



Geratherm®

*SOLUTIONS FOR A
HEALTHY WORLD*

Annual Report **2016**

Dates and Facts

		31/12/2016	31/12/2015	Change in %
Turnover	kEUR	21,409	21,589	-0.8
Including export share	kEUR	18,012	18,674	-3.5
Export ratio	%	84	86	-2.3
Gross result (EBITDA)	kEUR	3,710	3,423	8.4
EBITDA margin	%	17.3	15.9	8.8
Amortization or depreciation	kEUR	-1,171	-889	31.7
Operating result (EBIT)	kEUR	2,539	2,534	0.2
EBIT margin	%	11.9	11.7	1.7
Financial results	kEUR	390	794	-50.9
Result of ordinary activities	kEUR	2,929	3,328	-12.0
Profits of the parent company's shareholders	kEUR	2,237	2,701	-17.2
Long-term assets	kEUR	4,749	4,859	-2.3
Short-term assets	kEUR	23,654	25,389	-6.8
Balance sheet total	kEUR	28,403	30,248	-6.1
Equity capital	kEUR	20,557	21,939	-6.3
Return on equity	%	10.9	12.3	-11.6
Equity ratio	%	72.4	72.5	-0.1
Cash, cash equivalents and securities	kEUR	12,048	14,698	-18.0
Earnings per share according to IFRS (EPS)*	EUR	0.45	0.55	-18.2
Earnings per share according to DVFA *	EUR	0.45	0.55	-18.2
Proposed dividend	EUR	0.50	0.50	0.0
Annual average number of employees		204	170	20.0
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 & Concise

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 sub-contractor'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.

2016

Geratherm Medical posted a sales of EUR 21.4 million (-0.8 %). Geratherm hired an additional 34 employees to prepare for further growth.

The gross profit EBITDA is with EUR 3.7 million the highest operating result thus far.

Our subsidiary apoplex medical reports healthy increase in sales and earnings. Weaker performance noted at the location in Thuringia.

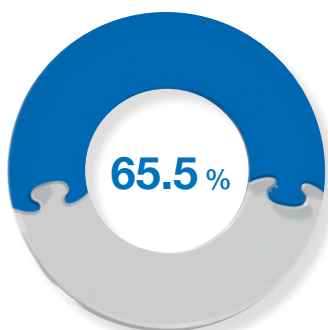
Favorable financial earnings support the results once again. Earnings after taxes amounted to EUR 2.2 million (-17.2 %).

Excellent conditions for a successful Business Year 2017.

Geratherm[®]

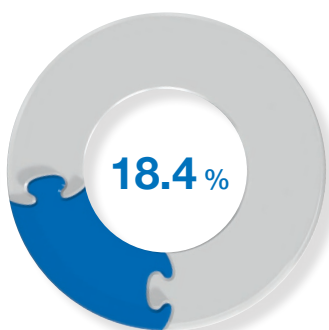
Geratherm medical is a globally-oriented medical technology company with business areas including

Healthcare Diagnostic



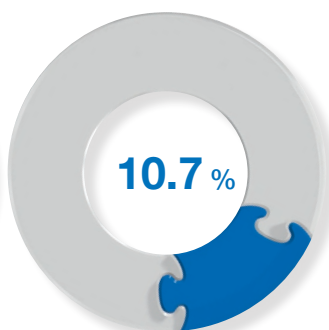
PRODUCTS TO MEASURE VITAL SIGNS

Respiratory



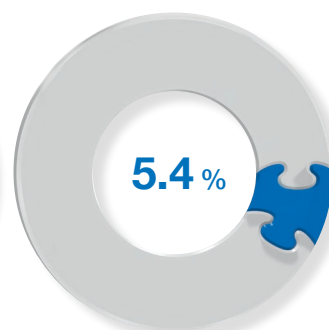
PULMONARY FUNCTION DIAGNOSIS

Medical Warming Systems

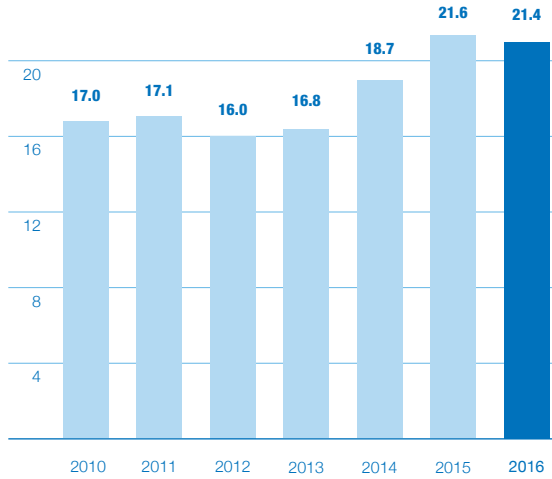


MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE

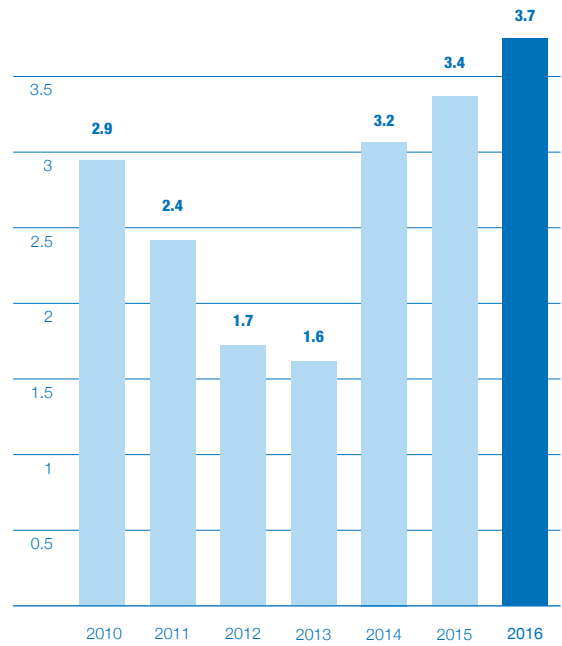
Cardio/Stroke



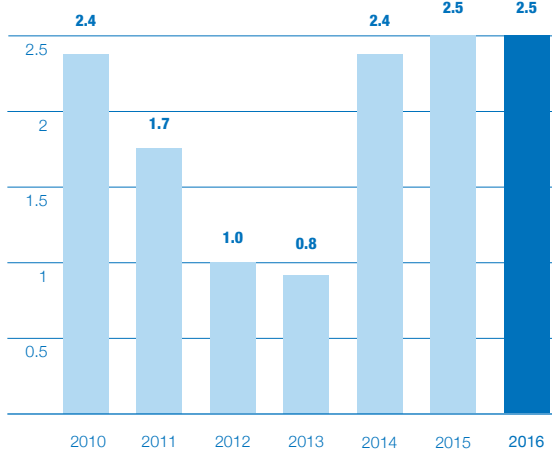
SCREENING OF CARDIAC ARRHYTHMIA



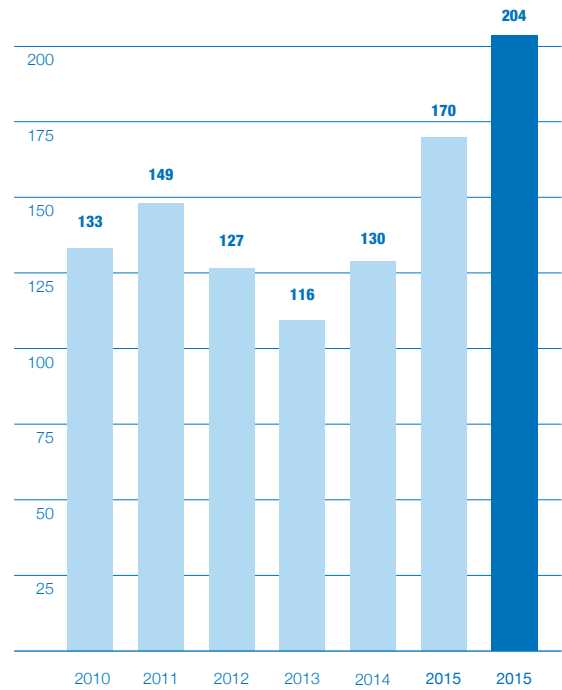
TURNOVER
in EUR million



EBITDA
in EUR million



EBIT
in EUR million



EMPLOYEES

Contents

SRAClinic in daily use	4
Supervisory board report	6
Executive board	8
Geratherm shares	10

OPERATIVE PRODUCT AREAS

Healthcare Diagnostic	14
Respiratory	16
Medical Warming Systems	18
Cardio/Stroke	20

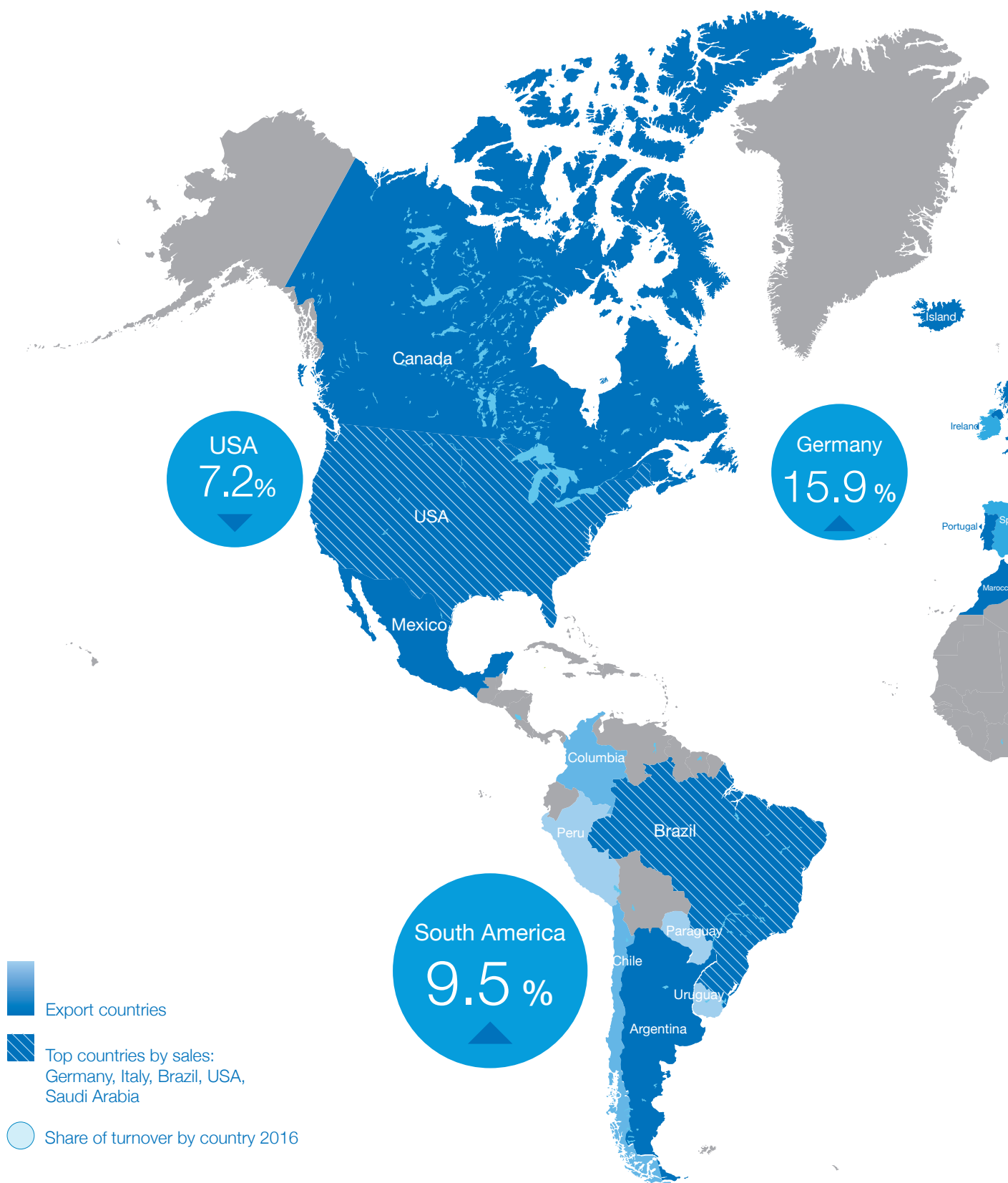
GROUP MANAGEMENT REPORT

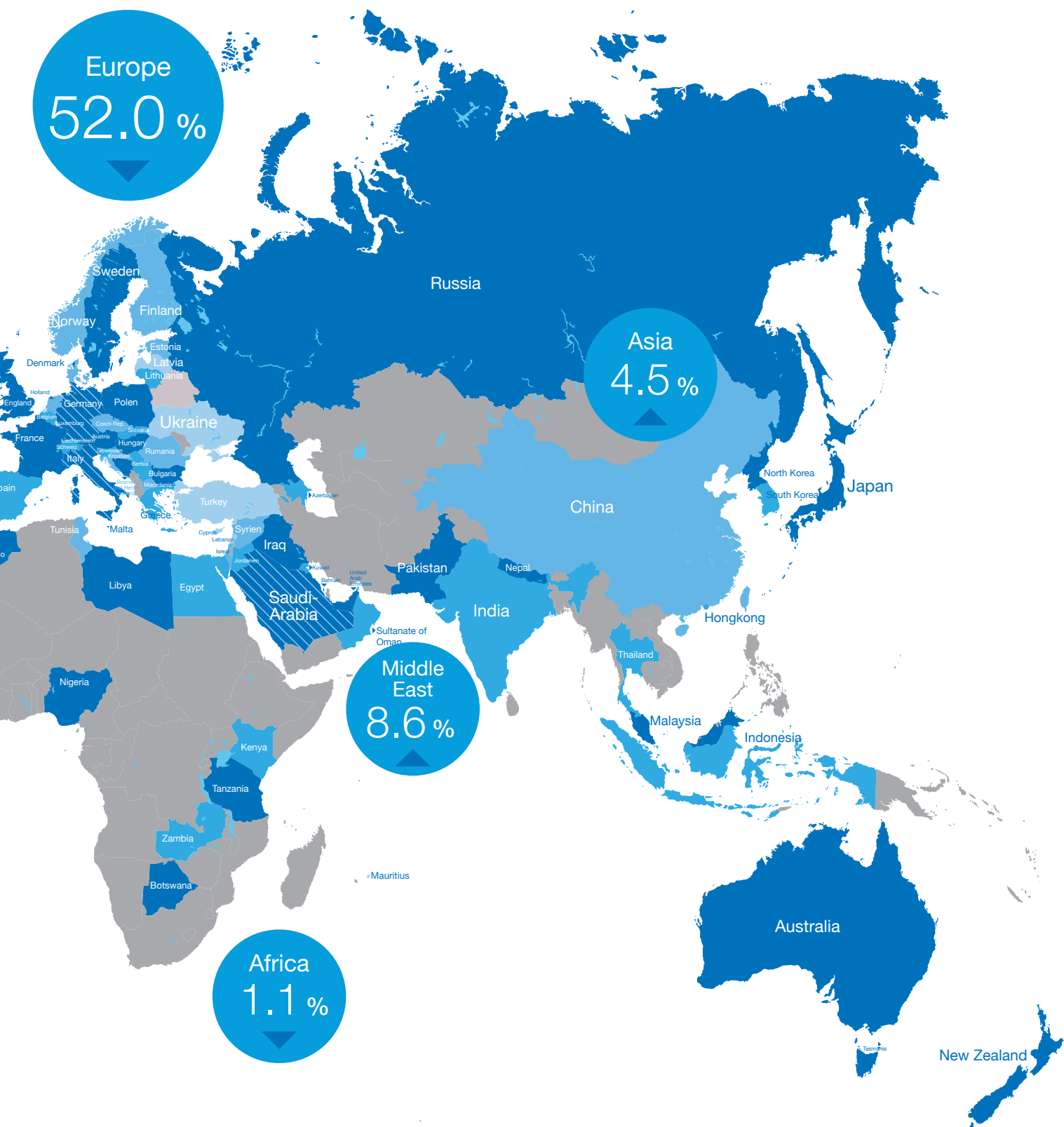
Basis of Geratherm Medical Group	24
Economic report	25
Forecast, changes and risk report	36

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Financial Statements	46
Consolidated profit and loss statement	48
Consolidated statement of earnings	49
Consolidated statement of changes in equity	50
Consolidated cash flow statement	52
Financial statement affidavit	53
Auditor's report	92

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 01/2017

80 clinics
on „SRAclinic“ affiliated!
+ 9 clinics
increment in 2016.

