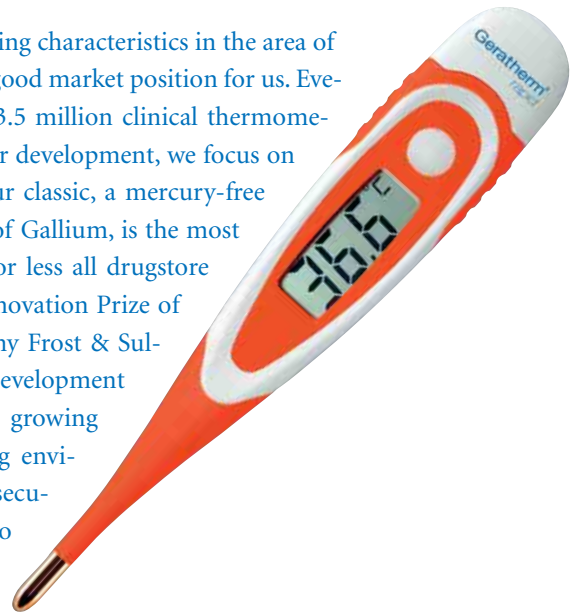


product areas. One product area within this strategy are **medical warming systems** for the operating theatre, cosmetic surgery and the emergency services. Furthermore, there is a high demand for the warming systems in the military field. The Geratherm products are always used wherever it is necessary to keep the body temperature at a certain life-sustaining level. The warming systems represent a niche

market of an international nature. Geratherm has a technological foundation with unique differentiating features and a brand of a high degree of familiarity in the area of temperature management. In order to expand our competitive position further, we have developed a new generation of warming systems on a digital basis, which we will sell as of mid 2008.

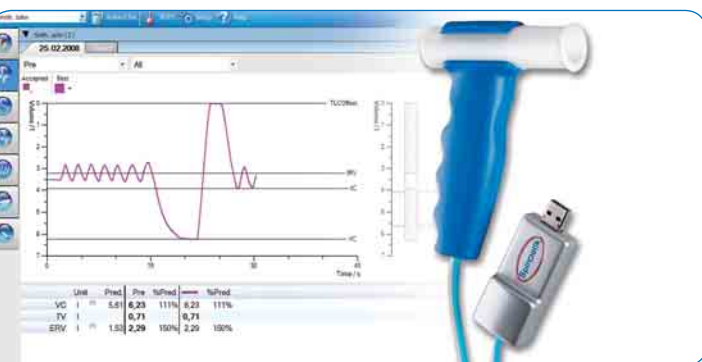
Geratherm enjoys a high degree of brand awareness for the manufacture of a broad range of **clinical thermometers**, which continue to form a stable pillar of the company and are distributed internationally through pharmacies and hospitals.

Geratherm features unique differentiating characteristics in the area of clinical thermometers, which secure a good market position for us. Every year, Geratherm sells approx. 3 to 3.5 million clinical thermometers on the international market. In our development, we focus on environmentally friendly products. Our classic, a mercury-free thermometer that works on the basis of Gallium, is the most sold product and is offered by more or less all drugstore chains in the USA. We received the Innovation Prize of the American market research company Frost & Sullivan at the beginning of 2007 for the development of a solar clinical thermometer. The growing awareness of the consumers regarding environmentally friendly products should secure market prospects for Geratherm also in the years to come.



“Geratherm features unique differentiating characteristics in the area of clinical thermometers, which secure a good market position for us.”

Using the same distribution channels, we also market blood-pressure measuring devices. Within the framework of a niche policy, we try to offer blood-pressure measuring devices that live up to the discriminating demands of pharmacies. We provide products for measurements on the upper arm or the wrist. Both products are offered with integrated arrhythmia detection respectively.



Respiratory

Geratherm Medical Diagnostic has been expanded by the area of Respiratory in the year 2007. These activities are focussed in an own subsidiary called Geratherm Respiratory GmbH, Bad Kissingen. Geratherm Medical holds 55% of the shares. The management of the company holds 45%. Geratherm Respiratory develops, manufactures and distributes products for the diagnosis of pulmonary function diseases.

Geratherm Respiratory develops, manufactures and distributes products for the diagnosis of pulmonary function diseases.

For a pulmonary function test (spirometry), the patient draws in and exhales air as hard as he can while blowing into a measurement instrument. Thus, the function of the lung and the respiratory system may be assessed with the help of various flow measurements.

“Geratherm Respiratory develops, manufactures and distributes products for the diagnosis of pulmonary function diseases.”

Operational Product Areas

The main product called “Spirostik”, newly developed by Geratherm Respiratory, is a PC-bound open spirometry system, which is used by general practitioners, internists, lung specialists and industrial health doctors for pulmonary function diagnostics. This product is supported by a diagnosis software, which meets the latest clinical demands.

Apart from the spirometers, filters are also being offered that form a highly efficient protection against bacteria and viruses and may be used in more or less all the popular pulmonary function test devices of various manufacturers.

The products of Respiratory have meanwhile been approved of, and delivery will commence at the beginning of the 2nd quarter of 2008.



Investment in Health Care

Also in the current business year, the investment idea of investing available cash in securities has been pursued further.

The investments within the framework of this strategy were concentrated on companies from the health care area only. At the end of the year, the amount of securities investments stood at EUR 5.9 million (previous year: EUR 3.8 million). This represents a 74% proportion of securities investments of the available cash. The profit realised from these positions amounted to kEUR 740. The book losses on the reference date amounted to kEUR 717. Altogether, a gross yield of 0.4% could be generated for the capital invested as per 31 December 2007. This is probably no impressive result judging by the absolute numbers. However, this is a decent result indeed comparing it with the Dow Jones Stock Health Care Index (-10.6%), the Nasdaq Biotechnology Index (+4%) and the German Pharma & Health Care Index (-1.1%).

Within the investment range of health care, we have concentrated on such companies that are active in the area of early detection of cancer, treatment of cancer, vaccines and age-related diseases (CNS) in the broadest sense. Due to the demographic development with an ageing population, the number of cancer cases and age-related diseases will grow over the years to come. This is even compounded by the improved methods of early detection. There is an unchanged high medical need for early diagnosis methods and targeted, effective and at the same time tolerable drugs. Within the framework of preventative treatment, vaccines take on a greater significance in the fight against cancer.

“Within the investment range of health care, we have concentrated on such companies that are active in the area of early detection of cancer, treatment of cancer, vaccines and age-related diseases (CNS) in the broadest sense.”

As our investment strategy is of a medium to long-term nature, there have not been any major changes in the portfolio selected and structured by us.

We have held on to our position in **Novavax**, an important and innovative vaccine manufacturer in the USA. We participate in the success of the cancer drug Tarceva through our investment in the company **OSI Pharmaceuticals**. This cancer drug is being distributed by Roche. Tarceva was one of

the most sold cancer drugs of the Roche Group in 2007. **Onyx Pharmaceuticals** is the manufacturer of the new kidney and liver cancer drug Nexavar, marketed by Bayer. Nexavar is currently the main cancer drug of Bayer.

NOVAVAX

evotec

(osi) pharmaceuticals

adolor
CORPORATION

Onyx
PHARMACEUTICALS

Eckert & Ziegler

epigenomics

sanofi aventis

We sold our position in **Rigel** completely in December 2007. Following the publication of positive results of a Phase II trial, the share price had more than tripled. This sale also represents the major part of the realised annual profits from financial yields.

The **Adolor** position did not develop according to our expectations. However, we are optimistic that the FDA will issue its approval for the analgesic drug Entereg, marketed by GSK, on 10 May 2008.

Biotech companies had a very weak year in Germany, as many German hopefuls were not able to meet the expectations. Our investments in **Evotec** and **Epigenomics** were not able to withstand this downward trend either, unfortunately. Even though we believed that we had purchased our shares in these companies at favourable initial prices, there were book losses. Through the planned merger of **Evotec/Renovis** and the capital increase at **Epigenomics**, we will be able to develop these two positions at attractive conditions in 2008.

We have added the companies **Sanofi-Aventis** and **Agfa Gevaert** newly to our securities portfolio. Sanofi-Aventis is the world market leader in the area of vaccines and is one of the

largest international pharmaceutical companies. Agfa Gevaert is a world-wide leader in the area of health care IT.

Geratherm endeavours to build a very balanced portfolio in the area of health care. We are aware of the risks of such an engagement. However, we are convinced that we are able to achieve yields that are interesting for the company Geratherm and our shareholders.

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Group Management Report 2007

1. General course of business

The Geratherm Medical Group can look back on an eventful and successful business year 2007. The mainstay was the sound core business of the Group in which a moderate increase in turnover led to an above-average operating result. The range of Geratherm Medical's business activities was expanded by the addition of the Respiratory business area (pulmonary diagnostics). As a result, Geratherm Medical now comprises the Cardio, Temperature Management and Respiratory business areas.

In a generally positive economic environment, the world economy saw robust development during 2007. Weakening tendencies on the US market were offset by stable development in Europe and continued strong growth rates in Asia. The main theme of the year 2007 was without doubt the US sub-prime mortgage crisis, which caused turbulence on the international credit and financial markets. The prices of raw materials remain high. The euro increased further in value against the US dollar, reaching a record exchange rate of more than 1.49 USD per EUR. This has had long-term effects on exports to the dollar area.

„The range of Geratherm Medical's business activities was expanded by the addition of the Respiratory business area”

According to figures published by the International Monetary Fund (IMF), global economic growth in 2007 amounted to 4.9 % (previous year: 5 %). The US economy developed at a below-average rate but overall this was more than offset by growth in the threshold countries. The German economy saw vigorous growth for the second year in succession. According to preliminary figures, its gross domestic product (GDP) increased by 2.5 % compared with the previous year. Thus, the German economy continued to experience strong growth despite the financial crisis. This growth was again generated primarily by German exports.

The most important risk for global economic prospects in 2008 is the continuing turbulence on the financial markets, which may adversely affect domestic demand in the industrial and threshold countries.

The international market for medical technology is continuing to develop well thanks to the positive long-term underlying circum-

stances, such as the ageing population and the increasing need for medical technology in the aspiring threshold countries. The largest market for medical technology, however, is still the USA. Significant losses were incurred owing to the weakness of the dollar (-11.7 % over the course of the business year) against the euro and the resulting currency losses, as well as through the increasingly restrictive treatment of the health budget in the USA. During the forthcoming year the demand for medical technology on the American market is again set, at best, to stagnate. After many years of huge investment on the US market, the health sector is now facing financial constraints. A US budgetary law passed in 2006 requires savings of 40 billion dollars to be made over the next five years – primarily in the health sector.

„In the medium to long term, the market for medical technology is regarded as an attractive growth market.”

The booming med-tech markets in the Middle East and in Asia will only be able to offset the decline to a certain extent. Cost pressure also continues in Germany – at the same time as demands for improved, efficient performance and greater innovation, along with a trend towards the interlinking of patient data. In the medium to long term, the market for medical technology is regarded as an attractive growth market.

2. The economic situation of Geratherm Medical

2.1. General overview

Geratherm Medical's targets for the year 2007 were largely achieved. As regards turnover, the business year ended with an increase of 2.5 %. The decrease in value of the dollar (-11.7 %) had a negative effect. On the other hand, business in South America developed positively. The Group's gross profit rose by 7.7 %.

The consolidated operating result (EBIT) remained slightly below the previous year's level. The subsidiary Geratherm do Brasil Ltda., Brazil, was again able to report a positive result for the business year

The operating result continued to be adversely affected by the start-up losses of the Cardio/Stroke and Respiratory business areas. The appointment of additional staff and preproduction personnel costs caused a significant increase in expenditure recorded under payroll costs and the other operating expenses.

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Geratherm-Share

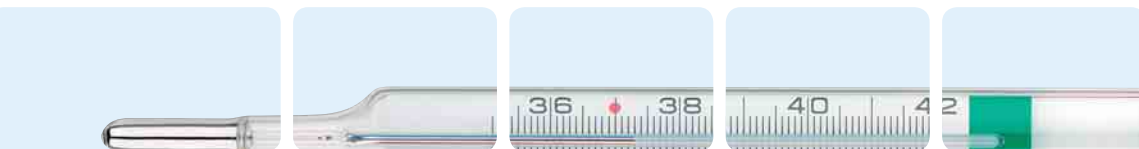
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Current expenditure for the Cardio/Stroke business area again increased by around 100 kEUR compared with the previous year, reaching 291 kEUR. The subsidiary apoplex medical technologies GmbH, in which the Cardio/Stroke activities are concentrated, was therefore an above-average burden on the operating results of Geratherm Medical.



Start-up losses amounting to 34 kEUR were also experienced in the newly established Respiratory business area, whose activities are concentrated in the company Geratherm Respiratory GmbH.

Our plans for 2008 anticipate significant increases in turnover for these two new areas. For the Respiratory area, we plan to move into the profit zone. For the Cardio/Stroke area we still expect losses, but at a much lower level than in the previous year.

