

# Geratherm®

*SOLUTIONS FOR A  
HEALTHY WORLD*



Annual Report **2015**

# DATES AND FACTS

|   |             | 31/12/2015    | 31/12/2014    | Change<br>in % |
|---|-------------|---------------|---------------|----------------|
| <b>Turnover</b>   | <b>kEUR</b> | <b>21,589</b> | <b>18,715</b> | <b>15.4</b>    |
| Including export share                                  | kEUR        | 18,674        | 15,542        | 20.2           |
| Export ratio  | %           | 86            | 83            | 3.6            |
| Gross result (EBITDA)                                   | kEUR        | 3,423         | 3,171         | 7.9            |
| <b>EBITDA margin</b>                                    | <b>%</b>    | <b>15.9</b>   | <b>16.9</b>   | <b>-5.9</b>    |
| Amortization or depreciation                            | kEUR        | -889          | -756          | 17.6           |
| <b>Operating result (EBIT)</b>                          | <b>kEUR</b> | <b>2,534</b>  | <b>2,415</b>  | <b>4.9</b>     |
| <b>EBIT margin</b>                                      | <b>%</b>    | <b>11.7</b>   | <b>12.9</b>   | <b>-9.3</b>    |
| Financial results                                       | kEUR        | 794           | -164          | -              |
| Result of ordinary activities                           | kEUR        | 3,328         | 2,251         | 47.8           |
| <b>Profits of the parent<br/>company's shareholders</b> | <b>kEUR</b> | <b>2,701</b>  | <b>1,682</b>  | <b>60.6</b>    |
| Long-term assets  | kEUR        | 4,859         | 4,927         | -1.4           |
| Short-term assets                                       | kEUR        | 25,389        | 23,562        | 7.8            |
| Balance sheet total                                     | kEUR        | 30,248        | 28,489        | 6.2            |
| Equity capital  | kEUR        | 21,939        | 20,343        | 7.8            |
| Return on equity  | %           | 12.3          | 8.3           | 48.9           |
| Equity ratio  | %           | 72.5          | 71.4          | 1.5            |
| Cash, cash equivalents and securities                   | kEUR        | 14,698        | 13,072        | 12.4           |
| <b>Earnings per share according to IFRS (EPS)*</b>      | <b>EUR</b>  | <b>0.55</b>   | <b>0.34</b>   | <b>61.8</b>    |
| <b>Earnings per share according to DVFA *</b>           | <b>EUR</b>  | <b>0.55</b>   | <b>0.34</b>   | <b>61.8</b>    |
| Proposed dividend                                       | EUR         | 0.50          | 0.25          | 100.0          |
| Annual average number of employees                      |             | 170           | 130           | 30.8           |
| Unit shares   |             | 4,949,999     | 4,949,999     | 0.0            |
| *based on unit shares in circulation                    |             | 4,949,999     | 4,949,999     | 0.0            |

# SIMPLE AND CONCISE

## 2013

The company continues its growth at +5.4%. The new business segments Warming Systems, Respiratory and Cardio/Stroke, reported a growth between 15.9% and 72.1%. The emerging Women's Care product group is successfully concluding a clinical study with the „ovu control“ fertility product. The study included more than 100 women. The Cardio/Stroke segment signed a cooperation agreement with Philips for the international marketing of the SRAclinic product. The Geratherm Group reported a result after tax of EUR 1.3 million with a sales of EUR 16.8 million. The total consolidated income amounted to EUR 2.5 million, including income recognized directly in the equity capital due to higher valuation of securities.

## 2014

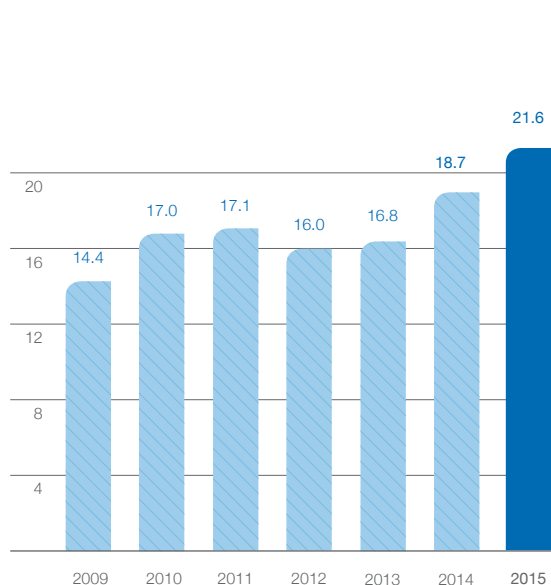
We have made good progress. The company managed to increase its sales volume and profits considerably again. The sales volume amounting to EUR 18.7 million (+11.2%), with an operating result (EBIT) of EUR 2.4 million, met our target for achieving a double-digit operating return. The gross result on EBITDA level with EUR 3.2 million was the best result the company has achieved in its history thus far. Premium medical products will lead to a considerably better operating result. Earnings after taxes amounted to EUR 1.6 million (+41.0%). The company has 130 employees. Geratherm is well equipped for the future with an equity-to-assets ratio of 71.4% and liquid assets amounting to EUR 13.1 million. The two acquisitions made during the course of the business year are currently being integrated into the Group.

## 2015

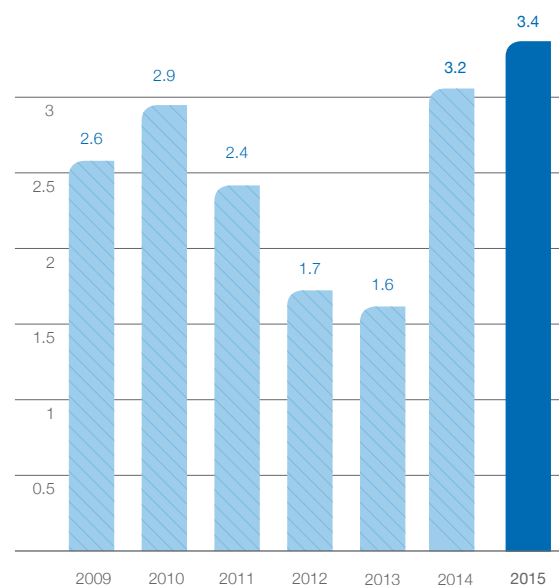
The Geratherm Group posted a +15.4 % growth and generated an annual sales of EUR 21.6 million. The increasingly premium products and the good financial performance reported in the individual business segments have yielded the best operating results thus far. Favorable financial earnings support the results. Earnings after taxes amounted to EUR 2.7 million (+60.6 %). Geratherm is well equipped for future growth with an equity-to-assets ratio of 72.5 % and liquid assets amounting to EUR 14.7 million.

Geratherm is taking over a subcontractor's production of medical capillaries and thus increases its independence with regard to the supply of raw materials.

In 2015 the average number of employees was 170.



**TURNOVER**  
in EUR million



**EBITDA**  
in EUR million

GERATHERM MEDICAL IS A  
GLOBALLY-ORIENTED MEDICAL  
TECHNOLOGY COMPANY WITH  
BUSINESS AREAS INCLUDING

 **HEALTHCARE DIAGNOSTIC**

PRODUCTS TO MEASURE VITAL SIGNS

 **RESPIRATORY**

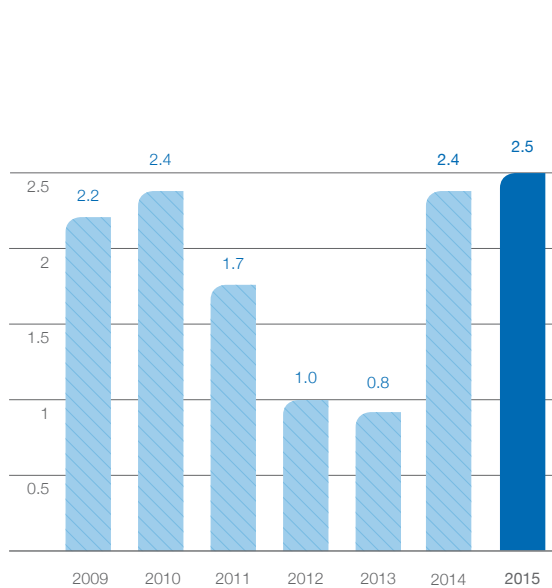
PULMONARY FUNCTION DIAGNOSIS

 **MEDICAL WARMING SYSTEMS**

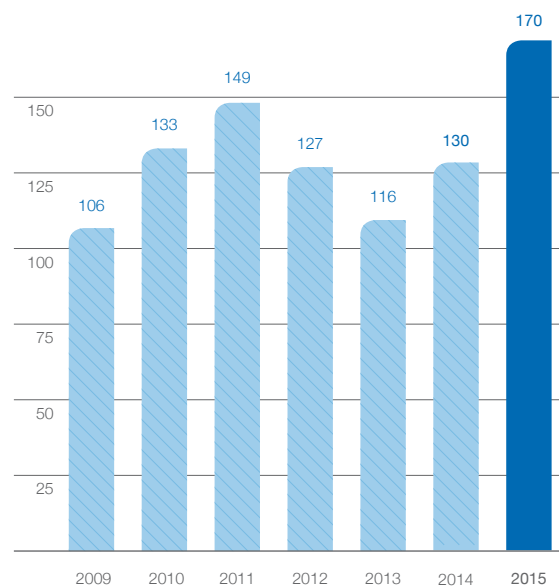
MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE

 **CARDIO/STROKE**

SCREENING OF CARDIAC ARRHYTHMIA



EBIT  
in EUR million



EMPLOYEES

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| Respiratory             | 16 |
| Medical warming systems | 18 |
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## GROUP MANAGEMENT REPORT

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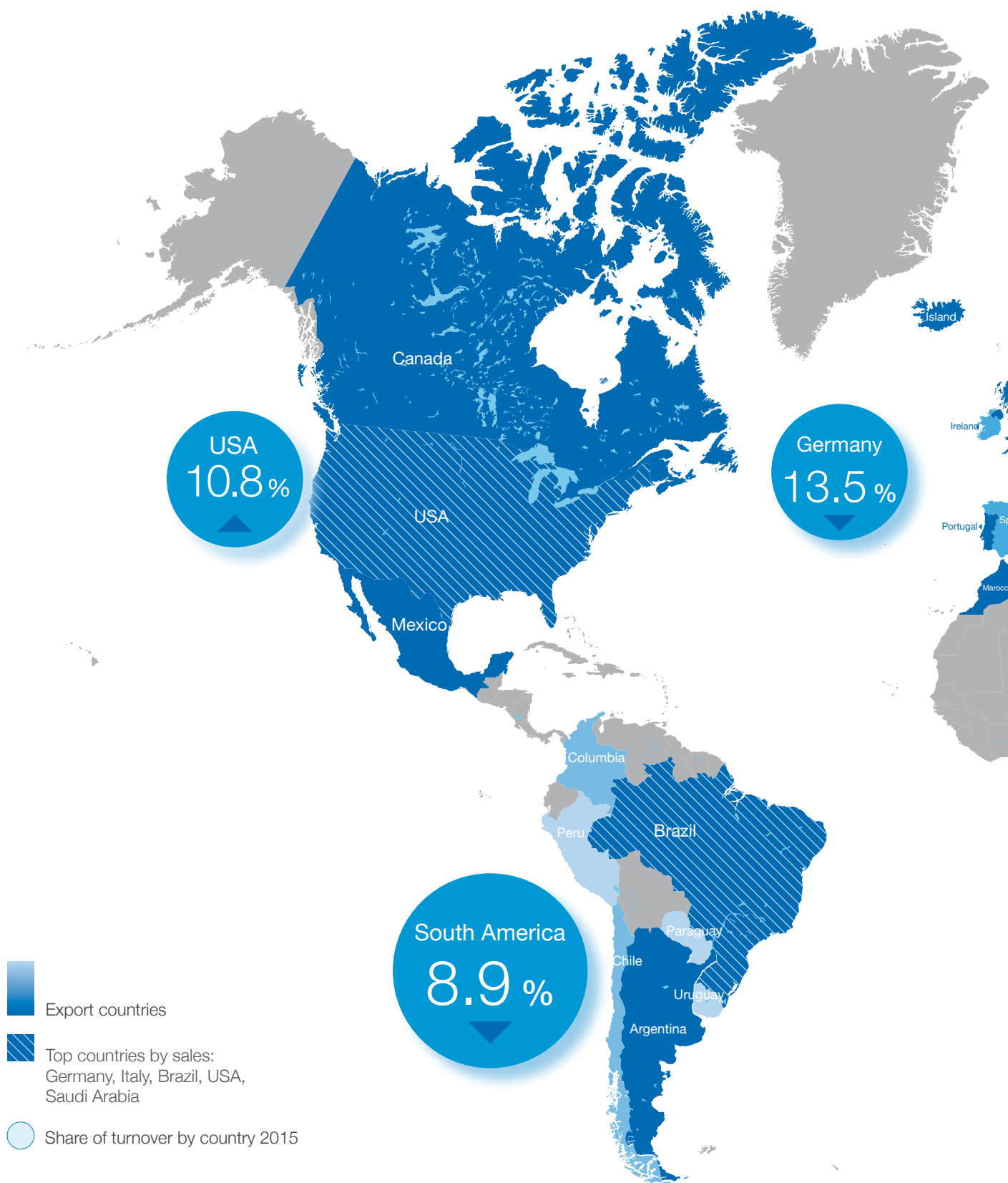
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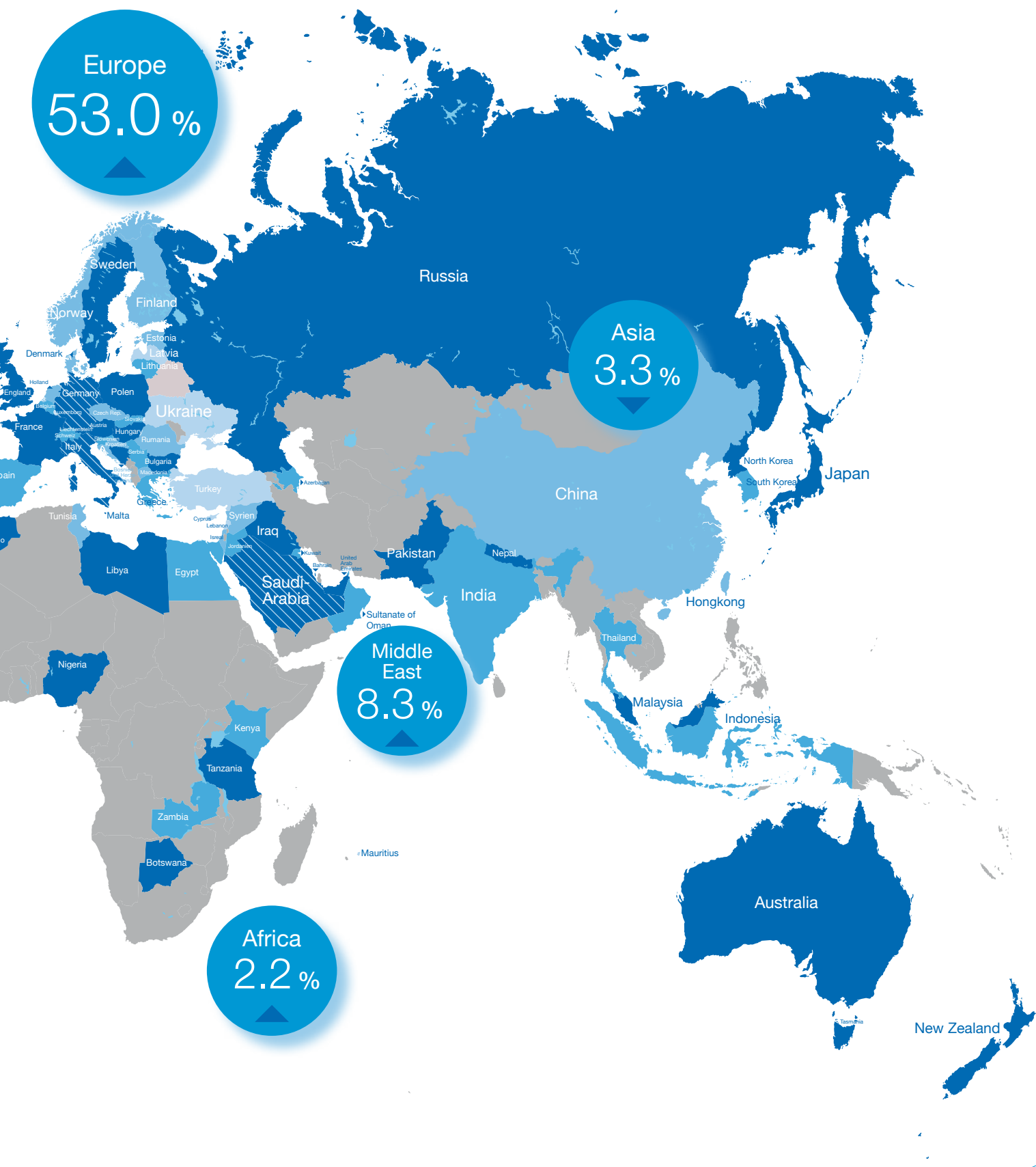
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# GERATHERM MEDICAL EXPORTS PRODUCTS TO OVER 60 COUNTRIES





- Norfolk and Norwich University Hospital

## *ATRIAL FIBRILLATION, STROKE WE TRY TO HELP!*

SRAclinic in daily use  
As of 01/2016

**71 clinics**  
on „SRAclinic“ affiliated!  
**+18 clinics**  
increment in 2015.

ENGLAND

FINLAND

SWITZERLAND

AUSTRIA

ITALY



• Jyväskylä  
Central Hospital

## HAMBURG

Asklepios Klinik Nord

• Kath. Marienkranken-  
haus GmbH • Universitätsklinik  
Hamburg-Eppendorf **BERLIN**

Vivantes Auguste Viktoria Klinikum

**NIEDERSACHSEN** Evangelisches Krankenhaus Oldenburg •

Elbe Kliniken Stade • Städtisches Klinikum, Klinikum Uelzen

Lüneburg • Krankenhaus St. Elisabeth, Damme •

**NORDRHEIN-WESTFALEN** Evangelisches Kranken-

haus Castrop-Rauxel • Evangelisches Krankenhaus Hattingen

• Klinikum Lippe GmbH, Lemgo • Knappschaftskrankenhaus

Bochum • Knappschaftskrankenhaus Recklinghausen • Kreis-

linikum Siegen GmbH • Märkisches Klinikum Lüdenscheid

• St. Augustinus Krankenhaus Düren • St. Franziskus-Hospital,

Ahlen • St.-Johannes-Hospital, Hagen • St. Josef-Krankenhaus

Essen-Kupferdreh • Universitätsklinikum Münster • Evangelisches

Krankenhaus Herne • Klinikum Wuppertal • Universitätsklinikum Essen •

Evangelisches Krankenhaus, Haus Gilead I, Bielefeld • Evangelisches

Krankenhaus, Johannesstift, Bielefeld **SACHSEN-ANHALT** Krankenhaus

Martha-Maria Halle-Dölau **SACHSEN** Klinikum Aue **THÜRINGEN** SRH

Wald-Klinikum Gera • Klinikum Erfurt • Fachkliniken Hildburghausen •

Universitätsklinikum Jena • SRH Zentralklinikum Suhl **HESSEN**

Klinikum Frankfurt Höchst • Krankenhaus Nordwest •

Asklepios Neurologische Klinik, Nidda/Bad Salzhausen

• Asklepios Klinikum Melsungen • Klinikum Offen-

bach GmbH **BADEN-WÜRTTEMBERG** Universität

Heidelberg • Universitätsklinikum Freiburg **RHEIN-**

**LAND-PFALZ** Universitätsmedizin Mainz • Klinikum

der Stadt Ludwigshafen am Rhein GmbH • Städtisches

Krankenhaus Pirmasens • Pfalzlinikum Klingenmünster

**SAARLAND** MediClin Bliestal Kliniken, Blieskastel •

SHG Kliniken Merzig • MediClin Bosenberg

Kliniken, St. Wendel • Klinikum Saarbrücken

**BAYERN** Kreiskliniken Altötting • Klinikum Traun-

stein • Universitätsklinikum Erlangen • Benedictus

Krankenhaus Tutzing GmbH & Co. KG •

Benedictus Krankenhaus Feldafing GmbH &

Co. KG • Stiftung Juliusspital Würzburg • Klini-

kum rechts der Isar der TU München • Klinikum

Main-Spessart, Lohr am

Main

• Kantonsspital

Aarau AG

• Universitätsspital

Basel

## GERMANY

• Barmherzige  
Brüder Wien

• Ospedale Classificato  
Equiparato Verona



Rudolf Bröcker  
Chairman Supervisory Board

# CREATE SPECIAL WITH A GOOD TEAM

Dear Shareholders,

The Supervisory Board performed its duties as prescribed by law and set out in the Company's bylaws and regularly monitored and consulted the Management Board throughout the 2015 financial year. The Supervisory Board was included in all decisions that were of major importance to the Company.

The Management Board informed the Supervisory Board in a timely manner about the respective status of the business areas and the current state of the holdings and financial assets.

Cooperation agreements and acquisitions realized by the Company as well as the associated medium to long-term effects on the business model were discussed during the 2015 business year. In addition to that, regular communication took place between the chairman of the Supervisory Board and the Management Board with regard to new products and the improvement of existing products as well as issues pertaining to the Company's strategic focus.

The Supervisory Board carried out monitoring activities, as in past years, on the basis of segment reports for the corporate areas Healthcare Diagnostics, Respiratory, Medical Warming Systems and Cardio/Stroke. Corresponding documents were provided in a timely manner for special topics. The Supervisory Board received monthly reports about the Company's development, in particular the individual regions and about the state of the financial assets.

The collaboration with the Management Board was constructive and based on trust. The Management Board has fulfilled its duties to inform and report in full at all times.

The Supervisory Board convened a total of four times during the period under review. In addition to that, the chairman of the Supervisory Board stayed up-to-date about relevant issues, especially the Company's current business development during weekly phone calls. The Supervisory Board was informed in good time about any particular risks and opportunities. Besides operating issues, the Supervisory Board's meeting on 21 March 2016 focused on the audit of the year-end financial statements and the management report for the Group and the Company.

The year-end financial statements of Geratherm Medical AG, which were prepared according to Germany's Commercial Code (HGB), the consolidated financial accounts compiled in accordance with IFRS and the management report have been checked

by the appointed auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft Leipzig, with consideration given to the accounting for the 2015 fiscal year and certified an unqualified audit opinion. The auditor participated in the Supervisory Board's meeting with regard to the approval of the 2015 financial statements and reported the significant results of the audit. KPMG AG Wirtschaftsprüfungsgesellschaft has examined the Management Board's report on the relations existing with associated companies. It confirmed that according to its dutiful audit and assessment the advice of this report is accurate and that the performance of the company was suitable.

Following the conclusion of the audit, there are no objections against the Management Board's report on the relations with affiliated companies. We agree with the results of the audit. There were no conflicts of interest on part of the members of the Management Board and Supervisory Board, which would have required immediate disclosure to the Supervisory Board. We checked the year-end financial statements and the consolidated financial accounts including the management reports and have no objections to raise based on the conclusive results of our audit. We have approved the year-end financial statements prepared by the Management Board and the consolidated financial statements as at 31 December 2015. The financial statements are thus adopted.

Moreover, we propose to the annual general meeting the appointment of KPMG AG, Wirtschaftsprüfungsgesellschaft, as the auditor and group auditor for the 2016 fiscal year. We also approved the Management Board's proposal to use the distributable profit for the year, which pays a dividend of EUR 0.50 per share.

The Supervisory Board would like to express its gratitude to the Management Board and the employees of all companies in the Geratherm Group for their dedication and good work in 2015.

Geschwenda, 21 March 2016



Rudolf Bröcker  
Chairman of the Supervisory Board



Dr. Gert Frank  
Chairman

# 2015 – OUR BEST BUSINESS YEAR TO DATE

Dear Shareholders,

I am pleased to announce that Geratherm Medical managed to post its best business year to date.

Geratherm is currently in a healthy phase. The cornerstone for that was laid in the previous years by the substantial investments and diversification in new business areas, which contribute to the strong growth in sales and earnings of the Geratherm Group.

Product innovations made in the medical technology field now have very long lead times and it is not always clear whether the course taken will ultimately lead to success. I would like to take this opportunity to thank the shareholders, who have provided Geratherm with critical support in the development of new business areas over the past few years, for their patience and trust.

The Cardio/Stroke area with the subsidiary apoplex medical managed to gain Pfizer/BMS as a new important cooperation partner during the past business year. The „SRA-clinic“ product has been largely accepted by stroke units in German-speaking countries. The apoplex product was recommended by the German Stroke Society in 2015 as part of certification of stroke units. 71 clinics and hospitals have joined apoplex medical's diagnostic system within a period of just a few years. For 2016 we are anticipating a considerable expansion, especially with the support of the new cooperation partner.

Even our core business with the flagship product gallium-filled thermometers has grown with +27.1% in 2015. The development is also expected to continue throughout 2016.

In this context, we have taken over a glass tank at the Ilmenau plant in Thuringia in order to safeguard our source of high-quality medical capillaries for the production of clinical thermometers on 1 November 2015. The acquisition shall strengthen and increase significantly our competitive edge in the production of clinical glass thermometers.

