UMS

UNITED MEDICAL SYSTEMS

Annual Report 2011

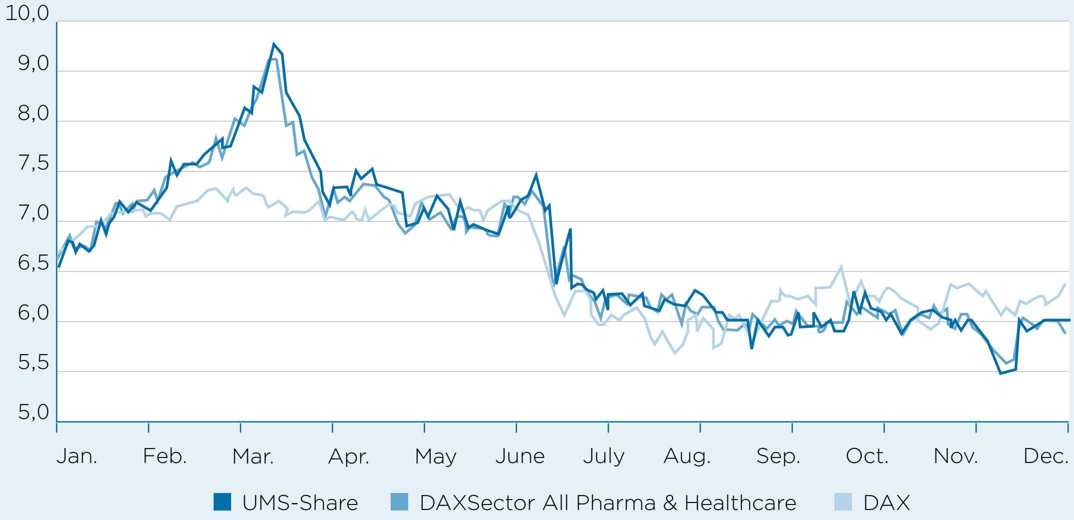
UMS United Medical Systems International AG

Key Indicators

in mill. EUR	Jan. 1 to Dec. 31, 2011	Jan. 1 to Dec. 31, 2010	Change in %
Revenues	38.3	38.9	-2 %
Gross Profit	18.3	19.8	-7 %
in %	48 %	51 %	
Depreciation and Amortisation	3.9	3.6	8 %
EBITDA	15.5	16.4	-5 %
in %	40 %	42 %	
EBIT	11.6	12.8	-9 %
in %	30 %	33 %	
Profit for the year	9.2	10,0	-8 %
in %	24 %	26 %	
Earnings per share (in EUR)	0.47	0.61	-23 %

in mill. EUR	Dec. 31, 2011	Dec, 31, 2010	
Number of employees	224	200	12 %
Total financial position	-3,0	0,3	-
Total equity	22.2	23.6	-6 %
Outstanding shares	4,873	5,106	-5 %
Market Capitalisation	29.2	34.1	-14 %

CHART UMS SHARE



Solutions for a Better Patient Care

UMS International AG has sucessfully 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 service and contacts established for long terms have resulted in strong customer loyalty and ensure recurring revenues.

Through the mobile deployment of our medical system in connection with a full service solution, we enable hospitals and physicians in private practice to use the latest medical technology to deagnose 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.

Contents

TO OUR SHAREHOLDERS

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENT

OTHER INFORMATION

„We bring the latest medical technology to the people – cost-effective, patient-oriented and passionate.“

To Our Shareholders

Letter to the Shareholders

Dear Shareholders,

This is now the tenth time that I have gotten to report to you about our Company's past fiscal year. In the past years I was regularly able to tell you increases in revenues and earnings and the Group's improved financial stability.

The picture for 2011, however, is mixed. On the one hand, several effects put a temporary burden on our earnings performance. On the other hand, we turned these challenges to our advantage at year end, so that we expect clear improvement in earnings for the current fiscal year 2012 and believe that we are well equipped to face the future.

Our Company's financial strength proved very robust in the past year. Although in 2011 we distributed the highest amount of dividends ever to our shareholders, i.e., more than € 4.2 million, we still have an extremely strong balance sheet structure.

The UMS Group's revenues rose by € 1.5 million, or 4 %, in the past fiscal year 2011 (at constant exchange rates) to € 38.3 million. There were different trends in our fields of medical treatment. The Gynecology segment profited from an acquisition, so that the revenues here rose by a total of 11 % to € 10.5 million at constant exchange rates. Our Urology segment experienced organic growth of 2 % (also at constant exchange rates), with 2011 revenues reaching around € 26.4 million. In the other segments, revenues were approximately € 0.1 million under the previous year's figure, at constant exchange rates, particularly because of lower utilization of our radiology fleet.

Even though fiscal year 2011 was heavily influenced by effects in the Radiology and Gynecology segments, our most important service is still by far the ultrasound technology used to break up kidney stones, making our Urology segment most important of all. The number of kidney stone treatments performed by UMS in the United States grew from just under 28,000 in 2010 to around 28,600 in fiscal 2011. Our 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 12 % over the previous year's figure. Growth in our business in South America was also in the double digits.

More than 27 % of our consolidated revenues results from services and trade revenues from mobile stereotactic breast biopsies in the United States. We significantly expanded this segment during the past year by way of an acquisition: effective as of April 15, 2011, we acquired our competitor Mobile Biopsy. Although the integration of the company into our service routes adversely affected earnings in 2011, we clearly improved our starting position for the current 2012 fiscal year and the years thereafter, through improved market penetration and more efficient service routes.

Jørgen Madsen
Chief Executive Officer

Our Radiology segment, the largest of our other segments, was a source of concern in fiscal 2011. In early 2011 we increased our equipment capacity from two to three MRI machines and restructured our service routes. Contrary to our expectations, we were not able to completely market these capacities until well into the second half of the year. I am pleased to report that we have started the new fiscal year with a full order book.

The acquisition of Mobile Biopsy and the related integration costs and the low utilization of our radiology equipment had a major impact on the earnings performance of the UMS Group in the past fiscal year. Our earnings before interest and taxes (EBIT) were € 11.6 million, or 4 % lower than in the previous year. We generated earnings per share of € 0.47 for our shareholders in the past fiscal year. In fiscal 2010, earnings per share stood at € 0.61, or € 0.58 at constant exchange rates.

Our stable business performance and our continued very solid financial condition have enabled us to increase the amounts that we distribute to our shareholders via share buybacks or the payment of a dividend. In fiscal year 2011 we continued our second share buyback program, repurchasing our own shares in the amount of € 1.8 million. The average number of shares outstanding therefore decreased further from around 5.1 million in the previous year to around 4.9 million in fiscal year 2011. More than € 2.4 million was also distributed to shareholders at dividends in May 2011.

The Management Board and the Supervisory Board remain convinced of the continuing earnings and financial power of the UMS Group. Accordingly, they will propose to the shareholders' meeting in May 2012 that the Company continue previous year's payout and distribute a dividend of € 0.50 per share.

In fiscal 2012 economic growth in the United States is expected to increase slightly from 1.6 % to approximately 2 %. However, because of the sluggish labor and real estate markets there, our expectations in the United States remain extremely uncertain. The effects on the health-care market are likely to be meager, so that we expect stable growth in our market segments in North and South America, with essentially no changes in the regulatory environment.

We therefore expect an increase in revenues and earnings in all the UMS Group's clinical treatment fields in fiscal year 2012. This expectation is based on continued operating improvements, some of which we have already implemented, and a continuation of positive trends in the U.S. labor market. Specifically we plan for consolidated revenues to increase from € 41 million to € 43 million in fiscal 2012. We also expect earnings per share to increase significantly, to between € 0.60 and € 0.70.

I would like to take this opportunity to thank all employees, whose extraordinary commitment make our Company what it is. I would also like to thank you, the shareholders, customers and partners of the UMS Group, for your confident support in the past fiscal year.

Sincerely,

Jørgen Madsen
Chief Executive Officer of UMS AG

Report of the Supervisory Board

In the 2011 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 composition of the Supervisory Board remained unchanged in the 2011 reporting period with members Wolfgang Biedermann (Chairman of the Supervisory Board), Prof. Thomas J.C. Matzen (Vice Chairman of the Supervisory Board) and Dr. (hon.) Norbert Heske. All members of the Supervisory Board were available for a further term of office at the time of the regular elections in May 2011 and were re-elected by a large majority of the shareholders' meeting.

The Supervisory Board regularly advised the Management Board on the management of the Company and continually monitored its management activities and confirmed that these activities were proper, appropriate and legally compliant. The Management Board fulfilled its duty to provide information by regularly and promptly delivering extensive written and oral reports about events and measures relevant to the Company.

We always had sufficient opportunity in Supervisory Board meetings to critically review and make suggestions on the reports, proposals and resolutions put forth by the Management Board. In particular, all of the Company's key business transactions were discussed thoroughly based on written and oral Management Board reports. This included discussing the relevant quarterly financial reports with the Management Board. We held a vote when required by the law and the articles and bylaws. Where this was justified, we adopted resolutions by written consent without a meeting, sometimes doing so after previous discussion in a meeting of the full Supervisory Board.

Between Supervisory Board meetings, the Supervisory Board Chairman maintained regular contact with the Management Board in order to stay informed about major developments.

In the 2011 fiscal year, the Supervisory Board held four regular meetings and one extraordinary meeting. All Supervisory Board members were present at these meetings.

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 2011, there were no conflicts of interest involving members of the Supervisory Board that had to be reported to the shareholders' meeting. Likewise, there were no conflicts of interest involving Management Board members that had to be disclosed immediately to the Supervisory Board.

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 reviewed the UMS Group's risk situation and risk management system. In our extraordinary meeting, we talked about the profit trend in the first half of the year and the adjustment of the forecast for 2011 as a whole. Finally, we discussed the resumption of UMS AG's share buyback programs on multiple occasions.

At the financial statements meeting on March 28, 2011, our primary concern was the single-entity and consolidated financial statements for the year ended December 31, 2010. 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, 2010. We also endorsed the Management Board's proposal for the use of the distributable profit and approved the 2010 Report of the Supervisory Board. At this meeting, we additionally approved the agenda for the UMS AG shareholders' meeting held on May 19, 2011, along with the proposed resolutions of the Supervisory Board, including the proposed election of the auditors for the 2011 fiscal year. In this connection the Supervisory Board also dealt with

Wolfgang Biedermann
Chairman of the Supervisory Board

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. We extensively discussed the acquisition of Mobile Biopsy, Inc. and voted on this matter.

Immediately after the shareholders' meeting on May 19, 2011, the re-elected Supervisory Board again elected me Chairman. Prof. Thomas J.C. Matzen was re-elected Vice Chairman of the Supervisory Board. Furthermore, we went over in detail the current business and financial position and the next steps in the cooperation between UMS AG and medical device manufacturer IceCure. In addition, the Management Board informed us about the latest improvements made in the process for documenting and reviewing the internal control system.

On August 5, 2011, we held an extraordinary Supervisory Board meeting in which we dealt exclusively with the results of the second quarter and the first half of 2011. The Management Board reported on the current situation and in particular on deviations of the business performance from the plans. Possible consequences were outlined. The Management Board and Supervisory Board jointly made a final assessment of the financials.

Our primary objective at the meeting on September 15, 2011 was to intensively deliberate on current earnings, short- and medium-term measures to improve results and the strategic direction of the Company. The Supervisory Board requested that the Management Board make a detailed presentation in coming meetings on the cornerstones of its strategy and planned measures. Moreover, the joint declaration of conformity by the Management Board and Supervisory Board required by §161 of the German Stock Corporation Act (AktG) was discussed and approved.