Group Management Report

After a very good financial result in 2006, the capital markets had a difficult year in 2007. Our decision to concentrate on international healthcare stocks was not well supported by the market.

The development of the healthcare sector on the international capital market – as well as the financial sector – was below average. In 2007 it was not easy to record positive performance in the healthcare sector. Overall, Geratherm was able to generate small gains from its securities. Through the realisation of book profits, in particular through the sale of shares in the US bio-tech company Rigel Pharmaceuticals Inc., and through the income from dividends and interest, the financial segment was able to contribute net earnings of 823 kEUR to the Group's consolidated operating result. Net book losses of 717 kEUR, which had not yet been realised by the reference date, are recognised directly in equity and are recorded in the market valuation reserves. Both the operating and the financial result show significantly lower, but still attractive, earnings for the Group than in the previous year.

The core business of Geratherm Medical up to now has been the manufacture and marketing of products in the field of medical **Temperature Management**. The core business area embraces a broad range of ther

monometers, warming systems and blood pressure gauges. The products are sold exclusively to pharmacies and hospitals. The Temperature Management business area currently accounts for 89.4 % of the Group's turnover.

Turnover according to product groups	2007 kEUR	2006 kEUR	Veränderung
Thermometers	5,542	5,363	+3.3%
Warming systems	499	592	-15.7%
Blood pressure monitors	1,830	1,772	+3.3%
Other products	931	863	+7.9%
Total	8,802	8,590	+2.5%

The main products are still **thermometers**, which account for 63.0 % of turnover in the core business area. Geratherm Medical is in a good competitive position in this area. Over the past few years its market share has been reinforced through the introduction of innovative products. The Group is increasingly concentrating on the higher-value segment. Geratherm products are predominantly purchased by pharmacies and hospitals.

Although the number of thermometers sold has remained more or less constant at around 3.2 million units, the turnover has increased slightly, growing by 3.3 %. The market is continuing to develop, as in the past few years, away from analogue and towards digital thermometers. We picked up on this trend at an early stage. Despite strong competition, the digital thermometers business area has been a generator of growth for a number of years now. Again in 2007, turnover in the digital thermometer area increased to 2.3 million EUR (+26.1 %). The new product "Geratherm rapid", a very fast thermometer which provides a reading within 9 seconds, has won a high degree of acceptance since its launch onto the market. The new products launched earlier, "Geratherm flex" and "Geratherm duotemp" have maintained their rates of growth.

In the 2007 business year, we continued to concentrate on building up the Warming Systems product group. Geratherm warming systems are complex products designed to maintain the patient's body temperature during operations and emergency rescue missions. A large proportion of our investment budget went into the development of a new generation of digital control systems. We hope this will help us to further enhance our competitive edge. As well as introducing these new systems

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in 2008, we intend to focus on improving our distribution structure and market penetration. The warming systems are offered to hospital clients via specialised med-tech distributors. Owing to the narrowness of the market, sales in the emergency rescue field are conducted directly by Geratherm.

This product group is expected to grow strongly over the next few years. Turnover in 2007 amounted to 499 kEUR. Owing to a large order towards the end of 2006, the turnover for 2007 was 15.7 % lower than in the previous year. However, we are confident that significant growth will be recorded in the 2008 business year.



The product group **Digital blood pressure monitors** also recorded a 3.3 % increase in turnover in 2007, accounting for 20.8 % of the total turnover of Geratherm Medical. Blood pressure gauges for professional purposes, mainly for pharmacies and hospitals, are sold. The main markets for products of this kind were Europe (23 %) and the prospering markets of South America (45 %) and the Middle East (12 %).

The **Other products** business area encompasses, among other things, the sale of the gallium alloy to third parties, accounting for a turnover of 155 kEUR, and the turnover from the new Cardio/Stroke and Respiratory areas, which account for 68 kEUR.

The structure of the sales of Geratherm products in the individual countries is basically the same. All in all, the products are exported to 60 countries.

Turnover according to region	2007 kEUR	2006 kEUR	Change
Germany	1,720	1,775	-3.1%
Europe	3,855	3,540	+8.9%
USA	1,185	1,298	-8.7%
South America	1,263	918	+37.6%
Middle East	387	546	-29.1%
Other	392	513	-23.6%
Total	8,802	8,590	+2.5%

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Internationally, Geratherm Medical recorded sales amounting to 7.1 million EUR. The proportion of exports was 80.5 %, an increase of 3.9 % compared with the previous year. We regard the consistently high proportion of exports as an indication of the competitiveness of Geratherm products on the international market.

The turnover share in Germany was 19.5 % of the total turnover of 8.8 million EUR. As in the previous year, sales on the domestic market declined, registering a decrease of 3.1 %. The market situation in Germany is still characterised by a high degree of price sensitivity and intense competition.

The turnover split among the various regions generally corresponds to that of the previous year. Good results were achieved particularly in the threshold countries, where we have reinforced our efforts over the past few years. Sales within Europe amount to 3.9 million EUR, which corresponds to 43.8 % of Geratherm Medical's business activities. A significant increase in turnover, +8.9 %, was achieved within Europe. Inside the European Economic Area, the biggest sales markets for Geratherm products are France, Italy, Switzerland, Austria, Portugal and Finland.

The substantial decline in the value of the dollar (-11.7 %) adversely affected our sales on the US market. Despite a slight increase in the number of items sold, turnover on the US market decreased by 8.7 % to 1.2 million EUR. The share of the US market in the total turnover of Geratherm Medical is 13.5 %. On the US market, the turnover is accounted for almost exclusively by gallium thermometers sold via US drug store chains. In 2008 we will endeavour to increase our sales of warming systems on the US market.

Sales on the markets of the Middle East were not able to match the strong growth recorded in the previous year. Turnover in this regi-

on decreased by 29.1 %. The same is true of the Asian market, which also saw a decline. On the other hand, business in South America, which operates under the auspices of our subsidiary Geratherm do Brasil, showed very positive trends. The strong growth of the past few years continued in 2007. With an increase of 37.6 %, turnover on the South American market rose to 1.3 million EUR.

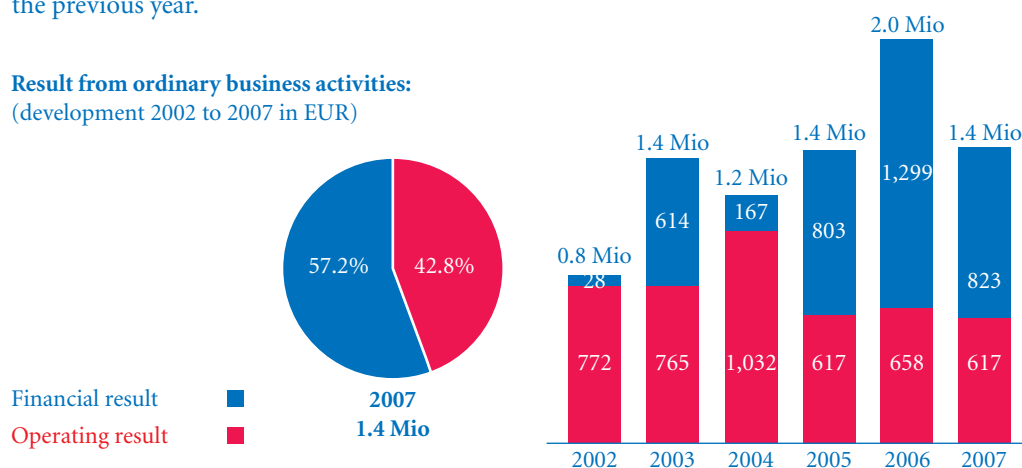
The presence of Geratherm Medical in what are known as the threshold countries is increasingly becoming a major priority. We anticipate that both the export ratio and the distribution of turnover according to countries will be similarly structured in 2008. On the domestic market we expect business to be stimulated by increased turnover from the Respiratory and Cardio/Stroke business areas.

2.2. Earnings situation

As in 2006, the earnings situation of Geratherm Medical has developed positively. The quality of the Group's result in the 2007 business year was influenced by the sound development of its core business, by a 2.5 % increase in turnover and by a 7.7 % improvement in gross profits, but also by higher start-up costs for new developments in the form of personnel and other expenses. We were also unable to avoid the adverse influence of the sharp decline in the exchange rate for the dollar. Overall, Geratherm Medical recorded a slightly lower operating result (-6.2 %) compared with the previous year. Through additional financial earnings, we were able to generate a shareholder value for the parent company amounting to 1,393 kEUR.

The net earnings per share amounted to 31 cents, which – owing to the lower financial result – constitutes a decrease of 26.2 % compared with the previous year.

Result from ordinary business activities:
(development 2002 to 2007 in EUR)



The consolidated operating result (EBIT) amounted to 617 kEUR (previous year: 658 kEUR). The consolidated EBIT margin of 7.0 % does not currently reflect the earning capacity of the core business, which was considerably higher - as in the previous year. In our opinion, the investments made in future med-tech markets are of vital importance for the development of Geratherm Medical, because they provide a broader basis and thus reduce the risk that could arise from dependency on one product (thermometers).

The operating result (EBIT) for the core business amounts to 949 kEUR (previous year: 848 kEUR), an increase of 11.9 % compared with the previous year.

The operating result (EBIT) for 2007 was negatively influenced, in particular, by the net losses from exchange rate differences (-64 kEUR) as well as consolidated start-up losses incurred by the subsidiary apoplex medical technologies GmbH, in which the Cardio/Stroke business activities are concentrated. apoplex incurred losses that were 102 kEUR higher than we had anticipated at the beginning of the year, amounting to a total of 292 kEUR for the year 2007 (previous year: 190 kEUR).

The new company, Geratherm Respiratory GmbH, which was established in 2007, burdened the operating result to the amount of -40 kEUR. The losses incurred by the Warming Systems product group were further reduced during the 2007 business year. However, losses amounting to -44 kEUR (previous year: -79 kEUR) remained. The result transfer from our Brazilian subsidiary, amounting to 76 kEUR, had a positive effect. However, the earnings statement of Geratherm do Brasil Ltda. is considerably lower than in the previous year (previous year: 144 kEUR). Marketing activities and the appointment of additional personnel at Geratherm do Brasil Ltda., for example, constituted increased burdens at the end of the 2007 business year. If the start-up losses of the Cardio/Stroke and Respiratory areas are omitted from the calculation, the operating result (EBIT) for the core business amounts to 949 kEUR (previous year: 848 kEUR), an increase of 11.9 % compared with the previous year.

The 1.9 % increase in the material costs, which amounted to 4,173 kEUR, corresponds approximately to the turnover increases. We managed to offset rising material costs by making cutbacks in various areas. The personnel costs amounted to 2,256 kEUR (+11.6 %), considerably more than anticipated. However, these personnel costs were caused, in particular, by the appointment of staff in the new business areas, which have so far achieved only a very small turnover.

The amortisation of intangible assets and depreciation of property, plant and equipment also decreased by 8.5 %, as in the previous year, to 314 kEUR (previous year: 343 kEUR). The other opera-

ting expenses increased to 2,000 kEUR (previous year: 1,794 kEUR). The losses arising from exchange rate differences included in this amount were 136 kEUR (previous year: 152 kEUR). The marketing costs amounted to 914 kEUR (previous year: 823 kEUR) or 10.4 % of the turnover (9.6 %).

In 2007 an attractive financial result amounting to 823 kEUR (previous year: 1,299 kEUR) was again achieved. Along with reference date-related book losses, which are recognised directly in equity and recorded in the market valuation reserves, the reference date-related record of performance from securities was 0.4 % (previous year: 33.5%). The record of performance is calculated as the quotient resulting from the difference between the financial result excluding interest and the stocks in the market valuation reserves on the reference date in relation to the book value of the securities on the reference date.

On 31st December 2007 the financial resources (securities and cash) of Geratherm Medical amounted to 7,968 kEUR. This was primarily invested in securities in the healthcare sector. The proportion invested in shares was 73.8 %. The non-invested portion of the liquid funds bears interest on a day-to-day basis. The invested funds yielded a realised net profit of 12.1 % in the 2007 business year. The financial resources, which have been increasingly invested in shares since 2003, have so far provided good additional earnings. The following table gives an overview of the amounts invested and the yielded and realised income return (not taking account of the book profits and losses recorded in the market valuation reserves).

Share investments of Geratherm Medical	2007 kEUR	2006 kEUR	2005 kEUR	2004 kEUR
Average amount of investment in shares	6,103	4,579	2,565	1,342
Income resulting from share sales and dividends	740	1,192	697	73
Yield	12.1%	26.0%	27.2%	5.4%
DAX development	22.3%	22.0%	27.1%	7.3%

From the investments in securities, income from dividends amounting to 21 kEUR (previous year: 67 kEUR) was recorded in 2007. Interest and similar earnings from fixed-term deposit investments amounted to 94 kEUR (previous year: 108 kEUR). The reason for the interest expenses of 11 kEUR (previous year: 2 kEUR) was the granting of a short-term bank loan to Geratherm do Brasil Ltda.