In spite of the burden posed by the losses absorbed from the Brazilian subsidiary in the amount of 987 kEUR, the group has managed to post its best operating results so far with the achieved gross earnings (EBITDA) in the amount of EUR 3.4 million (+7.9%). The company's sales increased altogether by +15.4% to EUR 21.6 million.

The earnings of our company on an EBIT basis increased to 2,534 kEUR (2014: 2,415 kEUR). That corresponds to an EBIT margin of 11.7% on a group level. Together with the positive financing earnings, we were able to generate a result from ordinary business activities in the amount of 3,328 kEUR (+47.8%) for the 2015 fiscal year.

The earnings of shareholders of the parent company amounted to 2,701 kEUR. This corresponds to an earnings of 55 EUR cents per share (2014: 34 EUR cents).

The positive development of the Geratherm Group is reflected in its share price, which increased by +31% during the business year under review.

We are very optimistic about the 2016 business year and can imagine that we will be able to generate a sales of approx. EUR 30 million through the end of 2017, with an EBIT margin of 15%, within the Geratherm Group.

We look forward to the challenges that lie ahead.

Yours,



Dr. Gert Frank  
Chief Executive Officer

## GERATHERM SHARES

There was little reason to celebrate with regard to the share markets in 2015. The financial markets of 2015 were characterised by sharp price fluctuations. The markets were influenced by topics, such as Greece, China or the monetary policy of the European Central Bank and the U.S. Federal Reserve.

Despite the many fluctuations, the 2015 stock market was positive on the whole. The DAX increased altogether by +9.6% and closed the year at 10,743 points. The Euro-Stoxx-50, the index for European blue-chip stocks, rose by +3.9% during the course of the year. That said, the capital gains of most indices had largely evaporated again during the first two weeks of the new year.

When compared internationally within the major markets, the U.S. market exhibited different trends in 2015. The technology stocks performed exceptionally well. The Nasdaq Composite Index increased by +5.7%. The leading share index in the U.S., Dow Jones, sank by -2.2%. The MSCI World Index closed with a minus of 2.7% and thus the gains reported in the previous year were almost eliminated. The value of the euro decreased by -10.3 % over the course of the year compared to the US dollar and closed with an exchange rate of US\$ 1.09 per euro.

The shares of the healthcare industry registered once more good development. The European Stoxx Healthcare, which includes large medical and pharmaceutical companies, finished the year with a 26.73% increase. The same was observed for shares of companies in the German healthcare sector, which are grouped in the Prime Pharma Healthcare Index. This finished the year with a growth of +38.11%. In the context of the first few weeks of the new year, the previous development of capital markets is not so significant for the shares of the healthcare industry.

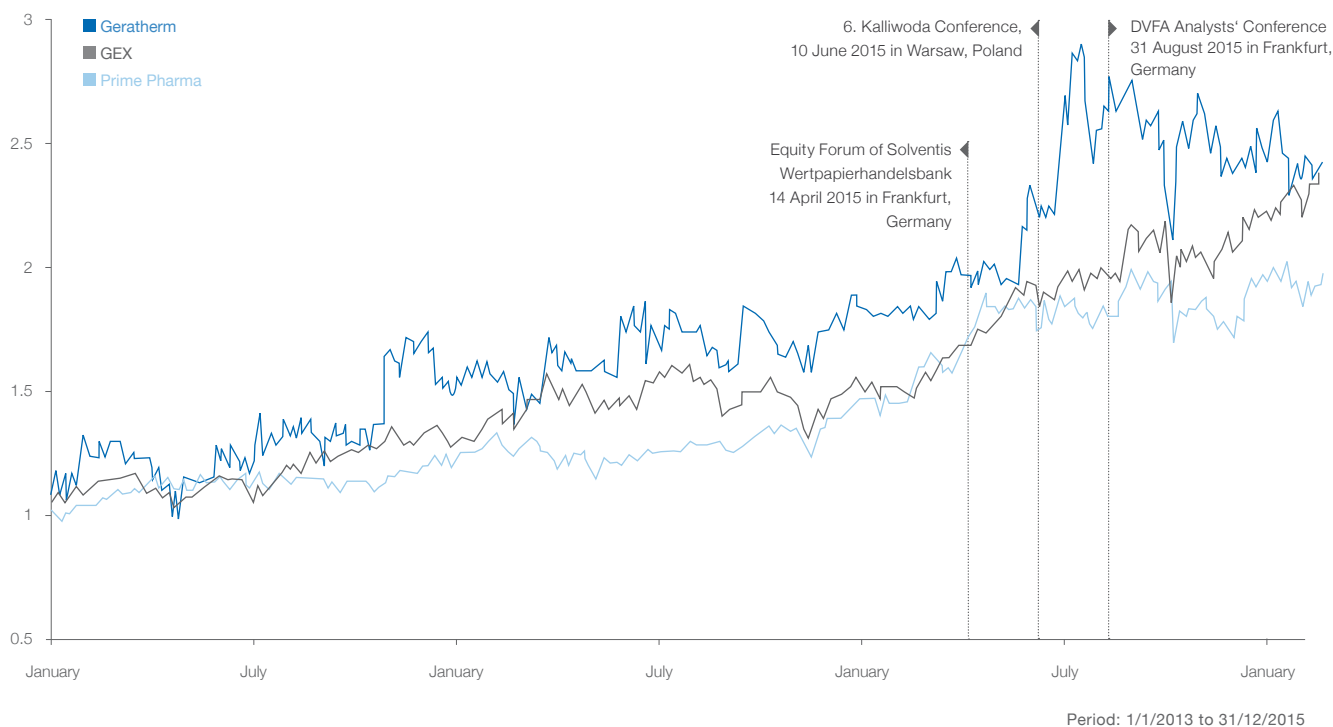
The market is currently characterised by a global divergence in monetary policy. While the U.S. Federal Reserve has initiated the first cycle of interest rate increases, the European Central Bank is keeping its floodgates in terms of monetary policy wide open. That benefits the weak euro. The competitiveness of European companies should improve. The capital market is still burdened by the uncertainty involving economic development in China and the decline of prices of most commodities.

Geratherm shares showed once again positive development during the course of 2015 and traded at EUR 10.89 at the end of the year, which represented a growth of +31%. Within three years, the value of Geratherm shares increased by +114 %. In 2015, the highest market price posted by Geratherm shares was EUR 13.16 EUR, and the lowest price was EUR 8.10.

The trading volume of Geratherm shares increased to 2,023,839 (2014: 1,535,065). As a result, the trading volume over the past 24 months has almost doubled. The volume traded in 2015 corresponds to approx. 41% of the shares issued by Geratherm Medical.

The majority of the transactions, amounting to 1,664,007 shares, were conducted through the electronic platform XETRA. That represents once again a considerable increase of 37.4% in the volume traded.

## Development of Geratherm shares



The average daily sales volume stood at 8,095 shares (2014: 4,838). The highest daily sales volume was reported at 66,216 shares with a total value of 633 kEUR.

The shares of the company are listed in the so-called Prime Standard, the highest quality segment of the German stock exchange. Moreover, Geratherm shares are listed in the German Entrepreneurial Index (GEX). The above diagram shows how Geratherm shares have developed over the last three years in comparison to the GEX and Prime Healthcare Index.

Geratherm Medical enjoys a stable shareholder structure. The issued 4,949,999 shares are held by approx. 2230 shareholders.

Main shareholders in 2015 were GMF Capital, Hamburg, with 51.77% and Sparta AG, Hamburg with 3.12%.

Geratherm Medical attaches great importance on ensuring up-to-date and transparent financial communication.

In 2015, the company participated in three investor conferences, the Equity Forum of Solventis Wertpapierhandelsbank, which took place on 14 April 2015 in Frankfurt, the 6th Kalliwoda Conference on 10 June 2015 in Warsaw and the DVFA Analysts' Conference on 31 August 2015 in Frankfurt. During a roadshow held on 9 December 2015, Geratherm's management answered questions posed by select investors in Hamburg and Hannover.

In addition to an in-depth annual report and the annual general meeting on 5 June 2015, the company published information about current business development within the framework of quarterly reports.





# 1

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## OPERATIVE PRODUCT AREAS

|                         |    |
|-------------------------|----|
| Healthcare Diagnostic   | 14 |
| Respiratory             | 16 |
| Medical warming systems | 18 |
| Cardio/Stroke           | 20 |

# HEALTHCARE DIAGNOSTIC

Our Healthcare Diagnostic business unit develops, produces and markets products like clinical thermometers, blood pressure monitors and women's health products, which are geared primarily to the end consumer. The products of this segment are marketed internationally in pharmacies, hospitals and clinics.

The marketing efforts for this range of products are based on the high level of recognition that the Geratherm brand has especially on international markets.

## Thermometers

Geratherm has plenty experience and a long-standing tradition in the field of medical temperature measurement. Our best-selling product is still the classic gallium-filled clinical thermometer, which accounts for 35.4 % of the Company's entire sales. With this product Geratherm boasts a very solid international market position, which can be attributed to the development of a mercury substitute in the early 1990s. The market for environmentally friendly products based on gallium has experienced very favourable development over the years. We have enjoyed a constant demand particularly in light of the ban placed on mercury in individual countries. Sales are also expected to improve over the next few years, especially due to the fact that the World Health Organisation (WHO) has also issued a ban, e.g., on mercury-filled clinical thermometers starting in 2017.

Together with digital clinical thermometers the product range reflects 47.7 % of the Company's overall sales. In 2015, Geratherm sold a total of 5 million clinical thermometers (2014: 4.4 million).

## Blood pressure monitors

Rounding out its product portfolio, Geratherm offers a variety of products for measuring blood pressure via the same sales channels. The key product here is our upper arm blood pressure monitors. Like our clinical thermometers, these products are also distributed internationally. Geratherm sold a total of 172,750 units in 2015 (2014: 240,637). Blood pressure monitors represent 19.5 % of the Healthcare Diagnostic segment and 12.1 % of the Geratherm Group's overall sales. The market is distinguished by very intense competition, especially in Europe.

## Women's Health

The Healthcare Diagnostic segment launched self-test diagnostic products for women as a third pillar of operations. This range includes pregnancy tests, diverse ovulation test solutions, chlamydia tests, yeast infection test kits and pH tests. The products are also marketed under the Geratherm brand name. In the two years since they were released, the "Women's Health" products have managed to make up 4.0% (2014: 3.8 %) of the Healthcare Diagnostic segment.

The Healthcare Diagnostic segment showed a healthy performance with an +16.4 % growth in sales, excluding the drop in sales in Brazil, during the course of the 2015 business year. Top selling products included the gallium-filled thermometer, the digital "non contact" thermometer and the pregnancy test from Geratherm.



**ÖKO-TEST**  
Geratherm  
Classic  
**excellent**  
ÖKO-TEST Magazin 01/16



# RESPIRATORY

The Respiratory segment develops and manufactures products specifically for pulmonary and cardiopulmonary function diagnostics. The innovative medical diagnostic products are marketed all over the world. Together with the proprietary software platform „Blue Cherry“, we offer a forward-looking system solution for cardiopulmonary functional diagnostics.

The market for diseases affecting lungs and respiratory systems is increasing disproportionately. The reliability of diagnostic results can be greatly improved especially with availability of additional cardiology data. Geratherm Respiratory offers a variety of high-calibre products that have distinguished themselves internationally in the performance of cardiopulmonary examinations.

The products are primarily sold internationally. Main consumers include university hospitals and doctor's offices that specialise in pneumology. Spirometric examinations are used to gather fundamental information about the type and scope of the pneumological disorders. For such examinations, Geratherm offers the „Spirostik“ and „Spirostik Complete“ product solutions. A so-called body plethysmography is implemented for more complex exams.

The spiroergometer developed by Geratherm Respiratory takes into account breathing gas parameters like oxygen intake, carbon dioxide exhalation and ventilation as well as cardiac parameters under stress.

The Geratherm Respiratory business unit, with its offices in Bad Kissingen, has managed to establish a solid market position with an excellent reputation over the past few years. This mirrored by the increasing number of ambitious cooperation agreements with other market actors and customers.

Geratherm's „Spirostik Complete“ was selected for a clinical study conducted in Spain with Novartis/Inidress. We were also particularly pleased by the fact that we were able to equip, e.g., university hospitals like USZ Zürich and UMC

Utrecht with a complete system from Geratherm Respiratory. The different cooperation projects that are currently in place with international ECG manufacturers and providers of acute medical care for mobile and cloud-based telemedicine solutions offer an interesting basis for strong growth in the future. We anticipate for FDA approval for our telemedicine-based spirometry technology during the first quarter of 2016.

The sales of Respiratory products involve considerable lead times for product licensing in the individual countries. In many countries outside of Europe and the US, the market for products that monitor pulmonary function is not so well developed yet and thus still offers an attractive sales potential. We are also pleased that we have successfully obtained product approval for the Geratherm „Bodyplethysmograph“ and „Spirostik Complete“ for the Chinese market in 2015. Our „Ergostik“, „Bodystik“ and „Spirostik“ products enjoyed the same success with product approval in Brazil.

The demand for products of our Respiratory segment has accelerated during the course of 2015. Without incorporating the Sensor Systems business unit, which was included in the segment level review, the sales of products for monitoring lung function increased by +35.8 % over the past 12 months.

Based on the current order situation, we are expecting that this segment will continue to expand and grow in 2016.



# MEDICAL WARMING SYSTEMS

Treating heat loss in patients during surgery or rescue operations plays a key role in maintaining a patient's body temperature.

Geratherm has many years of experience in the medical temperature management segment. The products developed for temperature management focus on solutions for treating heat loss in patients during surgery and rescue operations as well as temperature management for premature newborns.

## UniqueTemp°

Products, which are also intended for use in operations, are marketed under the UniqueTemp° brand name. The active warming systems help maintain body temperature during surgery. The minimum heat-up time, the possibility of connecting multiple warming blankets in layers, the effective hygiene features when used in operations and the low costs are all advantages that help convince hospitals to choose Geratherm warming systems.

## Unique Resc+

Using similar technology, warming systems for the emergency response segment are offered under the Unique Resc+ brand name. The warming systems which are designed for the emergency response segment are currently used, e.g., in rescue helicopters of Germany's DRF and ADAC, Switzerland's REGA and by the U.S. special operations force, the Navy SEALs.

## LMT

Innovative incubators that are suited for use in magnetic resonance imaging are developed and marketed internationally under the LMT brand. With LMT's Incubator System nomag® IC, premature and newborn infants can be placed directly in the MRI. They are protected in a unique incubator during the entire examination. The entire body can be scanned without being exposed to radiation. This is currently an internationally unique solution. LMT products expand the range of examinations that pediatricians and pediatric radiologists offer in many hospitals and clinics all over the globe.

The Warming Systems segment posted a good performance in 2015, in particular when taking into account LMT Medical. Sales increased by + 98.8 %.

With the UniqueTemp° warming systems from Geratherm we managed to gain a foothold with National Health Services (NHS) in England for the first time in 2015 and canvass one of the largest hospitals in the country as a Geratherm customer. After many years of testing, the Geratherm UniqueResc+ system was approved in Norway as "Group 1 Equipment for Air Rescue". As a result, our products are available for use at drilling platforms and air rescue stations as well as other locations.

Unfortunately, we were unable to realize the large-scale tender we had won given the financial situation of the Brazilian government in terms of budget. It is now just a matter of waiting to see how the country's economic situation develops.

The developments taking place at LMT, which attained, among other things, compatibility approval for GE systems, were particularly satisfying. As a result, the sales potential of one of the largest stakeholders in the MRI segment is available in addition to previous sales. LMT's products were used in pediatric hospitals and clinics in Mexico, Saudi Arabia, Sweden and Serbia for the first time in 2015.

LMT will push the development of a new incubator in 2016. At the same time, it expects to obtain approval for the Chinese market at the end of the year.

The UniqueTemp° product range of Geratherm will release a new product generation onto the market in 2016 after completing a long preparatory phase. The development of a high-performance cooling system for the emergency response sector will also be continued.

All in all, we anticipate a favourable sales performance for the segment.



# CARDIO/STROKE

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## SRA risk analysis, an innovative technology for detecting paroxysmal atrial fibrillation

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In the Cardio/Stroke segment, we offer products that are designed to detect atrial fibrillation, which is cardiac arrhythmia and thus one of the major risk factors that can trigger a stroke. The traumatic effects of a stroke frequently lead to a premature death or a prolonged invalidity for many patients.

apoplex medical has developed an algorithm for identifying the presence of paroxysmal (occasional) atrial fibrillation episodes with great precision by evaluating ECG records. The product is marketed under the „Stroke-Risk-Analyser“ (SRA) brand name.

The innovative, quick and gentle diagnostic technology is a significant milestone for stroke prevention. This was confirmed in a number of studies that have been published internationally.

The SRA system is implemented both in registered doctors' offices and in so-called stroke units, which are special stations for treating acute strokes in hospitals. The „SRAclinic“ product is used in the stroke units for identifying atrial fibrillation as possible cause of the stroke suffered. Another stroke can be prevented via a secondary preventive measure in conjunction with a corresponding treatment.

The „SRAclinic“ product has secured a high level of acceptance among stroke units in German-speaking countries. In 2015, Deutsche Schlaganfall Gesellschaft (German Stroke Society) recommended the use of SRA-

clinic for certifying stroke units. 71 clinics and hospitals (2014: 53) had joined the diagnostic tool of the Geratherm subsidiary apoplex medical within the space of just a few years.

We are delighted that the hospitals LVR-Klinik Bonn, Schön Klinik Hamburg and Evangelische Kliniken Gelsenkirchen, to name just a few, have decided in favor of the apoplex system in 2015. apoplex managed to acquire its first customers outside of Germany by canvassing Universitätsspital Basel, hospitals in England (Norfolk and Norwich University Hospital), Finland (Jyväskylä Central Hospital) and Italy (Verona-Ospedale Classificato Equiparato).

One of the key events in 2015 was the agreement between Pfizer Pharma GmbH and apoplex medical to cooperate in the field of stroke prevention in Germany. The objective of the cooperation is to reduce the number of previously unknown patients suffering from atrial fibrillation and thus prevent strokes respectively. Based on different regional market tests, Pfizer's sales representatives shall specifically focus on hospitals and office-based physicians and health-care professionals in early 2016.

We are anticipating a significant expansion of the business model in 2016. The growth in sales amounted to +27.1 % in 2015.







# 2

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## GROUP MANAGEMENT REPORT

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# A. BASIS OF GERATHERM MEDICAL GROUP

## *1. Business Model of Group*

The Geratherm Medical Group, hereinafter called Geratherm or Geratherm Medical, is a medical technology corporation with an international focus that comprises the following business units: Healthcare Diagnostic, Medical Warming Systems, Cardio/Stroke and Respiratory. Healthcare Diagnostic, our largest business unit currently, specializes in measuring body temperature for medical applications. In this field, Geratherm has a long-standing tradition and thus offers a wide range of products, which for the most part distinguish our company from the competition.

Geratherm provides customers and patients with high quality products that range from clinical thermometers and complex warming systems that are designed for operating rooms and rescue operations through to MRI-compatible incubators for preterm babies. In the Cardio/Stroke segment we offer product solutions for detecting atrial fibrillation to prevent strokes. Our Respiratory segment develops and markets products that are specifically designed to monitor pulmonary function.

The Healthcare Diagnostic business unit was bolstered in 2015 by taking over a former subcontractor's production of medical capillaries. This step has broadened the degree of our core business' vertical integration and offers us independence when it comes to the supply of raw materials like glass used for medical applications. The acquired capillary production is leveraged to satisfy our own needs, which amounts to approx. 40 % of production capacity. The remainder is used for the production of high-quality capillaries, which are implemented as metering systems for transfusions or drawing blood.

## *2. Research and Development*

The research and development projects of Geratherm are based on medium to long-term objectives. Our research and development activities are currently focused primarily on our Warming Systems and Respiratory segments. In the Medical Warming Systems segment, we are currently working on a new generation of systems for operating rooms. The products are slated for release during the course of 2016. At the same time, we have launched an innovative project relating to medical cooling applications for the emergency response sector.

In the Respiratory segment we are working together with external partners on different innovative products for measuring pulmonary function.

To bolster our research and development activities, we acquired 9.1% interest in ProtEmbo GmbH, Hamburg, at the end of the second quarter of 2015. The company specializes in the development, production and commercialization of products to control embolisms. The future medical product "ProtEmbo" protects patients from the risk of a stroke during heart operations. By increasing our research and development investments in this segment, we hope that we will gain additional competence in the Cardio/Stroke field.

Geratherm's overall strategy is to establish for the future good distinguishing characteristics with highly innovative products that are associated with complex regulatory hurdles in order to allow us to hold our own in competition with significant product advantages.

## B. ECONOMIC REPORT

### *1. Overall economic factors*

#### Overall economic factors

Regardless of the catch phrases that prevailed in 2015, like downslide of oil prices, decline in China's economic momentum, zero-interest-rate policy or the refugee issue which has become a hot topic for Germans, the global economy proved to be relatively resilient in 2015 with an economic growth of + 3%.

Economic development in Germany was satisfactory, accompanied by a record employment that was supported primarily by the growing service sector. In spite of the still very loose monetary policy of the European Central Bank, the inflation rate was only 0.3% in Germany in 2015.

Looking at the international context, Geratherm was adversely affected in particular by the poor economic situation in Brazil. That could be attributed not only to the significant drop in demand but also the high inflation rate of more than 10% and the surge in prime rates exceeding 14.5%.

The overall economic conditions are positive so for the upcoming business year. The global economy is expected to grow somewhat faster at a rate of +3.2% in 2016 compared to the prior year. As in past years, the sales of medical products are expected to experience an above average market development.

#### Industry related factors

The medical technology industry operates on a global basis and thus is a relatively economically resilient sector. The growth prospects are stable over the medium term, supported by demographic change and the increase in lifestyle-related diseases. In the medical technology field, German companies profit from their innovative products and good reputation based on a continuing high foreign demand. The German market is saturated to a large extent.

Europe's medical technology industry is also in the process of tightening its approval requirements, which will have the same impact on all medical technology companies. The amount of work that this involves is tremendous for small to medium-sized enterprises, which in turn contributes to the consolidation process.

The planned EU directive for medical products will substantially increase the amount of paperwork and bureaucracy relating to the development and marketing of new products. The resulting higher costs due to increased monitoring of medical products will affect in particular small enterprises with little capital.

The industry must be prepared to deal with more spot checks, unannounced audits and stricter classification of medical products. The more rigorous regulatory requirements also mean a notable increase in the approval times for new products. The result is that new technologies are made available to the market in a less-than-timely manner. The high costs and effort involved will ultimately reduce product diversity and trigger a concentration of suppliers. And the costs of medical products are expected to rise.

The high regulatory requirements also pose significant market entry barriers for prospective competitors. All in all, the sector exhibits an above-average earning capacity. The demanding environment (industry, research) favours German manufacturers and should ensure that the market shares remain strong in the medium term compared to Asian manufacturers.

Well connected, innovative companies that take an interdisciplinary approach and have a high level of technological expertise, a strong brand and a solid financial base offer the best potential for being successful on the medical technology market.

After all, orders for clinics and hospitals are put up internationally for tendering. And the selection process is tough. Contracts are normally awarded to companies that offer the most favorable conditions or a product that solves a problem that other companies cannot solve. That means innovation or cost leadership represent the long-term optional strategic objectives of any successful medical technology company.

Companies from the U.S., Japan and Europe make up approx. 84 % of the global supply of medical products. The German medical technology industry accounts for approx. 10 % of the worldwide sales in the segment.

The global sales in the medical technology industry grew in 2015 by +6.8%. The German market managed to report a growth of +4.3%. No major stimulus is expected for the German market in 2016. Exports are expected to continue on the same stable level in 2016.

Given the described background, it is important for German medical technology companies to ensure a quick implementation of innovative product solutions on the international market - and that also applies to Geratherm

## *2. Financial and non-financial performance indicators*

Geratherm utilises a variety of key performance indicators for guiding the company towards its goals. In the finance-related sector, the key performance figures correspond with those used to manage the segments. The central objectives growth and profitability are tied to the performance indicators revenues and earnings before interests and taxes (EBIT) and in with regard to non-financial factors to the performance indicators product sales and export share. Moreover, the performance indicators equity-to-assets ratio and liquidity are useful for capital management and total cost profitability of funds tied in the individual business segments. These performance indicators are consulted in the following sections on Business trend and Situation.

## *3. Business trend*

### **General Overview**

Geratherm Medical has made good progress again in 2015. We managed to report our best consolidated profits so far in terms of sales and earnings. All results were very satisfactory except for the developments noted in our Brazilian subsidiary. That relates not only to business development in 2015, but also to the prospects for the future of the Geratherm Group. Besides the good operating results, we also had a bit of good luck with regard to financial earnings at the end of the year, which made an additional important contribution to our consolidated profits.

In spite of the burden posed by the losses of our Brazilian subsidiary in the amount of 987 KEUR where 481 KEUR was due to currency losses and 114 KEUR came from written off claims, the group managed to post its best operating results so far with the achieved gross earnings (EBITDA) in the amount of EUR 3.4 million. The company's sales volume increased altogether by +15.4 % to EUR 21.6 million.

All segments of Geratherm Medical made a positive earnings contribution to the consolidated net income. To safeguard our core business, we acquired the medical capillary production unit of a former subcontractor. The acquisition should provide opportunities for establishing a substantially higher level of quality for medical capillaries and independence in terms of procuring raw materials.

The cooperation agreement signed with Pfizer Deutschland GmbH in 2015 will have a considerable impact on broadening the market position of apoplex Technologie in German-speaking countries during the course of the 2016 fiscal year.

