Annual Report 2005

UMS

UNITED MEDICAL SYSTEMS

Key Indicators *

Group - in Mio. €	2005	2004	Change in %
Revenues	38.4	34.6	11%
Gross Profit	14.3	12.5	15%
in %	37	36	
Depreciation and Amortization	15.2	6.6	> 100%
EBITDA	11.8	9.3	28%
in %	31	27	
EBIT	-3.4	2.6	–
in %	-9	8	
Net loss	-6.8	-0.6	–
in %	-18	-2	
Numbers of employees as of 31 Dec.	225	298	-24%
Annual average	267	297	-10%

* without discontinued operation

Corporate Calendar

May 15, 2006	3 Month Report 2006
May 23, 2006	Annual Shareholder's Meeting, Hamburg
August 14, 2006	6 Month Report 2006
November 14, 2006	9 Month Report 2006


Contents

Solutions For Better Patient Care

With its innovative service concept, UMS International AG has secured a leading position in the growth market of high-tech medicine. As an international service provider, we focus on the efficient use of state-of-the-art medical systems in the areas of urology, radiology and gynecology. A high standard of quality together with long-term contracts has created a loyal customer base and recurring revenues.

Through the mobile use of our medical systems together with complete full-service solutions we offer hospitals and private physicians the opportunity to use the latest medical technology in when diagnosing and treating their patients and the change to benefit from substantial cost savings while doing so.

We believe that this combination of quality and cost effective-ness points to substantial growth prospects in the future of the UMS-Group.

UMS

UNITED MEDICAL SYSTEMS

Our Business Segments

Urology

Among the services offered by UMS in the urology filed is non-invasive shockwave treatment. With this modern method, sound pulses are used to treat kidney and ureter stones safely and reliably. The specially trained UMS application teams not only transport and set up the medical equipment, but also directly ensure safe use on patients in cooperation with the attending physicians. With 23.4 million € in revenues, the Urology business segment is the UMS Group’s strongest performer.

Our Business Segments

Radiology

In the radiology field, UMS supplies mobile and stationary systems such as computer tomographs (CTs) and magnetic resonance tomographs (MRTs). UMS provides full onsite service in terms of logistics, setup and operation and always has these medical systems available when they are needed by a clinic. With flexible and thus economical models for usage, UMS offers a remarkable solution to the cost pressure in healthcare.

Our Business Segments

Gynecology

In the Gynecology business segment, we are focussing successfully on the stereotactic vacuum breast biopsy method. This minimally invasive examination is one of the most effective and extremely gentle methods for the early detection of cancer and for examining microcalcifications in the female breast. The stereotactic breast biopsy has gained further acceptance in North America relative to other methods, as reflected in the encouraging sales growth of 13%.

Growth in North America

US operations have been a mainstay of UMS's business since 1997. With a GDP of USD 12,127 billion (in 2005), the United States is the largest economy in the world. In this country, UMS benefits not only from economic growth, but also in particular from the US health care system’s market-oriented structure.

The latest UMS technology is already being used in 31 US states and in Canada in hospitals, by physicians in private practice and in treatment centers. Every day, 158 highly qualified employees (as of late 2005) work to provide our services to medical staff and patients and to offer doctors on-site support in using our systems. In the coming years, UMS will strive to expand our service concept to additional US states.

Expansion in South America

Our expansion into South America began with Chile in 2003. In addition to the existing market potential, the key factors here were the country's democratic orientation and excellent infrastructure. In Chile, three systems and eight employees are already available for the mobile treatment of kidney stones. In 2006, UMS plans to launch a gynecology division here.

In 2005, expansion in South America continued with the founding of an additional subsidiary in Ecuador. Due to the tropical climate (dry, hot and mountainous region) in Ecuador, the incidence and frequency of kidney stones is significantly higher than in Europe. The mobile service was launched in Ecuador in the first quarter of 2006. In the medium term, we plan to offer this service to other countries as well.

Dear Shareholders, Customers, Business Associates and Employees,

In fiscal 2005, we took some very decisive steps toward reorganizing the UMS Group. The most important measure was certainly the sale of Pet Scans of America Corp. (PSAC). Due to our long-term contractual relationships with our customers, we were able to command a purchase price for this business, including the assumption of liabilities, of around two times revenues. This was despite the fact that this company's operations were in the red. We used the inflow of liquidity from this transaction of around $20 million to reduce our financial liabilities very substantially. We were even able to cut our off-balance-sheet operating lease liabilities to under € 1.0 million (previous year: € 13.2 million). The proceeds of the transaction were used to completely eliminate the effects in Europe of the somewhat unsuccessful investment and acquisition policy undertaken after our IPO. The activities in Ireland and England were sold – two businesses that ultimately failed to fulfill our expectations in terms of future prospects and profitability. In addition, we took major write downs on the value of the remaining activities in Europe, particularly in Germany. The adjustment to goodwill is particularly notable. After this step, UMS's consolidated balance sheet as of the reporting date contains less than € 0.1 million in goodwill. Along with a series of other measures, this enabled us to lay the foundation to ensure that UMS will not experience earnings or inventory risks from our European business in the future. We can now concentrate fully on the highgrowth markets in North and South America, where we intend to expand. If the business segments sold are eliminated, organic growth in 2005 was 11%. This underscores the continued positive trend in the core business segments. In addition to the expansion of our urology activities in Michigan, another key short-term plan is the launch of our business activities in Ecuador. Various other projects are also underway. We are therefore extremely optimistic that we will be able to continue generating our past levels of organic growth in the future as well. We also anticipate strong earnings growth after 2005, a year typified by many special effects. Our target for 2006 is earnings per share of € 0.55. As early as Q1 2006, we intend to make a significant contribution to this goal. In this context, I would expressly like to thank all of UMS's financing partners for supporting us and putting their trust in us in the difficult fiscal years from 2002 to 2005, which were marked by many individual restructuring steps. During this time, our company's progress has been very positive on the whole. Starting from a high level of debt and operational, as well as strategic, difficulties, the company's situation has improved considerably in all areas. We regret that it was necessary to sell off subsidiaries to get to this point, but it must be noted that we fulfilled our responsibilities as good corporate citizens in all transactions and in all cases achieved the important goal of preserving our colleagues' jobs. Our 2005 annual financial statements impressively document the efforts and strength of our company in embarking on the right path, both in accounting and strategic terms, toward achieving a successful and stable future.

We are confident that we will be able to further increase the value of the company, and therefore the attractiveness of UMS shares. The purchase price generated from the sale of PSAC provided us with an important indication in 2005 of the possible fair value of the UMS Group, which has not been reflected in our stock price to date.

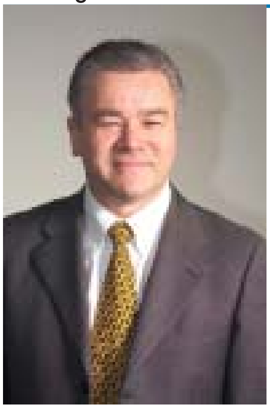
The Management Board would like to thank all of our partners, employees and shareholders for the excellent working relationship over the past fiscal year.

Sincerely yours,

Jorgen Madsen
UMS AG Management Board Chairman

Management and Supervisory Board

Management Board



Jørgen Madsen (CEO)
Chief Executive Officer,
Maschinenbau-Ingenieur,
Boston, USA;
responsible for the North American market and the operational management in Europe as well as for the strategic development of the Company

Ingo Klemke (COO)
Chief Operation Officer
Diplomphysiker ,
Quickborn, Deutschland;
Responsible for finance and controlling as well for personnel and for the proactive development of UMS's existing European business as well as the development of new business models, taking advantage of the profound changes in Health Care Systems all over Europe.

Jørgen Madsen

Ingo Klemke

Supervisory Board

Norbert Heske Wolgang Biedermann Prof. Thomas J. C. Matzen

Norbert Heske
Diplom-Ingenieur,
Kottgeisering

Wolfgang Biedermann
Deputy Chairman,
Diplom-Kaufmann, Hamburg

Prof. Thomas J. C. Matzen
Chairman,
Diplom-Kaufmann, Hamburg

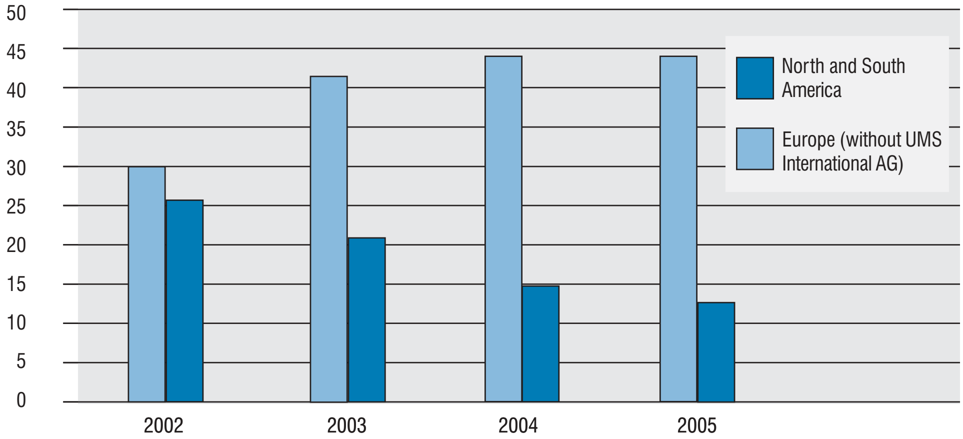
Combined Management Report and Group Management Report of UMS United Medical Systems AG for Fiscal Year 2005

1. Overview

The medical technology market exhibited uneven performance again in 2005. Whereas the United States, the largest individual market, was able to continue to benefit from strong economic growth (2005 = GDP +3.5%, according to Commerzbank) and a low unemployment rate below 6%, growth in Europe's major economies, particularly Germany, was weak. Key reforms in the health care sectors of these countries have been announced, but are mostly still far from being realized. As a result, Europe lagged far behind the United States in terms of demand for and acceptance of modern medical technology services and willingness to implement outsourcing strategies. Therefore, the UMS Group divested its activities in Ireland and England in late 2005 and early 2006, respectively. Then, a comprehensive revaluation of the remaining subsidiaries in Europe along with their associated assets was conducted. The now even greater significance of the UMS companies in the United States can already be seen from the changes in the regional distribution of revenues within the UMS Group. Europe has again declined in significance in this regard, in 2005 generating just 22% of total revenues, down from 25% in the previous year. For this reason, the UMS Group established subsidiaries in selected South American countries to prepare for further regional expansion. The share of revenues generated in South America in the past fiscal year is being reported in the Group's results for the first time and amounts to approximately EUR 0.5 million.

Including the discontinued oncology division and the divested business units in Ireland and England, revenues were distributed as follows:

Revenue Distribution North and South America / Europe



USA

The sale of the UMS Group's oncology activities was both strategically and operationally very important for our activities in the United States. By „oncology," we mean the early detection of cancerous tumors using positron emission tomography (PET). Approximately 90% of this business segment was held and managed by Pet Scans of America Corp. (PSAC). Due to a decision by Medicare and Medicaid to drastically reduce the reimbursements for this method of diagnosis in clinical practice, a decline in compensation for this UMS service must be expected in the medium term. Another reason for selling this segment was that the rapid trend in technology toward combined PET and CT or PET and MR diagnostic systems has exerted substantial investment pressure on all vendors of these systems. Most of the UMS fleet of equipment was made up of two- to three-year-old conventional PET systems that subject to long-term leases. It was becoming increasingly difficult to market this technology because of the combinations of new devices. PSAC was sold for $20.0 million. In addition, the buyer assumed all of the liabilities and payment obligations from operating leases associated with the business. The sale of a stationary PET center in Texas will be completed in the first half of 2006 and will mark the complete withdrawal of the UMS Group from the oncology sector, and therefore from one of the diagnostic business segments.

Therapy was more successful in the United States than diagnostics. Therefore, therapy is extremely significant to the performance of the UMS Group. In the largest therapy segment, urology, the positive trend of past years continued unabated. This segment mainly consists of the treatment of kidney stones using extracorporeal shock wave lithotripsy (ESWL) and the treatment of benign prostate enlargement using urological lasers. This development is also being driven by a substantial expansion of UMS's operations in Michigan. This state regulates its health care sector using certificates of need (CONs). Under this system, new technical treatment capacities cannot be created until a prior governmental needs analysis is performed. Once approval is received, our competitors are prevented from providing either mobile or stationary technologies to doctors and hospitals in the same region. UMS already operates four of the eight lithotripters currently licensed in Michigan and will therefore treat around 60% of the 14,000 cases of kidney stones occurring there each year. Two additional units are being taken over by UMS in early 2006 as part of partnership models with local urologists. UMS benefits from this arrangement, as do its partner physicians. Income here consists of the stake in the business, compensation for management of the partnership and remuneration paid to UMS for treatments performed. This step has enabled UMS to obtain a very strong market position in Michigan, and has further reinforced its ranking as the leading supplier in the Northeastern United States.

Furthermore, the number of patients served by the outpatient treatment center in Andover grew from approximately 2,900 in 2004 to 3,100 in the past fiscal year. The use of a new type of laser therapy for the treatment of benign prostate enlargement also contributed to the additional increase. In 2004, UMS used this technology for the first time on around 220 patients. In the past fiscal year, UMS had already treated approximately 600 patients with this technology. Sales success was also achieved with the exclusive marketing of Richard Wolf GmbH lithotripters. After the UMS Group deployed over 20 systems by this manufacturer in its own fleet of equipment in late 2005, new devices utilizing the latest piezolith technology were also sold to external customers in the United States in 2005. Although we have not yet met our high expectations for this business, this can be considered an important breakthrough for further sales successes.

In the Gynecology segment, UMS was able to benefit from the replacement of older, fixed technologies with mobile services using state-of-the-art technologies in the past fiscal year. UMS further secured its positioning as the leading full-service supplier of systems for the diagnosis of breast cancer using stereotactic vacuum breast biopsy (SBB).

Europe

In Europe, UMS continued to pursue a strategy of concentrating resources on defined core regions and high-margin business segments. As a result, the equity investment in Ireland was sold and preparations were made for the now completed sale of our activities in England in the course of 2005. In addition, the carrying amounts of the assets attributable to the remaining operations in Europe were adjusted substantially. This creates the prerequisites for an optimized cost structure so that operating results can be improved in the coming years. The balance sheet and earnings risks arising from the company's commitments in Europe that were identified in 2005 have therefore been addressed. The result of these measures is that the balance sheet ratios and cash flow of the UMS Group, and its operating expenses, have significantly improved or will improve further. The disclosures and evaluations in the annual financial statements and the management report are based on the assumption that the remaining UMS companies in Europe will continue to operate.

The key features of the Urology business segment in Germany and England have been and continue to be the fierce competition and the decline in reimbursements for clinical services. Given this situation, we decided to sell the urology division in England to a competitor. Despite the difficult market situation, this business segment in Germany generated approximately the same level of revenues and earnings as last year. Agreements with service technicians with regard to more flexible working hours and compensation rules also contributed to this result. In The Netherlands, the Urology business segment continued to be very profitable.

In reaction to the continued lack of reimbursements for PET scans in many countries in Europe, preparations were made in the year under review to sell the remaining PET unit in Germany. This sale was completed in early 2006 and it marks the end of our company's oncology activities in Europe.

In the past fiscal year, a second device was added to the fleet of equipment in the Gynecology business segment, which to date has been limited regionally to the German-speaking countries. Additional sales staff was hired for this segment to further grow this business.

In the Radiology business segment, which includes magnetic resonance tomography (MRT) and computer tomography (CT) systems, as well as cardiac catheterization laboratories, the fleet of equipment was reduced substantially. In concrete terms, in addition to the sale of our activities in Ireland, which were focused on radiology, this meant that the book values of systems with unused capacity were adjusted to their current market value. In addition, part of our equipment fleet was sold or put up for sale. Moreover, a clear priority was placed on long-term service agreements, whereas the mobile day service, including the provision of UMS staff, only played a minor role. The radiological diagnostic center operated in Germany was more successful. After initial losses, the center generated net income for the year for the first time.

2. Revenues by Business Segment

On the whole, revenues in 2005 amounted to € 38.4 million (previous year: € 34.6 million), not including the discontinued business units. This represents an increase of around 11.0%. After the sale of PSAC at the end of the third quarter, the sale of MRI Ireland Ltd. effective November 30, 2005, and the decision to sell of our urology operations in England, this level of revenues was expected. In addition to the organic growth in the core Urology and Gynecology business segments, the favorable development of the US dollar exchange rate also contributed to this revenue trend. In 2005, the euro was worth USD 1.24 on average, although this figure had been USD 1.25 in the previous year. The discontinued business units accounted for revenues of € 18.1 million in 2005, after contributing € 23.9 million in 2004.
The following comparison of 2004 and 2005 illustrates the revenue trend in our continuing operations. Because of their minimal effect, exchange rate effects are not eliminated.

Normalized Revenues

	2005 k€	2004 k€	Change absolute	Change in %
Urology	23,402	20,787	2,615	13
Gynekology	10,184	9,004	1,180	13
Radiology	4,771	4,778	-7	0
Revenues	**38,357**	**34,569**	**3,788**	**11**

Urology:

Consolidated revenues in the Urology segment rose 13% year-on-year from € 20.8 million to € 23.4 million. Revenues increased from quarter to quarter in each case. As in past years, the primary driver of growth was the United States. The share of revenues accounted for by the United States rose from nearly 80% in the previous year to over 82%. The number of kidney stone treatments performed in the USA by this business segment grew from around 19,800 in 2004 to more than 21,300 in the past fiscal year for an increase of approximately 8%. With the positive performance of urological lasers (2004 = 220 patients, 2005 = 600 patients) and the Andover Surgical Center (2004 = 2,900 patients, 2005 = 3,100 patients), which are also part of the Urology business segment, the US urology business continues to be the most important contributor to UMS's consolidated revenues. A key milestone was the addition of three more certificates of need (CONs) in Michigan at the end of 2005. To this end, substantially more than 100 urologists were integrated into a partnership model under corporate law. In addition, further negotiations were held on the acquisition of two additional CONs. We anticipate these CONs to be transferred in the first half of 2006. As early as the end of 2005, UMS had secured a market share of 60% of kidney stone treatments in Michigan for the long term. In the USA, the well-advanced conversion of the fleet of equipment to the new Richard Wolf GmbH piezolith technology contributed to improving the acceptance of this technology among urologists. As a result, a Wolf lithotripter was sold to an external customer in the United States for the first time in late 2005. This must be considered a significant indication for future sales prospects.

