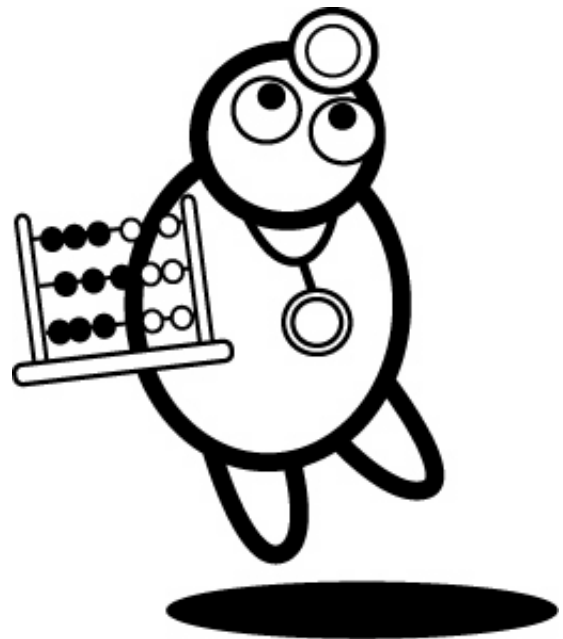


**Preliminary Version
of the Annual Report and Accounts
for DocCheck AG, Cologne
for the financial year 2006**



Indicators of DocCheck AG

	01/01/2006- 31/12/2006 EUR	01/01/2005- 31/12/2005 EUR	Change expressed as a percentage
Sales	13,595,691	11,201,613	21
of which Communication	6,612,721	5,506,622	20
of which DocCheck, Commerce & Logistic	6,979,143	5,694,799	23
Overall performance	13,692,616	11,244,093	22
EBITDA	1,574,119	854,266	84
EBIT	1,094,319	496,815	120
Consolidated annual net income	907,207	639,411	42
Annual net income per share	0,16	0,11	43
Liquid assets/securities	16,496,483	17,099,512	-4
Number of employees as at 31/12.	115	78	47

The Annual Financial Statements

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(AktG)
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1.1 Management Report DocCheck AG 2006

Combined Management Report and Consolidated Management Report of DocCheck AG, Cologne, for the financial year 2006.

1.1.1 Structure

The DocCheck Group consists of the DocCheck joint-stock company ("DocCheck AG") and its subsidiaries

- antwerpes + partner Aktiengesellschaft ("antwerpes + partner ag")
- DocCheck Medical Services Gesellschaft mit beschränkter Haftung ("DocCheck GmbH")
- DocCheck Medizinbedarf und Logistik Gesellschaft mit beschränkter Haftung ("DocCheck Shop")
- medicalpicture Gesellschaft mit beschränkter Haftung ("medicalpicture")
- medizinstudent.de Gesellschaft mit beschränkter Haftung ("medizinstudent")
- DocCheck TV Gesellschaft mit beschränkter Haftung ("DocCheck TV")

DocCheck AG carries out the tasks of an acting holding company and has its place of business in Cologne. The operating business is managed by the subsidiaries. The following explanatory notes relate to both the company and the Group.

1.1.2 Introduction

DocCheck AG has, together with its subsidiaries, specialised in the growth market, healthcare. Agency, portal and trading business are the core activities. Within the operating business the DocCheck Group is made up of two brands:

antwerpes + partner
DocCheck

antwerpes + partner represents the agency business. Under this brand, integrated and cross-media communication concepts are developed for the healthcare and business-to-business market. Traditional advertising campaigns, direct marketing, e-marketing and public relations form part of the service portfolio.

DocCheck represents the portal and trading business within the Group. The largest European portal for medical specialist groups is operated under www.doccheck.com. The portal is based on a password system for medical professionals. With the free-of-charge DocCheck password, users gain access to information on the websites of pharmaceutical companies and medical publishing firms which is only intended for medical specialist groups. From the portal, DocCheck develops services which allow transactions to take place between users and the industry. Online market research, publishing, Customer Relationship Management, IPTV (Internet television) and paid content are currently the most important business models.

The trading, logistics and e-commerce activities within the DocCheck Group are brought together under DocCheck Shop. DocCheck Shop is a multi-channel distributor for medical supplies. Medical products are sold to doctors set up in practice via the mail-order business, the Internet shop under www.doccheckshop.de and via the company's own sales force. In addition, DocCheck Shop provides logistics services for the pharmaceutical industry.

DocCheck Group aims to interlink the agency, portal and trading business more and more closely, develop suitable business models and group the sales activities together. This will enable the company to have a unique presence in the healthcare market and will help DocCheck Group customers solve many of their communications, sales and logistics problems efficiently and on a one-stop basis. From this standpoint, DocCheck Group is sure to grow more strongly than the market over the next few years.

1.1.3 The Group's development and situation

Market

With a growth in Germany of 2.5 per cent¹ in 2006, even the optimistic forecasts which were made at the beginning of last year (1.7 per cent²) were very much exceeded. Even a strong euro and crude oil prices which had climbed to a record-high in the meantime could not stop the economic train once it had started. It seems that Germany is reverting to the growth rates which were evident at the start of this millennium. Caught up in this strong upward surge, even the unemployment rate dropped and the social welfare funds were replenished. After the prevailing mood of recession felt in Germany from 2002 to 2005, this trend came as a surprise even for some economic research institutes³.

Currently growth figures of 1.8 - 2.8⁴ per cent are also quoted for 2007. With a growing economy, inflation risks and skill shortages⁵ are once more very much the focus of the economic policy. Overall the German economy, particularly exports, is showing strong form and the majority of German companies are making the most of the last few years to gain a clear competitive edge. Whether this proves to be a sustained trend or is just an interim peak will very much depend on whether Germany succeeds in further reforming the social welfare system and whether more people have the necessary qualifications for the jobs of the future. If however you consider the debate concerning health reform and take into account the fact that, until 2009, almost continuous voting will take place in the Federal Lands and then within the Federal Government, it is unlikely to be much of a success for the time being.

The economic activity which has shown clear signs of growth during the course of the year also has a positive effect on the advertising climate. In 2006 Nielsen Media Research calculated an increase of 5.2 per cent to a gross investment volume of about 14 billion euro for the traditional advertising market⁶. The crowd puller for the communications sector continues however to be online advertising with an increase of 65.5 per cent to 692.4 million euro⁷. For 2007, just as for this year, the communications sector is expecting a five per cent growth rate⁸ for the advertising market overall. With online advertising becoming increasingly important, the link-up between online and offline is set to become the most significant trend in the advertising sector. Thus the

¹ Real Gross Domestic Product, Economic Research Institute Registered Association (ifo), Munich 12/2006

² Real Gross Domestic Product Forecast, Economic Research Institute Registered Association (ifo), Munich 12/2005

³ Press Release, ifo, 01/2007

⁴ ifo, Munich 12/2006 and World Economy Institute Forecast, Kiel 03/2007

⁵ Study on shortage of manpower, DIHK, Autumn 2006

⁶ Nielsen Media Research, annual balance sheet 2006

⁷ Gross advertising investments according to Nielsen Media Research, 01/2007

⁸ The umbrella organisation of communications agencies (GWA), autumn monitor 2006

statement "Interaction in advertising is increasing" in the GWA Autumn Monitor 2006 achieved the highest value with an approval rate of 97 per cent⁹.

The trend in the healthcare market appears to be somewhat more complex.

Due to technical progress and demographic development, the growth potential for the healthcare market continues to be very high. Since 1970¹⁰ alone, the share of the healthcare market in the gross domestic product almost doubled to 11.3 per cent¹¹ and exceeded the automotive sector¹². However since a predominant part of the healthcare services is paid for using social security contributions, legislators have for years responded with state intervention in order to prevent an uncontrolled increase in health insurance contributions. In accordance with the Health Modernisation Act (keyword: "surgery charge") in 2004, the "Medical Supply Economy Act" (keyword: "jumbo groups"¹³) was passed in 2006 and in 2009 the "Major Health Reform" will take place (keyword: "health fund").

Each of these reforms increases the pressure on healthcare costs and a positive economic trend in the overall market and in the advertising market does not automatically mean that the basic economic conditions in the healthcare market, in which DocCheck AG achieves 75 per cent of its sales, will follow the same positive trend. For 2007 the DocCheck Group is assuming that marketing budgets will be deferred. Thus the pharmaceutical sales force, as the key sales instrument in the pharmaceutical industry, will concentrate more on the core target groups and other target group channels will become increasingly important. The Internet will, due to ever increasing use and acceptance of the medium, the higher proportion of broadband accesses and the numerous opportunities to approach target groups, benefit from this development. According to a study by Frost & Sullivan, e-marketing in the healthcare market in Europe will increase annually by 80 per cent until 2008¹⁴. Against the background of the high level of importance already attached to electronic media in the USA healthcare market, there is a clear backlog potential here in the European market¹⁵.

With its healthcare, marketing and Internet know-how, as well as the corresponding target group channel, the DocCheck Group is well equipped for this future development in the healthcare market and will benefit overproportionally from the changes in the marketing mix.

The DocCheck Group companies in profile

antwerpes + partner ag

The roots of the DocCheck Group lie in the agency business. Since 1990 antwerpes + partner has acted as the agency in the healthcare market and has bases in Cologne and Basle. The service portfolio is divided into three units:

- **Classical Communication**

Classical Communication supplies communication concepts for the healthcare industry in print, direct marketing and events.

⁹ GWA, autumn monitor 2006

¹⁰ Organisation for Economic Co-operation and Development (OECD), Health Data 2004

¹¹ Federal Statistical Office: Health expenditure and health personnel bill, 2005

¹² Federal Association of Medical Technology Registered Association (BVMed), Business Sector Report, 11/2006

¹³ Definition of "Jumbo Group": Pharmaceutical group with a fixed upper price limit

¹⁴ Study by Frost & Sullivan, 2006

¹⁵ Mercer Study, 10/2006

- **Digital Communication**

Digital Communication develops and implements internet, intranet and extranet applications as well as e-marketing and e-detailing concepts (customised and interactive electronic marketing).

- **Public Relations**

In addition to traditional PR, Public Relations also offers web-based tools and online PR.

DocCheck

DocCheck Medical Services GmbH, DocCheck Medizinbedarf und Logistik GmbH, medicalpicture GmbH, DocCheck TV GmbH and medizinstudent.de GmbH are grouped together in the DocCheck Division:

I. DocCheck Medical Services GmbH (“DocCheck”)

DocCheck Medical Services GmbH operates the largest European portal for healthcare professionals with around 470,000 users and over 1,500 co-operation partners from the whole of the healthcare sector. Almost one out of two doctors in Germany is a DocCheck user and almost all the reputable drugs manufacturers in Germany use DocCheck. From the portal, DocCheck is constantly developing new services which enable transactions to take place between the users and the industry.

The most important business activities of DocCheck Medical Services GmbH include:

- **Media**

By means of the DocCheck Newsletter, DocCheck has the most far-reaching electronic publication for medical professionals in Europe. It is sent to 240,000 subscribers and is published in German and English.

- **Online Market Research**

DocCheck Online Market Research has a panel with a range of 60,000 doctors and 16,000 pharmacists and, as regards costs and speed, it clearly has the edge over traditional market research.

- **Direct Marketing**

DocCheck has contact with almost 120,000 medical professionals by e-mail. Via the DocCheck Mail service, the customer can contact his target group quickly and cost-effectively with an extremely high e-mail response rate of up to 40 per cent.

- **Paid Content**

In November 2006 the "DocCheck Pro" Premium Service Subscription for DocCheck users was launched. The service gives access to premium offers and high-value medical contents which are subject to a charge. In just a few months DocCheck Pro had already sold about 1,000 subscriptions.

II DocCheck Medizinbedarf und Logistik GmbH („DocCheck Shop“)

DocCheck Shop focuses on the medical trade. In addition to a range of 15,000 medical products, about 150 own-brand products are also produced and sold under the brand name "DocCheck". The medical products are sold to doctors and pharmacists via three channels:

- **Internet**

Under www.doccheckshop.de, DocCheck Shop has established itself as the online shop with the highest turnover for medical supplies in Germany.

- **Mail-Order Business**

DocCheck Shop has its own catalogue which is distributed to DocCheck users and as an insert in publications for doctors. Orders are placed using DocCheck Shop's own call centre.

- **Sales force**

DocCheck Shop is present in the doctor's surgery by means of its own sales force. The sales network was expanded in this respect in 2006 so that, in addition to Stuttgart as the location in the South, DocCheck Shop is now also on hand for its customers with its location in the East in Leipzig. On 13 March 2007, DocCheck Medizinbedarf und Logistik GmbH acquired Medilab Essen – DocCheck's new location in the West. Thus, the planned expansion of locations has already started in the first quarter of 2007. Further locations will be added in 2007.

Logistics services for the pharmaceutical industry round off the range of services offered by DocCheck Shop and use the existing resources of the logistics centre in Stuttgart.

III medicalpicture GmbH („medicalpicture“)

As a picture agency, medicalpicture GmbH specialises in the healthcare market and is a market leader in Germany with over 100,000 media items relating to medicine, pharmaceuticals and science. In addition to the syndication (licensing) of picture media, medicalpicture offers media management solutions and services to the industry.