Along with the lower financial earnings, the result from ordinary business activities in 2007 also declined by 26.4 % to 1,440 kEUR (previous year:

1,957 kEUR). Owing to the carryover of accumulated losses, there were no real tax burdens on the Group. The recorded tax expenses of -145 kEUR (previous year: -57 kEUR) refer solely to the changes in deferred taxes, which were caused by changes to the basis of assessment for taxation in Germany, on the one hand, and by reassessment of the usefulness of loss carryover, on the other.

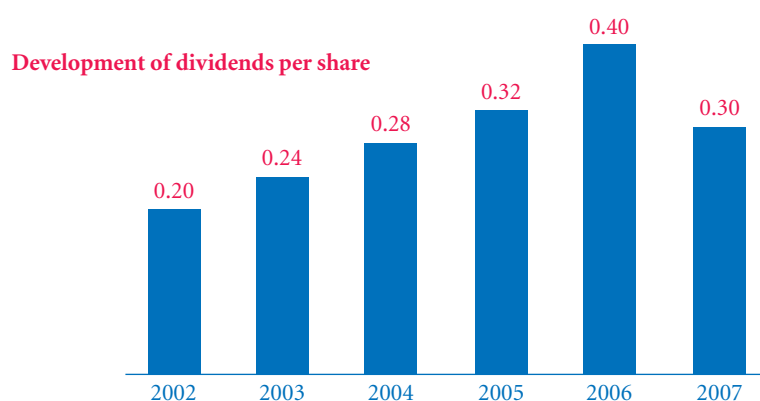
The Group annual net profit for Geratherm Medical amounts to 1,296 kEUR for the 2007 business year. This is 31.8 % lower than the earnings statement of the previous year owing to lower financial income. The losses incurred by apoplex medical technologies GmbH are taken into account only within the framework of our 60 % participating interest. The same applies to the losses of Geratherm Respiratory GmbH, in which Geratherm Medical AG has a 55 % shareholding and for the profits earned by Geratherm do Brasil Ltda., in which we have a 51 % share. Owing to full consolidation, a result of -97 kEUR (previous year: -4 kEUR) is apportionable to other shareholders.

For the 2007 business year, Geratherm Medical can report a shareholder value for the parent company amounting to 1,393 kEUR (previous year: 1,903 kEUR). This corresponds to net earnings per share of 31 cents (previous year: 42 cents).

Tax-neutral distribution (dividends)

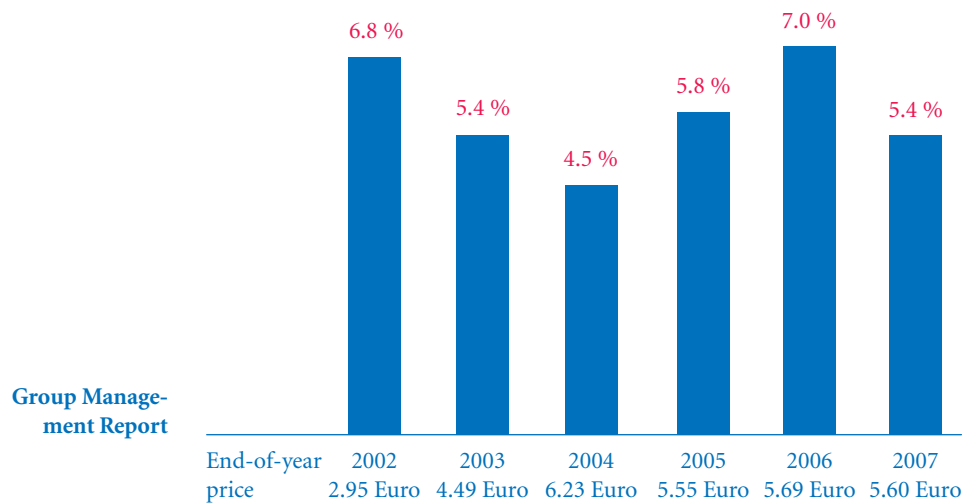
30 cents per share

The 2007 business year was able to build on the positive income development of previous years. The liquid resources of the enterprise remain above average and will enable us to undertake the investments planned for 2008. Against the background of the company's positive prospects, we recommend the payment of a dividend corresponding to the amount of profits earned during the year.



The Board of Directors and the Supervisory Board of Geratherm Medical AG propose to the Annual General Meeting that a tax-neutral dividend amounting to 30 cents (previous year: 40 cents) per share be paid out. The payment of the dividend to the shareholders will be tax-neutral. The tax credit on the deposit account (Section 27 KStG, German Corporate Income Tax Act) amounts to 19.8 million EUR as at the end of 2007. For the coming years we plan to continue paying out dividends in the form of a “return of capital” to the shareholders, provided circumstances allow.

Development of net dividends compared with share price



2.3. Assets situation

Geratherm Medical enjoys a sound assets situation. The funds provided by Geratherm Medical’s shareholders enable the company to operate independently of any outside financing.

The total assets on 31st December 2007 amounted to 18.2 million EUR, which was 4.5 % lower than on the reference date in the previous year.

At the end of the 2007 business year, equity capital amounting to 16.4 million EUR (previous year: 17.5 million EUR) was recorded. The lower amount of equity capital is due to the reference date-related negative market valuation reserves of 717 kEUR and the dividend distribution during 2007. The company’s equity capital constitutes 90.2 % of the total assets or 3.64 Euro per share. The total assets of 18.2 million EUR thus consist almost completely of equity capital. This capital base enables the concern to pursue medium to long-term product development programmes. The

high development risks for new products in the medical field are countered by the existence of financial resources capable of absorbing that risk.

At the end of the 2007 business year, the company's equity capital amounted to 16.4 million EUR or 3.64 Euro per share.

On 31st December 2007 a total of 10.2 million EUR (previous year: 10.1 million EUR) were tied up in the operating sector of Geratherm Medical. In the financial sector, funds amounting to 8.0 million EUR (previous year: 8.9 million EUR) were available. Of the liquid funds in the financial sector, 5.9 million EUR (previous year: 3.8 million EUR) were invested in marketable securities in the healthcare field and 2.1 million EUR (previous year: 5.1 million EUR) were invested on a day-to-day basis in banks.

The equity return on the capital invested in 2007 was 8.5 % (previous year: 10.9 %) altogether. The operating sector – in terms of EBIT – earned 6.0 % interest on the capital invested at the reference date. The financial sector achieved a yield of 10.3 %, calculated from the quotient of the financial result and the reference date-related capital tie-up in the financial sector.

The assets side of the balance sheet is composed of intangible assets and tangible fixed assets amounting to 2.4 million EUR (previous year: 2.3 million EUR), a deferred tax accrual of 2.8 million EUR (previous year: 2.9 million EUR) and short-term assets amounting to 13.0 million EUR (previous year: 13.9 million EUR).

The intangible assets increased – mainly as a result of new product developments in the sphere of Warming Systems, Cardio/Stroke and Respiratory – to 670 kEUR (previous year: 467 kEUR).

The tangible assets decreased, as in the previous year, by 3.8 % to 1.7 million EUR. The depreciations applied primarily to land property and buildings as well as plant and equipment. The assets listed under Technical Equipment and Machinery have mostly already been deducted as depreciation and are recorded as having only a residual value of 225 kEUR.

The value of stock on hand increased by 14.0 % to 2.9 million EUR (previous year: 2.6 million EUR). This above-average increase is based on reference date-related stocks of finished products and goods with a value totalling 1.5 million EUR (previous year: 0.9 million EUR). The capital

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tie-up for raw materials and supplies, as well as unfinished products, decreased by 12.9 % to 1.4 million EUR. Receivables from deliveries and services decreased by 14.1 % to 1.9 million EUR. The expenses for itemised allowances for bad debts amounted to 49 kEUR (previous year: 41 kEUR).

The securities held by Geratherm Medical increased in value by 55.4 % from 3.8 million EUR to 5.9 million EUR. The cash and cash equivalents available on 31st December 2007 amounted to 2.1 million EUR (previous year: 5.1 million EUR).

2.4. Financial situation

In the 2007 business year, as in previous years, Geratherm Medical continued to display a positive financial situation. On 31st December 2007, the stock of cash and cash equivalents of Geratherm Medical totalled 2.1 million EUR (previous year: 5.1 million EUR). The gross cash flow rose from 752 kEUR to 876 kEUR.

The cash flow from operating activities increased sharply to 1,039 kEUR (previous year: 241 kEUR). This four-fold increase in cash flow compared with the previous year resulted mainly from the reduction of accounts receivable for deliveries and services, which had seen a major increase in the previous year.

Owing to increased cash investments, there was a negative cash flow from investment activities amounting to -2,596 kEUR (previous year: 363 kEUR). In addition to the greater investment in securities, the main focus of investment activity during the business year was investment in development projects.

„In the 2007 business year, as in previous years, Geratherm Medical continued to display a positive financial situation”

The cash flow from financial activities, which amounted to -1,487 kEUR (previous year: -1,440 kEUR), largely reflects the dividend payout to our shareholders in the 2007 business year.

In the 2007 business year, as in previous years, Geratherm Medical was always in a position to fulfil its payment obligations as they arose. As far as possible, cash discounts were obtained. The company has a very good financial structure with an above-average equity ratio. We do not foresee any situations that might jeopardise the company as a going concern.

2.5. Research and Development

The R&D activities in 2007 were concentrated mainly on the development of new products in the Temperature Management, Cardio/Stroke and Respiratory business areas.

In the Temperature Management area we are focusing on the development of a new generation of digital warming systems, which we will be launching onto the international market from mid-2008.

In the Cardio/Stroke area, we are continuing our efforts to make the stroke monitor accessible to a larger circle of potential users. At the German Prevention Congress in Dresden on 24th October 2007, apoplex medical technologies GmbH, in which our Cardio/Stroke activities are concentrated, was awarded the 2007 Innovation Prize of the Kaufmännische Krankenkasse (KKH, a health insurance provider) for the development of the stroke early warning system known as the SRA Procedure.

The new pulmonary function test devices developed in the Respiratory business area will be available for marketing from March 2008. The licensing procedures had largely been completed by the end of 2007.

3. Opportunities and risks of future development

3.1. Risk management system

The business activities of Geratherm Medical depend on a number of factors which influence the development of turnover and earnings and whose occurrence cannot always be predicted. This situation gives rise to opportunities and risks, the occurrence of which can have long-term effects on the assets, financial and earnings situation of Geratherm Medical.

As part of a Group-wide risk management system, the Board of Directors and the Supervisory Board of Geratherm Medical AG have established goals and methods to enable the company to take controlled risks when there are prospects of significant increases in the operating result or above-average financial earnings. The former relates primarily to the development of new business fields in the Cardio/Stroke and Respiratory areas. For the development of these new business fields, expenses will initially be incurred without there

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being any guarantee that the anticipated success will indeed be achieved. We have therefore jointly drawn up a worst-case scenario which is designed to ensure that Geratherm Medical AG is not significantly affected. We believe that these new business fields will open up additional turnover and earnings potential for Geratherm, thus decreasing its dependence on the present core business in the medium term.



The risk management and control framework methodically analyses the operative and strategic risks. This includes drawing up monthly analyses concerning key figures such as turnover, the orders situation, the gross margin, exchange rate risks and the development of business in the individual business areas. The management of Geratherm Medical is convinced that the established internal controls and risk management systems are capable of meeting the present requirements.

On the market side, too, we are endeavouring to combine different risk profiles through our international character. This applies both to suppliers and to our customer base. We regard risk management as an on-going obligation. The established monitoring system is based on corporate key data but also includes roles and responsibilities which help satisfy the legal and commercial requirements.

Credit and non-payment risk

The process implemented in the Group in order to minimise credit risk encompasses, in particular, the daily monitoring of due dates and the swift initiation of proceedings to collect debts when necessary. Furthermore, new customers are required to pay in advance and queries are made with credit agencies and, where necessary, customer-specific cre-

dit limits or letters of credit are used as risk-minimisation instruments, with the result that the non-payment risk can be regarded as small.

Liquidity risk

One aspect of risk management is the monitoring and control of liquidity, i.e. the maintenance of the solvency of the companies in the Group both in the short term and in the medium to long term. The central instrument for this is rolling liquidity planning supplemented by liquidity-related key data. The very good liquidity situation on the reference date is also evident in the comparison between debts and cash or cash equivalents available. All the debts payable are covered by freely available means of payment.

Market price risk – Foreign currency

Owing to our international activity, we also receive income in dollars. We have not secured the currency risk by means of derivative financial instruments, since we endeavour to use most of this dollar income to cover payments for make-to-order production in the same currency (as a natural hedge), so that we expect dollar income and expenditure to be largely balanced out.