In Europe, the UMS fleet of equipment consists almost entirely of Wolf devices. This provides us with considerable advantages in deployment planning, as well as maintenance and service. In contrast, the disadvantage of not being able to serve some customers who explicitly ask for another technology is relatively insignificant. Despite the pressure on reimbursement rates arising from the health care system as well as the competition, particularly in Germany, revenues generated by the Urology segment remained largely stable. The service business for Richard Wolf GmbH equipment contributed to this result. As in prior years, the revenues and earnings produced by the significantly more attractive urology business in The Netherlands also proved to be very stable. As regards the urology activities in England, the UMS management board decided on a sale after market developments no longer permitted optimistic prospects for the future and after revenue and earnings expectations went unfulfilled repeatedly. The revenues of the Urology segment in Chile were consolidated for the first time. In early 2005, another unit was deployed and as a result the Chilean subsidiary already held three units as of the reporting date. The capacity of two of these is fully utilized in the greater Santiago area. Full utilization of the capacity of the third system is expected to be reached in the course of the first six months of 2006. Another key milestone was the signing of an agreement with the national health service in Ecuador. This contract stipulates the treatment of 2,400 cases of kidney stones in one year. We are working on the assumption that this commitment will be extended and that the treatment volume will increase. Due to its climate, which is influenced by the country's location on the equator (the "Stone Belt"), the incidence and frequency of kidney stones in Ecuador is approximately three times as high as in Europe. The newly founded company UMS Ecuador will begin offering the mobile service in the first quarter of 2006.

Gynekology:

The Gynecology segment is also clearly dominated by the US market. In 2005, over 90% of the revenues in this segment were generated in this region. With growth of 13%, another new revenue record was set. The number of patients in the USA increased from 13,000 in 2004 to over 14,500 in the past fiscal year. Revenues rose from around € 9.0 million in the previous year to € 10.2 million in 2005. As in the Urology business segment, revenues grew quarter-on-quarter in the Gynecology segment. Totaling € 2.4 million in Q1 2005, revenues already amounted to € 2.7 million in Q4 2005. The purely organic growth that was achieved indicates that our US customers are clearly aware of the advantages of the flexible UMS concept and of the high quality standards compared to the stationary alternatives. With 19 mobile units at present, UMS is the clear market leader in North America. Because of the insurance situation, this segment does not play a major role in Europe at present, despite the obvious advantages for patients compared to conventional methods. Due to the hiring of additional sales staff in Germany, however, growth was generated here as well. Currently, two units are being used in German-speaking countries, although not to full capacity.

Radiology:

Significant changes took place in the Radiology segment in the past fiscal year. Due to the unsatisfactory performance of this segment, which is mostly based in Europe, the decision was made to sell the Irish subsidiary specializing in radiology. The sale was completed effective November 30, 2005, and the remaining systems will be used in Germany primarily. At the end of the third quarter of 2005, a resolution was passed to write down all of the units underused to date so that they either could be operated without losses or sold. At the end of the year, this resolution was extended to other systems. By the end of February 2006, two units were sold. The remaining capacity continues to be used in the interim service or in the mobile day service. The goal is to only continue to operate units that can be operated profitably for the long term. The performance of the radiology center in Darmstadt, which had been operated to date as a pilot project, improved considerably. The number of patients there increased from 1,400 in the previous year to over 3,100. In the USA, an MR unit was deployed on a mobile route as part of a CON in 2005. An application was submitted for another CON in 2005, which was approved in early 2006.

On the whole, revenues from continuing activities in the Radiology segment were maintained at € 4.8 million.

3. Earnings Trend

The decisions to spin off oncology operations, reorganize the Radiology segment, fundamentally revalue European activities, sell MRI Ireland Ltd. and prepare to sell the assets of UMS Ltd. UK have had a material impact on the UMS Group's earnings. The revenue trend and the changes in the cost of revenues, taking into account the special effects in 2005, compared with 2004 were as follows for UMS's continuing operations:

	P&L 2005 k€	Special effects k€	P&L adjusted 2005 k€	P&L 2004 k€
Revenues	38,357	-464	37,893	34,569
Cost of Revenues	-24,058	1,958	-22,100	-22,092
Gross Profit	**14,299**	**1,494**	**15,793**	**12,477**
Gross Profit margin	37%		42%	36%

Extraordinary write-downs of radiological equipment to adjust the undepreciated balances and losses from the sale of surplus capacity in the fleet of radiological equipment accounted for around € 1.0 million ofthe cost of revenues in 2005. Moreover, write-downs of intangible assets amounted to € 1.0 million. Taking into account these special effects, the cost of revenues remained constant at € 22.1 million despite the growth of 11%. The consolidation of the fleet of equipment to only a few manufacturers, let to a further decrease of maintenance and service costs. This compensated the effect, that growth had on other costs. On the whole, the gross profit margin increased by 6% to 42% in 2005, while revenues rose at the same time.

	P&L 2005 k€	Sonder-effects k€	P&L adjusted 2005 k€	P&L 2004 k€
Gross Profit	**14,299**	**1,494**	**15,793**	**12,477**
Distribution and selling expenses	-3,739	50	-3,689	-3,496
General and administrative expenses	-5,915	159	-5,756	-5,219
Other operation in come and expenses	-357	1,500	1,143	121
Amortization of good will	-7,661	7,661	0	0
Operating result	**-3,373**	**10,864**	**7,491**	**3,883**
As a % of revenue	**n.a.**		**20%**	**11%**

Adjusted distribution and selling expenses were up approximately € 0.2 million on the previous year. This increase was driven completely by the US business and underscores the growth in the Urology and Gynecology business segments. No sales resources were spun off with the sale of PSAC. Because sales efforts in the United States are organized regionally, and therefore span segments, this was an important step leading to consolidation of sales resources in the core business segments.

In Europe, the legal and consulting fees included in the general and administrative expenses rose by € 0.1 million over the prior year. This was mainly the result of provisions for legal disputes, as well as ongoing costs at UMS AG. In the USA, legal and consulting fees were up by around € 0.4 million, which was principally due to the expansion of activities in Michigan. On the whole, administrative expenses rose from € 5.2 million to € 5.8 million year-on-year.

The other operating income and expenses item includes effects from the sale of fixed assets, write downs on receivables and other assets, as well as other non-recurring effects totaling € 1.5 million.Net operating income/ expenses resulted from the inclusion of urologists in partnership models. The inclusion of urologists is an important milestone to further increase revenues in Urology. This item increased from € 0.1 million in 2004 to € 1.1 million.

In accordance with the new IFRS accounting standards, 2004 was the last time that expenses were incurred for current goodwill amortization (in the amount of € 1.3 million). For purposes of better comparability, these were eliminated in the presentation of the financial statements. In 2005, the goodwill reported on the balance sheet for the German company was written down in full due to its revaluation. The adjusted income statement does not contain this special effect.

The company's earnings before interest and taxes (EBIT) are not comparable overall with the previous year's figure of € 3.9 million due to these special effects. In 2005, UMS's EBIT was € -3.4 million. Not including the special effects from the non-recurring adjustments for UMS's remaining European operations, the company's EBIT amounted to € 7.5 million. This item therefore nearly doubled compared to the previous year and in 2005 amounts to 20% of sales (2004: 11%).

	P&L 2005 k€	Special effects k€	P&L adjusted 2005 k€	P&L 2004 k€
Operating result	**-3,373**	**10,864**	**7,491**	**3,883**
Interest in come and expenditure	-1,563	20	-1,543	-1,471
Other in come and expenses	0	0	0	0
Result before taxes and minority interest	**-4,936**	**10,885**	**5,949**	**2,412**
Other texes	-187	0	-187	-25
Income texes	-2,561	1,123	-1,437	-682
Profit/Loss from continuing operations	**-7,683**	**12,007**	**4,324**	**1,705**

Despite the rise in interest rates, particularly in the United States, interest income and expenses remained mostly steady at € -1.6 million in the past year after amounting to € -1.5 million in 2004. The principal contributing factor here was the significantly lower level of borrowing by the UMS Group compared to the previous year, for reasons including the disposals.

Reported tax expenses include the write-down on deferred tax assets for the German subsidiary. Adjusted for this effect, taxes amounted to € 1.4 million in 2005 after totaling € 0.7 million in the prior year. This increase was mainly the result of the successful business performance in the USA.

Due to special effects, particularly from the adjustments for European operations, net earnings before minorities were negative overall for the UMS Group in the fiscal year under review. This item amounted to € -7.7 million in 2005 after totaling € 1.7 million in the previous year. However, after recognition of the special effects, net earnings came to € 4.3 million.

	P&L 2005 k€	Special effects k€	P&L adjusted 2005 k€	P&L 2004 k€
Profit/Loss from continuing operations	**-7,683**	**12,007**	**4,324**	**1,706**
Profit/Loss from discontinued operations	930	0	930	-1.,041
Profit/Loss for the year	**-6,753**	**12,007**	**5,254**	**665**
Minority interest	2,917		2,917	1,545
Attributable to Equity holders of the parent	-9,670		2,337	-880

In the United States, the number of partnerships with private physicians increased in 2005, especially in Michigan. In addition to our stake in these companies, we benefit from signing management agreements and receiving compensation for our medical technology services. The participating physicians benefit from regular distributions of profit, which amounted to € 2.9 million in 2005 (2004: € 1.5 million).The Group's shareholders received € 2.3 million in 2005 after receiving € -0.9 million in the previous year.).

The company's Profit/Loss from discontinued operations is as follows:

	P&L 2005 k€	P&L 2004 k€
Revenues	18,115	23,950
Expenses	-21,323	-25,720
Current income/loss from discontinued operations	-3,208	-1,770
Income/Loss from sale of discontinued operations	4,138	729
Profit/Loss from discontinued operations	930	-1,041

The activities in Oncology as well as the geographic segments in UK and Ireland have been classified as discontinued operations. With the closing and sale of these business lines UMS continues to devise from non-performing segments, while at the same time concentrating on high-margin activities.

4. Net Worth and Financial Condition

The adjustments within the UMS Group also had a considerable effect on cash flow. However, because non-recurring effects on earnings are largely the result of extraordinary write downs or impairments not associated with an outflow of cash, cash flow from current operating activities was maintained at € 8.6 million as in the previous year despite the decline in earnings.

The cash flow from investment activities, was € 13.1 million (previous year: € -4.8 million). The major factors here were the sales of PSAC and MRI Ireland Ltd., which led to inflows of cash amounting to € 16.8 million. In contrast, the sale of the Italian subsidiaries in the previous year only brought in € 2.8 million. Investments in tangible assets, without finance leasing, had amounted to around € 2.3 million in the previous year. In 2005, this item totaled € 0.7 million. As in past years, the focus of investments was on replacing existing older technologies.

The use of sales proceeds to repay liabilities is particularly evident in the cash flow from financing activities. This figure was € -17.4 million in 2005, whereas it was € -5.2 million in the previous year. In addition to scheduled repayments on liabilities to banks and leasing liabilities, as well as divestment effects, unscheduled payments of around € 10.7 million contributed to this result. Payments to minority shareholders also increased, particularly in the partnerships in the USA.

Despite the considerable reduction in liabilities, cash and cash equivalents rose to € 7.6 million as of the end of 2005, up from € 2.8 million at the end of the previous year.

The balance sheet experienced substantial changes, due on the one hand to the divestment of companies and on the other to the adjustment of the assets attributable to the remaining European operations. The change in the exchange rate as of the reporting date from USD 1.36 / EUR on December 31, 2004 to USD 1.18 / EUR on the most recent balance sheet date also contributed to this result. On the whole, the balance sheet structure of the UMS Group improved significantly.

The increase in cash and cash equivalents due to sales proceeds from corporate transactions also led to an increase in current assets. As of the balance sheet date in 2005, this item amounted to € 18.8 million (previous year: € 15.6 million).

Non-current assets decreased to € 25.6 million from € 50.0 million in 2004. This can be seen quite clearly in property, plant and equipment due to the sale or divestment of equity investments. This item was slashed from € 23.4 million as of December 31, 2004 to € 13.8 million as of December 31, 2005. In this case, write downs on tangible assets of € 7.8 million greatly exceeded new investments totaling € 3.3 million.

Intangible assets, which consist mostly of capitalized acquisition costs for long-term customer contracts, were carried forward according to plan. The increase of around € 1.2 million is the result of contradictory effects. On the one hand, the expansion of our business activities in Michigan accounted for an increase of € 3.8 million. This contrasts with current write downs of € 2.1 million. In addition, changes resulted from the divestment of PSAC in the amount of € 4.2 million.

The revaluation of the company's European activities, and the sale of the Irish subsidiary and PSAC, led to an almost complete elimination of goodwill on the balance sheet, which had amounted to € 13.8 million as of the end of 2004. Goodwill totaled less than € 0.1 million as of December 31, 2005.

In addition, the UMS Group's liabilities were reduced considerably in the past fiscal year. While total liabilities declined by € 15.1 million from € 44.7 million to € 31.5 million, liabilities to banks and leasing liabilities alone fell by € 17.2 million.

Shareholders' equity totaled € 13.9 million as of December 31, 2005 compared to € 20.9 million at the end of the previous year. The equity ratio remained nearly constant at 30.7% (2004: 31.9%) despite the high book losses due to the sharp contraction in the balance sheet.

5. Employees

The UMS Group has its motivated and entrepreneurial employees to thank for its rapid rise to being a leading supplier of medical services. In each of the company sales to date, UMS has taken this fact into account. The buyers have in each case transferred all of the employees of each subsidiary to their employment.

Due to these transactions, the total number of employees as of the reporting date declined from 298 to 225 (as of December 31 in each case). After the sale of the Irish subsidiary, the company in Europe (including UMS International AG) has 67 employees, as compared with 81 employees at the end of 2004.

The number of employees in North America dropped from 215 in the previous year to 158 on the balance sheet date due to the sale of PSAC. At the end of 2005, around 72.8% of employees, not including UMS International AG, worked there (2004: 73.6%).

On average for the year, the company's workforce was cut by 10.1% from 297 to 267.

No additional rights were granted to employees or Management Board members during the fiscal year as part of the stock option plan, which was established when the company went public.

The Management Board expresses thanks to all employees of the UMS Group for their hard work and strong personal dedication.

6. Business and Position of UMS International AG

UMS International AG is the parent company of the UMS Group. Its shares have traded on the Prime Standard segment of the Frankfurt Stock Exchange since January 1, 2003. The focus of UMS International AG's operations is on managing its subsidiaries, providing centralized administrative services to Group companies, liquidity management and other headquarters functions.

The special tasks that were managed by UMS International AG during fiscal 2005 were the sale of the Irish subsidiary and the preparations for the disposal of assets of the English subsidiary. In addition, various commercial administration tasks for the European subsidiaries were consolidated at UMS International AG.

In fiscal 2005, UMS International AG reported revenues from the management share of costs of some € 1.3 million, after a figure of € 1.1 million in 2004. For the first time, the company also generated income from the leasing of medical systems to subsidiaries of € 0.5 million. The cost of revenues of € 0.6 million from the depreciation of equipment stood in contrast to revenues of € 1.8 million. General administrative and distribution/selling expenses rose by € 0.1 million from € 1.3 million in 2004 to € 1.4 million in 2005. The increase is the result of higher legal and consulting fees due to the transactions conducted and the performance of administrative tasks for the subsidiaries. Whereas in the previous year a write down of € 2.9 million was necessary due to the adjustment in the valuation of the English subsidiary, write downs in 2005 amounted to a total of € 18.9 million. These were composed largely of the write down in full of the carrying amounts of the subsidiaries MRI Ireland Ltd. (€ 0.7 million), UMS GmbH (€ 13.6 million), UMS Ltd. UK (€ 1.2 million) and the write downs on equity-contributions to UMS Ltd. UK and UMS GmbH as of December 31, 2005 (totaling € 3.4 million). In 2005, net operating income/expenses resulted in a negative effect of € -0.25 million due to the impairment of assets. The positive effect in 2004 amounting to € 0.3 million contained the proceeds from the sales in investments in Italy attributable to UMS International AG. Due to dividend payments from the US subsidiary, income from equity investments resulted in a positive effect of € 5.8 million. Overall earnings from ordinary business operations therefore totaled € -13.8 million (2004: € -3.2 million).UMS International AG thus shows a net loss for the year after interest and taxes of € 14.1 million (2004: € -3.2 million). Due to the tax implications, the planned sale of the direct interest held by UMS International AG in UMS Chile S.A. was not completed. In addition to the management fee agreed with the subsidiaries, the liquidity required by UMS International AG is provided by advance payments of the dividend from the US subsidiary.

7. Risk Management

With its international focus as a service provider in the increasingly complex health care sector, the UMS Group is inherently exposed to a number of risks. These risks result directly from active business operations. A willingness to incur risks is essential if one wishes to exploit existing business opportunities, which means that risk management is an ongoing task. Processes for identifying, analyzing and controlling risks are thus important instruments for corporate management. Through far-reaching optimization and structuring of the process of obtaining and communicating information, the UMS Group is creating a solid basis for reliable risk assessment. The created structures are detailed in a risk management handbook that is continually revised and adapted to the respective current circumstances.

UMS distinguishes between financial and operating risks. For UMS, financial risks include earnings, liquidity, refinancing, interest rate and currency risks as well as high-risk ventures. Operating risks include market risk, human resources risk, procurement risk, supply risk, and operational risk. Responsible management of these different risks involves the regular, structured collection, analysis and evaluation of all relevant data and information and, in particular, regular planning processes. Comprehensive reporting from all the Company’s business units and subsidiaries ensures that management has access to all decision-critical data and information when it needs them.

