

## Dates and Facts

|   |             | 2017/12/31    | 2016/12/31    | Change<br>in % |
|---|-------------|---------------|---------------|----------------|
| <b>Turnover</b>   | <b>kEUR</b> | <b>21,031</b> | <b>21,409</b> | <b>-1.8</b>    |
| Including export share                                  | kEUR        | 17,419        | 18,012        | -3.3           |
| Export ratio  | %           | 83            | 84            | -1.2           |
| Gross result (EBITDA)                                   | kEUR        | 1,768         | 3,710         | -52.3          |
| <b>EBITDA margin</b>                                    | <b>%</b>    | <b>8.4</b>    | <b>17.3</b>   | <b>-51.4</b>   |
| Amortization or depreciation                            | kEUR        | -1,141        | -1,171        | -2.6           |
| <b>Operating result (EBIT)</b>                          | <b>kEUR</b> | <b>627</b>    | <b>2,539</b>  | <b>-75.3</b>   |
| <b>EBIT margin</b>                                      | <b>%</b>    | <b>3.0</b>    | <b>11.9</b>   | <b>-74.8</b>   |
| Financial results                                       | kEUR        | -163          | 390           | -              |
| Result of ordinary activities                           | kEUR        | 464           | 2,929         | -84.2          |
| <b>Profits of the parent<br/>company's shareholders</b> | <b>kEUR</b> | <b>680</b>    | <b>2,237</b>  | <b>-69.6</b>   |
| Long-term assets  | kEUR        | 5,523         | 4,749         | 16.3           |
| Short-term assets                                       | kEUR        | 22,944        | 23,654        | -3.0           |
| Balance sheet total                                     | kEUR        | 28,467        | 28,403        | 0.2            |
| Equity capital  | kEUR        | 21,017        | 20,557        | 2.2            |
| Return on equity  | %           | 3.2           | 10.9          | -70.3          |
| Equity ratio  | %           | 73.8          | 72.4          | 1.9            |
| Cash, cash equivalents and securities                   | kEUR        | 12,836        | 12,048        | 6.5            |
| <b>Earnings per share according to IFRS (EPS)*</b>      | <b>EUR</b>  | <b>0.14</b>   | <b>0.45</b>   | <b>-68.9</b>   |
| <b>Earnings per share according to DVFA *</b>           | <b>EUR</b>  | <b>0.14</b>   | <b>0.45</b>   | <b>-68.9</b>   |
| Annual average number of employees                      |             | 200           | 204           | -2.0           |
| Unit shares   |             | 4,949,999     | 4,949,999     | 0.0            |
| *based on unit shares in circulation                    |             | 4,949,999     | 4,949,999     | 0.0            |

# Simple & Concise

## 2015

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

Geratherm is taking over a subcontractor's production of medical capillaries and thus increases its independence with regard to the supply of raw materials. In 2015 the average number of employees was 170.

## 2016

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

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

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

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

Excellent conditions for a successful Business Year 2017.

## 2017

Geratherm Medical posted a sales of EUR 21 million (-1.8 %).

The implementation of the new EU Medical Device Regulation (MDR) places a burden on the company.

The Brazilian subsidiary is shrinking significantly and is currently undergoing a restructuring process.

The negative profit contribution from Brazil has a major impact on the reported consolidated financial statements.

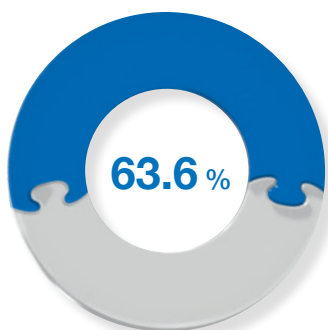
Geratherm Medical invests approx. EUR 4 million in the construction of a new capillary production.

Double-digit growth expected for 2018.

# Geratherm<sup>®</sup>

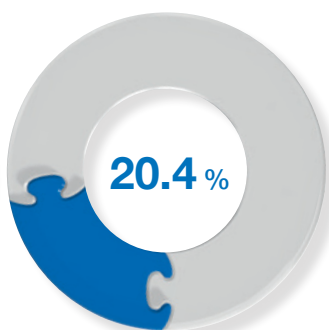
Geratherm medical is a globally-oriented medical technology company with business areas including

**Healthcare Diagnostic**



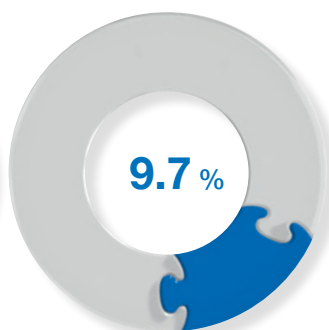
PRODUCTS TO MEASURE VITAL SIGNS

**Respiratory**



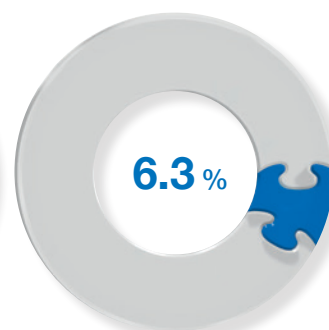
PULMONARY FUNCTION DIAGNOSIS

**Medical Warming Systems**

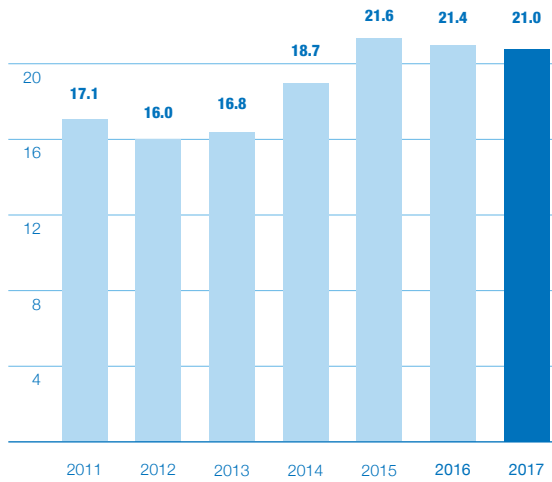


MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE

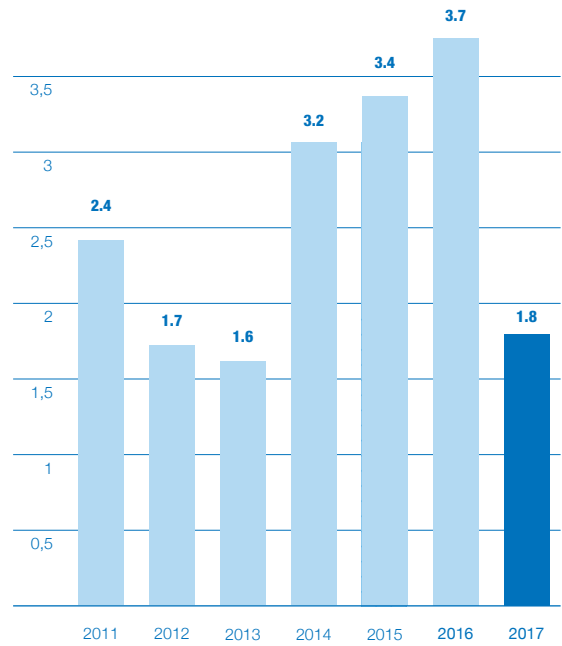
**Cardio/Stroke**



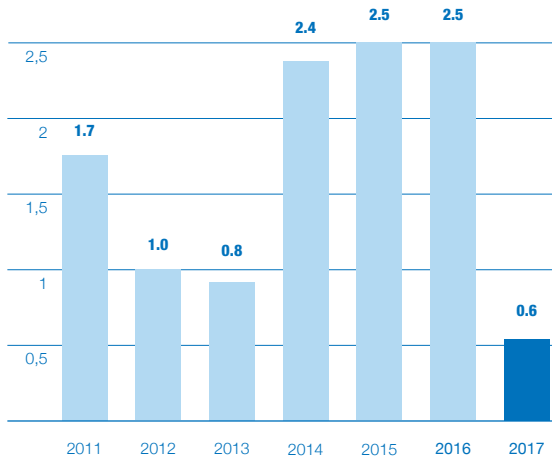
SCREENING OF CARDIAC ARRHYTHMIA



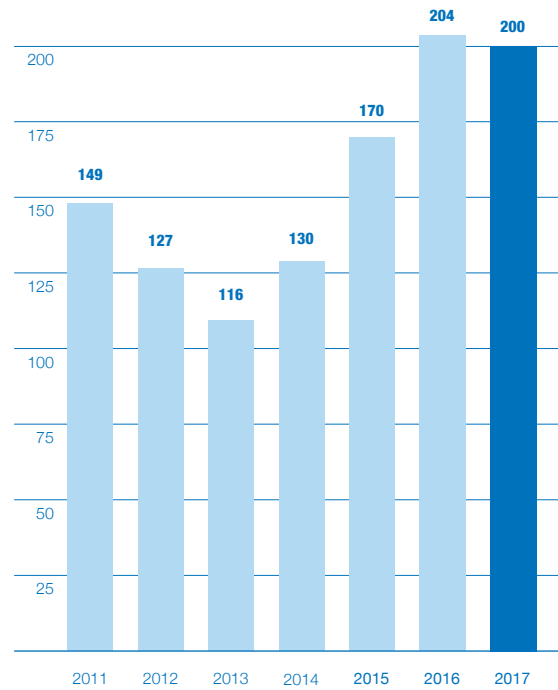
**TURNOVER**  
in EUR million



**EBITDA**  
in EUR million



**EBIT**  
in EUR million



**EMPLOYEES**



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## GROUP MANAGEMENT REPORT

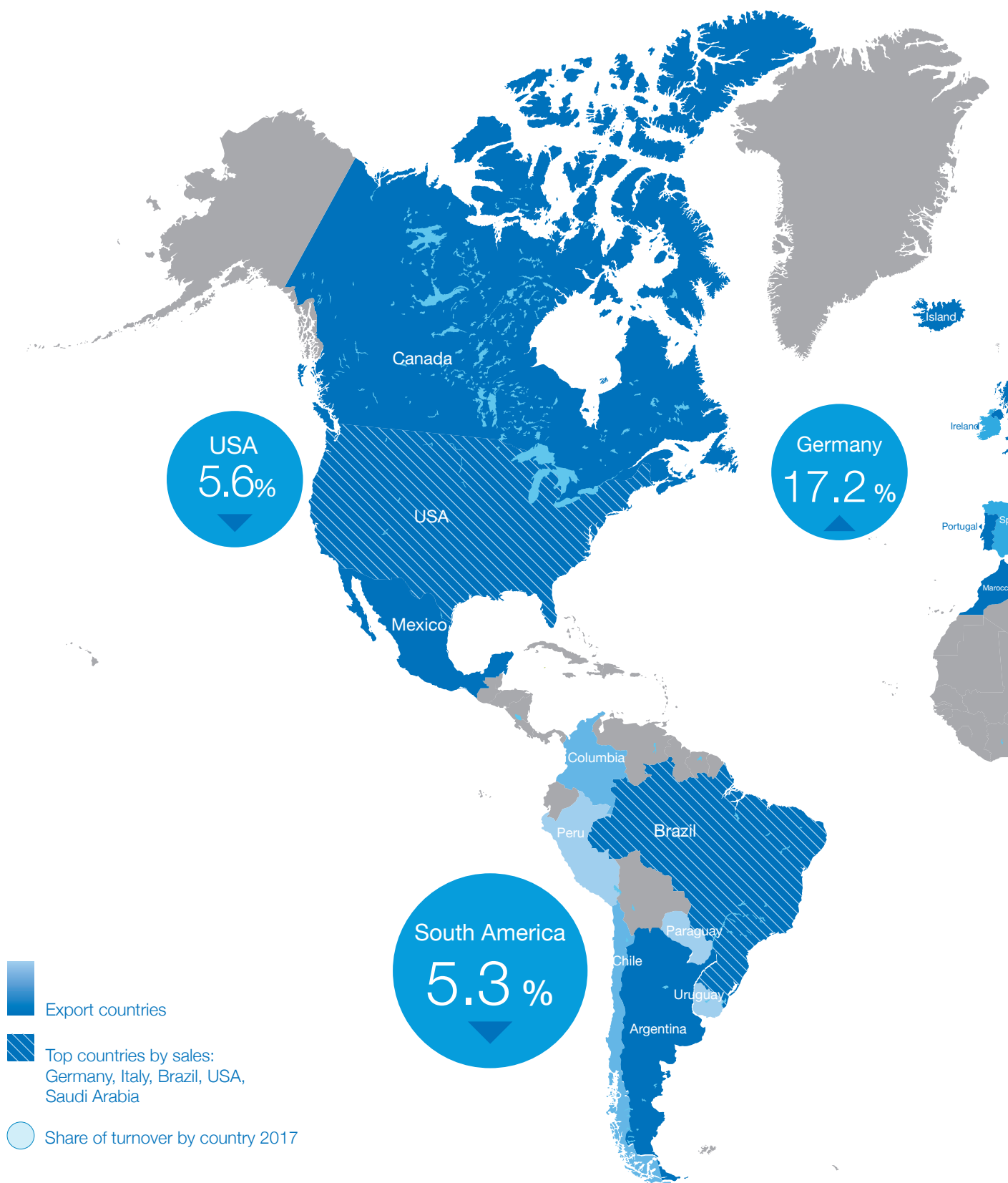
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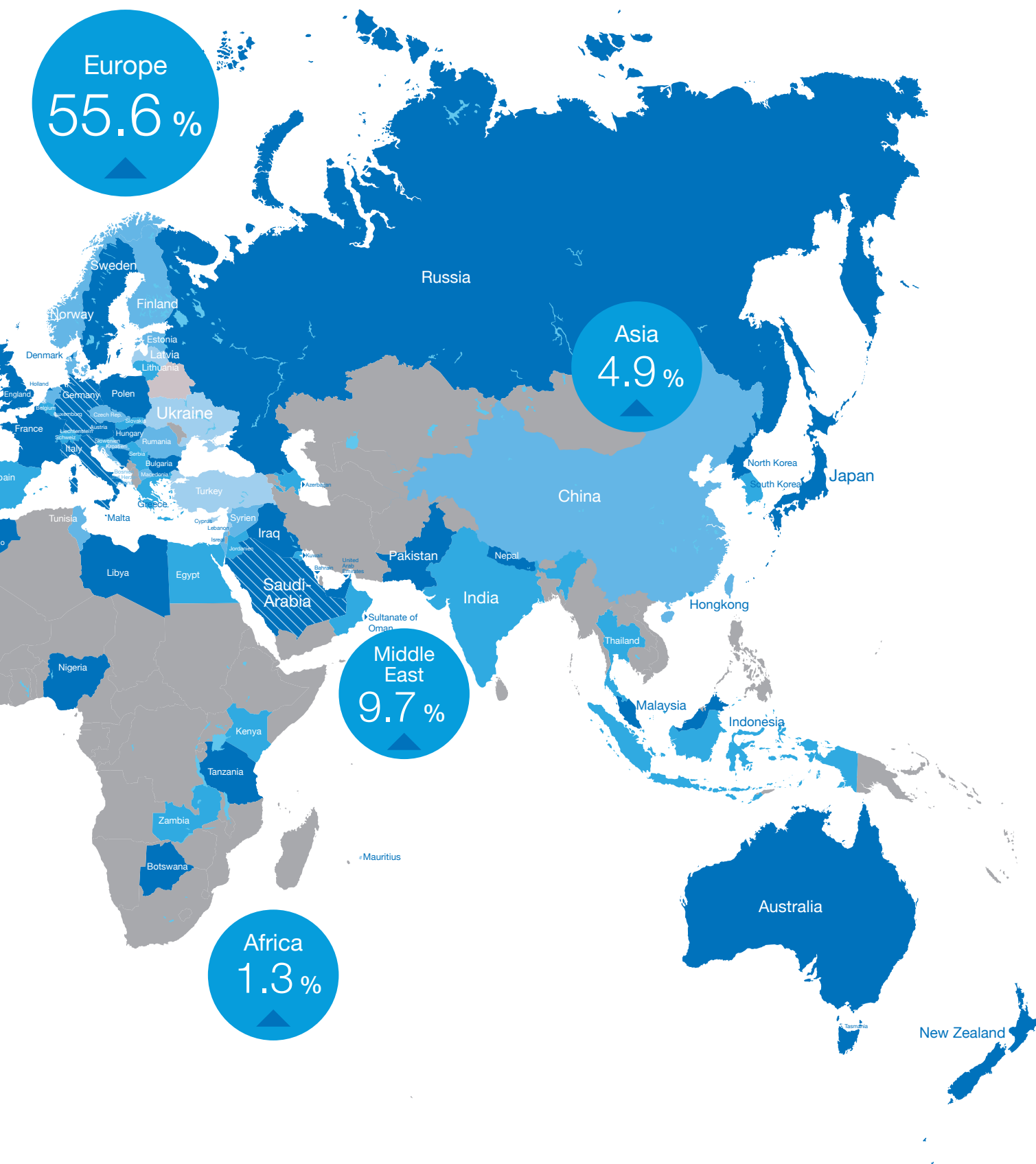
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# Geratherm Medical exports products to over 60 countries