On the whole, the operating result (EBIT) was 2,534 kEUR (2014: 2,415 kEUR). That represents, in spite of the burden from Brazil, a substantial increase of +4.9% over the previous year and corresponds to an EBIT margin of 11.7% based on sales on the group level. By doing so, we managed to achieve our goal of posting a double digit EBIT margin on a group level for the 2015 fiscal year.

The group's overall performance was supported by a positive result based on the sale of securities. The financial result made an additional contribution to results in the amount of 794 kEUR (2014: -164 kEUR). The profits from ordinary business activities increased by +47.8% to 3,328 kEUR. After deducting income tax in the amount of 936 kEUR (of which 445 kEUR was attributed to reduction in deferred taxes), the group reported a consolidated net income of 2,391 kEUR (+49.1%).

Without taking into account the results of shareholders of minority interests in the amount of -310 kEUR (2014: -78 kEUR), Geratherm Medical was able to report a result of EUR 2.701 million (2014: 1,682 kEUR) attributable to the shareholders of the parent company. This corresponds to an earnings of 55 EUR cents per share (2014: 34 EUR cents). The investments in new and premium medical products are slowly bearing fruit. This can be seen by looking at the considerable increase of the gross profit margin, the company's growth and the considerably improved quality of earnings.

Geratherm enjoys a very solid financial position so that future growth can be supported financially. At the end of the reporting period, the company had a balance sheet equity capital ratio of 72.5% and cash and cash equivalents (including the securities held) in the amount of EUR 14.7 million.

Geratherm has made a good start in 2016. We have increased the production capacities at our Geschwenda plant by 25% for 2016. The order situation in the individual business segments is good. We anticipate double-digit growth rates in sales and earnings.

We are optimistic that 2016 will be a successful business year for us.

## Sales development by segments

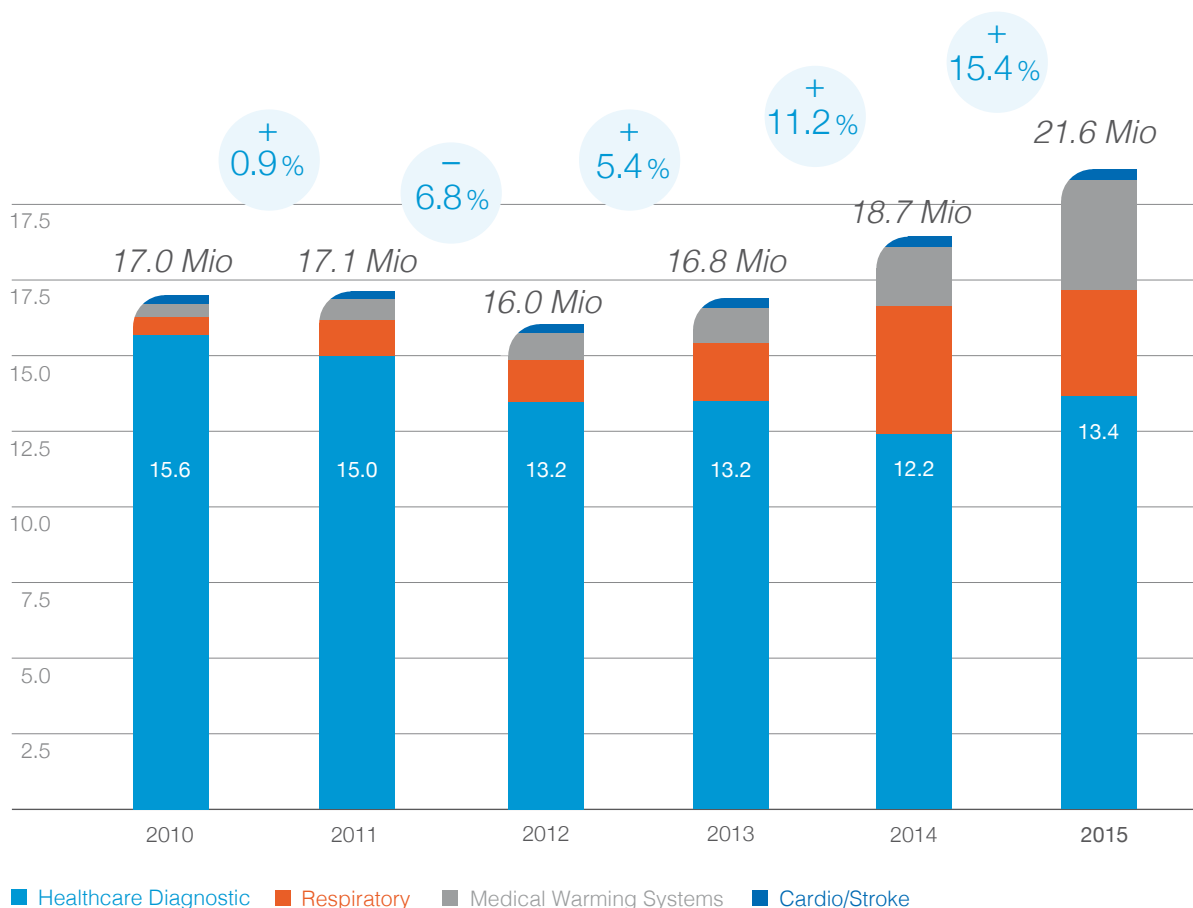
### Healthcare Diagnostic

In the Healthcare Diagnostic segment, we offer products that are geared primarily to the end consumer and which are marketed internationally via pharmacies. The segment accounts for 62.3% of the group's consolidated sales. (2014: 65.0%). The unit was able to post a sales growth of +10.6%. We are relatively satisfied with this development, especially considering a drop in sales of approx. EUR 1 million on the Brazilian market is included in this growth rate. Posting a sales of 13,445 kEUR, the segment earnings on EBIT basis was EUR 2.035 million. The EBIT margin in relation to the gross sales of the Healthcare Diagnostic segment in the amount of 14,679 kEUR amounts to 13.9% (2014: 14.0%).

### SALES DEVELOPMENT CONSOLIDATED BY SEGMENTS *in kEUR*

|                         | 2014   | 2015   | Change  |
|-------------------------|--------|--------|---------|
| Healthcare Diagnostic   | 12,156 | 13,445 | +10.6 % |
| Respiratory             | 4,157  | 3,758  | -9.6 %  |
| Medical warming systems | 1,860  | 3,697  | +98.8 % |
| Cardio/Stroke           | 542    | 689    | +27.1 % |

The two main product groups of the Healthcare Diagnostic segment include clinical thermometers with a 76.6% share and blood pressure monitors with a 19.5% share. Analog gallium-filled thermometers make up 74.2% of the clinical thermometer product group. Our gallium-filled thermometers were once again in 2015 the strongest growth driver with a plus of 27.1%. This development is also expected to continue throughout the 2016 fiscal year, since more and more countries are switching to mercury-free products in light of the global ban on mercury taking effect in 2017. The relatively new Women Care product group attained a 4.0% share of segment sales during the course of the 2015 business year. The export rate of the Healthcare Diagnostic segment was 92.8%.



## Respiratory

In the Respiratory segment we focus on the development, production and marketing of products designed for cardiopulmonary function diagnostics. The generated sales was shared mainly by the product groups spirometry (17.1%), pulmonary function (35.8%) and spiroergometry (18.7%). The export rate of this segment was 76.0%. The segment activities are concentrated at the Bad Kissingen plant and include the production of disposable products for measuring pulmonary function for Sensor Systems at the Steinbach-Hallenberg plant.

Respiratory generated a sales of 3,758 kEUR (-9.6%) in 2015. Despite the decline in sales, business with pulmonary function products has grown organically by more than 30% in 2015. The absolute decline in sales is due to the spin-off and sale of a peripheral area of the subsidiary Sensor Systems. In 2015, the segment generated an operating result on EBIT basis of 349 kEUR (2014: 203 kEUR). The EBITDA margin was 10.1% (2014: 5.3%). The segment reported a 17.4% share of the overall sales. We are optimistic for 2016 that we will be able to expand the Respiratory segment with a healthy double-digit sales growth.



## Medical Warming Systems

In the Medical Warming Systems segment Geratherm offers products that are designed to maintain the body's temperature. Moreover, this segment is currently continuing to develop products for cooling patients. Segment sales do include the activities of LMT Medical, Lübeck, and LMT Medical USA. LMT Medical develops, produces and distributes internationally MRI-compatible incubators for preterm babies.

The market for this type of medical products focuses on the long term. Product development and approval takes several years. The products are usually put up internationally for tendering.

All in all, the 2015 business year progressed favourably for this segment thanks to the healthy sales development of LMT Medical. Segment sales increased by +98.8% to 3,697 kEUR. The products of the Medical Warming Systems segment account for 17.1% of the overall sales of the Geratherm Group. The segment generated an operating profit (EBIT) of 370 kEUR (2014: 227 kEUR). The EBITDA margin was 9.2% (2014: 14.8%). We assume for the 2016 fiscal year that if the general underlying conditions remain consistent, the segment will generate a double-digit growth in sales.

## Cardio/Stroke

In the Cardio/Stroke segment we offer products that are designed to detect atrial fibrillation. The generated information is crucial for stroke prevention. apoplex medical has developed a system for identifying atrial fibrillation, which is used in doctor practices and stroke centers. The business activities of the Cardio/Stroke segment are concentrated at the Pirmasens location.

The business unit managed to acquire another 18 clinics and hospitals to join apoplex medical's system during the course of the fiscal year. Sales increased by +27.1% to 689 kEUR (2014: 542 kEUR). The segment showed for the first time an operating result on an EBIT level of +45 kEUR. The EBIT margin amounted to 6.5% (2014: -5.1%).

The 2015 business year was greatly influenced by preparing and implementing the cooperation project with Pfizer, Germany. Joint market activities in Germany will begin with the start of the new business year. For 2016 we are focussing on doubling our sales with significantly higher proceeds.

## Sales development based on regions

Geratherm Medical's business activities is for the most part international. Sales are generated in more than 60 countries. As a medical technology company Geratherm has an export share of 86.5% (2014: 83.0%).

The export markets include Europe (except for Germany), South America, Middle East, United States and Other countries. The high export share reflects the continued competitiveness of Geratherm's products on the international market.

On the whole, sales of EUR 21.6 million was generated in 2015. Consequently, the Geratherm Group has once again posted a double-digit growth of +15.4%. Due to the economic problems on our market in Brazil and the devaluation of the Brazilian Real, a drop in sales of approx. EUR 1 million was already taken into account in the above performance report. Without this "special factor" the growth of the Geratherm Group was +16.4%.

The euro zone outside of Germany represents the largest sales market for Geratherm products, whereas the Italian market is at the forefront here. Approx. 53.0% of all Geratherm products are sold in the euro zone. Here sales have developed very favourably in this market. Sales increased altogether by +33.8% to EUR 11.4 million.

The sales recorded in Germany had declined by -8.1% at EUR 2.9 million. The decrease shall be understood in light of a strong increase in the sales implemented in the prior year. Comparing performance over the past two years, the sales posted in Germany jumped by approx. 50%. The domestic sales accounted for 13.5% of the company's sales. The general underlying conditions for the German market are challenging, especially for the sales channel pharmacies, hospitals and clinics.

The Middle Eastern markets are particularly important for Geratherm. Our brand is very well known there and thus our sales grow continuously. We managed to expand our sales by +18.7% to EUR 1.8 million even in 2015. The market in the Middle East made up 8.3% of the company's sales.

Sales on the U.S. market performed very well. On the whole, the company posted a sales of EUR 2.3 million (+78.3%). The strong sales growth benefited from the very good sales of LMT products on the U.S. market. The U.S. market accounts for 10.8% of the sales of the Geratherm Group.

The Other countries region includes mainly the sales region of Asia and Africa. In these regions we managed to show +8.9% growth in sales to EUR 1.2 million. The increases in sales on the African market totalled +13.4%.

### SALES DEVELOPMENT BY REGIONS *in kEUR*

|                 | 2014  | 2015   | Change  |
|-----------------|-------|--------|---------|
| Europe          | 8,553 | 11,444 | +33.8 % |
| South America   | 3,096 | 1,937  | -37.4 % |
| Germany         | 3,173 | 2,915  | -8.1 %  |
| Middle East     | 1,502 | 1,783  | +18.7 % |
| USA             | 1,305 | 2,327  | +78.3 % |
| Other countries | 1,086 | 1,183  | +8.9 %  |

## 4. Situation

### Earnings Situation

Geratherm Medical was able to maintain its steady pace of growth again in 2015. Group sales increased by +15.4% to EUR 21.6 million. At EUR 22.3 million, the company's total operating revenue rose by 7.6% over the prior year.

Material expenses declined by -5.6% to EUR 8.1 million (2014: EUR 8.6 million) due to sinking market prices for key raw materials. The gross margin, based on the total operating revenue, increased to 63.4% (2014: 58.3%). The gross profit increased by +17.1% to EUR 14.1 million.

The gross earnings prior to depreciation and amortisation (EBITDA) increased by +7.9% to 3,423 kEUR. The operating margin, based on sales, on an EBITDA level was 15.9% (2014: 16.9%).

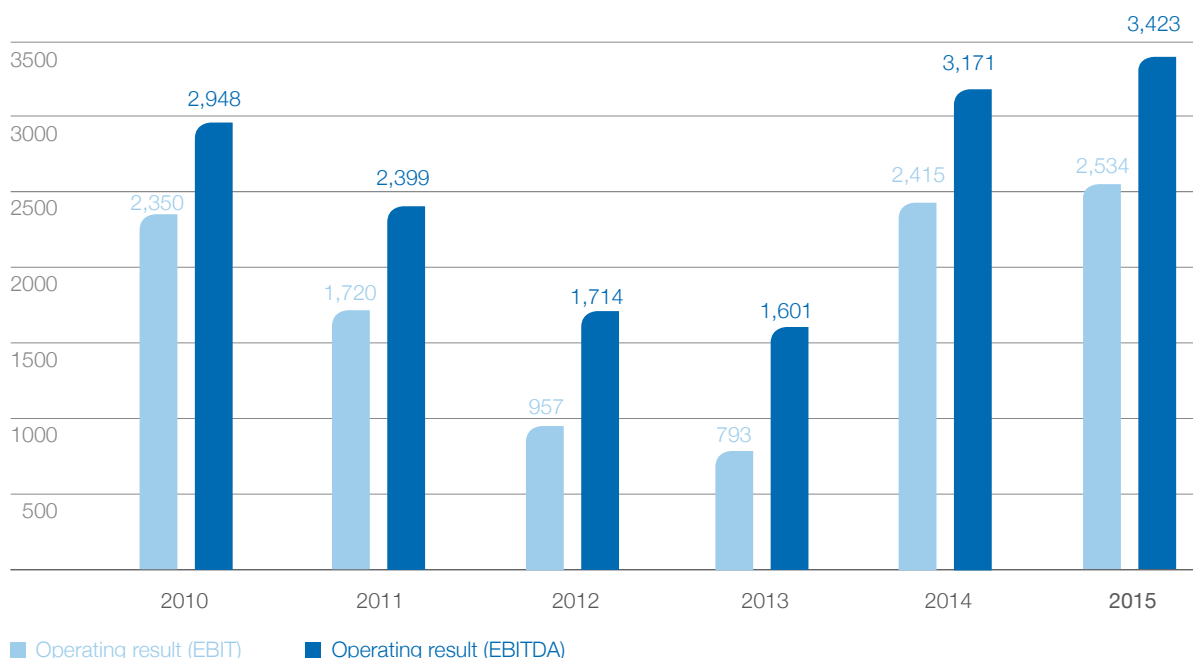
Amortisation of intangible assets and depreciation of tangible assets were increased by +17.6 % to 889 kEUR due to increased depreciation and amortisation due to investments. The depreciation of tangible assets amounted to 722 kEUR. The difference is attributed to intangible assets. These primarily include other intangible fixed assets.

The other operating expenses exhibited an increase of +23.7% to 5,572 kEUR. The increase may be attributed for the most part to the exchange losses in the amount of 501 kEUR and the losses from non-recoverable bad debts in the amount of 114 kEUR of the Brazilian subsidiary.

The operating result (EBIT) increased by 4.9 % to 2,534 kEUR. That corresponds to an EBIT margin based on sales revenues of 11.7% for the entire company (2014: 12.9%). We are satisfied with the results reported, especially considering the fact that the loss shown by our Brazilian subsidiary in the amount of 726 kEUR was compensated by the positive performance of the other subsidiaries on an EBIT basis. All business segments of the Geratherm Group made a positive earnings contribution in 2015.

#### EARNINGS PERFORMANCE *in kEUR*

|                           | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | Change |
|---------------------------|-------|-------|-------|-------|-------|-------|--------|
| Operating result (EBITDA) | 2,948 | 2,399 | 1,714 | 1,601 | 3,171 | 3,423 | +7.9 % |
| Operating result (EBIT)   | 2,350 | 1,720 | 957   | 793   | 2,415 | 2,534 | +4.9 % |

EARNINGS PERFORMANCE *in kEUR*

For the 2015 business year, the finance unit managed to contribute a positive financial result in the amount of +794 kEUR (2014: -164 kEUR). The financial result consists in particular of the following items: the sale of securities resulted in the recognition of a total 1,938 kEUR with effect on the income. This item was temporarily adjusted in the amount of 532 kEUR due to the very low share price of Epigenomics as at the reporting date. In addition to that, we have completely written off the item of the former Adolor in the amount of 187 kEUR, after the development center of the former Adolor was closed due to a corporate takeover by Merck. As a result, we no longer anticipate an additional remuneration from this security of the former corporate takeover. Other price fluctuations for the securities held are reflected in the statement of changes in shareholders' equity.

The financial result for the 2015 fiscal year was burdened by interests and similar expenses in the amount of -305 kEUR (2014: -325 kEUR). This item includes interest charges from bank liabilities of the subsidiaries of Geratherm do Brasil in the amount of 238 kEUR. With regard to earnings from securities in 2014 and 2015, a bonus in the amount of 152 kEUR was set aside as provision.

The core business at the Geschwenda plant in Thuringia once again developed significantly better than in the prior year without taking into consideration the subsidiaries apoplex medical, Respiratory, LMT Medical Germany, LMT Medical USA, Sensor Systems, Capillary Solutions and Geratherm do Brasil. The result (EBIT) jumped by +44.5 % to 2,642 kEUR. That corresponds to an EBIT margin of 19.8% (2014: 16.3%). Consequently, Geratherm's core business is still the most important source of income for the Group.

The operating result (EBIT) for the Geratherm Respiratory subsidiary increased considerably to 248 kEUR (2014: 132 kEUR). That corresponds to an EBIT margin of 10.4%.

The subsidiary apoplex medical technologies GmbH was able to report for the first time a profit of +45 kEUR on an EBIT level.

Based on the healthy operating result from business operations and good financial income, it was possible to post a clearly better result from ordinary business activities on the group level in the amount of 3,328 kEUR (2014: 2,251 kEUR).

Taxes on profit amounted to 936 kEUR (2014: 647 kEUR). The reported taxes only have a slight impact on the liquidity position for this period. Of the reported taxes, 445 kEUR account for the decrease of the deferred tax assets due to the use of losses carried forward. The actual tax burden on the result from ordinary business activities is 491 kEUR (2014: 148 kEUR). The losses carried forward on the group level amount to 1,187 kEUR (2014: 3,312 kEUR) as at 31 Dec. 2015.

The consolidated net income increased by +49.1% to EUR 2.391 million.

The result attributable to minority shares or non-controlling shareholders amounts to -310 kEUR. That can essentially be explained by the proportional absorption of the loss of the subsidiary Geratherm do Brasil.

The earnings of the shareholders of the parent company (EAT) increased by +60.6% to 2,701 kEUR (2014: 1,682 kEUR). The earnings per share are 55 EUR cents (2014: 34 EUR cents).

The board of directors and supervisory board of Geratherm Medical will propose to the annual general meeting to pay a dividend in the amount of EUR 0.50 per share. This is reasonable in light of the company's strong capital resources and the annual earnings report in the amount of 55 EUR cents per share.

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognised capital contributions account shall be utilised for the planned disbursement of the dividend amounting to 50 EUR cents per share for 2015 (altogether 2,475 kEUR).

For the 2015 business year, the earned distributable profit on the group level amounts to 3,583 kEUR and is not utilised in full by the planned dividend disbursement such that access to the capital contributions account that continues to exist with 15,206 kEUR is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.4% (653 kEUR) to the full disbursement amount of 2,475 kEUR.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-free from the tax-recognised capital contributions account.

## *Financial situation, investments and liquidity*

Geratherm Medical exhibited a sound financial position throughout the entire 2015 fiscal year. The cash and cash equivalents available including securities as at 31 Dec. 2015 amounted to 14,698 kEUR (2014: 13,072 kEUR). Therefore, the company's availability of liquid funds increased once again considerably. The relatively healthy liquidity position allows the company to finance product development and market releases on its own, which could also extend over a longer period of time. Even possible prospective acquisitions can be implemented within short notice at any time with the existing financial budget. This was also an advantage, among other things, for the short-term acquisition of capillary production from a subcontractor at the end of 2015.

The gross cash flow amounted to 3,256 kEUR in 2015 (2014: 2,592 kEUR). The cash flow from operations increased considerably to 3,774 kEUR (2014: 676 kEUR).

A negative cash flow from investment activities was reported with -439 kEUR (2014: -1,928 kEUR). The main reason for that was essentially the purchase price and investments in the acquired capillary production at the Ilmenau plant.

The cash flow from financing activities amounted to -2,705 kEUR (2014: -1,267 kEUR). The reported item was influenced by the dividend payments in the amount of 1,237 kEUR, repayment of loan liabilities in the amount of 2,709 kEUR and the taking out of new loan liabilities in the amount of 1,151 kEUR. The latter mainly involved the new loan taken out by the subsidiary Geratherm do Brasil.

In light of the company's strong liquidity position, Geratherm Medical was always capable of fulfilling its payment obligations as they arose. Cash discounts were utilised as agreed upon. Payment targets are monitored within the framework of the risk management system and with regard to customer and country-specific factors and adjusted, if necessary, on a case-by-case basis. Geratherm possesses a good financial structure with an above-average equity-to-assets ratio and capital base. We do not foresee any situations, which could jeopardise the continued existence of the company.

## *Assets and capital structure*

The balance sheet total as of 31 Dec. 2015 was EUR 30.2 million, which was 6.2% higher than on the reporting date of the previous year, primarily due to the increase in the trade accounts receivable based on the reporting date and market prices for securities. The company's reported equity capital is EUR 21.9 million (2014: EUR 20.3 million) or 72.5% (2014: 71.4%) of the balance sheet total. Geratherm enjoys a stable asset situation. This results in a book value of EUR 4.43 based on an individual share (2014: 4.11 EUR). With the equity capital classification it is possible for the company to operate for the most part without any external financing and pursue its own long-term corporate objectives.

Geratherm possesses sufficient resources for countering risks of the underlying industry-specific conditions. As of 31 Dec. 2015, the assets side of the balance sheet contains long-term assets amounting to 4,859 million (2014: 4,927 kEUR). The short-term assets amounted to 25,389 kEUR (2014: 23,562 kEUR).

Within the long-term assets, the intangible assets decreased considerably by 16.4% to 603 kEUR (2014: 722 kEUR).

The value of tangible assets rose by 11.6% to 3,723 kEUR (2014: 3,337 kEUR). Investments in tangible assets amounted in 2015 to 1,157 kEUR (2014: 717 kEUR), which were offset by the depreciation of tangible assets in the amount of 722 kEUR.

The reported deferred taxation amounts to 140 kEUR (2014: 585 kEUR). The drop is based on the positive profit statement as per German tax law, which is associated to the consumption of existing tax losses carried forward. The deferred taxation includes assets from the tax losses carried forward less the deferred tax liabilities on capitalised developments.

With regard to the short-term assets, the inventories decreased by -3.1% to 6,816 kEUR (2014: 7,031 kEUR). The raw materials, consumables and supplies exhibited a slight increase of +2.1% to 2,148 kEUR (2014: 2,103 kEUR). The unfinished goods decreased by 24.9% to 1,317 kEUR (2014: 1,753 kEUR). The item for finished products and goods rose by +5.5% to 3,350 kEUR (2014: 3,174 kEUR).

The accounts receivable and other assets increased in line with the company's growth by +12.0% to 3,875 kEUR (2014: 3,459 kEUR). In this case, trade receivables accounted for 3,125 kEUR (+4.1%), tax receivables 304 kEUR (+55.1%) and other assets in the amount of 447 kEUR (+70.6%).

The reported book value of the securities held by Geratherm increased by +19.3% to 5,016 kEUR (2014: 4,203 kEUR) essentially due to higher market values. The cash and cash equivalents available as at 31 Dec. 2015 amounted to 9,683 kEUR (2014: 8,869 kEUR).

The equity and liabilities side of the balance sheet shows the company's strong equity capital base. The equity capital in the amount of 21,939 kEUR (2014: 20,343 kEUR) is offset by liabilities in the amount of 8,309 kEUR (2014: 8,146 kEUR).

The long-term debts amount to 2,799 kEUR (2014: 3,416 kEUR) and include liabilities to banks in the amount of 1,534 kEUR (2014: 2,127 kEUR). The largest bank loan was extended to the company at an interest rate of 1.4% and reflects the good credit rating of Geratherm Medical. The investment subsidies accrued and received reduced by 19.0% to 474 kEUR. At 791 kEUR, the other long-term liabilities were 12.5% higher than in the previous year. This item includes liabilities of other minority shareholders.