As part of the Company’s controlling, company-specific earnings risks are assessed by means of a standardized reporting system which includes a handbook for internal accounting, reporting and budgeting guidelines, which is updated annually. Actual figures are compared to target figures at least once each month and any discrepancies are analyzed so that necessary measures can be taken. If any risks or problems become apparent outside regular reporting periods, the matter is reported and resolved on immediately. All Group companies submit liquidity risk reports to the Group’s central accounting office on a weekly basis. At the Group level, cash management is controlled by procuring and providing liquid assets from internal resources and available lines of credit. The company seeks to offset foreign exchange and interest rate risks by keeping its European and North American business cycles separate and by financing its activities at matching currencies. Remaining risks out of interest rates are covered by a swap. To control refinancing risks, the Company collaborates with a number of regional and nationwide financial partners and has implemented a written and oral standardized procedure for handling important company data.

Each business segment entails specific risks of default or loss, which the Company seeks to manage by drafting bylaws and rules for the conduct of business specific to each Group company, including a list of transactions that require approval and limit management's powers of representation in such transactions.

With regard to operational risks, the Company seeks to detect changes and trends in the markets early on by carrying out market research, visiting trade fairs and having qualified members of UMS's sales and technical teams visit customers on a regular basis. To the extent possible, UMS activities are secured by means of exclusive dealing agreements with manufacturers and suppliers and through long-term customer contracts. In addition to deploying state-of-the-art technology and ensuring a high standard of quality, this is just another way of raising the bar and making it more difficult for competitors to enter the market. UMS's far-sighted human resources planning is aimed at acquiring, keeping, and motivating qualified employees by offering attractive pay rates including variable components, and regular opportunities for continuing education and training. The procurement of systems, technical accessories and spare parts, the maintenance and service of devices, and regular training for UMS technicians are guaranteed through long-term general agreements and cooperation agreements. The company seeks to minimize supply risks through the long-term planning of system and staff deployment and by keeping back-up systems available. To minimize operational risks, the Company takes out relevant insurance policies, deploys qualified personnel and regularly assesses and optimizes processes in voluntary audits (e.g. DIN ISO).

8. Risk Report

After reviewing all risks, the Company determined that there were none in the 2005 reporting year that threatened the continued existence of the UMS Group. The risks mentioned in the previous year arising from the goodwill reported on the balance sheet have been eliminated due to the sale of the equity investments and a comprehensive revaluation. Apart from the continuation of the remaining European activities, no risks are discernible that could endanger the existence of the company in the future.

9. Corporate Governance

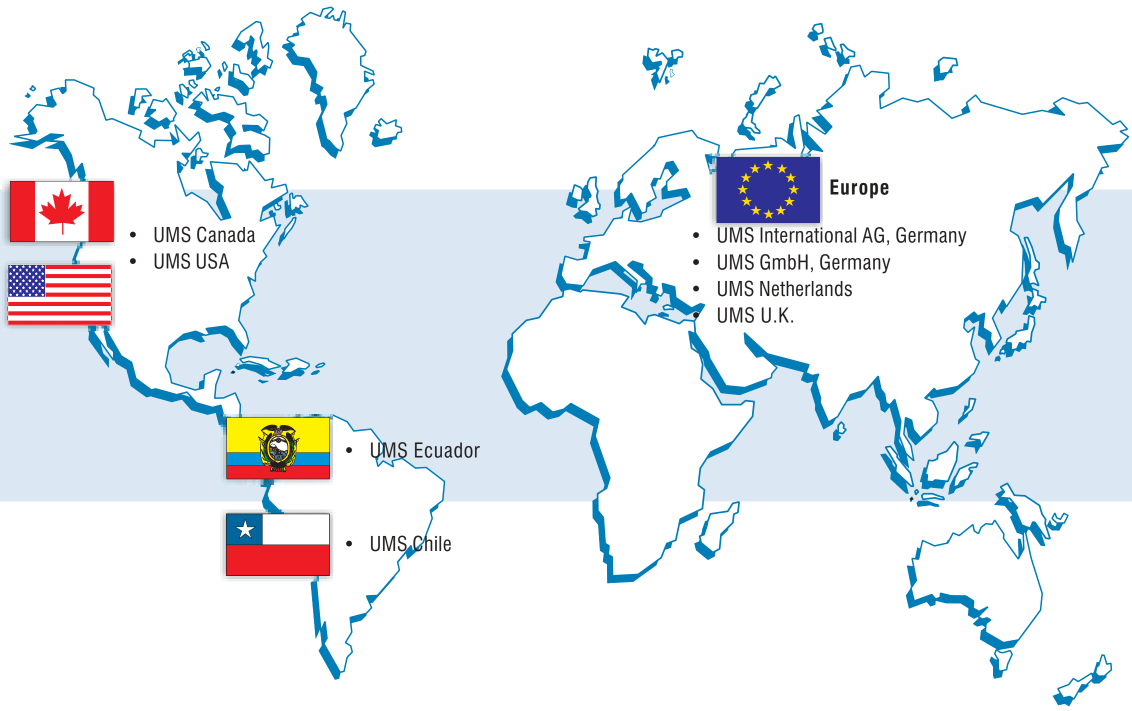
The German Corporate Governance Code contains recommendations concerning the management and supervision of German companies listed on stock exchanges. The aim is to make the rules that apply in Germany to corporate management and supervision more transparent to domestic and international investors and to promote confidence in those rules as well as compliance with them. The vast majority of the Code's standards, recommendations, and suggestions for more responsible corporate management have been part and parcel of the UMS corporate culture for years. On December 5, 2005, the Supervisory Board and the Management Board adopted a resolution declaring their intention to comply with the Code as last amended on June 2, 2005. The public can access the declaration of conformity pursuant to § 161 of the German Stock Corporation Act on the Company's Website at www.umsag.com.

10. Outlook

Groundbreaking steps for the future direction of the UMS Group were taken during 2005. The European investments have been significantly reevaluated. The identified operational and balance sheet structure problems resulting from unsuccessful investments in Europe were largely eliminated thanks to the bold measures taken. After selling off our equity investments in Italy in 2004, we sold our activities in Ireland in 2005. Our English activities were sold after the balance sheet date.

Surplus radiology capacity was reduced or written down so that this situation will no longer put pressure on earnings in the future. This step set the stage for the UMS Group not only to continue operating its remaining European activities, but also to implement other alternatives in the future. Another milestone was the sale and closing of the Oncology segment, which had lagged right from the start in Europe because of the unfavorable insurance situation and which was able to be sold at a handsome price in the USA. The liabilities and other obligations of the UMS Group have been reduced dramatically. Goodwill was practically eliminated from the consolidated balance sheet. In parallel to these key „defensive“ steps, we were also pro-active in our core business, especially in promising regions and segments. In Michigan, we expanded our presence substantially in urology and radiology by being approved for additional CONs.

This is the path we will continue on in 2006. In the Gynecology business segment, we were able to further reinforce our leading market position. In both areas, we benefited from our sales staff being able to concentrate fully on highly profitable business segments after the sale of our oncology operations. In this case, UMS's clear goal is to further expand our regional presence in the USA, while at the same time cementing our existing customer base and mobile service routes. The successful development of the Chilean market marks another key turning point for the future of UMS. Based on our success to date in Chile, we plan to undertake additional projects in South America. The launch of a mobile urological service for the national health service in Ecuador in the course of the first quarter of 2006 is further proof of the attractiveness of our service model on this continent.



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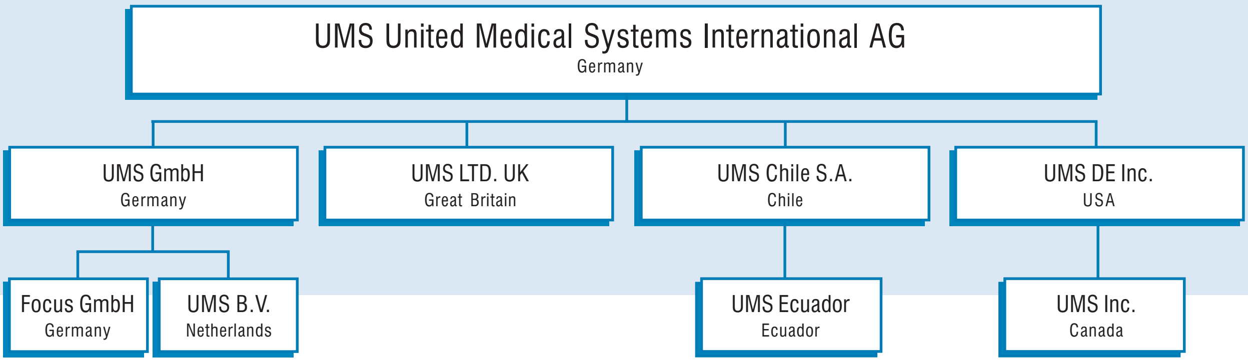
UMS Group Strukture



Development of the UMS Group

1996 – 1999

- 1996: Formation of UMS holding, Development of new business strategy, international expansion
- 1997/99: Setting up of business in the U.S., U.K. and the Netherlands
- Initial marketing of new applications
- Expansion of sales organization

2000

- Foundation of UMS International AG and IPO
- UMS International AG takes over Italian Lithomobile S.r.l.
- Takeover of customer basis of First Litho Group, U.S.

2001

- Co-operations with large hospital networks
- 10% investment in PET Scans of America Corp., U.S., on the basis of a capital increase worth 1.7 million USD
- UMS AG acquires majority of stake in Neuromed AG, Castrop-Rauxel

2002

- UMS exercised option for majority ownweship 51% of PET Scans of America Corp., U.S.
- UMS receives FDA Conditional Approval for ESWT treatment with Wolftechnology in the U.S.
- UMS takes over the business unit lithotripsy from Alliance Imaging Inc., U.S.
- UMS receives majority ownership 51% of MRI Ireland Ltd. for business expansion in the U.K. and Ireland
- Complete acquisition of Neuromed AG

2003

- UMS started its radiology business segment in the U.S.
- UMS is the first provider for mobile PET-/CT-Technologys in the U.S.
- Opening of 3 out-patient treatment centre in the U.S. and Ireland
- Management Buy-out Neuromed Solutions GmbH

2004

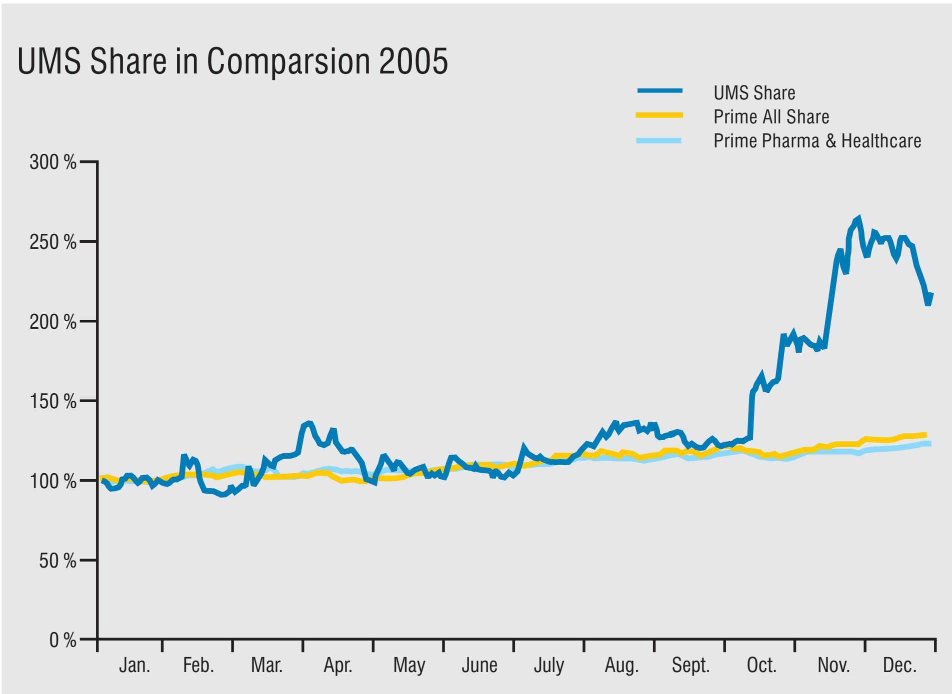
- assumes full control of PET Scans of America Corp.
- UMS issues a bond worth 3 million USD
- UMS devests in Italy
- UMS received FDA Approval for Piezolith Technology of Richard Wolf

2005

- UMS expands into South America
- UMS devests PET Scans of America Corp. to Alliance Imaging
- Expansion of the branch of Urology in Michigan
- UMS devests parts of MRI Ireland
- Preparation of sales UMS U.K.

The UMS Share

Last year was a very good year for European, and more specifically, German stocks. MDAX companies saw their share prices rise 37% in 2005 – another all-time high – while blue chip (DAX) stocks were up by a respectable 27%. The DJ EURO STOXX 50 was up 22%. The UMS share price also saw sharp increases. After improved operating results starting in Q2 2005 and the sale of the oncology division based on a very favorable valuation, our share price rose from € 2.32 at the start of the year to € 6.50 as of November 30, 2005. Another contributing factor was the positive feedback we received from the financial press and analysts. Toward the end of the year, our share price slipped slightly after the announcement of additional transactions in Europe, and ultimately amounted to € 5.19 as of December 30, 2005. The number of shares in circulation remained steady at the previous year's level, totaling 6,016,261 at the end of 2005/beginning of 2006. Our market capitalization was therefore approximately € 31.2 million (previous year: € 14.0 million). The liquidity of UMS shares was very satisfactory in 2005, amounting to 41,565 shares per trading day. This was well over the previous year's figure of 25,216 shares per trading day.



Since the reorganization of the German stock market, UMS International AG has been listed in the Prime Standard quality segment: WKN 549365, ISIN DE0005403654, Bloomberg: UMS GR, Reuters UMSG.DE.

The share price performance is included in the "Prime All Share," "Technology All Share," "Prime Pharma & Health Care," and "Prime IG Medical Technology" indices.

UMS International AG is quoted in the following indices:

Prime All Share,	ISIN DE0007203333
Technology All Share,	ISIN DE0008468968
Prime Pharma & Health Care,	ISIN DE0009660332
Prime IG Medical Technology,	ISIN DE0007238032

There are currently 6,016,261 UMS shares in circulation. The percentage of shares in free float (i.e., not held directly by the Management Board or Supervisory Board) was 89% at year-end (2004: 90%).

Additional information about the UMS share is available on the Company's website: www.umsag.com. This includes the Management Board's and Supervisory Board's latest compliance declaration with respect to the German Corporate Governance Code, as required under Art. 161 of the German Stock Corporation Act.

Key Share Information

(in €)	2005	2004	2003
Market price (XETRA closing price)			
- High	6.50	7.55	5.80
- Low	2.25	1.99	0.78
Year-end	5.19	2.32	5.72
Number of shares (at year-end in millions)	6.016	6.016	6.016
Market cup (at year-end, in€ millions)	31.2	14.0	34.4
Earnings per share (in €)	-1.61	-0.36	-0.42

Bernd Humke

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Supervisory Board Report

In 2005, the Supervisory Board performed the duties assigned to it by law and under the articles and bylaws, and it also advised and supervised the Company's Management Board on a regular basis. It was directly involved in all decisions of material importance to the Group.

During the fiscal year, the Management Board gave the Supervisory Board oral and written reports and resolutions concerning the direction of the Company's business policy, current developments, transactions requiring approval, as well as the general state and performance of the Company and its affiliates. The Management Board and Supervisory Board held four joint meetings in 2005, some as conference calls. The Management Board also kept the Supervisory Board Chairman up-to-date concerning key developments and decisions. In each instance, the Supervisory Board held detailed discussions with the Management Board based on the documents, reports and estimates presented by the Management Board. Measures of key significance were the sale of the shares in PET Scans of America Corp., the sale of the shares of MRI Ireland and the expansion of urology activities in Michigan.

All Supervisory Board meetings included a thorough discussion with the Management Board of the current state of business as well as updated planning in each case. The Group business plan, as well as goals, strategies and efforts by the Management Board to promote business, were also the subject of intense discussion at Supervisory Board meetings. All measures subject to Supervisory Board approval were examined in detail. There were no Supervisory Board committees in the period under review.

An extensive report by the Management Board on the business development of the UMS Group was the main subject of the Supervisory Board meeting on February 2, 2005.

The business plan for fiscal 2005 was adopted at the Supervisory Board meeting on February 23, 2005. In addition, discussions were held on the possible sale of Pet Scans of America Corp..

At the Supervisory Board meeting on April 6, 2005, the single-entity and consolidated financial statements for the year ended December 31, 2004 were presented by the Management Board, with detailed explanations provided by the company's auditors. The Supervisory Board then unanimously approved the single-entity and consolidated financial statements prepared by the Management Board. The agenda for the 2005 Annual Meeting was also set. The company's performance in the first quarter of 2005 was also discussed.

The expansion of urology activities in Michigan was unanimously approved at the Supervisory Board meeting on December 5, 2005. A draft of earnings projections for 2006 was also presented and discussed. Moreover, unanimous approval was given for the formation of UMS Ecuador S.A. and the joint statement of compliance by the Management and Supervisory Boards as required under Art. 161 of the German Stock Corporation Act.

In addition to the above, the Supervisory Board communicated regularly with the Management Board outside of meetings and monitored the Management Board's written votes. The resolution on approval for the sale of the shares in PET Scans of America Corp. was adopted by written vote on October 11, 2005. In addition to the approval on the sale of MRI Ireland, which was passed by written vote on December 22, 2005, other resolutions were passed concerning human resources matters.

The single-entity and consolidated financial statements for the fiscal year ended December 31, 2005, as well as the joint Management Report for the Company and the Group for fiscal 2005, were prepared by the Management Board and audited by Ernst & Young Deutsche Allgemeine Treuhand AG, Hamburg. The auditors gave the single-entity and consolidated financial statements and the Management Report their unqualified opinion. The audited single-entity and consolidated financial statements were the main item on the agenda for the Supervisory Board meeting on April 3, 2006. The auditors attended this meeting and gave detailed answers to all questions. The Supervisory Board agreed with the results of the audit of the single-entity and consolidated financial statements and, after its own examination, raised no objections. The Supervisory Board approved the single-entity and consolidated financial statements prepared by the Management Board, and therefore adopted the single-entity financial statements.

The Supervisory Board thanks the Management Board and all employees for all their accomplishments and hard work in fiscal year 2005.

