Annual Report 2006

UMS

UNITED MEDICAL SYSTEMS

Key Indicators *

in million €	January 1 to December 31, 2006	1January 1 to December 31, 2005	Change in %
Revenues	36.6	31.3	17%
Gross Profit	18.2	13.4	36%
in %	50%	43%	
Depreciation and Amortization	3.5	4.0	-14%
EBITDA	14.8	10.8	37%
in %	40%	35%	
EBIT	11.3	6.8	76%
in %	31%	22%	
Net income/loss	7.8	-6.8	—
in %	21%	-22%	
Numbers of employees as of 31 December	186	173	8%

* without discontinued operation

Corporate Calendar

April 17, 2007	Annual Report 2006
May 15, 2007	3 Month Report 2007
tentatively June 12, 2007	Annual Shareholder's Meeting, Hamburg
August 14, 2007	6 Month Report 2006
November 14, 2007	Deutsches Eigenkapitalforum, Frankfurt/Main
November 14, 2007	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 - Lithotripsy

In 1996, UMS became one of the first companies to bring mobile, non-invasive extracorporeal shock wave lithotripsy treatment to the U.S. on a roll-in, roll-out basis. 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. The leading market position in providing mobile Lithotripsy service has been expanded to South America, as UMS has recently launched two subsidiaries to provide mobile lithotripsy services in Chile and Ecuador. With 24.7 Mio. € in revenues, the Urology business segment is the UMS Group’s strongest performer.

Our Business Segments

Urology - Laser Treatment

UMS's urology division began providing treatments using specific Laser technology in 2004. Urology Laser is a highly effective, minimal invasive treatment of benign prostatic hyperplasia known for its minimal side effects. Benign prostatic hyperplasia ("BPH") is a condition common for men of a certain age. Approximately 50% of men over the age of 50 are suffering from BPH. In 2006, UMS performed more than 1,100 laser treatments in North America, after 760 treatments in 2005. In the 4th quarter 2006, UMS also successfully introduced mobile Laser service in Chile.

Our Business Segments

Radiology

In the radiology field, UMS provides mobile magnetic resonance imaging ("MRI"). The company has been providing MRI logistics and operations since 2003 and currently uses two mobile units in the U.S. UMS provides full onsite service in terms of logistics, setup and operations and makes 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, UMS is focussing successfully on the stereotactic vacuum breast biopsy method. This minimally invasive breast biopsy procedure is rapidly replacing surgical biopsy as the standard of care for the early detection of cancer and for examining microcalcification in the breast. The number of procedures performed in the U.S. has again grown in 2006. With more than 13,000 procedures performed in 2006, UMS is the lagest provider of mobile stereotactic breast biopsy services and clear market leader in North America.

Dear Shareholders, Customers, Business Associates and Employees,

In fiscal 2006, we successfully completed the reorientation of the UMS Group. After carefully reviewing all options we became convinced that selling all our operations in Europe to focus on high-growth and high-earnings markets in North and South America was the right way to improve the future prospects of the UMS Group and increase the Company's value on a sustained basis.

The sale of our operations in Great Britain, which had already been prepared in the previous year, was implemented in the 1st quarter of 2006 as planned. By the end of July — after approval of the transaction by the antitrust authorities — the business operations of the German UMS GmbH and the shares in our Dutch subsidiary were sold to the British Alliance Medical Group. In December of the past fiscal year, in a final move, we also sold the radiology therapy center in Germany.

The measures we took in the past fiscal year have already had substantial effects on the consolidated balance sheet and the consolidated result. The Group's overall indebtedness was further reduced, so that the debt to capital ratio is now 44%.

When adjusted by the business operations sold, earnings per share are € 0.60, which fully meets our expectations. Free of the burdens of the business operations in Europe, the Group can now demonstrate its profitability, which we will further expand in the future.

Not least of all, the repositioning we carried out made the UMS share more attractive. Between the end of 2005 and the end of 2006 our share price rose almost 70% from € 5.19 to € 8.70, so that the value of the company increased correspondingly.

The discontinued operations once more burdened the earnings per share in fiscal 2006 by minus € 0.11. This was mainly due to the operating losses of UMS GmbH sustained in the first 7 months of 2006 and the losses involved in winding up the operations in Great Britain. In the future, however, we expect no appreciable earnings risks from the discontinued operations.

We are therefore confident that we will be able continue to expand our business over the next few years and to further increase revenues and profits. Our goal for 2007 is to achieve substantial, two-digit revenue growth of around 15%. The planned earnings per share are € 0.70, based on an average dollar/euro exchange rate of $1.30.

The Management Board would like to thank all of our employees for their hard work in the past fiscal year. Despite the uncertainties that were necessarily created by the rapid succession of company sales among the employees affected, the transfer of operations to the new owners went smoothly; all jobs were preserved. At the same time, the growth realized in the core business segments could not have been achieved without the significant personal commitment of our employees.

Finally we would like to thank our partners and shareholders who have accompanied us through another eventful year.

Sincerely yours,

Jørgen Madsen
UMS AG Management Board Chairman

Management and Supervisory Board

Management Board

Jørgen Madsen

Jørgen Madsen (CEO)
Chief Executive Officer,
Mechanical Engineer,
Bolton, 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
(until 31 December 2006),
Physicist,
Quickborn, Deutschland;
Responsible for finance and controlling as well for personnel and for restructuring UMS´ European business

Ingo Klemke

Supervisory Board

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

Norbert Heske
Engineer,
Kottgeisering

Wolfgang Biedermann
Deputy Chairman,
MBA, Hamburg

Prof. Thomas J. C. Matzen
Chairman,
MBA, Hamburg

Combined Management Report and Group Management Report of UMS United Medical Systems AG for Fiscal Year 2006

1. Business and Framework Conditions

Reorientation of the Company—Growth in North and South America

The past fiscal year was characterized by the successful focus of the UMS Group on high-growth and high-margin regions and business segments.

The optimization of the portfolio, which had already been initiated in 2005 with the sale of the activities in Ireland, was continued in 2006 with the following transactions:

- March 2006: Sale of the assets of UMS United Medical Systems Ltd. in Great Britain to an English competitor.
- July 2006: Sale of the activities of the German subsidiary UMS United Medical Systems GmbH and the 85% stake in UMS B.V. in the Netherlands to the British Alliance Medical Group.
- December 2006: Sale of the wholly owned subsidiary Focus Therapiezentrum Verwaltungs GmbH, Germany, to ITM Hanse Industriekapital-Beteiligungs GmbH.

The sale of all the European operations, which had been decided in 2006, was thus implemented as planned and the Group's activities are now focused on North and South America.

At the same time, growth has been further stimulated in the US, Canada, Chile and Ecuador.

North America

The U.S. subsidiary further strengthened its position as one of the leading suppliers of mobile medical services in 2006 and now offers services to hospitals and medical centers in 34 states in the US. In addition, clients in two Canadian provinces are supplied through a Canadian subsidiary.

Significant growth was achieved in ***Urology***, the Company's largest business segment. This segment includes primarily the treatment of kidney stones using extracorporeal shock wave lithotripsy (ESWL) and benign prostate enlargement using urological lasers, as well as the marketing of urological medical devices.

This development is being driven by a renewed substantial expansion of the presence of UMS 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 need 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 now operates six of the eight lithotripters currently licensed in Michigan (four in 2005) and will therefore treat around 80% of the 14,000 cases of kidney stones occurring there each year. UMS was thus able to further strengthen its prominent market position in Michigan and its leadership position in the North Eastern United States.

In 2006, around 25% of the service revenues in the Urology segment were generated directly by UMS DE, Inc. and other wholly owned subsidiaries of the UMS Group. 75% (up from 60% in 2005) was attributable to partnerships between UMS and the treating urologists, who hold varying equity interests.

The expansion of laser therapy for treating benign prostate enlargement also contributed to the continued growth in the past fiscal year. After approximately 760 treatments in fiscal 2005, around 1,110 treatments were performed last year, and the number of mobile laser units was increased from five to six. UMS achieved this increase of more than 40% by successfully marketing the use of the latest laser technology to urologists through its existing kidney stone treatment network.

In the ***Gynecology*** segment, UMS benefited last year from the growing trend toward minimally invasive procedures, which are rapidly replacing open breast surgery to confirm or rule out cancer. The service has been expanded to other states in the US, and UMS is now offering its gynecology service in 32 states.

In addition to offering its mobile service, where UMS acts a full service provider of stereotactic breast biopsies, the Company expanded this business segment in 2006 by marketing the Giotto treatment table manufactured by IMS Internazionale Medico Scientifica in Bologna, Italy. Since August 2006, UMS is the exclusive sales partner for the Giotto table in 25 US states, which creates additional potential for growth.

The smallest segment in North America is the ***Radiology*** segment where UMS pursues a selective market policy. After already operating a route with a mobile MRT since 2003 secured through a certificate of need, a second system has been put into service in the past fiscal year, again under a certificate of need.

With the sale of a stationary PET center in Texas in February 2006, the Company finalized its complete withdrawal from the Oncology segment as planned, which had already been largely carried out in the prior year when the subsidiary PET Scans, Inc. was sold.

South America

UMS Chile, the subsidiary founded by the UMS Group in Chile in 2004, continued to expand its kidney stone lithotripsy services (ESWL), which it offered already in 2005, by further expanding the client base in the past fiscal year. Its third mobile ESWL unit is now fully utilized.

In the fourth quarter of 2006, UMS Chile laid the foundation for a continued expansion of its business volume: at the end of the year, a mobile urological laser unit for treating benign prostate enlargements was added to the equipment fleet, since this new technology is in high demand among urologists in Chile.

With the establishment of a subsidiary in Ecuador, UMS Chile expanded its presence to another South American country. Here, the main focus in 2006 was on building the technical and organizational infrastructure.

Europe

In Europe, apart from the aforementioned transactions for the incremental sale of the remaining activities, the Company focused on continuing its consolidation measures. This resulted, in particular, in improved cost structures.

The German service company nevertheless ended the year with a slightly negative result until it was sold, especially because of the persistently difficult reimbursement situation in urology and the improved but still unsatisfactory capacity utilization of the radiology equipment fleet. The Dutch subsidiary, on the other hand, delivered positive earnings.

Due to the cost structure improvements that began to take effect, the diagnostic radiology center operated in Germany generated a profit for the year.

Because of the changes in the corporate structure, the Management Board of UMS AG decided in 2006 to reduce the number of administrative employees at the holding company, a move that was essentially completed by the end of the year. To be mentioned in this connection is that the Management Board will also be reduced to a single member in the future.

All the European activities — except for the holding company's continuing functions relating to finance and investor relations — are summarized in the consolidated income statement under "profit/loss from discontinued operations."

Economic Framework Conditions

In fiscal 2006, the medical technology market continued its positive trend in the US, the most important market for the UMS Group. According to expert estimates, the average growth in the medical technology sector was 6 to 7%. This continued to be driven by substantial economic growth (GDP was up 3.3% in 2006 according to Commerzbank). Health care expenditures were around 16% of GDP, exceeding those of any other industrial nation.

The overall economic environment was also favorable in Chile, where relative economic growth was substantial (GDP was up 4.4%) and framework conditions were stable.

Important trends, particularly in the health care industry in the US, such as increasing acceptance of outsourcing models, improvements in the reimbursement situation for outpatient clinics as well as the clear trend toward minimally invasive procedures, have been driving the growth of UMS in the past fiscal year and offer considerable potential for the future development of the Group's business operations.

2. Revenues by Business Segment

Sales revenues in 2006 totaled € 36.6 million overall (previous year: € 31.3 million). This represents an increase of more than 17%, which was carried by all business segments.

The trend in revenues reported in the consolidated financial statements was impacted somewhat by the US dollar/euro exchange rate. In 2006, the euro was worth $1.26 on average compared to $1.24 in the previous year. Adjusted for currency fluctuations, the growth in revenues exceeded 18%. The revenue volume applicable to the discontinued operations in 2006 amounted to € 4.7 million compared to € 25.2 million in fiscal 2005.

The following comparison of fiscal years 2006 and 2005 illustrates the revenue trend in the continuing operations. Exchange rate effects have not been eliminated in this presentation.

	2006 k€	2005 k€	Change absolute	Change in %
Urology	24,665	20,702	3,963	19
Gynecology	10,386	9,685	701	7
Radiology	1,587	888	699	79
Revenues	**36,638**	**31,275**	**5,363**	**17**

Urology:

Consolidated revenues in the Urology segment rose more than 19% compared to the previous year, from €20.7 to €24.7 million. In relative terms, Urology revenues in Chile rose 37% and thus substantially more than in the US but in absolute terms the US share continues to dominate the segment at 97% (previous year: 98%).

In this business segment the number of kidney stone treatments performed in the US grew from about 21,300 in 2005 to more than 24,300 in the past fiscal year, which represents an increase of approximately 15%. This development has been driven by the expansion of the mobile lithotripsy service in Michigan. After adding three more CONs in Michigan at the end of fiscal 2005, UMS acquired two additional CONs in March 2006 and now operates eight mobile service routes under six CONs. To this end, almost 150 urologists were included in a partnership model.

The growth in revenue in the Urology segment of the US subsidiary was further enhanced by the use of urological lasers for treating benign prostate enlargements. The new laser technology is increasingly replacing conventional invasive surgical methods, so that the services offered by UMS could be substantially expanded in the past fiscal year (approximately 1,110 treatments in 2006 compared to 760 in the previous year). Each laser treatment is connected with the use of consumable supplies, which UMS also sells.

The number of patients treated at the Andover Surgical Center, which also forms part of the Urology segment, remained at the previous year's level. A change in the area-based keys for post-operative treatment beds caused growth to be limited. Corresponding area expansions are planned for 2007.

Sales figures from marketing Wolf lithotripters developed more slowly than expected so that in this case, too, revenues remained nearly flat. Prospects for future sales are considered good because the piezolith technology used by the device is finding increasing acceptance in the US market. In addition, the long-term procurement contract with Richard Wolf GmbH secures the purchase of equipment and spare parts for our own fleet, in which we now use P3000-type devices of Richard Wolf almost exclusively.

Gynecology:

The continuing operations in the Gynecology segment are now exclusively limited to the activities in the US, where significant organic growth continued in the past fiscal year.

The number of patients treated in the US rose from 12,200 in 2005 to approximately 13,100 in the past fiscal year (+7%). Revenues increased from around €9.7 million to €10.4 million in 2006. This makes UMS the largest mobile supplier of stereotactic breast biopsies worldwide and a clear market leader in North America. Because of its flexible service concept and the high quality standard of the services offered, UMS was able to benefit more than proportionally from the growing number of breast biopsies performed.

UMS, acting jointly with IMS, continued to develop IMS's "Giotto" biopsy table for mobile use in the past fiscal year and is already using a device of this type in addition to the Fischer Mammotest equipment in its fleet.

As the exclusive sales partner for the Giotto table since August 2006 in 25 US states, UMS has thus expanded this business segment by adding the sale of state-of-the-art medical equipment to its mobile services.

