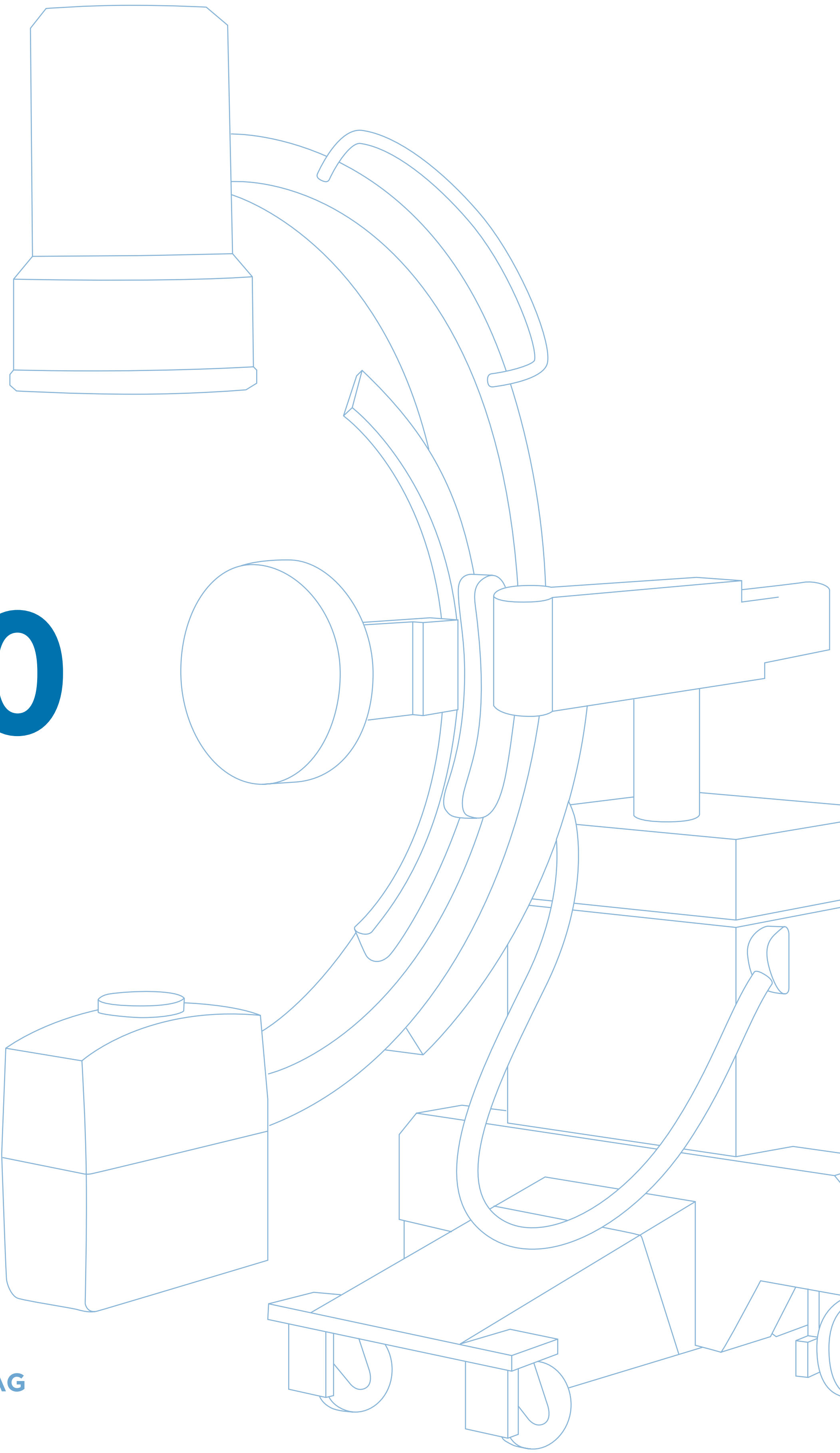
UMS

UNITED MEDICAL SYSTEMS



2010
ANNUAL REPORT

UMS United Medical Systems International AG

Key Indicators

in mill. EUR	Jan 1st to Dec. 31 2010	Jan 1st to Dec. 31 2009	Change in %
Revenues *	38.9	35.7	9%
Gross Profit *	19.8	17.9	10%
in %	51%	50%	
Depreciation and Amortization *	3.6	2.9	22%
EBITDA *	16.4	14.5	13%
in %	42%	41%	
EBIT *	12.8	11.5	11%
in %	33%	32%	
Profit for the year	10.0	9.5	5%
in %	26%	27%	
Earnings per share (in EUR)	0.61	0.48	27%

in mill. EUR	12/31/2010	12/31/2009	
Number of employees	200	207	– 3%
Net financial position	0.4	– 0.5	–
Total equity	23.6	21.2	11%
Outsanding Shares (in thousands)	5,106	5,272	– 3%
Market Capitalisation	34.1	30.2	13%

* without discontinued operation

FINANCIAL CALENDAR

April 4, 2011	Annual Report 2010
May 13, 2011	3-Month Report 2011
May 19, 2011	Annual Shareholders' Meeting 2011, Hamburg
August 12, 2011	6-Month Report 2011
November 14, 2011	9-Month Report 2011
November 21 - 23, 2011	Analyst Conference, Deutsches Eigenkapitalforum, Frankfurt/Main

Solutions for a Better Patient Care

UMS International AG has successfully established itself as a leading service provider in the growth market of hightech medicine. As an international provider of mobile service solutions, we offer our customers state-of-the-art medical equipment and the related services, on a by-the-day basis, in the fields of urology, radiology and gynecology. The high quality of our services and contracts established for long terms have resulted in strong customer loyalty and ensure recurring revenues.

Through the mobile deployment of our medical systems in connection with a full service solution, we enable hospitals and physicians in private practice to use the latest medical technology to diagnose and treat their patients while at the same time benefiting from significant cost advantages.
We are convinced that this combination of high quality and cost effectiveness has high growth potential for the UMS Group in the future.

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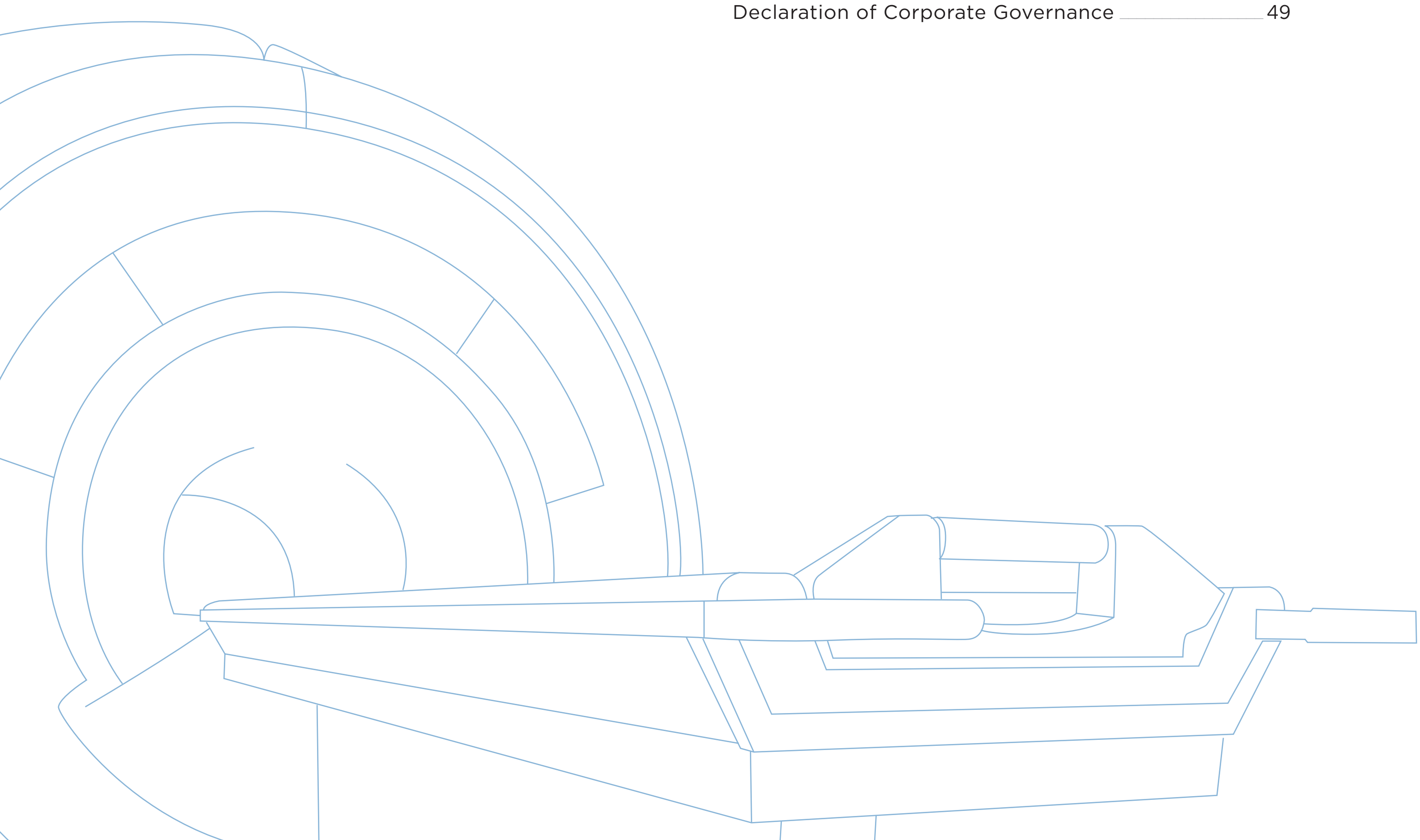

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Letter to the Shareholders

“The service that we provide, in a cost-effective and patient-oriented manner, is only outdone by the dedication of our talented team.”

Jørgen Madsen
CEO

Dear shareholders,

The UMS Group demonstrated stability and reliability in 2010. While many companies and industries were subject to extreme fluctuations as a result of the financial and economic crisis, we single-mindedly pursued our organic growth. Accordingly, we not only increased our revenues and earnings last year, but also further improved the financial stability of the Group.

We increased our earnings per share from EUR 0.52 in the previous year to EUR 0.61 per share in the past year, thus clearly confirming our forecasts.

As announced, we also achieved a positive net financial position. As of the 2010 balance sheet date, the Group’s cash exceeded its liabilities to banks and leasing companies by EUR 0.3 million. In the previous year, we had net debt of EUR –0.5 million.

At the same time, UMS AG distributed a dividend to its shareholders for the first time, in the amount of EUR 1.5 million, and invested over EUR 1.0 million in buying back its own shares.

The UMS Group's revenues rose in the past fiscal year to EUR 38.9 million, following EUR 35.7 million in 2009. However, the trend in our core segment of Urology was not the same as in our other core segment, Gynecology. While revenues in the Urology segment increased by 6% to EUR 27.2 million at constant exchange rates, earnings in the Gynecology segment fell by 9%, to EUR 10.0 million, also at constant exchange rates.

By far the most important service offered by the UMS Group is still the ultrasound technology used to break up kidney stones, which is attributable to the Urology segment. The number of kidney stone treatments performed by UMS in the United States grew from around 27,400 in 2009 to around 28,000 in fiscal 2010. At the same time, higher revenues per treatment bolstered the encouraging revenue trend in this area.

The UMS Group's Urology segment also includes the mobile deployment of urological lasers for the treatment of benign prostate enlargements. The number of treatments performed in this segment was up 25% over the previous year's figure. This reflects our successful marketing of our new services using the Biolitec EVOLVE® Laser System to treat benign prostate enlargements.

In the Gynecology segment, we currently offer only mobile stereotactic breast biopsies in the United States. In addition to the medical service, UMS also sells the vacuum needles required to carry out this minimally invasive procedure.

Unlike Urology, our Gynecology segment was adversely affected by the economic environment. The stubbornly high unemployment rate in the United States, which usually results in loss of health insurance after a carry-over period, led to a significant decrease in demand in that country. Treatment days, patient numbers and case numbers per day during the reporting period were below the figures in the previous year.

The weak economy also delayed the market launch of an alternative imaging procedure. In 2010 for the first time (and only in a very few cases), we deployed a mobile technology for tissue localization using a flexible ultrasound scanner.

Overall the UMS Group posted a clear upward trend in fiscal year 2010. Our earnings before interest and taxes (EBIT) increased from EUR 11.5 million to EUR 12.8 million, for an EBIT margin of 33%. Consolidated net income before minority interest improved from EUR 9.5 million to EUR 10.0 million. The interest attributable to third parties, which generally hold a stake in UMS AG's subsidiaries through physician partnerships, amounted to EUR 6.8 million in fiscal 2010, after totaling EUR 6.9 million in the previous year.

Accordingly, profit amounting to EUR 3.1 million was attributable to the Group's shareholders in the past fiscal year, up from EUR 2.6 million in 2009. Earnings per share thus showed significant improvement, from EUR 0.48 in 2009 to EUR 0.61 during the reporting year.

UMS AG's financing is rock solid. And, in fiscal 2010, our net worth and financial condition improved further. The Group's cash exceeded its liabilities to banks and leasing companies at December 31, 2010 by EUR 0.3 million. The Group's equity also grew further.

Our stable business performance and excellent financial condition enable us to distribute a considerable amount to share buybacks or to the payment of a dividend to our shareholders. In fiscal year 2010 we continued our second share buyback program, repurchasing our own shares in the amount of EUR 1.0 million. The average number of shares outstanding therefore decreased further from around 5.5 million in the previous year to around 5.1 million in fiscal year 2010. Given our solid earnings performance, the Management Board and the Supervisory Board will propose to the shareholders' meeting in May 2011 that the Company continue the dividend distribution begun last year and distribute an substantially increased dividend of EUR 0.50 per share.

We expect the upturn in the economy to continue in fiscal year 2011, although only moderate growth is expected because of the sluggish labor and real estate markets in the United States. Overall, however, we expect stable growth in our market segments in North and South America, with essentially no changes in the regulatory environment.

We therefore plan to further grow our revenues and earnings in all the UMS Group's clinical treatment fields in fiscal year 2011. We expect that the U.S. labor market will gradually recover over the next 12 to 18 months. For the year as a whole, we expect revenues to amount to between EUR 40 million and EUR 42 million. Our earnings per share are therefore anticipated to total EUR 0.60 to EUR 0.70.

I would like to take this opportunity to thank our employees for their extraordinary commitment and strong devotion to our Company. I would also like to thank you, the shareholders, customers and partners of the UMS Group, for your confidence and your support in the past fiscal year.

Sincerely,

Jørgen Madsen
Chairman of the UMS AG Management Board

Report of the Supervisory Board

Wolfgang Biedermann
Chairman of the Supervisory Board

In the 2010 fiscal year, the Supervisory Board of UMS United Medical Systems International AG once again performed with due care the supervisory and advisory duties assigned to it by law and under the articles and bylaws. Numerous topics and business transactions requiring approval were discussed and the corresponding decisions were again made at the individual Supervisory Board meetings. The members of the Supervisory Board in 2010 were Wolfgang Biedermann (Chairman of the Supervisory Board), Prof. Thomas J.C. Matzen (Vice Chairman of the Supervisory Board) and Dr. (hon.) Norbert Heske. There were no changes to the membership of the Supervisory Board.

The Supervisory Board regularly advised the Management Board on the management of the Company, continually supervised and monitored its management activities and confirmed that these activities were proper and legally compliant. The Management Board involved us in all significant decisions for our Company in a timely manner.

The Management Board delivered oral and written reports to the Supervisory Board that provided detailed information on a regular basis concerning all issues material to the Company and the Group, especially the Company's business and financial performance, the risk situation, all planned and ongoing investments, fundamental issues relating to corporate planning and strategy, and compliance. During the year under review, we also particularly focused our attention on the Company's current earnings and financial condition, including our risk position and risk management. The Management Board coordinated the Company's strategic direction with us. To the extent that changes from the plans and goals occurred during the course of the year, we received thorough written or oral explanations, so that we could discuss the reasons for the changes and consider the course of action to take.

We discussed in detail all of the Company's key business transactions based on the reports by the Management Board. To the extent necessary by law and under the articles and bylaws, the Supervisory Board voted on the reports and proposed resolutions by the Management Board after thorough review and consultation. In certain cases we adopted resolutions by unanimous written consent without a meeting.

The Supervisory Board held four meetings in fiscal 2010: on April 19, June 3, October 25, and November 22, 2010. The Management Board participated in these meetings. During the period under review, no circumstances required a meeting without the presence of the Management Board. All Supervisory Board members were present at the meetings.

Between Supervisory Board meetings, the Supervisory Board Chairman maintained regular contact with the Management Board in order to stay informed about major developments and decisions and to provide support to the Management Board in an advisory capacity.

The Supervisory Board has not set up any committees. Because of the Company's overall size and the size of the Supervisory Board, we do not regard the formation of committees as necessary for the foreseeable future. Given the current composition of the Supervisory Board, we do not believe that the formation of committees and resulting division of labor would guarantee an increase in the efficiency of the Supervisory Board's workflows or ensure a reduction in its workload.

During fiscal year 2010 as in the past, the Supervisory Board members and the Management Board members had no conflicts of interests that are required to be disclosed immediately to the Supervisory Board and reported to the shareholders' meeting.

Issues discussed at meetings of the full Supervisory Board

All Supervisory Board meetings included a thorough discussion of the current situation and performance of the Company and its segments. Using regular status reports from the Management Board as a basis, we also discussed the UMS Group's risk situation and risk management system. At several meetings, we discussed a project to optimize business procedures in the United States. Finally, we provided advice on UMS AG's share buyback program.

At the Supervisory Board meeting on April 19, 2010, our primary concern was the single-entity and consolidated financial statements for the year ended December 31, 2009. After extensive review, the Supervisory Board unanimously approved the single-entity financial statements prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) for the year ended December 31, 2009. We also agreed with the Management Board's proposal for allocation of net profit. At this meeting, we also approved the agenda for the 2010 shareholders' meeting held on June 3, 2010, with the proposed resolutions, including the proposed election of auditors for the 2010 fiscal year. In this connection the Supervisory Board also dealt with the engagement of the auditor and the main points of the audit. We agreed with the auditor that the Supervisory Board Chairman would be notified immediately about any possible grounds for disqualification or partiality occurring during the audit, unless such grounds were eliminated immediately. Moreover, we agreed with the auditor that we would be informed immediately about all findings and situations material to the responsibilities of the Supervisory Board arising during performance of the audit, and that the auditor would also notify us in the event that circumstances were discovered during performance of the audit that would indicate the incorrectness of the declaration of conformity issued by the Management Board and Supervisory Board.

Immediately after the shareholders' meeting on June 3, 2010, the Supervisory Board approved continuation of the UMS AG share buyback program based on the resolution to buy back shares previously passed by the shareholders' meeting after considerable discussion of the matter. In addition, the Management Board informed us about the status of a consulting project dealing with a review of business procedures in the United States.

The meeting on October 25, 2010 was devoted mainly to the status of the UMS AG share buyback program and its further implementation. For this meeting, the Management Board also put together a list of measures to improve business procedures in the United States. The joint declaration of conformity by the Management Board and Supervisory Board required by §161 of the German Stock Corporation Act (AktG) was also drafted, discussed and approved.

At the Supervisory Board meeting on November 22, 2010, we focused on the results for the first nine months of fiscal year 2010, the forecast for 2010 and the annual planning for 2011. We also discussed the strategic options for the future structure of the Company. Furthermore, we discussed the status and continuation of the ongoing share buyback program and approved the Management Board's proposed resolution to extend the share buyback program beyond November 30, 2010.

Furthermore, the Supervisory Board regularly communicated with the Management Board outside of Supervisory Board meetings about current business developments and important transactions, discussed the Company's interim reports in a timely fashion and advised the Management Board on and reviewed the Management Board's resolutions. Where required for practical reasons, resolutions were passed in writing in consultation with the Supervisory Board Chairman. For instance, approval was issued after a written vote by the Supervisory Board for the temporary termination of the share buyback program and the acquisition of a small competitor in Texas.

In view of the requirements of the German Corporate Governance Code, the Supervisory Board also regularly reviewed the efficiency of its own operations, and discussed and resolved ways to optimize its activities. There was no reason to change the existing Management Board compensation system in fiscal year 2010.

Corporate Governance Code

The Supervisory Board regularly discussed the application of corporate governance principles. Furthermore, on October 25, 2010, the Management Board and Supervisory Board issued the annual declaration of conformity with the German Corporate Governance Code. We also discussed the most recent amendments to the Code in detail. The Supervisory Board also satisfied itself that the Company has adhered to and implemented the principles in the German Corporate Governance Code, as amended from time to time, with the exception of the deviations set forth in the declaration of conformity.