- Norfolk and Norwich University Hospital

# Atrial fibrillation, stroke

*We try to help!*

SRAclinic in daily use  
As of 01/2018

**108 clinics**  
on „SRAclinic“ affiliated!  
**+ 28 clinics**  
increment in 2017.

ENGLAND

FINLAND

SWITZERLAND

AUSTRIA

ITALY

• Jyväskylä  
Central Hospital

## HAMBURG

Asklepios Klinik Nord

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

Vivantes Auguste Viktoria Klinikum

**NIEDERSACHSEN** Evangelisches Krankenhaus Oldenburg •

Elbe Kliniken Stade • Städtisches Klinikum, Klinikum Uelzen

Lüneburg • Krankenhaus St. Elisabeth, Damme •

**NORDRHEIN-WESTFALEN** Evangelisches Kranken-

haus Castrop-Rauxel • Evangelisches Krankenhaus Hattingen

• Klinikum Lippe GmbH, Lemgo • Knappschaftskrankenhaus

Bochum • Knappschaftskrankenhaus Recklinghausen • Kreis-

linikum Siegen GmbH • Märkisches Klinikum Lüdenscheid

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

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

Essen-Kupferdreh • Universitätsklinikum Münster • Evangelisches

Krankenhaus Herne • Klinikum Wuppertal • Universitätsklinikum Essen •

Evangelisches Krankenhaus, Haus Gilead I, Bielefeld • Evangelisches

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

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

Wald-Klinikum Gera • Klinikum Erfurt • Fachkliniken Hildburghausen •

Universitätsklinikum Jena • SRH Zentralklinikum Suhl **HESSEN**

Klinikum Frankfurt Höchst • Krankenhaus Nordwest •

Asklepios Neurologische Klinik, Nidda/Bad Salzhausen

• Asklepios Klinikum Melsungen • Klinikum Offen-

bach GmbH **BADEN-WÜRTTEMBERG** Universität

Heidelberg • Universitätsklinikum Freiburg **RHEIN-**

**LAND-PFALZ** Universitätsmedizin Mainz • Klinikum

der Stadt Ludwigshafen am Rhein GmbH • Städtisches

Krankenhaus Pirmasens • Pfalzlinikum Klingenmünster

**SAARLAND** MediClin Bliestal Kliniken, Blieskastel •

SHG Kliniken Merzig • MediClin Bosenberg

Kliniken, St. Wendel • Klinikum Saarbrücken

**BAYERN** Kreiskliniken Altötting • Klinikum Traun-

stein • Universitätsklinikum Erlangen • Benedictus

Krankenhaus Tutzing GmbH & Co. KG •

Benedictus Krankenhaus Feldafing GmbH &

Co. KG • Stiftung Juliusspital Würzburg • Klini-

kum rechts der Isar der TU München • Klinikum

Main-Spessart, Lohr am

Main

• Kantonsspital

Aarau AG

• Universitätsspital

Basel

## GERMANY

• Barmherzige  
Brüder Wien



Rudolf Bröcker  
Chairman Supervisory Board

# Supervisory Board's Annual Report

Dear Shareholders and Friends of Geratherm,

The supervisory board performed its duties as prescribed by law and set out in Geratherm's bylaws conscientiously throughout the 2017 financial year. The supervisory board was regularly informed in a timely manner about the progress of all business-related activities and monitored and supported the efforts of the management board with advisory services.

The supervisory board was included in all decisions that were of major importance to the company.

The corresponding performance indicators were prepared on a regular basis and provided to the supervisory board. Even outside of the meetings, the supervisory board enjoyed a regular exchange of information with the company's management board.

The main topics discussed and reviewed by the supervisory board included the implementation of investments in a new medical capillary basin at the plant in Thuringia and the more stringent requirements of the regulatory authorities for medical devices including the resulting possible courses of actions. Besides monitoring the performance of business operations, the relicensing of the Warming Systems product segment and the situation of Geratherm do Brasil at its location in Sao Paulo were the subject of consultation during various meetings.

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

The supervisory board convened a total of four times during the period under review. The supervisory board was informed in good time about any particular risks and opportunities. In addition to operating issues, the supervisory board's meeting on 12 April 2018 focused on the audit of the year-end financial statements and the management report for the group and the company.

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

accounting for the 2017 fiscal year and certified an unqualified audit opinion. The auditor participated in the supervisory board's meeting with regard to the approval of the 2017 financial statements and reported the significant results of the audit. KPMG AG, Wirtschaftsprüfungsgesellschaft, has examined the management board's report on the relations existing with associated companies. It confirmed that according to its dutiful audit and assessment the advice of this report is accurate and that the performance of the company was suitable.

Following the conclusion of the audit, there are no objections against the statements made by the management board on the relations with affiliated companies. We agree with the results of the audit. There were no conflicts of interest on part of the members of the management board and supervisory board, which would have required immediate disclosure to the supervisory board.

We checked the year-end financial statements and the consolidated financial accounts including the management reports and have no objections to raise based on the conclusive results of our audit. We have approved the year-end financial statements prepared by the management board and the consolidated financial statements as at 31 December 2017. The financial statements are thus adopted.

We also approved the management board's proposal to use the distributable profit for the year, which pays a dividend of EUR 0.47 per share.

Based on stable demographic developments, it is possible to assume a medium to long-term favourable market development for medical technology. As a result of the now broad range of products with many good distinguishing characteristics and the company's international focus, the supervisory board is optimistic that Geratherm will continue to be able to successfully operate on the market in the coming years.

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.

Geschwenda, this 12<sup>th</sup> day of April 2018



Rudolf Bröcker  
Chairman of the Supervisory Board



Dr. Gert Frank  
Chairman

# 2017 – High Level of Investments

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Ladies and Gentlemen  
and Shareholders,

Geratherm Medical registered stable business development in 2017 and was able to post a sales volume of EUR 21 million, as in the previous year. The foundations in this regard have already been laid for generating good growth opportunities for the corporate group in a variety of segments with new products and country approvals over the medium term.

At the end of the business year, we were surprised by the development of our Brazilian subsidiary. We were not prepared to provide any further financial funds due to the unsuccessful settlement with a bank. Thus, the company shrank considerably and had to carry out special write-offs, which had a major impact on the consolidated result as a result of the necessary consolidation. We have adapted our business model and will only supply our regional customers directly from Germany in the future after receiving advance payment.

Besides the operating result, we have taken many far-reaching decisions that will have a significant influence on the future of Geratherm.

One of the biggest decisions was the construction of a new production facility for manufacturing medical capillaries.

By investing more than EUR 4 million, we have significantly increased our manufacturing depth and quality for the production of gallium-filled clinical glass thermometers and are thus prepared for the upcoming global ban on mercury. Geratherm possesses a dominant market position world-wide with this product.

The new facility is expected to start production at the end of the second quarter of 2018.

Besides the core business with clinical thermometers, the Cardio/Stroke and Respiratory segments also posted good results.

Moreover, the 100th hospital joined the apoplex system for stroke risk analysis (SRAclinic). A total of 61,589 patients were examined using apoplex's system for identifying paroxysmal atrial fibrillations, which is about 20,000 patients more than in the previous year. Almost one quarter of all stroke patients in Germany were examined with our SRAclinic product in 2017. Our global expansion strategy was successfully promoted during the ongoing business year. Seven hospitals in Spain started using SRAclinic as part of their daily routine. The use forms the basis for cost reimbursement within Spain's healthcare system.

In the Warming Systems segment, our subsidiary LMT initiated a major study with more than 100 patients in China, which forms the basis for the product approval for the Chinese market. We expect the approval to be granted by mid 2018. The same applies to the South Korean market.

After many years of work, we will achieve compatibility with the MRI systems from Toshiba/ Canon during the course of 2018. This will allow us to open up another market segment. Based on these underlying conditions, we anticipate a strong increase in sales in 2018. The revised documents for the surgical warming systems have been submitted once again to the licensing authority. We assume that this product group will be approved again and that we will be able to build on previous sales again.

Maintaining and obtaining approval for medical devices remain a challenge, especially due to the new EU regulation 2017/745 "Medical Device Regulation" (MDR), which took effect on 25 May 2017.

We will adhere to these new requirements, even if they initially do involve significantly increased complexity and higher costs. We have taken the appropriate course and are well-equipped both in terms of personnel and financially for the tasks ahead of us.

Yours,



Dr. Gert Frank  
Chief Executive Officer



# Geratherm shares

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Things often turn out differently than expected – 2017 ended as an unexpectedly good year for the stock market. The economy is going strong worldwide and the stock exchanges are currently in a festive mood. The 2017 stock market will be remembered as one of the best in history. One should note early enough when the “party” is over.

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The German share index DAX increased by +12.5 % and concluded the year at 12,918 points. The Euro-Stoxx-50, the index for European blue-chip stocks, rose by +6.5 % during the course of the year.

The U.S. market posted an even more dynamic development in 2017. The leading share index in the U.S., Dow Jones, increased with +25.1 % twice as much as the German share index DAX. Even technology shares on the U.S. market performed well. The NASDAQ Composite Index increased by +28.3 % during the year. The MSCI World Index closed the year at a plus of +20.1 %.

The performance of shares belonging to the healthcare industry differed considerably from region to region. The NASDAQ Biotec Index rose by +21.1 %. The shares of Europe's healthcare industry was more or less treading water. The Euro Stoxx Healthcare Index rose only slightly, increasing by +1.5 %. 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, registered a slight increase of +1.4 % over last year's level.

The share market is supported by a global economy, which is currently undergoing a healthy upturn affecting the entire world. The central banks continue to keep their floodgates wide open in terms of monetary policy and flood the markets with liquidity. The predicted change in the interest rates of central banks has not yet happened, even though the economic situation continues to gain more and more momentum. This is still a driving force for the capital markets. The first warning signs are recognisable on the horizon.

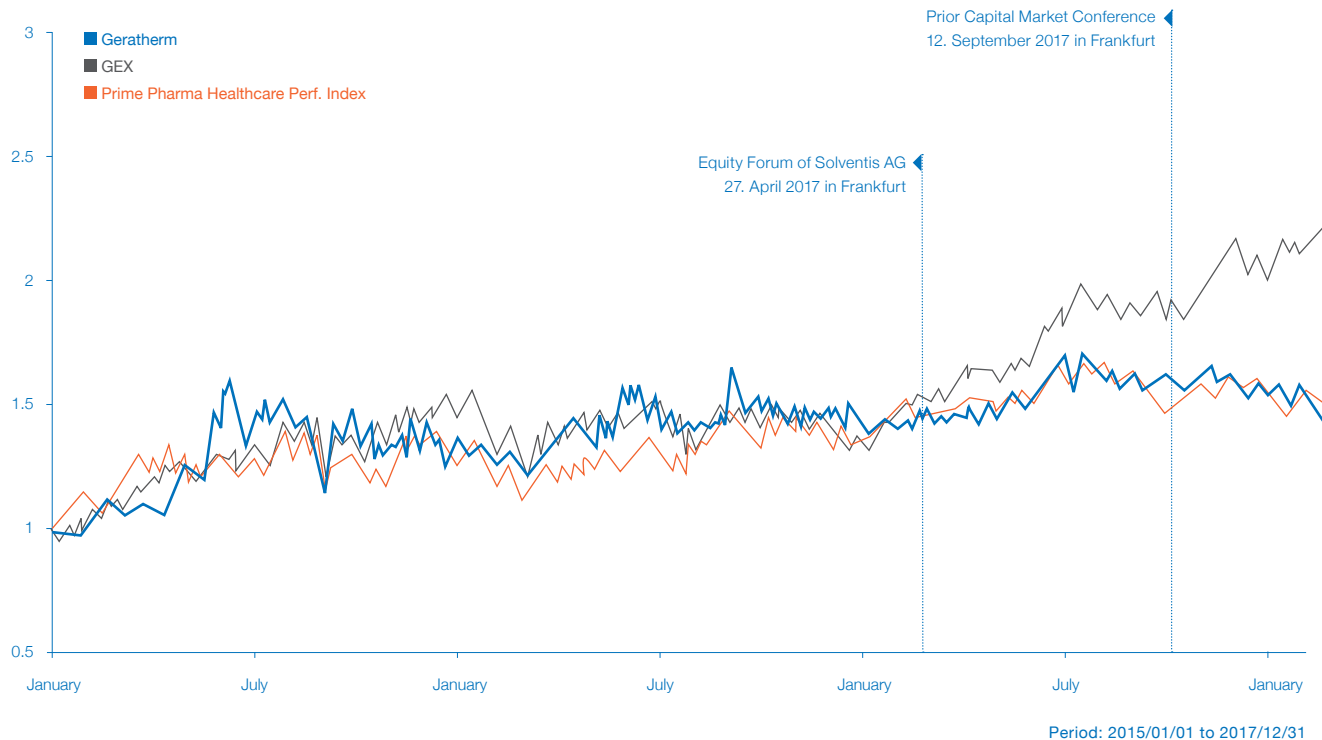
Geratherm shares showed once again positive development during the course of 2017, with a relatively stable share performance. Geratherm shares traded at EUR 12.10 at the end of the year. This corresponds to a 2.7 % increase. In 2017, the highest market price posted by Geratherm shares was EUR 14.08, while the lowest price was EUR 11.75.

The trading volume of Geratherm shares was lower with 861,482 shares traded (2016: 925,101). The majority of the transactions, amounting to 719,248 shares, were conducted through the electronic platform XETRA

The average daily sales volume stood at 3,635 shares (2016: 3,807 shares). The highest daily sales volume was reported at 25,134 shares (2016: 39,233) of Geratherm Medical.



## Development of Geratherm shares



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

Geratherm Medical enjoys a stable shareholder structure. The issued 4,949,999 shares are held by approx. 2,434 shareholders (2016: 2,462).

Main shareholders in 2017 were GMF Capital, Frankfurt, with 43.05 %. The company is not aware of any other holdings exceeding 3 %. The portion of freely floating shares is thus 56.95 %

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

In 2017, the company participated in two investor conferences: the Share Forum of Solventis AG, held on 27 April 2017 in Frankfurt am Main and the Prior Capital Market Conference, held on 12 September 2017, also in Frankfurt am Main.

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



#### OPERATIVE PRODUCT AREAS

|                         |           |
|-------------------------|-----------|
| Healthcare Diagnostic   | <b>14</b> |
| Respiratory             | <b>16</b> |
| Medical Warming Systems | <b>18</b> |
| Cardio/Stroke           | <b>20</b> |

# Healthcare Diagnostic

In the Healthcare Diagnostic business unit, we primarily produce medical products for end consumers, which are marketed internationally in pharmacies and in part in hospitals and clinics. Our main products include clinical thermometers, blood pressure monitors and women's healthcare products.

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

## Clinical Thermometers

Geratherm has a long-standing tradition in manufacturing thermometers, which are designed for use in the medical sector. Our best-selling product is the gallium-filled clinical thermometer with a sales of EUR 7.6 million, which accounts for 36.1 % of the Group sales (2016: 34.9 %). The mercury substitute developed by Geratherm Medical is used in the production of analogue clinical thermometers. Geratherm boasts in the meantime a very solid international market position which can be attributed to the development of this innovation. With our own capillary production for medical use, we will once again increase our level of vertical integration and thus cover the entire value-added process for this product group in house. Production will begin at the new plant in Geschwenda as of mid 2018.

EUR 4 million have been budgeted for the investment in the new capillary factory. Besides producing for our own demand, we will offer capillaries for dosing systems for liquid medications. With our own capillary production we are well equipped for the pending worldwide ban on mercury. The World Health Organization (WHO) has banned the use of mercury in clinical thermometers as of 2018. Its implementation in individual countries will take place in different ways. We do expect, however, that demand will increase starting in the second half of 2018.

In addition to the analogue glass thermometers we also sell digital clinical thermometers. Sales generated with digital clinical thermometers amounted to EUR 2.3 million in 2017 (2016: EUR 2.6 million). Competition in this product segment is significantly fiercer than in the analogue glass thermometer segment. The best-selling digital thermometer is the "non contact" model with a sales of more than 800 kEUR per year.

The clinical thermometer product segment accounts for 47.1 % of the company's entire sales (2016: 50.3 %).

In 2017 Geratherm sold a total of 4.7 million clinical thermometers (2016: 5.3 million).

## Blood pressure monitors

Geratherm also markets a variety of products for monitoring blood pressure via the same sales channel. The main products include upper arm blood pressure monitors. Geratherm sold a total of 148,740 blood pressure monitors in 2017 (2016: 183,361). Blood pressure monitors represent 15.4 % of the Healthcare Diagnostic segment and 9.8 % of the Geratherm Group's overall sales. The market is distinguished by very intense competition, especially in Europe. The new generation of Geratherm's blood pressure monitors, without batteries with lithium ion-batteries, has been well accepted by the market.

## Women's Health

In addition to clinical thermometers and blood pressure monitors, the third product group offered entails "Women's Health". This product group encompasses diagnostic self-test products for women.

That includes pregnancy tests, diverse ovulation test solutions, chlamydia tests, yeast infection test kits and pH tests. The products are marketed internationally under the Geratherm brand name. These so-called in-vitro diagnostic (IVD) products are subject to much stricter monitoring requirements in terms of licensing and storage life. The past sales performance failed to meet our expectations so far. Due to the high regulatory requirements, we will reduce the product range and focus on significantly fewer products. The sales posted by the product group declined significantly in 2017 and represents only 1.4 % of the company's overall sales.

While the Healthcare Diagnostic segment enjoyed a stable development, it did not report any growth in 2017. We expect that the pending global ban on mercury and the fact that the Geratherm brand is becoming more and more important in the Middle East, Africa and Asia regions will have a stimulating effect on growth.



# Respiratory

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

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The Geratherm products for cardiopulmonary use were developed, produced and marketed at the location in Bad Kissingen. Due to the sharp increase in patients with pulmonary and respiratory diseases, the market for the products of the Respiratory segment is growing disproportionately.

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 such examinations, Geratherm offers the „Spirostik“ and „Spirostik Complete“ product solutions. A so-called body plethysmography is implemented for more complex exams.