Market price risk - Interest

Insofar as we have liquid resources available, we endeavour to use these funds to improve the financial result. In this connection we also monitor the development of interest rates. Since we place our free resources in short-term investments, however, we are not subject to any significant risk of interest-rate fluctuations.

The financing of Geratherm Medical continues to be conducted largely out of its own funds, so that dependence on liabilities and the negative interest effects that can result from that are not discernible.

Market price risk – Share prices

We only invest our financial assets in securities in the healthcare sector and in companies which are covered by the know-how of the management and which are in a long-term growth cycle, so that we believe these investments to have an attractive risk-return ratio. However, it cannot be ruled out that these investments will not develop in the way we anticipated, which can also have negative effects on the assets, financial and earnings situation. Hence, in order to limit risk, our investment strategy provides for maximum amounts for individual items. The investments are intended for the medium to long term.

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Market price risk – Raw materials prices

Certain raw materials are important for the continuous supply of our manufacturing facilities. The buying market risks comprise shortages in supplies or increases in the prices of the raw materials necessary for production or of products made to order. The main items are constantly monitored by us, so that we do not currently see any significant risks.

3.2. Final conclusion

For certain Geratherm products patent protection has been granted or is pending. Protected commercial rights and trademarks can be the target of attacks and violations. We have taken the precautions required to detect such hazards and if necessary to defend our rights.

Our risk analysis has shown that there is currently no risk to Geratherm Medical as a going concern.

The markets that are served by Geratherm Medical are product markets with medium to long term cycles. Under the business model implemented by Geratherm Medical, short-term turbulence in the financial sector or a recession are only expected to have limited effects.

4. Anticipated developments

We anticipate further positive development in 2008 and 2009. We do not currently discern the threat of any danger from changing circumstances.

On the basis of our current knowledge, we expect that the core business will continue to develop soundly over the coming business years and anticipate a 3 % increase in turnover in the core business for each of the business years 2008 and 2009.

Our core business should obtain considerable support from the two new business areas, Cardio/Stroke and Respiratory, which are expected to contribute significantly to the core business turnover of the Group for the first time in 2008. In 2009 we anticipate an increasing contribution to turnover from these areas in addition to the core business.

Owing to higher prices for raw materials, especially in the gallium sector, a temporary burden on earnings is likely to be noticeable in 2008, affecting the core business area in particular. Nevertheless, we still anticipate an increasing earnings contribution from this area in 2008 and 2009 compared with the 2007 business year. For the Respiratory business area, we plan to achieve a positive earnings contribution in 2008 and in the following years. In the Cardio/Stroke business area we still anticipate an operative loss in 2008, but this will be much lower than in the previous business year. In 2009 we expect the Cardio/Stroke business area also to provide a positive contribution to the Group's earnings for the first time.

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As has been evident over the past few years, the trend is now away from analogue and towards digital products. We recognised and responded to this trend several years ago already. We expect a further shift of turnover and earnings contributions away from analogue and towards digital products, which will particularly affect the core business area.

Provided the general circumstances remain the same, Geratherm Medical should continue to develop positively in the business years 2008 and 2009, in particular thanks to the turnover and earnings contributions of the new business areas.

5. Main events after the reference date

In the first quarter of 2008, a contract was concluded with a leading German health insurance provider concerning the implementation of an integrated, interdisciplinary screening procedure and follow-up therapy for patients with atrial fibrillation. In our opinion, this contract constitutes a further milestone in the market acceptance of the Stroke Analyzer, which has been developed by the Cardio/Stroke business area.

6. Other information

6.1. Reporting in compliance with Section 315 Subsection 4 of the German Commercial Code (HGB)

The subscribed capital of Geratherm AG amounted to 4,500,000 EUR on 31st December 2007 and is split into 4,500,000 ordinary bearer shares.

The ownership of shares is associated with the right to vote in the Annual General Meeting and the right to participate in the company's profits through the payment of dividends.

Alterations to the Statutes can be decided upon in accordance with the regulations set out in Section 133 AktG (German Stock Corporation Act).

The Supervisory Board appoints members of the Board of Directors for a maximum of three years. A further appointment or the extension of a member's term of office for an additional maximum term of three years is permissible. Furthermore, the regulations on the appointment and dismissal of members of the Board of Directors correspond to the provisions of Section 84 AktG.

On 12th June 2006 the Board of Directors was authorised to increase the share capital of the company with the consent of the Supervisory Board up to 11th June 2011 by issuing, once or on several occasions, up to 2,250,000 new ordinary bearer shares in exchange for cash or contributions in kind in order to raise the share capital by up to 2,250,000 EUR.

At the Annual General Meeting held on 11th June 2007, the Board of Directors of Geratherm Medical AG was authorised, until 10th December 2008, to purchase treasury shares up to a proportion of the share capital that does not exceed ten per cent. The purchase price paid by the company must not undercut or exceed by more than 10 % the arithmetic mean of the closing price set by the Frankfurt Stock Exchange for the company's shares over the last 30 trading days before the purchase (excluding ancillary costs of acquisition). This authorisation may be exercised either in whole or in parts. The Board of Directors is authorised to redeem treasury shares in Geratherm Medical AG that have been purchased on the grounds of this authorisation, without a further resolution of the Annual General Meeting being required for such redemption.

The Board of Directors is authorised, until 10th December 2008, to purchase shares in Geratherm Medical AG in order to be able to offer treasury shares to third parties in connection with mergers with other companies or the acquisition of other companies or of participating interests in them, albeit with the preferential subscription rights of the shareholders to the treasury shares being ruled out. This authorisation is limited to the purchase of a proportion of the share capital that does not exceed ten per cent. This authorisation may be exercised either in whole or in parts.

Geratherm Medical AG has not yet made use of these authorisations.

In compliance with Section 312 Subsection 3 AktG, the Board of Directors has issued a separate report on the relations with affiliated enterprises. The company received or paid appropriate counterperformance for all the legal transactions listed in the report on relations with affiliated enterprises and was not disadvantaged.

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

The Annual General Meeting of Geratherm Medical AG was held on 11th June 2007 in Frankfurt am Main. Attendance at the AGM was equivalent to 65.45 % of the share capital.

In 2007, the expenses in connection with quotation on the stock exchange amounted to 94 kEUR (previous year: 78 kEUR).

6.2. Principles of the remuneration system

The remuneration of the Board of Directors in the 2007 business year comprised different components, a fixed salary and a variable bonus. The amount of the variable bonus depends on the operating result.

Geschwenda, 14th March 2008



Dr. Gert Frank
Chairman of the Board



Thomas Robst
Member of the Board

„We are confident in our ability to turn Geratherm into an interesting and internationally oriented med-tech enterprise with the Cardio, Temperature Management and Respiratory business areas.”



The Board of Directors and Supervisory Board of Geratherm Medical AG (from left to right):

Dr. Gert Frank, Chairman of the Board
Rudolf Bröcker, Chairman of the Supervisory Board
Thomas Robst, Member of the Board

Group annual financial statement for the year 2007

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	ASSETS		Annex	12/31/2007	12/31/2006
	Consolidated Balance Sheet in compliance with IFRS as at 31st December 2007		No.	EUR	EUR
Consolidated balance sheet	A. LONG-TERM ASSETS				
	I. Intangible assets	1.			
	1. Development costs			553,338	356,150
	2. Software			41,235	34,951
	3. Goodwill			75,750	75,750
				670,323	466,851
	II. Fixed assets	2.			
	1. Land property and buildings			1,348,995	1,423,559
	2. Technical equipment and machinery			225,003	229,035
	3. Other plant, operating and commercial equipment			148,185	127,586
	4. Plant under construction			0	10,895
				1,722,183	1,791,075
	III. Deferred taxes	3.		2,761,380	2,905,898
				5,153,886	5,163,824
	B. SHORT-TERM ASSETS				
	I. Supplies	4.			
	1. Raw materials and supplies			819,208	979,283
	2. Unfinished products			620,672	673,780
	3. Finished products and goods			1,492,181	918,701
				2,932,061	2,571,764
	II. Receivables and other assets				
	1. Receivables from deliveries and services	5.		1,885,167	2,195,113
	2. Tax receivables	6.		113,378	116,133
	3. Other assets	7.		114,110	56,876
				2,112,655	2,368,122
	III. Securities	8.		5,882,688	3,786,646
	IV. Cash and cash equivalents	9.		2,085,040	5,129,570
				13,012,444	13,856,102
				18,166,330	19,019,926

EQUITY AND LIABILITIES

Consolidated Balance Sheet in compliance with IFRS
as at 31st December 2007

Annex
No.

12/31/2007
EUR

12/31/2006
EUR

A. EQUITY CAPITAL

I. Subscribed capital	10.	4,500,000	4,500,000
II. Capital reserves	11.	7,570,000	7,570,000
III. Other reserves	12.	4,183,335	5,378,250
Attributable to shareholders of the parent company		16,253,335	17,448,250
Minority interests	13.	124,808	56,616
		16,378,143	17,504,866

B. Long-term debts

1. Accrued investment costs	14.	560,852	608,031
2. Other long-term liabilities	15.	255,329	0
		816,181	608,031

C. Short-term debts

1. Down payments received		65,144	22,451
2. Liabilities from deliveries and services	16.	463,733	282,251
3. Tax liabilities	17.	45,858	47,286
4. Other liabilities	18.	397,271	555,041
		972,006	907,029

		18,166,330	19,019,926
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Consolidated statement of income in compliance with IFRS
for the period 1st January to 31st December 2007

	Annex No.	01/01/-12/31/07 EUR	01/01/-12/31/06 EUR
Turnover	19.	8,802,003	8,589,613
Change in inventories of finished products and work in progress		168,909	23,911
Other internally produced and capitalised assets		207,897	97,599
Other operating revenue	20.	181,369	201,086
		9,360,178	8,912,209
Material input	21.		
Expenditure for raw materials and supplies and for purchased goods		-3,913,626	-3,827,899
Expenditure for purchased services		-259,536	-267,406
		-4,173,162	-4,095,305
Gross profit		5,187,016	4,816,904
Personnel costs	22.		
Wages and salaries		-1,856,482	-1,660,682
Social welfare contributions and expenditure for old-age provision		-399,778	-361,197
		-2,256,260	-2,021,879
Amortisation of intangible assets and depreciation of property, plant and equipment	23.	-314,459	-343,022
Other operating expenses	24.	-1,999,743	-1,793,903
Operating result		616,554	658,100
Income from dividends		20,635	66,784
Income from the sale of securities		753,338	1,332,998
Losses from the sale of securities		-6,891	-35,068
Expenditure from securities		-27,078	-172,660
Other interest and similar income		94,209	108,271
Interest and similar expenses		-10,625	-1,504
Financial result	25.	823,588	1,298,821
Result of ordinary business activities		1,440,142	1,956,921
Taxes on income and profits	26.	-144,518	-57,537
Group net profit for the year		1,295,624	1,899,384
Minority interests result		-97,053	-3,662
Shareholder value of the parent company		1,392,677	1,903,046
Result per share undiluted	27.	0,31	0,42
Result per share diluted	27.	0,31	0,42

Consolidated profit and
loss statement

Group cash flow statement for the business year

1st January to 31st December 2007 (IFRS)

	Annex No.	01/01/-12/31/07 kEUR	01/01/-12/31/06 kEUR
Group annual net profit		1,296	1,900
Other non-cash expenditure/income		16	-4
Dividend income	25.	-21	-67
Interest earned	25.	-94	-108
Interest paid		11	2
Decrease in deferred tax assets		145	57
Depreciations on fixed assets		314	343
Income from the sale of securities	25.	-753	-1,333
Losses from the sale of securities		7	35
Amortisation of grants and subsidies	14.	-47	-75
Losses on disposal of fixed assets		2	2
Gross cash flow	29.	876	752
Increase in supplies		-360	-276
Decrease/increase in receivables from deliveries and services and other assets		255	-566
Increase in short-term payables and other liabilities		164	158
Income from dividends		21	67
Interest income		94	108
Interest outflow		-11	-2
Cash flow from operating activities	30.	1,039	241
Payment received owing to disposal of fixed assets		1	0
Expenses for investments in fixed assets		-451	-294
Payment received owing to financial investments	8.	2,671	7,188
Expenses owing to financial investments	8.	-4,817	-6,531
Cash flow from investment activities	31.	-2,596	363
Flow of funds from minority interests	13.	157	0
Dividend payoffs	12.	-1,800	-1,440
Assumption of short-term liabilities		156	0
Cash flow from financing activities	32.	-1,487	-1,440
Change in amount of available cash and cash equivalents		-3,044	-836
Cash and cash equivalents at the start of the reporting period		5,129	5,965
Cash and cash equivalents at the end of the reporting period		2,085	5,129

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Group Statement on Change in Equity Capital as at 31st December 2007