Audit of the single-entity and consolidated financial statements

The single-entity (HGB) and consolidated (IFRSs) financial statements for the fiscal year ended December 31, 2010, as well as the combined Company and Group management report for fiscal 2010 were prepared by the Management Board of the Company and audited by the Hamburg office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board engaged this firm pursuant to the resolution of the shareholders' meeting held on June 3, 2010. The auditors gave the single-entity and consolidated financial statements and the combined management report their unqualified opinion. The financial statement auditor conducted the audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). The audit focused mainly on the initial and subsequent measurement of intangible assets, accounting for corporate transactions and transfers between line items in the Group, and the early risk detection system.

The audited single-entity and consolidated financial statements were the main item on the agenda for the Supervisory Board's financial statements meeting on March 28, 2011. All Supervisory Board members received the annual financial statement documents along with the combined management report, the audit reports, the Management Board's proposal for the use of the distributable profit, as well as all other materials and meeting reports, sufficiently in advance of this meeting. These documents were carefully discussed at the Supervisory Board's financial statements meeting on March 28, 2011. The Company's financial statement auditors also attended this meeting and reported on the material results of their audit and on the fact that no material weaknesses were discovered in the internal control system or risk management system. The financial statement auditors were available to answer additional questions, provide further information and elaborate on the scope and focus of their audit of the financial statements.

After an extensive discussion of the course and results of the auditors' audit with the Management Board and the auditors and a thorough examination of the auditors' report as well as the Management Board's proposal for the use of the distributable profit, the Supervisory Board, also acting on the basis of its own review and discussion of the single-entity and consolidated financial statements, as well as the combined Company and Group management report and the Management Board's proposal for the use of the distributable profit, concurred with the results of the auditors' audit of the single-entity and consolidated financial statements as well as the management report for the Company and the Group, and determined that, based on the final result of its review, no objections needed to be raised. At its meeting on March 28, 2011, the Supervisory Board approved the single-entity and consolidated financial statements prepared by the Management Board as well as the condensed management report for the Company and the Group, and therefore adopted the single-entity financial statements (§172 sentence 1 of the German Stock Corporation Act (AktG)).

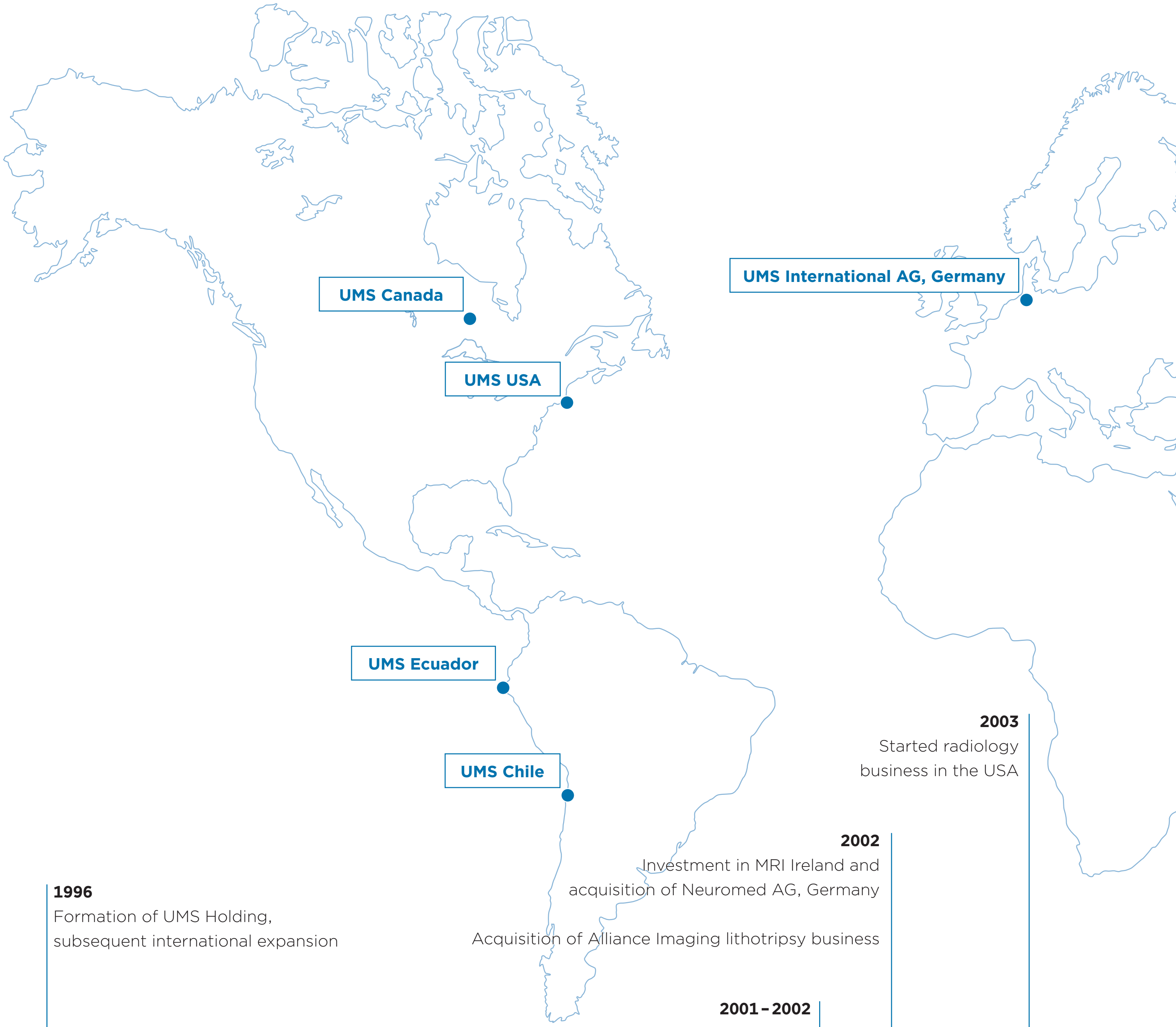
The Management Board proposes to continue last-year's first-time practice of paying a dividend and to distribute an increased dividend of EUR 0.50 per share. The remainder distributable profit is to be transferred to the revenue reserves. We concurred with the Management Board's proposal for the use of the distributable profit after our own review and after considering the Company's profit trend and financial condition. We consider the proposed dividend to be appropriate.

The Supervisory Board thanks the Management Board and all employees for their dedication and hard work.

Hamburg, March 28, 2011

Wolfgang Biedermann
Chairman of the Supervisory Board

Evolution of UMS Group



1996
Formation of UMS Holding, subsequent international expansion

since 1996
Extension of business into the U.S., the U.K., Italy and the Netherlands

2000
IPO of UMS AG

2001 – 2002
Investment in PET Scans

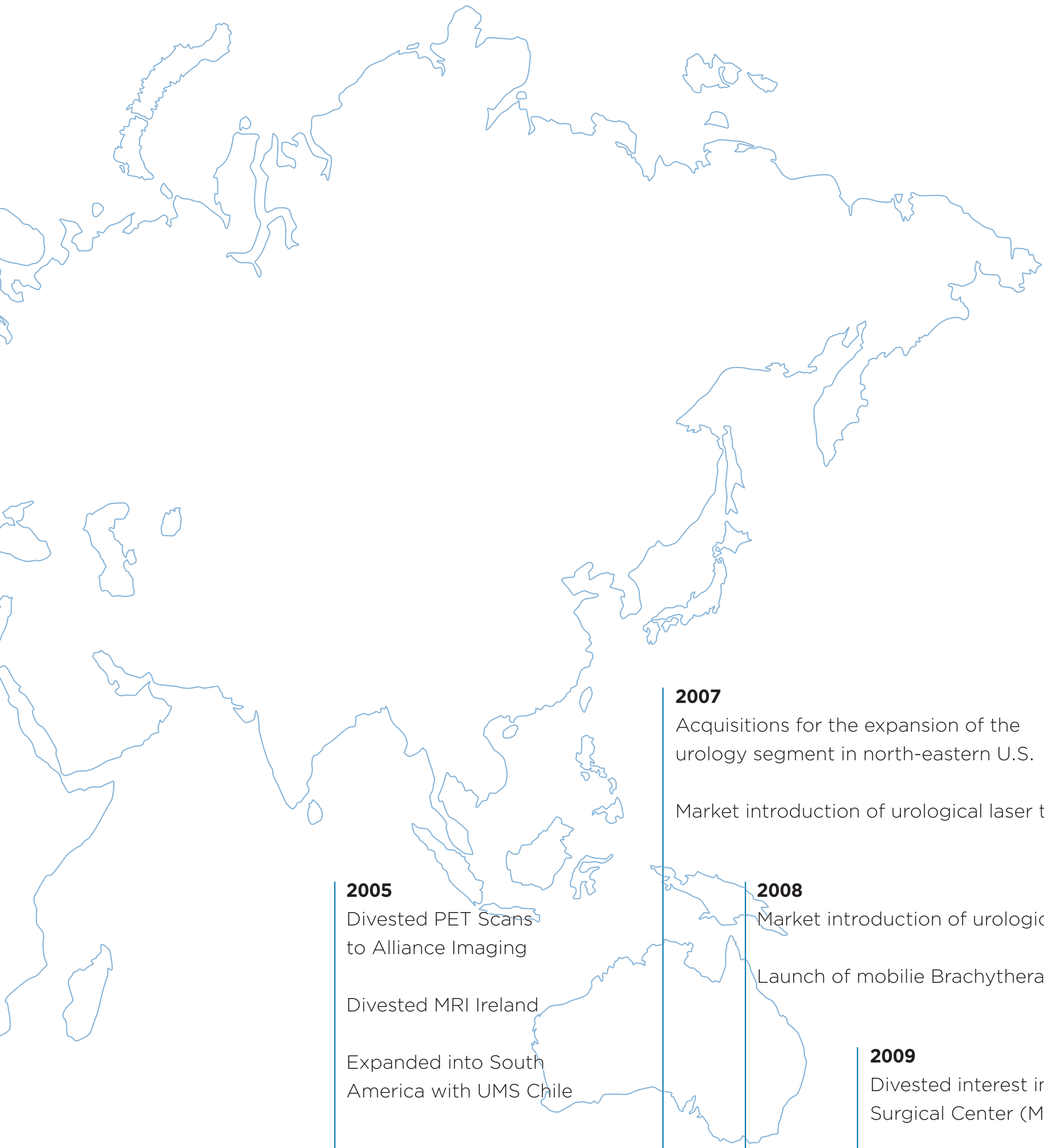
2002
Investment in MRI Ireland and acquisition of Neuromed AG, Germany

Acquisition of Alliance Imaging lithotripsy business

2003
Started radiology business in the USA

1996 1997 1998 1999 2000 2001 2002 2003

Initial Growth



2004
Divested Italian operations

2005
Divested PET Scans to Alliance Imaging

Divested MRI Ireland

Expanded into South America with UMS Chile

2006
Divested all remaining European operations

2007
Acquisitions for the expansion of the urology segment in north-eastern U.S.

Market introduction of urological laser treatment in Chile

2008
Market introduction of urological laser treatment in Ecuador

Launch of mobilie Brachytherapy in the U.S.

2009
Divested interest in Andover Surgical Center (MA), USA

Acquisitions to expand breast-biopsy business in U.S. State California

2010
Acquisitions to expand breast-biopsy business in U.S. State Texas

2004 2005 2006 2007 2008 2009 2010 2011

Focus on Growth Markets **Realignment and Optimization**

Solutions for Better Urological Care

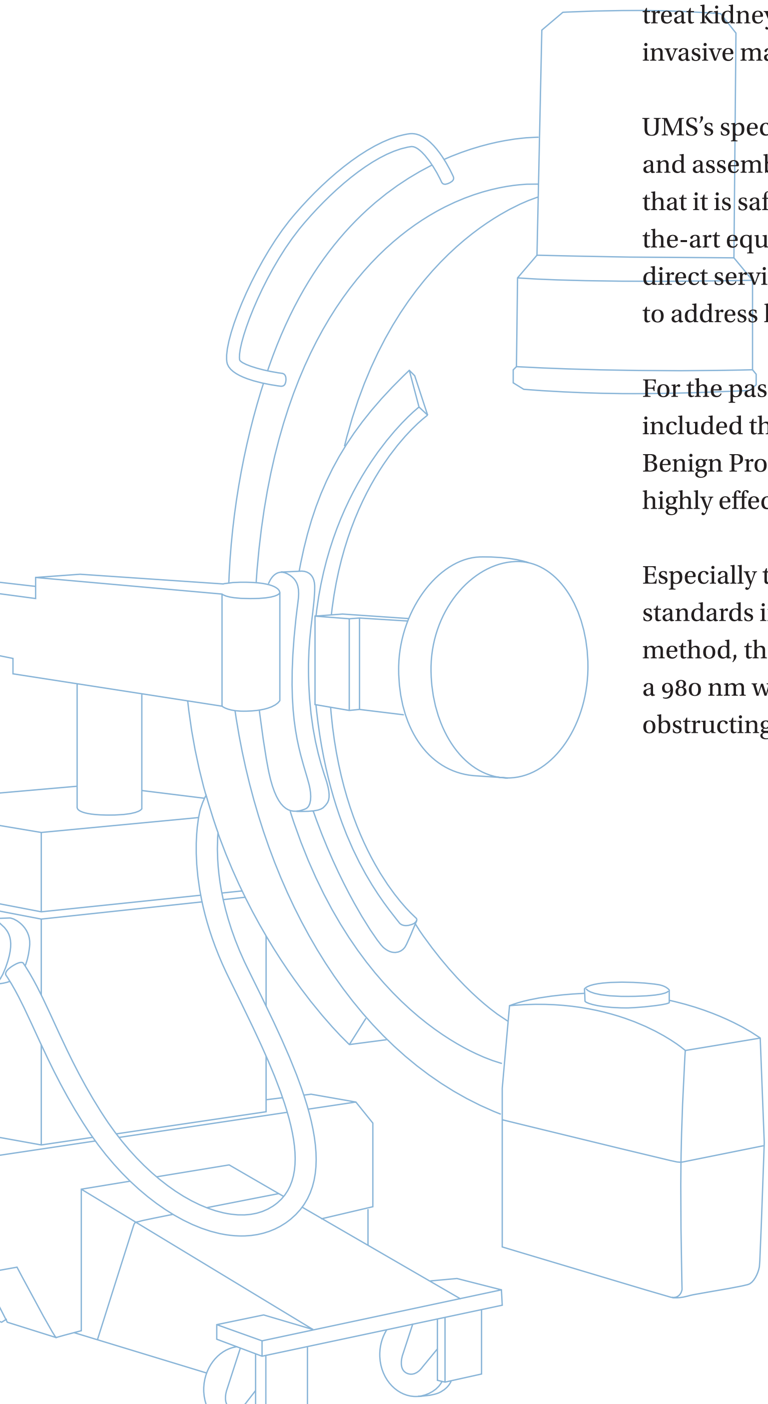
UMS is major provider in Transportable Urological Services. Developing this delivery concept in the late 1980's in Germany, UMS has been active in the North American market since 1996 and is currently offering urological services to over 400 customers in the U.S., Canada and South America.

UMS is one of the largest *Lithotripsy* providers in the United States. The technology known as lithotripsy is using sound impulses to treat kidney stones and ureter stones in a safe, reliables and non-invasive manner.

UMS's specially trained application teams do not only transport and assemble the equipment, but also work with doctors to ensure that it is safely used with patients. Customers can rely on state-of-the-art equipment as well as highly experienced clinical staff and direct service support. UMS offers a variety of services structured to address local physician, medical facilities and hospital needs.

For the past few years, our Urological business segment has also included the use of *HoLaP* and *BioLitec Laser* for the treatment of Benign Prostate Enlargements. This minimally invasive method is highly effective with only minimal side effects.

Especially the Biolitec EVOLVE® Laser Systems is setting new standards in the treatment for Benign Protatic Hyperplasia. This method, that we have been using since end of 2009, incorporates a 980 nm wavelength laser that precisely vaporizes and removes obstructing prostate tissue that causes urinary symptoms.

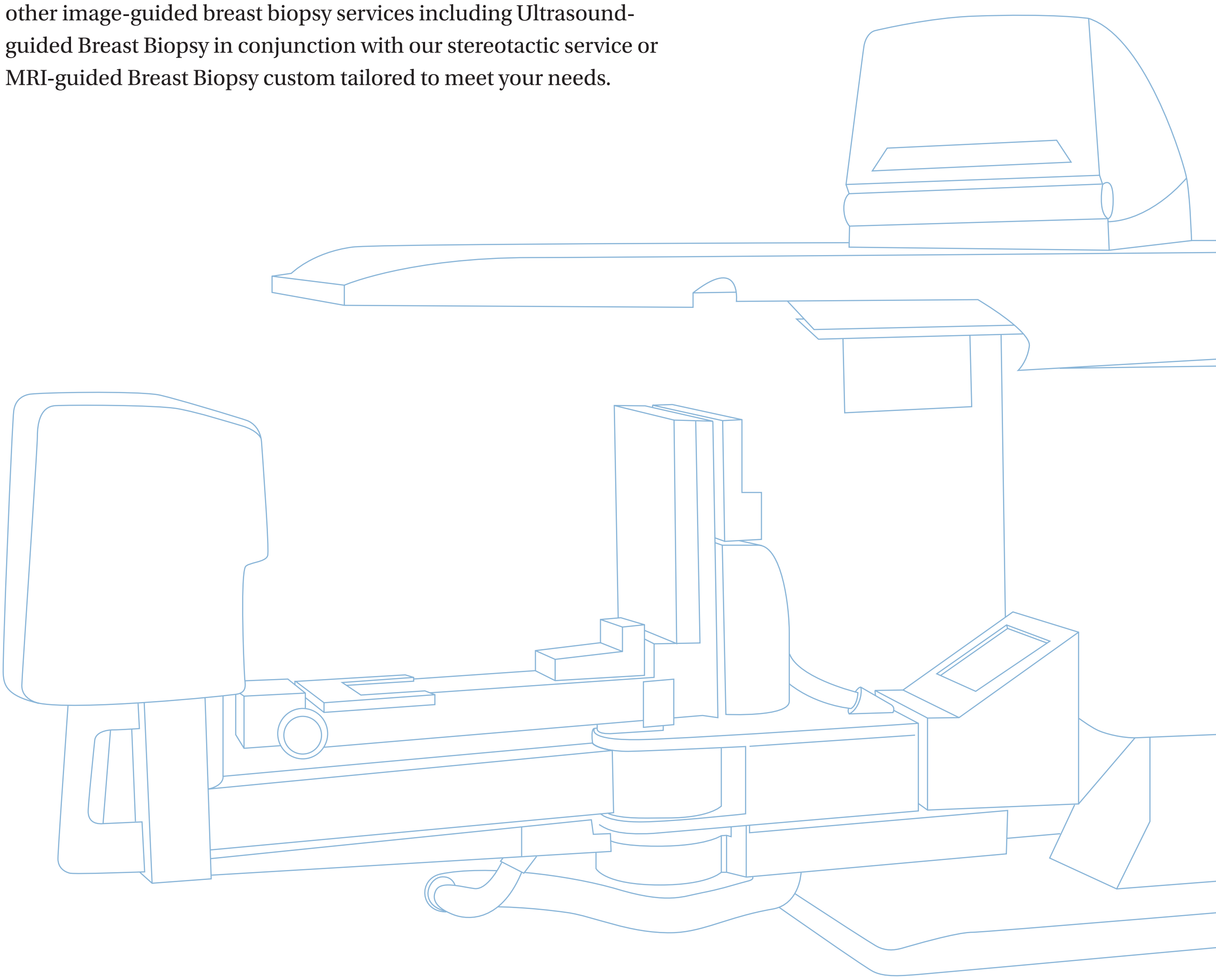


Solutions for Better Breast Care

UMS pioneered the concept of transportable *Stereotactic Breast Biopsy* by introducing its unique service in 1998 to the U.S. market. UMS is one of the most successful providers of mobile breast biopsies and the clear market leader in North America.

This minimally-invasive procedure is used for early cancer detection and to examine micro calcifications in the female breast. Because this is such an effective and gentle method of examination, particulary when compared to surgery, the stereotactic breast biopsy continued to gain ground over other procedures in North America in the past year.

To further enhance our breast care service offering, we also offer other image-guided breast biopsy services including Ultrasound-guided Breast Biopsy in conjunction with our stereotactic service or MRI-guided Breast Biopsy custom tailored to meet your needs.