At the Supervisory Board meeting on November 21, 2011, we focused on the results for the first nine months of fiscal year 2011 and the current financial situation, including risks and risk management, the forecast for 2011 and the annual planning for fiscal 2012. We also conferred about the strategic options for the future organizational structure of UMS USA.

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. After prior discussion in a meeting of the full Supervisory Board, we adopted a resolution in writing approving the execution of a public share buyback program in January 2011 and specifying the parameters of this tender. The Supervisory Board approved the acquisition of Mobile Biopsy Inc. by written vote, again after an extensive report was delivered by the Management Board in the previous Supervisory Board meeting. We also gave our consent to the already announced cancellation of the treasury shares by written vote.

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 on ways to optimize its activities. There was no reason to change the existing Management Board compensation system in fiscal year 2011.

Corporate Governance Code

The Supervisory Board regularly discussed the application of corporate governance principles. Furthermore, on September 15, 2011, the Management Board and Supervisory Board issued the annual declaration of conformity with the German Corporate Governance Code. 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, 2011, as well as the combined Company and Group management report for fiscal 2011, 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 May 19, 2011. The auditors gave the single-entity and consolidated financial statements and the combined management report their unqualified opinion. The financial statement auditors 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 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 26, 2012. 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 26, 2012. 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 26, 2012, the Supervisory Board approved the single-entity and consolidated financial statements prepared by the Management Board as well as the combined 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 to pay a dividend of EUR 0.50 per share. 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.

On behalf of the entire Supervisory Board, I would like to thank the Management Board and all employees for their hard work in the past fiscal year.

Hamburg, March 26, 2012

Wolfgang Biedermann
Chairman of the Supervisory Board

Evolution of the UMS Group

1996
Formation of UMS Holding, subsequent international expansion

ab 1996
Extension of business into the U.K., 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

2004
Divested Italian operations

1996 1997 1998 1999 2000 2001 2002 2003 2004

Initial Growth

2005
Divested PET Scans to Alliance Imaging

Divested MRI Ireland

Expanded into south America with UMS Chile

2006
Divested all remaining European operations

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

Market introduction of urological laser treatment in Chile

2008
Market introduction of urological laser treatment in Ecuador

Launch of mobile Brachytherapy in the U.S.

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

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

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

2011
Acquisition of Mobile Biopsy, Inc., Statesville, North Caroline (USA). Mobile Biopsy runs seven mobile breast-biopsy systems between Florida and Pennsylvania.

UMS broadens its market position in South America by expanding to Peru.

2005 2006 2007 2008 2009 2010 2011 2012

Focus on Growth Markets (2005–2007) | Realignment and Optimization (2007–2012)

The Company

UMS is a leading supplier of mobile med-tech services in selected medical treatment fields. Our service concept, which was developed in Germany in the late 1980s and has been offered in North America since 1996, has now attracted more than 650 customers in the United States, Canada and South America.

We provide our customers with cutting-edge med-tech equipment and the related services on a daily basis. Highly-qualified application specialists support the physicians in using the technology we provide.

Our company has selected a flexible business model that responds to the most important trends in the healthcare markets and offers our customers numerous advantages.

Cost pressure	▪ Outsourcing of treatment procedures ▪ Multiple use of medical equipment ("shared use") ▪ Support of out-patient care ▪ Flexible “Fee per Service” agreements
Quality	▪ Broad reach of state-of-the-art equipment ▪ Highly trained experts with focused specialization
Access by patients	▪ Care of patients close to home even far away from metropolitan areas ▪ Scalable

UMS's specially trained application teams not only transport and set up the medical equipment, but also work directly with physicians to ensure that the equipment is used safely on patients. Our customers can rely on state-of-the-art equipment. For physicians in private practice, hospitals and other medical facilities, UMS offers just the right services, which we constantly adapt to meet our customers' needs.

UMS's service is always advantageous for physicians when patient numbers do not justify investing in technical equipment and training the relevant personnel. Because it is mobile, our equipment is used five to ten times more than it would be if it were stationary.

Another special feature of all procedures that we use is that they are highly effective from a medical standpoint while producing very minimal side effects.

We group our most important medical treatment fields in three segments:

Urology

Minimally intensive removal of kidney and ureter stones, minimally intensive treatment of benign prostate enlargements.

- 47 lithotripsy systems (Wolf, Storz)
- 16 urology lasers (HoLap, BioLitec)

Gynecology

Minimally invasive examination for early detection of cancer and to locate micro calcifications in the female breast, cryoablation.

- 30 systems for stereotactic breast biopsies
- 1 System for cryoablation (IceCure)

Other

Mobile diagnosis with imaging procedures (MRI), minimally invasive treatment of prostate cancer.

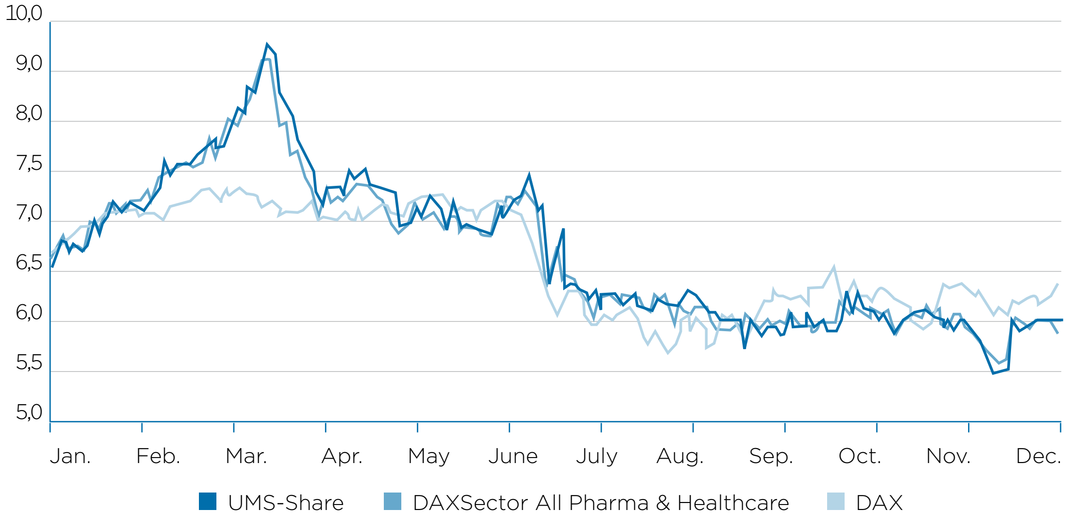
- 3 mobile MRI machines
- 2 Brachytherapy systems

The UMS Share

Although 2011 got off to a good start, there was a significant price correction on the German stock market after the reactor catastrophe in Fukushima, Japan, but matters quickly improved in April and May. In August 2011, however, prices on the global stock markets and in Germany collapsed, primarily because of fears of recession. Around mid-September, prices recovered slightly. On a year-on-year basis, the German Stock Index (DAX) lost 14.7 % in value. Secondary indices were also unable to escape the downward trends: the MDAX lost 12.1 % and the SDAX small-cap index gave up 14.5 %, while the TecDAX technology index fell 14.5 %. Pharmaceutical and healthcare stocks posted smaller losses than the overall market. The DAXsector All Pharma & Healthcare Index, on which UMS is listed, lost only 8.8 % year-on-year.

Given this environment, the UMS share was not able to continue the positive trend from the previous year, losing 10.2 %. Including the dividend of € 0.50 per share paid in May 2011, the growth rate was slightly down in 2011, by 2.7 %. After closing 2010 at € 6.68 on the XETRA electronic trading system, the share rose significantly in the spring, reaching its high for the year of € 9.95 on May 18, 2011. After profits expectations for the entire 2011 year were adjusted in August, the UMS share fell considerably, reaching its low for the year on December 14, at € 5.20. At the end of 2011 the UMS share was trading at € 6.00 – which, if compared with the figure at the end of 2008 of € 3.31 per share, shows shareholder growth for UMS of 105.4 %, even taking into account the dividend that was distributed.

CHART UMS SHARE



KEY INFORMATION ABOUT THE UMS SHARE

ISIN (International Security Identifikation Number)	DE0005493654
WKN (Cusip number)	549365
Abbreviation	UMS
Where traded	XETRA, Frankfurt, Düsseldorf, Hamburg, Berlin
Sector	Pharma & Health Care
Market segment	Regulated Market – Prime Standard

The average daily trading volume of the UMS share on all German exchanges amounted to 5,750 shares. As in previous years, the majority of this volume, at an average of 4,358 shares per day, was handled via the XETRA electronic trading system. On average, 981 UMS shares were traded daily on the Frankfurt Stock Exchange, while the daily average on the Stuttgart Stock Exchange was 281. The investment bank M.M. Warburg & Co. serves as designated sponsor for the UMS share and works to ensure liquidity for the shares on the electronic trading platform through binding bid and offer prices.

The shareholders of UMS International AG approved all agenda items at the annual meeting held on May 19, 2011 with an overwhelming majority and unanimously approved the significant increase in the dividend from € 0.30 per share to € 0.50 per share.

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 € 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.

On April 11, 2011 the Management Board of UMS AG decided, with the Supervisory Board's consent, to redeem 541,351 of its own shares without decreasing the share capital. The Company's unchanged share capital in the amount of € 6,016,261 is thus divided into 4,873,284 no-par-value shares.

The shareholder structure at December 31, 2011 was as follows:

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2011

in %	
Thomas J.C. Matzen GmbH	20.9
Management Board	7.1
Supervisory Board	11.0
Capiton Value Beteiligungs-GmbH	8.1
Union Investment Privatfonds	4.4
Free Float	48.5

On January 10, 2012, the Management Board decided, with the Supervisory Board's consent, to make a public tender offer to UMS AG shareholders to buy back up to 300,000 shares at a price of € 6.35. By the end of the extended offer period on February 1, 2012, a total of 115,616 shares had been tendered to UMS AG. This allowed the Company to acquire all shares that were tendered. The 115,616 treasury shares now held by UMS represent 2.37 % of the share capital. The Management Board of UMS AG intends to cancel the shares.

UMS AG regularly practices open and transparent communication with the capital market. Thus, for example, the Company again participated in Deutsche Börse AG's German Equity Forum in November 2011, where it held numerous discussions with investors and financial journalists. There were also conversations with investors, analysts and journalists during the course of the year. In addition, numerous analysts follow UMS. The experts at Warburg Research, for example, confirmed their buy recommendation on UMS in November 2011, with a price target of € 9.00 per share.

Detailed information about the UMS share can be found on the Internet on our website 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	**2011**
Stock exchange price (XETRA closing prices)	
High	9.95
Low	5.20
Fiscal year end	**6.00**
Number of shares (fiscal year end, in millions)	4.873
Market capitalization (fiscal year end, in million EUR)	29.2
Earnings per share (in EUR)	0.47

HOW TO CONTACT THE INVESTOR RELATIONS TEAM

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„We bring the latest medical technology to the people – cost-effetive, patient-oriented and passionate."

Combined Management Report and Group Management Report for 2011

1. Business and General Conditions

Business Burdened by Integration Costs

The performance of the UMS Group was adversely affected in fiscal year 2011 by both exchange rate effects and temporarily by two specific factors. One-time integration costs for the acquisition of competitor Mobile Biopsy in April 2011 had adverse effects particularly on the earnings trend. Revenues and earnings also fell as a result of a lower utilization of capacity in the radiology field. The fleet of equipment that was expanded in early 2011 was not in full use until considerably later than expected.