Radiology:

The Radiology segment also reports US revenues exclusively. In 2005, a single MR system was used on a mobile route in connection with a certificate of need (CON). This capacity was doubled by the end of the 2nd quarter of 2006 by adding another mobile MR scanner. This second device is also operated under a CON.

Both routes are secured by long-term customer contracts, so that these MRT units are utilized five or six days a week. As a result of the capacity increase, revenues from the continuing Radiology operations stand at €1.6 million, almost 80% higher than in the previous year.

3. Earnings Trend

The key figures for the continuing operations presented in the consolidated income statement are indicative of the sustained earnings trend of the UMS Group. The previous year's values were adjusted to the continuing operations.

The continuing operations of UMS include the core segments Urology, Gynecology and Radiology in the regions of North and South America. The earnings effects of all other activities, including the special effects of the sale of businesses in 2005 and 2006, are summarized in the income statement under "profit/loss from discontinued operations."

New high-margin business in the Urology segment and scaling effects due to growth have had the result that the gross margin has significantly improved compared to the previous year. The reason for the substantially less than proportional increase in the cost of revenues is, on the one hand, the optimization of deployment plans and the improved logistics with customer sites spaced closer together, particularly in Michigan, so that the additional business volume could be handled with a less than proportional increase in the medical-technical personnel employed. On the other hand, scaling effects could compensate all or some of the volume-dependent increases in the other cost of revenues.

This trend was also enhanced by the expiration of operating lease agreements for urology systems and the elimination of the effect of non-recurring special depreciation of capitalized costs for FDA approval of ESWT systems in 2005, which amounted to almost €0.7 million.

Overall, the gross profit margin was increased 7 percentage points to almost 50% in 2006.

	Income Statement 2006 k€	Income Statement 2005 k€	Change absolute k€	Change in % k€
Sales revenues	36,638	31,275	5,363	17
Cost of revenues	-18,430	-17,881	-549	3
Gross sales revenue	**18,208**	**13,394**	**4,814**	**36**
Gross margin	**50%**	**43%**		

The trends in revenues and the cost of revenues for continuing operations were adjusted in the income statement of the previous year to make the presentation structurally comparable.

The selling costs as a whole remained on the previous year's level, since the growth of the past fiscal year, especially in the US, was achieved with the existing sales staff, which is organized by regions and across segments. This can also be attributed, however, to the decision not to reduce the sales staff after the sale of the Oncology segment in the previous year. For the future development of the Group, we are currently elaborating a concept for the strategic regional expansion of the sales staff.

Whereas the administrative expenses of the holding company and those in Chile remained at the previous year's level, costs in the US decreased compared to the prior year. This is primarily due to a reduction in legal and consulting fees by almost € 0.4 million, an item that had increased last year as a result of the expansion of operations in Michigan and the development of the partnership model that was connected therewith.

Other operating income and expenses included effects from the sale of fixed assets, write downs of receivables and other assets as well as other non-recurring effects totaling € 0.3 million. In the previous year, the balance of other operating income and expenses was essentially determined by the effects of the integration of urologists in the new partnership models. By contrast, in 2006, this item was reduced to € 0.2 million.

Overall, earnings before interest and taxes (EBIT) were € 11.3 million, € 4.5 million (67%) higher than in the previous year. This was due to the significantly improved gross margin and the simultaneously reduced selling and administrative costs.

	Income Statement 2006 k€	Income Statement 2005 k€	Change absolute k€	Change in % k€
Gross sales revenue	**18,208**	**13,394**	**4,814**	**36**
Selling costs	-2,711	-2,788	77	3
General administrative costs	-4,503	-4,885	382	8
Other operating income and expenses	334	1,061	-727	-69
Operating income	**11,328**	**6,782**	**4,546**	**67**
In % of revenues	**31%**	**22%**		

Eliminating the depreciation expenses included in EBIT, which were slightly below those of the previous year because of non-recurring effects from the special depreciation of capitalized costs of FDA approval of the ESWT systems, yields an EBITDA of € 14.8 million or 40% of sales revenues. Compared to the previous year's value (€ 10.8 million), this represents an increase of approximately € 4.0 million or 37%.

	Income Statement 2006 k€	Income Statement 2005 k€	Change absolute k€	Change in % k€
Operating income	**11,328**	**6,782**	**4,546**	**67**
Total depreciation	3,464	4,038	-574	-14
EBITDA	**14,792**	**10,820**	**3,972**	**37**
In % of revenues	**40%**	**35%**		

The development of net interest income was essentially due to the additional indebtedness connected with the acquisition of contracts, CONs and medical systems to expand the business volume. To be mentioned primarily is an additional loan of US$3.4 million for acquisitions in Michigan. At the same time, however, it also reflects the rising interest rates, especially in the US. To limit its interest rate exposure in two adjustable rate acquisition loans, the UMS Group hedged the interest rate with an 8.6% interest rate swap. An interest rate hedge agreement at the group level exists since the previous year and mitigated the negative interest rate development in the past fiscal year with interest income totaling k€ 35.

Tax expenses reported in the previous year included the reversal of deferred tax liabilities in the consolidated financial statements and the creation of a reserve for additional tax payments of the Chilean subsidiary. When adjusted by these effects, the tax rate is at the same level as in the previous year. The successful business performance in the US already offset the losses carried forward in the previous year, so that profits are now fully taxable.

Overall, this results in an increase in the UMS Group's net earnings before minority interests of € 3.8 million. Earnings from continuing operations are now € 8.4 million, compared to € 4.6 million in the previous year.

	Income Statement 2006 k€	Income Statement 2005 k€	Change absolute k€	Change in % k€
Operating income	**11,328**	**6,782**	**4,546**	**67**
Interest income and expenses	-897	-733	-164	22
Other income and expenses	0	0	0	0
Income before taxes / minority interests	**10,431**	**6,049**	**4,382**	**72**
Other taxes	-183	-175	-8	5
Taxes on income	-1,859	-1.235	-624	51
Net income from continuing operations	**8,389**	**4,639**	**3,750**	**81**

In the United States, the number of partnerships with private physicians continued to increase in 2006 — especially in Michigan.

In addition to its consolidated stake in these companies, UMS benefits from signing management agreements and receiving compensation for medical technology services. The participating physicians benefit from regular profit distributions based on their share in the income, which totaled € 4.8 million in 2006 (previous year: € 2.9 million).

The net profit attributable to shareholders was € 3.0 million in 2006 after a loss of - € 9.7 million in the previous year.

	Income Statement 2006 k€	Income Statement 2005 k€	Change absolute k€	Change in % k€
Net income from continuing operations	**8,389**	**4,639**	**3,750**	**81**
Profit/loss from discontinued operations	-590	-11,392	10,359	-
Consolidated net profit/loss for the year	**7,799**	**-6,753**	**14,552**	**-**
Of which minority interests	4,839	2,917	1,923	66
Of which due the Group's shareholders	2,960	-9,670	12,630	-

Thus, earnings per share (EPS) for continuing operations were € 0.60, slightly exceeding the projected EPS of € 0.59, despite the exchange rate development in the 4th quarter of 2006, which was unfavorable for UMS.

Including discontinued operations, earnings per share were € 0.49. In addition to the ongoing losses from discontinued operations, which were higher than expected, particularly because of the loss of receivables at UMS UK that occurred in connection with the winding up of the company, a small gain from transactions in included in the Group´s income. This gain also includes book gains from balance sheet allocations of Minority interest.

The result from discontinued operations is as follows:

	Income Statement 2006 k€	Income Statement 2005 k€
Revenues	4,726	31,275
Expenditures	-5,422	-46,805
Current profit/loss from discontinued operations	-697	-15,530
Profit from the sale of discontinued operations	107	4.138
Profit/loss from discontinued operations	-590	-11,392

The discontinued operations reported by the UMS Group are the Group's activities in the Oncology segment and its operations in Europe — except for the finance and investor relation functions, which the holding company will continue to perform.

The previous year still included revenues from the Oncology business in the United States, which was sold as of September 30, 2005. The expenses of the previous year were characterized primarily by the special depreciation of radiology equipment in 2005 and particularly the German company's goodwill (€ 7.6 million).

The past fiscal year includes, among the discontinued operations, particularly the current results of the German, Dutch and British subsidiaries — some of which are shown proportionally, up to the date of sale.

4. Net Worth and Financial Condition

The cash flow of the UMS Group summarizes the effects from the continued and discontinued operations of the company. Overall, the cash flow from current business operations was € 8.0 million compared to € 8.6 million in the previous year, despite the significant tax payments, which were essentially connected with the sale of Pet Scans, Inc. in the previous year.

In addition to the taxes payable in the 1st quarter of 2006 on the profit from the sale of Pet Scans, Inc., the US subsidiary had to pay estimated income tax installments during the course of the year for the first time in 2006. Income tax payments of € 5.5 million had a negative impact on the cash flow from operations compared to the previous year. The cash flow from operations before taxes was approximately € 4.9 million higher than in the previous year.

The cash flow from investment activities was a negative € 3.8 million compared to a positive € 13.1 million in the previous year. A major factor was the business sales. The sale in 2005 of PSAC and MRI Ireland Ltd. resulted in inflows of € 16.8 million. In contrast, in the past fiscal year, the sale of the German and Dutch subsidiaries as well as Metroscan brought in only € 1.2 million. At the same time, investments of € 2.8 million were incurred for business mergers in Michigan, in this case due to the acquisition of contracts, a CON and a piece of equipment. Investments in fixed assets without finance leasing were around € 2.2 million in 2006 and are essentially allocable to radiology and urology systems. They amounted € 0.7 million in 2005.

The use of sales proceeds for the repayment of liabilities and the scheduled amortization of bank loans and leasing liabilities far more than compensated new borrowing to finance acquisitions in Michigan and led to cash outflows for financing activities of € 3.4 million. Payments to minority shareholders, especially in the partnerships in the US, increased by € 2.1 million compared to the previous year because of the expansion of the partnership models, totaling € 4.4 million in 2006. Overall, this results in a negative cash flow from financing activities of €7.8 million. This decrease compared to the previous year was essentially the result of the discontinuation of unscheduled repayments for which the inflows of cash from the sale of PSAC had been used.

The exchange rate and divestment effects and the substantial tax payments resulted in a decrease in financial resources at the end of 2006 to €3.4 million, which had stood at €7.6 million at the end of the previous year. The large amount of cash at the end of the previous year had been kept available for tax payments due in the 1st quarter of 2006.

The balance sheet experienced substantial changes due to the divestment of companies. The change in the US dollar/euro exchange rate as of the reporting date from $1.18 on December 31, 2005 to $1.32 on the most recent balance sheet date also contributed to this result. On the whole, the balance sheet structure of the UMS Group has further improved.

In a comparison of the balance sheets at December 31, 2006 and December 31, 2005, it has to be kept in mind that the balance sheet of the previous year was not structurally adjusted to segregate the operations that were to be discontinued. At the end of 2005, the German and Dutch equity interests were still included in all the balance sheet items.

The decrease in cash and cash equivalents as a result of tax payments, particularly for corporate transactions in the previous year, and the realization of receivables from the sale of equipment existing at the balance sheet date of the previous year resulted in a decrease in current assets. These were €11.9 million at December 31, 2006 compared to €18.8 million in the previous year.

Noncurrent assets decreased to €19.2 million from €25.6 million in 2005. In addition to currency effects, this is principally attributable to the sale of assets in connection with the transactions in Europe and the divestment of the subsidiaries. Accordingly, fixed assets decreased to €7.3 million at December 31, 2006 from €13.8 million at December 31, 2005.

Intangible assets, which consist mostly of capitalized acquisition costs for long-term customer contracts and CONs, increased by € 2.6 million, primarily as a result of the expansion of the business activities in Michigan. This is partly offset, however, by current write downs of € 1.1 million of all assets with a limited useful life. There were additional changes totaling – € 1.7 million due to divestments and currency effects.

Capitalized goodwill of less than € 0.1 million remained unchanged at December 31, 2006.

The noncurrent assets and assets of a disposal group held for sale are reported separately in the balance sheet. Receivables from the buyer of the German service company resulting from the management of equipment financing not yet fully transferred to the buyer are shown under this item. A liability in the same amount is shown on the liabilities side of the balance sheet.

The liabilities of the UMS Group as a whole have further decreased in the past fiscal year. In addition to reducing the tax liabilities by around € 4.4 million with the payments made in 2006, especially liabilities to banks and leasing liabilities were reduced (or sold) by € 6.9 million to € 13.3 million.

The liabilities that are to be transferred to Alliance Medical Group as the buyer of the German service company, following approval by the creditors, are shown separately in the balance sheet as debts connected with the assets held for sale. As long as the transfer process for these liabilities has not yet been completed, all the obligations of the UMS Group connected with these liabilities will be performed by the Alliance Medical Group.

Shareholders' equity totaled € 15.4 million at December 31, 2006 compared to € 13.9 million at the end of the previous year. The debt to capital ratio therefore improved substantially and is now 44% (2005: 31%).

5. Employees

The dynamic rise of the UMS Group to become a leading supplier of medical services could not have occurred without its motivated and entrepreneurial employees. UMS has taken this into account in each of the company sales to date. In each case, the buyers have transferred all of the employees of the respective subsidiary to their employment.

Due to these transactions, the total number of employees as of the reporting date declined from 225 to 189 (at December 31, respectively). Of this number, 9 employees are in Europe as compared to 67 at the end of 2005.

On average for the year, the company's workforce was cut 22.9%, from 267 to 206.

The stock option plan, which was established when the company went public, expired during the reporting year, so that there are no more stock options for employees.

The Management Board expresses thanks to all employees of the UMS Group for their hard work and personal dedication. Particularly the employees in the units affected by the business sales have contributed substantially to the smooth structuring of the transfer to the new owners.

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, continuously optimizing the portfolio, group reporting, investor relations, 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 2006 included, in particular, the handling of the sale of the assets of the English subsidiary, which had been prepared in the previous year, and the sale of the Dutch and of all the German operations.

In fiscal 2006, UMS International AG reported revenues from the management share of costs of some €1.2 million compared to €1.3 million in the previous year and €0.4 million from leasing medical systems (previous year: €0.5 million). For the first time it also generated income from the sale of medical devices to subsidiaries totaling €0.7 million.

The €2.3 million in revenues contrasted with cost of revenues of €0.9 million, composed of depreciation, equipment leasing and purchase costs for the medical systems sold. General administrative costs and selling costs were €1.4 million and thus slightly below those of the previous year.

The balance of other operating income and expenses improved by €0.2 million in 2006 over the previous year. The principal causes were higher income from the reversal of accruals and a positive development in the valuation of UMS AG receivables.

The depreciation of participating interests, which totaled €18.9 million in the previous year and had a significant impact on the result, did not accrue in 2006. At the same time, no income accrued from participating interests due to dividend payments of the US subsidiary, which amounted €5.8 million in 2005. The US subsidiary paid no dividends to UMS AG in the past fiscal year.