In terms of technology, we have a leading position in the product sector. Our high research intensity in the field of monitoring, gas exchange and detection of cancers will help to consolidate or expand our market position in the future.

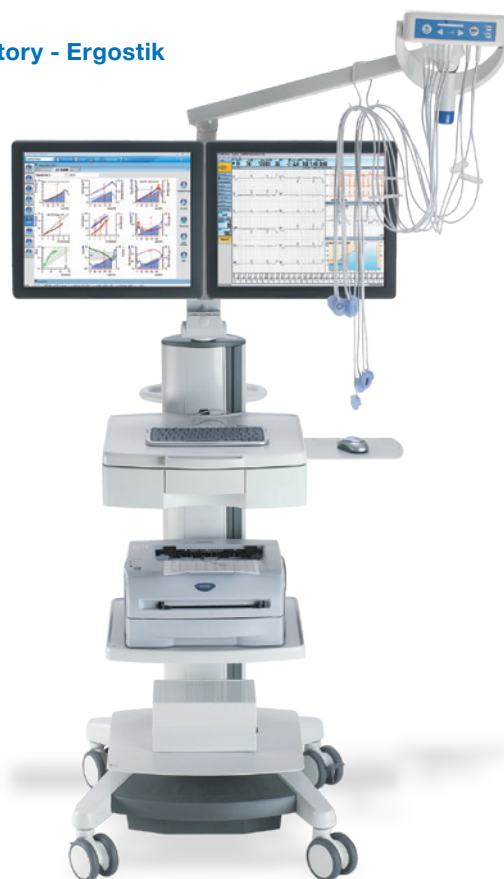
Product approvals are currently underway for the markets in Russia, Saudi Arabia, Singapore, Thailand, Vietnam, Indonesia, Philippines and Australia. FDA approval will be pushed for the US market in 2018.

The sales of Respiratory products involve considerable lead times for product licensing in the individual countries. In many countries outside of Europe and the US, the market for products that monitor pulmonary function is not so well developed yet and thus still offers an attractive sales potential.

After receiving approval for some of the products on the Chinese market, we were already able to post favourable sales in 2017. For 2018 we expect with the approval of the Ergostik (spiroergometer) a considerable increase in sales on the Chinese market.

Following the good business development in 2017, we anticipate a healthy double-digit growth in sales again in 2018.

## Respiratory - Ergostik









# Medical Warming Systems

Geratherm offers in this segment customers and patients high quality products, such as complex warming systems for operating rooms and MRI-compatible incubators for newborns.

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

## UniqueTemp°

Geratherm products, which are also intended for use in the operating area, 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 the operation area and the low costs are all advantages that help convince hospitals to choose Geratherm warming systems.

## Unique Resc+

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

For the products Unique Temp° and Unique Resc+, we have received at the end of 2016 new requirements from the testing and certification authority TÜV Rheinland, requirements that we were not able to fulfil at short notice. This in turn had a significant impact on business development and thus sales as well in 2017. We are currently still in the recertification process for the aforementioned group of products. The new technical documentation which was created at great cost was re-submitted at the end of January 2018. We anticipate a re-licensing of this product segment by the end of the second quarter of 2018.

With re-licensing we will begin to market the new generation of Unique Temp° warming systems. In this context, we are planning a license-related study with approx. 100 patients for a new ear sensor for measuring the body's core temperature during an operation.

## LMT

Innovative incubators that are suited for use in magnetic resonance imaging are developed at the Lübeck location and marketed internationally under the LMT brand. With LMT's Incubator System nomag® IC, premature and newborn babies can be placed directly in the MRI in order to diagnose any possible brain or organ damage. This is currently an internationally unique solution.

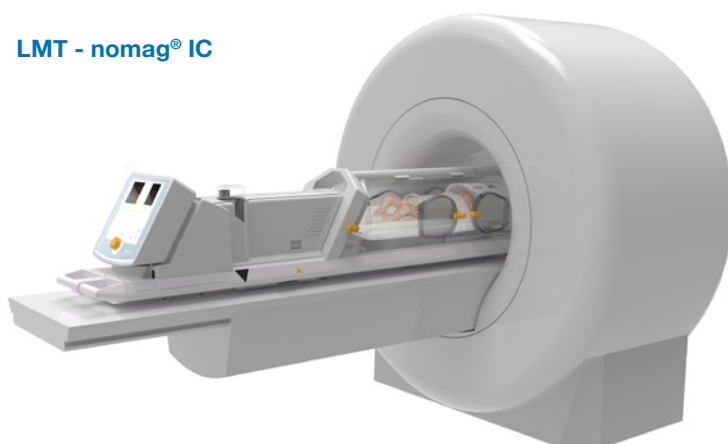
During the course of 2017 we initiated many sales activities, which will lead to success in 2018. A large number of new dealers were acquired and trained in different countries. We are expecting the product approval for South Korea and China during 2018. In these markets there is a high demand for the LMT product for an MRI-based examination of premature babies.

Technologically we were able to overcome a variety of hurdles. The LMT system is compatible with the latest GE MRT software version. We will also be compatible with Toshiba/Canon during the course of 2018. That should result in additional sales markets for LMT.

In 2017, LMT delivered its 100th system to Hamad Medical Corporation, in Doha, Qatar.

We do expect a clear double-digit growth in sales for the entire segment for 2018.

## LMT - nomag® IC





# Cardio/Stroke

More than 100 stroke units are already successfully using the SRA product for stroke risk analysis (SRA) as part of secondary prophylaxis.

In the Cardio/Stroke segment apoplex medical technologies offers internationally innovative technological products for stroke prevention. We are also active in the Cardio/Stroke segment as a result of our holding in Protembis GmbH. With the ProtEmbo product, Protembis develops a cerebral protection system for reducing the risk of a stroke during heart valve operations.

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 procedure is an easy-to-apply and efficient method for preventing strokes and vascular dementia. The SRA procedure is the world's first practical screening process for paroxysmal atrial fibrillation. There are two versions available: one for specialised stroke units located in hospitals and one for use in doctors' offices. The advantages of this new procedure have been validated in a number of clinical trials in the meantime, the results of which have been published internationally.

This innovative procedure is gaining more and more acceptance. The 100th stroke prevention unit joined the apoplex system by the end of 2017. The resonance is also increasing world-wide. In Spain seven hospitals are already utilising the SRAclinic product within the framework of a clinical study. Almost one quarter of all stroke patients in Germany were examined using the stroke risk analysis in 2017. We plan to further expand the number of international installations during the course of 2018.

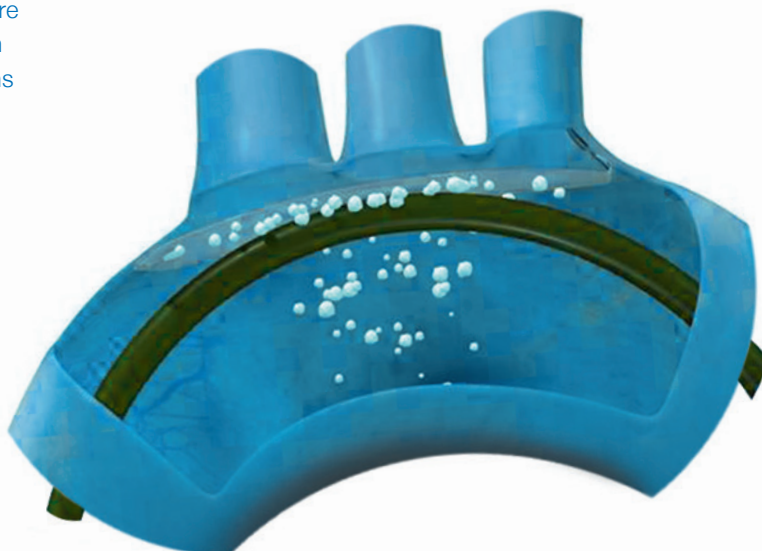
On the German market, apoplex medical technologies collaborates with Pfizer Pharma GmbH and BMS in the stroke prevention segment. The objective of the cooperation is to reduce the number of previously unknown patients suffering from atrial fibrillation and thus prevent strokes prospectively.

The Swiss Eckenstein-Geigy-Stiftung (foundation) acquired altogether a 8.1 % share of apoplex medical technologies GmbH within the framework of a EUR 2 million increase in capital in 2017.

apoplex reported a 17.8 % sales growth in 2017 (2016: 63.2 %). We are anticipating again a significant double-digit growth in sales for 2018.

In 2017 Protembis focussed primarily on the first-time implementation of the new product on people. The study was carried out at the Galway University Hospital in Ireland. The ProtEmbo procedures proceeded without any complications and the patients are doing well. Additional license-related studies shall be initiated in 2018.

## Protembis - ProtEmbo









## GROUP MANAGEMENT REPORT

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# A. BASIS OF GERATHERM MEDICAL GROUP

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## 1. Business Model of the Group

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

The individual business units serve different markets and thus have their own independent management bodies at the different locations as well.

Healthcare Diagnostic, our largest business unit currently, making up a 63.6 % share of sales, specialises in measuring body temperature for medical applications. In this segment, Geratherm has a long-standing tradition and thus offers a wide range of products, which for the most part distinguish our company from the competition. The company's main product, which accounts for 36.1 % of sales, is a mercury-free clinical glass thermometer that is produced at the plant in Geschwenda. In light of the global mercury ban taking effect in 2018, this core product will have a particular position within the group.

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

The long-term growth prospects of all the business segments, in which Geratherm is active, are favourable. The export quota is exceptionally high for all business segments.

apoplex medical is active in the fast growing market of cardiac arrhythmia. LMT Medical is becoming a global leader on the developing market for preterm baby examinations. The Respiratory business unit offers product solutions for the growing market involving respiratory diseases.

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

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

## 2. Research and Development

The research and development projects of Geratherm are based on medium to long-term objectives. The requirements on product development and approval have increased tremendously due to changing framework conditions, especially in the scope of the EU's Medical Device Regulation (MDR). Corresponding specialists are available only to a limited extent on the market currently.

The company is significantly expanding its capacities now in research and development to safeguard future business growth.

The total research and development expenditure in 2017 amounted to 619 kEUR (2016: 632 kEUR). Development costs in the amount of 179 kEUR (2016: 165 kEUR) were capitalised in the 2017 fiscal year. Accordingly, the capitalisation rate is 28.9 % (2016: 26.1 %). Capitalised development costs in the amount of 20 kEUR were written off as planned in 2017 (2016: 22 kEUR).



# B. ECONOMIC REPORT

## 1. 1. Overall Economic Factors

### Overall Economic Factors

2017 was marked by a number of favourable economic surprises. After cautious forecasts, global economic growth was stronger than expected and included almost all segments. The market in the United States, in particular, exhibited surprisingly strong growth; this also applies to the European market. At the same time, countries like Brazil and Russia have started to climb out of recession.

The strong growth in China has in turn supported the economy in the euro zone and in Germany. The main driver for the upturn taking place in the euro zone was domestic demand, which was influenced by the loose monetary policies of the European Central Bank (ECB). With a good economy, low interest rates and good development on the capital markets, one could not complain about the underlying economic conditions prevailing in 2017.

The strong and globally synchronised upswing of the global economy should continue in 2018 as well. With regard to the German economy, the federal government expects the gross domestic product to grow by +2.4 %. The export market, which is important for Germany, should increase at a faster rate of +5.3 % in 2018 compared to last year.

With the economic situation being good, the recruitment of competent specialists will become increasingly challenging. To realise its own growth strategy, Geratherm Medical finds itself increasingly compelled to recruit employees from abroad.

As a major exporter, Geratherm Medical should benefit from the positive underlying economic conditions in 2018.

### Industry-related Factors

The medical technology industry operates on a global basis and is thus a relatively economically resilient sector that has a low cyclical exposure. The reasons for the constant growth of the medical technology sector have not changed. The main driving force is demographic trends and the increase in lifestyle-related diseases. The progress made in medical technology allows the treatment of diseases that were not even treatable before or innovation is replacing existing treatments with methods that are more gentle or efficient.

Emerging markets such as China, Russia and the Middle East are investing in modernising their current system or establishing a healthcare system. The medical technology market is expected to grow at an annual rate of +5.1 % by 2022. Due to specific requirements and the international sales of medical products, the number of medical technology companies is becoming more and more concentrated. The thirty largest companies in the segment account for a market share of approx. 63.0 % with a sales of almost USD 244 billion.

German medical technology companies reported a sales of EUR 30.6 billion in 2017, which is a plus of 4.8 %. Domestic sales grew moderately at a 2.8 % rate, while exports increased by about 5.9 %, thus making it an important driver for the industry's growth. The industry-specific export ratio amounted to 64.4 %. German medical technology companies enjoy a good reputation world-wide.

Europe's medical technology industry is also in the process of tightening its approval requirements, which affects all medical technology companies to the same extent. The amount of work that this involves is tremendous for small to medium-sized enterprises, which in turn contributes to the consolidation process. The new EU regulation 2017/745 "Medical Device Regulation" (MDR) went into effect on 25 May 2017. Although the EU had initially intended to simplify the placement of medical devices on the single European market within the

framework of a “regulation,” the original plan had grown into a directive spanning 175 pages with significant uncertainties still in terms of interpretation and practicability for medical technology companies.

Depending on the products, it will be necessary to allocate 5 to 8 % of sales to cover the effort and adjustment process for fulfilling this regulation. Besides unannounced audits and considerably higher documentation requirements, the regulation also involves a significant permanent expenditure needed for setting up and maintaining a risk and quality management system. All previously approved products must be recertified in accordance with the new regulations. The requirements placed on clinical trials have also become more stringent. For instance, this means for Geratherm Medical the need to provide proof of a clinical study with at least 100 patients in order to obtain approval for a temperature sensor intended for operating room use. Such a study takes more than 12 months and usually involves costs of at least 250 kEUR. The leadtime to market a product is extended as a result.

The enforcement of the Medical Device Regulation thus calls for a number of measures to increase patient safety and improve product performance. With that said being, the implementation of the new regulation will result in much greater complexity and significantly higher costs. The new requirements will remain a major challenge especially for smaller to medium-sized medical device manufacturers.

In light of the aforementioned, sufficient financial and corresponding management resources are a fundamental prerequisite for a medical technology company. Well connected, innovative companies that take an interdisciplinary approach and have a high level of technological expertise and a strong brand meet the criteria for being successful on the medical technology market.

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

## *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). And 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**

Geratherm Medical was able to report steady business performance during the 2017 fiscal year. The foundations in this regard have already been laid for generating good growth opportunities for the corporate group in a variety of segments with new products and country approvals over the medium term.

The requirements on the development and marketing of medical products changed considerably in the medical technology field. The introduction of the new EU Medical Device Regulation (MDR) affects all medical technology companies similarly. The requirements for a timely implementation are tremendous and are currently slowing down growth while tying up employee capacities.

The financial commitment for licensing medical products has increased considerably, since approvals will no longer be issued without providing proof of clinical studies. That extends the time-frame for releasing a product significantly.

After posting good performance in 2017, business development in the Brazilian subsidiary Geratherm do Brasil, in which Geratherm holds a stake of 51 %, escalated at the end of the year. A “haircut” carried out with the respective Brazilian bank still did not result in the desired effect thus far. After the Brazilian partner was not willing to provide any further financial assistance, Geratherm Medical saw no reason to unilaterally increase its share and assume obligations. Production was subsequently discontinued and management prepared a restructuring plan, which resulted in negative earnings report for 2017 in the amount of EUR 1.563 million. The negative development of Geratherm do Brasil in 2017 played a key role in the Geratherm Group’s inability to achieve its targets in terms of sales, revenue and EBIT margin.

In order to avoid such negative surprises, we will decrease the size of the company in Sao Paulo considerably and will supply regional customers directly from Germany in the future only after receiving advance payment.

The negative earnings report, which was included in the consolidated result, provides a temporary negative image, which does not reflect the performance of our entire company. We have learned some lessons from this development.

All in all, Geratherm Medical managed to record a positive performance for the 2017 business year. Despite the sharp decline in sales in Brazil, the company still generated on a group basis an almost steady level of sales in the amount of EUR 21.0 million. The operating result EBIT amounted to 627 kEUR (2016: EUR 2.539 million). The EBIT margin was 3.0 % (2016: 11.9 %). Without the negative effect from Brazil we would have posted an EBIT of EUR 1.988 million or an EBIT margin of 9.9 %.

The gross profit on an EBITDA level decreased by 52.3 % to EUR 1,768 million (2016: EUR 3.710 million).

The results recorded by our core business at the Geschwenda location was weaker at -10.2 % for the 2017 business year. Consequently, it was possible to realise an EBIT of EUR 1.599 million (2016: EUR 1.780 million).

The main reasons for this were the higher personnel costs arising due to new hires and the negative currency effects.

The group’s overall performance was burdened by a negative financial result in the amount of -163 kEUR (2016: 390 kEUR). This item includes bank interests from Brazil in the amount of 383 kEUR, which should not occur again in this manner. In the previous year, the financial result was greatly influenced by proceeds from the sale of securities, which could not be realised to a comparable extent in 2017. The profits from ordinary business activities decreased by -84.2 % to 464 kEUR (2016: EUR 2.929 million).

After deducting income tax in the amount of 600 kEUR and adding revenue from deferred taxes capitalised in 2017 in the amount of 359 kEUR, the company was able to show a consolidated result for the year amounting to 222 kEUR (2016: EUR 2.246 million). The deferred taxes were formed on the basis of losses carried forward by apoplex medical technologies GmbH and Geratherm Respiratory GmbH. Both companies had posted positive results over the past two years. We do expect that the company’s profits will continue to increase in the coming years.