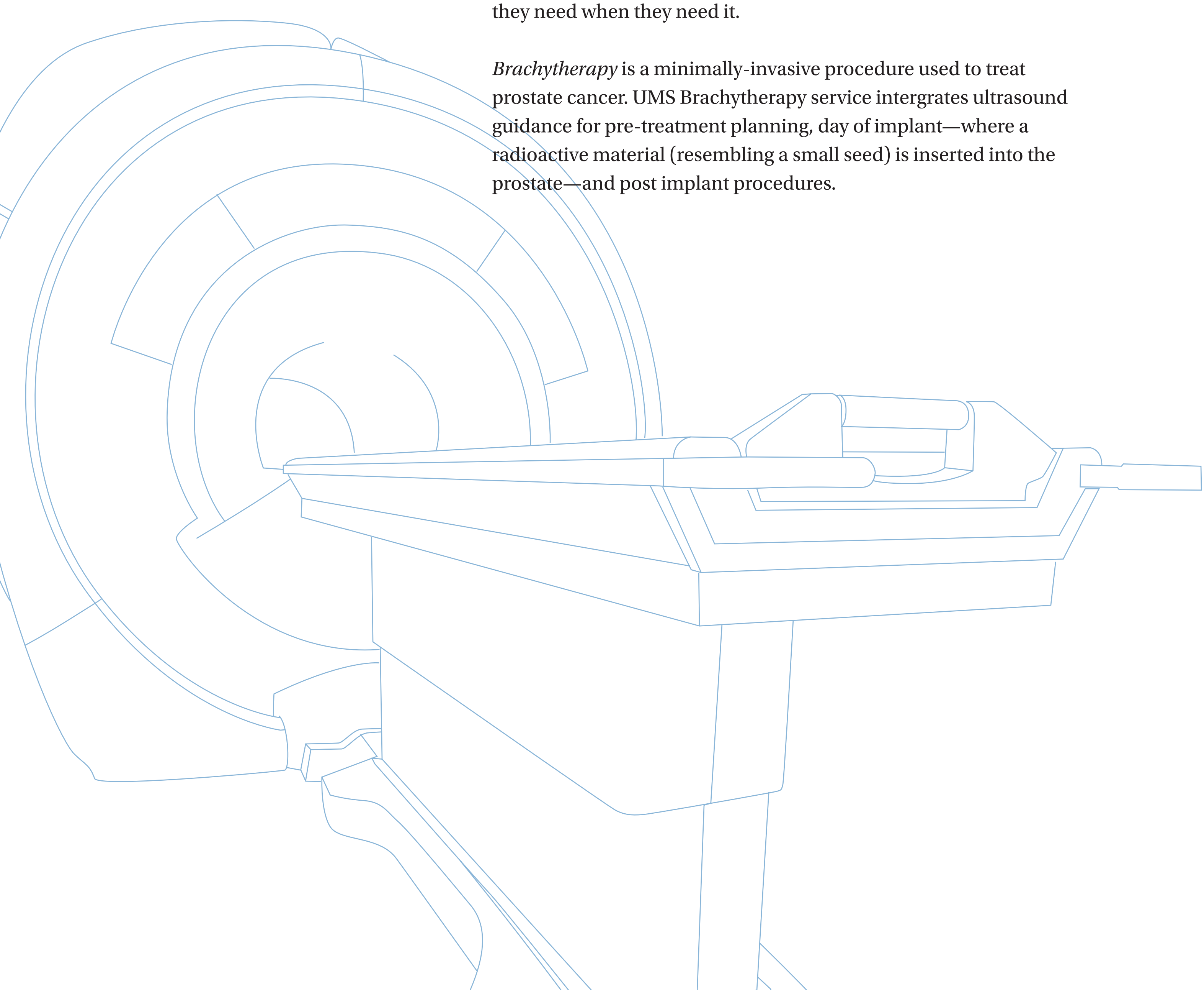


Advanced Mobile Services

Other mobile services are provided by UMS in the area of radiology and in the area of brachytherapy.

In the area of *Radiology* UMS provides state-of-the-art equipment for performing Magnetic Resonance Imaging (MRI) scans in a mobile, self-contained unit. MRI equipment produces three-dimensional pictures of the human body using magnetic fields. The technology is used to diagnose changes in the locomotor system, such as the hand, elbow, shoulder, knee and ankle. UMS takes care of all the logistics, sets up the machines and operates them on site in the clinic, thus giving our customers the technology they need when they need it.

Brachytherapy is a minimally-invasive procedure used to treat prostate cancer. UMS Brachytherapy service intergrates ultrasound guidance for pre-treatment planning, day of implant—where a radioactive material (resembling a small seed) is inserted into the prostate—and post implant procedures.



Management and Supervisory Board

MANAGEMENT BOARD

Jørgen Madsen
CEO
Mechanical Engineer, Bolton, USA

SUPERVISORY BOARD

f.l.t.r.

Wolfgang Biedermann
Chairman
MBA, Hamburg

Dr. h.c. Norbert Heske
Engineer, Kottgeisering

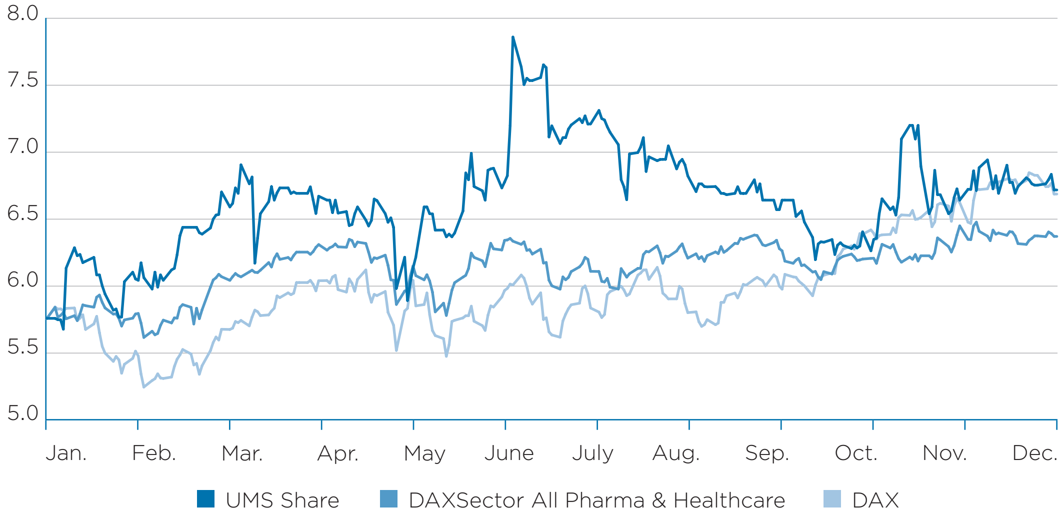
Prof. Thomas J.C. Madsen
Deputy Chairman,
MBA, Hamburg

The UMS Share

In 2010 the German stock market latched onto the upward trend that began in spring 2009 and showed itself in a positive mood. Germany's leading index, the DAX, gained 16.1% compared to the previous year. Secondary indices again enjoyed considerable gains, although technology shares lagged behind: the MDAX increased 34.9% and the SDAX small-cap index grew 45.8%, while the TecDAX technology index rose a mere 4%. Pharmaceutical and healthcare stocks improved as in the previous year. The DAXsector All Pharma & Healthcare Index, on which UMS is also listed, rose 15.0% for the year.

The UMS share joined the positive trend from the previous year, and its price rose 16.6%. Including the first-time dividend of EUR 0.30 per share paid in June 2010, the growth rate for 2010 was 21.8%. After closing 2009 at EUR 5.73 on the XETRA electronic trading system, the share fell to its low for the year on January 7, 2010, at EUR 5.65. It then improved significantly in the first half of the year, rising to a high of EUR 7.80 on June 18, 2010. At the end of 2010 the UMS share was trading at EUR 6.68—twice as high as at the end of 2008, when it traded at EUR 3.31 per share.

PERFORMANCE OF UMS SHARE 2010



MASTER DATA FOR UMS SHARE

ISIN (International Security Identification Number)	DE0005493654
WKN (German Securities ID)	549365
Share Symbol	UMS
Stock Exchanges	Frankfurt, Munich, Düsseldorf, Hamburg, Berlin
Sector	Pharma & Health Care
Market Segment	Regulated Market – Prime Standard

The average trading volume of the UMS share on all German exchanges amounted to 9,968 shares per day in 2010. Once again, the majority of this volume, at an average of 5,743 shares per day, was handled via the XETRA electronic trading system. On average 3,062 UMS shares were traded daily on the Stuttgart Stock Exchange, while the daily average on the Frankfurt Stock Exchange was 1,044. The investment bank M.M. Warburg & Co. serves as designated sponsor and works to ensure the necessary liquidity for the shares on the electronic trading platform by quoting binding bid and offer prices.

The shareholders of UMS International AG approved all agenda items at the annual meeting held on June 3, 2010 with a clear majority and unanimously approved the first-time distribution of a dividend of EUR 0.30 per share.

In September 2009, the Management Board and Supervisory Board of UMS decided to retire all 601,626 Company shares that had been purchased through August, without decreasing the share capital. The retirement of the shares, which became effective October 7, 2009, did not change the amount of the Company's share capital, which still stands at EUR 6,016,262. However, this share capital is now divided into 5,414,635 no-par-value shares with a theoretical par value of EUR 1.11 per share.

Based on the new number of shares, UMS had a market capitalization of EUR 36.2 million at the end of 2010. At year-end 2009, the market cap was EUR 31.0 million, as compared with EUR 19.9 million at the end of 2008.

UMS AG bought back an additional 166,088 shares in fiscal year 2010, such that by the end of 2010, a total of 308,700 shares had been bought back during the second buyback program that started in October 2009. Pursuant to the authorization granted at the shareholders' meeting on June 3, 2010, the shares to be purchased cannot exceed 10% of the capital stock.

On January 17, 2011, the Management Board decided, with the Supervisory Board's consent, to offer to buy back up to 232,763 company shares from UMS AG shareholders. The price offered was EUR 7.45 per share. By the end of the extended acceptance period on February 8, 2011, a total of 345,811 shares had been tendered to UMS AG. Pursuant to the allotment process described in the offering circular, a total of 232,651 shares were bought back by UMS AG. This increased the number of treasury shares held by UMS AG to 541,351, which is now almost 10% of the Company's capital stock.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2010

in %	
Thomas J.C. Matzen GmbH	18.8
Management Board	6.4
Supervisory Board	10.5
UMS AG	5.7
Union Investment Privatfonds	4.2
Capiton Value Beteiligungs-GmbH	5.3
Free float	49.4

UMS AG practices open and transparent communication with the capital market. The Company continued its dialogue with investors and financial journalists at roadshows in 2010 and again participated in Deutsche Börse AG's German Equity Forum in November. Leading financial media outlets gave the UMS share positive reviews on several occasions. In addition, numerous analysts follow UMS. The experts at Warburg Research, for example, issued a buy recommendation on UMS in a comprehensive study in November 2010, with a price target of EUR 9.00 per share.

Detailed information about the UMS share can be found on the Internet at www.umsag.com. This also includes the current joint declaration of conformity with the German Corporate Governance Code by the Management Board and Supervisory Board as required by Section 161 of the German Stock Corporation Act.

KEY SHARE INFORMATION/CAPITAL MARKET FIGURES

in EUR	**2010**
Stock exchange price (XETRA closing prices)	
High	7.80
Low	5.65
Fiscal year end	**6.68**
Number of shares (fiscal year end, in millions)	5.415
Market capitalization (fiscal year end, in million EUR)	36.2
Earnings per share (in EUR)	0.61

HOW TO CONTACT THE INVESTOR RELATIONS TEAM

UMS United Medical Systems International AG

Investor Relations
Borsteler Chaussee 53
D-22453 Hamburg

Phone: +49 (0) 40/50 01 77-00
Fax: +49 (0) 40/50 01 77-77

E-mail: investor@umsag.com

Combined Management Report and Group Management Report for 2010

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1. Business and General Conditions

Business Continues its Steady Growth

The UMS Group successfully continued its organic growth course in 2010. Revenues and earnings again improved over the previous year. Because the business continues to grow and the Group's finances are strong, the Management Board and the Supervisory Board decided to send a strong signal: In 2010, the Company distributed a dividend for the very first time.

UMS is a leading service provider for a variety of transportable medical services. UMS offers advanced mobile medical solutions to hospitals, ambulatory surgery centers and physicians' offices across the United States, as well as in Canada and South America. We offer better solutions for better patient care by giving our customers the technology they need when they need it. Reliability and quality therefore are the foundation for the Company's stable growth course.

Growth of U.S. Economy remains subdued

The global economy has recovered from the deep recession more than was expected just one year ago. However, growth in the U.S. economy has been quite subdued. The continuing high degree of unemployment, low income growth and low real estate prices have had adverse effects on the U.S. economy.

Economic climate in the healthcare industry

Short-term economic trends only influence certain segments of the healthcare industry. Demand in this area is driven by the increasing need for medical treatments and the growing demand for innovative products and therapies. Regulatory and political developments also have a significant impact on business trends in this field.

Healthcare reform in the United States is of particular importance to the UMS Group. The Patient and Affordable Care Act of March 2010 provided access to medical care for most Americans previously without health insurance.

Forecasts by the Center for Medicare & Medicaid Services (CMS) predict that the healthcare costs resulting from the reform will amount to USD 4,572 billion in 2019, or 19.6% of GDP. The healthcare industry represented around 17.5% of the GDP in the United States, up from 17.3% in 2009.

Per capita spending for healthcare in the United States is thus expected to increase from around USD 8,400 today (2010) to over USD 13,600 by 2019.

Growth opportunities in North and South America

The healthcare market in the United States therefore remains an especially dynamic sector of the economy and is much less sensitive to economic fluctuations than other sectors.

There is significant growth potential here, particularly for high-quality, cost-effective products and services. The quality of the treatment plays a decisive role in optimizing the medical results and reducing overall treatment costs. In addition, healthcare programs for prevention and early recognition are gaining in significance.

South America is also an attractive growth market for medical services. The people in that region are becoming wealthier and are living longer. The positive economic growth in the past few years, which was only temporarily interrupted by the global crisis, has led to increased demand in the private sector. In addition, many South American governments—regardless of their political leanings—have made improved healthcare one of their top priorities.

The UMS Group does business in selected sectors of these dynamic markets. Subsidiaries operating in these countries offer mobile services that combine quality and cost efficiency. The UMS companies are therefore clearly profiting from the specific growth opportunities in each individual region.

2. Earnings Position of the Group and Segments

Summary

The UMS Group experienced clear growth in fiscal year 2010. Revenues and earnings increased significantly, even though trends varied in the individual business units. After earnings per share of EUR 0.52 in the previous year, we generated earnings of EUR 0.61 per share in the past fiscal year. As a result of these positive earnings trends, the Management Board and the Supervisory Board will propose at the annual shareholders' meeting in May 2011 to continue the dividend payment begun for the first time in the previous year and to distribute an substantially increased dividend of EUR 0.50 per share.

In fiscal 2010, our share price performance (accompanied by our share buy-back program carried out on the stock market) was positive. At the same time, the Management Board and Supervisory Board still consider UMS's shares to be somewhat underpriced. The Group's financial strength also allowed us in January 2011 to offer to buy back an additional 232,763 of the Company's shares at an offered price of EUR 7.45.

Consolidated revenue rises

Consolidated revenue rose by EUR 3.2 million or 9% to EUR 38.9 million. However, the revenue trend reported in the consolidated financial statements was influenced by the development of the USD exchange rate. In 2010, the euro was worth USD 1.32 on average, compared with USD 1.40 in the previous year.

After currency adjustments, i. e., after restatement of prior-year figures based on the average exchange rate of the reporting year, revenue grew by EUR 1 million, or 3% overall. There was significant growth in the Urology segment, but business in Gynecology decreased.

In the following comparison of the 2010 and 2009 fiscal years, currency effects were eliminated by adjusting the prior-year figures for purposes of improved comparability.

				Change	
in kEUR	**2010**	**2009 ***	***2009***	**absolute ***	**as % ***
Urology	27,175	25,552	*24,054*	1,623	6
Gynecology	9,975	10,916	*10,271*	–941	–9
All other segments	1,696	1,501	*1,439*	195	13
Reconciliation to the Group	79	–58	*–61*	137	–
Revenue	**38,925**	**37,911**	***35,703***	**1,014**	**3**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2010)

Urology: lithotripsy is up; laser treatments increase significantly

After currency effects, consolidated revenue in the Urology segment rose by over 6%, from EUR 25.6 million in the previous year to EUR 27.2 million.

Both treatment fields in Urology experienced positive growth. In mobile lithotripsy, the UMS Group's largest segment, we provided approximately 28,000 treatments during fiscal 2010, as opposed to just under 27,400 treatments in 2009. At the same time, higher revenues per treatment bolstered the encouraging revenue trend in this area.

The number of treatments in the significantly smaller segment of urological laser treatments increased by an impressive 25%. This reflects the successful market launch of our new services with the Biolitec EVOLVE® Laser System for the treatment of benign prostate enlargements.

Gynecology Segment adversely affected by decrease in breast cancer check-ups

Unlike Urology, our Gynecology Segment was adversely affected by the economic environment. This segment consists exclusively of the mobile stereotactic breast biopsy service in the United States. In addition to the medical service, UMS also sells the vacuum needles needed to perform this minimally invasive procedure.

Demand in the United States receded significantly in the wake of the country's stubbornly high unemployment rate, with many affected individuals and families also losing their health insurance after a carry-over period. The number of treatment days, patients and cases per day were below the figures for the previous year.

At constant exchange rates, revenue came to EUR 10 million, and was thus approximately 9% lower than in the previous year. This decrease is partially attributable to a special effect in the area of trade revenue, as a low-cost hollow needle that has been used since mid-2009 generates lower revenues per needle.

The weaker market environment also delayed the market launch of an alternative imaging procedure. In 2010 we deployed mobile equipment for the first time that localizes tissue with a flexible ultrasound scanner, even though it was only used in a small number of cases.

Other segments profit from brachytherapy

Our other segments mainly comprise our radiology and oncology services.

Significant gains over the previous year were particularly achieved in the use of brachytherapy in oncology, which was a key driver behind the revenue growth of approximately 13% (after currency adjustments).

Improved use of capacity strengthens gross margin

After currency adjustments, gross profit amounted to EUR 19.8 million, up around EUR 0.8 million from the previous year's figure. The gross margin therefore to a satisfactory 51%, thus exceeding last year's excellent figure (50%).

All segments except for Gynecology contributed to this growth. The improved margin resulted primarily from an increased use of our equipment capacities.

in kEUR	**Income Statement 2010**	**Income Statement 2009***	***Income Statement 2009***	**Change absolute***	**Change as %***
Revenue	38,925	37,911	*35,703*	1,014	3
Cost of sales	–19,174	–18,913	*–17,791*	–261	–1
Gross profit from revenue	**19,751**	**18,998**	***17,912***	**753**	**4**
Gross margin	**51%**	**50%**	***50%***		

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2010)

Adjusted for currency effects, selling expenses were the same as last year. This was largely due to revenue, but there were lower costs for introducing new services to the market in 2010.

Administrative expenses after currency adjustments grew slightly—by just under EUR 0.2 million. This was mainly due to consulting fees arising in conjunction with efforts to improve our operating business process.

Other operating income and expenses were only slightly above the previous year's level. This item still primarily reflects currency effects and write-offs.

Operating earnings before interest and taxes (EBIT), after currency adjustments, rose disproportionately to revenue by 5% to EUR 12.8 million compared with EUR 12.2 million in the 2009 fiscal year.

in kEUR	Income Statement 2010	Income Statement 2009 *	Income Statement 2009	Change absolute *	Change as % *
Gross profit from revenue	**19,751**	**18,998**	**17,912**	**753**	**4**
Selling expenses	–2,574	–2,581	–2,432	7	0
General administrative expenses	–4,517	–4,316	–4,078	–201	–5
Other operating income and expenses, net	156	143	141	13	9
Operating result (EBIT)	**12,816**	**12,244**	**11,543**	**572**	**5**
As a percentage of revenue	**33 %**	**32 %**	**32 %**		

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2010)

The net interest expense item improved again in the past fiscal year, particularly due to a further significant reduction in the UMS Group's liabilities. The Group's net interest expense declined accordingly by EUR 0.1 million, or 14%, after currency adjustments.