The financial result of UMS AG, i.e., the balance of interest expense and interest income, improved from a negative €0.3 million in the previous year to a negative €0.2 million in 2006. Here, the decrease in indebtedness had a positive effect.

Overall, the result from ordinary activities was a negative €0.2 million (2005: minus €13.8 million). Adjusted by nonrecurring factors from participating interests in the previous year, which totaled -€13.1 million, the result improved from -€0.7 million to -€0.2 million, owing to contribution margins from the sale of equipment, a slight decrease in administrative costs and the improved financial result.

Because no dividend was paid by the US subsidiary, no withholding tax was incurred, in contrast to the previous year, so that UMS International AG recorded a net loss of € 0.2 million for the year after interest and taxes, compared to a loss of € 14.1 million in 2005.

The Company's liquidity was essentially secured through management cost sharing agreed with the subsidiaries and the short-term loans provided by the US subsidiary.

7. Risk Management

With its cross-national 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. Structured reporting of the subsidiaries at all corporate levels 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. Any interest rate exposures not covered thereby are largely hedged by an interest rate swap. To control refinancing risks, the Company collaborates with a number of regional and national 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 the processes.

8. Risk Report

After reviewing all risks, the Company determined that there were none in the 2006 reporting year that threatened the continued existence of the UMS Group. There are also no risks discernible that could endanger the Company's existence 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 4, 2005, the Supervisory Board and the Management Board adopted a resolution declaring their intention to comply with the Code as last amended on June 12, 2006. The declaration of conformity pursuant to § 161 of the German Stock Corporation Act has been made permanently accessible to the public on the Company's Website at www.umsag.com.

10. Report pursuant to § 289(4) of the German Commercial Code and § 315 (4) of the German Commercial Code

The law to implement Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids (Takeover Bid Directive Implementation Act) expanded the management report disclosure requirements for companies whose securities are admitted to trading on a regulated market in a member state of the European Union.

1. The Company's subscribed capital is €6,016,261. It is divided into 6,016,261 shares. All of the shares are ordinary shares, and there are no classes or series of shares. Every ordinary share entitles its holder to one vote at the shareholders' meeting (§ 19 (1)) of the Company's Articles and Bylaws).

2. To the Management Board's knowledge, there are no limitations on the voting rights or transfer of shares, even under agreements between shareholders.

3. According to the disclosure by Thomas J. C. Matzen GmbH, Hamburg, 16.9% of the voting rights are attributable to this company. This means that this company also owns that percentage of the Company's capital. To the Management Board's knowledge, there are no further direct or indirect interests in the capital that exceed 10% of the voting rights.

4. There are no shares with special rights that grant the possibility of control.

5. Employee investors have no voting right control over the capital.

6. Members of the Management Board are appointed and removed in accordance with § 84 of the German Stock Corporation Act, which assigns the responsibility therefor to the Supervisory Board. The Supervisory Board is made up of three members, and to constitute a quorum, all three members must participate in the voting. Resolutions require a majority of the votes cast.

Amendments to the Articles and Bylaws are made by the Shareholders' Meeting. In § 13 (2) of the Articles and Bylaws, the Shareholders' Meeting has availed itself of the opportunity granted by § 179 (1) sentence 2 of the German Stock Corporation Act to authorize the Supervisory Board to make amendments that affect only the wording of the Articles and Bylaws.

Pursuant to § 19 (2) of the Articles and Bylaws, shareholders' resolutions to amend the Articles and Bylaws are adopted by a simple majority of the votes cast, except as otherwise provided by mandatory provisions of law, and to the extent that the law provides for a majority of capital in addition to a majority of votes, they are adopted by a simple majority of the share capital represented when the resolution is passed.

7. The Management Board may issue new shares on the basis of shareholders' resolutions.

Pursuant to § 6 (2) of the Articles and Bylaws, the Management Board is authorized to increase the share capital, with the Supervisory Board's consent, on one or more occasions prior to May 30, 2010, by a total of up to € 3,008,000, by issuing new no-par-value bearer shares, each theoretically representing € 1.00 of the share capital, in exchange for cash or in-kind contributions. The Management Board is also authorized to exclude the shareholders' preemptive right, with the Supervisory Board's consent. However, an exclusion of the preemptive right is only permissible in the following cases:

- for capital increases with in-kind contributions, in particular to acquire companies or interests in companies
- for fractional shares

Furthermore, pursuant to § 6 (3) of the Articles and Bylaws, the share capital is conditionally increased by issuing 200,000 no-par-value bearer shares, each theoretically representing € 1.00 of the share capital. The conditional capital increase will only be carried out to the extent that the holder of stock options issued pursuant to the shareholders' resolution of May 24, 2000 exercise their options and the Company does not make treasury shares available to satisfy the options. The new shares shall be entitled to dividends as of the year in which the option is exercised.

Pursuant to the shareholders' resolution of May 23, 2006, the Management Board is authorized to purchase the Company's own shares, up to a limit of 10% of the share capital, by November 22, 2007. The purchase may be made on the stock exchange or through a purchase offer made to all shareholders. The authorization may be exercised on one or more occasions, in whole or in part.

8. There is the following material agreement, subject to the condition of a change in control of UMS AG:

Dresdner Bank AG, Frankfurt/Main, grants to UMS AG a cash/money market credit facility, for variable drawdowns, in the amount of € 1.1 million. The bank is entitled to terminate this credit facility in whole or in part and demand immediate repayment of all drawdowns plus accrued interest and other amounts due, if other persons or companies than the current owners of a majority (more than 50%) of the shares and/or voting rights in UMS AG directly or indirectly or otherwise acquire control over UMS AG.

9. The Company has not entered into any compensation agreements with Management Board members or employees for the event of a tender offer for the Company.

11. Outlook

In fiscal 2006, the UMS Group made fundamental decisions affecting the future development of the Group and its strategic reorientation.

The comprehensive repositioning had already begun in 2004 with the sale of the equity interest in Italy, which was followed by the sale of the operations in Ireland in 2005.

Another important milestone in 2005 was the sale of the Oncology segment, which yielded proceeds of $20 million in the United States. At the same time, the company began to expand its activities in South America.

With the sale of all the remaining activities in Europe during the 2006 reporting year and the substantial streamlining of the UMS holding company in Hamburg, which has only two employees as of January 2007, a clear focus of the UMS Group on business operations in North and South America has now been achieved. UMS is thus concentrating on the markets where its business model is accepted and in high demand.

The achieved structure forms the basis for the Group's continued development in 2007 and future years. In the United States, access to urologists and their patient volume within the framework of existing and new physician partnerships will continue to be expanded. At the same time, the close cooperation with specialists in urology allows a substantial amount of cross selling of the technically innovative laser therapy services offered by the Company. In addition to the organic expansion of the Company's regional presence, targeted acquisitions are also feasible.

In the Gynecology segment, UMS strives to further expand its leading market position. The increasing trend away from conventional open breast surgery toward minimally invasive breast biopsies to remove tissue if cancer is suspected and the increase in suspected cases as a whole are particularly favorable framework conditions for this business segment. We are convinced that we will be able to benefit more than proportionally from this development because of the flexible and high-quality services offered by UMS.

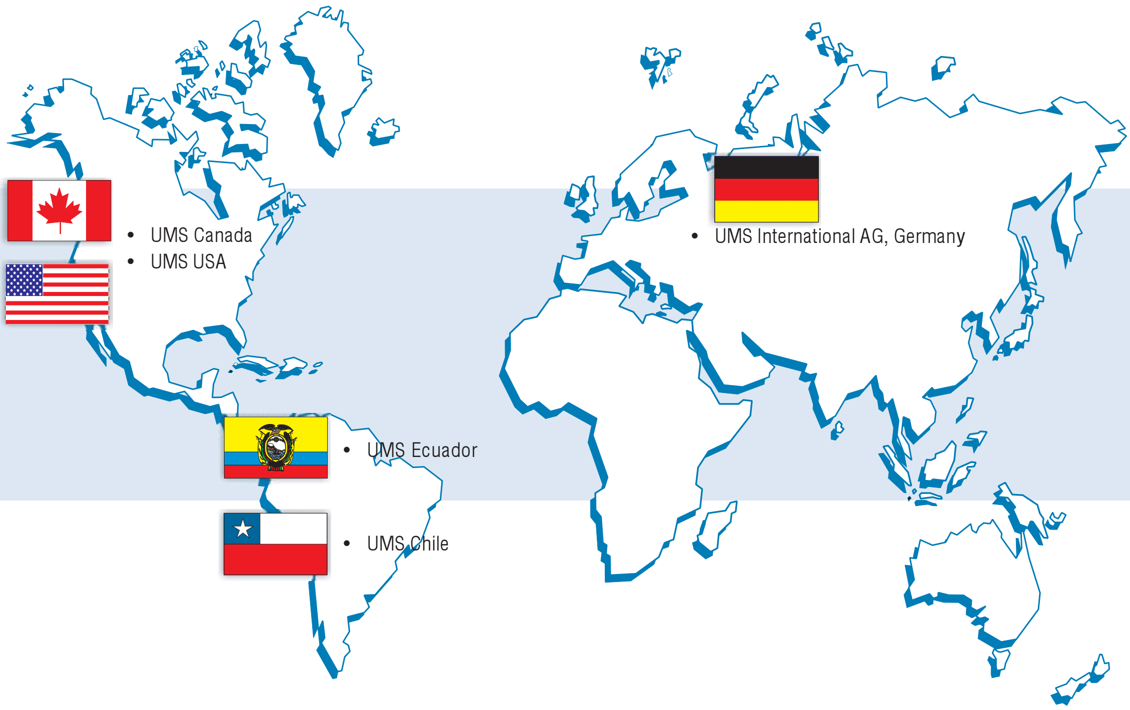
The mobile service will be supplemented in the future by the exclusive sale of the “Giotto” treatment table of IMS. Initial demonstrations of this system have already generated considerable interest at tradeshows and conventions.

Marketing in the US will be strengthened across segments at identified regional key positions and will provide important momentum for further growth.

Based on the Company’s success with kidney stone treatments in Chile and Ecuador, other projects in the field of laser therapy and breast biopsy will be implemented in South America. Here, too, we expect to build on the positive trend.

On the whole, we expect continued high growth in revenues of approximately 15% in fiscal 2007 and an increase in profit to €0.70 in terms of earnings per share.

We are convinced that customers, employees and shareholders of the UMS Group will lastingly benefit in the future from the strategic reorientation implemented over the past few years and the Company’s successful positioning in the remaining core segments.



The active UMS Companies

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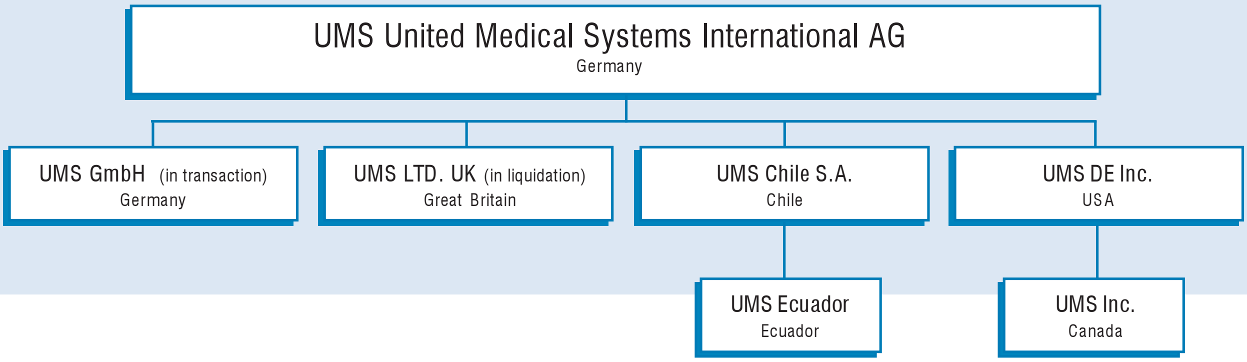
UMS Group Strukture



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 divests in Italy
- UMS received FDA Approval for Piezolith Technology of Richard Wolf

2005

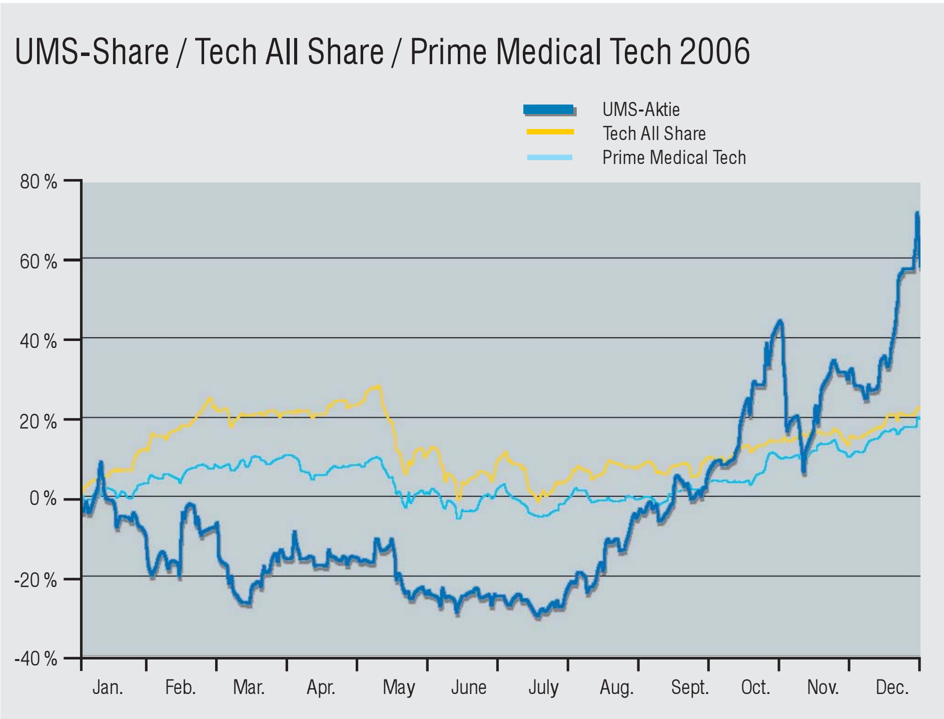
- UMS expands into South America
- UMS divests PET Scans of America Corp. to Alliance Imaging
- Expansion of the branch of Urology in Michigan
- UMS divests parts of MRI Ireland

2006

- UMS divests all remaining European operations in the United Kingdom, Germany and the Netherlands
- Reduction of holding staff

The UMS Share

The stock markets were positive in the past fiscal year; some even climbed to all-time highs. The MDAX was up 28% in 2006 and thus performed even better than the TechDax (+25%) and the DAX (+22%). The DJ EURO STOXX 50 was up 15%. The UMS share also rose substantially, particularly in the second half of the year. After opening the year at € 5.16 on January 2, 2006 (XETRA), the price saw a slight downward turn initially and reached a low of € 3.76 in mid-June. After the Company announced its plans to sell all its operations in Europe, demonstrated initial implementation successes of these plans and reported sustained positive operating results in the continuing operations, the price rose almost steadily before closing at € 8.70 at December 29, 2006. At the turn of 2006/2007, the number of shares in circulation was the same as last year: 6,016,261. This represented a substantial increase in market capitalization from the previous year to approximately € 52.3 million (2005: € 31.2 million) .