IV DocCheck TV GmbH („DocCheck TV“)

DocCheck TV produces the IPTV broadcast of the DocCheck Group in its own studio. Under www.doccheck.tv and in co-operation with the DocCheck Newsletter, the TV formats are made available on the Web to doctors.

V medizinstudent.de GmbH („medizinstudent.de“)

medizinstudent.de GmbH operates the largest German portal for medical students and serves as a bridge for future DocCheck users and therefore for prospective customers of the healthcare industry.

The integrated collaboration of DocCheck and antwerpes + partner enables the DocCheck Group to manage the complete communications value chain of the healthcare market - starting with the development of innovative and cross-media products and services, via appropriate communications concepts, through to communications with the target group. The DocCheck Group has thus become the one-stop shop for the marketing of healthcare services and products.

Competition

Due to its broad range of products and services within the healthcare market, the DocCheck Group faces very diverse competitors. Beyond all the products and services available, by working together with almost all the large pharmaceutical companies in Germany, the DocCheck Group considers its competitive strength to be proven.

antwerpes + partner

antwerpes + partner ag was placed 7th in the ranking list of companies providing specialist advertising services (B-to-B ranking) in 2005¹⁶ by more than 2000 companies surveyed. In the ranking of the umbrella organisation of communications agencies (GWA) in 2006, the DocCheck Group came 24th out of the owner-managed agencies represented in the ranking. In 2006 the DocCheck Group moved up to Number 14 (previous year: Number 17)¹⁷ in the ranking of the multimedia agencies and thus maintained its position as one of the top 20 New Media Agencies in Germany. Taking approximately 20 healthcare agencies represented by the GWA as a basis, antwerpes + partner ranks as one of the 5 agencies with the highest turnover in pharmaceutical marketing in Germany, which includes the Pharma Units of the large network agencies.

DocCheck

DocCheck is the largest portal for healthcare professionals in Germany. The password service guarantees that the DocCheck Community grows dynamically. Every month about 7,500 – 9,000 new users are added.

In its basic version, the password service itself is free of charge both for the users and for co-operation partners. There is no competitive system offering a comparable service.

As regards the products and services which are developed on the basis of this portal, DocCheck faces various competitors from the online and offline world.

- Publishing firms
- Market research companies
- Direct marketing agencies
- Doctors' portals
- Divisional programs

In the publishing/media sector, with over 240,000 subscribers, DocCheck has succeeded in setting up the **newsletter** for medical professionals with the widest readership in the German-speaking world. According to the ranking for medical trade journals (LA-MED)¹⁸, the newsletter is in fact the most-read electronic publication for German doctors. According to IVW Online Ranking¹⁹, as regards visits and page impressions, the DocCheck portal ranks third in medical offers, just below the online offers from the established media *Ärzteblatt* and *Ärztezeitung* and is growing faster than the competition.

The focus on offline market research still prevails in the market for market research services. Compared to offline competition, the **DocCheck Market Research Unit** has a

¹⁶ B-to-B Ranking 2005, Horizont journal

¹⁷ New Media Service Ranking 2006 and 2005

¹⁸ Working Party LA-MED Registered Association 2006

¹⁹ IVW – Registered Association gathering information in order to determine the spread of advertising mediums, comparable with the counting of print runs or TV viewing figures

qualified panel of 60,000 doctors and 16,000 pharmacists together with price and speed advantages which are typical of the Internet. Only a few companies in Germany have a clear focus on online healthcare market research. This enabled the Unit to increase sales in 2006 by more than 60 per cent.

The **DocCheck Mail** service benefits from a mailing list of 120,000 medical professionals and a high response rate of up to 40 per cent. With an increase in turnover of 100 per cent, this service benefits from the strong market position of the DocCheck portal. This is why DocCheck Mail is the fastest growing service in the whole of the DocCheck Group.

In November 2006, with **DocCheck Pro**, DocCheck also entered into direct competition with other online subscriptions paid for by doctors, such as for example Business Solutions Medicine Online (BSMO). In just a few months DocCheck Pro had already sold about 1,000 subscriptions. When compared to the competition, DocCheck Pro regards itself as an open platform for services and content with the target group Healthcare Professionals. The objective is to achieve a market leadership which is comparable with that of the free of charge basic service - DocCheck became interesting for doctors through the increasing number of co-operation partners and became interesting for co-operation partners through the increasing number of DocCheck users.

DocCheck TV

The market forecasts in Germany for IPTV (Internet television) are that there will be three million users and a total market volume of 450 million euro²⁰ by 2010. DocCheck has access to the target group via sales contacts and marketing know-how and as a result will be able to set up an Internet television channel for doctors in Germany. The declared intention is to constantly develop and expand our lead position as First Mover. The know-how available from the USA²¹ demonstrates that, on the Web TV market, only those companies which create a differentiation via innovative value-added services for special target groups benefit on a sustained basis.

DocCheck Shop

Contrary to the trend in the market, DocCheck Medizinbedarf und Logistik GmbH was able to develop and expand sales considerably in the medical supplies sector. In addition to sound management, the use of the DocCheck brand, which almost every doctor in Germany is familiar with by now, played a key role in its success. www.doccheckshop.de may well be the online shop with the highest turnover in Germany for surgery and medical practice supplies. However, as regards surgery and medical practice supplies, the e-commerce share in the total market volume is still small at the present time and with about five million euro in 2006, despite all the sales channels, DocCheck Shop's sales are only in the middle range when compared to the competition.

In order to increase competitiveness, we are therefore striving to achieve a critical volume over the next few years. A network of four locations will be set up for this purpose with their own sales force as selling in the medical trade is still mainly done by sales representatives. The first move was made in 2006 with the acquisition of the Leipzig location. In March 2007 the location West was added when DocCheck Shop acquired Medilab Essen. In 2007 further locations will be added.

²⁰ Mercer Study, 10/2006

²¹ Mercer Study, 10/2006

Overall the DocCheck Group has been able to improve its competitiveness over the last few years. As a result of the Group focusing on the healthcare market, concentrating on the two brands DocCheck and antwerpes + partner and integrating marketing concepts, marketing tools and target groups, a unique selling position was achieved. Currently no competitor in Germany covers the market for healthcare communications in a comparable way.

Income Situation

The sales, costs and results trend within the Group

The DocCheck Group increased sales in 2006 by 21 per cent, taking them from 11.2 to 13.6 million euro. This was the sharpest increase in sales since 2001. Gross earnings (total turnover and operating revenue less material costs) increased even more sharply by 30 per cent, rising from 6.7 to 8.7 million euro. Costs (staff costs, other operating expenses and write-downs) increased at a disproportionately lower rate when compared to gross earnings, rising from 6.3 to 7.6 million euro, which represents a 21 per cent increase.

It was possible to achieve scale effects in the Group in 2006. With an increase of 2 million euro in gross earnings and an increase in costs totalling 1.3 million euro, earnings before interest and taxes (EBIT) doubled by 0.5 million in the DocCheck Group, rising to 1.1 million euro.

The financial result (interest and similar income less write-downs on financial investments) in 2006 was slightly below the level of 2005 (447 thousand euro compared to 517 thousand euro) and is comprised of interest income from funds totalling 16 million euro on average.

As a result of the operating result doubling and a financial result slightly below the previous year's level, profit from ordinary business activities increased by 50 per cent, rising from 1.0 million euro in 2005 to 1.5 million euro in 2006. After taxation, the profit per share is 16 cent (2005: 11 cent).

Sales and results trend in the antwerpes + partner and DocCheck Divisions

Both Divisions contributed to the marked increase in sales and profit within the DocCheck Group:

antwerpes + partner

The antwerpes + partner Division increased sales in 2006 by 20 per cent, taking them from 5.5 to 6.6 million euro. The sound trend in DocCheck Group's agency business in 2006 was intimated already in the last six months of 2005, when sales – following one year of consolidation – were 11 per cent above sales for the same period in the previous year.

Due to a slightly lower material input quota (2006: 22 per cent, 2005: 24 per cent), gross earnings in this segment increased at a disproportionately higher rate (29 per cent) when compared to sales and achieved a value of 5.3 million euro.

Staff costs in the agency Division, which only comprise the wage costs of the operationally active employees, rose by 20 per cent to 2.2 million euro which was in step with sales. The increase in other operating expenses to 2.2 million euro was comparably smaller (15 per cent). The share of the Group allocation in other operating expenses is about 88 per cent. All administrative activities as well as office and workshop space costs and overheads are included in the Group allocation. Thus the costs in the antwerpes + partner Division in 2006 totalling 4.5 million euro, were 18 per cent higher

than in 2005. As a result of this trend, the antwerpes + partner Division showed a slight improvement in the EBIT margin which was 15.2 per cent (1.1 million euro) compared to 14.3 per cent (0.8 million euro) in 2005.

DocCheck

The DocCheck Division recorded a sales increase of 23 per cent, rising from 5.7 million euro to 7.0 million euro. 0.8 million euro of this is apportionable to the DocCheck Shop location near Leipzig which was consolidated for the first time for the last six months of 2006. At the same time, as opposed to 2005, DocCheck Medical Services GmbH handed over its e-detailing project business totalling 0.4 million euro to the antwerpes + partner Division so that, netted out, the organic sales increase for DocCheck was about 14 per cent.

Lower-margin key account business in DocCheck Shop was compensated for by more profitable end-customer business. The cost of goods sold quota clearly dropped in the Division as a whole by 11 per cent and the gross earnings increased at a disproportionately higher rate of 41 per cent, rising from 2.2 to 3.1 million euro.

As the costs, with an increase of 33 per cent to 3.2 million, remained below the increase in gross earnings, the result improved from -250 thousand euro to -91,000 euro. Whilst a clearly positive result was achieved in Shop (204 thousand euro) and the DocCheck TV and medicalpicture shareholdings ended the financial year with just a slight deficit, DocCheck Medical Services GmbH recorded a loss of 260 thousand euro due to the rate of investment which continued to accelerate. The marketing, staff and development expenses for the start of the Paid Content Services DocCheck Pro, for the relaunch of the DocCheck portal and for internationalisation pushed up costs. Due to the effect of the DocCheck brand for the whole of the Group and the significance of the DocCheck marketing tool for the development of the antwerpes + partner Division's e-marketing activities, these investments are key to the successful development of the Group in the future.

Assets and financial situation

Balance sheet total, liquid assets, securities and cash flow

The balance sheet total for the DocCheck Group was 22.1 million euro and so had only changed slightly when compared to the total of 21.6 million euro in 2005. Liquid assets totalling 4.0 million euro and current-asset securities totalling 12.4 million euro made up 75 per cent of the assets. At the end of 2006 funds totalling 12.4 million euro are invested in one mortgage bond and two loans against promissory notes with an average term up to July 2007 and an average rate of return of 3.16 per cent and 2.4 million euro are invested in time deposits which are subject to call. The increase in trade debtors of 57 per cent, rising from 1.4 million euro to 2.2 million euro, results from the company's growth and a very strong fourth quarter with a corresponding development of accounts receivable. The other asset items are at the same level as in the previous year.

On the liabilities side, the own shares holding increased from 411,449 to 598,393 euro due to the second share buy-back programme. The equity quota is 86 per cent compared to 87 per cent in the previous year.

Liquid assets and current-asset securities have dropped by 0.6 million euro to 16.5 million euro when compared to the previous year. The higher operating result and the net inflow of funds from the net interest income totalling 0.7 million euro, and, on the other hand, the dividend disbursement on 1 June 2006 totalling 0.5 million euro, the purchase of own shares totalling 0.2 million euro and the increase of 0.7 million euro in receivables, have had a significant influence on cash flow.

Participating interests

In the financial year 2006 only changes to the participating interest in DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch, have occurred in the DocCheck Group's portfolio of participating interests. The company increased its participating interest in Albert Geisselmann Medizinbedarf GmbH, Eilenburg, from 33.3 per cent to 84.6 per cent on 27 April 2006 with financial effect from 1 July 2006. Subsequently the participating interest in DocCheck Medizinbedarf und Logistik GmbH, Eilenburg was renamed on 2 November 2006. In future Eilenburg will be developed as the Eastern location for the trading and logistics activities of DocCheck.

Locations

DocCheck AG and all its subsidiaries except for DocCheck Medizinbedarf und Logistik GmbH have their registered offices in Cologne. antwerpes + partner ag also has a branch in Basle and DocCheck Medizinbedarf und Logistik GmbH has a location in Weil im Schönbuch in Southern Germany and another one in Eilenburg in Eastern Germany. A consolidation of sales and a corresponding earnings statement according to location do not form an integral part of the Group's financial reporting. Segmentation is done based upon the Divisions DocCheck and antwerpes + partner (formerly Communication). Therefore the declaration of individual sales figures per location only has limited informative value. At the Basle location 0.6 million euro sales were generated in 2006 just like in 2005. DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch, generated unconsolidated sales totalling 4.0 million euro compared to 3.9 million euro in the previous year. DocCheck Medizinbedarf und Logistik GmbH, Eilenburg, generated unconsolidated sales totalling 0.8 million euro. At the Cologne location, sales totalled 11 million euro compared to 9 million euro in 2005 and this includes sales which the holding company generates through the Group's sharing of costs with the subsidiaries.

