

Geratherm®

*SOLUTIONS FOR A
HEALTHY WORLD*



Annual Report **2020**

Facts and figures

		31/12/2020	31/12/2019	Change in %
Sales revenues	kEUR	27,466	19,851	38.4
of which export share	kEUR	22,520	15,825	42.3
Export ratio	%	82	80	2.5
Gross profit (EBITDA)	kEUR	4,347	2,354	84.7
EBITDA margin	%	15.8	11.9	32.8
Amortisation and depreciation	kEUR	-1,308	-1,305	0.2
Operating result (EBIT)	kEUR	3,039	1,049	189.7
EBIT margin	%	11.1	5.3	109.4
Financial results	kEUR	-320	-11	>100.0
Profit (loss) on ordinary activities	kEUR	2,719	1,038	161.9
Profits of the parent company's shareholders	kEUR	2,045	546	274.5
Long-term assets	kEUR	14,591	12,476	17.0
Short-term assets	kEUR	21,399	20,788	2.9
Balance sheet total	kEUR	35,990	33,264	8.2
Equity capital	kEUR	19,925	19,181	3.9
Return on equity	%	10.3	2.8	260.6
Equity ratio	%	55.4	57.7	-4.0
Cash, cash equivalents and securities	kEUR	10,262	9,542	7.5
Earnings per share according to IFRS (EPS)*	EUR	0.41	0.11	272.7
Earnings per share according to DVFA*	EUR	0.41	0.11	272.7
Number of employees (annual average)		228	204	11.8
Proposed dividend	EUR	0.40	0.25	60.0
Total shares issued		4,949,999	4,949,999	0.0
* based on total shares issued		4,949,999	4,949,999	0.0

Overview of highlights

2018

Geratherm Medical increases sales slightly to EUR 21.3 million (+2.6 %), with an EBIT margin of 8.7 %.

The new business units Respiratory, Medical Warming Systems and Cardio/Stroke are experiencing dynamic growth.

The production of medical capillaries successfully started up at our location in Thuringia at the end of 2018.

Geratherm Respiratory plans a production plant to accommodate future growth in Bad Kissingen in 2019. Positive sales and earnings prospects in 2019.

2019

Geratherm Medical's sales decreased by -7.0 % to EUR 19.9 million, with an EBIT margin of 5.3 %.

The Warming Systems segment together with LMT Medical and OR Warming Systems weighed on the group result due to the decrease in sales and high approval costs.

Geratherm Respiratory's new production facility was completed at the end of 2019.

The challenges posed by the new European Medical Device Regulation (MDR) are being addressed, tie up capacities and reduce the reported earnings.

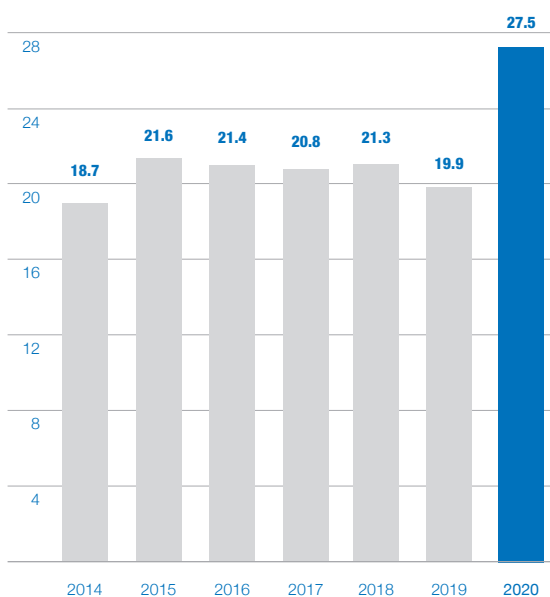
2020

Strongest growth posted by Geratherm Group to date. The sales increased by +38.4 % to EUR 27.5 million with operating results (EBIT) of EUR 3 million.

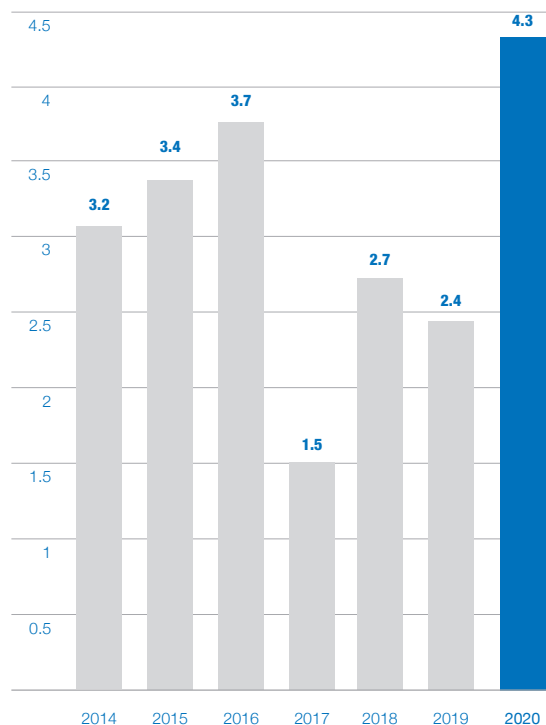
Geratherm designated as systemically important company in the coronavirus pandemic.

All product segments show double-digit growth. Respiratory starts production at its new production facility.

Implementing the new European Medical Device Regulation (MDR) continues to tie up staff and slows down momentum of medical technology companies.



SALES
in million EUR

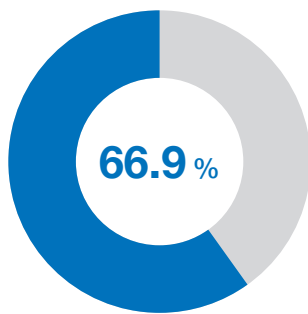


EBITDA
in million EUR

Geratherm®

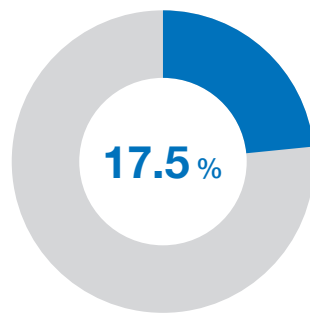
Geratherm Medical is an internationally focussed medical technology company with the following business units

Healthcare Diagnostic



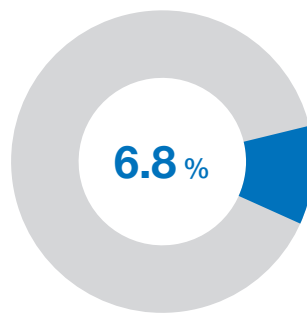
PRODUCTS FOR MEASURING VITAL DATA

Respiratory



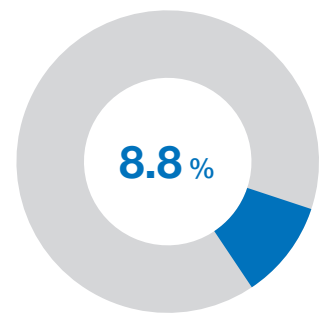
PULMONARY FUNCTION DIAGNOSTICS

Cardio/Stroke

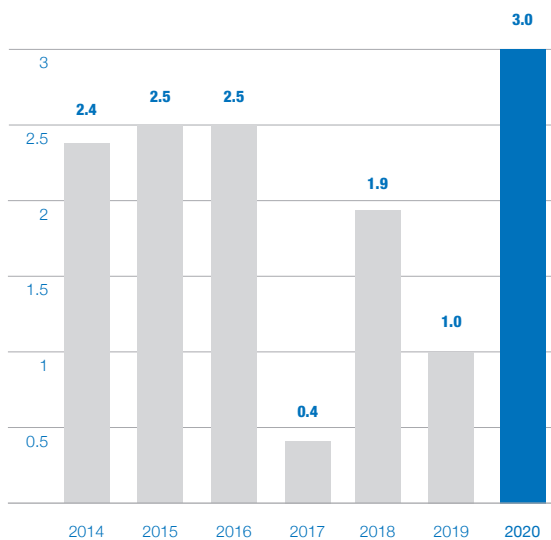


SCREENING OF CARDIAC ARRHYTHMIA

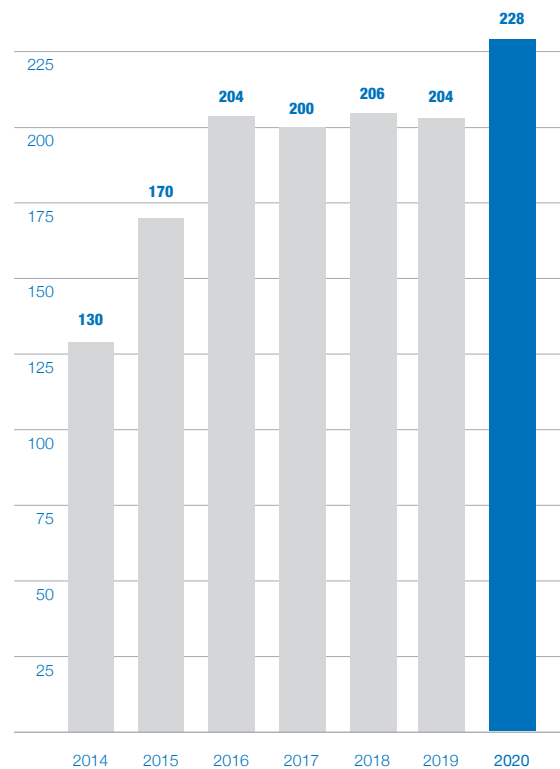
Medical Warming Systems



MONITORING AND MAINTAINING THE BODY'S TEMPERATURE



EBIT
in million EUR



STAFF

Contents

Supervisory Board's Annual Report	10
Management Board	12
Geratherm Shares	14

OPERATIONAL PRODUCT AREAS

Healthcare Diagnostic	18
Respiratory	20
Medical Warming Systems	22
Cardio/Stroke	24

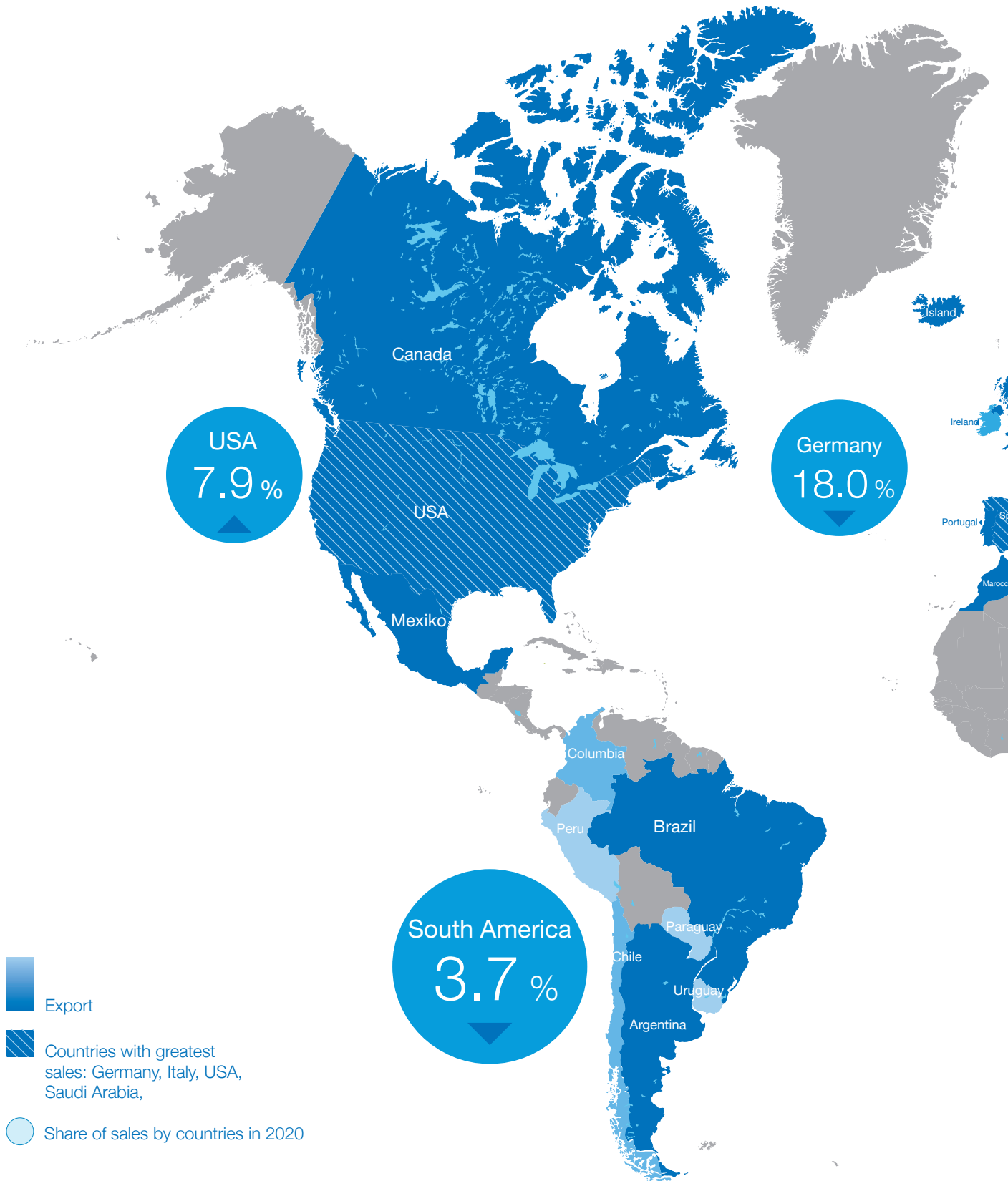
GROUP MANAGEMENT REPORT

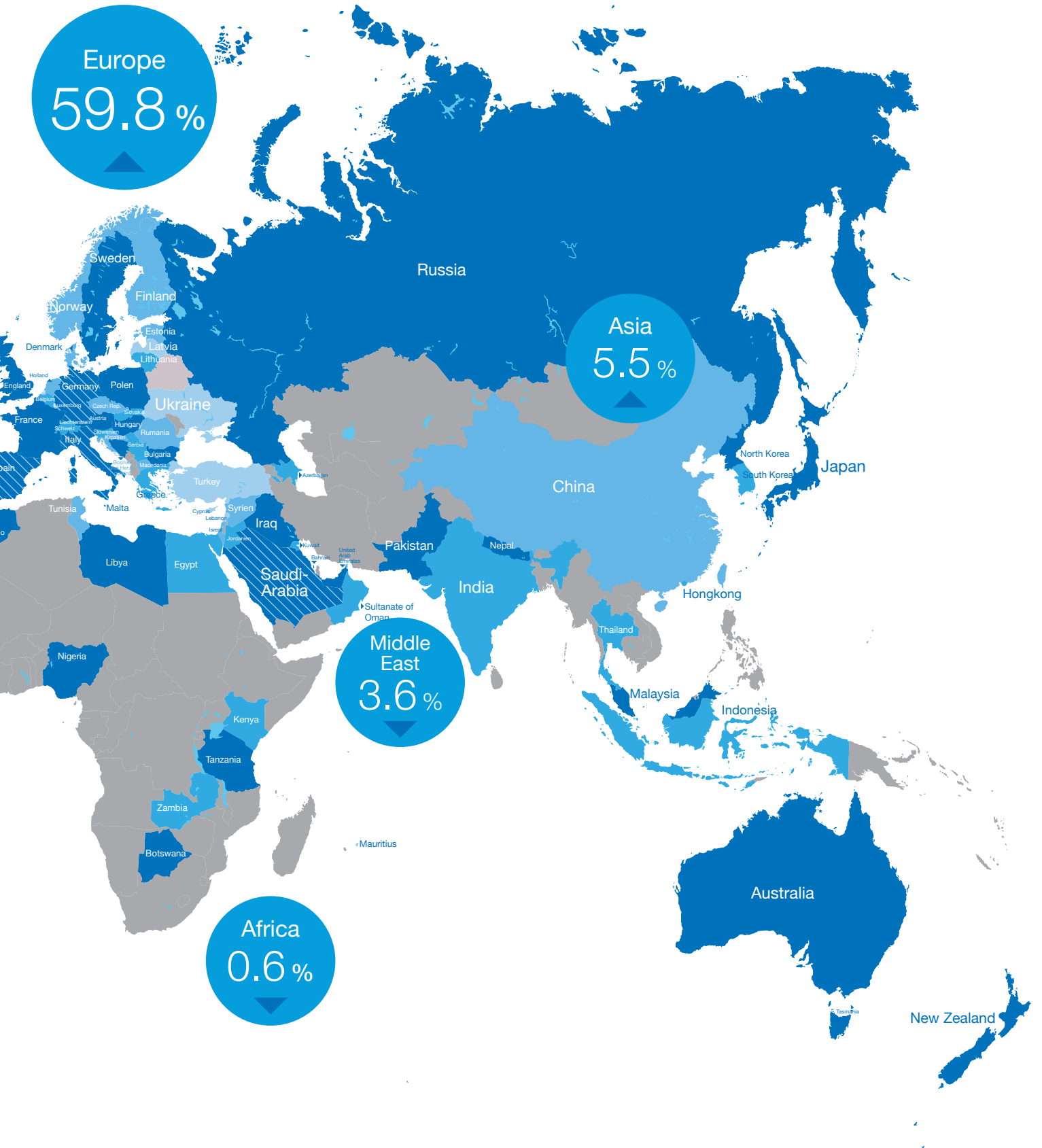
Basis of Geratherm Medical Group	28
Economic Report	29
Forecast, Chances and Risk Report	41

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet	54
Consolidated Profit and Loss Statement	56
Consolidated Statement of Comprehensive Income	57
Consolidated Statement of Changes in Equity	58
Consolidated Cash Flow Statement	60
Notes on Consolidated Accounts	61
Auditor's Report	113

Geratherm Medical exports products to more than 60 countries







Rudolf Bröcker
Chairman of the Supervisory Board

Supervisory Board's Annual Report

Dear Shareholders and Friends of Geratherm,

The supervisory board of Geratherm Medical AG performed its duties as prescribed by law and set out in the company's articles of association as well as regularly monitored and advised the management board while carrying out its duties throughout the 2020 financial year.

The supervisory board was included in all decisions that were to be considered by the management board and were of major importance for the company. It was also regularly informed in writing, orally or by phone about all business-related activities in a timely manner.

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. The corresponding performance indicators were prepared on a regular basis and provided to the supervisory board. Even outside of meetings, the supervisory board enjoyed a regular exchange of information with the company's management board. It was able to satisfy itself that the company's business activities were being conducted properly.

During its four meetings, the supervisory board focussed in particular on the current situation of the company, its strategic development, the effects of the new EU Medical Device Regulation (MDR) and its operational implementation. In addition, it also discussed short to medium-term investment strategies as well as topics such as new privacy protection regulations, the effects of the COVID pandemic on the company, the personnel situation and changes in the competitive landscape.

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 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, BDO AG Wirtschaftsprüfungsgesellschaft Erfurt, with consideration given to the accounting for the 2020 fiscal year and issued with an unqualified audit opinion.

The auditor participated in the supervisory board's meeting with regard to the 2020 year-end accounts and consolidated financial statements and reported the significant results of the audit.

The auditor examined the management board's report on relations existing with affiliated companies and 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 after presentation of the final reports and have no objections to raise based on the conclusive results of our audit. We have approved the year-end financial statements and the consolidated financial statements prepared by the management board as at 31 December 2020. The financial statements are thus adopted.

For the period from 1 January 2020 to 31 December 2020, the supervisory board consisted of the following members: Rudolf Bröcker (chairman), Bruno Schoch (deputy chairman) and Dirk Isenberg.

We also approved the management board's proposal to use the distributable profit for the year, which pays a dividend of EUR 0.40 per share.

The supervisory board would like to express its gratitude to the management board and each and every employee of all companies in the Geratherm Group for their dedication and hard work in the not-always-easy-to-manage 2020 Covid year.

Geratal, this 19th day of April 2021



Rudolf Bröcker
Chairman of the Supervisory Board



Dr. Gert Frank
Chairman

2020 Best financial year posted by Geratherm Group so far

Ladies and Gentlemen and Shareholders,

2020 was really a special year. After having to struggle with supply problems during the first quarter due to the lockdown measures in Asia, the sales of our products enjoyed very dynamic development across all segments as of the second quarter.

It was a challenging time, during which we had, on the one hand, to cope with a demand that we could not meet by far. On the other hand, we always had to expect that some of our employees might not be available any longer as a result of spontaneous quarantine orders. The months were trying, but we have coped relatively well. It was also certainly helpful that Geratherm was classified as "systemically important".

As a medical technology company with products suitable for combating the coronavirus pandemic, we were well positioned. The sales of clinical thermometers doubled, whereas the growth potential was not limited by demand but by available capacities. All in all, we were able to post a very good financial year with sales growth of + 38.4 % and an operating result (EBITDA) of EUR 4.3 million. The best fiscal year in the history of Geratherm so far.

With a healthy corporate base in place, we have decided to restructure the management and hand over the reins to a younger pair of hands. At the end of the year, together with the long-time Geratherm manager, Mr Kunibert Schäfer, I have handed over the helm of the company to younger and talented colleagues at Geratherm Respiratory.

With the appointment of Mr Frick, the Geratherm Group gained an executive with a lot of international experience on 1 January 2021. Mr Frick will assume overall responsibility for the Geratherm Group at the end of the next annual general meeting. After more than 20 years of responsibility for business operations, I am confident that the new management will be able to guide the well-positioned Geratherm Medical towards a promising future.

For the exciting and very successful 2020 fiscal year, I would like to take this opportunity to express my gratitude to all employees who through their dedication have created the conditions despite the challenging framework conditions posed by the coronavirus pandemic so that we can supply customers with important and urgently needed medical products.

Yours,



Dr. Gert Frank,
Chief Executive Officer

Geratherm Shares

Despite the global Covid pandemic – an almost normal year on the stock market – but only for those with nerves of steel

After the DAX dropped by more than 40 % at the beginning of the pandemic, it recovered considerably, closing the year at a record high of 13,718 points – as if nothing happened.

The Euro-Stoxx-50, the index for European blue-chip stocks, decreased by -5 %.

The US capital market hit new highs. The Dow Jones concluded 2020 with a 7 % gain. As a result of the global lockdown caused by the coronavirus, technology trends registered a considerable acceleration, which are reflected in the Nasdaq Composite Index and which have led to a significant increase in value of +47 %. An impressive development for a year characterised by a global crisis.

The MSCI World Index closed the year at a plus of 14 % over the prior year.

Healthcare stocks varied considerably in Europe and in the US.

The Nasdaq Biotec Index increased considerably by +27 %, while healthcare shares in Europe posted a slight decline.