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-
klinikum 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



Rudolf Bröcker
Chairman Supervisory Board

Supervisory Board's Annual Report

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 2016 financial year. The Supervisory Board was included in all decisions that were of major importance to the Company.

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

During the 2016 fiscal year, discussions addressed in particular the planned construction of a new glass basin with accompanying storage area at the Geschwenda plant. The Supervisory Board also discussed the strategic plans of the business units while taking into account the respective opportunities and risks. Possible acquisitions were presented by the Management Board and evaluated. In addition to that, regular communication took place between the chairman of the Supervisory Board and the Management Board with regard to operative business development.

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 respectively prepared 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. The Supervisory Board was informed in good time about any particular risks and opportunities. Besides operating issues, the Supervisory Board's meeting on 24 March 2017 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 International Financial Reporting Standards (IFRS) and the management report have been checked by the appointed auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft Leipzig, with consideration given to the accounting for the 2016 fiscal year

and certified an unqualified audit opinion. The auditor participated in the Supervisory Board's meeting with regard to the approval of the 2016 financial statements and reported the key 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 statements made by the Management Board 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 2016. The financial statements are thus adopted.

We concur with 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 each and every employee of all companies in the Geratherm Group for their dedication and good work in 2016.

Geschwenda, 24 March 2017



Rudolf Bröcker
Chairman of the Supervisory Board



Dr. Gert Frank
Chairman

2016 – Consolidated and prepared for further growth

Ladies and Gentlemen and Shareholders,

The fiscal year has come to an end again, faster than anticipated. We were not able to build on the good results from last year, especially in terms of sales and earnings. Individual business segments did manage, however, to post very favourable developments. apoplex medical technologies, in particular, was able to set a new course with an increase in sales of more than 60 % and a significant jump in profit. Thus, the prospects look extremely positive.

It is worth noting that the personnel costs in the Geratherm Group increased considerably. The Group hired 34 new employees in total during the course of the fiscal year. It had for the first time more than 200 employees at the end of the business year. We have prepared ourselves for future growth in almost all areas. That translates into higher costs that have an impact on the quality of earnings but is necessary for achieving the goals that we have set for ourselves.

Investments made in personnel are not to be deemed as only quantitative but also qualitative. Certain positions must be filled in conjunction with the long-term strategy for premium medical technology. The growing regulatory requirements call for an increase in personnel as well.

If we have made the right decisions, we can anticipate good prospects for the future of the company.

We believe that the pending global ban on mercury taking effect in 2018 will provide considerable impetus. Geratherm is a global leader in the production of a mercury substitute. In this context, the planned construction of a new medical capillary production facility at the location in Geschwenda, Thuringia is also on the agenda. Approx. EUR 3.5 million will be invested in 2017. We believe that this will result in less reliance on suppliers and will ultimately strengthen our competitive position.

The pulmonary function testing segment did not fully meet our expectations in 2016; that said, the segment should conclude the 2017 fiscal year with significantly better results. Cooperation projects with a variety of prominent companies should have an effect in the coming business year. The Warming Systems segment also should gain new impetus again in 2017.

By generating sales in the amount of EUR 21.4 million (-0.8 %), the Group managed to post a positive financial result of 390 kEUR in addition to an operating result of EUR 2.539 million. The EBIT margin could be increased from 11.7% to 11.9% with an almost constant sales volume. In light of the attractive market conditions, all securities held were sold except for one position. This measure greatly reduced the risks resulting from any possible market fluctuations, but also, of course, the chance of future financial earnings.

Still, the company is well equipped with a liquidity buffer amounting to EUR 12.0 million and without any noteworthy liabilities. As a result, we are able to look forward with confidence to the opportunities ahead that may arise in connection with the organic corporate growth, supplemented by any possible interesting acquisitions.

Yours,



Dr. Gert Frank
Chief Executive Officer

Geratherm shares

Trading on the stock market was not for the faint-hearted in 2016. The first two months saw the greatest loss of more than 20 % due to market fluctuations on the DAX, Euro Stoxx, etc. Political events, such as the unexpected Brexit vote and the presidential elections in the U.S., led to further substantial fluctuations on the stock market. The markets did recover during the course of 2016 and thus the trading year could still be regarded as acceptable on the whole.

The German share index DAX increased by +6.9 % and closed the year at 11,481 points. The Euro-Stoxx-50, the index for European blue-chip stocks, rose by +0.7 % during the course of the year.

The U.S. market posted a significantly stronger development in 2016. The leading share index in the U.S., Dow Jones, increased with +13.4% almost twice as much as the German share index DAX. The technology shares on the U.S. market performed well, too. The Nasdaq Composite Index increased by +7.5 % during the year. The MSCI World Index closed with a plus of 5.3 %. Investments in shares resulted in an acceptable investment performance in 2016.

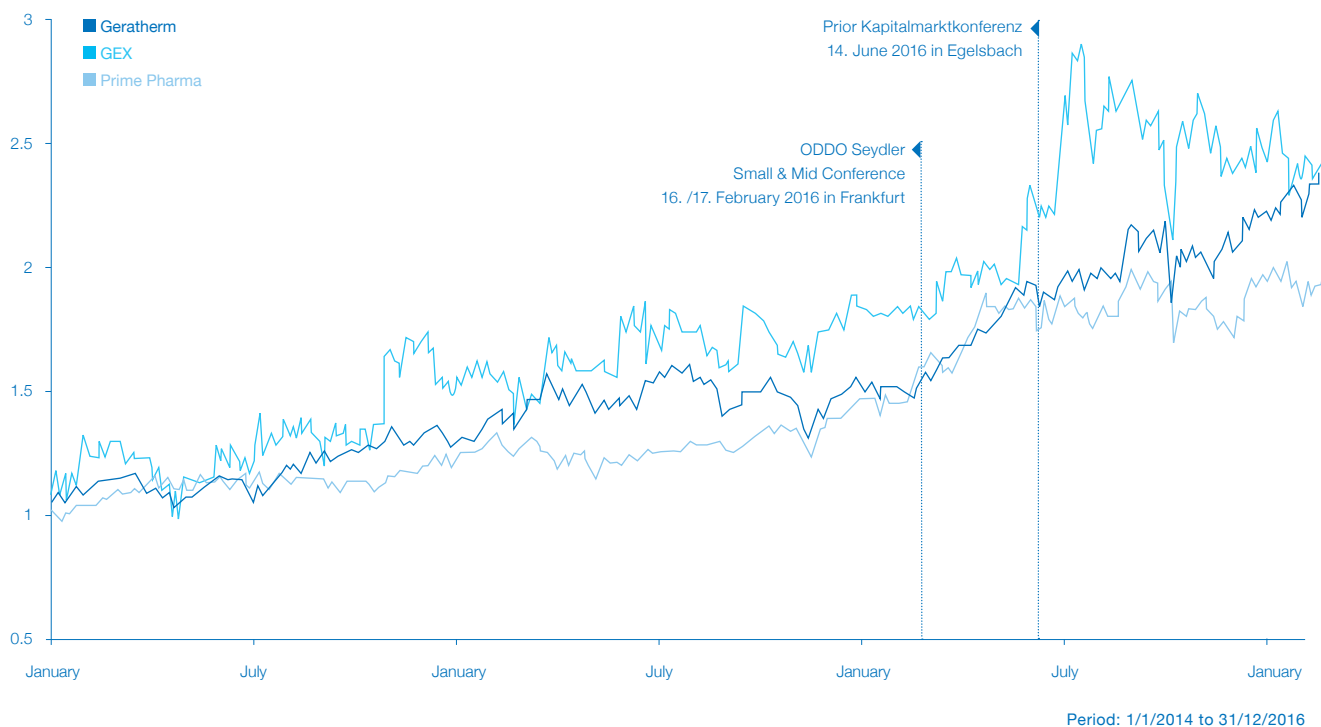
The shares of the healthcare industry did not develop as dynamically as in previous years. The Euro Stoxx Healthcare rose by +0.6 % at the European level. This index includes all major medical and pharmaceutical companies. The shares of companies in the German healthcare sector, which are grouped in the Prime Standard Healthcare Index, once again registered an above-average performance and concluded 2016 with a 10.1 % increase.

The market continues to be characterised by the extremely expansive monetary policies of the central banks. The valuation of the shares can be currently ranked in the top third under historical aspects. "For lack of alternatives" an expansion of the valuations does continue. The extent to which the increase in the interest rates initiated by the U.S. Federal Reserve and the inflation that is visible on the horizon in Europe will affect the stock markets is still unclear at the moment.

Geratherm shares showed once again positive development during the course of 2016, with a relatively stable share performance. Geratherm shares traded at EUR 11.78 at the end of the year. This corresponds to a 8.2 % increase. In 2016, the highest market price posted by Geratherm shares was EUR 13.50, while the lowest price was EUR 10.10.

The trading volume of Geratherm shares was considerably lower with 925,101 shares traded (2015: 2,023,839 shares) compared to last year. The majority of the transactions, amounting to 767,650 shares, were conducted through the electronic platform XETRA.

Development of Geratherm shares



The average daily sales volume stood at 3,807 shares (2015: 8,095). The highest daily sales volume was reported at 39,233 shares.

The shares of the company are listed in the so-called Prime Standard, which represents 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. 2,462 shareholders (2015: 2,230).

Main shareholders in 2016 were GMF Capital, Frankfurt, with 50.4 % and Sparta AG, Hamburg, with 3.12 %.

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

In 2016, the company participated in two investor conferences: ODDO Seydler Small & Mid Conference held on 16 and 17 February 2016 in Frankfurt am Main and Prior Capital Market Conference held on 14 June 2016 in Egelsbach.

Besides seeking dialogue with potential investors at the capital market conferences, the company prepares an in-depth annual report and publishes information about current business development within the framework of quarterly reports.

OPERATIVE PRODUCT AREAS

Healthcare Diagnostic	14
Respiratory	16
Medical Warming Systems	18
Cardio/Stroke	20

Healthcare Diagnostic

In the Healthcare Diagnostic business unit, we produce primarily medical products for end consumers, which are marketed internationally in pharmacies and in part in hospitals and clinics.

The main products include clinical thermometers, blood pressure monitors and women's healthcare products.

The Geratherm brand enjoys a high degree of recognition internationally. That facilitates the launching of new products and forms a good basis for further growth potential.

Clinical Thermometers

Geratherm has a long-standing tradition in manufacturing thermometers, which are designed for use in the medical sector. Our best-selling product is the gallium-filled clinical thermometer with a sales of EUR 8.1 million, which accounts for 37.8 % of the Group sales (2015: 35.4 %). The mercury substitute developed by Geratherm Medical is used in the production of analog clinical thermometers. Geratherm boasts in the meantime a very solid international market position which can be attributed to the development of this innovation. We possess a very high level of vertical integration and are thus able to offer customers high-quality products.

The market for environmentally friendly clinical thermometers has experienced very favourable development over the years. We are optimistic that we will manage to post considerable increases in sales over the next few years due to the fact that the World Health Organisation (WHO) has banned the use of mercury in clinical thermometers as of 2018.

Digital clinical thermometers generated a sales of EUR 2.7 million during the 2016 business year.

The clinical thermometer product group accounts for 50.3 % of the company's entire sales (2015: 47.7 %). In 2016, Geratherm sold a total of 5.3 million clinical thermometers (2015: 5.0 million).

Blood Pressure Monitors

Geratherm also markets a variety of products for monitoring blood pressure via the same sales channel. The main products include upper arm blood pressure monitors. Geratherm sold a total of 183,361 blood pressure monitors last year (2015: 172,750). Blood pressure monitors represent 17.4 % of the Healthcare Diagnostic segment and 11.4 % of the Geratherm Group's overall sales. The market is distinguished by very intense competition, especially in Europe.

Women's Health

In addition to clinical thermometers and blood pressure monitors, the third product group Women's Health has established itself over the past few years. This product group encompasses diagnostic self-test products for women.

That includes pregnancy tests, diverse ovulation test solutions, chlamydia tests, yeast infection test kits and pH tests. The products are marketed internationally under the Geratherm brand name. The relatively new product segment registered a favourable growth of +43.6 % during the 2016 business year, accounting for 2.2 % of the company's overall sales.

After posting a healthy growth in 2015, the Healthcare Diagnostic segment experienced a period of stagnant growth in 2016. We believe that the segment will develop favourably in light of the many products that are currently being launched on the market.



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.

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The market for diseases affecting lungs and respiratory systems is increasing disproportionately. 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 physician's practices that specialise in pneumology. Fundamental insight about the nature and scope of the pneumological disorders is collected for spirometric examinations. 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 marketed by Geratherm Respiratory provides an individual performance diagnostics, in which respiratory gas parameters like oxygen intake, carbon dioxide exhalation, ventilation and cardiac parameters are taken into account under stress.

Geratherm Respiratory, with its offices in Bad Kissingen, managed to establish a solid market position with its innovative products over the past few years. Besides many other customers, we equipped, for instance, the Lisbon University Hospital and St. Augustin Heart Center during 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 U.S., the market for products that monitor pulmonary function is not so well developed yet and thus still offers an attractive sales potential. In 2016 we found new sales partners for the countries Saudi Arabia, Indonesia, Sri Lanka and Hungary, which are currently in the registration phase with our products.

We are developing specific spirometry solutions at the moment for different cooperation partners in the field of telemedicine and office software.

After a healthy expansion of sales in 2015, the 2016 business year was distinguished in the Respiratory segment by consolidation and preparation of a further growth phase, which is mirrored, among other things, by a strong expansion of staff.

The market position of Geratherm Respiratory is becoming increasingly stronger on an international level. Due to the groundwork that was laid in 2016, we anticipate a healthy double-digit growth in sales.