Employees

The number of employees within the DocCheck Group, when compared to the previous year, increased in 2006 by 37 employees taking the total to 115 employees. Only permanent employees are included, excluding board members, managing directors and trainees. If you include this group in the calculation as well, the total number of employees was 150 at year end.

Research and Development

antwerpes + partner

In the antwerpes + partner Division, development currently focuses on concepts by means of which the sales force employee can organise his sales approach vis-à-vis the doctor more effectively (Sales Force Effectiveness).

An integral part of these concepts is ISA (Intelligent Sales Assistance), an electronic sales force folder based on a Tablet PC, with which the sales force employee can hold discussions with the doctor far more flexibly than with traditional discussion documents. In addition to the discussion and as a supportive measure, personalised e-mails are sent to the doctor ("Aftergate") through which he receives additional information on the product discussed (e-detailing). At the beginning of 2007 the sales and development activities under the heading Sales Force Effectiveness were combined in one autonomous Unit.

The aim of the development activity in the antwerpes + partner Division is to market new concepts and technologies within the context of project business and to use these as a differentiation feature in terms of competition.

DocCheck

In the DocCheck Division development focused on three areas in 2006:

- **DocCheck Pro**

The development of Paid Content Services "DocCheck Pro" had already begun in the first quarter of 2006, as had the recruiting of co-operation partners. After a development period of 6 months, DocCheck Pro went into operation in November.

- **DocCheck 4.0**

Since December 2006 DocCheck has been redesigning itself and now no longer presents itself as a password and access service but rather as a full-value Web 2.0 portal for healthcare professionals with editorial content, user-generated content and a multitude of transaction opportunities for the user.

- **DocCheck TV**

In the summer of 2006, with its own studio in Vogelsanger Straße, Cologne, DocCheck TV went on the air. DocCheck TV is not a full programme yet. In the first phase own formats are regularly placed for the DocCheck Newsletter in order to test the acceptance of the medium in the target group. The most popular format is the "DocCheck Fight Club" in which two opinion leaders hold controversial discussions on current topics concerning healthcare in the "DocCheck boxing ring".

1.1.4 DocCheck AG

DocCheck AG carries out the tasks of an acting holding company and has its place of business in Cologne. The operating business is managed by the subsidiaries.

Since 17 April 2000, the shares have been quoted on the Frankfurt Stock Exchange. On 15 January 2003 DocCheck AG was admitted to Prime Standard. It is represented in TecAll Share and GEX. The holding company's balance sheets are drawn up in accordance with the German Commercial Code (HGB).

Development and situation of DocCheck AG

As at year end, DocCheck AG employed 12 people excluding managing directors and trainees. It offers to take over the administrative corporate functions from its subsidiaries. These include:

- Management of the business of the company
- Accounting
- Controlling
- Facility Management
- Human Resources
- Organisational Development
- Corporate Communications
- Front Office Services

Depending on the degree of participation and the location, these corporate functions are required by the subsidiaries to a varying extent. The revenue which DocCheck AG generated as a result of this work amounted to 2.7 million euro.

In addition to the revenue from operating activities, there is interest income from the investment of liquid funds totalling 0.5 million euro as well as income from profit transfer agreements totalling 1.1 million euro and expenses totalling 0.3 million euro.

The result from ordinary business activities amounts to 0.7 million euro, the annual net income is 0.9 million euro or 16 cent per share. The Board of Directors and the Supervisory Board will propose on this year's annual general meeting that the dividend for the financial year 2006 be increased from 8 cent to 10 cent.

Share buy-backs

The DocCheck AG Board of Directors decided on 7 September 2006 to start a share buy-back programme. The basis for the share buy-back is the resolution passed by the annual general meeting on 31 May 2006 which empowers the company to buy back a maximum of 590,431 shares up until 30 November 2007. The company already holds 91,500 shares as a result of an earlier buy-back programme. The buy-back is first of all restricted to a maximum of 100,000 shares (which corresponds to 1.7 per cent of the capital stock). The purchase of shares began on 11 September 2006 and was done exclusively via the stock exchange. In the period from September to December 2006 a total of 53,098 shares were bought back at an average price of 4.11 euro. At this price level, the market capitalisation of DocCheck AG is 24.27 million euro. Having deducted the average funds balance in 2006 amounting to 16 million euro, a value of 8 million euro is calculated for the business model – in the opinion of the Board of Directors, DocCheck's potential is not taken into account sufficiently in the price and thus justifies a share buy-back at this price level.

1.1.5 Supplementary Report

There have been no significant events following the end of the financial year which had a fundamental effect on the business trend of the DocCheck Group.

1.1.6 Risks and opportunities

The Board of Director and Supervisory Board meetings, a separate workshop concerning risk management for all senior staff as well as the results from the first extensive employee survey, in which 95 per cent of all Cologne and Basle employees participated, form the basis for identifying risks and opportunities in the DocCheck Group.

On this basis, the opportunities and risks were assigned to four areas. With these areas the company's environment will be covered as comprehensively as possible:

- Market/Customers/Strategy
- Systems
- Costs
- Human Resources

Market/Customers/Strategy

The DocCheck Group achieves more than 75 per cent of its sales in the healthcare market. Through this focus, synergies are achieved in development and sales.

Risk

A large part of the healthcare expenditure is financed by the state or almost completely by the state. For this reason, the market is exposed to numerous regulatory interventions by legislators which are not always calculable in terms of their effects on the amount and structure of the marketing budget. For example it is currently not completely clear what effects the introduction of the healthcare fund in 2009 will have on marketing in the healthcare sector. It is however anticipated that the cost pressure on all those involved in the healthcare market will increase.

Opportunity

The DocCheck group assumes that the cost pressure will result in an increased demand for lower-cost marketing instruments and channels and subsequently in an increased demand for e-marketing and integrated marketing concepts. The strategy of the DocCheck Group is in line with this trend. Therefore more opportunities than risks are envisaged due to this trend.

Systems

DocCheck's strategy is based on linking up the individual activities in the Group to a product and service portfolio with a unique selling position. There are currently strong competitors in the individual Divisions. The business model can only begin to demonstrate its full effect by combining and closely interlinking, from an organisational point of view, market knowledge, marketing know-how and target group channels.

Risk

In comparison to a one-product company, the DocCheck Group business model makes exceptional demands on communication and co-operation between employees, on planning and processes within the company and as a result on corporate culture. The success of the strategy can be jeopardised by departmental thinking.

Opportunity

Through a series of measures in organisational and personnel development, in the last few years the DocCheck Group has succeeded in developing a corporate culture in line with the increasing complexity of the company. This also becomes clear from the results of the employee survey which, without exception, demonstrates that employees identify closely with the company's goals. The corporate culture is therefore the mainstay of the corporate strategy.

Costs

Despite volatile sales, costs within the DocCheck Group have been controlled effectively in the last few years. The holding company's costs decreased between 2002 and 2005 from 3.3 million euro to 2.3 million euro and staff costs in the operational areas developed in proportion to gross earnings. The moderate development of costs also benefited from low inflation and wage pressure.

Risk

The macro-economic picture has changed during the course of 2006: A higher inflation rate and increasing wages have, for the first time since 2001, once more resulted in a marked increase in the holding company's costs which rose from 2.4 million euro to 2.7 million euro. The staff costs of the operationally active subsidiaries increased, adjusted by the acquisition of DocCheck Shop Leipzig, from 3.1 million euro to 3.7 million euro. Additional semi-variable costs such as rent and depreciation for a new office floor at the Cologne location will be added in 2007. In order to implement the scale effects striven for in the DocCheck Group, the Board of Directors put a programme into motion mid-2006 which will guarantee that the rates at which the planning costs increase will turn out to be lower than the growth rates in the next few years.

Opportunity

As a result of this cost control and with an increase in sales of 21 per cent, the operating result more than doubled in 2006. Thus, by implementing the scale effects, the

DocCheck Group has the opportunity to increase the return on sales on a sustained basis over the next few years.

Human Resources

The development of the DocCheck Group is based on a stable corporate culture. This is reflected in the way employees closely identify with the company's goals and in a low employee turnover within the company.

Risk

Due to interlinked know-how, capital and family ties, the sudden absence of one of the directors Dr. Frank Antwerpes, Mr. Jan Antwerpes (DocCheck AG) or Ms. Tanja Antwerpes (antwerpes + partner ag) could bring about a risk situation.

Opportunity

The main focus of staff development since 2004 has been the development of a stable second level of management. In 2005 eight employees and in 2006 sixteen employees below the Board of Directors were included in an executive personnel programme and became qualified for their management tasks. In 2007 over 20 senior staff will be prepared for their tasks at the "DocCheck Management Academy". Overall there are 30 employees in the DocCheck Group, including all directors and executives, who are responsible for staff. No senior executive manages more than five employees directly. With this qualified management team, the DocCheck Group can seize opportunities for growth on a selective and well-targeted basis.

1.1.7 Looking back, Looking ahead

With an increase in sales of 21 per cent and with profit per share increasing by 50 per cent in 2006, the DocCheck Group achieved the highest increase in sales and income since 2001.

The work carried out over the last few years has been worthwhile. We have once again focused more sharply on the healthcare market and intensified sales. The development of new products was speeded up and the quality of service was improved. New business areas have been developed and we pushed ahead with internationalisation. The management team was expanded appreciably and co-operation between antwerpes + partner and DocCheck was intensified. And we have moulded DocCheck into a brand in the healthcare market. In short, we are of the opinion that DocCheck has never been in such good shape.

So we begin 2007 full of confidence. Growth, acquisitions and an increase in goodwill are on the agenda.

We want to increase sales by at least 10 per cent in 2007, taking the figure to over 15 million euro. Following on from the clear leap in sales in 2006 experienced by the agency business under antwerpes + partner, we envisage growth for the DocCheck Division once again in 2007.

The qualitative and quantitative growth within the DocCheck Group will also be supported in 2007 through acquisitions. By expanding our market position we have become more attractive as a strategic partner and our aim in 2007 is to acquire the majority shareholding in 1-2 companies.

One of the biggest challenges faced in 2007 is to make sure that the development of the Group over the last few years is reflected in the share price. Prices of 4.50 euro and a market capitalisation of just under 26 million euro do not reflect the growth and earnings potential of the DocCheck Group. One of the jobs still to be done within the Group is to increase the company's value. We want to change this in 2007.

Cologne, March 2007

The Board of Directors of DocCheck AG

Dr. Frank Nicolas Antwerpes

Jan Antwerpes

Helmut Rieger

1.2 Consolidated Profit and Loss Account in accordance with IFRS

	01/01/2006 - 31/12/2006 in €	01/01/2005 - 31/12/2005 in €
1. Sales (net)	13,595,691	11,201,613
2. Other operating income	181,344	138,512
3. Differences between opening and closing stocks of finished and unfinished goods	96,925	42,479
4. Cost of materials		
a) Cost of raw materials and supplies and goods purchased for resale	3,470,494	3,118,643
b) Cost of external services	<u>1,663,312</u>	<u>1,444,726</u>
	5,133,806	4,563,370
5. Staff costs		
a) Wages and salaries	4,073,059	3,399,509
b) Social security contributions	<u>710,716</u>	<u>585,629</u>
	4,783,775	3,985,138
6. Amortisation of intangible fixed assets and depreciation of tangible fixed assets	479,799	357,451
7. Other operating expenses	2,379,174	1,998,183
8. Income from participating interests	-3,085	18,353
9. Operating result (EBIT)	1,094,319	496,815
<i>For information: EBITDA</i>	<i>1,574,119</i>	<i>854,266</i>
10. Interest and similar income	563,402	574,551
11. Write-downs on long-term investments and current-asset securities	116,449	57,746
12. Interest and similar expenses	7,271	7,041
13. Result before tax (and minority shareholdings)	1,534,002	1,006,579
14. Personal income tax and tax on earnings	588,602	335,350
15. Other taxes	1,699	2,327
16. Result before minority shareholdings	943,701	668,902
17. Minority shareholdings	36,494	29,490
18. Consolidated annual net income	907,207	639,412
19. Profit brought forward	2,785,972	2,616,110
20. Distribution of profit	464,345	469,549
21. Net earnings	3,228,834	2,785,972
<i>Net earnings per share in accordance with IAS 33 (undiluted)</i>	<i>0,16</i>	<i>0,11</i>
<i>Net earnings per share in accordance with IAS 33 (diluted)</i>	<i>0,16</i>	<i>0,11</i>
<i>Average shares currently in circulation (undiluted)</i>	<i>5,802,510</i>	<i>5,858,182</i>
<i>Average shares currently in circulation (diluted)</i>	<i>5,808,132</i>	<i>5,868,182</i>