The Euro Stoxx Healthcare Index slid by -5 %, compared to the prior year. This index includes all major medical and pharmaceutical companies. The shares of companies in Germany's healthcare sector, which are grouped in the Prime Standard Healthcare Index, posted a drop of -7 % over the course of 2020.

The very positive development on the stock markets in relation to the prevailing economic difficulties in 2020 is supported by the continued high liquidity in the markets, combined with the hope of being able to quickly resume again the original growth trajectory thanks to the globally initiated vaccination measures.

2020 was characterised in terms of hot topics by the struggle to cope with the coronavirus pandemic, the United Kingdom's exit from the EU, the U.S. presidential elections and climate change, which lost some of its priority as an issue. The low or negative environment prevailing on the capital markets still applies.

Geratherm shares benefited from the investors' assessment that our company will achieve a substantial increase in demand as a result of the corona pandemic. Geratherm shares increased from EUR 8.40 to EUR 10.90, corresponding to 29.8 % jump over the course of the year.

In 2020, the highest market price posted by Geratherm shares was EUR 12.00, while the lowest price was EUR 7.42. The trading volume of Geratherm shares on the German stock exchanges was 1,517,064 shares traded (2020: 528,527). The majority of the transactions, amounting to 1,328,596 shares (2020: 475,434), were carried out using the electronic XETRA platform.

The average daily sales volume stood at 6,192 shares (2020: 2,629 shares). The highest daily sales volume was reported at 74,182 shares (2020: 43,320) of Geratherm Medical. With the threefold increase in trade volume, Geratherm shares have attracted more and more attention from investors.

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).

Development of Geratherm shares



The above diagram shows how Geratherm shares have developed over the last three years in comparison to GEX and Prime Healthcare Index.

Geratherm Medical enjoys a stable shareholder structure. The issued 4,949,999 shares are held by approx. 2,968 shareholders (2019: 2,276).

Main shareholders in 2020 were GMF Capital, Frankfurt, with 41.84 %. The company is not aware of any additional holdings exceeding 3 %. The portion of freely floating shares is thus 58.16 %.

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

Geratherm participated in the virtual fall investor conference of the Equity Forum Frankfurt held on 1 September 2020. The planned presentation at the Prior Capital Market Conference was cancelled by the organizer due to possible coronavirus risks.

Besides seeking dialogue with potential investors and attending 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.

OPERATIONAL PRODUCT AREAS

Healthcare Diagnostic	18
Respiratory	20
Medical Warming Systems	22
Cardio/Stroke	24

Healthcare Diagnostic

Exceptional boom due to COVID pandemic – strong international demand for Geratherm products

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 in this product segment and stands primarily for ecological and sustainable products especially thanks to the use of our mercury substitute "Galinstan".

Clinical thermometers

Geratherm has a long-standing tradition in the production of clinical thermometers. We have been manufacturing mercury-free clinical thermometers at our plant in Geschwenda, Thuringia for more than 25 years. The patented mercury substitute developed by Geratherm Medical is used in the production of analog clinical thermometers. As a result, we are making an important contribution to reducing mercury pollution in the environment. Geratherm boasts in the meantime a very solid international market position which can be attributed to the development of this innovation.

We possess a high level of vertical integration when it comes to our analog thermometer with gallium filling, thus controlling the entire production process from sand as input material and medical capillary production through to the final end product, the clinical thermometer. This means that the entire value-added process for this product group is covered in house.

Due to the healthy international demand for clinical thermometers as a result of corona pandemic, the share of environmentally friendly analog clinical thermometers has increased again, accounting for 61.2 % (2019: 56.4 %) of sales in the product segment. With this product, we were able to generate an additional sales of EUR 3.8 million, a 52.0 % increase, during the course of 2020. The sales of our top-selling product accounted for 40.9 % of the total consolidated sales.

At our location in Geratal, we also produce medical glass capillaries and dosing systems for liquid medications for clinical use. While the demand for special glass drinking straws for the hotel business came almost to a standstill, it was compensated with the strong demand from other product segments without any major problems.

In addition to the analog clinical glass thermometers, we also sell digital clinical thermometers to round out the product group. Sales almost doubled to EUR 3.9 million in 2020.

The top-selling digital thermometer in 2020 was our "non contact" thermometer posting a sales of EUR 1.5 million (2019 EUR 0.8 million).

The clinical thermometer product group accounts for 55.0 % of the company's entire sales (2019: 48.1 %). In 2020, Geratherm sold a total of 6.8 million clinical thermometers (2019: 4.6 million).

Blood pressure monitors

Under the Geratherm brand name, we offer a variety of products for measuring blood pressure via the same sales channels. Sales focuses primarily on upper arm blood pressure monitors. The sales volume was significantly lower with a total of 69,868 blood pressure monitors sold (2019: 109,821) in the 2020 financial year. As cause we suspect the Covid-19-related shift in purchasing priorities in favor of clinical thermometers, masks and antigen tests.

Blood pressure monitors represent 6.4 % of the Healthcare Diagnostic segment and 4.3 % of the Geratherm Group's overall sales.

Women's Health

In the "Women's Health" product segment, we sell diagnostic self-test products for women.

That includes pregnancy tests, diverse ovulation test solutions, chlamydia tests, urinary tract infection and pH test kits. The products are marketed internationally under the Geratherm brand name. This in-vitro diagnostic product group is subject to considerably more stringent monitoring requirements. The top-selling product in Women's Health is our Early Detect pregnancy test, with a share of 53.5 %. For our "ovu control" product, a saliva test for checking ovulation, we carried out a supplementary clinical study, which forms the basis for recertification, during the second quarter of 2020. The results of this study are currently being evaluated.

The Healthcare Diagnostic segment was able to show an additional sales of EUR 5.3 million (+40.1 %) across all product areas in 2020. Geratherm Medical was certainly a winner in this product segment thanks to the pandemic. We are proud that with Geratherm clinical thermometers we were able to make an important contribution to combating the pandemic.



Respiratory

The Respiratory division develops and manufactures products specifically for pulmonary and cardiopulmonary function diagnostics

Geratherm products for cardiopulmonary applications are developed, produced and marketed internationally at the Bad Kissingen location. Together with the proprietary “BLUE CHERRY” software platform, we offer a powerful system solution for cardiopulmonary functional diagnostics.

The main customers of these products include primarily university hospitals and doctor’s offices that specialise in pneumology world-wide. Fundamental insight about the nature and scope of the pneumological disorders is collected for spirometric examinations. For diagnostic analysis, Geratherm Respiratory offers the “Spirostik” and “Spirostik Complete” product solutions. A so-called body plethysmography is implemented for more complex exams.

Geratherm Respiratory focusses heavily on innovative product development, which calls for a great deal of research and development. The majority of its employees are involved in product development. Various innovative product solutions are currently in the clinical trial phase. We also pursue, among other things, a project to generate vital data for early cancer detection by using respiratory air.

2020 was characterised by finishing the new facilities in Bad Kissingen. After completing the move, we were able to resume production after about one month of interruption. The new spacious premises offer all of the prerequisites for the company’s dynamic growth.

In 2020, we had to face further challenges like the procurement of semiconductor products and preparation to satisfy Medical Device Regulation (MDR) and regulatory affairs. Due to the coronavirus pandemic, access to hospitals was also severely restricted, which in turn affected new project opportunities. The +14.2 % growth in sales was thus not quite planned.

In terms of success, we received the approval for the new SpirostikBlue product during the third quarter. We also received the approval for our range of products in the Ukraine. In China we are also expecting the approval of further products of Geratherm Respiratory in early 2021. For the Russian market, we are expecting successful approval for the third quarter of 2021.

We are optimistic about the development of the segment for 2021. The products for monitoring pulmonary function are internationally in demand and are very competitive. In the past few years, we have fulfilled all of the prerequisites for ensuring the company’s dynamic growth, ultimately with the move into the new production facility.

Building on this good basis, the previous management has placed the fate of Geratherm Respiratory in younger hands at the end of 2020.





Medical Warming Systems

In this segment, Geratherm develops, produces and markets products for regulating the temperature of patients in operating rooms and in the emergency response sector as well as MRI-compatible incubators from our subsidiary LMT Medical for premature and newborn infants.

UniqueTemp°

Geratherm 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 low costs are all advantages that help convince hospitals to choose Geratherm warming systems.

Unique Resc+

Using similar technology, the 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 military.

The Unique Temp° and UniqueResc+ products are still in the recertification process at present. After submitting the revised product files, we are currently working on taking care of the issues that are still open. As a result of the new classification of products as a class IIb medical device, there are significantly higher requirements on development documentation that have to be taken into account.

In addition, this product group must be approved now in accordance with the new European Medical Device Regulation. A challenge that we have to face. This is currently tying up capacities in terms of development and in quality management. We plan to resubmit the revised product files in March of 2021. We do not expect to receive approval before the summer of 2021.

LMT

Incubators that are suited for use in magnetic resonance imaging (MRI) 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 examined directly in the MRI in order to diagnose any possible brain or organ damage. This is currently an internationally unique solution.

After having revised the product range in 2019, we were able to post a good business performance in 2020. The sales of LMT products increased a threefold. The new product generation is up-to-date and satisfy current standards and regulatory requirements. In this context, we also assume that the international demand for LMT's incubators will also be strong in 2021.

At the start of the new fiscal year, we have received the long-awaited approval for LMT's nomag® IC incubator system for the Chinese market. The approval is based, among other things, on the successful clinical trial that lasted for a period of five years in China.

To date, more than 100 LMT Medical systems have been deployed in children's hospitals around the world. The Chinese market is regarded as one of the biggest future markets for such systems. The approval will already have a positive impact on the company's sales development in 2021.



Cardio/Stroke

First successes of apoplex medical's efforts to internationalise its SRAclinic stroke risk analysis process. Market share was further increased. Clinical standard for secondary prevention of strokes.

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 SRAclinic product impresses with a sensitivity of 97 % for 100 % specificity in daily clinical use. The safety for stroke patients is thus increased significantly, thereby shortening their length of stay in a stroke unit considerably. The use of apoplex's SRAclinic product supports the digitization strategy that clinics have.

The algorithm-based analysis of ECG data relies on a mathematical procedure that interprets changes in heart rate dynamics, which are associated with the onset of atrial fibrillation.

The process is currently used in more than 160 hospitals and clinics in the corresponding stroke centres in Germany. Over the course of the financial year, we have signed a framework agreement with the Asklepios Group in order to connect all hospitals and clinics with a stroke unit to apoplex's SRAclinic system in Germany. In addition, the Vivantis hospitals and clinics in Berlin have also contracted us to equip all of their hospitals and clinics with the apoplex system. The core product is successively equipped with supplementary features so that we are able to increasingly offer a complete solution for hospitals ranging from the technical application of SRAclinic to cardiological findings.

We also managed to expand our international customer base in 2020. For instance, we have concluded with the Catalan government an agreement on the remuneration structure for the use of SRAclinic in Spain. The first 12 clinics use the application daily. The basis for this was a multicentre study carried out beforehand in Spain. Due to the outcome of Brexit, we have withdrawn from the English market for the time being, as that will require a modified approval. Further installations have also been carried out in Switzerland, Italy and Brazil.

During the course of 2020, less patients were examined for atrial fibrillation with the aid of the SRA process than in the previous year. It is necessary to note, however, that clinics treated between 20 to 25 % less strokes compared to the previous year as a result of the coronavirus pandemic.

The sales generated by apoplex increased by +11.0 %. We expect significantly stronger growth for 2021. In December 2020, apoplex medical was successfully certified in accordance with ISO 13485:2016. This forms the basis for a successful approval under the European Medical Device Regulation (MDR). The expenditure and efforts required for satisfying the new MDR are extensive and currently typing up considerable human and financial resources.

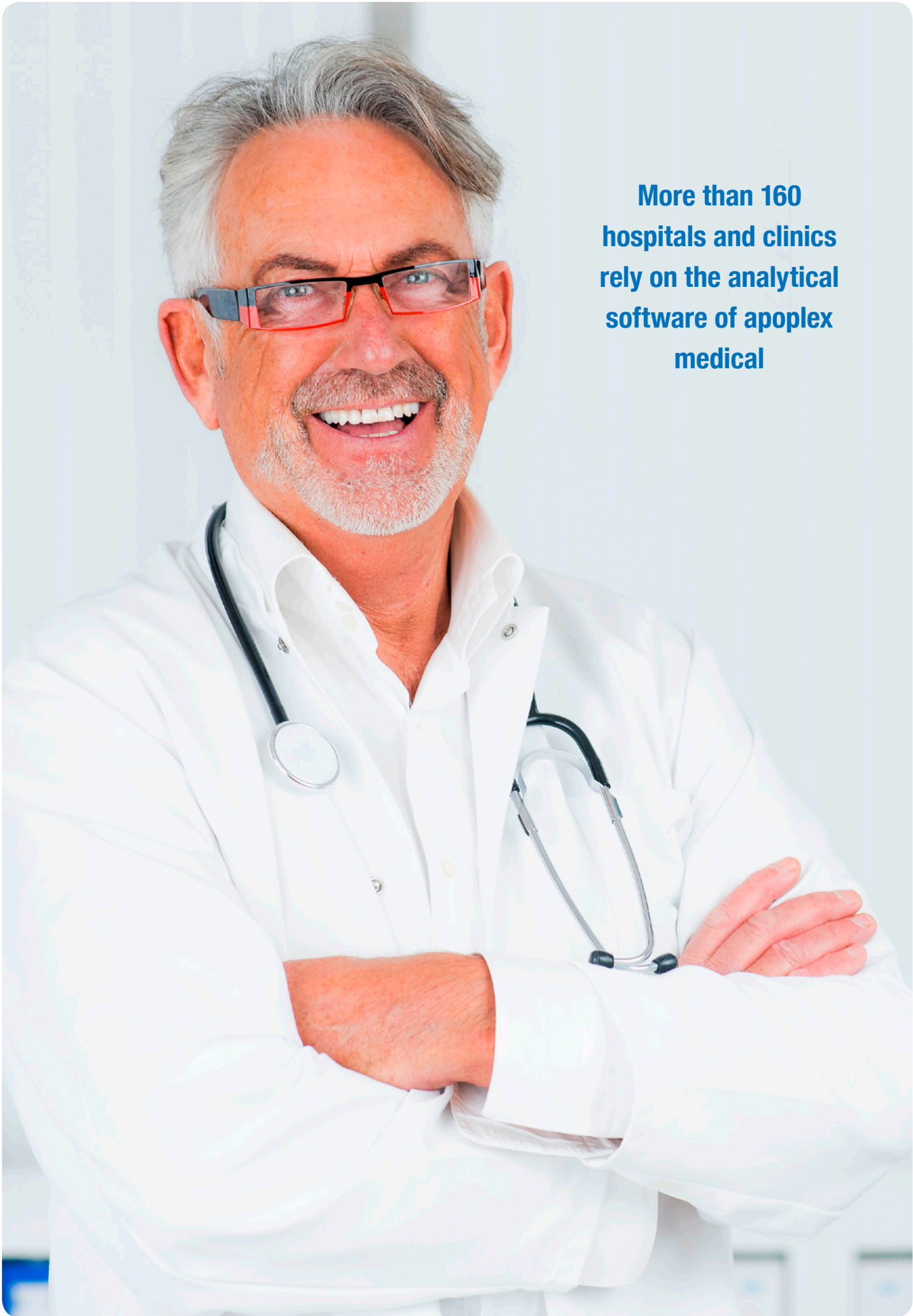
A new product was introduced under the name SRA2go for office-based physicians and healthcare professionals in 2020, providing interested risk patients with a complete solution, including an ECG recorder, electrodes and accessories, as well as SRA analysis and cardiological findings.

At the turn of the year, apoplex medical moved into new spacious business premises, thus establishing the basis for further growth.

Geratherm Medical holds a 5.8 % share in Protembis GmbH, a company that offers solutions to reduce the risk of strokes by filtering micro-particles during heart valve operations so that they do not travel to the brain and trigger a stroke. Since the founding of the company, in which Geratherm Medical has a participating interest, two further large financing rounds took place, including, among others, the US-based medical technology group Abiomed. The company protembis is showing very promising development. Various multicentre studies are currently being carried out with the main product "ProtEmbo".



Protembis – ProtEmbo



**More than 160
hospitals and clinics
rely on the analytical
software of apoplex
medical**

GROUP MANAGEMENT REPORT

Basis of Geratherm Medical Group	28
Economic Report	29
Forecast, Chances and Risk Report	41

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,**
- **Respiratory,**
- **Cardio/Stroke and**
- **Medical Warming Systems.**

The individual business units serve different markets and thus are managed independently at their own locations as well.

Healthcare Diagnostic is currently the largest business unit with a 66.9 % share of sales. The focus is here on products for measuring body temperature. Geratherm has a long-standing tradition in this segment and thus offers a wide range of products for measuring the body's temperature, which for the most part distinguish our company from the competition. This segment's main product, which accounts for 61.2 % share of sales, is an environmentally friendly and mercury-free clinical thermometer that is produced at the Geratal plant in Thuringia. Geratherm controls all essential components of the production process. The company's flagship product has a high level of vertical integration. Geratherm is a global leader on the market for mercury-free clinical glass thermometer.

Geratherm Respiratory develops, produces and distributes products for testing pulmonary function at the location in Bad Kissingen.

In the **Cardio/Stroke** segment, Geratherm is represented in the field of cardiology by the subsidiary apoplex medical technologies, which focuses on the promising market of cardiac arrhythmia. The SRAclinic product offers solutions for detecting atrial fibrillation in order to prevent a stroke and is currently used in more than 160 hospitals and clinics on a daily basis.

In the **Medical Warming Systems** segment, we offer our customers MRI-compatible incubators for preterm babies. The product solutions are developed, produced and distributed world-wide by our subsidiary LMT Medical at its location in Lübeck. LMT is a global leader on the developing market for preterm baby examinations. We manufacture medical warming systems for operating rooms and rescue operations at our Steinbach-Hallenberg location in Thuringia.

The long-term growth prospects of all the business segments, in which Geratherm is active, are favourable. The export ratio is above-average across all business units compared to the competition. This is a testament to the quality and usefulness of the medical products manufactured by Geratherm.

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 activities of Geratherm are based on medium to long-term objectives.

The segments apoplex medical, Respiratory and Warming Systems currently have the greatest expenditure in terms of development services. At apoplex medical this essentially involves extensions to its product portfolio for early detection of atrial fibrillation. In this context, more and more artificial intelligence systems (AI) are being integrated. A large part of the staff at apoplex medical are involved in research and development.

Geratherm Respiratory is currently carrying out various studies and joint research projects together with universities for a variety of topics in the field of early detection of vital data.

In the Warming Systems segment, we are still in the process of re-certifying our surgical warming systems product group. The new approval for these systems is expected to be granted as of March 2021. All resources in this segment are preoccupied until then. Thus, new development projects have been postponed as a consequence.

The research and development expenditure in 2020 amounted to EUR 1.753 million (2019: EUR 1.399 million). Development costs in the amount of 909 kEUR (2019: 628 kEUR) were capitalised in 2020. Based on that, the capitalisation ratio was 51.86 % (2019: 44.88 %).

B. ECONOMIC REPORT

1. Overall Economic Factors

Overall Economic Factors

Geratherm Medical's sales markets are primarily international; as a result, the underlying macroeconomic conditions have a significant impact on the company's development. Due to the company's product portfolio, Geratherm was designated as a "systemically important" company in the 2020 coronavirus pandemic. A noticeable decline in economic output also occurred on a global scale. Geratherm Medical was able to clearly decouple itself from the overall negative macroeconomic trend and was one of those who benefited from the coronavirus pandemic by posting an extremely positive business performance.

The prescribed lockdowns, which were implemented to stem the coronavirus pandemic, have also resulted in a significant reduction in business activities. Economic output in Germany dropped by -5.0 % compared to the previous year and thus was only slightly lower than during the global financial crisis of 2009.

Geratherm's sales areas are international, focussing mainly on emerging markets that have a great deal of catching up to do in medical technology. The international market trends in medical technology were overshadowed by the coronavirus pandemic. As of the second quarter of 2020, the demand for Geratherm products, especially for clinical thermometers, was significantly greater than the delivery options. This trend continues as before.

Geratherm Medical has in part different underlying conditions at its four locations in Germany and is also active in different markets. One thing that all sub-segments have in common is that the requirements on approval and maintenance of medical products have increased tremendously in the past few years. In addition to the significantly higher level of costs, this means obtaining appropriate specialists for the company. With the current underlying economic conditions, this remains a challenge in order to be able to highlight the increasing complexity of tasks and the company's growth.

The medical technology market is subject to medium and long-term cycles and thus is less affected by short-term fluctuations in economic conditions.

Outlook:

Based on the current underlying conditions, we expect economic growth to accelerate as of the second quarter of 2021. The International Monetary Fund (IMF) anticipates a worldwide growth of +5.2 % for 2021. That would be the highest growth since 2010. In the opinion of most economists, the level of the German economy prior to the coronavirus crisis should not be reached again until the turn of 2021/2022 at the earliest. The prerequisite for this is that a large part of the population would be vaccinated by then so that economic life can return to normal again.

Industry related Factors

The medical technology market enjoys an international outlook and is a growth market with a high rate of innovation.

Apart from large medical technology groups (ten leading international MedTec companies generate approx. 37 % of the overall sales in the industry), the industry is distinguished by medium-sized companies and is for the most part resistant to economic trends. The medical technology industry has grown steadily over the past few years.

The reasons for the steady growth of the medical technology sector have not changed. The main driver is the demographic development, the rising incomes in Asia and the increase in lifestyle-related diseases.

In the medical technology field, German companies profit from a continuing high foreign demand based on their innovative products and good reputation.

Due to the global structure of the market, there is increasing competition and cost pressure, linked with stricter regulatory requirements. The growing digitalisation in the industry is also leading to profound transformation processes. These developments are accelerating the consolidation process in the medical technology industry.

The global market for medical technology reached a volume of EUR 490 billion in 2020. German medium-sized companies have to compete with innovative, mostly niche products, with large conglomerates in Germany and abroad. The export share of German medical technology companies is approx. 65 %.

The largest market for medical technology is North America, which accounts for approx. 39 % of the world market. Europe represents the second largest market with a global market share of approx. 27 %. The Asian market accounts for approx. 26 %. The German market for medical technology represents approx. 7 % of the world market.

Technology and M&A trends in the medical technology market include artificial intelligence, especially in imaging diagnostics and big data, in order to accelerate analyses and support decisions. Sensors are always playing an important role in medical technology with regard to generating vital data and making medical devices safer and more capable. Based on patient-specific data, more and more medical products are being developed with patient-specific applications. E-health and telemedical solutions enable medical care to be provided digitally.