The tax expense reported for the year under review rose slightly in line with profit from EUR 2.0 million to EUR 2.4 million. Before non-controlling interests, the UMS Group's earnings rose by a total of EUR 0.4 million. After amounting to EUR 9.6 million after currency adjustments in the previous year, profit from continuing operations totaled EUR 10.0 million in the past fiscal year.

in kEUR	Income Statement 2010	Income Statement 2009 *	*Income Statement 2009*	Change absolute *	Change as % *
Operating result (EBIT)	**12,816**	**12,244**	***11,543***	**572**	**5**
Interest income and expenses	–375	–434	*–409*	59	14
Earnings before taxes and non-controlling interests	**12,441**	**11,810**	***11,134***	**631**	**5**
Other taxes	–105	–91	*–91*	–14	–15
Income taxes	–2,383	–2,159	*–2,029*	–224	–10
Profit from continuing operations	**9,953**	**9,560**	***9,014***	**393**	**4**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2010)

In December 2009, the UMS Group divested itself of activities relating to operating an outpatient clinic in Andover, Massachusetts (USA). However, UMS continued to provide a number of medical services and management functions to Andover Surgical Center during the year under review.

The effects on earnings from the ongoing operation of the outpatient clinic and its sale in 2009 were reported separately under "Profit/loss from discontinued operations" in the Income Statement. This item also included material effects from the divestment of former equity investments in Europe. Before minority interests, the earnings contribution here in the previous year amounted to approximately EUR 0.5 million.

In fiscal year 2010 we did not discontinue any operations. The consolidated profit for the year for all divisions therefore totaled EUR 10.0 million (2009: EUR 10.1 million after currency adjustments).

The growth in the Urology segment in the United States goes hand-in-hand with the further expansion of physician partnerships. In addition to the Group's stake in these companies, UMS generates additional income from signing management agreements and receiving compensation for our medical technology services.

The participating physicians received regular profit distributions from their interests amounting to EUR 6.8 million in 2010. In the previous year we reported minority interests in the amount of EUR 6.6 million and a special distribution from the sale of an outpatient clinic in the amount of EUR 0.7 million, after currency adjustments.

Profit of EUR 3.1 million was therefore attributable to the equity holders of the parent in 2010, compared with EUR 2.8 million after currency adjustments in the previous year.

in kEUR	Income Statement 2010	Income Statement 2009*	*Income Statement 2009*	Change absolute*	Change as %*
Profit from continuing operations	**9,953**	**9,560**	***9,014***	**393**	**4**
Profit/loss from discontinued operations	0	553	*490*	–553	–
Consolidated profit for the year	**9,953**	**10,113**	***9,504***	**–160**	**–2**
of which minority interests	6,827	7,322	*6,884*	–495	7
– of which from discontinued operations	0	727	*683*	–727	–
of which attributable to equity holders of the parent	3,126	2,791	*2,620*	335	12

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2010)

During the reporting year, the Management Board and Supervisory Board of the UMS Group continued the second stock buyback program that was begun in 2009. The average number of outstanding shares therefore declined further from approximately 5.5 million to approximately 5.1 million.

Earnings per share thus improved disproportionately from EUR 0.51 in the previous year to EUR 0.61 in 2010, after currency adjustments.

	Income Statement 2010	Income Statement 2009*	Income Statement *2009*	Change absolute*	Change as %*
Profit attributable to equity holders of the parent in kEUR	3,126	2,791	*2,620*	335	12
Avg. no. of shares outstanding (in thousands)	5,146	5,476	*5,476*	–330	–6
Earnings per share (EPS) in euros	**0.61**	**0.51**	***0.48***	**0.10**	**20**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2010)

3. Financial Condition

Our solid net worth and financial condition continued in the year under review. As announced, we have now achieved a net positive financial position: the Group's cash at December 31, 2010, exceeded its obligations to banks and leasing companies by EUR 0.3 million. There had still been a net debt of EUR –0.5 million in the previous year.

Meanwhile, UMS AG also distributed a dividend to its shareholders for the first time in the year under review, and invested more than EUR 1.0 million in the buyback of its own shares.

Analysis of balance sheet structure

When comparing the balance sheets for the years ended December 31, 2010 and December 31, 2009, it must be noted that these also reflect the performance of the EUR/USD exchange rate. The EUR/USD exchange rate prevailing on the balance sheet date fell significantly from USD 1.44 per euro on December 31, 2009 to USD 1.34 per euro on December 31, 2010.

Thus, reported total assets rose over December 31, 2009 by EUR 1.3 million to EUR 33.0 million. On the other hand, after currency adjustments, total assets fell by approximately EUR 1.2 million.

At the 2010 balance sheet date, current assets reported were EUR 13.3 million, slightly over the prior-year figure of EUR 12.9 million. At constant exchange rates, however, an approximate EUR 0.6 million decrease would have been reported here as well. This was mainly due to a significantly lower cash position and a reduction in inventory (after currency adjustments).

The non-current assets reported rose from EUR 18.8 million in 2009 to EUR 19.7 million. Taking into account currency adjustments, however, they decreased by EUR 0.6 million. This is primarily attributable to depreciation of property, plant and equipment and intangible assets.

Goodwill remained unchanged at less than EUR 0.1 million at December 31, 2010.

The liabilities of UMS AG are denominated primarily in USD. Current and non-current liabilities reported declined significantly by EUR 2.0 million, at constant exchange rates, primarily as a result of scheduled repayments. At actual exchange rates, a decrease of EUR 1.2 million is reported.

As of December 31, 2010, equity amounted to EUR 23.6 million, compared with EUR 21.2 million at the end of the prior year. An increase in the net income for the period generated in the fiscal year in the amount of EUR 11.8 million stood in contrast to distributions to physician partnerships (EUR 6.9 million), the first-time distribution of a dividend to UMS AG shareholders (EUR 1.5 million) and payments for the acquisition of treasury shares (EUR 1.0 million). The equity ratio again improved substantially to 72% (2009: 67%).

Analysis of the cash flow statement

Inflows of funds amounting to EUR 13.0 million were generated from operating activities in the year under review (2009: EUR 13.7 million). The slight decrease is primarily attributable to an increase in receivables as of the balance sheet date and other reporting date effects on working capital.

Net cash used in investing activities totaled EUR 2.5 million compared with EUR 3.5 million in the prior year. In the previous year, our U.S. subsidiary acquired significantly more contracts and medical equipment. Also, a certificate of need was acquired in the previous year.

Net cash used in financing activities amounted to a total of EUR 11.9 million in the year under review. The negative cash flow from financing activities therefore increased by EUR 3.6 million over the prior year. The main reasons for this were the first-time distribution of a dividend to UMS AG shareholders and higher payments to partners in physician partnerships.

Taking into account exchange-rate effects, our overall cash flow was close to zero and thus approximately EUR 1.8 million below the previous year's level. This was particularly attributable to the dividend payment. Cash and cash equivalents at the end of 2010 amounted to EUR 5.2 million after totaling EUR 5.3 million as of December 31, 2009.

4. Employees

Number of employees

Due to the sale of an outpatient clinic in the previous year, the total number of employees as of the reporting date fell from 225 to 200 (as of December 31 in each case). As in the previous year, two employees are in Europe. All employees were employed in the continuing business units, whereas in 2009, 18 employees were employed in the discontinued business units.

Compensation systems

The employee stock ownership plan, which was implemented in the course of the Company's listing on the stock exchange, expired, and therefore, there are no longer any employee stock options.

The annual compensation of the Management Board is composed of fixed and variable components. The variable components, the amount of which depends on achieving certain earnings goals, cannot exceed 36% of the total compensation. Annual compensation of the Management Board is based on §87 of the Stock Corporation Act (AktG), according to which the overall compensation of each individual Board member must be appropriate in relation to the individual's tasks and the situation of the Company.

The Board members receive fringe benefits including coverage of D&O insurance premiums as well as a company car. In addition, their work-related expenses are reimbursed. In accordance with the statutory provisions, the D&O insurance contains a deductible that is not covered by the Company.

The service agreements with the Board members do not include any severance payment clauses for the event of an early termination of the employment relationship. There are no separate pension obligations and no stock options.

5. Business and Position of UMS International AG

UMS International AG is the parent company of the UMS Group. Its shares have traded in the Prime Standard segment of the Frankfurt Stock Exchange since January 1, 2003. The principal activity of UMS International AG involves managing its subsidiaries, continuously optimizing the portfolio, Group-wide reporting, investor relations, providing centralized administrative services to Group companies, central liquidity management and other corporate headquarters functions.

Some of the principal special tasks performed by UMS International AG in the 2010 fiscal year included follow-up activities in connection with the winding up or liquidation of subsidiaries whose operations were sold and the continuation of the stock buy-back program.

Earnings position of UMS AG

In the 2010 fiscal year, UMS International AG generated approximately EUR 0.4 million (2009: EUR 0.5 million) in revenue. The Company also earned income from the sale of medical technology equipment to subsidiaries amounting to EUR 0.2 million (2009: EUR 0.7 million). The decrease in revenue from equipment sales was attributable due to decreased demand for machines. UMS AG's other revenue amounted to EUR 0.1 million, as in the previous year.

Revenue totaling EUR 0.7 million was offset by cost of sales of EUR 0.2 million attributable to purchasing costs of the medical technology equipment sold.

General administrative and selling expenses of EUR 0.6 million were slightly below the prior-year figure of EUR 0.7 million. The net other operating income and expenses item amounted to EUR –0.1 million (2009: EUR –5k). Whereas in the reporting year, this item mainly comprised exchange gains and income from the reversal of provisions, in the previous year this figure chiefly included expenses relating to the insolvency of a customer.

Income from equity holdings, which in 2010 consisted solely of dividend distributions by the U.S. subsidiary, amounted to EUR 2.5 million, down from EUR 2.9 million in the previous year.

The financial result of UMS AG, i.e., the difference between interest payments and interest income, were up from EUR –27k in 2009 to EUR 10k in 2009. The adverse effect of the interest rate swaps held by UMS AG until March 2010 was the main factor driving this development.

Overall earnings from ordinary business activities therefore totaled EUR 2.6 million (2009: EUR 2.6 million). Lower dividend income and a lower contribution margin from equipment sales were more than offset by the elimination of the adverse effect of a customer's insolvency in the previous year.

As in the previous year, tax burdens and extraordinary effects (from the conversion to the Accounting Law Modernization Act [BilMoG]) had no material adverse effect on overall earnings in the reporting year. As a result, the Company's profit for the year amounted to EUR 2.6 million. In the previous year, this figure was EUR 2.2 million.

Distributable profit and dividend

Based on §21 of the articles and bylaws of UMS AG, the Management Board resolved to allocate 50% of the profit for the year of UMS AG for fiscal 2010, nearly EUR 1.3 million, to other earnings reserves, as in the previous year. The acquisition of treasury shares during the year under review was offset with some of these earnings reserves.

UMS AG's distributable profit totals EUR 2.9 million. The Management Board of UMS AG proposes to the Supervisory Board and the shareholders' meeting to pay a dividend of EUR 0.50 per share—total of EUR 2.4 million—and to transfer the remaining amount to the revenue reserves. If the number of shares carrying dividend rights should change before the date of the shareholders' meeting, the proposal on the utilization of distributable profit will be amended accordingly.

Financing and securing liquidity

The Company's liquidity was essentially secured through management cost sharing agreed with the subsidiaries and the dividends paid by the U.S. subsidiary.

6. Risk Report

Our risk management system ensures the continued existence of the UMS Group by suitably identifying, analyzing and managing individual risks. All risks during the year under review were limited and manageable. The continued existence of the Company is ensured for the future as well.

Efficiently organized risk management

With its transnational focus as a service provider in the increasingly complex healthcare 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. This means that risk management is an ongoing task and therefore an important tool for managing the UMS Group.

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 UMS Group has documented its risk management structures in a “Group Risk Management” manual. Regular controls, including with assistance by third parties, are performed to assess compliance with these rules. In addition, the risk manual is updated continually on behalf of the Management Board and Supervisory Board and adapted in each case to the current circumstances. A Risk Report for the Management Board and the Supervisory Board analyses the most important parameters at least once per quarter.

Minimizing financial risks

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.

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 reflected in a handbook for internal accounting, reporting and budgeting guidelines that is updated annually. Actual figures are compared with 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 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. Only dividend payments by the U.S. subsidiary to the German holding company are not covered by this "natural hedge". Interest rate exposures on loans with variable interest rates 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 information 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 limits on management's powers of representation in such transactions.

Focus on operational risks

Operating risks include market risk, regulatory risk, human resources risk, procurement risk, supply risk, and operational risk. Responsible management of these risks involves the regular, structured collection, analysis and evaluation of all relevant data and information and, in particular, regular monitoring and planning processes.

The Company seeks to detect *market changes* and trends 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 guaranteed 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.

As a healthcare services provider, the *regulatory environment* in the markets in which we do business is particularly important for the UMS Group. Consequently, we closely monitor changes in regulatory processes, such as the progress of healthcare reform in the United States. At this time, we can see that this reform will have no material effects on the business model of the UMS Group. We also closely monitor the political developments in the various states in the U.S., in which certificate of need regulations are being examined, and we take an active part in discussions of changes.

With the support of external industry organizations, the reimbursement rules of leading insurers are also monitored continually. The primary focus here is on U.S. government healthcare programs—Medicare and Medicaid—which often function as a reference for many private insurance companies. Announced changes to the rules are analyzed by UMS early on so that adjustments can be made, if necessary, to billing for services or structures under corporate law, for example. We aim to reduce any additional liabilities that may be planned through the close professional contact maintained by our industry associations with the institutions that shape the general legal environment.

Attracting, retaining and motivating qualified *employees* is a key success factor for UMS. We secure human resources planning for the long term through attractive compensation models with variable components, among other things, and regularly offer our employees training and continuing education opportunities.

The *procurement* of systems, technical accessories and spare parts, the maintenance and servicing of devices, and regular training for UMS technicians are guaranteed through long-term general agreements and cooperation agreements with manufacturers.

The Company seeks to minimize *supply risks* through the long-term planning of system and staff deployment and by keeping back-up systems available. To minimize operational risks, the Company takes out relevant insurance policies, deploys qualified personnel, and regularly assesses and optimizes processes and IT systems.

Risks of future macroeconomic developments

A risk management system tailored to the specific situation of the UMS Group cannot operate in isolation from macroeconomic developments. For this reason, we very carefully monitor general economic developments, particularly in North and South America.

The upswing in the global economy is currently expected to continue in 2011. However, only moderate growth is expected in the United States because of the continued sluggish development of the labor and real estate markets there.

A special characteristic of healthcare markets is that the effect of the general economic situation is overshadowed by other demand drivers. For this reason, we firmly believe that growth will continue in the segments relevant to our Company, thereby limiting the risks to which the UMS Group is exposed.

Company’s continued existence secured

The overall risk situation of the UMS Group continues to be clear. There are no risks that could endanger the Company’s existence, nor are there any discernible risks that could endanger the Company’s existence in the future.

7. Significant Events after the Balance Sheet Date, Opportunities and Outlook

Significant events after the balance sheet date

On January 17, 2011, the Management Board resolved, with the Supervisory Board's consent, to offer to buy back up to 232,763 Company shares from the Company's shareholders. The price offered for the buyback of each offered share of the Company was EUR 7.45. In February 2011 a total of 232,651 tendered shares was bought back by UMS AG. This increases the number of Company shares held by UMS AG by 232,651 shares, from 308,700 shares to 541,351 shares. This represents almost 10% of the Company's capital stock.

No other events of material significance occurred after fiscal year end.

Outlook

The upswing in the global economy is currently expected to continue in 2011. However, only moderate growth is expected in the United States due to the sluggish development of the labor and real estate markets there.

Nonetheless, we expect that the market segments relevant to our company in North and South America are very likely to continue to generate stable growth in the future, with the regulatory framework remaining largely unchanged.

For this reason, we plan to further increase revenue and earnings in all clinical treatment segments of the UMS Group in fiscal 2011. This trend follows additional operational improvements and an expected gradual recovery of the U.S. labor market in the next 12 to 18 months.

The expectations for the individual business segments are as follows:

- Urological applications will remain the foundation of our business in fiscal 2011. In the United States, we will further accelerate the growth of our Urology segment by expanding existing and establishing new physician partnerships.

  We expect additional momentum from our successful launch in 2010 of the EVOLVE® Laser System for the treatment of benign prostate enlargements. Moreover, we aim to step-up the Group's activities regionally, both in the United States and in South America.

- In the Gynecology Segment we enhanced our portfolio through a smaller acquisition effective December 31, 2010. Ten new customer agreements in the State of Texas will contribute to a gradual increase in the treatment figures in this business segment. We also expect that our marketing efforts will be successful in broadening our customer base in the coming months.

  At the same time, we expect that an improved economic climate in the second half of the year will again lead to an increase number of patients.

- In the other segments we are planning to deploy another mobile MR-scanner (our third one). We expect this expansion of our capacity, which should be completed in the first half of the year, to have positive effects on sales and earnings.

Therefore, we expect that the UMS Group's revenues will continue to grow in 2011 and look for consolidated revenues between EUR 40 million and EUR 42 million. We hope to achieve earnings per share of EUR 0.60 to EUR 0.70.

Our current estimates are that these trends will also continue in fiscal 2012. We expect revenues to continue to increase, and expect earnings per share growth to outpace revenue growth. In the Urology segment we intend to improve case numbers, revenues and earnings through regional expansion and increased use of our laser treatment. For the Gynecology segment we also expect positive growth from the marketing of our demanding equipment technology in an improved economic environment.

We strive for dividend continuity and thus intend to again distribute an appropriate dividend.

8. Report on the Accounting-related Internal Control System and Risk Management System Pursuant to §289 (5) and §315 (2) of the German Commercial Code

Legal background

Pursuant to §289 (5) and §315 (2) No. 5 of the German Commercial Code (HGB) as amended after entry into force of the Accounting Law Modernization Act (BilMoG), UMS AG's combined management report and group management report must describe the key aspects of the internal control system and risk management system relating to the accounting process.

Subject of the report

The law does not provide a definition of the "key aspects of the internal control and risk management system relating to the accounting process in the Company and the Group". Based on the legislative intent behind BilMoG, we consider an internal control system to consist of the principles, procedures and measures required to ensure the effectiveness, efficiency and propriety of the Company's accounting, and compliance with applicable legal regulations.

The risk management system described in UMS AG's risk report includes the entirety of all organizational regulations and measures aimed at identifying risks and managing the risks associated with business activities. All of the regulations relating to the accounting system described below are part of this overall risk management system.

Key aspects of the internal control system and risk management system relating to the accounting process in the Company and in the Group

UMS AG has implemented an internal control system and a risk management system for the Company and for the Group with the following key features:

- The UMS Group is structured simply and clearly. The Management Board assumes overall responsibility for the aspects of the internal control and risk management systems relating to the accounting process in the Company and in the Group.

- Coordinated planning, reporting and control processes documented in the corresponding Group manuals and checklists exist throughout the Group for the purpose of fully analyzing and managing risk factors that could affect earnings as well as risks that could endanger the Company's continued existence as a going concern.

- A risk analysis is a permanent part of the planning process.

- Monitoring controls are performed regularly by senior finance management based on random samples. The monitoring and control processes are supported with software.

- In organizational terms, financial and accounting activities are concentrated at UMS AG and its direct equity holdings. Second-tier subsidiaries (except for UMS Chile) do not perform their own accounting processes; this is to ensure efficient structures and compliance with quality and control standards.

- The departments and teams involved in the accounting process are suitably equipped, both in terms of quantity and quality. The dual-control principle is applied to all accounting-related processes.

- The Company's financial systems are protected from unauthorized access by the corresponding IT security systems. We use standard software wherever possible and regularly review our information technologies in order to ensure that our IT-based procedures are carried out as securely as possible.

Like all processes in the Company in general, accounting-relevant processes are regularly reviewed by the responsible management employees. Because no internal auditing system is in place due to the size and structure of the Company, we commission third-party auditors to review these processes in key business units.

9. 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 EUR 6,016,261. It is divided into 5,414,635 no-par-value shares, each theoretically representing approximately EUR 1.11 of the share capital. 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, Germany, 18.8% 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 (AktG) which assigns this responsibility 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 (AktG) to authorize the Supervisory Board to make amendments that affect only the wording of the Articles and Bylaws.

Pursuant to §19(3) of the Articles and Bylaws, shareholders' resolutions to amend the Articles and Bylaws are adopted by a simple majority of the votes cast, unless mandatory provisions of law provide otherwise, 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. The Management Board is authorized to provide that shareholders may cast their vote in writing or via electronic communication even if they do not attend the shareholders' meeting (voting by mail).