In the meantime, however, the demand for our radiology services has considerably improved. In addition, the integration of our acquisition of Mobile Biopsy is almost fully complete. At the same time, our business in our largest business segment, Urology, continues to grow steadily. We hope to considerably strengthen earnings power on this basis.

U.S. Economy noticeably weaker

With a growth of a mere 1.7 %, the U.S. economy showed a significant slow-down in 2011. Adverse effects came from the continuing weakness of the employment and real estate markets and the pressure to consolidate government budgets. Around the end of the year, however, there were increasing signs of economy stability.

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 is intended to provide around 32 million American uninsured citizens with access to health insurance. As part of this process, the Act requires every resident of the United States to take out a health care policy by 2014. Over the long term, this could provide considerable momentum for UMS's business.

However, the United States Supreme Court has already stated that it will hear the appeals filed by the opponents of these healthcare reforms focused on the obligation to take out health insurance. The Court is expected to hand down a ruling in mid-2012. Depending on the outcome of the lawsuit and the 2012 Presidential elections in the United States 2012, there could be additional amendments and adjustments to the law. All the Republic candidates for President have announced that they want to reverse the Obama healthcare reform, which was passed by a narrow majority in Spring 2010.

Forecasts by the Center for Medicare & Medicaid Services (CMS) predict that the healthcare costs resulting from the reform will amount to USD 4.6 billion in 2020, or 19.9 % of GDP. The healthcare industry was estimated to represent around 17.7 % of the GDP in the United States in 2011, up from 17.5 % in 2010.

Per capita spending for healthcare in the United States is thus expected to increase from around USD 8,649 today (2011) 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. The pressure to save related to the government budget deficit does constitute a certain risk, however.

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 relatively solid economic growth despite 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 a top priority.

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

Several effects temporarily had an adverse effect on the earnings trends in fiscal year 2011. These effects included not only the unfavorable exchange rate trends, but also the costs for the integration of Mobile Biopsy, which was acquired in April 2011.

In early 2011 we also increased our capacity in the field of mobile radiology from two to three pieces of equipment. The start-up phase lasted well into the second half of the year, thus negatively affecting earnings. Overall, earnings per share fell from € 0.61 last year to € 0.47 this year.

The UMS Group's cash generation remained positive. For this reason, we distributed over € 4 million share buybacks and dividends to our shareholders in the past year. Given the stable financial situation, the Management Board and the Supervisory Board will suggest to the Annual General Meeting to maintain previous year's payout and to distribute a dividend of € 0.50 per share.

Consolidated revenue up 4 %

The consolidated revenue of the UMS Group is generated almost exclusively in U.S. dollars. On a euro basis, the revenue in fiscal year 2011 amounted to € 38.3 million. This includes the revenue from Mobile Biopsy, Inc. in the Gynecology Segment. The UMS Group acquired its competitor on April 15, 2011 and has included it in the consolidated financial statements ever since. This represents a € 1.5 million increase, or approximately 4 % over the previous year's revenue on the basis of the average exchange rate for 2011 ($ 1.39 per euro). On the basis of the actual exchange rate in 2010 (only $ 1.32 per euro), revenue of € 38.9 million was shown during that period.

In the following comparison of the 2011 and 2010 fiscal years, currency effects were eliminated by adjusting the prior-year figures for purposes of improved comparability.

				Change	
in kEUR	**2011**	**2010**	***2010***	**absolute***	**as %***
Urology	26,358	25,732	*27,175*	626	2
Gynecology	10,474	9,440	*9,975*	1,034	11
All other segments	1,497	1,604	*1,696*	-107	-7
Reconciliation to the Group	0	79	*79*	-79	-
Revenue	**38,329**	**36,855**	***38,925***	**1,474**	**4**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2011).

Urology: revenues and treatments numbers increase

After currency effects, consolidated revenue in the Urology segment rose by slightly more than 2 %, from € 25.7 million in the previous year to € 26.4 million.

Both treatment fields in Urology contributed to this growth. In mobile lithotripsy, the UMS Group's largest segment, we provided approximately 28,600 treatments during fiscal 2011, as opposed to just under 28,000 treatments in 2010. Demand for our services to treat benign prostate enlargements increased significantly. The laser treatments that we offer in this field increased by 12 %.

Gynecology segment profits from expansion

Revenue in the Gynecology Segment amounted to € 10.0 million, which at constant exchange rates was € 1.0 million or 11 % more than in the previous year.

This positive growth was primarily the result of the acquisition of a competitor. Effective April 15, 2011, we acquired Mobile Biopsy, Inc. in the United States. Mobile Biopsy operates mobile breast biopsy systems along the East Coast of the United States between Florida and Pennsylvania. The integration of the company into our service routes over the course of the fiscal year improved the UMS Group's market position in the Southeastern United States considerably.

Organic revenue growth in our Gynecology Segment was slightly over 1 %. The treatment figures – not taking into account Mobile Biopsy – exceeded the previous year's figures by 2 %. However, the competition-driven significant price pressure in the market resulted in somewhat lower average revenues per treatment, particularly in the first half of the year.

Radiology adversely affects other operating segments

Our other segments primarily include our Radiology and Oncology services.

The trend in this segment was heavily influenced by Radiology. In the past fiscal year, the UMS Group increased its capacity from two MRI machines to three, and also restructured the service routes.

In this connection, the use of our equipment to full capacity fell behind the figure for the previous year. Radiology fleet contracts that we had expected for the first half of 2011 were delayed until the second half of the year. Accordingly, the revenue for the segment of € 1.5 million was approximately € 1.0 million under the previous year's figure, at constant exchange rates.

Gross margin sinks, but trend in second half year is positive

The acquisition of Mobile Biopsy and the related integration costs and the low utilization of the radiology segment had an effect on the UMS Group's earnings trend in the past fiscal year. Gross margin fell to € 18.3 million after € 18.7 million last year at constant exchange rates. Gross profit from revenue fell from 51 % to 48 %.

in kEUR	Income Statement 2011	Income Statement 2010 *	*Income Statement 2010*	Change absolute *	Change as % *
Revenue	38,329	36,855	*38,925*	1,474	4
Cost of sales	-20,045	-18,135	*-19,174*	-1,910	-11
Gross profit from revenue	**18,284**	**18,720**	***19,751***	**-436**	**-2**
Gross margin	**48 %**	**51 %**	***51 %***		

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2011).

Selling expenses grew at a slightly slower pace than revenues. Administrative expenses after currency adjustments grew — by just over € 0.2 million. This was mainly due to legal and consulting fees in conjunction with the acquisition of Mobile Biopsy, Inc., and costs of market surveys in additional South American countries.

The € 0.2 million increase in other operating income and expenses was primarily the result of insurance proceeds for damage to medical equipment. This resulted in operating earnings before interest and taxes (EBIT) for 2011, after currency adjustments, of € 11.6 million, compared with € 12.1 million in the 2010 fiscal year.

in kEUR	Income Statement 2011	Income Statement 2010 *	Income Statement 2010	Change absolute *	Change as % *
Gross profit from revenue	**18,284**	**18,720**	**19,751**	**-436**	**-2**
Selling expenses	-2,491	-2,444	-2,574	-47	-2
General administrative expenses	-4,527	-4,278	-4,517	-249	-6
Other operating income and expenses, net	356	149	159	249	6
Operating result (EBIT)	**11,630**	**149**	**156**	**215**	**-**
As a percentage of revenue	**30 %**	**33 %**	**33 %**	**-517**	**-4**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2011).

The net interest expense item in fiscal year 2011 was the same as last year.

The tax expense reported for the year under review fell from € 2.3 million to € 2.0 million. In line with profit, the UMS Group's earnings rose before minority interests by a total of € 9.2 million, after € 9.4 million (at constant exchange rates) last year.

in kEUR	Income Statement 2011	Income Statement 2010*	*Income Statement 2010*	Change absolute*	Change as %*
Operating result (EBIT)	**11,630**	**12,147**	***12,816***	**-517**	**-4**
Interest income and expenses	-360	-355	*-375*	-5	-1
Earnings before taxes and minority interests	**11,270**	**11,792**	***12,441***	**-522**	**4**
Other taxes	-131	-105	*-105*	-26	-24
Income taxes	-1,977	-2,256	*2,383*	279	12
Net income for the year	**9,162**	**9,431**	***9,953***	**-269**	**-3**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2011).

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 € 6.9 million in 2011. In the previous year we reported minority interests in the amount of € 6.5 million, after currency adjustments.

Although there are partners with minority interests in the result of the Urology Segment, the adverse effects of the integration of competitor Mobile Biopsy and the start-up costs for the expansion of the Radiology fleet are attributable fully to the UMS Group.

Profit of € 2.3 million was therefore attributable to the equity holders of the parent in 2011, compared with € 3.0 million after currency adjustments in the previous year.

	Income Statement 2011	Income Statement 2010*	Income Statement *2010*	Change absolute*	Change as %*
Consolidated profit for the year	9,162	9,431	*9,953*	-269	-3
of which minority interests	6,866	6,462	*6,827*	404	6
of which attributable to equity holders of parent	2,296	2,969	*3,126*	-673	-23

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2011).

During the reporting year, the Management Board and Supervisory Board of the UMS Group continued the second stock buyback program that was begun in 2010. The average number of outstanding shares therefore declined further from approximately 5.1 million to approximately 4.9 million.

Earnings per share thus fell disproportionately to € 0.47, from € 0.58 in the previous year, after currency adjustments.

in kEUR	Income Statement 2011	Income Statement 2010*	Income Statement *2010*	Change absolute*	Change as %*
Profit attributable to equity holders of the parent	2,296	2,969	*3,126*	-673	-23
Average number of shares outstanding (in thousands)	4,893	5,146	*5,146*	253	5
Earnings per share (EPS) in Euro	**0.47**	**0.58**	***0.61***	**-0.11**	**-19**

* After currency adjustments (prior-year figures restated based on the average USD exchange rate in 2011).

3. Financial Condition

The acquisition in the United States, where we purchased the shares of Mobile Biopsy, Inc., influenced the financial condition and net year during the reporting year:

Total assets increased nominally by around € 3.0 million, while net debt also amounted to € 3.0 million at December 31, 2011. In the previous year, the Group's cash was € 0.3 million higher than its liabilities to banks and leasing companies.

Meanwhile, UMS AG also distributed a dividend of € 2.4 million to its shareholders in the year under review, and invested approximately € 1.8 million in the buyback of its own shares.

Analysis of balance sheet structure

When comparing the balance sheets for the years ended December 31, 2011 and December 31, 2010, it must be noted that these also reflect the performance of the EUR/USD exchange rate. The exchange rate for the U.S. dollar of $ 1.34 at December 31, 2010, fell moderately to $ 1.29 per euro on December 31, 2011.

Thus, reported total assets rose from December 31, 2010 by € 1.3 million to € 35.9 million. On the other hand, after currency adjustments, total assets fell by approximately € 1.9 million.

At the 2011 balance sheet date, current assets reported were € 14.8 million, approximately € 1.6 million over the prior-year figure. At constant exchange rates, however, an increase of approximately € 1.1 million would have been reported here. This was mainly due to a significantly improved cash position and an increase in receivables on the balance sheet date.