Medical Warming Systems

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

The products developed by Geratherm for temperature management focus on solutions for treating heat loss in patients during surgery and rescue operations as well as temperature management for and examination of 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 UniqueResc+ 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 at the Lübeck location 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 in order to diagnose any possible brain or organ damage. 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.

We are pleased to announce that we were able to equip internationally renowned hospitals and clinics like Moscow City Clinical Hospital, Brisbane's Lady Cilento Children's Hospital and UCLA Mattel Children's Hospital in Los Angeles for the first time with LMT products.

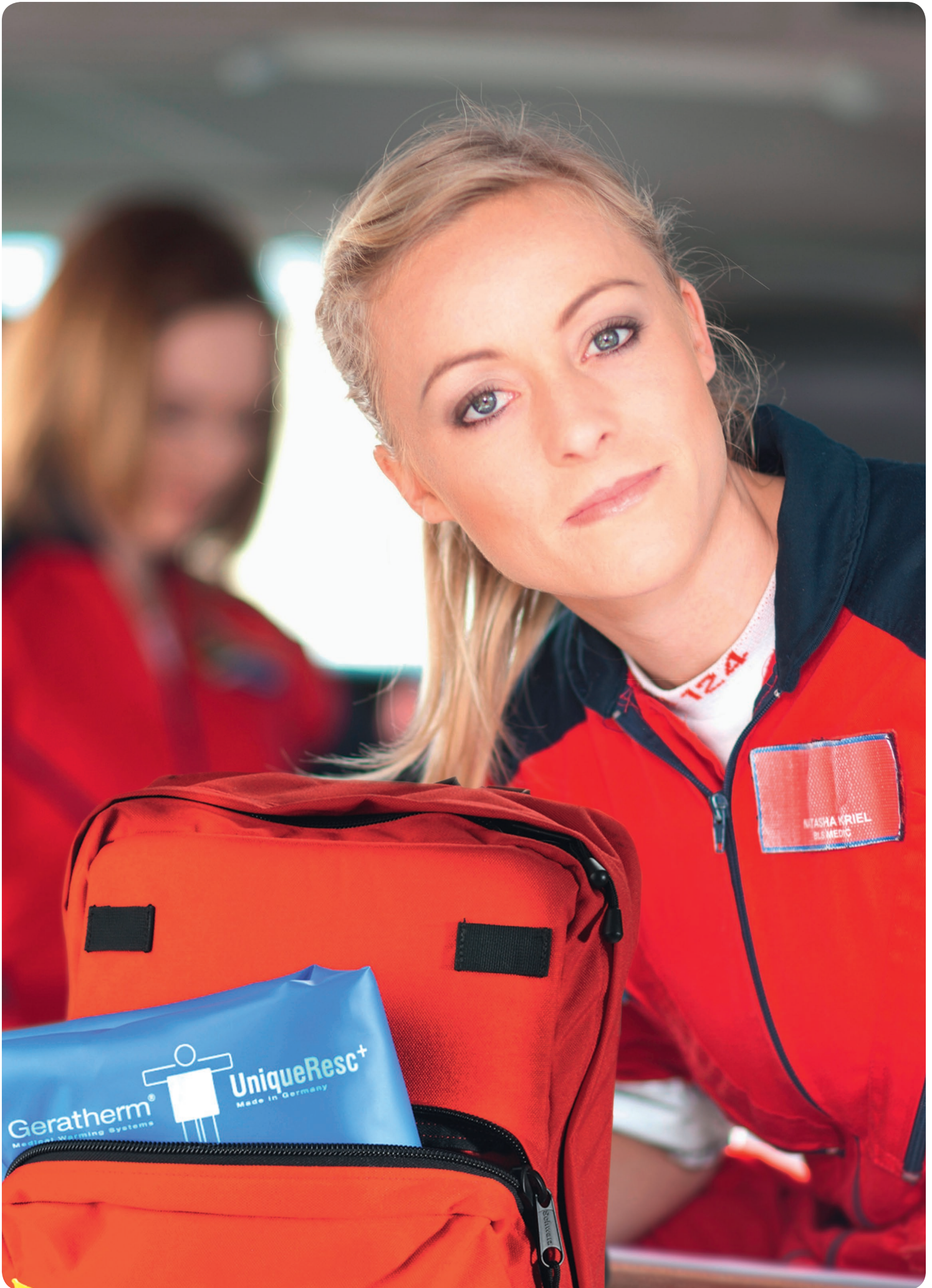
After posting excellent results in terms of business development in 2015, the Warming Systems Segment had less success during the 2016 business year. A number of projects were not carried at LMT in 2016 such that we must post a temporary drop in sales. Many tenders are in the pipeline so that we are considerably more optimistic for 2017. We expect that we will receive the approvals for the markets in Taiwan, Korea and China. The laboratory tests for China have been concluded and clinical tests will be carried out with 200 patients, starting in April 2017.

Both LMT and Warming Systems at the Geschwenda location were subject to surprise audits performed by the regulatory authorities, carrying out political requirements. Independent of that, regular extended audits were also conducted. The associated expenses have more than doubled in the past two years.

For the products Unique Temp° and Unique Resc+, we have received new requirements from the testing and certification authority TÜV Rheinland, requirements that we were not able to fulfill at short notice. This in turn had a significant impact on business development and thus sales as well. We are currently in a recertification process for the aforementioned group of products. We expect to fulfill the new requirements and be permitted to recommence with sales at the end of the second quarter of 2017.

Regardless of the increasingly stringent requirements that are not always easy to follow, we were still pleased about the placement of our warming systems in a large-scale project in Dubai. A next generation of warming systems, with which we will be able to offer considerable competitive advantages, is slated to be launched in 2017. In addition to that, we are continuing to work on the development of cooling systems that may also be used in the emergency response segment.

In light of the less favourable business performance reported for this segment, we assume that we will realise a considerable improvement here in 2017.



Cardio/Stroke

Growing market acceptance of the stroke risk analysis (SRA) for detecting paroxysmal atrial fibrillation

The Cardio/Stroke segment offers services specialising in the detection of atrial fibrillation, which is cardiac arrhythmia and thus one of the major risk factors that can trigger a stroke.

apoplex medical technologies has developed an algorithm for identifying the presence of paroxysmal (occasional) atrial fibrillation episodes with great precision by evaluating ECG records. The service is marketed under the „Stroke-Risk-Analyser“ (SRA) brand name. The advantages have been validated in five clinical trials, the results of which have been published internationally. “SRA” identifies in automatic detection mode atrial fibrillation episodes with a sensitivity and specificity of more than 99 %. As a result, the technology is being employed more and more in stroke prevention centres and by office-based physicians and healthcare professionals.

Once again we managed to expand the group of users of the new technology in 2016. In Germany, “SRAclinic” has been used to support the diagnosis workflow involving more than 43,000 stroke patients. With our algorithm, atrial fibrillation was detected in about 7,000 patients. The number of participating clinics has increased to 80 (2015: 71). For 2017 we are planning on adding 30 new clinics.

The “SRA” service is becoming increasingly accepted internationally as well. We have also gained a new sales partner for Great Britain, the Japanese company Nihon Khoden which is a leading international vendor of medical

electronics. The Stroke Unit in Norfolk/Norwich has already been equipped with and is currently using “SRA” with great success. Eight hospitals in Spain (Catalonia) have signed up for our services, too.

And we are also in the process of establishing our first sales contacts on the Chinese market.

The algorithm which was developed by apoplex medical technologies is currently being implemented in an international marketing authorisation study carried out by the pharmaceutical company Bayer for medical products. In conjunction with the international study, we will equip 160 clinics with our Stroke-Risk-Analyser. Our technology provides the decision-making criteria for whether patients may be included or not included in the clinical study.

On the German market, apoplex medical technologies collaborates with Pfizer Pharma GmbH in the stroke prevention segment. The objective of the cooperation is to reduce the number of previously unknown patients suffering from atrial fibrillation and thus prevent strokes over the long term. In this context, Pfizer’s sales representatives outline the technological capabilities of this application with hospital and practice-based physicians and healthcare professionals.

The sales growth amounted to +63,2 % in 2016 (2015: +27.1 %). We are anticipating again a significant double-digit growth in sales for 2017.





GROUP MANAGEMENT REPORT

Basis of Geratherm Medical Group	24
Economic report	25
Forecast, changes and risk report	36

A. BASIS OF GERATHERM MEDICAL GROUP

1. Business model of the Group

The Geratherm Medical Group, hereinafter called Geratherm or Geratherm Medical, is an internationally focused medical technology company with the following business units Healthcare Diagnostic, Medical Warming Systems, Cardio/Stroke and Respiratory.

The individual business units serve different markets and thus are managed independently as well (have their own independent management bodies).

Healthcare Diagnostic, our largest business unit currently, making up a 65.6 % share, specialises in measuring body temperature for medical applications. In this segment, 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 long-term growth prospects of all the business segments, in which Geratherm is active, are favourable. Future business performance of the Healthcare Diagnostic unit will be greatly affected by the world-wide ban on mercury that will go into effect in 2018. apoplex medical is active in the fast growing market of cardiac arrhythmia. LMT is becoming a global leader on the developing market for preterm baby examinations. The Respiratory business unit offers product solutions for the growing market involving respiratory diseases.

Geratherm Medical's long-term objective is to focus on premium medical products. 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.

The business model has not undergone any significant changes compared to the prior year.

2. Research and development

The research and development projects of Geratherm are based on medium to long-term objectives. The research and development efforts in 2016 were concentrated mainly in the operating segments Cardio/Stroke, Medical Warming Systems and Respiratory. These segments are constantly working on new product solutions that are able to solve medical and technical problems or offer significantly more favourable performance. In 2016 we clearly increased the number of employees working in Research and Development.

We are optimistic that we will continue to offer our customers interesting Geratherm products in the future.

B. ECONOMIC REPORT

1. Overall economic factors

Overall economic factors

2016 was marked by major issues such as Great Britain's Brexit vote and the outcome of the presidential elections in the U.S., causing a degree of uncertainty. All in all, we are currently experiencing very stable general economic conditions. It is not possible to estimate at this time the extent to which the negative side effects of the central banks' zero-interest rate policy have significant effects in the form of significantly higher inflation rates on market participants. One thing is relatively certain, the phase of cheap money may be coming to an end. After raising the interest rates last year, the U.S. Federal Reserve is planning three further increases for 2017. That will definitely have an impact on the euro and the underlying interest rate policies.

A global economic growth of a good 3 % is anticipated for 2017. Companies which are active in the health-care sector should manage to report positive results in 2017 as well due to the accumulated needs of the emerging markets. A growth rate of about 1.5 % is expected for the euro zone. As in past years, the sales of medical products are expected to experience an above average market development.

The positive development should continue in Germany. Given the very low unemployment level, the German economy will continue to remain highly productive. Contrary to the prior years, an inflation rate of more than 2 % is expected for the first time.

In light of the underlying economic conditions, Geratherm Medical as major exporter should continue to enjoy favourable development.

Industry related factors

The medical technology industry operates on a global basis and is thus a relatively economically resilient sector that has a low cyclical exposure. 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. Germany plays a prominent role on the world market in the medical technology field. German medical technology companies enjoy a good reputation world-wide.

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

For instance, medical technology companies must be prepared to deal with unannounced audits and stricter classification of their medical products. The more rigorous regulatory requirements also mean a notable increase in the approval times for new products. 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 and the necessary level of innovation of the products also pose significant market entry barriers for prospective competitors. All in all, the sector exhibits an above-average earning capacity. While the regulatory pressure on prices is very prevalent currently in Germany, it is also increasing on foreign markets. Even the competition from Asia is becoming increasingly stronger.

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.

The industry expects that the market will continue to exhibit healthy growth. The consulting firm Deloitte anticipates an average growth rate of 4.1% for the medical technology market segment over the next four years.

Miniaturisation, personalised medicine, new materials, eHealth and combination products are trends in medical technology that sustainably drive growth in the sector together with the demographic development.

Global technology trends are forcing medical technology manufacturers more and more frequently to integrate hardware and software as well as networking capabilities into their products. 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 more than two thirds of the global supply of medical products.

The German market for medical technology increased slightly in 2016 as well. All in all, the German medical technology industry recorded sales of approximately EUR 30 billion. The export business is very important for the medical technology industry. More than two thirds of sales are generated on international markets. Growth rates are currently higher on the international markets.

The described industry-specific conditions also apply to Geratherm Medical. We must accept this challenge.

It is of great importance that we are able to safeguard and expand the market position, which we possess internationally in the individual product groups.

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 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

After recording significant jumps in sales in previous years, Geratherm Medical took a little “breather” during the 2016 business year. Besides external factors, such as postponement of tenders, we were very preoccupied with internal issues. The implementation of new medical device regulations and considerably stricter regulatory requirements on producers currently ties up capacities and puts pressure on margins. That said, other companies in our sector face the same underlying conditions.

All in all, Geratherm Medical managed to record a positive performance for the 2016 business year. With an almost constant sales volume of EUR 21.4 million, an operating result (EBIT) of EUR 2.5 million was also posted on par with the very good performance noted for the prior year. The EBIT margin was 11.9 % (2015: 11.7 %). By doing so, we managed to achieve again our goal of posting a double digit EBIT margin on a group level for the 2016 fiscal year. The gross profit on an EBITDA level increased by +8.4 % to EUR 3.7 million. That is the best result that the Geratherm Group has reported thus far.

The results recorded by our core business at the Geschwenda location were significantly weaker, resulting in a decrease in the operating result by -32.6 % to EUR 1.780 million. The reasons for this were the considerably higher personnel costs caused by the hiring of new employees, combined with a high rate of absenteeism due to illness,

which was not offset by a better performance. Suitable measures were taken to significantly improve the situation for 2017 again.

The decline in the results posted by our core business was offset by the new business areas, which performed much better than expected.

The Group's overall performance was supported by a positive financial result in the amount of 390 kEUR (2015: 794 kEUR) as during the prior year. The profits from ordinary business activities decreased by -12.0 % to EUR 2.929 million. After deducting income tax in the amount of 682 kEUR (of which 192 kEUR were attributed to deferred taxes), the Group reported a consolidated net income of EUR 2.246 million (-6.1 %).

Without taking into account the results of shareholders of minority interests in the amount of 10 kEUR (2015: -310 kEUR), Geratherm Medical was able to report a result of EUR 2.237 million (2015: EUR 2.701 million) attributable to the shareholders of the parent company. This corresponds to an earnings of 45 EUR cents per share (2015: 55 EUR cent).

The investments in new and premium medical products are continuing to be pushed. The gross profit margin managed to improve again from 65.4 % to 68.8 % even in 2016.

The company Geratherm Medical has a very solid position. The proportion of equity capital in the balance sheet total is 72.4 % and the liquid assets including the held securities amount to EUR 12.0 million (2015: EUR 14.7 million).

All of Geratherm's business segments have communicated considerably higher planning estimates in terms of sales and profits for the fiscal year ahead. If the underlying conditions remain consistent, we are optimistic that we will achieve these objectives.