Without taking into account the results of shareholders of minority interests in the amount of -457 kEUR (2016: 10 kEUR), Geratherm Medical was able to report a result of 680 kEUR (2016: EUR 2.237 million) attributable to the shareholders of the parent company. This corresponds to an earnings of 14 EUR cents per share (2016: 45 EUR cents).

Investments in new and premium medical products are continuing to be pushed. In 2017 the gross profit margin was 65.7 % (2016: 68.8 %).

The company Geratherm Medical has a very strong position. The proportion of equity capital in the balance sheet total is 73.8 % (2016: 72.4 %). The liquid assets including the held securities amount to EUR 12.8 million (2016: EUR 12.0 million).

Our outlook for business development in 2018 is positive. The business units Warming Systems, Cardio/Stroke and Respiratory managed to post high double-digit growth rates. We have already planned the relicensing of our warming systems. Production capacities for the gallium-filled thermometers are expected to increase by 20 % at the Geschwenda location in 2018.

## Sales Development by Segments

### Healthcare Diagnostic

In the Healthcare Diagnostic segment, we market medical products like clinical thermometers, blood pressure monitors and women's healthcare products, which are geared primarily to the end consumers and are sold internationally via pharmacies. This segment is located at the headquarters in Geschwenda, Thuringia. The bulk of production, development and marketing takes place there. Sales performance in this segment was greatly influenced in 2017 by the decrease in sales posted by Geratherm do Brasil Ltda. The sales of Healthcare Diagnostic products declined in Brazil by -0.7 million euros due to internal problems such that the segment showed a -4.8 % decrease in consolidated sales. The segment accounts for 63.6 % of the group's consolidated sales (2016: 65.6 %).

#### SALES DEVELOPMENT BY SEGMENTS (in kEUR)

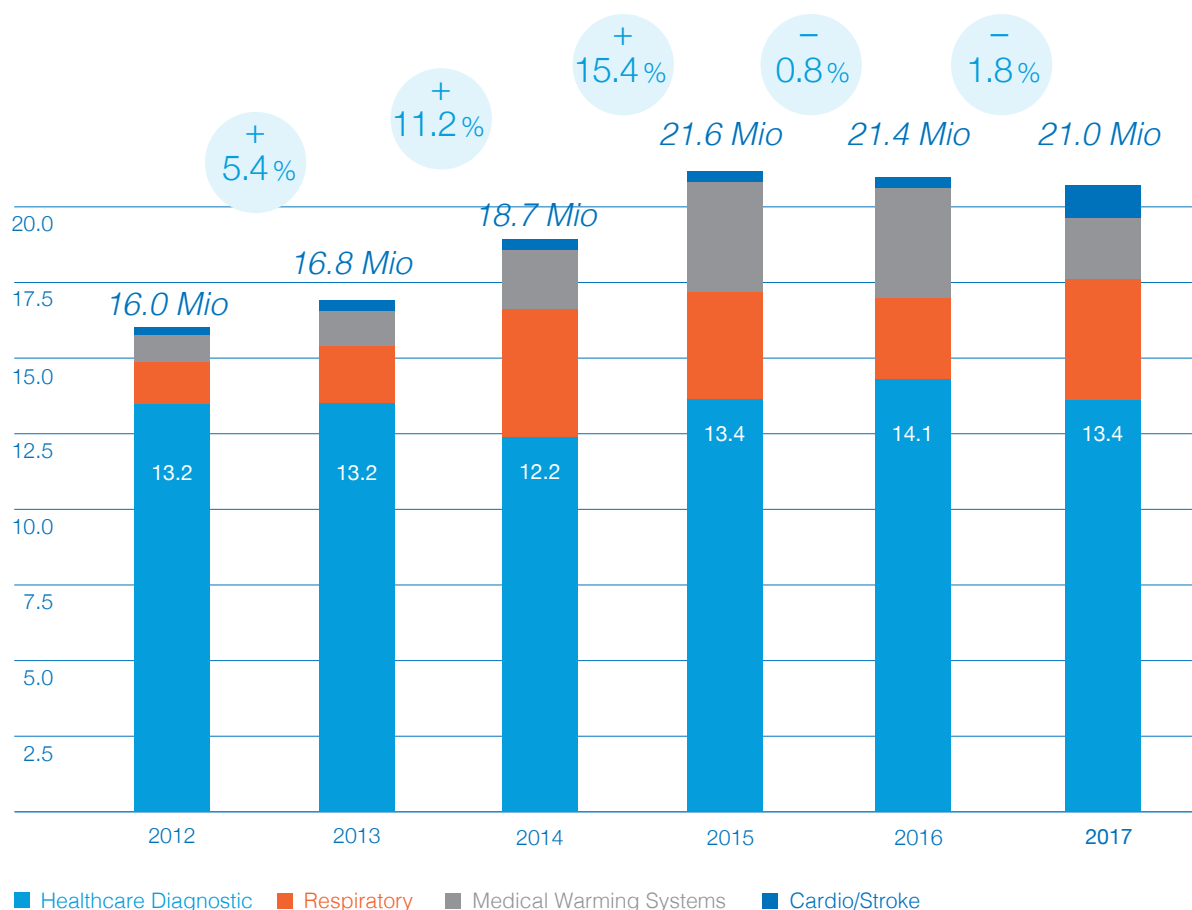
|                         | 2016   | 2017   | Change  |
|-------------------------|--------|--------|---------|
| Healthcare Diagnostic   | 14,055 | 13,380 | -4.8 %  |
| Respiratory             | 3,940  | 4,283  | +8.7 %  |
| Medical Warming Systems | 2,289  | 2,043  | -10.7 % |
| Cardio/Stroke           | 1,125  | 1,325  | +17.8 % |

The best-selling product of the Healthcare Diagnostic segment is the clinical glass thermometer with gallium filling, which makes up 36.1 % of the group's consolidated sales. The product group was able to show a +1.8 % growth over the past year. We were unable to realise our original plans to expand production in 2017. We are planning to increase the production of gallium-filled thermometers by 20 % in 2018, however. Currently, we are preparing for the upcoming global ban that will take effect for mercury. We expect to see a stronger demand during the last six months of 2018. As of 2019 the international ban on mercury will be in full effect in most countries.

To prepare for this market situation, to increase our manufacturing depth and to maintain our quality standards, we are currently constructing a new capillary production facility in Thuringia. Our planning is based on the assumption that we will begin the production of medical glass capillaries towards the end of the first half of 2018. That involves investments in the plant in Geschwenda, Thuringia amounting to approx. EUR 4 million.

The export rate of the Healthcare Diagnostic segment was 89.8 %.

Posting a sales of EUR 13.4 million, the segment earnings on EBIT basis was 518 kEUR (2016: EUR 2.443 million). The EBIT margin of the Healthcare Diagnostic amounted to 3.5 % (2016: 15.4 %). The low earnings reported by the segment were largely impacted by the negative consolidation contribution from Brazil in the amount of -1,563 kEUR.



## Respiratory

In the Respiratory segment we focus on the development, production and marketing of products designed for cardiopulmonary function diagnostics. The activities of this business segment are concentrated at the location in Bad Kissingen. The Steinbach-Hallenberg location is also integrated at the individual segment level and produces primarily disposable products for monitoring pulmonary function. All in all, 27 persons are employed in the Respiratory segment, generating a sales of EUR 4.283 million (+8.7 %) in 2017. This represents a 20.4 % share of the group's overall sales. We managed to post greater sales primarily in countries like the Czech Republic, Belgium, China and Hungary. The export rate accounts for 84.2 %.

The Respiratory segment was thus the second strongest growth area in the Geratherm Group.

In many countries, we are currently in the registration phase of new products. The Chinese market plays an ever-increasing role within the product segment following the product registration. For 2018 we expect the highest growth rate on the Chinese market.

## Medical Warming Systems

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

The Medical Warming Systems segment has not managed to match the original performance level in 2017. The blocked CE accreditation continues to have negative effects for the Warming Systems product group for operating rooms and rescue operations. We still have not managed to obtain a new license yet in spite of making high personnel and financial investments. All necessary documents have been submitted and are currently in the review phase at the licensing authority.

LMT Medical has taken numerous license-related preparations in 2017 to take off in 2018. Sales of the Medical Warming Systems segment decreased on the whole by -10.7 % to EUR 2.043 million. The products of this segment account for 9.7 % of the overall sales of the Geratherm Group. In 2017, the segment generated a loss of -226 kEUR (2016: -376 kEUR). This segment currently has 20 employees. The export rate accounts for 83.7 %.

For the Warming Systems segment we anticipate a considerable recovery in 2018. In China a clinical study is currently underway for the LMT incubator with more than 100 patients. We do expect positive results by mid 2018. The demand for examination options for premature newborns using the LMT incubator is high. As soon as CE approval is issued again for Geratherm's warming systems, we will launch a new generation of warming systems. In this context, we are planning an approval-related clinical study with more than 100 patients in order to generate vital data for a new ear sensor during the course of 2018.

## Cardio/Stroke

In the Cardio/Stroke segment, we offer products that are designed to detect atrial fibrillation. The generated information is crucial for stroke prevention. apoplex medical has developed a system for identifying atrial fibrillation, which is used in doctor practices and stroke centers. The business activities of the Cardio/Stroke segment are concentrated at the Pirmasens location, which has 13 employees.

The Cardio/Stroke segment is currently in a growth phase. It managed to conclude 2017 on a positive note with a 17.8 % increase in sales. Posting sales of EUR 1.325 million, the segment achieved an EBIT of 243 kEUR (2016: 289 kEUR). The EBIT margin was 18.3 % (2016: 25.7 %).

In 2017 we surpassed the 100 mark for connected clinics and hospitals for the first time (2016: 80 clinics and hospitals). This is a very favourable development, especially since the internationalisation that has been set in motion and the sales partnership with Pfizer/BSM offers good long-term growth prospects.

A total of 61,589 patients (2016: approx. 43,000 patients) were examined using apoplex's system for identifying paroxysmal atrial fibrillations – that is approx. 20,000 patients more than in the previous year. Almost one quarter of all stroke patients in Germany were examined in 2017 with our SRAclinic product.

For 2018 we are expecting that the past positive performance will continue.

## *Sales Development Based on Regions*

Geratherm Medical's activities are mainly international. Key export markets outside of Germany are Europe, South America, Middle East and the U.S. 82.8 % of Geratherm's products are exported (2016: 84.1 %). Our products are sold in more than 60 countries.

The high and steady export share reflects the continued competitiveness of Geratherm's products on the international market. On the whole, sales of EUR 21.0 million was generated in 2017.

The euro zone outside of Germany is Geratherm's largest sales market, whereas the Italian market dominates here. The European market accounts for EUR 11.7 million which corresponds to 55.6 % of the total sales of the Geratherm Group. The sales of Geratherm products in Europe increased by +5.1 % in 2017.

The sales of Geratherm products on the German market also showed a similarly positive performance. All in all, sales grew by +6.3 % to EUR 3.6 million. Domestic sales account for 17.2 % of Geratherm's total sales.

The Middle Eastern markets are particularly important for Geratherm. Here we managed to achieve a good market position over the past few years, especially with our diagnostic products. In this region, we are essen-

tially growing with our long-standing customers. Geratherm products generated EUR 2.0 million in sales during the 2017 business year. This corresponds to a +11.1 % increase. The total share of Geratherm sales in this region is 9.7 %.

Sales on the US market showed a weaker performance again in 2017 with a 23.0 % decrease. The main reason for this includes low project sales of our subsidiary LMT Medical, which had a significant impact on the reported US sales. The situation should improve considerably in 2018 though, since there are a number of major projects in the final phase. The main product sold in the US is the gallium-filled thermometers for drugstore chains, which amount to 63.5 % of the total sales generated there in 2017. The gallium thermometer product group managed to show a +2.1 % growth in this market. The share of sales on the US market accounts for 5.6 % of the overall sales posted by the Geratherm Group.

After posting a temporary improvement on the difficult Brazilian market, the situation worsened considerably during the second half of 2017, since the parent company was no longer willing to deliver products to Brazil without receiving an advance payment. Together with other specific problems in Brazil, sales dropped substantially by -45.9 %. We generated EUR 1.1 million in sales on the South American market in 2017 (2016: EUR 2.0 million). The sales in this region accounts for 5.3 % of the total sales of the Geratherm Group.

The Other Countries group mainly includes the regions Africa and Asia. All in all, a sales of EUR 1.4 million was posted in these countries, corresponding to a slight decline of -5.0 %.

#### SALES DEVELOPMENT BY REGIONS (in kEUR)

|                          | 2016   | 2017   | Change  |
|--------------------------|--------|--------|---------|
| Europe (without Germany) | 11,124 | 11,696 | +5.1 %  |
| Germany                  | 3,397  | 3,612  | +6.3 %  |
| South America            | 2,049  | 1,108  | -45.9 % |
| Middle East              | 1,837  | 2,040  | +11.1 % |
| USA                      | 1,542  | 1,188  | -23.0 % |
| Other Countries          | 1,460  | 1,387  | -5.0 %  |

## 4. Situation

### Earnings situation

Geratherm Medical showed a -1.8 % slide in sales at the group level in 2017. A key factor for this was the strong drop in sales in the amount of -957 kEUR in Brazil in 2017.

Group sales totalled EUR 21.0 million, The company's overall performance was -4.6 % below the prior year's level and amounted to EUR 21.6 million.



During the course of the restructuring efforts of our Brazilian subsidiary, the Brazilian management carried out extensive write-offs, affecting the assets of Geratherm do Brasil. Due to our 51 % share in the company, we were unfortunately forced to include the very bad earnings reported by Geratherm do Brasil in our consolidated financial statements for 2017. In light of this, almost all positions experienced a negative development in the form shown, which only partially reflects the performance of Geratherm Medical. The 51 % share of Geratherm do Brasil amounted to a loss of -1,563 kEUR for 2017. That is a startling negative contribution to operating income, even though the company only represents 4.3 % of sales and approx. 8.5 % of the group's employees. We do assume, however, that this is a one-time non-scheduled write-down and will not recur in this form. We have taken the appropriate measures and will only supply end customers on the South American market directly with our products in the future after receiving advance payment. Production at the Sao Paulo location has been discontinued.

The material expenditure in relation to the overall output achieved decreased by -1.5 % points (2016: -3.2 % points-) to EUR 7.8 million (2016: EUR 7.9 million)

The costs of raw materials and consumables include expenses for impairments on inventory at Geratherm do Brasil in the amount of 307 kEUR (2016: 0 kEUR).

The gross margin, based on the total operating revenue, decreased to 64.0 % (2016: 65.2 %). The gross profit declined by -6.2 % to EUR 13.8 million.

Personnel costs increased by +1.9 % while sales remained almost constant. The higher personnel costs involve the carried-out wage and salary increases as well as the hiring of highly qualified employees, especially in quality management.

The gross earnings prior to depreciation and amortisation (EBITDA) decreased by 52.3 % to EUR 1.768 million. The EBITDA was negatively impacted by losses of Geratherm do Brasil in the amount of EUR 1.346 million.

The operating margin, based on sales, on an EBITDA level was 8.4 % (2016: 17.3 %). The significantly lower margin is due to the losses from Brazil.

Amortisation of intangible assets and depreciation of tangible assets decreased by -2.6 % to EUR 1.141 million (2016: EUR 1.171 million).

The depreciation of tangible assets amounted to 967 kEUR (2016: EUR 1.004 million). The relative high write-offs can be attributed for the most part to the new basin used in capillary production. The purchase price of 696 kEUR was written off over a three-year period. The remaining difference is attributed to intangible assets.

The other operating expenses exhibited an increase of +907 kEUR to EUR 5.722 million. The above-average increase compared to the prior year resulted primarily from the negative foreign currency effects of our dollar holdings and goods in transit in the amount of 664 kEUR (2016: 142 kEUR) and from the bad debt allowances formed by the Brazilian subsidiary Geratherm do Brasil in the amount of 478 kEUR (2016: 0 kEUR).

The operating result (EBIT) in the amount of 627 kEUR declined by -75.3 % and was also affected by the negative profit contribution from Brazil in the amount of -1,361 kEUR. The EBIT margin for the entire company amounted to 3.0 % (2015: 11.9 %). Without the effect from Brazil, the EBIT margin of the entire company would be 9.9 % (2016: 11.6 %). The earnings report is not satisfactory. We are optimistic, however, that we will be able to tap into our good sales and earnings position in 2018.

## EARNINGS PERFORMANCE (in kEUR)

|                           | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | Change  |
|---------------------------|-------|-------|-------|-------|-------|-------|---------|
| Operating result (EBITDA) | 1,714 | 1,601 | 3,171 | 3,423 | 3,710 | 1,768 | -52.3 % |
| Operating profit (EBIT)   | 957   | 793   | 2,415 | 2,534 | 2,539 | 627   | -75.3 % |

The core business at the Geschwenda location in Thuringia was slightly weaker compared to the prior year without taking into consideration the subsidiaries apoplex medical, Respiratory, LMT Medical, Sensor Systems, Capillary Solutions and Geratherm do Brasil. The result (EBIT) decreased by -10.2 % to EUR 1.599 million (2016: 1.780). That corresponds to an EBIT margin of 12.5 % (2016: 13.7 %).

The operating result (EBIT) for the Respiratory segment rose to 396 kEUR (2016: 305 kEUR). That corresponds to an EBIT margin of 9.5 % (2016: 8.8 %).

The Cardio/Stroke segment showed an operating result on an EBIT level of 243 kEUR (2016: 289 kEUR). That corresponds to an EBIT margin of 18.3 % (2016: 25.7 %). Based on that, Cardio/Stroke is the segment with the highest proportional earnings within the Geratherm Group.