On the medical technology market, the new EU Medical Device Regulation (MDR) is mandatory as of 26 May 2021. All medical devices that are currently marketable must be certified again. This currently represents one of the greatest challenges for companies in the medical technology sector.

Company certification and the approval of medical products will be significantly more comprehensive and cost-intensive than in the past. All medical technology companies are expected to assume enormous expenditure in terms of human resources, finances and bureaucracy.

As a result, the range of products will have to be reduced as well. The period for a successful launch of medical products on the market will be clearly longer. A critical company size and easy access to financing options will become increasingly important.

The described industry-specific conditions also apply to Geratherm Medical. We must accept these challenges.

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 sales and earnings before interests and taxes (EBIT). Reference is made to the most important performance indicators in the following sections on Business trend and Situation. Product sales and export share are used as the performance indicators for non-financial factors. 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

We certainly could not have foreseen how the 2020 financial year would evolve. After the initial news about the emergence of Covid-19 in China and the associated lockdown and supply problems arising in the first quarter, we were confronted with a very strong demand for clinical thermometers in the second quarter, resulting in an exceptional financial year and a strong growth in sales and earnings for the Geratherm Group. All in all, we were able to considerably increase product sales at the Group level, which resulted in sales increasing by +38.4 %, which exceeded our projections. The result from ordinary business activities more than doubled to EUR 2.7 million compared to the prior year. The other product segments also reported good to very good performance. Despite problems involving the possibility to visit hospitals or clinics, Respiratory managed to boost sales by +14.2 %. The subsidiary Cardio/Stroke was also able to increase sales by +11.0 % under similar conditions. The largest increase in sales was posted by Medical Warming Systems and LMT Medical, which had almost exclusively tripled its sales.

All in all, we managed to record a 38.4 % growth in consolidated sales to EUR 27.5 million during the course of business in 2020. If you take into account that we still booked a slight drop in sales of -0.4 % during the first quarter, you can clearly see the dynamic growth that we encountered during the following three quarters. The Diagnostic core business reported a sales growth of +40.1 %. The demand was substantially higher and was only limited by the capacities available in house and from suppliers. Thanks to the good revenues posted by apoplex medical and LMT Medical, the earnings after taxes jumped significantly to EUR 2.045 million (2019: 546 kEUR) despite the existing burdens by Warming Systems in the amount of -EUR 0.5 million. This corresponds to an earnings of EUR 0.41 per share (2019: EUR 0.11).

In 2020, the gross margin on sales was 66.7 % (2019: 72.0 %).

The gross profit EBITDA on a group basis increased by +84.7 % to EUR 4.347 million (2019: EUR 2.354 million). The EBITDA margin increased to +15.8 % (2019: 11.9 %). The operating result EBIT increased a threefold to EUR 3.039 million (2019: EUR 1.049 million). The EBITDA margin was 11.1 % (2019: 5.3 %) and thus exceeded our projections. With this result we surpassed our medium-term goals of 10 %.

In addition to the negative impact on earnings reported by the Medical Warming Systems segment, in particular the expenditure for re-certifying the surgical warming systems, we had to deal with even greater expenses for regulatory requirements and above-average increases in personnel costs at our location in Thuringia. Despite the high

increase in sales, we are sticking to our objective of boosting productivity considerably at our location in Thuringia in the next few years in order to be able to compensate for the increasing cost burden.

In spite of the company's strong corporate growth, Geratherm Medical has a healthy financial position. The proportion of equity capital in the balance sheet total is 55.4 % (2019: 57.7 %) and that coincides with our expectations.

The liquid assets including the securities held amount to EUR 10.262 million (2019: EUR 9.542 million).

Based on the current situation, we expect that business will continue to show positive development in 2021. The demand for Geratherm products is still high. The production capacities for our clinical thermometers will be fully utilised till the end of 2021. There is also a strong demand for pulmonary function measuring devices and other products of the Geratherm Group.

Sales development by segments

SALES DEVELOPMENT BY SEGMENTS (in kEUR)

	2019	2020	Change
Healthcare Diagnostic	13,109	18,369	+40.1 %
Respiratory	4,219	4,818	+14.2 %
Medical warming systems	854	2,427	+184.2%
Cardio/Stroke	1,669	1,852	+11.0 %

Healthcare Diagnostic

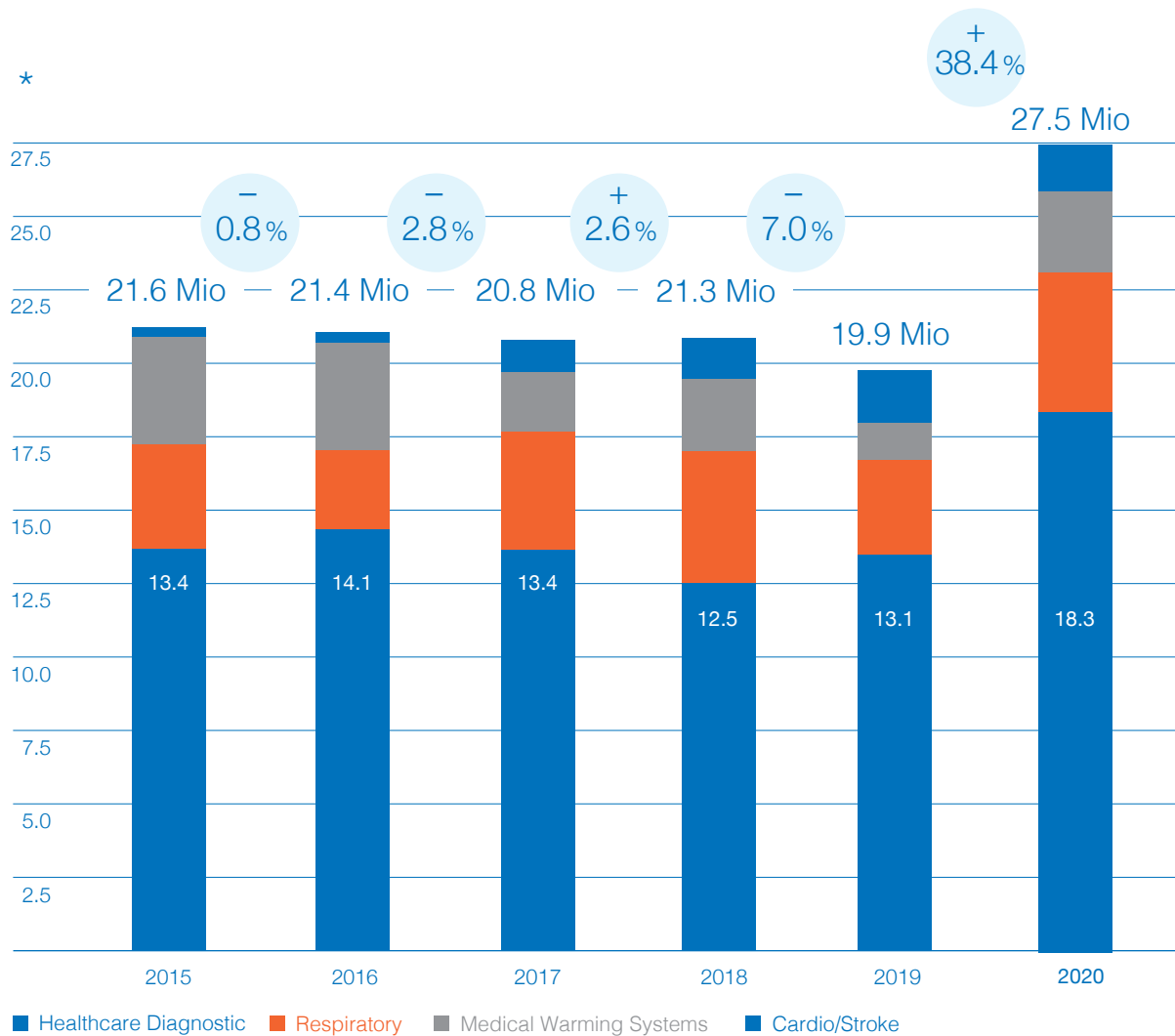
In the Healthcare Diagnostic segment, we market medical products like clinical thermometers, blood pressure monitors and women's healthcare products, which are geared primarily to the end consumers and are sold via pharmacies/drugstores in Germany and abroad. The segment's products are produced and marketed at the Geschwenda location in Thuringia. There are a total of 147 people (2019: 128) employed in this segment. The segment accounts for 66.9 % (2019: 66.0 %) of the Group's consolidated sales.

All in all, we posted a 40.1 % increase in sales in the Healthcare Diagnostic segment in 2020. The good sales growth is grounded in the healthy international demand for clinical thermometers.

The top-selling product in our Healthcare Diagnostic segment is the analogue clinical glass thermometer, which does not use mercury but rather our proprietary metal alloy based on gallium. Gallium-filled clinical glass thermometers account for 40.9 % (2019: 37.3 %) share of the Group sales. The product group posted a strong sales growth of +52.0 % in 2020. Infrared thermometers showed a significantly stronger development with an increase of 89.6 % and digital thermometers at +72.2 %. The sales of blood pressure monitors saw the opposite, posting a -35.0 % drop in sales. The Woman Health product group enjoyed healthy demand, closing the year with a 36.4 % jump.

Posting a sales of EUR 18.4 million (2019: EUR 13.1 million), the segment reported earnings on a prior-to-consolidation EBIT basis of EUR 2.841 million (2019: EUR 1.780 million). The EBIT margin of the Healthcare Diagnostic segment amounted to 14.1 % (2019: 12.6 %).

We are anticipating for 2021 that the Healthcare Diagnostic segment will continue to enjoy positive development.



* „Other Information – not components of the audited group management report“

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. A total of 37 people are employed in this segment, generating a sales of EUR 4.818 million in 2020 (2019: EUR 4.219 million). The growth of +14.2 % did not really meet our planning estimates. The growth could have been considerably higher. In the first quarter, we moved into a new production facility in Bad Kissingen. In the remaining quarters of the business year, the possibility of visiting hospitals or clinics was very limited on an international level.

Respiratory represents a 17.5 % share of the Group's overall sales (2019: 21.3 %).

The operating result (EBIT) for Geratherm Respiratory was 121 kEUR prior to consolidation (2019: 357 kEUR). That corresponds to an EBIT margin of 2.6 % (2019: 8.1 %). The export rate accounts for 83.4 %. The low earnings is due to the relocation of production, the significantly higher costs and the supply bottlenecks for semi-conductors at the end of the year. The negative factors will be remedied through price increases and elimination of supply bottlenecks in 2021.

Promising product developments are currently in the pipeline in the Respiratory segment. Product approvals for larger markets, such as Russia, are in the final stages of the approval process. With the move to the new company premises in March 2020, we have established the capacities for further growth.

For 2021, we are assuming a double-digit growth and a significant increase in the quality of earnings.

Medical Warming Systems

In the Medical Warming Systems segment, Geratherm offers products that are designed to maintain the body's temperature. Segment sales also include the activities of the subsidiary LMT Medical, Lübeck, Germany. LMT Medical develops, produces and distributes internationally MRI-compatible incubators for preterm babies.

In 2020, the Medical Warming Systems segment, contrary to the prior year, performed very well, which is essentially due to the positive business development at LMT Medical. Segment sales increased by 184.2 % to EUR 2.427 million (2019: 854 kEUR). We still have not yet been granted the reapproval for our surgical warming blankets, which are developed and produced at our site in Thuringia, in spite of the renewed financial expenditure. We have tried to address the deviations and items pointed out to us in December 2019 in the meantime. The challenge of obtaining the new approval remains demanding in light of the more stringent guidelines.

After a less successful 2019, during which LMT Medical had to deal with a variety of special factors due in particular to the revision of the product range and regulatory requirements, LMT managed to post an extremely successful business performance for 2020. Sales tripled to EUR 2.299 million (2019: 710 kEUR), with an EBIT margin of 14.2 %. After interest and taxes, a consolidated result of 218 kEUR (2019: -467 kEUR) was posted.

At the start of the new fiscal year, we have received the long-awaited approval for LMT's nomag® IC incubator system for the Chinese market. The Chinese market is regarded as one of the biggest future markets for such systems. The approval will already have a positive impact on the company's sales development in 2021.

This segment currently has 22 employees. The export rate accounts for 97.0 %.

Cardio/Stroke

In the Cardio/Stroke segment, we offer products that are designed to detect atrial fibrillation. The generated information/data is crucial for stroke prevention. The apoplex SRAclinic product for stroke risk analysis is the first practical screening process for paroxysmal atrial fibrillation. The product solution is available in versions for specialised stroke units located in hospitals and for use in doctors' offices. The business activities of the Cardio/Stroke division are concentrated at the Pirmasens location, which has 21 employees.

The Cardio/Stroke segment is still in a growth phase. It managed to conclude 2020 with a 11.0 % increase in sales. With a sales of EUR 1.852 million, a consolidated EBIT of 310 kEUR (2019: -195 kEUR) was achieved. The share of total sales of the Geratherm Group amounts to 6.8 %.

In 2020, we managed to connect more clinics and hospitals to apoplex's system. All in all, more than 160 stroke centres rely on the analytical system of apoplex medical. In 2020, we continued to push our internationalisation efforts. In Spain in particular, we managed to gain 14 new hospitals and clinics as customers. In Italy, 12 new hospitals and clinics were also added to the system. As a result of the realisation of Brexit, we have withdrawn for the time being from the English market, as that will require new product approvals again. The integration of more than 50 hospitals and clinic in Brazil, which rely on the German process for screening for paroxysmal atrial fibrillation, is very encouraging. The number of participating hospitals and clinics in Brazil are not included in the above 160 hospitals and clinics.

On the German market, we were pleased that the Asklepios and Vivantes group of medical centres have decided to introduce apoplex's early detection system.

We are anticipating again a significant double-digit growth in sales for 2021.

Sales Development by Regions

SALES DEVELOPMENT BY REGIONS (in kEUR)

	2019	2020	Change
Europe	11,159	16,411	+47.1 %
Germany	4,026	4,946	+22.9 %
USA	1,104	2,163	+95.9 %
Middle East	1,558	1,003	-35.6 %
South America	767	1,003	+30.8 %
Other	1,237	1,940	+56.8 %

Geratherm Medical's business activities are international. 82.0 % of Geratherm's products are exported (2019: 79.7 %), which corresponds to the export quota based on the prior year's expectations. Our products are sold in more than 60 countries. Main markets outside of Germany are Europe, the U.S., South America and Middle East.

On the whole, sales in the amount of EUR 27.5 million were generated in 2020. The high and steady export share reflects the continued competitiveness of Geratherm's products on the international market.

The euro zone outside of Germany is Geratherm's largest sales market, whereas the Italian market dominates here. The European market accounts for EUR 16.4 million which corresponds to 59.8 % of the total sales of the Geratherm Group.

The sales volume of Geratherm products in Europe posted a growth in turnover of +47.1 % in the 2020 business year.

The sales volume of Geratherm products on the German market also showed a positive development. On the whole, the turnover here grew by +22.9 % to EUR 4.9 million. Domestic sales volume accounts for 18.0 % of the Geratherm Group's total sales.

Sales on the U.S. market also developed very favourably in 2020. Supported by the high demand for gallium-filled clinical thermometers and the sales of LMT products on the U.S. market, sales on the U.S. market doubled to a total of EUR 2.2 million. The share of sales on the U.S. market accounts for 7.9 % of the overall sales posted by the Geratherm Group.

The underlying conditions on the South American market were not simple. Nonetheless, we are satisfied with the reported sales growth of +30.8 % and a sales of EUR 1.0 million. The sales volume in this region accounts for 3.7 % of the total sales of the Geratherm Group.

The Middle Eastern market shows a significantly negative development with a -35.6 % drop in sales. The decline is essentially due to the lack of tourists and pilgrims as a result of the coronavirus restrictions in the sales markets of Dubai and Saudi Arabia. Geratherm blood pressure monitors are primarily sold in these markets.

The Other Countries group essentially includes the markets Africa and Asia. In this group, we managed to record a clear growth of +56.8 % in the 2020 fiscal year.

4. Situation

Earnings situation

Geratherm Medical was able to expand its sales revenues substantially on a consolidated basis in the 2020 financial year. 2020 was the year with strongest increases in sales to date in the entire Group. Group sales increased by +38.4 % to EUR 27.5 million. The result from ordinary business activities more than doubled to EUR 2.7 million.

The significantly higher reported sales and earnings were mainly due to the international demand relating to the coronavirus pandemic in 2020. But the good sales and earnings growths posted by the subsidiaries, in particular LMT Medical, also contributed to the strong growth in the Group and in earnings.

The material expenditure increased by +26.0 %.

The gross margin, based on the overall performance, rose slightly to 66.1 % (2019: 65.7 %). The gross profit increased by 28.2 % to EUR 18.3 million.

Personnel costs at the Group level rose at a below-average rate of +12.4 %.

The other operating expenses exhibited an increase of +25.3 % to EUR 5.447 million. Besides the higher expenses due to the strong growth in sales, we still had to deal with high approval-related costs. This mainly relates to the costs for studies, consultants and expert opinions.

The gross earnings prior to depreciation and amortisation (EBITDA) almost doubled in 2020 to EUR 4.347 million with an increase of 84.7 %. The operating margin, based on sales on an EBITDA level, was 15.8 % (2019: 11.9 %).

Amortisation of intangible assets and depreciation of tangible assets increased slightly by +0.2 % to EUR 1.308 million (2019: EUR 1.305 million).

The operating results (EBIT) in the amount of EUR 3.039 million (2019: EUR 1.049 million) tripled compared to the prior year's performance. The EBIT margin for the entire company amounted to 11.1 % (2019: 5.3 %). By doing so, we managed to achieve our goal of posting a 10 % EBIT margin on the Group level for the 2020 fiscal year.

While the economic performance of the entire Group is significantly higher, it is currently negatively impacted by the high approval-related costs due to the new Medical Device Regulation for medical devices. At the same time, we continued to incur additional costs in the amount of approx. 500 kEUR for the re-certification of our surgical warming systems at our location in Thuringia.

For Geratherm Medical, 2021 made a good start at the Group level during the first quarter. Based on current information, the strong international demand for Geratherm products, especially our clinical thermometers and pulmonary function measuring devices, will enable us again to show healthy sales and earnings in 2021.

EARNINGS PERFORMANCE (in kEUR)

	2015	2016	2017	2018	2019	2020	Change
Operating resu result (EBITDA)	3,423	3,710	1,548	2,676	2,354	4,347	+84.7 %
Operating profit (EBIT)	2,534	2,539	407	1,862	1,049	3,039	> 100 %

The **Medical Diagnostic** business segment at our location in Thuringia performed significantly better than in the prior year. Sales increased by +44.9 % to EUR 17.5 million. The EBIT result jumped by +58.3 % to EUR 2.778 million. That corresponds to an EBIT margin of 15.9 % (2019: 14.6 %).

The surgical warming blankets product group, which is still struggling with re-certification challenges, had to accept a further slide in sales of -15.3 % to 122 kEUR (2019: 144 kEUR). The high expenditure for recertification with lagging sales negatively impacted the consolidated net profit in the amount of -498 kEUR (2019: -585 kEUR). The product sales reported by LMT Medical, which are integrated in the **warming systems product segment**, had very healthy sales and earnings in 2020. LMT Medical's sales tripled compared to the prior year to EUR 2.299 million, with an EBIT of 327 kEUR (2019: -461 kEUR).

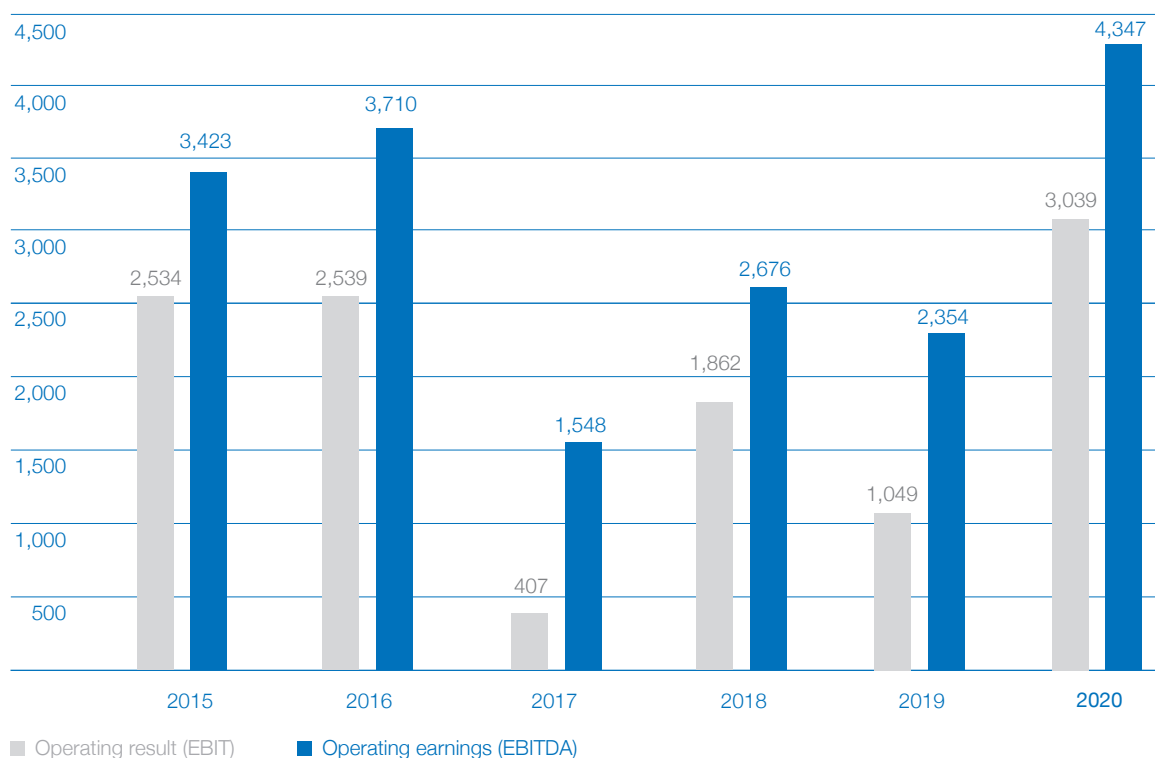
Apoplex medical had a satisfactory sales performance with a significantly higher quality of earnings in spite of coronavirus-related limitations. Sales increased by +11.0 % to EUR 1.852 million. The EBIT operating result increased to 310 kEUR (2019: -195 kEUR). That corresponds to an EBIT margin of 16.7 %.