The non-current assets reported rose from € 19.7 million in 2010 to € 21.1 million in 2011. Taking into account currency adjustments, they increased by € 0.8 million. This reflects the recognition of customer contracts acquired as part of the Mobile Biopsy acquisition. This was countered by depreciation of property, plant and equipment and amortization of intangible assets.

Goodwill remained unchanged at less than € 0.1 million at December 31, 2011.

The liabilities of UMS AG are denominated primarily in USD. Current and non-current liabilities reported increased by approximately € 4.0 million, at constant exchange rates. This is primarily attributable to the financing of the purchase price of the shares of Mobile Biopsy Inc. At actual exchange rates, an increase of € 4.4 million was reported.

As of December 31, 2011, equity amounted to € 22.2 million, compared with € 23.6 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 € 9.8 million stood in contrast to distributions to physician partnerships (€ 7.0 million), the distribution of a dividend to UMS AG shareholders (€ 2.4 million) and payments for the acquisition of treasury shares (€ 1.8 million). As a result of the significant increase in payments to shareholders, the equity ratio fell substantially to the still solid figure of 62 % (2010: 72 %).

Analysis of the cash flow statement

Cash from operating activities amounting to € 12.5 million was generated in the year under review (2010: € 13.0 million). The slight decrease is primarily attributable to an increase in inventories as of the balance sheet date and to tax payments that were made at the last minute in 2011, unlike in the previous year.

Net cash used in investing activities totaled € 3.3 million compared with € 1.7 million in the prior year. Investments in contracts and medical equipment were significantly increased, because the acquisition of Mobile Biopsy, Inc., constituted a large investment project.

Net cash used in financing activities amounted to a total of € 8.5 million in the year under review. This figure was € 3.4 million less than in the previous year. The reason for this was cash provided by the use on an acquisition loan to acquire Mobile Biopsy, Inc.

Taking into account exchange-rate effects, our overall cash flow for 2011 improved to € 0.7 million, an improvement by € 0.9 million over the prior year's level. This was particularly attributable to the dividend payment. Cash and cash equivalents at the end of 2011 amounted to € 5.9 million, after totaling € 5.2 million as of December 31, 2010.

4. Employees

Number of employees

The total number of employees as of the reporting date increased from 200 to 224 (as of December 31 in each case). As in the previous year, two employees are in Europe. The increase is primarily attributable to the expansion in the Gynecology Segment and an increase of the marketing team in the United States.

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. Elements of variable compensation, the amount of which depends on achieving certain goals, cannot exceed 36 % of their overall compensation. The annual compensation 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 commitments 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. For the first time, UMS International AG bought back some of its own shares via a public tender offer in 2011.

Earnings position of UMS AG

In the 2011 and 2010 fiscal years, UMS International AG generated approximately € 0.4 million in revenues. The Company also earned income from the sale of medical technology equipment to subsidiaries amounting to € 0.3 million (2010: € 0.2 million). The increase in revenue from equipment sales was attributable due to decreased demand for machines. UMS AG did not generate any other revenue in 2011 (2010: € 0.1 million).

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

General administrative and selling expenses of € 0.6 million were at the same level at last year. The net other operating income and expenses item almost balanced each other out (2010: € 0.1 million).

Income from equity holdings, which in 2011 and 2010 consisted solely of dividend distributions by the U.S. subsidiary, amounted to € 4.0 million, down from €2.5 million in the previous year.

The financial result of UMS AG, i.e., the difference between interest payments and interest income, went from €-10 in 2010 to €-5k in 2011. 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 € 3.8 million (2010: € 2.6 million). This is primarily attributable to higher dividend income, i.e., distributions from the U.S. subsidiary to UMS AG.

As in the previous year, tax burdens and extraordinary effects (from the conversion to the Accounting Law Modernization Act [BilMoG]) had no material effect on overall earnings in the reporting year. As a result, the Company's profit for the year amounted to € 3.8 million. In the previous year, this figure was € 2.6 million.

Distributable profit and dividend

Based on § 21 of the articles and bylaws of UMS AG, the Management Board and the Supervisory Board resolved to allocate approximately € 1.4 million to other earnings reserves. The acquisition of treasury shares during the year under review was offset with some of these earnings reserves.

UMS AG's distributable profit totals € 2.4 million. The Management Board of UMS AG proposes to the Supervisory Board and the shareholders' meeting to pay out the distributable profit, this meaning a dividend of € 0.50 per share. 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.

Risk management further enhanced

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.

In 2011 the UMG Group revised the set-up and review of its internal controls, improving the documentation of the controls for identifiable risks in the business processes. In each quarter, specific controls were systematically tested. The management and supervision of elimination of control weaknesses were improved with the help of external consultants. The Management Board and the Supervisory Board receive regular reports on the results of the control tests.

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. The net income is reviewed at least once a quarter using rolling projections. 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." 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.

Operational risks

Operating risks include market risk, regulatory risk, human resources risk, procurement risk, supply risk, operational risk and legal risks. 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 implementation of healthcare reform in the United States, most of which are to take effect in 2014. However, the specific results will depend on the decisions of the United States Supreme Court and the outcome of the Presidential elections in 2012.

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. Through our participation in industry associations, we follow the discussions regarding political burdens on healthcare.

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.

Legal risks can result from lawsuits. We handle these lawsuits through experienced external attorneys. As a service provider, we are not affected by products liability claims.

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.

We expect that the global economy will continue to grow in 2012. However, our expectations in the United States are affected by high uncertainties 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 limited and 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 10, 2012, the Management Board resolved, with the Supervisory Board's consent, to offer to buy back up to 300,000 Company shares from the Company's shareholders. The price offered for the buyback of each offered share of the Company was € 6.35. In February 2012 all 115,616 tendered shares were bought back by UMS AG.

There were no further significant events after the balance sheet date.

Outlook

In the United States, the economy grew slightly from 1.7 % to 2.0 %. However, our expectations in the United States are affected by high uncertainties because of the continued 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 clearly increase revenue and earnings in all clinical treatment segments of the UMS Group in fiscal 2012. This trend follows additional operational improvements and a continued recovery of the U.S. labor market.

The expectations for the individual business segments are as follows:

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

- We expect the number of cases where lithotripsy and laser treatment of benign prostate enlargements can be deployed to increase, thereby increasing revenues and earnings We also 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. We founded a company in Peru in 2011 and expect the first operating deployments to come about in 2012.

- In the Gynecology Segment we significantly strengthened our portfolio through the acquisition of Mobile Biopsy. The integration of this company into our existing business, which burdened our results in the past year, is largely complete.

- In addition, we expect successful results in mobile cryotherapy from the marketing of the cooperation we entered into in 2011 with IceCure.

- Therefore, we expect a significant improvement in earnings in this segment in 2012, with a slight increase in revenues and treatment figures.

- The trends in the other segments will depend on radiology. The existing radiology capacities were being almost fully utilized by customers with a fixed contract at the end of 2011. We expect that utilization will continue at this high level in 2012, which will result in considerably positive effects on revenues and earnings in this segment.

In addition, we are reviewing the deployment of additional equipment in the second half of 2012.

Therefore, we expect that the UMS Group's revenues will grow considerably in 2012 – at constant exchange rates – and look for consolidated revenues between € 41 million and € 43 million. We hope to achieve earnings per share of € 0.60 to € 0.70.

Provided that the economic and regulatory environment does not get significantly worse in fiscal year 2013, we expect that revenues and earnings per share will increase in that year as well.

In the Urology Segment we intend to improve case numbers, revenues and earnings in all treatment fields. We expect to increase our customer base through regional expansion, particularly in South America. In the Gynecology Segment we look forward to positive results from the marketing of existing and new services. We also assume that the positive trends in the U.S. labor market will continue. In the other segments we expect that the development in 2013 will primarily depend on the radiology capacities offered.

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

Internal control system based on the accounting process

The goal of the internal control and risk management system based on the accounting process is to ensure that financial statements are prepared in accordance with the regulations. UMS AG has an internal control and risk management system that ensures that the accounting process is reliable and orderly and that business transactions are recorded promptly and in accordance with the relevant statutory and internal regulations. Changes in the laws and accounting standards are regularly reviewed for their relevance to the annual financial statements and any resulting changes are taken into account in the internal procedures.

Fundamentals of the internal control system based on the accounting process

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 this system are:

- 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 and are performed every quarter through defined tests of certain control processes. 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 S.A.) 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 regularly commission third-party auditors to review these processes in key business units.

9. Legal Disclosures

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. It includes a description of the Management Board and Supervisory Board procedures, the corporate governance declaration pursuant to § 161 of the German Stock Corporation Act (AktG) and disclosures on material corporate management practices.

Takeover disclosures

The following presents the takeover disclosures required by § 315(4) of the German Commercial Code at December 31, 2011.

1. The Company's subscribed capital is € 6,016,261. It is divided into 4,873,284 no-par-value shares, each theoretically representing approximately € 1.23 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, 20.9 % of the voting rights are attributable to this company. This means that this company also owns that percentage of the Company's capital. To the Management Board's knowledge, there are no further direct or indirect interests in the capital that exceed 10 % of the voting rights.

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

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

6. Members of the Management Board are appointed and removed in accordance with § 84 of the German Stock Corporation Act (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(3) 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(2) 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 votes in writing or by electronic communication, even without attending the shareholders' meeting (voting by correspondence).

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 € 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.

   The Company's capital is no longer conditionally increased.

Pursuant to the shareholders' resolution of May 19, 2011, the Management Board is authorized to purchase the Company's own shares, up to a limit of 10 % of the share capital, by June 18, 2016. 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.