	Subscribed capital	Capital reserves	
	10. EUR	11. EUR	
Ase of 1st January 2006	4,500,000	7,570,000	
Unrealised profits and losses from the valuation of securities			
Currency translation in the Group			
Dividend payouts to shareholders			
Income and expenses recorded in equity capital	0	0	
Group net profit for the year			
Ase of 31st December 2006	4,500,000	7,570,000	
Ase of 1st January 2007	4,500,000	7,570,000	
Foundation of subsidiary Geratherm Respiratory GmbH			
Unrealised profits and losses from the valuation of securities			
Currency translation in the Group			
Dividend payouts to shareholders			
Income and expenses recorded in equity capital	0	0	
Group net profit for the year			
Ase of 31st December 2007	4,500,000	7,570,000	

Group equity change
calculation

Other reserves			Assignable to the sharehold- ers of the par- ent company	Shares of other partners	Equity capital
Market valua- tion reserves	Currency conversion reserves	Cumulative profits			
	12.			13.	
EUR	EUR	EUR		EUR	EUR
150,816	4,542	4,834,408	17,059,766	62,522	17,122,288
-72,225			-72,225		-72,225
	-2,337		-2,337	-2,244	-4,581
		-1,440,000	-1,440,000		-1,440,000
-72,225	-2,337	-1,440,000	-1,514,562	-2,244	-1,516,806
		1,903,046	1,903,046	-3,662	1,899,384
78,591	2,205	5,297,454	17,448,250	56,616	17,504,866
78,591	2,205	5,297,454	17,448,250	56,616	17,504,866
				157,500	157,500
-795,655			-795,655		-795,655
	8,063		8,063	7,745	15,808
		-1,800,000	-1,800,000		-1,800,000
-795,655	8,063	-1,800,000	-2,587,592	7,745	-2,579,847
		1,392,677	1,392,677	-97,053	1,295,624
-717,064	10,268	4,890,131	16,253,335	124,808	16,378,143

Notes to consolidated financial statements for 2007 fiscal year

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2007 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.

IFRS 7 was taken into account for the first time with the foregoing financial statements. Accordingly, the notes contain the additionally required information about financial assets and liabilities as well as capital management.

A series of new standards, revision of existing standards and new interpretations of standards are not yet mandatory for the fiscal year ending as at December 31, 2007 and have not been taken into account in these financial statements:

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.

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Revision of IAS 23 - Borrowing Costs

In the revised version of IAS 23, the still applicable option for inclusion of borrowing costs into the original costs of qualified assets has been canceled. In the future, all borrowing costs that are directly associated with the production or acquisition of qualified assets are to be carried as an asset. The revision of IAS 23 must be applied to the consolidated financial statements of 2009 for the first time. It cannot be expected that this will have any significant impact.

IFRIC 11 - Group and Treasury Share Transactions

IFRIC 11 deals with how group-wide share-based compensations are to be reported in balance sheets, what impact employee turnover has within a corporate group and how share-based compensations are to be handled, when the company issues its own shares, which must be purchased by a third party or the shares are granted by the shareholder. IFRIC 11 is to be applied to the fiscal years which start on or after March 1, 2007. An earlier application is recommended. No impact is to be expected for future consolidated financial statements of Geratherm Medical AG.

IFRIC 12 - Service Concession Arrangements

IFRIC 12 provides information about defined value and assessment issues which occur with the balancing of private/public service concession agreements. It is to be applied to fiscal years that start on or after January 1, 2008. IFRIC 12 should have no impact on future consolidated financial statements of Geratherm Medical AG.

IFRIC 13 - Customer Loyalty Programs

The IFRIC 13 covers the accounting of customer loyalty programs. Accordingly bonuses that are granted within the framework of customer loyalty programs are to be treated separately from simple risk business (current sales transaction) as future sales transaction. All in all, a multiple element arrangement is existent in accordance with IAS 18.13. IFRIC 13 is to be applied to the fiscal years which start on or after January 1, 2009. An earlier application is recommended. An impact for future consolidated financial statements of Geratherm Medical AG is not to be expected.

IFRIC 14 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 clarifies the circumstances under which refunds or reductions of future contributions are to be viewed as available with regard to performance-oriented assets and provides information about minimum requirements on the remuneration of such assets. It also covers the circumstances under which these minimum requirements may result in a liability. IFRIC 14 is to be applied to the fiscal years which start on or after January 1, 2008. An impact for future consolidated financial statements of Geratherm Medical AG is not to be expected.

Revision of IAS 1 - Presentation of Financial Statements

The revised version of the IAS 1 standards should facilitate the analysis and comparison of financial statements for users. The amended standard must be applied to the fiscal years which start on or after January 1, 2009. Nonetheless, it may be used prior to that. It cannot be expected that this will result in any significant changes.

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 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 14, 2008 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

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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 medical products especially in the area of temperature management and vital data as well as investments in the health care sector“ in accordance with Art. 2 of its Articles of Association.

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

Group financial statement

The consolidated group includes Geratherm Medical AG, GME Rechte und Beteiligungen GmbH, Geratherm Medical do Brasil Ltda., apoplex medical technologies GmbH and Geratherm Respiratory GmbH. The following share quotas apply in detail.

Company	Percentage of shares held
GME Rechte und Beteiligungen GmbH, Geschwenda, Germany	100 %
apoplex medical technologies GmbH, Pirmasens / Deutschland	60 %
Geratherm Respiratory GmbH, Bad Kissingen / Deutschland	55 %
Geratherm Medical do Brasil Ltda., Sao Paulo / Brasilien	51 %

Company Formation

Geratherm Respiratory GmbH was founded with the articles of association from April 5, 2007 and was registered in the commercial registry of Amtsgericht Schweinfurt (Local Court) under the number HR B 5181 on May 8, 2007. Geratherm Medical AG holds 55% of Geratherm Respiratory GmbH, Bad Kissingen. The fully paid share capital amounts to EUR 350,000. Thus, Geratherm Respiratory GmbH was consolidated for the first time with effect from April 5, 2007.

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 as permissible simplification according to IAS 21.40. 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 have a limited useful life and 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.

The goodwill is not written off according to schedule. An impairment test is to be conducted annually or additionally to determine recoverability, if there are new events or changed circumstances which would indicate that a decrease in value could have occurred. As part of the impairment tests, the attainable amount is compared to book value for the unit generating cash or cash equivalents to which the goodwill is to be assigned.

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. Further prerequisites include assuring technical completion and the capability of utilization and marketing.

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. All tangible assets such as buildings, technical equipment and ma-

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chines as well as other equipment, factory and office equipment, are valued at historical costs and manufacturing costs and decreased by regular depreciation.

Buildings are depreciated linearly over a useful life of 30 years. The useful life for technical equipment and machinery is 5 to 13 years. Depreciation is linear. The useful life for other equipment, factory and office equipment is set at 3 to 13 years, whereas depreciation is also linear.

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

Public grants or subsidies received for the procurement of tangible assets were reported as accrued investment subsidies in the balance sheet 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 and intangible assets on the reporting date.

Leasing

There are no assets which may be classified as finance leasing in accordance with IAS 17.

Group financial statement

Lease payments from operating leasing relationships were reported linearly as income for the period of the relevant lease relationship. Moreover, we refer to the statements under „Other financial obligations“.

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.

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.

Securities are to be assigned to the category „available for sale“ and valued at the current market value that is to be included. All securities (shares) 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). In case of sale of securities or occurrence of long-term decrease in value, accumulated profits and losses taken directly in the market valuation reserve into account until then are reported in the income statement of the current period. Revenue resulting from interests and dividends from these securities is entered in the income statement.

The trade accounts receivable and other assets belong to the category „Receivables of the company“. They are valued at net book value 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 Taxes

The accounting and valuation of deferred taxes is implemented according to IAS 12. Based on the accounting and valuation method, they are applied to time-limited differences between valuations in the commercial balance sheet and tax balance sheet and to losses carried forward and chargeable taxes.

The tax rates of future years are used to calculate deferred taxes, provided the legislative procedure governing the tax rate has been concluded.

Deferred taxes representing assets and liabilities are offset against each other, if there is an identity of the tax creditors and matching maturities and only then or applied to the extent that a realizability of these tax advantages is probable.

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.

Listing of Sales Revenue

The company generated sales from delivery transactions at the time, when the essential risk for the delivery passes over to the purchaser. The net amount of sales based on cost units (product groups) is recorded separately from domestic and export proceeds while deducting the cash discounts paid, customer bonuses and discounts. Expenses resulting from sales such as transport costs, insurance and/or commissions, are shown as sales expenditure.

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Interests Paid and Interests Earned

Interests earned are time-proportional, accruing payable interests are reported time-proportional depending on the contractual commitment or by applying the effective interest method.

Use of Estimates

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. For instance, the statements on economic useful life for long-term assets are based on estimates and assumptions. In addition, the assessment of recoverability of deferred taxation allocated to the losses carried forward in the amount of 2,761 kEUR (2006: 2,906 kEUR) and the capitalized development costs in the amount of 553 kEUR (2006: 356 kEUR) is based on the corporate planning, which of course involves uncertainties such that the actual values deviate from the made assumptions and estimates in individual cases. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting.

**Group financial
statement**

Notes to the Consolidated Financial Statements

ASSETS

1. Intangible Assets

Intangible assets totalling 670 kEUR (2006: 467 kEUR) are reported as of December 31, 2007. The development of the intangible assets is shown in the following table:

Intangible assets	Development costs	Software	Goodwill	Total
Acquisition and manufacturing costs				
In EUR				
01/01/2006	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
01/01/2007	1,068,875	104,055	90,000	1,262,930
Additions	319,144	22,167	0	341,311
Disposals	0	0	0	0
Rebookings	0	0	0	0
12/31/2007	1,388,019	126,222	90,000	1,604,241
Amortization and depreciation				
In EUR				
01/01/2006	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
01/01/2007	712,725	69,104	14,250	796,079
Additions	121,956	15,883	0	137,839
Disposals	0	0	0	0
12/31/2007	834,681	84,987	14,250	933,918
Book values				
In EUR				
01/01/2006	369,128	22,769	75,750	467,647
12/31/2006	356,150	34,951	75,750	466,851
01/01/2007	356,150	34,951	75,750	466,851
12/31/2007	553,338	41,235	75,750	670,323

The development costs for intangible assets created internally during the 2007 fiscal year are capitalized in the amount of 319 kEUR (2006: 98 kEUR). Non-capitalizable research and development costs were posted as expenses in the amount of 11 kEUR (2006: 25 kEUR).

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99 kEUR (2006: 70 kEUR) of the development costs capitalized in 2007 went to the auxiliary development of the new Stroke Risk Analyser SRA IV for preventing strokes, 111 kEUR (2006: 0 kEUR) went to the development of the new generation of warming systems and 109 kEUR (2006: 0 kEUR) to the development of a spirometer.

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. A discounted cash-flow process was used to determine the recoverability of this item. For determining the flow of payments, the warming systems segment was identified as smallest unit generating cash or cash equivalents. Besides the goodwill relating to it, this segment has additional net assets with a book value of 111 kEUR as of the date of the financial statements. The cash inflow (sales) was derived from the corresponding budget overviews for 2008 to 2010. The planned increases in sales are based, among other things, on receipt of the FDA's approval for rescue systems and NSN registration in the US, as well as activities already initiated in Germany, Japan and England. The relevant expenditure associated with the business operations (cash outflow) was calculated with consideration to empirical values. An estimated discounted cash flow in the amount of 198 kEUR was determined for the next 3 years. There were no reference points for a decrease in value. The goodwill book value as of reporting date Dec. 31, 2007 is 76 kEUR (2006: 76 kEUR).

Group financial statement

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	Construction in progress	Total
Acquisition and manufacturing costs					
In EUR					
01/01/2006	2,244,407	3,752,819	324,100	6,110	6,327,436
Additions	0	22,629	101,500	47,525	171,654
Disposals	0	38,341	26,250	0	64,591
Rebookings	0	43,030	-290	-42,740	0
12/31/2006	2,244,407	3,780,137	399,060	10,895	6,434,499
01/01/2007	2,244,407	3,780,137	399,060	10,895	6,434,499
Additions	0	5,100	86,159	18,847	110,106
Disposals	0	39,617	16,060	0	55,677
Rebookings	0	27,423	2,319	-29,742	0
12/31/2007	2,244,407	3,773,043	471,478	0	6,488,928
Amortization and depreciation					
In EUR					
01/01/2006	745,521	3,494,721	246,647	0	4,486,889
Additions	75,327	94,722	49,402	0	219,451
Disposals	0	38,341	24,575	0	62,916
12/31/2006	820,848	3,551,102	271,474	0	4,643,424
01/01/2007	820,848	3,551,102	271,474	0	4,643,424
Additions	74,564	36,555	65,501	0	176,620
Disposals	0	39,617	13,682	0	53,299
12/31/2007	895,412	3,548,040	323,293	0	4,766,745
Book values					
In EUR					
01/01/2006	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
01/01/2007	1,423,559	229,035	127,586	10,895	1,791,075
12/31/2007	1,348,995	225,003	148,185	0	1,722,183

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.