Sales development by segments

Healthcare Diagnostic

In the Healthcare Diagnostic segment, we market medical products like clinical thermometers, blood pressure monitors and women's healthcare products, which are geared primarily to the end consumers and are sold internationally via pharmacies. This segment is located at the headquarters in Geschwenda, Thuringia. The bulk of production, development and marketing takes place there. A 7.9 % share of segment sales is generated by employees at the Sao Paulo location in Brazil. All in all, approx. 135 persons are employed in this segment.

The segment accounts for 65.6 % of the Group's consolidated sales (2015: 62.3 %). Healthcare Diagnostic products managed to record a growth in sales of +4.5 % in 2016.

SALES DEVELOPMENT BY SEGMENTS *in kEUR*

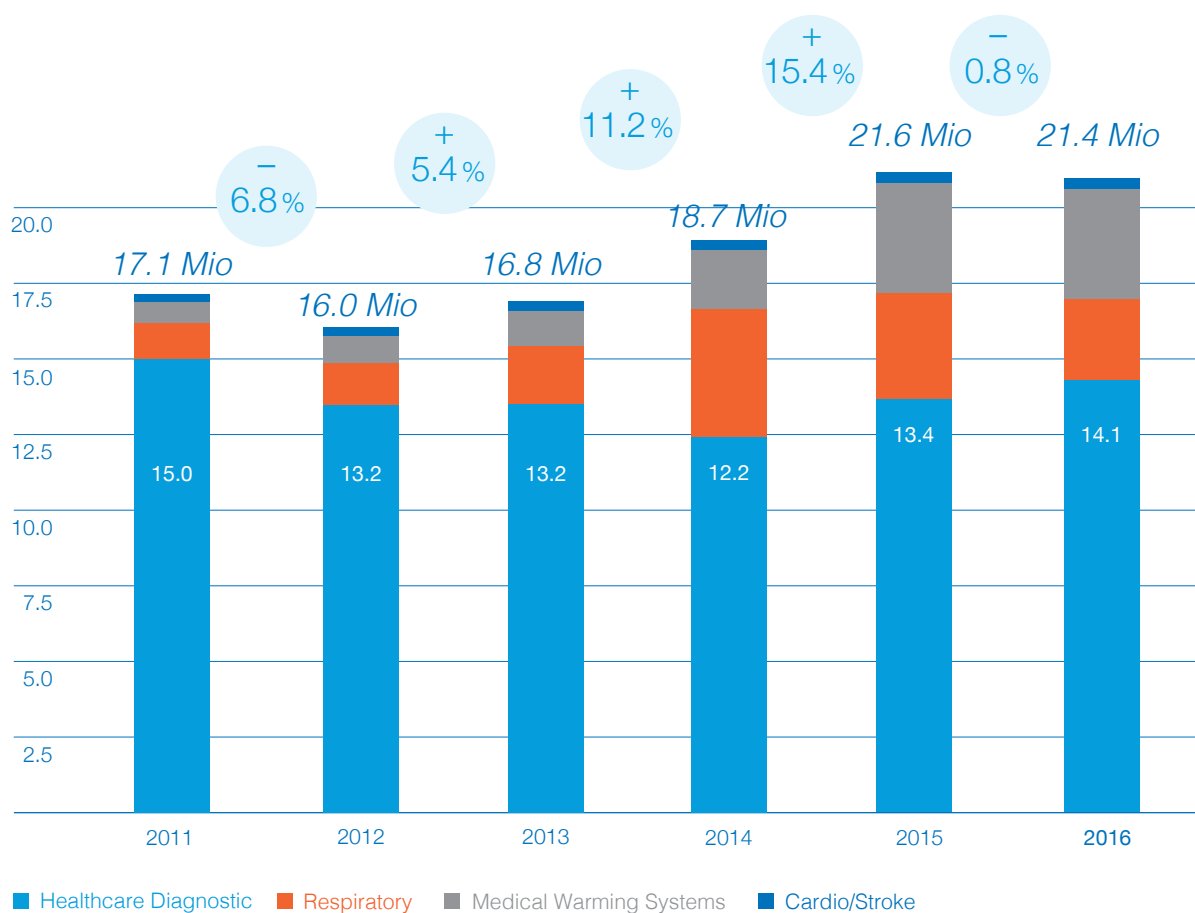
	2015	2016	Change
Healthcare Diagnostic	13,445	14,055	+4.5 %
Respiratory	3,758	3,940	+4.8 %
Medical Warming Systems	3,697	2,289	-38.1 %
Cardio/Stroke	689	1,125	+63.2 %

During the course of 2017, we are planning to increase the production of gallium-filled thermometers by 20 %. With the start of 2018, we are planning to put a new capillary basin for medical glass into operation. That involves investments in the plant in Geschwenda, Thuringia amounting to between EUR 3 and 4 million. We view this investment as a measure to secure the location and prepare for the pending global ban on mercury.

The still new product segment Women Line showed the strongest growth with a sales increase of +43.6 % in 2016. A sales of almost 500 kEUR was generated for the first time.

The export rate of the Healthcare Diagnostic segment was 91.5 %.

Posting a sales of EUR 14.1 million, the segment earnings on EBIT basis was EUR 2.443 million (2015: EUR 2.035 million). The EBIT margin of the Healthcare Diagnostic amounted to 15.4 % (2015: 13.9 %).



Respiratory

In the Respiratory segment we focus on the development, production and marketing of products designed for cardiopulmonary function diagnostics. The activities of this business segment are concentrated at the location in Bad Kissingen. The Steinbach-Hallenberg location is also integrated at the individual segment level and produces primarily disposable products for monitoring pulmonary function. All in all, approx. 28 persons are employed in the Respiratory segment, generating a sales of EUR 3.940 million (+4.8 %) in 2016. This represents a 18.4 % share of the Group's overall sales. The export rate accounts for 83.2 %. In 2016, the segment generated an operating result on EBIT basis of 305 kEUR (2015: 349 kEUR). The EBIT margin was 8.8 % (2015: 10.1%). We did not achieve the originally planned double-digit growth.

For the countries Saudi Arabia and Indonesia we found major sales partners which are currently in the registration phase with our products. That also applies to Russia and the Middle East region. At the beginning of 2017, we initially delivered products for testing pulmonary function with a value of 110 kEUR for the Chinese market.

With that said, we do assume that 2017 will be much better.

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, Germany. LMT Medical develops, produces and distributes internationally MRI-compatible incubators for preterm babies. The segment is currently facing the implementation of new regulations for medical devices. The means very high additional expenditure in terms of human resources.

The Medical Warming Systems segment was a major concern for the Group in 2016. This can be attributed to a variety of situations occurring, that were not completely favourable. Despite our best efforts, the licensing authority had temporarily suspended the CE accreditation for the Unique Temp^o and Unique Resc⁺ product group. We are expecting to be able to start selling again in March 2017. The order situation is good.

Even the performance of LMT Medical did not meet our expectations. Many projects were on the whole postponed. LMT's sales volume dropped by -28.3 % to EUR 1.7 million. LMT concluded the year with a negative result of -86 kEUR on the EBIT level (2015: 430 kEUR).

Segment sales of Medical Warming Systems decreased on the whole by -38.1 % to EUR 2.289 million. The products of the Medical Warming Systems segment account for 10.7 % of the overall sales of the Geratherm Group. In 2016, the segment generated a loss on the EBIT level of -376 kEUR (2015: 370 kEUR). The EBIT margin was -13.4 % (2015: 9.2 %). This segment currently has approx. 28 employees. The export rate accounts for 80.1 %.

In the Warming Systems segment, we are in the process of building up momentum again. In China the LMT incubator is currently in the licensing phase with more than 200 patients. We are expecting upon receipt of the approval a considerable increase in sales for LMT products. For 2017, Geratherm is planning to launch a new generation of warming systems.

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, which has approx. 13 employees.

The Cardio/Stroke segment is currently performing dynamically within the Geratherm Group. Growth in sales was + 63.2 % compared to the prior year. Posting a sales of EUR 1.125 million, the segment achieved an EBIT of 289 kEUR (2015: 45 kEUR). The EBIT margin was 25.7 % (2015: 6.5 %).

In 2016, nine additional clinics and hospitals decided in favour of apoplex's system. At the end of 2016, 80 hospitals and clinics (2015: 71) had joined apoplex's system. Altogether 43,000 patients with stroke symptoms were examined. Paroxysmal atrial fibrillation was detected in 6,804 patients using apoplex's "SRAclinic" technology.

For 2017 we are expecting that the past positive performance will continue.

Sales development based on regions

Geratherm Medical's activities are mainly international. Key export markets outside of Germany are Europe, South America, Middle East and the U.S. 84.1 % of Geratherm's products are exported (2015: 86.5 %). Our products are sold in more than 60 countries.

The high and steady export share reflects the continued competitiveness of Geratherm's products on the international market. On the whole, sales of EUR 21.4 million was generated in 2016. After a double-digit growth in sales in the prior year, the sales volume in 2016 remained almost on the same level.

The euro zone outside of Germany is Geratherm's largest sales market, whereas the Italian market dominates here. After reporting a significant double-digit increase in sales in 2015, we experienced a slight -2.8 % drop in sales in the euro zone. The European Market accounts for EUR 11.1 million which corresponds to 52.0 % of the total sales of the Geratherm Group.

The underlying conditions on Brazil's difficult market did improve slightly during the course of 2016. This also benefited the performance of our subsidiary in Brazil. While we still have not yet attained the level of performance that we had prior to the crisis, our sales did manage to increase again by +5.8 % to EUR 2.0 million in 2016.

Sales posted on the German market showed positive development. All in all, sales grew by +16.5 % to EUR 3.4 million. The domestic share was 15.9 %. The main reason for the increased domestic share was the capillary production, which was taken into account for the first time. A majority of the products, for instance capillaries for metering infusions, were sold to major German medtec companies. The presence that Geratherm products have on Germany's pharmacy market did not quite meet our expectations.

The Middle Eastern markets are particularly important for Geratherm. In this region, we are essentially growing with our long-standing customers. Geratherm products generated EUR 1.8 million in sales during the 2016 business year. This corresponds to a +3.0 % increase. The total share of Geratherm sales is 8.6 %.

Performance on the U.S. market was considerably weaker, registering a clear decline of -33.7 %. The main reason for this includes the projects of our subsidiary LMT Medical, which have not yet been implemented but have a significant impact on the reported U.S. sales. The share of sales on the U.S. market accounts for 7.2 % of the overall sales generated by the Geratherm Group.

The Other Countries group mainly includes the regions Africa and Asia. The decline noted on the African market was more than offset by the considerable growth in sales reported in Asia. The growth of the Other Countries group amounted on the whole to +23.4 %.

SALES DEVELOPMENT BY REGIONS *in kEUR*

	2015	2016	Change
Europe	11,444	11,124	-2.8 %
Germany	2,915	3,397	+16.5 %
South America	1,937	2,049	+5.8 %
Middle East	1,783	1,837	+3.0 %
USA	2,327	1,542	-33.7 %
Other countries	1,183	1,460	+23.4 %

4. Situation

Earnings situation

After reporting a clear double-digit growth in sales in the prior year, 2016 was characterized by consolidation and preparing for further business expansion, which is reflected in particular by the significant increase in the number of employees. Group sales amounted to EUR 21.4 million, which represents a slight 0.8 % drop. The company's overall performance was +1.6 % over the prior year's level and amounted to EUR 22.6 million.

Material expenses declined by -3.2 % (2015: -5.6 %) to EUR 7.9 million (2015: EUR 8.1 million).

The gross margin, based on the total operating revenue, increased to 65.2 % (2015: 63.4 %). The gross profit increased by 4.4 % to EUR 14.7 million.

One noticeable aspect is the disproportionate increase in personnel costs of +21.2 %, while sales remained almost constant. The significant increase can be attributed to the fact that the number of employees grew to 204. The hiring of additional staff was necessary to satisfy the stricter requirements placed on quality management, licensing-specific prerequisites and the corresponding preparations for the targeted growth.

The gross earnings prior to depreciation and amortisation (EBITDA) increased by +8.4 % to EUR 3.710 million. The operating margin, based on sales, on an EBITDA level was 17.3 % (2015: 15.9 %). The higher margin with sales remaining almost constant is based on the transition to premium medtec products.

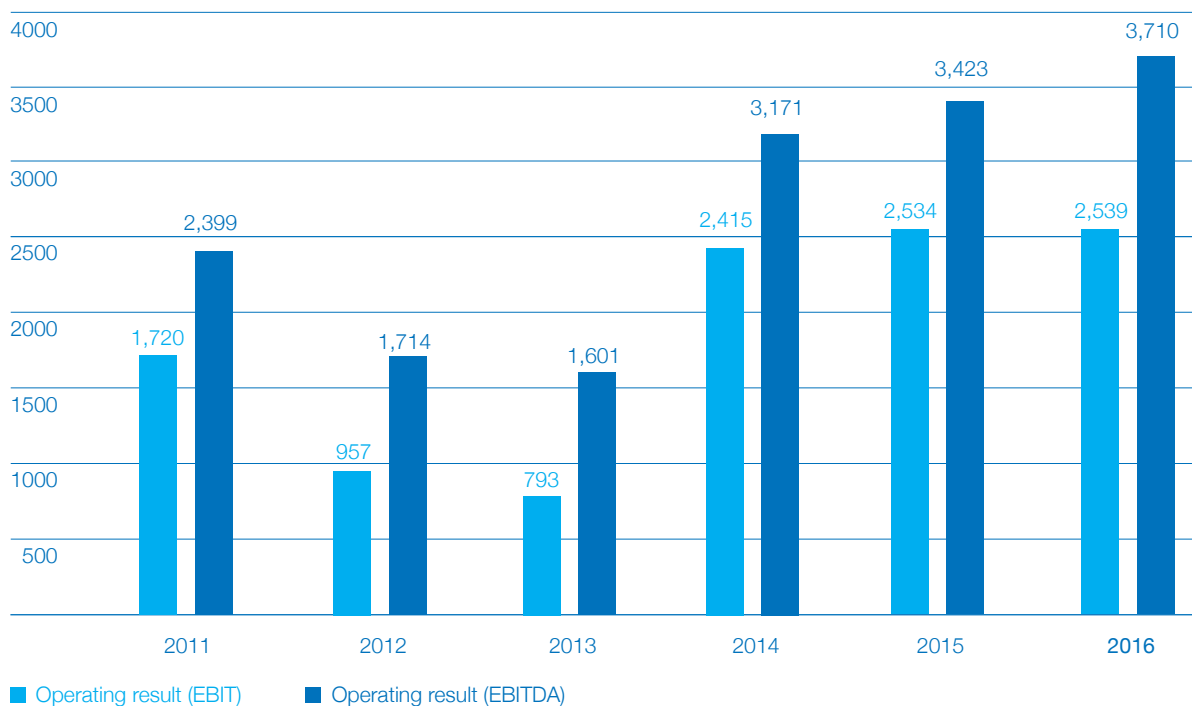
Amortisation of intangible assets and depreciation of tangible assets increased by +31.7 % to EUR 1.171 million (2015: 889 kEUR). The depreciation of tangible assets amounted to EUR 1.004 million (2015: 722 kEUR). The higher write-offs can be attributed for the most part to the new basin that was acquired in 2015 for capillary production. The purchase price of 696 kEUR was written off over a three-year period. The remaining difference is attributed to intangible assets. These primarily include other intangible fixed assets.