1.3 Group Balance Sheet in accordance with IFRS

Assets	01/01/2006- 31/12/2006 in €	01/01/2005- 31/12/2005 in €
Short-term assets		
Liquid funds	4,048,223	2,230,712
Current-asset securities	12,448,260	14,868,800
Trade debtors	2,172,136	1,403,455
Amounts owed by group undertakings	0	41,528
Stocks	600,604	405,986
Prepaid expenses and deferred charges	50,681	24,114
Total short-term assets	19,319,904	18,974,595
Tangible fixed assets	1,366,883	1,219,433
Intangible fixed assets	130,713	92,144
Participating interests	70,804	70,694
Goodwill	697,617	697,617
Other assets	514,588	581,267
Deferred taxes	2,800	3,300
Total assets	22,103,309	21,639,050

Equity and liabilities	01/01/2006- 31/12/2006 in €	01/01/2005- 31/12/2005 in €
Short-term liabilities		
Short-term loans and short-term share in long-term loans	29,775	4,022
Trade creditors	477,610	410,656
Payments received on account	928,500	1,070,170
Other provisions for liabilities and charges	625,384	523,598
Tax provisions	384,917	66,273
Deferred income and other short-term liabilities	470,927	626,912
Amounts owed to group undertakings	64,564	12,462
Total short-term liabilities	2,981,676	2,714,093
Deferred taxes	58,000	101,600
Capital and reserves		
Subscribed capital	5,904,312	5,904,312
Capital reserve	13,421,409	13,421,409
Net earnings/net loss	3,228,836	2,785,972
Revenue reserves	71,700	71,700
Capital adjustment items	-3,245,570	-3,245,570
Special revaluation reserve	-40,552	32,509
Own shares	-598,393	-411,449
Minority shareholdings	321,891	264,472
Total capital and reserves	19,063,633	18,823,357
Total equity and liabilities	22,103,309	21,639,050

1.4 Development of fixed assets as at 31.12.2006

	Acquisition/manufacturing costs				Depreciation/amortisation/write-downs				Balance Sheet	
	Value	Additions	Disposals	Value	Value	Additions	Disposals/additions	Value		
	01.01.2006			31.12.2006	01.01.2006			31.12.2006	31.12.2006	31.12.2005
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Tangible assets										
Other factory and office equipment	<u>3,108,331</u>	<u>641,743</u>	<u>1,161,843</u>	<u>2,588,230</u>	<u>1,888,897</u>	<u>474,874</u>	<u>1,139,924</u>	<u>1,223,847</u>	<u>1,364,383</u>	<u>1,219,433</u>
II. Intangible fixed assets										
Concessions, industrial property rights and similar rights and assets, including licences on such rights and assets										
	<u>487,442</u>	<u>82,563</u>	<u>314,741</u>	<u>255,264</u>	<u>395,298</u>	<u>43,907</u>	<u>314,655</u>	<u>124,551</u>	<u>130,713</u>	<u>92,144</u>
III. Long-term investments										
1. Shares in group undertakings which have not been consolidated										
	<u>4,205</u>	<u>0</u>	<u>4,205</u>	<u>0</u>	<u>4,205</u>	<u>0</u>	<u>4,205</u>	<u>0</u>	<u>0</u>	<u>0</u>
2. Participating interests	<u>70,694</u>	<u>45,404</u>	<u>45,294</u>	<u>70,804</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,804</u>	<u>70,694</u>
	<u>74,899</u>	<u>45,404</u>	<u>49,499</u>	<u>70,804</u>	<u>4,205</u>	<u>0</u>	<u>4,205</u>	<u>0</u>	<u>70,804</u>	<u>70,694</u>
IV. Goodwill										
Goodwill	<u>1,191,667</u>	<u>0</u>	<u>0</u>	<u>1,191,667</u>	<u>494,050</u>	<u>0</u>	<u>0</u>	<u>494,050</u>	<u>697,617</u>	<u>697,617</u>
	<u>4,862,339</u>	<u>769,710</u>	<u>1,526,083</u>	<u>4,105,966</u>	<u>2,782,450</u>	<u>518,781</u>	<u>1,458,783</u>	<u>1,842,448</u>	<u>2,263,517</u>	<u>2,079,888</u>

1.5 Consolidated Notes to the Accounts of DocCheck AG, Cologne for the financial year 2006

1.5.1 Accounting principles and methods

The consolidated financial statements have been prepared pursuant to § 315a Section 1 of the German Commercial Code in accordance with the provisions of the International Financial Reporting Standards (IFRS), the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which were valid as at the cut-off date and these are expected to be released for publication by the Supervisory Board on 06 March 2007. The term International Financial Reporting Standards (IFRS) has been used since 2003 for the whole of the accounting standards which were prepared by the International Accounting Standards Board (IASB), London. Thus the term International Accounting Standards (IAS) is replaced. Accounting standards which the IASB issued before this change of name continue to be referred to as IAS.

The Board of Directors and the Supervisory Board of DocCheck AG issued a declaration on 21 December 2006 to the German Corporate Government Code as required according to § 161 German Stock Corporation Law. This is made permanently available to the shareholders under the heading "Company" on the DocCheck AG website.

The consolidated financial statements according to IFRS are based on the historical costs of acquisition principle with the exception of certain items such as financial assets available for sale and derivative financial instruments which are shown with the current value. Standard accounting and evaluation principles form the basis of the annual financial statements of the companies included in the consolidated financial statements.

The financial year runs from 1 January to 31 December each year.

The consolidated financial statements were drawn up in euro. Unless there is a note to the contrary, all amounts are shown in full euros (EUR).

The consolidated profit and loss account has been prepared according to the total cost type of accounting.

The shareholders' meetings of antwerpes + partner ag and DocCheck Medical Services GmbH decided in September 2006 to make use of the facilitation opportunity pursuant to § 264 Section 3 of the German Commercial Code and to dispense with the preparation of notes to the accounts for the financial year 2006. The statutory requirements have been complied with by both subsidiaries.

Any changes to the accounting and evaluation methods are explained in the Notes to the Accounts. Provided that no differing regulation is planned for the standard concerned, the retrospective application of revised and new standards requires that the results for the same period in the previous year and the opening balance sheet for this comparable period are adjusted as if the new accounting and evaluation methods had already been applied. The financial statements as at 31 December 2005 were adjusted to the revised and new standards applied by the Group for the first time on 01 January 2006.

1.5.2. Summary of the accounting, evaluation and consolidation principles according to IFRS which fundamentally differ from the German Commercial Law

1. General

The consolidated financial statements of DocCheck AG as at 31 December 2006 were, in accordance with § 315 a of the German Commercial Code, drawn up in compliance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU. Some aspects of the provisions of the German Commercial Code and the German Stock Corporation Act are fundamentally different to those in the IFRS. The fundamental differences, which could be relevant for the assessment of the assets, financial and income situation of the company, are described below.

2. Capital adjustment items

Within the context of the business combination antwerpes + partner ag and DocCheck AG, a capital adjustment item was included in the balance sheet in accordance with IFRS 3.21 and this reduces the consolidated capital.

3. Partial profit realisation

The partial profit realisation for production orders is, according to the prevailing opinion in German Commercial Law, only allowed to a very limited extent. In principle only the Completed Contract Method is deemed to be admissible. IAS 11 in conjunction with IAS 18 on the other hand allows sales and corresponding profits to be realised in accordance with the so-called Percentage of Completion Method (POC). The prerequisite is the reliable determination of the level of completion, as well as the reliable estimate of the total order costs and revenue and its recoverability. The level of completion was determined analogous to the amount of goods produced.

4. Current-asset securities

Current-asset securities are evaluated at acquisition cost or at the lower stock exchange or market price in accordance with German Commercial Law. According to IAS 39, financial assets available for sale correspond to securities falling within the category "available for sale" and these are to be evaluated at Fair Value (market price) as determined on the cut-off date. These changes are to be recorded in a special revaluation reserve in capital and reserves with no effect on the operating result until the securities are sold. They are only recorded as affecting net income at that point in time when they are taken out of the accounts.

5. Amortisation of goodwill

In accordance with IFRS 3 (Business Combinations), no more scheduled amortisation of goodwill is to be carried out and this includes goodwill ensuing from capital consolidations. Once a year intangible fixed assets which are subject to an indefinite useful life are to be checked to see if reductions in value are possible (impairment only approach). If events or changed circumstances occur which point to a possible reduction in value, the intrinsic value needs to be checked more frequently.

6. Own shares

Contrary to German Commercial Law, own shares are not shown as assets. On the contrary, the provision contained in IAS 32.33 f. prescribes that own shares are to be shown in the balance sheet as valuation items of the capital and reserves. Therefore, in accordance with IFRS, capital and reserves are recorded as being lower than they would be in financial statements drawn up according to German Commercial Law.

7. Minority shareholdings

Minority shareholdings of outside shareholders are to be shown as a component part of the capital and reserves and no longer as a separate item between capital and reserves and outside capital. Changes to this item are to be shown accordingly in the capital and reserves statement.

8. Finance leasing

According to IAS 17.8, a leasing contract is classified as finance leasing if it essentially transfers all the risks and opportunities which are connected with ownership. According to IAS 17.20, lessees have to show finance leasing contracts at the start of the leasing contract period in the balance sheet as assets and liabilities of equal amount. The amount is to be the current market value of the leasing object which is to be attributed at the start of the leasing contract or the cash value of the lease payments if this value is lower. In the subsequent periods the minimum lease payments are to be divided up into the financing costs and the redemption part of the residual debt. Conditional lease payments are to be shown as expenses in the period in which they accrue.

9. Deferred taxes on business transactions which are recorded as having no effect on the operating result

According to IAS 12.61, deferred taxes are to be charged or credited directly to the capital and reserves if the tax relates to items which are charged or credited directly to the capital and reserves in the same or in another period.

10. Transaction costs for capital and reserves transactions

In accordance with IAS 32.35, transaction costs for a capital and reserves transaction, reduced by all the income tax benefits associated therewith, are to be shown in the balance sheet as a deduction from capital and reserves.

1.5.3 Fundamental principles of the consolidated financial statements

1. Consolidation methods

The capital is consolidated by offsetting the book values of the participating interests against the proportionate reassessed capital and reserves of the subsidiaries on the date of their acquisition. Thus assets, liabilities and contingent liabilities are shown using their current market values. Residual positive differences are shown in the balance sheet as goodwill, a negative difference is on the contrary recorded directly in the profit and loss account as other operating income. The disclosed hidden reserves and charges

are, during the course of subsequent consolidations, continued according to the corresponding asset values and liabilities.

Inter-group profits and losses, sales, expenses and income as well as the inter-group accounts receivable and payable are eliminated.

The consolidated financial statements contain the transactions of those companies in which DocCheck AG directly or indirectly has the majority of voting rights (subsidiaries). Inclusion begins from the date on which there is a possibility of control. It ends when the possibility of control no longer exists.

However, those participating interests over which DocCheck AG exercises considerable influence – as a rule due to a shareholding of between 20 and 50 per cent – are evaluated according to the Equity Method.

2 Accounting and evaluation principles

a) Net sales

Sales are realised after deduction of taxes and reduction in earnings at that point in time when the risk is transferred or the service is provided.

Expenses incurred when setting up provisions for sales discounts are taken into account in the period in which the sale is realised. Net sales are reduced by these amounts.

Pursuant to IAS 11 in conjunction with IAS 18, order projects are valued according to the Percentage of Completion Method. If the net income for an order cannot be reliably estimated, the income recorded is only that which equates to the incurred order costs which can probably be recouped. The order costs are recorded as expenses in the period in which they are incurred.

There were no apparent impending losses relating to production orders as at the balance sheet date. Profits are realised if the prerequisites for determining the level of completion, the estimate of the total order costs and the total order revenue which can be collected, are met.

b) Research and development costs

According to IAS 38, research costs may not be capitalised and development costs may only be capitalised if certain prerequisites exist which are specified precisely. Capitalisation is therefore always required if one is sufficiently sure that the development work will result in future inflows of funds which, in addition to covering the normal costs, will also cover the corresponding development costs. In addition, various criteria must be met on a cumulative basis with regard to the development project and the product or process which is to be developed. As in the previous year, these prerequisites are not stated.

c) Intangible Assets

Intangible fixed assets acquired against payment are valued at cost. According to their respective useful life, they are amortised over three to five years according to schedule and on a straight line basis.

d) Goodwill

In accordance with IFRS 3 in conjunction with IAS 36, from the financial year 2004 goodwill is no longer amortised according to schedule. The goodwill's ability to maintain its value is regularly checked by means of impairment tests and, if required, corresponding value adjustments are made. In the financial year 2006, on the basis of the test to check its ability to maintain its value, there was no need to devalue it.

e) Tangible fixed assets

According to IAS 16, the tangible fixed assets are evaluated at acquisition or production cost, reduced by scheduled amortisation. Amortisation is done according to the straight-line method. In accordance with § 6 (2) of the Income Tax Act in conjunction with IAS 16, low-value assets are depreciated in full in the year of acquisition. Factory and office equipment is depreciated over 3 to 33 years.

In accordance with IAS 36 in conjunction with IAS 16, within the context of the annual impairment test, the tangible fixed assets' ability to maintain their book value is regularly checked at the end of a financial year. If the realisable amount of an asset value falls below the book value, it will be depreciated on a non-scheduled basis.