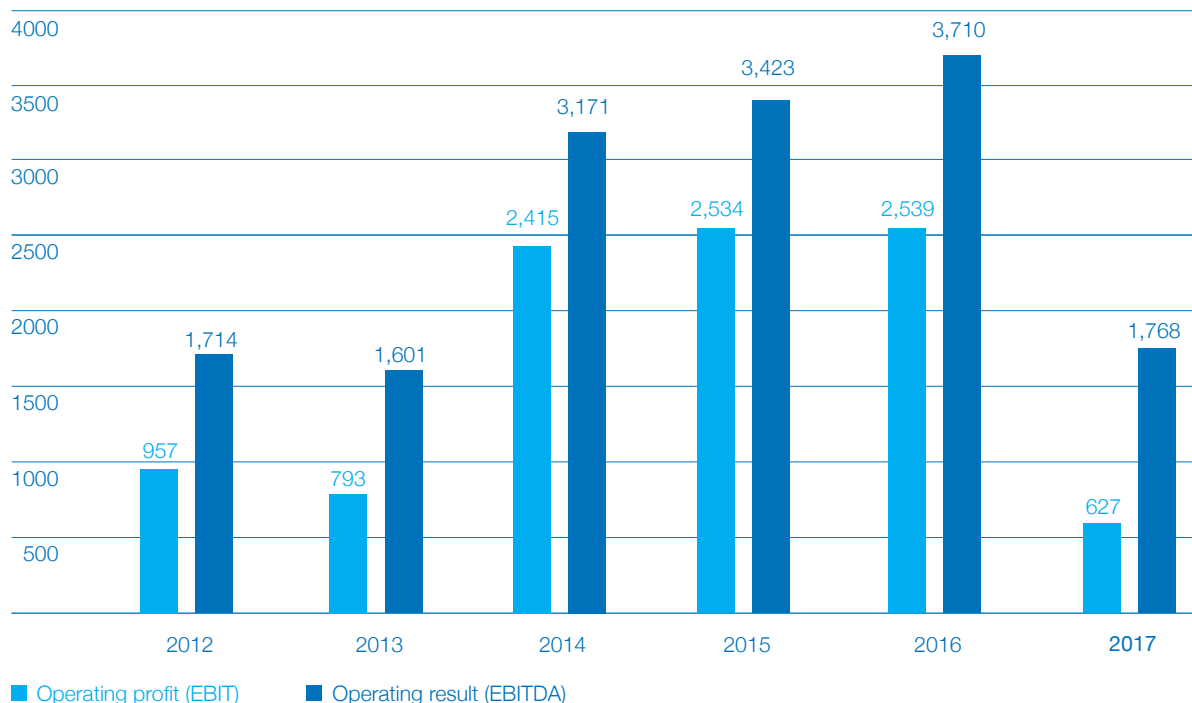
The Warming Systems segment is currently still struggling with recertification problems and thus was unable to post any positive operating results with considerably lower sales figures. The segment's operating result was -226 kEUR (2016: -376 kEUR).

The financial result as balance of realized earnings from securities, write-offs, interest earnings and the income from the "haircut" was -163 kEUR (2016: 389 kEUR). The earnings from the sale of securities amounted to 125 kEUR (2016: 925 kEUR).

The financial result was burdened by interests and similar expenses in the amount of -445 kEUR (2016: -476 kEUR). This item includes interest charges from bank liabilities of the subsidiary of Geratherm do Brasil in the amount of 383 kEUR. Interest charges in the above amount are due to the loans taken out by our Brazilian subsidiary, which bore up to 30 % per year. The parent company has no part in the liability. In order to resolve this absurd interest burden with an annual sales of 899 kEUR in 2017, a settlement ("haircut") was successfully reached with the involved bank. The second bank with the higher loan share has rejected a settlement thus far. As a result, Geratherm Medical, as the parent company, saw no further reason to support its subsidiary, especially since the Brazilian partner did not want to make any financial concessions.

As a result of the lower positive financial result the extraordinary burdens stemming from Brazil, the company only managed to generate profits from ordinary business activities in the amount of 464 kEUR (2016: EUR 2.928 million). Income taxes amounted to 241 kEUR (2016: 682 kEUR) and consisted of expenses for current income taxes in the amount of 600 kEUR and earnings from the formation of deferred tax assets and liabilities in the amount of 359 kEUR.

## EARNINGS PERFORMANCE (in kEUR)



The consolidated net income decreased for the 2017 fiscal year to 222 kEUR (2016: EUR 2.246 million).

The result attributable to minority shares or non-controlling shareholders amounts to -457 kEUR (2016: 10 kEUR). The item reflects the poor performance of Geratherm do Brasil in the amount of -1,563 kEUR for 2017.

The profits of the shareholders of the parent company (EAT) decreased by 69.6 % to 680 kEUR (2016: EUR 2.237 million). The earnings per share are 14 EUR cents (2016: 45 EUR cents).

The management board and supervisory board of Geratherm Medical AG will propose to the annual general meeting to maintain the dividend continuity. The earnings reported for 2017 do not correspond with the Geratherm Group's ability to perform. The management board and supervisory board of Geratherm Medical AG will thus propose to the annual general meeting to pay a dividend in the amount of EUR 0.47 per share.

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognised capital contributions account shall be used for the planned disbursement of the dividend amounting to EUR 0.47 per share for 2017 (altogether EUR 2.326 million).

For the 2017 business year, the earned distributable profit amounts to EUR 2.359 million and is not utilised in full by the planned dividend disbursement such that access to the tax-recognised capital contributions account that continues to exist with EUR 15.206 million is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.4 % (614 kEUR) to the full disbursement amount of EUR 2.326 million.

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

## *Financial Situation, Investments and Liquidity*

Geratherm Medical enjoyed a sound financial position throughout the entire 2017 business year. The cash and cash equivalents available including securities as at 31 December 2017 amounted to EUR 12.836 million (2016: EUR 12.048 million).

The relatively healthy liquidity position allows the company to finance product development and market releases on its own, which could also extend over a longer period of time. Even possible prospective acquisitions can be implemented within short notice at any time with the existing financial budget. Even unforeseeable events, such as the restructuring of the subsidiary in Brazil, can be managed without any major complications.

The gross cash flow amounted to EUR 3.013 million in 2017 (2016: EUR 3.196 million). The cash flow from operations rose to EUR 2.466 million (2016: 792 kEUR). The increase results primarily from the decrease in the working capital.

The cash flow from investment activities was -2,771 kEUR (2016: +1,550 kEUR) and can essentially be attributed to investments in fixed assets in the amount of EUR 1.290 million and cash outflow for purchased securities (EUR 1.280 million).

The cash flow from financing activities amounted to -100 kEUR (2016: -2,565 kEUR). The reported item was influenced by the dividend payments in the amount of EUR 2.475 million, repayment of loan liabilities in the amount of EUR 1.293 million and the taking out of new loan liabilities in the amount of EUR 2.000 million.

The cash and cash equivalents at the end of the period under review amounted to EUR 8.811 million (2016: EUR 9.518 million).

In 2017, 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 73.8 % of the balance sheet total. We do not foresee any situations, which could jeopardize the continued existence of the Group.

## *Assets and Capital Structure*

Geratherm Medical possessed a sound assets situation at the end of the 2017 business year. At the end of the 2017 fiscal year, the balance sheet total was EUR 28.5 million and was thus 0.2 % higher than on the reporting date of the prior year. The company's reported equity capital is EUR 21.0 million (2016: EUR 20.6 million) or 73.8 % (2016: 72.4 %) of the balance sheet total. This results in a book value of EUR 4.25 based on an individual share (2016: EUR 4.15). 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 2017, the assets side of the balance sheet contains long-term assets amounting to EUR 5.523 million (2016: EUR 4.749 million). The short-term assets amounted to EUR 22.944 million (2016: EUR 23.654 million).

Within the long-term assets, the intangible assets increased slightly by +5.1 % to 657 kEUR (2016: 626 kEUR). This results mainly from the capitalisation of development costs for software at apoplex (310 kEUR). Regular depreciation and amortisation had an opposite effect.

Fixed assets increased by +8.9 % to EUR 3.895 million (2016: EUR 3.577 million). Investments in tangible fixed assets amounted to EUR 1.290 million in 2017 (2016: 859 kEUR). These were offset by the depreciation of

tangible fixed assets in the amount of 967 kEUR. The construction of a new production facility for medical capillaries with an investment volume of approx. EUR 4 million will increase the assets held in property, plant and equipment in the future.

Other assets increased to 426 kEUR (2016: 270 kEUR). The item reflects the interest held in Protembis GmbH, in which Geratherm holds 11.0 %. The rise is due to the capital increase made in 2017.

Geratherm Medical still has existing losses carried forward in the subsidiaries, which were capitalised in the amount of 520 kEUR (2016: 90 kEUR). The capitalisation of deferred taxes on losses carried forward affects the subsidiaries apoplex medical technologies GmbH and Geratherm Respiratory GmbH. The companies have shown a positive business performance over the past two years. We do expect that the company's profits will continue to increase in the coming years.

With regard to the short-term assets, the inventories decreased by -12.5 % to EUR 6.788 million (2016: EUR 7.761 million). The inventory of raw materials and supplies decreased by -7.3 % to EUR 2.226 million (2016: EUR 2.401 million). The inventory of unfinished goods remained essentially unchanged at EUR 1.112 million. The item for finished products and goods decreased by -18.5 % to EUR 3.449 million (2016: EUR 4.235 million).

The accounts receivable also decreased essentially by -13.7 % to EUR 3.320 million as of the reporting date. In this case, trade receivables accounted for EUR 2.662 million (2016: EUR 3.288 million).

Tax receivables increased to 394 kEUR (2016: 162 kEUR). The other assets decreased by -33.4 % to 264 kEUR.

The reported book value of the securities held by Geratherm increased by +59.1 % to EUR 4.025 million (2016: EUR 2.530 million). The increase is due to the increase in the value of the securities held and by the acquisition of 71,500 TEVA shares at a price of EUR 13.25.

The cash and cash equivalents available as at 31 December 2017 amounted to EUR 8.811 million (2016: EUR 9.518 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 21.017 million (2016: EUR 20.557 million) is offset by liabilities in the amount of EUR 7.450 million (2016: EUR 7.846 million).

The long-term debts increased by +41.3 % to EUR 3.488 million. The increase related mainly the long-term debt tranche for the financing of the production facility for medical capillaries at the Geschwenda location.

The investment subsidies accrued and received reduced by -24.2 % to 277 kEUR as a result of scheduled liquidation. The other long-term liabilities exhibited a decrease of 45.2 % to 576 kEUR. The item includes liabilities to other minority shareholders.

The short-term debts decreased by -25.6 % to EUR 3.961 million (2016: EUR 5.324 million). Short-term liabilities to banks are essentially reported here in the amount of 344 kEUR (2016: EUR 1.375 million). Short-term loan liabilities declined significantly due to scheduled repayment of a loan taken out by the parent company. The trade accounts payable decreased by -44.1 % to 996 kEUR as of the reporting date.

The other liabilities increased by +58.7 % to EUR 1.833 million (2016: EUR 1.154 million). The item includes accrued liabilities, especially outstanding invoices from initiated purchase orders.

# C. FORECAST, CHANGES AND RISK REPORT

## 1. Forecast

The German economy grew significantly in 2017 again. Even for the current business year 2018, the German government has predicted a 2.4 % growth in the domestic product for the German market. We are enjoying at the moment a stable global economic growth, even internationally. Current estimates assume a global growth of approx. 5 %. That would be the strongest growth in five years.

In light of the positive underlying economy, we expect that the expansion of the medical technology market will stay at the aforementioned level at least.

The medium- and long-term indicators for a positive market growth in the medical technology industry are still intact. The most important driver is demographic trends. The strongest growths certainly occurred in markets where the accumulated needs are the greatest compared to the industrialised countries. All in all, the outlook for the healthcare industry is favourable. Market trends include medical devices with a pharmaceutical content, products in the "Mobile Health" sector as well as the increasing miniaturisation in medical device technology. Companies in our industry must face these challenges and integrate the technology trends in their products.

Geratherm Medical has a good position. The company operates in four totally independent sectors. The newer business segments are currently the double-digit growth drivers. The Chinese market is becoming increasingly important for Geratherm. It can be assumed that the markets in China will evolve into one of the largest sales markets for medical technology in the medium term.

Mercury-filled products will be banned as per the guidelines of the World Health Organisation (WHO) on a global level in the next few years. This could in turn provide a good opportunity for Geratherm to expand the activities of its core business area in the future with the mercury substitute "Galinstan".

We anticipate that sales and earnings will improve significantly for the 2018 business year. Especially the products of LMT Medical Respiratory and apoplex should show good double-digit growth in sales. The company's objective on a consolidated basis is to achieve an EBIT margin of 10 % at the group level.

We would like to point out that the actual results may deviate from our expectations with regard to the foreseeable development, if any of the uncertainties specified above should occur or the assumptions which serve as a basis for the statements prove to be incorrect. That would include in particular the regaining of approval for our medical warming systems, the scheduled start of utilisation for development projects and the successful restructuring of Geratherm do Brasil Ltda. If the aforementioned assumptions do not occur, we expect then a slight increase in sales and earnings and an EBIT margin of just under 10 % for the 2018 business year.

## 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 safety factors and ability to prove added benefit. The timeline between finished product and actual start of product launch is always becoming longer. That results in a greater risk profile for the company.

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

Geratherm attaches great importance to maintaining its product approvals and certifications. Product approvals may 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 fulfill the changing requirements in order to minimise any possible damage for the company.

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

In most cases, a small number of suppliers are involved in the special technological know-how. Taking the related risk aspects into consideration that can lead to bottlenecks.

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

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

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

### Market Price Risk - Interest

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

### Market Price Risk - Foreign Currency

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

### Credit and Non-payment Risk

The group implements a process for minimising bad debt losses, in particular, the daily monitoring of due dates and the prompt initiation of steps to collect debts when necessary. In case of new customers, advance payments and letters of credit are required for the most part. For existing customers, we arrange customer-specific payment targets. If these targets are not complied with, then payment must be made in advance. The non-payment risk for Geratherm has been minimal for the past few years. The exception to this is the Brazilian market, which is still characterised by instability.

### Market Price Risk - Raw Materials

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

### Market Price Risk - Securities

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

### 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. We strive to educate the corresponding employees about potential risks and use software solutions 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 lengthy and involve high costs.

### Product Licensing Risk

Medical technology companies have long been the focus of increased requirements posed by regulatory authorities. The criteria are increasingly being raised on an international level. The complexity of the requirements, product approvals and product monitoring represents a 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 they do not result in any cumulative risks.

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

### 3. Opportunities

#### *Management of Opportunities*

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

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

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

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

### 4. Final Conclusion

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

Adequate financial resources are a key prerequisite for having success on the medical technology market. Geratherm fulfills this prerequisite. In our opinion, the efforts taken over the past few years to broaden the business model to include various markets and sources of income are in line with a well balanced opportunity and risk profile.

Especially with regard to Geratherm's main product gallium-filled thermometer, we have achieved a very high level of vertical integration and have reduced dependence on third parties as much as possible.

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

### 5. Internal Control and Risk Management System for the Financial Reporting Process

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

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

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

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

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

## 6. Other Information

### *Corporate Governance Statement*

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

This statement was given for the first time in 2002.

During the 2017 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 2018 business year (in the version from 7 February 2017).

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

### *Opinion*

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

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

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

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

## *Corporate Governance Practices*

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

### *Procedures implemented by the management board and supervisory board*

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

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

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

In addition, the 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 Remuneration System*

The compensation for members of the management board is made up of various components, a fixed salary and a variable bonus. The variable bonus is awarded on the basis of the achievement of objectives, operating profit, financial results and overall performance of the group. Altogether 109 kEUR (2016: 199 kEUR) were reported in the financial statements for the activities of the management board during the 2017 business year. That included a fixed sum in the amount of 86 kEUR (2016: 86 kEUR) and variable sums in the amount of 23 kEUR (2016: 113 kEUR).

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

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 12/31/2017 and is divided into 4,949,999 share certificates issued to the bearers.

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

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

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

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

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

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

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

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

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

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

The GMF Capital GmbH, Frankfurt, holds a direct share of 43.05 % in Geratherm Medical AG as of the reporting date.



The annual general meeting of Geratherm Medical AG convened on 7 June 2017 in Frankfurt, Germany. The attendance at the annual general meeting represented 55.96 % of the capital stock.

The expenses for the stock exchange listing in 2017 was 109 kEUR (2016: 99 kEUR).