Since the reorganization of the German stock market, the shares of UMS International AG have been listed in the Prime Standard segment. The following security identification numbers have been assigned: WKN 549365, ISIN DE0005493654, Bloomberg: UMS GR, Reuters UMSG.DE.

The share price is included in the following indexes: "CDAX Performance Index," "Prime All Share," "Technology All Share," "Prime Pharma & Health Care" and "Prime IG Medical Technology."

UMS International AG is listed in the following indexes:

CDAX Performance Index	ISIN DE0008469602
Technology All Share	ISIN DE0008468943
Prime Pharma & Health Care	ISIN DE0009660324
Prime All Share	ISIN DE0007203325
Prime IG Medical Technology	ISIN DE0007238024

Currently, 6,016,261 UMS shares are in circulation. At the end of 2006, the widespread shareholdings (defined as shares not held directly by the Management Board or the Supervisory Board) amounted to 89% (previous year: 89.0%).

Additional information about the UMS share may be found on the Internet at www.umsag.com. This also includes the current joint statement of compliance with the Corporate Governance Code by the Management and Supervisory Boards as required under Article 161 of the German Stock Corporation Act.

Key Share Information/Capital Market Figures

(in €)	206	2005	2004
Stock exchange price (XETRA closing prices)			
- High	8.92	6.50	7.55
- Low	3.76	2.25	1.99
End of fiscal year	8.70	5.19	2.32
Number of shares (end of fiscal year, in million)	6.016	6.016	6.016
Market capitalization (End of fiscal year in million €)	52.3	31.2	14.0
Earnings per share (in €)	0.49	-1.61	-0.36

How to contact the investor relations team

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Supervisory Board Report

In 2006, 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 delivered oral and written reports and resolutions to the Supervisory Board 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 fiscal 2006. 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, in particular, the decision to sell the remaining European operations in Germany and the Netherlands, the structuring of the concrete transactions in Europe and the further expansion of the Urology segment in Michigan in the US.

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.

The 2006 budget of the UMS Group and a detailed report on the Group's economic prospects presented by the Management Board were the main topics of the Supervisory Board meeting of January 27, 2006. Various scenarios, especially for the operations in Europe, were discussed at length. The Supervisory Board then resolved to direct the Management Board to review the sale or liquidation of the business in Germany and the sale of the operations in the Netherlands.

At its meeting of April 3, 2006, the Supervisory Board, in particular, received reports on the selling options for the existing activities in Europe and resolved to deepen the negotiations with potential buyers. In addition, the single-entity and consolidated financial statements for the year ended December 31, 2005 were presented by the Management Board, with detailed explanations provided by the company's auditors. The Supervisory Board unanimously approved the single-entity and consolidated financial statements prepared by the Management Board. The agenda for the 2006 Annual Meeting was also set. The company's performance in the first quarter of 2006 was also discussed.

The earnings trend in the first half of the year and the outlook for the rest of fiscal 2006 were discussed at the Supervisory Board meeting of September 12, 2006, which was held at the offices of the Group's US subsidiary. In addition, the Management Board reported on the status of the sales negotiations for the diagnostic radiology center.

The results of the first nine months of fiscal 2006, the forecast for 2006 and the business plan for 2007 were discussed at the Supervisory Board meeting of December 4, 2006. The 2007 business plan was adopted at this meeting as presented. The meeting also unanimously approved the joint statement of compliance by the Management and Supervisory Boards as required under Article 161 of the German Stock Corporation Act.

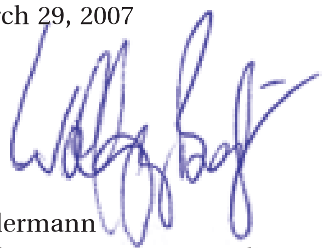
Furthermore, the Supervisory Board communicated regularly with the Management Board outside of meetings and monitored the Management Board's written votes. The resolution on the amendment to the articles and the bylaws required as a result of the German Act of Corporate Integrity and Modernization of the Right of Avoidance (UMAG, Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts) was adopted on May 23, 2006 by a written vote. In addition to the approval of the expansion of the Andover Surgical Day Care Clinic given on July 25, 2006, the meeting also adopted resolutions on personnel matters, among others.

The single-entity and consolidated financial statements for the fiscal year ended December 31, 2006, as well as the joint Management Report for the Company and the Group for fiscal 2006, 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 meetings on March 20, 2007 and March 29, 2007. The auditors attended this meeting, reported about the main results of the audit 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 at the meeting of March 29, 2007.

In accordance with section 289 (4) and section 315 (4) of the German Commercial Code, for the first time the combined Management Report and Group Managgement Report of UMS AG discloses additional information on the shares of the Company and those agreements of the Company that are subject to change-of-control conditions from a take-over bid. The Supervisory Board reviewed these disclosures and adopted them as well.

The Supervisory Board thanks the Management Board and all employees for all their accomplishments and hard work in fiscal year 2006.

Hamburg, March 29, 2007



Wolfgang Biedermann
Chairman of the Supervisory Board

Consolidated Financial Statements 2006

UMS United Medical Systems International AG

Consolidated Income Statement

for the Financial Year 2006

	Notes	2006 €	2005* €
Continuing Operations			
Revenues		36,637,774.00	31,274,909.91
Cost of revenues	5	-18,429,942.65	-17,880,702.93
Gross profit		**18,207,831.35**	**13,394,206.98**
Distribution and selling expenses	5	-2,710,710.35	-2,788,299.45
General and administrative expenses	5	-4,503,308.68	-4,885,474.43
Other operating income and expenses	5	334,344.83	1,061,854.45
Operating result		**11,328,157.15**	**6,782,287.55**
Interest income	5	112,675.15	79,994.64
Interest Expenditure	5	-1,009,662.77	-813,056.64
Result before taxes and minority interest		**10,431,169.53**	**6,049,225.54**
Other taxes		-183,542.26	-175,596.14
Income taxes	6	-1,858,677.96	-1,234,965.14
Profit from continuing operations		**8,388,949.31**	**4,638,664.26**
Discontinued operations			
Current loss from discontinued operations	7	-589,650.34	-11,391,626.87
Profit for the year		**7,799,298.97**	**-6,752,962.61**
Attributable to Equity holders of the parent		2,959,677.93	-9,669,848.80
Minority interest		4,839,621.04	2,916,886.19
Net income per share			
Net income per share (basic)		0.49	-1.61
Net income per share (diluted)		0.48	-1.54
Net income per share (basic) from continuing operations		0.60	0.29
Net income per share (diluted) from continuing operations		0.58	0.28
		in thousands	
Weighted average shares outstanding (basic)	8	6,016	6,016
Weighted average shares outstanding (diluted)	8	6,216	6,291

* 2005 adjusted due to separate disclosure of discontinued operations

Consolidated Balance Sheet

as of December 31, 2006 and December 31, 2005

ASSETS	Notes	2006	2005
		€	€
Current assets			
Cash and cash equivalents	15	3,352,827.30	7,581,984.03
Trade accounts receivable	14	5,930,683.82	8,717,196.69
Inventories	13	1,120,919.83	568,686.17
Prepaid expenses and other current assets		1,518,115.36	1,957,496.36
Total current assets		**11,922,546.31**	**18,825,363.25**
Non-current assets			
Property, plant and equipment	9	7,295,034.99	13,822,748.89
Intangible assets	10	11,788,834.42	11,617,009.58
Shares in affiliated companies	22	773.90	897.40
Goodwill	10,11	73,748.47	73,748.47
Deferred taxes	6	17,358.49	41,544.88
Total non-current assets		**19,175,750.27**	**25,555,949.22**
Non current assets held for sale and disposal groups	**7**	**3,708,995.86**	**1,024,020.02**
Total assets		**34,807,292.44**	**45,405,332.49**

LIABILITIES AND EQUITY	Notes	2006	2005
		€	€
Current liabilities			
Trade accounts payable	20	1,041,749.21	2,310,118.03
Liabilities due to banks	17	2,947,947.02	2,851,336.99
Leasing obligations	17, 21	1,580.471.44	2,567,533.50
Other current liabilities		304,554.99	549,249.35
Liabilities relating to taxes		77,040.32	4,508,643.27
Other accrued expenses	18	683,176.44	1,772,472.10
Total current liabilities		**6,634,939.42**	**14,559,353.24**
Non-current liabilities			
Liabilities due to banks	17	5,800,137.99	8,325,842.70
Leasing obligations	17, 21	3,004,284.51	6,445,995.03
Deferred Taxes	6	277,811.41	252,887.13
Total non-current liabilities		**9,082,233.91**	**15,024,724.86**
Liabilities directly associated with the assets classified as held for sale		**3,708,995.86**	**1,894,045.58**
Equity			
Share capital	16	6,016,261.00	6,016,261.00
Additional paid-in capital	16	8,339,704.98	8,538,707.17
Equity portion warrant	16	20,117.04	20,117.04
Cumulative translation adjustment		-4,999,042.37	-3,383,557.44
Accumulated gain		3,744,152.81	585,472.69
Equity attributable to parent company		13,121,193.46	11,777,000.46
Minority interest		2,259,929.79	2,150,208.35
Total equity		**15,381,123.25**	**13,927,208.81**
Total Liabilities and Equity		**34,807,292.44**	**45,405,332.49**

Consolidated Statement of Changes in Equity

	Share Capital	Additional Paid-in Capital	Currency Translation Adjustment
	€	€	€
At 1 January 2005	**6,016,261.00**	**42,910,069.28**	**-5,306,964.24**
Foreign currency adjustments			1,923,406.80
Total income/expense recognized directly in equity			1,923,406.80
Profit/Loss for the year			
Total income/expense for the year			1,923,406.80
Distribution of subsidiaries			
Use of additional paid-in capital		-34,371,362.11	
Minority Interests IAS 27.35			
Disposals from deconsolidation			
At 31 December 2005	**6,016,261.00**	**8,538,707.17**	**-3,383,557.44**

	Share Capital	Additional Paid-in Capital	Currency Translation Adjustment
At 1 January 2006	**6,016,261.00**	**8,538,707.17**	**-3,383,557.44**
Foreign currency adjustments			-1,615,484.93
Total income/expense recognized directly in equity			-1,615,484.93
Profit/Loss for the year			
Total income/expense for the year			-1,615,484.93
Distribution of subsidiaries			
Capital paid in by Minorities			
Use of additional paid-in capital		-199,002.19	
Disposals from deconsolidation			
At 31 December 2006	**6,016,261.00**	**8,339,704.98**	**-4,999,042.37**

Equity portion of bond	Accumulated deficit	Equity parent company	Minority Interest	Total equity
€	€	€	€	€
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
		1,923,406.80	292,967.90	2,216,374.70
	-9,669,848.80	-9,669,848.80	2,916,886.19	-6,752,962.61
	-9,669,848.80	-7,746,442.00	3,209,854.09	-4,536,587.91
			-2,300,019.30	-2,300,019.30
	34,371,362.11	0.00		0.00
	-443,909.27	-443,909.27	443,909.27	0.00
		0.00	-141,026.01	-141,026.01
20,117.04	**585,472.69**	**11,777,000.46**	**2,150,208.35**	**13,927,208.81**
20,117.04	**585,472.69**	**11,777,000.46**	**2.150,208.35**	**13,927,208.81**
		-1,615,484.93	-430,213.97	-2,045,698.90
		-1,615,484.93	-430,213.97	-2,045,698.90
	2,959,677.93	2,959,677.93	4,839,621.04	7,799,298.97
	2,959,677.93	1,344,193.00	4,409,407.07	5,753,600.07
			-4,219,200.57	-4,219,200.57
			10,750.99	10,750.99
	199,002.19			
			-91,236.05	-91,236.05
20,117.04	**3,744,152.81**	**13,121,193.46**	**2,259,929.79**	**15,381,123.25**

Consolidated Cash Flow Statement

for the Financial Year 2006

	Notes	01.01.-31.12.2006 €	01.01.-31.12.2005 €
Profit/Loss for the year		**7,799,298.97**	**-6,752,962.61**
Adjustments for:			
Profit/Loss from the sale of business units	**3**	-107,508.51	-4,137,948.32
Profit/Loss from sale of equipment		72,700.50	102,306.86
Depreciation on property, plant and equipment		3,756,908.15	7,820,015.96
Depreciation on intangible assets		1,083,454.78	2,149,008.36
Amortization of goodwill		0.00	7,660,728.81
Deferred taxes, net		36,547.75	715,299.67
Other non-cash expenses		358,103.93	0.00
Change in net working capital:			
Increase/Decrease accounts receivable, trade		1,293,312.57	-1,519,772.74
Increase/Decrease prepaid expenses and other current assets		156,141.18	708,229.10
Increase/Decrease inventories		-647,264.90	223,288.99
Increase/Decrease accounts payable, trade		-848,998.32	-468,120.47
Increase/Decrease liabilities relating to taxes		-4,191,209.76	1,258,132.52
Increase/Decrease other accrued expenses and current liabilities		-745,074.60	795,665.38
= Net cash from operating activities		**8,016,411.74**	**8,553,871.51**
Purchases of property, plant and equipment, net of finance leasing		-2,225,937.98	-734,792.82
Purchases of intangible assets		0.00	-3,572,342.73
Acquisition of Subsidiaries, net of cash transferred		-2,882,662.53	0.00
Proceeds from disposal of business units net of cash transferred		1,059,953.39	16,780,461.13
Proceeds from the sale of equipment		142,990.19	596,536.92
= Net cash used in investing activities		**-3,905,656.93**	**13,069,862.50**

	01.01.-31.12.2006	01.01.-31.12.2005
	€	€
Payments to minority shareholders in partnerships	-4,410,909.46	-2,271,261.58
Net change in long-term debts due to banks	-1,698,070.73	-2,119,566.08
Net change in lease liabilities	-2,497,216.45	-7,814,349.44
Net change in short-term debts due to banks	835,954.07	-5,152,578.86
= Net cash used in financing activities	**-7,770,242.57**	**-17,357,755.96**
Changes in consolidated qroup	**0.00**	**31,382.07**
Net effect of currency translation in cash and cash equivilants	-569,668.97	518,331.31
Net decrease in cash and cash equivalents	**-4,229,156.73**	**4,815,691.43**
+ Cash and cash equivalents at beginning of the period	7,581,984.03	2,766,292.60
= Cash and cash equivalents at end of period	3,352,827.30	7,581,984.03
Additional information on cash flows		
Payments for interest	-1,440,878.88	-2,468,567.09
Payments for taxes on income	-5,829,708.93	-294,944.13
Relevant non-cash transactions		
Purchases of property, plant and equipment financed by finance lease	-1,665,387.40	-1,906,133.70

Notes to consolidated Financial Statements

for the year ended 31 December 2006

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 services for hospitals and physician specialists. The concepts include complete services for the customer – from system management to applications specialists to the operation of diagnosis and therapy centers.