The other operating expenses exhibited a decrease of 13.6 % to EUR 4.815 million (2015: EUR 5.572 million). This clear drop is based on the fact that non-recurring charges from 2015, such as the expenses that were lower by 618 kEUR due to differences in exchange rates and amounts written off for receivables of the subsidiary Geratherm do Brasil, did not arise again.

The operating result (EBIT) in the amount of EUR 2.539 million remained with a 0.2 % increase on the same level as the prior year. The EBIT margin for the entire company amounted to 11.9 % (2015: 11.7 %). The reported results do not quite meet our targets and expectations. When one considers that the personnel costs are now EUR 1 million higher while the sales remained almost constant, the reported operating result clearly takes on a positive perspective. We assume that for the planned sales growth we will not have to hire new employees to a significant extent in 2017.

EARNINGS PERFORMANCE *in kEUR*

	2011	2012	2013	2014	2015	2016	Change
Operating result (EBITDA)	2,399	1,714	1,601	3,171	3,423	3,710	+8.4%
Operating profit (EBIT)	1,720	957	793	2,415	2,534	2,539	+0.2 %

EARNINGS PERFORMANCE *in kEUR*

The core business at the Geschwenda plant in Thuringia was slightly weaker compared to the prior year without taking into consideration the subsidiaries apoplex medical, Respiratory, LMT Medical, Sensor Systems, Capillary Solutions and Geratherm do Brasil. The result (EBIT) decreased by -32.6 % to EUR 1.780 million. That corresponds to an EBIT margin of 13.7 % (2015: 19.8 %).

The operating result (EBIT) for the subsidiary Geratherm Respiratory GmbH decreased to 148 kEUR (2015: 248 kEUR). That corresponds to an EBIT margin of 6.6 %.

With our subsidiary apoplex medical technologies GmbH, we were able to note a considerable improvement. The profit reported on the EBIT level amounted to 289 kEUR (2015: 45 kEUR). That corresponds to an EBIT margin of 25.7 % (2015: 6.5 %).

The financial result as balance of realized earnings from securities, write-offs and interest earnings made a positive contribution to the consolidated net income, as in 2015. All in all, a financial result of +390 TEUR (2015: 794 kEUR) was generated. The earnings from the sales of securities amounted to 925 kEUR (2015: EUR 1.938 million).

Besides expenses relating to securities in the amount of 106 kEUR (2015: 170 TEUR) interests and similar expenses burdened the financial results with 476 kEUR (2015: 305 kEUR). This item includes interest charges from bank liabilities of the subsidiary of Geratherm do Brasil in the amount of 422 kEUR. With regard to earnings from securities in 2016, a bonus in the amount of 95 kEUR was set aside as provision.

As a result of the lower positive financial result, the company only managed to generate profits from ordinary business activities in the amount of +2.928 million (2015: EUR 3.328 million). Taxes on profit amounted to 682 kEUR (2015: 936 kEUR).

The reported taxes only affect in part the liquidity position for this period. Of the reported taxes, 192 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 490 kEUR (2015: 491 kEUR). The losses carried forward on the Group level were utilised as of 31 December 2016.

The consolidated net income decreased by -6.1 % to EUR 2.246 million.

The result attributable to minority shares or non-controlling shareholders amounts to +10 kEUR (2015: -310 kEUR). The development reflects the noticeably better performance reported by the subsidiary Geratherm do Brasil and the good results posted by apoplex medical.

The earnings of the shareholders of the parent company (EAT) decreased by 17.2 % to EUR 2.237 million (2015: EUR 2.701 million). The earnings per share are 45 EUR cents (2015: 55 EUR cent).

The management board and supervisory board of Geratherm Medical AG will propose to the annual general meeting to pay a dividend in the amount of EUR 0.50 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 2016 (altogether EUR 2.475 million).

For the 2016 business year, the earned distributable profit on the Group level amounts to EUR 3.213 million and is not utilised in full by the planned dividend disbursement, thus making it impossible to access to the capital contributions account that continues to exist with EUR 15.206 million. 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 EUR 2.475 million.

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 enjoyed a sound financial position throughout the entire 2016 business year. The cash and cash equivalents available including securities as at 31 December 2016 amounted to EUR 12.048 million (2015: EUR 14.698 million). The reduction in liquid funds is attributed among other things to the increase in inventories amounting to 945 kEUR.

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.

The gross cash flow amounted to EUR 3.196 million in 2016 (2015: EUR 3.256 million). The cash flow from operations fell to 792 kEUR (2015: EUR 3.774 million).

The cash flow from investment activities was EUR 1.550 million (2015: -439 kEUR).

The cash flow from financing activities amounted to EUR -2.565 million (2015: EUR -2.705 million). The reported item was influenced by the dividend payments in the amount of EUR 2.475 million, repayment of loan liabilities in the amount of EUR 1.446 million and the taking out of new loan liabilities in the amount of EUR 1.195 million.

The cash and cash equivalents at the end of the period under review amounted to EUR 9.518 million (2015: EUR 9.683 million).

In 2016, Geratherm Medical was always in the position of fulfilling its payment obligations as they arose. When possible, cash discounts were utilised. Payment targets are subject to risk management and are defined on the basis of customer and country-specific factors. Individual cases are adapted in accordance with the management board's approval.

Geratherm possesses a very good financial structure with an above-average equity-to-assets ratio and equity base. We do not foresee any situations, which could jeopardise the continued existence of the company.

Assets and capital structure

Geratherm Medical possessed a sound assets situation at the end of the business year. At the end of the 2016 fiscal year, the balance sheet total was EUR 28.4 million and was thus 6.1 % lower than on the reporting date of the prior year. The company's reported equity capital is EUR 20.6 million (2015: EUR 21.9 million) or 72.4 % (2015: 72.5 %) of the balance sheet total. This results in a book value of EUR 4.15 based on an individual share (2015: EUR 4.43). With the reported equity capital, the company is capable of operating and pursuing its own long-term corporate objectives for the most part without any external financing.

Geratherm possesses sufficient resources for countering the risks of the underlying industry-specific conditions.

As of 31 December 2016, the assets side of the balance sheet contains long-term assets amounting to EUR 4.749 million (2015: EUR 4.859 million). The short-term assets amounted to EUR 23.654 million (2015: EUR 25.389 million).

Within the long-term assets, the intangible assets increased slightly by +3.7 % to 626 kEUR (2015: 603 kEUR).

The tangible fixed assets decreased by -3.9 % to EUR 3.577 million. Investments in tangible assets amounted to 859 kEUR in 2016 (2015: EUR 1.157 million), which were offset by the depreciation of tangible assets in the amount of EUR 1.004 million.

No deferred tax assets were recognised for 2016. The utilisation is based on the positive profit statement as per German tax law. The loss carried forward by Geratherm Medical AG was thus utilised in full as of 31 December 2016. The subsidiaries still have losses carried forward in the amount of approx. EUR 2 million, which have not yet been capitalised.

With regard to the short-term assets, the inventories increased by +13.9 % to EUR 7.761 million (2015: EUR 6.816 million). The inventory of raw materials and supplies increased by 11.8 % to EUR 2.401 million (2015: EUR 2.148 million). The inventory of unfinished goods decreased by -14.6 % to EUR 1.125 million (2015: EUR 1.317 million).

The item for finished products and goods rose by 26.4 % to EUR 4.235 million as of the reporting date (2015: EUR 3.350 million).

The accounts receivable remained almost on the same level as last year and amounted to EUR 3.846 million. In this case, trade receivables accounted for EUR 3.288 million (+5.2 %). Tax receivables decreased by 46.8 % to 162 kEUR. The other assets decreased by 11.2 % to 396 kEUR.

The reported book value of the securities held by Geratherm decreased by -49.6 % to EUR 2.530 million essentially due to selling. The securities held previously were sold except for the Agfa-Gevaert item.

The cash and cash equivalents available as at 31 December 2016 amounted to EUR 9.518 million (2015: EUR 9.683 million).

The equity and liabilities side of the balance sheet shows the company's strong equity capital base.

The equity capital in the amount of EUR 20.557 million (2015: EUR 21.939 million) is offset by liabilities and deferred tax liabilities in the amount of EUR 7.846 million (2015: EUR 8.309 million).

The long-term debts decreased by -11.8 % to EUR 2.469 million.

The investment subsidies accrued and received reduced by -22.9 % to 366 kEUR. The other long-term liabilities exhibited an increase of 32.9 % to EUR 1.052 million. This item includes liabilities to other minority shareholders.

The short-term debts decreased by -3.4 % to EUR 5.324 million (2015: EUR 5.510 million). Short-term liabilities to banks are reported here in the amount of EUR 1.375 million (2015: EUR 1.145 million). The trade accounts payable increased slightly by +4.4 % to EUR 1.783 million.

The other liabilities decreased by -32.6 % to EUR 1.155 million (2015: EUR 1.714 million).

C. FORECAST, CHANGES AND RISK REPORT

1. Forecast

The global economy is expected to grow by approx. 3 % for 2017. As in previous years, the situation at the beginning of the year is usually characterised by a certain melange of factors, whose likelihood of occurrence is difficult to determine, if at all. Influences can be seen in any case in the increasing protectionism of individual countries and the rising inflation rate. At the moment, we do not want to comment on political risks.

The medium- and long-term indicators for a positive market growth in the medtec industry are still intact. The most important 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. Market trends include medical devices with a pharmaceutical content, products in the "Mobile Health" sector as well as the increasing miniaturisation in medical device technology. Companies in our industry must face these challenges and integrate the technology trends in their products.

Geratherm Medical has a good position. The company operates in four totally independent sectors. The newer business segments are the current growth drivers. That could change, however, in the future. Mercury-filled products will be banned as per the guidelines of the World Health Organisation (WHO) on a global level in the next few years. This could in turn provide a good opportunity for Geratherm to expand the activities of its core business area in the future with its mercury substitute.

We anticipate that sales and earnings will improve for the 2017 business year. The company's objective on a consolidated basis is to achieve an EBIT margin of 10 % at the Group level.

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 processes 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.

In most cases, a small number of suppliers are involved in the special technological know-how. Taking the related risk aspects into consideration that 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 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 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 non-payment risk for Geratherm has been minimal for the past few years. The exception to this is the Brazilian market, which is still characterised by instability.

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 and thus distribute the supply risk among several 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. In 2016 the securities held decreased considerably.

Cyber crime

International order and payment processes are handled exclusively via the internet. The risk here is that unauthorised persons may infiltrate computer systems and manipulate business processes. In this context, Geratherm suffered for the first time damages amounting to approx. EUR 50,000 during the past business year. We have greatly increased the security measures and have trained the corresponding employees such that the risk for such an incident is minimised.

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. Such processes are lengthy and involve high costs.

Product licensing risk

Medical technology companies have long been the focus of increased requirements posed by regulatory authorities. The criteria are increasingly being raised on an international level. The complexity of the requirements, product approvals and product monitoring represents a challenge for medium-sized medical technology companies. If certain criteria are not fulfilled, there is a risk of ban on production and marketing. We strive to counter this risk through quality management by reducing product complexity and by increasing our own know-how.

Risk - New business areas

Geratherm has a stable core business. On the whole, Geratherm is active in four different business segments. The risks from the individual business areas has 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 possible only to a limited extent 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.

The requirements posed by licensing and regulatory authorities on medical technology companies have been constantly increasing over the past few years. There is a risk of temporarily failing to meet the requirements, since the dynamics of the requirements are not always transparent and comprehensible.

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 risk 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

Corporate governance statement

According to Art. 161 of AktG (German Stock Corporation Act) in the version of Transparenz- und Publizitätsgesetz (German Transparency and Disclosure Act) from 19 July 2002, the management board and the supervisory board are obligated to state once a year whether the recommendations of the Government Commission on the German Corporate Governance Code will be and had been complied with and which recommendations will not be or have not been applied.

This statement was given for the first time in 2002.

During the 2016 business year, Geratherm Medical did not adhere to the recommendations (“target” provisions) of the Commission on the Corporate Governance Code implemented by the German federal government for company management and control. Geratherm Medical does not intend to satisfy the aforementioned recommendations during the 2017 business year (in the version from 5 May 2015).

The management board and the supervisory board reserve the right to change this statement with effect as of a future date.

Opinion:

Geratherm Medical is listed on the regulated market of the Frankfurt Stock Exchange with admission to the sub-segment of the regulated market with further post-admission obligations (Prime Standard). Consequently, the company is subject to the most stringent statutory obligations and additional requirements of the prime standard at the given moment and in the future.

For a company the size of Geratherm Medical, the recommendations of the Corporate Governance Code as a whole, which are aimed at larger stock-exchange listed groups, represent a considerable time and cost expenditure. In their decision on adopting or rejecting the recommendations, the management board and the supervisory board considered the aspects of appropriateness and efficiency.

In our opinion, the adoption of these recommendations results in additional expenditure in terms of time and finances for Geratherm Medical, which is disproportionate with the achievable benefit.

Thus, we opt not to adopt the recommendations of the Corporate Governance Code. The membership in the “Prime Standard” already means that we comply with the highest standards of the German Stock Exchange.

Corporate governance practices

Corporate governance practices that exceed the requirements of German law are not adhered to.

Procedures implemented by the management board and supervisory board

The members of the supervisory board are listed in the appendix. The supervisory board decided not to create committees due to its size (three members). The activities of the supervisory board are determined by the statutory requirements of the German Stock Corporation Act and the company's Articles of Association.

The supervisory board hold periodic meetings. These meetings are called together in writing with at least a fortnight's notice. In urgent cases, the period for giving notice may be shortened or the relevant meeting may be called together via telegraph, fax or phone. The chairman of the board and in some instances the entire management board do participate in the meetings.

Resolutions are adopted after careful review of all reports and proposals and advice in meetings, provided such are necessary in accordance with statutory demands or requirements set forth in the Articles of Association. At the order of the chairman of the supervisory board, resolutions may also be adopted in writing, by telegraph or phone if no member speaks out immediately against this method. Resolutions are adopted with a simple majority of the votes cast, unless stipulated otherwise by law. In the event of a tie, the chairman casts the decisive vote. Minutes shall be taken of the supervisory board's meetings.

In addition, the chairman of the board informs the chairman of the supervisory board periodically (at least once a month) about the company's situation. That involves the operating activities of the company and its subsidiaries as well as the company's securities.

Geratherm does not have any fixed quotas, targets and periods for filling executive positions below the management board, on the management board itself or on the supervisory board based on gender or ethnicity. Executive positions and bodies at Geratherm are filled exclusively on the basis of experience and professional qualifications. That is why we do not strive to have a certain quota that is independent of the above criteria.

Based on that, the specific quota of women in management positions is "0 %".

Principles of the remuneration system

The compensation for members of the management board is made up of various components, a fixed salary and a variable bonus. The variable bonus is awarded on the basis of the achievement of objectives, operating profit, financial results and overall performance of the Group. Altogether 199 kEUR (2015: 310 kEUR) were reported in the financial statements for the activities of the management board during the 2016 business year. That included a fixed sum in the amount of 86 kEUR (2015: 137 kEUR) and variable sums in the amount of 113 kEUR (2015: 173 kEUR).