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 Company's share capital, with the Supervisory Board's consent, on one or more occasions prior to June 2, 2015, by a total of up to EUR 3,008,129.95 (rounded) by issuing a total of up to 2,707,317 new no-par-value bearer shares in exchange for cash or in-kind contributions (authorized capital 2010). 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 cases defined by the Shareholders' Meeting.

   Furthermore, pursuant to §6(3) of the Articles and Bylaws, the share capital is conditionally increased by EUR 200,000. The conditional capital increase will only be carried out to the extent that the holders of stock options issued pursuant to the shareholders' authorization resolution of August 26, 2003 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 June 3, 2010, the Management Board is authorized to purchase the Company's own shares, up to a limit of 10% of the share capital, by June 2, 2015. The purchase may be made on the stock exchange or through a public purchase offer made to all shareholders. The authorization may be exercised in whole or in part, once or several times.

   No material agreements exist which are subject to the condition of a change in control of UMS AG.

8. 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.

10. Declaration of Corporate Governance

The Management Board and Supervisory Board of UMS AG have issued and made publicly available the Declaration of Corporate Governance stipulated by §289a of the German Commercial Code (HGB) on the Corporate Governance page of the Company's Web site at www.umsag.com

Hamburg, March 18, 2011

Jørgen Madsen

Consolidated Financial Statements

for the year ended December 31, 2010

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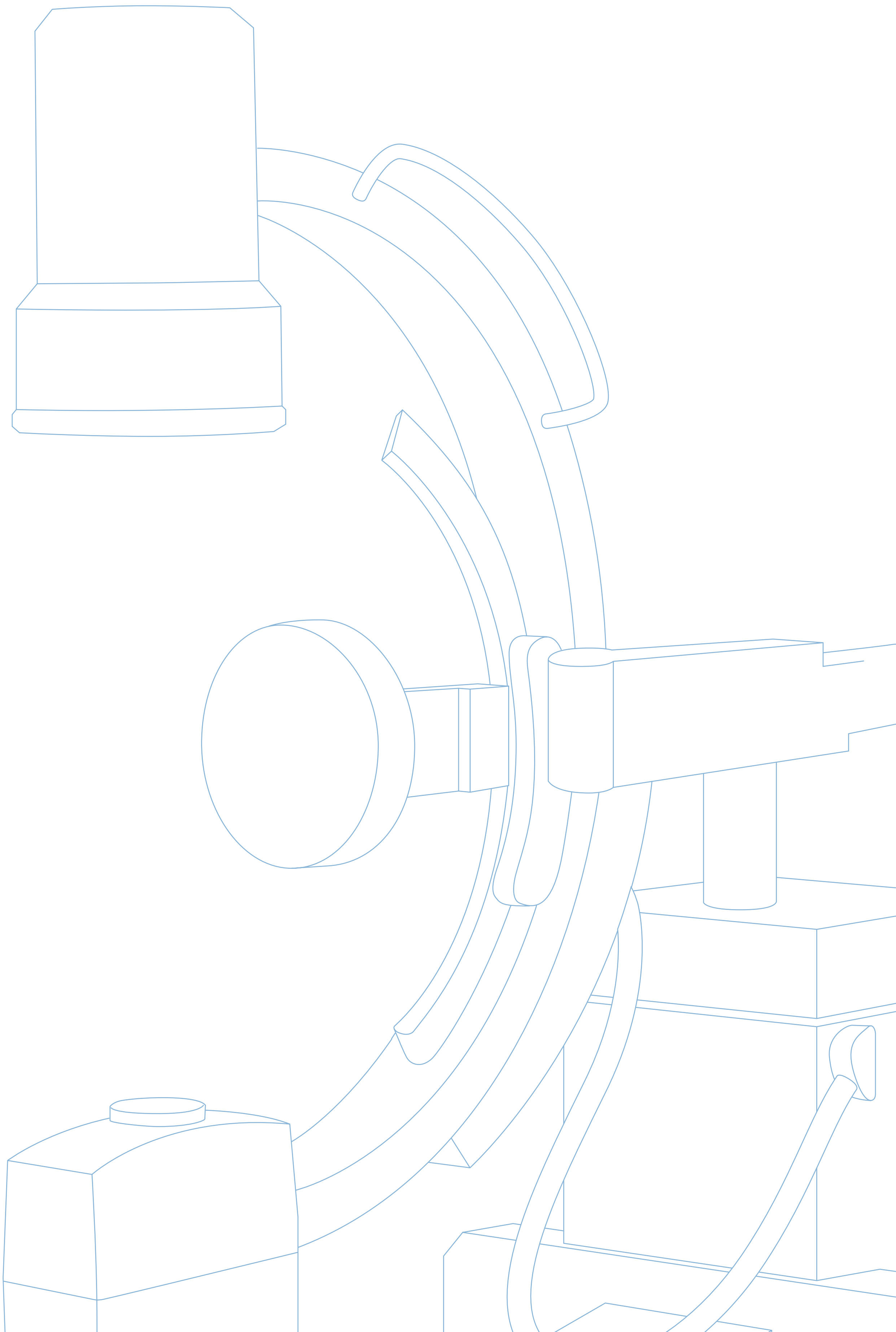


Consolidated Income Statement

for the financial year 2010

in kEUR	Note	2010	2009
Continuing Operations			
Revenues	5	38,925	35,703
Cost of revenues	5	–19,174	–17,791
Gross profit		**19,751**	**17,912**
Distribution and selling expenses	5	–2,574	–2,432
General and administrative expenses	5	–4,517	–4,078
Other operating income and expenses	5	156	141
Operating result		**12,816**	**11,543**
Interest income	5	31	79
Interest expenditure	5	–406	–488
Result before taxes and non-controlling interests		**12,441**	**11,134**
Other taxes		–105	–91
Income taxes	6	–2,383	–2,029
Profit from continuing operations		**9,953**	**9,014**
Discontinued operations			
Profit from discontinued operations	7	0	490
Profit for the year		**9,953**	**9,504**
Attributable to Equity holders of the parent		3,126	2,620
Attributable to Non-controlling interests		6,827	6,884
– in continued operations		6,827	6,201
– in discontinued operations		0	683

Net income per share		in EUR	
Net income per share (basic)	8	0.61	0.48
Net income per share (diluted)	8	0.59	0.46
Net income per share (basic) from continuing operations	8	0.61	0.52
Net income per share (diluted) from continuing operations	8	0.59	0.50

		in thousands	
Weighted average shares outstanding (basic)	8	5,146	5,476
Weighted average shares outstanding (diluted)	8	5,326	5,676

Consolidated Statement of Comprehensive Income

for the financial year 2010

in kEUR	2010	2009
Profit for the year	**9,953**	**9,504**
Exchange differences on translation of foreign operations	1,899	–806
Total comprehensive income for the year, net of tax	**11,852**	**8,698**
thereof attributable to Non-controlling interests	7,184	6,567

There are no income tax effects on translation of foreign operations.

Consolidated Balance Sheet

as of December 31, 2010 and December 31, 2009

ASSETS

in kEUR	Note	12/31/10	12/31/09
Current assets			
Cash and cash equivalents	16	5,150	5,281
Trade accounts receivable	15	6,253	5,631
Inventories	14	952	1,148
Prepaid expenses and other current assets		919	819
Total current assets		**13,274**	**12,879**
Non-current assets			
Property, plant and equipment	9	9,190	8,064
Intangible assets	10	10,177	10,383
Other financial assets	12	115	131
Goodwill	10, 11	74	74
Deferred taxes	6	135	165
Total non-current assets		**19,690**	**18,817**
Total assets		**32,964**	**31,696**

LIABILITIES AND EQUITY

in kEUR	Note	12/31/10	12/31/09
Current liabilities			
Trade accounts payable	21	759	1,251
Liabilities due to banks	19	625	1,682
Leasing obligations	19, 22	1,115	951
Other current liabilities	21	462	408
Liabilities relating to taxes		421	66
Other accrued expenses	20	982	1,138
Total current liabilities		**4,364**	**5,496**
Non-current liabilities			
Liabilities due to banks	19	1,261	1,313
Leasing obligations	19, 22	1,797	1,794
Other non-current liabilities	21	552	624
Deferred Taxes	6	1,349	1,249
Total non-current liabilities		**4,960**	**4,980**
Equity			
Share capital	17	5,673	5,858
Additional paid-in capital	17	8,340	8,340
Equity portion warrant	17	20	20
Cumulative translation adjustment		-5,203	-6,746
Accumulated gain/deficit		8,934	8,200
Equity attributable to parent company		**17,764**	**15,672**
Non-controlling interests		5,876	5,548
Total equity		**23,640**	**21,220**
Total liabilites and equity		**32,964**	**31,696**

Consolidated Statement of Changes in Equity

in kEUR	Share Capital	Additional Paid-in Capital	Currency Translation Adjustment
Balance January 1, 2009	**5,675**	**8,340**	**–6,257**
Buy-Back of own Shares	–418	–	–
Retirement of own shares	601	–	–
Comprehensive Income	–	–	–489
Distribution in subsidiaries	–	–	–
Balance December 31, 2009	**5,858**	**8,340**	**–6,746**
Balance January 1, 2010	**5,858**	**8,340**	**–6,746**
Buy-Back of own Shares	–185	–	–
Comprehensive Income	–	–	1,542
Distribution in subsidiaries	–	–	–
Dividends	–	–	–
Balance December 31, 2010	**5,673**	**8,340**	**–5,203**

Equity portion of bond	Accumulated gain/deficit	Equity parent company	Non-controlling interests	Total Equity
20	**7,863**	**15,641**	**3,923**	**19,564**
–	–1,682	–2,100	–	–2,100
–	–601	0	–	0
–	2,620	2,131	6,567	8,698
–	–	–	–4,943	–4,943
20	**8,200**	**15,672**	**5,548**	**21,220**
20	**8,200**	**15,672**	**5,548**	**21,220**
–	–849	–1,034	–	–1,034
–	3,126	4,668	7,184	11,852
–	–	–	–6,855	–6,855
–	–1,542	–1,542	–	–1,542
20	**8,934**	**17,764**	**5,876**	**23,640**

Consolidated Cash Flow Statement

for the financial year 2010

in kEUR	2010	2009
Profit for the year	**9,953**	**9,504**
Adjustment to reconcile profit for the year to net cash flows		
Profit(–)/Loss(+) from the sale of business units	0	–1,518
Profit(–)/Loss(+) from sale of equipment	–43	0
Depreciation on property, plant and equipment	2,437	2,260
Depreciation on intangible assets	1,156	1,091
Change in deferred taxes, net	45	377
Working Capital adjustments		
Increase(–)/Decrease(+) in trade receivables	–357	515
Increase(–)/Decrease(+) in Prepaid expenses and other current assets	69	1,143
Increase(–)/Decrease(+) in inventories	291	232
Increase(+)/Decrease(–) in trade payables	–541	–322
Increase(+)/Decrease(–) in liabilities related to taxes	357	10
Increase(+)/Decrease(–) in other accrued expenses and current liabilities	–323	320
= Net cash provided by operating activities	**13,043**	**13,612**
Purchases of property, plant and equipment, net of finance leasing	–1,658	–2,321
Purchases of intangible assets	0	–1,930
Purchases of business units	–168	–272
Proceeds from the sale of business untits	0	1,013
Proceeds from the sale of equipment	108	25
= Net cash used in inventory activities	**–1,719**	**–3,485**

in kEUR	2010	2009
Payments for Buy Back of own shares	–1,034	–2,100
Dividends paid to equity holders of the parent	–1,542	0
Dividends paid to non-controlling interests	–6,929	–4,583
Proceeds from long term debt due to banks	316	1,286
Repayments to bank (long term)	–478	–1,965
Net Change in Lease liabilities	–1,025	–837
Proceeds from short term debt due to banks	115	214
Repayments to banks (short term)	–1,318	–295
= Net cash used in financing activities	**–11,895**	**–8,279**
Net effect of currency translation in cash and cash equivilants	439	–126
Net increase/decrease in cash and cash equivalents	**–131**	**1,722**
+ Cash and cash equivalents at beginning of the period	5,281	3,559
= Cash and cash equivalents at end of period	5,150	5,281
Additional information on cash flows		
Payments for interest	–451	–548
Proceeds from interest	26	27
Payments for taxes on income	–1,997	–1,578
Relevant non-cash transactions		
Purchases of property, plant and equipment	–1,005	–995
financed by finance lease		

Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

1. General

UMS United Medical Systems International AG (hereinafter "UMS AG") is a publicly traded German stock corporation headquartered in Hamburg, Germany. UMS AG's operating subsidiaries are located in the United States, Canada, Chile and Ecuador, and the Company's clear focus is on its business activities in North America. Additional information on the Group's activities is provided in Note 4 (Segment Information).

The present consolidated financial statements of UMS AG and its subsidiaries were released for review by the Supervisory Board in accordance with a resolution by the Management Board on March 18, 2011.

2. Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements of UMS AG and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRSs) applicable at December 31, 2010 and the supplementary applicable rules in § 315a(1) of the German Commercial Code. All IASB standards and interpretations that have been adopted by the EU and were mandatory for all fiscal years as of January 1, 2010 were applied.

The consolidated financial statements are presented in euros. Except as otherwise indicated, all amounts are rounded to kEUR . These may differ from the unrounded amounts.

Basis of consolidation

The consolidated financial statements include UMS AG and all material companies that are directly or indirectly controlled by UMS AG. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using uniform accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is transferred to the UMS Group and cease to be consolidated from the date on which control is transferred out of the Group. Where the UMS Group loses 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.

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

Beginning in fiscal year 2010, losses by a subsidiary are attributed to shares without a controlling influence even if this leads to a negative balance. Prior to January 1, 2010, losses were attributed to the shares without a controlling influence until their balance was zero. Any losses beyond that were attributed to the parent company, except in cases where the shares without a controlling interest had taken on the obligation to offset the losses. The attribution of losses arising prior to January 1, 2010, to the shares without a controlling interest and to the owners of the parent company was not revised.

Non-controlling 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.

A list of the Group's holdings is presented in Note 23.

Business combinations and goodwill

Business combinations from January 1, 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is 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 based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale or classified as a discontinued operation are stated at the lower of their carrying value or fair value less selling costs. Scheduled depreciation and amortization are no longer taken.

The income and expenses of discontinued operations are presented separately on the face of the income statement from the income and expenses of continuing operations, both for the reporting period and for the comparison period. The result after taxes from discontinued operations is also reported separately.

Foreign currency translation

The consolidated financial statements are prepared in euros. 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 these companies are translated into euros at the exchange rate effective at the balance sheet date. Revenues and expenses are converted using 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.

The U.S. dollar exchange rate, which is material for UMS AG, developed as follows:

	Exchange rate as of the reporting date		Weighted average exchange rate	
Basis 1 EUR	**12/31/2009**	**12/31/2010**	**2009**	**2010**
U.S. Dollar	1.44	1.34	1.40	1.32

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

Interest income is recognized when earned (using the effective interest method).

Dividends

Dividends are recognized when the shareholders' right to receive the payment is established.

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 in effect as of the balance sheet date.

Deferred tax

Deferred taxes are recognized according to the balance sheet liability method on temporary differences between the carrying amounts reported in the balance sheet prepared for reporting purposes and the balance sheet prepared for tax purposes as well as on tax loss carryforwards.

Differences calculated according to this method are generally always recognized to the extent that they result in deferred tax liabilities. Deferred tax assets are only recognized if it is likely that the corresponding tax benefits will also be realized.

Deferred tax assets and liabilities are also recognized on temporary differences arising from acquisitions except where they arise from goodwill that is not taken into account for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that are applicable at the balance sheet date. Future changes in tax rates are applied insofar as material conditions for validity as part of a legislative process have been fulfilled as of the balance sheet date.

Changes in deferred taxes on the balance sheet generally give rise to deferred tax income or expense. To the extent that items resulting in a change in deferred tax are credited or charged directly to equity, the change in deferred tax is also recognized directly in equity.

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 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.

Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to shareholders of UMS AG by the weighted average number of shares issued. The shares bought back during the year under review are recognized on a pro rata basis. In the periods under review presented here, no new dilutive effects occurred. Stock options for 200,000 ordinary shares have existed since April 2004. This option can be exercised until March 31, 2011.

Employee benefits

Pensions and other post-employment benefits

The UMS Group's U.S. affiliate 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 65½.

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

Share-based compensation

The UMS Group does not give its employees any form of share-based compensation.

Financial assets

Initial recognition and subsequent measurement

Financial assets in the scope of IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets after initial recognition.

When financial assets are recognized initially, they are measured at fair value. The transaction costs directly attributable to acquisition are recognized for all financial assets not recognized at fair value through profit or loss in subsequent periods.

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through profit or loss

The group of financial assets at fair value through profit or loss includes assets held for trading. Derivative financial instruments are also classified as held for trading. Gains or losses on investments held for trading are recognized in profit and loss.

The UMS Group has classified its interest swaps to hedge interest exposure as held for trade. At the balance sheet date, the interest swaps are 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.

Loans and receivables

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 interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity investments

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. After initial recognition, financial investments held to maturity are carried at amortized cost using the effective interest method and reduced by any impairment losses.

During fiscal 2010 and 2009, the Group did not have any held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities give rise to an obligation that must be settled in cash or other financial assets. These include in particular trade payables, derivative financial liabilities and components of debt, primarily bonds and other securitized liabilities, liabilities to banks and finance lease liabilities.

The initial recognition of financial liabilities is at fair value. The transaction costs directly attributable to acquisition are recognized for all financial liabilities not recognized at fair value through profit or loss in subsequent periods.

The subsequent measurement of financial liabilities depends on their classification.

Interest-bearing loans and borrowings

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Determination of fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. The fair value of financial assets for which there is no active market is determined by the Company itself or by third-party experts using measurement methods.

Amortized cost of financial instruments

Amortized cost is calculated using the effective interest method, less any impairment losses, and repayments or principal reductions.

Impairment of financial assets

At each balance sheet date, the carrying amounts of financial assets not measured at fair value through profit or loss are subjected to testing to determine whether objective evidence exists to indicate impairment. Objective evidence includes, for example, major financial difficulty of the borrower, the ceasing to exist of an active market or significant changes in the technological, market, economic or legal environment.

The amount of the impairment loss for a financial asset carried at amortized cost or held to maturity is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are deemed uncollectible (e.g., after conclusion of bankruptcy proceedings).

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognized when:

- The contractual rights to receive cash flows from the asset have expired.

- The Group has transferred its contractual rights to the cash flows from the financial asset to a third party or assumes a contractual obligation to pay the cash flows immediately to a third party as part of an arrangement that satisfies the requirements of IAS 39.19 and thereby either transfers substantially all of the risks and rewards associated with ownership of the financial asset or transfers control over the asset.

The UMS Group has not assigned any contractual rights to receive cash flows from an asset or entered into a “pass-through arrangement” within the meaning of IAS 39.19.

Financial liabilities

A financial liability is derecognized when the underlying obligation is discharged, cancelled or expires.

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.

Derivative financial instruments and Hedging Instruments

The Group uses derivative financial instruments (interest rate swaps) to hedge interest rate risks. 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 swaps 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 that do not qualify for hedge accounting are taken directly to the income statement.

The UMS Group does not use any hedging instruments that would have to be included in the financial statements as a hedging relationship.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration paid is recognized in distributable profit.

The volume of treasury shares held is reported separately in the Notes.

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	5 – 10 years
Other equipment	3 – 5 years

When sold or retired, the cost and accumulated depreciation of plant and equipment are removed from the balance sheet; any resulting gains or losses are recognized in income.

The residual values, useful lives and methods of depreciation are reviewed at the end of each fiscal year and adjusted as necessary.

Leasing

General

Whether an agreement includes a leasing arrangement is determined on the basis of the economic content of the agreement at the time the agreement was entered into and requires an estimate of whether the performance of the contractual agreement depends on the use of a certain asset or assets and whether the agreement grants a right to use the asset. Leasing transactions are classified either as a finance lease or as an operating lease.

Group as lessee

Leasing transactions in which the Group as lessee bears all opportunities and risks of ownership are treated as a finance lease. Accordingly, the Group books the leased property at the lower of fair value and the cash value of the minimum leasing rates and then writes off the leased property over its estimated useful life or a shorter contractual term. At the same time, a corresponding liability is recognized that is subsequently paid off and continued using the effective interest method. All other leasing agreements in which the Company is a lessee are treated as operating leases. In such cases the lease payments are recognized as expense on a straight-line basis.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

The Group produced no assets in the reporting year requiring a substantial period of time to complete and thus did not have any directly allocable borrowing costs which would have to be capitalized as part of the asset's cost until the asset was ready for its intended use.