The short-term debts increased by 16.5% to 5,510 kEUR (2014: 4,730 kEUR). Short-term liabilities to banks are reported here in the amount of 1,145 kEUR (2014: 2,109 kEUR). The trade accounts payable increased by +71.0% to 1,707 kEUR. The increase can be mainly attributed to the outstanding purchase price installments from the acquisition of the capillary production. The other liabilities increased by +27.8% to 1,714 kEUR (2014: 1,341 kEUR).

## C. EVENTS AFTER REPORTING PERIOD

According to the management board, no main events occurred during the first weeks of the 2016 business year. The company started the new business year with a good order situation.

## D. FORECAST, CHANCES AND RISK REPORT

### *1. Forecast*

Assumptions relating to the underlying global economic conditions are currently fraught with uncertainty. At the moment we are unable to assess the extent in which it is possible to derive risks for Geratherm's business model based on the tangled conflict of interests in current topics such as the downside of oil prices, economic decline together with the political risks in China and the different interest rate policies between Europe and the U.S.

The medium- and long-term indicators for the positive market growth in the healthcare industry, and that also includes medical technology, are still intact. The largest driver is demographic trends. The strongest growths certainly occurred in markets where the accumulated needs are the greatest compared to the industrialised countries. All in all, the outlook for the healthcare industry is favourable.

Geratherm is currently in a healthy phase. The cornerstone for that was laid years ago by the substantial investments and diversification in new business areas, which contribute to the strong growth in sales and earnings of the Geratherm Group. Even our core business involving the gallium-filled thermometer product showed significant double-digit growth rates in 2015. Thanks to the aim of the World Health Organisation to globally ban mercury filled products as of 2017, it is possible that our core business may enjoy opportunities for expanding business over the mid-term.

We currently anticipate double-digit growth for all business segments in 2016. That should lead to an improved performance in terms of earnings. The original objective, an EBIT margin of more than 10% on the group level, should in all probability be attained again.

We would like to point out that the actual results may deviate from our expectations with regard to the foreseeable development, if any of the uncertainties specified above should occur or the assumptions which serve as a basis for the statements prove to be incorrect.

### *2. Risk report*

#### **Risk management**

Geratherm Medical is a medical technology company that is internationally active in the segments Healthcare Diagnostic, Respiratory, Cardio/Stroke and Medical Warming Systems. The market for medical technology is distinguished by a brisk rate of innovation and strict requirements relating to product safety. Our range includes products that are used in hospitals and clinics as well as medical devices that are used by end consumers.

Product safety requirements and regulatory demands in approval procedures have increased tremendously over the past few years. Approvals involve an ever-increasing expenditure with regard to safety factors and ability to prove added benefit. The timeline between finished product and actual start of product launch is always becoming longer. That results in a greater risk profile for the company.

Short-notice, unannounced audits by regulatory authorities may lead to restraints that may have an adverse effect on the company's business development in addition to extra costs.

Geratherm attaches great importance to maintaining its product approvals and certifications. Product approvals can be revoked or required to satisfy new requirements. Geratherm strives to take these pro-



cesses into account as early as possible and do everything to fulfill the changing requirements in order to minimise any possible damage for the company.

In spite of all the precautionary measures taken, there is still a risk of injury or damage due to the use of medical products. We have taken out the appropriate insurances. That said, there may be risks that could still have an effect.

A small number of suppliers are involved in the special technological know-how. Taking the related risk aspects into consideration, this can lead to bottlenecks.

Innovative medical products are frequently protected under patent law. Due to the international sales, the enforcement of intellectual property rights frequently entails a high financial commitment and can even extend over a very long period of time. Successfully asserting patent claims is fraught with uncertainty.

The company is also subject to risks when long-standing experts and specialists with extensive expertise are no longer available, especially on the management level.

The aforementioned situation gives rise to opportunities and risks that may have a long-term impact on the assets, financial and earnings situation.

As part of the group-wide risk management system, the management board and supervisory board of Geratherm Medical have established goals and methods for enabling the company to take controlled risks when there are prospects of significant increases in the operating results with the required financial earnings.

Risks can be minimised by means of diversification in terms of markets, products and countries. At the same time, an attempt is being made not to accept any dominant customer risks. The operations of the individual segments of Geratherm are managed independently such that any risks arising in case of a change in management are controllable for the most part.

During the development of new products, major expenses are incurred initially without there being any guarantee that the anticipated success will indeed be achieved. The medical technology market does reward successful product developments. In case of a successful market launch, the aforementioned risk is offset by the greater scope of opportunities.

The management board works within the specific risk profile for medical products and manages the financial burdens in such a way that the security and independence of Geratherm Medical is not seriously affected in the event of a worst-case scenario occurring.

Geratherm's risk management and control system monitors the operative and strategic risks. The activities of the product groups, business segments and subsidiaries are described in monthly reports. These analyses include information about sales, order situation, EBIT margin and currency risk exposure. The management is convinced that the internal controls and risk management systems established within Geratherm Medical are capable of meeting the existing requirements in a suitable manner.

An important source for reducing the strategic risks for the company is maintaining close contact with customers and users. The management is included in all negotiations conducted with key customers of Geratherm products. Important information relating to trends and technological development are obtained by attending all major relevant international trade fairs.

## Financial management

Financial management focuses on the administration of financial aspects of the Geratherm Group. That includes in particular the financing of operating processes, liquidity management, return-oriented use of available capital and all activities relating to the capital market.

## Financial risks

### Liquidity risk

The liquidity risk for Geratherm Medical is low. The company enjoys a very good liquidity position for its size and compared to the rest of the industry. Short-term debts are covered by funds that are freely available. Due to its very good credit rating, the company would be able to secure additional external financing or sources of equity at any time.

### Market price risk - Interest

Geratherm is essentially exposed to interest rate risks only with regard to investments. The debt capital has fixed interest rates and can be paid back at any time based on the company's liquidity situation.

### Market price risk - Foreign currency

Geratherm Medical is internationally active and thus receives income in dollars as well. We have not protected ourselves against a currency risk exposure, since we strive to use dollar proceeds to settle expenses and other outlay in the same currency. The assets in dollars are held within the framework of currency diversification. With regard to our business activities in Brazil, we are exposed to currency risks involving the Brazilian real.

### Credit and non-payment risk

The group implements a process for minimising bad debt losses, in particular, the daily monitoring of due dates and the prompt initiation of steps to collect debts when necessary. In case of new customers, advance payments and letters of credit are required for the most part. For existing customers, we arrange customer-specific payment targets. If these targets are not complied with, then payment must be made in advance. The risk of non-payment was regarded as minimal for the consolidated, German-based companies over the past few years. In light of the strained economic situation on the Brazilian market, overdue debts in the amount of 114 kEUR were derecognised for Geratherm do Brasil to prevent risks. The payment targets on the Brazilian market were reduced significantly or advance payments were initiated in 2015.

### Market price risk - Raw materials

To maintain our production, we depend on certain raw materials. The procurement risk involves shortages in supplies or increases in the prices of raw materials necessary for production. We constantly monitor the price trends of raw materials that are crucial for us. The risk of changes in market prices can only be avoided to a limited extent. We strive to negotiate long-term supply agreements based on fixed prices with our suppliers.

### Market price risk - Securities

Part of our liquid resources are invested in securities of the healthcare industry. We are aware, however, that due to fluctuations on the capital market the valuation of held securities may have negative effects on the assets, financial and earnings situation. Temporary fluctuations in assets that represent a medium to long-term commitment are part of our investment strategy.

## Performance risks and sales risks

### IT security risk

With regard to IT, it is possible to expect that problems that have not yet been identified may arise or previously remedied problems may occur again. It is also not possible to ensure that an IT problem will not result in data loss and thus considerable damage in spite of making regular backups. To limit these risks, we take the typical precautions and security measures that apply in the IT field. Such measures are checked on a regular basis and adapted to the changing requirements when necessary.

### Patent protection risk

Geratherm holds patents for certain products. Industrial and intellectual property rights may become the target of attacks and violations. Enforcing patent rights internationally is not simple and involves very high financial expenditure. The enforcement of industrial property rights is hardly possible especially in countries where there

is a lack of legal certainty. Geratherm strives to take action against any patent infringements in order to protect our patent claims, while taking various criteria into consideration. We are currently pursuing patent infringement claims in Italy, Poland and the Czech Republic. Such processes are lengthy and involve high costs. If we are unable to assert our patent claims, we will have to bear additional litigation costs.

#### **Risk - New business areas**

Geratherm has a stable core business. The company's management has focused its efforts for the past ten years on establishing new business areas in order to reduce its dependence on the core business in order to open up new attractive market niches for the company. Acquisitions have been carried out to speed up this growth. The risks from the new business areas have decreased considerably over the past few years, since these business areas are no longer operating now in the red.

The purchase and integration of companies does come with risks. The original objectives of our acquisition strategy could not be achieved. Legal disputes may arise as a result of that. That said, we have been able to change the time and the scope of the hoped for benefit. It is not possible to rule out a total write off of the endeavour. We are aware of the opportunities and risks and are guiding our activities accordingly.

### *3. Opportunities*

#### *Management of opportunities*

The medical industry is, similar to the pharmaceutical industry, a market segment that is based on a long-term strategic approach. As a result of demographic trends, it is possible to expect an increase in the demand for healthcare products over the next few years.

Innovative products offer good chances for business models that are attractive over the long term in the medical technology industry. The increased approval hurdles keep possible competition in check.

Medical technology has a lot to do with confidence in the products offered. A strong brand presents opportunities and facilitates the market launch in case of complex framework conditions.

The medical technology market enjoys an international outlook. Attractive products are sold internationally within a niche market policy.

### *4. Final conclusion*

Short-term successes are hardly possible as a result of the medium to long-term nature of the markets, in which Geratherm is active. Short-term risks are more or less negligible. One of the greatest risks is recognising in the long run that one has been active on the wrong market with an unappealing product or business difficulties arise due to the unexpected revocation of approvals. For a well-balanced opportunity and risk profile, products must be so attractive that a certain level of pricing power arises that permits a company to generate adequate returns. Geratherm has the potential to assume this position in all segments.

Adequate financial resources are a key prerequisite for having success on the medical technology market. Geratherm fulfills this prerequisite. In our opinion, the efforts taken over the past few years to broaden the business model to include various markets and sources of income are in line with a well-balanced opportunity and risk profile. Since the new business areas are no longer operating in the red now and have posted healthy increases in sales, Geratherm today possesses an altogether more favourable risk profile than in past years.

## *5. 5. Internal control and risk management system for the financial reporting process*

The objective of the internal control system for our financial reporting process is to ensure that the financial information is correct.

In this regard, Geratherm Medical is obligated, on the one hand, to prepare financial reports as part of the consolidated financial statements and the individual financial statements. The processes for preparing both financial statements are monitored by the internal control system, which identifies key risks for depicting business transactions.

Such risks include the evaluation of securities, financial assets, capitalised developments and correct allocation of sales revenues.

Significant regulations and instruments of the internal control system are: guidelines both at the group level and in the individual companies, division of tasks and clear assignment of responsibilities, structured reporting system for the individual companies, which permits the group's accounting system to gain insight down to the individual cost level.

To monitor the control system and its effectiveness, detailed monthly analyses, which are based on operating figures, are prepared in Group Controlling. These include the monthly preparation of a breakeven analysis on the product level including the reconciliation of the group's profit and loss statement and a presentation of how security investments have developed. Doing so ensures the possibility of following the individual companies and their development with regard to one another even on a month-to-month basis.

## *6. Other information*

### *Reporting in compliance with Article 315 (4) of HGB (German Commercial Code).*

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 Dec. 2015 and is divided into 4,949,999 share certificates issued to the bearers.

The ownership of shares entitles a shareholder to vote during the annual general meeting and to share in the company's profits in case of endorsement of a dividend payment.

Amendments to the bylaws can be passed in accordance with the provisions of Art. 133 of AktG (German Stock Companies Act).

The management board was authorised to increase the capital stock of the company up to a maximum 2,474,999 subject to the approval of the supervisory board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999 by 5 June 2016 (authorised capital).

The company is authorised to purchase own shares up to a portion of the capital stock not exceeding 10% through to 4 June 2020. The purchase price paid by the company may not be more than 10% above or below the arithmetic mean of the prices determined for the company's share in the opening auction in XETRA trading (or a comparable successor system of the Deutschen Börse AG) during the last 5 trading days prior to acquisition.

The management board is authorised to resell own shares purchased on the basis of the authorisation as per Art. 71 Para. 1 (8) of AktG with the approval of the supervisory board while observing the principle of equal treatment (Art. 53a of AktG) for other purposes than trading in its own shares. The acquired own shares may be sold via the stock exchange. In this regard, the buying option of shareholders is excluded.

The management board is authorised to redeem own shares of the company that were purchased based on this authorisation without having the general meeting convene to pass another resolution for the performance of this redemption.

Furthermore, the management board is authorised until 4 June 2020 to purchase shares of the company in order to be able to offer own shares to third parties as part of a merger with companies or the purchase of companies or holdings thereof, whereby the buying option of shareholders to own shares is excluded. This authorisation is limited to the purchase of a portion of the capital stock, which may not exceed 10%. The authorisation may be exercised in full or in part.

The authorisation of the general meeting of shareholders on 7 June 2010 to purchase own shares was cancelled with the new authorisation resolution coming into force.

Geratherm Medical AG has not yet made use of such authorisations.

The company's management board consists of one or more persons. The supervisory board determines the number of members of the management board. The supervisory board can appoint a chairman and a deputy chairman of the management board. Deputy members of the management board can be appointed.

The management board has issued a separate report on the relations with affiliated companies in accordance with Art. 312 Para. 3 of AktG. The company received or paid a suitable consideration for every legal transaction cited in the report on the relations with affiliated companies and has not been placed at a disadvantage.

The GMF Beteiligungsberatung GmbH, Hamburg, holds a direct share of 51.77 % in Geratherm Medical AG.

The annual general meeting of Geratherm Medical AG convened on 5 June 2015 in Frankfurt, Germany. The attendance at the annual general meeting represented 65.70% of the capital stock.

The expenses for the stock exchange listing in 2015 were 100 kEUR (2014: 94 kEUR).

Geschwenda, 21 March 2016



Dr. Gert Frank  
Management Board



**CONSOLIDATED FINANCIAL STATEMENT**

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# CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) of 31. December 2015

| ASSETS   | Notes<br>No. | 31/12/2015<br>EUR | 31/12/2014<br>EUR | Change<br>in % |
|--|--------------|-------------------|-------------------|----------------|
| <b>A. LONG-TERM ASSETS</b>                       |              |                   |                   |                |
| I. Intangible assets                             | 1.           |                   |                   |                |
| 1. Development costs                             |              | 161,491           | 157,442           | 2.6            |
| 2. Other intangible assets                       |              | 366,234           | 488,597           | -25.0          |
| 3. Goodwill                                      |              | 75,750            | 75,750            | 0.0            |
|  |              | <b>603,475</b>    | <b>721,789</b>    | <b>-16.4</b>   |
| II. Tangible assets                              | 2.           |                   |                   |                |
| 1. Land and buildings                            |              | 1,021,961         | 1,087,273         | -6.0           |
| 2. Technical equipment and machinery             |              | 2,254,680         | 1,905,588         | 18.3           |
| 3. Other equipment, factory and office equipment |              | 311,484           | 344,048           | -9.5           |
| 4. Construction in process                       |              | 134,412           | 0                 | -              |
|  |              | <b>3,722,537</b>  | <b>3,336,909</b>  | <b>11.6</b>    |
| III. Other long-term financial assets            | 3.           | 270,000           | 14,706            | >100.0         |
| IV. Other long-term receivables                  | 3.           | 123,045           | 269,193           | -54.3          |
| V. Deferred taxes                                | 4.           | 139,642           | 584,714           | -76.1          |
|  |              | <b>4,858,699</b>  | <b>4,927,311</b>  | <b>-1.4</b>    |
| <b>B. SHORT-TERM ASSETS</b>                      |              |                   |                   |                |
| I. Inventories                                   | 5.           |                   |                   |                |
| 1. Raw materials, consumables and supplies       |              | 2,148,258         | 2,103,356         | 2.1            |
| 2. Unfinished goods                              |              | 1,317,323         | 1,753,405         | -24.9          |
| 3. Finished goods and merchandise                |              | 3,349,944         | 3,174,442         | 5.5            |
|  |              | <b>6,815,525</b>  | <b>7,031,203</b>  | <b>-3.1</b>    |
| II. Receivables and other assets                 |              |                   |                   |                |
| 1. Trade receivables                             | 6.           | 3,125,080         | 3,001,313         | 4.1            |
| 2. Tax receivables                               | 7.           | 303,731           | 195,886           | 55.1           |
| 3. Other assets                                  | 8.           | 446,595           | 261,776           | 70.6           |
|  |              | <b>3,875,406</b>  | <b>3,458,975</b>  | <b>12.0</b>    |
| III. Securities                                  | 9.           | 5,015,682         | 4,203,050         | 19.3           |
| IV. Cash and cash equivalents                    | 10.          | 9,682,703         | 8,868,854         | 9.2            |
|  |              | <b>25,389,316</b> | <b>23,562,082</b> | <b>7.8</b>     |
|  |              | <b>30,248,015</b> | <b>28,489,393</b> | <b>6.2</b>     |



| EQUITY AND LIABILITIES                             | Notes<br>No. | 31/12/2015<br>EUR | 31/12/2014<br>EUR | Change<br>in % |
|--|--------------|-------------------|-------------------|----------------|
| <b>A. EQUITY CAPITAL</b>                           |              |                   |                   |                |
| I. Subscribed capital                              | 11.          | 4,949,999         | 4,949,999         | 0.0            |
| II. Capital reserves                               | 12.          | 11,035,367        | 11,035,367        | 0.0            |
| III. Other reserves                                | 13.          | 6,523,091         | 4,723,663         | 38.1           |
| Minority interests assigned to the shareholders of |              | 22,508,457        | 20,709,029        | 8.7            |
| Shareholders of minority interest                  | 14.          | -569,240          | -366,071          | 55.5           |
|  |              | <b>21,939,217</b> | <b>20,342,958</b> | <b>7.8</b>     |
| <b>B. Non-current debts</b>                        |              |                   |                   |                |
| 1. Liabilities to banks                            | 15.          | 1,533,697         | 2,127,456         | -27.9          |
| 2. Accrued investment subsidies                    | 16.          | 474,221           | 585,706           | -19.0          |
| 3. Other long-term liabilities                     | 17.          | 791,228           | 703,079           | 12.5           |
|  |              | <b>2,799,146</b>  | <b>3,416,241</b>  | <b>-18.1</b>   |
| <b>C. Current debts</b>                            |              |                   |                   |                |
| 1. Liabilities to banks                            | 18.          | 1,144,682         | 2,108,732         | -45.7          |
| 2. Payments on accounts                            |              | 305,790           | 63,594            | >100.0         |
| 3. Trade payables                                  | 19.          | 1,707,003         | 998,254           | 71.0           |
| 4. Tax liabilities                                 | 20.          | 638,373           | 218,490           | >100.0         |
| 5. Other short-term liabilities                    | 21.          | 1,713,804         | 1,341,124         | 27.8           |
|  |              | <b>5,509,652</b>  | <b>4,730,194</b>  | <b>16.5</b>    |
|  |              | <b>30,248,015</b> | <b>28,489,393</b> | <b>6.2</b>     |

## CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2015

|  | Notes<br>No. | 01/01–31/12/15<br>EUR | 01/01–31/12/14<br>EUR | Change<br>EUR    | Change<br>in %   |
|--|--------------|-----------------------|-----------------------|------------------|------------------|
| Sales revenues   | 22.          | 21,588,895            | 18,714,641            | 2,874,254        | 15.4             |
| Change in inventory of semi-finished and finished products             |              | -199,146              | 925,907               | -1,125,053       | >100.0           |
| Other capitalised own work   |              | 97,380                | 41,198                | 56,182           | >100.0           |
| Other operating income   | 23.          | 778,886               | 1,005,438             | -226,552         | -22.5            |
|  |              | <b>22,266,015</b>     | <b>20,687,184</b>     | <b>1,578,831</b> | <b>7.6</b>       |
| Cost of materials  | 24.          |                       |                       |                  |                  |
| Cost of raw materials, consumables and supplies and purchased goods    |              | -7,533,536            | -8,071,354            | 537,818          | -6.7             |
| Costs of purchased services  |              | -610,147              | -555,337              | -54,810          | 9.9              |
|  |              | -8,143,683            | -8,626,691            | 483,008          | -5.6             |
| <b>Gross profit or loss</b>  |              | <b>14,122,332</b>     | <b>12,060,493</b>     | <b>2,061,839</b> | <b>17.1</b>      |
| Personnel expenses   | 25.          |                       |                       |                  |                  |
| Wages and salaries   |              | -4,187,573            | -3,620,634            | -566,939         | 15.7             |
| Social security and pension benefits                                   |              | -939,119              | -764,948              | -174,171         | 22.8             |
|  |              | -5,126,692            | -4,385,582            | -741,110         | 16.9             |
| Amortisation of intangible assets and depreciation of tangible assets  | 26.          | -889,580              | -756,337              | -133,243         | 17.6             |
| Other operating expenses   | 27.          | -5,572,420            | -4,503,394            | -1,069,026       | 23.7             |
| <b>Operating results</b>   |              | <b>2,533,640</b>      | <b>2,415,180</b>      | <b>118,460</b>   | <b>4.9</b>       |
| Dividend income  |              | 39,000                | 36,000                | 3,000            | 8.3              |
| Income from securities trading   |              | 1,938,463             | 564,794               | 1,373,669        | >100.0           |
| Amounts written off for securities                                     |              | -719,247              | -363,262              | -355,985         | -                |
| Securities-related expenses  |              | -169,776              | -97,365               | -72,411          | 74.4             |
| Other interest and similar income                                      |              | 10,540                | 20,835                | -10,295          | -49.4            |
| Interests and similar expenses   |              | -304,908              | -325,298              | 20,390           | -6.3             |
| <b>Financial Results</b>   | 28.          | <b>794,072</b>        | <b>-164,296</b>       | <b>958,368</b>   | <b>&gt;100.0</b> |
| <b>Result of ordinary activities</b>                                   |              | <b>3,327,712</b>      | <b>2,250,884</b>      | <b>1,076,828</b> | <b>47.8</b>      |
| Income taxes   | 29.          | -936,449              | -646,674              | -289,775         | 44.8             |
| <b>Consolidated net income</b>   |              | <b>2,391,263</b>      | <b>1,604,210</b>      | <b>787,053</b>   | <b>49.1</b>      |
| <b>Result of non-controlling shareholders</b>                          |              | <b>-310,002</b>       | <b>-78,149</b>        | <b>-231,853</b>  | <b>&gt;100.0</b> |
| <b>Earnings attributable to the shareholders of the parent company</b> |              | <b>2,701,265</b>      | <b>1,682,359</b>      | <b>1,018,906</b> | <b>60.6</b>      |
| Earnings per share undiluted   | 30.          | 0.55                  | 0.34                  | 0.21             | 61.8             |
| Earnings per share diluted   | 30.          | 0.55                  | 0.34                  | 0.21             | 61.8             |
| <b>Gross result (EBITDA)</b>   |              | <b>3,423,220</b>      | <b>3,171,517</b>      | <b>251,703</b>   | <b>7.9</b>       |

## CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2015

|  | 01/01–31/12/15   | 01/01–31/12/14   |
|--|------------------|------------------|
|  | EUR              | EUR              |
| <b>Consolidated net income</b>   | <b>2,391,263</b> | <b>1,604,210</b> |
| Income and expenses directly recognised in equity, which are reclassified to profit or loss under specific conditions: |                  |                  |
| Profits and losses from revaluation of securities  | 206,198          | -818,843         |
| Difference resulting from currency translation   | 190,574          | 9,996            |
| <b>Income and expenses directly included in equity capital</b>   | <b>396,772</b>   | <b>-808,847</b>  |
| <b>Total consolidated income</b>   | <b>2,788,035</b> | <b>795,363</b>   |
| of which assignable to shareholders of minority interest   | -219,321         | -73,251          |
| of which assignable to shareholders of parent company  | 3.007,356        | 868,614          |