Geschwenda, this 12<sup>th</sup> day of April 2018

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

Dr. Gert Frank  
Chief Executive Officer



## **CONSOLIDATED FINANCIAL STATEMENT**

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# CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) of 31. December 2017

| ASSETS   | Notes<br>No, | 31/12/2017<br>EUR | 31/12/2016<br>EUR | Change<br>in % |
|--|--------------|-------------------|-------------------|----------------|
| <b>A. LONG-TERM ASSETS</b>                       |              |                   |                   |                |
| I. Intangible assets                             | 1.           |                   |                   |                |
| 1. Development costs                             |              | 462,526           | 303,696           | 52.3           |
| 2. Other intangible assets                       |              | 119,154           | 246,343           | -51.6          |
| 3. Goodwill                                      |              | 75,750            | 75,750            | 0.0            |
|  |              | <b>657,430</b>    | <b>625,789</b>    | <b>5.1</b>     |
| II. Tangible assets                              | 2.           |                   |                   |                |
| 1. Land, land rights and buildings               |              | 1,180,698         | 1,202,108         | -1.8           |
| 2. Technical equipment and machinery             |              | 1,299,932         | 2,001,863         | -35.1          |
| 3. Other equipment, factory and office equipment |              | 264,083           | 322,578           | -18.1          |
| 4. Construction in process                       |              | 1,150,294         | 50,519            | >100.0         |
|  |              | <b>3,895,007</b>  | <b>3,577,068</b>  | <b>8.9</b>     |
| III. Other assets                                | 3.           | 426,000           | 270,000           | 57.8           |
| IV. Other long-term receivables                  | 3.           | 178,967           | 275,659           | -35.1          |
| V. Deferred taxes                                | 4.           | 365,160           | 0                 | 100.0          |
|  |              | <b>5,522,564</b>  | <b>4,748,516</b>  | <b>16.3</b>    |
| <b>B. SHORT-TERM ASSETS</b>                      |              |                   |                   |                |
| I. Inventories                                   | 5.           |                   |                   |                |
| 1. Raw materials and supplies                    |              | 2,226,466         | 2,400,900         | -7.3           |
| 2. Unfinished goods                              |              | 1,111,914         | 1,125,026         | -1.2           |
| 3. Finished goods and merchandise                |              | 3,449,379         | 4,234,564         | -18.5          |
|  |              | <b>6,787,759</b>  | <b>7,760,490</b>  | <b>-12.5</b>   |
| II. Receivables and other assets                 |              |                   |                   |                |
| 1. Trade receivables                             | 6.           | 2,662,175         | 3,288,213         | -19.0          |
| 2. Receivables from current income taxes         | 7.           | 264,345           | 23                | >100.0         |
| 3. Receivables from other taxes                  | 7.           | 129,631           | 161,537           | -19.8          |
| 4. Other assets                                  | 8.           | 264,047           | 396,414           | -33.4          |
|  |              | <b>3,320,198</b>  | <b>3,846,187</b>  | <b>-13.7</b>   |
| III. Securities                                  | 9.           | 4,024,763         | 2,529,800         | 59.1           |
| IV. Cash and cash equivalents                    | 10.          | 8,811,417         | 9,517,644         | -7.4           |
|  |              | <b>22,944,137</b> | <b>23,654,121</b> | <b>-3.0</b>    |
|  |              | <b>28,466,701</b> | <b>28,402,637</b> | <b>0.2</b>     |

| EQUITY AND LIABILITIES                             | Notes | 31/12/2017        | 31/12/2016        | Change       |
|--|-------|-------------------|-------------------|--------------|
|  | No.   | EUR               | EUR               | in %         |
| <b>A. EQUITY CAPITAL</b>                           |       |                   |                   |              |
| I. Subscribed capital                              | 11.   | 4,949,999         | 4,949,999         | 0.0          |
| II. Capital reserves                               | 12.   | 12,174,192        | 11,035,367        | 10.3         |
| III. Other reserves                                | 13.   | 3,895,155         | 5,275,788         | -26.2        |
| Minority interests assigned to the shareholders of |       | 21,019,346        | 21,261,154        | -1.1         |
| Shareholders of minority interest                  | 14.   | -2,293            | -704,252          | -99.7        |
|  |       | <b>21,017,053</b> | <b>20,556,902</b> | <b>2.2</b>   |
| <b>B. Non-current debts</b>                        |       |                   |                   |              |
| 1. Liabilities to banks                            | 15.   | 2,634,783         | 1,051,766         | >100.0       |
| 2. Accrued investment subsidies                    | 16.   | 277,242           | 365,745           | -24.2        |
| 3. Other long-term liabilities                     | 17.   | 576,206           | 1,051,829         | -45.2        |
|  |       | <b>3,488,231</b>  | <b>2,469,340</b>  | <b>41.3</b>  |
| <b>C. Current debts</b>                            |       |                   |                   |              |
| 1. Liabilities to banks                            | 18.   | 344,313           | 1,375,182         | -75.0        |
| 2. Payments on accounts                            |       | 238,283           | 337,245           | -29.3        |
| 3. Trade payables                                  | 19.   | 996,330           | 1,782,780         | -44.1        |
| 4. Liabilities from current income taxes           | 20.   | 110,407           | 390,974           | -71.8        |
| 5. Other tax liabilities                           | 20.   | 439,285           | 282,637           | 55.4         |
| 6. Other short-term liabilities                    | 21.   | 1,832,799         | 1,154,905         | 58.7         |
|  |       | <b>3,961,417</b>  | <b>5,323,723</b>  | <b>-25.6</b> |
| <b>D. Deferred tax liabilities</b>                 | 4.    | 0                 | 52,672            | -100.0       |
|  |       | <b>28,466,701</b> | <b>28,402,637</b> | <b>0.2</b>   |
| <b>Equity ratio of shareholders quota</b>          |       | 73.84             | 74.86             |              |

## CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2017

|   | Notes | 01/01–31/12/17    | 01/01–31/12/16    | Change            | Change       |
|---|-------|-------------------|-------------------|-------------------|--------------|
|   | No,   | EUR               | EUR               | EUR               | in %         |
| Sales revenues  | 22.   | 21,030,779        | 21,409,261        | -378,482          | -1.8         |
| Change in inventory of semi-finished and finished products            |       | -156,297          | 244,300           | -400,597          | -            |
| Other capitalised own work  |       | 155,085           | 203,141           | -48,056           | -23.7        |
| Other operating income  | 23.   | 554,827           | 761,723           | -206,896          | -27.2        |
|   |       | <b>21,584,394</b> | <b>22,618,425</b> | <b>-1,034,031</b> | <b>-4.6</b>  |
| Cost of materials   | 24.   |                   |                   |                   |              |
| Cost of raw materials, consumables and goods for resale               |       | -6,624,121        | -6,765,146        | 141,025           | -2.1         |
| Costs of purchased services   |       | -1,136,990        | -1,114,535        | -22,455           | 2.0          |
|   |       | -7,761,111        | -7,879,681        | 118,570           | -1.5         |
| <b>Gross profit or loss</b>   |       | <b>13,823,283</b> | <b>14,738,744</b> | <b>-915,461</b>   | <b>-6.2</b>  |
| Personnel expenses  | 25.   |                   |                   |                   |              |
| Wages and salaries  |       | -5,205,866        | -5,115,829        | -90,037           | 1.8          |
| Social security, pension and other benefits                           |       | -1,127,043        | -1,097,678        | -29,365           | 2.7          |
|   |       | -6,332,909        | -6,213,507        | -119,402          | 1.9          |
| Amortisation of intangible assets and depreciation of tangible assets | 26.   | -1,141,085        | -1,171,427        | 30,342            | -2.6         |
| Other operating expenses  | 27.   | -5,722,291        | -4,815,013        | -907,278          | 18.8         |
| <b>Operating results</b>  |       | <b>626,998</b>    | <b>2,538,797</b>  | <b>-1,911,799</b> | <b>-75.3</b> |
| Dividend income   |       | 6,797             | 39,000            | -32,203           | -82.6        |
| Income from securities trading  |       | 125,386           | 924,627           | -799,241          | -86.4        |
| Amounts written off for securities                                    |       | 0                 | 0                 | 0                 | -            |
| Securities-related expenses   |       | -17,013           | -105,630          | 88,617            | -83.9        |
| Other interest and similar income                                     |       | 166,206           | 7,607             | 158,599           | >100.0       |
| Interests and similar expenses  |       | -444,759          | -476,089          | 31,330            | -6.6         |
| <b>Financial results</b>  | 28.   | <b>-163,383</b>   | <b>389,515</b>    | <b>-552,898</b>   | <b>-</b>     |
| <b>Result of ordinary activities</b>                                  |       | <b>463,615</b>    | <b>2,928,312</b>  | <b>-2,464,697</b> | <b>-84.2</b> |
| Income taxes  | 29.   | -241,260          | -681,877          | 440,617           | -64.6        |
| <b>Consolidated net income</b>  |       | <b>222,355</b>    | <b>2,246,435</b>  | <b>-2,024,080</b> | <b>-90.1</b> |
| <b>Result of non-controlling shareholders</b>                         |       | <b>-457,432</b>   | <b>9,630</b>      | <b>-467,062</b>   | <b>-</b>     |
| <b>Results of the shareholders of the parent company</b>              |       | <b>679,787</b>    | <b>2,236,805</b>  | <b>-1,557,018</b> | <b>-69.6</b> |
| Earnings per share undiluted  | 30.   | 0.14              | 0.45              | -0.31             | -68.9        |
| Earnings per share diluted  | 30.   | 0.14              | 0.45              | -0.31             | -68.9        |
| <b>Gross result (EBITDA)</b>  |       | <b>1,768,083</b>  | <b>3,710,224</b>  | <b>-1,942,141</b> | <b>-52.3</b> |



## CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2017

|  | 01/01–31/12/2017 | 01/01–31/12/2016  |
|--|------------------|-------------------|
|  | EUR              | EUR               |
| <b>Consolidated net income</b>   | <b>222,355</b>   | <b>2,246,435</b>  |
| Income and expenses directly recognised in equity, which are reclassified to profit or loss under specific conditions: |                  |                   |
| Profits and losses from revaluation of securities  | 256,132          | -812,748          |
| Difference resulting from currency translation   | 312,531          | -241,002          |
| <b>Income and expenses directly included in equity capital</b>   | <b>568,663</b>   | <b>-1,053,750</b> |
| <b>Total consolidated income</b>   | <b>791,018</b>   | <b>1,192,685</b>  |
| of which assignable to shareholders of minority interest   | -303,348         | -109,012          |
| of which assignable to shareholders of parent company  | 1,094,366        | 1,301,697         |

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of 31 December 2017

|   | Subscribed<br>capital | Capital<br>reserves |
|---|-----------------------|---------------------|
|   | 11.<br>EUR            | 12.<br>EUR          |
| <b>As of 1 January 2016</b>   | 4,949,999             | 11,035,367          |
| Purchase of shares in the subsidiary Geratherm Respiratory GmbH from shareholders of minority interests               | 0                     | 0                   |
| Dividend paid to shareholders   | 0                     | 0                   |
| <b>Transactions with shareholders and member partners</b>   | <b>0</b>              | <b>0</b>            |
| Consolidated net income   | 0                     | 0                   |
| Unrealized profits and losses from revaluation of securities  | 0                     | 0                   |
| Currency translation in the Group   | 0                     | 0                   |
| <b>Total consolidated income</b>  | <b>0</b>              | <b>0</b>            |
| <b>As of 31 December 2016</b>   | <b>4,949,999</b>      | <b>11,035,367</b>   |
| <b>As of 1 January 2017</b>   | <b>4,949,999</b>      | <b>11,035,367</b>   |
| Interest-proportional increase in share capital of the subsidiary Geratherm do Brasil Ltda.                           | 0                     | 0                   |
| Increase in share capital of the subsidiary apoplex medical technologies GmbH from shareholders of minority interests | 0                     | 1,138,825           |
| Dividend paid to shareholders   | 0                     | 0                   |
| <b>Transactions with shareholders and member partners</b>   | <b>0</b>              | <b>1,138,825</b>    |
| Consolidated net income   | 0                     | 0                   |
| Unrealized profits and losses from revaluation of securities  | 0                     | 0                   |
| Currency translation in the Group   | 0                     | 0                   |
| <b>Total consolidated income</b>  | <b>0</b>              | <b>0</b>            |
| <b>As of 31 December 2017</b>   | <b>4,949,999</b>      | <b>12,174,192</b>   |

| Other reserves              |                                | Accumulated<br>earnings | Assignable to<br>the shareholders<br>of the parent<br>company | Minority<br>interests | Equity capital |
|-----------------------------|--------------------------------|-------------------------|---|-----------------------|----------------|
| Market valuation<br>reserve | Currency<br>conversion reserve |                         |   |                       |                |
| EUR                         | 13.<br>EUR                     |                         |   |                       |                |
| 865,252                     | 116,856                        | 5,540,983               | 22,508,457  | -569,240              | 21,939,217     |
| 0                           | 0                              | -74,000                 | -74,000   | -26,000               | -100,000       |
| 0                           | 0                              | -2,475,000              | -2,475,000  | 0                     | -2,475,000     |
| 0                           | 0                              | -2,549,000              | -2,549,000  | -26,000               | -2,575,000     |
| 0                           | 0                              | 2,236,805               | 2,236,805   | 9,630                 | 2,246,435      |
| -812,748                    | 0                              | 0                       | -812,748  | 0                     | -812,748       |
| 0                           | -122,360                       | 0                       | -122,360  | -118,642              | -241,002       |
| -812,748                    | -122,360                       | 2,236,805               | 1,301,697   | -109,012              | 1,192,685      |
| 52,504                      | -5,504                         | 5,228,788               | 21,261,154  | -704,252              | 20,556,902     |
| 52,504                      | -5,504                         | 5,228,788               | 21,261,154  | -704,252              | 20,556,902     |
| 0                           | 0                              | 0                       | 0   | 144,132               | 144,132        |
| 0                           | 0                              | 0                       | 1,138,825   | 861,175               | 2,000,000      |
| 0                           | 0                              | -2,474,999              | -2,474,999  | 0                     | -2,474,999     |
| 0                           | 0                              | -2,474,999              | -1,336,174  | 1,005,307             | -330,867       |
| 0                           | 0                              | 679,787                 | 679,787   | -457,432              | 222,355        |
| 256,132                     | 0                              | 0                       | 256,132   | 0                     | 256,132        |
| 0                           | 158,447                        | 0                       | 158,447   | 154,084               | 312,531        |
| 256,132                     | 158,447                        | 679,787                 | 1,094,366   | -303,348              | 791,018        |
| 308,636                     | 152,943                        | 3,433,576               | 21,019,346  | -2,293                | 21,017,053     |

## CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2017

|  | Notes<br>No, | 01/01–31/12/17<br>kEUR | 01/01–31/12/16<br>kEUR |
|--|--------------|------------------------|------------------------|
| Consolidated net income                                      |              | 222                    | 2,246                  |
| Non-cash expenses and income<br>of Geratherm do Brasil Ltda. |              | 629                    | 0                      |
| Other non-cash expenses                                      |              | 615                    | -299                   |
| Dividend income  | 28.          | -7                     | -39                    |
| Interest earnings  | 28.          | -11                    | -8                     |
| Interest expenses  |              | 445                    | 476                    |
| Increase/ decrease in deferred taxes                         |              | -418                   | 192                    |
| Income tax expenditure                                       |              | 600                    | 490                    |
| Depreciation of fixed assets                                 |              | 1,141                  | 1,171                  |
| Income from securities trading                               | 28.          | -125                   | -925                   |
| Loss from securities trading                                 |              | 0                      | 0                      |
| Amounts written off for securities                           |              | 0                      | 0                      |
| Amortisation of public grants and subsidies                  | 16.          | -89                    | -108                   |
| Loss from disposal of fixed assets                           |              | 11                     | 0                      |
| <b>Gross cash flow</b>                                       | <b>32.</b>   | <b>3,013</b>           | <b>3,196</b>           |
| Decrease/ increase in inventories                            |              | 666                    | -945                   |
| Decrease/increase in trade<br>receivables and other assets   |              | 410                    | -126                   |
| Decrease in current liabilities and other liabilities        |              | -51                    | -265                   |
| Cash inflow from dividends                                   |              | 7                      | 39                     |
| Cash inflow from interest                                    |              | 11                     | 8                      |
| Cash outflow from interest                                   |              | -445                   | -476                   |
| Cash outflow/inflow from taxes                               |              | -1,145                 | -639                   |
| <b>Cash flow from operations</b>                             | <b>33.</b>   | <b>2,466</b>           | <b>792</b>             |
| Cash outflow for investments in fixed assets                 |              | -1,502                 | -1,048                 |
| Cash inflow from funding sources for investments             |              | 0                      | 0                      |
| Cash inflow based on financial assets                        | 9.           | 167                    | 3,645                  |
| Cash outflow based on financial assets                       | 9.           | -1,436                 | -1,047                 |
| <b>Cash flow from investments</b>                            | <b>34.</b>   | <b>-2,771</b>          | <b>1,550</b>           |
| Cash inflow from non-controlling shareholders                |              | 2,144                  | 0                      |
| Share acquisition from shareholders of minority interests    |              | 0                      | -100                   |
| Dividend payments  | 13.          | -2,475                 | -2,475                 |
| Cash inflow from taking out loan liabilities                 | 15.          | 2,000                  | 1,195                  |
| Cash outflow for repayment of loan liabilities               | 15.          | -1,293                 | -1,446                 |
| Decrease/ increase in long-term liabilities                  | 17.          | -476                   | 261                    |
| <b>Cash flow from financing activities</b>                   | <b>35.</b>   | <b>-100</b>            | <b>-2,565</b>          |
| <b>Change in cash and cash equivalents</b>                   |              | <b>-405</b>            | <b>-223</b>            |
| <b>Cash and cash equivalents at beginning of fiscal year</b> |              | <b>9,518</b>           | <b>9,683</b>           |
| <b>Exchange rate difference</b>                              |              | <b>-302</b>            | <b>58</b>              |
| <b>Cash and cash equivalents at end of fiscal year</b>       |              | <b>8,811</b>           | <b>9,518</b>           |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2017 FISCAL YEAR

## Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2017 fiscal year in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2017 fiscal year and have affected the 2017 fiscal year as follows:

| Standard/<br>Interpreta-<br>tion | Title of Standard/<br>Interpretation or Amendment   | First-time<br>Application <sup>1</sup> | Impact on<br>Geratherm              |
|----------------------------------|---|--|-------------------------------------|
| <i>IAS 8.28</i>                  |   |  |                                     |
| Amendments to IAS 7              | Disclosure Initiative/<br>Angabeninitiative   | 1 January 2017                         | Additional Disclosures in the Notes |
| Amendments to IAS 12             | Recognition of Deferred Tax Assets for Unrealised Losses / Ansatz latenter Steueransprüche für nicht realisierte Verluste | 1 January 2017                         | No significant impact               |
| Improvements to IFRS 2014 – 2016 | Amendments to IFRS 12 / Änderungen zu IFRS 12   | 1 January 2017                         | Additional Disclosures in the Notes |