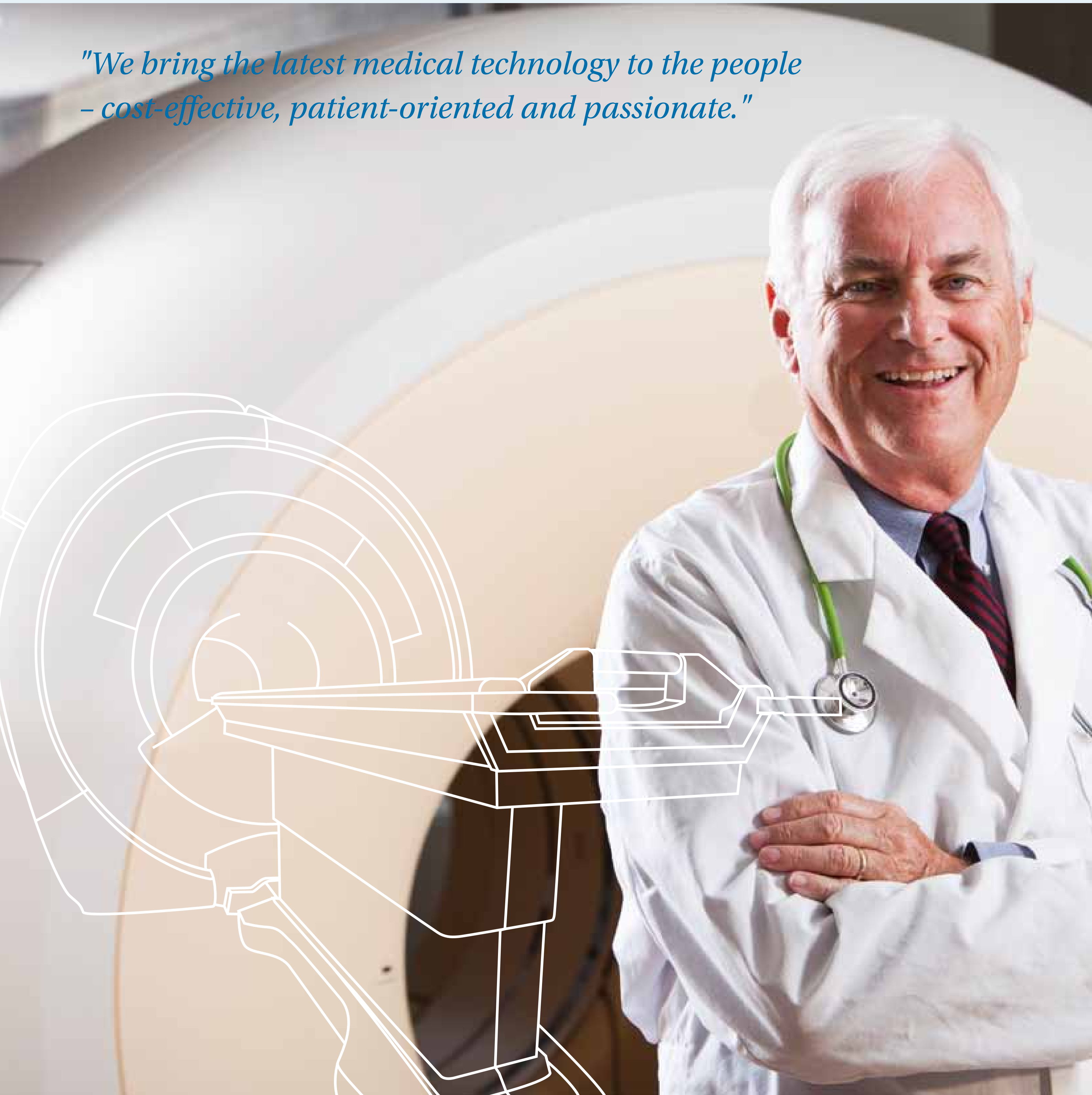
No material agreements exist which are subject to the condition of a change in control of UMS AG.

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.

Hamburg, March 19, 2012

Jørgen Madsen

"We bring the latest medical technology to the people – cost-effective, patient-oriented and passionate."



Consolidated Financial Statements

for the year ended December 31, 2011

Consolidated Income Statement

as of December 31, 2011

in kEUR	Note	2011	2010
Revenues	5	38,329	38,925
Cost of revenues	5	-20,045	-19,174
Gross profit		**18,284**	**19,751**
Distribution and selling expenses	5	–2,491	–2,574
General and administrative expenses	5	–4,527	–4,517
Other operating income and expenses	5	364	156
Operating result		**11,630**	**12,816**
Interest income	5	5	31
Interest expenditure	5	-365	-406
Result before taxes and non-controlling interests		**11,270**	**12,441**
Other taxes		-131	-105
Income taxes	6	-1,977	-2,383
Profit for the year		**9,162**	**9,953**
Attributable to Equity holders of the parent		2,296	3,126
Attributable to Non-controlling interests		6,866	6,827

Net income per share		in EUR	
Net income per share (basic)	7	0.47	0.61
Net income per share (diluted)	7	0.47	0.59

		in thousands	
Weighted average shares outstanding (basic), in thousands	7	4,893	5,146
Weighted average shares outstanding (diluted), in thousands	7	4,938	5,326

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2011

in kEUR	2011	2010
Profit for the year	**9,162**	**9,953**
Exchange differences on translation of foreign operations	646	1,899
Total comprehensive income for the year, net of tax	**9,808**	**11,852**
thereof attributable to Non-Controlling interests	7,579	7,184

There are no tax effects on translation of foreign operations.

Consolidated Balance Sheet

ASSETS

in kEUR	Note	31.12.2011	31.12.2010
Current assets			
Cash and cash equivalents	15	5,889	5,150
Trade accounts receivable	14	6,907	6,253
Inventories	13	1,182	952
Prepaid expenses and other current assets		847	919
Total current assets		**14,825**	**13,274**
Non-current assets			
Property, plant and equipment	8	8,997	9,190
Intangible assets	9	11,853	10,177
Other financial assets	11	138	115
Goodwill	9, 1	74	74
Deferred taxes	6	40	135
Total non-current assets		**21,102**	**19,690**
Total assets		**35,927**	**32,964**

LIABILITIES AND EQUITY

in kEUR	Note	31.12.2011	31.12.2010
Current liabilities			
Trade accounts payable	20	1,196	759
Liabilities due to banks	18	2,705	625
Leasing obligations	18, 20	885	1,115
Other current liabilities	20	508	462
Liabilities relating to taxes		0	421
Other accrued expenses	19	1,112	982
Total current liabilities		**6,406**	**4,364**
Non-current liabilities			
Liabilities due to banks	18	3,621	1,261
Leasing obligations	18, 20	1,691	1,797
Other non-current liabilities	20	444	552
Deferred taxes	6	1,519	1,349
Total non-current liabilities		**7,275**	**4,960**
Equity			
Share capital	16	6,016	5,673
Additional paid-in capital	16	8,340	8,340
Equity portion warrant	16	0	20
Comulative translation adjustment		-5,270	-5,203
Accumulated gain/deficit		6,687	8,934
Equity attributable to parent company		**15,773**	**17,764**
Non-controlling interests		6,473	5,876
Total equity		**22,246**	**23,640**
Total liabilities and equity		**35,927**	**32,964**

Consolidated Statement of Changes in Equity

in kEUR	Share Capital	Additional Paid-in Capital	Currency Translation Adjustment
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**
Balance January 1, 2011	**5,673**	**8,340**	**-5,203**
Retirement of own Shares	601	–	–
Buy-back of own Shares	-258	–	–
Comprehensive Income	–	–	-67
Distribution in subsidiaries	–	–	–
Dividends	–	–	–
Expiry Warrants	–	–	–
Balance December 31, 2011	**6,016**	**8,340**	**-5,270**

Equity portion of bond	Accumulated gain/deficit	Equity parent company	Non-controlling interests	Total Equity
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**
20	**8,934**	**17,764**	**5,876**	**23,640**
–	-601	–	–	–
–	-1,506	-1,764	–	-1,764
–	2,296	2,229	7,579	9,808
–	–	–	-6,982	-6,982
–	-2,436	-2,436	–	-2,436
-20	–	-20	–	-20
–	**6,687**	**15,773**	**6,473**	**22,246**

Consolidated Cash Flow Statement

for the year ended December 31, 2011

in kEUR	2011	2010
Profit for the year	**9,162**	**9,953**
Adjustment to reconcile profit for the year to net cash flows		
Profit(–)/Loss(+) from sale of equipment	-153	-43
Depreciation on property, plant and equipment	2,628	2,437
Depreciation on intangible assets	1,252	1,156
Change in deferred taxes, net	209	45
Working Capital adjustments		
Increase(–)/Decrease(+) in trade receivables	-443	-357
Increase(–)/Decrease(+) in prepaid expenses and other current assets	86	69
Increase(–)/Decrease(+) in inventories	-201	291
Increase(+)/Decrease(–) in trade payables	382	-541
Increase(+)/Decrease(–) in liabilities related to taxes	-399	357
Increase(+)/Decrease(–) in other accrued expenses and current liabilities	11	-323
= Net cash provided by operating activities	**12,534**	**13,043**
Purchases of property, plant and equipment, net of finance leasing	-1,282	-1,658
Purchase of business units	-2,451	-168
Proceeds from the sale of equipment	441	108
= Net cash used in inventory activities	**-3,292**	**-1,719**

in kEUR	2011	2010
Payments for Buy-back of own shares	-1,764	-1,034
Dividends paid to equity holders of the parent	-2,436	-1,542
Dividends paid to non-controlling interests	-6,491	-6,929
Proceeds from long term debt due to banks	2,607	316
Repayments to bank (long term)	-736	-478
Net Change in lease liabilities	-1,491	-1,025
Proceeds from short term debt due to banks	2,247	115
Repayments to banks (short term)	-393	-1,318
= Net cash used in financing activities	**-8,457**	**-11,895**
Net effect of currency translation in cash and cash equivalents	-46	439
Net increase/decrease in cash and cash equivalents	**739**	**-131**
+ Cash and cash equivalents at beginning of the period	5,150	5,281
= Cash and cash equivalents at end of period	5,889	5,150
Additional information on cash flows		
Payments for interest	-389	-451
Proceeds from interest	-2,082	26
Payments for taxes on income	6	-1,997
Relevant non-cash transactions		
Purchases of property, plant and equipment	1,089	-1,005
financed by finance lease		

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 19, 2012.

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, 2011 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, 2011 were applied.

The consolidated financial statements are presented in Euro. Except as otherwise indicated, all amounts are rounded to k€. 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.

Losses by a subsidiary are attributed to shares without a controlling influence even if this leads to a negative balance.

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 22.

Business combinations and goodwill

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.

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	**12/31/2011**	**12/31/2010**	**2011**	**2010**
U.S. Dollar	1.29	1.34	1.39	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 tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that is has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

During the reporting year, warrants for 200,000 ordinary shares existed until March 31, 2011. The warrants remained unexercised through the agreed date and have thus expired; UMS AG had previously agreed with the owner of the warrants to cancel the subscription rights in return for a cash settlement of € 71 k. There are no other dilutive effects. To calculate diluted earnings per share, UMS AG made a prorated adjustment to the weighted average number of shares issued to account for the dilutive effect between January and March 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.

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 2011 and 2010, 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 no derivative financial instruments as of the December 31, 2011 balance sheet date, nor does it employ any hedging instruments that would qualify for hedge accounting.

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 annually and 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:

- Amendment to IAS 32 “Financial Instruments: Presentation” – Classification of Rights Issues
- IAS 24 “Related Party Disclosures”
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Improvements to IFRSs 2010

The application of the revised IAS 32 has no impact on the presentation of the Group's net assets, financial position or results of operations because the Group has no such instruments. The application of the amendment to IAS 24 will also not have a material impact on the presentation of the Group's net assets, financial position and results of operations.

The Group is not subject to minimum funding requirements; accordingly, the application of IFRIC 14 will have no impact on the presentation of the Group's net assets, financial position and results of operations. The same applies with regard to the application of IFRIC 19. The application of the omnibus standard amending various IFRSs, published in 2010, also has no material influence on the presentation of the financial statements.

Standards issued but not yet mandatory

As of December 31, 2011, 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 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. 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.

In December 2010 the IASB published changes to IAS 12 "Income Taxes". Under IAS 12, the measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through use or disposal. This assessment is often difficult, especially if the asset is measured using the fair value model for investment property in IAS 40. The amendment therefore provides that, in the case of investment property measured at fair value, the presumption of recovery through sale shall generally apply to such measurement. Application of the amended standard is mandatory for fiscal years that begin on or after January 1, 2012. The application of the revised version will have no influence on the presentation of the financial statements, because the Group does not carry any investment property in its accounts.

In May 2011 the IASB published three new standards concerning the accounting treatment of business combinations: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities". Revised versions of the existing IAS 27 and IAS 28, namely, IAS 27 "Separate Financial Statements" (2011) and IAS 28 "Investments in Associates and Joint Ventures" (2011), were published at the same time.

IFRS 10 introduces a uniform definition of the term "control" for all entities, thereby creating a uniform basis for determining the existence of a parent-subsidiary relationship and the associated inclusion in the scope of consolidation. The standard contains comprehensive application guidance to determine control. The new IFRS 10 replaces SIC-12 "Consolidation – Special Purpose Entities" in its entirety and the existing IAS 27 "Consolidated and Separate Financial Statements" in part.