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of 31 December 2015

|  | Subscribed capital | Capital reserves  |
|--|--------------------|-------------------|
|  | 11.<br>EUR         | 12.<br>EUR        |
| <b>As of 1 January 2014</b>  | <b>4,949,999</b>   | <b>10,711,677</b> |
| Acquisition of business shares in LMT Medical Systems GmbH   | 0                  | 0                 |
| Increase in share capital of subsidiary apoplex medical technologies GmbH                                      | 0                  | 323,690           |
| Dividend paid to shareholders  | 0                  | 0                 |
| <b>Transactions with shareholders and member partners</b>  | <b>0</b>           | <b>323,690</b>    |
| Consolidated net income  | 0                  | 0                 |
| Unrealized profits and losses from revaluation of securities   | 0                  | 0                 |
| Currency translation in the Group  | 0                  | 0                 |
| <b>Total consolidated income</b>   | <b>0</b>           | <b>0</b>          |
| <b>As of 31 December 2014</b>  | <b>4,949,999</b>   | <b>11,035,367</b> |
| <b>As of 1 January 2015</b>  | <b>4,949,999</b>   | <b>11,035,367</b> |
| Interest-proportional increase in share capital of the subsidiary Geratherm do Brasil LTDA                     | 0                  | 0                 |
| Adjustment of minority interests LMT Medical Systems Inc. USA  | 0                  | 0                 |
| Purchase of shares in the subsidiary apoplex medical technologies GmbH from shareholders of minority interests | 0                  | 0                 |
| Dividend paid to shareholders  | 0                  | 0                 |
| <b>Transactions with shareholders and member partners</b>  | <b>0</b>           | <b>0</b>          |
| Consolidated net income  | 0                  | 0                 |
| Unrealized profits and losses from revaluation of securities   | 0                  | 0                 |
| Currency translation in the Group  | 0                  | 0                 |
| <b>Total consolidated income</b>   | <b>0</b>           | <b>0</b>          |
| <b>As of 31 December 2015</b>  | <b>4,949,999</b>   | <b>11,035,367</b> |

| Market valuation<br>reserve | Other reserves                 |                         | Assignable to<br>the sharehold-<br>ers of the parent<br>company | Minority<br>interests | Equity capital |
|-----------------------------|--------------------------------|-------------------------|---|-----------------------|----------------|
|                             | Currency<br>conversion reserve | Accumulated<br>earnings |   |                       |                |
|                             | 13.<br>EUR                     | EUR                     |   |                       |                |
| 1,477,897                   | 11,865                         | 3,553,287               | 20,704,725  | -624,334              | 20,080,391     |
| 0                           | 0                              | 0                       | 0   | 95,203                | 95,203         |
| 0                           | 0                              | 0                       | 323,690   | 236,311               | 560,001        |
| 0                           | 0                              | -1,188,000              | -1,188,000  | 0                     | -1,188,000     |
| 0                           | 0                              | -1,188,000              | -864,310  | 331,514               | -532,796       |
| 0                           | 0                              | 1,682,359               | 1,682,359   | -78,149               | 1,604,210      |
| -818,843                    | 0                              | 0                       | -818,843  | 0                     | -818,843       |
| 0                           | 5,098                          | 0                       | 5,098   | 4,898                 | 9,996          |
| -818,843                    | 5,098                          | 1,682,359               | 868,614   | -73,251               | 795,363        |
| 659,054                     | 16,963                         | 4,047,646               | 20,709,029  | -366,071              | 20,342,958     |
| 659,054                     | 16,963                         | 4,047,646               | 20,709,029  | -366,071              | 20,342,958     |
| 0                           | 0                              | 0                       | 0   | 84,703                | 84,703         |
| 0                           | 0                              | 29,571                  | 29,571  | 14,783                | 44,354         |
| 0                           | 0                              | 0                       | 0   | -83,334               | -83,334        |
| 0                           | 0                              | -1,237,499              | -1,237,499  | 0                     | -1,237,499     |
| 0                           | 0                              | -1,207,928              | -1,207,928  | 16,152                | -1,191,776     |
| 0                           | 0                              | 2,701,265               | 2,701,265   | -310,002              | 2,391,263      |
| 206,198                     | 0                              | 0                       | 206,198   | 0                     | 206,198        |
| 0                           | 99,893                         | 0                       | 99,893  | 90,681                | 190,574        |
| 206,198                     | 99,893                         | 2,701,265               | 3,007,356   | -219,321              | 2,788,035      |
| 865,252                     | 116,856                        | 5,540,983               | 22,508,457  | -569,240              | 21,939,217     |

## CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2015

|   | Notes<br>No. | 01/01–31/12/15<br>kEUR | 01/01–31/12/14<br>kEUR |
|---|--------------|------------------------|------------------------|
| Consolidated net income   |              | 2,391                  | 1,604                  |
| Non-cash purchase bargain   |              | 0                      | -163                   |
| Other non-cash expenses   |              | 66                     | -266                   |
| Dividend income   | 28.          | -39                    | -36                    |
| Interest earnings   | 28.          | -11                    | -21                    |
| Interest expenses   |              | 305                    | 325                    |
| Decrease in deferred taxes  |              | 445                    | 499                    |
| Income tax expenditure  |              | 491                    | 148                    |
| Depreciation of fixed assets  |              | 889                    | 756                    |
| Income from securities trading  | 28.          | -1,938                 | -565                   |
| Loss from securities trading  |              | 0                      | 0                      |
| Amounts written off for securities  |              | 719                    | 363                    |
| Amortization of public grants and subsidies                                 | 16.          | -111                   | -112                   |
| Loss from disposal of fixed assets  |              | 49                     | 60                     |
| <b>Gross cash flow</b>  | <b>32.</b>   | <b>3,256</b>           | <b>2,592</b>           |
| Decrease/increase in inventories  |              | 216                    | -1,503                 |
| Increase in trade receivables and other assets                              |              | -286                   | -313                   |
| Increase in current liabilities and other liabilities                       |              | 914                    | 21                     |
| Cash inflow from dividends  |              | 39                     | 36                     |
| Cash inflow from interest   |              | 11                     | 21                     |
| Cash outflow from interest  |              | -305                   | -325                   |
| Cash outflow/inflow from taxes  |              | -71                    | 147                    |
| <b>Cash flow from operations</b>  | <b>33.</b>   | <b>3,774</b>           | <b>676</b>             |
| (Prior year adjusted)   |              |                        |                        |
| Cash outflow for investments in fixed assets                                |              | -781                   | -497                   |
| Payments for company acquisitions (less acquired cash and cash equivalents) |              | 0                      | -1,022                 |
| Cash inflow from funding sources for investments                            |              | 0                      | 15                     |
| Cash inflow based on financial assets                                       | 9.           | 2,968                  | 2,095                  |
| Cash outflow based on financial assets                                      | 9.           | -2,626                 | -2,519                 |
| <b>Cash flow from investments</b>   | <b>34.</b>   | <b>-439</b>            | <b>-1,928</b>          |
| Cash inflow from shareholders of minority interests                         |              | 85                     | 656                    |
| Share acquisition from shareholders of minority interests                   |              | -83                    | 0                      |
| Dividend payments   | 13.          | -1,237                 | -1,188                 |
| Cash inflow from taking out loan liabilities                                | 15.          | 1,151                  | 1,330                  |
| Cash outflow for repayment of loan liabilities                              | 15.          | -2,709                 | -2,172                 |
| Increase in long-term liabilities   | 17.          | 88                     | 107                    |
| <b>Cash flow from financing activities</b>                                  | <b>35.</b>   | <b>-2,705</b>          | <b>-1,267</b>          |
| <b>Change in cash and cash equivalents</b>                                  |              | <b>630</b>             | <b>-2,519</b>          |
| <b>Cash and cash equivalents at beginning of fiscal year</b>                |              | <b>8,869</b>           | <b>11,112</b>          |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>         |              | <b>184</b>             | <b>276</b>             |
| <b>Cash and cash equivalents at end of fiscal year</b>                      |              | <b>9,683</b>           | <b>8,869</b>           |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2015 FISCAL YEAR

## Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2015 fiscal year in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2015 fiscal year and have affected the 2015 fiscal year as follows:

| Standard/<br>Inter-<br>pretation | Title of Standards/ Interpretation or Amendment                      | First time application <sup>1</sup> | Impact on Geratherm                 |
|----------------------------------|--|-------------------------------------|-------------------------------------|
| <i>IAS 8.28</i>                  |  |                                     |                                     |
| Improvements to IFRS 2011-2013   | Changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40 – Improving Disclosure | 1/1/2015                            | Additional disclosures in the notes |

The option to apply the following standards that have been passed by the International Accounting Standards Board but are not yet mandatory in advance was not exercised.

| Standard/<br>Interpretation                            | Title of Standards/ Interpretation or Amendment  | First time application <sup>2</sup> |
|--|--|-------------------------------------|
| <i>IAS 8.30, EU endorsement has already been given</i> |  |                                     |
| IAS 19   | Changes to IAS 19  | 1/2/2015                            |
| Improvements to IFRS 2010-2012                         | Changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 – Improving Disclosure | 1/2/2015                            |
| IFRS 11  | Joint arrangements (added) – Acquisition of interests in joint operations                    | 1/1/2016                            |
| IAS 1  | Disclosure (added)   | 1/1/2016                            |
| IAS 16, IAS 38   | Clarification of acceptable methods of depreciation and amortisation (added)                 | 1/1/2016                            |

<sup>1</sup> Fiscal years that start on or after the indicated date.

<sup>2</sup> Fiscal years that start on or after the indicated date.

| Standard/<br>Interpretation   | Title of Standards/ Interpretation or Amendment   | First time application <sup>2</sup> |
|---|---|-------------------------------------|
| Improvements to IFRS 2012-2014  | Changes to IFRS 5, IFRS 7, IFRS 19 and IAS 34 – Improving Disclosure  | 1/1/2016                            |
| <i>IAS 8.30, EU Endorsement ist noch ausstehend (Stand: 29.01.2016)</i> |   |                                     |
| IAS 7   | Changes to IAS 7 – Improving Disclosure   | 1/1/2017                            |
| IAS 12  | Changes to IAS 12 - Recognition of deferred taxes on unrealized losses  | 1/1/2017                            |
| IFRS 9 (2014)   | Financial instruments – Recognition and measurement   | 1/1/2018                            |
| IFRS 15   | Revenue from contracts with customers   | 1/1/2018                            |
| IFRS 16   | Lease contracts   | 1/1/2019                            |
| IFRS 10, IAS 28   | Consolidated financial statements (amended) – Clarification sale or contribution of assets between an investor and its associate or joint venture | Indefinite                          |

The impact of the aforementioned standards has not been analysed in depth yet. We do not expect that the aforementioned standards - with the exception of IFRS 9 and IFRS 15 - will have any significant impact on the future consolidated financial statements of Geratherm Medical AG.

## Layout and preparation of the financial statements

The layout of the financial statements is based on IAS 1.

The income statement was prepared according to the “total cost” type of shortterm results accounting.

The consolidated financial statements are prepared in full EUR (functional and reporting currency). Various figures have been indicated in kEUR (thousand euros) in the Notes to provide better clarity.

The parent company is Geratherm Medical AG, which is established according to German law and has its headquarters in Geschwenda. The shares of the company are admitted to dealings on the official market and are listed in the Prime Standard exchange segment of the Frankfurt Stock Exchange (FWB).

The management of Geratherm Medical AG has released the consolidated financial statements based on IFRS on 23 March 2016 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

## Legal and economic matters

Geratherm Medical AG is registered as a legal entity in Germany and is entered under the number HR B 111272 in the Commercial Register B of the Amtsgericht Jena (Jena District Court). The company has its headquarters in Geschwenda, Fahrenheitstr. 1.

Geratherm Medical AG focuses on the “development, production and marketing of medical products especially in the area of temperature management and vital data as well as investments in the healthcare sector” in accordance with Art. 2 of its Articles of Association.

<sup>2</sup> Business years that start on or after the indicated date.



## Consolidation Principles

The consolidated financial statements of Geratherm Medical AG include the accounts of all companies that are controlled by Geratherm Medical AG and indirectly within the meaning of IFRS 10.

According to IFRS 10 a group consists of a parent company and its subsidiaries, which are controlled by the parent company while fulfilling the following three criteria at the same time:

- Power of parent company to make decisions about significant activities of associated companies,
- Variable returns from associated companies flow to the parent company, and
- Capability of the parent company to be able to utilise its right to make decisions with regard to influencing the variable returns.

Such companies are incorporated in the consolidated financial statements from the date on which the possibility of control starts to exist for Geratherm Medical AG. The incorporation ends on the date on which the possibility of control ceases to exist.

As part of capital consolidation, the valuation of the shares owned by the parent company in a subsidiary included in the consolidated financial statements is offset by the amount of the equity capital of the subsidiary pertaining to these shares. The consideration transferred with the acquisition and the identified net assets that were acquired are generally valued at their fair value. Every resulting goodwill is checked for impairment on an annual basis. Any gain noted from an acquisition at a price that is below the market value is directly identified in profits. Transaction costs are immediately reported as expenditure.

Receivables and liabilities between the companies taken into consideration are eliminated during debt consolidation.

The effects of transactions within the group are eliminated during the intercompany profit elimination and consolidation of expenses and receipts.

## Minority interests

In case of a business merger, the group decides in a consistent manner on how to assess any minority interests in the acquired company

- at its fair value or
- according to its share of the identifiable net assets of the acquired company, which is generally assessed at fair value.

Changes in ownership interests in a subsidiary that do not result in a loss of control shall be accounted for as an equity transaction with owners, acting in their capacity as owners. Losses of a subsidiary are then assigned to shares without controlling influence, if these result in a negative balance. Adjustments of minority interests are based on the prorata amount of the net assets of the subsidiary.

## Consolidated group

The consolidated group includes Geratherm Medical AG and the companies listed in the following table. The reporting date of the annual financial statements of these companies corresponds with the consolidated reporting date. The following share quotas apply in detail.

| Company   | Percentage of shares held 2015 | Percentage of shares held 2014 |
|---|--------------------------------|--------------------------------|
| GME Rechte und Beteiligungen GmbH, Geschwenda / Germany | 100.00 %                       | 100.00 %                       |
| apoplex medical technologies GmbH, Pirmasens / Germany  | 58.76 %                        | 57.92 %                        |
| Geratherm Respiratory GmbH, Bad Kissingen / Germany     | 61.27 %                        | 61.27 %                        |
| Geratherm Medical do Brasil Ltda., Sao Paulo / Brazil   | 51.00 %                        | 51.00 %                        |
| Sensor Systems GmbH, Steinbach-Hallenberg / Germany     | 100.00 %                       | 100.00 %                       |
| Capillary Solutions GmbH, Geschwenda / Germany          | 100.00 %                       | -                              |
| LMT Medical Systems GmbH<br>Lübeck / Germany            | 66.67 %                        | 66.67 %                        |
| <i>Subsidiary: LMT Medical Systems Inc. Ohio/USA</i>    | <i>100.00 %</i>                | <i>100.00 %</i>                |

Geratherm Medical AG acquired with the resolution adopted by the shareholders' meeting on 20 April 2015 other shares in the capital stock of apoplex medical technologies GmbH in the amount of EUR 3,092. The purchase price was EUR 50,000. The transaction was entered in the Commercial Register on 3 June 2015. Geratherm Medical AG acquired with the resolution adopted by the shareholders' meeting on 7 August 2015 other shares in the capital stock of apoplex medical technologies GmbH in the amount of EUR 2,062. The purchase price was EUR 33,334. The transaction was entered in the Commercial Register on 2 September 2015. Geratherm's interests in apoplex medical technologies GmbH thus changed from 57.92 % to 58.76 %.

The capital of Geratherm Medical do Brasil Ltda. was increased by way of resolution adopted by the shareholders' meeting on 24 February 2015 by USD 200,000 in proportion to the shares held by the shareholders. Geratherm Medical's share quota did not change.

Capillary Solutions GmbH was founded with the Articles of Association from 12 October 2015. The nominal capital is € 25,000 and has been paid in full. The formation was entered in the Commercial Register on 21 October 2015. Capillary Solutions GmbH is a wholly owned subsidiary of Geratherm Medical AG and started its business activities on 1 November 2015. The company is engaged in the development, production and distribution of capillaries, glass tubes, technical glass systems and similar products for different industries, especially for medical technology. With the purchase agreement from 27 October 2015, Capillary had acquired the assets of Bohemia Cristal Handelsges. mbH at a purchase price of EUR 750,000 with legal effect from 1 November 2015. That essentially accounted for technical systems (696 kEUR) and inventories (54 kEUR) at fair value.

The costs of formation in the amount of 3 kEUR were recognised in the profit and loss statement.

Shareholdings are accounted for under Financial Assets at fair value in accordance with IAS 39, since they did not have any significant impact or the shareholding was of secondary importance for the consolidated financial statement. If a reliable fair value cannot be determined, they are recognised at acquisition costs.

## Foreign currency translation

We used the concept of functional currency when converting the financial statements of Geratherm Medical do Brasil Ltda. and LMT Medical Systems Inc., which include figures in a foreign currency. Since these companies operate their businesses independently, they are treated as independent foreign entities as defined by IAS 21. Based on that, the assets and liabilities of the foreign subsidiary are translated at the exchange rate prevailing on the reporting date, while the expenses and receipts are translated at the annual mean exchange rate as permissible simplification according to IAS 21.40. The equity capital is valued using the historical exchange rates (the rates prevailing on the date of payment and the respective mean exchange rate of the yield generated). The difference resulting from this currency translation is reported as a separate item in the group's other comprehensive income. When converting the financial statements of Geratherm do Brasil into the local currency, a period-end exchange rate of BRL 4.3117 /EUR (balance sheet) and an average exchange rate of BRL 3.6980 /EUR (P&L) were taken as a basis. When converting the financial statements of LMT Medical Systems into the local currency, a period-end exchange rate of USD 1.0887 /EUR (balance sheet) and an average exchange rate of USD 1.1095 /EUR (P&L) were taken as a basis.

Accountable events in a foreign currency will be shown at the rate prevailing on the date of the accountable event in the individual financial statements of the consolidated companies prepared in the local currency. The monetary items (cash, receivables and liabilities) contained in the balance sheets of individual financial statements are valued at the exchange rate prevailing on the reporting date. The foreign currency translation differences are entered with effect on the income.

## Principles of accounting and valuation

All accounting and valuation methods were applied uniformly.

The individual assets and liabilities are valued with consideration to the rules of the International Financial Reporting Standards.

## Intangible assets

The acquired intangible assets have a limited useful life and are valued at the historical costs less regular accumulated amortisation on a straight-line basis after the operating life expectancy of the assets. The useful life for software and other intangible assets is set at 3 to 5 years, while the useful life for industrial property rights is 10 years.

The goodwill is not written off according to schedule. An impairment test is to be conducted annually or additionally to determine recoverability, if there are new events or changed circumstances which would indicate that a decrease in value could have occurred. As part of the impairment tests, the attainable amount is compared to book value for the unit generating cash or cash equivalents to which the goodwill is to be assigned. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which is based on current planning. The forecast cash flows are subject to a pre-tax discount rate.

The development costs are capitalised in accordance with IAS 38 as intangible assets if:

- the intangible asset can be completed technically to the extent in which it can be used or sold,
- Geratherm intends and is capable of completing the intangible asset and to utilise or sell it;

- Evidence has been shown that the intangible asset will probably generate future economic benefit, or if it is to be used internally, will generate a corresponding benefit;
- Adequate technical, financial and other resources are available that the intangible asset is entirely developed and can be subsequently used or sold; and
- The costs attributable to the intangible asset can be reliably assessed during its development.

The intangible components, such as scientific or technical knowledge, design and implementation of new processes, systems or software, must remain the focal point of the development process.

The capitalised development costs include the expenditure for development contracts awarded to third parties, the direct material costs and, the proportionate personnel costs relating to the time expenditure of the employees involved in the development of the relevant projects, including mandatory social security contributions that are paid by the employer.

Depreciation was determined linearly over the estimated useful life of four years.

If the estimates made with regard to future cash inflow require an update, the management board checks for the presence of a “triggering event”, especially with the relatively new product fields of Cardio/Stroke and Respiratory. If such event is present, an impairment test is conducted for the respective area. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which relies on current planning. That is based on the best assessment made by management with regard to future development. The planning encompasses a detailed plan for the first 4 or 5 years. The cash flows are carried on without change for the further planning phase. The forecast cash flows are subject to a pre-tax discount rate. A separate risk supplement is recognized in the discount rate in order to take in to account the individual risks of the relatively new product areas in the business life cycle (start-up allowance). The estimate of individual aggregate risks, which are reflected in cashflow planning and the discount rate, remained almost unchanged. There were no indications of any triggering events during the year under review.

## Tangible assets

The tangible assets were accounted and valued at the acquisition costs in accordance with IAS 16.30. All tangible assets such as buildings, technical equipment and machines as well as other equipment, factory and office equipment, are valued at historical costs and manufacturing costs and decreased by regular depreciation. The acquisition and manufacturing costs also include borrowing costs for longterm construction projects, provided the valuation criteria are fulfilled according to IAS 23.

Buildings are depreciated linearly over a useful life of 30 years. The useful life for technical equipment and machinery is 5 to 13 years. Depreciation is linear. The useful life for other equipment, factory and office equipment is set at 3 to 13 years, whereas depreciation is also linear.

Assets are retired at the residual book value at the time of their retirement.

Public grants or subsidies received for the procurement of tangible assets were reported as accrued investment subsidies in the balance sheet and are released to income according to the useful life of the assets they financed.

## Decline in value of intangible and tangible assets

Tangible and intangible assets that are no longer usable or are only usable to a limited extent are written off irregularly at the remaining utility value, however no less than the attainable disposal proceeds, in accordance with IAS 36. If impairment losses are implemented, these are shown under depreciations.

There were no indications of a decrease in the value of tangible and intangible assets on the reporting date.

## Leasing

Lease payments from operating leasing relationships were reported linearly as income for the period of the relevant lease relationship. Moreover, we refer to the statements under "Other financial obligations".

## Financial assets and liabilities

The financial assets and liabilities are classified and valued with consideration to IAS 32 and IAS 39 standards. The initial entry is made with the historical costs including incidental acquisition costs (transaction costs) on the day of performance.

The cash in hand and cash in banks are valued at their nominal value. Bank balances in a foreign currency are valued at the exchange rate prevailing on the reporting date.

Securities are to be assigned to the category "available for sale" and valued at the current market value that is to be included. All securities (shares) are valued at the market price prevailing on the reporting date and marketable. The valuation changes as of the reporting date are shown in the equity capital under the "Market valuation reserve" item in accordance with IAS 39.55(b). In case of sale of securities or occurrence of long-term decrease in value, accumulated profits and losses taken in the market valuation reserve into account until then are reported in the income statement of the current period. Revenue resulting from interests and dividends from these securities is entered in the income statement. A long-term decline in value is determined when as of the reporting date, the fair value has declined more than 20% under the acquisition costs or on the reporting date, a decline in the fair value has occurred over a period of nine months. These parameters were checked for the 2015 business year and applied accordingly.

The trade accounts receivable and other assets belong to the category "Receivables of the company". They are valued at net book value or the lower value based on a value decrease. Foreign currency receivables are valued at the exchange rate prevailing on the reporting date. These assigned values correspond to the market values. The financial liabilities are valued at the net book values (repayment value). Changes in the repayment value due to the exchange rates prevailing on the reporting date were also taken into account. The values applied in the consolidated financial statements essentially correspond with the market values, in as far as these can be determined.

## Deferred Taxes

The accounting and valuation of deferred taxes is implemented according to IAS 12. Based on the accounting and valuation method, they are applied to time-limited differences between valuations in the commercial balance sheet and tax balance sheet and to losses carried forward and chargeable taxes.

The tax rates of future years are used to calculate deferred taxes, provided the legislative procedure governing the tax rate has been concluded.

Deferred tax assets and liabilities are offset against one another, if the tax authorities are identical and matching maturities exist and only then applied as deferred tax assets to the extent that these tax advantages are probably realisable.

## Inventories

The raw materials, consumables and supplies shown under the Inventories item as well as goods are valued with their historical costs while taking their usability on the reporting date into account.

Unfinished and finished clinical thermometers, medical warming systems and spirometry products are valued with the manufacturing costs in the individual stages. These include the material costs, labor costs, percentage of indirect production costs and production-related administrative costs.

If impairments of inventories are implemented, these are reported as material expenses or reduction in inventory during the current period. If there is a reversal of impairment losses concerning inventories, these are reported as decrease in material expenditure or increase in inventory during the period, in which the reversal of impairment occurred.

## Listing of sales revenue

The company generated sales from delivery transactions at the time, when the essential risk for the delivery passes over to the purchaser. The net amount of sales based on cost units (product groups) is recorded separately from domestic and export proceeds while deducting the cash discounts paid, customer bonuses and discounts. Expenses resulting from sales such as transport costs, insurance and/or commissions, are shown as sales expenditure.

## Interests paid and interests earned

Interests earned are recognised on a time proportion basis using the effective interest method, accruing payable interests are reported on a time proportion basis depending on the contractual commitment or by applying the effective interest method.

## Estimates and assumptions

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. For instance, the statements on economic useful lives for long-term intangible and tangible assets (book value 4,326 kEUR) are based on estimates and assumptions. In addition, the assessment of the recoverability of deferred taxation allocated to the losses carried forward (book value, 140 kEUR), the long-term impairment of assets available for sale (securities, book value 5,016 kEUR) and the impairment tests of the cash-generating units and the assets is based on the corporate planning, which of course involves uncertainties (book value of goodwill 76 kEUR) such that the actual values may deviate from the made assumptions and estimates in individual cases. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting. Exercise of substantial discretionary powers is not available.

## Determination of fair values

Some accounting policies and specifications call for determining fair values for financial and non-financial assets and liabilities.

Geratherm Medical AG has established a process for determining fair value. That also includes the general responsibility of the management board for monitoring all significant valuations at the fair value.

If third party information, i.e., price quotes from brokers or rate information services, is consulted to determine the fair value, we check whether the documents provided by the third parties are appropriating for concluding that current valuations fulfill IFRS requirements, including the level in the fair value hierarchy in which these valuations are to be classified.

Observable market data are used as much as possible when determining the fair value of an asset or a debt. Based on the input factors used in the valuation practices, the fair values are classified in different levels in the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Valuation methods using parameters that include quoted prices not taken into account in level 1 and which are observable with regard to the asset or the debt either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation methods using parameters for assets or debts which are based on non-observable market data.