Intangible assets

Intangible assets acquired separately are capitalized at cost, whereas intangible assets 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 defined as either finite or indefinite. Intangible assets with a specific useful life are written down over the economic life of the asset and tested for possible impairment as soon as there are indicators of impairment. Their useful lives are also reviewed annually with respect to their length and determinability and if necessary, are adjusted on a prospective basis.

The nature and influence of changes on an estimated value are discussed in connection with additional disclosures on the balance sheet item "Intangible assets".

Contracts and customer bases

Contracts and customer bases acquired for a fee or in a business combination are reported on the balance sheet as a separate group of intangible assets. The useful life of contracts and customer bases is determined using the historical cost method, assuming a limited useful life that is typically set at 12 years.

The carrying value of contracts and customer bases is tested yearly for indications of impairment.

Certificate of Need (CON)

In some U.S. states, a certificate of need or similar regulatory approval is required of medical services. The U.S. affiliate of the Group has acquired several certificates of need to operate services in states under certificate-of-need laws. The acquired approvals are treated as intangible assets with an infinite useful life and, effective September 2005, are no longer amortized. The use of an infinite useful life reflects the industry standard since such certificates are granted for an indefinite term and have no expiration date.

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

OVERVIEW OF VALUATION METHODS

	Contracts and customer bases	Certificate of Need
Useful lives	finite	indefinite
Method used	12 years straight line	none
Generated or 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

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.

Impairment of non-financial assets

At each balance sheet date, the Group tests the carrying amounts of intangible assets and property, plant and equipment to determine if there is any indication that impairment could have occurred. In this case, the recoverable amount of the asset in question is calculated in order to determine the amount of an impairment loss to be recognized, if any.

Goodwill arising from business combinations and from intangible assets with an indefinite useful life is tested for impairment at every balance sheet date and, additionally, if indications of possible impairment exist at other times. The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and its value in use. The recoverable amount must be determined for each individual asset unless the asset does not generate any cash inflows that are largely independent from those of other assets or other groups of assets. If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, the asset is deemed impaired and is written down to the recoverable amount.

The value in use is the present value of the expected future cash flows discounted by applying a pre-tax rate that reflects current market expectations with regard to the time value of money and the specific risks associated with the asset. A suitable measurement model is applied to calculate the fair value less costs to sell.

For all assets other than goodwill, an assessment is made at each balance sheet date as to whether there is any indication that an impairment loss recognized previously may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or the cash-generating unit. A previously recognized impairment loss is only reversed if a change has occurred in the assumptions used to calculate the recoverable amount since the recognition of the most recent impairment loss. The reversal of the impairment loss is limited to the extent that the carrying amount of an asset may neither exceed its recoverable amount nor the carrying amount that would have resulted after recognition of depreciation/amortization charges if no impairment loss had been recognized for the asset in prior periods. Reversals of impairment losses are recognized in profit or loss.

Inventories

Inventories are valued at the lower of cost and net realizable value. The Company trades only with finished goods. Finished goods are carried at 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 cash equivalents comprise cash on hand and balances with banks.

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

Provisions

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.

The amount of the provision corresponds to the best possible estimate of the amount required to settle the current obligation as of the balance sheet date. Expected reimbursements by third parties are not offset, but instead recognized as a separate asset as long as it is virtually certain that the reimbursement will be received. If the time value of money is material, then the provision is discounted using a market rate that adequately accounts for risk.

Provisions for restructuring measures are recognized to the extent that a detailed, formal restructuring plan has been prepared and announced to the affected parties.

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies in the Group and reported amounts of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates.

The most significant effect on the amounts recognized is the judgment that the Certificates of Need have an indefinite life, which is consistent with industry standard.

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 the reporting period:

- IFRS 2 “Shared-based Payment; Group Cash-settled Share-based Payment Transactions”
- IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”
- IAS 39 “Financial Instruments: Recognition and Measurement”
- IFRIC 9 “Reassessment of Embedded Derivatives”
- IFRIC 17 “Distributions of Non-cash Assets to Owners”
- IFRIC 18 “Transfers of Assets from Customers”
- Improvements to IFRS 2009

The application of amended standards IFRS 3 and IAS 27 does not have any material effect on the presentation of the assets, financial position and earnings of the Group.

A material change with respect to IFRS 3 is how acquisitions of fewer than 100% of a company’s shares are accounted for. The option of increasing the goodwill on the acquisition under the “full goodwill method” has been introduced, i.e., by the amount of the goodwill that relates to the noncontrolling interest. All other costs associated with the acquisition must be expensed.

The application of the collected standards published in 2009 to amend various IFRSs has no material influence on the presentation of the financial statements.

The application of the amended IAS 39 has no influence on the assets, financial position or earnings of the Group, because the Group has not entered into any transactions covered by the standard. Because no non-cash assets were distributed to owners, the application of IFRIC 17 has no effects on the assets, financial position or earnings. There is no share-based compensation in the Group. Therefore, the amendment to IFRS 2 is not relevant.

Standards issued but not yet mandatory

As of December 31, 2010, the IASB had issued the following new or revised standards and interpretations relevant for the Group's business activities whose application was not yet mandatory as of the reporting date and which the Group had not yet applied ahead of schedule:

In October 2009 the IASB published amendments to IAS 32 "Financial Instruments: Presentation – Classification of Options". The amendments deals with the accounting for options (rights, options or warrants) that are denominated in a currency other than the issuer's functional currency. The amendments to IAS 32 are applicable to fiscal years that commence on or after February 1, 2010. This is not expected to have any effects on the consolidated financial statements of UMS AG.

In November 2009 the IASB published an amendment to IAS 24 "Related party disclosures". The change simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The provisions of IAS 24 are applicable to fiscal years that begin on or after January 1, 2011. The Group does not expect any material effects on the consolidated financial statements.

Also in November 2009 the IASB published IFRS 9 "Financial instruments: categorization and measurement", which completes the first phase in a three-part IASB project to amend the accounting procedures for financial instruments, which were previously set forth in IAS 39. IFRS 9 includes rules for categorizing financial assets. The rules in IFRS 9 are applicable to fiscal years that begin on or after January 1, 2013.

In addition, in November 2009 the IASB published amendments to IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The amendments to IFRIC 14 relate to voluntarily prepaid contributions under minimum funding requirements of pension plans. The rules in IFRIC 14 are applicable to fiscal years that begin on or after January 1, 2011. These amendments will not have any effect on the consolidated financial statements of UMS AG.

Also in November 2009 the IASB published IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 governs the recognition and measurement of equity instruments that a borrower issues to extinguish financial liabilities. The provisions of IFRIC 19 are applicable to fiscal years that begin on or after July 1, 2010. They will have no effect on the consolidated financial statements of UMS AG.

In May 2010 the IASB published the third collection of “Improvements to IFRSs” as part of the Annual Improvements Process. This resulted in minor amendments to six standards and one interpretation. Except as otherwise provided, the amendments are applicable to fiscal years that begin on or after January 1, 2011. UMS AG does not currently expect the application of the amended versions to have a material influence on the presentation of its financial statements.

In October 2010 the IASB published changes to IFRS 7 “Financial Instruments: Disclosures”. These amendments give the users of financial statements a better understanding of transactions to transfer financial assets. The amendments are applicable to fiscal years that begin on or after July 1, 2011. Comparative disclosures are not required in the first year of application. UMS AG does not currently expect the application of the amended versions to have a material influence on the presentation of its financial statements.

Also in October 2010 the IASB published rules on accounting for financial liabilities that supplement IFRS 9 “Financial Instruments”. Under the new rules, a company that has selected the fair value option for recognition of its financial liabilities must include the portion of the change in fair value resulting from the change in the credit risk of the liability in other comprehensive income, and not in the income statement. The supplement to IFRS 9 is applicable to fiscal years that begin on or after January 1, 2013. UMS AG does not currently expect the application of the supplement to have a material influence on the presentation of its financial statements.

3. Business Combinations

Transactions in 2010

Asset Deal Breast Surgical Services, Inc.

In December 2010 UMS Group acquired all the assets of Breast Surgical Services, Inc., via its U.S. subsidiary. This company’s material assets were ten customer contracts to perform stereotactic breast biopsies in the State of Texas and mobile equipment and the related vehicles.

The fair value of the identifiable assets and liabilities purchased in this transaction and the outflow of cash from the transaction are shown in the following table:

in kEUR	Fair Value recognized at acquisition
Property, plant and equipment	54
+ Contracts (Note 10)	114
= Total identifiable net assets at fair value	**168**
= Total consideration	**168**
= Net cash outflow	168

The contribution to net income in fiscal 2010 cannot be determined because the acquired contracts were integrated into UMS (DE) Inc. Accordingly a one-time effect based on the assumption that the contract had been acquired as of January 1 of the reporting year cannot be determined.

Transactions in 2009

Asset Deal MoBx Corporation

In August 2009, the UMS Group (again through its U.S. subsidiary) acquired all of the assets of MoBx Corporation. The principal assets of MoBx Corporation consisted of ten customer contracts on the performance of stereotactic breast biopsies in the state of California as well as two mobile systems and the accompanying vehicles used to transport them.

The fair value of the identifiable assets and liabilities purchased in this transaction and the outflow of cash from the transaction are shown in the following table:

in kEUR	Fair Value recognized at acquisition
Property, plant and equipment	105
+ Intangible assets (contracts)	245
= Net assets	**350**
= Total consideration	**350**
– Earn-out component	78
= Net cash outflow	272

The contribution to net income in fiscal 2009 cannot be determined because the acquired contracts were integrated into UMS (DE) Inc. Accordingly a one-time effect based on the assumption that the contract had been acquired as of January 1 of the reporting year cannot be determined.

Andover Surgical Center

The UMS Group sold the principal assets of Andover Surgical Center (ASC LP) in December 2009.

The carrying value of the assets and liabilities sold as well as the inflow of cash from the transaction are shown in the following table

in kEUR	
Property, plant and equipment	1,767
+ Intangible assets (CON)	216
+ Inventories	67
– Liabilities under leases	–105
= Net assets	**1,945**
+ Gain on the transaction	1,518
= Total consideration	**3,463**
– Transaction costs	–44
– Repayments made in connection with the transaction	–1,892
– Minority interest payments	–514
= Net cash inflow	1,013

4. Segment Information

The segment reporting of the UMS Group follows the management approach, which means that it is based on internal organization and reporting structures. The management of the UMS Group has formed the Company's operating segments for internal reporting purposes on the basis of the different medical disciplines in which the Group offers specific services.

Thus, the Group has the following two reportable operating segments:

The Urology segment delivers full service solutions mainly for the treatment of kidney stones using shock waves and for the laser treatment of benign prostate enlargement. This segment also includes the sale of Richard Wolf urology systems.

The Gynecology segment covers the provision of stereotactic breast biopsies using mobile equipment and the sale of disposable items used in the early detection of breast cancer.

Information about business operations and business segments that are not reportable is captured under “all other segments”, which includes services provided by the UMS Group in the area of radiology with mobile MRI systems and in the area of oncology for the treatment of prostate cancer. The results from a management contract for the Andover Surgical Center, which is no longer owned by the Group, are also shown here.

The operation of outpatient clinics, a business which the UMS Group sold at the end of 2009, meets the definition of a discontinued operation pursuant to IFRS 5. Otherwise, it would have been reported under “all other segments”, as well.

Prices for transfers between the segments are based on competitive market prices.

SEGMENT DATA FOR THE YEAR ENDED DECEMBER 31, 2010

in kEUR	Urology	Gynecology	All other segments	Reconciliation to the Group	Group
Segment revenues	**27,175**	**9,975**	**1,696**	**79**	**38,925**
Depreciation and amortization	–2,327	–963	–144	0	–3,434
Segment result	**9,946**	**2,602**	**308**	**81**	**12,937**

The UMS Group used the segment result as a key indicator of performance from the standpoint of the Group’s owner. Therefore, this is a result after minority interests held by physician partnerships. These shares of earnings of shareholders without a controlling influence have therefore already been subtracted from the segment result.

Reconciliation from the cumulative result of the segments to the Group's result for the period:

in kEUR	**2010**
Cumulative result of the reportable segments	12,937
Non-controlling interests in the segment result	6,813
Selling expenses	–2,574
General administrative expenses	–4,517
Other operating income and expenses, net	156
Group EBIT	**12,816**
Interest income and expenses, net	–375
Taxes	–2,488
Result from discontinued operations	**9,953**

SEGMENT DATA FOR THE YEAR ENDED DECEMBER 31, 2009

in kEUR	**Urology**	**Gynecology**	**All other segments**	**Reconciliation to the Group**	**Group**
Segment revenues	**24,054**	**10,271**	**1,439**	**-61**	**35,703**
Depreciation and amortization	–2,151	–653	–144	142	–2,806
Segment result	**8,193**	**3,050**	**146**	**362**	**11,751**

Reconciliation from the cumulative result of the segments to the Group's result for the period:

in kEUR	**2009**
Cumulative result of the reportable segments	11,751
Non-controlling interests in the segment result	6,161
Selling expenses	–2,432
General administrative expenses	–4,078
Other operating income and expenses, net	141
Group EBIT	**11,543**
Interest income and expenses, net	–409
Taxes	–2,120
Result from discontinued operations	490
Cumulative result of the reportable segments	**9,504**

Information on geographical areas

Geographical data on external revenues is broken down by customer location.

in kEUR	2010	2009
External revenues North America (U.S./Canada)	37,752	34,519
External revenues South America (Chile)	1,094	1,075
External revenues Europe (Germany)	79	109
Group revenues	**38,925**	**35,703**

The non-current assets shown in the following overview include both property, plant and equipment and intangible assets:

in kEUR	2010	2009
Non-current assets North America (U.S./Canada)	18,554	17,524
Non-current assets South America (Chile)	883	992
Non-current assets Europe (Germany)	4	5
Total Group	**19,441**	**18,521**

5. Revenues and Expenses

The information about income statement items included in the following tables relates for 2009 to continuing operations.

OTHER INCOME/EXPENSE

in kEUR	2010	2009
Other income	395	232
Other expense	–239	–91
	156	**141**

Other income mainly includes exchange gains, income from the reversal of provisions and income from disposal of fixed assets.

Other operating expenses primarily include exchange losses, write-downs on receivables and other extraordinary expenses.

FINANCE INCOME

in kEUR	2010	2009
Bank interest income	20	20
Investment income	0	31
Other interest income	11	28
	31	**79**

FINANCE COSTS

in kEUR	2010	2009
Bank loans and overdrafts	–118	–282
Other loans	–37	–15
Finance charges payable under finance leases and hire-purchase contracts	–251	–191
	–406	**–488**

INCLUDED IN COST OF SALES

in kEUR	2010	2009
Depreciation of property, plant and equipment		
– Owned assets	–1,152	–667
– Assets under finance lease	–1,126	–1,083
Amortization of intangible assets	–1,156	–1,056
	–3,434	**–2,806**
Cost of inventories recognized as an expense	–3,147	–3,157
Personnel expenses	–7,929	–7,403
Service and maintenance expenses	–998	–837
Other expenses	–3,666	–3,588
Total cost of sales	**–19,174**	**–17,791**

DISTRIBUTION AND SELLING EXPENSES

in kEUR	2010	2009
Depreciation of property, plant and equipment		
– Owned assets	–10	–15
– Assets under finance lease	–24	–24
Amortization of intangible assets	0	–22
Personnel expenses	–1,579	–1,461
Other expenses	–961	–910
Total expenses	**–2,574**	**–2,432**

GENERAL AND ADMINISTRATION EXPENSES

in kEUR	2010	2009
Depreciation of property, plant and equipment		
– Owned assets	–80	–70
– Assets under finance lease	–45	–4
Amortization of intangible assets	0	0
Personnel expenses	–2,307	–1,890
Other expenses	–2,085	–2,114
Total expenses	**–4,517**	**–4,078**

Other expenses include audit fees for the Group auditors amounting to EUR 132k (2009: EUR 141k). Of this amount, EUR 9k is attributable to consulting services in connection with an audit of UMS AG performed by the Deutsche Prüfstelle für Rechnungslegung. The audit fee in the previous year relates exclusively to the audit of the consolidated and single-entity financial statements.

EMPLOYEE REMUNERATION

in kEUR	2010	2009
Salaries	–9,806	–9,184
Contribution to pension plans	–129	–118
Other social securities	–1,880	–1,755
Total employee remuneration	**–11,815**	**–11,057**

The average number of employees in the Group this year was 203 (2009: 220); all employees were employed in continuing business units (2009: 202).

DEPRECIATION/AMORTIZATION

in kEUR	2010	2009
Property, plant and equipment		
– Cost of sales	–2,278	–1,750
– Distribution and selling	–34	–39
– General and administration	–125	–74
Total	**–2,437**	**–1,863**
Intangible assets		
– Cost of sales	–1,156	–1,056
– Distribution and selling	0	–22
Total	**–1,156**	**–1,078**
Total expenses	**–3,593**	**–2,941**

6. Income Tax

The major components of income tax expense for the years ended December 31, 2010 and 2009 are:

CONSOLIDATED INCOME STATEMENT

in kEUR	2010	2009
Current income tax		
– Current income tax	–2,099	–2,063
Deferred income tax		
– Relating to origination and reversal of temporary differences	–284	–342
Income tax expense reported in consolidated income statement	**–2,383**	**–2,405**

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended December 31, 2010 and 2009 is as follows:

in kEUR	2010	2009
Accounting profit/loss before income tax from continuing operations	12,336	11,043
Profit/loss from discontinued operations	0	866
Accounting profit/loss before income tax	**12,336**	**11,909**

in kEUR	2010	2009
Germany statutory income tax rate of 32.28% (2009: 32.28 %)	–3,982	–4,000
Difference in foreign taxation	–1,430	–1,410
Difference in domestic taxation (non-deductible expenses)	–40	–142
Deferred tax expense arising from permanent differences	51	86
deferred tax assets or liabilities not recognized	5	–20
Tax difference of minority interests in partnerships	3,012	3,021
Tax effect of corrections, consolidation	6	0
Other	–5	60
	–2,383	**–2,405**

in kEUR	2010	2009
Income tax expense reported in consolidated income statement	–2,383	–2,029
Income tax attributable to the current gain/loss of discontinued operations	0	–376
	–2,383	**–2,405**

The German corporate income tax applicable in fiscal year 2010 provides for a tax rate of 15% (2009: 15%) plus the solidarity surcharge of 5.5%. UMS AG's trade tax rate is 16.4% (2009: 16.4%). Therefore, our total income tax rate in Germany (including the solidarity surcharge) is 32.2% (2009: 32.2%).

UMS AG has income tax losses of EUR 11.9 million (2009: EUR 11.4 million) and EUR 10.6 million in trade tax losses (2009: EUR 10.1 million) that are available indefinitely for offset against the Company's future taxable profits, within the limits of §§ 10d (2) EstG; 10a GewStG. No deferred tax assets have been recognized in respect of these losses as they cannot be used to offset taxable profits elsewhere in the Group. As the holding company is not likely to generate future taxable profits, no deferred taxes have been recognized for timing differences for UMS AG.

The UMS group does not recognize any tax assets based on tax loss carryforwards.

Timing differences between taxable income and income stated in accordance with IFRS rules result in deferred tax liabilities of EUR 1.3 million (2009: EUR 1.2 million) and approximately EUR 0.1 million (2009: EUR 0.2 million) in deferred tax assets. Timing differences mainly arise from differences in amortization periods and non-tax-deductible depreciation on certain assets for tax purposes.

7. Discontinued Operations

In December 2009 the UMS Group sold a business unit in the United States (see section 3). This business unit's revenues and earnings in the prior year and the effects of its sale were classified as belonging to discontinued operations in fiscal year.

Activities related to the winding-up of former Group companies in Europe are also shown under discontinued operations.

In the reporting year the Group did not hold any business units or assets that were classified as held for sale or as part of discontinued operations.

The results of the business activities sold during the previous year were as follows:

in kEUR	2010	2009
Revenues	0	2,717
Expenses	0	–2,942
Gain on the sale	0	1,518
Loss recognized on the remeasurement to fair value	0	–355
EBIT	**0**	**938**
Financial result	0	–72
Other taxes	0	0
Result before taxes	**0**	**866**
Tax expenses related to pre-tax profit/loss (IFRS 5)	0	–376
Gain/loss for the year from a discontinued operation after tax	0	490
– thereof attributable to equity holders of the parent	0	–193
– thereof minority interest	0	683

Therefore, in the reporting year, no earnings per share are shown for the discontinued operations (previous year: EUR –0.04).