Hamburg, April 3, 2006

Wolfgang Biedermann
Chairman of the Supervisory Board

Consolidated Financial Statements 2005

UMS United Medical Systems International AG

Consolidated Income Statement
for the Financial Year 2005

	Notes	2005 €	2004* €
Revenues		38,357,162.78	34,569,534.96
Cost of revenues	4	-24,058,320.48	-22,092,101.14
Gross profit		**14,298,842.30**	**12,477,433.82**
Distribution and selling expenses	4	-3,739,263.75	-3,496,065.50
General and administrative expenses	4	-5,914,809.41	-5,218,943.35
Other operating income and expenses	4	-356,668.47	121,275.62
Amortization of goodwill		-7,660,728.81	-1,268,083.83
Operating result		**-3,372,628.14**	**2,615,616.76**
Interest income and expenditure	4	-1,562,889.23	-1,471,265.50
Result before taxes and minority interest		**-4,935,517.37**	**1,144,351.26**
Other taxes		-187,105.60	-24,666.11
Income taxes	5	-2,560,602.01	-681,153.64
Profit/Loss from continuing operations		**-7,683,224.98**	**438,531.51**
Discontinued operations			
Current loss from discontinued operations	6	-3,207,685.94	-1,769,838.74
Income from sale of discontinued operations	6,11	4,137,948.31	729,016.66
Profit/Loss from discontinued operations		**930,262.37**	**-1,040,822.08**
Loss for the year		**-6,752,962.61**	**-602,290.57**
Attributable to Equity holders of the parent		-9,669,848.80	-2,147,323.89
Minority interest		2,916,886.19	1,545,033.32
Net income per share			
Net income per share (basic)		-1.61	-0.36
Net income per share (diluted)		-1.54	-0.34
Net income per share (basic) from continuing operations		-1.78	-0.19
Net income per share (diluted) from continuing operations		-1,.70	-0.18
		in thousands	in thousands
Weighted average shares outstanding (basic)	7	6,016	6,016
Weighted average shares outstanding (diluted)	7	6,291	6,258

* 2004 adjusted due to separate disclosure of discontinued operations

Consolidated Balance Sheet

as of December 31, 2005

ASSETS	Notes	2005	2004
		€	€
Current assets			
Cash and cash equivalents	15	7,581,984.03	2,766,292.60
Trade accounts receivable	14	8,531,746.13	9,294,756.08
Accounts receivable due from affiliated companies	14	185,450.56	0.00
Inventories	13	568,686.17	834,048.31
Prepaid expenses and other current assets		1,957,496.36	2,701,646.11
Total current assets		**18,825,363.25**	**15,596,743.10**
Non-current assets			
Property, plant and equipment	8	13,822,748.89	23,421,825.74
Intangible assets	9	11,617,009.58	10,416,413.01
Shares in affiliated companies	22	897.40	87,171.77
Goodwill	9,11	73,748.47	13,767,166.27
Deferred taxes		41,544.88	2,299,707.86
Total non-current assets		**25,555,949.22**	**49,992,284.65**
Assets of disposal group classified as held for sale	6	**1,024,020.02**	**-**
Total assets		**45,405,332.49**	**65,589,027.75**

LIABILITIES AND EQUITY	Notes	2005	2004
		€	€
Current liabilities			
Trade accounts payable	20	2,310,118.03	3,682,087.19
Liabilities due to banks	17	2,851,336.99	8,351,976.93
Leasing obligations	17	2,567,533.50	5,671,903.14
Other current liabilities		549,249.35	832,770.02
Deferred income			21,423.56
Liabilities relating to taxes		4,508,643.27	135,873.41
Other accrued expenses	18	1,772,472.10	1,928,908.28
Total current liabilities		**14,559,353.24**	**20,624,942.53**
Non-current liabilities			
Liabilities due to banks	17	8,325,842.70	11,153,452.19
Leasing obligations	17	6,445,995.03	12,210,614.55
Deferred Taxes	5	252,887.13	695,176.45
Total non-current liabilities		**15,024,724.86**	**24,059,243.19**
Liabilities directly associated with the assets classified as held for sale		**1,894,045.58**	
Equity			
Share capital	16	6,016,261.00	6,016,261.00
Additional paid-in capital	16	8,538,707.17	42,910,069.28
Equity portion warrant	16	20,117.04	20,117.04
Cumulative translation adjustment		-3,383,557.44	-5,306,964.24
Accumulated deficit		585,472.69	-23,672,131.35
Equity attributable to parent company		11,777,000.46	19,967,351.73
Minority interest		2,150,208.35	937,490.30
Total equity		**13,927,208.81**	**20,904,842.03**
Total assets		**45,405,332.49**	**65,589,027.75**

Consolidated Statement of Changes in Equity

	Share Capital	Additional Paid-in Capital	Currency Translation Adjustment
	€	€	€
Balance January 1, 2004	**6,016,261.00**	**42,910,069.28**	**-4,258,477.09**
Foreign currency adjustments			-1,048,487.15
Distribution			
Additions/Disposals(UMS Italia, Lithomobile, UMS Lithomobile)			
Equity portion warrant			
effects not included in the income statement			**-1,048,487.15**
Minority Interest PSAC (IAS 27.35)			
Net loss/Net income			
Balance December 31, 2004	**6,016.261.00**	**42,910,069.28**	**-5,306,964.24**
Balance January 1, 2005	**6,016,261.00**	**42,910,069.28**	**-5,306,964.24**
Foreign currency adjustments			1,923,406.80
Distribution			
Use of Additional Paid-in Capital		-34,371,362.11	
Minority Interest Focus KG (IAS 27.35)			
Additions/Disposals (PSAC, MRI Ireland LTD.)			
profit not included in the income statement		**-34,371,362.11**	**1,923,406.80**
Net loss / Net income			
Balance December 31, 2005	**6,016,261.00**	**8,538,707.17**	**-3,383,557.44**

Equity portion of bond	Accumulated deficit	Equity parent company	Minority Interest	Total equity
€	€	€	€	€
0.00	**-22,426,983.22**	**22,240,869.97**	**839,727.76**	**23,080,597.73**
		-1,048,487.15	-205,808.56	-1,254,295.71
			-1,154,480.73	-1,154,480.73
			-86.981,49	-86.981,49
20,117.04		20,117.04	0.00	20,117.04
20,117.04		**-1,028,370.11**	**-1,447,270.78**	**-2,475,640.89**
	902,175.76	902,175.76	0.00	902,175.76
	-2,147,323.89	-2,147,323.89	1,545,033.32	-602,290.57
20,117.04	**-23,672,131.35**	**19,967,351.73**	**937,490.30**	**20,904,842.03**
20,117.04	**-23,672,131.35**	**19,967,351.73**	**937,490.30**	**20,904,842.03**
		1,923,406.80	292,967.90	2,216,374.70
		0.00	-2,300,019.30	-2,300,019.30
	34,371,362.11			
	-443,909.27	-443,909.27	443,909.27	0.00
		0.00	-141,026.01	-141,026.01
0.00	**33,927,452.84**	**1,479,497.53**	**-1,704,168.14**	**-224,670.61**
	-9,669,848.80	-9,669,848.80	2,916,886.19	-6,752,962.61
20,117.04	**585,472.69**	**11,777,000.46**	**2,150,208.35**	**13,927,208.81**

Consolidated Cash Flow Statement

for the Financial Year 2005

	TZ	01.01.-31.12.2005 €	01.01.-31.12.2004 €
Cash flow from operating activities:			
Loss for the year		**-6,752,962.61**	**-602,290.57**
Adjustments for:			
Profit/Loss from the sale of subsidiaries	11	-4,137,948.32	-729,476.66
Profit/Loss from sale of equipment		102,306.86	-328,958.73
Depreciation on property, plant and equipment		7,820,015.96	6,491,042.91
Depreciation on intangible assets		2,149,008.36	1,125,555.30
Amortization of goodwill		7,660,728.81	1,809,395.00
Deferred taxes, net		715,299.67	405,225.29
Change in net working capital:			
Accounts receivable, trade		-1,519,772.74	-161,922.56
Prepaid expenses and other current assets		708,229.10	847,005.06
Inventories		223,288.99	571,155.51
Accounts payable, trade		-468,120.47	-978,623.00
Liabilities relating to taxes		1,258,132.52	-124,435.55
Other accrued expenses and current liabilities		795,665.38	269,273.88
= Net cash provided by operating activities		**8,553,871.51**	**8,592,945.89**
Purchases of property, plant and equipment, net of finance leasing		-734,792.82	-2,316,779.95
Purchases of intangible assets		-3,572,342.73	-261,552.98
Acquisition of subsidiaries, net of cash acquired		0.00	-5,519,566.53
Proceeds from disposal of subsidiaries, net of cash transferred	11	16,780,461.13	2,816,232.92
Proceeds from the sale of equipment		596,536.92	508,782.93
= Net cash used in investing activities		**13,069,862.50**	**-4,772,883.61**

	01.01.-31.12.2005	01.01.-31.12.2004
	€	€
Capital contribution for capital increase	0.00	20,117.04
Payments of minority shareholders	-2,271,261.58	-1,264,517.74
Change in long-term debts due to banks	-2,119,566.08	-1,063,685.24
Change in lease liabilities	-7,814,349.44	-4,231,142.06
Change in short-term debts due to banks	-5,152,578.86	1,346,305.56
Veränderung der kurzfristigen Wertpapiere	0.00	0.00
= Net cash used in financing activities	**-17,357,755.96**	**-5,192,922.46**
Changes in consolidated qroup	31,382.07	0.00
Net effect of currency translation in cash and cash equivilants	518,331.31	-215,903.63
Net decrease in cash and cash equivalents	**4,815,691.43**	**-1,588,763.81**
Cash and cash equivalents at beginning of the period	2,766,292.60	4,355,056.41
Cash and cash equivalents at end of period	7,581,984.03	2,766,292.60
Additional information on cash flows		
Payments for Interest	-2,468,567.09	-2,389,021.74
Taxes on income	294,944.13	-315,524.47
Relevant non-cash transactions		
Purchases of property, plant and equipment financed by finance lease	-1,906,133.70	-3,052,132.49

Notes to consolidated Financial Statements
for the year ended 31 December 2005

1. General

UMS United Medical Systems International AG (limited company, hereinafter: UMS AG) was founded in 1996 in Quickborn in the Federal Republic of Germany. It is registered in the Commercial Register of the Local Court in Hamburg under No. HRB 77638. The Company has its principal place of business in 22453 Hamburg, Borsteler Chaussee 43 (legal address). UMS International AG is a company incorporated in Germany whose shares are publicly traded. UMS AG is a provider for full-service solutions for mobile medical applications in the growth industry of medical technology. UMS AG pioneered the first mobile use of high-class medical technology worldwide and markets comprehensive service for hospitals and physician specialists. The concepts include complete service for the customer – from system management to applications specialists to the operation of diagnosis and therapy centers. The UMS-Group has a staff of 225 employees and serves about 1000 customers around the world.

The Company maintains operative subsidiaries in Germany, the U.K., Ireland, the Netherlands, the U.S., Canada and Chile. The subsidiaries in the respective countries follow the requirements of the national health care markets, guaranteeing participation in national bids and compliance with national regulations for the operation of medical equipment.

Political measures affecting healthcare and related modifications of the framework conditions – for example the possibility of reimbursement for delivered services from public or private cost units – can have a large impact on operating activities. To minimize these risks the company again made progress in diversification in products and regions during the business year 2005.

The consolidated financial statements of UMS International AG for the year ended December 31, 2005 were authorized for issue in accordance with a resolution of the directors on April 3, 2006.

2. Summary of significant accouning policies

Fourth quarter information

The group financial statements have been prepared adopting IFRS 5. Non-current assets held for sale and discontinued operations are disclosed separately from continuing from continuing operation. This result in a change of presentation compared to the quarterly report as per September 30, 2005. Annual sales are lower by 18.1 million € compared to a presentation using the methodology applied in the quarterly report. The impact is fully explained in the notes to discontinued operation (Note 6). Balance Sheet, Income Statement and most of the notes are affected by the separate presentation of discontinued operations.

In the fourth quarter, estimates, that effect the carrying amount of assets, have been changed. These changes are reflected in impairments or write-offs on receivables, deferred tax assets, technical equipment and in accruals for restructuring. The financial impact is described in notes 8, 9 and 10.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Euro. If not noted otherwise, all amounts are rounded to k€.

Due to the presentation of discontinued operation, comparable numbers for the year 2004 have been adjusted accordingly, if necessary.

Statement of compliance

The consolidated financial statements of UMS AG and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) valid December 31, 2005.

UMS Group is positive, that the application of IFRS Standards, that are valid but not mandatory, as per

31 December, 2005 will have no substantial impact on the financial statement of the Group.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group adopted those new/revised standards mandatory for financial years beginning on or after January 1, 2005.

New regulation apply on business combinations (IFRS 3, IAS 36 and IAS 38). The adoption of IFRS 36 (revised) has resulted in the Group ceasing annual goodwill amortisation and commencing annual testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from January 1, 2005.

Moreover, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. In accordance with the revised IAS 38, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Accordingly, some assets are considered to have indefinite life and are not amortized on a regular basis but are tested annually for impairment.

The Group has applied IFRS 5 prospectively. IFRS 5 requires a component of an entity to be classified as discontinued when the criteria to be classified as held for sale have been meet or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Prior periods presented in the financial statements have been adapted accordingly.

Basis of consolidation

The consolidated financial statements comprise the financial statements of UMS AG and its subsidiaries at December 31 of each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the result for the part of the reporting year during which UMS International AG has control.

Foreign currency translation

The consolidated financial statements are prepared in Euro. The currency of the UMS AG and its subsidiaries is the local currency of the country in which each company is located. Assets and liabilities of foreign subsidiaries that are foreign entities denominated in foreign currencies are translated into Euro at exchange rate effective at the balance sheet date. Revenues and expenses are converted with the average exchange rate effective during each fiscal year. Differences arising from the conversion are recorded in a separate position under equity.

Transactions in foreign currencies are translated at the exchange rates effective at the date of each transaction.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and Buildings	10 - 25 years
Technical equipment	3 - 10 years
Other equipment	3 - 5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generation units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of net selling price or value in use. Impairment losses are recognised in the income statement in the cost of sales line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is recognised.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer´s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life. The amortisation period is determined at the time of the acquisition based upon the particular circumstances and does not exceed 12 years. The unamortised balances are reviewed annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combinations synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generation unit retained.

Intangible Assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets created within the business are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment annually either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Any amendments made, and impact occurring there from, have been stated with the detailed notes on intangibles assets in the current balance sheet.

Costs of exclusive distribution rights

The US-affiliate of the group has acquired the exclusive right to sell Lithotripter produced by the company Richard Wolf. To obtain this right, UMS Inc., USA, secured the necessary approval of these systems by the Food and Drug Administration (FDA). Thus, costs of the distribution rights are the cost occurring in the process of obtaining the FDA-approval. Approval expenditures incurred is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project. Amortisation for the first project started on January 1, 2005.

The carrying value of the distribution rights is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

„Certificate of Need (CON)“

In some US-states, a certificate of need or similar regulatory approval is required of medical services. The US-affiliate of the group has acquired several certificates of need to operate services in states under certificate of need laws. The acquired certificates are classified as intangible assets with indefinite life.

The carrying value of the certificates is reviewed for impairment at least annually.

Overview of valuation methods

	Customer Contracts	Distribution Rights	Certificate of Need
Useful lives	finite	finite	indefinite
Method used	12 years straight line	5 years straight line	none
generated or acquired	acquired	acquired	acquired
Impairment testing	annually and more frequently when an indication of impairment exists	annually and more frequently when an indication of impairment exists	annually and more frequently when an indication of impairment exists

Gains or losses from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Recoverable amount of non-current assets

The Group regulary assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets after this designation at each financial year-end.

Derivative financial assets are also classified as held for trading. Gains or losses on investments held for trading are recognised in income. The UMS Group has classified the interest swap, that is covering interest exposure, as held for trade. At December 31, 2005, the interest swap has be remeasured at fair value. Any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Inventories

Inventories are valued at the lower of cost and net realisable value. The company trades only with finished goods. Finished goods are accounted for at purchase cost on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

Compound Instruments

Financial Instruments consisting of both liability and equity portions (compound instruments) are split into the components and are stated separately within debt and equity. The split up is based on the fair value of the liability.

Provisions/Accruals

Provisions are recognised when the Group has a present obligation (legal or factual) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest .

Employee Benefits

Share Options

The employees and management of the Company were granted options to purchase common shares of the Company. No employee compensation expense was recognised for the stock options distributed. As of the balance sheet date, the fair market value of an option was determined to be 0,00 €.

Employee Benefit Plan

The US-affiliate of the UMS Group maintains two defined contribution profit sharing plans, which cover all eligible employees. Contributions to the plan are at the discretion of management. payments can be drawn from the benefin plan after reaching the age of 65 1/2 years.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainly that the group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rendering of services

Revenue from rental of units and services provided is recognised based on rental days and service ours delivered until December 31.

Interest

Revenue is recognised as the interest accrues (using the effective interest method to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Government Grants

For government grants related to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Income tax

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Derivative financial instruments and hedging

The group uses derivative financial instruments (interest rate swaps) to hedge risks and associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contracts is entered into and are subsequently remeasured at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made judgements. The most significant effect on the amounts recognised has the judgement to determine the Certificates of Need to have an indefinite life, which is consistent with industry standard.

The most significant use of estimates affecting the reported amounts of assets and liabilities are related to useful lives of property or expected future cash flows from the cash generating units. Estimation uncertainty exist, but does are not considered material due to the impairments booked in 2005.

3. Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The urology segment delivers full service solutions mainly for the treatment of kidney stones.

The gynecology segment delivers mobile equipment and sale of disposabals for early detection of breast cancer.

In the radiology segment the UMS Group delivers mobile CT and MR units and Cath Lab technology.

The oncology segment offers mobile and stationary solutions for the efficient use of PET units. In 2005, the group announced to dispose of all activities in the business segment of PET technology and the sale of all shares of its subsidiary Pet Scans of America Corp. (PSAC), representing the major part of oncology activities in the group. The business segment oncology therefore has been classified as discontinued operations.