Currently fair values are determined exclusively within level 1.

If the input factors used to determine the fair value of an asset or a debt can be classified to different levels of the fair value hierarchy, the valuation of the fair value is assigned in its entirety to the level of the fair value hierarchy that corresponds to the lowest input factor that is essential on a whole for the valuation.

Geratherm Medical AG recognises a regrouping between different levels of the fair value hierarchy at the end of the reporting period, in which the change has occurred.

Further information about assumptions relating to determining the fair value is included in the Disclosures 9 - Securities:

## Notes to the Consolidated Financial Statements

### ASSETS

#### 1. Intangible Assets

As at 31 December 2015, intangible assets totalling 603 kEUR (2014: 722 kEUR) are reported. The development of the intangible assets is shown in the following table:

| Intangible assets                             | Development costs | Other intangible assets | Goodwill      | Total          |
|---|-------------------|-------------------------|---------------|----------------|
| <b>Initial and manufacturing costs in EUR</b> |                   |                         |               |                |
| 1/1/2014                                      | 2,112,829         | 624,993                 | 90,000        | 2,827,822      |
| Additions                                     | 15,226            | 117,232                 | 0             | 132,458        |
| Disposals                                     | 0                 | 0                       | 0             | 0              |
| Transfers                                     | 0                 | 0                       | 0             | 0              |
| 31/12/2014                                    | 2,128,055         | 742,225                 | 90,000        | 2,960,280      |
| 1/1/2015                                      | 2,128,055         | 742,225                 | 90,000        | 2,960,280      |
| Additions                                     | 22,217            | 26,945                  | 0             | 49,162         |
| Disposals                                     | 0                 | 0                       | 0             | 0              |
| Transfers                                     | 0                 | 0                       | 0             | 0              |
| 31/12/2015                                    | 2,150,272         | 769,170                 | 90,000        | 3,009,442      |
| <b>Amortisation or depreciation in EUR</b>    |                   |                         |               |                |
| 1/1/2014                                      | 1,952,614         | 168,147                 | 14,250        | 2,135,011      |
| Additions                                     | 17,999            | 85,481                  | 0             | 103,480        |
| Disposals                                     | 0                 | 0                       | 0             | 0              |
| 31/12/2014                                    | 1,970,613         | 253,628                 | 14,250        | 2,238,491      |
| 1/1/2015                                      | 1,970,613         | 253,628                 | 14,250        | 2,238,491      |
| Additions                                     | 18,168            | 149,308                 | 0             | 167,476        |
| Disposals                                     | 0                 | 0                       | 0             | 0              |
| 31/12/2015                                    | 1,988,781         | 402,936                 | 14,250        | 2,405,967      |
| <b>Book values in EUR</b>                     |                   |                         |               |                |
| 1/1/2014                                      | 160,215           | 456,846                 | 75,750        | 692,811        |
| <b>31/12/2014</b>                             | <b>157,442</b>    | <b>488,597</b>          | <b>75,750</b> | <b>721,789</b> |
| 1/1/2015                                      | 157,442           | 488,597                 | 75,750        | 721,789        |
| <b>31/12/2015</b>                             | <b>161,491</b>    | <b>366,234</b>          | <b>75,750</b> | <b>603,475</b> |



The development costs for intangible assets created internally during the 2015 fiscal year were capitalised in the amount of 22 kEUR (2014: 15 kEUR). Non-capitalisable research and development costs were posted as expenses in the amount of 391 kEUR (2014: 385 kEUR). The other intangible assets primarily involve licenses, patents and software.

The goodwill contained in the fixed assets relates to the production of medical warming systems. In connection with the takeover of medical warming systems range, 90 kEUR was capitalised in 2003. The goodwill was written off with a useful life of 10 years by 31 December 2004. As of 1 January 2005 no other write-offs were implemented in accordance with the amended IAS 38.

An impairment test with assigned goodwill is performed once a year for the cash-generating unit in order to determine if there is any impairment loss possibly existing. The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2016 to 2019. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This segment possesses a goodwill of 76 kEUR (2014: 76 kEUR) and an additional net worth of 161 kEUR (2014: 157 kEUR) on the reporting date. The attainable amount which is used for comparison as part of the impairment test of the cash-generating unit, is determined by the value in use. To calculate the value in use, the cash flows derived from the planning were discounted with a risk-adjusted, fair market interest rate in the amount of 16.75 % before taxes. The planning envisions a sales growth between 8 % and 57 % p.a. with correspondingly increasing costs, whereas an annual increase in margin was assumed in a lower single-digit percentage range. There were no points of reference for an impairment and none were necessary in this regard. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one percent increase in the interest rate results in a minus 12 kEUR change in the cash value. A sustained decrease in the sales revenue during the planning period of 8 % would lead to a full write-off of the goodwill amounting to 76 kEUR.

## 2. Tangible assets

The development of tangible assets is shown in the following table.

| Tangible assets                               | Land, land rights and buildings | Technical equipment and machinery | Other equipment, factory and office equipment | Construction in progress | Total            |
|---|---------------------------------|-----------------------------------|---|--------------------------|------------------|
| <b>Initial and manufacturing costs in EUR</b> |                                 |                                   |   |                          |                  |
| 1/1/2014                                      | 2,475,891                       | 6,651,355                         | 729,486                                       | 16,663                   | 9,873,395        |
| Additions                                     | 0                               | 407,642                           | 266,586                                       | 43,081                   | 717,309          |
| Disposals                                     | 0                               | 55,182                            | 66,293  | 14,738                   | 136,213          |
| Transfers                                     | 0                               | 43,081                            | 1,925   | -45,006                  | 0                |
| 31/12/2014                                    | 2,475,891                       | 7,046,896                         | 931,704                                       | 0                        | 10,454,491       |
| 1/1/2015                                      | 2,475,891                       | 7,046,896                         | 931,704                                       | 0                        | 10,454,491       |
| Additions                                     | 0                               | 956,355                           | 66,246  | 134,412                  | 1,157,013        |
| Disposals                                     | 0                               | 62,650                            | 58,448  | 0                        | 121,098          |
| Transfers                                     | 0                               | 0                                 | 0   | 0                        | 0                |
| 31/12/2015                                    | 2,475,891                       | 7,940,601                         | 939,502                                       | 134,412                  | 11,490,406       |
| <b>Amortisation or depreciation in EUR</b>    |                                 |                                   |   |                          |                  |
| 1/1/2014                                      | 1,323,306                       | 4,656,823                         | 560,440                                       | 0                        | 6,540,569        |
| Additions                                     | 65,312                          | 508,646                           | 78,899  | 0                        | 652,857          |
| Disposals                                     | 0                               | 24,161                            | 51,683  | 0                        | 75,844           |
| 31/12/2014                                    | 1,388,618                       | 5,141,308                         | 587,656                                       | 0                        | 7,117,582        |
| 1/1/2015                                      | 1,388,618                       | 5,141,308                         | 587,656                                       | 0                        | 7,117,582        |
| Additions                                     | 65,312                          | 558,003                           | 98,789  | 0                        | 722,104          |
| Disposals                                     | 0                               | 13,390                            | 58,427  | 0                        | 71,817           |
| 31/12/2015                                    | 1,453,930                       | 5,685,921                         | 628,018                                       | 0                        | 7,767,869        |
| <b>Book values in EUR</b>                     |                                 |                                   |   |                          |                  |
| 1/1/2014                                      | 1,152,585                       | 1,994,532                         | 169,046                                       | 16,663                   | 3,332,826        |
| <b>31/12/2014</b>                             | <b>1,087,273</b>                | <b>1,905,588</b>                  | <b>344,048</b>                                | <b>0</b>                 | <b>3,336,909</b> |
| 1/1/2015                                      | 1,087,273                       | 1,905,588                         | 344,048                                       | 0                        | 3,336,909        |
| <b>31/12/2015</b>                             | <b>1,021,961</b>                | <b>2,254,680</b>                  | <b>311,484</b>                                | <b>134,412</b>           | <b>3,722,537</b> |

The additions in the area of tangible assets involve mainly the purchase of technical equipment and systems by Capillary Solutions GmbH in the amount of 778 kEUR. Internally produced assets were capitalised in the amount of 97 kEUR.

Impairment losses on fixed assets were not necessary.

### 3. Other long-term financial assets and long-term receivables

The "Other assets" item includes the interest of Geratherm Medical AG held in Protembis GmbH Hamburg in the amount of 270 kEUR (9.1 % of capital stock). For the interest acquired in Protembis GmbH (270 kEUR) during the 2015 business year there was no information about the reliable assessment of a current market value for this equity instrument on the reporting date. The valuation is carried out at the amortized acquisition costs.

The Other long-term liabilities relate in the amount of 123 kEUR (2014: 269 kEUR) to the sales tax receivables of the Brazilian subsidiary Geratherm do Brasil.

### 4. Deferred Taxes

The deferred taxes representing assets and liabilities, which are balanced in the consolidated financial statements can be attributed to temporary differences between the book value in the IFRS-based consolidated financial statements and the tax book values in the following assets and to the tax losses carried forward.

|                                       | 31/12/2015          | 31/12/2014          | 31/12/2015               | 31/12/2014               | 31/12/2015           | 31/12/2014           |
|---------------------------------------|---------------------|---------------------|--------------------------|--------------------------|----------------------|----------------------|
|                                       | Deferred tax assets | Deferred tax assets | Deferred tax liabilities | Deferred tax liabilities | Deferred tax balance | Deferred tax balance |
|                                       | EUR                 | EUR                 | EUR                      | EUR                      | EUR                  | EUR                  |
| Capitalised development costs/patents | 24,351              | 50,199              | 150,665                  | 187,398                  | -126,314             | -137,199             |
| Goodwill                              | 0                   | 0                   | 19,203                   | 16,420                   | -19,203              | -16,420              |
| Losses carried forward                | 285,159             | 738,333             | 0                        | 0                        | 285,159              | 738,333              |
| <b>Total</b>                          | <b>309,510</b>      | <b>788,532</b>      | <b>169,868</b>           | <b>203,818</b>           | <b>139,642</b>       | <b>584,714</b>       |

The changes to the deferred taxes representing assets and liabilities, which are balanced in the consolidated financial statements, are shown as follows:

| Change in the balance of deferred taxes | 1/1/2015       | Change recognised in profit & loss | Change without effect on profit & loss | 31/12/2015     |
|---|----------------|------------------------------------|--|----------------|
|   | EUR            | EUR                                | EUR                                    | EUR            |
| Capitalized development costs/patents   | -137,199       | 10,885                             | 0                                      | -126,314       |
| Goodwill                                | -16,420        | -2,783                             | 0                                      | -19,203        |
| Losses carried forward                  | 738,333        | -453,174                           | 0                                      | 285,159        |
| <b>Total</b>                            | <b>584,714</b> | <b>-445,072</b>                    | <b>0</b>                               | <b>139,642</b> |

| Change in the balance of deferred taxes | 01/01/2014       | Change recognised in profit & loss | Change without effect on profit & loss | 31/12/2014     |
|---|------------------|------------------------------------|--|----------------|
|   | EUR              | EUR                                | EUR                                    | EUR            |
| Capitalized development costs/patents   | -99,263          | -37,936                            | 0                                      | -137,199       |
| Goodwill                                | -14,637          | -1,783                             | 0                                      | -16,420        |
| Losses carried forward                  | 1,197,546        | -459,213                           | 0                                      | 738,333        |
| <b>Total</b>                            | <b>1,083,646</b> | <b>-498,932</b>                    | <b>0</b>                               | <b>584,714</b> |

An income tax rate ranging between 29.13% and 31.35% (2014: between 29.13% and 30.88%) was established as basis for calculating the deferred taxation. It also includes the trade tax in addition to the corporate income tax together with the solidarity surcharge.

The deferred taxes on the assets side take into consideration the sustainable positive results reported by Geratherm Medical AG during the past fiscal years. To calculate the recoverability of the tax allocation on the assets side, which affects the losses carried forward by Geratherm Medical, the tax-related income that is planned for the core business (without financial results) for a period of five years is applied, whereas the losses carried forward of Geratherm Medical AG can presumably be implemented over the next three years according to the current planning. Since the subsidiaries that are included in the consolidated financial statements are still in part under construction and their revenue planning is still subject to the corresponding uncertainty, the deferred taxes exceeding the deferred tax liabilities from temporary differences were not applied.

#### Presentation of the deferred taxes on the assets side for the tax loss carried forward

|                                      | 2015<br>TEUR | 2014<br>TEUR |
|--------------------------------------|--------------|--------------|
| Tax loss carried forward as of 31/12 | 5,542        | 6,600        |
| Of which recoverable                 | 1,187        | 3,312        |
| <b>Deferred taxation</b>             | <b>285</b>   | <b>738</b>   |

#### 5. Inventories

|   | 31/12/2015<br>EUR | 31/12/2014<br>EUR |
|---|-------------------|-------------------|
| Raw materials, consumables and supplies | 2,148,258         | 2,103,356         |
| Unfinished goods                        | 1,317,323         | 1,753,405         |
| Finished goods                          | 1,176,455         | 1,129,865         |
| Goods                                   | 2,173,489         | 2,044,577         |
| <b>Total</b>                            | <b>6,815,525</b>  | <b>7,031,203</b>  |

The raw materials, consumables and supplies primarily include glass tubes, capillaries, shells, control units, chemical materials and electronic components.

The unfinished goods as of 31 December 2015 primarily include clinical thermometers in various stages of production as well as semi-finished warming systems and incubators.

The finished goods item mainly includes thermometers, warming systems and incubators as of 31 December 2015. The goods essentially include digital thermometers and blood pressure monitors that are earmarked for sales and produced for contracts.

Significant impairments were not required.

## 6. Trade receivables

The trade receivables are structured as follows:

|                                | 31/12/2015<br>EUR | 31/12/2014<br>EUR |
|--------------------------------|-------------------|-------------------|
| Gross sum of trade receivables | 3,175,228         | 3,040,380         |
| Devaluations                   | -50,148           | -39,067           |
| <b>Total</b>                   | <b>3,125,080</b>  | <b>3,001,313</b>  |

The shown trade receivables are due within one year and result primarily from deliveries of products and goods. The devaluations relate to receivables subject to a risk of non-payment and are recognised on the balance sheet under other expenses of the current period. Overdue debts from prior years in the amount of 114 kEUR that are no longer recoverable were derecognised.

## 7. Tax receivables

The tax receivables essentially comprise the receivable from sales tax refunds in the amount of 301 kEUR (2014: 178 kEUR) and taxes on income in the amount of 3 kEUR (2014: 18 kEUR).

## 8. Other short-term assets

The other assets essentially relate to the receivables from advances paid (110 kEUR; 2014: 109 kEUR), and from expenses paid in advance (164 kEUR; 2014: 73 kEUR).

## 9. Securities

The securities held include the following:

| 2015   | Number/<br>nominal | Book value as of<br>31/12<br>EUR | Price as at<br>31/12<br>EUR |
|--|--------------------|----------------------------------|-----------------------------|
| Epigenomics AG                                   | 222,832            | 494,687                          | 2.22                        |
| Agfa-Gevaert N.V.                                | 528,843            | 2,766,906                        | 5.23                        |
| Eckert & Ziegler Strahlen- und Medizintechnik AG | 65,000             | 1,248,000                        | 19.20                       |
| Discount classic certificate Bayer AG            | 2,580              | 255,420                          | 99.00                       |
| Discount certificate Sanofi S.A.                 | 3,625              | 250,669                          | 69.15                       |
| <b>Total</b>                                     |                    | <b>5,015,682</b>                 |                             |
| <b>2014</b>                                      |                    |                                  |                             |
| Epigenomics AG                                   | 210,100            | 1,008,900                        | 4.80                        |
| Agfa-Gevaert N.V.                                | 700,000            | 1,449,700                        | 2.07                        |
| Eckert & Ziegler Strahlen- und Medizintechnik AG | 65,000             | 1,225,250                        | 18.85                       |
| DB X-TR.ST.EU.600H.CA.S.D.ETF                    | 20,000             | 332,200                          | 16.61                       |
| FDR Acquisition Rights (Adolor)                  | 460,000            | 187,000                          | 0.41                        |
| <b>Total</b>                                     |                    | <b>4,203,050</b>                 |                             |

During the 2015 fiscal year, the level of securities was increased by means of acquisitions in the amount of 2,355 kEUR (2014: 2,520 kEUR). The level also decreased by means of sales in the amount of 2,968 kEUR (2014: 2,095 kEUR). As a result, it was possible to realise a profit contribution of 1,938 kEUR (2014: 565 kEUR).

The held securities (available-for-sale assets) are regularly audited as of the reporting date in accordance with IAS 39.58 and IAS 39.61 for any possible sustained impairment. In case of equity instruments classified as held for sale, a significant or longer lasting decrease in the fair value of the instrument would present an objective indication for a sustained impairment under its acquisition costs. The decision as to what “significant” or “lasting” may mean, is a discretionary decision. As part of this decision, the management board values in addition to other factors the price fluctuations in the past, the duration and scope, in which the fair value of a financial investment is below its acquisition costs. Accordingly, a sustained impairment exists when the fair value as of the reporting date has declined by more than 20% under the acquisition costs or on the reporting date, a decline in the fair value has occurred over a period of nine months.

For the 2015 business year, an impairment in the amount of 532 kEUR was carried out according to IAS 39.67 with regard to shares of Epigenomics AG. The item FDR Acquisition Rights (formerly Adolor) was completely written off in the amount of 187 kEUR, after Merck closed the development center of the former Adolor. As a result, we no longer anticipate an additional remuneration from this security, since the underlying development of a pharmaceutical active substance was discontinued.

As per balance sheet date 31 December 2015, the market assessment reserve was due to the sales of securities and exchange rate changes 865 kEUR (2014: 659 kEUR). The change in the amount of 206 kEUR comprises disposals of valuation reserve mainly by way of sales of securities (506 kEUR), depreciations with effect on the profit/loss statement (47 kEUR) and write-ups (759 kEUR).

## 10. Cash and cash equivalents

|                                  | 31/12/2015<br>kEUR | 31/12/2014<br>kEUR |
|----------------------------------|--------------------|--------------------|
| Cash on hand                     | 13                 | 8                  |
| Credit balances with banks       | 9,670              | 8,861              |
| <b>Cash and cash equivalents</b> | <b>9,683</b>       | <b>8,869</b>       |

Of which credit balances with banks in the amount of 5,555 kEUR (2014: 5,520 kEUR) are invested at the prevailing market rates and are available daily.

## EQUITY AND LIABILITIES

### Equity capital

The change in the equity capital structure can be noted in the consolidated statement of change to shareholders' equity.

### 11. Subscribed capital

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 Dec. 2015 and is divided into 4,949,999 share certificates issued to the bearers.

The subscribed capital has been paid in full. As of the reporting date there were no own shares held by the company. The number of shares in circulation was 4,949,999 during the 2015 fiscal year.

## Authorised capital

The management board was authorised to increase the capital stock of the company subject to the approval of the supervisory board by issuing up to a maximum 2,474,999 new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999 by 5 June 2016.

## Purchase of own shares

The company is authorised to purchase own shares up to a portion of the capital stock not exceeding 10% until 4 June 2020. The purchase price paid by the company may not be more than 10 % above or below the arithmetic mean of the prices determined for the company's share in the opening auction in XETRA trading (or a comparable successor system designated by Deutsche Börse AG) during the last five trading days prior to acquisition.

The management board is also authorised to resell own shares purchased on the basis of the authorisation as per Art. 71 Para. 1 (8) of AktG with the approval of the supervisory board while observing the principle of equal treatment (Art. 53a of AktG) for other purposes than trading in its own shares. The acquired own shares may be sold via the stock exchange. In this regard, the buying option of shareholders is excluded.

The management board is also authorised to redeem own shares of the company that were purchased based on this authorisation without having the general meeting convene to pass another resolution for the performance of this redemption.

The management board is authorised until 4 June 2020 to purchase shares of the company in order to be able to offer own shares to third parties as part of a merger with companies or the purchase of companies or holdings thereof, whereby the buying option of shareholders to own shares is excluded. This authorisation is limited to the purchase of a portion of the capital stock, which may not exceed 10%. The authorisation may be exercised in full or in part.

The authorisation of the general meeting of shareholders on 7 June 2010 to purchase own shares was cancelled with the new authorisation resolution coming into force.

Geratherm Medical AG has not yet made use of such authorisations.

## 12. Capital reserves

The capital reserve shows the amount that was realised, exceeding the nominal amount, with the issuance of the shares after deducting the costs of procuring equity as part of the IPO. They are limited in relation to the parent company according to Germany's corporate law regulations with regard to their usefulness. The capital reserve moreover contains the difference between the value of the issued shares and the fair value of consideration of transactions with shareholders of minority interests.

## 13. Other reserves

The development of the other reserves is shown in the consolidated statement of changes to shareholders' equity.

## Market valuation reserve

The change in price of the securities adjusted by the valuation allowances entered with effect on the income was reported in the market valuation reserve item shown in the equity capital as of the reporting date in accordance with the provisions of IAS 39. As at 31 December 2015, the market valuation reserve totals 865 kEUR (2014: 659 kEUR). Material tax effects are not incurred due to corporate tax regulations with regard to participation in other legal entities and groups of persons.

## Currency conversion reserve

The currency conversion reserve in the amount of 117 kEUR (2014: 17 kEUR) is based on the consolidation of the financial statements of Geratherm do Brasil Ltda and LMT Medical Systems Inc., which are prepared in a foreign currency.

## Accumulated earnings

The accumulated earnings are calculated based on the results brought forward as of the reporting date 31 Dec. 2015 ( 4,047 kEUR; 2014: 3,553 kEUR), the adjustment of minority interests of LMT Medical Systems Inc. (30 kEUR; 2014: 0 kEUR), the current net income for the year, which can be attributed to the shareholders of the parent company ( 2,701 kEUR; 2014: 1,682 kEUR) less the distributed dividend ( 1,237 kEUR; 2014: 1,188 kEUR).

The management board and supervisory board will propose to the general meeting in June 2016 to distribute a dividend of EUR 0.50 per share for the 2015 fiscal year.

Besides the solidarity surcharge, capital gains tax will be applied to this year's disbursement.

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognised capital contributions account shall be used for the planned disbursement of the dividend amounting to EUR 0.50 per share for 2015 (altogether 2,475 kEUR).

For the 2015 business year, the earned distributable profit amounts to 3,583 kEUR and is not utilised in full by the planned dividend disbursement such that access to the tax-recognised capital contributions account that continues to exist with 15,206 kEUR is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.4 % (653 kEUR) to the full disbursement amount of 2,475 kEUR.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-free from the tax-recognised capital contributions account.