The sales of **Geratherm Respiratory in Bad Kissingen** increased by +12.3 % to EUR 3.415 million. As a result of the move to the new production facility in the first quarter of 2020 and delays in the supply of semiconductors, we were not able to achieve the original earning targets. Geratherm Respiratory generated an EBIT of 21 kEUR (2019: 196 kEUR).

The financial results amounted to -320 kEUR (2019: -11 kEUR). There was no income from dividends and securities. The financial result is essentially influenced by interests and similar expenses, which are associated with investments in the new glass basin at Capillary Solutions and with the construction of the new building for Geratherm Respiratory and the interest paid by Geratherm do Brasil (154 kEUR; 2019: 144 kEUR). The changes in value of held securities were shown in the equity capital.

Taking into account the financial result and the operating result, profits from ordinary business activities in the amount of EUR 2.719 million (2019: EUR 1.038 million) were generated for the 2020 fiscal year. Income taxes amounted to 816 kEUR (2019: 748 kEUR) and consisted of expenses for current income taxes in the amount of 793 kEUR and the income from the formation of deferred tax assets and liabilities in the amount of 23 kEUR.

EARNINGS PERFORMANCE (in kEUR)



The consolidated net income for 2020 increased by EUR 1.6 million to EUR 1.903 million (2019: 290 kEUR).

The result attributable to minority shares or non-controlling shareholders amounted to –142 kEUR (2019: -256 kEUR). The position reflects the clearly lower loss shown by Geratherm do Brasil.

The earnings of the shareholders of the parent company after taxes (EAT) increased considerably by EUR 1.500 million to EUR 2.045 million.

The earnings per share are EUR 0.41 (2019: EUR 0.11).

The management board and supervisory board will propose to the general meeting in June 2021 to distribute a dividend of EUR 0.40 per share (2019: EUR 0.25) for the 2020 fiscal year.

The planned disbursement is carried out on the basis of the tax regulations initially from the distributable profit of EUR 1.389 million (EUR 0.28 per share). Of this capital yields tax in addition to the solidarity surcharge in the amount of 26.38 % (366 kEUR) was withheld.

The excess amount of 591 kEUR (EUR 0.12 per share) will be disbursed from the shareholders' tax-recognised contribution account in a tax-neutral manner.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-neutrally from the tax-recognised contribution account in the amount of EUR 15.206 million.

Financial Situation, Investments and Liquidity

Geratherm Medical enjoyed a sound financial position throughout the entire 2020 business year. The cash and cash equivalents available including securities as at 31 December 2020 amounted to EUR 10.262 million (2019: EUR 9.542 million). The securities held in the amount of EUR 5.407 million were essentially unchanged compared to the prior year.

The good liquidity position allows the company to utilise the advantages that have arisen from the strong demand for Geratherm products in the 2020 financial year without the need for external financing. Regardless of that, we have utilised the opportunity to borrow EUR 3.3 million at very favourable long-term conditions. In this context, special agreements have been made with regard to compliance with certain financial covenants relating to the equity ratio and the net debt ratio. There are free current account credit lines in the amount of 202 kEUR. Despite the strong increase in sales by EUR 7.6 million, the company always had the option to finance medium to long-term objectives, such as product development and market entry, which could extend over longer periods of time. Even possible acquisitions can be implemented within short notice at any time with the existing financial budget.

The gross cash flow amounted to EUR 5.001 million in 2020 (2019: EUR 2.252 million). The cash flow from operations increased considerably to EUR 3.915 million (2019: EUR 1.540 million).

The negative cash flow from investment activities with EUR -3.788 million was less than in the prior year (2019: EUR -4.490 million), but historically still at a high level, which is associated with the construction of the new production facility in Bad Kissingen and with the rationalisation investments made at the site in Geratal, Thuringia. The outflow of investments to fixed assets amounted to EUR 1.870 million. Cash outflow based on financial assets amounted to 762 kEUR.

The cash flow from financing activities totalled 684 kEUR (2019: EUR 1.722 million). The reported item was formed by the dividend payments in the amount of EUR 1.238 million and the cash inflow from taking out loan liabilities in the amount of EUR 3.298 million.

The cash and cash equivalents at the end of the period under review amounted to EUR 4.855 million (2019: EUR 4.139 million).

In 2020, 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 of 55.4 % (2019: 57.7 %) of the balance sheet total. 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 2020 business year. At the end of the financial year, the balance sheet total was EUR 36.0 million and was thus +8.2 % higher than on the reporting date of the prior year. The company's reported equity capital is EUR 19.9 million (2019: EUR 19.2 million) or 55.4 % (2019: 57.7 %) of the balance sheet total. This results in a book value of EUR 4.03 based on an individual share (2019: EUR 3.87). 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 2020, the assets side of the balance sheet contains long-term assets amounting to EUR 14.592 million (2019: EUR 12.476 million). The increase is due mainly to the new production facility that was constructed for Geratherm Respiratory at its Bad Kissingen location. The short-term assets amounted to EUR 21.399 million (2019: EUR 20.788 million).

Within the long-term assets, the intangible assets increased by +40.2 % to EUR 3.079 million (2019: EUR 2.197 million). This results essentially from the capitalisation of development costs for new software solutions at apoplex medical. Regular depreciation and amortisation had an opposite effect.

Fixed assets increased by +9.9 % to EUR 9.101 million (2019: EUR 8.283 million). Investments in tangible assets amounted in 2020 to EUR 1.720 million (2019: EUR 2.195 million). These were offset by the depreciation of tangible fixed assets in the amount of 848 kEUR. The increase in tangible fixed assets is due to the construction of Geratherm Respiratory's new production facility in Bad Kissingen and the investments made in the Thuringian location.

Other financial assets increased to EUR 1.420 million (2019: EUR 1.174 million). The item reflects the interest held in Protembis GmbH, Aachen, Mindpeak GmbH, Hamburg, and HALM Straws GmbH, Berlin.

Geratherm Medical still has existing losses carried forward in the amount of EUR 4.375 million (2019: EUR 4.493 million) for subsidiaries and preliminary trade tax losses carried forward in the amount of EUR 4.563 million (2019: EUR 4.677 million), which were not capitalised in 2020. The capitalisation of deferred taxes on losses carried forward affects the subsidiaries apoplex medical and LMT Medical.

With regard to the short-term assets, inventories decreased by -7.1 % to EUR 7.305 million (2019: EUR 7.865 million). The reduction is based on the strong demand for Geratherm products, which has led to a decrease in inventories. The inventory of raw materials and supplies decreased slightly by -5.8 % compared to the prior year.

The inventory of works in progress dropped by -7.4 % to EUR 1.161 million. The inventories of finished goods and products also decreased by -7.7 % to EUR 3.962 million.

The accounts receivable increased due to strong growth in sales by +13.3 % to EUR 3.831 million (2019: EUR 3.381 million). In this case, trade receivables accounted for EUR 3.205 million (+27.9 %).

Tax receivables remained on the same level as the prior year. The other assets increased slightly by +8.4 % to 376 kEUR and essentially involved prepayments made.

The reported book value of the securities held by Geratherm amounted to EUR 5.407 million (2019: EUR 5.404 million) as similar to the prior year.

The cash and cash equivalents available as at 31 December 2020 amounted to EUR 4.855 million (2019: EUR 4.139 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 19.925 million (2019: EUR 19.181 million) is offset by liabilities in the amount of EUR 16.065 million (2019: EUR 14.084 million).

The long-term debts increased by +16.4 % to EUR 8.184 million. The increase in liabilities to banks and deferred investment subsidies are related to the financing of the Medical Capillaries production facility at the Geratal location, the new production building of Geratherm Respiratory at the Bad Kissingen location as well as investments in machinery and equipment at our Geratal location.

The other long-term liabilities remained with 424 kEUR on the same level as last year. The item contains liabilities to other minority shareholders.

The short-term debts increased by +11.4 % to EUR 7.827 million (2019: EUR 7.024 million). This includes short-term liabilities to banks in the amount of EUR 3.200 million (2019: EUR 2.058 million). The trade accounts payable increased by +6.6 % to EUR 1.503 million as of the reporting date.

The other liabilities decreased slightly by -4.8 % to EUR 1.368 million (2019: EUR 1.436 million). The position includes accrued liabilities, especially outstanding invoices from initiated purchase orders.

Events after Balance Sheet Date

The outlook for 2021 makes us optimistic, since we can assume that the international stress factors, currently caused by the coronavirus pandemic, will no longer occur in this form. The first quarter of 2021 is not yet going smoothly economically in many countries as a result of the prolonged lockdowns caused by coronavirus mutations. The "vaccine campaign" which has been launched will take place in the second quarter. We assume that coronavirus will accompany us as a major topic well into the 2021 financial year. This will have economic consequences for Geratherm Medical in such a way that we will continue to benefit from this development in 2021. In particular, this means a very good utilisation of our production capacities for clinical thermometers at our location in Thuringia as well as the demand for pulmonary function measuring devices at our location in Bad Kissingen for long-term coronavirus patients. The opportunity to visit more hospitals and clinics again should lead to stronger boost in sales.

Taking effect on 1 January 2021, Christian Frick, Business Administration, has been appointed as another member of the company's management board.

The affiliated company Geratherm Medical do Brasil, Sao Paulo, Brazil, was still subject to Brazilian "Chapter 11" proceedings as of 31 December 2020. A resolution is expected to be reached at the creditors' meeting for the first six months of 2021.

C. FORECAST, CHANGES AND RISK REPORT

1. Forecast

While a growth of +1.1 % was originally forecast for Germany for 2020, which was still regarded at the outset of the year as an unsatisfactory growth prospect, that figure became an unattainable dream at the end of the year. Due to the staggered lockdown caused by the spread of coronavirus pandemic, the economy was substantially affected so that there was a sharp decline of more than -5 % in economic activities in Germany. Exports suffered an even greater drop. A second lockdown did not help the situation either in the first quarter of 2021. We assume that the state-mandated economic disruptions will still accompany us in one way or another in 2021.

Geratherm had established a strict hygiene concept at an early stage at all locations such that we managed to avoid experiencing any major stoppages as a result of the pandemic. Fortunately, the demand for most Geratherm products increased considerably and we were able to generate a sales exceeding our expectations.

As a medical technology company, Geratherm Medical is active on international markets and has an export rate of more than 80 % so that the underlying economic conditions in Germany only have a limited impact on Geratherm's business development. Thanks to the coronavirus pandemic, Geratherm experienced a strong demand, in particular in terms of the production of clinical thermometers, which could only be utilised to a limited extent. The prospects for the company in 2020 were considerably better than ever before. Nonetheless, we attempted not to ignore the risks in the euphoria and only increased the production capacities far as we could justify.

The medium- and long-term indicators for a positive market growth in the medical technology industry are still intact. Demographic trends and the needs of emerging markets to catch up are the most important drivers. All in all, the outlook for the healthcare industry is favourable.

Geratherm Medical has a good position. The company operates in four totally independent sectors. The newer business segments are the current growth drivers. The markets in the emerging economies are of particular importance for Geratherm, since the healthcare systems in these countries are under-equipped with medical technology that is potentially available. The fast-growing middle class in these countries generates a high demand for healthcare services.

The Chinese market is becoming increasingly important to Geratherm, whereas the opportunities must be carefully weighed against the risks. One problem is the lack of protection of intellectual property there. On the other hand, China's share of the global market for medical devices is expected to increase considerably over the next ten years. Governments are doing everything to ensure the independent supply of medical devices.

Geratherm is a major manufacturer of mercury-free clinical thermometers. 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 should result in a stable and promising expansion of business.

Geratherm has reduced its dependence on third parties considerably by investing in a new production facility for medical capillaries. The construction of the new production facility was successfully commissioned in 2019, resulting in a considerably better risk profile on the supplier side.

In the first months of the new business year, we registered a good start that is also due to the strong demand for pulmonary function measuring devices and clinical thermometers. Based on the current situation, we assume that we will be able to report a slight increase in sales and earnings at the level of the prior year as well for the fiscal year ahead. The objective is to generate an EBIT margin of at least 10 % at the Group level. The export share should

remain on the same level as in the prior year. We expect the same development for product sales, since production was already at capacity limit in 2020, especially in the Healthcare Diagnostic segment.

The expected earnings performance will generally have a positive impact on the equity capital ratio and liquidity.

The re-alignment of Geratherm do Brasil as a distribution company, which has been in “Chapter 11” proceedings since 2019, has not yet been finalised. The competent court in Sao Paulo has set a date for determining a settlement rate for late May 2021. The outcome is still open. We expect to be able to conclude the re-alignment by July of this year.

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 or other uncertainties should occur or the assumptions which serve as a basis for the statements prove to be incorrect. That would include in particular regaining of the approval for our Medical Warming Systems, the scheduled start of utilisation of development projects, the anticipated growth of the gallium-filled thermometer product group, the successful re-alignment of Geratherm do Brasil as a distribution company and the duration of the coronavirus pandemic.

If the aforementioned assumptions do not occur, we then expect negative effects on the development of sales and earnings for the 2021 business year. This could mean that sales and earnings targets might not be met.

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, which have tightened gradually over the years. 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 documentation, 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 and its partners in the individual sales markets attach great importance to maintaining its product approvals and certifications. After audits or other significant events, product approvals can be revoked or new conditions may be placed on them. Geratherm strives to take these processes into account as early as possible and do everything to fulfil 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 at the senior executive and top management level.

The more rigorous regulatory requirements in terms of approval and monitoring of medical devices demand highly specialised professionals. Since all medical device manufacturers currently face the same requirements, we anticipate a bottleneck occurring in the recruiting of necessary specialists.

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

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

Risks can be minimised by means of diversification in terms of markets, products and countries. At the same time, an attempt is being made not to accept any dominant customer risks.

The operations of the individual segments of Geratherm are managed independently such that any risks arising in case of a change in management are controllable for the most part.

During the development of new products, major expenses are incurred initially without there being any guarantee that the anticipated success will indeed be achieved. The medical technology market does reward successful product developments. In case of 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 good credit rating, the company would be able to secure additional external financing or sources of equity at any time. Moreover, the Group still has free current account lines that represent an additional liquidity reserve.

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. As of the reporting date, there were loans with banks in the amount of EUR 9.395 million. Of this amount there are agreements with regard to fulfilling financial covenants for a partial amount of EUR 5.475 million. If these are not fulfilled, risks may arise from interest surcharges or fees. For the management board there is currently no indication of factors that would contend with the fulfilment of covenants.

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. Trade accounts receivables amounted to EUR 3.205 million net as of the reporting date, whereas receivables in the amount of 51 kEUR were adjusted in value.

Market Price Risk - Raw Materials

To maintain our production, we depend on certain raw materials like gallium and semiconductor chips. 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 is 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.

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. Another risk is also fraud with false identities. We strive to educate the corresponding employees about potential risks and use current software solutions and technologies that minimise risks.

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 usually lengthy and involve high costs.

Product Approval 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 represent a major 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 business segments, which operate in different markets. We try to manage the new business areas so that there are no cumulative risks.

The purchase and integration of companies does come with risks. The original objectives may not be achieved. Legal disputes may arise as a result of that. The time and the scope of the hoped for benefit may change. 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.

Additional Risks

In addition to the outlined risks, there are also factors that cannot be predicted and which are difficult for us to control. If such risks occur, they may adversely affect our further development. Such risks include political unrest, natural catastrophes or epidemics, to name just a few. We do try to counter these risks through product and supplier diversification and by implementing hygiene measures.

3. 3. Opportunities

Management of Opportunities

The medical industry is, similar to the pharmaceutical industry, a market segment that is based on a medium to 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.

The medical industry has become increasingly important in light of the global impact of the coronavirus. Opportunities could arise for us as a result of the not-only-short-term demand for our main products.

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 despite the sharp increase in costs due to government regulations. 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 fulfils 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.

Especially with regard to our main product, the gallium-filled thermometer, we have achieved in the meantime a high level of vertical integration for reducing our dependence on third parties as much as possible.

The requirements posed by approval 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 risks include the evaluation of securities, financial assets, capitalised developments and correct allocation of sales revenues.

Significant regulations and instruments of the internal control system are: guidelines both at the group level and in the individual companies, division of tasks and clear assignment of responsibilities, a 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 break-even 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.

Especially the implementation of an internal control system for the subsidiaries of Geratherm Medical AG is still in a continuous improvement process.

6. Additional Disclosures

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 have 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 2020 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 2021 business year (in the version from 20 March 2020).

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. Further corporate governance practices have not been followed.

Procedures of the Management Board and Supervisory Board

The members of the supervisory board are listed in the Notes. 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 are also held via video conferences when it appears appropriate. Meetings are called together in writing with fourteen days' notice. In urgent cases, the period for giving notice may be shortened or the relevant meeting may be called together by fax or phone or via e-mail. The management board does 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 phone or email 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 are taken of the supervisory board's meetings.

In addition, the management 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 Compensation System in Accordance with § 87 of Aktiengesetz

The supervisory board has adopted a clear and understandable system for compensating the members of the management board. The management board currently consists of only one person (as at 31 December 2020). The compensation includes fixed and variable components. The fixed compensation is set in the amount of 98 kEUR for 2020. The variable compensation is based on the operating result and the capital gains on the shares and holdings held by Geratherm, minus costs. With the exception of the amount of EUR 3,400, the management board has waived the right to receive variable compensation from business operations. Since no securities and holdings were sold, there were no bases for variable compensation. In case of success, the management board would receive a variable compensation of 10 % on realised capital gains, minus costs.

The management board holds shares in the company and is thus involved in the long-term development of the company. Other compensation components are not included in the compensation system approved by the supervisory board. The total compensation for the management board was EUR 101,530 in 2020.

Additional Information

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of Thursday, 31 December 2020 and is divided into 4,949,999 share certificates issued to the bearers. The calculated par value per share is EUR 1.00.

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

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

The management board is authorised to increase the capital stock of the company up to a maximum 2,474,999 subject to the approval of the supervisory board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999.00 by 5 June 2021 (authorised capital).

The company is authorised to purchase own shares up to a portion of the capital stock not exceeding 10% through to 17 September 2025. The acquired shares, together with other own shares that the company already has acquired or still has or which is attributable to it according to Sections 71a ff. of AktG (Germany's Stock Corporation Law), may not exceed 10 % of the company's share capital at any time.

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 17 September 2025 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 share capital, 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 Capital GmbH, Frankfurt, holds a direct share of 41.84 % in Geratherm Medical AG as of the reporting date.

The annual general meeting of Geratherm Medical AG convened on 18 September 2020 in Frankfurt, Germany. The attendance at the annual general meeting represented 57.48 % of the share capital.

The expenses for the stock exchange listing in 2020 was 130 kEUR (2019: 104 kEUR).

Geratal, this 6th day of April 2021



Dr. Gert Frank
Management Board



Christian Frick
Management Board

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet	54
Consolidated Profit and Loss Statement	56
Consolidated Statement of Comprehensive Income	57
Consolidated Statement of Changes in Equity	58
Consolidated Cash Flow Statement	60
Notes on Consolidated Accounts	61
Auditor's Report	113

CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) as of 31 December 2020

ASSETS	Notes	31/12/2020	31/12/2019
		EUR	EUR
	No.		
A. LONG-TERM ASSETS			
I. Intangible assets	1.		
1. Development costs		2,783,213	1,952,094
2. Other intangible assets		296,006	244,432
3. Goodwill		1	1
		3,079,220	2,196,527
II. Tangible assets	2.		
1. Land, land rights and buildings		5,238,519	3,396,137
2. Technical equipment and machinery		3,161,023	3,310,947
3. Other equipment, factory and office equipment		330,048	252,301
4. Construction in process		371,672	1,323,247
		9,101,262	8,282,632
III. Rights of use	3.	576,346	346,142
IV. Financial assets accounted on basis of equity method	4.	296,609	350,000
V. Other financial assets	4.	1,420,401	1,173,731
VI. Other long-term receivables	4.	117,838	127,437
		14,591,676	12,476,469
B. SHORT-TERM ASSETS			
I. Inventories	6.		
1. Raw materials and supplies		2,182,687	2,318,131
2. Unfinished goods		1,160,668	1,252,899
3. Finished goods and merchandise		3,961,995	4,293,693
		7,305,350	7,864,723
II. Receivables and other assets			
1. Trade accounts receivable	7.	3,205,412	2,505,893
2. Receivables from current income taxes	8.	62,075	360,385
3. Receivables from other taxes	8.	187,843	167,827
4. Other assets	8.	376,021	346,794
		3,831,351	3,380,899
III. Securities	9.	5,407,190	5,403,538
IV. Cash and cash equivalents	10.	4,854,893	4,138,814
		21,398,784	20,787,974
		35,990,460	33,264,443

EQUITY AND LIABILITIES	Notes	31/12/2020	31/12/2019
	No.	EUR	EUR
A. EQUITY CAPITAL			
I. Subscribed capital	11.	4,949,999	4,949,999
II. Capital reserves	12.	12,174,192	12,174,192
III. Other reserves	13.	3,177,349	2,703,227
Attributable to the shareholders of the parent company		20,301,540	19,827,418
Non-controlling shares	14.	-376,082	-646,636
		19,925,458	19,180,782
B. Non-current debts			
1. Liabilities to banks	15.	6,194,638	5,208,328
2. Accrued investment subsidies	16.	1,233,669	1,347,995
3. Long-term leasing liabilities	3.	331,372	63,011
4. Other long-term financial liabilities	17.	424,492	409,989
5. Deferred Taxes	5.	53,401	30,733
		8,237,572	7,060,056
C. Current debts			
1. Liabilities to banks	18.	3,200,202	2,057,920
2. Trade accounts payable	19.	1,503,391	1,410,724
3. Current provisions	20.	32,400	0
4. Short-term leasing liabilities	3.	251,787	290,301
5. Liabilities from current income taxes	21.	84,576	41,016
6. Contractual liabilities	23.	888,279	1,267,167
7. Other tax liabilities	21.	499,268	520,155
8. Other short-term liabilities	22.	1,367,527	1,436,322
		7,827,430	7,023,605
		35,990,460	33,264,443

CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2020

	Notes	01/01–31/12/2020	01/01–31/12/2019
	No.	EUR	EUR
Sales revenues	23.	27,466,230	19,851,176
Change in inventory of finished goods and works in progress		-1,143,572	796,263
Other capitalised own work	1.	655,270	482,364
Other operating income	24.	723,561	612,825
		27,701,489	21,742,628
Cost of materials	25.		
Cost of raw materials, consumables and goods for resale		-8,201,421	-6,335,132
Costs of purchased services		-1,180,143	-1,112,235
		-9,381,564	-7,447,367
Gross profit or loss		18,319,925	14,295,261
Personnel costs	26.		
Wages and salaries		-7,138,642	-6,241,319
Social security, pension and other benefits		-1,366,089	-1,327,879
		-8,504,731	-7,569,198
Impairment losses from trade accounts receivable		-20,922	-23,107
Other operating expenses	28.	-5,447,099	-4,348,972
Gross profit (EBITDA)		4,347,173	2,353,984
Amortisation of intangible assets and depreciation of tangible assets	27.	-1,307,933	-1,304,909
Operating results		3,039,240	1,049,075
Dividend income		0	0
Income from securities trading		0	0
Securities-related expenses		-1,282	-4,441
Share of profits or losses from associated companies, accounted for using the equity method		-53,391	0
Other interest and similar income		1,135	948
Income from reduction in interest liabilities from prior years		0	223,427
Interests and similar expenses		-266,374	-231,366
Financial results	29.	-319,912	-11,432
Profit (loss) on ordinary activities		2,719,328	1,037,643
Tax on profit (loss)	30.	-815,738	-747,786
Consolidated net income		1,903,590	289,857
Result of non-controlling interests		-141,738	-255,742
Results of the shareholders of the parent company		2,045,328	545,599
Earnings per share undiluted	31.	0.41	0.11
Earnings per share diluted	31.	0.41	0.11

CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2020

	01/01–31/12/2020 EUR	01/01–31/12/2019 EUR
Consolidated net income	1,903,590	289,857
Income and expenses directly recognised in equity, which are not reclassified to profit or loss:		
Profits or losses from valuation of investments according to IFRS 9	0	0
Profits or losses from valuation of securities according to IFRS 9	-757,819	1,226,013
	-757,819	1,226,013
Income and expenses directly recognised in equity, which are reclassified to profit or loss under specific conditions:		
Difference resulting from currency translation	836,405	48,972
	836,405	48,972
Other income	78,586	1,274,985
Overall result	1,982,176	1,564,842
of which assignable to non-controlling shares	270,554	-231,986
of which assignable to shareholders of parent company	1,711,622	1,796,828

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of 31 December 2020

	Subscribed capital	Capital reserves
	11. EUR	12. EUR
As of 1 January 2019	4,949,999	12,174,192
Capital increase by subsidiary LMT Medical Systems GmbH with sole participation of Geratherm Medical AG as of 12 April 2019 without proportional consolidated net income	0	0
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	0
Consolidated net income	0	0
Unrealised profits and losses from valuation of investments	0	0
Unrealised profits and losses from valuation of securities	0	0
Currency translation in the Group	0	0
Overall result	0	0
As of 31 December 2019	4,949,999	12,174,192
As of 1 January 2020	4,949,999	12,174,192
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	0
Consolidated net income	0	0
Unrealised profits and losses from valuation of investments	0	0
Unrealised profits and losses from valuation of securities	0	0
Currency translation in the Group	0	0
Overall result	0	0
As of 31 December 2020	4,949,999	12,174,192

Other reserves

Market assessment reserve	Currency conversion difference	Accumulated earnings	Assignable to the shareholders of the parent company	Non-controlling shares	Group equity capital
EUR	13. EUR	EUR	EUR	14. EUR	EUR
703,276	288,383	1,837,808	19,953,658	-357,718	19,595,940
0	0	56,932	56,932	-56,932	0
0	0	-1,980,000	-1,980,000	0	-1,980,000
0	0	-1,923,068	-1,923,068	-56,932	-1,980,000
0	0	545,599	545,599	-255,742	289,857
0	0	0	0	0	0
1,226,013	0	0	1,226,013	0	1,226,013
0	25,216	0	25,216	23,756	48,972
1,226,013	25,216	545,599	1,796,828	-231,986	1,564,842
1,929,289	313,599	460,339	19,827,418	-646,636	19,180,782
1,929,289	313,599	460,339	19,827,418	-646,636	19,180,782
0	0	-1,237,500	-1,237,500	0	-1,237,500
0	0	-1,237,500	-1,237,500	0	-1,237,500
0	0	2,045,328	2,045,328	-141,738	1,903,590
0	0	0	0	0	0
-757,819	0	0	-757,819	0	-757,819
0	424,113	0	424,113	412,292	836,405
-757,819	424,113	2,045,328	1,711,622	270,554	1,982,176
1,171,470	737,712	1,268,167	20,301,540	-376,082	19,925,458

CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2020

	Notes	1/1– 31/12/20	1/1– 31/12/2019
	No.	kEUR	kEUR
Consolidated net income		1,904	290
Non-cash expenses and income of Geratherm do Brasil Ltda.		-227	-239
Other non-cash expenses		931	43
Interest earnings	29.	-1	-1
Interest expenses		266	231
Increase in deferred taxes		23	255
Income tax expenditure		793	493
Depreciation of fixed assets		1,013	1,009
Amortisation of usage rights	3.	295	296
Amortisation of public grants and subsidies	16.	-114	-125
Loss from disposal of fixed assets		118	0
Gross cash flow	33.	5,001	2,252
Decrease/ increase in inventories		559	-517
Increase/decrease in trade receivables and other assets		-752	407
Decrease/increase in current liabilities and other liabilities		-344	222
Cash inflow from interest		1	1
Cash outflow from interest		-112	-89
Cash outflow/inflow from taxes		-438	-736
Cash flow from operations	34.	3,915	1,540
Cash outflow for investments in intangible assets (without capitalised development costs) and tangible assets		-1,870	-2,324
Additions to capitalised development costs		-909	-628
Cash inflow from funding sources for investments		0	282
Acquisition of equity holdings	4.	-247	0
Cash inflow based on financial assets	9.	0	0
Cash outflow based on financial assets	9.	-762	-1,820
Cash flow from investments	35.	-3,788	-4,490
Cash outflow for rental and lease liabilities	3.	-294	-283
Dividend payments	13.	-1,238	-1,980
Cash inflow from taking out loan liabilities	15.	3,298	4,500
Cash outflow for repayment of loan liabilities	15.	-1,096	-515
Decrease/ increase in long-term liabilities	17.	14	0
Cash flow from financing activities	36.	684	1,722
Change in cash and cash equivalents		811	-1,228
Cash and cash equivalents at beginning of fiscal year		4,139	5,361
Exchange rate difference		-95	6
Cash and cash equivalents at end of reporting period		4,855	4,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 FISCAL YEAR

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG for the 2020 fiscal year were prepared 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, and in accordance with the additional requirements of German commercial law under Sect. 315e (1) of HGB (German Commercial Code).

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2020 fiscal year and have affected the 2020 fiscal year as follows:

Standard/ Interpre- tation	Title of standards/ interpretation or amendment	First-time application ¹	Impact on Geratherm
IAS 8.28			
Different standards	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	No major impact
IAS 1 and IAS 8	Presentation of financial statements - Amendments to IAS 1 and Accounting policies, changes in accounting estimates and errors - Amendments to IAS 8: Definition of "Essential"	1 January 2020	No major impact
IFRS 3	Definition of a "Business"	1 January 2020	No major impact
IFRS 9, IFRS 7, IAS 39	Amendments to IFRS 9, IFRS 7 and IAS 39 regarding the reform of the reference interest rates	1 January 2020	No major impact

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

The Geratherm Group does not plan on any early application of the following new or amended standards and interpretations, which will only be mandatory in later financial years. Unless stated otherwise, the impact on the consolidated financial statements of the Geratherm Medical AG is still being checked at present.

Standard/ Interpretation	Title of standards/ interpretation or amendment	First-time application ²
IAS 8.30, EU endorsement has been given by the release for publication		
IFRS 16	Amendment to IFRS 16: Covid-19-related rental concessions	1 June 2020
IFRS 4 and IFRS 9	Amendments to IFRS 4 Insurance contracts -Extension of temporary exemption from application of IFRS 9	1 January 2021
Different standards	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of reference interest rates - Phase 2	1 January 2021
IAS 8.30, EU endorsement is still pending		
IFRS 17	IFRS 17 Insurance contracts (including Amendments to IFRS 17 from 25 June 2020)	1 January 2023
IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current (including Amendments to IAS 1: Classification of liabilities as current or non-current - postpone-ment of effective date of 15 July 2020)	1 January 2023
IFRS 3	Amendments to IFRS 3: Business combinations Reference to conceptual framework	1 January 2022
IAS 16	Amendments to IAS 16: Property, plant and equipment - Revenue before intended use	1 January 2022
IAS 37	Amendments to IAS 37: Onerous contracts - Cost of fulfilling a contract	1 January 2022
Different standards	Annual improvements to IFRS (AIP) - Cycle 2018-2020	1 January 2022

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

Reporting for the 2020 financial year is based on the mandatory standards and interpretations and provides a true and fair picture of the net assets, financial position and earnings situation of the Geratherm Group.

The application of the above standards and interpretations had no impact on the amounts reported in the previous periods.

Geratherm Medical AG does not expect any significant impact from the application of the aforementioned other standards and interpretations indicated in IAS 8.30 on the consolidated financial statements for the current and future periods.

Layout and Preparation of Financial Statements

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

The profit and loss statement was prepared according to the "total cost" type of shortterm results accounting.

The consolidated financial statements were prepared on the basis of historical acquisition or production costs. In cases where IFRS stipulates other valuation concepts, these concepts were used. This has been indicated separately in the following statements on the accounting and valuation principles. Assets and liabilities are generally valued at their amortised book value or, where appropriate, at their current market value.

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. As a result, this may lead to rounding differences.

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

The management of Geratherm AG has released the consolidated financial statements based on IFRS on 6 April 2021 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 Geratal at 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 AG include the accounts of all companies that are controlled by Geratherm Medical AG directly 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.

The investments in companies included at equity are initially valued at the historical costs at the time of acquisition. The book values of these companies are increased or decreased annually by the proportional results, distributed dividends or other changes in equity. If losses of an associated company have consumed that company's equity,

any further losses are not taken into account. If there are objective grounds and if the recoverable amount of the participation on the balance sheet date is below the book value, an impairment loss is recognised. 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 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 assigned to shares without controlling influence even 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 the ultimate parent company Geratherm Medical AG and the companies listed in the following table. This represents the largest and smallest consolidation group. The reporting date of the annual financial statements of these companies corresponds with the consolidated reporting date. The following percentages of shares held apply in detail.

Company	Percentage of shares held 2020	Percentage of shares held 2019
GME Rechte und Beteiligungen GmbH, Geratal, Germany	100.00 %	100.00 %
apoplex medical technologies GmbH, Pirmasens, Germany	53.42 %	53.42 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	65.27 %	65.27 %
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 Geratal, Germany	100.00 %	100.00 %
LMT Medical Systems GmbH Lübeck, Germany	80.00 %	80.00 %
Subsidiary: LMT Medical Systems Inc. Ohio, USA	100.00 %	100.00 %

Geratherm Medical do Brasil has been in bankruptcy protection under Brazilian law (Chapter 11) since 19 November 2019, which has not yet been finalised. As in the prior year, the management board continues to assume control of the company, since Geratherm is a main creditor of the company.

Geratherm Medical AG holds with 53.42 % the majority of all voting rights in apoplex medical technologies GmbH and can thus make decisions at the general meeting. Even if the currently unavailable managing director is attributable to the minority shareholder and the shareholders do not have to give consent to the planning, control of apoplex is assumed, since Geratherm Medical AG is entitled to decide on the appointment of further managing directors and allocation of their responsibilities.

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 Medical do Brasil into the local currency, a periodend exchange rate of BRL 6.3735 /EUR (balance sheet) and an average exchange rate of BRL 5.8943 /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 1.2271 /EUR (balance sheet) and an average exchange rate of USD 1.1422 /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 **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 provided 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 and attributable borrowing costs.

The capitalised development costs are written off using the straight-line method as of the point in time when they are ready for use. A useful life of 8 to 12 years was established as a basis for the completed development projects.

The intangible assets that were not yet ready for use are annually checked for impairment in accordance with the requirements of IAS 36.

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.

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 linear 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 over a useful life of 30 to 33 years. The useful life for technical equipment and machinery is 5 to 13 years. The useful life for other equipment, factory and office equipment is set at 3 to 13 years.

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.

Impairment Losses of Ready-to-use Intangible and Tangible Assets

If there is any indication that an intangible asset or tangible asset could be impaired, it is necessary to estimate the recoverable amount for the individual asset. As a rule, it is not possible to estimate the recoverable amount for the individual intangible assets so that the recoverable amount of the cash-generating unit is determined which possesses the asset.

Tangible and intangible assets that are no longer usable or are only usable to a limited extent are written off irregularly at the higher value based on the remaining utility value or the attainable disposal proceeds in accordance with IAS 36. If impairments are implemented, these are allocated to individual assets in cash-generating units in accordance with IAS 36.104 ff. and shown for intangible and tangible assets under the corresponding write-offs.

There were no indications of impairment of tangible and ready-to-use intangible assets on the reporting date.

Rights of Use

Lease arrangements are accounted and valued in accordance with IFRS 16. In this context, a lessee is obligated to recognise an asset (for the usage right) and corresponding lease liabilities for lease agreements with a term of more than 12 months. The lease liability was valued at the actual cash value. Lease payments are discounted using the implicit interest rate, on which the lease is based, provided that this can be determined. Otherwise, discounting is carried out using the lessee's incremental borrowing rate. The Group has lease arrangements as lessee of rented offices as well as technical equipment and machinery, leased vehicles and office equipment.

Associated Companies / Financial Assets Accounted on Basis of Equity Method

We refer to our statements in the section "Consolidation principles."

An impairment test is carried out if appropriate indicators are evident and impairment is implemented as needed. The recoverable amount is determined on the basis of the provisions of IAS 36. Impairment losses are reported in the results from investments.

Financial Assets and Liabilities

IFRS 9 Financial Instruments defines the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

1. Classification of Financial Assets and Liabilities

Financial assets and liabilities are recognised in the consolidated balance sheet at the time when the group becomes a contractual party to the financial instrument. The classification and valuation of financial assets and obligations under IFRS 9 is based on the company's business model and the characteristics of the cashflows of the respective financial assets or the respective financial liability. For initial recognition, the respective financial asset is classified either as measured at "fair value through profit or loss" (FVPL), or at "amortised costs" or at "fair value through other comprehensive income" (FVOCI).

The Other financial assets and securities are classified in the "Hold and sell / FVOCI" category. All fluctuations in value—including capital gains and losses on disposal—are recognised in the equity in the "market assessment reserve" position without effect on income. All securities (shares) are valued at the market price prevailing on the reporting date and marketable. The other financial assets in the form of holdings are also evaluated in accordance with their fair value as of the reporting date.

Receivables, other short-term assets as well as cash and cash equivalents belong to the "valuation at amortised acquisition costs" category. Trade receivables are shown at the time of recognition at fair value, which generally corresponds to the costs of acquisition and according to the assessment of their realisation. Longer-term maturities (> 1 year) are discounted using market interest rates. The subsequent valuation is carried out using the amortised acquisition costs. Other receivables and assets are carried at amortised costs. Foreign currency receivables are valued at the exchange rate prevailing on the reporting date. Cash and cash equivalents are cash assets and bank deposits that are immediately available and which are valued at nominal value. 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.

Geratherm derecognises the financial assets if the cash inflow has occurred or if the receivable is irrecoverable. Financial liabilities are derecognised if the contractual obligations are fulfilled, cancelled or expired.

2. Impairment of Financial Assets

The model of losses incurred, which is to be applied according to IFRS 9, shall be combined as a future-oriented model with significant discretionary decisions as to the extent in which the expected credit losses are impacted by changes in economic factors. When setting these percentages, Geratherm takes into account past experience with collection and current economic trends. The new impairment model shall be applied to financial assets, which are measured at amortised costs. If the data that the company uses to calculate the value allowances for bad debts do not reflect the ability to collect outstanding receivables in the future, additional allowances for bad debts may be needed, which could have a significant impact on the company's future earning position.

Impairment losses are identified for individual financial instruments in the event of payment losses or breaches of contract by the counterparty or recognition of impairment losses due to deterioration in ratings and the general information situation (loss event). An impairment loss is calculated after the occurrence of a loss event as difference between the book value and the discounted, expected cashflow. The original effective interest rate serves as a discount rate. Impairment losses are posted on the balance sheet and directly offset against the book value of the financial instrument. Interests earned from impaired financial instruments continue to be booked. If there are any indications of a decrease in the impairment, this shall be ascribed to the financial instrument with effect on net income up to a maximum of the amount of the amortised costs of acquisition, which would have been recognised without the impairment.

Current and Deferred Taxes

Actual taxes are the anticipated tax liability or tax receivable on the taxable income or loss in the business year, and namely on the basis of tax rates that are effective or will be effective soon on the reporting day, as well as all adjustments to the tax liability for previous years. The amount of the expected tax liability or tax receivable reflects the amount that represents the best estimate taking into consideration any tax uncertainties if applicable. The actual tax liabilities include all tax liabilities that arise as a result of fixing dividends. Actual tax claims and liabilities are balanced only under certain conditions.

The accounting and valuation of deferred taxes is implemented according to IAS 12. For all deductible temporary differences, unused tax losses carried forward and unused tax credits, deferred tax assets are recognised to the extent in which it is probable that the taxable income is available, against which the deductible temporary differences and the unused tax losses carried forward and tax credits can be used.

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.

Merchandise is valued on the basis of the moving average prices.

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

IFRS 15 specifies a comprehensive framework for determining whether, to what extent and at which time revenue shall be recognised. The prerequisite for recording sales revenues is a valid contract with identifiable performance obligations and stipulated payment terms and the probability that the agreed consideration will be rendered. The sales revenues correspond with the transaction price, to which Geratherm is entitled in accordance with the contractual terms. There are no significant uncertainties in connection with the sales revenues.

Determining whether the power of disposition is passed at a designated time or over a specific period requires discretionary decisions.

1. Sales of medical products

The group recognises sales if the customer gains control over the sold medical devices. The customer usually gains control by way of transfer of ownership and right of possession as well as the significant opportunities and risks. The agreed upon Incoterms are primarily relevant in this regard. Sales revenues are recognised at this time if revenues and costs can be measured reliably, if the receipt of consideration is probable and there is no other existing right to dispose of the goods.

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.

When our subsidiary LMT Medical Systems GmbH sells incubators, customers are offered warranty extension options. According to IFRS 15, these options shall be regarded as independent service components. Sales revenues must thus be recognised separately from the other service components. The sales for the warranty extension shall be recognised based on that during the agreed upon warranty period. On the other hand, the consideration that can be attributed to the supplemental warranty is not to be recognised as revenue in the business year, in which the agreement was formed, but shall be recognised outside of profit or loss. The transaction price is broken down on the basis of the relative standalone selling prices of the services provided.

Geratherm has recognised inventories in the consignment warehouses as of the reporting date. Using the general principles and special regulations on commission agreements, the end customer gains control with the purchase of the medical devices and thus with removal from storage, since Geratherm remains the owner of the products and thus bears the significant opportunities and risks until the products are sold to the end customer.

2. Performance of analysis services

The group provides analysis services through its subsidiary apoplex medical technologies GmbH. The sales revenues are recognised on a time basis over the term of the underlying agreements. Sales that are attributable to the following year, are accrued pro rata temporis while taking into account multiple availments on the balance sheet date.

3. Performance obligations as combination of IFRS 15 and IFRS 16

Since 2019, the Group provides via its subsidiary apoplex medical technologies GmbH a combination of finance leasing for ECG devices and analytical services including firsttime installation services. This currently involves a contract with a term of 2.5 years. As part of the contract valuation, the individual performance obligations were identified and the corresponding transaction price were allocated. Sales revenues for the provided equipment and the corresponding sales costs as well as the installation services previously carried out were reported as of the reporting date. The analytical services were moreover recognised pro rata temporis. The transaction price is broken down on the basis of the relative standalone selling prices of the individual services provided.

If the Group acts as the lessor, it classifies every lease arrangement either as a finance lease or an operating lease at the start of the contract. To classify every lease arrangement, the Group made an overall assessment as to whether the lease arrangement transfers essentially all risks and opportunities associated with ownership of the relevant asset.

Geratherm reports as lessor a finance lease receivable on the day of the handover. The sales revenue in the amount of the fair value is recognised on the date of provision. The sales costs in the amount of the accounting value of the underlying asset are recognised as material 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. The estimates are based on past experience and other knowledge of the business transactions which are to be accounted for. For instance, the assessment of capitalisation requirement for development projects (book value EUR 2.783 million), the statements on economic useful lives for long-term intangible and tangible assets (book value EUR 12.180 million) are based in particular on estimates and assumptions. In addition, the assessment of assets of the "hold and sell" category, which are not traded on an active market (other financial assets, accounting value EUR 1.420 million), as well as intangible assets 996 kEUR not ready for use) is based on the corporate planning, which of course involves uncertainties such that the actual values may deviate in individual cases from the made assumptions and estimates. There are also estimates and assumptions relating to the contractual term of the leased office and storage space of subsidiaries. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting. There are also estimates relating to the loan obligations of the Brazilian subsidiary, which is currently in bankruptcy protection under Brazilian law. Estimates are also made when evaluating the valuation allowance due to the expected credit losses on trade accounts receivable and contractual assets as well as the recognition of deferred tax assets in relation to the availability of future taxable results, against which deductible temporary differences and tax losses carried forward can be used.

There are discretionary leeways with regard to the accrual of sales revenues from analytical services and the classification of leasing as finance lease in the Group. We make reference to the statements relating to sales revenues, the valuation principles and lease arrangements.

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.

Fair values are currently determined within levels 1 and 3.

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 4 and 9.

Notes to the Consolidated Financial Statements

ASSETS

1. Intangible Assets

As at 31 December 2020, intangible assets totalling EUR 3.079 million (2019: EUR 2.197 million) are reported here. 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				
1/1/2019	3,446,431	958,093	90,000	4,494,524
Additions	628,062	129,403	0	757,465
Disposals	39,632	858	0	40,490
Transfers	0	0	0	0
31/12/2019	4,034,861	1,086,638	90,000	5,211,499
1/1/2020	4,034,861	1,086,638	90,000	5,211,499
Additions	909,188	150,216	0	1,059,404
Disposals	0	38,502	0	38,502
Transfers	0	0	0	0
31/12/2020	4,944,049	1,198,352	90,000	6,232,401

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Amortisation and depreciation in EUR				
1/1/2019	2,109,865	792,986	14,250	2,917,101
Additions	12,534	50,077	75,749	138,360
Disposals	39,632	857	0	40,489
31/12/2019	2,082,767	842,206	89,999	3,014,972
1/1/2020	2,082,767	842,206	89,999	3,014,972
Additions	78,069	87,304	0	165,373
Disposals	0	27,164	0	27,164
31/12/2020	2,160,836	902,346	89,999	3,153,181
Book values in EUR				
1/1/2019	1,336,566	165,107	75,750	1,577,423
31/12/2019	1,952,094	244,432	1	2,196,527
1/1/2020	1,952,094	244,432	1	2,196,527
31/12/2020	2,783,213	296,006	1	3,079,220

The following foreign currency effects relate exclusively to other intangible assets and were taken into account under additions:

	Initial and manufacturing costs	Amortisation and depreciation
	kEUR	kEUR
2019	-1	-1
2020	-17	-12

The development costs for intangible assets created internally during the 2020 fiscal year were capitalised in the amount of 909 kEUR (2019: 628 kEUR). These essentially include new software solutions from apoplex and developments in connection with the certification of LMT products.