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3. Deferred Taxes

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.

	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
	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	611,879	918,605	143,864	0	468,015	918,605
Goodwill	0	0	3,720	2,707	-3,720	-2,707
Losses carried forward	2,297,085	1,990,000	0	0	2,297,085	1,990,000
Total	2,908,964	2,908,605	147,584	2,707	2,761,380	2,905,898

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

Change in the balance of deferred taxes	1/1/2007	Change with effect on income	Change without effect on income	12/31/2007
	EUR	EUR	EUR	EUR
Capitalized development costs/patents	918,605	-450,590	0	468,015
Goodwill	-2,707	-1,013	0	-3,720
Losses carried forward	1,990,000	307,085	0	2,297,085
Total	2,905,898	-144,518	0	2,761,380

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 changes in the deferred taxes take into account the effects in the opposite direction resulting from the corporate tax reform and the change in the method for determining recoverability of the losses carried forward by Geratherm Medical AG.

Consequently, the deferred taxes consider, on the one hand, the effects caused by the corporate tax reform that took effect for German companies as of Jan. 1, 2008, according to which the tax on profits that forms a basis for calculating the deferred taxation is between 28.08% and 29.83% (2006: between 37.34% and 38.13%). In addition to corporate income tax together with solidarity surcharge it also includes the trade tax. The decrease in the applicable tax on profits results in an additional taxation expense amounting to 910 kEUR.

No deferred taxation had to be formed for foreign subsidiaries.

On the other hand, the deferred tax considers the enduring positive profit situation at Geratherm Medical AG during the past fiscal years and therefore the planning horizon, which is applied for determining the recoverability of active deferred taxation relating to the loss carried forward by Geratherm Medical AG was broadened in the past fiscal year. Unlike in previous years, the planning horizon no longer relates to a five-year time period but rather includes profits that will accrue during the time periods afterwards. Henceforth a perpetuity is applied for the subsequent period (as of the sixth year) in addition to the tax relevant planned revenue from the core business planned for specific years, i.e. without financial results. The perpetuity calculation is based on continuing the projected results at the end of the detailed planning period, which is decreased by a deduction for risk. The change in the method of calculation results in an additional tax yield of 1,203 kEUR in the foregoing financial statements.

Presentation of Active Deferred Taxation for the Tax Losses Carried Forward

	2007 kEUR	2006 kEUR
Tax loss carried forward as of 12/31	11,890	11,926
Valued	8,164	5,312
Deferred taxation	2,297	1,990

In the financial statements from 2006, the losses carried forward for apoplex medical technologies GmbH, the value of which were decreased to 100%, were not reported separately. This reporting was corrected in these financial statements such that the losses carried forward for 12/31/2006 exceed the amount indicated in the financial statements by 594 kEUR.

4. Inventories

	12/31/2007 EUR	12/31/2006 EUR
Inventories		
Raw materials and supplies	819,208	979,283
Unfinished goods	620,672	673,780
Finished goods	615,734	393,717
Goods	876,447	524,984
Total	2,932,061	2,571,764

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

The unfinished goods as of Dec. 31, 2007 primarily include clinical thermometers in various stages of production.

The finished goods item primarily entails thermometers and warming systems as of 12/31/2007. The goods essentially include digital thermometers and blood pressure meters that are earmarked for sales and contract manufacturing.

5. Trade Receivables

The trade receivables are structured as follows

	12/31/2007 EUR	12/31/2006 EUR
Gross sum of trade receivables	1,987,493	2,248,482
Devaluations	-102,326	-53,369
Total	1,885,167	2,195,113

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

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The tax receivables essentially comprise the reclaim of paid withholding tax on specific interest income plus solidarity surcharge in the amount of 32 kEUR (2006: 88 kEUR) and the receivable from sales tax refunds in the amount of 81 kEUR (2006: 28 kEUR).

7. Other Assets

The other assets essentially relate to the receivables from advances paid (61 kEUR; 2006: 12 kEUR) and from expenses paid in advance (47 kEUR; 2006: 38 kEUR).

8. Securities

		Number/ nominal	Purchase rate EUR	Acquisition costs EUR	Market valuation reserve EUR	Book value as of 12/31 EUR	Rate as of 12/31 EUR
Osi Pharmaceu- ticals Inc.	2007	15,000	20.63	309,514	190,886	500,400	33.36
	2006	15,000	20.63	309,514	83,636	393,150	26.21
Anadys Phar- maceuticals Inc.	2007	74,913	2.19	163,920	-77,021	86,899	1.16
	2006	60,000	2.36	141,315	80,685	222,000	3.70
Renovis Inc.	2007	66,448	2.53	168,129	-27,259	140,870	2.12
	2006	150,000	2.53	379,534	-45,034	334,500	2.23
Evotec AG	2007	350,000	3.47	1,214,000	-440,500	773,500	2.21
	2006	352,000	3.54	1,246,080	-116,160	1,129,920	3.21
Adolor Corp.	2007	230,000	4.89	1,123,683	-422,183	701,500	3.05
	2006	40,200	5.97	239,883	-13,155	226,728	5.64
Epigenomics AG	2007	200,000	3.25	650,000	-270,000	380,000	1.90
	2006	200,000	3.25	650,000	10,000	660,000	3.30
Agfa-Gevaert N.V.	2007	100,000	12.83	1,283,221	-235,221	1,048,000	10.48
	2006	0	0	0	0	0	0
Onyx Pharma- ceuticals Inc.	2007	20,000	8.98	179,521	599,279	778,800	38.94
	2006	0	0	0	0	0	0
Eckert & Ziegler Str.- u. Med. AG	2007	21,502	10.84	233,105	-22,386	210,719	9.80
	2006	0	0	0	0	0	0
Sanofi-Aventis S.A.	2007	10,000	63.17	631,700	-5,300	626,400	62.64
	2006	0	0	0	0	0	0
Novavax Inc.	2007	280,000	2.30	642,959	-7,359	635,600	2.27
	2006	0	0	0	0	0	0
Rigel Pharma- ceutical Inc.	2007	0	0	0	0	0	0
	2006	31,000	7.68	237,970	33,900	271,870	8.77
Tyco Interna- tional Ltd.	2007	0	0	0	0	0	0
	2006	18,540	20.95	388,456	34,256	422,712	22.80
Jerini AG	2007	0	0	0	0	0	0
	2006	35,933	3.21	115,303	10,463	125,766	3.50
Total	2007			6,599,752	-717,064	5,882,688	
	2006			3,708,055	78,591	3,786,646	

During the 2007 fiscal year the level of securities was increased by means of acquisitions in the amount of 4,817 kEUR (2006: 6,531 kEUR). The level also decreased by means of sales in the amount of 2,671 kEUR (2006: 7,188 kEUR). As a result, it was possible to realize a profit contribution of 746 kEUR (2006: 1,299 kEUR). The level of acquisition costs was 6,600 kEUR as of Dec. 31, 2007 (2006: 3,708 kEUR) and was valued based on the rate indicated in the table on the reporting date.

The securities in the inventory are highly fungible securities, from which we do not expect any risk over the long term. This also applies to securities that have a negative impact on the market valuation reserve, where we see no cause for a possible devaluation requirement due the anticipated future increase in value according to IAS 36.

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9. Cash and Cash Equivalents

	12/31/2007 kEUR	12/31/2006 kEUR
Cash on hand	4	2
Credit balances with banks	2,081	5,127
Cash and cash equivalents	2,085	5,129

The credit balances with banks, amounting to 2,008 kEUR (2006: 5,074 kEUR) are invested at the prevailing market rates and are available on a daily basis.

EQUITY AND LIABILITIES

10. Subscribed Capital

The subscribed capital of Geratherm Medical AG amounts to EUR 4,500,000 as of Dec. 31, 2007 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. The number of shares currently in circulation amounted to 4,500,000 during the 2007 fiscal year.

Authorized Capital

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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 11, 2007 to purchase own shares up to a portion of the capital stock, not exceeding 10%, by Dec. 10, 2008. 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. 10, 2008 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 2007 fiscal year.

11. Capital Reserve

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.

Market Valuation Reserve

The change in the prices of the securities in the amount of -796 kEUR (2006: -72 kEUR) as of the reporting date was reported in the valuation reserve item shown in the equity capital in accordance with the provisions of IAS 39. The market valuation reserve amounts in total to -717 kEUR (2006: 79 kEUR) as of Dec. 31, 2007.

Currency Conversion Reserve

The currency conversion reserve in the amount of 10 kEUR (2006: 2 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 are based on the results brought forward as of reporting date (5,297 kEUR; 2006: 4,834 kEUR), the current net income (1,393 kEUR; 2006: 1,903 kEUR) less the distributed dividend (1,800 kEUR; 2006: 1,440 kEUR).

The shareholders of Geratherm Medical AG have agreed during the annual general meeting of the company on June 11, 2007 in Frankfurt am Main to distribute a tax-free dividend of 0.40 EUR per individual share from the tax deposit account (EK) (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 1,800,000 on June 12, 2007.

The board of directors and supervisory board will propose to the general meeting in June 2008 to distribute a tax-free dividend of EUR 0.30 per share from the tax-free deposit account.

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13. Minority Interests

	Total kEUR
Minority interests as at 1/1/2007	57
Founding of Geratherm Respiratory GmbH	157
Currency translation in group	8
Result allotted to minorities	-97
Minority interests as at 12/31/2007	125

14. Accrued Investment Allowances

The item shown with the amount 561 kEUR (2006: 608 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. Other Long-term Liabilities

Payable shareholders' loans from the minority shareholders of apoplex medical technologies GmbH in the amount of 255 kEUR are reported here in the group. The loans have a three-year term.

16. 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.

17. Tax Liabilities

The tax liabilities shown here relate to liabilities from wage taxes 26 kEUR (2006: 14 kEUR) and sales taxes 20 kEUR (2006: 33 kEUR).

18. Other Liabilities

	12/31/2007 kEUR	12/31/2006 kEUR
Accrued liabilities	234	335
Other liabilities	163	220
Other liabilities	397	555

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Accrued Liabilities

The accrued liabilities include the following:

	12/31/2006 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	12/31/2007 kEUR
Outstanding invoices	28	-20	-8	51	51
Bonuses, commissions, credits	26	-26	0	29	29
Costs of financial statements	22	-22	0	28	28
Vacation entitlements	25	-25	0	32	32
Guarantees	18	-3	-6	8	17
Worker's compensation association	6	-6	0	8	8
Remuneration of inventors	12	-10	-2	12	12
Staff bonuses	180	-169	-11	30	30
Supervisory board compensation	15	-9	0	12	18
Tax consulting	3	-3	0	5	5
Archiving	0	0	0	4	4
Total	335	-293	-27	219	234

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 103 kEUR (2006: 85 kEUR).

All other liabilities shown here fall due within one year.

Notes to Consolidated Income Statement

19. Sales Revenues

Sales revenues based on product groups:

	2007 kEUR	2006 kEUR	Change %
Analog diagnostic products	3,278	3,567	-8.1
Digital diagnostic products	4,094	3,568	14.7
Other	1,430	1,455	-1.7
Total	8,802	8,590	2.5

The „Other“ product group includes the sales of the warming systems in the amount of 499 kEUR (2006: 592 kEUR).

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Sales revenues based on regions:

	2007 kEUR	2006 kEUR	Change %
Germany	1,720	1,775	-3.1
Rest of Europe	3,856	3,540	8.9
USA	1,185	1,298	-8.7
Other	2,041	1,977	3.2
Total	8,802	8,590	2.5

The „Other“ item contains sales in South America amounting to 1,263 kEUR (2006: 918 kEUR).

20. Other Operating Income

The other operating income includes amortization of capitalized grants and subsidies in the amount of 47 kEUR (2006: 77 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2007: 72 kEUR; 2006: 57 kEUR) and revenue from release of accrued liabilities (2007: 27 kEUR; 2006: 58 kEUR). The latter are to be viewed as income unrelated to accounting period.

21. Cost of Materials

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

22. Personnel Expenses

The personnel expenses in the 2007 fiscal year were 2,256 kEUR (2006: 2,022 kEUR). The accounts for this fiscal year included contributions of 168 kEUR (2006: 147 kEUR) made by the employer to the statutory pension scheme. This statutory pension scheme is a defined contribution pension plan in accordance with IAS 19.

23. Amortization and Depreciation

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

24. Other Operating Expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (914 kEUR; 2006: 823 kEUR), administrative expenses (857 kEUR; 2006: 760 kEUR), including those in connection with the stock exchange listing (94 kEUR; 2006: 78 kEUR), external services (282 kEUR; 2006: 255 kEUR), consulting and auditing costs (98 kEUR; 2006: 97 kEUR), expenses occurring in connection with exchange rate fluctuations (136 kEUR; 2006: 152 kEUR) and expenses for operating leasing (100 kEUR; 2006: 42 kEUR).