The trend of the fixed assets according to the balance sheet items up until the balance sheet date on 31 December 2006, can be seen in the attached statement of asset additions and disposals. The breakdown of the development of consolidated fixed assets corresponds to the breakdown of the consolidated balance sheet according to IFRS.

f) Participating interests

By means of the notarial purchase contract dated 27 April 2006, the subsidiary DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch acquired a further 51.3 per cent of the shares in Albert Geisselmann GmbH, Eilenburg. The transfer became effective on 01 July 2006 and was fully consolidated from that date.

Up until that date, the participating interest in Albert Geisselmann GmbH, Eilenburg was evaluated according to the Equity Method and was stated showing the proportionate capital and reserves in accordance with the book value method.

On 02 November 2006 the change of name to DocCheck Medizinbedarf und Logistik GmbH was recorded in the commercial register.

g) Stocks

In accordance with IAS 2, finished goods and goods purchased for resale as well as unfinished goods are shown under stocks. The stocks are evaluated at acquisition or production cost or taking their net sales value, whichever is the lower.

Unfinished goods are evaluated at production cost. If the production costs exceed the value ascribed on the cut-off date, the goods will be depreciated. The production costs are determined progressively. When determining the production costs, individual costs of materials, individual costs of production as well as a reasonable proportion of the necessary production overheads are taken into account. Interest on borrowed capital is not taken into account.

Unfinished services whose total order costs and expected revenue can be estimated reliably were evaluated on the basis of the level of completion determined in accordance with the Percentage of Completion Method (POC), IAS 11. These are shown under amounts owed or customers' advance payments and net sales whilst deferring additional or reduced costs expressed as percentages.

h) Amounts receivable and other assets

Amounts receivable and other assets are shown at par or at the lower ascribable value.

i) Current-asset securities

The current-asset securities are allocated to the category "available for sale" and, in accordance with IAS 39, are to be evaluated at Fair Value (market price). Fair Value changes, netted out by the deferred taxes apportionable thereto, are first of all recorded in the capital and reserves in a special revaluation reserve with no effect on the operating result until that point in time when the securities are taken out of the accounts. If there is evidence of a permanent reduction in value, an impairment test will be carried out and the reduction in value will be taken into account by means of non-scheduled write-downs. The sales are shown in the balance sheet on the trading day.

j) Deferred taxes

Deferred taxes are calculated in accordance with IAS 12. Deferred taxes are determined as a result of temporary differences between the valuations of assets and liabilities in the commercial balance sheet and the tax balance sheet, consolidation processes and differences between the valuations according to the German Commercial Code and IFRS.

k) Own shares

In accordance with IAS 32.33 f., own shares are shown in the balance sheet at acquisition cost and as a deduction from the capital and reserves.

l) Provisions for liabilities and charges

Provisions are set up for contingent liabilities from past business transactions or events in respect of which there is uncertainty on the balance sheet date as to the amount of funds coming out of assets and the date that this will occur. Other provisions are evaluated in accordance with IAS 37. They are shown taking the amount set aside which is most likely to be called upon.

m) Liabilities

The amounts which are to be paid back are shown as the liabilities. Liabilities ensuing from finance leasing are shown in accordance with IAS 17.20 taking the cash value of the leasing instalments.

n) Accruals and deferrals

Revenue and expenses for the following financial year are recorded before the balance sheet date under accruals and deferrals.

3. Impairment tests

In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, from the financial year 2004 the scheduled amortisation of goodwill is dispensed with in favour of an annual impairment test. Within the framework of the impairment test, the residual book values of the individual cash generating units were compared with their respective recoverable amount, that is, the higher value from the net selling price and its value in use. The cash generating units in the DocCheck Group correspond to the separate legal units of the subsidiaries.

If the book value of the cash generating unit is higher than its recoverable amount, the amount of the difference represents a devaluation loss. As a first step, the goodwill of the strategic cash generating unit concerned is amortised by the calculated devaluation loss. If there is a residual amount, this will be allotted on a proportionate basis to the other assets of the respective strategic cash generating unit on the basis of the residual book values of each individual asset on the balance sheet date.

The annual results 2006, the detailed planning from 2007 until 2010 and the adoption of a perpetual annuity (exclusive of growth rate) from the financial year 2011 formed the basis each time for determining the values in use. The discounting rates (before taxes) for the individual cash generating units are composed of a risk-free rate of interest and a company-specific risk premium and amount to between 14 and 16 per cent for the tested units. The income values thus determined are compared to the respective book values of the goodwill.

The impairment tests for the cash generating units within the DocCheck Group did not result in a devaluation being required for the goodwill shown in the balance sheet on the cut-off date 31 December 2006.

4. Statement of sources and application of funds

The consolidated statement of sources and application of funds shows how the cash and cash equivalent of the DocCheck Group has changed during the course of the year under review as a result of an inflow and outflow of funds. In conformity with IAS 7, a distinction is made between cashflows from operating activities and cashflows from investment and financing activities. The cashflows from the ordinary business activities are specified according to the indirect method. Changes to the funds which do not affect payments are shown separately.

The liquidity shown in the flow of funds analysis includes cash balances, cheques and cash at banks. Financial futures with an original maturity of up to three months are also included together with the current-asset securities.

5. Currency conversion

The annual financial statements of antwerpes + partner ag, Basle branch (Switzerland) are, in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), converted according to the concept of functional currency. The currency used by the branch is Swiss Francs as the company runs its business independently from a financial, commercial and organisational point of view. Assets and liabilities are therefore converted at the rate applicable on balance sheet date and expenses and income are converted taking the annual average rate.

1.5.4 Scope of consolidation

The consolidated financial statements cover associated companies over which the Group holding company exercises control. Control is exercised as soon as the parent company has 50 per cent of the subsidiary's voting rights or if it can determine the financial and corporate policy of a subsidiary or if it can provide the majority of the supervisory board or management board members. On 31 December 1999 IAS consolidated financial statements were drawn up for the first time.

In addition to DocCheck AG as the parent company, the consolidated financial statements include the following companies which have their head office in Germany:

The companies and their participating interests

Name and registered office of the company	Participating interest quota as at 31/12/2006	Capital and reserves as at 31/12/2006 in ,000 euro	Annual Result 2006 in ,000 euro
DocCheck Medical Services GmbH, Cologne	100.00%	514	0 *
antwerpes + partner ag Cologne	100.00%	298	0 *
medizinstudent.de GmbH, Cologne	100.00%	11	7
DocCheck TV GmbH, Cologne	63.46%	-115	-22
DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch	51.00%	793	103
medicalpicture GmbH, Cologne	51.00%	-84	-17
DocCheck Medizinbedarf und Logistik GmbH, Eilenburg***	84.60%	167	-4 **

* After profit and loss transfer to DocCheck AG

** The participating interest totalling 84.6% in DocCheck Medizinbedarf GmbH, Eilenburg is held indirectly via DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch.

*** formerly Albert Geisselmann Medizinbedarf GmbH

The majority shareholdings in the subsidiaries were acquired on the dates detailed in the following table:

	Date of acquisition of the majority shareholding
antwerpes + partner ag Cologne	30. Dez. 1999
DocCheck Medical Services GmbH, Cologne	15. Nov. 1999
DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch	17. Nov. 2000
DocCheck Medizinbedarf und Logistik GmbH, Eilenburg	1. Jul. 2006
DocCheck TV GmbH	1. Jul. 2004
medicalpicture GmbH	1. Apr. 2002
medizinstudent.de GmbH	15. Okt. 2003

The indirect 33 per cent holding in DocCheck Medizinbedarf und Logistik GmbH, Eilenburg (formerly Albert Geisselmann Medizinbedarf GmbH) was, in accordance with IAS 28.13, consolidated using the Equity Method up until 30 June 2006. With effect from 01 July 2006, the subsidiary of DocCheck AG, DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch, acquired a further 51.3 per cent in DocCheck Medizinbedarf und Logistik GmbH, Eilenburg. Since that date, the indirect participating interest has been 84.6 per cent. Consolidation according to the method used to date is no longer allowed. In accordance with IFRS 3, inclusion in the consolidated financial statements is done according to the acquisition method. The negative difference ensuing from the initial consolidation amounting to 40 thousand euro was recorded as having an immediate effect on net income.

Antwerpes Romania S.R.L., which was not included in the consolidated financial statements due to its negligible contribution, was dissolved in 2006. The book value of the participating interest was 0 euro at the time of dissolution and so had no effect on the consolidated results.

1.5.5 . Explanatory notes on the profit and loss statement

1. Net sales

Net sales increased by a total of 2.4 million euro or by 21.4 per cent to 13.6 million euro compared to 2005.

Net sales can be broken down as follows:

	2006	2005
	million euro	million euro
Revenue from the provision of services	8.4	7.0
Revenue from the sale of goods	4.8	3.9
Rentals	0.4	0.3
Total	13.6	11.2

In the period under review, sales realised totalled 309 thousand euro (previous year: 332 thousand euro) using the Percentage of Completion method pursuant to IAS 11 in conjunction with IAS 18. Partial profit realisation led to the following changes to results:

Changes due to use of POC:

	2006	2005
	EUR 1,000	EUR 1,000
Stocks	-150	-116
Trade debtors	309	332
Provisions for outstanding costs	-12	-13
Change in result	147	203

2. Other operating income

Other operating income is mainly made up of revenue from rents and the release of provisions.

There was a negative difference of 40 thousand euro as a result of the initial consolidation of DocCheck Medizinbedarf und Logistik GmbH (Eilenburg). In accordance with IFRS 3.56 this is to be recorded as having an immediate effect on net income and is therefore also included in the item, other operating income.

3. Cost of materials

Cost of materials totalled 5,134 thousand euro (previous year: 4,563 thousand euro), of which 3,471 thousand euro (previous year: 3,119 thousand euro) was attributable to expenses for raw materials and supplies and bought-in goods and 1,663 thousand euro (previous year: 1,445 thousand euro) was attributable to expenses for bought-in services.

4. Staff costs

Staff costs increased by 799 thousand euro in 2006, taking them to 4,784 thousand euro (previous year: 3,985 thousand euro). The increase resulted from the rise in the number of personnel as well as from the initial consolidation of DocCheck Medizinbedarf und Logistik GmbH, Eilenburg. The number of employees as at 31 December 2006 was 115 (previous year: 97). The average for the year was 97 employees (excluding apprentices and members of the Board of Directors).

5. Depreciation

The amortisation of intangible fixed assets and the depreciation of tangible fixed assets contain useful life adjustments for tenant's fixtures which total 56 thousand euro. In the previous year a reduction in the value of the goodwill of DocCheck TV GmbH, totalling 14,000 euro, was included in the amortisation figures.

6. Other operating expenses

Other operating expenses mainly arise from advertising, travelling, financial statement and audit expenses as well as rental expenses. Fees charged by the auditor of the consolidated financial statements for the financial year 2006, which were recorded as expenses, totalled 55 thousand euro for auditing, 14 thousand euro for tax consulting services and 2 thousand euro for other services.

7. Personal income tax and tax on earnings

Personal income tax and tax on earnings, totalling 589 thousand euro, mainly comprise corporation tax for 2006 totalling 340 thousand euro, trade tax for 2006 totalling 288 thousand euro, additional payments of corporation tax for previous years totalling 18,000 euro. Taxes ensuing from items which were charged directly against capital and reserves totalled 27 thousand euro. An adjustment totalling -61,000 euro was made to provisions for taxes on earnings due to a fiscal audit of the accounts. Deferred tax on the liabilities side totalled -22 thousand euro and deferred tax on the assets side totalled -1,000 euro.

8. Deferred taxes

A mixed taxation rate of 39.9 per cent forms the basis of the calculation of deferred taxes which is made up of a corporation tax rate of 25 per cent, a solidarity surcharge rate of 5.5 per cent on corporation tax and a trade tax rate of 18.37 per cent which is deductible when calculating the corporation tax.

Composition and development of deferred taxes:

	Deferred taxes on the assets side 2006 EUR 1,000	Deferred taxes on the assets side 2005 EUR 1,000	Deferred taxes on the liabilities side 2006 EUR 1,000	Deferred taxes on the liabilities side 2005 EUR 1,000
Tangible assets	3	3	0	0
Stocks	0	0	-60	-46
Trade debtors	0	0	123	131
Other securities	0	0	0	22 *
Provisions for liabilities and charges	0	0	-5	-5
Total	3	3	58	102

* In accordance with IAS 12.61, offset against the capital and reserves with no effect on the operating result

The actual tax expenditure for the financial year 2006 of 589 thousand euro differed by -23 thousand euro from the expected tax expenditure of 612 thousand euro, which would have arisen had a weighted expected average tax rate of 39.9 per cent been applied to the pre-tax result of the Group. The reasons for the difference between the expected and actual tax expenditure are as follows:

	2006 EUR 1,000
Expected income tax expense	612
Income from the initial Eilenburg consolidation which does not attract tax	-10
Notional tax on the Eilenburg six-months profit included in the consolidated financial statements	-13
Tax reduction as a result of lower foreign tax rates	-18
Tax expense for earlier years	<u>18</u>
Actual tax expenditure	589

9. Distribution of profit

As at 01 June 2006, a dividend of 464 thousand euro for the financial year 2005 was paid out in accordance with the resolution passed at the Ordinary Annual General Meeting of DocCheck AG on 31 May 2006.