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

in kEUR	2010	2009
Cash flow from current operating activities	0	–23
Cash flow from investing activities	0	3,464
Cash flow from financing activities	0	–2,575
Net cash effect	**0**	**866**

8. Earnings per Share

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

in kEUR	2010	2009
Profit/loss for the year from continuing operations	**9,953**	**9,014**
thereof – Attributable to non-controlling interests	6,827	6,201
– Attributable to equity holders of the parent	3,126	2,813
Profit/loss for the year from discontinued operations	**0**	**490**
thereof – Attributable to non-controlling interests	0	683
– Attributable to equity holders of the parent	0	–193
Profit/loss for the year	**9,953**	**9,504**
thereof – Attributable to non-controlling interests	6,827	6,884
– Attributable to equity holders of the parent	3,126	2,620

in thousands	2010	2009
Weighted average number of ordinary shares for basic earnings per share	5,146	5,476
Effect of dilution:		
Share options	180	200
Adjusted weighted average number of ordinary shares for diluted earnings per share	5,326	5,676

In the resolutions adopted at the annual shareholders' meetings on June 5, 2009 and June 3, 2010, UMS AG was authorized to buy back its own shares, pursuant to § 71(1)(8) of the German Stock Corporation Act. In the period from October 12, 2009 to December 31, 2009 the Company used this authorization of June 5, 2009 to buy back 142,612 of its own shares at an average price of EUR 5.92. Making use of the authorizations of the shareholders' meetings on June 5, 2009 and June 3, 2010 the Management Board of UMS AG acquired an additional 166,088 of its own shares in fiscal year 2010 at an average price of EUR 6.18. As of the balance sheet date in 2010, UMS AG thus held a total of 308,700 treasury shares.

The weighted average number of ordinary shares therefore corresponds to the number of ordinary shares that were in circulation at the beginning of the period, adjusted for the—time weighted—number of ordinary shares repurchased during the period.

9. Property, Plant and Equipment

Property, Plant and Equipment at Cost and Intangible Assets

2010

	Acquisition and production costs				
in kEUR	Jan. 1, 2010	Currency Effects	Additions	Disposals	Dec. 31, 2010
Intangible Assets and Goodwill					
Intangible Assets	17,618	1,439	112	3	19,166
Goodwill	15,172	0	0	0	15,172
	32,790	**1,439**	**112**	**3**	**34,338**
Property, Plant and Equipment					
Technical Equipment and Machines	17,969	1,336	1,662	1,411	19,556
Other equipment, factory and office equipment	5,408	442	1,123	761	6,212
	23,377	**1,778**	**2,785**	**2,172**	**25,768**

2009

	Acquisition and production costs				
in kEUR	Jan. 1, 2009	Currency Effects	Additions	Disposals	Dec. 31, 2009
Intangible Assets and Goodwill					
Intangible Assets	16,400	-506	2,011	287	17,618
Goodwill	15,172	0	0	0	15,172
	31,572	**-506**	**2,011**	**287**	**32,790**
Property, Plant and Equipment					
Land and Building	1,940	-58	0	1,883	0
Technical Equipment and Machines	15,657	-276	3,061	474	17,969
Other equipment, factory and office equipment	5,729	-149	1,191	1,364	5,408
	23,326	**-482**	**4,252**	**3,720**	**23,376**

Accumulated Depreciation					Net book value	
Jan. 1, 2010	Currency Effects	Additions	Disposals	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009
7,235	600	1,156	3	8,989	10,177	10,383
15,098	0	0	0	15,099	74	74
22,333	**600**	**1,156**	**3**	**24,087**	**10,252**	**10,457**
12,624	741	1,605	1,419	13,551	6,005	5,345
2,688	196	832	690	3,026	3,185	2,720
15,312	**937**	**2,437**	**2,109**	**16,577**	**9,190**	**8,065**

Accumulated Depreciation					Net book value	
Jan. 1, 2009	Currency Effects	Additions	Disposals	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008
6,450	-233	1,091	73	7,235	10,383	9,949
15,098	0	0	0	15,098	74	74
21,548	**-233**	**1,091**	**73**	**22,334**	**10,457**	**10,023**
246	1	80	326	0	0	1,695
11,760	-194	1,555	497	12,624	5,345	3,897
3,305	-76	626	1,167	2,688	2,720	2,425
15,311	**-270**	**2,260**	**1,990**	**15,312**	**8,065**	**8,017**

Impairment of property, plant and equipment

There was no need to recognize any impairment as a result of the impairment testing the assets of the companies in the UMS Group.

Assets under finance lease

The carrying amount of machinery and equipment held under finance leases and hire-purchase contracts at December 31, 2010 is EUR 3,682k (2009: EUR 4,202k). Leased assets and assets under hire-purchase contracts are pledged as security for the related finance lease and hire-purchase liabilities

Assets leased under other contractual arrangements

The additions in the 2009 and 2010 reporting year comprise medical systems that a manufacturer leased to UMS free of charge. In return, the UMS Group agreed to purchase this manufacturer's machines and disposable items on an exclusive basis for one of its divisions going forward. An agreement with a five-year term was executed. The UMS Group recognized at fair value all equipment that was leased free of charge in 2009 and 2010 and writes it off over the life of the lease contract. Accordingly, the book value of this equipment at December 31, 2010 was EUR 766k (2009: EUR 798k). The UMS Group recognized an "other liability" in the same amount.

10. Intangible Assets

The carrying amount of intangible assets includes the following items:

- Contracts and customers acquired for a fee or in a business combination
- "Certificate of Need" – regulatory approval required before providing medical services in certain U.S. states
- software
- goodwill.

The remaining useful life of the contracts and customer bases is between 5 and 12 years. The useful life of "certificates of need" is indefinite. The useful life of software licenses is 3 years.

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) and the "Administration expenses" line item (software).

The book value of intangible assets is as follows:

in kEUR	2010	2009
Contracts and customer bases	7,144	7,552
Certificate of Need	3,032	2,807
Other intangible assets	1	24
Intangible assets	**10,177**	**10,383**
Goodwill	74	74

In December 2010, the Group's U.S. subsidiary acquired 10 customer contracts in the State of Texas from Breast Surgical Services, Inc.. These contracts were booked as intangible assets.

11. Impairment Testing of Goodwill and intangibles with indefinite lives

When testing for other-than-temporary impairment of the goodwill acquired in a business combination, the Company determines the recoverable amount for the cash-generating unit to which the goodwill is allocated on the basis of the value in use. 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 6.5% (2009: 7.0%) after tax or 9.1% pre tax (2009: 9.6 %). Cash flows for year 4 and following are projected from budget figures assuming a constant number of pieces of equipment in use.

The permits to provide medical services in certain U.S. states, which were acquired in connection with mergers and whose useful lives are indefinite, were assigned to the cash-generating unit Great Lakes Lithotripsy LLC for purposes of impairment testing.

The book value of intangible assets with unlimited useful lives changed as follows:

	Great Lakes Lithotripsy		Total	
in kEUR	2010	2009	2010	2009
Permits with unlimited useful lives	2,958	2,738	3,032	2,807

The changes are solely attributable to the different EUR/USD exchange rate at the balance sheet date.

The targetable amount of the cash-generating unit "Great Lakes Lithotripsy" is determined on the basis of the calculation of a useful life using cash flow forecasts for a period of five years. The cash flow forecasts are based on the earnings planning for this business unit, which is based on detailed price and volume amounts. Cash flow that arises after the five-year period is extrapolated using a growth rate of two percent. The planning assumptions are based on existing contractual agreements and historical figures. The discount rate (after tax) used to forecast cash flow is 5.9%.

12. Other Financial Assets

in kEUR	2010	2009
Claims from deposit payments—long-term	88	63
Other	27	68
	115	**131**

The other financial assets include unlisted equity instruments classified as available-for-sale whose fair value cannot be reliably determined and which therefore are carried at amortized cost.

The other financial assets are neither past due nor impaired.

13. Employee Benefits

Share-based payment plans

The Company does not grant any share-based compensation.

Stock option plan

The exercise period for employee stock options has expired. No new stock option plan has been established. Therefore, at December 31, 2010, as in the previous year, the employees of the UMS Group had no stock options.

Pensions and other post-employment benefit plans

The UMS Group's U.S. affiliate 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 65½. Contributions to the plan are at the discretion of management. Contribution expense recorded was EUR 121k and EUR 110k for the years ended December 31, 2010 and 2009, respectively.

Contributions to government pension schemes in Germany, which have been classified as multi-employer defined contribution plans, were EUR 8k in the reporting year (EUR 8k in the previous year). These contributions were expensed in the income statement.

14. Inventories

in kEUR	2010	2009
Trade goods	871	985
Medical equipment	81	163
	952	**1,148**

15. Trade and other receivables

in kEUR	2010	2009
Trade receivables	6,015	5,206
Claims on related companies	238	425
	6,253	**5,631**

Trade receivables are non-interest bearing and are generally on 30-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.

The claims on related companies are claims against UMS Ecuador.

At December 31, 2010, trade receivables in a principal amount of EUR 125k (2009: EUR 333k) were impaired and fully provided for, claims in a principal amount of EUR 2,719k were past due but not impaired (2009: EUR 2,084k). All write-downs are individual write-downs. Movements in the provision for impairment of receivables were as follows:

in kEUR	
At January 1, 2009	**252**
Currency effects	–6
Charge for the year	166
Utilized	–79
At December 31, 2009	**333**
Currency effects	27
Charge for the year	59
Utilized	–294
At December 31, 2010	**125**

At December 31, 2010, the ageing analysis of trade receivables is as follows:

in kEUR	Current	31 – 60 Days	61 – 90 Days	> 90 Days	Total
2010	3,296	1,363	655	826	**6,140**
2009	3,132	1,195	520	692	**5,539**

16. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and balances with banks and earn interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is the book value, as in the previous year.

At December 31, 2010, the Group had unused credit facilities in the amount of EUR 2,538k (2009: EUR 2, 2,296k), for which all the necessary prerequisites to drawdown had been met.

17. Issued Capital and Reserves

ISSUED CAPITAL

in kEUR	2010	2009
Ordinary shares of EUR 1.11 each	6,016	6,016
Treasury shares of EUR 1.11 each	–343	–158
	5,673	**5,858**

The ordinary shares are fully paid in.

The number of ordinary shares changed as follows:

in thousand	2010	2009
Ordinary shares at Dec. 31	5,415	5,415
Treasury shares at Dec. 31	–309	–143
	5,106	**5,272**

In the period from April 25, 2008 to August 17, 2009, UMS AG acquired a total of 601,626 of its own shares. Further to the authorization granted by the shareholders' meeting, the Management Board of UMS AG resolved on October 2, 2009 to retire the fully paid-in 601,626 without reducing the share capital. Accordingly, the notional par value represented by the other non-par-value shares pursuant to § 8(3) of the German Stock Corporation Act increased from EUR 1.00 to approximately EUR 1.11. The Supervisory Board consented to the Management Board's resolution on October 7, 2009.

On October 9, 2009, the Management Board of UMS AG decided, with the Supervisory Board's consent, to carry out another share buyback program. Under this program, up to 446,973 shares are to be bought back via the stock market during the period from October 12, 2009 to June 2, 2015. The goal of this buyback is again to retire shares. At the balance sheet date in 2009, 142,612 of the Company's shares had been bought back at an average price of EUR 5.92. In fiscal year 2010 an additional 166,088 shares were acquired at an average price of EUR 6.18 (total cost of acquisition: EUR 1.871k). At December 31, 2010, UMS AG thus holds 308,700 treasury shares with a notional value per share of approximately EUR 1.11. As a percentage of share capital, the treasury shares represent EUR 343k.

The difference between the theoretical par value and purchase price is captured directly on the balance sheet in the line item "accumulated gain". The effects of the stock buy-back on the subscribed capital and reserves are presented in detail in the consolidated statement of changes in equity.

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

Authorized Capital 2010

The Management Board is further authorized, with the Supervisory Board's consent, to increase the Company's share capital by up to EUR 3,008,129.95 (rounded), on one or more occasions by June 2, 2015, by issuing a total of up to 2,707,317 new bearer shares without par value, in exchange for cash and/or in-kind contributions (Authorized Capital 2010). The Management Board was further authorized, with the Supervisory Board's consent, to exclude the shareholders' preemptive rights in certain cases established by the shareholders' meeting of June 3, 2010.

The conditional capital II in the amount of EUR 200,000 is used to grant subscription rights to the shares needed to service the USD bonds in the amount of USD 3 million issued by the Company on March 30, 2004. The conditional capital II is divided into 180,000 (rounded) bearer shares with a par value of EUR 1.11 each, with dividend rights beginning in the year the option is exercised. The terms and conditions of the bond provide for a strike price of EUR 5.69. The option is exercisable at any time up to March 31, 2011 (and beyond that, as long as the secured USD bond has not been fully amortized). The market value of the existing options was determined at the balance sheet date with an option price of EUR 1.04.

The fair value of the liability portion of the warrant amounts to EUR 2,505,689.96 (USD 2,972,500), thus the balance of the issue price of EUR 20,177.04 (USD 27,500) 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 June 2, 2015. The shares may be acquired via the stock exchange or by way of a public offer to all shareholders. The authorization can be exercised in whole or in part, once or several times.

In fiscal year 2009, the Management Board of UMS AG purchased 142,612 of the Company's shares. In the reporting year an additional 166,088 of the Company's shares were acquired via the stock market. UMS AG thus held 308,700 treasury shares as of the balance sheet date.

At December 20, 2010, the Management Board and Supervisory Board of UMS AG decided to suspend the buyback program until further notice. In January 2011 the Management Board decided, with the Supervisory Board's consent, to make a public offer to the Company's shareholders to buy back up to 232,763 shares of the Company at a price of EUR 7.45. In the course of this buyback offer, the Company acquired an additional 232,651 of its own shares.

18. Distributed Dividend

in kEUR	2010	2009
Dividend resolved and distributed during the fiscal year		
Dividend for 2009: EUR 0.30 per share (for 2008: EUR 0.00 per share)	–1,542	0

19. Interest-bearing Loans and Borrowings

CURRENT

in kEUR	effective interest rate in %	Maturity	2010	2009
Obligations under finance leases and hire-purchase contracts	5 – 12%	2011	1,115	951
Bank liabilities				
Equipment line in USD	Libor +2.5%	2011	115	0
Bank loans in CLP	Prime +1.9%	2011	35	48
USD 3,000,000 loan	8%	2011	92	416
USD 3,500,000 loan	Prime +0.25%	2011	0	471
USD 3,400,000 loan	Prime +0.25%	2011	169	485
University of Michigan credit note	7.13%	2011	0	64
USD 3,400,000 loan	Libor +3%	2011	214	198
Total			**625**	**1,682**

NON-CURRENT

in kEUR	effective interest rate in %	Maturity	2010	2009
Obligations under finance leases and hire-purchase contracts	5 – 12%	2012 – 2014	1,797	1,794
Bank liabilities				
Equipment line in USD	Libor +2.5%	2012 – 2014	316	0
Bank loans in CLP	Prime +1.9%	2012	1	1
USD 3,000,000 loan	8%	-	0	84
USD 3,400,000 loan	Prime +0.25%	-	0	157
USD 3,400,000 loan	Libor +3%	2014	944	1,071
Total			**1,261**	**1,313**

Bank loans in CLP

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

Equipment lines in USD

This is an equipment line of credit for up to USD 2 million. The line can only be used to acquire technical machinery and equipment worth at least USD 150,000 each. Amounts drawn down under the line of credit must be repaid within four years of drawdown. The line of credit is initially available until September 2011.

USD 3,000,000 loan

The equal 60 repayments started in April 2006. A covenant agreement (obligation to meet certain financial ratios) is part of the loan contract. Covenants are met at December 31, 2010 and will be met according to budget in 2011.

USD 3,400,000 loan

This loan, which is also related to the purchase of contracts, regulatory approvals and equipment to expand in the urology segment in the State of Michigan, is payable in 60 monthly installments until 2011.

USD 2,000,000 loan

This loan, which finances the purchase of contracts and regulatory approvals related to the urology segment in the State of Michigan, is payable in 60 monthly installments until December 2014.

For all liabilities book values are equivalent to repayment values.

20. Accruals/Provisions

in kEUR	Balance at Jan. 1, 2010	Currency transl. adjustm.	Used during the year	Reversed during the year	Made during the year	Balance at Dec. 31, 2010
Outstanding invoices	121	10	125	0	126	132
Legal and consulting fees	110	7	111	0	154	160
Audit fees	234	15	244	5	220	220
Interest	6	0	6	0	0	0
Outstanding vacation	312	25	42	75	46	266
Rent	12	1	13	0	19	19
Earn-out	77	6	52	31	0	0
Bonuses	4	0	4	0	4	4
Severance payments	45	4	0	0	15	64
Guarantees and Removal Fees	130	0	108	22	0	0
Annual Report	20	0	18	2	35	35
Other	67	3	50	0	62	82
Total	**1,138**	**71**	**773**	**135**	**681**	**982**

All accruals are current. The earn-out provision relates to a transaction that took place in the year 2009 (see Note 3). The provision for severance payments relates to existing obligations under employment contracts. The obligations from warranties and disposal costs arising from the insolvency of a former group company in Europe were completely fulfilled within the reporting year. The remainder of the provision was reversed.

21. Trade and other payables

in kEUR	2010	2009
Trade payables	759	1,251
Other payables	462	408

The terms of the liabilities set forth above are as follows:

- Trade payables are non-interest bearing and are normally settled on 30–90-day terms.
- Other payables are non-interest bearing and are due and payable within an average of three months.

In 2009 and 2010 an equipment manufacturer leased medical equipment to the UMS Group free of charge. In consideration of this free lease, the UMS Group obtains equipment and wearing materials for a certain business line exclusively from this manufacturer. A five-year agreement was entered into in connection with this transaction. The UMS Group booked the equipment leased free of charge at fair market value and recognized an “other liability” in the amount of the recognized cost (EUR 766k), of which EUR 214k was shown under current liabilities and EUR 552k under long-term liabilities.

22. Commitments and contingencies

Lessee—finance lease

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

In the United States, there is an unlimited master agreement for trucks with one leasing company. The contract includes a renewal option after the non-cancelable minimum lease term.

The overview below shows all the assets under finance leases:

in kEUR	2010	2009
Machinery and equipment	9,965	10,192
Accumulated depreciation	6,283	5,990
Net book value	**3,682**	**4,202**

The future minimum lease payments for the aforementioned finance leases are as follows:

in kEUR	2010	2009
Within one year	1,234	1,081
After one year but no more than 5 years	1,951	1,940
Total minimum lease obligations	**3,185**	**3,021**
Interest	–273	–276
Present value of future minimum lease payments	**2,912**	**2,745**

Representing finance lease liabilities:

in kEUR	2010	2009
Current	1,115	951
Non-current	1,797	1,794

Lessee—operating lease

The Company and its subsidiaries have various operating lease agreements for machinery and vehicles.

Rent expense consisted of the following:

in kEUR	2010	2009
Rent expense	150	229

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

in kEUR	2010	2009
Within one year	231	233
After one year but no more than 5 years	423	609
	654	**842**

Contingent liabilities

In the ordinary course of business, the Group may be involved in lawsuits, claims, investigations and court proceedings, including product liability and commercial matters. As of December 31, 2010, 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 in the ordinary course of business; any possible resulting risks are minimized. There are no such matters pending which the Management Board and the Group's legal advisors expect to be material in relation to the Group's financial position or results of operations and that are not improbable.