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 December 2016 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).

Subject to the approval of the supervisory board, the management board is authorised to increase the capital stock of the company by up to a total of EUR 2,474,999.00 (authorized capital) by issuing a maximum of 2,474,999 new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions by 5 June 2021.

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 Deutsche 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.

The management board is authorised up 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.

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 50.35 % in Geratherm Medical AG as of the reporting date.

The annual general meeting of Geratherm Medical AG convened on 6 June 2016 in Frankfurt, Germany. The attendance at the annual general meeting represented 58.8 % of the capital stock.

The expenses for the stock exchange listing in 2016 was 99 KEUR (2015: 100 KEUR).

Geschwenda, this 24th day of March 2017



Dr. Gert Frank
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Financial Statements	46
Consolidated profit and loss statement	48
Consolidated statement of earnings	49
Consolidated statement of changes in equity	50
Consolidated cash flow statement	52
Financial statement affidavit	53
Auditor's report	92

CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) of 31. December 2016

ASSETS	Notes No.	31/12/2016 EUR	31/12/2015 EUR	Change in %
A. LONG-TERM ASSETS				
I. Intangible assets	1.			
1. Development costs		303,696	161,491	88.1
2. Other intangible assets		246,343	366,234	-32.7
3. Goodwill		75,750	75,750	0.0
		625,789	603,475	3.7
II. Tangible assets	2.			
1. Land, land rights and buildings		1,202,108	1,021,961	17.6
2. Technical equipment and machinery		2,001,863	2,254,680	-11.2
3. Other equipment, factory and office equipment		322,578	311,484	3.6
4. Construction in process		50,519	134,412	-62.4
		3,577,068	3,722,537	-3.9
III. Other assets	3.	270,000	270,000	0.0
IV. Other long-term receivables	3.	275,659	123,045	>100.0
V. Deferred taxes	4.	0	139,642	-
		4,748,516	4,858,699	-2.3
B. SHORT-TERM ASSETS				
I. Inventories	5.			
1. Raw materials and supplies		2,400,900	2,148,258	11.8
2. Unfinished goods		1,125,026	1,317,323	-14.6
3. Finished goods and merchandise		4,234,564	3,349,944	26.4
		7,760,490	6,815,525	13.9
II. Receivables and other assets				
1. Trade receivables	6.	3,288,213	3,125,080	5.2
2. Tax receivables	7.	161,560	303,731	-46.8
3. Other assets	8.	396,414	446,595	-11.2
		3,846,187	3,875,406	-0.8
III. Securities	9.	2,529,800	5,015,682	-49.6
IV. Cash and cash equivalents	10.	9,517,644	9,682,703	-1.7
		23,654,121	25,389,316	-6.8
		28,402,637	30,248,015	-6.1

EQUITY AND LIABILITIES	Notes No.	31/12/2016 EUR	31/12/2015 EUR	Change in %
A. EQUITY CAPITAL				
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.	5,275,788	6,523,091	-19.1
Minority interests assigned to the shareholders of		21,261,154	22,508,457	-5.5
Shareholders of minority interest	14.	-704,252	-569,240	23.7
		20,556,902	21,939,217	-6.3
B. Non-current debts				
1. Liabilities to banks	15.	1,051,766	1,533,697	-31.4
2. Accrued investment subsidies	16.	365,745	474,221	-22.9
3. Other long-term liabilities	17.	1,051,829	791,228	32.9
		2,469,340	2,799,146	-11.8
C. Current debts				
1. Liabilities to banks	18.	1,375,182	1,144,682	20.1
2. Payments on accounts		337,245	305,790	10.3
3. Trade payables	19.	1,782,780	1,707,003	4.4
4. Tax liabilities	20.	673,611	638,373	5.5
5. Other short-term liabilities	21.	1,154,905	1,713,804	-32.6
		5,323,723	5,509,652	-3.4
D. Deferred tax liabilities				
	4.	52,672	0	100.0
		28,402,637	30,248,015	-6.1
Equity ratio of shareholders quota		74.86	74.41	

CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2016

	Notes	01/01–31/12/16	01/01–31/12/15	Change	Change
	No,	EUR	EUR	EUR	in %
Sales revenues	22.	21,409,261	21,588,895	-179,634	-0.8
Change in inventory of semi-finished and finished products		244,300	-199,146	443,446	>100.0
Other capitalised own work		203,141	97,380	105,761	>100.0
Other operating income	23.	761,723	778,886	-17,163	-2.2
		22,618,425	22,266,015	352,410	1.6
Cost of materials	24.				
Cost of raw materials, consumables and goods for resale		-6,765,146	-7,533,536	768,390	-10.2
Costs of purchased services		-1,114,535	-610,147	-504,388	82.7
		-7,879,681	-8,143,683	264,002	-3.2
Gross profit or loss		14,738,744	14,122,332	616,412	4.4
Personnel expenses	25.				
Wages and salaries		-5,115,829	-4,187,573	-928,256	22.2
Social security, pension and other benefits		-1,097,678	-939,119	-158,559	16.9
		-6,213,507	-5,126,692	-1,086,815	21.2
Amortisation of intangible assets and depreciation of tangible assets	26.	-1,171,427	-889,580	-281,847	31.7
Other operating expenses	27.	-4,815,013	-5,572,420	757,407	-13.6
Operating results		2,538,797	2,533,640	5,157	0.2
Dividend income		39,000	39,000	0	0.0
Income from securities trading		924,627	1,938,463	-1,013,836	-52.3
Amounts written off for securities		0	-719,247	719,247	-
Securities-related expenses		-105,630	-169,776	64,146	-37.8
Other interest and similar income		7,607	10,540	-2,933	-27.8
Interests and similar expenses		-476,089	-304,908	-171,181	56.1
Financial results	28.	389,515	794,072	-404,557	-50.9
Result of ordinary activities		2,928,312	3,327,712	-399,400	-12.0
Income taxes	29.	-681,877	-936,449	254,572	-27.2
Consolidated net income		2,246,435	2,391,263	-144,828	-6.1
Result of non-controlling shareholders		9,630	-310,002	319,632	>100.0
Results of the shareholders of the parent company		2,236,805	2,701,265	-464,460	-17.2
Earnings per share undiluted	30.	0.45	0.55	-0.10	-18.2
Earnings per share diluted	30.	0.45	0.55	-0.10	-18.2
Gross result (EBITDA)		3,710,224	3,423,220	287,004	8.4

CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2016

	01/01–31/12/16	01/01–31/12/15
	EUR	EUR
Consolidated net income	2,246,435	2,391,263
Income and expenses directly recognised in equity, which are reclassified to profit or loss under specific conditions:		
Profits and losses from revaluation of securities	-812,748	206,198
Difference resulting from currency translation	-241,002	190,574
Income and expenses directly included in equity capital	-1,053,750	396,772
Total consolidated income	1,192,685	2,788,035
of which assignable to shareholders of minority interest	-109,012	-219,321
of which assignable to shareholders of parent company	1,301,697	3,007,356

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of 31 December 2016

	Subscribed capital	Capital reserves
	11. EUR	12. EUR
As of 1 January 2015	4,949,999	11,035,367
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
Transactions with shareholders and member partners	0	0
Consolidated net income	0	0
Unrealized profits and losses from revaluation of securities	0	0
Currency translation in the Group	0	0
Total consolidated income	0	0
As of 31 December 2015	4,949,999	11,035,367
As of 1 January 2016	4,949,999	11,035,367
Purchase of shares in the subsidiary Geratherm Respiratory GmbH from shareholders of minority interests	0	0
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	0
Consolidated net income	0	0
Unrealized profits and losses from revaluation of securities	0	0
Currency translation in the Group	0	0
Total consolidated income	0	0
As of 31 December 2016	4,949,999	11,035,367

Other reserves		Accumulated earnings	Assignable to the shareholders of the parent company	Minority interests	Equity capital
Market valuation reserve	Currency conversion reserve				
EUR	13. EUR				
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
865,252	116,856	5,540,983	22,508,457	-569,240	21,939,217
0	0	-74,000	-74,000	-26,000	-100,000
0	0	-2,475,000	-2,475,000	0	-2,475,000
0	0	-2,549,000	-2,549,000	-26,000	-2,575,000
0	0	2,236,805	2,236,805	9,630	2,246,435
-812,748	0	0	-812,748	0	-812,748
0	-122,360	0	-122,360	-118,642	-241,002
-812,748	-122,360	2,236,805	1,301,697	-109,012	1,192,685
52,504	-5,504	5,228,788	21,261,154	-704,252	20,556,902

CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2016

	Notes No.	01/01– 31/12/16 kEUR	01/01– 31/12/15 kEUR
Consolidated net income		2,246	2,391
Other non-cash expenses		-299	66
Dividend income	28.	-39	-39
Interest earnings	28.	-8	-11
Interest expenses		476	305
Decrease in deferred taxes		192	445
Income tax expenditure		490	491
Depreciation of fixed assets		1,171	889
Income from securities trading	28.	-925	-1,938
Amounts written off for securities		0	719
Amortization of public grants and subsidies	16.	-108	-111
Loss from disposal of fixed assets		0	49
Gross cash flow	32.	3,196	3,256
Decrease/increase in inventories		-945	216
Increase in trade receivables and other assets		-126	-286
Increase/decrease in current liabilities and other liabilities		-265	914
Cash inflow from dividends		39	39
Cash inflow from interest		8	11
Cash outflow from interest		-476	-305
Cash outflow for taxes		-639	-71
Cash flow from operations	33.	792	3,774
Cash outflow for investments in fixed assets		-1,048	-781
Cash inflow based on financial assets	9.	3,645	2,968
Cash outflow based on financial assets	9.	-1,047	-2,626
Cash flow from investments	34.	1,550	-439
Cash inflow from shareholders of minority interests		0	85
Share acquisition from shareholders of minority interests		-100	-83
Dividend payments	13.	-2,475	-1,237
Cash inflow from taking out loan liabilities	15.	1,195	1,151
Cash outflow for repayment of loan liabilities	15.	-1,446	-2,709
Increase in long-term liabilities	17.	261	88
Cash flow from financing activities	35.	-2,565	-2,705
Change in cash and cash equivalents		-223	630
Cash and cash equivalents at beginning of fiscal year		9,683	8,869
Exchange rate difference		58	184
Cash and cash equivalents at end of fiscal year		9,518	9,683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2016 FISCAL YEAR

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2016 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 2016 fiscal year and have affected the 2016 fiscal year as follows:

Standard/ Inter- pretation	Title of Standard/ Interpretation or Amendment	First time application ¹	Impact on Geratherm
<i>IAS 8.28</i>			
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception	1/1/2016	No significant impact
Amendments to IFRS 11	Accounting of acquisitions of interests in jointly controlled operations	1/1/2016	No significant impact
Amendments to IAS 1	Disclosure initiative	1/1/2016	No significant impact
Amendments to IAS 16 and IAS 38	Acceptable methods of depreciation and amortisation	1/1/2016	Additional disclosures in the notes
Amendments to IAS 16 and IAS 41	Agriculture: Fruit-bearing plants	1/1/2016	No significant impact
Improvements to IFRS 2012 - 2014	Changes to IFRS 5, IFRS 7, IAS 19, IAS 34	1/1/2016	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/ Interpretation	Title of Standards/ Interpretation or Amendment	First time application ²
<i>IAS 8.30, EU endorsement has been given by the release for publication</i>		
IFRS 9	Financial instruments	1/1/2018
IFRS 15	Revenue from contracts with customers	1/1/2018

¹ Fiscal years that start on or after the indicated date.

² Fiscal years that start on or after the indicated date.

Standard/ Interpretation	Title of Standards/ Interpretation or Amendment	First time application ²
<i>IAS 8.30, EU endorsement is still pending (as of: 10 January 2017)</i>		
IFRS 14	Regulatory deferral accounts	IASB effective date 1/1/2016
IFRS 16	Lease contracts	1/1/2019
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	1/1/2018
Amendments to IFRS 4	Applying IFRS 9 Financial instruments and IFRS 4 Insurance contracts	1/1/2018
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Indefinite
Amendment to IFRS 15	Clarifications and guidance for IFRS 15	1/1/2018
Amendments to IAS 7	Disclosure initiative	1/1/2017
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	1/1/2017
Amendment to IAS 40	Transfers of investment properties	1/1/2018
IFRIC 22	Foreign currency transactions and advance consid-eration	1/1/2018
Improvements to IFRS 2014 – 2016	Changes to IFRS 12	1/1/2017
Improvements to IFRS 2014 – 2016	Changes to IFRS 1 and IAS 28	1/1/2018

² Fiscal years that start on or after the indicated date.

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 short-term 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 headquarters in Geschwenda, Germany. 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 24 March 2017 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 (Local 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 the Art. 2 of its Articles of Association.

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 pro-rata 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 2016	Percentage of shares held 2015
GME Rechte und Beteiligungen GmbH, Geschwenda, Germany	100.00 %	100.00 %
apoplex medical technologies GmbH, Pirmasens, Germany	58.76 %	58.76 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	65.27 %	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 %	100.00 %
LMT Medical Systems GmbH, Lübeck, Germany	66.67 %	66.67 %
Subsidiary: LMT Medical Systems Inc. Ohio, USA	100.00 %	100.00 %

In the quarterly report as of 30 June 2016, the following change occurred to the consolidation group. Geratherm Medical AG took over further nominal capital shares of minority interests in Geratherm Respiratory GmbH at a purchase price of 100 kEUR. That increases the share quota of share capital in Respiratory by 4.0 % (26 kEUR). The purchase price difference in the amount of 74 kEUR was shown as revenue reserve in equity capital of Geratherm.