10. Earnings per share

Undiluted earnings per share pursuant to IAS 33 were calculated on the basis of the equity of DocCheck AG, determined from the average number of shares in the financial year.

Following the resolution passed on 07 September 2006, the Board of Directors approved the start of another share buy-back programme. The basis for this share buy-back is the resolution passed at the Annual General Meeting on 31 May 2006 which empowers the company to buy back its own shares, up to a maximum of 590,431, up until 30 November 2007. 91,500 shares are already held due to an earlier share buy-back programme. To start with, the buy-back was limited to another 100,000 shares which corresponds to 1.7 per cent of the capital stock. The programme started on 11 September 2006. As at 31 December 2006, the company holds 144,598 of its own shares.

Taking into account the number of own shares bought in 2006, the average number of shares for the financial year 2006 is 5,802,510 individual share certificates (also see Point VI.18). Undiluted earnings per share calculated in this manner were 0.16 euro. Taking into account the stock options of the third tranche, totalling 1,500 in number, diluted earnings per share were 0.16 euro.

1.5.6 Explanatory notes on the consolidated balance sheet

1. Intangible Assets

Intangible assets mainly include bought-in software.

2. Goodwill

The goodwill is a result of the consolidation of DocCheck Medical Services GmbH, DocCheck TV GmbH, medicalpicture GmbH, medizinstudent.de GmbH and DocCheck Medizinbedarf und Logistik GmbH. This resulted in the following goodwill:

Company	Goodwill from the initial consolidation in EUR 1,000	subsequent increase in goodwill through the acquisition of additional shares in EUR 1,000	accumulated reductions in value as at 31/12/05 in EUR 1,000	Goodwill book value as at 31/12/05 in EUR 1,000	Reductions in value in 2006 in EUR 1,000	Additional goodwill in 2006 in EUR 1,000	accumulated reductions in value as at 31/12/06 in EUR 1,000	Goodwill book value as at 31/12/06 in EUR 1,000
DocCheck Medical Services GmbH	29	0	12	17	0	0	12	17
DocCheck TV GmbH	155	5	14	146	0	0	14	146
medicalpicture GmbH	92	0	10	82	0	0	10	82
medizin-student.de GmbH	182	0	131	51	0	0	131	51
DocCheck Medizinbedarf und Logistik GmbH*	756	0	354	402	0	0	354	402
Total	1.214	5	521	698	0	0	521	698

3. Tangible fixed assets

The development of assets according to balance sheet items up to the cut-off date, 31 December 2006, can be seen in the attached statement of asset additions and disposals, which forms an integral part of the notes to the accounts.

According to the regulations for handling finance leasing and pursuant to IAS 17.20 and IAS 17.27, fixtures which originally cost EUR 162 thousand were capitalised and depreciated on a straight line basis over the probable useful life of ten years.

4. Participating interests

The participating interests contain the participating interest in DocCheck Medizinbedarf und Logistik GmbH (formerly Albert Geisselmann Medizinbedarf GmbH), Eilenburg, which was consolidated according to the Equity Method up until 30 June 2006, and the book value was increased by the difference to the proportionate annual result for 2005 totalling 8 thousand euro and was decreased by the result for the first six months of 2006 totalling 12 thousand euro. With effect from 01 July 2006, the subsidiary DocCheck Medizinbedarf und Logistik GmbH, Weil im Schönbuch, acquired the majority

shareholding in DocCheck Medizinbedarf und Logistik GmbH, Eilenburg. From that date the company was fully consolidated. Consequently no book value for the participating interest was shown as at 31 December 2006.

5. Stocks

Stocks are comprised as follows:

	2006 EUR 1,000	2005 EUR 1,000
Unfinished goods and services	198	106
Finished goods and goods purchased for resale	383	261
Payments on account	<u>20</u>	<u>39</u>
Total	601	406

In accordance with IAS 2, reported and valued unfinished products totalling 150 thousand euro (previous year: 223 thousand euro) are included in stocks, totalling 601 thousand euro as at 31 December 2006 (previous year: 406 thousand euro).

6. Accounts receivable

All accounts receivable have a residual term of less than one year.

7. Other assets

Other assets mainly include interest deferrals and tax claims. Other assets totalling 116 thousand euro (previous year: 104 thousand euro), whose time to maturity is between one and five years, are included under this heading.

8. Current-asset securities

In the financial year 2006 accumulated Fair Value changes to current-asset securities totalling -67 thousand euro, netted out by the deferred taxes apportionable thereto of 27 thousand euro, were allocated to a special revaluation reserve with no effect on the operating result.

On 20 October 2006, the mortgage bond of the Bayrische Hypotheken- und Vereinsbank AG was settled on the final due date and 100 per cent of the capital, totalling 2,250 thousand euro was paid back to the company. There were no price gains or losses ensuing from the transaction. The released capital is invested in a demand deposit account until an investment decision is made. Your attention is drawn to a corresponding change to the item "current-asset securities" and "liquid assets".

As at 31 December 2006 the securities are made up of one mortgage bond (nominal value: 5,000,000 euro; due date July 2007) and two loans against promissory notes (nominal value: 5,000,000 euro and 2,500,000 euro respectively; due date May 2008

and May 2007 respectively). Financial risks according to IAS 32.51 and following exist due to the securities not being repaid 100 per cent upon final maturity.

9. Liquid funds

Liquid funds include bank credits and cash provisions that are reported at nominal value.

10. Prepaid expenses

Prepaid expenses include expenses for the following financial year which were paid before the balance sheet date.

11. Deferred taxes on the assets side

The deferred taxes on the assets side, totalling 3 thousand euro (previous year: 3 thousand euro) result from evaluation differences between the German Commercial Code (HGB) and IFRS ensuing from finance leasing conditions pursuant to IAS 17.20.

12. Subscribed capital

As at 31 December 2006, the subscribed capital was 5,904,312.00 euro and this is divided up into 5,904,312 individual share certificates at 1 euro each. These are bearer shares. The attached equity statement shows the development of equity during the year. In accordance with the resolution passed by the Annual General Meeting on 15 June 2005, in the period until 14 June 2010 the Board of Directors is empowered to increase the share capital of the company to EUR 2,952,156, with the agreement of the Supervisory Board, through a one-off or multiple issue of bearer shares for cash and/or contributions in kind (approved capital) and to determine the conditions of the share issue with the agreement of the Supervisory Board. Furthermore, the Board of Directors is empowered, with the agreement of the Supervisory Board, to decide that the statutory subscription rights of the shareholders should be ruled out. The statutory subscription rights of the shareholders can be ruled out.

In accordance with the resolution passed by the Annual General Meeting on 16 May 2001, the share capital will, on a contingent basis, be increased by up to EUR 590,431 by issuing up to 590,431 new shares with an entitlement to a share in the profits from the start of the financial year in which the issue takes place.

The contingent capital increase will be used solely to grant subscription rights to Board members and employees of DocCheck AG, as well as to managers and employees of companies associated with DocCheck AG. If the rights are granted to the Board members, the Board of Directors and the Supervisory Board are empowered to grant subscription rights to rightful claimants. The contingent capital increase shall only be carried out to the extent that the bearers of subscription rights exercise these rights.

13. Capital reserve

As at 31 December 2006, the capital reserve totalled 13,421,408.68 euro (previous year: 13,421,408.68 euro). The adjustment made to the capital reserve in 2004 totalling 89,592.52 euro was cancelled in the year under review and in the previous year. Due to a

change in legislation, the input tax ensuing from IPO expenses is deductible, contrary to the view maintained at that time by the Group auditor. The sales tax liability and the ensuing refunds of tax on earnings were cancelled accordingly. In this respect, the capital reserve also had to be adjusted.

14. Revenue reserve

As at 31 December 2006, the revenue reserves totalled EUR 71,700.23 (previous year: EUR 71,700.23).

15. Net earnings

Net earnings totalled 3,228,834 euro (previous year: 2,785,972 euro).

16. Capital adjustment items

The equity in the balance sheet was adjusted in Adjusting items for capital by EUR 3,246 thousand pursuant to IFRS 3.21 in conjunction with IAS 8 (For details on this, see Section II.2).

17. Special revaluation reserve

The special revaluation reserve totalling - 41 thousand euro (previous year: 32 thousand euro) comprises the fair value amendments to the current-asset securities, netted out by the taxes apportionable thereto, which, pursuant to IAS 39 and until the securities are written off, are first of all recorded in capital and reserves as not affecting the operating result.

18. Own shares

The portfolio of own shares consisted of 144,598 shares as at the reporting date. In accordance with the resolutions passed by the Ordinary Annual General Meetings on 30 June 2004, 15 June 2005 and 31 May 2006, they were bought between April and October 2005 and between September and December 2006 at an average price of 4.11 euro. As at the cut-off date, 31 December 2006, the market value of the shares was 596,332.24 euro. The change in the number of shares in circulation as at 31 December 2006 is shown in the following table:

Shares in circulation as at 01/01/2006	5,802,314	Position
Disposal of own shares through exercising options	8,500	Position
Purchase of own shares in financial year 2006	-53,098	Position
Shares in circulation as at 31/12/2006	<u>5,749,216</u>	Position

19. Minority interests

Minority interests concern stakes held by third parties in the capital and reserves of medicalpicture GmbH, DocCheck TV GmbH as well as DocCheck Medizinbedarf und Logistik GmbH.

20. Provisions for liabilities and charges

Tax provisions as at 31 December 2006 totalled 385 thousand euro (previous year: 66 thousand euro) and mainly concern trade tax totalling 289 thousand euro (previous year: 61 thousand euro) and corporation tax totalling 96 thousand euro (previous year: 5 thousand euro).

The following table illustrates the composition of other provisions. All provisions have a residual term of less than one year.

Provisions statement for DocCheck AG up until 31 December 2006:

	Position 01.01.06 euro	Use/ consumption euro	Release euro	Transfer euro	Position 31.12.06 euro
Staff					
a) Shares in profits	120,998.58	-120,521.78	-476.80	187,304.51	187,304.51
b) Holiday provisions	127,000.00	-122,100.00	-4,900.00	150,800.00	150,800.00
c) Employees' accident insurance fund	14,355.00	-13,582.95	-772.05	18,080.00	18,080.00
d) Disability charge	4,320.00	-722.70	-3,597.30	2,350.00	2,350.00
Administration and operations					
e) Bonuses	83,200.00	-74,809.46	-8,390.54	51,177.28	51,177.28
f) Artists' social fund	0.00	0.00	0.00	3,900.00	3,900.00
g) End-of-year accounting and audit costs	120,004.42	-104,387.92	-12,035.50	143,768.00	147,349.00
h) Supervisory Board's remuneration	26,311.00	-24,830.19	-1,480.81	18,021.00	18,021.00
i) Follow-up costs	12,964.78	-12,964.78	0.00	12,181.17	12,181.17
j) Litigation costs	2,173.18	-1,608.50	-564.68	0.00	0.00
k) other	12,270.91	0.00	0.00	21,949.09	34,220.00
Total	523,597.87	-475,528.28	-32,217.68	609,531.05	625,382.96

21. Trade creditors

In accordance with the regulations for handling finance leasing pursuant to IAS 17.20, leasing liabilities totalling 71 thousand euro (previous year: 89 thousand euro) were shown as liabilities.

	EUR 1,000
of which due within one year	20
of which due after more than one year and up to five years	51
of which due after more than five years	0

Total

71

Contingent rental payments taken into account during the financial year and which affect the operating result totalled 18 thousand euro (previous year: 15 thousand euro). The leasing liabilities relate to the fixtures as explained in Section VI.3.

22. Other liabilities

Other liabilities have a residual term of up to one year and are made up as follows:

	2006	2005
	EUR 1,000	EUR 1,000
Debtors showing a credit balance	0	1
Income tax and church tax	75	51
Sales tax	325	428
Social security	43	104
Salaries and wages	0	5
Salaried employees' travelling expenses	3	3
Amounts owed to shareholders	1	1
Other liabilities	13	12
Total	<u>460</u>	<u>605</u>

23. Deferred taxes on the liabilities side

Deferred taxes on the liabilities side result from temporary differences in evaluations in the individual financial statements which, in accordance with the German Commercial Code, are relevant for taxation purposes and from evaluations according to IFRS (IAS) in the consolidated financial statements (in this respect, see the explanatory notes in Section V.8).

24. Other financial obligations

As at 31 December 2006 the following financial obligations applied:

	EUR 1,000
From rent	2,247
From leasing	<u>127</u>
	2,374
- of which due within one year	730

- of which due after more than one year and up to five years	1,644
- of which due after more than five years	0

Due to the rental agreement for the Basle branch, Switzerland, which can be terminated with a notice period of three months at the end of a month, there are financial obligations for the following year of 12 thousand euro. Contingent liabilities were only posted insofar as they were not included in other provisions.