The Company maintains operative subsidiaries in 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.

Health care policies 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 increasingly focused on products and regions during the business year 2006.

The consolidated financial statements of UMS International AG for the year ended 31 December 2006 were authorized for issue in accordance with a resolution of the directors on 21 March 2007.

2. Summary of significant accounting policies

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 31 December 2006.

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 operations, comparable numbers for the year 2005 have been adjusted accordingly, if necessary. In the published financial statements of the previous year, the operations in Germany and the Netherlands were still included among continuing operations. For the preparation of the 2006 annual financial statements, these geographic segments were reported under discontinued operations in the current and the previous year.

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 unrealized 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.

Losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the subsidiary's equity. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholder's equity.

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 1 January 2006:

- IAS 1 - "Presentation of Financial Statements": Changes due to the amendment of IAS 19
- IAS 21 - "The Effects of Changes in Foreign Exchange Rates": Treatment of net investments in a foreign operation
- IAS 32/39 - "Financial Instruments: Recognition and Measurement": Amendments regarding financial guarantee contracts, Fair Value Option and Cashflow Hedge Accounting
- IFRIC 4 - "Determining Whether an Arrangement contains a Lease"

Adoption of these standards and interpretations did not have any material effect on the financial position of the company. They did however give rise to additional disclosures.

The following new or revised standards and interpretations relevant to the operations of the Group were published as of 31 December 2006, but were not yet mandatory as of this balance sheet date:

- IAS 1 – "Presentation of Financial Statements" [mandatory as of 1 January 2007]
- IFRS 7 – "Financial Instruments: Disclosures" [mandatory as of 1 January 2007]
- IFRS 8 – "Operating Segments" [mandatory as of 1 January 2009]
- IFRIC 9 – "Reassessment of Embedded Derivatives" [mandatory as of 1 January 2007]

The Group chose not to opt for an early adoption of these standards and interpretations. Except for additional information in the notes to the financial statements, their adoption is not expected to have any material effect on the consolidated balance sheets.

Significant accounting judgments and estimates

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

The Group furthermore entered into a lease agreement for commercially leasing a magnetic resonance imaging system. Since significant benefits and risks associated with the device remain with the Group, the agreement was classified as an operating lease.

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. This involves estimate uncertainties, which are not considered material, however, because of the focusing in 2006 on high-revenue and high-margin business segments.

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 recognized in the income statement.

The UMS Group regularly checks for indications of impairment in value. If impairment is present, the UMS Group itself determines the recoverable amount by estimate. If the carrying value of an asset exceeds the recoverable amount, the asset concerned is considered impaired and is written down to its recoverable value.

The recoverable value is the greater of the net selling price of an asset or a cash-generating unit — minus the selling cost — or the value in use. The recoverable value is determined for a single asset, unless the asset generates no inflow of funds largely independent of the other assets or groups of assets.

An item of property, plant and equipment is derecognized 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 derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition accounting method.

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 amortization and accumulated impairment losses. The unamortized 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 recognized. 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 where indicated. 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 therefrom, 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 are carried forward when their future recoverability can reasonably be regarded as assured. Following the initial recognition of the approval expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Any expenditure carried forward is amortized over the period of expected future sales from the related project. Amortization for the first project started on 1 January 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 recognized in the income statement when the asset is derecognized.

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 recognized initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates 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 recognized in income. The UMS Group has classified the interest swap that is covering interest exposure as held for trade. At the balance sheet date, the interest swap is 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 amortized cost using the effective method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Trade receivables, which generally have 30-90 day terms, are recognized 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.

Private equity instruments classified as held for sale whose fair value cannot be reliably determined are measured at cost minus any impairment.

Inventories

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

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

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 recognized 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 amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization 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 recognized 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 recognized 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 recognized 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 recognized for the stock options distributed. The exercise period for these options expired in 2006, so that no options were recognized at the balance sheet date.

Pensions and other post employment benefits

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. Payout occurs after the age of 65 ½.

The state pension schemes in Germany to which the UMS Group contributes, have been classified as a multi-employer defined contribution plan.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inceptions date. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 certainty 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 recognized as an expense in the income statement on a straight-line basis over the lease term.

Leases where the UMS Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operation leases with the Group as a lessor. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognized 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 recognized:

Sale of goods

Revenue is recognized 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 recognized based on rental days and service hours delivered until December 31.

Interest

Revenue is recognized as the interest accrues (using the effective interest method, i.e., the imputed interest rate used to discount the estimated future inflow of funds over the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognized 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 installments.

Taxes

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 recognized 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 utilized.

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 utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized 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 recognized 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 recognized 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

The group uses derivative financial instruments (interest rate swaps) to hedge risks associated with interest rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract 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. Any gains or losses arising from changes in fair value are taken directly to the income statement.

A financial instrument is derecognized as soon as the UMS Group no longer controls the contractual rights of the financial instrument. This is normally the case when the financial instrument is sold or all the cash flows allocable to the instrument are transferred to an independent third party.

3. Business Combinations

Sale of business operations of the UMS GmbH, Sale of the 85%-Shareholding in UMS B.V. and Sale of the Shareholding in Focus GmbH.

Effective 20 July 2006, the UMS Group sold the assets of its German subsidiary UMS United Medical Systems GmbH and its 85% interest in UMS B.V. in the Netherlands to the British Alliance Medical Group. In connection with this transaction, the positron emission tomography system remaining at UMS GmbH was also sold.

In addition, effective 31 December 2006, the UMS Group sold its wholly-owned subsidiary Focus Therapiezentrum Verwaltungs GmbH to ITM Hanse Industriekapital-Beteiligungs GmbH. Thus, indirectly, the 31% interest in

Focus Medizinisches Apparatezentrum Darmstadt GmbH & Co. KG held by Focus Therapiezentrum Verwaltung GmbH was also sold.

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

	k€
Cash and cash equivalent	109
+ Trade accounts receivables	1,059
+ Tangible Assets	7,329
+ Other Assets	226
+ Deferred Taxes	13
– Trade account payables	-951
– Liabilities long term Bank/Leasing	-5,583
– Other Liabilities	-234
– Minority Interests	-91
= Fair Value of Net Assets	**1,877**
– Loss arising from the transaction	226
+ Transaction Costs	456
= Purchase Price	**2,559**
– Cash sold	-109
– Cash paid Transaction Costs	-456
– Amortizations related to the Transaction	-585
+ Remaining Liability out of Transaction on 31 December 2006	16
= Net Cash Effect of the Transaction	**1,425**

Sale of the Shareholding in Metroscan of Richardson LLC

Effective 28 February 2006, the US subsidiary of the Group sold the oncology operations remaining after the sale of the shares in PSAC, the operation of a stationary PET system by the subsidiary Metroscan of Richardson. This sale had already been prepared in the fourth quarter of 2005, so that the value of the assets of Metroscan of Richardson had been written down and a provision was formed for the expected loss arising from the operation and sale in 2006.

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

	k€
Trade accounts receivables	22
– Accruals	-268
= Fair Value of Net Assets	**-246**
– Loss arising from the Transaction	-119
= Consideration/Net Cash Effect	**-365**

Acquisition of Operations in Michigan

In March of 2006, the US subsidiary of the Group acquired a “certificate of need,” contracts and other assets and liabilities in connection with a mobile lithotripsy route in Michigan.

The fair value of the acquired assets and liabilities and the net cash effect of the transaction are as follows:

	k€
Contracts	1,870
+ Certificate of Need	868
+ Tangible Assets	497
– Trade accounts payables	-352
= Fair Value of the Net Assets	**2,883**
– Transaction Costs	-60
= Total Purchase Price	**2,823**
+ Cash paid Transaction Costs	60
= Net cash effect of the transaction	**2,883**

New Establishment of Limited Partnerships in the USA

Two new limited partnerships — joint partnership models with physicians in the states of New York and Delaware — have been established in the past fiscal year.

4. Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organized 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 using sound waves to pulverize stones and laser treatments for non-cancerous enlarged prostate. This segment also includes the sale of Richard Wolf urology systems.

The gynecology segment delivers mobile equipment and disposables for early detection of breast cancer. This segment also includes the sale of gynecology equipment od the type "Giotto".

In the radiology segment the UMS Group delivers mobile and static MR units.

The oncology segment is no longer included as of the balance sheet date. After having sold the majority of its operations in the oncology segment in fiscal 2005 with the wholly owned subsidiary Pet Scans of America Corp. (PSAC), the Group sold its non-core activities in the US and Germany in the past fiscal year. The effects of these transactions are therefore recognized under discontinued operations.

Within the Group's geographical segements - that are based on the regional activities of the UMS Group – UK/ Ireland, the Netherlands and Germany (without the holding company) meet the criteria of IFRS 5 to be classified as discontinued and are therefore presented separately.

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2006 and 2005.

Transfer between the segments are accounted at competitive market prices.

Business Segment Data

	Urology		Gynekology		Radiology	
continuing operations	2006	2005	2006	2005	2006	2005
	k€	k€	k€	k€	k€	k€
External segment revenues	24,665	20,702	10,386	9,685	1,587	888
Intercompany segment revenues	539	0	180	0	0	0
Total segment revenues	**25,204**	**20,702**	**10,566**	**9,685**	**1,587**	**888**
Segment result	**9,480**	**6,131**	**1,517**	**1,565**	**319**	**-497**
Amortization goodwill						
Interest result, net						
Other taxes						
Result before taxes						
Income taxes						
Net loss						
Assets of segments	20,028	21,050	5,674	5,799	2,825	8,948
Investments	1	18	0	0	0	313
Nonattributable assets						
Total assets	**20,029**	**21,086**	**5,674**	**5,799**	**2,825**	**9,261**
Segment liabilities	6,079	6,208	1,119	1,921	1,522	5,924
Nonattributable liabilities	0	0	0	0	0	0
Total liabilities	**6,079**	**6,208**	**1,119**	**1,921**	**1,522**	**5,924**
Other information of segments						
Investments in tangible and intangible assets	4,304	6,097	427	938	1,536	92
Depreciation	2,523	3,122	688	712	360	255
Non-cash relevant transactions	476	1,382	112	439	1,077	85

Geographical Segment Data

	Germany		Netherlands		continuing operations USA/Canada	
	2006	2005	2006	2005	2006	2005
	k€	k€	k€	k€	k€	k€
External segment revenues	0	0	-	-	35,952	30,774
Intercompany segment revenues	1,801	977	-	-	0	0
Total segment revenues	**1,801**	**977**	**-**	**-**	**35,952**	**30,774**
Other segment information						
Total assets of segments	23,005	38,350	0	880	30,572	33,576
Investments in tangible and intangible assets	471	597	0	223	6,249	6,191

Other		Consolidation		Total		discontinued operations		Total operations	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
k€	k€	k€	k€	k€	k€	k€	k€	k€	k€
0	0			36,638	31,275	4,726	25,197	41,364	56,472
1,082	977	--1,801	-977	0	0	0	0	0	0
1,082	**977**	**-1,801**	**-977**	**36,638**	**31,275**	**4,726**	**25,1979**	**41,364**	**56,472**
-151	**-217**	**163**	**-200**	**11,328**	**6,782**	**-54**	**2,160**	**11,274**	**8,942**
		0		0	0	0	-7,661	0	-7,661
				-897	-733	-455	-1,597	-1,352	-2,330
				-183	-175	-5	-112	-188	-287
				-10,248	**5,874**	**-514**	**-7,210**	**9,734**	**-1,336**
				-1,859	-1.235	-76	-4,182	-1,935	-5,417
				-8,389	**4,639**	**-590**	**-11,399**	**7,799**	**-6,753**
5,998	9,494	-4,410	10,352	30,115	34,939	3,709	1,382	33,824	36,321
19,263	19,262	-19,263	-19,592	1	1	0	0	1	1
775	0	207	36	982	8,969	0	114	982	9,083
26,036	**28,765**	**-23,466**	**-29,908**	**31,098**	**43,909**	**3,709**	**1,496**	**34,807**	**45,405**
9,734	11,482	-2,803	50	15,651	25,585	3,709	2,2,96	19,360	27,881
167	0	-101	-112	66	3,396		201	66	3,597
9,901	**11,482**	**-2,904**	**-62**	**15,717**	**28,981**	**3,709**	**2,497**	**19,426**	**31,478**
625	365	-1,492	-412	5,400	7,081	1,432	111	6,832	7,191
48	37	-155	-88	3,464	4,038	1,376	5,931	4,840	9,969
0	0	0	0	1,665	1,906	0	0	1,665	1,906

Chile		Consolidation		Total		discontinued operations		Total operations	
2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
k€	k€	k€	k€	k€	k€	k€	k€	k€	k€
686	501	0	0	36,638	31,275	4,726	25,197	41,364	56,472
0	0	-1,801	-977	0	0	0	0	0	0
686	**501**	**-1,801**	**-977**	**36,638**	**31,275**	**4,726**	**25,197**	**41,364**	**56,472**
987	1,011	-23,466	-29,908	31,909	43,909	3,709	1,496	34,807	45,405
172	482	-1,492	-412	5,400	7,080	1,432	111	6,832	7,191

5. Revenues and expenses

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

Other income/expense	2006 k€	2005 k€
Other Income	424	1,288
Other Expense	-90	-226
	334	**1,062**

Other income mainly includes income from the sale of shares to doctors in the partnership Great Lakes Lithotripsy, LLC, Michigan related to the expansion of the urology segment in Michigan, profits from disposal of assets and exchange gains.

Other expenses mainly includes write downs on receivables, exchange losses and other expenses unrelated to the accounting period.

Finance income

Finance income results from bank interest only.

Finance costs	2006 k€	2005 k€
Bank loans and overdrafts	-598	-392
Other loans	-46	-88
Finance charges payable under finance leases and hire purchase contracts	-366	-333
	-1,010	**-813**

Included in cost of sales are:	2006 k€	2005 k€
Depreciation tangible assets		
• Owned assets	-2,053	-331
• Assets under finance lease	-146	-1,947
Amortization of intangible assets	-1,002	-1,436
	-3,201	**-3,714**
Cost of inventories recognized as an expense	-583	-523
Personnel expenses	-6,647	-5,843
Service and maintenance expenses	-1,005	-875
Other expenses	-6,994	-6,926
Total Cost of Sales	**-18,430**	**-17,881**

General and administration expenses	2006 k€	2005 k€
Depreciation tangible assets		
• Owned assets	-88	-160
• Assets under finance lease	-23	-37
Amortization of intangible assets	-26	0
Personal expenses	-2,102	-2,141
Other expenses	-2,264	-2,547
Total expenses	**-4,503**	**-4,885**

Other expenses include audit fees for the group auditors amounting to 165 k€ (2005: 188 k€), of which 151 k€ are for auditing the consolidated and single-entity financial statements and 14 k€ for tax consulting services.