Noncapitalisable research and development costs were posted as expenses in the amount of 844 kEUR (2019: 771 kEUR). The other intangible assets primarily involve licenses, patents and software. The amortisation of development projects already in use is included in the amortisation of intangible assets and depreciation of property, plant and equipment.

Own work was capitalised in the amount of 655 kEUR.

Goodwill (0 kEUR) and development costs of warming systems (141 kEUR)

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, a further amortisation was not implemented in accordance with the amended IAS 38. The goodwill is shown unchanged as at 31 December 2020 with a residual value after impairment of EUR 1.

Moreover, there are capitalised costs for development projects that are not yet ready for use and which as a result are not subject to any wear and tear as of the reporting date. To this end, an impairment test was carried out in accordance with IAS 36.10a.

The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2021 to 2024. The Warming Systems segment was identified as the smallest cash-generating unit (production of medical warming systems for operating rooms and the emergency response sector). As at 31 December 2020 there were capitalised development costs in the amount of 141 kEUR, which are not yet used, in the Warming Systems segment. The segment possesses a goodwill of 0 kEUR (2019: 0 kEUR) and an additional net worth of EUR 1.047 million as per the balance sheet 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 9.48 % before taxes. The planning envisions a sales growth from 18 % and 10 % respectively from 2022 to 2023 and from 2023 to 2024. The growth from 2021 to 2022 cannot be viewed as representative, since the reapproval of the UniqueTemp warming blanket is only to be taken into account in 2021 and thus a full-year consideration is not possible.

As of 2024, a moderate annual growth is expected for the perpetuity of 1.0 %. The expenses increase correspondingly. Due to the level of uncertainty, we have calculated a discount of 25 % on the determined EBIT, which represents the basis for our cash flow to be discounted. Based on these factors, there was no need for value adjustments in the 2020 financial year. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one-percent change in the interest rate results in a change in cash value of minus 264 kEUR, and a minus-one-percent change in the interest rate results in a change in cash value of 336 kEUR. If the uncertainties were only taken into account with a discount of 15 % to EBIT, this would result in a change in the cash value of +222 kEUR.

Developments costs by apoplex (EUR 1.457 million – of which 818 kEUR was not yet ready for use)

The legal entity apoplex was identified as the smallest cash-generating unit (solutions for detecting atrial fibrillation in order to prevent a stroke). As at 31 December 2020 there were capitalised development costs in the amount of EUR 1.457 million, of which 818 kEUR are not yet used, in the apoplex unit. The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2021 to 2024. The unit has net assets of EUR 2.559 million as of the balance sheet 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 9.48 % before taxes. The planning envisions a sales growth of 12 %, 16 % and 16 % respectively for 2021 to 2022, 2022 to 2023 and 2023 to 2024.

As of 2024, a moderate annual growth is expected for the perpetuity of 1.0 %. The expenses increase correspondingly. Based on these factors, there was no need for value adjustments in the 2020 financial year. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one-percent change in the interest rate results in a change in cash value of minus 536 kEUR, and a minus-one-percent change in the interest rate results in a change in cash value of 682 kEUR.

Developments costs by LMT (EUR 1.185 million – of which was not yet ready for use 37 kEUR)

The legal entity LMT Medical was identified as the smallest cash-generating unit (production and marketing of MRI-capable incubators for preterm babies). As at 31 December 2020 there were development costs in the amount of EUR 1.185 million, of which 37 kEUR are not yet used, in the LMT unit. The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2021 to 2024. The unit has net assets of EUR 1.459 million as of the balance sheet 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 9.48 % before taxes. The planning envisions a sales growth of 17 %, 14 % and 13 % respectively for 2021 to 2022, 2022 to 2023 and 2023 to 2024.

As of 2024, a moderate annual growth is expected for the perpetuity of 1.0 %. The expenses increase correspondingly. Based on these factors, there was no need for value adjustments in the 2020 financial year. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one-percent change in the interest rate results in a change in cash value of minus 915 kEUR, and a minus-one-percent change in the interest rate results in a change in cash value of EUR 1.162 million.

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					
1/1/2019	5,097,736	10,465,286	1,180,577	77,149	16,820,748
Additions	127,549	656,865	105,930	1,304,713	2,195,057
Disposals	0	118,175	21,966	0	140,141
Transfers	0	36,785	21,830	-58,615	0
31/12/2019	5,225,285	11,040,761	1,286,371	1,323,247	18,875,664
1/1/2020	5,225,285	11,040,761	1,286,371	1,323,247	18,875,664
Additions	806,316	267,016	275,010	371,672	1,720,014
Disposals	0	3,644	133,438	0	137,082
Transfers	1,193,549	129,698	0	-1,323,247	0
31/12/2020	7,225,150	11,433,831	1,427,943	371,672	20,458,596
Amortisation and depreciation in EUR					
1/1/2019	1,677,154	7,256,305	928,721	0	9,862,180
Additions	151,994	591,684	127,200	0	870,878
Disposals	0	118,175	21,851	0	140,026
31/12/2019	1,829,148	7,729,814	1,034,070	0	10,593,032
1/1/2020	1,829,148	7,729,814	1,034,070	0	10,593,032
Additions	157,483	544,363	145,780	0	847,626
Disposals	0	1,369	81,955	0	83,324
31/12/2020	1,986,631	8,272,808	1,097,895	0	11,357,334
Book values in EUR					
1/1/2019	3,420,582	3,208,981	251,856	77,149	6,958,568
31/12/2019	3,396,137	3,310,947	252,301	1,323,247	8,282,632
1/1/2020	3,396,137	3,310,947	252,301	1,323,247	8,282,632
31/12/2020	5,238,519	3,161,023	330,048	371,672	9,101,262

The following foreign currency effects relate exclusively to Other equipment, factory and office equipment and were taken into account under additions:

Office and factory equipment:

	Initial and manufacturing costs	Amortisation and depreciation
	kEUR	kEUR
2019	-2	-1
2020	-31	-23

For Geratherm Respiratory GmbH's new production facility, the construction of which was started in 2018, a further 793 kEUR (2019: EUR 1.211 million) were capitalised as addition to the fixed assets in the financial year. Geratherm Medical AG started an investment program for renewing the machinery with a total volume of EUR 2.000 million in the 2019 fiscal year. Of which 539 kEUR (2019: 75 kEUR) were invested in the financial year. Other additions amounting to 388 kEUR relate to the investments to replace machinery, equipment and other operating systems in the Group.

Irregular depreciation of tangible fixed assets was not necessary.

With regard to the provision of collateral, we refer to the information relating to loans. The construction in progress mainly relates to the investment program to modernise Geratherm's machinery and equipment, while the construction of Respiratory's new production building was shown in the prior year. The acquisition and manufacturing costs include borrowing costs of 24 kEUR (2019: 0 kEUR). The interest rates are 1.55 % and 1.9 % respectively.

3. Lease Arrangements

The distribution of the usage rights balance sheet item according to IFRS 16.47 is shown in the following overview.

Usage rights for	Buildings	Technical equipment and machinery	Factory and office equipment	Total
Initial and manufacturing costs in EUR				
1/1/2019	219,161	68,290	157,058	444,509
Additions	136,079	237	78,470	214,786
Disposals	169,561	237	33,652	203,450
31/12/2019	185,679	68,290	201,876	455,845
1/1/2020	185,679	68,290	201,876	455,845
Additions	400,267	237	124,933	525,437
Disposals	175,569	237	11,755	187,561
31/12/2020	410,377	68,290	315,054	793,721

Usage rights for	Buildings	Technical equipment and machinery	Factory and office equipment	Total
Amortisation and depreciation in EUR				
1/1/2019	0	0	0	0
Additions	181,230	28,574	85,868	295,672
Disposals	169,561	237	16,170	185,968
31/12/2019	11,669	28,337	69,698	109,704
1/1/2020	11,669	28,337	69,698	109,704
Additions	164,066	28,574	102,294	294,934
Disposals	175,271	237	11,755	187,263
31/12/2020	464	56,674	160,237	217,375
Book values in EUR				
1/1/2019	219,161	68,290	157,058	444,509
31/12/2019	174,010	39,953	132,178	346,141
1/1/2020	174,010	39,953	132,178	346,141
31/12/2020	409,913	11,616	154,817	576,346

The following foreign currency effects relate exclusively to usage rights relating to buildings and were taken into account under additions

	Initial and manufacturing costs	Amortisation and depreciation
	kEUR	kEUR
2019	0	0
2020	-15	-3

For writing off lease arrangements, 295 kEUR was recognised in the profit and loss statement under amortisation and depreciation. Interests for lease liabilities were reported in the amount of 5 kEUR.

The cash outflow for lease arrangements amounted to 299 kEUR including interest of 5 kEUR (2019: 289 kEUR; interest 6 kEUR). Additions in the amount of 525 kEUR (2019: 444 kEUR) were made in the fiscal year. Irregular amortisation of usage rights was not necessary.

Within the framework of lease arrangements, where the Group is the lessor, a gross profit of 3 kEUR was generated in 2020.

The maturity analysis of lease receivables is as follows and shows the undiscounted lease payments to be received after the reporting date.

Maturity analysis in kEUR			
	Total	< 12 months	> 12 months
31/12/2019	29	14	15
31/12/2020	27	25	2

The maturity analysis of lease liabilities is as follows and shows the undiscounted lease payments to be paid after the reporting date.

Maturity analysis in kEUR				
	Total	< 1 year	1–3 years	>3 years
31/12/2019	353	290	63	0
31/12/2020	583	252	221	110

4. Financial Assets Accounted for on Basis of Equity Method, Other Financial Assets and Other Long-term Receivables

The Group uses the equity method to account for associated companies. Apoplex acquired a 22.5 % stake in Evina Spain SL, Barcelona, Spain, in the 2018 financial year. The shares were recognised with the acquisition costs of 350 kEUR. The annual financial statements of Evina Spain SL for the years 2018 to 2020 are currently available. On this basis, an adjustment by 53 kEUR was made using the equity method as of the reporting date. The accounting value of the financial asset is 297 kEUR on 31 December 2020.

The table below summarises the financial information of Evina Spain SL, Barcelona, Spain (as detailed in its own financial statements). The table also shows a reconciliation of the summarised financial information to the book value of the Group's share in Evina Spain SL. It is a strategic investment for the business of apoplex.

	31/12/2020 kEUR	31/12/2019 kEUR
Ownership share	22.5 %	22.5 %
Long-term assets	408	408
Short-term assets	115	162
Non-current debts	125	125
Current debts	21	-10
Net assets (100 %)	377	455
Share of Group in net assets (22.5 %)	85	102
Accounting value of share in the associated company	297	350
Sales revenues	55	14
Overall result = profit after taxes	-78	-133
Share of Group in overall result	-18	-30

The accounting value of the shares was adjusted by the proportional results while taking into account the share quota of 22.5 %.

With regard to the risks relating to the investment, we make reference to the statements on market price risks for financial instruments.

The "Other financial assets" item includes the interest held by Geratherm Medical AG in Protembis GmbH, Aachen, in the amount of EUR 1.070 million (2019: EUR 1.070 million) and the investment in MindPeak GmbH, Hamburg, which was acquired in September 2019 in the amount of 150 kEUR and the interest in HALM Straws GmbH, Berlin, which was acquired in December 2019 in the amount of 200 kEUR.

The fair value of the investments in GmbH shares which are shown under other financial assets is typically determined using the discounted-cash-flow method or a market comparison method (usually a market multiplier model). In this context, the key input factors which are unobservable include the expected cash flows, the risk-adjusted discount rates or the multipliers. Due to uncertainty in determining the acceptable range of input factors, it is not possible to reliably describe the relationship between the unobservable input factors and the fair values. We still regard that fair value for Protembis from 2019 to be the best estimate of the fair value, since the necessary assumptions for determining the fair value of this financial instrument cannot be reliably determined based on the current state of knowledge; likewise the probable scope of these assumptions cannot be reliably assessed either. The valuation in the prior year was based on a capital increase, in which Geratherm Medical AG did not take part. The fair value was calculated on the basis of the going concern value determined during the course of the capital increase (basis of postmoney valuation of the entire company of EUR 18.492 million). As a result of the acquisition of shares in MindPeak GmbH, Hamburg, and HALM Straws GmbH, Berlin, close to the reporting date in 2019/2020, the acquisition costs correspond to a reliable estimate of the fair value.

The Other long-term receivables relate to the sales tax receivables and social security contributions in the amount of 79 kEUR (2019: 83 kEUR) and to income tax claims of the Brazilian subsidiary Geratherm Medical do Brasil in the amount of 39 kEUR (2019: 44 kEUR). As a result of the "Chapter 11" proceedings, the Group does assume a realisation only after one year.

5. 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.

	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	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	0	0	880	626	-880	-626
Fixed assets	7	7	0	1	7	6
Inventories	23	25	0	0	23	25
Losses carried forward	793	563	0	0	793	563
Other	4	1	0	0	4	1
Total	827	596	880	627	-53	-31

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	1/1/2020 kEUR	Change with effect on P&L kEUR	Change without effect on P&L kEUR	31/12/2020 kEUR
Capitalised development costs/patents	-626	-254	0	-880
Goodwill	0	0	0	0
Fixed assets	6	1	0	7
Inventories	25	-2	0	23
Losses carried forward	563	230	0	793
Other	1	3	0	4
Total	-31	-22	0	-53

Change in the balance of deferred taxes	1/1/2019 kEUR	Change with effect on P&L kEUR	Change without effect on P&L kEUR	31/12/2019 kEUR
Capitalised development costs/patents	-427	-199	0	-626
Goodwill	-24	24	0	0
Fixed assets	4	2	0	6
Inventories	18	7	0	25
Losses carried forward	652	-89	0	563
Other	1	0	0	1
Total	224	-255	0	-31

Income tax rates ranging between 29.13 % and 31.58 % (2019: between 29.13 % and 31.58 %) were 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 and Geratherm Respiratory GmbH were used up in 2016 and in 2019. In the 2020 financial year, we have applied the deferred tax assets to the loss carry-forwards for LMT Medical Systems GmbH and apoplex medical technologies GmbH insofar as there are sufficient temporary taxable differences. Due to the losses of both companies in the past years, we have decided to waive a further capitalisation. The same applies to the loss carry-forwards of Capillary Solutions GmbH and Geratherm Medical do Brasil Ltda., which we have classified as non-recoverable as of the reporting date.

Presentation of Deferred Tax Assets for Tax Losses Carried Forward without Consideration of Geratherm Medical do Brasil Ltda.

	2020 kEUR	2019 kEUR
Tax loss carried forward as of 31/12 Corporate income tax and solidarity surcharge	4,375	4,493
Tax loss carried forward as of 31/12 Trade Tax	4,563	4,677
Of which recoverable	2,642	1,815
Deferred taxation	793	563

6. Inventories

Inventories	31/12/2020 EUR	31/12/2019 EUR
Raw materials and supplies	2,182,687	2,318,131
Unfinished goods	1,160,668	1,252,899
Finished goods	1,073,834	2,125,174
Goods	2,888,161	2,168,519
Total	7,305,350	7,864,723

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 2020 primarily include clinical thermometers in various stages of production as well as semifinished warming systems, pulmonary function equipment and incubators.

The finished goods item mainly includes thermometers, warming systems, pulmonary function equipment and incubators as of 31 December 2020.

The goods essentially include digital thermometers and blood pressure monitors that are earmarked for sales and produced for contracts.

Inventories reported as expenses in the financial year ending on 31 December 2020 amounted to 118 kEUR (2019: 44 kEUR), shown under material expenses. The cost of goods sold is shown in the item costs of raw materials, supplies and goods for resale.

7. Trade Receivables

The trade receivables are structured as follows:

	31/12/2020 EUR	31/12/2019 EUR
Gross sum of trade receivables	3,256,206	2,551,403
Devaluations	-50,794	-45,510
Total	3,205,412	2,505,893

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 impairment losses from trade receivables (other operating expenses) of the current period.

With regard to the information on credit and market risks, we refer to the information relating to “financial instruments”.

8. Tax Receivables and Other Short-term Assets

The tax receivables relate to receivables from reimbursement of income taxes in the amount of 62 kEUR (2019: 360 kEUR) and sales taxes in the amount of 188 kEUR (2019: 168 kEUR).

The other assets essentially relate to prepayments (138 kEUR; 2019: 155 kEUR), and other expenses paid in advance (124 kEUR; 2019: 128 kEUR).

9. Securities

The securities holdings include the following:

2020	Number/ nominal	Book value as of 31/12 EUR	Price as at 31/12 EUR
Agfa-Gevaert N.V.	933,400	3,621,592	3.88
TEVA Pharmaceutical	100,000	768,479	7.68
BIOGEN IDEC Inc.	1,500	294,719	196.47
Bayer AG	15,000	722,400	48.16
Total		5,407,190	

2019	Number/ nominal	Book value as of 31/12 EUR	Price as at 31/12 EUR
Agfa-Gevaert N.V.	900,000	4,156,200	4.62
TEVA Pharmaceutical	100,000	856,329	8.56
BIOGEN IDEC Inc.	1,500	391,009	260.67
Total		5,403,538	

During the 2020 fiscal year, the level of securities was increased by means of acquisitions in the amount of 761 kEUR (2019: EUR 1.716 million). As in 2019, no securities were sold during the 2020 reporting period.

As of the balance sheet date, 31 December 2020, the share of the market assessment reserve, which results from the valuation losses/gains based on changes in exchange rates, was -758 kEUR (2019: EUR 1.285 million).

With regard to the risks, we make reference to the section on “Financial instruments”.

10. Cash and Cash Equivalents

	31/12/2020 kEUR	31/12/2019 kEUR
Cash on hand	33	17
Credit balances with banks	4,822	4,122
Cash and cash equivalents	4,855	4,139

Of which credit balances with banks in the amount of 244 kEUR (2019: 267 kEUR) are invested at the prevailing market rates and are available daily.

There are restrictions on the right of disposal with regard to credit at Geratherm Medical do Brasil in the amount of 5 kEUR.

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 December 2020 and is divided into 4,949,999 share certificates issued to the bearers. The shares have a book value of EUR 1.

The subscribed capital has been paid in full. As of the reporting date, there were no shares held by the company. The number of shares in circulation was 4,949,999 during the 2020 fiscal year.

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.

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 was 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.

Authorisation to Purchase Own Shares

The company was authorised by resolution of the general meeting from 18 September 2020 to purchase own shares up to a portion of the share capital not exceeding 10 % through to 17 September 2025. The acquired shares, together with other own shares that the company had already acquired or still has or which is attributable to it according to Sections 71a ff. of AktG (Germany's Stock Corporation Law), may not exceed 10 % of the company's share capital at any time. 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 17 September 2025 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 share capital, which may not exceed 10 %. The authorisation may be exercised in full or in part.

The management board is moreover authorised to offer the company's own shares acquired on the basis of this authorisation to persons, who are employed by the company, for purchase and to transfer them to them and to use them to service stock option programmes. They may also be offered to members of the company's management board for purchase and transferred to them and utilised to service stock option programmes. If members of the company's management board are beneficiaries, the company's supervisory board is also responsible for selecting the beneficiaries and defining the number of shares to be granted to them.

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

12. Capital Reserve

The capital reserve shows the amount that was realised, exceeding the nominal amount, with the issuance of shares after deducting the costs of procuring equity as part of the IPO. It is 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 Other reserves is shown in the consolidated statement of change to the shareholders' equity.

Market Assessment Reserve

In accordance with the classification of securities and other financial assets at the beginning of the business year in the "Fair Value through OCI" category, the identified valuation differences as of the reporting date were recognised in the market assessment reserve shown under equity in accordance with the regulations of IFRS 9. This item also includes the gains and losses from the ongoing revaluation of securities at market value in accordance with IFRS 9. As at 31 December 2020, the market assessment reserve totals EUR 1.171 million (2019: EUR 1.929 million). Significant tax effects have not incurred due to corporate tax regulations and trade tax regulations with regard to participation in other legal entities and groups of persons.

Currency Translation Effects

The foreign currency translation differences of 738 kEUR (2019: 314 kEUR) is based on the consolidation of the financial statements of Geratherm Medical do Brasil Ltda and LMT Medical Systems Inc., which are prepared in a foreign currency.

Reference is made to the statement of changes in equity.

Accumulated Earnings

The accumulated earnings are calculated based on the results brought forward as of the reporting date 31 December 2020 (460 kEUR; 2019: EUR 1.838 million), the current net income for the year, which can be attributed to the shareholders of the parent company (EUR 2.045 million; 2019: 545 kEUR) and less the distributed dividend (EUR 1.238 million; EUR 0.25 per share; 2019: EUR 1.980 million) and the effect from the increase in capital at LMT Medical Systems GmbH with sole participation of Geratherm Medical AG on 12 April 2019 without proportional consolidated net income (0 kEUR; 2019: 57 kEUR).

The management board and supervisory board will propose to the general meeting in June 2021 to distribute a dividend of EUR 0.40 per share (EUR 1.980 million) for the 2020 fiscal year.

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 0.40 per share for 2020 (EUR 1.980 million).

For the 2020 business year, the taxably distributable profit amounts to EUR 1.389 million. It is utilised in full by the dividend disbursement so that the existing tax-recognised capital contribution account of EUR 15.206 million can be accessed for disbursement in the amount of 591 kEUR. Up to the amount of the distributable profit of EUR 1.389 million, the capital gains tax plus solidarity surcharge in the amount of 26.375 % (366 kEUR) must be withheld and paid for the planned disbursement. The portion of the disbursement amount, which exceeds the distributable profit of EUR 1.389 million (591 kEUR), can be paid from the tax contribution account without deducting the capital gains tax.

If the dividend disbursements exceed the relevant profit available for payment of the dividend in future years, these can continue to be paid out from the positive tax-recognised capital contributions account without withholding capital gains tax.

14. Non-controlling Shares

	Total kEUR
Minority interests as of 1/1/2020	-646
Currency translation in Group	+412
Result attributable to non-controlling shares	-142
Minority interests as of 31/12/2020	-376

No dividends were paid to non-controlling shares.