Furthermore, the geographical area of operation in the UK and Ireland meet the criteria of IFRS 5 to be classified as discontinued.

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended December 31, 2005 and 2004.

Transfer between the segments are accounted at competitive market prices.

Business Segment Data

	Urology		Gynekology		Continuing operations Radiology	
	2005	2004	2005	2004	2005	2004
	k€	k€	k€	k€	k€	k€
External segment revenues	23,045	20,787	10,184	9,004	4,771	4,770
Intercompany segment revenues	1,582	1,383			364	625
Total segment revenues	**24,627**	**22,170**	**10,184**	**9,004**	**5,135**	**5,395**
Segment result	**6,583**	**4,300**	**1,455**	**1,421**	**-2,872**	**608**
Amortization goodwill						
Interest result, net						
Result before taxes						
Other taxes						
Income taxes						
Net loss						
Assets of segments	21,050	15,827	5,799	4,448	8,948	10,550
Investments	18	46	0	0	313	8,402
Nonattributable assets						
Total assets	**21,068**	**15,873**	**5,799**	**4,448**	**9,261**	**18,952**
Segment liabilities	6,208	3,227	1,921	826	5,924	9,799
Nonattributable liabilities						
Total liabilities	**6,208**	**3,227**	**1,921**	**826**	**5,924**	**9,799**
Other information of segments						
Investments in tangible and intangible assets	6,097	4,955	938	523	92	1,440
Depreciation	4,080	2,512	846	666	10,790	1,661
Non-cash relevant transactions	1,382	1,449	439	513	85	1,230

Geographical Segment Data

	Germany		Netherlands		Continuing operations USA/Canada	
			2005	2004	2005	2004
	k€	k€	k€	k€	k€	k€
External segment revenues	6,090	5,598	992	1,127	30,774	27,845
Intercompany segment revenues	3,641	3,233	60	0	0	
Total segment revenues	**9,731**	**8,831**	**1,052**	**1,127**	**30,774**	**27,845**
Other segment information						
Total assets of segments	38,350	52,323	880	702	33,576	23,763
Investments in tangible and intangible assets	597	3,956	223	229	6,191	2,971

Other		Consolidation		Total		discontinued operations		Total operations	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
k€	k€	k€	k€	k€	k€	k€	k€	k€	k€
357	9			38,357	34,570	18,115	23,949	56,472	58,519
1,755	1,225	-3,701	-3,233						
2,112	**1,234**	**-3,701**	**-3,233**	**38,357**	**34,570**	**18,115**	**23,949**	**56,472**	**58,519**
-10,169	**-1,500**	**9,291**	**-945**	**4,288**	**3,884**	**4,654**	**550**	**8,942**	**4,434**
				-7,661	-1,268		-541	-7,661	-1,809
				-1,563	-1,471	-767	-990	-2,330	-2,461
				-4,936	**1,145**	**3,887**	**-991**	**-1,049**	**164**
				-187	-24	-101	-3	-288	-27
				-2,561	-682	-2,856	-57	-5,417	-739
				-7,684	**438**	**930**	**-1,041**	**-6,754**	**-602**
9,494	5,006	-10,352	3,018	34,939	38,849	1,382	18,051	36,321	56,900
19,262	26,600	-19,592	-34,961	1	87			1	87
		36	1,983	8,969	7,894	114	708	9,083	8,602
28,756	**31,606**	**-29,908**	**-29,960**	**43,909**	**46,830**	**1,496**	**18,759**	**45,405**	**65,589**
11,482	3,400	50	-3,973	25,585	13,279	2,296	16,869	27,881	30,148
		-112	0	3,396	13,366	201	1,170	3,597	14,536
11,482	**3,400**	**-62**	**-3,973**	**28,981**	**26,645**	**2,497**	**18,039**	**31,478**	**44,684**
365	238	-412	-2,256	7,081	4,900	111	3,015	7,191	7,915
7,482	289	-15,644	248	7,554	5,376	2,415	2,241	9,969	7,617
				1,906	3,192			1,906	3,192

Chile		Consolidation		Total		discontinued operations		Total operations	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
k€	k€	k€	k€	k€	k€	k€	k€	k€	k€
501	0			38,357	34,570	18,115	23,949	56,472	58,519
0	0	0	0	0	0	0	0	0	0
501	**0**	**-3,701**	**-3,233**	**38,357**	**34,570**	**18,115**	**23,949**	**56,472**	**58,519**
1,011	0	-29,908	-29,799	43,909	46,829	1,496	18,760	45,405	65,589
482	0	-413	-2,256	7,080	4,900	111	3,015	7,191	7,915

4. Revenues and expenses

The revenues and expenses presented below are related to the continuing operations.

Other income/expense	2005 k€	2004 k€
Other Income	1,806	886
Other Expense	-2,163	-765
	-357	**121**

Other income mainly includes income from the sale of shares to doctors in the partnership Great Lakes Lithotripsy, LLC, Michigan, from exchange gains, deletion of old liabilities from the accounts, benefits in kind, reimbursements from insurance companies and profits from disposal of assets.

Other expenses mainly includes write downs on receivables, exchange losses and the loss on the sale of fixed assets.

Finance costs/income	2005 k€	2004 k€
Bank loans and overdrafts	-651	-648
Other loans	-119	-211
Finance charges payable under finance leasesand hire purchase contracts	-878	-683
Total finance costs	**-1,648**	**-1,542**
Bank interest receivable	85	71
Total finance income	**85**	**71**
Interest income and expenditure	**-1,563**	**-1,471**

Included in cost of sales:	2005 k€	2004 k€
Depreciation on property, plant and equipment		
- Owned assets	-1,559	-2,249
- Assets under finance lease	-3,406	-1,882
Abschreibung immaterieller Vermögenswerte	-2,072	-873
	-7,037	**-5,004**
Cost of inventories recognised as an expense	-579	-111
Personnel expenses	-7,044	-6,699
Service and maintenance expenses	-1,835	-1,769
Other expenses	-7,563	-8,509
Total Cost of Sales	**-24,058**	**-22,092**

General and administration expenses	2005 k€	2004 k0€
Depreciation on property, plant and equipment		
- Owned assets	-222	-207
- Assets under finance lease	-37	-44
Amortisation of intangible assets	-121	-54
Personal expenses	-2,854	-2,756
Other expenses	-2,681	-2,158
Total expenses	**-5,915**	**-5,219**

Other expenses include audit fees for the group auditors amounting to 188 k€ (2004: 184 k€). The group auditors have provided auditing services only

Distribution and selling expenses	2005 k€	2004 k€
Depreciation on property, plant and equipment		
- owned assets	-33	-37
- assets under finance lease	0	-4
Amortisation of intangible assets	-103	-26
Personnel expenses	-2,405	-2,463
Other expenses	-1,198	-966
Total expenses	**-3,739**	**-3,496**

Employee renumeration	2005 k€	2004 k€
Total Employee renumeration expenses	-12,303	-11,918

The average number of employees for the year was 267 (2004: 297). Thereof 216 have been emplayed in the continued operation (2004: 213).

Depreciation and Amortisation Expenses	2005 k€	2004 k€
Property, plant and equipment		
- Cost of sales	-4,965	-4,131
- Distribution and selling	-33	-41
- General and administration	-259	-251
Total	**-5,257**	**-4,423**
Intangible assets		
- Cost of sales	-2,072	-873
- Distribution and selling	-103	-26
- General and administration	-121	-54
Total	**-2,296**	**-953**
Amortisation Goodwill	-7,661	-1,268
Total expenses	**-15,214**	**-6,644**

5. Income tax

Major components of income tax expense for the years ended December 31, 2005 and 2004 are:

Consolidated income statement	2005 k€	2004 k€
Current income tax		
- Current tax income tax charge	-1,869	-405
Deferred income tax		
- Relating to origination and reversal of temporary differences	-692	-676
- Deferred tax expense related to tax loss carry forwards	0	399
Income tax expense reported in consolidated income statement	-2,561	-682

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended December 31, 2005 and 2004 is as follows:

	2005 k€	2004 k€
Accounting profit/loss before income tax from continuing operations	-5,123	1,119
Profit/loss from a discontinued operation	3,787	-983
Accounting profit before income tax	1,336	136

	2005 k€	2004 k€
Germany statutory income tax rate of 41.67% (2004: 41.67%)	557	-57
Difference in foreign taxation	218	29
Difference in domestic taxation (non deductible expenses)	-1,007	136
Difference in domestic taxation (non taxable income)	130	-52
Deferred tax expense arising from permanent differences	-3,640	-401
Impairment on tax assets/deferred tax assets not recognized	-3,285	-396
Write-up deferred taxes	457	0
Effect of taxation in limited partnerships	1,164	0
Others	-11	2
	-5,417	**-739**

	2005 k€	2004 k€
Income tax expense reported in consolidated income statement	-2,561	-682
Income tax attributable to the sale of a discontinued operation	-2,810	0
Income tax attributable to the current gain/loss of a discontinued operation	-46	-57
	-5,417	**-739**

The UMS AG has income tax losses of 11.3 million € and 10,3 million € trade tax losses that are available indefinitely for offset against future taxable profits of the company within the limits of §§ 10d (2) EstG; 10a GewStG. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. As sufficient taxable profits are not probable, no deferred taxes have been recognised for timing differences.

The UMS GmbH has income tax losses of 13.4 million € and 11.9 million € trade tax losses that are available indefinitely for offset against future taxable profits of the company within the limits of §§ 10d (2) EstG; 10a GewStG. Based on this losses, a carrying amount of 1.1 million € of deferred income tax asset had been recognised in the balance sheet as per December 31, 2004. This amount has been fully written off in 2005, as based on the budgeted income of UMS GmbH it is no longer probable, that sufficient taxable profit will be available to allow the tax asset to be utilised.

The UMS Ltd. UK has a tax loss carry-forward of 3.5 million €. As it has been decided to sell the assets of the company, tax assets based on this losses have also been written-off. The tax impact of 47 k€ is show within discontinued operation.

UMS group therefore does not recognise any tax assets based on tax losses carry-forward.

Timing-differences between taxable income and income stated in accordance with IAS rules result in deferred tax liabilities of 0.3 million €. Timing differences mainly arise from differences in amortisation periods and non tax deductible depreciation on certain assets for tax purposes.

6. Discontinued operation

In October 2005, UMS group announced the decision to dispose of low margin and capital-intensive activities in oncology in order to obtain a sustainable improvement of profitability and equity ratios. With the sale of all shares of Pet Scans of America Corp. (PSAC) as per September 30, 2005, the major part of group activities in oncology has been disposed of already in 2005.

However, the sale of PSAC excluded Metroscan of Richardson, LLC, a stationary PET site, and a PET system owned by the german entity. The sale of these remaining activities is expected to be completed in 2006, as at December 31, 2005 letters of intent have been signed. Assets and Liabilities related to the business segment oncology have been classified as belonging to discontinued operation.

UMS group has also decided in 2005 to dispose of its activities in particular geographical areas of operation; the UK and Ireland. This decision is an additional step towards concentrating on profitable regions and lines of business. The group has already sold its holdings in MRI Ireland Ltd. (MRI) to its management in December 2005. The disposal of the assets of UMS Ltd. UK to an English competitor is due to be completed in early 2006. Assets and Liabilities of UMS Ltd. UK therefore have also been classified as being related to discontinued operations as per December 31.

The result of the segments oncology and UK/Ireland are presented below:

	2005 k€	2004 k€
Revenues	18,115	23,950
Expenses	-12,499	-23,941
Loss recognised on the remeasurement to fair value	-963	0
EBIT	4,653	9
Gain/loss before tax from a discontinued operation	-766	-990
Result before taxes	3,887	-981
Other taxes	-101	-3
Tax expenses		
- related to pre-tax profit/loss	-2,856	-57
- related to measurement to fair value (IFRS 5)	0	0
Gain/loss for the year from a discontinued operation	930	-1,041
Thereof attributable to equity holders of the parent	1,010	-1,001
Minority interest	-80	-40

Profits from the sale of discontinuing operations (sale of PSAC and MRI Ireland in 2005, sale of the affiliates in Italy in 2004) are amounting to 4.138 k€ in 2005 respectively 729 k€ in 2004. Eliminating these impacts, current losses after tax from discontinuing operations amount to –3.208 k€ in 2005 (2004: -1.770 k€).

The net cash flows incurred by discontinued operations are as follows:

	2005 k€	2004 k€
Net cash provided by operating activities	-563	2,017
Net cash used in investing activities	16,657	-4,051
Net cash used in financing activities	-7,497	-1,324
Effect of current translation	49	-18
Net effect of currency translation	8,646	-3,376

The net cash flow includes proceeds from the disposal of discontinued entities. This is shown in detail in note 11.

Along with the sale of the oncology business, UMS Group restructured the low margin activities in radiology. Therefore, several units of the radiological fleet have been classified as held for sale.

The major classes of assets and liabilities classified as held for sale as at December 31, 2005 are as follows:

	2005 k€	2004 k€
Assets	1,024	–
Lease obligations	1,894	–

7. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2005 k€	2004 k€
Profit/loss for the year from continuing operations thereof	-7,683	439
- Attributable to minorities minorities	2,997	1,585
- Attributable to equity holders of the parent	-10,680	-1,146
Profit/loss for the year from discontinued operations thereof	930	-1,041
- Attributable to minorities	-80	-40
- Attributable to equity holders of the parent	1,010	-1,001
Profit/loss for the year thereof	-6,753	-602
- Attributable to minorities	2,917	1,545
- Attributable to equity holders of the parent	-9,670	-2,147

	2005 k€	2004 k€
Weighted average number of ordinary shares for basic earnings per share	6,016	6,016
Effect of dilution:		
- Share options	275	242
Adjusted weighted average number of ordinary shares for diluted earnings per share	6,291	6,258

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

8. Property, Plant and Equipment at Cost and Intangible Assets 2005

	Acquisition and production cost					
	01. Jan. 05	Effect of changes in exchange rates	Changes in consolidated group	Additions	Disposals	31. Dec. 05
	€	€	€	€	€	€
Intangible Assets						
Intangible Assets	13,010,550.87	2,188,386.87	-3,209,190.12	3,866,633.23	0.00	15,856,380.85
Goodwill	22,739,160.92	578,903.10	-6,894,212.83	0.00	0.00	16,423,851.19
	35,749,711.79	2,767,289.97	-10,103,402.95	3,866,633.23	0.00	32,280,232.04
Property, plant and equipment						
Land and building	2,819,816.42	116,699.30	-242,407.00	1.45	0.00	2,694,110.17
Technical equipment and machines	37,004,502.00	1,600,153.51	-7,372,631.95	2,651,221.45	2,509,904.33	31,373,340.68
Other equipment, factory and office equipment	5,020,290.90	513,101.53	-263,136.17	672,170.38	435,810.02	5,506,616.62
Advance payments	0.00	0.00	0.00	0.00	0.00	0.00
	44,844,609.32	2,229,954.34	-7,878.175.12	3,323,393.28	2,945,714.35	39,574,067.47
Financial assets						
Shares in affiliated companies	166,920.01	0.00	-29,016.37	897.40	58,155.40	80,645.64
	166,920.01	0.00	-29,016.37	897.40	58,155.40	80,645.64
	80,761,241.12	4,997,244.31	-18,010,594.44	7,190,923.91	3,003,869.75	71,934,945.15

Accumulated depreciation						Net book value			
01. Jan 05	Effect of changes in change rates	Changes in consolidated group	Additions	Disposals	31. Dec. 05	31. Dec. 05	thereof discontinued operations	thereof continuing operations	31. Dec. 04
€	€	€	€	€	€	€	€	€	€
2,594,137.86	482,450.99	-986,225.93	2,149,008.36	0.00	4,239,371.28	11,617,009.57	0.00	11,617,009.57	10,416,413.01
8,971,994.65	75,051.05	-357,671.79	7,660,728.81	0.00	16,350,102.72	73,748.47	0.00	73,748.47	13,767,166.27
11,566,132.51	557,502.04	-1,343,897.72	9,809,737.17	0.00	20,589,474.00	11,690,758.04	0.00	11,690,758.04	24,183,579.28
673,720.02	10,859.69	-114,099.76	271,356.01	9,917.50	831,918.46	1,862,191.71	0.00	1,862,191.71	2,146,096.40
17,458,304.01	840,204.80	-3,297,142.02	6,662,148,91	1,993,108,82	19,670,406,88	11,702,933,80	956,000,00	10,746,933.80	19,546,197.99
3,290,759.55	364,138.86	-142,449.27	886,511.04	173,986.97	4,224,973.21	1,281,643.41	68,020.02	1,213,623.39	1,729,531.35
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0,00	0,00
21,422,783.58	1,215,203,35	-3,553,691.05	7,820,015.96	2,177,013.29	24,727,298.55	14,846,768.92	1,024,020.02	13,822,748.90	23,421,825.74
79,748.24	0,00	0.00	0.00	0.00	79,748.24	897.40	0.00	897.40	87,171.77
79,748.24	0,00	0.00	0.00	0.00	79,748.24	897.40	0.00	897.40	87,171.77
33,068,664.33	1,772,705.39	-4,897,588.77	17,629,753.13	2177,013.29	45,396,520.79	26,538,424.36	1,024,020.02	25,514,404.34	47,692,576.79

Property, Plant and Equipment at Cost and Intangible Assets 2004

	Acquisition and production cost					
	01. Jan.04	Effect of changes in exchange rates	Changes in consolidated group	Additions	Disposals	31. Dec. 04
	€	€	€	€	€	€
Intangible Assets						
Intangible assets	11,091,577.99	-775,086.38	-30,987.41	2,769,619.61	44,572.94	13,010,550.87
Goodwill	23,085,000.87	-201,871.25	-4,282,557.18	4,138,588.48	0.00	22,739,160.92
	34,176,578.86	**-976,957.63**	**-4,313,544.59**	**6,908,208.09**	**44,572.94**	**35,749,711.79**
Property, plant and equipment						
Land and building	2,697,052.71	-62,190.37	0.00	184,954.08	0.00	2,819,816.42
Technical equipment and machines	42,491,311.51	-782,016.54	-5,880,721.69	4,408,564.26	3,232,635.54	37,004,502.00
Other equipment, factory and office equipment	5,804,332.56	160,115.24	-976,416.24	552,107.98	519,848.64	5,020,290.90
Advance payments	13,629.64	0,08	-7,360.00	0.00	6,269.72	0.00
	51,006,326.41	**-684,091.59**	**-6,864.497.93**	**5,145,626.32**	**3,758,753.90**	**44,844,609.32**
Financial assets						
Shares in affiliated companies	58,155.40	0.00	0.00	0.00	0.00	58,155.40
Investments	109,715.91	0.00	0.00	0.00	951.30	108,764.61
	167,871.31	0.00	0.00	0.00	951.30	166,920.01
	85,350,776.58	**-1,661,049.22**	**-11,178,042.52**	**12,053,834.41**	**3,804,278.14**	**80,761,241.12**