Distribution and selling expenses	2006 k€	2005 k€
Depreciation tangible assets	-23	-24
Amortization of intangible assets	-102	-103
Personnel expenses	-1,823	-1,827
Other expenses	-763	-834
Total expenses	**-2,711**	**-2,788**

Employee remuneration	2006 k€	2005 k€
Salaries	-8,889	-8,260
Contribution to pension plans	-122	-115
Other social securities	-1,561	-1,436
Total employee remuneration	**-10,572**	**-9,811**

The average number of employees for the year was 206 (2005: 267). Of these 180 were employed at continuing operations (2005: 175).

Depreciation and Amortization Expenses	2006 k€	2005 k€
Property, plant and equipment		
• Cost of Sales	-2,200	-2,278
• Distribution and selling	-23	-24
• General and administration	-111	-197
Total	**-2,334**	**-2,499**
Intangible assets		
• Cost of Sales	-1,002	-1,436
• Distribution and selling	-102	-103
• General and administration	-26	0
Total	**-1,130**	**-1,539**
Total expenses	**-3,464**	**-4,038**

6. Income tax

Major components of income tax expense for the years ended 31 December 2006 and 2005 are:

Consolidated income statement	2006 k€	2005 k€
Current income tax		
• Current income tax	-1,806	-1,743
Deferred income tax		
• Relating to origination and reversal of temporary differences	-53	508
Income tax expense reported in consolidated income statement	**-1,859**	**-1,235**

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 31 December 2006 and 2005 is as follows:

	2006 k€	2005 k€
Accounting profit/loss before income tax from continuing operations	10,248	5,874
Profit/loss from discontinued operations	-514	-7,210
Accounting profit/loss before income tax	**9,734**	**-1,336**

	2006 k€	2005 k€
Germany statutory income tax rate of 41.67% (2005: 41.67%)	-4,056	557
Difference in foreign taxation	270	218
Difference in domestic taxation (non deductible expenses)	-449	-1,007
Difference in domestic taxation (non taxable income)	330	130
Deferred tax expense arising from permanent differences	202	-3,640
Impairment on tax assets/deferred tax assets not recognized	-190	-3,285
Write-up/Correction deferred taxes	73	457
Effect of taxation in limited partnerships	1,871	1,164
Others	14	-11
	-1,935	**-5,417**

	2006 k€	2005 k€
Income tax expense reported in consolidated income statement	-1,859	-1,235
Income tax attributable to the sale of a discontinued operation	0	-2,810
Income tax attributable to the current gain/loss of a discontinued operation	-76	-1,372
	-1,935	**-5,417**

UMS AG has income tax losses of 11.3 million € and 10.3 million € in 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. No deferred tax assets have been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. As future taxable profits of the holding company are not probable, no deferred taxes have been recognized for timing differences for UMS AG.

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. Since the UMS Group sold the business operations of UMS GmbH in July 2006, no future taxable profit is expected for the company. For this reason, no deferred taxes have been recognized for timing differences for UMS GmbH.

UMS Ltd. UK has a tax loss carry-forward of 3.5 million €. Because the company's assets were sold in March 2006, no deferred tax assets have been recognized in this case either.

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

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

The UMS group has not recognized any deferred tax liabilities for withholding taxes on non-distributed profits from subsidiaries (2005: 0 €), as the parent is able to control the timing of the distribution and will use this control to postpone profit distribution into a future period, with the effect that the distribution will not give rise to a tax liability due to planned changes in double taxation agreements.

7. Discontinued operations

As in the consolidated financial statements for the year ended 31 December 2005, residual activities allocable to the oncology business segment, the majority of which was sold in 2005, were classified as discontinued operations. This also applies to the assets of UMS Ltd. UK remaining at 30 September 2006. The company was sold in March 2006 and is in the process of being wound up.

The fundamental reexamination of the European commitment initiated in January 2006 led to the decision by the Management Board and the Supervisory Board to discontinue the operations of the UMS Group in Europe and to press ahead with the sale of the European companies or operations. The UMS Group is thus also with-drawing from the remaining operations in Germany and the Netherlands. At the balance sheet date, the activities associated with these operations are shown as discontinued operations in the income statement, and the assets and liabilities belonging to these sold operations are recognized separately from other assets in the balance sheet.

With the sale of the operations of the German UMS United Medical Systems GmbH and the shares in the Dutch subsidiary UMS B.V. at the beginning of the third quarter of 2006 and the sale of the Focus companies at the end of the year, the resolved concentration of the UMS Group on defined core segments and regions has now been completed. The sales transactions were also largely completed as of the balance sheet date.

The result of discontinued operations of the oncology segment and the geographic segments UK/Ireland, Germany (excluding the activities of the holding company) and the Netherlands for fiscal 2006 and the previous year is summarized in the following overview:

Other income/expense	2006 k€	2005 k€
Revenues	4,726	25,197
Expenses	-4,514	-20,545
Loss recognized on the remeasurement to fair value	-239	-10,153
EBIT	-54	-5,501
Finance costs	-455	-1,597
Other Taxes	-5	-112
Result before taxes	-514	-7,210
Tax Expenses related to pre-tax profit/loss (IFRS 5)	-76	-4,182
Gain/loss for the year from a discontinued operation	**-590**	**-11,392**
Thereof attributable to equity holders of the parent	-639	-11,370
Thereof Minority interest	49	-22

The effects on the result of the sale of discontinued operations (the sale of UMS B.V. and Focus GmbH, the operations of UMS GmbH and Metroscan in 2006, and the sale of PSAC and MRI Ireland in 2005) are 107 k€ in 2006 and 4,138 k€ in 2005. Eliminating the effects attributable to these sales, the current loss after taxes from discontinued operations in the reporting year is –697 k€ (2005: –15,530 k€).

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

	2006 k€	2005 k€
Cash flow from current operating activities	-1,959	80
Cash flow from investing activities	564	16,469
Cash flow from financing activities	392	-7,902
Effect of currency translation	0	48
Net cash effect	**-1,003**	**8,695**

The net cash flow includes proceeds from the disposal of discontinued entities. This is shown in detail in note 3.

The major classes of assets and liabilities classified as held for sale at 31 December 2006 are as follows:

	2006 k€	2005 k€
Trade accounts receivables and other assets	3,709	-
Tangible assets	0	1,024
Bank and Lease liabilities	3,709	1,894

The increase in assets and liabilities classified as held for sale is due to the classification of the operations in Germany and the Netherlands as held for sale at the balance sheet date. These operations were still shown as continuing operations at 31 December 2005.

The receivables and other assets classified as held for sale and the liabilities to banks and lease liabilities relate to the medical equipment leased by UMS and transferred with the sale of the operations. The corresponding lease agreements could not yet be legally transferred to the buyer of the German operations as of the balance sheet date. Until the legal transfer of these lease agreements is complete, the liabilities to banks and the lease liabilities that UMS continues to recognize in the balance sheet under these finance leases are shown as receivables from the buyer in the same amount.

8. 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:

	2006 k€	2005 k€
Profit/loss for the year from continuing operations	8,389	4,639
- Thereof attributable to minorities	4,790	2,939
- Attributable to equity holders of the parent	3,599	1,700
Profit/loss for the year from discontinued operations	-590	-11,392
- Thereof attributable to minorities to minorities	49	-22
- Attributable to equity holders of the parent	-639	-11,370
Profit/loss for the year	7,799	-6,753
- Thereof attributable to minorities	4,839	2,917
- Attributable to equity holders of the parent	2,960	-9,670

	2006 k€	2005 k€
Weighted average number of ordinary shares for basic	6,016	6,016
Effect of dilution: • Share options	200	275
Adjusted weighted average number of ordinary shares for diluted earnings per share	6,216	6,291

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.

9. Property, Plant and Equipment at Cost and Intangible Assets 2006

	Acquisition and production cost					
	01. Jan. 06	Effect of changes in exchange rates	Changes in consolidated group	Additions	Disposals	31. Dec. 06
	€	€	€	€	€	€
Intangible Assets						
Intangible Assets	15,856,380.85	-1,659,494.47	-142,129.87	2,556,239.08	134,647.40	165,476,348.19
Goodwill	16,423,851.19	29.356,68	0.00	0.00	1,280,917.46	15,172,290.41
	32,280,232.04	-1,630,137.79	-142,129.87	2,556,239.08	1,415,564.86	31,648,638.60
Property, plant and equipment						
Land and building	2,694,110.17	-88,915.77	-430,422.66	500,148.34	1,350,746.97	1,324,173.11
Technical equipment and machines	31,373,340.68	-1,275,057.34	-768,187.13	2,900,584.07	15,817,364.77	16,413,315.51
Other equipment, factory and office equipment	5,506,616.62	-404,709.85	-279,927.03	874,642.80	1,178,035.73	4,518,586.81
Advance payments	0.00	0.00	0.00	0.00	0.00	0.00
	39,574,067.47	-1,768,682.96	-1,478,536.82	4,275,375.21	18,346,147.47	22,256,075.43

Accumulated depreciation						Net book value			
01. Jan 06	Effect of changes in change rates	Changes in consolidated group	Additions	Disposals	31. Dec. 06	31. Dec. 06	thereof discontinued operations	thereof continuing operations	31. Dec. 05
€	€	€	€	€	€	€	€	€	€
4,239,371.28	-484,129.54	-136,498.46	1,083,454.76	14,684.28	4,687,513.76	11,788,834.43	0,00	11,788,834.43	11,617,009.57
16,350,102.72	-4,778.94	0.00	0.00	1,246,781.84	15,098,541.94	73,748.47	0.00	73,748.47	73,748.47
20,589,474.00	-488,908.48	-136,498.46	1,083,454.76	1,261,466.12	19,786,055.70	11,862,582.90	0.00	11,862,582.90	11,690.,758.04
831,918.46	-12,200.46	-358,542.01	155,970.65	489,798.16	127,348.48	1,196,824.63	0.00	1,196,824.63	1,862,191.71
19,670,406.88	-780,547.99	-241.459,47	3.067.903,36	10.106.541,18	11,609,761.60	4,803,553.91	0.00	4,803,553.91	11,702,933.80
4,224,973.21	-323,851.02	-195,970.66	533,034.16	1,014,255.32	3,223,930.37	1,294,656.44	0,00	1,294,656.44	1,281,643.41
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
24,727,298.55	-1,116,599.47	-795,972.14	3,756,908.17	11,610,594.66	14,961,040.45	7,295,034.98	0,00	7,295,034.98	14,846,768.92

9. 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

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

9. Property, plant and equipment

Impairment of property, plant and equipment

No impairment of property, plant and equipment was determined in connection with an evaluation of recoverability of the fixed assets of the UMS Group companies.

Assets under finance lease

The carrying value of machinery and equipment held under finance leases and hire purchase contracts at 31 December 2006 is 4,550 k€ (2005: 11,031 k€). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Assets acquired in business combinations

Included in the plant and equipment at 31 December 2006 was an amount of 497 k€ relating to expenditure for assets acquired in business combinations.

10. Intangible Assets

The carrying value of intangible assets includes the following items:

- Customer contracts purchased through the effect of a business combination,
- distribution rights for the exclusive right to sell the Piezolith P3000 units 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 utilized 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 amortized over 5 years, beginning on 1 January 2005. The useful life of software is 3 years.

The assets shown in the balance sheet that were acquired in connection with Certificates of Need are no longer amortized. The indefinite life is in line with industry standards, as certificates of this type are awarded for an indefinite period and have no expiration date.

Where amortization is charged on assets with finite lives, 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" line item (distribution rights) or the "amortization goodwill" line item (goodwill).

The book value of intangible assets is as follows:

	2006 k€	2005 k€
Contracts	9,226	9,597
Distribution Rights	83	139
Certificate of Need	2,470	1,870
Software	10	11
Intangible Assets	**11,789**	**11,617**
Goodwill	**74**	**74**

The US affiliate of the group has acquired the exclusive right to sell Piezolith-Units produced by Richard Wolf GmbH. 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 for the lithotripsy system type P3000.

Intangible Assets acquired in business combinations

In March 2006, the US affiliate of the Group, through its subsidiary Great Lakes Lithotripsy LLC, acquired a Certificate of Need (868 k€) and contracts (1,870 k€) of a mobile lithotripsy route in Michigan in a business combination, which are reported under intangible assets.

11. Impairment testing of indefinite lived goodwill, patents and licenses

Goodwill acquired through business combinations has been substantially reduced due to impairments in 2005. The remaining goodwill has been allocated to the US 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 8.0 per cent (2005: 7.5 per cent). Cash flows for the year 4 and following are projected from budget figures assuming a constant number of equipment in use.

	2006 k€	2005 k€
USA	74	74
Goodwill	**74**	**74**

Other financial assets

Other financial assets include private equity instruments (shares in non-consolidated subsidiaries), the fair value of which cannot be reliably determined and which are therefore carried at amortized cost.

12. Employee benefits

Share Option Plan

An Employee Stock Option Plan was adopted at the special shareholder's meeting held on 24 May 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.

The exercise period for employee options expired in the reporting year. The employees of the UMS Group had therefore no share options at 31 December 2006 (60,350 in fiscal 2005).

Pensions and other post-employment benefit plans

The US affiliate of the UMS Group maintains two 401(k) defined contribution profit-sharing plans, which cover all eligible employees. Withdrawals from the plan may not be made before the age of 65 ½. Contributions to the plan are at the discretion of management. Contribution expense recorded was 112 k€ and 105 k€ for the years ended 31 December 2006 and 2005, respectively.

Contributions to government pension schemes in Germany, which have been classified as multi-employer defined contribution plans, were 96 k€ in the reporting year (150 k€ in the previous year). These contributions were expensed in the income statement.

13. Inventories

	2006 k€	2005 k€
Trade goods	1,091	510
Medical equipment	30	59
	1,121	**569**

The cost of inventories recognized as an expense in the income statement was 220 k€ and 3,234 k€ in 2006 and 2005, respectively. The costs are mainly related to the discontinued oncology segment.

14. Trade and other receivables (current)

	2006 k€	2005 k€
Trade receivables	5,931	8,717
Accounts receivables from contract administration – short term	3,709	0
	9,640	**8,717**

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 123 k€ (2005: 1,255 k€). Thereof, 81 k€ related to the UK business and therefore to a discontinued operation. Collection of old receivables from the operations of the UMS Group in Great Britain sold in March is no longer considered sufficiently probable. The other write-downs also relate to discontinued operations.

As of December 31, no receivables (2005: 214 k€) have been pledged as security for short term bank debt. The factoring process for UMS UK that still existed in the previous year was discontinued in 2006.

Trade receivables include receivables of the group from UMS Ecuador.

Receivables from contract administration result from the agreement entered into with the buyer of the operations of UMS GmbH under which UMS continues to administer existing finance leases for medical equipment until the lenders have given the necessary approval for the buyer to take over these contracts as planned. For all finance lease agreements not yet fully transferred at the balance sheet date, receivables corresponding to the lease liabilities were therefore recognized in the balance sheet. These receivables are reported separately under "noncurrent assets and assets of disposal groups held for sale."