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 periodend exchange rate of BRL 3.4305 /EUR (balance sheet) and an average exchange rate of BRL 3.856144 /EUR (P&L) were taken as a basis. When converting the financial statements of LMT Medical Systems into the local currency, a periodend exchange rate of USD 1.0541 /EUR (balance sheet) and an average exchange rate of USD 1.106903 /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 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 is based 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 pretax 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 cash-flow 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 long-term 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 2016 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 and consumables 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 EUR 4.203 million) are based on estimates and assumptions. In addition, the assessment of the deferred taxes (book value -53 kEUR), the long-term impairment of assets available for sale (securities, book value EUR 2.530 million) 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 2016, intangible assets totalling 626 kEUR (2015: 603 kEUR) are reported. The development of the intangible assets is shown in the following table:

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Initial and manufacturing costs in EUR				
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
1/1/2016	2,150,272	769,170	90,000	3,009,442
Additions	164,598	25,161	0	189,759
Disposals	0	398	0	398
Transfers	0	0	0	0
31/12/2016	2,314,870	793,933	90,000	3,198,803
Amortisation and depreciation in EUR				
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
1/1/2016	1,988,781	402,936	14,250	2,405,967
Additions	22,393	145,052	0	167,445
Disposals	0	398	0	398
31/12/2016	2,011,174	547,590	14,250	2,573,014
Book values in EUR				
1/1/2015	157,442	488,597	75,750	721,789
31/12/2015	161,491	366,234	75,750	603,475
1/1/2016	161,491	366,234	75,750	603,475
31/12/2016	303,696	246,343	75,750	625,789

The development costs for intangible assets created internally during the 2016 fiscal year were capitalised in the amount of 165 kEUR (2015: 22 kEUR). Non-capitalisable research and development costs were posted as expenses in the amount of 467 kEUR (2015: 391 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 2017 to 2020. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This segment possesses a goodwill of 76 kEUR (2015: 76 kEUR) and an additional net worth of 172 kEUR (2015: 161 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 9 % and 43 % 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 7 kEUR change in the cash value. A sustained decrease in the sales revenue during the planning period of 10 % 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
Initial and manufacturing costs in EUR					
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
1/1/2016	2,475,891	7,940,601	939,502	134,412	11,490,406
Additions	242,076	440,326	133,656	42,459	858,517
Disposals	0	138,442	42,402	0	180,844
Transfers	10,000	116,352	0	-126,352	0
31/12/2016	2,727,967	8,358,837	1,030,756	50,519	12,168,079
Amortisation and depreciation in EUR					
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
1/1/2016	1,453,930	5,685,921	628,018	0	7,767,869
Additions	71,929	809,492	122,561	0	1,003,982
Disposals	0	138,439	42,401	0	180,840
31/12/2016	1,525,859	6,356,974	708,178	0	8,591,011
Book values in EUR					
1/1/2015	1,087,273	1,905,588	344,048	0	3,336,909
31/12/2015	1,021,961	2,254,680	311,484	134,412	3,722,537
1/1/2016	1,021,961	2,254,680	311,484	134,412	3,722,537
31/12/2016	1,202,108	2,001,863	322,578	50,519	3,577,068

The additions in the area of tangible assets involve mainly the purchase of a production hall for Sensor Systems in the amount of 242 kEUR and the procurement of production systems for clinical glass thermometers with gallium filling in the amount of 264 kEUR. Internally produced assets were capitalised in the amount of 126 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 276 kEUR (2014: 123 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.

	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31.12.2015
	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities	Deferred tax balance	Deferred tax balance
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Capitalised development costs/patents	11	25	108	151	-97	-126
Goodwill	0	0	21	19	-21	-19
Inventories	14	0	30	0	-16	0
Losses carried forward	90	285	0	0	90	285
Other	0	0	9	0	-9	0
Total	115	310	168	170	-53	140

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	1/1/2016	Change recognised in profit and loss	Change without effect on profit & loss	1/1/2016
	kEUR	kEUR	kEUR	kEUR
Capitalised development costs/patents	-126	29	0	-97
Goodwill	-19	-2	0	-21
Inventories	0	-16	0	-16
Losses carried forward	285	-195	0	90
Other	0	-9	0	-9
Total	140	-193	0	-53

Change in the balance of deferred taxes	01/01/2015	Change recognised in profit and loss	Change without effect on profit & loss	31/12/2015
	kEUR	kEUR	kEUR	kEUR
Capitalised development costs/patents	-137	-11	0	-126
Goodwill	-16	3	0	-19
Losses carried forward	738	453	0	285
Total	585	445	0	140

An income tax rate ranging between 29.13% and 31.35% (2015: between 29.13% and 31.35 %) 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 tax losses carried forward by Geratherm Medical AG were used up in 2016. During the 2016 business year, the losses carried forward by Geratherm Respiratory GmbH were regarded as impaired due to the expected use of the tax losses carried forward on the basis of corporate planning. For the other subsidiaries that are included in the consolidated financial statements and which are still in part under construction and their revenue planning is still subject to a corresponding uncertainty, no deferred tax assets were applied beyond the deferred tax liabilities arising from temporary differences.

Darstellung der aktiven Steuerabgrenzung für die steuerlichen Verlustvorträge

	2016 kEUR	2015 kEUR
Tax loss carried forward as of 31/12	4,143	5,542
Of which recoverable	308	1,187
Deferred taxation	90	285

5. Inventories

	31.12.2016 EUR	31.12.2015 EUR
Raw materials and supplies	2,400,900	2,148,258
Unfinished goods	1,125,026	1,317,323
Finished goods	1,865,118	1,176,455
Goods	2,369,446	2,173,489
Total	7,760,490	6,815,525

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

The unfinished goods as of 31 December 2016 primarily include clinical thermometers in various stages of production as well as semi-finished warming systems and incubators.

The finished goods item mainly include thermometers, warming systems and incubators as of 31 December 2016. 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:

	31/12/2016 EUR	31/12/2015 EUR
Gross sum of trade receivables	3,328,990	3,175,228
Devaluations	-40,777	-50,148
Total	3,288,213	3,125,080

The shown trade receivables are due within one year and results 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.

7. Tax receivables

The tax receivables essentially relate to the receivable from sales tax refunds in the amount of 162 kEUR (2015: 301 kEUR).

8. Other short-term assets

The other assets essentially entail receivables from advances paid (211 kEUR; 2015: 110 kEUR), and from other expenses paid in advance (120 kEUR; 2015: 164 kEUR).

9. Securities

The securities held include the following:

2016	Number/ nominal	Book value as of 31/12 EUR	Price as at 31/12 EUR
Agfa-Gevaert N.V.	700,000	2,529,800	3,61
Total		2,529,800	
2015			
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 Zertifikat Bayer AG	2,580	255,420	99,00
Discount-Zertifikat Sanofi S.A.	3,625	250,669	69,15
Total		5.015.682	

During the 2016 fiscal year, the level of securities was increased by means of acquisitions in the amount of EUR 1.047 million (2015: EUR 2.355 million), The level also decreased by means of sales in the amount of EUR 3.645 million (2015: EUR 2.968 million), As a result, it was possible to realise a profit contribution of 925 kEUR (2015: EUR 1.938 million).

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 2016 business year, no impairment was to be carried out in accordance with IAS 39.67.

As per the balance sheet date 31 December 2016, the market assessment reserve amounted to 53 kEUR (2015: 865 kEUR) due to the sales of securities and exchange rate changes. The change in the revaluation reserve in the amount of -812 kEUR is mainly made up of sales of securities (-28 kEUR) and write-offs (-784 kEUR).

10. Cash and cash equivalents

	31/12/2016 kEUR	31/12/2015 kEUR
Cash on hand	15	13
Credit balances with banks	9,503	9,670
Cash and cash equivalents	9,518	9,683

Of which credit balances with banks in the amount of EUR 2.257 million (2015: EUR 5.555 million) 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. 2016 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 2016 business year.

Authorised capital

The management board was authorised on 6 June 2016 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 2021. Subject to the approval of the supervisory board, the management board is moreover authorised to exclude the statutory subscription rights of shareholders to certain extents.

The authorisation of the general meeting of shareholders on 6 June 2011 to increase the share capital of the company was cancelled with the new authorisation resolution coming into force.

Purchase of own shares

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 Deutsche 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.

The management board is authorised up 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.

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 2016, the market valuation reserve totals 53 kEUR (2015: 865 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 -6 kEUR (2015: 117 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 December 2016 (EUR 5.541 million; 2015: EUR 4.047 million), the purchase of non-controlling interests (-74 kEUR; 2015 Adjustment 30 kEUR), the current net income for the year, which can be attributed to the shareholders of the parent company (EUR 2.237 million; 2015: EUR 2.701 million) less the distributed dividend (EUR 2.475 million; 2015: EUR 1.237 million).

The management board and supervisory board will propose to the general meeting in June 2017 to distribute a dividend of EUR 0.50 per share for the 2016 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 2016 (altogether EUR 2.475 million).

For the 2016 business year, the earned distributable profit amounts to EUR 3.213 million 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 EUR 15.206 million 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 EUR 2.475 million.

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. Shareholders of minority interest

	Total kwEUR
Minority interests as of 1/1/2016	-569
Purchase of shares in Geratherm Respiratory GmbH from shareholders of minority interests	-26
Currency translation in Group	-119
Result attributable to minority interests	10
Minority interests as of 31/12/2016	-704

The following tables contain information about each subsidiary of the Group with key minority interests prior to intragroup eliminations as at 31 December 2016 and 31 December 2015:

2016 in kEUR	LMT Medical Systems GmbH Lübeck	LMT Medical Systems Inc. Ohio/USA	apoplex medical techno- logies GmbH Pirmasens	Geratherm Medical do Brasil Ltda. Sao Paulo/ Brasilien	Geratherm Respiratory GmbH Bad Kissingen	Cumulative effects of change in share quota	Total
Percentage of minority interests	33.33 %	33.33 %	41.24 %	49.00 %	34.73 %		
Long-term assets	299	126	335	355	59		
Short-term assets	1,181	34	541	1,733	850		
Long-term liabilities	-527	0	-1,201	-2,355	-218		
Short-term liabilities	-373	-58	-208	-1,222	-329		
Net assets	580	102	-533	-1,489	362		
Book value of minority interests	193	34	-220	-730	126	-108	-704
Sales revenues	1,216	551	1,125	1,856	2,291		
Net profit (loss) for the year	-185	16	289	-199	128		
Minority interests of attributable net profit (loss) for the year	-62	5	119	-98	44	0	10
Cash inflow/(outflow) from operating activities	-204	132	189	-661	43		
Cash inflow/(outflow) from investment activities	-20	-126	-309	-19	-24		
Cash inflow/(outflow) from financing activities	150	0	0	691	-232		
Net increase/(decrease) in liquid resources	-74	6	-120	11	-213		

2015 in kEUR	LMT Medical Systems GmbH Lübeck	LMT Medical Systems Inc. Ohio/USA	apoplex medical techno- logies GmbH Pirmasens	Geratherm Medical do Brasil Ltda. Sao Paulo/ Brasilien	Geratherm Respiratory GmbH Bad Kissingen	Cumulative effects of change in 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		
Net assets	780	83	-821	-1,043	235		
Book value of minority interests	260	28	-339	-511	91	-98	-569
Sales revenues	2,331	1,006	689	1,784	2,389		
Net profit (loss) for the year	233	2	44	-987	196		
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		
Net increase/(decrease) in liquid resources	-45	1	8	-3	214		

15. Long-term liabilities to banks

On 22 November 2012, Geratherm Medical AG formed a KfW entrepreneur loan agreement in the amount of EUR 3.0 million, which was also extended by the Commerzbank AG. The loan bears 1.40 % interest p.a. 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 off 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 EUR 1.195 million were moreover extended and taken out with regard to Geratherm do Brasil with terms extending up to 2017 or 2020. These loans have variable/fixed interest rates ranging between 10.3 % and 30.9 %.

Part of the loans amounting to EUR 1.375 million has a remaining term of up to one year and part amounting to EUR 1.052 million has a remaining term of two to five years.

16. Accrued investment subsidies

The item shown in the balance sheet in the amount of 366 kEUR (2015: 474 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 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.

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 (2015: 477 kEUR) and Geratherm Respiratory GmbH in the amount of 75 kEUR (2015: 119 kEUR), Geratherm do Brasil Ltda. in the amount of 62 kEUR (2015: 88 kEUR) and LMT Medical Systems GmbH 107 kEUR (2015: 107 kEUR) are reported. The loans have a one-year term and variable/fixed interest rates ranging between 3 % and 10 %.

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 EUR 1.375 million (2015: EUR 1.145 million). Of this, 750 kEUR (2015: 750 kEUR) concern the loans of Geratherm Medical AG, the avilment of open credit lines by our subsidiaries Geratherm Respiratory GmbH in the amount of 145 kEUR (2015: 0 kEUR) and LMT Medical Systems GmbH in the amount of 33 kEUR (2015: 0 kEUR) and short-term share of loans of Geratherm do Brasil in the amount of 447 kEUR (2015: 395 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 and consumables and goods are applicable.

20. Tax liabilities

The tax liabilities shown here relate to liabilities from income taxes at 391 kEUR (2015: 542 kEUR), wage taxes 82 kEUR (2015: 53 kEUR) and sales taxes 201 kEUR (2015: 43 kEUR).

21. Other short-term liabilities

	31/12/2016 kEUR	31/12/2015 kEUR
Accrued liabilities	702	1,439
Other liabilities	453	275
Other liabilities	1,155	1,714

Accrued liabilities

The accrued liabilities include the following:

	31/12/2015 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	31/12/2016 kEUR
Staff related	210	-178	-6	183	209
Bonuses, commissions, credits	162	-162	0	70	70
Outstanding invoices	726	-549	-82	83	178
Other	341	-231	-53	188	245
Total	1,439	-1,120	-141	524	702

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 liabilities from wage payments in the amount of 217 kEUR (2015: 180 kEUR) and social security liabilities in the amount of 156 kEUR (2015: 15 kEUR).

All other liabilities shown here fall due within one year.

Notes to the Consolidated Profit and Loss Statement

22. Sales revenues

Sales revenues by product groups:

	2016 kEUR	2015 kEUR	Change %
Healthcare Diagnostic	14,055	13,445	+4.5
Respiratory	3,940	3,758	+4.8
Warming Systems	2,289	3,697	-38.1
Cardio/Stroke	1,125	689	+63.3
Total	21,409	21,589	-0.8

Sales revenues by regions:

	2016 kEUR	2015 kEUR	Change %
Europe	11,124	11,444	-2.8
Germany	3,397	2,915	+16.5
South America	2,049	1,937	+5.8
Middle East	1,837	1,783	+3.0
USA	1,542	2,327	-33.7
Other	1,460	1,183	+23.4
Total	21,409	21,589	-0.8

The "Other" item mainly encompasses sales in Asia in the amount of 976 kEUR (2015: 718 kEUR) and Africa in the amount of 225 kEUR (2015: 449 kEUR).

23. Other operating income

The other operating income includes amortisation of capitalised grants and subsidies in the amount of 108 kEUR (2015: 111 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2016: 435 kEUR; 2015: 491 kEUR).

24. Cost of materials

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

25. Personnel expenses

The personnel expenses in the 2016 fiscal year amounted in total to EUR 6.214 million (2015: EUR 5.127 million). The accounts for this fiscal year included contributions of 421 kEUR (2015: 345 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 and depreciation

The write-offs increased by +31.7 % to EUR 1.171 million (2015: 889 kEUR).

27. Other operating expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (EUR 1.880 million; 2015: EUR 2.073 million) and administrative expenses (EUR 2.667 million; 2015: EUR 2.392 million). The expenses occurring in connection with foreign currency translation during the fiscal year decreased to 142 kEUR (2015: 657 kEUR). The decrease in other operating expenses results primarily from the drop in costs arising in connection with foreign currency translation. A derecognition of probably unrecoverable claims of the subsidiary Geratherm do Brasil Ltda was not necessary in 2016 (2015: 114 kEUR).

28. Financial results

The financial results are 390 kEUR (2015: 794 kEUR) during the year under review. These included dividend income (39 kEUR; 2015: 39 kEUR), gains from sales of securities (925 kEUR; 2015: EUR 1.938 million), expenses occurring in connection with the securities (106 kEUR; 2015: 170 kEUR), interests earned (8 kEUR; 2015: 11 kEUR) and interests paid (476 kEUR; 2015: 305 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:

	2016 kEUR	2015 kEUR
Actual taxes	-490	-491
Deferred Taxes	-192	-445
Income tax according to IFRS	-682	-936

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 31.35 % (2015: 31.35 %) 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.