The following tables contain information about each subsidiary of the Group with key minority interests prior to intragroup

Eliminations as at 31 December 2020 and 31 December 2019:

2020 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	20.00%	20.00%	46.58%	49.00%	34.73%		
Long-term assets	1,320	51	2,190	183	2,459		
Short-term assets	923	148	1,263	353	1,419		
Long-term liabilities	-852	-14	-716	-1,175	-2,474		
Short-term liabilities	-876	-81	-1,433	-1,865	-689		
Net assets	515	104	1,304	-2,504	715		
Book value of minority interests	103	21	607	-1,227	248	-129	-376
Sales revenues	1,763	536	1,857	748	3,466		
Net profit (loss) for the year	150	68	189	-548	-14		
Minority interests of attributable net profit (loss) for the year	30	14	88	-269	-5		-142
Cash inflow/(outflow) from operating activities	563	2	375	36	98		
Cash inflow/(outflow) from investment activities	-288	0	-731	-1	-903		
Cash inflow/(outflow) from financing activities	-109	14	661	-31	660		
Net increase/ (decrease) in liquid resources	166	16	305	4	-145		

2019 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	20.00%	20.00%	46.58%	49.00%	34.73%		
Long-term assets	1,103	55	1,453	214	1,661		
Short-term assets	1,179	87	785	807	1,491		
Long-term liabilities	-841	0	-547	-1,167	-1,940		
Short-term liabilities	-1,076	-97	-576	-2,655	-483		
Net assets	365	45	1,115	-2,801	729		
Capital increase by subsidiary LMT Medical Systems GmbH with sole participation of Geratherm Medical AG as of 12 April 2019 without proportional consolidated net income	57						
Book value of minority interests	16	9	519	-1,372	253	-72	-647
Sales revenues	537	173	1,679	440	3,114	537	
Net profit (loss) for the year	-468	1	-568	125	119		
Minority interests of attributable net profit (loss) for the year	-93	0	-265	61	41		-256
Cash inflow/(outflow) from operating activities	-169	20	-30	-109	25		
Cash inflow/(outflow) from investment activities	-333	0	-359	0	-1,128		
Cash inflow/(outflow) from financing activities	386	0	-81	117	1,254		
Net increase/ (decrease) in liquid resources	-116	20	-470	8	151		

15. Long-term Liabilities to Banks

The subsidiary Capillary Solutions GmbH received on 12 Jun./3 Jul. 2017 an amortisable loan from Kreditanstalt für Wiederaufbau in the amount of EUR 2.000 million from the ERP Start-up Loan Universal SME aid program, which was granted by Commerzbank AG. The loan bears 1.00 % interest p. a. The interest rate was fixed for the entire term through 30 June 2027. The monthly amortisation rate is 21 kEUR. Amortisation started on 31 July 2019. The loan in the amount of EUR 1.375 million is long-term. The following serve as collateral for the amortisable loan from Kreditanstalt für Wiederaufbau:

- EUR 2.000 million uncertificated land charge with real and personal foreclosure clause on the company's newly constructed property in Geratal
- Deficiency guarantee in the amount of EUR 2.000 million of Geratherm Medical AG.

In this contract, special agreements were agreed upon with regard to complying with certain financial covenants:

- The minimum own funds ratio is at least 30 % at any time during the term of the contract.
- The net debt/equity ratio is no more than 3.0 times at any time during the term of the contract.

Geratherm Respiratory GmbH received on 23 November 2018 an amortisable loan from LfA Förderbank Bayern from the Investkredit support programme (IK6) in the amount of EUR 1.500 million via UniCredit Bank AG. The loan bears 1.55 % interest p. a. The interest rate applies until the end of the term on 30 December 2028. The quarterly amortisation rate in the amount of 42 kEUR was first due on 31 March 2020. An uncertificated land charge in the amount of EUR 1.600 million with real and personal foreclosure clause serves as collateral, entered on the company's newly constructed property in Bad Kissingen. In the 2020 financial year, Geratherm Respiratory received two other loans from UniCredit Bank AG. An investment loan in the amount of 200 kEUR was formed on 10 March 2020 for the procurement of new operating resources. The loan bore interest at 1.9 % p. a. and applies until the end of the term on 30 December 2029. Amortisation started on 30 June 2020. The quarterly amortisation rate is 5 kEUR. The aforementioned land charge in the amount of EUR 1.600 million serves as collateral. In addition, Respiratory received on 2 June 2020 a KfW express loan in the amount of 500 kEUR with an interest rate of 3.0 % p. a. which is binding until the end of the term on 30 June 2030. The quarterly amortisation rate is 14 kEUR as of 30 September 2021. No collateral was provided for this loan. The loan in the amount of EUR 1.803 million is long-term.

Geratherm Medical AG and Commerzbank AG closed an amortisable loan in the amount of EUR 3.000 million on 26 July 2019. The loan was paid off in full on 2 September 2019. The interest rate is 0.75 % p. a. Since 31 December 2019, the loan is being paid back in quarterly instalments of 150 kEUR. No collateral security was provided. The following financial covenants had to be observed during the term of the contract:

The net debt/equity ratio is a maximum 3.0 on the due dates during the term of the contract. In 2020, Geratherm Medical AG took out another loan in the amount of EUR 1.600 million, which is used for financing new machinery and systems with a value of EUR 2.000 million. The loan bore interest at 0.9 % p. a. until the end of the term on 31 May 2025. The loan is to be repaid with a monthly amount of 33 kEUR starting on 30 June 2021. Machinery and systems to be purchased serve as collateral. The loan in the amount of EUR 3.017 million is long-term.

Geratherm Medical do Brasil has a long-term loan of 282 kEUR with a term ending in 2024. This loan has a fixed interest rate of 23.0 %. The company started in the 2019 financial year bankruptcy protection proceedings under Brazilian law, which has not yet been completed in 2020. When classifying long-term and short-term loans, we focussed on the current procedure and reported the loans completely as short-term.

All other loans have a remaining term of three to ten years as at the reporting date 31 December 2020.

16. Accrued Investment Subsidies

The item shown in the balance sheet in the amount of EUR 1.234 million (2019: EUR 1.348 million) relates to all 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. No other investment grants and subsidies were paid out in the 2020 financial year.

Investment grants and subsidies are awarded on the condition subsequent 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.

In 2020, the Group also received grants in the amount of 136 kEUR (2019: 200 kEUR) that were not linked to an investment obligation. The grants were recognised in profit under other income when the claim arises.

17. ther 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 159 kEUR (2019: 159 kEUR), Geratherm Respiratory GmbH in the amount of 144 kEUR (2019: 144 kEUR) and LMT Medical Systems GmbH 107 kEUR (2019: 107 kEUR) are essentially reported here. The loans have a one-year term at least and variable/fixed interest rates ranging between 3.5 % and 7.8 %.

18. Short-term Liabilities to Banks

As of the reporting date, there are in the Group short-term liabilities to banks in the amount of EUR 3.200 million (2019: EUR 2.058 million), which concern the short-term share of loans of Capillary Solutions GmbH in the amount of 250 kEUR (2019: 250 kEUR), Geratherm Respiratory GmbH in the amount of 215 kEUR (2019: 167 kEUR) and Geratherm Medical AG in the amount of 833 kEUR (2019: 600 kEUR). There are other short-term bank liabilities held by the subsidiary Geratherm Medical do Brasil in the amount of 968 kEUR (2019: EUR 1.041 million) and from current account credits at Geratherm Respiratory GmbH in the amount of 198 kEUR (2019: 0 kEUR) and apoplex medical technologies GmbH in the amount of 736 kEUR (2019: 0 kEUR).

19. Trade Accounts Payables

The trade payables are recognised at their amortised costs. 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 supplies are applicable.

20. Current Provisions

The Group shows warranty and guarantee obligations. The provision is based on the estimates on the basis of estimates on historical warranty data for similar products and services. The Group expects to settle most of provision in the coming year.

21. Tax Liabilities

The tax liabilities shown here relate to liabilities from income taxes at 85 kEUR (2019: 41 kEUR), wage taxes at 126 kEUR (2019: 144 kEUR) and sales taxes 373 kEUR (2019: 376 kEUR).

22. Other Short-term Liabilities

	31/12/2020 kEUR	31/12/2019 kEUR
Accrued liabilities	637	517
Other liabilities	731	919
Other liabilities	1,368	1,436

The accrued liabilities include the following:

	31/12/2019 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	31/12/2020 TEUR
Staff related	164	-158	-2	269	273
Bonuses, commissions, credits	67	-67	0	0	0
Outstanding invoices	154	-116	-1	226	263
Other	132	-108	-17	94	101
Total	517	-449	-20	589	637

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 245 kEUR (2019: 243 kEUR) and social security liabilities in the amount of 372 kEUR (2019: 470 kEUR).

All other liabilities shown here fall due within one year.

Notes to the Consolidated Profit and Loss Statement

23. Sales Revenues from Contracts with Customers

Sales revenues based on product groups:

	2020 kEUR	2019 kEUR	Change in %
Healthcare Diagnostic	18,369	13,109	40.1
Respiratory	4,818	4,219	14.2
Warming Systems	2,427	854	>100.0
Cardio/Stroke	1,852	1,669	11.0
Total	27,466	19,851	38.4

The sales revenues in the Cardio/Stroke segment were generated essentially through the provision of analytical services. Sales in the other segments come from the sale of medical products.

There was also a limited extent of sales revenues generated that are outside of scope of application of IFRS 15. We refer to our statements in the section "Recognition of sales revenue, performance obligations as combination of IFRS 15 and IFRS 16." The sales according to IFRS 16 amount in the year under review to 11 kEUR (2019: 34 kEUR)

Sales revenues by regions:

	2020 kEUR	2019 kEUR	Change in %
Europe	16,411	11,159	47.1
South America	1,003	767	30.8
Germany	4,946	4,026	22.9
Middle East	1,003	1,558	-35.6
USA	2,163	1,104	95.9
Asia	1,511	913	65.5
Africa	171	324	-47.2
Other	258	0	-
Total	27,466	19,851	38.4

Contract balances:

The following table provides information about receivables, contractual assets and contractual liabilities from contracts with customers.

	31/12/2020 kEUR	31/12/2019 kEUR
Trade receivables	3,205	2,506
Contractual liabilities	888	1,267

The contractual liabilities relate essentially to advance payments received from customers for orders (425 kEUR; 2019: 867 kEUR) and activities performed by the Group based on analytical services (339 kEUR; 2019: 376 kEUR).

As permitted under IFRS 15, no disclosure is provided about the remaining performance obligations as at 31 December 2020 or 31 December 2019, which have an expected original term of one year or less.

The standard payment terms in the Geratherm Group are between 14 and 60 days.

24. Other Operating Income

The other operating income mainly includes amortisation of grants and subsidies recorded as liabilities in the amount of 114 kEUR (2019: 125 kEUR), revenue from the reversal of liabilities accrued in previous years in the amount of 23 kEUR (2019: 41 kEUR), income unrelated to accounting period in the amount of 43 kEUR (2019: 50 kEUR) and income from insurance claims in the amount of 6 kEUR (2019: EUR 3 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates amounting to 296 kEUR (2019: 77 kEUR).

25. Cost of Materials

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

26. Personnel Expenses

The personnel expenses in the 2020 fiscal year totalled EUR 8.505 million (2019: EUR 7.569 million). The accounts for this fiscal year included contributions of 537 kEUR (2019: 530 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.

With regard to provisions for employee benefits, we make reference to the information provided on the other short-term liabilities.

27. Amortisation and Depreciation

Amortisation and depreciation remained on the same level as the prior year at EUR 1.308 million (2019: EUR 1.305 million).

28. Other Operating Expenses

The other operating expenses, which increased by 25.3 % during the 2020 financial year, primarily include costs for sales, advertising and marketing (EUR 1.719 million; 2019: EUR 1.729 million) and administrative expenses (EUR 2.850 million; 2019: EUR 2.479 million). The expenses occurring in connection with foreign currency translation during the fiscal year increased to 814 kEUR (2019: 104 kEUR).

29. Financial Results

The financial results were -320 kEUR (2019: -11 kEUR) during the year under review. These included expenses occurring in connection with the securities (1 kEUR; 2019: 4 kEUR), interests earned (1 kEUR; 2019: 1 kEUR), shares in losses to companies accounted for using the equity method (53 kEUR; 2019: 0 kEUR) and interests paid (267 kEUR; 2019: 231 kEUR), of which 154 kEUR (2019: 144 kEUR) relate to Geratherm Medical do Brasil.

30. 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:

	2020 kEUR	2019 kEUR
Actual taxes	-793	-493
Deferred Taxes	-23	-255
Income Tax According to IFRS	-816	-748

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 29.83 % (2019: 29.83 %) 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 31.58 % depending on the location. The tax rates remained unchanged compared to the prior year.

	2020 kEUR	2019 kEUR
Results before income taxes	2,719	1,038
Tax expenses to be expected	-811	-310
Tax-free income, non-deductible expenses and permanent deviations	-24	13
Effects from non-recognition of deferred taxes or use of tax losses carried forward	112	-503
Differences in tax rates	-91	46
Other	-2	6
Income tax according to IFRS	-816	-748

The change in tax losses carried forward mainly result from the use of tax losses carried forward, for which no deferred tax assets were previously recognised, by Capillary Solutions GmbH with 63 kEUR and from the change in the losses carried forward not recognised when determining the deferred tax assets

of apoplex medical technologies GmbH, LMT Medical Systems GmbH and Geratherm Medical do Brasil Ltda. (Total change of 49 kEUR).

31. 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.

	2020	2019
Results of the shareholders of the parent company (kEUR)	2,045	546
Weighted average number of Shares in circulation (in thousands)	4,950	4,950
Undiluted earnings per share (EUR)	0.41	0.11
Diluted earnings per share (EUR)	0.41	0.11

	2020 k shares	2019 k shares
Nominal capital in no-par shares	4,950	4,950
Weighted number of shares in circulation	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 2020, GMF holds a 41.84 % share in Geratherm Medical AG. GMF shareholder and thus ultimate controlling party as defined by IAS 24.13 is the chief executive officer Dr. Frank. Expenses in the amount of 89 kEUR (2019: 91 kEUR) were recorded for the services performed by the chief executive officer Dr. Frank for GMF during

the 2020 financial year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2019: 86 kEUR) and a performance bonus.

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 2020. 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 2020 business year.

As at the reporting date 31 December 2020, there were no receivables from or liabilities to GMF.

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

There were no accounts receivables from supervisory board members as of the balance sheet date, as during the 2019 fiscal year. The supervisory board's compensation is explained 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 on 2 April 2020 about the change in its share of voting rights in our company from 43.05 % (2,131,071 voting rights) to 41.84 % (2,071,071 voting rights).

Other Financial Obligations

As of 31 December 2020	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from other agreements kEUR	115	88	27	0
Other financial obligations from purchase commitments kEUR	2,435	2,435	0	0
As of 31 December 2019	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from other agreements kEUR	54	50	4	0
Other financial obligations from purchase commitments kEUR	1,178	1,178	0	0

For other financial obligations from lease agreements, we refer to the section "Lease arrangements."

Other financial obligations primarily result from software service agreements.

The other purchase commitments mainly include orders for the purchase of merchant disc.

Auditor Fees

In 2020, 71 kEUR (2019: 76 kEUR) was entered as expenditure for auditing services, 6 kEUR (2019: 0 kEUR) for other assurance services and 11 kEUR (2019: 9 kEUR) as expenditure for tax consultancy services.

32. Segment Information

The operating segments are presented in the current financial statements in accordance with IFRS 8. The operating segments are separated on the basis of the internal group reports by the primary decision-makers. The following reportable segments of the Group have been identified:

Healthcare Diagnostic

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

Medical Warming Systems

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

Cardio/Stroke

- Technological products for preventing strokes

Respiratory

- Products designed for pulmonary function diagnostics

In the existing market segment report, the segment revenues, operating results (earnings before interests and taxes) and amortisation and depreciation are shown as relevant tax parameters for Geratherm. The accounting principles for the values given in the segment information essentially correspond to those which are applied to the consolidated financial statements. Income, expenses, assets and debts between the segments are presented, however, 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 Capillary Solutions with Geratherm Medical AG and Sensor Systems GmbH with Geratherm Respiratory GmbH. The sales are accounted as with third parties. 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 754 kEUR (2019: 507 kEUR), and in the Europe segment, the main sales were generated with Italy in the amount of EUR 5.956 million (2019: EUR 4.229 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:

	2020 kEUR	2019 kEUR
Financial assets of Geratherm Medical AG	1,420	1,171
Securities of Geratherm Medical AG	5,407	5,404
Cash and cash equivalents of Geratherm Medical AG	3,700	3,596
Total	10,527	10,171

Group segment report for the period from 1 January to 31 December 2020

Product segments	Healthcare Diagnostic	Respiratory	Medical Warming Systems	Cardio/Stroke	Consolidation	Reconciliation	Total
2020	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	20,184	4,585	2,437	1,948	-1,597	-91	27,466
Operating results	2,841	121	-178	388	48	-181	3,039
including: Amortisation/ depreciation of intangible assets and tangible assets	634	153	204	104	118	95	1,308
Interest income	-207	-29	-10	-19	0	0	-265
Segment assets	13,515	4,900	3,658	3,390	0	10,527	35,990
Of which long-term assets	6,890	2,563	1,590	2,128	0	1,420	14,591
Segment debts	11,180	2,866	913	1,106	0	0	16,065
For information only:							
Segment sales	20,184	4,585	2,437	1,948	-1,597	-91	27,466
Elimination/intra-group sales reconciliation	-1,815	233	-10	-96	1,597	91	0
Sales revenues on third parties	18,369	4,818	2,427	1,852	0	0	27,466

Product segments	Healthcare Diagnostic	Respiratory	Medical Warming Systems	Cardio/Stroke	Consolidation	Reconciliation	Total
2019	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	14,169	4,419	1,024	1,882	-1,327	-316	19,851
Operating results	1,780	357	-1,057	9	172	-212	1,049
including: Amortisation/ depreciation of intangible assets and tangible assets	675	118	169	65	209	69	1,305
Interest income	-173	-35	-9	-13	0	0	-230
Segment assets	13,495	3,913	3,534	2,151	0	10,171	33,264
Of which long-term assets	6,789	1,769	1,378	1,369	0	1,171	12,476
Segment debts	10,658	2,204	486	736	0	0	14,084
For information only:							
Segment sales	14,169	4,419	1,024	1,882	-1,327	-316	19,851
Elimination/intra-group sales reconciliation	-1,060	-200	-170	-213	1,327	316	0
Sales revenues on third parties	13,109	4,219	854	1,669	0	0	19,851

Group segment report for the period from 1 January to 31 December 2020

Regions	Europe	South America	Germany	Middle East	USA	Other	Total
2020	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	16,411	1,061	6,485	1,003	2,163	1,940	29,063
Elimination of intragroup Sales	0	-58	-1,539	0	0	0	-1,597
Sales to third parties	16,411	1,003	4,946	1,003	2,163	1,940	27,466
Gross profit or loss	10,733	575	3,673	656	1,414	1,269	18,320
Operating results	1,954	-191	669	119	257	231	3,039
including: Amortisation/depreciation of intangible assets and tangible assets	772	32	264	47	102	91	1,308
Amortisation of public grants and subsidies	71	0	21	4	9	9	114
Interest income	0	-153	-112	0	0	0	-265
Acquisition costs of fixed assets for the period	0	1	1,012	0	0	0	1,013
Segment assets	0	782	35,081	0	127	0	35,990
Of which long-term assets	0	361	14,230	0	0	0	14,591

Regions	Europe	South America	Germany	Middle East	USA	Other	Total
2019	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	12,355	898	4,026	1,558	1,104	1,237	21,178
Elimination of intragroup Sales	-1,196	-131	0	0	0	0	-1,327
Sales to third parties	11,159	767	4,026	1,558	1,104	1,237	19,851
Gross profit or loss	7,811	621	3,134	1,091	773	865	14,295
Operating results	502	171	201	70	50	55	1,049
including: Amortisation/depreciation of intangible assets and tangible assets	738	14	296	103	73	81	1,305
Amortisation of public grants and subsidies	73	0	27	10	7	8	125
Interest income	0	-144	-86	0	0	0	-230
Acquisition costs of fixed assets for the period	0	0	2,953	0	0	0	2,953
Segment assets	0	970	32,184	0	110	0	33,264
Of which long-term assets	0	214	12,262	0	0	0	12,476

The result from an atequity accounting of an investment of 53 kEUR is to be assigned to the Cardio Stroke segment. The amount of the investment is 297 kEUR (2019: 350 kEUR) as of reporting date.

Notes on Cash Flow Statement

33. 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 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.

Effects from foreign currency effects occurred in the amount of -95 kEUR (6 kEUR).

34. Cash Flow from Operations

The cash flow before any change in the commitment of funds in the amount of EUR 5.001 million (2019: EUR 2.252 million) is set against changes in the operating funds.

Altogether, the consolidated result for the year and the funds tied up in short-term assets result in an inflow of funds from operations in the amount of EUR 3.915 million (2019: EUR 1.540 million).

The capital flow statement for 2020 includes in detail the payments received from interests (1 kEUR; 2019: 1 kEUR), outgoing payments from interests (112 kEUR; 2019: 89 kEUR) and payments for taxes (cash outflow 438 kEUR; 2019: 736 kEUR).

By accounting for lease agreements in accordance with IFRS 16, operating lease payment, which were previously recognised in the operating cash flow, are shown as repayment or interest payments as part of financing activities in the fiscal year.

In the financial year, this resulted in an effect of 295 kEUR on the cash flow from current business activities and correspondingly in a negative effect on cash flow from financing activities.

35. Cash Flow from Investments

The purchase of fixed assets and intangible assets resulted in expenses in the amount of EUR 1.870 million (2019: EUR 2.324 million). The additions in the area of fixed assets mainly relate to payments made in the amount of 849 kEUR for the new production facility of Geratherm Respiratory GmbH and for the new machines/systems of Geratherm Medical AG 672 kEUR. Development costs were capitalised in the amount of 909 kEUR (2019: 628 kEUR) in 2020.

Cash inflow and outflow based on financial assets are explained in Sections 4 and 9 of these Notes.

36. Cash Flow from Financing Activities

The cash flow from financing activities encompassed essentially the outflow of funds from dividend payments in the amount of EUR 1.238 million (2019: EUR 1.980 million), the availment of loans in the amount of EUR 3.298 million (2019: EUR 4.500 million) and repayment of loans in the amount of EUR -1.096 million (2019: -515 kEUR).