23. Related party disclosures

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

Name in EUR	Headquarters	Share in capital	Equity Dec. 31, 2010	Earnings 2010
UMS (DE) Inc.	Delaware, USA	100%	16.658.232,56	2.843.570,27
UMS Canada Inc. 1)	Ontario, Canada	100%	316.645,67	40.513,76
UMS Andover MGMT Inc. 1)	Massachusetts, USA	100%	197.857,24	197.857,24
ASC LP 1)	Massachusetts, USA	20%	3.005,37	(6.823,66)
Great Lakes Lithotripsy, LLC 1)	Michigan, USA	25%	5.635.158,47	4.795.233,54
UMS TN LP 1)	Tennessee, USA	51%	14.334,25	20.900,80
Michigan CON LLC 1)	Delaware, USA	100%	2.328.822,25	432.953,69
UMS Chile S.A. 1)	Santiago, Chile	75%	824.377,36	38.854,43
UMS LLC 1)	Tennessee, USA	100%	1.461.626,74	1.024.182,14
UMS Beaver LLC 2)	Delaware, USA	20%	70.334,99	157.018,41
UMS CT LP 2)	Connecticut, USA	40%	593.463,96	1.075.094,39
UMS Finger Lakes LLC 2)	New York, USA	20%	29.499,18	49.215,93
UMS FL LP 2)	Florida, USA	20%	287.663,79	586.214,98
UMS NE LP 2)	Massachusetts, USA	15%	305.837,66	790.502,22
UMS NH LP 2)	New Hampshire, USA	10%	145.974,55	164.702,71
UMS Westchester LLC 2)	Delaware, USA	51%	89.297,61	48.892,38
UMS Smyth County LLC 2)	Delaware, USA	25%	14.877,23	7.603,09
UMS South Shore, LLC 2)	Delaware, USA	20%	133.792,58	107.245,56
UMS Mishawaka, LLC 2)	Delaware, USA	25%	14.561,41	129.329,70
UMS Morgantown, LLC 2)	Delaware, USA	20%	42.311,14	63.611,73
UMS Rochester, LLC 2)	Delaware, USA	20%	83.950,79	147.729,01
UMS Capital District, LLC 2)	Delaware, USA	20%	24.603,46	14.106,23
UMS South Bend, LLC 2)	Delaware, USA	20%	17.961,05	7.041,24
UMS Framingham, LLC 2)	Delaware, USA	20%	55.376,88	104.667,00
UMS Essex County, LLC 2)	Delaware, USA	10%	37.852,72	88.168,16
UMS Western MA, LLC 2)	Delaware, USA	10%	29.376,27	48.709,70
UMS Fairfax, LLC 2)	Delaware, USA	15%	72.482,59	123.527,26
UMS Bristol County, LLC 2)	Delaware, USA	15%	156.523,10	156.633,20
UMS Central MA, LLC 2)	Delaware, USA	15%	133.477,47	157.528,89
UMS Central NJ, LLC 2)	Delaware, USA	25%	7.706,18	2.467,44
UMS Chesapeake LLC 2)	Delaware, USA	100%	850.430,38	43.291,65
UMS Chesapeake Lithotripsy, LLC 3)	Delaware, USA	25%	902.776,83	225.923,23
Heritage Medical Services of Maryland Inc. 3)	Tennessee, USA	100%	175.283,36	–
Health South of Chesapeake Inc. 3)	Delaware, USA	100%	295.473,46	–

1) The shares are held indirectly via UMS (DE) Inc.
2) The shares are held indirectly via UMS LLC.
3) The shares are held indirectly via UMS Chesapeake LLC.

Where ownership interest is below 50%, subsidiaries were included in the Group's financial statements, based on the control principle. Equity and earnings of the U.S. companies were translated as of the balance sheet date.

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 they are settled in cash. There have been no guarantees provided or received for any related party receivables. For the year ended December 31, 2010, the Group has not created any provision for doubtful debts relating to amounts owed by related parties, because the payment history has been excellent. This evaluation is made each fiscal year by examining the financial position of the related party and the market in which the related party operates.

Members of the Management and Supervisory Boards and related party transactions

MANAGEMENT BOARD

Jørgen Madsen, Bolton, MA, USA
Mechanical Engineer
Chief Executive Officer (CEO)

Management Board compensation

(a) In 2010 a total of approximately EUR 175k was spent for Management Board compensation (previous year: EUR 190k). Of this amount, EUR 175k was paid regardless of performance (previous year: EUR 165k). The compensation did not contain any performance-related component (previous year: EUR 25k).

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

	direct	indirect
Jørgen Madsen	345,965	0

SUPERVISORY BOARD

Name	Supervisory Board seats held
Wolfgang Biedermann, Hamburg Diplom-Kaufmann (MBA) Managing Director of H.I.G. European Capital Partners GmbH, Hamburg	7 (S) Personal GmbH, Stuttgart
Dr. h.c. Norbert Heske, Kottgeisering Engineer Managing Director of BIP Biomed.-Instrumente und Produkte GmbH, Türkenfeld	No further Supervisory Board seats
Prof. Thomas J.C. Matzen, Hamburg Diplom-Kaufmann (MBA) Managing Director of Thomas J.C. Matzen GmbH, Hamburg	Pricap Venture Partners AG, Hamburg BioAgency AG, Hamburg Norgenta GmbH, Hamburg KlimaINVEST GmbH & Co. KGaA First Climate AG, Bad Vilbel

Supervisory Board compensation

(a) In 2010 a total of EUR 70k was spent for compensation of the Supervisory Board. The expenses for this item amounted to EUR 40k in 2009.

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

	direct	indirect
Dr. h.c. Norbert Heske	50,203	50,203
Wolfgang Biedermann	0	462,909

Transactions with related parties

There were no transactions with related parties during the fiscal year.

24. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, consist of bank loans, mortgages and credit lines, finance leases and hire-purchase contracts as well as trade payables. The main purpose of these financial liabilities is to provide funds for the Group's operations. The Group has various financial assets, such as trade receivables as well as cash and short-term deposits, which arise directly from its operations.

The Group also has derivatives in the form of an interest rate swap. The purpose of this interest rate swap is to hedge interest rate risks resulting from the Group's business and its financing sources.

In accordance with its internal guidelines, the UMS does not engage in trading with financial instruments. This was true of fiscal years 2010 and 2009 and will also be true in the future.

The Group is subject to market, credit and liquidity risks. Market risk mainly includes the risk of interest rate changes and foreign currency risks.

The Management Board determines strategies and procedures to manage individual types of risk, as described below.

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 and to use the financing market in Europe and United States. The Group's guidelines provide for fixed interest rates for all equipment financing. For borrowings not related to specific equipment the Management Board decides on the mix of variable and fixed-rate amounts and on whether to use hedging instruments.

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and the resulting impact on floating rate borrowings and interest rate derivatives. There is no impact on the Group's equity.

in kEUR	Increase/decrease in basis points	Effect on profit before tax
2010		
Euro zone	+100	8
USD zone	+100	–17
Euro zone	–50	–1
USD zone	–50	3
2009		
Euro zone	+100	11
USD zone	+100	–7
Euro zone	–50	–6
USD zone	–50	4

Foreign currency risk

Although the Group has a significant investment in the United States, there is no major exchange rate risk due to a natural hedge. Both revenues and costs and loans and repayments are in USD. The currency risk is therefore provided for by separate business cycles in Europe and North America and by financing only in the respective currency.

Thus, there are no material currency risks from individual transactions. Consolidated revenues and consolidated costs are attributable in almost equal portions to other currencies than the functional currency. Therefore, the Group does not use any hedging devices for currency risks.

Showing the consolidated financial statements in the functional currency (the euro), even though they are dominated by business in the United States, does however have effects on the consolidated pre-tax earnings. The following table shows the sensitivity of consolidated pre-tax earnings. There are no effects on consolidated equity. All other variables remain constant.

	Increase/decrease in U.S. dollar rate EUR/USD	**Effect on profit before tax** kEUR
2010		
	+10%	–482
	–10%	589
2009		
	+10%	–483
	–10%	590

Credit risk

The Group trades only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 15.

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 counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

The credit risk arising from balances at financial institutions is actively monitored and managed on an ongoing basis, particularly in view of the current financial market developments.

Liquidity risk

The UMS Group constantly monitors the risk of a liquidity shortage through daily and weekly cash statistics and liquidity planning at the level of the individual country companies and weekly cash status reports to Central Controlling.

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.

In addition to effective working capital and cash management the UMS Group limits its liquidity risk through permanent access to credit lines at lending institutions. At December 31, 2010 credit facilities in a volume of EUR 2.5 million were available to the Group, none of which had been used as of the balance sheet date.

The table below summarizes the maturity profile of the Group's financial liabilities at December 31, 2010 based on contractual undiscounted payments.

YEAR ENDED DECEMBER 31, 2010

in kEUR	Less than 1 year	1 to 5 years	> 5 years	Total
Trade payables	759	0	0	**759**
Bank liabilities	625	1,261	0	**1,886**
Finance leases	1,234	1,951	0	**3,185**
Other liabilities	462	552	0	**1,014**

YEAR ENDED DECEMBER 31, 2009

in kEUR	Less than 1 year	1 to 5 years	> 5 years	Total
Trade payables	1,251	0	0	**1,251**
Bank liabilities	1,682	1,313	0	**2,995**
Finance leases	1,081	1,940	0	**3,021**
Other liabilities	408	624	0	**1,032**

Capital management

The primary goal of the Group's capital management is to ensure that the Group has a high credit rating and maintains a good equity ratio, to support its business and increase the value of the Company.

Goals are met by using diverse measure to optimize the capital structure and through effective risk management.

The UMS Group monitors its capital using a modified equity ratio consisting of the ratio of modified equity (equity before foreign currency translation adjustments including minority interests, less 50% of intangible assets and 50% of goodwill) to modified total assets (total assets before foreign currency translation adjustments, less 50% of intangible assets and 50% of goodwill). The equity ratio as defined in the previous sentence must be over 0.22.

in kEUR	**2010**	**2009**
Modified equity	23,718	22,736
Modified total assets	33,041	33,213
Equity ratio (in %)	72	68

25. Fair value of the Group's financial instruments

Fair values

The following table shows the book values and fair values of all the Group's financial instruments.

FINANCIAL ASSETS

	Carrying amount		**Fair value**	
in kEUR	**2010**	**2009**	**2010**	**2009**
Cash	5,150	5,281	5,150	5,281
Loans and receivables	6,279	5,629	6,279	5,629
Available-for-sale Investments	887	815	887	815

FINANCIAL LIABILITIES

	Carrying amount		Fair value	
in kEUR	**2010**	**2009**	**2010**	**2009**
Trade payables	759	1,251	759	1,251
Other financial liabilities at amortized cost	5,788	6,751	5,788	6,751
Derivatives	9	10	9	10

The net gain/loss from financial instruments amounted to:

FINANCIAL ASSETS

	Net gains/losses	
in kEUR	**2010**	**2009**
Cash	0	0
Loans and receivables	–194	–384
Available-for-sale investments	0	31
Derivatives	1	–14

FINANCIAL LIABILITIES

	Net gains/losses	
in kEUR	**2010**	**2009**
Other financial liabilities at amortized cost	–362	–518

The net gain/loss from the category “loans and receivables” primarily results from write-offs on receivables.

The net results of the category “Financial liabilities measured at amortized cost” are primarily the ongoing interest expense on banking and lease obligations.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The UMS Group measured an interest rate swap at fair value. This was a Level 2 measurement.

26. Hedging activities and derivatives

To reduce possible future interest rate exposure, the Group's U.S. subsidiary used an interest rate swap to hedge the interest rates for one acquisition loan with variable interest rates of prime plus 0.25% at a fixed rate of 7.95%. The prime rate at the execution date was 3.25%. The interest rate swap was measured at fair value (EUR –9k) at the balance sheet date.

An interest rate swap that still existed in the previous year for a EUR 2.5 million loan sum expired in March 2010 and thus no longer existed at the balance sheet date.

27. Events after the reporting period

On January 11, 2011, the Management Board decided, with the Supervisory Board's consent, to offer to buy back Company shares from shareholders, for up to 232,763 no-par shares of the Company. This represents up to 4.30% of the Company's current share capital. The basis for making the public buyback offer is the resolution of the annual shareholders' meeting of the Company on June 3, 2010.

The acceptance period for the offer began on Tuesday, January 18, 2011 and ended on Tuesday, February 8, 2011 at 12 midnight Central European time.

The price offered for the buyback of each Company share was EUR 7.45. By the end of the (extended) acceptance period on February 8, 2011, a total of 345,811 shares had been tendered to UMS AG. Pursuant to the allotment procedure described in the offering circular, a total of 232,651 shares were bought back by UMS AG.

This increases the total of treasury shares held by UMS AG by 232,651, from 308,700 shares to 541,351 shares. This represents almost 10% of the Company's share capital.

28. Declaration of Conformity § 161 AktG (Corporate Governance Code)

The Management Board and the 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 disclosed this to the shareholders.

Hamburg, March 18, 2011

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, 2010 to December 31, 2010. 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 accountingrelated 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 18, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Responsibility Statement

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

The Management Board

List of Abbreviations

ASC LP	Andover Surgery Center, LP, Massachusetts, USA
Breast Surgical Services, Inc.	Breast Surgical Services, Inc., Texas, USA
Great Lakes Lithotripsy LLC	Great Lakes Lithotripsy, LLC, Michigan, USA
Health South of Chesapeake Inc.	Health South of Chesapeake Inc., Delaware, USA
Heritage Medical Services of Maryland Inc.	Heritage Medical Services of Maryland Inc., Tennessee, USA
Michigan CON LLC	Michigan CON, LLC, Michigan, USA
MoBx Corporation	MOBX CORPORATION, California, USA
Neuromed Italia	Neuromed Italia S.r.l., Padova, Italien
Richard Wolf	Richard Wolf GmbH, Knittlingen
UMS (DE) Inc.	United Medical Systems (DE), Inc., Delaware, USA
UMS AG	UMS United Medical Systems International AG, Hamburg, Deutschland
UMS Andover MGMT Inc.	UMS Andover Surgery Management Inc., Massachusetts, USA
UMS Beaver LLC	UMS Beaver Lithotripsy Associates LLC, Delaware, USA
UMS Bristol County, LLC	UMS Lithotripsy Services of Bristol County, LLC, Delaware, USA
UMS Canada Inc.	United Medical Systems Canada, Inc., Ontario, Canada
UMS Capital District, LLC	UMS Services of the Capital District, LLC, Delaware, USA
UMS Central MA, LLC	UMS Lithotripsy Services of Central Massachusetts, LLC, Delaware, USA
UMS Central NJ, LLC	UMS Lithotripsy Services of Central New Jersey LLC, Delaware, USA
UMS Chesapeake Lithotripsy, LLC	UMS Chesapeake Lithotripsy, LLC, Delaware, USA
UMS Chesapeake LLC	UMS Chesapeake, LLC, Delaware, USA
UMS Chile S.A.	UMS United Medical Systems Chile S.A., Quilicura, Chile
UMS CT LP	UMS Connecticut Lithotripsy, LP, Connecticut, USA
UMS Ecuador	UMS Ecuador Sistemas De Unidades Medicas, Quito, Ecuador
UMS Essex County, LLC	UMS Lithotripsy Services of Essex County, LLC, Delaware, USA
UMS Fairfax, LLC	UMS Lithotripsy Services of Fairfax, LLC, Delaware, USA
UMS Finger Lakes LLC	UMS Lithotripsy Services of the Finger Lakes, LLC, New York, USA
UMS FL LP	UMS West Florida Lithotripsy, LP, Florida, USA
UMS Framingham, LLC	UMS Lithotripsy Services of Framingham, LLC, Delaware, USA
UMS LLC	UMS Lithotripsy Management, LLC, Tennessee, USA
UMS Mishawaka, LLC	UMS Lithotripsy Services of Mishawaka, LLC, Delaware, USA
UMS Morgantown, LLC	UMS Lithotripsy Services of Morgantown, LLC, Delaware, USA
UMS NE LP	UMS New England Lithotripsy, LP, Massachusetts, USA
UMS NH LP	UMS New Hampshire Lithotripsy, LP, New Hampshire, USA
UMS Rochester, LLC	UMS Services of Rochester, LLC, Delaware, USA
UMS Smyth County LLC	UMS Urology Services of Smyth County, LLC, Delaware, USA
UMS South Bend, LLC	UMS Lithotripsy Services of South Bend, LLC, Delaware, USA
UMS South Shore, LLC	UMS Lithotripsy of South Shore, LLC, Massachusetts, USA
UMS TN LP	UMS Tennessee Stereotactic Services, LP, Tennessee, USA
UMS Westchester LLC	UMS Lithotripsy Services of Westchester County LLC, Delaware, USA
UMS Western MA, LLC	UMS Lithotripsy Services of Western Massachusetts, LLC, Delaware, USA

Glossary

Application
Use of a med-tech treatment or examination procedure

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

Brachytherapy
A type of minimally invasive radioactive procedure used in the early treatment of localized prostate carcinoma

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

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
Extracorporal shock wave lithotripsy. Minimally invasive method of treating urological and gastroenterological indications (kidney stones, ureter stones, gallstones).

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.

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

SBB
Stereotactic breast biopsy is a minimally invasive form of breast biopsy. It is used to obtain tiny samples from an abnormal breast mass for examination by a pathologist.

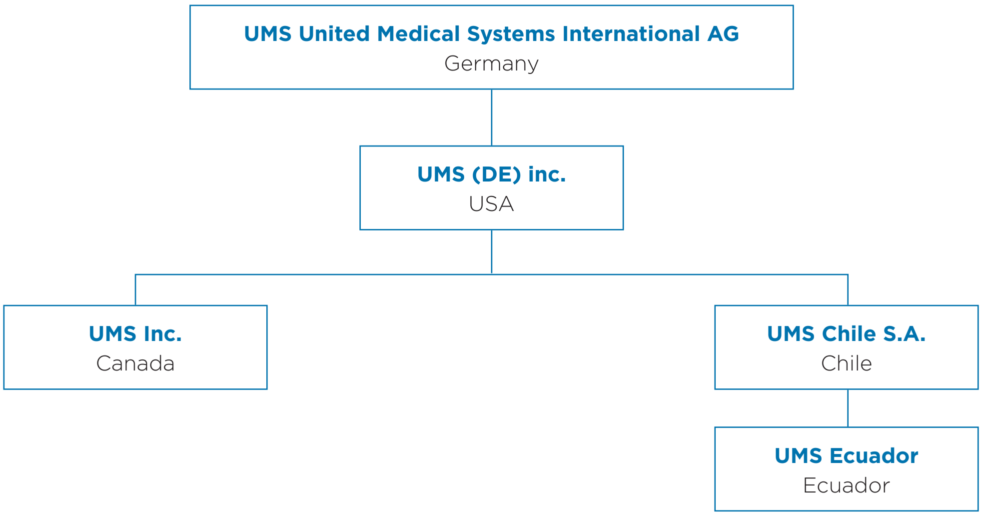
Shock Wave Therapy
Non-invasive treatment of urological and orthopedic indications. Examples include breaking up kidney stones and gallstones, as well as treating shoulder calcifications and tennis elbow.

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.

Structure of the Group

Structure of the Group



The UMS Companies

Germany
UMS United Medical Systems International AG
Borsteler Chaussee 53
22453 Hamburg

Phone: +49 (0) 40/50 01 77-00
Fax: +49 (0) 40/50 01 77-77
E-mail: info@umsag.com

Chile
UMS United Medical Systems Chile S.A.
Las Araucarias 9080, Módulo A
Quilicura, Santiago, Chile,
C.P. 872-0041

Phone: +56 (0) 2/ 24 06 79
Fax: +56 (0) 2/ 24 06 79

Canada
United Medical Systems Canada Inc.
6471 Kister Road
Niagara Falls, Ontario, L2E 6X8

Phone: +1 (0) 905/354 11 30
Fax: +1 (0) 905/357 95 26

Ecuador
UMS Ecuador Sistemas De Unidades Medicas RUC Nº 1791996410001
Avenida Gonález Suárez N33-37,
Quito, Ecuador

Phone: +593 (2) 226 65 93
Fax: +593 (2) 226 65 93

USA
United Medical Systems (DE) Inc.
1500 West Park Drive, Suite 390
Westborough, MA 01581

Phone: +1 (0) 508/870 65 65
Fax: +1 (0) 508/870 06 82

Imprint

Contact
UMS United Medical Systems International AG

Wiebke Budwasch, Investor Relations
Borsteler Chaussee 53
D-22453 Hamburg

Phone: +49 (0) 40-50 01 77-00
Fax: +49 (0) 40-50 01 77-77

E-mail: investor@umsag.com
www.umsag.com

Production: better value, Berlin
Photos: UMS

Forward-looking statements
This report contains forward-looking statements. These statements are based on current estimates and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements of UMS AG to be materially different from those that may be expressed or implied by such statements. We do not assume any obligation to update the forward-looking statements contained in this report.

Variances for technical reasons
For technical reasons (e.g. conversion of technical formats) there may be variances between the accounting documents contained in the financial statements and management report and those submitted to the electronic Federal Gazette (Bundesanzeiger). In this case, the version submitted to the electronic Federal Gazette shall be binding.

This English version is a translation of the original German version; in the event of variances, the German version shall take precedence over the English translation.

Notes

United Medical Systems AG

Borsteler Chaussee 53
D-22453 Hamburg
Phone: +49 (0) 40-50 01 77-00
Fax: +49 (0) 40-50 01 77-77
www.umsag.com