IFRS 11 governs the accounting treatment of circumstances where an entity exercises joint control over a joint venture or a joint operation. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

IFRS 12 brings together into one single standard all the disclosure requirements that an entity holding shares or otherwise involved in other entities must satisfy; this includes shares in subsidiaries, shares in associates, shares in joint arrangements and shares in structured entities. The new standard replaces the disclosure requirements currently contained in IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates", IAS 31 "Interests in Joint Ventures" and SIC-12 "Consolidation – Special Purpose Entities".

The new revised IAS 27 now only contains rules for the accounting treatment and for disclosures of subsidiaries, joint ventures and associates that are relevant for separate financial statements prepared in accordance with IFRS.

The new revised IAS 28 regulates the financial reporting of interests in associates and the requirements for using the equity method when accounting for interests in associates and in joint ventures.

Application of the new and revised standards is mandatory for fiscal years that begin on or after January 1, 2013. The UMS Group currently expects that the initial application of IFRS 10, IFRS 11 and IFRS 12 will not have a material impact on the presentation and measurement of its business combinations.

In May 2011 the IASB published the new standard IFRS 13 “Fair Value Measurement”. IFRS 13 contains a definition of fair value and rules on how to determine it whenever other IFRS regulations require measurement at fair value; the standard itself contains no guidance on when fair value must be used. Except for those standards explicitly excluded in its provisions, IFRS 13 establishes uniform disclosure requirements for all assets and liabilities measured at fair value and for all assets and liabilities whose fair value must be disclosed in the notes to the financial statements; disclosure requirements for non-financial assets in particular have been extended. Prospective application of the new standard is mandatory for fiscal years that begin on or after January 1, 2013. The Group is currently evaluating whether the application of the new standard will lead to additional disclosures.

In June 2011 the IASB published amendments to IAS 1 “Presentation of Financial Statements” under the heading “Presentation of Items of Other Comprehensive Income”. The amendments require that the individual items presented in other comprehensive income (“OCI”) be separated according to whether they will be recycled into the income statement at a later date or not. Application of the amendments to IAS 1 is mandatory for fiscal years that begin on or after July 1, 2012. The Group does not currently expect the application of the amendments to have a material influence on the presentation of its financial statements.

In June 2011 the IASB published changes to IAS 19 “Employee Benefits”. The changes relate primarily to the abolition of delayed recognition of actuarial gains and losses (the so-called “corridor method”) in favor of their immediate recognition within equity as other comprehensive income, to the presentation of changes in net liabilities or assets from defined benefit pension plans and to the recognition of net interest expense or income from the net liabilities or assets of a pension plan. The application of the revised version will have no influence on the presentation of the financial statements.

3. Business Combinations

Transactions in 2011

Mobile Biopsy, Inc.

Effective April 15, 2011, UMS AG acquired all the shares of Mobile Biopsy, Inc., Statesville, North Carolina, via its U.S. subsidiary.

This company's material assets were approximately fifty customer contracts to perform stereotactic breast biopsies along the east coast of the United States, as well as the mobile equipment and associated vehicles.

The fair values 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**
Cash and cash equivalents	3
Receivables	227
Inventories	37
Property, plant and equipment	296
Contracts (Note 9)	2,409
Current liabilities	**-194**
= Total identifiable net assets at fair value	**2,778**
= Total consideration	**2,778**
= Net cash outflow	2,778

The contribution to the Group's net income for the first nine months of 2011 before interest and taxes from the date of purchase was -€ 187k. We estimate the corresponding consolidated total income effect, based on the assumption that the acquisition had already taken place on January 1 of the reporting year, at -€ 160k.

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	56
+ Contracts (Note 9)	112
= 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.

4. Segment Information

The segment reporting of the UMS Group follows the management approach, which means that it is based on internal organizational 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.

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

SEGMENT DATA FOR THE YEAR ENDED DECEMBER 31, 2011

in kEUR	Urology	Gynecology	All other segments	Reconciliation to the Group	Group
Segment revenues	**26,358**	**10,474**	**1,497**	**0**	**38,329**
Depreciation and amortization	-2,422	-1,165	-110	0	-3,674
Segment result	**9,160**	**2,173**	**122**	**0**	**11,455**

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	2011
Cumulative result of the reportable segments	11,455
Non-controlling interests in the segment result	6,829
Selling expenses	-2,491
General administrative expenses	-4,527
Other operating income and expenses, net	364
Group EBIT	**11,630**
Interest income and expenses, net	-360
Taxes	-2,108
Result from discontinued operations	**9,162**

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 fom discontinued operations	**9,953**

Information on geographical areas

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

in kEUR	2011	2010
External revenues North America (U.S./Canada)	36,888	37,752
External revenues South America (Chile)	1,441	1,094
External revenues Europe (Germany)	0	79
Group revenues	**38,329**	**38,925**

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

in kEUR	2011	2010
Non-current assets North America (U.S./Canada)	19,916	18,554
Non-current assets South America (Chile)	1,134	883
Non-current assets Europe (Germany)	12	4
Total Group	**21,062**	**19,441**

5. Revenues and Expenses

OTHER INCOME/EXPENSE

in kEUR	2011	2010
Other income	374	395
Other expense	-10	-239
	364	**156**

Other operating income consists primarily of income from insurance settlements, capital gains and income from asset disposals.

Other operating expenses include other expenses.

FINANCE INCOME

in kEUR	2011	2010
Bank interest income	5	20
Other interest income	0	11
	5	**31**

FINANCE COSTS

in kEUR	2011	2010
Bank loans and overdrafts	-170	-118
Other loans	-42	-37
Finance charges payable under finance leases and hire-purchase contracts	-153	-251
	-365	**-406**

INCLUDED IN COST OF SALES ARE

in kEUR	2011	2010
Depreciation of property, plant and equipment		
– Owned assets	-1,419	-1,152
– Assets under finance leases	-1,026	-1,126
Amortization of intangible assets	-1,252	-1,156
	-3,697	**-3,434**
Cost of inventories recognized as an expense	-3,092	-3,147
Personnel expenses	-8,199	-7,929
Service and maintenance expenses	-768	-998
Other expenses	-4,289	-3,666
Total cost of sales	**-20,045**	**-19,174**

DISTRIBUTION AND SELLING EXPENSES

in kEUR	2011	2010
Depreciation of property, plant and equipment		
– Owned assets	–14	-10
– Assets under finance leases	-15	-24
Personnel expenses	-1,764	-1,579
Other expenses	-698	-961
Total expenses	**-2,491**	**-2,574**

GENERAL AND ADMINISTRATION EXPENSES

in kEUR	2011	2010
Depreciation of property, plant and equipment		
– Owned assets	-138	-80
– Assets under finance leases	-15	-45
Personnel expenses	–2,246	-2,307
Other expenses	-2,128	-2,085
Total expenses	**-4,527**	**–4,517**

Other expenses include audit fees for the Group's auditors amounting to € 126k (2010: € 132k). This amount relates entirely to audits of financial statements. The prior-year amount included € 9k for advisory services in connection with audit sampling conducted at UMS AG by the German Financial Reporting Enforcement Panel.

EMPLOYEE REMUNERATION

in kEUR	2011	2010
Salaries	-10,042	–9,806
Contribution to pension plans	-123	-129
Other social securities contributions	-2,044	–1,880
Total employee remuneration	**-12,209**	**–11,815**

Contributious to pension plans include the costs of defined contribution pension plans. The average number of employees in the Group this year was 219 (2010: 203).

DEPRECIATION/AMORTIZATION

in kEUR	2011	2010
Property, plant and equipment		
– Cost of sales	-2,445	–2,278
– Distribution and selling	-29	–34
– General and administration	-153	–125
Total	**-2,627**	**–2,437**
Intangible assets		
– Cost of sales	-1,252	–1,156
Total	**-1,252**	**–1,156**
Total expenses	**-3,879**	**–3,593**

6. Income Tax

The major components of income tax expense for the years ended December 31, 2011 and 2010 are:

CONSOLIDATED INCOME STATEMENT

in kEUR	2011	2010
Current income tax		
– Current income tax	-1,752	–2,099
Deferred income tax		
– Relating to origination and reversal of temporary differences	-225	–284
Income tax expense reported in consolidated income statement	**-1,977**	**–2,383**

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, 2011 and 2010 is as follows:

in kEUR	**2011**	**2010**
Accounting profit/loss before income tax	11,140	12,336
Germany statutory income tax rate of 32.28 % (2010: 32.28 %)	-3,596	–3,982
Difference in foreign taxation	-1,298	–1,430
Difference in domestic taxation (non-deductible expenses)	-161	–40
Deferred tax expense arising from permanent differences	80	51
Deferred tax assets or liabilities not recognized	-27	5
Tax difference of minority interests in partnerships	3,031	3,012
Tax effect of corrections, consolidation	0	6
Other	-6	-5
	-1,977	**–2,383**

in kEUR	**2011**	**2010**
Income tax expense reported in consolidated income statement	-1,977	–2,383

The German corporate income tax applicable in fiscal year 2011 provides for a tax rate of 15 % (2010: 15 %) plus the solidarity surcharge of 5.5 %. UMS AG's trade tax rate is 16.4 % (2010: 16.4 %). Therefore, our total income tax rate in Germany (including the solidarity surcharge) is 32.3 % (2010: 32.3 %).

UMS AG has income tax losses of € 11.7 million (2010: 11.9 million) and € 10.4 million in trade tax losses (2010: € 10.6 million) that are available indefinitely for offset against the Company's future taxable profits, within the limits of § 10d (2) EStG and § 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 € 1.5 million (2010: € 1.3 million) and approximately € 40k (2010: € 0.1 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. 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	2011	2010
Profit/loss for the year from continuing operations	**9,162**	**9,953**
thereof – Attributable to non-controlling interests	6,866	6,827
– Attributable to equity holders of the parent	2,296	3,126

in thousands	2011	2010
Weighted average number of ordinary shares for basic earnings per share	4,893	5,146
Effect of dilution:		
– Share options	45	180
Adjusted weighted average number of ordinary shares for diluted earnings per share	4,938	5,326

The Company holds no treasury shares as of December 31, 2011. All of the treasury shares held as of December 31, 2010 (308,700 shares), as well as those acquired during January and February of the reporting year under a share buyback program (232,651 shares), were retired in April 2011. The 2011 public share buyback offer was conducted between January 18, 2011 and February 8, 2011 at a purchase price of € 7.45 per share.

By shareholder resolution of May 19, 2011, the Management Board of UMS AG is authorized to continue purchasing the Company's own shares, up to a limit of 10 % of the share capital, through May 18, 2016. 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.

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.