25. Financial instruments

The stock of primary financial instruments (accounts receivable, liabilities, liquid funds) is reported in the balance sheet. There are no significant differences between book and market values. In principle, there can be credit risks and risks of default in this area. As at the reporting date there were no significant risks for the Group's primary financial instruments. The company is mainly open to the risk of default through trade debtors. The company continuously monitors the creditworthiness of its customers and, because of its customer structure, has reported hardly any loan losses in the past. The Group companies have not concluded any contracts for interest rate derivatives. As at the reporting date, there was no significant interest rate risk.

As at 31 December 2006 the Group companies had no notable receivables or liabilities in foreign currencies, so there was no exchange rate risk as at the reporting date.

As at the reporting date there were no financial instruments used for purposes of trading or speculation.

1.5.7 Explanatory notes on the Group funds statement

Financial resources as at 31 December 2006 include third-party funds of 29 thousand euro (previous year: 28 thousand euro). These are outstanding doctors' fees which DocCheck AG cannot dispose of in any other way.

Statement of Sources and Application of Funds (in EUR)

	01/01/2006 - 31/12/2006	01/01/2005 - 31/12/2005
Surplus for the period before extraordinary profit	907,207	642,704
of which funds received from interest	563,402	574,551
of which funds paid as interest	7,271	7,041
 + Amortisation of intangible fixed assets and depreciation of tangible fixed assets	479,799	357,451
+ Loss from the addition and disposal of fixed assets	16,917	23
+ Loss from the disposal of own shares	13,036	0
+/-Increase/decrease in provisions	420,430	-120,480
-/+Increase/decrease in trade debtors	-727,153	-286,225
-/+Increase/decrease in other assets	66,679	380,247
-/+Increase/decrease in stocks	-194,618	-140,240
 -/+Increase/decrease in prepaid expenses and deferred charges	-26,566	24,661
+/-Increase/decrease in deferred income	-10,891	12,944
-/+Increase/decrease in deferred taxes reported as assets	500	4,415
 -/+Reduction/increase in deferred taxes reported as liabilities	-43,600	18,400
+/-Increase/decrease in trade creditors and other liabilities	-110,290	951,178
 Cash flow from current business activities	791,451	1,845,078
 Proceeds/outgoings for disinvestments/investments in tangible fixed assets, intangible fixed assets, participating interests and +/-goodwill	-682,846	-246,654
 - Outgoings from the sale of consolidated companies	0	0
+ Write-downs on fixed-asset securities	0	0
+/-Proceeds/outgoings from the sale/purchase of securities	0	0
Cash flow from investment activities	-682,846	-246,654
 - Repayment of loans	25,753	-6,317
- Payment to shareholders ensuing from capital reduction	0	-14,760,780
- Disbursement from dividend payments	-464,345	-469,549
+/-Proceeds/outgoings from the sale/purchase of own shares	-199,980	-411,449
Cash flow from financing activities	-638,573	-15,648,095

Change in funds to hand which affects payment	-529,968	-14,049,670
Change in funds to hand due to evaluation (special revaluation + reserve)	-73,061	-56,058
+ Change in funds to hand as a result of the regrouping of securities	0	0
+ Funds at the start of the period	17,099,512	31,205,241
Funds at the end of the period	16,496,483	17,099,512
Composition of the funds to hand		
- Cash and cash equivalent	4,048,223	2,230,712
- Securities	12,448,260	14,868,800

1.5.8 Divisional Reporting

Divisional Reporting for the consolidated financial statements 2006:

Divisional Reporting as at 31/12/2006 (in EUR)

financial statement 2006	antwerpes + partner	DocCheck	Holding	Total
Net sales for the divisions	6,612,721	6,979,143	3,827	13,595,691
Intra-group sales	68,237	412,935	2,669,513	3,150,685
EBIT	1,051,811	-41,425	83,933	1,094,319
Result before taxes on earnings	1,056,553	-57,690	535,138	1,534,002
Total assets	1,986,948	3,264,673	16,851,688	22,103,309
Total liabilities	939,895	595,846	424,402	1,960,143
Depreciation of tangible fixed assets	26,138	92,707	360,955	479,799
Investments	23,633	62,374	546,141	632,148
Employees	50	53	12	115

1.5.9 Supplementary notes

1. Relations with affiliated persons

In addition to the companies included in the consolidated financial statements, the following companies and individuals are affiliated with the Group in accordance with IAS 24:

Shareholder structure as at 31 December 2006:	expressed as a percentage	Number of shares
Dr. Frank Antwerpes, CEO*	47.15	2,783,925
Jan Antwerpes, CFO*	13.95	823,477
Dr. Johannes Kersten, antwerpes + partner ag Supervisory Board	7.32	432,031
Freefloat	31.58	1,864,879
Hermann Korte, antwerpes + partner ag Supervisory Board	0.95	56,038
Roland Ortloff, Managing Director, DocCheck Medizinbedarf GmbH	0.75	44,312
Tanja Antwerpes, antwerpes + partner ag Board of Directors	0.41	23,933
Michael Thiess, Chairman of the Supervisory Board	0.10	6,060
Dr. Joachim Pietzko, Member of the Supervisory Board	0.01	866
Winfried Leimeister, Member of the Supervisory Board	0.00	0
Helmut Rieger, Director Trade	0.01	400
DocCheck AG	2.45	144,598

* Half of the shares of immediate relatives were allocated to Messrs. Antwerpes. The shares of Helmut Rieger's wife were included.

The executive bodies of DocCheck AG had the following interests in Group companies or other companies:

Executive bodies of DocCheck AG

The Board of Directors

Dr. Frank Antwerpes, Cologne
Chairman of the Board of Directors, CEO

Membership of other controlling committees

antwerpes + partner ag, Cologne
(Chairman of the Board of Directors until
15/07/2006)
(Chairman of the Supervisory Board since
15/07/2006)
DocCheck Medical Services GmbH, Cologne)
(Managing Director)
medizinstudent.de GmbH, Cologne (Managing
Director)

Jan Antwerpes, Cologne
Finance Director, CFO

antwerpes + partner ag, Cologne
(Chairman of the Supervisory Board until
15/07/2006)
(Member of the Board of Directors since
15/07/2006)

Helmut Rieger, Weil im Schönbuch, Director
Trade

DocCheck Medizinbedarf und Logistik GmbH,
Weil im Schönbuch
(Managing Director)

Supervisory Board

Michael Thiess, Feldkirchen, Management
Consultant
Chairman of the Supervisory Board
Dr. Joachim Pietzko, Cologne, Lawyer
Deputy Chairman of the Supervisory Board
Winfried Leimeister, Cologne, Tax Consultant
Member of the Supervisory Board

Sanemus AG (Chairman of the Board of Directors)

Other

Dr. Johannes Kersten, Duisburg

antwerpes + partner ag, Cologne (Member of the
Supervisory Board)

Tanja Antwerpes, Cologne

antwerpes + partner ag, Cologne (Member of the
Board of Directors)
(Member of the Board of Directors until
15/07/2006)
(Chairman of the Board of Directors since
15/07/2006)

Thilo Kölzer, Cologne

antwerpes + partner ag, Cologne (Member of the
Board of Directors)

Roland Ortloff, Weil im Schönbuch

DocCheck Medizinbedarf und Logistik GmbH,
Weil im Schönbuch (Managing Director)

Thomas Schmidt, Cologne

medicalpicture GmbH, Cologne (Managing
Director)

Hermann Korte, Cologne

antwerpes + partner ag, Cologne (Member of the
Supervisory Board)

Stephan Feifel, Marburg

DocCheck TV GmbH, Cologne (Managing Director)

2. Remuneration of the Board of Directors

The Board of Directors of DocCheck AG received the following remuneration in 2006:

Name of the Board Member	Fixed allowance paid in €	Share in profits paid in €	Number of share options granted as at 31/12/2006
Dr. Frank Nicolas Antwerpes, CEO	152,823	41,948	0
Jan Antwerpes, CFO	111,057	27,965	0
Helmut Rieger, Director Trade	20,004	0	0
Total:	283,884	69,913	0

No further remuneration components with a long-term incentive and benefits within the meaning of Section 314 German Commercial Code (HGB) (revised) have been promised to Directors in the event of the termination of their duties as Directors.

3. Remuneration of the Supervisory Board

The Supervisory Board of DocCheck AG received the following remuneration in 2006:

Name of the Supervisory Board Member	fixed allowance paid in €	Variable remuneratio n in €
Michael Thiess, Chairman of the Supervisory Board	12,000	8,700
Dr. Joachim Pietzko, Deputy Chairman of the Supervisory Board	6,000	4,300
Winfried Leimeister	6,000	4,300
Total:	24,000	17,300

Contracts with Mr Thiess and Dr. Pietzko are in force for general consulting and legal consulting services. In the financial year 2006 transactions with Mr Thiess totalled 0 euro (previous year: 1 thousand euro), with Dr. Pietzko 1 thousand euro (previous year: 5 thousand euro), and with Mr Leimeister 0 euro (previous year: 1 thousand euro).

4. Notifications pursuant to Section 20 German Stock Corporation Law (AktG) or Section 21 German Securities Trading Act (WpHG)

There were no notifications pursuant to Section 20 Paragraph 1, Section 20 Paragraph 4, German Stock Corporation Law (AktG) or pursuant to Section 21 Paragraph 1 or 1a German Securities Trading Act (WpHG) during the financial year.

5. Stock Options

In accordance with the resolution passed at the Annual General Meeting on 16 May 2001, the company grants, by means of an options contract, subscription rights to certain employees regarding the acquisition of DocCheck AG shares. According to the grade and position of the employee, the company offers contracts to certain employees which cover the granting of share options (options contract). As at 31 December 2006, 30,500 stock options had been issued (previous year: 42,000). The portfolio reduction resulted from the exercising of 8,500 options and from the departure of employees in 2006 who were entitled to subscribe.

Exercising a subscription right depends on whether at the time the following performance goals were met:

- The market price of the DocCheck AG share has performed better than the Nemax All Share Index (now Technology All Share Index)
- The current market price of the share must be higher than the comparative market price and the comparative market price of the share is
 - for subscription rights granted up to five days before the initial public offering, the initial public offering price as determined in the bookbuilding process for the DocCheck AG share for the purposes of the initial public offering
 - for one or two subscription rights granted during an acquisition period, the average of the Xetra closing prices for the 20 trading days before the first day of the respective acquisition period.
- The employee has an employment contract with a company within the DocCheck Group and notice to terminate this has not been served, nor has it been terminated in some other way.

Exercising the options granted is only permissible at any time during the following periods:

- On the respective fourth and the 19 subsequent bank working days following a DocCheck AG Ordinary Annual General Meeting.
- On the respective fourth and the 19 subsequent bank working days following the publication of the DocCheck AG quarterly report which covers the 3rd quarter of a financial year.

On 19 February 2004, the IASB published the Standard IFRS 2 "Share-based Payment". The Standard makes the provision that share options are valued at fair value and that they are recorded as staff costs. IFRS 2 is to be used for the first time in financial years which begin on or after 1 January 2005 and is to be retrospectively applied to share option plans which were granted after 7 November 2002 (date of the publication of the draft of the Standard). DocCheck AG decided, for materiality reasons, to waive a retrospective balancing of accounts for its share options issued before 7 November 2002. A valuation of the share options issued as at 31 December 2006 by means of the Black Scholes Model would have resulted in a staff cost of 2 thousand euro (previous year: 4 thousand euro) in the financial year 2006.

Composition of Stock Options as at 31 December 2006:

Issued stock options balance as at 31/12/2005	42,000
Options granted in 2006	0
Options exercised in 2006	8,500
Options which have lapsed in 2006	3,000
Issued stock options balance as at 31/12/2006	<u>30,500</u>

The first tranche (issue: April 2000, issue price: 18.50 EUR, term: 7 years)	27,000
of which to management exercisable on 30.09.2006	22,000
of which to employees exercisable on 30.09.2006	5,000

The second tranche (issue: December 2000, issue price: 15.46 EUR, term: 7 years)	2,000
of which to employees exercisable on 30.09.2006	2,000

The third tranche (issue: May 2002, issue price: 2.66 EUR, term: 7 years)	1,500
of which to management	1,500
of which with a waiting period up until the first implementation on 31.05.2007	1,500

Against the backdrop of the special distribution of profits of 2.50 euro per share performed at the beginning of February 2005, the issue prices of the options were adjusted downwards by 2.50 euro from 21.00 euro to 18.50 euro for the first tranche, downwards by 2.50 euro from 17.96 euro to 15.46 euro for the second tranche, and downwards by 2.50 euro from 5.16 euro to 2.66 euro for the third tranche.

6. Events after the reporting date

At the Annual General Meeting on 23 May 2007, the Board of Directors and the Supervisory Board of DocCheck AG will propose to pay out a dividend of 10 cent per share for the financial year 2006. This corresponds to a gross dividend of 590,431.20 euro. If DocCheck AG holds own shares on the date that the resolution is passed by the Annual General Meeting, these are not entitled to dividends according to the German Stock Corporation Act.