## 14. Non-controlling shares in equity capital

|   | Total<br>kEUR |
|---|---------------|
| <b>Minority interests as of 1/1/2015</b>  | <b>-366</b>   |
| Interest-proportional increase in capital of Geratherm do Brasil Ltda.                          | 85            |
| Adjustment of minority interests LMT Medical Systems Inc.                                       | 15            |
| Purchase of shares in apoplex medical technologies GmbH from shareholders of minority interests | -83           |
| Currency translation in Group   | 90            |
| Result attributable to non-controlling shares   | -310          |
| <b>Minority interests as of 31/12/2015</b>  | <b>-569</b>   |



The following tables contain information about each subsidiary of the group with key non-controlling shares prior to intragroup eliminations as at 31 December 2015 and 31 December 2014:

| 2015<br>in kEUR  | LMT<br>Medical<br>Systems<br>GmbH<br><br>Lübeck             | LMT<br>Medical<br>Systems<br>Inc.<br><br>Ohio/USA | apoplex<br>medical<br>techno-<br>logies<br>GmbH<br>Pirmasens             | Geratherm<br>Medical do<br>Brasil Ltda.<br><br>Sao Paulo/<br>Brazil             | Geratherm<br>Respiratory<br>GmbH<br><br>Bad<br>Kissingen             | Cumulative<br>effects of<br>change in<br>share quota           | Total        |
|--|---|---|--|---|--|--|--------------|
| Percentage of minority interests                                   | 33.33 %   | 33.33 %   | 41.24 %  | 49.00 %   | 38.73 %  |  |              |
| Long-term assets   | 357   | 0   | 54   | 193   | 55   |  |              |
| Short-term assets  | 1,230   | 115   | 368  | 1,217   | 872  |  |              |
| Long-term liabilities  | -377  | 0   | -1,201   | -1,777  | -450   |  |              |
| Short-term liabilities   | -430  | -32   | -42  | -676  | -242   |  |              |
| <b>Net assets</b>  | <b>780</b>  | <b>83</b>   | <b>-821</b>  | <b>-1,043</b>   | <b>235</b>   |  |              |
| Book value of minority interests                                   | 260   | 28  | -339   | -511  | 91   | -98  | -569         |
| Sales revenues   | 2,331   | 1,006   | 689  | 1,784   | 2,389  |  |              |
| <b>Net profit (-loss) for the year</b>                             | <b>233</b>  | <b>2</b>  | <b>44</b>  | <b>-987</b>   | <b>196</b>   |  |              |
| Minority interests of attributable net profit (-loss) for the year | 79  | 1   | 18   | -484  | 76   | 0  | -310         |
| Cash inflow/(outflow) from operating activities                    | 263   | 1   | 50   | 225   | 341  |  |              |
| Cash inflow/(outflow) from investment activities                   | -158  | 0   | -42  | -3  | -17  |  |              |
| Cash inflow/(outflow) from financing activities                    | -150  | 0   | 0  | -225  | -110   |  |              |
| <b>Net increase/(-decrease) in liquid resources</b>                | <b>-45</b>  | <b>1</b>  | <b>8</b>   | <b>-3</b>   | <b>214</b>   |  |              |
| <b>2014<br/>in kEUR</b>  | <b>LMT<br/>Medical<br/>Systems<br/>GmbH<br/><br/>Lübeck</b> |   | <b>apoplex<br/>medical<br/>techno-<br/>logies<br/>GmbH<br/>Pirmasens</b> | <b>Geratherm<br/>Medical do<br/>Brasil Ltda.<br/><br/>Sao Paulo/<br/>Brazil</b> | <b>Geratherm<br/>Respiratory<br/>GmbH<br/><br/>Bad<br/>Kissingen</b> | <b>Cumulative<br/>effects of<br/>change in<br/>share quota</b> | <b>Total</b> |
| Percentage of minority interests                                   | 33.33 %   |   | 42.08 %  | 49.00 %   | 38.73 %  |  |              |
| Long-term assets   | 276   |   | 25   | 348   | 55   |  |              |
| Short-term assets  | 1,167   |   | 346  | 2,126   | 762  |  |              |
| Long-term liabilities  | -527  |   | -1,200   | -628  | -450   |  |              |
| Short-term liabilities   | -369  |   | -37  | -2,250  | -329   |  |              |
| <b>Net assets</b>  | <b>547</b>  |   | <b>-866</b>  | <b>-404</b>   | <b>38</b>  |  |              |
| Book value of minority interests                                   | 182   |   | -364   | -198  | 15   | -1   | -366         |
| Sales revenues   | 718   |   | 544  | 2,966   | 1,760  |  |              |
| <b>Net profit (-loss) for the year</b>                             | <b>251</b>  |   | <b>-62</b>   | <b>-342</b>   | <b>82</b>  |  |              |
| Minority interests of attributable net profit (-loss) for the year | 84  |   | -26  | -168  | 32   | 0  | -78          |
| Cash inflow/(outflow) from operating activities                    | -221  |   | -169   | -341  | 53   |  |              |
| Cash inflow/(outflow) from investment activities                   | -177  |   | -24  | -14   | -41  |  |              |
| Cash inflow/(outflow) from financing activities                    | 520   |   | 330  | 349   | -12  |  |              |
| <b>Net increase/(decrease) in liquid resources</b>                 | <b>122</b>  |   | <b>137</b>   | <b>-6</b>   | <b>0</b>   |  |              |

## 15. Long-term liabilities to banks

Geratherm Medical AG received on 4/11 September 2009 a loan in the amount of 2,000 kEUR from the re-financing funds of the aid program "GuW Plus – Gründungs- und Wachstumsfinanzierung" (start-up and growth financing) of Thüringer Aufbaubank (TAB), which was granted through Commerzbank AG. The loan was paid back in full as agreed upon by 30 Sept. 2015. The assignment of the entire stock of Geratherm Medical AG in Geschwenda as collateral was returned by Commerzbank AG.

On 22 November 2012, Geratherm Medical AG formed an additional entrepreneur loan agreement with Kreditanstalt für Wiederaufbau in the amount of 3,000 kEUR, which was also extended by the Commerzbank AG. The loan bears 1.40% interest over the entire term till 30 December 2017. The amortisation rate is quarterly 187.5 kEUR, starting on 31 March 2014. The loan was paid out in full on 5 December 2012.

The loan agreement envisages the compliance with certain key financial figures "equity ratio" and "net debt equity ratio". As of the reporting date, these key financial figures have been observed.

Multiple loans with a nominal value of 1,150 kEUR were moreover extended and taken out with regard to Geratherm do Brasil with terms extending up to 2016 or 2018. Except for one loan, these loans have fixed interest rates ranging between 10.3% and 21.9%.

Part of the loans amounting to 1,145 kEUR has a remaining term of up to one year and part amounting to 1,533 kEUR has a remaining term of two to five years.

## 16. Accrued investment subsidies

The item shown in the balance sheet in the amount of 474 kEUR (2014: 586 kEUR) relates to the investment grants and subsidies that have been received and which are released to income in accordance with the useful life of the assets they financed. This item basically has long-term character.

Investment grants and subsidies are awarded on the condition precedent that the tangible assets acquired with such remain in the company's assets or in the designated area eligible for development assistance during the binding period. All validity periods have elapsed as of the reporting date.

## 17. Other long-term financial liabilities

In the group, the liabilities arising from the bullet bonds of the minority shareholders of apoplex medical technologies GmbH in the amount of 477 kEUR (2014: 477 kEUR) and Geratherm Respiratory GmbH in the amount of 119 kEUR (2014: 119 kEUR), Geratherm do Brasil Ltda. in the amount of 88 kEUR (2014: 0 kEUR) and LMT Medical Systems GmbH 107 kEUR (2014: 107 kEUR) are reported. The loans have a one-year term and fixed interest rates ranging between 0.0 % and 10.0 %.

## 18. Short-term liabilities to banks

As of the reporting date there were in the group short-term liabilities to banks in the amount of 1,145 kEUR (2014: 2,109 kEUR). Of this, 750 kEUR (2014: 1,050 kEUR) concern the loans of Geratherm Medical AG, the availment of open credit lines by our subsidiaries Geratherm Respiratory GmbH in the amount of 0 kEUR (2014: 110 kEUR) and short-term share of loans of Geratherm do Brasil in the amount of 395 kEUR (2014: 948 kEUR).

## 19. Trade accounts payables

The trade payables are included at their repayment value. Corresponding accrued liabilities have been formed for outstanding invoices for deliveries and services on the reporting date. The liabilities fall due within one year. The usual rights to retention of title from the delivery of raw materials, consumables and supplies as well as goods are applicable.

## 20. Tax liabilities

The tax liabilities shown here relate to liabilities from income taxes at 542 kEUR (2014: 138 kEUR), wage taxes 53 kEUR (2014: 74 kEUR) and sales taxes 43 kEUR (2014: 7 kEUR).

## 21. Other short-term liabilities

|                          | 31/12/2015<br>kEUR | 31/12/2014<br>kEUR |
|--------------------------|--------------------|--------------------|
| Accrued liabilities      | 1,439              | 864                |
| Other liabilities        | 275                | 477                |
| <b>Other liabilities</b> | <b>1,714</b>       | <b>1,341</b>       |

### Accrued liabilities

The accrued liabilities include the following:

|                               | 31/12/2014<br>kEUR | Consumption<br>kEUR | Dissolution<br>kEUR | Addition<br>kEUR | 31/12/2015<br>kEUR |
|-------------------------------|--------------------|---------------------|---------------------|------------------|--------------------|
| Staff related                 | 191                | -168                | -6                  | 193              | 210                |
| Bonuses, commissions, credits | 86                 | -58                 | 0                   | 134              | 162                |
| Outstanding invoices          | 293                | -202                | -1                  | 636              | 726                |
| Other                         | 294                | -185                | -12                 | 244              | 341                |
| <b>Total</b>                  | <b>864</b>         | <b>-613</b>         | <b>-19</b>          | <b>1,207</b>     | <b>1,439</b>       |

The accrued liabilities for leave not yet taken are valued on the basis of the salary plus social security contributions.

The other liabilities primarily include significant liabilities from wage payments in the amount of 180 kEUR (2014: 151 kEUR) and social security liabilities in the amount of 15 kEUR (2014: 12 kEUR).

All other liabilities shown here fall due within one year.

## Notes to consolidated profit and loss statement

### 22. Sales revenues

Sales revenues based on product groups:

|                       | 2015<br>kEUR  | 2014<br>kEUR  | Change<br>in % |
|-----------------------|---------------|---------------|----------------|
| Healthcare Diagnostic | 13,445        | 12,156        | +10.6          |
| Respiratory           | 3,758         | 4,157         | -9.6           |
| Warming Systems       | 3,697         | 1,860         | +98.8          |
| Cardio/Stroke         | 689           | 542           | +27.1          |
| <b>Total</b>          | <b>21,589</b> | <b>18,715</b> | <b>+15.4</b>   |

Sales revenues by regions:

|               | 2015<br>kEUR  | 2014<br>kEUR  | Change<br>in % |
|---------------|---------------|---------------|----------------|
| Europe        | 11,444        | 8,553         | +33.8          |
| South America | 1,937         | 3,096         | -37.4          |
| Germany       | 2,915         | 3,173         | -8.1           |
| Middle East   | 1,783         | 1,502         | +18.7          |
| USA           | 2,327         | 1,305         | +78.3          |
| Other         | 1,183         | 1,086         | +8.9           |
| <b>Total</b>  | <b>21,589</b> | <b>18,715</b> | <b>+15.4</b>   |

The "Other" item mainly encompasses sales in Asia in the amount of 718 kEUR (2014: 683 kEUR) and Africa in the amount of 449 kEUR (2014: 396 kEUR).

### 23. Other operating income

The other operating income includes amortisation of capitalised grants and subsidies in the amount of 111 kEUR (2014: 112 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2015: 491 kEUR; 2014: 353 kEUR).

### 24. Cost of materials

The costs of materials primarily relate to raw materials, consumables and supplies, trade goods, heating expenses, energy costs and external services.

### 25. Personnel expenses

The personnel expenses in the 2015 fiscal year amounted in total to 5,127 kEUR (2014: 4,386 kEUR). The accounts for this fiscal year included contributions of 345 kEUR (2014: 278 kEUR) made by the employer to the statutory pension scheme. The statutory pension scheme is a contribution-oriented pension scheme within the meaning of IAS 19.

## 26. Amortisation or depreciation

The write-offs increased by +17.6 % to 889 kEUR (2014: 756 kEUR).

## 27. Other operating expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (2,073 kEUR; 2014: 2,028 kEUR) and administrative expenses (EUR 2,392 kEUR; 2014: 2,288 kEUR). The expenses occurring in connection with foreign currency translation during the fiscal year increased to 657 kEUR (2014: 134 kEUR). The increase in the other operating expenses results primarily from the expenses arising in connection with the foreign currency translation of business activities in Brazil (501 kEUR) and the derecognition of probably unrecoverable claims in the amount of 114 kEUR of the subsidiary Geratherm do Brasil Ltda.

## 28. Financial results

The financial results are 794 kEUR (2014: -164 kEUR) during the year under review. These included dividend income (39 kEUR; 2014: 36 kEUR), gains from sales of securities (1,938 kEUR; 2014: 565 kEUR), devaluation of the securities due to sustained impairment with effect on the income (719 kEUR; 2014: 363 kEUR), expenses occurring in connection with the securities (170 kEUR; 2014: 97 kEUR), interests earned (11 kEUR; 2014: 21 kEUR) and interests paid (305 kEUR; 2014: 325 kEUR).

## 29. Income taxes

The expenses from taxes encompasses both the actual income taxes to be paid as well as the deferred taxes and may be broken down as follows:

|                                     | 2015<br>kEUR | 2014<br>kEUR |
|-------------------------------------|--------------|--------------|
| Actual taxes                        | -491         | -148         |
| Deferred Taxes                      | -445         | -499         |
| <b>Income tax according to IFRS</b> | <b>-936</b>  | <b>-647</b>  |

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 31.35 % (2014: 29.72%) is applied as the applicable tax rate for offsetting and reconciliation. The relevant tax rate for domestic companies in the concluded fiscal year fluctuated between 29.13% and 31.35% depending on the location.

|   | 2015<br>kEUR | 2014<br>kEUR |
|---|--------------|--------------|
| <b>Results before income taxes</b>                                | <b>3,328</b> | <b>2,251</b> |
| Tax expenses to be expected                                       | -1,043       | -667         |
| Tax-free income, non-deductible expenses and permanent deviations | 310          | 55           |
| Change in valuation of tax losses carried forward                 | -284         | -95          |
| Tax rate changes  | -55          | 0            |
| Taxes unrelated to the accounting period                          | 21           | 0            |
| Other   | 115          | 60           |
| <b>Income tax according to IFRS</b>                               | <b>-936</b>  | <b>-647</b>  |

### 30. Earnings per share

The undiluted earnings per share are based on the profits of the shareholders of the parent company (EAT) divided by the weighted average number of outstanding shares.

|   | 2015        | 2014        |
|---|-------------|-------------|
| Results that can be attributed to the shareholders of the parent company (kEUR) | 2,701       | 1,682       |
| Weighted average number of outstanding shares (in thousands)                    | 4,950       | 4,950       |
| <b>Undiluted earnings per share (EUR)</b>                                       | <b>0.55</b> | <b>0.34</b> |
| <b>Diluted earnings per share (EUR)</b>   | <b>0.55</b> | <b>0.34</b> |

|  | 2015<br>in thousands | 2014<br>in thousands |
|--|----------------------|----------------------|
| Nominal capital in no-par shares             | 4,950                | 4,950                |
| <b>Weighted number of outstanding shares</b> | <b>4,950</b>         | <b>4,950</b>         |

The diluted earnings per share correspond to the undiluted earnings per share..

### Relationships with related parties and persons

Relationships with related parties as defined by IAS 24 exist with GMF Capital GmbH, Hamburg (GMF). GMF holds a 51.77 % share in Geratherm Medical AG. GMF share-holder and thus ultimate controlling party as defined by IAS 24.13 is the executive chairman Dr. Frank. Expenses in the amount of 251 kEUR (2014: 197 kEUR) were recorded for the services performed by the executive chairman Dr. Frank for GMF during the 2015 fiscal year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2014: 86 kEUR), a performance bonus and a bonus payment based on the financial results posted for 2014 and 2015. This financial bonus complies with the contractual provisions.

The subsidiary Geratherm Respiratory GmbH, Bad Kissingen, booked the expense for the management remuneration to GMF Capital GmbH in the amount of 12 kEUR in 2015. These bookings are directly connected with fulfilling the position of managing director at Geratherm Respiratory GmbH and reflect the received or deferred remunerations of this activity for the 2015 business year. Sensor Systems GmbH in Steinbach-Hallenberg also posted the expense for the management remuneration in 2015 for the activity as managing director in the amount of 12 kEUR.

As of the reporting date 31 December 2015 there were no outstanding accounts owed by GMF. A liability vis-a-vis GMF in the amount of 161 kEUR (2014: 101 kEUR) was discontinued as of the reporting date.

The transactions with affiliated companies and persons are concluded and performed under conditions equivalent to those for third parties.

There were no accounts receivable from supervisory board members as of the balance sheet date, as during the 2014 fiscal year. The supervisory board's compensation is recognised in the Other Information.

In 2015 there were no notifications according to Art. 21 Para. 1 of WpHG (Securities Trade Act).

## Other financial obligations

| As of 31 December 2015  | Total | < 1 year | 1–5 years | > 5 years |
|---|-------|----------|-----------|-----------|
| Other financial commitments from lease agreements kEUR  | 424   | 342      | 82        | 0         |
| Other financial commitments from obligation to accept kEUR                                    | 170   | 170      | 0         | 0         |
| Other financial commitments from obligation to accept and inventory purchase commitments kEUR | 909   | 909      | 0         | 0         |
| As of 31 December 2014  | Total | < 1 year | 1–5 years | > 5 years |
| Other financial commitments from lease agreements kEUR  | 268   | 233      | 35        | 0         |
| Other financial commitments from obligation to accept kEUR                                    | 334   | 115      | 219       | 0         |
| Other financial commitments from obligation to accept and inventory purchase commitments kEUR | 1,017 | 1,017    | 0         | 0         |

The group has entered various rental and leasing agreements with regard to administrative and business premises, vehicles and a phone system as well as for software service agreements. The financial obligations in this regard amount to 424 kEUR (2014: 268 kEUR) for 2015 and subsequent years.

The other purchase commitments mainly comprise purchase commitments from framework agreements to safeguard the production of warming systems for 2016 and purchase commitments from an order for the purchase of merchandise.

## Auditor fees

In 2015, 57 kEUR (2014: 55 kEUR) was entered as expenditure for the audit services, 0 kEUR (2014: 1 kEUR) for other assurance services and 5 kEUR (2014: 7 kEUR) as expenditure for tax consultancy services.

## 31. Segment information

The operating segments are presented in the current financial statements in accordance with IFRS 8. The operating segments are defined on the basis of the internal group report to the key decision-makers. The following reportable group's segments have been identified:

### Healthcare Diagnostic

- Analog and Digital Products for Measuring the Body's Temperature
- Blood Pressure Monitors
- Other products for measuring temperature and accessories
- Women's Care

## Medical Warming Systems

- Products for maintaining the body's temperature during operations and in rescue situations
- MR diagnostic incubator system for premature newborns

## Cardio/Stroke

- Technological products for preventing strokes

## Respiratory

- Products designed for pulmonary functional diagnostics.

In the existing market segment report, the segment revenues, operating results (earnings before interests and taxes) and amortisation and depreciation based on the relevant tax parameters for Geratherm are shown. The figures indicated correspond to the company's internal reports. Income, expenses, assets and debts between the segments are presented prior to consolidation. The consolidation necessary for reconciliation to group figures relates primarily to the segments Respiratory and Healthcare Diagnostic and is due to the internal revenue with our subsidiary in Brazil and the Sensor Systems GmbH with Geratherm Respiratory GmbH. The reconciliation statement shows the income and expenses or assets which cannot be directly assigned to the segments. The segment assets and debts are not part of our internal reports. The values were directly assigned to the segments or distributed on the basis of sales.

Segmentation according to regions was maintained in accordance with the previous year and is arranged according to the sales markets of the group. The geographical information was provided for Germany, Europe, USA, South America and other countries. Internal sales are reported in the segment's sales figure.

In the South America segment, the main sales were generated with Brazil in the amount of 1,787 kEUR (2014: 2,920 kEUR) and in the Europe segment, the main sales were generated with Italy in the amount of 4,280 kEUR (2014: 3,230 kEUR).

Deferred taxes are not assigned to a specific segment, since this also did not happen in the internal reporting. Deferred taxes are thus not included in the sum of the segment assets.

The reconciliation of the segment assets in the segment report based on product areas is made up of the following cash or cash equivalents, securities portfolios and investments of Geratherm Medical AG, which are not assigned to a specific segment. These comprise the following:

|   | 2015<br>kEUR  | 2014<br>kEUR  |
|---|---------------|---------------|
| Financial assets of Geratherm Medical AG          | 270           | 0             |
| Securities of Geratherm Medical AG                | 5,016         | 4,203         |
| Cash and cash equivalents of Geratherm Medical AG | 9,119         | 8,025         |
| <b>Total</b>                                      | <b>14,405</b> | <b>12,228</b> |



*Group segment report for the period  
from 1 January to 31 December 2015*

| Based on product groups  | Healthcare Diagnostic | Respiratory         | Warming Systems     | Cardio/Stroke       | Consolidation       | Reconciliation      | Total               |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2015   | January to December   | January to December | January to December | January to December | January to December | January to December | January to December |
|  | kEUR                  | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                |
| Segment sales  | 14,679                | 3,461               | 4,041               | 689                 | -1,281              | 0                   | 21,589              |
| <b>Operating results</b>   | <b>2,035</b>          | <b>349</b>          | <b>370</b>          | <b>45</b>           | <b>140</b>          | <b>-405</b>         | <b>2,534</b>        |
| including: Amortisation of intangible assets and depreciation of tangible assets | 606                   | 22                  | 92                  | 14                  | 5                   | 150                 | 889                 |
| <b>Segment assets</b>  | <b>10,088</b>         | <b>2,028</b>        | <b>3,166</b>        | <b>421</b>          | <b>0</b>            | <b>14,405</b>       | <b>30,108</b>       |
| <b>Segment debts</b>   | <b>6,155</b>          | <b>532</b>          | <b>1,102</b>        | <b>520</b>          | <b>0</b>            | <b>0</b>            | <b>8,309</b>        |
| For information only:  |                       |                     |                     |                     |                     |                     |                     |
| Segment sales  | 14,679                | 3,461               | 4,041               | 689                 | -1,281              | 0                   | 21,589              |
| Elimination of intra-group sales   | -1,234                | 297                 | -344                | 0                   | 1,281               | 0                   | 0                   |
| <b>Sales revenues on third parties</b>   | <b>13,445</b>         | <b>3,758</b>        | <b>3,697</b>        | <b>689</b>          | <b>0</b>            | <b>0</b>            | <b>21,589</b>       |

| Based on product groups  | Healthcare Diagnostic | Respiratory         | Warming Systems     | Cardio/Stroke       | Consolidation       | Reconciliation      | Total               |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2014   | January to December   | January to December | January to December | January to December | January to December | January to December | January to December |
|  | kEUR                  | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                |
| Segment sales  | 13,349                | 3,855               | 1,531               | 544                 | -564                | 0                   | 18,715              |
| <b>Operating results</b>   | <b>1,870</b>          | <b>203</b>          | <b>227</b>          | <b>-28</b>          | <b>-30</b>          | <b>173</b>          | <b>2,415</b>        |
| including: Amortisation of intangible assets and depreciation of tangible assets | 597                   | 42                  | 59                  | 8                   | -20                 | 70                  | 756                 |
| <b>Segment assets</b>  | <b>10,572</b>         | <b>2,076</b>        | <b>2,658</b>        | <b>370</b>          | <b>0</b>            | <b>12,228</b>       | <b>27,904</b>       |
| <b>Segment debts</b>   | <b>6,286</b>          | <b>693</b>          | <b>653</b>          | <b>514</b>          | <b>0</b>            | <b>0</b>            | <b>8,146</b>        |
| For information only:  |                       |                     |                     |                     |                     |                     |                     |
| Segment sales  | 13,349                | 3,855               | 1,531               | 544                 | -564                | 0                   | 18,715              |
| Elimination of intra-group sales   | -1,193                | 302                 | 329                 | -2                  | 564                 | 0                   | 0                   |
| <b>Sales revenues on third parties</b>   | <b>12,156</b>         | <b>4,157</b>        | <b>1,860</b>        | <b>542</b>          | <b>0</b>            | <b>0</b>            | <b>18,715</b>       |

*Group segment report for the period  
from 1 January to 31 December 2015*

| By region   | Europe              | South America       | Germany             | Middle East         | USA                 | Other               | Total               |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2015  | January to December | January to December | January to December | January to December | January to December | January to December | January to December |
|   | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                |
| Sales revenues  | 11,444              | 2,045               | 3,464               | 1,783               | 2,951               | 1,183               | 22,870              |
| Elimination of intragroup sales   | 0                   | -108                | -549                | 0                   | -624                | 0                   | -1,281              |
| Sales revenues on third parties   | 11,444              | 1,937               | 2,915               | 1,783               | 2,327               | 1,183               | 21,589              |
| Gross profit or loss  | 7,499               | 1,181               | 1,973               | 1,168               | 1,525               | 776                 | 14,122              |
| Operating results   | 1,700               | -400                | 447                 | 265                 | 346                 | 176                 | 2,534               |
| including:<br>Amortisation or depreciation of intangible assets and tangible assets | 509                 | 12                  | 134                 | 79                  | 103                 | 52                  | 889                 |
| Amortisation of public grants and subsidies   | 65                  | 0                   | 16                  | 10                  | 13                  | 7                   | 111                 |
| Acquisition costs of fixed assets for the period                                    | 0                   | 3                   | 1,203               | 0                   | 0                   | 0                   | 1,206               |
| Segment assets  | 0                   | 1,334               | 28,685              | 0                   | 89                  | 0                   | 30,108              |

| By region   | Europe              | South America       | Germany             | Middle East         | USA                 | Other               | Total               |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2014  | January to December | January to December | January to December | January to December | January to December | January to December | January to December |
|   | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                | kEUR                |
| Sales revenues  | 8,553               | 3,405               | 3,428               | 1,502               | 1,305               | 1,086               | 19,279              |
| Elimination of intragroup sales   | 0                   | -309                | -255                | 0                   | 0                   | 0                   | -564                |
| Sales revenues on third parties   | 8,553               | 3,096               | 3,173               | 1,502               | 1,305               | 1,086               | 18,715              |
| Gross profit or loss  | 5,687               | 1,651               | 2,134               | 999                 | 868                 | 722                 | 12,061              |
| Operating results   | 1,286               | 62                  | 482                 | 226                 | 196                 | 163                 | 2,415               |
| including:<br>Amortisation or depreciation of intangible assets and tangible assets | 406                 | 14                  | 152                 | 71                  | 62                  | 51                  | 756                 |
| Amortisation of public grants and subsidies   | 61                  | 0                   | 23                  | 11                  | 9                   | 8                   | 112                 |
| Acquisition costs of fixed assets for the period                                    | 0                   | 14                  | 836                 | 0                   | 0                   | 0                   | 850                 |
| Segment assets  | 0                   | 2,334               | 25,570              | 0                   | 0                   | 0                   | 27,904              |

## Notes on Cash Flow Statement

### 32. Gross Cash Flow, Cash and Cash Equivalents

The gross cash flow is determined according to the indirect method. It is calculated by adding the consolidated profits before taxes and dividends received to depreciations of fixed assets, minus profits (losses) from the sales of securities, depreciations of securities, amortisation of grants and subsidies on the liabilities side and the change in long-term accruals.

The cash and cash equivalents encompass the cash on hand and bank balances.

### 33. Cash flow from operations

The cash flow before any change in the commitment of funds in the amount of 3,256 kEUR (2014: 2,592 kEUR) is set against changes in the operating funds.