8. Property, Plant and Equipment

Property, Plant and Equipment at Cost and Intangible Assets

2011

	Acquisition and production costs				
in kEUR	Jan. 1, 2011	Currency Effects	Additions	Disposals	Dec. 31, 2011
Intangible Assets and Goodwill					
Intangible Assets	19,166	646	2,686	0	22,498
Goodwill	15,172	0	0	0	15,172
	34,338	**646**	**2,686**	**0**	**37,670**
Property, Plant and Equipment					
Technical Equipment and Machines	19,556	537	1,701	758	21,036
Other equipment, factory and office Equipment	6,212	229	854	370	6,925
	25,768	**766**	**2,555**	**1,128**	**27,961**

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**

Accumulated Depreciation					Net book value	
Jan. 1, 2011	Currency Effects	Additions	Disposals	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2010
8,989	404	1,252	0	10,645	11,853	10,177
15,098	0	0	0	15,098	74	74
24,087	**404**	**1,252**	**0**	**25,743**	**11,927**	**10,252**
13,551	443	1,756	568	15,182	5,853	6,005
3,026	138	872	255	3,781	3,144	3,185
16,577	**581**	**2,628**	**823**	**18,963**	**8,997**	**9,190**

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	15,098	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	3,186	2,720
15,312	**937**	**2,437**	**2,109**	**16,577**	**9,190**	**8,065**

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 leases

The carrying amount of machinery and equipment held under finance leases and hire-purchase contracts at December 31, 2011 is € 3,251k (2010: € 3,682k). 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 2010 and 2011 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, 2010 and 2011 and writes it off over the life of the contract. Accordingly, the book value of this equipment at December 31, 2011 was € 721k (2010: € 7,766k). The UMS Group recognized an "other liability" in the same amount.

9. 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	2011	2010
Contracts and customer bases	8,721	7,144
Certificate of Need	3,132	3,032
Other intangible assets	0	1
Intangible assets	**11,853**	**10,177**
Goodwill	74	74

Effective April 15, 2011, the Group's U.S. subsidiary acquired approximately 50 contracts through the acquisition of Mobile Biopsy Inc. These contracts have also been accounted for as intangible assets.

10. 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 6.0 % (2010: 6.5 %) after tax and 8.6 % pre tax (2010: 9.1 %). Cash flows for year 4 and thereafter 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	2011	2010	2011	2010
CONs with unlimited useful lives	3,054	2,958	3,132	3,032

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 %.

11. Other Financial Assets

in kEUR	2011	2010
Claims from deposit payments — long-term	49	88
Other	89	27
	138	**115**

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.

12. 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, 2011, 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 € 114k and € 121k for the years ended December 31, 2011 and 2010, respectively.

Contributions to government pension schemes in Germany, which have been classified as multi-employer defined contribution plans, were € 9k in the reporting year (€ 8k in the previous year). These contributions were expensed in the income statement.

13. Inventories

in kEUR	2011	2010
Trade goods	1,036	871
Medical equipment	146	81
	1,182	**952**

14. Trade and Other Receivables

in kEUR	2011	2010
Trade receivables	6,419	6,015
Claims on related companies	488	238
	6,907	**6,253**

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 include claims against related parties in Ecuador and Peru.

At December 31, 2011, trade receivables in a principal amount of € 261k (2010: € 125k) were impaired and fully provided for, claims in a principal amount of € 2,661k were past due but not impaired (2010: € 2,719k). All write-downs are individual write-downs. Movements in the provision for impairment of receivables were as follows.

in kEUR	
At January 1, 2010	**333**
Currency effects	27
Charge for the year	59
Utilized	-294
At December 31, 2010	**125**
Currency effects	4
Charge for the year	208
Utilized	-76
At December 31, 2011	**261**

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
2011	3,759	1,496	556	869	**6,680**
2010	3,296	1,363	655	826	**6,140**

15. 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, 2011, the Group had unused credit facilities in the amount of € 834k (2010: € 2,538k), for which all the necessary prerequisites to drawdown had been met.

16. Issued Capital and Reserves

ISSUED CAPITAL

in kEUR	2011	2010
Ordinary shares of EUR 1.23 each	6,016	
Ordinary shares of EUR 1.11 each		6,016
Treasury shares of EUR 1.11 each		-343
	6,016	**5,673**

The ordinary shares are fully paid in.

The number of ordinary shares changed as follows:

in thousands	2011	2010
Ordinary shares at Dec. 31	4,873	5,415
Treasury shares at Dec. 31		-309
	4,873	**5,106**

At the beginning of the reporting year UMS AG held 308,700 of its own shares with a notional value per share of approximately € 1.11. In terms of the share capital, treasury shares thus amounted to € 343k.

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 € 7.45. A total of 345,811 shares were tendered to UMS AG up to the expiration of the (extended) buyback period on February 8, 2011. In accordance with the allocation process described in the offering document, a total of 232,651 shares were bought back by UMS AG.

This increased the number of Company shares held by UMS AG by 232,651 shares, from 308,700 shares to 541,351 shares. This represented almost 10 % of the Company's share capital.

Making use of the Shareholders' Meeting authorizations, the Management Board of UMS AG resolved, with the Supervisory Board's consent, to retire the 541,351 fully paid-in shares without reducing the share capital. Accordingly, the portion of the share capital attributable to each of the remaining shares pursuant to § 8 (3) AktG has increased from approximately € 1.11 to approximately € 1.23.

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.

As of December 31, 2011, the Company’s share capital is no longer conditionally increased. The Company’s Conditional Capital II was dedicated to the granting of subscription rights for shares that were needed to service the warrant-linked bond issued by the Company. The right of creditors under this warrant-linked bond to receive shares of the Company expired at the close of March 31, 2011. UMS AG had previously agreed with the owner of the warrants to cancel the subscription rights in return for a cash settlement of € 71k.

Buying of own shares

The Management Board is authorized to buy treasury shares up to 10 % of the share capital until May 18, 2016. 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 the 2009 and 2010 fiscal years the Management Board of UMS AG acquired 308,700 treasury shares via the stock exchange. A further 232,651 treasury shares were acquired during the reporting year by way of a public buyback offer. All treasury shares were retired in April 2011. Accordingly, UMS AG holds no treasury shares as of the balance sheet date.

In January 2012 the Management Board resolved, with the Supervisory Board’s consent, to offer to buy back up to 300,000 Company shares from the Company’s shareholders at an offer price of € 6.35 per share. The Company acquired 115,616 treasury shares in the course of this buyback offer.

17. Distributed Dividend

in kEUR	2011	2010
Dividend resolved and distributed during the fiscal year		
Dividend for 2010: EUR 0.50 per share (for 2009: EUR 0.30 per share)	–2,436	-1,542

18. Interest-bearing Loans and Borrowings

CURRENT

in kEUR	Effective interest rate in %	Maturity	2011	2010
Obligations under finance leases and hire-purchase contracts	5 – 12 %	2012	885	1,115
Bank liabilities				
Line of Credit in USA	Prime + 0.25 %	2012	1,777	0
Equipment line in USD	Libor +2.5 %	2012	242	115
Bank loans in CLP	Interest rate 1.9 %	2012	23	35
USD 3,000.000 loan	8 %	2012	0	92
USD 3,400.000 loan	Prime +0.25 %	2012	0	169
USD 2,000.000 loan	Libor +3 %	2012	221	214
USD 4,000.000 loan	Libor +3 %	2012	442	0
Total			**2,705**	**625**

NON-CURRENT

Obligations under finance leases and hire-purchase contracts	5 – 12 %	2013 – 2014	1,691	1,797
Bank liabilities				
Equipment line in USD	Libor +2.5 %	2013 – 2015	510	316
Bank loans in CLP	Interest rate +1.9 %	2012	0	1
USD 2,000,000 loan	Libor +3 %	2014	755	944
USD 4,000,000 loan	Libor +3 %	2018	2,356	0
Total			**3,621**	**1,261**

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 2012.

USD 3,000,000 loan

This loan was repaid between April 2006 and March 2011 in 60 equal installments.

USD 3,400,000 loan

This bank loan, which financed the purchase of contracts, licenses and equipment for expanding the urology business in the State of Michigan, was also repaid in 60 equal installments through 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.

USD 4,000,000 loan

This bank loan, which finances the acquisition of Mobile Biopsy, Inc., is payable in 84 equal installments through 2018.

For all loans, the carrying amounts are the same as the settlement amounts.

19. Accruals/Provisions

in kEUR	Balance at Jan. 1, 2011	Currency transl. adjustm.	Used during the year	Reversed during the year	Made during the year	Balance at Dec. 31, 2011
Outstanding invoices	132	4	136	0	128	128
Legal and consulting fees	160	3	131	29	91	94
Audit fees	220	5	225	0	196	196
Interest	0	0	0	0	8	8
Outstanding vacation	266	9	0	22	47	300
Rent	19	1	20	0	19	19
Bonuses	4	0	4	0	4	4
Severance payments	64	2	0	0	15	81
Repairs	0	0	0	0	53	53
Annual Report	35	0	33	2	33	33
Other	82	2	48	0	160	196
Total	**982**	**26**	**597**	**53**	**754**	**1,112**

All accruals are current. The provision for severance payments relates to existing obligations under employment contracts.

20. Trade and Other Payables

in kEUR	2011	2010
Trade payables	1,196	759
Other payables	508	462

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, 2010 and 2011 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 (€ 721k), of which € 277k was shown under current liabilities and € 444k under long-term liabilities.

21. 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	**2011**	**2010**
Machinery and equipment	10,312	9,965
Accumulated depreciation	7,061	6,283
Net book value	**3,251**	**3,682**

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

in kEUR	**2011**	**2010**
Within one year	976	1,234
After one year but no more than 5 years	1,800	1,951
Total minimum lease obligations	**2,776**	**3,185**
Interest	-200	-273
Present value of future minimum lease payments	**2,576**	**2,912**

Representing finance lease liabilities:

in kEUR	2011	2010
Current	885	1,115
Non-current	1,691	1,797

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	2011	2010
Rent expense	159	150

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

in kEUR	2011	2010
Within one year	237	231
After one year but no more than 5 years	218	423
	455	**654**

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, 2011, 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.

22. Related Party Disclosures

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

Name	Headquarters	Share in capital	Equity Dec, 31, 2011	Earnings 2011
in EUR				
UMS (DE), Inc.	Delaware, USA	100 %	15,205,160.90	2,407,626.05
UMS Canada, Inc. 1)	Ontario, Canada	100 %	389,269.06	71,546.39
UMS Andover MGMT, Inc. 1)	Massachusetts, USA	100 %	124,680.71	194,719.47
ASC LP 1)	Massachusetts, USA	20 %	-485.10	5,554.50
Mobile Biopsy, Inc. 1)	North Carolina, USA	100 %	2,890,679.61	-200,749.40
Great Lakes Lithotripsy, LLC 1)	Michigan, USA	25 %	6,202,706.73	5,437,039.04
UMS TN LP 1)	Tennessee, USA	51 %	30,999.87	16,197.00
Michigan CON, LLC 1)	Delaware, USA	100 %	2,322,904.01	516,912.60
UMS Chile S.A. 1)	Santiago, Chile	75 %	610,966.16	164,200.87
UMS Litho Management, LLC 1)	Tennessee, USA	100 %	1,451,285.82	1,033,782.83
UMS Beaver, LLC 2)	Delaware, USA	20 %	93,514.10	156,129.75
UMS CT LP 2)	Connecticut, USA	40 %	633,648.96	1,130,542.16
UMS Finger Lakes, LLC 2)	New York, USA	20 %	29,825.95	36,556.15
UMS FL LP 2)	Florida, USA	25 %	294,893.14	481,247.31
UMS NE LP 2)	Massachusetts, USA	15 %	364,097.00	660,091.11
UMS NH LP 2)	New Hampshire, USA	10 %	167,971.05	182,572.84
UMS Westchester, LLC 2)	Delaware, USA	51 %	62,871.65	10,914.29
UMS Smyth County, LLC 2)	Delaware, USA	25 %	19,471.50	23,068.67
UMS South Shore, LLC 2)	Delaware, USA	20 %	140,202.54	123,761.06
UMS Mishawaka, LLC 2)	Delaware, USA	25 %	65,084.43	152,064.14
UMS Morgantown, LLC 2)	Delaware, USA	20 %	38,699.20	72,580.38
UMS Rochester, LLC 2)	Delaware, USA	20 %	91,863.39	200,797.59
UMS Capital District, LLC 2)	Delaware, USA	20 %	26,971.51	14,026.05
UMS South Bend, LLC 2)	Delaware, USA	20 %	0,00	(466,42)
UMS Framingham, LLC 2)	Delaware, USA	20 %	41,864.60	69,691.65
UMS Essex County, LLC 2)	Delaware, USA	10 %	56,729.67	108,579.02
UMS Western MA, LLC 2)	Delaware, USA	10 %	34,610.39	91,474.10
UMS Fairfax, LLC 2)	Delaware, USA	15 %	74,195.35	140,366.88