Accumulated depreciation						Net book value	
01. Jan. 04	Effect of changes in change rates	Changes in consolidated group	Additions	Disposals	31. Dec. 04	31. Dec. 04	31. Dec. 03
€	€	€	€	€	€	€	€
1,714,999.07	-201,402.24	-12,394.71	1,125.555.30	32,619.56	2,594,137.86	10,416,41.01	9,376,578.92
10,679,674.87	-78,614.31	-3,438,460.93	1,809,395.02	0.00	8,971,994.65	13,767,166.27	12,405,326.00
12,394,673.94	**-280,016.55**	**-3,450,855.64**	**2,934,950.32**	**32,619.56**	**11,566,132.51**	**24,183,579.28**	**21,781,904.92**
475,989.20	-5,007.29	0.00	202,738.11	0.00	673,720.02	2,146,096.40	2,221,063.50
17,860,482.92	-425,521.01	-2,093,413.22	5,357.125.63	3,240,370.31	17,458,304.01	19,546,197.99	24,630,828.59
3,109,177.01	220,649.23	-587,296.07	931,179.16	382,949.78	3,290,759.55	1,729,531.35	2,695,155.55
0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,629.64
21,445,649.13	**-209,879.07**	**-2,680,709.29**	**6,491,042.90**	**3,623,320.09**	**21,422,783.58**	**23,421,825.74**	**29,560,677.28**
0.00	0.00	0.00	0.00	0.00	0.00	58,155.40	58,155.40
79,748.24	0.00	0.00	0.00	0.00	79,748.24	29,016.37	29,967.67
79,748.24	0.00	0.00	0.00	0.00	79,748.24	87,171.77	88,123.07
33,920,071.31	**-489,895.62**	**-6,131,564.93**	**9,425,993.22**	**3,655,939.65**	**33,068,664.33**	**47,692,576.79**	**51,430,705.27**

Impairment of property, plant and equipment

Included in the depreciation for the year 2005 are losses due to impairment of tangible and intangible assets.

Utilisation of equipment has fallen significantly below expectations at UMS GmbH in 2005. Management therefore has decided to considerably downsize the radiological fleet. Due to the discontinuing of the business segment oncology, UMS GmbH also prepares to sell the remaining PET unit.

For all units held for sale, the recoverable amount was estimated based on fair value less cost to sell. The estimate has partly been determined based on sales contracts already agreed. The carrying amount of these units has been reduced to the recoverable amount and an impairment loss of 987 k€ was recognised.

Urology equipment owned by UMS AG have been written-off 68 k€. This impairment related to the expected reduced lease rates recoverable for these units, as this has been negotiated with the potential buyer of UMS Ltd. UK.

UMS DE has written down the assets of Metroscan of Richardson to their estimated net realisable value, which was determined to be USD 0.00. The impairment loss recognised amounted to 139 k€, Metroscan of Richardson is part of the remaining oncology activities classified as discontinued operation.

For UMS Ltd. UK, the group had already decided in 2005, to sell off the assets of the company. According to a letter of intent, the sale of the assets has been determined at 1 £. Assets have been written off to this value as per December 31, 2005 and impairment losses of 45 k€ have been recognised.

Assets under finance lease

The carrying value of machinery and equipment held under finance leases and hire purchase contracts at December 31, 2005 is 11,031 k€ (2004: 16,998 k€). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

9. Intangible Assets

The major classes of intangible assets are as follows:

- Customer contracts purchased through the effect of a business combination,
- distribution rights for the exclusive right to sell the Piezolith P3000 unites produced by the company Richard Wolf GmbH on the US market,
- „Certificate of Need“ – regulatory approval required before providing medical services in certain US states,
- Software,
- Goodwill.

The contracts were estimated as having definite lives and the cost method was utilised for their measurement. Based on statistical data, the life was determined to be 12 years. The remaining useful life is between 6 and 12 years. The costs for the distribution rights are amortised over 5 years, beginning on January 1, 2005. The useful life of software is 3 years.

Prior to the purchase of two medical CON´s in 2005 amortisation of Certificate of Needs has been computed on a straight line basis over twelve years. In the fourth quarter of 2005, IAS 38 (2003) has been adopted for the first time and the company has changed the estimate life of the CON to an indefinite life, which is consistent with industry practice as these regulatory approvals are issued with no expiration date or term. Would the company amortise the asset over 12 years, amortisation expense would amount to 154 k€ annually. Where amortisation is charged on assets with finite live, this expense is taken to the income statement through the “cost of sale” line item (customer contracts), the “administration expenses” line item (software), the “selling expenses” lines item (distribution rights) or the “amortisation goodwill” line item (goodwill).

The book value of intangible assets is as follows:

	2005 k€	2004 k€
Contracts	9,597	9,234
Distribution Rights	139	612
Certificate of Need	1,870	460
Software	11	110
Intangible Asssets	**11,617**	**10,416**
Goodwill	**74**	**13,767**

The US-affiliate of the group has acquired the exclusive right to sell Piezolith-Units produced by the company Richard Wolf. To obtain this rights, UMS Inc., USA, secured the necessary approval of these systems by the Food and Drug Administration (FDA). Thus, costs of the distribution rights are the cost occurring in the process of obtain the FDA-approval. These costs have occurred for urologic and orthopedic units. Whereas as the FDA approval for the urology units has been gained in 2004, the orthopedic units so far have not been approved. Future sales related to these expenses can there for not be expected with sufficient probability. Approval expenditures incurred by the orthopedic units (681 k€) have therefore fully been written off.

In August and December 2005 the US-affiliate of the group has acquired Certificates of Need for mobile lithotripsy routes in the US State of Michigan. This is the main reason for the increase in the capitalized asset.

Assessing the intangible assets of UMS GmbH for impairment, expected sales returns for the capitalized contracts have been estimated. Due to the poor profitability of the German entity, the capitalized values have been fully written of. Impairment losses are 241 k€.

Focus GmbH is no longer using certain software. The capitalize value (60 k€) therefore has been impairment.

10. Impairment testing of indefinite lived goodwill, patents and licences

Goodwill acquired through business combinations has been reduced due to the deconsolidation of the entities sold in 2005. The remaining goodwill has been mainly allocated to the German activities for impairment testing.

The recoverable amount of the cash generating units has been determined based on a future benefit calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a three-year period. The discount rate applied to cash flow projections is 7.5 per cent (2004: 7.0 per cent). Cash flows for the year 4 and following are projected from budget figures assuming a constant number of equipment in use.

The combination of the lack of profitability of the German business and management's future expectations, that a sustainable improvement can not be realised by UMS group in an appropriate time frame, has resulted in a complete write-off of the goodwill capitalized for the German activities. Impairment losses are –7,661 k€.

	2005 k€	2004 k€
Germany	0	7,661
USA	74	5,582
Ireland	0	524
Goodwill	**74**	**13,767**

The budgets are prepared as bottom up budgets by the management of the individual operating entities. All existing contracts are budgeted on an individual level. Future growths expectations are worked into the budget on prior year experiences and actual individual negotiations with customers. The cost side is budgeted on the level of each operating system.

11. Changes in group's organization

Deconsolidations:

Pet Scans of America Corp., Delaware, USA has been sold to Alliance Imaging Inc. the worldwide leading medical solutions provides in PET-imaging and therefore has been deconsolidated as of September 30, 2005. The fair value of assets and liabilities in the transaction are as follows:

	k€
Cash and cash equivalent	168
+ Trade accounts receivables	2,228
+ Tangible assets	1,482
+ Other assets	129
+ Deferred taxes	974
– Trade accounts payables	-1,613
– Langfristige Verbindlichkeiten	-294
– Non-current liabilities	-1,619
+ Goodwill	6,253
+ Intangible Assets	2,051
– Cumulative translation adjustment	-256
= Fair value of net assets	**9,503**
+ Profit arising from the transaction	4,476
+ Taxes	2,815
+ Transaction costs	134
= Purchase price	**16,928**
– Cash of the sold companies	-168
= Net cash effect of the transaction	**16,760**

Effective November 30, 2005 the group has sold its shareholding in MRI Ireland Ltd. (55.9%) to the management. The transaction is part of the activities to separate from non-performing assets and focusing on profitable business segments.

The fair value of assets and liabilities in the transaction are as follows:

	k€
Cash and cash equivalent	0
+ Trade accounts receivables	1,671
+ Tangible assets	2,873
+ Other assets	130
+ Deferred taxes	115
– Trade accounts payables	-1,033
– Non-current liabilities	-1,219
– Other liabilities	-2,143
+ Goodwill	524
– Minority interest	-139
= Fair value of net assets	**779**
+ Loss arising from the transaction	-339
+ Transaction costs	10
= Purchase price	**450**
– Cash of the sold companies	0
– Receivables December 31, 2005	-430
= Net cash effect of the transaction	**20**

Merger

Effective December 31, 2005, UMS Litho Inc. merged with its parent, UMS Management Inc. (UMS MGMT Inc. was the surviving corporation). Effective immediately following this merger, UMS Management Inc. merged with its parent, UMS DE with UMS DE being the surviving corporation. Therefore at the end of December 2005, UMS Litho Inc. and UMS MGMT Inc. no longer existed. UMS Inc. Niagara Falls has been merged with UMS Inc. Canada.

12. Employee benefits

Share Option Plan

An Employee Stock Option Plan was adopted at the special shareholder's meeting held on May 24, 2000. The capital stock of the Company has been conditionally increased for this purpose by up to 200,000 € through the issuance of up to 200,000 new, no-par-value bearer shares (conditional capital I). This can be used in the future to grant stock options to members of the Management Board, the managers of the affiliated companies and all employees of UMS AG and its affiliates.

The options will be granted to eligible employees free of charge. Only when the option is used to purchase shares (exercised) is it necessary to pay the pre-arranged exercise price. Each option entitles the holder to purchase one share in the Company.

These stock options may not be sold or transferred. An employee holding option rights may likewise not enter into legal transactions leading to comparable economic results.

The exercise price for purchasing a share in the Company for the option rights granted during the initial public offering is a combination of the offering price of the shares plus a premium of 18% for options that may be exercised at the end of the waiting period in the second year. For options that may be exercised at the end of the waiting period in the third year, a 27% premium is charged, and for options that may be exercised at the end of the waiting period in the fourth year, the premium is 36%. For options commencing in 2001, the exercise price for purchasing a no-par-value share is calculated based on the average market price of the Company's shares in XETRA trading (or a functionally comparable successor system that may take the place of the XETRA system in the future) on the Frankfurt Stock Exchange on the last 10 trading days before the acquisition of option rights, but not less than the proportion that each Company share has to the capital stock in general, i.e., 1.00 €.

The employee can freely dispose of the shares he or she acquires by exercising an option. The employee must bear the transaction costs (e.g., the customary bank fees and expenses) if he or she chooses to sell the shares. Such employees are obliged to observe the legal regulations on insider trading should they sell their shares.

Expiration dates for the stock option program have not been fixed yet. The first possible exercise date was July 28, 2002. The options can only be exercised in between defined exercise periods. For the business year this would be the 3rd to 20th trading day after announcement of the results for the 2nd and 3rd quarter.

In general, the options granted to an employee can be exercised only as long as the employee is in an unterminated employment relationship with the Company or one of its subsidiaries. Option rights that are not yet exercisable are extinguished without compensation if the employment relationship is terminated during the probationary period, is terminated with or without notice or ends by mutual agreement. The date on which option rights are extinguished is the date on which the employment relationship ends in accordance with the notice of termination or the joint agreement. Option rights that have become exercisable before the end of the employment relationship but have not yet been exercised by the eligible person may be exercised in the first exercise window after termination of the employment relationship, where termination was for business reasons or by mutual agreement. Otherwise, these option rights are also extinguished without compensation. If an employee is terminated without notice for good cause or is terminated for personal reasons or reasons related to his or her behavior, option rights that are exercisable, but have not yet been exercised, are extinguished without compensation on the day the employment relationship ends in accordance with the termination notice. If an employee with option rights dies, the option rights survive and may be exercised by his or her heirs.

As of December 31, 2005, a total of 60,350 stock options are held by employees of the UMS Group (89,100 in 2004).

No personnel expense was recognised for the stock options distributed. As of the balance sheet date, the fair market value of an option was determined to be 0.00 € .

13. Employee Benefit Plan

The US-affiliate of the UMS Group maintains two 401(k) defined contribution profit-sharing plans, which cover all eligible employees. Contributions to the plan are at the discretion of management. Contribution expense recorded are 105 k€ and 82 k€ for the years ended December 31, 2005 and 2004, respectively.

14. Inventories

	2005 k€	2004 k€
Trade goods	510	410
Medical equipment	59	424
	569	834

The cost of inventories recognised as an expense in the income statements was 2,590 k€ and 3,234 k€ in 2005 and 2004, respectively. The costs are mainly related to the discontinued oncology segment.

15. Trade and other receivables (current)

	2005 k€	2004 k€
Trade receivables	8,532	9,295
Accounts receivable due from affiliated companies	185	0

Trade receivables are non-interest bearing and are generally on 30-60 day terms. The net amount of sales tax receivable and sales tax payable is non-interest bearing and is remitted to the appropriate taxation authorities.

During the business year a need for provisions for impairment arose in the amount of 1,255 k€ (2004 383 k€). Thereof, 166 k€related to the UK business and therefore to a discontinued operation. The expected sale of assets of the company has been the reason for a more conservative judgment of expected impairments.

As of December 31, 2005 214 k€ (2004: 5,357 k€) have been pledged as security for short term bank debt. In 2004, lines of credits in the US, that are secured by accounts receivable, had been utilised, whereas in 2005 the company had 0,00 USD outstanding on this line of credit.

Receivables from affiliate companies include receivables of the group from UMS Ecuador, a group company not consolidated.

16. Cash

	2005 k€	2004 k€
Cash at bank and in hand	7,582	2,766

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is 7,582 k€ (2004: 2,766 k€).

17. Issued capital and reserves

Authorized

	2005 k€	2004 k€
Ordinary shares of 1 € each	6,016	6,016

The ordinary shares are fully paid in.

Additional paid-in Capital

	2005 k€	2004 k€
Additional paid-in Capital	8,539	42,910

The additional paid-in capital includes the axcess over par value for the 6 million shares. In 2005 the management board decided to balance the accumulated deficits of UMS AG with additional paid-in capital (§ 150 Abs. 4 AktG).

Authorized Capital I

The Management Board was authorized, with the consent of the Supervisory Board, to increase the capital stock on one or more occasions by May 30, 2010 by a total of up to 3,008,000 € by issuing new, no-par-value bearer shares with a theoretical interest in the capital stock of 1.00 € each in exchange for cash contributions or contributions in kind. The Management Board was also authorized, with the consent of the Supervisory Board, to exclude the preemptive rights of shareholders. However, shareholders' preemptive rights may be excluded only in the following cases:

• for capital increases through contributions in kind, especially for the acquisition of business enterprises or interests in business enterprises in exchange for shares in this Company, or

• to settle fractional amounts

April 2, 2004 200,000 no-par-value bearer shares were registered at the Deutsche Börse with a calculatory portion of the share capital of 1.00 € each out of the Conditional Capital for securing the option right of one USD-Bond in the amount of 3 million USD with the right in dividends beginning in the year the option will be executed. The terms and conditions of the Bond foresee a strike price of 5.69€. The option can be exercised any time until 2011. As of December 31, 2005 the fair value of the option has been calculated with 2.73 € .

The fair value of the liability portion of the warrant amounts to 2,505,689.96 € (2,972,500 USD), thus the balance of the issue price of 20.177.04 € (27,500 USD) has been assigned to the equity element (IAS 32.31).

Buying of own shares

The management board is authorized to buy treasury shares up to 10 % of the share capital until November 29, 2006. The shares can only be bought via the stock exchange or via an official offer to all shareholders. This right can be used one or various times partly or in whole.

Shareholder structure

The shareholder structure as per December 31, 2005 is as follows:

	Shares (thousands)	
	2005	2004
Held in free float	5,355	5,418
Management *	356	488
Supervisory board *	305	110
Total	6,016	6,016

* direct und indirect

18. Interest-bearing loans and borrowings

Current	Effektiver interest rate %	Maturity	2005 k€	2004 k€
Obligations under finance leases and hire-purchase contracts	5 - 12%	2006	3,468	5,672
Bankliabilities				
Bank overdrafts in EUR	Euribor + (1,5 - 2,5 %)	2006	281	2,572
Bank overdrafts in USD	Prime + 1 %	2006	0	2,888
9.000.000 USD Loan	6 M -Libor + 2 %	2006	0	1,097
3.000.000 USD Loan	8 %	2006	379	0
3.500.000 USD Loan	Prime + 0,25 %	2006	590	0
5.000.000 EUR Loan	6M-Euribor + 2 %	2006	750	750
Equipment financing USD	1 - 6 %	2006	0	171
Credit note University of Michigan	7,37 %	2006	59	0
Equipment financing EUR	4,67 %	2006	691	780
Mortage USD	5,25 %	2006	50	43
Mortage EUR	5,73 %	2006	51	51
Total			**2,851**	**8,352**

Non-current Effective Maturity interest rate	effektiver Zinssatz %	Fälligkeit	2005 k€	2004 k€
Obligations under finance leases and hire-purchase contracts	5 - 12 %	2007-2010	7,439	12,211
Bankliabilities				
9.000.000 USD Loan	6M - Libor + 2 %	2008	0	3,292
3.000.000 USD Loan	8 %	2011	2,130	2,173
3.500.000 USD Loan	Prime + 1 %	2010	2,360	0
5.000.000 EUR Loan	6M - Euribor + 2 %	2008	1,125	1,875
Equipment financing USD	6,00 %	-	0	49
Creditnote University of Michigan	7,37 %	2010	283	0
Equipment financing EUR	4,67 %	2007-2008	1,033	2,348
Mortage USD	Prime	2018	555	525
Mortage EUR	5,73 %	2019-2020	840	891
Total			**8,326**	**11,153**

The overview shows both the liabilities of continuing and discontinued operations.