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25. Financial Results

The company posted financial results in the amount of 823 kEUR (2006: 1,299 kEUR) during the year under review. These included dividend income (21 kEUR; 2006: 67 kEUR), gains from sales of securities (753 kEUR; 2006: 1,333 kEUR); losses from sales of securities (7 kEUR; 2006: 35 kEUR), expenses occurring in connection with the securities (27 kEUR; 2006: 173 kEUR), interests earned (94 kEUR; 2006: 108 kEUR) and interests paid (11 kEUR; 2006: 1 kEUR).

26. 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.

The normal tax rate in the amount of 37.34% (2006: 37.34 %), which was valid for the parent company Geratherm Medical AG during the past fiscal year, was used as applicable tax rate for the tax offsetting and reconciliation. The relevant tax rate for the domestic companies in the concluded fiscal year fluctuated between 37.34% and 38.13% depending on the location.

The offsetting and reconciliation considers in particular the effects from the reduction of the tax rate due to the corporate tax reform that took effect for domestic companies as of January 1, 2008. For the parent company of the group this means a decrease in the tax rate to 28.08%. This new tax rate was also used for determining the effects resulting from the corporate tax reform. Moreover, the reconciliation and offsetting includes the income effect which is the result of the changed method for determining the recoverability of the deferred tax asset on the losses carried forward by the parent company of the group.

	2007 kEUR	2006 kEUR
Results before income taxes	1,440	1,957
Tax expenses to be expected	-538	-731
Effect from tax rate change	-910	0
Effects from valuation variances (change of permanent differences)	18	18
Effects due to tax-free income	277	499
Effects due to expenses nondeductible for tax purposes	-5	-68
Effects from changed valuation methods for losses carried forward	1,203	0
Change in valuation of tax losses carried forward	-166	193
Other	-24	32
Income tax according to IFRS	-145	-57
Effective tax rate	10.04%	2.94%

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27. Earnings per share

The undiluted earnings per share are based on the results of shareholders of the parent company (EAT) divided by the weighted average number of outstanding shares.

	2007	2006
results of shareholders of the parent company (kEUR)	1,393	1,903
Weighted average number of outstanding shares (k shares)	4,500	4,500
Undiluted earnings per share (EUR)	0.31	0.42
Diluted earnings per share (EUR)	0.31	0.42

	2007 k shares	2006 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 192 kEUR (2006: 129 kEUR) for the services performed by the chairman of the board Dr. Frank during the 2007 fiscal year. The amounts invoiced are appropriate and already included in the remuneration of the board for 2007 and an accrued liability as at Dec. 31, 2006.

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As of Dec. 31, 2007 there were no outstanding accounts owed to or by GMF. An accrued liability to GMF in the amount of 9 kEUR was deferred as of reporting date.

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 leasing agreements for administrative and commercial premises, vehicles and a telephone installation as well as service agreements for software. For 2008 and the following years, the financial obligations amount to 137 kEUR (2006: 45 kEUR). For the production of glass thermometers, Geratherm entered an obligation to accept oval jacket tubes in the amount of 163 kEUR.

The supply of gallium, which is essential for the company, is shored up contractually with its main supplier through to Dec. 31, 2008. This means that Geratherm has a purchase commitment totalling 924 kUSD (2006: 385 kUSD) in 2008.

As of 2007 and following years	Total	< 1 year	1 - 5 years	> 5 years
Other financial obligations from leasing agreements kEUR	45	30	15	0
Other financial obligation from purchase commitment kEUR	0	0	0	0
Other financial obligations from purchase commitment kUSD	385	385	0	0
As of 2008 and following years	Total	< 1 year	1 - 5 years	> 5 years
Other financial obligations from leasing agreements kEUR	137	102	35	0
Other financial obligation from purchase commitment kEUR	163	163	0	0
Other financial obligations from purchase commitment kUSD	924	924	0	0

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Auditor Fees

44 kEUR (2006: 38 kEUR) were posted as expenditure for the audit of the financial statements and 5 kEUR (2006: 5 kEUR) as expenditure for tax consulting services in 2007.

28. Segment Reporting

The segment reporting is represented in the annex 1 to the notes on consolidated accounts.

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 as follows:

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. There are no performance entanglements between the segments of the primary reporting format.

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

29. 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.

30. Cash Flow from Operations

The cash flow before any change in commitment of funds in the amount of 876 kEUR (2006: 752 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 1,039 kEUR (2006: 241 kEUR).

The capital flow statement for 2007 includes in detail the payments received from interests (94 kEUR; 2006: 108 kEUR) and dividends (21 kEUR; 2006: 67 kEUR) and outgoing payments from interests (11 kEUR; 2006: 2 kEUR).

Taxes affecting payment were not taken into account.

31. Cash Flow from Investments

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The purchase of fixed assets, financial assets and intangible assets, including development costs, results in expenses in the amount of 451 kEUR (2006: 294 kEUR).

32. Cash Flow from Financing Activities

The cash flow from financing activities comprises an outflow of funds from the dividend payment in the amount of 1,800 kEUR (2006: 1,440 kEUR) and the inflow of funds from payments from minorities for the founding of Geratherm Respiratory GmbH in the amount of 157 kEUR (2006: 0 kEUR) and the granting of loans to apoplex medical technologies GmbH in the amount of 156 kEUR (2006: 0 kEUR).

Capital Management

Primary objective of the company is the sustainable assurance of the financial equilibrium, with simultaneously efficient allocation of the group-available capital resources (equity capital) to the business areas. In this case an internal capital charge rate is applicable, which allows for monitoring the operating efficiency of the individual areas. Financing is implemented for the most part from own funds. The operative and strategic capital management is an integral element of the internal corporate reporting.

Financial Instruments

a) Financial instruments in the balance sheet

The financial instruments being used in the group can be broken down as follows:

	Classification	Valuation methods	Book value 12/31/2007 kEUR	Book value 12/31/2006 kEUR
I.	Securities - „Financial assets available for sale“	Valuation not affecting net in- come at the current market value	5,883	3,787
II.	Credits and accounts receivable	Net book value	2,970	6,591
	1. Trade receivables		1,885	2,195
	2. Tax receivables and other assets		227	173
	3. Cash in hand and cash in banks		2,085	5,130
	4. Long-term debts		-255	0
	5. Liabilities on payments received		-65	-23
	6. Trade accounts payable		-464	-282
	7. Tax liabilities and other liabi- lities		-443	-602

Hedging activities in the sense of IAS 39 were not made this year or in the past.

The financial assets are not used to secure liabilities nor contingent liabilities. Decline in values, provided such is to be implemented, is reported directly in the respective balance sheet item.

Since the book value of the financial instruments according to IFRS 7.29 (a) represents a reasonable approach to the current market value, there is no indication of the current market value.

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b) Profits and losses from financial instruments

The profits and losses, which have occurred in connection with financial assets/debts, are made up as follows:

	available - for - sale		Accounts receivable and credits	
	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR
Interest earnings			94	108
Interests paid			-11	-2
Interest income			83	106
Exchange gains			72	57
Exchange losses			-136	-152
Income from currency differences			-64	-95
Exchange gains from sales of securities	753	1,333		
Exchange losses from sales of securities	-7	-35		
Dividend income	21	67		
Securities-related expenses	-27	-173		
Securities-related income	740	1,192		
Allowance for uncollectible accounts			-49	-41
Net profits and losses entered in the income statement	740	1,192	-30	-30
Change in market valuation reserve due to sale	-43	-129		
Change in market valuation reserve due to change in current net book value	-753	57		
Overall change in market valuation reserve	-796	-72		
Overall results from financial instruments	-56	1,120	-30	-30

Group financial statement

Fiduciary activities are not performed in regard to financial assets.

c) Type and degree of risks resulting from financial instruments

The systematic analysis and monitoring of potential risks associated with financial instruments is an integral part of the group-wide risk management process. Risk sources with regard to the financial instruments in the group exist in the following aspect:

The financial instruments classified as „financial assets available for sale“ are subjected essentially to market risks in the form of fluctuations in stock exchange prices. Accordingly, the respective part of risk management system includes the daily monitoring of the stock performance, the securities in the portfolio, and the evaluation of price-related market information and is supported by a company-specific investment strategy that envisages, among other things, maximum amounts for individual values and defines investment focal points. A near-current exchange of information between the board of directors and the monitoring committee represents in this case a natural characteristic of risk management.

With regard to the financial instruments assigned to the „Credits and accounts receivable“ category, it is possible to cite credit risks and foreign exchange risks as potential sources of risks.

Credit / Bad Debt Risk

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivables. The group process that is implemented for minimizing the credit risks encompasses in particular the daily monitoring of maturities and, if need be, the near-current implementation of a dunning procedure. Other instruments leveraged to minimize risks with new customers include requests for advance payments, credit agency queries, event-driven, customer-specific credit lines and letters of credit such that the bad debt risk can be regarded as minimal. Moreover, this risk is adequately taken into account with valuation adjustments formed for bad debt losses.

Liquidity Risk

One aspect of the risk management element that focuses on financial instruments encompasses the monitoring and regulation of the liquidity risk, i.e., maintaining the solvency of the group companies both over the short-term as well as the medium to long-term time horizon.

A continuous liquidity planning that is supplemented with liquidity-related operating figures, represents the central instrument for this purpose. The liquidity situation as of the reporting date is as follows and illustrates that there is currently no significant liquidity risk.

	2007 kEUR	2006 kEUR
Trade payables	-464	-282
Tax liabilities	-46	-47
Other liabilities (without advance payments received)	-397	-555
Short-term financial resources required	-907	-884
Liquid assets	2,085	5,130
Liquidity 1	1,178	4,246
Trade receivables	1,885	2,195
Tax receivables	113	116
Other receivables (without prepayments)	53	45
Liquidity 2	3,229	6,602
Securities held as short-term investments	5,883	3,787
Liquidity 3	9,112	10,389

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Market Price Risk - Foreign Currency

Foreign currency risks exist for the group insofar as deliveries are made and ordered in part outside of the euro zone. From the group's point of view, the key foreign currency, in which there is an exchange of services, is the US dollar. Consequently, Geratherm Medical is subjected to the following foreign exchange risk as at reporting date.

	12/31/2007 kUSD	12/31/2007 kEUR	12/31/2006 kUSD	12/31/2006 kEUR
Trade receivables	1,287	874	1,219	925
Cash in hand and cash in banks	10	7	481	365
Trade payables	-102	-69	-51	-39
Balance sheet items	1,195	812	1,649	1,251
Order balance	39	27	0	0
Financial obligations	-924	-628	-385	-292
Purchase commitments	-168	-114	-414	-314
Pending transactions	-1,053	-715	-799	-606
Net item	142	97	850	645

The following currency translations were applied.

Group financial
statement

	12/31/2007	Average 2007	12/31/2006	Average 2006
US dollar	1.472	1.371	1.317	1.256

To reduce the resulting value fluctuations there is an effort within the group to maintain a balanced ratio of foreign currency receivables and payables (natural hedge). Nevertheless, there are risks which we identify in the following significance analysis based on a further weakening of the US dollars by 10%. All other variables, which could affect the financial instruments, are regarded as non-varying.

	12/31/2007		12/31/2006	
	Equity capital	Performance	Equity capital	Performance
US dollar	0	-10	0	-58

A 10% increase in the US dollar over the euro as at the reporting date would have a similar effect but in the opposite direction provided that all other variables remain constant.

Market Price Risk - Interest

Interest rate risks, i.e. possible variations of a financial instrument due to changes in the market interest rates are pending especially for long-term, fixed-interest receivables and payables. Here opportunity effects could arise in such a way that advantages and disadvantages from the change in market interest rates could not be utilized.

If we have available liquidity, we aim to use these funds to improve the financial results. We also view the interest rate trend in this connection. Since our free funds are invested at short notice, we are not subjected to any significant risk of interest rate changes.

With regard to long-term debts in the amount of 255 kEUR (2006: 0 kEUR) opportunity cost effects could occur that we do not view as significant.

Market Price Risk - Share Price

There are other risks for the group to the extent that changes on the capital markets could have a pervasive influence on the group's investments in securities listed on different capital markets of this world. In our security investments, we only have highly fungible securities which are currently tradeable according to the current state of knowledge such that no long-term, significant risks can be derived. In the opinion of the board of directors a sensitivity analysis does not present the actual price risk, since the majority of the security investments comprise shares from companies whose business model is not yet conclusively confirmed by the capital markets such that there is a high individual volatility per se and the historic market trend may not be regarded as representative. Below we provide a brief overview of the key security investments and highlight the basis for our assessment of a further positive development of the respective involvement. In this case we consider the items that have a book value or historic costs of more than 500 kEUR as at the reporting date as important. With regard to the valuation of the individual items, we refer to item 8 in these notes.