Name	Headquarters	Share in capital	Equity Dec, 31, 2011	Earnings 2011
in EUR				
UMS Bristol County, LLC [2)]	Delaware, USA	15 %	152,330.16	204,362.33
UMS Central MA, LLC [2)]	Delaware, USA	15 %	130,556.81	198,247.43
UMS Central NJ, LLC [2)]	Delaware, USA	25 %	11,414.18	21,868.26
UMS Miami-Dade, LLC [2)]	Delaware, USA	80 %	12,251.60	6,211.72
UMS Worchester Cty, LLC [2)]	Delaware, USA	75 %	25,271.09	23,177.42
UMS Prince William, LLC [2)]	Delaware, USA	80 %	36,888.41	9,036.56
UMS Chesapeake, LLC [2)]	Delaware, USA	100 %	789,165.45	44,255.58
UMS Chesapeake Lithotripsy, LLC [3)]	Delaware, USA	25 %	757,644.17	177,022.33
Heritage Medical Services of Maryland, Inc. [3)]	Tennessee, USA	100 %	181,013.70	–
Health South of Chesapeake, Inc. [3)]	Delaware, USA	100 %	305,133.04	–

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, 2011, 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 2011 a total of approximately € 216k was spent for Management Board compensation (previous year: € 175k). Of this amount, € 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	Advisory/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. (hon.) 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 Norgenta GmbH, Hamburg KlimaINVEST GmbH & Co. KGaA First Climate AG, Bad Vilbel

Supervisory Board compensation

(a) In 2011 a total of € 70k was spent for compensation of the Supervisory Board. The expenses for this item also amounted to € 70k in 2010.

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

	direct	indirect
Dr. (hon.) Norbert Heske	48,703	48,703
Wolfgang Biedermann	0	439,324

Transactions with related parties

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

23. 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 had a derivative financial instrument through April 2011 in the form of an interest rate swap. The purpose of the swap was to hedge against the interest rate risk resulting from the Group's business activities and from its sources of funding.

In accordance with its internal guidelines, the UMS does not engage in trading with financial instruments. This was true of fiscal years 2011 and 2010 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.

	Increase/decrease in basis points	Effect on profit before tax
2011		
Euro zone	+100	-3
USD zone	+100	-33
Euro zone	–50	1
USD zone	–50	17
2010		
Euro zone	+100	8
USD zone	+100	–17
Euro zone	–50	-1
USD zone	–50	3

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
2011		
	+10 %	-393
	–10 %	480
2010		
	+10 %	-482
	–10 %	589

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 14.

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, 2011 credit facilities in a volume of € 0.8 million were available to the Group, none of which had been used as of the balance sheet date. The Company is currently preparing to increase the credit lines by a further € 2.3 million.

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, 2011

in kEUR	Less than 1 year	1 to 5 years	> 5 years	Total
Trade payables	1,196	0	0	**1,196**
Bank liabilities	2,705	3,474	147	**6,326**
Finance leases	885	1,691	0	**2,576**
Other liabilities	508	444	0	**952**

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**

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 22 %.

in kEUR	2011	2010
Modified equity	21,553	23,718
Modified total assets	35,234	33,041
Equity ratio (in %)	61	72

24. 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

in kEUR	Carrying amount 2011	Carrying amount 2010	Fair value 2011	Fair value 2010
Cash	5,889	5,150	5,889	5,150
Loans and receivables	6,946	6,279	6,946	6,279
Available-for-sale Investments	931	887	931	887

FINANCIAL LIABILITIES

in kEUR	Carrying amount 2011	Carrying amount 2010	Fair value 2011	Fair value 2010
Trade payables	1,196	759	1,196	759
Other financial liabilities at amortized cost	9,828	5,788	9,828	5,788
Derivatives	0	9	0	9

The net gain/loss from financial instruments amounted to:

FINANCIAL ASSETS

in kEUR	Net gains/losses 2011	Net gains/losses 2010
Cash	5	0
Loans and receivables	-193	-194
Available-for-sale investments	0	1

FINANCIAL LIABILITIES

in kEUR	Net gains/losses 2011	Net gains/losses 2010
Other financial liabilities at amortized cost	-323	-362

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 has measured no financial instruments at fair value through profit or loss as of December 31, 2011.

25. Hedging Activities and Derivatives

To reduce potential future interest rate risks, the Group's U.S. subsidiary has used interest rate swaps to exchange the interest rate of a variable-rate acquisition loan bearing interest at Prime + 0.25 % for a fixed rate of 7.95 %. The loan was repaid in full in April 2011 and the associated interest rate swap has thus expired.

26. Events After the Reporting Period

On January 10, 2012, the Management Board resolved, with the Supervisory Board's consent, to offer to buy back up to 300,000 Company shares from the Company's shareholders. This corresponds to a share of up to 6.16 % of the Company's current share capital. The basis for conducting the public buyback offer is the May 19, 2011 resolution of the Company's Shareholders' Meeting.

The buyback period commenced on Wednesday, January 11, 2012 and ended on Wednesday, February 1, 2012 at midnight Central European Time.

The price offered for the buyback of each offered share of the Company was € 6.35. A total of 115,616 shares were tendered to UMS AG up to the expiration of the (extended) buyback period on February 1, 2012, and acquired by the Company.

UMS AG therefore now holds 115,616 of its own shares, corresponding to approximately 2.4 % of the Company's share capital. The Management Board of UMS AG intends to retire the acquired treasury shares.

Hamburg, March 19, 2012

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, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Hamburg, March 19, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grummer	Brorhilker
Wirtschaftsprüfer	Wirtschaftsprüfer
[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.

Hamburg, March 19, 2012

Jørgen Madsen
The Management Board

List of Abbreviations

ASC LP	Andover Surgery Center LP, Andover, USA
Breast Surgical Services, Inc.	Breast Surgical Services, Inc., Texas, USA
Great Lakes Lithotripsy, LLC	Great Lakes Lithotripsy, 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
IceCure	IceCure Medical Ltd., Caesarea, Israel
Michigan United MRI Services, LLC	Michigan United MRI Services LLC, Massachusetts, USA
Mobile Biopsy	Mobile Biopsy, Inc., North Carolina, USA
MR	Magnet-Resonanz
Neuromed Italia	Neuromed Italia S.r.l., Padova, Italien
Richard Wolf	Richard Wolf GmbH, Knittlingen
UMS (DE), Inc.	United Medical Systems Inc,, Delaware, USA
UMS AG	United Medical Systems International AG, Hamburg, Deutschland
UMS Andover MGMT, Inc.	UMS Andover Surgery Center Management Inc., Andover, USA
UMS Beaver, LLC	UMS Beaver Associates LLC, Delaware, USA
UMS Bristol County, LLC	UMS Lithotripsy Services of Bristol County, LLC, Delaware, USA
UMS Canada LP	United Medical Systems Canada LP, Ontario, Kanada
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.	United Medical Systems Chile S.A., Quilicura, Chile
UMS CT LP	United Medical Systems Connecticut Lithotripsy LP, Connecticut, USA
UMS Essex County, LLC	UMS Lithotripsy Services of Essex County, LLC, Delaware, USA
UMS Fairfax, LLC	UMS Lithotripsy Services of Fairfax County, LLC, Delaware, USA
UMS Finger Lakes, LLC	United Medical Systems Lithotripsy Services of the Finger Lakes LLC, Delaware, USA
UMS FL LP	United Medical Systems West Florida Lithotripsy LP, Florida, USA
UMS Framingham, LLC	UMS Lithotripsy Services of Framingham, LLC, Delaware, USA
UMS, LLC	United Medical Systems Lithotripsy Management LLC, Tennessee, USA
UMS Miami-Dade, LLC	UMS Lithotripsy Services of Miami-Dade County, LLC, Delaware, 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	United Medical Systems New England Lithotripsy LP, Massachusetts, USA
UMS NH LP	United Medical Systems New Hampshire Lithotripsy LP, New Hampshire, USA
UMS Prince William, LLC	UMS Lithotripsy Services of Prince William County, LLC, Delaware, 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 Services of the South Shore, LLC, Delaware, USA
UMS TN LP	United Medical Systems Tennessee Stereotactic Services LP, Tennessee, USA
UMS Westchester, LLC	United Medical Systems Lithotripsy Services of Westchester County, LLC, Delaware, USA
UMS Western MA, LLC	UMS Lithotripsy Services of Western Mass, LLC, Delaware, USA
UMS Worcester Cty, LLC	UMS Lithotripsy Services of Worcester County, LLC, Delaware, USA

Structure of the Group

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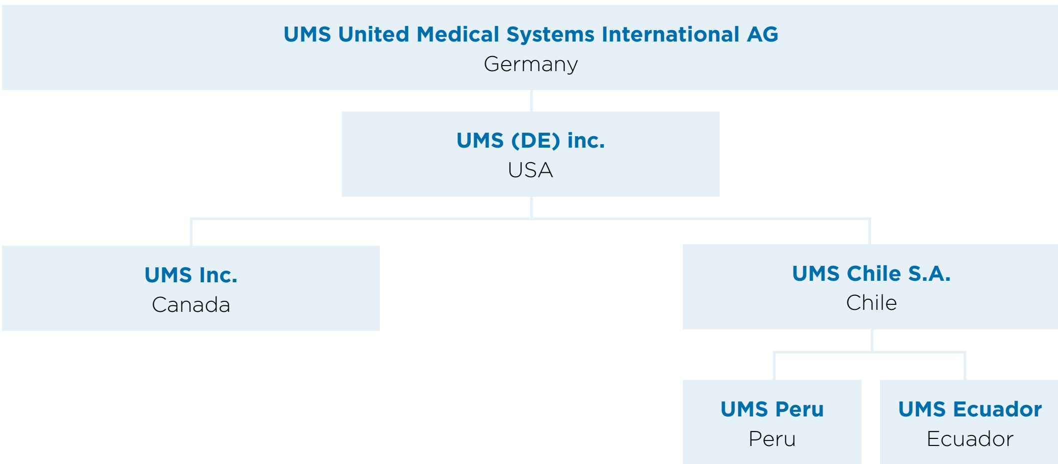

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Financial calendar

Press Release Annual Financial Statements 2011	March 2012
Publication Annual Financial Statements 2011	April 3, 2012
Publication Three Months' Statement 2012	May 15, 2012
Annual General Meeting, Hamburg	May 31, 2012
Publication Six Months' Statement 2012	August 14, 2012
Publication Nine Months' Statement 2012	November 14, 2012
Analyst Conference, German Equity Forum Frankfurt/Main	November 2012

Imprint

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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.

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