15. Cash

	2006 k€	2005 k€
Cash at bank and in hand	3,353	7,582

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 3,353 k€ (2005: 7,582 k€).

16. Issued capital and reserves

Authorized

	2006 k€	2005 k€
Ordinary shares of 1 € each	6,016	6,016

The ordinary shares are fully paid in.

Additional paid-in Capital

	2006 k€	2005 k€
Additional paid-in Capital	8,340	8,539

The additional paid-in capital includes the excess over par value for the 6 million shares.

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 30 May 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

On 2 April 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 31 December 2006 the fair value of the option has been calculated with 4.46 €.

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 22 November 2007. 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.

17. Interest-bearing loans and borrowings

Current	**Effektiver interest rate %**	**Maturity**	**2006 k€**	**2005 k€**
Obligations under finance leases and hire-purchase contracts	5 - 12%	2007	2.976	3.468
Bankliabilities				
Bank overdrafts in EUR	Euribor + (1,5 - 2,5 %)	2007	54	281
Money Market loans in EUR	1 M-Euribor + 3,5 %	2007	500	0
Bank loans in CLP	Leitzins + 1,9 %	2007	44	0
9.000.000 USD Loan	8 %	2007	454	379
3.000.000 USD Loan	Prime + 0,25 %	2007	530	590
3.500.000 USD Loan	Prime + 0,25 %	2007	514	0
3.000.000 EUR Loan	6M-Euribor + 2 %	2007	750	750
Credit note University of Michigan	7,37 %	2007	57	59
Equipment financing EUR	4,67 %	2007	597	691
Mortgage USD	Prime + 1 %	2007	45	50
Mortgage EUR	5,73 %	2007	0	51
Total			**3,545**	**2,851**

Non-current	**effektive interest rate %**	**Maturity**	**2006 k€**	**2005 k€**
Obligations under finance leases and hire-purchase contracts	5 - 12 %	2007-2010	4.418	7.439
Bankliabilities				
Bank loans in CLP	Leitzins + 1,9 %	2008	14	0
9.000.000 USD Loan	8 %	2011	1.456	2.130
0.500.000 USD Loan	Prime + 0,25 %	2010	1.589	2.360
3.500.000 USD Loan	Prime + 0,25 %	2011	1.715	
3.000.000 EUR Loan	6M - Euribor + 2 %	2008	375	1.125
Credit note University of Michigan	7,37 %	2010	197	283
Equipment financing EUR	4,67 %	2007-2008	302	1.033
Mortgage USD	Prime + 1 %	2018	454	555
Mortgage EUR	5,73 %	2019-2020	0	840
Total			**6,102**	**8,326**

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

Line of credit and money market credit in EUR

The Line of credit in EUR includes several lines of credit in Germany with a total volume of € 1.1 million. € 0.5 million of this credit line was not utilized as of the balance sheet date. The US affiliate of the Group has guaranteed the credit line in Germany.

Bank loans in CLP

These are short-term and medium-term loans of Banco de Chile to provide working capital for the Chilean subsidiary.

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 31 December 2006 and will be met according to budget 2007.

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.

3,400,000 USD Loan

The loan, that is also related to 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 2011.

3,000,000 EUR Bank Loan

The loan will be repaid in 3 equal installments of 375,000 €. The existing covenant agreements (obligation to meet certain equity ratios) are met at 31 December 2006 and will be met according to budget 2007.

Equipment Financing

The equipment financing is secured by the financed equipment and repaid over 14-17 month.

Credit note University of Michigan

The US affiliate of the group purchased the rights to a 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

The mortgage financing is secured by the related building.

Mortgage Financing in EUR

The mortgage financing in EUR, that was related to the land and building of the German service company, has been transferred to the buyer of the business, the Alliance Group.

Through its US affiliate, the UMS Group also has a USD credit line of USD 3 million $. As in the previous year, this credit line was not utilized as of the balance sheet date.

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

18. Accurals/Provisions

	Balance at Jan. 1, 2006	Currency Translation Adjustment	Accrual used during the year	Accruals reversed during the year	Accruals made during the year	Deconsolidation	Balance at Dec. 31, 2006
	k€	k€	k€	k€	k€	k€	k€
Outstanding invoices	497	-14	497	79	126	0	33
Legal and consulting fees	120	0	127	35	111	0	69
Audit fees	220	-10	208	24	238	-1	215
Interest	19	-2	65	0	61	0	13
Outstanding vacation	221	-16	96	8	36	0	137
Reduction of office space/rent	65	-7	139	0	137	0	56
Restructuring	358	-27	300	12	19	0	38
Bonuses	35	0	25	10	21	0	21
Other	237	2	210	69	143	-2	101
Total	1,772	-74	1,667	237	892	-3	683

All accruals are current. The overview shows both accruals of continued and discontinued business.

The restructuring provision relates to the job cuts at UMS AG. The restructuring plan was prepared and disclosed to the employees involved in fiscal 2006. The provision was calculated based on estimated costs and contractual agreements. The restructuring measures are expected to be completed in the first quarter of 2007.

19. Government Grants

	2006	2005
	k€	k€
At 1. January	176	186
Received during the year	0	0
Retirement due to sale of the subsidized asset	176	10
At 31 December	0	176

The government grants are subsidies granted by the "Regionales Wirtschaftsförderungsprogramm des Landes NRW" for the UMS GmbH. The grants were directly allocated to the subsidized asset (land and building) and deducted from the acquisition cost. The land and the building were sold along with the operations of UMS GmbH.

20. 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.

21. 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 US 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 finance lease agreements carried on the balance sheet of the UMS Group also include a number of agreements for financing assets used by UMS GmbH. These assets were sold in connection with the sale of the company's assets July 2006. At the same time, the purchase agreement stipulates a transfer of the corresponding finance leases to the buyer. To the extent that the transfer of these agreements has not yet been completed at the balance sheet date, the corresponding liabilities are still reported in the consolidated financial statements of the UMS Group under discontinued operations. A receivable is shown in the same amount.

The overview below lists all the assets under finance leases, including those of discontinued operations.

	2006 k€	2005 k€
Machinery and equipment	8,477	22,460
Accumulated depreciation	3,927	11,429
Net book value	**4,550**	**11,031**

Future minimum lease payments for the above finance leases, including those that have not yet been fully transferred to the buyer of the German operations, are as follows:

	2006 k€	2005 k€
Within one year	3,494	4,443
After one year but no more than 5 years	4,840	7,917
More than 5 years	0	0
Total minimum lease obligations	**8,334**	**12,360**
Interest	-940	-1,452
Present value of minimum obligations	**7,394**	**10,908**

Representing finance lease liabilities:

	2006 k€	2005 k€
- current	2,976	3,469
- non-current	4,418	7,439

Future minimum payments from subleasing	**3,709**	0

Future minimum payments under subleases relate exclusively to receivables from the buyer of the German operations under leases that have not yet been fully transferred to the buyer at the balance sheet date and are therefore still managed by UMS Group companies at the end of the reporting year.

Lessee - Operating Lease

The Company and its subsidiaries have various operating lease agreements for machinery and vehicles. In the US, the volume of operating lease agreements decreased significantly as a result of the sale of the subsidiary PSAC at the end of the 3rd quarter of 2005, since a majority of the agreements related to this subsidiary.

Rent expense consisted of the following:

	2006 k€	2005 k€
	248	5,131

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

	2006 k€	2005 k€
Within one year	283	416
After one year but no more than 5 years	200	539
After 5 years	0	0
	483	**955**

Operating lease commitments – Group as lessor

UMS AG entered into a lease agreement for commercially leasing an MRI unit on October 2006. The term of the 60-month agreement commenced on 1 October 2006. The agreement cannot be cancelled by the lessee. Future minimum rentals receivable under non-cancelable operating leases as at 31 December are as follows:

	2006 k€	2005 k€
Within one year	92	0
After one year but no more than 5 years	343	0
After 5 years	0	0
	435	**0**

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 31 December 2006, 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.

22. Related party disclosures

The consolidated financial statements include the financial statements of the UMS AG and the subsidiaries listed in the following table. In addition, the group income statement also includes the pro-rata result of the subsidiaries Focus GmbH, Focus KG and UMS B.V., that have been deconsolidated as per 31, December 2006 but were fully included in the group financial statement in 2005.

Company	Place of incorporation	Ownership interest	Equity Dec. 31, 2006	Result 2006
			€	€
UMS GmbH	Hamburg, GER	100%	191,014.25	29,023.03
UMS Ltd. UK	Liverpool, GB	100%	-53,835.90	-30,101.23
UMS Chile S.A.	Quilicura, Chile	75%	455,323.35	69,189.37
UMS (DE) Inc.	Delaware, USA	100%	13,493,561.12	2,556,522.61
UMS Canada Inc. 1)	Ontario, Can	100%	121,643.34	-2,349.93
Michigan United MRI Services, LLC 1)	Massachusetts, USA	100%	402,802.31	402,802.31
UMS ASC MGMT Inc. 1)	Massachusetts, USA	100%	0.00	0.00
ASC LP 1)	Massachusetts, USA	20%	-338,412.67	-166,178.97
Great Lakes Lithotripsy, LLC 1)	Michigan, USA	25%	892,541.50	3,117,011.87
UMS TN LP 1)	Tennessee, USA	51%	57,365.83	32,254.99
UMS LLC 1)	Tennessee, USA	100%	398,610.78	706,239.28
UMS Beaver LLC 2)	Delaware, USA	20%	73,738.70	119,693.51
UMS CT LP 4)	Connecticut, USA	40%	617,428.88	834,814.37
UMS Finger Lakes LLC 2)	New York, USA	20%	21,253.31	40,558.59
UMS FL LP 2)	Florida, USA	20%	166,342.01	164,453.65
UMS NE LP 2)	Massachusetts, USA	15%	755,590.57	1,455,183.44
UMS NH LP 2)	New Hampshire, USA	10%	128,207.96	137,253.52
UMS Garden State LP 2)	New Jersey, USA	100%	-19,251.75	0.00
UMS Westchester LLC 2)	Delaware, USA	51%	163,252.22	138,053.58
UMS Smyth CountyLLC 2)	Delaware, USA	25%	7,075.97	-2,005.30
UMS Binghamton LLC 2)	New York, USA	25%	20,592.83	21,854.12
UMS Ortho MGMT, LLC 1)	Delaware, USA	88%	0.00	0.00
UMS NE ESWT LP 3)	Delaware, USA	100%	0.00	0.00

1) The shares are held indirectly by UMS GmbH GER.
2) The shares are held indirectly by UMS LLC USA.
3) The shares are held indirectly by UMS Ortho 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, 2006	Result 2006	Net Book Value Dec. 31, 2006
		€	€	€
UMS Ecuador	99%	2,032.32	-2,789.09	773.90
Neuromed Italia S.r.l.	100%	n/a	n/a	0.00

UMS Ecuador started operations in the 1st quarter of 2006. Due to the size of the business, which was initially started with a used lithotripter, the activities in Ecuador are not significant for purposes of the consolidated financial statements. They were therefore omitted from consolidation in 2006. The shares in UMS Ecuador are held indirectly through UMS Chile.

Neuromed Italia S.r.l. discontinued its operations in 2002 and is in liquidation.

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
Mechanical Engineer
Chairman of the Management Board
Chief Executive Officer (CEO)

Ingo Klemke, Quickborn, Germany
Physicist
Chief Operating Officer (COO)
until 31 December 2006

Compensation of the Management Board

(a) In 2006, the compensation paid to the Management Board totaled almost 366 k€, compared to 342 k€ in 2005. The remuneration of Jørgen Madsen was 203 k€ in fiscal 2006 (previous year: 162 k€). 166 k€ of this amount was not linked to performance. The performance related component was 37 k€. Ingo Klemke's remuneration in the reporting year was 163 k€ (previous year: 93 k€ starting 1 May 2005). 132 k€ was not linked to performance. The remaining amount of 31 k€ is related to his termination.

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

	direct	indirect
Ingo Klemke	11,000	250
Jørgen Madsen	339,116	0

(2) Supervisory Board

Wolfgang Biedermann, Hamburg,
MBA
Director
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
Flomerics PLC, London/UK

Norbert Heske, Kottgeisering
Engineer
Director

Prof. Thomas J.C. Matzen, Hamburg
MBA
Director

Other supervisory board positions:

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 2006 and 2005.

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

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

Transactions with related parties

In 2006, the group purchased goods from BIP Biomed.-Instrumente und Produkte GmbH, Türkenfeld, for 5.0 k€. Shareholder of this company is Norbert Heske, member of the supervisory board.

23. 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 summarized 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 possible future interest rate exposure, an interest rate swap with a term of 5 years was entered into on 3 March 2005, hedging the interest rates of loans totaling 2.5 million € at 3.86%. The base rate is the 3-month EURIBOR rate. At the date of execution, this rate was 3.725%. The underlying transaction provides that UMS covers 50% of the difference between the actual 3-month EURIBOR (base rate) and the agreed ceiling of 3.86%. The interest rate swap was measured at fair value (16 k€) at the balance sheet date.

In addition, the US subsidiary of the Group used interest rate swaps to hedge the interest rates for two acquisition loans with variable interest rates of prime plus 0.25% at a fixed rate of 8.6%. The prime rate at the date of execution was 8.25%. These swaps were not recognized at fair value because the corresponding amount was not significant.

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 recognized, 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 derivative instruments, 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.

24. 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.

Hamburg, 21 March 2007

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, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to 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.