	2016 kEUR	2015 kEUR
Results before income taxes	3,247	3,328
Tax expenses to be expected	-1,018	-1,043
Tax-free income, non-deductible expenses and permanent deviations	265	310
Change in valuation of tax losses carried forward	20	-284
Tax rate changes	-6	-55
Taxes unrelated to the accounting period	0	21
Other	57	115
Income tax according to IFRS	-682	-936

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.

	2016	2015
Results that can be attributed to the shareholders of the parent company (kEUR)	2,237	2,701
Weighted average number of outstanding shares (in thousands)	4,950	4,950
Undiluted earnings per share (EUR)	0.45	0.55
Diluted earnings per share (EUR)	0.45	0.55
	2016 k shares	2015 k shares
Nominal capital in no-par shares	4,950	4,950
Weighted number of outstanding shares	4,950	4,950

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, Frankfurt (GMF). As of 31 December 2016, GMF holds a 50.36 % share in Geratherm Medical AG. GMF shareholder and thus ultimate controlling party as defined by IAS 24.13 is the executive chairman Dr. Frank. Expenses in the amount of 199 kEUR (2015: 251 kEUR) were recorded for the services performed by the executive chairman Dr. Frank for GMF during the 2016 fiscal year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2015: 86 kEUR), a performance bonus and a bonus payment based on the posted financial results. 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 2016. 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 2016 business year. Sensor Systems GmbH in Steinbach-Hallenberg also posted the expense for the management remuneration in 2016 for the activity as managing director in the amount of 12 kEUR.

As of the reporting date 31 December 2016, there were no outstanding accounts owed by GMF. A liability vis-a-vis GMF in the amount of 107 kEUR (2015: 161 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 2015 fiscal year. The supervisory board's compensation is recognised in the Additional disclosures.

The company communicated the following change in shareholder structure during the preparation of the financial statements:

GMF Capital GmbH, Frankfurt, informed us in accordance with Art. 21 Para. 1 of WpHG on 18 January 2017 that its voting rights in our company fell below the 50 % threshold as of 16 January 2017, amounting to 49.35 % (2,442,737 voting rights) as of that date.

Other financial obligations

As of 31 December 2016	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements kEUR	538	382	156	0
Other financial commitments from obligation to accept kEUR	0	0	0	0
Other financial commitments from obligation to accept and inventory purchase commitments kEUR	940	940	0	0
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

The Group has entered various rental and leasing agreements with regard to administrative and business premises, vehicles and office equipment as well as for software service agreements. The financial obligations in this regard amount to 538 kEUR (2015: 424 kEUR) for 2016 and subsequent years.

The other purchase commitments mainly include orders for the purchase of merchandise.

Auditor fees

In 2016, 57 kEUR (2015: 57 kEUR) was entered as expenditure for the audit services, 3 kEUR (2015: 3 kEUR) for other assurance services and 4 kEUR (2015: 5 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 Life

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 EUR 1.856 million (2015: EUR 1.784 million) and in the Europe segment, the main sales were generated with Italy in the amount of EUR 3.779 million (2015: EUR 4.280 million).

Deferred taxes are not assigned to a specific segment, since these are not shown 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:

	2016 kEUR	2015 kEUR
Financial assets of Geratherm Medical AG	270	270
Securities of Geratherm Medical AG	2,530	5,016
Cash and cash equivalents of Geratherm Medical AG	9,377	9,119
Total	12,177	14,405

*Group segment report for the period from
1 January to 31 December 2016*

Based on product groups	Healthcare Diagnostic	Respiratory	Warming Systems	Cardio/Stroke	Consolidation	Reconciliation	Total
2016	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	15,850	3,477	2,796	1,125	-1,839	0	21,409
Operating results	2,443	305	-376	289	-157	35	2,539
including: Amortisation of intangible assets and depreciation of tangible assets	881	67	120	28	-1	76	1,171
Segment assets	10,344	1,870	3,136	876	0	12,177	28,403
Segment debts	5,981	519	786	508	0	52	7,846
For information only:							
Segment sales	15,850	3,477	2,796	1,125	-1,839	0	21,409
Elimination of intragroup sales	-1,795	463	-507	0	1,839	0	0
Sales revenues on third parties	14,055	3,940	2,289	1,125	0	0	21,409
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
Operating results	2,035	349	370	45	140	-405	2,534
including: Amortisation of intangible assets and depreciation of tangible assets	606	22	92	14	5	150	889
Segment assets	10,088	2,028	3,166	421	0	14,405	30,108
Segment debts	6,155	532	1,102	520	0	0	8,309
For information only:							
Segment sales	14,679	3,461	4,041	689	-1,281	0	21,589
Elimination of intragroup sales	-1,234	297	-344	0	1,281	0	0
Sales revenues on third parties	13,445	3,758	3,697	689	0	0	21,589

*Group segment report for the period from
1 January to 31 December 2016*

By region	Europe	South America	Germany	Middle East	USA	Other	Total
2016	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	11,124	2,144	4,686	1,837	1,997	1,460	23,248
Elimination of intra- group sales	0	-95	-1,289	0	-455	0	-1,839
Sales revenues on third parties	11,124	2,049	3,397	1,837	1,542	1,460	21,409
Gross profit or loss	7,480	1,588	2,339	1,235	1,037	982	14,661
Operating results	1,250	341	391	207	173	164	2,526
including: Amortisation and de- preciation of intangible assets and Tangible assets	661	10	206	109	92	87	1,165
Amortisation of public grants and subsidies	62	0	19	10	9	8	108
Acquisition costs of fixed assets for the period	0	18	904	0	126	0	1,048
Segment assets	0	2,036	26,207	0	160	0	28,403

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: Amortisation and depreciation of intangible assets and Tangible assets	509	12	134	79	103	52	889
Amortization 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

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, 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 EUR 3.196 million (2015: EUR 3.256 million) 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 792 kEUR (2015: EUR 3.774 million).

The capital flow statement for 2016 includes in detail the payments received from interests (8 kEUR; 2015: 11 kEUR) and dividends (39 kEUR; 2015: 39 kEUR) and outgoing payments from interests (476 kEUR; 2015: 305 kEUR) and payments for taxes (cash outflow 639 kEUR; 2015: 71 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 EUR 1.048 million (2015: 781 kEUR). The additions in the area of tangible assets involve mainly the purchase of a production hall for Sensor Systems in the amount of 242 kEUR and the procurement of production systems for gallium-filled thermometers in the amount of 264 kEUR. Development costs were capitalised in the amount of 165 kEUR.

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 EUR 2.475 million (2015: EUR 1.237 million) and repayment of loan liabilities in the amount of EUR 1.446 million (2015: EUR 2.709 million). New loans were taken out in the amount of EUR 1.195 million (2015: EUR 1.151 million).

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 EUR 21.261 million (2015: EUR 22.508 million) as of the reporting date such that an equity-to-assets ratio can be derived based on the Group's entire capital of 74.9 % (2015: 74.4 %).

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
		31/12/2016	31/12/2015
		kEUR	kEUR
I. Financial assets not measured at fair value	Net book value	270	270
Participating interests		270	270
II. Securities - „Financial assets available for sale“		2,530	5,016
Securities - „Financial assets available for sale“	Valuation not affecting net income at the current market value	2,530	4,521
Securities - „Financial assets available for sale“	Valuation adjustment with effect on the income at the current market value	0	495
III. Credits and accounts receivable	Net book value	13,202	13,255
1. Trade receivables		3,288	3,125
2. Other assets		396	447
3. Cash in hand and cash in banks		9,518	9,683
IV. Financial liabilities not measured at fair value		-5,600	-5,559
1. Other long-term debts		-1,052	-791
2. Liabilities to banks		-2,427	-2,678
3. Liabilities from down payments received		-337	-306
4. Trade accounts payables		-1,783	-1,707
5. Other short-term liabilities (only financial instruments)		-1	-77

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	
	2016	2015	2016	2015	2016	2015
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Interest earnings			8	11	0	0
Interest payable			-476	0	0	-305
Interest income			-468	11	0	-305
Exchange gains			435	411	0	80
Exchange losses			-142	-88	0	-569
Income from currency differences			293	323	0	-489
Exchange gains from sales of securities	925	1,938				
Exchange losses from sales of securities	0	0				
Impairment of securities	0	-719				
Dividend income	39	39				
Securities-related expenses	-106	-170				
Securities-related income	858	1,088				
Allowance for uncollectible accounts			-41	-50		
Losses from non-recoverable bad debts			-16	-158		
Net profits and losses entered in the income statement	858	1,088	-232	126	0	-794
Change in market valuation reserve due to sale	-29	-506				
Change in market valuation reserve due to change in current net book value	-784	712				
Overall change in market assessment reserve	-813	206				
Overall results from financial instruments	45	1,294	-232	126	0	-794

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.

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 system 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 880 kEUR (2015: 621 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:

	2016 kEUR	2015 kEUR
Domestic	600	600
Abroad	3,084	2,971
	3,684	3,571

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

	2016 Gross kEUR	2015 Gross kEUR
Not overdue	2,069	2,182
0 – 30 days overdue	441	735
31 – 60 days overdue	823	42
More than 60 days overdue	392	662
	3,725	3,621

The valuation adjustments have developed in this regard as follows:

	2016 kEUR	2015 kEUR
As of 1 January	50	39
Addition	6	11
Claim	-13	0
Dissolution	-2	0
As of 31 December	41	50

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.

	2016 kEUR	2015 kEUR
Short-term liabilities to banks	-1,375	-1,145
Trade accounts payables	-1,783	-1,707
Tax liabilities	-674	-638
Other liabilities (without advance payments received)	-1,155	-1,714
Current financial requirements	-4,987	-5,204
Liquid assets	9,518	9,683
Liquidity 1	4,531	4,479
Trade receivables	3,288	3,125
Tax receivables	162	304
Other assets (without prepayments)	186	337
Liquidity 2	8,167	8,245
Securities	2,530	5,016
Liquidity 3	10,697	13,261

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

	Book value	Cash outflow		
	kEUR	< 1 year kEUR	1–5 years kEUR	> 5 years kEUR
Liabilities to banks in 2016	2,427	1,680	1,471	258
Liabilities to banks in 2015	2,678	1,295	1,618	0

The other long-term liabilities will result in a cash outflow of EUR 1.059 million (2015: 800 kEUR) between one and five years.

The liabilities on 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.

	31/12/2016 kUSD	31/12/2016 kEUR	31/12/2015 kUSD	31/12/2015 kEUR
Trade receivables	474	450	582	535
Bank loans /cash in banks	2,695	2,557	2,573	2,363
Trade accounts payables	-332	-315	-207	-190
Balance sheet items	2,837	2,692	2,948	2,708
Order balance	686	651	918	843
Financial obligations	0	0	0	0
Purchase commitments	-679	-644	-787	-723
Pending transactions	7	7	131	120
Net item	2,844	2,699	3,079	2,828

The following currency translations were applied:

	31/12/2016	Average 2016	31/12/2015	Average 2015
US dollar	1,054	1,107	1,089	1,103

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.

	31/12/2016		31/12/2015	
	Equity capital	Perfor- mance	Equity capital	Perfor- mance
US dollar	0	-246	0	-257

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.

	31/12/2016 kBRL	31/12/2016 kEUR	31/12/2015 kBRL	31/12/2015 kEUR
Trade receivables	3,020	880	2,677	621
Other assets	1,526	445	1,249	290
Bank loans /cash in banks	112	33	90	21
Liabilities to banks	-5,143	-1,499	-5,461	-1,267
Trade accounts payables	-934	-272	-499	-116
Other liabilities	-736	-215	-208	-48
Balance sheet items	-2,155	-628	-2,152	-499
Net item	-2,155	-628	-2,152	-499

There were no significant pending transactions as of the balance sheet date, as during the 2015 fiscal year.

The following currency translations were applied:

	31/12/2016	Average 2016	31/12/2015	Average 2015
BRL	3,431	3,856	4,312	3,698

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.

	31/12/2016		31/12/2015	
	Equity capital	Perfor- mance	Equity capital	Perfor- mance
BRL	135	57	95	45

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 utilised.

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 EUR 2.104 million (2015: EUR 2.325 million) 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.

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 a prominent international IT supplier for hospitals. Hospital IT represents a long-term growth market. The change in value as at 31 December 2016 was posted in the market assessment 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 2016 fiscal year.

	2016		2015	
	Highest price EUR	Lowest price EUR	Highest price EUR	Lowest price EUR
Agfa-Gevaert N.V.	5.12	2.61	5.37	2.01

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 production-essential 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.

Additional disclosures

Information about the management board

Only one chief executive officer was appointed during the year under review:

Chief Executive Officer

- Dr. Gert Frank, Industrial Engineer, Frankfurt/Main
Managing director of GMF Capital GmbH, Frankfurt/Main
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

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.

A remuneration in the amount of 199 kEUR was booked to GMF Capital GmbH as expenses for the management board's activities in 2016. These included fixed payments in the amount of 86 kEUR (2015: 137 kEUR) and variable payments in the amount of 113 kEUR (2015: 173 kEUR). The performance-based payment is limited to 10 % of the financial result less the costs reported in Geratherm Medical's annual financial statements under German commercial law.

As of the reporting date, the management board held directly and indirectly 2,492,737 shares.

Information about the supervisory board

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

Members of the supervisory board are:

- Mr. Rudolf Bröcker, Bensheim, Business Administration
(Chairman of the supervisory board)
Chairman of the supervisory board of Limes Schlosskliniken AG, Cologne
- Mr. 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
- Mr. Firus Mettler, Frankfurt am Main, 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 (2015: 12 kEUR) is included in the liabilities for the supervisory board's activities in 2016.

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 -	2016	74	130	0	204
	2015	63	107	0	170

Events after reporting period

According to the management board, no main events occurred during the first weeks of the 2017 fiscal year.

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, this 24th day of March 2017

Geratherm Medical AG



Dr. Gert Frank
Chief Executive Officer

*CEO's responsibility statement involving the
consolidated financial statements for the 2016 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, this 24th day of March 2017

Geratherm Medical AG



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, the consolidated statement of cash flows, the 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 2016. 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, is in compliance with the legal provisions, provides as a whole a suitable view of the company's position and accurately presents the opportunities and risks of future development.

Jena, this 24th day of March 2017

KPMG AG

Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer

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Publication

26. April 2017

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Concept & Layout

Nicht Nur Werbe- und Handelsgesellschaft mbH, 98693 Ilmenau,

www.nichtnur.de, info@nichtnur.de

Print

Druckhaus Gera GmbH, 07552 Gera, www.druckhaus-gera.de

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Corporate Calendar 2017

	2017
Publication Annual Report 2016	26. April
Annual General Meeting in Frankfurt am Main	06. June
Interim Report 1st quarter	23. May
Interim Report 2nd quarter	23. August
Interim Report 3rd quarter	23. November

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