Line of credit in EUR

The Line of credit in EUR includes several lines of credit in the Netherlands, Ireland, the UK and in Germany. For the line of credit in Germany, covenant agreements are in place (obligations to meet certain financial and cash flow ratios), that are met for the year ending December 30, 2005 and will be met in 2006 according to the budget figures.

Line of credit in USD

The credit line in USD is not utilised as of December 31, 2005. The company has available a commercial line of credit facility that is secured by the company's account receivable. Covenants (obligations to meet certain financial and cash flow ratios) have been met for the current fiscal year and will be met in the future according to the budget figures.

9,000,000 USD Loan

The outstanding amount of the USD loan that was secured by pledging the shares of the Litho Group Inc has been fully repaid in 2005. Repayment amounted to 6,000,00 USD.

3,000,000 USD Loan

The equal 60 repayments start in April 2006. A covenant agreement (obligation to meet certain financial ratios) is part of the loan contract. Covenants are met at December 31, 2005 and will be met according to budget 2006.

3,500,000 USD Loan

The loan, that finances the purchase of contracts, regulatory approvals and equipment to expand in the urology segment in the US State of Michigan is payable in 60 monthly installments until December 2010.

5,000,000 EUR Bank Loan

The loan will be repaid in 5 equal instalments of 375,000 €. The existing covenants agreement (obligation to meet certain equity ratios) are met at December 31, 2005 will be met according to budget 2006.

Equipment Financing

The equipment financing is secured by the financed equipment and repaid over 36-72 month.

Credit note University of Michigan

The US-affiliate of the group purchased the rights to an certificate of need related to mobile Lithotripsy services. The seller accepted a promissory note for 500 kUSD, which requires annual payments of 100 kUSD. The annual payment includes principal and imputed interest. The carrying value of the liability therefore has been discounted accordingly.

Mortgage Financing in USD and EUR

The mortgage financing is secured by the related building.

For all liabilities, with exeption of the credit note of the University of Michigan, book values are equivalent to repayment values.

19. Accurals/Provisions

	Balance at Dec. 31, 2005 k€	Currency Translation Adjustment k€	Accrual used during the year k€	Accruals reversed during the year k€	Accruals made during the year k€	Deconsolidation k€	Balance at Dec. 31, 2005 k€
Outstanding invoices	451	46	369	14	438	-55	497
Isotope	253	37	283	0	364	-371	0
Legal and consulting fees	222	3	104	38	173	-136	120
Redundancies	52	0	47	5	0	0	0
Audit fees	234	16	150	64	226	-42	220
Interest	58	9	68	3	97	-74	19
Outstanding vacation	212	24	83	14	82	0	221
Reduction of office space	68	5	56	0	164	-116	65
Restrucuring	0	0	0	0	358	0	358
Bonus	92	0	15	16	35	-61	35
Others	287	32	288	4	512	-302	237
Total	**1,929**	**172**	**1,463**	**158**	**2,449**	**-1,157**	**1,772**

All accruals are current. The overview show both accruals of continued and discontinued business. The restructuring provision is solely related to the discontinued operation in the segment oncology and UK. The restructuring plan was drawn up and announced to the parties concerned in 2005. The amount of the provision is based on estimates and preliminary agreements. The restructuring is expected to be completed in the first half of 2006.

20. Government Grants

	2005 k€	2004 k€
At 1. January.	186	196
Received during the year	0	0
Realised to the income statement	10	10
At 31. December.	176	186

The government grants are subsidies granted by the “Regionales Wirtschaftsförderungsprogramm des Landes NRW” for the UMS GmbH. The grants are directly offset from the asset subsidized (land and building).

21. Trade and other payables (current)

Trade payables are non-interest bearing and are normally settled on 30-90-day terms. Other payables are non-interest bearing.

22. Commitments and contingencies

Lessee - Finance Lease

Property leased by the Company and its subsidiaries include machinery and equipment. The most significant obligations assumed under the lease terms, other than rental payments, are the upkeep of the machinery and insurance. Lease terms generally range from 3 to 6 years.

In the USA an unlimited master agreement for trucks exists with one leasing company. The contract includes a renewal option after the non-cancelable minimum lease term.

The following information includes both continued and discontinued operations.

	2005 k€	2004 k€
Machinery and equipment	22,460	27,712
Accumulated depreciation	11,429	10,714
Net book value	**11,031**	**16,998**

Future minimum lease payments for the above finance leases are as follows:

	k€
Within one year	4,443
After one year but no more than 5 years	7,917
More than 5 years	0
Total minimum lease obligations	**12,360**
Interest	-1,452
Present value of minimum obligations	**10,908**

Representing finance lease liabilities:

	k€
- current	3,469
- non-current	7,439

Lessee - Operating Lease

The Company and its subsidiaries have various operating lease agreements for machinery and vehicles. In the USA three master agreements with leasing companies exist for machines. The term of the master agreements continue in effect so long as any individual leasing contract remains in effect and include purchase options at the end of each non-cancelable lease term.

Rent expense consisted of the following:

	2005 k€	2004 k€
	5,131	6,168

Future minimum lease payments under non-cancelable operating lease are as follows:

	k€
Within one year	416
Nach einem Jahr bis zu maximal 5 Jahren	539
After 5 years	0
	955

Contingent Liabilities

In the ordinary course of business, the Group may be involved in lawsuits, claims, investigations and court proceedings, including product liability and commercial matters. As of December 31, 2005, the management of the parent company and its legal advisors are not aware of any claims or circumstances that could materially affect the business, net assets, financial position or results of operations of the Group.

Possible pending lawsuits, claims and other proceedings involving product liability as well as other events are taken care of along with ordinary activities; any possible resulting risks are minimized. There are no such matters pending which the management board and the legal advisors of the Group expect to be material in relation to the Group's financial position or results of operations and that are not improbable.

23. Related party disclosure

The consolidated financial statements include the financial statements of the UMS AG and the subsidiaries listed in the following table:

Company	Place of incorporation	Ownership interest	Equity Dec. 31, 2004	Result 2005
			€	€
UMS GmbH	Castrop-Rauxel, D	100%	182,465.50	-3,424,153.63
Focus GmbH 1)	Hamburg, D	100%	188,552.75	-33,127.42
Focus KG 2)	Darmstadt, D	34%	-617,976.49	8,962.39
UMS Ltd. UK	Liverpool, GB	100%	-23,734.70	-668,906.47
UMS B.V. 1)	Gouda, NL	85%	409,675.87	233,748.82
UMS Chile S.A.	Quilicura, Chile	75%	526,978.90	84,093.78
ASC LP 3)	Massachusetts, USA	20%	-191,846.92	-25,122.65
Great Lakes Lithotripsy, LLC 3)	Michigan, USA	25%	951,648.82	1,347,031.11
Metroscan of Richardson LLC 3)	Texas, USA	88%	-773,799.21	-556,248.84
UMS (DE) Inc.	Delaware, USA	100%	15,030,251.20	3,733,597.74
UMS ASC MGMT Inc.3)	Massachusetts, USA	100%	0.00	0.00
UMS Beaver LLC 4)	Delaware, USA	20%	89,585.27	211,964.93
UMS Canada Inc. 3)	Ontario, Can	99%	138,253.39	-8,416.08
UMS CT LP 4)	Connecticut, USA	40%	702,981.54	1,262,890.50
UMS Finger Lakes LLC 4)	Delaware, USA	20%	15,375.54	8,631.88
UMS FL LP 4)	Florida, USA	20%	224,583.16	275,974.04
UMS LLC 3)	Tennessee, USA	100%	361,456.63	841,061.28
UMS NE ESWT LP 5)	Delaware, USA	100%	0.00	0.00
UMS NE LP 4)	Massachusetts, USA	15%	733,695.52	1,174,559.55
UMS NH LP 4)	New Hampshire, USA	10%	131,911.83	226,664.42
UMS NJ LP 4)	New Jersey, USA	100%	-21,443.99	0.00
UMS Ortho MGMT, LLC 3)	Delaware, USA	88%	0.00	0.00
UMS TN LP 3)	Tennessee, USA	51%	45,174.07	26,364.33
UMS Westchester LLC 4)	Delaware, USA	51%	84,535.95	73,998.99

1) The shares are held indirectly by UMS GmbH.
2) The shares are held indirectly by Focus GmbH.
3) The shares are held indirectly by UMS (DE) Inc. USA.
4) The shares are held indirectly by UMS LLC USA.
5) The shares are held indirectly by UMS Otho MGMT LLC USA.

Where ownership interest is below 50%, subsidiaries have been included in the group financial statement, based on the control-principal.

List of Subsidiaries not Consolidated

Name	Ownership interest	Equity Dec. 31, 2005	Result Dec. 31, 2005	Net Book Value Dec. 31, 20045
		€	€	€
Neuromed Holland Ltd.	85%	-67,045.00	0.00	127.77
UMS Ecuador	99%	-	-	897.40

Neuromed Holland Ltd. is in liquidation and has been deconsolidated on May 31, 2003.The company is expected to by deregistered in 2006 as the last outstanding payments from financial authorities are due in the first quarter 2006.

UMS Ecuador has been established in 2005. The company is preparing to take up business in 2006. Therefore, UMS Ecuador has not been consolidated in 2005.

UMS AG is the parent entity of Neuromed Holland Ltd. The shares of UMS Ecuador are held indirectly by UMS Chile.

There are no material transactions between related parties.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2005, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Members of Management and Supervisory Board and Related Party Transactions

(1) Management Board

Jørgen Madsen, Bolton, MA, USA
Maschinenbau-Ingenieur
Chief Executive Officer (CEO)

Ingo Klemke, Quickborn, Germany
Dipl.-Physiker
Chief Operating Officer (COO)

Compensation of the Management Board

(a) Directors' total remuneration approximated 342 k€ and 348 k€ in 2005 and 2004.

(b) Shares held by members of the Management Board:

	direct	indirect
Ingo Klemke	17,000	0
Jørgen Madsen	339,116	0

(2) Supervisory Board

Wolfgang Biedermann, Hamburg,
Diplom-Kaufmann (MBA)
Chairman of the Supervisory Board

Member of the supervisory board:

Scorpion Technologies AG, Hamburg
Newmex Holding AG, Hamburg
PACT AG, München
Extr@com Smart Fuel Cell AG, München
thinXXS Microtechnology AG, Zweibrücken

Norbert Heske, Kottgeisering:
Diplom-Ingenieur
Director

Prof. Thomas J.C. Matzen, Hamburg
Diplom-Kaufmann
Deputy Chairman

Member of the supervisory board:

Pricap Venture Partners AG, Hamburg
Medi@Bild Imaging AG, Hamburg
Bio Agency AG, Hamburg
Norgenta GmbH, Hamburg

Compensation of the Supervisory Board

(a) Directors' total remuneration approximated 40 k€in 2005 and 2004.

(b) Shares held by members of the Supervisory Board:

	direct	indirect
Norbert Heske	65,777	50,203
Wolfgang Biedermann	60,000	108,110
Prof. Thomas J.C. Matzen	0	20,940

Transaction with related parties

In 2005, the group purchased goods from BIP Biomed.-Instrumente und Produkte GmbH, Türkenfeld, for 4.0 k€ - Shareholder of this company is Norbert Heske, member of the supervisory board.

24. Financial risk management objectives and policies

The Group’s principal financial instruments are comprised of bank loans, debentures, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt as well as use the financing market in Europe and US.

To reduce potential future interest rate risk, the company signed up an interest rate swap with a time of 5 years. The company secured a volume of 2.5 million € at a level of 3.86%. The base interest rate is the EURIBOR. At the base rate was 2.488%. The underlying swap guarantees the company in addition to the security 50% of the difference of the actual 3-month EURIBOR and the agreed security level of 3.86% as long as the 3-month EURIBOR is below this level. The interest swap has been recognised at fair value (-32 k€).

Foreign currency risk

Although the Group has a significant investment in the US there is no major risk in the exchange rate related to the part due to a natural hedge. Revenues and costs are in USD as well as loans and repayments.

Credit risk

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Groups exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivativeinstruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts.

25. Declaration of Conformity § 161 AktG ("Corporate-Governance-Kodex")

Management and supervisory board of the parent company – being the only public traded company in the UMS Group – have signed the declaration of conformity in compliance with § 161 AktG and published this to the shareholders.

26. Events after balance sheet date

As planned, UMS AG has sold the assets of UMS Ltd. UK, to an English competitor in March 2006. The agreement, that had been described by an Letter of Intent already in 2005, provides for the acquisition of company's staff and assets and all the leasing obligations related to the assets.

As profitability of the German business has continued to fall behind expectations, management and supervisory board have decided in January 2006 to fundamentally evaluate the european activities. This evaluation has not been completed as of the publishing date of these financial statements.

Hamburg, March 27nd, 2006

signed Ingo Klemke signed Jørgen Madsen

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by UMS United Medical Systems International AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2005 to December 31, 2005 The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, March 29, 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Schlüschen	Seeburg
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Financial Statement 2005

UMS United Medical Systems International AG

Balance Sheet

as of December 31, 2005

ASSETS	2005	2004
	€	€
Non-current assets		
Intangible assets		
Licences, trademarks, patents etc. as well as licences to such rights and assets	5,827.50	9,489.79
	5,827.50	**9,489.79**
Tangible assets		
Technical equipment and machines	386,974.37	1,462,756.07
Other equipment, factory and office equipment	34,247.86	50,669.37
	421,222.23	**1,513,425.44**
Shares in affiliated companies	19,262.468.94	35,309,029.44
	19,262,468.94	**35,309,029.44**
Current assets		
Receivables trade and other receivables		
Trade account receivable - thereof due after more than one year € 0,00 (Vj. € 0,00)	386,974.66	536,682.47
Amounts due from affiliated companies - thereof due after more than one year € 0,00 (Vj. € 0,00)	746,969.11	306,593.23
Other receivables - thereof due after more than one year € 0,00 (Vj. € 0,00)	584,934.32	646,994.20
	1,718,878.09	**1,490,269.90**
Cash, cash in banks	783.69	1,172.27
	783.69	**1,172.27**
Deferred charges and prepaid expenses	6,092.12	29,323.64
	6,092.12	**29,323.64**
	21,415,272.57	**38,352,710.48**

EQUITY AND LIABILITIES	2005	2004
	€	€
Equity		
Common stock	6,016,261.00	6,016,261.00
Addition paid-in capital	11,319,351.01	45,690,713.12
Earning reserve	211,596.31	211,596.31
Accumulated loss	0.00	-20,251,231.48
	17,547,208.32	**31,667,338.95**
Provisions and accured liabilities		
Accurals for pensions and similar obligations	17,352.00	15,819.00
Accurals for taxes	326,932.00	36,932.00
Other accurals and accured liabilities	273,293.39	144,000.00
	617,577.39	**196,751.00**
Liabilities		
Liabilities due to banks - thereof due after more than one year € 839,171.87 (Vj. € 1,552,862.56)	1,964,171.87	3,427,862.56
Trade accounts payables - thereof due after more than one year € 202,632.00 (Vj. € 425,877.53)	585,053.38	1,585,941.58
Amounts due to affiliated companies - thereof due after more than one year € 616,849.14 (Vj. € 1,380,102.32)	658,943.66	1,380,102.23
Other liabilities - thereof due after more than one year € 42,317.95 (Vj. € 94,714.16) - thereof for taxes € 7,867.22 (Vj.€ 15,331.97) - thereof for social security € 8,625.62 (Vj. € 10,722.65)	42,317.95	94,714.16
	3,250,486.86	**6,488,620.53**
	21,415,272.57	**38,352,710.48**

Income Statement

for the Financial Year 2005

		2005	2004
		€	€
1.	Revenues	1,794,662.80	1,077,092.33
2.	Cost of revenues	-573,690.21	-107,181.35
3.	**Gross profit**	**1,220,972.59**	**969,910.98**
4.	General and administrative expenses	-1,403,699.87	-1,268,867.31
5.	Other operating income	90,387.21	306,911.55
6.	Other operation expenses	-336,138.36	-28,318.50
7.	Income from affiliated companies	5,816,932.45	0.00
8.	Interest and similar income - thereof from affiliated companies € 0.00 (Vj. € 0.00)	20,937.54	48,367.44
9.	Write-offs of financial assets and securities included in current assets	-18,943,120.28	-2,922,090.25
10.	Interest and similat expenses - thereof from affiliated companies € 1,849.86 (Vj. € 3,007.19)	-295,624.65	-289,398.35
11.	**Result from ordinary operations**	**-13,829,353.37**	**-3,183,484,44**
12.	Taxes on income	-290,000.00	0.00
13.	Other taxes	-777.26	-531.72
		-290,777.26	**-531.72**
14.	**Net loss**	**-14,120,130.63**	**-3,184,016.16**
15.	Loss carried forward	-20,251,231.48	-17,067,215.32
16.	Transfer from capital reserve	34,371,362.11	0.00
17.	**Accumulated loss**	**0.00**	**-20,251,231.48**

UMS United Medical Systems International AG – Notes for fiscal year 2005

1. General information

The financial statements at December 31, 2005 were prepared in accordance with statutory provisions. The Company is a large corporation within the meaning of § 267(3) of the German Commercial Code.

UMS AG is a parent company and prepares exempting consolidated financial statements under International Financial Reporting Standards (IFRS).

2. Accounting and Valuation Principles

2.1 Intangible and Tangible Assets

Intangible and tangible assets are recorded at their cost of acquisition or production cost less scheduled depreciation or amortization. They are depreciated or amortized using the straight-line method.

2.2 Financial Assets

Financial assets are recorded at their cost of acquisition or at the lower value to be assigned to them on the balance sheet date.