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

| Standard/<br>Interpretation   | Title of Standard/<br>Interpretation or Amendment   | First time<br>appli-<br>cation <sup>2</sup> |
|---|---|---|
| <i>IAS 8.30, EU endorsement has been given by the release for publication</i> |   |   |
| IFRS 9  | Financial Instruments / Finanzinstrumente   | 1 January 2018                              |
| IFRS 15   | Revenue from Contracts with Customers / Erlöse aus Verträgen mit Kunden   | 1 January 2018                              |
| IFRS 16   | Leases / Leasingverhältnisse  | 1 January 2018                              |
| Amendments to IFRS 4  | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts / Anwendung von IFRS 9 Finanzinstrumente gemeinsam mit IFRS 4 Versicherungsverträge | 1 January 2018                              |
| Amendment to IFRS 15  | Regulatory Deferral Accounts / Klarstellungen zum IFRS 15   | 1 January 2018                              |
| Improvements to IFRS 2014 – 2016  | Amendments to IFRS 1 and IAS 28 / Änderungen an IFRS 1 und IAS 28   | 1 January 2018                              |

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

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

| Standard/<br>Interpretation  | Title of Standard/<br>Interpretation or Amendment   | First time<br>appli-<br>cation <sup>2</sup> |
|--|---|---|
| <i>IAS 8.30, EU Endorsement ist noch ausstehend (Stand: 11. Januar 2018)</i> |   |   |
| IFRS 14  | Regulatory Deferral Accounts / Regulatorische Abgrenzungsposten   | <sup>3</sup>                                |
| IFRS 17  | Insurance Contracts / Versicherungsverträge   | 1 January 2021                              |
| Amendments to IFRS 2   | Classification and Measurement of Sharebased Payment Transactions /<br>Klassifizierung und Bewertung von anteilsbasierten Vergütungen   | 1 January 2018                              |
| Amendments to IFRS 9   | Prepayment Features with Negative Compensation /<br>Finanzielle Vermögenswerte mit einer negativen Vorfälligkeitsentschädigung  | 1 January 2019                              |
| Amendments to IFRS 10<br>and IAS 28  | Sale or Contribution of Assets between an Investor and its Associate or Joint<br>Venture / Verkauf oder Einlage von Vermögenswerten zw. einem Anleger und<br>einem assoziierten Unternehmen oder Gemeinschaftsunternehmen | <sup>4</sup>                                |
| Amendments to IAS 28   | Longterm Interests in Associates and Joint Ventures / Langfristige<br>Anteile an assoziierten Unternehmen und Gemeinschaftsunternehmen  | 1 January 2019                              |
| Amendments to IAS 40   | Transfers of Investment Property /<br>Übertragungen von als Finanzinvestition gehaltenen Immobilien   | 1 January 2018                              |
| IFRIC 22   | Foreign Currency Transactions and Advance Consideration / Transaktionen<br>in fremder Währung und im Voraus gezahlte Gegenleistungen  | 1 January 2018                              |
| IFRIC 23   | Uncertainty over Income Tax Treatments /<br>Unsicherheit bezüglich der ertragsteuerlichen Behandlung  | 1 January 2019                              |
| Improvements to<br>IFRS 2015 – 2017  | Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 /<br>Änderungen an IFRS 3, IFRS 11, IAS 12 und IAS 23  | 1 January 2019                              |

<sup>2</sup> Geschäftsjahre, die am oder nach dem angegebenen Datum beginnen.

<sup>3</sup> IASB effective date 1 Jan. 2016. An EU endorsement is not planned.

<sup>4</sup> On 17 December 2015, the IASB decided to postpone indefinitely the date of initial application of this amended standard.

## A. Expected effects from application of IFRS 9 and IFRS 15

Geratherm Medical AG is obligated to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers as of 1 January 2018. The group has evaluated the expected effects of the first-time application of IFRS 9 (see (B)) and IFRS 15 (see (C)) on the consolidated financial statements. The expected impact of the application of these standards on the group's equity capital as of 1 January 2018 is based on current assessments and is summarised as follows. The actual effects from the application of these standards as of 1 January 2018 may deviate, since

- the group has not yet completed tests and evaluations of the controls of its new IT systems and
- the new accounting policies may be subject to change before the first consolidated financial statements are published after the date of initial application.

The total estimated adjustment (after taxes) of the equity capital on the group's opening balance sheet as of 1 January 2018 is -27 kEUR. The estimated adjustment is based on the following circumstances:

- Other reserves and equity interests of non-controlling shareholders declined by -30 kEUR due to the subsequent recognition of revenues from sales agreements in which warranty extension options were utilised
- The other reserves increase by 3 kEUR due to the earlier recognition of revenues in connection with consignment inventories at the customers' premises.



| in kEUR                              | As reported on<br>31/12/2017 | Expected<br>adjustment due<br>to application of<br>IFRS 9 | Expected<br>adjustment due<br>to application of<br>IFRS 15 | Expected<br>adjusted values<br>on opening<br>balance sheet as<br>at 1 Jan. 2018 |
|--------------------------------------|------------------------------|---|--|---|
| Finished goods and merchandise       | 3,449                        | 0   | -14  | 3,435   |
| Other long-term liabilities          | 576                          | 0   | 30   | 606   |
| Tax liabilities                      | 550                          | 0   | 1  | 551   |
| Other reserves                       | 3,895                        | 0   | -17  | 3,878   |
| Shareholders of minority<br>interest | -2                           | 0   | -10  | -12   |

## B. IFRS 9 Financial Instruments

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. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

### 1. Classification of Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets, which reflects the business model, within the framework of which the assets are held, and the characteristics of their cash flows. IFRS 9 includes three important categories for classifying financial assets: measured at amortised costs, measured at fair value through profit or loss (FVTPL) and measured at fair value through other comprehensive income (FVOCI). The standard eliminates the existing categories of IAS 39: held to maturity, loans and receivables and available for sale.

Based on its assessment, Geratherm Medical AG does not believe that the new classification requirements will have any significant impact on the accounting of its financial assets. As of 31 December 2017 the group possessed shares that are classified as available for sale, with a fair value of EUR 4.025 million. According to IFRS 9 the group classified them as FVOCI, since the business model is based on "hold and sell". The long-term interest in Protembis GmbH has also been classified as FVOCI. There are no effects in this case either due to the application of IFRS 9, since the fair value approaches the acquisition costs of the share acquired in 2017.

### 2. Impairment of Financial Assets

IFRS 9 replaces the ISA 39 model of losses' incurred with a future-oriented model of expected credit losses'. This requires significant discretionary decisions on how the expected credit losses are affected by changes in the economic factors. This estimate is determined on the basis of weighted probabilities. The new impairment model shall be applied to financial assets, which are measured at amortised costs or FVOCI.

Since the group has already taken the risk of bad debts adequately into account by forming specific valuation allowances in accordance with reasonable commercial prudence and has recognized the anticipated changes in values of held securities in the group's equity capital or in the consolidated profit and loss statement, the group does not anticipate an impact from the application of IFRS 9.

### 3. Classification of Financial Liabilities

IFRS 9 retains for the most part the existing requirements of existing requirements of IAS 39 for the classification of financial liabilities. According to IAS 39 all changes in the fair value of liabilities, which were designated as at fair value on the balance sheet, are recognised as profit or loss, whereas these changes in the fair value are generally shown under IFRS 9 as follows:

- The change in the fair value which can be attributed to changes in the credit risk of a liability is shown in the Other Comprehensive Income.
- The remaining change in the fair value is shown in profit or loss.
- The group has not designated nor does it currently intend to designate any financial liabilities at fair value through profit or loss. The assessment by the group did not reveal any significant impact with regard to the classification of financial liabilities as of 1 January 2018.

### C. IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies a comprehensive framework for determining whether, to what extent and at which time revenue shall be recognised. It replaces the existing guidelines for recognising revenue, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

#### 1. Sales of Medical Products

The group generates sales through the transfer of ownership of products sold, i.e. transfer of benefits and risks to customers. 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.

According to IFRS 15, sales revenues are recognised when a customer obtains control of the goods. Since this time normally coincides with the transfer of benefits and risks, the group generally does not anticipate any significant impact from the application of IFRS 15.

Geratherm Medical AG enters consignment inventories at the customers' premises in the amount of 14 kEUR under inventory in the balance sheet as at 31 December 2017. Based on the agreement reached with the customer, the respective customer already gains control of the inventories with their placement in the consignment stock according to IFRS 15. When applying IFRS 15, sales estimated here in the amount of 18 kEUR are to be entered in the balance sheet on the basis of a typical customer margin of 25-30 %. This would result in an increase in other reserves of 3 kEUR taking into account the taxes to be paid on the profit.

When our subsidiary LMT Medical Systems GmbH sells incubators, customers are offered warranty extension options. In this context, the utilisation of such options resulted in sales revenues of 30 kEUR during the 2017 financial year. 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. With the application of IFRS 15 that results in a decrease in the group's equity capital of 30 kEUR. These reduce the shares attributable to the main shareholder (other reserves) by 20 kEUR and the equity capital interests of non-controlling shareholders by 10 kEUR.

## 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 in the quarterly financial statements and on the balance sheet date.

Even IFRS 15 specifies that sales revenues are to be recognized on a time basis. In this context, the application of IFRS 15 does not lead to any changes.

## 3. Transition

With the transition to IFRS 15, the group intends to apply the modified retrospective method, according to which cumulative adjustment amounts are recognised on 1 January 2018, in its consolidated financial statements. As a result of that, the group will not apply the requirements of IFRS 15 to every comparative period shown.

## D. Expected Impact from Application of IFRS 16

IFRS 16 replaces the existing regulations on leasing conditions, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard may be applied for the first time for fiscal years that begin on or after 1 January 2019. An early adoption is permitted if the company applies IFRS 15 prior to or on the date that IFRS 16 may be first used.

IFRS 16 introduces a uniform accounting model, based on which leases are to be recognised in the balance sheet of the lessee. A lessee recognises a right-of-use asset that represents its right to use the underlying asset and a liability arising in connection with the lease that shows its obligation to make lease payments. There are exemptions for short-term leases and leases for low-value assets. Accounting on part of the lessor is comparable to the current standard – this means that lessors may continue to classify leases as finance or operating leases.

The group has concluded an initial assessment of possible effects on its consolidated financial statements, an in-depth assessment has not yet been completed. The actual impact of applying IFRS 16 to the consolidated financial statements at the time of the first-time application will depend on future economic conditions, such as the group's interest rates as at 1 January 2019, the composition of the lease portfolio at this time, the group's assessment of the utilisation of extension options and the scope in which the group makes use of exemptions and waivers.

A possible effect that has been identified thus far is that the group will recognise new assets and liabilities for its operating leases. As of 31 December 2017 future minimum lease payments for non-terminable operating leases (on an undiscounted basis) 192 kEUR (see Disclosure for Other Financial Obligations).

In addition, the type of expenses which are associated with these leases will change now, since IFRS 16 replaces the linear expenses for the operating leases with a depreciation expense for right-of-use assets and interest expenses for lease liabilities.

No significant effects are expected on the group's finance leases.

As lessee the group may apply the standard using one of the subsequent methods:

- Retrospective method or
- Modified retrospective method with optional exemptions.

The lessee applies the selected method consistently to all of its leases.

The group intends to apply IFRS 16 for the first time on 1 January 2019 by using the modified retrospective method. For this reason, the cumulative effect from the application of IFRS 16 is recognised as an adjustment of the opening balance sheet value of earning reserves as at 1 January 2019 without adjusting the comparative information.

When applying the modified retrospective method to leases which have been classified under IAS 17 as operating leases, the lessee can choose for every lease whether exemptions should be utilised in the transition. The group is currently determining the potential effects from the use of these exemptions.

As lessor the group is not obligated to make any adjustment to leases, where it acts as lessor, unless it is an intermediary lessor in a sublease relationship.

#### **E. Expected Impact from Application of Other Standards**

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.

### **Layout and Preparation of the Financial Statements**

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

The income statement was prepared according to the "total cost" type of short-term results accounting.

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

The parent company is Geratherm Medical AG, which is established according to German law and has headquarters in Geschwenda. The shares of the company are admitted to trading 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 12 Apr. 2018 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

### **Legal and Economic Matters**

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

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

## Consolidation Principles

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

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

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

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

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

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

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

## Minority interests

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

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

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

## Consolidated Group

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

| Company  | Percentage of shares held 2017 | Percentage of shares held 2016 |
|--|--------------------------------|--------------------------------|
| GME Rechte und Beteiligungen GmbH, Geschwenda, Germany | 100.00 %                       | 100.00 %                       |
| apoplex medical technologies GmbH, Pirmasens, Germany  | 53.42 %                        | 58.76 %                        |
| 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, Geschwenda, Germany          | 100.00 %                       | 100.00 %                       |
| LMT Medical Systems GmbH<br>Lübeck / Germany           | 66.67 %                        | 66.67 %                        |
| <i>Subsidiary: LMT Medical Systems Inc., Ohio, USA</i> | <i>100.00 %</i>                | <i>100.00 %</i>                |

The following changes occurred in the consolidation group as of 31 December 2017: In accordance with the resolution of the shareholders' meeting from 13 April 2017, the share capital of apoplex medical technologies GmbH was increased by EUR 61,842 to EUR 680,209 by creating new company shares. The share capital has been paid in full. Geratherm's interests in apoplex medical technologies GmbH thus changed from 58.76 % to 53.42 %, since the company did not participate in the capital increase.

The share capital of Geratherm Medical do Brasil Ltda. was increased by way of resolution adopted by the shareholders' meeting on 28 August 2017 by BRL 558,000 (150 kEUR) to BRL 1,226,530 (350 kEUR). The share capital has been paid in full by Geratherm Medical AG. On 15 Sept. 2017, the shareholders resolved to increase the share capital to BRL 1,762,700 (494 kEUR). The share capital was paid in by the minority shareholder Marcio Leandro de Souza. As a result, the share held by Geratherm Medical AG remains at 51.00 % as of 31 December 2017. At the end of the year, it was noted that the liquid funds raised by the capital increase were insufficient for reducing the problems of the Brazilian subsidiary. Thus, another attempt to reach an agreement with an involved Brazilian bank by means of a "haircut" did not work out yet. The shareholders of Geratherm do Brasil are not willing to provide any further financial assistance. The management of the company is drawing up a restructuring plan, on the basis of which production will be discontinued and the company is converted to a pure distribution company.

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

## Foreign Currency Translation

We used the concept of functional currency when converting the financial statements of Geratherm Medical do Brasil Ltda. and LMT Medical Systems Inc., which include figures in a foreign currency. Since these companies operate their businesses independently, they are treated as independent foreign entities as defined by IAS 21. Based on that, the assets and liabilities of the foreign subsidiary are translated at the exchange rate prevailing on the reporting date, while the expenses and receipts are translated at the annual mean exchange rate as permissible simplification according to IAS 21.40. The equity capital is valued using the historical exchange rates (the rates prevailing on the date of payment and the respective mean exchange rate of the yield generated). The difference resulting from this currency translation is reported as a separate item in the group's other comprehensive income. When converting the financial statements of Geratherm do Brasil into the local currency, a period-end exchange rate of BRL 3.9729 /EUR (balance sheet) and an average exchange rate of BRL 3.605432/EUR (P&L) were taken as a basis. When converting the financial statements of LMT Medical Systems into the local currency, a period-end exchange rate of USD 1.1993/EUR (balance sheet) and an average exchange rate of USD 1.129681/EUR (P&L) were taken as a basis.



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

## Principles of Accounting and Valuation

All accounting and valuation methods were applied uniformly.

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

## Intangible Assets

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

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

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

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

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

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

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

If the estimates made with regard to future cash inflow require an update, the management board checks for the presence of a "triggering event", especially with the relatively new Cardio/Stroke and Respiratory. If such event is present, an impairment test is conducted for the respective area. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which is based on current planning.

That is based on the best assessment made by management with regard to future development. The planning encompasses a detailed plan for the first 4 or 5 years. The cash flows are carried on without change for the further planning phase. The forecast cash flows are subject to a pre-tax discount rate. A separate risk supplement is recognized in the discount rate in order to take into account the individual risks of the relatively new product areas in the business life cycle (start-up allowance). The estimate of individual aggregate risks, which are reflected in cash-flow planning and the discount rate, remained almost unchanged. There were no indications of any triggering events during the year under review.

## Tangible Assets

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

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

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

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

## Decline in Value of Intangible and Tangible Assets

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

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

## Leasing

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

## Financial Assets and Liabilities

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

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

Securities are to be assigned to the category "available for sale" and valued at the current market value that is to be included. All securities (shares) are valued at the market price prevailing on the reporting date and marketable. The valuation changes as of the reporting date are shown in the equity capital under the "Market valuation reserve" item in accordance with IAS 39.55(b). In case of sale of securities or occurrence of long-term decrease in value, accumulated profits and losses taken in the market valuation reserve into account until then are reported in the income statement of the current period. Revenue resulting from interests and dividends from these securities is entered in the income statement. A long-term decline in value is determined when as of the reporting date, the fair value has declined more than 20 % under the acquisition costs or on the reporting date, a decline in the fair value has occurred over a period of nine months. These parameters were checked for the 2017 business year and applied accordingly.