The development of liabilities from financing activities relates to cash-effective and non-cash changes, as follows:

kEUR	31/12/2019	Cash change		Non-cash change	31/12/2020
		Repayment and interests	Taking out of		
Liabilities to banks	5,208	0	2,300	-1,313	6,195
Long-term Lease liabilities	63	0	0	268	331
Other long-term liabilities	410	0	14	0	424
Total	5,681	0	2,314	-1,045	6,950
Liabilities to banks	2,058	-1,096	998	1,240	3,200
Short-term lease liabilities	290	-299	0	260	252
Total	2,348	-1,395	998	1,501	3,452
Liabilities from financing activities	8,029	-1,395	3,312	456	10,402

Interest payments in the amount of 69 kEUR were rendered for liabilities to banks, 7 kEUR for other long-term liabilities and 5 kEUR for lease liabilities.

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 20.302 million (2019: EUR 19.827 million) as of the reporting date such that an equity-to-assets ratio of 56.4 % (2019: 59.6 %) can be derived based on the Group's entire capital.

Financial Instruments

The financial instruments have been classified in accordance with IFRS 9 since 1 January 2018.

a) Financial instruments in the balance sheet

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

	Business model IFRS 9	Valuation category	Book value	Book value
			31/12/2020	31/12/2019
			kEUR	kEUR
I.	Hold and sell	FVOCI	6,827	6,577
	Participating interests		1,420	1,174
	Securities		5,407	5,403
II.	Hold	amortized cost	8,436	6,992
	1. Trade receivables		3,205	2,506
	2. Other assets		376	347
	3. Cash in hand and cash in banks		4,855	4,139
III.	Other financial liabilities	amortized cost	-12,902	-10,908
	1. Other long-term debts		-424	-410
	2. Liabilities to banks		-9,395	-7,266
	3. Lease liabilities		-583	-353
	4. Trade accounts payables		-1,503	-1,411
	5. Contractual liabilities		-888	-1,267
	6. Other short-term liabilities (only financial instruments)		-109	-201

Hedging activities within the meaning of IFRS 9 were not made this year nor in the past.

For investments and securities, the option to report these in the FVOCI category was exercised due to the company's investment strategy. Dividends were not recognised in the financial year. Reclassification of accumulated profits and losses did not occur.

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

Since the book value of loans and accounts receivable and financial liabilities not measured at fair value within the meaning of IFRS 7.29 (a) generally represents a reasonable approximation of the current fair value, the fair value is not indicated. The carrying value of the loans for the construction of the capillary glass basin (EUR 1.625 million), investments by Respiratory for the construction of a new production facility and procurement of operating resources (EUR 2.018 million) and the loan obligation of Geratherm (EUR 3.850 million) corresponds approximately to the fair value, since the refinancing measures were only implemented during the present business year or in 2019 and the granted interest rate is roughly equal to the Group's incremental borrowing rate. The fair value of the liabilities of Geratherm Medical do Brasil Ltda. currently in the amount of 968 kEUR is probably lower than the book value as a result of the company's economic situation and the ongoing negotiations with the bank about a redemption (a so-called haircut) and is calculated on the basis of the offer to the bank (haircut of 80 % on the original loan amount of BRL 3.025 million) at 95 kEUR on the reporting date.

The valuation of the securities of listed companies which are classified at fair value under "Hold and sell" is carried out according to Level 1 (IFRS 13.93). The interests in Protembis GmbH, in MindPeak GmbH and in HALM Straws GmbH are classified according to Level 3. The determination of the fair value is explained under "Assets 4".

Protembis GmbH is valued on the basis of the goodwill derived in the prior year (based on the post-money valuation of the entire company of EUR 18.492 million). Geratherm Medical AG did not participate in the capital increase and holds 5.79 % of the shares since then. We consider the fair value of Protembis from 2019 to be the best estimate of the fair value. The shares in MindPeak GmbH and HALM Straws GmbH have been valued at costs due to acquisition in 2019/2020.

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:

	Fair value	Fair value	Net book value		Financial debts not measured at fair value	
	through OCI (FVOCI)	through OCI (FVOCI)	2020	2019	2020	2019
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Interest earnings			1	1	0	0
Income from reduction in interest liabilities from previous years			0	223	0	0
Interest expenses			-266	-231	0	0
Interest income			-265	-7	0	0
Exchange gains			296	77	0	0
Exchange losses			-814	-104	0	0
Income from currency differences			-518	-27	0	0
Exchange gains from sales of securities	0	0				
Exchange losses from sales of securities	0	0				
Impairment of securities	0	0				
Dividend income	0	0				
Securities-related expenses	-1	-4				
Securities-related income	-1	-4				
Allowance for uncollectible accounts			-21	-21		
Losses from non-recoverable bad debts			0	-2		
Net profits and losses entered in the income statement	-1	-4	-804	-57	0	0
Change in market valuation reserve due to sale	0	0				
Change in market assessment reserve due to change in the fair value up to sale	-758	1,226				
Overall change in Market assessment reserve	-758	1,226				
Overall results from financial instruments	-759	1,222	-804	-57	0	0

Fiduciary activities are not performed in regard to financial assets.

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 groupwide 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 “Hold and sell” 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 pricerelated market information and is supported by a companyspecific investment strategy that envisages, among other things, maximum amounts for individual values and defines investment focal points. A nearcurrent 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 trade accounts receivable and other assets without tax receivables and advance payments, which result from the possible nonfulfilment 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 minimising the credit risk 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, eventdriven customerspecific credit lines or letters of credit such that the risk of nonpayment is regarded as minimal.

The maximum credit risk for trade accounts receivable and other assets without tax receivables and advance payments made corresponds to the book value and can be broken down as follows:

	2020 kEUR	2019 kEUR
Domestic	385	226
Abroad	2,973	2,395
	3,358	2,621

The age structure of trade accounts receivable and other assets without tax receivables, prepayments and advance payments on the reporting date is as follows:

	Loss rate	2020 Gross kEUR	Valuation allowance	Impaired credit rating
Not overdue	0 %	2,853	0	No
0 - 30 days overdue	0 %	130	0	No
31 - 60 days overdue	0 %	46	0	No
More than 60 days overdue	30 %	329	51	No
		3,358	51	

	Loss rate	2019 Gross kEUR	Valuation allowance	Impaired credit rating
Not overdue	0 %	1,853	0	No
0 - 30 days overdue	0 %	492	0	No
31 - 60 days overdue	0 %	28	0	No
More than 60 days overdue	30 %	248	45	No
		2,621	45	

According to IFRS 9, appropriate impairments are made for trade accounts receivable and other assets without tax receivables and advance payments, which are measured at the amortised acquisition costs. The company applies the simplified method as per IFRS 9 for measuring expected credit losses; as a result, the credit losses expected over the period are used for all trade receivables. To measure the expected credit losses, trade receivables were combined on the basis of common credit risk characteristics and overdue dates.

The maximum default risk of financial assets corresponds to the book values shown on the balance sheet.

The valuation adjustments have developed as follows:

	2020 kEUR	2019 kEUR
As of 1 January	45	165
Addition	19	19
Utilisation	-7	-138
Dissolution	-6	-1
As of 31 December	51	45

The value adjustments involve at 38 kEUR (2019: 34 kEUR) the losses expected over the period and at 13 kEUR (2019: 11 kEUR) the expected 12-month credit loss.

The Group does not require any securities for trade receivables and other receivables. The Group has no trade receivables or contractual assets, for which no impairment losses have been recognised on the basis of collateral.

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.

	2020 kEUR	2019 kEUR
Short-term liabilities to banks	-3,200	-2,058
Trade accounts payables	-1,503	-1,411
Tax liabilities	-584	-561
Other liabilities (without advance payments received)	-2,083	-2,127
Current financial requirements	-7,370	-6,157
Liquid assets	4,855	4,139
Liquidity 1	-2,515	-2,018
Trade receivables	3,205	2,506
Tax receivables	250	528
Other assets (without prepayments)	238	192
Liquidity 2	1,178	1,208
Securities	5,407	5,404
Liquidity 3	6,585	6,612

There are free current account credit lines in the amount of 202 kEUR.

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

	Book value	Cash outflow		
	kEUR	< 1 year kEUR	1–5 years kEUR	> 5 years kEUR
Liabilities to banks in 2020	9,395	3,280	5,182	1,225
Liabilities to banks in 2019	7,266	2,117	4,023	1,310
Lease liabilities in 2020	583	260	342	0
Lease liabilities in 2019	353	295	64	0
Liabilities to minority share-holders in 2020	410	0	424	0
Liabilities to minority share-holders in 2019	410	0	424	0
Trade accounts payables in 2020	1,503	1,503	0	0
Trade accounts payables in 2019	1,411	1,411	0	0
Other short-term liabilities (only financial instruments) in 2020	109	109	0	0
Other short-term liabilities (only financial instruments) in 2019	201	201	0	0

Market Price Risk - Foreign Currency

The Group is subject to a foreign currency risk, as long 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. There are also foreign exchange risks in the Brazilian real related to Geratherm Medical do Brasil Ltda., but these are of lesser importance for the Group compared to the US dollar risks.

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

	31/12/2020 kUSD	31/12/2020 kEUR	31/12/2019 kUSD	31/12/2019 kEUR
Trade receivables	687	560	712	634
Bank loans / cash in banks	1,187	967	1,153	1,026
Trade accounts payables	-218	-177	-35	-30
Balance sheet items	1,656	1,351	1,830	1,630
Order balance	1,038	846	110	98
Financial obligations	-153	-125	-93	-83
Purchase commitments	-1,321	-1,077	-972	-865
Pending transactions	-436	-355	-955	-850
Net item	1,220	995	875	780

The following currency translations were applied:

	31/12/2020	Average 2020	31/12/2019	Average 2019
US dollar	1,227	1,142	1,123	1,118

To reduce the resulting value fluctuations, the Group has taken it upon itself to maintain a balanced ratio of foreign currency receivables and payables (natural hedge). Nevertheless, there are risks that 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 nonvarying.

	31/12/2020		31/12/2019	
	Equity capital	Result	Equity capital	Result
US dollar	0	-91	0	-72

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.

	31/12/2020 kBRL	31/12/2020 kEUR	31/12/2019 kBRL	31/12/2019 kEUR
Trade receivables	347	54	1,449	321
Other assets	252	40	275	61
Bank loans / cash in banks	111	17	58	13
Liabilities to banks	-6,169	-968	-4,702	-1,041
Trade accounts payables	-911	-143	-1,066	-236
Other liabilities	-2,296	-360	-2,541	-563
Balance sheet items	-8,666	-1,360	-6,527	-1,445
Net item	-8,666	-1,360	-6,527	-1,445

As in the previous year, there were no key pending transactions as of the balance sheet date.

The following currency translations were applied:

	31/12/2020	Average 2020	31/12/2019	Average 2019
BRL	6,374	5,894	4,516	4,413

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 nonvarying.

	31/12/2020		31/12/2019	
	Equity capital	Result	Equity capital	Result
BRL	228	124	255	131

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 differences 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 in the value 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 (without accrued investment subsidies) in the amount of EUR 6.950 million (2019: EUR 5.681 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 make reference to Sect. 9 in these Notes.

Agfa-Gevaert N.V.

The Agfa-Gevaert-Group develops, produces and distributes an extensive range of analogue and digital imaging systems and IT solutions for diverse applications. The operational activities are divided into three independent corporate groups, Agfa Graphics, Agfa HealthCare and Agfa Specialty. The Agfa HealthCare division is a leading international vendor in the field of imaging diagnostics and healthcare IT solutions for hospitals and care facilities. Hospital IT represents a long-term growth market. The impairment as at 31 December 2020 was recognised in the market assessment reserve.

TEVA Pharmaceutical Ind. Ltd.

Teva Pharmaceutical Industries Limited is an Israeli pharmaceutical company with international operations. It is one of the ten leading manufacturers of drugs worldwide and is the largest generic drug manufacturer in the world. Teva specialises in the development, production and distribution of drugs, such as special therapeutics, generic drugs and OTC drugs as well as active pharmaceutical ingredients. The impairment as at 31 December 2020 was recognised 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 Securities balance sheet item at the end of the 2020 fiscal year.

	2020		2019	
	Highest price EUR	Lowest price EUR	Highest price EUR	Lowest price EUR
Agfa-Gevaert N.V.	4,78	2,90	4,88	3,20
TEVA Pharmaceutical Ind. LTD	12,36	6,19	17,57	5,52
BIOGEN IDEC Inc.	318,10	198,14	287,83	194,27
Bayer AG	78,50	40,64	-	-

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, Geratal

Managing director of Geratherm Respiratory GmbH, Bad Kissingen (until 31/12/2020)

Chairman of the board of Limes Schlosskliniken AG, Cologne

Managing director of Limes Schlossklinik Rostocker Land GmbH, Teschow

Managing director of Limes Schlossklinik Fürstenhof GmbH, Bad Brückenau

Member of supervisory board of Polski Bank Komòrek Macierzystych S.A. Warsaw

Christian Frick, Business Administration, Heidenheim (as of 1 January 2021)

Board of Directors of Tanda International AG, Herisau

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 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. In addition, a bonus of 10 % is granted on the realised capital gains on the shares held by Geratherm less costs. Altogether, 89 kEUR (2019: 91 kEUR) were reported in the financial statements for the activities of the management board during the 2020 business year. That included a fixed sum in the amount of 86 kEUR (2019: 86 kEUR) and variable sums in the amount of 3 kEUR (2019: 5 kEUR).

As of the reporting date, the management board held directly and indirectly 2,071,071 shares.

Information about Supervisory Board

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

Members of the supervisory board are:

Rudolf Bröcker, Bensheim, Business Administration

(Chairman of supervisory board)

Chairman of supervisory board of Limes Schlosskliniken AG, Cologne

Bruno Schoch, Suresnes, France

President of UNIBEL SA, Paris

Member of executive board of Fromageries Bel SA, Paris

Member of executive board of SICOPA SA, Paris

Member of supervisory board of Société des Domaines SAS, Wattwiller, France

Member of supervisory board of Limes Schlosskliniken AG, Cologne

Dirk Isenberg, Usingen, MBA

Member of executive board of MEDIQON Group AG, Königstein

Managing director of MEDIQON Beteiligungsgesellschaft mbH, Königstein

Member of the supervisory board of Limes Schlosskliniken AG, Cologne

In 2020, 12 kEUR (2019: 12 kEUR) was allotted as remuneration for the activities of the supervisory board, which was included in the liabilities and expenses for the fiscal year.

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

Staff trends

	Employees	Industrial employees	Total
Number of employees (annual average) - excluding management board and managing directors -			
2020	91	137	228
2019	79	124	203

In addition to that, trainees were employed as follows: 2020 0; 2019 1.

Events after Balance Sheet Date

The outlook for 2021 makes us more optimistic, since we can assume that the international stress factors will no longer occur in this form. The first quarter of 2021 is not yet going smoothly economically in many countries as a result of the prolonged lockdowns caused by coronavirus mutations. The vaccine campaign which has been launched will take place in the second quarter. We assume that coronavirus will accompany us as a major topic well into the 2021 financial year. This will have economic consequences for Geratherm Medical in such a way that we will continue to benefit from this development in 2021. In particular, this means a very good utilisation of our production capacities for clinical thermometers at our location in Thuringia as well as the demand for pulmonary function measuring devices at our location in Bad Kissingen for long-term coronavirus patients.

Taking effect on 1 January 2021, Christian Frick, Business Administration, has been appointed as another member of the company's management board.

The affiliated company Geratherm Medical do Brasil, Sao Paulo, Brazil, was still subject to Brazilian "Chapter 11" proceedings as of 31 December 2020. A resolution is expected to be reached at the creditors' meeting for the first six months of 2021.

Corporate Governance Report

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.

<https://geratherm.com/geratherm/investor-relations/berichte/corporate-governance/>

Geratherm Medical AG

Geratal, this 6th day of April 2021



Dr. Gert Frank
Management Board



Christian Frick
Management Board

Responsibility Statement for the 2020 Annual Report

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group management report, which has been combined with the management report for Geratherm Medical AG, 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.

Geratherm Medical AG

Geratal, this 6th day of April 2021



Dr. Gert Frank
Management Board



Christian Frick
Management Board

Independent auditor's report

To Geratherm Medical AG, Geratal, Germany

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Geratherm Medical AG, Geratal, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report of Geratherm Medical AG for the financial year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in section "OTHER INFORMATION".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have identified the following matters as key audit matters during the audit:

- ❶ **Recognition and valuation of internally generated intangible assets**
- ❷ **Revenue recognition and allocation of revenue to correct periods**

Recognition and valuation of internally generated intangible assets

Matters

The consolidated financial statements of Geratherm Medical AG show internally generated intangible assets in the amount of kEUR 2,783 under the balance sheet item "Intangible assets". This corresponds to 14% of the equity and approx. 8% of the balance sheet total. The Group conducts research and development activities related to the further development of medical or scientific knowledge in processes, systems or software applications. The Group differentiates between a research and development phase. The capitalised development costs are costs that have been capitalised after all requirements of IAS 38.57 (a) to (f) have been met. The acquisition valuation was performed with the directly attributable manufacturing costs that are necessary to put the intangible asset in the condition of generating the intended economic benefit. The subsequent valuation is carried out according to the cost model in accordance with IAS 38.74. The internally generated intangible assets are depreciated on a straight-line basis from the time they are ready for use. The useful lives of the completed development projects are between eight and twelve years. The capitalisation of development costs is based to a large extent on management's estimates and assumptions and is therefore subject to corresponding uncertainties, which means that the recognition and valuation of internally generated intangible assets were of particular importance for our audit.

The information on the balance sheet item "Intangible assets" is contained in the "Accounting and valuation principles" and "Intangible assets" sections of the notes to the consolidated financial statements.

Audit Approach and Conclusions

As part of our audit, we evaluated the internal processes and controls for recording intangible assets and gained an understanding of the selection and application of the methods, significant assumptions and data that Company management used as a basis for the valuation of internally generated intangible assets and how the values were determined. We have also examined the requirements for capitalisation in random samples for individual projects based on the criteria of IAS 38.57. We assessed the amount of the capitalised development costs and the recoverability of the recognised intangible assets based on the evidence submitted to us. For this purpose, we have inspected the lists of working hours incurred by internal employees, purchased external services from third parties and the costs of materials used, assessed their completeness and correctness and verified the correct determination of the manufacturing costs. In addition, we have assessed the assumptions, methods and data on which the valuation is based for appropriateness, consistent application, traceability and agreement with our knowledge of the company obtained in the course of the audit as well as the data with regard to their relevance and reliability and understood the company's internal forecasts of future usability.

On the basis of our audit, we were able to convince ourselves that the approaches determined by the Company management as well as the methods and evaluation parameters used in the evaluation are comprehensible and that the values are within an acceptable range.

Revenue recognition and allocation of revenue to correct periods

Matters

Revenue amounting to kEUR 27,466 is reported in the consolidated income statement of Geratherm Medical AG. The company reports revenue from the sale of medical products, from the provision of analysis services and performance obligations that fall within the scope of IFRS 15.

The transfer of control to the customer is decisive for the recognition of revenue from the sale of medical devices. The transfer of control is assessed based on various indicators, including the transfer of property and possession rights and the transfer of essential opportunities and risks.

For the analysis services provided by the subsidiary apoplex medical technologies GmbH, revenue recognition takes place over time. Revenues that are attributable to the following year are deferred on a pro-rata basis, taking into account additional utilisation on the balance sheet date.

In the case of sales from several performance obligations, the transaction price is divided, among other things, between the performance obligations delivery of the ECG devices, analysis service and one-off installation service. As of the balance sheet date, sales for the ECG devices provided, including the associated cost of sales, as well as sales from the installation services previously performed, were recorded and these analysis services were realised on a pro-rata basis.

In light of the complexity of the customer agreement underpinning revenue recognition, these significant items are subject to particular risk. The correct application and deferral of revenue is based in some respects on estimates, assumptions and discretion used by management, with the result that this matter was of particular importance for our audit.

The company's disclosures on the revenue recognition are contained in the sections "Accounting and valuation principles" section and "(23) Income from contracts with customers" in the notes to the consolidated financial statements.

Audit Approach and Conclusions

As part of our audit, we assessed, among other things, the correct presentation of revenue in the sale of medical products and in the provision of analysis services (individually and in combination with other services) in the consolidated financial statements on the basis of the accounting policies applied in accordance with the relevant IFRSs, in particular IFRS 15. To do so, we first identified an overview of all of the Group's main types of contracts and assessed how management identified the main performance obligations. In addition, we performed detailed revenue recognition reviews of individual significant transactions and other transactions on a test basis. We reviewed the relevant customer contracts, identified the performance obligations made by management and assessed whether these services were rendered over a specified period or at a specified time and what transaction prices were received.

In this context, we also assessed that the assumptions made by management about the correct allocation of the period-related revenue and determination of the individual performance obligations that needed to be allocated to the transaction price as part of the performance obligations that fall within the scope of IFRS 15 were appropriate and mathematically accurate, and appreciated their accounting.

Based on our audit procedures, we are satisfied that the estimates and assumptions made by management regarding the recognition and allocation of revenue to correct periods were understandable and lie within a reasonable range.

Other information

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- The statement on corporate governance provided in section "6. Other Information" of the group management report,
- the other parts of the annual report, except for the audited consolidated financial statements and group management report as well as our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of the accounting policies used by the executive directors and the reasonableness of the estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with § 317 (3B) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [Geratherm_KA20_ESEF.zip:656ede373ee33538d2f4e3fb26300eeea4df44127140fb20ffbc0e784884c4bf] and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ON THE GROUP MANAGEMENT REPORT" above.

Basis for the reasonable assurance opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the “Auditor’s Responsibilities for the Assurance Work on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of ESEF documents as part of the financial reporting process.

Auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance that the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinions.

Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documentation meets the requirements of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable at the reporting date.

Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML formatted information.

Further information pursuant to article 10 of the EU audit regulation

We were elected as the group auditor by the Annual General Meeting on 18 September 2020. We were engaged by the supervisory board on 7 November 2020. We have been the group auditor of Geratherm Medical AG without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is **Thomas Hunold**.

Erfurt, this 16th day of April 2021

BDO AG

Wirtschaftsprüfungsgesellschaft

Andreas Dirks
German Public Auditor

Thomas Hunold
German Public Auditor

Imprint

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Responsible

Dr. Gert Frank und Christian Frick, Management Board

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Corporate Calender 2021

	2021
Publication Annual Report 2020	28. April
Virtual Annual General Meeting	11. June
Interim Report 1st quarter	20. May
Interim Report 2nd quarter	25. August
Interim Report 3rd quarter	24. November

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