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 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 22, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

Financial Statement 2006

UMS United Medical Systems International AG

Balance Sheet

as of December 31, 2006

ASSETS	2006	2005
	€	€
Non-current assets		
Intangible assets		
Licences, trademarks, patents etc. as well as licences to such rights and assets	4,884.31	5,827.50
	4,884.31	**5,827.50**
Tangible assets		
Technivcal equipment and machines	588,353.20	386,974.37
Other equipment, factory and office equipment	32,114.72	34,247.86
	620,467.92	**421,222.23**
Shares in affiliated companies	19,262,468.94	19,262,468.94
	19,262,468.94	**19,262,468.94**
Current assets		
Receivables trade and other receivables		
Trade account receivable - thereof due after more than one year € 0.00 (Vj. € 0.00)	400,000.00	386,974.66
Amounts due from affiliated companies - thereof due after more than one year € 0.00 (Vj. € 0.00)	658,768.68	746,969.11
Other receivables - thereof due after more than one year € 0.00 (Vj. € 0.00)	570,988.16	584,934.32
	1,629,756.84	**1,718,878.09**
Cash, cash in banks	8,927.95	783.69
	8,927.95	**783.69**
Deferred charges and prepaid expenses	28,249.33	6,092.12
	28,249.33	**6,092.12**
	21,554,755.29	**21,415,272.57**

EQUITY AND LIABILITIES	2006	2005
	€	€
Equity		
Common stock	6,016,261.00	6,016,261.00
Addition paid-in capital	11,120,348.82	11,319,351.01
Earning reserve	211,596.31	211,596.31
Accumulated loss	0.00	0.00
	17,348,206.13	**17,547,208.32**
Provisions and accured liabilities		
Accurals for pensions and similar obligations	18,139.00	17,352.00
Accurals for taxes	0.00	326,932.00
Other accurals and accured liabilities	179,506.14	273,293.39
	197,645.14	**617,577.39**
Liabilities		
Liabilities due to banks - thereof falling due within one year € 1,250,000 (VJ: € 839,171.87)	1,625,000.00	1,964,171.87
Trade accounts payables - thereof falling due within one year € 225,567.88 (Vj. € 202,632.00)	483,161.20	585,053.38
Amounts due to affiliated companies - thereof falling due within one year € 1,872,144.12 (Vj. € 616,849.14)	1,872,144.12	658,943.66
Other liabilities - thereof falling due within one year € 25,948.28 (Vj. € 42,317.95) - thereof for taxes € 9,117.17 (Vj. € 7,867.22) - thereof for social security € 655.70 (Vj. € 8,625.62)	28,598.70	42,317.95
	4,008,904.02	**3,250,486.86**
	21,554,755.29	**21,415,272.57**

Income Statement

for the Financial Year 2006

		2006	2005
		€	€
1.	Revenues	2,289,179.79	1,794,662.80
2.	Cost of revenues	-927,708.32	-573,690.21
3.	**Gross profit**	**1,361,471.47**	**1,220,972.59**
4.	General and administrative expenses	-1,370,168.43	-1,403,699.87
5.	Other operating income	463,769.39	90,387.21
6.	Other operation expenses	-485,293.34	-336,138.36
7.	Income from affiliated companies	0.00	5,816,932.45
8.	Interest and similar income thereof from affiliated companies: 0.00 € (2005: 0.00 €)	185.85	20,937.54
9.	Write-offs of financial assets and securities included un current assets	0.00	-18,943,120.28
10.	Interest and similar expenses thereof from affiliated companies: 1,849.86 € (2005: 3,007.19 €)	-164,386.92	-295,624.65
11.	**Result from ordinary operations**	**-194,421.98**	**-13,829,353.37**
12.	Taxes on income	0.00	-290,000.00
13.	Other taxes	-4,580.21	-777.26
		-4,580.21	**-290,777.26**
14.	**Loss for the year**	**-199,002.19**	**-14,120,130.63**
15.	Loss carried forward	0.00	-20,251,231.48
16.	Transfer from capital reserve	199,002.19	34,371,362.11
17.	**Accumulated loss**	**0.00**	**0.00**

UMS United Medical Systems International AG, Hamburg – Notes for fiscal year 2006

1. General Information

The financial statements at December 31, 2006 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) pursuant to § 315a of the German Commercial Code.

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.

Receivables and Liabilities are adjusted at balance sheet date to the exchange rate at balance sheet date.

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.

The shares in affiliated companies within the meaning of § 285(11) of the Commercial Code (HGB) involve the following companies:

Company	Location/County	share of the capital	Equity at 31.12.2006	Net Income 2005
			€	€
Direct Investments				
UMS GmbH	Hamburg, GER	100%	191,014.25	29,023.03
UMS Ltd. UK	Liverpool, GB	100%	-53,835.90	-30,101.23
UMS Chile S.A.	Quilicura, Chile	75%	455,323.35	69,189.37
UMS (DE) Inc.	Delaware, USA	100%	13,493,561.12	2,556,522.61
Neuromed Italia S.r.l.	Padova, Italiy	100%	n/a	n/a
Indirect Investments				
UMS Canada Inc. 1)	Ontario, Can	100%	121,643.34	-2,349.93
Michigan United MRI Services, LLC 1)	Massachusetts, USA	100%	402,802.31	402,802.31
UMS ASC MGMT Inc. 1)	Massachusetts, USA	100%	0.00	0.00
ASC LP 1)	Massachusetts, USA	20%	-338,412.67	-166,178.97
Great Lakes Lithotripsy, LLC 1)	Michigan, USA	25%	892,541.50	3,117,011.87
UMS TN LP 1)	Tennessee, USA	51%	57,365.83	32,254.99
UMS LLC 1)	Tennessee, USA	100%	398,610.78	706,239.28
UMS Beaver LLC 2)	Delaware, USA	20%	73,738.70	119,693.51
UMS CT LP 2)	Connecticut, USA	40%	617,428.88	834,814.37
UMS Finger Lakes LLC 2)	New York, USA	20%	21,253.31	40,558.59
UMS FL LP 2)	Florida, USA	20%	166,342.01	164,453.65
UMS NE LP 2)	Massachusetts, USA	15%	755,590.57	1,455,183.44
UMS NH LP 2)	New Hampshire, USA	10%	128,207.96	137,253.52
UMS Garden State LP 2)	New Jersey, USA	100%	-19,251.75	0.00
UMS Westchester LLC 2)	Delaware, USA	51%	163,252.22	138,053.58
UMS Smyth County LLC 2)	Delaware, USA	25%	7,075.97	-2,005.30
UMS Binghamton LLC 2)	New York, USA	25%	20,592.83	21,854.12
UMS Ortho MGMT, LLC 1)	Delaware, USA	88%	0.00	0.00
UMS NE ESWT LP 3)	Delaware, USA	100%	0.00	0.00
UMS Ecuador 4)	Quito, Ecuador	99%	2,032.32	-2,789.09

1) The shares are held indirectly by UMS (DE) Inc. USA.
4) The shares are held indirectly by UMS LLC USA.
3) The shares are held indirectly by UMS Ortho MGMT LLC.
4) 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, 2006 no stock options have been issued to the employees of the UMS Group. The exercise period for these options expired in 2006, so that no options were recognized at the balance sheet date (60,350 as of December 31, 2005).

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 22, 2007. 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

In 2006 the management board decided to balance the accumulated deficits of UMS AG with additional paid-in capital (§ 150 Abs. 4 AktG).

3.3 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 18 k€ (prior year 17 k€).

Tax Accruals

The tax accrual made in 2005 to cover the withholding tax for the dividend payment of the US-affiliate has been almost fully used in 2006. A remaining balance of 13 k€ has been reversed in 2006.

Other Accruals

	01.01.2006	Amount used	Reversal	Additions	31.12.2006
	k€	k€	k€	k€	k€
Legal and Consulting Fees	65	62	0	45	48
Interest	0	0	0	0	0
Audit Fees	63	63	0	43	43
Annual Report	36	19	17	25	25
Bonus	33	23	10	21	21
Restructuring	53	32	12	19	28
Other	23	20	3	15	15
	273	**219**	**42**	**168**	**180**

The restructuring provision mainly relates to the job cuts at UMS AG resulting from discontinuing operations in Europe and from remaining obligations arising out of the sale of the assets of the UK business.

3.4. Liabilities

The remaining term of the liabilities does not exceed five years.

3.5. Other

The income statement includes the following items:

Personal Costs	2006 k€	2005 k€
Salaries and Wages	530	496
Social Securities and Retirement Expenses	69	66
- thereof: for retirement expenses	1	2

Depreciation	2006 k€	2005 k€
Depreciation of fixed assets	165	234
Depreciation of financial assets	0	18,943

Cost of Materials	2006 k€	2005 k€
Cost of raw materials, supplies and goods for resale	630	0
Cost of purchased Services	3	0

Other Operation Income	2006 k€	2005 k€
Income from reversal of accruals	55	11
Exchange gains	4	53
Contribution in kind	18	17
Income from disposal of fixed assets	0	4
Income from reversal of bad debt reserves	223	0
Incom from sale of a right to use	151	0
Other	13	5
	464	**90**

Other operating expenditure	2006 k€	2005 k€
Allowance for accounts receivables	419	253
Exchange losses	0	23
Disposal of financial assets	0	58
Obligations out of rental agreement UMS UK	55	0
Other	11	2
	485	**336**

The allowance for accounts receivables is mainly related to accounts receivables due from the affiliated companies Focus GmbH and UMS UK, that have been waived in the process of selling or liquidating these entities.

4. Other Disclosures

4.1. Management (Governing Bodies)

Management Board	
Jørgen Madsen, Bolton Mechanical Engineer 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 Physicist	authorized to sign with another board member or an authorized signatory (Prokurist) Member of the Board until December 31, 2006

The Management Board has been released from the limitation under § 181 (2) of the German Civil Code (BGB). The Management Board has been appointed by the Supervisory Board under § 84 (1) AktG for a maximum period of five years.

The compensation paid to Jørgen Madsen, who is also CEO of the US-affiliate UMS USA, is solely reflected in the financial statement of UMS USA The remuneration of Jørgen Madsen was 203 k€ in fiscal 2006 (previous year: 162 k€). 166 k€ of this amount was not linked to performance. The performance related component was 37 k€. Ingo Klemke's remuneration in the reporting year was 163 k€ (previous year: 93 k€ starting 1 May 2005). 132 k€ was not linked to performance. The remaining amount of 31 k€ is related to his termination.

Supervisory Board

Wolfgang Biedermann, Hamburg
MBA

Member in Supervisory Boards:

Scorpion Technologies AG, Hamburg
Newmex Holding AG, Hamburg
PACT AG, München
Smart Fuel Cell AG, München
thinXXS Microtechnology AG, Zweibrücken
Flomerics plc., London/UK

Norbert Heske, Kottgeisering
Engineer

Prof. Thomas J.C. Matzen, Hamburg
MBA

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 2006.

4.2. Number of Employees

The Company employed an average of 7 (2005: 7) employees during the fiscal year.

4.3. Audit Fees

Fees for the auditing company amount to 88 k€ (2005: 146 k€), of which 88 k€ (2005: 146 k€) are for auditing services.

4.4. Other Financial Obligations

On December 31, 2006 the Company does not have any other financial obligations that are material to give a true and fair view of the financial position of the Company and that can not be avoided by the Company or that have an occurrence probability making a note under § 285 (3) HGB necessary.

4.5. Contingent Liabilities

The company is liable jointly and severally towards Dresdner Bank AG, Hamburg, for a line of credit jointly used by UMS AG and UMS GmbH in the amount of 1,125 k€. As per December 31, 2006 the line of credit has been used by both companies together with the amount of 554 k€. Guaranties of 378 k€ have been applied against the line of credit at balance sheet date.

Further more the company has taken on contingent liabilities for several lease agreements of UMS GmbH in the amount of 1.811 T€. In addition UMS AG has given a guarantee of 525 T€.

4.6. Derivative financial assets

To reduce possible future interest rate exposure, an interest rate swap with a term of 5 years was entered into on 3 March 2005, hedging the interest rates of loans totaling 2.5 million € at 3.86%. The base rate is the 3-month EURIBOR rate. At the date of execution, this rate was 3.725%. The underlying transaction provides that UMS covers 50% of the difference between the actual 3-month EURIBOR (base rate) and the agreed ceiling of 3.86%. The interest rate swap was measured at fair value (16 k€) at the balance sheet date.

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

Thomas J.C. Matzen GmbH, Hamburg, with 16.9 %;
Jorgen Madsen, Bolton, USA, mit 5.6%;
Henderson Global Investors Limited, UK, with 5.2 %.

4.8. 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 6, 2007

signed Jørgen Madsen

Change in Fixed Assets 2006

	Acquisition and production costs			
	01.01.2006 €	Additions €	Disposals €	31.12.2006 €
I. Intangible assets				
Licences, trademarks, patents etc., as well as licences to such rights and assets	22,304.21	2,455.00		24,759.21
	22,304.21	**2,455.00**	**0.00**	**24,759.21**
II. Tangible assets				
1. Technical equipment and machines	663,184.77	352,237.83		1,015,422.60
2. Other equipment, factory and office equipment	89,861.72	10,114.73	4,360.00	95,616.45
	753,046.49	**362,352.56**	**4,360.00**	**1,111,039.05**
III. Financial assets				
1. Shares in affiliated companies				
UMS GmbH	26,172,784.24			26,172,784.24
UMS (DE) Inc. USA	19.233,453.57			19,233,453.57
MRI Ireland	695,297.75			695,297.75
UMS Italia s. r. l.	0.00			0.00
UMS Ltd. UK	4,678,573.83			4,678,573.83
UMS Inc. Can.	0.00			0.00
UMS Chile S.A.	29,015.37			29,015.37
	50,809,124.76	**0.00**	**0.00**	**50,809,124.76**
2. Investments	8,850.89			8,850.89
	50,817,975.65	**0.00**	**0.00**	**50,817,975.65**
	51,593,326.35	**364,807.56**	**4,360.00**	**51,953,773.91**

Accumulated depreciation				Net book Value	
01.01.2006 €	Additions €	Disposals €	31.12.2006 €	31.12.2006 €	31.12.2005 €
16,476.71	3,398.19	0.00	19,874.90	4,884.31	5,827.50
16,476.71	**3,398.19**	**0.00**	**19,874.90**	**4,884.31**	**5,827.50**
276,210.40	150,859.00		427,069.40	588,353.20	386,974.37
55,613.86	10,873.28	2,985.41	63,501.73	32,114.72	34,247.86
331,824.26	**161,732.28**	**2,985.41**	**490,571.13**	**620,467.92**	**421,222.23**
26,172,784.24			26,172,784.24	0.00	0.00
0.00			0.00	19,233,453.57	19,233,453.57
695.,297.75			695,297.75	0.00	0.00
0.00			0.00	0.00	0.00
4,678,573.83			4,678,573.83	0.00	0.00
0.00			0.00	0.00	0.00
0.00			0.00	29,015.37	29,015.37
31,546,655.82	**0.00**	**0.00**	**31,546,655.82**	**19,262,468.94**	**19,262,468.94**
8,850.89			8,850.89	0.00	0.00
31,555,506.71	**0.00**	**0.00**	**31,555,506.71**	**19,262,468.94**	**19,262,468.94**
31,903,807.68	**165,130.47**	**2,985.41**	**32,065,952.74**	**19,887,821.17**	**19,689,518.67**

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 January 1, 2006 to December 31, 2006. 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 Company 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 9, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Schlüschen
Wirtschaftsprüfer

[German Public Auditor]

Seeburg
Wirtschaftsprüferin

[German Public Auditor]

Glossary

ASC LP	Andover Surgery Center LP, Andover, USA
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
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
Richard Wolf	Richard Wolf GmbH, Knittlingen, Deutschland
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 Binghamton LLC	UMS Services of Binghamton LLC, Delaware, USA
UMS Smyth County LLC	UMS Urology Services of Smyth County 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 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
UMS Binghamton LLC	UMS Services of Binghamton LLC, Delaware, USA
UMS Smyth County LLC	UMS Urology Services of Smyth County LLC, Delaware, USA
Michigan United MRI Services LLC	Michigan United MRI Services LLC, Massachusetts, 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 minimized 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 lithotripsy. 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 surgery 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 urological and orthopedic indications. Examples include breaking up kidney stones and gallstones, as well as treating shoulder calcifications 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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