2.3 Receivables and Other Assets

Receivables and other assets are recorded at their fair value or at the lower value to be assigned to them on the balance sheet date.

2.4 Accruals

Accruals for pensions and similar obligations are carried at the fair value or the cash value for current pensions, which are determined using actuarial principles and in accordance with tax regulations at an interest rate of 6%.

The other liabilities are carried in the amount that is necessary under reasonable commercial judgment to cover all threatened losses and contingent liabilities as of the balance sheet date.

2.5 Liabilities

Liabilities are recorded at their repayment amounts.

2.6 Currency Translation

Transactions in foreign currency are translated at the exchange rate prevailing on the date of the transaction.

3. Notes to the Annual Financial Statements

3.1 Fixed Assets

A breakdown of fixed assets and the changes in fixed assets is shown on page 88/89.The shares in affiliated companies within the meaning of § 285(11) of the Commercial Code involve the following companies:

Company	Location/Country	Share of the capital	Equity am 31.12.2005	Net Income at 2005
			€	€
Direct Investments				
UMS GmbH	Castrop-Rauxel, GER	100%	253,072.71	-3,470,142.41
UMS Ltd. UK	Liverpool, GB	100%	-23,734.70	-668,906.47
UMS (DE) Inc.	Delaware, USA	100%	15,030,251.20	3,733,597.74
UMS Chile S.A.	Quilicura, Chile	75%	526,978.90	84,093.78
Indirect Investments				
Focus GmbH 1)	Hamburg, GER	100%	197,547.93	0.00
Focus KG 2)	Darmstadt, GER	34%	-617,976.49	8,962.39
UMS B.V. 1)	Gouda, NL	85%	409,675.87	233,748.82
UMS Ecuador 6)	Quito, Ecuador	99%	0.00	0.00
Neuromed Holland Ltd. 1)	Den Haag, NL	85%	33,890.38	0.00
ASC LP 3)	Massachusetts, USA	20%	-191,846.92	-25,122.65
Great Lakes Lithotripsy, LLC 3)	Michigan, USA	25%	951,648.82	1,347,031.11
Metroscan of Richardson LLC 3)	Texas, USA	88%	-773,799.21	-556,248.84
UMS ASC MGMT Inc. 3)	Massachusetts, USA	100%	0.00	0.00
UMS Beaver LLC 4)	Delaware, USA	20%	89,585.27	211,964.93
UMS Canada Inc. 3)	Ontario, Can	99%	138,253.39	-8,416.08
UMS CT LP 4)	Connecticut, USA	40%	702,981.54	1,262,890.50
UMS Finger Lakes LLC 4)	Delaware, USA	20%	15,375.54	8,631.88
UMS FL LP 4)	Florida, USA	20%	224,583.16	275,974.04
UMS LLC 3)	Tennessee, USA	100%	361,456.63	841,061.28
UMS NE ESWT LP 5)	Delaware, USA	100%	0.00	0.00
UMS NE LP 4)	Massachusetts, USA	15%	733,695.52	1,174,559.55
UMS NH LP 4)	New Hampshire, USA	10%	131,911.83	226,664.42
UMS NJ LP 4)	New Jersey, USA	100%	-21,443.99	0.00
UMS Ortho MGMT, LLC 3)	Delaware, USA	88%	0.00	0.00
UMS TN LP 3)	Tennessee, USA	51%	45,174.07	26,364.33
UMS Westchester LLC 4)	Delaware, USA	51%	84,535.95	73,998.99

1) The shares are held indirectly by UMS GmbH.
2) The shares are held indirectly by Focus GmbH.
3) The shares are held indirectly by UMS (DE) Inc. USA.
4) The shares are held indirectly by UMS LLC USA.
5) The shares are held indirectly by UMS Ortho MGMT LLC.
6) The shares are held indirectly by UMS Chile S.A..

3.2 Equity

The common share capital is unchanged to prior year 6,016,261.00 €. (6,016,261 bearer shares with a par value of 1.00 €.)

The management board was authorized to increase the capital stock by May 30, 2010 on one or more occasions by up to 3,008,000 € by issuing new no-par-value shares of bearer common stock with a theoretical share of the capital stock of 1.00 € each, in exchange for cash or in-kind contributions (authorized capital I).

Pursuant to a resolution of the shareholders' meeting dated May 24, 2000, the company will conditionally issue to employees stock options, with a term of five years each, to acquire up to 200,000 no-par-value shares of bearer common stock, with a face value of up to 200,000 € (conditional capital I).

As of December 31, 2005 a total of 60,350 stock options have been issued to the employees of the UMS Group.

April 2, 2004 200,000 no-par-value bearer shares were registered at the Deutsche Börse with a calculatory portion of the share capital of 1.00 € each out of the Conditional Capital for securing the option right of one USD-Bond in the amount of 3 million USD with the right in dividends beginning in the year the option will be executed. The terms and conditions of the Bond foresee a strike price of 5.69 €. The option can be exercised any time till 2011.

Buying of own shares

The management board is authorized to buy own shares up to 10% of the share capital until November 29, 2006. The shares can only be bought via the stock exchange or via an official offer to all shareholders. This right can be used one or various times partly or in whole.

Additional paid-in capital solely includes an agio as per § 272 par. 2 no. 1 HGB.

Loss as shown in the balance sheet

At the recommendation of the management board, the loss as shown in the balance sheet will offset against the Capital reserve according to § 150 (4) AktG.

3.3 Accruals

Accruals for Pensions and Similar Obligations

The amount of accruals shown on the balance sheet date corresponds to the fair value under § 6a of the Income Tax Act as determined by an independent actuary, who provided an expert actuarial opinion letter and is evaluated with 17 k€ (prior year 16k€).

Tax Accruals

The tax accrual consists mainly out of the withholding tax for the dividend payment of the US-affiliate.

Other Accruals

	01.01.2005	Amount use	Reversal	Additions	31.12.2005
	k€	k€	k€	k€	k€
Legal and consulting fees	41	41	0	65	65
Interest	0	0	0	0	0
Audit fees	46	40	6	63	63
Annual Report	33	32	1	36	36
Bonus	15	13	2	33	33
Restructuring	0	0	0	53	53
Others	9	6	2	22	23
	144	132	11	272	273

The restructuring accural is related to expenses occurring due to the discontinued operation.

3.4. Other

The income statement includes the following items:

	2005 k€	2004 k€
Personal Costs		
Salaries and Wages	496	451
Social Securities and Retirement Expenses	66	61
- thereof: for retirement expenses	0	0
Depreciation		
Depreciation of fixed assets	234	95
Depreciation of financial assets	18,943	2.922

Other Operation Income

	2005 k€	2004 k€
Income from reversal of accruals	11	10
Foreign exchange rate	53	0
Contribution in kind	17	15
Income from disposal of financial assets	4	268
Others	5	14
	90	307

Other operating Expenditure

	2005 k€	2004 k€
Allowance for accounts receivable	253	0
Exchange loss	23	0
Disposal of financial asset	58	0
Others	2	28
	336	28

The disposal of financial assets results from the merger of UMS Inc. Niagara Falls with UMS Canada.

4. Oher Disclosures

4.1. Management (Governing Bodies)

Management Board

Jørgen Madsen, Bolton Maschinenbau-Ingenieur Chief Executive Officer	authorized to sign with another board member or an authorized signatory (Prokurist) Chief Executive Officer since January 28, 2003
Ingo Klemke, Quickborn Dipl.-Physiker	authorized to sign with another board member or an authorized signatory (Prokurist)

The management board has been released from the limitation under § 181 (2) of the German Civil Code. The members of the management board are appointed by the supervisory board unlimited. The management board's remuneration amounted to 342 k€ in the fiscal year (py: 348 k€).

Supervisory Board

Wolfgang Biedermann, Hamburg
Diplom-Kaufmann (MBA)

Member in Supervisory Boards:

	Scorpion Technologies AG, Hamburg
	Newmex Holding AG, Hamburg
	Smart Fuel Cell AG, München
	thinXXS Microtechnology AG, Zweibrücken

Norbert Heske, Kottgeisering:
Diplom-Ingenieur

Prof. Thomas J.C. Matzen, Hamburg
Diplom-Kaufmann

Member in Supervisory Boards:

	Pricap Venture Partners AG, Hamburg
	Medi@Bild Imaging AG, Hamburg
	Bio Agency AG, Hamburg
	Norgenta GmbH, Hamburg

The remuneration of the supervisory board amounted to K€ 40 in fiscal year 2005.

4.2 Number of Employees

The Company employed an average of 7 (py: 7) employees during the fiscal year.

4.3 Other Financial Obligations

On December 31, 2005 the Company had the following obligations under lease agreements:

	k€
Lease payments	74
Vehicle leases	29
	103

a) The lease payments for the medical equipment are distributed over the following years:

	k€
2006	49
2007	25
2008 and later	0
	74

b) The lease payments for the vehicles are distributed over the following years:

	T€
2006	19
2007	10
2008 and later	0
	29

4.4 Contingent Liabilities

The company has delivered a letter of patronage for all loans given to UMS GmbH from Dresdner Bank AG, Hamburg in the amount of k€. As of December 31 005 the corresponding liabilities amounted to 357 k€.

Further more the company has taken on contingent liabilities for several lease agreements of UMS GmbH in the amount of 3,085 k€. In addition UMS AG has given a guarantee of 717 k€.

For UMS B.V. the company has given a guarantee concerning the equity of 102 kk€.

UMS AG has given a guarantee for UMS UK towards the Bank of Scotland. The maximum guaranteed amount is 65% of defined debtors. As of December 31, the liability was 128 kk€.

4.6 Notes according to § 160 (1) No. 8 Companies Act

Thomas J. C. Matzen GmbH, Hamburg, with 16,9 %,
Henderson Global Investors, Great Britain, with 5.2 %,

4.7 Declaration of Conformity § 161 AktG ("Corporate-Governance-Kodex")

The parent company – being the only public traded company in the group – has signed the declaration of conformity in compliance with § 161 AktG and published this to the shareholders.

Hamburg, March 11, 2006

signed Ingo Klemke signed Jørgen Madsen

Change in Fixed Assets 2005

	Acquisition and production cost			
	01.01.2005 €	Additions €	Disposals €	31.12.2005 €
I. Intangible assets				
Licences, trademarks, patents etc., as well as licennces to such rights and assets	22,304.21	0.00	0.00	22,304.21
	22,304.21	**0.00**	**0.00**	**22,304.21**
II. Tangible assets				
1. Technical equipment and machines	1,521,962.27		858,777.50	663,184.77
2. Other equipment, factory and office equipment	101,327.91	685.17	12,151.36	89,861.72
	1,623,290.18	**685.17**	**870,928.86**	**753,046.49**
III. Financial assets				
1. Shares in affiliated companies				
UMS GmbH	23,319,273.01	2,853,511.23		26,172,784.24
UMS (DE) Inc. USA	19,233,453.57			19,233,453.57
MRI Ireland	1,145,297.75		450,000.00	695,297.75
UMS Italia s. r. l.	0.00			0.00
UMS Ltd. UK	4,127,369.88	551,203.95		4,678,573.83
UMS Inc. Can.	58,155.40		58,155.40	0.00
UMS Chile S.A.	29,015.37			29,015.37
	47,912,564.98	**3,404,715.18**	**508,155.40**	**50,809,124.76**
2. Investments	8,850.89			8,850.89
	47,921,415.87	**3,404,715.18**	**508,155.40**	**50,817,975.65**
	49,567,010.26	3,405,400.35	1,379,084.26	51,593,326.35

Accumulated depreciation				Net book Value	
01.01.2005 €	Additions €	Disposals €	31.12.2005 €	31.12.2005 €	31.12.2004 €
12,814.42	3,662.29	0.00	16,476.71	5,827.50	9,489.79
12,814.42	**3,662.29**	**0.00**	**16,476.71**	**5,827.50**	**9,489.79**
59,206.20	217,004.20		276,210.40	386,974.37	1,462,756.07
50,658.54	16,701.63	11,746.31	55,613.86	34,247.86	50,669.37
109,864.74	**233,705.83**	**11,746.31**	**331,824.26**	**421,222.23**	**1,513,425.44**
9,681,445.29	16,491,338.95		26,172,784.24	0.00	13,637,827.72
0.00			0.00	19,233,453.57	19,233,453.57
0.00	695,297.75		695,297.75	0.00	1,145,297.75
0.00			0.00	0.00	0.00
2,922,090.25	1,756,483.58		4,678,573.83	0.00	1,205,279.63
0.00			0.00	0.00	58,155.40
0.00			0.00	29,015.37	29,015.37
12,603,535.54	**18,943,120.28**	**0,00**	**31,546,655.82**	**19,262,468.94**	**35,309,029.44**
8,850.89			8.850.89	0.00	0.00
12,612,386.43	**18,943,120.28**	**0,00**	**31,555,506.71**	**19,262,468.94**	**35,309,029.44**
12,735,065.59	19,180,488.40	11,746.31	31,903,807.68	19,689,518.67	36,831,944.67

Audit Opinion

We have issued the following opinion on the financial statements and management report:

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of UMS United Medical Systems International AG, Hamburg, for the fiscal year from 1 January 2005 to 31 December 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the UMS United Medical Systems International AG and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Hamburg, March 29, 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Schlüschen	Seeburg
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Glossary

ASC LP	Andover Surgery Center LP, Andover, USA
Aut Even	Aut Even MRI Ltd., Dublin, Irland
Focus GmbH	Focus Therapiezentrum-Verwaltungs GmbH, Hamburg, Deutschland
Focus KG	Focus Medizinisches Apparatezentrum Darmstadt GmbH & Co. KG, Darmstadt, Deutschland
Great Lakes Lithotripsy LLC	Great Lakes Lithotripsy, Michigan, USA
Lithomobile	Lithomobile S.r.l., Mailand, Italien
Merit Initiative	Merit Initiative Ltd., Belfast, Nord-Irland
Metroscan of Richardson LLC	Metroscan of Richardson LLC, Texas, USA
MRI Ireland Ltd.	Magnetic Resonance Imaging Ireland Ltd., Dublin, Irland
Neuromed Holland	Neuromed Holland Ltd., Den Haag, Niederlande
Neuromed Italia	Neuromed Italia S.r.l., Padova, Italien
PSAC Corp.	Pet Scans of America Corp., Delaware, USA
UMS (DE) Inc.	United Medical Systems Inc,, Delaware, USA
UMS AG	United Medical Systems International AG, Hamburg, Deutschland
UMS ASC MGMT Inc.	UMS Andover Surgery Center Management Inc., Andover, USA
UMS B.V.	United Medical Systems B.V., Gouda, Niederlande
UMS Beaver LLC	UMS Beaver Associates LLC, Delaware, USA
UMS Canada LP	United Medical Systems Canada LP, Ontario, Kanada
UMS Chile S.A.	United Medical Systems Chile S.A., Quilicura, Chile
UMS CT LP	United Medical Systems Connecticut Lithotripsy LP, Connecticut, USA
UMS Ecuador	UMS Ecuador Sistemas De Unidades Medicas, Quito, Ecuador
UMS Finger Lakes LLC	United Medical Systems Lithotripsy Services of the Finger Lakes LLC, Delaware, USA
UMS FL LP	United Medical Systems West Florida Lithotripsy LP, Florida, USA
UMS GmbH	United Medical Systems GmbH, Castrop-Rauxel, Deutschland
UMS Italia	United Medical Systems Italia S.r.l., Milano, Italien
UMS Litho Inc.	United Medical Systems Lithotripsy Inc., Delaware, USA
UMS Lithomobile	United Medical Systems Lithompbile S.r.l., Caserta, Italien
UMS LLC	United Medical Systems Lithotripsy Management LLC, Tennessee, USA
UMS Ltd. UK	United Medical Systems Ltd., Manchester, UK
UMS NE LP	United Medical Systems New England Lithotripsy LP, Massachusetts, USA
UMS NH LP	United Medical Systems New Hampshire Lithotripsy LP, New Hampshire, USA
UMS NJ LP	United Medical Systems Garden State Lithotripsy LP, New Jersey, USA
UMS Ortho MGMT LLC	United Medical Systems Ortho Management LLC, Delaware, USA
UMS TN LP	United Medical Systems Tennessee Stereotactic Services LP, Tennessee, USA
UMS Westchester LLC	United Medical Systems Lithotripsy Services of Westchester County LLC, Delaware, USA

Glossary

Application

Use of a med-tech treatment or examination procedure

Biopsy

Micro diagnosis of soft tissue, which is taken out of the female breast by minimized instruments

Carcinoma

Malignant tumor

Cardiology

Medical area, which is focussed on the deseases and sickness of the human heart

Cath Lab

Catherisation laboratory, radiology method to diagnose the human heart with the support by mini-mized catheters

Computer Tomography (CT)

Method of diagnostic imaging that uses x-rays to create cross-sectional views of areas of the body

DRG

Diagnostic related groups. System used by hospitals of charging flat, standardized rates on the basis of diagnosis-based classifications and services performed.

ESWL

Extracorporeal shock wave lith-otripsy. Minimally invasive method of treating urological and gastroenterological indications (kidney stones, ureter stones, gallstones).

Extracorporal

Outside the body

Gynecology

Branch of medicine devoted to women's health.

Lithotripter

An instrument designed to crush kidney stones

Minimally Invasive

Term used to describe treatments that use the least amount of sur-gery possible

MRT

Magnetic resonance tomography. Cross-sectional imaging technique that uses magnetic fields to diagnose changes in the musculoskeletal system, including the hand, elbow, shoulder, knee and ankle.

Nuclear Medicine

Diagnostic and therapy with radioaktive sources

Radiology

Branch of medicine that deals with diagnosing the human body by using x-ray. Second-largest business segment of the UMS Group.

Shock Wave Therapy

Non-invasive treatment of urologi-cal and orthopedic indications. Examples include breaking up kidney stones and gallstones, as well as treating shoulder calcifica-tions and tennis elbow.

Stereotaxis

Controlled radiology procedure during a stereotactic procedure

Urology

Branch of medicine that deals with the detection and treatment of diseases affecting the kidneys, the ureter and the male sex organs. The largest business segment of the UMS Group.

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UMS
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