OSI Pharmaceuticals Inc.

OSI Pharmaceuticals Inc. is a biotech company that is active in the field of lung cancer research, among other areas. Developed by OSI Pharmaceuticals Inc., Tarceva is already licensed to Roche and thus generates a sales volume of approx. one billion CHF. Currently, OSI Pharmaceuticals is working on improved capabilities within the framework of studies. Should these study phases turn out positive, we are of the opinion that Tarceva will have additional advantages over competitive products, which will in our opinion have a positive impact on the further development of the involvement. Should there be any delays or if the anticipated results fail to materialize, there is also the possibility of a corresponding negative development of our involvement.

Evotec AG

Evotec is a biotech research company that focuses on the central nervous system (CNS). The active agents developed by Evotec target a broad therapeutic field. In 2008 the company is seeking a partner for phase III for the sleeping agent EVT 201, whose development phase is the farthest along. A smoking cessation agent is entering phase II. Moreover, a merger with Renovis is envisaged to take place during the first half of 2008. With the announcement of a new partner for EVT 201 in particular, we expect a positive development for the company. Should there be any delays, there is also the possibility of a corresponding negative development of our involvement.

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Adolor Corp.

Adolor Corp. USA is a biotech company that is currently developing the pain relieving agent (ENTEREG), which should be used for post-operative applications, whereas we are of the opinion that there is no other comparable agent available yet. The latest findings of the U.S. Food and Drug Administration (FDA) with regard to ENTEREG lead us to believe that ENTEREG may receive approval by May 10, 2008. Because of that and the strategic collaboration between Adolor Corp. and the two pharmaceutical giants GlaxoSmithKline Inc. and Pfizer Inc., we expect a corresponding positive development of our involvement in the future. Should there be any delays, there is also the possibility of a corresponding negative development of our involvement.

Epigenomics AG

Epigenomics AG is a biotech company which is active in the field of identifying colon cancer on the basis of tumor markers. Epigenomics AG recently provided information that the leader in lab diagnostics (Quest Diagnostics Inc.) in the US will start implementing the early diagnosis process of Epigenomics AG such that it is already possible to expect the first commercial success in 2008. We see a great market potential for this type of cancer diagnosis, which should experience greater acceptance than previously used invasive procedures while offering the same high quality results. In addition to that, it is not possible to rule out that the tumor marker procedure may also be used to improve the quality of results of the invasive procedures used in the past. In this respect we foresee a pleasant development of our involvement in the future. Should our assessments fail to come true, there is also the possibility of a corresponding negative development of our involvement.

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Agfa-Gevaert N.V.

Agfa-Gevaert is a worldwide leader in image technology. With 42% of total sales the health care division is an international prominent IT supplier for hospitals. The division is slated to be sold or listed separately on the stock exchange in 2008. Hospital IT is a long-term growth market. With the split-up, we are hoping for better development than in the past. Should our assessments fail to come true, there is also the possibility of a corresponding negative development of our involvement.

Onyx Pharmaceuticals Inc.

Onyx is the development partner of the anti-cancer medicine Nexavar, which is being marketed together with Bayer. The medicine is approved for kidney and liver cancer. Studies are currently being conducted for other areas of application. Nexavar is one of the most important future anti-cancer medicines of the Bayer Group. We are optimistic about the prospects. Nevertheless, future findings from studies may provide new information which may make the potential seem less. And new approvals in the same therapeutic area could have a negative impact on the development of our involvement.

Sanofi-Aventis S.A.

Sanofi-Aventis is a large international pharmaceutical company with the third largest research and development budget in the world. Research resources are concentrated on four major growth areas: cancer, thromboses, diabetes and vaccines. Sanofi-Aventis is the global market leader in the field of vaccines, including the new vaccine for treating cervical cancer, for instance. We foresee a

positive development of this major pharmaceutical group over the medium term. Sanofi-Aventis is suffering, however, like other companies in the same segment, due to competition from generic products and expiring patents. In spite of the company's and segment's sound prospects for the medium term, there is the risk of a negative development of the involvement.

Novavax Inc.

Novavax is a biopharmaceutical company that is focusing on the development of vaccines for infectious diseases. The company possesses a novel technology for producing vaccines. Development includes, among other things, vaccines for H5N1 (avian flu virus), H9N2 and other sub-types of the flu virus with pandemic potential. In case of success, the company will be able to tap a high market potential. Since Novavax is one of the most important and innovative vaccine developers, we see a good potential in this involvement. There is the risk that the development in this form will not bear fruit or other factors may have a negative impact, which could adversely influence the involvement.

The following table shows the respective highest and lowest prices on the German capital market for shares included in the balance sheet item securities for the fiscal year end 2007.

	2007		2006	
	Highest price	Lowest price	Highest price	Lowest price
	EUR	EUR	EUR	EUR
OSI Pharmaceuticals Inc.	35.59	21.60	34.38	20.13
Anadays Pharmaceuticals Inc.	3.71	1.18	13.39	2.05
Renovis Inc.	3.10	1.85	19.92	2.23
Evotec AG	4.33	2.13	4.61	2.43
Adolor Corp.	6.67	2.11	22.63	5.65
Epigenomics AG	4.39	1.96	6.73	2.76
Agfa-Gevaert N.V.	20.18	6.65	21.34	13.90
Onyx Pharmaceuticals Inc.	41.09	7.83	24.50	7.83
Eckert & Ziegler Str.- u. Med. AG	12.96	9.70	14.78	10.30
Sanofi-Aventis S.A.	71.47	57.00	79.00	64.60
Novavax Inc.	3.30	1.93	6.53	2.29

Market Price Risk – Raw Material Prices

Specific raw materials are important for the continuous supply of our production. The procurement market risks involve the shortage or rising costs of production-essential raw materials or the products acquired during contract manufacturing. The key items are monitored by us constantly such that we currently do not see any significant risks here.

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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
Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda
Executive board of Biomics Biotec AG, Mainz

Board member

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

The company is legally represented by two board members or by one board member in conjunction with one authorized officer (Prokurist). If the executive board has only one member, this person represents the company exclusively. Dr. Frank is authorized to represent the company on his own.

Group financial statement

Fixed payments in the amount of 137 kEUR (2006: 128 kEUR) and variable payments in the amount of 15 kEUR (2006: 78 kEUR) were paid for the activities of the board of directors during the 2007 fiscal year. The remuneration of the board of directors includes contributions to defined benefits pension plans in the amount of 9 kEUR (2006: 9 kEUR). In 2007 variable payments in the amount of 0 kEUR (2006: 130 kEUR) were accrued for management services in relation to financial results. On June 12, 2006 the annual general meeting decided that the information required for five years according to Art. 285 Para. 1(9)a Clause 5 to 9 and Art. 314 Para. 1(6) 1 Clause 5 to 9 of the HGB (German Commercial Code) be omitted.

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

Information about 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

Bruno Schoch, Suresnes, France
Director of Finances and Strategic Development at Unibel SA, Paris
Member of executive board of Unibel SA, Paris
Member of executive board of SICOPA SA, Paris
Concord Investmentbank, Frankfurt am Main

Firus Mettler, Frankfurt am Main (as of June 11, 2007)
 Dipl. Jur., MBA
 Director of Corporate Finance & Asset Management at
 Concord Investmentbank, Frankfurt am Main

Dr. Klaus Gmür, Bottmingen, Switzerland (till June 11, 2007)
 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

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A payment of 18 kEUR (2006: 12 kEUR) is included in the accrued liabilities in 2007.

The members of the supervisory board hold 1,769 shares.

Staff Trends

		Employees	Technical employees	Trainees	Total
Number of employees (annual average) -excluding board members-	2007	31	44	3	78
	2006	24	45	3	72

Corporate Governance Report

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

Geratherm Medical AG

Geschwenda, March 14, 2008



Dr. Gert Michael Frank



Thomas Robst

Group Segment Report for the business year from 1st January 2007 to 31st December 2007

(cf. Annex No. 28)

	According to business area	Analogue Diagnostic Products	
		2007 kEUR	2006 kEUR
Group segment report	Turnover	3,278	3,567
	Gross Profit	2,378	2,557
	Operating results	675	707
	Financial result		
	Taxes on income and earnings		
	Group net profit for the year		
	of which:		
	Amortisation of intangible assets and depreciation of property, plant and equipment	-87	-132
	Amortisation of subsidies and allowances	17	32
	Acquisition costs for fixed assets in the period	24	55
	Book value of fixed assets	716	949
	Short-term assets	2,165	2,497
	Segment assets	2,881	3,446
	Deferred taxes		
	Total assets		
	Short-term debts	363	376
	Long-term debts	209	252
	Segment debts	572	628
	According to region	Germany	
		2007 kEUR	2006 kEUR
	Turnover	2,152	2,207
	Elimination of intragroup turnover	-432	-432
	Turnover to third parties	1,720	1,775
	Gross profit	1,171	1,124
	Operating result	139	154
	of which:		
	Amortisation of intangible assets and depreciation of property, plant and equipment	-71	-80
	Amortisation of subsidies and allowances	9	16
	Acquisition costs for fixed assets in the period	412	260
	Book value of segment assets	14,692	15,670

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	Digital Diagnostic Products		Others		TOTAL	
	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR
	4,094	3,568	1,430	1,455	8,802	8,590
	1,918	1,506	891	754	5,187	4,817
	492	384	-550	-433	617	658
					823	1,299
					-144	-57
					1,296	1,900
	-67	-74	-160	-137	-314	-343
	22	32	8	13	47	77
	46	43	379	196	449	294
	219	326	1,458	983	2,393	2,258
	1,711	1,404	9,136	9,955	13,012	13,856
	1,930	1,730	10,594	10,938	15,405	16,114
					2,761	2,906
					18,166	19,020
	452	377	157	154	972	907
	261	253	346	103	816	608
	713	630	503	257	1,788	1,515

	Europe		USA		Other		Total	
	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR	2007 kEUR	2006 kEUR
	3,856	3,540	1,185	1,298	2,487	2,316	9,680	9,361
					-446	-339	-878	-771
	3,856	3,540	1,185	1,298	2,041	1,977	8,802	8,590
	2,178	1,919	669	703	1,169	1,071	5,187	4,817
	259	262	80	96	139	146	617	658
	-132	-137	-41	-50	-70	-76	-314	-343
	21	32	6	12	11	17	47	77
					37	34	449	294
					713	444	15,405	16,114

Geratherm Medical AG, Geschwenda

Oath concerning the Group Management Report for the business year 2007

We hereby affirm that to the best of our knowledge the Consolidated Financial Statement drawn up in accordance with the applicable accounting standards truthfully reflects the assets, financial and earnings situation of the Group and that in the Group Management Report the course of business, including the business results and the situation of the Group, are presented in such a way as to convey a true picture of the real circumstances and to describe the main opportunities and risks arising from the Group's anticipated development.

Geratherm Medical AG

Geschwenda, March 14, 2008



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 2007. 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.

Leipzig, March 14, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft


Liebers
Wirtschaftsprüfer


Fricke
Wirtschaftsprüfer

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IR Calender 2008

MedTech Day - Conference of analyst by Geratherm Medical AG
April 15, 2008

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

Annual General Meeting

June 09, 2008

im Hotel „Hessischer Hof“ in Frankfurt/Main

Quarterly Reports 1. Quarter

May 21, 2008

Quarterly Reports 2. Quarter

August 21, 2008

Quarterly Reports 3. Quarter

November 20, 2008

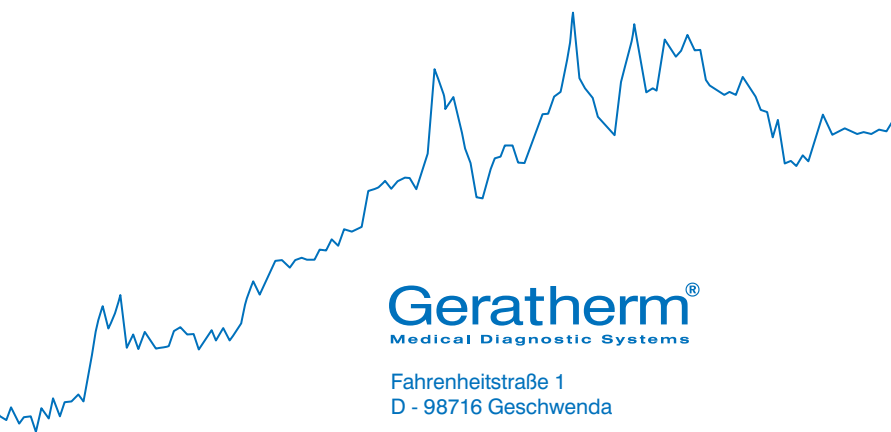
Imprint

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