Cologne, 06 March 2007

The Board of Directors of DocCheck AG

Dr. Frank Nicolas Antwerpes
Chairman of the Board of Directors

Jan Antwerpes
Member of the Board of Directors

Helmut Rieger
Member of the Board of Directors

1.6 Statement of Equity Capital in accordance with IAS 1 Subsections 96-101 (in euro)

	Subscribed capital	Capital reserve	Statutory reserve	Reserve in accordance with the company's Articles of Association	Other revenue reserves	Special revaluation reserve	Net earnings	Capital adjustment items	Own shares	Minority share-holdings	Total
Balance as at 31/12/2004 before an adjustment for the previous year's figures	<u>5,904,312</u>	<u>13,421,409</u>	<u>39,253</u>	<u>0</u>	<u>32,448</u>	<u>88,567</u>	<u>2,616,112</u>	<u>-3,245,570</u>	<u>0</u>	<u>229,645</u>	<u>19,086,175</u>
Additional acquisition of shares DocCheck TV GmbH										5,338	5,338
Purchase of own shares									-411,449		-411,449
Revaluation of securities						-56,058					-56,058
Distribution of dividends							-469,549				-469,549
Annual net income as at 31/12/2005		*					639,410 *			29,490	668,901
Balance as at 31/12/2005	<u>5,90,312</u>	<u>13,421,409</u>	<u>39,253</u>	<u>0</u>	<u>32,448</u>	<u>32,509</u>	<u>2,785,973</u>	<u>-3,245,570</u>	<u>-411,449</u>	<u>264,473</u>	<u>18,823,358</u>
Balance as at 31/12/2005	5,904,312	13,421,409	39,253	0	32,448	32,509	2,785,973	-3,245,570	-411,449	264,473	18,823,358
Share acquisition DocCheck Medizinbedarf Eilenburg										20,924	20,924
Revaluation of securities						-126,905					-126,905
Transfer of own shares									35,646		35,646
Own shares									-222,590		-222,590
Distribution of dividends							-464,345				-464,345
Annual net income as at 31/12/2006					0		934,051			36,494	970,545
Balance as at 31/12/2006	<u>5,904,312</u>	<u>13,421,409</u>	<u>39,253</u>	<u>0</u>	<u>32,448</u>	<u>-94,396</u>	<u>3,255,680</u>	<u>-3,245,570</u>	<u>-59,393</u>	<u>321,891</u>	<u>19,063,633</u>

*Reversal of bookkeeping entry. Booking in accordance with SIC 17 in conjunction with IAS 8

1.7 Copy of the Auditors' Report

According to the final result of our audit, we have issued the following unqualified auditors' report to DocCheck AG, Cologne, for the consolidated financial statements dated 31 December 2006 attached as **Appendix 1 to 5** and for the group management report which is presented in **Appendix 6**:

“Auditors' Report from the Balance Sheet Auditor

We have audited the consolidated financial statements prepared by DocCheck AG - comprising the profit and loss account, the balance sheet, notes to the accounts, statement of sources and application of funds, statement of changes in equity capital and divisional reporting and the group management report for the financial year from 1 January to 31 December 2006. The legal representatives of the company are responsible for preparing the consolidated financial statements and group management report in accordance with IFRS, as they are to be applied within the EU, and in addition in accordance with the provisions under commercial law which are to be applied according to § 315 a Section 1 HGB (German Commercial Code) as well as in accordance with the supplementary regulations in the Articles of Association. Our task is to assess the consolidated financial statements and group management report on the basis of the audit carried out by us.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB whilst taking into account the generally accepted German auditing standards as set out by the German Institute of Auditors (IDW). Accordingly we are required to plan and carry out the audit in such a way that it is possible to ascertain with adequate certainty whether there are any inaccuracies or irregularities which will have a significant impact on the presentation of the asset, financial and income situation as conveyed by the consolidated financial statements, taking into account the statutory accounting requirements which are to be applied, and the group management report. Knowledge of the business activities and the legal and economic situation of the Group as well as expectations of possible mistakes are taken into account when determining the audit procedures. Within the framework of the audit, the effectiveness of the internal control system for accounting purposes as well as evidence supporting the disclosures in the consolidated financial statements and group management report are predominantly assessed on the basis of spot checks. The audit covers the assessment of the annual financial statements of the companies included in the consolidated financial statements, the demarcation of the scope of consolidation, the applied accounting and consolidation principles and the fundamental assessments made by the legal representatives as well as the appraisal of the overall presentation of the consolidated financial statements and the group management report. We are of the opinion that our audit forms a sufficiently sound basis for our assessment.

No objections were raised to our audit.

In our opinion, on the basis of the knowledge acquired when carrying out the audit, the consolidated financial statements conform to the IFRS, as they are to be applied within the EU, and in addition they conform to the provisions under commercial law which are

to be applied according to § 315a Section 1 HGB (German Commercial Code) and the supplementary regulations in the Articles of Association and, taking into account these regulations, convey a picture of the Group's asset, financial and income situation which corresponds to the actual circumstances. The group management report is in line with the consolidated financial statements, is overall a true reflection of the Group's situation and provides an accurate picture of the opportunities and risks of future development.”

We have produced the above report on the audit of the consolidated financial statements dated 31 December 2006 (consolidated balance sheet total 22,103,309 euro; consolidated annual net income 907,207 euro) and the group management report for the 2006 financial year of DocCheck AG in conformity with the statutory provisions and the principles of proper and correct reporting when carrying out the audit of financial statements (IDW PS 450).

Cologne, March 2007

PKF HERFORT VAN KERKOM STREIT
Collateral joint-stock company
Accountancy and tax consultancy firm

R. van Kerkom
Auditor

W. van Kerkom
Auditor

1.8 Declaration of conformity in accordance with § 161 German Stock Corporation Law (AktG)

Declaration of conformity by the Board of Directors and the Supervisory Board of DocCheck AG to the recommendation of the Government Commission of the German Corporate Governance Code in accordance with § 161 German Stock Corporation Law (AktG)

The Board of Directors and the Supervisory Board of DocCheck AG hereby declare that the conduct recommended by the “Government Commission of the German Corporate Governance Code” in its current version of 12 June 2006 is complied with apart from the following exceptions. The Board of Directors and the Supervisory Board regularly examine whether further recommendations and suggestions of the Code can be applied to DocCheck AG in the future.

2 Shareholders and Annual General Meeting

2.2 Annual General Meeting

2.2.2 Subscription rights in the case of share issues

In principle, when new shares are issued, DocCheck AG ensures that its shareholders have subscription rights corresponding to their stake. However, in accordance with the resolution of the Annual General Meeting of 31 May 2006, subscription rights can be restricted or excluded within the framework of an authorised capital increase.

Exclusion of subscription rights is also in the direct interest of the shareholders, as this enables the capital market to be exploited more intensively and puts the company in a position in which, within the scope of its expansion, it can acquire more participating interests in exchange for own shares and thus maintain its own liquidity.

3 Co-operation between the Board of Directors and the Supervisory Board

3.8 Rules of proper corporate management, Paragraph 2, taking out a D&O insurance policy

The company has taken out a D&O insurance policy without a deductible. The Board of Directors and the Supervisory Board are of the opinion that a deductible does not have a noticeable positive influence on the quality of the work of the Boards of Directors or Supervisory Boards.

4 The Board of Directors

4.2 Composition and remuneration

4.2.3 Composition of the remunerations for the Boards of Directors, Sentences 3 and 4

The remunerations for the DocCheck AG's Directors do not at the present time contain any variable remuneration components with a long-term incentive effect as all Directors have a major stake in DocCheck AG and/or its subsidiaries. The Board of Directors and the Supervisory Board are of the opinion that these stakes create an adequate long-term incentive.

4.2.4 Publication in the Corporate Governance Report, Sentence 1

The company has published the remuneration of the members of the Board of Directors and that of the Supervisory Board members in its business report since the introduction of the Corporate Governance Report in 2002.

5 Supervisory Board

5.3 Formation of committees

Statement by DocCheck AG in respect of 5.3 and all other points relating to the formation of committees:

This point serves to promote more efficient work by the Supervisory Board. The Supervisory Board of DocCheck AG only comprises three members and only constitutes a quorum with this number. Therefore, the formation of a committee is impractical for DocCheck AG.

5.4. Composition and remuneration

5.4.7 Evidence of the remuneration of the Supervisory Board members in the Corporate Governance Report.

The company has published the remuneration of the Supervisory Board members and that of the members of the Board of Directors in its business report since the introduction of the Corporate Governance Report in 2002.

6 Transparency

6.6. Disclosure of the acquisition or sale of shares by executive bodies and insiders (Directors' Dealing) as well as the declaration of shareholdings in the Corporate Governance Report

The company discloses all the information concerning Directors' Dealing on its website and notifies the German Federal Financial Supervisory Authority (BaFin) of this. The information on shares held by the company's executive bodies is published in the business report. Therefore additional information in the Corporate Governance Report is dispensed with.

The Board of Directors and the Supervisory Board of DocCheck AG

Cologne, 21 December 2006

Signed on behalf of the Supervisory Board
Michael Thiess, Chairman of the Supervisory Board

Signed on behalf of the Board of Directors
Dr. Frank Antwerpes, Chairman of the Board of Directors

1.9 Report from the Supervisory Board

In this report the Supervisory Board provides information on its activities during the financial year 2006. The explanatory statements focus on its ongoing dialogue with the Board of Directors, reporting procedures as well as the audit of the annual and consolidated financial statements.

The Supervisory Board has continuously monitored the management practices of the Board of Directors in accordance with the tasks assigned to us by law and the Articles of Association and has convened in five meetings on 2 March 2006, 14 March 2006, 30 May 2006, 27 July 2006 and 9 November 2006. All the members of the Supervisory Board either attended the meetings personally or were linked up via a conference call. In addition, by means of regular reports, the Supervisory Board has been kept informed verbally and in writing of the company's situation by the Board of Directors. If required, the Supervisory Board can pass resolutions by circulating them to all concerned – this was the case on 03 April 2006.

The focal areas of the Supervisory Board meetings, in terms of advice, in the financial year 2006 were:

- Reporting by the Board of Directors on
 - o the 2005 annual financial statements
 - o the quarterly financial statements
 - o the company's situation
 - o the business trend of the holding company, its subsidiaries and participating interests
 - o the activities in the Mergers & Acquisition Division
 - o the German Corporate Governance Code
 - o the corporate strategy
 - o risk management
- checking the efficiency of the Supervisory Board
- extending the directors' contracts (for Messrs. Antwerpes, DocCheck AG, and Tanja Antwerpes, antwerpes + partner ag)
- preparing for the ordinary annual general meeting on 31 May 2006

High Corporate Governance Standards adhered to once again

The Supervisory Board has continuously monitored the further development of the Corporate Governance Standards and has regularly provided advice on this matter. The Board of Directors and the Supervisory Board issued an up-to-date Declaration of Conformity on 21 December 2006 in accordance with § 161 German Stock Corporation Law and has arranged for shareholders to be able to access this permanently on the company's website. In accordance with the new version of the German Corporate Governance Code dated 12 June 2006, DocCheck AG also complies with the key points contained in the recommendations of the Government Commission, German Corporate Governance Code.

Audit of annual and consolidated financial statements discussed in detail

The annual financial statements for the financial year 2006 and the management report of DocCheck AG are audited by PKF HERFORT VAN KERKOM STREIT OHG, an accountancy and tax consultancy firm, and were provided with an unqualified auditors' report. The auditors' reports on the audit of the annual and consolidated financial statements and the management report have been presented to all the members of the Supervisory Board. The reports were checked thoroughly by Mr. Leimeister in the run-up to the meeting and discussed in detail in the presence of the auditor at the meeting to approve the balance sheet held by the Supervisory Board on 19 March 2007. The Supervisory Board had no objections, endorsed the findings of the auditor and approved the annual financial statements and management report prepared by the Board of Directors on 19 March 2007. The annual financial statements were therefore adopted. The consolidated financial statements and group management report prepared by the Board of Directors were also approved.

Positive business trend in 2006

With an increase in sales of 21 per cent to 13.6 million euro and an increase in the operating result of 120 per cent to 1.1 million euro, the DocCheck Group can look back on a successful financial year in 2006. With these figures the company exceeded its own sales forecast which had already been increased during the course of the year. The fact that both Divisions in the company demonstrated dynamic growth was seen to be a very positive trend by the Supervisory Board.

Good prospects for 2007

With its strategy of offering integrated and innovative services for marketing, logistics and commerce, the Supervisory Board considers the DocCheck Group to be well on the way to increasing sales, profit and goodwill over the next few years. The Supervisory Board supports the Board of Directors in its efforts to increase sales and profit once more in the financial year 2007.

Increased dividends

Due to the sound trend in the financial year 2006, the Supervisory Board agrees with the Board of Directors' proposal that the dividend payment of 8 cent per share be increased to 10 cent per share.

The Supervisory Board thanks the Board of Directors and all the employees for their commitment and wishes them every success in facing the challenges of the financial year 2007.

Cologne, March 2007

Signed by Michael Thiess
Chairman of the Supervisory Board

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