Altogether, the consolidated net income for the year and the funds tied up in short-term assets result in an inflow of funds from operations in the amount of 3,774 kEUR (2014: 676 kEUR). Adjusting the prior year for presentation of exchange-rate-related changes in cash and cash equivalents in the amount of 276 kEUR resulted in an inflow of funds from business operations in the prior year of 676 kEUR (prior to adjustment 952 kEUR).

The capital flow statement for 2015 includes in detail the payments received from interests (11 kEUR; 2014: 21 kEUR) and dividends (39 kEUR; 2014: 36 kEUR) and outgoing payments from interests (305 kEUR; 2014: 325 kEUR) and payments for taxes (cash outflow 71 kEUR; 2014: cash inflow 147 kEUR).

### 34. Cash flow from investments

The purchase of fixed assets, financial assets and intangible assets, including development costs, result in expenses in the amount of 781 kEUR (2014: 497 kEUR). That essentially included the purchase of tangible assets in the amount of 378 kEUR for the newly founded Capillary Solutions GmbH.

Cash inflow and outflow based on financial assets are explained in Section 9 of these Notes.

### 35. Cash flow from financing activities

The cash flow from financing activities mainly encompassed the outflow of funds from the dividend payments amounting to 1,237 kEUR (2014: 1,188 kEUR) and repayment of loan liabilities in the amount of 2,709 kEUR (2014: 2,172 kEUR). New loans were taken out in the amount of 1,151 kEUR (2014: 1,330 kEUR).

## Capital management

Primary objective of the company is to sustainably ensure the financial equilibrium, while efficiently allocating the capital resources available to the group (equity capital) to the business areas at the same time. In this case an internal capital allocation rate is applicable, which allows for monitoring the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. Financial security is gauged primarily by the equity-to-assets ratio and liquidity. The operative and strategic management of capital is an integral part of the company's internal reporting system. The capital comprises the issued shares, capital reserves and other reserves. The capital of the parent company's shareholders is 22,508 kEUR (2014: 20,709 kEUR) as of the reporting date such that an equity-to-assets ratio can be derived based on the group's entire capital of 74.4% (2014: 72.7%).

## Financial instruments

a) Financial instruments in the balance sheet

The financial instruments being used in the group can be broken down as follows:

| Classification  | Valuation methods  | Book value    | Book value    |
|---|--|---------------|---------------|
|   |  | 31/12/2015    | 31/12/2014    |
|   |  | kEUR          | kEUR          |
| <b>I. Financial assets not measured at fair value</b>         | <b>Net book value</b>  | <b>270</b>    | <b>15</b>     |
| Participating interests                                       |  | 270           | 15            |
| <b>II. Securities - „Financial assets available for sale“</b> |  | <b>5,016</b>  | <b>4,203</b>  |
| Securities - „Financial assets available for sale“            | Valuation not affecting net income at the current market value             | 4,521         | 2,978         |
| Securities - „Financial assets available for sale“            | Valuation adjustment with effect on the income at the current market value | 495           | 1,225         |
| <b>III. Credits and accounts receivable</b>                   | <b>Net book value</b>  | <b>13,255</b> | <b>12,132</b> |
| 1. Trade receivables  |  | 3,125         | 3,001         |
| 2. Other assets   |  | 447           | 262           |
| 3. Cash in hand and cash in banks                             |  | 9,683         | 8,869         |
| <b>IV. Financial liabilities not measured at fair value</b>   |  | <b>-5,559</b> | <b>-6,312</b> |
| 1. Other long-term debts                                      |  | -791          | -703          |
| 2. Liabilities to banks                                       |  | -2,678        | -4,236        |
| 3. Liabilities from down payments received                    |  | -306          | -64           |
| 4. Trade accounts payables                                    |  | -1,707        | -998          |
| 5. Other short-term liabilities (only financial instruments)  |  | -77           | -311          |

Hedging activities within the meaning of IAS 39 were not made this year nor in the past.

The financial assets are not used to secure liabilities nor contingent liabilities. Decline in values, provided such is to be implemented, is reported directly in the respective balance sheet item.

Since the book value of the credits and accounts receivables and financial liabilities not measured at fair value within the meaning of IFRS 7.29 (a) represents a reasonable approximation of the current fair value, the current fair value is not indicated. These financial instruments are not valued at fair value. The valuation of the securities available for sale conducted at fair value is implemented according to Level 1 (IFRS 13.93).

## b) Profits and losses from financial instruments

The profits and losses, which have occurred in connection with financial assets/debts, are made up as follows:

|  | available-for-sale |             | Accounts receivable and credits |            | Financial liabilities not measured at fair value |             |
|--|--------------------|-------------|---------------------------------|------------|--|-------------|
|  | 2015               | 2014        | 2015                            | 2014       | 2015   | 2014        |
|  | kEUR               | kEUR        | kEUR                            | kEUR       | kEUR   | kEUR        |
| Interest earnings  |                    |             | 11                              | 21         |  |             |
| Interest payable   |                    |             |                                 |            | -305   | -325        |
| <b>Interest income</b>   |                    |             | <b>11</b>                       | <b>21</b>  | <b>-305</b>                                      | <b>-325</b> |
| Exchange gains   |                    |             | 411                             | 317        | 80   | 36          |
| Exchange losses  |                    |             | -88                             | 0          | -569   | -134        |
| <b>Income from currency differences</b>                                    |                    |             | <b>323</b>                      | <b>317</b> | <b>-489</b>                                      | <b>-98</b>  |
| Exchange gains from sales of securities                                    | 1,938              | 565         |                                 |            |  |             |
| Exchange losses from sales of securities                                   | 0                  | 0           |                                 |            |  |             |
| Impairment of securities   | -719               | -313        |                                 |            |  |             |
| Dividend income  | 39                 | 36          |                                 |            |  |             |
| Securities-related expenses  | -170               | -97         |                                 |            |  |             |
| <b>Securities-related income</b>   | <b>1,088</b>       | <b>191</b>  |                                 |            |  |             |
| <b>Allowance for uncollectible accounts</b>                                |                    |             | <b>-50</b>                      | <b>-7</b>  |  |             |
| <b>Losses from non-recoverable bad debts</b>                               |                    |             | <b>-158</b>                     | <b>0</b>   |  |             |
| <b>Net profits and losses entered in the income statement</b>              | <b>1,088</b>       | <b>191</b>  | <b>126</b>                      | <b>331</b> | <b>-794</b>                                      | <b>-423</b> |
| Change in market valuation reserve due to sale                             | -506               | -618        |                                 |            |  |             |
| Change in market valuation reserve due to change in current net book value | 712                | -200        |                                 |            |  |             |
| <b>Overall change in market valuation reserve</b>                          | <b>206</b>         | <b>-818</b> |                                 |            |  |             |
| <b>Overall results from financial instruments</b>                          | <b>1,294</b>       | <b>-627</b> | <b>126</b>                      | <b>331</b> | <b>-794</b>                                      | <b>-423</b> |

Fiduciary activities are not performed in regard to financial assets.

With regard to the financial assets not measured at current value, no gains or losses occurred during the fiscal year. A participating interest (50 kEUR) was written off during the 2014 business year.

## c) Type and degree of risks resulting from financial instruments

The systematic analysis and monitoring of potential risks associated with financial instruments is an integral part of the group-wide risk management process. Risk sources with regard to the financial instruments available in the group exist in the following aspect:

The financial instruments classified as "financial assets available for sale" are essentially subject to market risks in the form of fluctuations in stock exchange prices. Accordingly, the respective part of risk management sys-

tem includes the daily monitoring of the stock performance, the securities in the portfolio, and the evaluation of price-related market information and is supported by a company-specific investment strategy that envisages, among other things, maximum amounts for individual values and defines investment focal points. A near-current exchange of information between the management board and the monitoring committee represents in this case an obvious characteristic of risk management.

With regard to financial instruments assigned to the "Credits and accounts receivables" category, it is possible to cite credit risks and foreign exchange risks as potential sources of risks.

### Credit/bad debt risk

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivable. The process that is implemented in the group for minimizing the credit risks encompasses, in particular, the daily monitoring of due dates and the swift initiation of steps to collect debts when necessary. Other instruments leveraged to minimise risks with new domestic customers include requests for advance payments, credit agency queries, event-driven customer-specific credit lines or letters of credit such that the risk of non-payment is regarded as minimal. In other countries, Brazil accounted for significant accounts receivable in the amount of 621 kEUR (2014: 1,259 kEUR). This risk is adequately taken into account with value adjustments formed for bad debt losses (respectively 100% of the corresponding receivable).

The maximum credit risk for trade accounts receivable and other assets can be broken down as follows:

|          | 2015<br>kEUR | 2014<br>kEUR |
|----------|--------------|--------------|
| Domestic | 600          | 371          |
| Abroad   | 2,971        | 2,892        |
|          | <b>3,571</b> | <b>3,263</b> |

The age structure of trade accounts receivable not impaired as of the reporting date and other assets is as follows:

|                           | 2015<br>Gross<br>kEUR | 2014<br>Gross<br>kEUR |
|---------------------------|-----------------------|-----------------------|
| Not overdue               | 2,182                 | 2,287                 |
| 0 - 30 days overdue       | 735                   | 510                   |
| 31 - 60 days overdue      | 42                    | 52                    |
| More than 60 days overdue | 662                   | 440                   |
|                           | <b>3,621</b>          | <b>3,289</b>          |

The valuation adjustments have developed in this regard as follows:

|                          | 2015<br>kEUR | 2014<br>kEUR |
|--------------------------|--------------|--------------|
| As of 1 January          | 39           | 33           |
| Addition                 | 11           | 7            |
| Claim                    | 0            | 0            |
| Dissolution              | 0            | -1           |
| <b>As of 31 December</b> | <b>50</b>    | <b>39</b>    |

## Liquidity risk

One aspect of the risk management element that focuses on financial instruments encompasses the monitoring and regulation of the liquidity risk, i.e., maintaining the solvency of the group companies both over the short-term as well as the medium to long-term planning interval.

The central instrument for this is a continuous liquidity planning that is supplemented with liquidity-related operating figures. The liquidity situation as of the reporting date is as follows and illustrates that there is currently no significant liquidity risk.

|   | 2015<br>kEUR  | 2014<br>kEUR  |
|---|---------------|---------------|
| Short-term liabilities to banks                       | -1,145        | -2,109        |
| Trade accounts payables                               | -1,707        | -998          |
| Tax liabilities                                       | -638          | -218          |
| Other liabilities (without advance payments received) | -1,714        | -1,341        |
| <b>Current financial requirements</b>                 | <b>-5,204</b> | <b>-4,666</b> |
| <b>Liquid assets</b>                                  | <b>9,683</b>  | <b>8,869</b>  |
| <b>Liquidity 1</b>                                    | <b>4,479</b>  | <b>4,203</b>  |
| Trade receivables                                     | 3,125         | 3,001         |
| Tax receivables                                       | 304           | 196           |
| Other assets (without prepayments)                    | 337           | 153           |
| <b>Liquidity 2</b>                                    | <b>8,245</b>  | <b>7,553</b>  |
| Securities  | 5,016         | 4,203         |
| <b>Liquidity 3</b>                                    | <b>13,261</b> | <b>11,756</b> |

Below is a breakdown of the cash outflow from the repayment of financial liabilities to banks:

|                                     | Book value | Cash outflow     |                   |                   |
|-------------------------------------|------------|------------------|-------------------|-------------------|
|                                     | kEUR       | < 1 year<br>kEUR | 1-5 years<br>kEUR | > 5 years<br>kEUR |
| <b>Liabilities to banks in 2015</b> | 2,678      | 1,295            | 1,618             | 0                 |
| Liabilities to banks in 2014        | 4,236      | 2,336            | 2,237             | 0                 |

The other long-term liabilities will result in a cash outflow of 800 kEUR (2014: 712 kEUR) between one and five years.

The liabilities on advance payments received, trade payables, tax liabilities and other payables will result in a cash outflow in the amount of the book value during the coming year.

## Market price risk - Foreign currency

Foreign currency risks exist for the group insofar as deliveries are made and ordered in part outside of the euro zone. From the group's point of view, the key foreign currency, in which there is an exchange of services, is the US dollar. The increasing significance of Geratherm do Brazil Ltda also means an increase in the foreign exchange risks involving the Brazilian real.

Consequently, Geratherm Medical is subjected to the following foreign exchange risk as at reporting date.

|                             | 31/12/2015<br>kUSD | 31/12/2015<br>kUSD | 31/12/2014<br>kUSD | 31/12/2014<br>kUSD |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| Trade receivables           | 582                | 535                | 1,487              | 1,225              |
| Bank loans / cash in banks  | 2,573              | 2,363              | 1,811              | 1,492              |
| Trade accounts payables     | -207               | -190               | -82                | -68                |
| <b>Balance sheet items</b>  | <b>2,948</b>       | <b>2,708</b>       | <b>3,216</b>       | <b>2,649</b>       |
| Order balance               | 918                | 843                | 400                | 329                |
| Financial obligations       | 0                  | 0                  | -510               | -420               |
| Purchase commitments        | -787               | -723               | -410               | -338               |
| <b>Pending transactions</b> | <b>131</b>         | <b>120</b>         | <b>-520</b>        | <b>-428</b>        |
| <b>Net item</b>             | <b>3,079</b>       | <b>2,828</b>       | <b>2,696</b>       | <b>2,221</b>       |

The following currency translations were applied:

|           | 31/12/2015 | Average<br>2015 | 31/12/2014 | Average<br>2014 |
|-----------|------------|-----------------|------------|-----------------|
| US-Dollar | 1.089      | 1.103           | 1.214      | 1.321           |

To reduce the resulting value fluctuations there is an effort within the group to maintain a balanced ratio of foreign currency receivables and payables (natural hedge). Nevertheless, there are risks which we identify in the following significance analysis based on a further weakening of the US dollar by 10%. All other variables, which could affect the financial instruments, are regarded as non-varying.

|           | 31/12/2015        |                  | 31/12/2014        |                  |
|-----------|-------------------|------------------|-------------------|------------------|
|           | Equity<br>capital | Perfor-<br>mance | Equity<br>capital | Perfor-<br>mance |
| US-Dollar | 0                 | -257             | 0                 | -202             |

A 10% increase in the US dollar over the euro as at the reporting date would have a similar effect but in the opposite direction provided that all other variables remain constant.



|                            | 31/12/2015<br>kBRL | 31/12/2015<br>kEUR | 31/12/2014<br>kBRL | 31/12/2014<br>kEUR |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Trade receivables          | 2,677              | 621                | 3,905              | 1,212              |
| Other assets               | 1,249              | 290                | 1,419              | 441                |
| Bank loans /cash in banks  | 90                 | 21                 | 80                 | 25                 |
| Liabilities to banks       | -5,461             | -1,267             | -5,075             | -1,576             |
| Trade accounts payables    | -499               | -116               | -362               | -112               |
| Other liabilities          | -208               | -48                | -249               | -77                |
| <b>Balance sheet items</b> | <b>-2,152</b>      | <b>-499</b>        | <b>-282</b>        | <b>-88</b>         |
| <b>Net item</b>            | <b>-2,152</b>      | <b>-499</b>        | <b>-282</b>        | <b>-88</b>         |

There were no significant pending transactions as of the balance sheet date, as during the 2014 fiscal year.

The following currency translations were applied:

|     | 31/12/2015 | Average<br>2015 | 31/12/2014 | Average<br>2014 |
|-----|------------|-----------------|------------|-----------------|
| BRL | 4.312      | 3.698           | 3.221      | 3.111           |

We have identified existing risks in the following significance analysis based on a weakening of the Brazilian real by 10%.

All other variables, which could affect the financial instruments, are regarded as non-varying.

|     | 31/12/2015        |                  | 31/12/2014        |                  |
|-----|-------------------|------------------|-------------------|------------------|
|     | Equity<br>capital | Perfor-<br>mance | Equity<br>capital | Perfor-<br>mance |
| BRL | 95                | 45               | 35                | 8                |

A 10% increase in the Brazilian real over the euro as at the reporting date would have a similar effect on the foreign currency translation in the group's equity capital but in the opposite direction provided that all other variables remain constant.

## Market price risk - Interest

Interest rate risks, i.e. possible variations of a financial instrument due to changes in the market interest rates, are pending especially for long-term, fixed-interest receivables and payables. Here opportunity effects could arise in such a way that advantages and disadvantages from the change in market interest rates could not be utilized.

Insofar as we have liquid resources available, we aim to use these funds to improve the financial results. We also view the interest rate trend in this context. Since our free funds are invested at short notice, we are not subjected to any significant risk of interest rate changes.

With regard to long-term debts in the amount of 2,325 kEUR (2014: 2,831 kEUR) opportunity cost effects could occur that we do not view as significant.

Since other inflow from foreign capital is not planned, we do not expect a negative effect on income as a result of the increase in interest rates.

## Market price risk - Share price

There are other risks for the group to the extent that changes on the capital markets could have a pervasive influence on the group's investments in securities listed on different capital markets of this world. In our securities investments, we only have fungible securities which are currently tradeable according to the current state of knowledge such that no long-term, significant risks can be derived. Below we provide a brief overview of the key securities investments and highlight the basis for our assessment of a further positive development of the respective involvement. In this case we consider the items that have a book value or acquisition costs of more than 500 kEUR as at the reporting date as important. With regard to the valuation of the individual items, we refer to item 9 in these notes.

### Epigenomics AG

Epigenomics AG is a molecular diagnostic company, which develops and markets a pipeline of in-house products for diagnosing cancer. These products help doctors to diagnose cancer cases more accurately and at an earlier stage, which allows improved therapeutic success for patients. Epigenomics' key product is the blood-based Epi pro-Colon® test for the early detection of colon cancer. The test is already being marketed in Europe and is in the approval phase for the US market. As at 31 December 2015 an impairment in the amount of 532 kEUR was recorded due to the temporary low periodend exchange rate of EUR 2.22 as per IAS 39.55(b).

### Agfa-Gevaert N.V

Agfa-Gevaert is a worldwide leader in image technology with a sales volume of EUR 2.7 billion. With approx. 42% of total sales, the healthcare division is an international prominent IT supplier for hospitals. Hospital IT represents a long-term growth market. The value assignment as at 31 Dec. 2015 was posted in the market assessment reserve.

### Eckert & Ziegler Str.- u. Med. AG

Eckert & Ziegler Group is one of the world's largest manufacturers of radioactive components for medical, scientific and metrological purposes. The company focuses on applications in cancer treatment, nuclear medical diagnostics and industrial radiometry. The group has laid claim to being a world leader in certain fields of activity. The operational side of business can be divided into four segments: radiotherapy, isotope products, radiopharma and environmental services. The value assignment as at 31 Dec. 2015 was posted in the market valuation reserve.

The following table shows the highest and lowest prices respectively on the German capital market for shares included in the balance sheet item securities at the end of the 2015 fiscal year.

|                                       | 2015              |                  | 2014              |                  |
|---------------------------------------|-------------------|------------------|-------------------|------------------|
|                                       | Highest price EUR | Lowest price EUR | Highest price EUR | Lowest price EUR |
| Epigenomics AG                        | 6.63              | 1.78             | 8.25              | 3.06             |
| Agfa-Gevaert N.V.                     | 5.37              | 2.01             | 2.77              | 1.71             |
| Eckert & Ziegler Str.- u. Med. AG     | 24.50             | 17.09            | 30.50             | 18.85            |
| Discount classic certificate Bayer AG | 99.21             | 91.31            | -                 | -                |
| Discount certificate Sanofi S.A.      | 71.03             | 64.67            | -                 | -                |

## Market price risk - Raw material prices

Certain raw materials are important for the continuous supply of our production processes. The procurement market risks involve the shortage or rising costs of productionessential raw materials or the products acquired during contract manufacturing. The key items are monitored by us constantly such that we currently do not see any significant risks here.

## Market risk - New products

Geratherm drives development and sales activities of new products in all segments. The technological competence and expertise are strengthened by the collaboration with technology partners. In part these new products are still in the market launch phase and are expected to contribute to noticeable growth in sales once the anticipated market success is attained. There are certain risks and significant opportunities in this regard.

## Other information

### Information about management board

The management board of Geratherm Medical AG included during the year under review:

#### Management

- Herr Dipl. Wirtschaftsingenieur Dr. Gert Frank, Frankfurt  
*Managing director of GMF Capital GmbH, Frankfurt*  
*Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda*  
*Managing director of Geratherm Respiratory GmbH, Bad Kissingen*  
*Managing director of Sensor Systems GmbH, Steinbach-Hallenberg*  
*Chairman of the Board of Limes Schlosskliniken AG, Cologne*

#### Board member

- Thomas Robst, Dipl.-Ing. (Engineer), Geraberg  
*Head of Sales*

Mr. Robst has resigned as board member of Geratherm Medical AG for age-related reasons on 31 July 2015.

No new board member has been appointed.

The provision cited in Article 6 Para. 2 of the Articles of Association of Geratherm Medical AG was amended for the annual general meeting on 5 June 2015:

The company's management board consists of one or more persons. The supervisory board determines the number of members of the management board. The supervisory board can appoint a chairman and a deputy chairman of the management board. Deputy members of the management board can be appointed.

Fixed payments in the amount of 137 kEUR (2014: 171 kEUR) and variable payments in the amount of 173 kEUR (2014: 126 kEUR) were reported for the activities of the management board during the 2015 business year. The remuneration received by the managing directors in the amount of 6 kEUR (2014: 9 kEUR) represents contributions to the contribution-oriented pension schemes. On 6 June 2011 the annual general meeting decided while applying Art. 286 Para. 5 of HGB (German Commercial Code) that the information required for five years according to Art. 285 Para. 1(9)a Clause 5 to 9 and Art. 314 Para. 1(6)a Clause 5 to 9 of the HGB may be omitted.

As of the reporting date, the management board held directly and indirectly 2,562,737 shares.

### Information about supervisory board

In accordance with the Articles of Association, the supervisory board comprises three members.

Members of the supervisory board are:

- Rudolf Bröcker, Bensheim, Dipl. Kaufmann (Business Administration)  
*(Chairman of the supervisory board)*  
*Chairman of the supervisory board of Limes Schlosskliniken AG, Cologne*

- Bruno Schoch, Suresnes, France  
*Deputy general director of Fromageries Bel SA, Paris*  
*Member of executive board of Unibel SA, Paris*  
*Member of executive board of SICOPA SA, Paris*  
*Member of supervisory board of Société des Domaines SAS, Wattwiller, France*  
*Member of the supervisory board of Limes Schlosskliniken AG, Cologne*
- Firus Mettler, Frankfurt am Main, Dipl. Jurist (Attorney), MBA; Investment Manager  
*Managing director of Martius Terrassen GmbH & Co. KG, Kiel*  
*Managing director of Düsternbrooker Weg 45 GmbH & Co. KG, Kiel*  
*Member of the supervisory board of Limes Schlosskliniken AG, Cologne*

A payment in the amount of 12 kEUR (2014: 12 kEUR) is included in the liabilities for the supervisory board's activities in 2015.

The members of the supervisory board hold 3,769 shares.

## Staff trends

|   |      | Employees | Technical employees | Trainees | Total |
|---|------|-----------|---------------------|----------|-------|
| Number of employees (annual average) - excluding managing directors - | 2015 | 63        | 107                 | 0        | 170   |
|   | 2014 | 51        | 78                  | 1        | 130   |

## Declaration on Corporate Governance Code

The declaration as prescribed in Art. 161 of Aktiengesetz (German Stock Corporation Act) was issued by the management board and supervisory board of Geratherm Medical AG and made available to the shareholders on the company's homepage.

(<http://www.geratherm.com/geratherm/investor-relations/berichte/corporate-governance/>).

Geschwenda, 21 March 2016

### Geratherm Medical AG



Dr. Gert Frank  
*Management Board*

*CEO's responsibility statement involving the consolidated  
financial statements for the 2015 fiscal year*

To the best of my knowledge, and in accordance with the applicable accounting 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.

Geschwenda, 21 March 2016

**Geratherm Medical AG**

A handwritten signature in blue ink, appearing to read 'G. Frank', is positioned above the printed name and title.

Dr. Gert Frank  
*Chief Executive Officer*

## Auditor's Report

We have audited the consolidated financial statements prepared by Geratherm Medical AG, Geschwenda, Germany, comprising the consolidated financial statements, consolidated profit and loss statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes on consolidated accounts and group management report for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sect. 315a (1) of HGB (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 the group management report on the basis of our audit.

We have performed our audit of the consolidated financial statements in accordance with Sect. 317 of HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that inaccuracies and violations affecting substantially the presentation of the net assets, the financial position and earnings situation in the consolidated financial statements in accordance with the accounting principles generally accepted in Germany and in the group management report are detected with reasonable certainty. Knowledge about the group's business activities and the economic and legal environment as well as expectations as possible misstatements have been taken into consideration while determining audit procedures. The effectiveness of the internal controlling system relating to accounting procedures as well as evidence supporting the disclosures in consolidated financial statements and 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 group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not reveal any objections.

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 Sect. 315a (1) of HGB and IFRS and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the company's position and accurately presents the opportunities and risks of future development.

Jena, this 21<sup>st</sup> day of March 2016

### KPMG AG

*Wirtschaftsprüfungsgesellschaft*

Lauer  
*Auditor*

Dr. Schneider  
*Auditor*







## Imprint

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## Corporate Calender 2016

|   | 2016             |
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| <b>Publication Annual Report 2015</b>       | <b>26. April</b> |
| Annual General Meeting in Frankfurt am Main | 06. June         |
| Quarterly report I/2016                     | 24. May          |
| Quarterly report II/2016                    | 23. August       |
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