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

## Current and Deferred Taxes

Actual taxes are the anticipated tax liability or tax receivable on the the taxable income or loss for 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. Based on the accounting and valuation method, they are applied to time-limited differences between valuations in the commercial balance sheet and tax balance sheet and to losses carried forward and chargeable taxes.

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

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

## Inventories

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

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

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

## Listing of Sales Revenue

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

## Interests Paid and Interests Earned

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

## Estimates and Assumptions

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. For instance, the assessment of capitalisation requirement for development projects (book value 463 kEUR), the statements on economic useful lives for long-term intangible and tangible assets (book value EUR 4.552 million) are based in particular on estimates and assumptions. In addition, the assessment of the deferred taxes (book value 365 kEUR), the long-term impairment of assets available for sale (securities, book value EUR 4.025 million) and the impairment tests of the cash-generating units and the assets is based on the corporate planning, which of course involves uncertainties (book value of goodwill 76 kEUR) such that the actual values may deviate from the made assumptions and estimates in individual cases. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting. Exercise of substantial discretionary powers is not available.

## Determination of Fair Values

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

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

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

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

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

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

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

Currently fair values are determined exclusively within level 1.

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

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

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

## Notes to the Consolidated Financial Statements

### ASSETS

#### 1. Intangible Assets

Intangible assets totalling 657 kEUR (2016: 626 kEUR) are reported as of 31 December 2017. The development of the intangible assets is shown in the following table:

| Intangible assets                             | Development costs | Other intangible assets | Goodwill | Total     |
|---|-------------------|-------------------------|----------|-----------|
| <b>Initial and manufacturing costs in EUR</b> |                   |                         |          |           |
| 1/1/2016                                      | 2,150,272         | 769,170                 | 90,000   | 3,009,442 |
| Additions                                     | 164,598           | 25,161                  | 0        | 189,759   |
| Disposals                                     | 0                 | 398                     | 0        | 398       |
| Transfers                                     | 0                 | 0                       | 0        | 0         |
| 31/12/2016                                    | 2,314,870         | 793,933                 | 90,000   | 3,198,803 |
| 1/1/2017                                      | 2,314,870         | 793,933                 | 90,000   | 3,198,803 |
| Additions                                     | 179,110           | 32,255                  | 0        | 211,365   |
| Disposals                                     | 0                 | 5,835                   | 0        | 5,835     |
| Transfers                                     | 0                 | 0                       | 0        | 0         |
| 31/12/2017                                    | 2,493,980         | 820,353                 | 90,000   | 3,404,333 |

| Intangible assets                           | Development costs | Other intangible assets | Goodwill      | Total          |
|---|-------------------|-------------------------|---------------|----------------|
| <b>Amortisation and depreciation in EUR</b> |                   |                         |               |                |
| 1/1/2016                                    | 1,988,781         | 402,936                 | 14,250        | 2,405,967      |
| Additions                                   | 22,393            | 145,052                 | 0             | 167,445        |
| Disposals                                   | 0                 | 398                     | 0             | 398            |
| 31/12/2016                                  | 2,011,174         | 547,590                 | 14,250        | 2,573,014      |
| 1/1/2017                                    | 2,011,174         | 547,590                 | 14,250        | 2,573,014      |
| Additions                                   | 20,280            | 153,609                 | 0             | 173,889        |
| Disposals                                   | 0                 | 0                       | 0             | 0              |
| 31/12/2017                                  | 2,031,454         | 701,199                 | 14,250        | 2,746,903      |
| <b>Book values in EUR</b>                   |                   |                         |               |                |
| 1/1/2016                                    | 161,491           | 366,234                 | 75,750        | 603,475        |
| <b>31/12/2016</b>                           | <b>303,696</b>    | <b>246,343</b>          | <b>75,750</b> | <b>625,789</b> |
| 1/1/2017                                    | 303,696           | 246,343                 | 75,750        | 625,789        |
| <b>31/12/2017</b>                           | <b>462,526</b>    | <b>119,154</b>          | <b>75,750</b> | <b>657,430</b> |

The development costs for intangible assets created internally during the 2017 fiscal year were capitalised in the amount of 179 kEUR (2016: 165 kEUR). Non-capitalisable research and development costs were posted as expenses in the amount of 440 kEUR (2016: 467 kEUR). The other intangible assets primarily involve licenses, patents and software.

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

An impairment test with assigned goodwill is performed once a year for cash-generating units in order to determine if there is any impairment loss possibly existing. The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2018 to 2021. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This segment possesses a goodwill of 76 kEUR (2016: 76 kEUR) and an additional net worth of 153 kEUR (2016: 172 kEUR) on the reporting date. The attainable amount which is used for comparison as part of the impairment test of the cash-generating unit, is determined by the value in use. To calculate the value in use, the cash flows derived from the planning were discounted with a risk-adjusted, fair market interest rate in the amount of 16.75 % before taxes. The planning envisions a sales growth between 6 % and 50 % p.a. with correspondingly increasing costs, whereas an annual increase in margin was assumed in a lower single-digit percentage range. There were no points of reference for an impairment and none were necessary in this regard. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one percent increase in the interest rate results in a minus 7 kEUR change in the cash value. A sustained decrease in the sales revenue during the planning period of 10 % would lead to a full write-off of the goodwill amounting to 76 kEUR.

## 2. Tangible Assets

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

| Tangible assets                               | Land, land rights and buildings | Technical equipment and machinery | Other equipment, factory and office equipment | Construction in progress | Total            |
|---|---------------------------------|-----------------------------------|---|--------------------------|------------------|
| <b>Initial and manufacturing costs in EUR</b> |                                 |                                   |   |                          |                  |
| 1/1/2016                                      | 2,475,891                       | 7,940,601                         | 939,502                                       | 134,412                  | 11,490,406       |
| Additions                                     | 242,076                         | 440,326                           | 133,656                                       | 42,459                   | 858,517          |
| Disposals                                     | 0                               | 138,442                           | 42,402  | 0                        | 180,844          |
| Transfers                                     | 10,000                          | 116,352                           | 0   | -126,352                 | 0                |
| 31/12/2016                                    | 2,727,967                       | 8,358,837                         | 1,030,756                                     | 50,519                   | 12,168,079       |
| 1/1/2017                                      | 2,727,967                       | 8,358,837                         | 1,030,756                                     | 50,519                   | 12,168,079       |
| Additions                                     | 50,160                          | 81,543                            | 57,837  | 1,100,735                | 1,290,275        |
| Disposals                                     | 0                               | 0                                 | 8,664   | 0                        | 8,664            |
| Transfers                                     | 960                             | 0                                 | 0   | -960                     | 0                |
| 31/12/2017                                    | 2,779,087                       | 8,440,380                         | 1,079,929                                     | 1,150,294                | 13,449,690       |
| <b>Amortisation and depreciation in EUR</b>   |                                 |                                   |   |                          |                  |
| 1/1/2016                                      | 1,453,930                       | 5,685,921                         | 628,018                                       | 0                        | 7,767,869        |
| Additions                                     | 71,929                          | 809,492                           | 122,561                                       | 0                        | 1,003,982        |
| Disposals                                     | 0                               | 138,439                           | 42,401  | 0                        | 180,840          |
| 31/12/2016                                    | 1,525,859                       | 6,356,974                         | 708,178                                       | 0                        | 8,591,011        |
| 1/1/2017                                      | 1,525,859                       | 6,356,974                         | 708,178                                       | 0                        | 8,591,011        |
| Additions                                     | 72,530                          | 783,474                           | 111,192                                       | 0                        | 967,196          |
| Disposals                                     | 0                               | 0                                 | 3,524   | 0                        | 3,524            |
| 31/12/2017                                    | 1,598,389                       | 7,140,448                         | 815,846                                       | 0                        | 9,554,683        |
| <b>Book values in EUR</b>                     |                                 |                                   |   |                          |                  |
| 1/1/2016                                      | 1,021,961                       | 2,254,680                         | 311,484                                       | 134,412                  | 3,722,537        |
| <b>31/12/2016</b>                             | <b>1,202,108</b>                | <b>2,001,863</b>                  | <b>322,578</b>                                | <b>50,519</b>            | <b>3,577,068</b> |
| 1/1/2017                                      | 1,202,108                       | 2,001,863                         | 322,578                                       | 50,519                   | 3,577,068        |
| <b>31/12/2017</b>                             | <b>1,180,698</b>                | <b>1,299,932</b>                  | <b>264,083</b>                                | <b>1,150,294</b>         | <b>3,895,007</b> |

The additions in the area of tangible assets mainly involve the addition of assets under construction. During the second half of 2017 work began on the planned construction of the new production hall for Capillary Solutions GmbH (production of glass tubes and capillaries).

Own work were capitalised in the amount of 78 kEUR.

Irregular depreciation of fixed assets was not necessary



### 3. Other Long-term Financial Assets and Long-term Receivables

The “Other assets” item includes the interest of Geratherm Medical AG held in Protembis GmbH, Aachen, in the amount of 426 kEUR (2016: 270 kEUR). The rise is due to the capital increase made on 30 March 2017. Geratherm Medical AG holds an 11 % share (2016: 9.1 %). For the interest in Protembis GmbH (426 kEUR) there was no information about the reliable assessment of a current market value for this equity instrument on the reporting date. The valuation is carried out at the amortised acquisition costs.

The Other long-term liabilities relate in the amount of 179 kEUR (2016: 276 kEUR) to the sales tax receivables of the Brazilian subsidiary Geratherm do Brasil.

### 4. Deferred Taxes

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

|                                       | 31/12/2017          | 31/12/2016          | 31/12/2017               | 31/12/2016               | 31/12/2017           | 31/12/2016           |
|---------------------------------------|---------------------|---------------------|--------------------------|--------------------------|----------------------|----------------------|
|                                       | 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 | 7                   | 11                  | 67                       | 108                      | -60                  | -97                  |
| Goodwill                              | 0                   | 0                   | 23                       | 21                       | -23                  | -21                  |
| Fixed assets                          | 8                   | 0                   | 6                        | 0                        | 2                    | 0                    |
| Inventories                           | 22                  | 14                  | 96                       | 30                       | -74                  | -16                  |
| Losses carried forward                | 520                 | 90                  | 0                        | 0                        | 520                  | 90                   |
| Other                                 | 0                   | 0                   | 0                        | 9                        | 0                    | -9                   |
| <b>Total</b>                          | <b>557</b>          | <b>115</b>          | <b>192</b>               | <b>168</b>               | <b>365</b>           | <b>-53</b>           |

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

| Change in the balance of deferred taxes | 1/1/2017   | Change with effect on profit and loss | Change without effect on profit and loss | 31/12/2017 |
|---|------------|---------------------------------------|--|------------|
|   | kEUR       | kEUR                                  | kEUR                                     | kEUR       |
| Capitalised development costs/patents   | -97        | 37                                    | 0  | -60        |
| Goodwill                                | -21        | -2                                    | 0  | -23        |
| Fixed assets                            | 0          | 2                                     | 0  | 2          |
| Inventories                             | -16        | -58                                   | 0  | -74        |
| Losses carried forward                  | 90         | 430                                   | 0  | 520        |
| Other                                   | -9         | 9                                     | 0  | 0          |
| <b>Total</b>                            | <b>-53</b> | <b>418</b>                            | <b>0</b>                                 | <b>365</b> |

| Change in the balance<br>of deferred taxes | 1/1/2016   | Change with<br>effect on profit<br>and loss | Change without<br>effect on profit<br>and loss | 31/12/2016 |
|--|------------|---|--|------------|
|  | kEUR       | kEUR  | kEUR   | kEUR       |
| Capitalised development<br>costs/patents   | -126       | 29  | 0  | -97        |
| Goodwill                                   | -19        | -2  | 0  | -21        |
| Inventories                                | 0          | -16   | 0  | -16        |
| Losses carried forward                     | 285        | -195  | 0  | 90         |
| Other                                      | 0          | -9  | 0  | -9         |
| <b>Total</b>                               | <b>140</b> | <b>-193</b>                                 | <b>0</b>                                       | <b>-53</b> |

An income tax rate ranging between 29.13 % and 31.35 % (2016: between 29.13 % and 31.35 %) was established as basis for calculating the deferred taxation. It also includes the trade tax in addition to the corporate income tax together with the solidarity surcharge.

The tax losses carried forward by Geratherm Medical AG were used up in 2016. During the 2017 business year, we classified the losses carried forward by the subsidiaries apoplex technologies GmbH (EUR 1.533 million) and Geratherm Respiratory GmbH (177 kEUR) as impaired due to the expected use of the tax losses carried forward on the basis of corporate planning. Both companies have shown a positive business performance over the past two years. We do expect that the company's profits will continue to increase in the coming years. For the other subsidiaries that are included in the consolidated financial statements and which are still in part under construction and their revenue planning is still subject to a corresponding uncertainty, no deferred tax assets were applied beyond the deferred tax liabilities arising from temporary differences.

#### Presentation of Deferred Taxes on the Assets Side for Tax Loss Carried Forward

|                                      | 2017<br>kEUR | 2016<br>kEUR |
|--------------------------------------|--------------|--------------|
| Tax loss carried forward as of 31/12 | 6,003        | 4,143        |
| Of which recoverable                 | 1,728        | 308          |
| <b>Deferred taxation</b>             | <b>520</b>   | <b>90</b>    |

#### 5. Inventories

|                            | 31/12/2017<br>EUR | 31/12/2016<br>EUR |
|----------------------------|-------------------|-------------------|
| Raw materials and supplies | 2,226,466         | 2,400,900         |
| Unfinished goods           | 1,111,914         | 1,125,026         |
| Finished goods             | 1,375,585         | 1,865,118         |
| Goods                      | 2,073,794         | 2,369,446         |
| <b>Total</b>               | <b>6,787,759</b>  | <b>7,760,490</b>  |

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 2017 primarily include clinical thermometers in various stages of production as well as semi-finished warming systems and incubators.

The finished goods item mainly include thermometers, warming systems and incubators as of 31 December 2017. The goods essentially include digital thermometers and blood pressure monitors that are earmarked for sales and produced for contracts.

Due to restructuring measures in the subsidiary Geratherm do Brasil Ltda. impairments were recognised on inventories at the net residual value in the amount of 307 kEUR. These are shown under Costs of raw materials, supplies and goods and of purchased merchandise in the consolidated profit and loss statement.

## 6. Trade Receivables

The trade receivables are structured as follows:

|                                | 31/12/2017<br>EUR | 31/12/2016<br>EUR |
|--------------------------------|-------------------|-------------------|
| Gross sum of trade receivables | 3,164,770         | 3,328,990         |
| Devaluations                   | -502,595          | -40,777           |
| <b>Total</b>                   | <b>2,662,175</b>  | <b>3,288,213</b>  |

The shown trade receivables are due within one year and results primarily from deliveries of products and goods. The devaluations relate to receivables subject to a risk of non-payment and are recognised on the balance sheet under other expenses of the current period.

In connection with the restructuring of the Brazilian subsidiary Geratherm do Brasil bad debt allowances were formed on 31/12/2017 in the amount of 477 kEUR, which are shown under Other expenses.

## 7. Tax Receivables

The tax receivables relate to receivables from reimbursement of income taxes in the amount of 264 kEUR (2016: 0 kEUR) and sales taxes in the amount of 130 kEUR (2016: 162 kEUR).

## 8. Other Short-term Assets

The other assets essentially relate to prepayments (117 kEUR; 2016: 211 kEUR), and other expenses paid in advance (119 kEUR; 2016: 120 kEUR).

## 9. Securities

The securities holdings include the following:

| 2017                          | Number/<br>nominal | Book value as of<br>31/12<br>EUR | Price as at<br>31/12<br>EUR |
|-------------------------------|--------------------|----------------------------------|-----------------------------|
| Agfa-Gevaert N.V.             | 750,000            | 2,895,000                        | 3.86                        |
| TEVA Pharmaceutical Ind. Ltd. | 71,500             | 1,129,763                        | 15.80                       |
| <b>Total</b>                  |                    | <b>4,024,763</b>                 |                             |

| 2016              |         |                  |      |
|-------------------|---------|------------------|------|
| Agfa-Gevaert N.V. | 700,000 | 2,529,800        | 3.61 |
| <b>Total</b>      |         | <b>2,529,800</b> |      |

During the 2017 fiscal year, the level of securities was increased by means of acquisitions in the amount of EUR 1.280 million (2016: EUR 1.047 million). The level also decreased by means of sales in the amount of 167 kEUR (2016: EUR 3.645 million). As a result, it was possible to realize a profit contribution of 125 kEUR (2016: 925 kEUR).

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

For the 2017 business year, no impairment was to be carried out in accordance with IAS 39.67.

As per balance sheet date 31 December 2017, the market assessment reserve was due to the sales of securities and exchange rate changes 309 kEUR (2016: 53 kEUR). The change in the revaluation reserve in the amount of +256 kEUR is mainly made up of sales of securities (-3 kEUR) and change in the fair value (+259 kEUR).

## 10. Cash and Cash Equivalents

|                                  | 31/12/2017<br>kEUR | 31/12/2016<br>kEUR |
|----------------------------------|--------------------|--------------------|
| Cash on hand                     | 15                 | 15                 |
| Credit balances with banks       | 8,796              | 9,503              |
| <b>Cash and cash equivalents</b> | <b>8,811</b>       | <b>9,518</b>       |

Of which credit balances with banks in the amount of EUR 2.585 million (2016: EUR 2.257 million) are invested at the prevailing market rates and are available daily.

## EQUITY AND LIABILITIES

### Equity Capital

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

### 11. Subscribed Capital

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 Dec. 2017 and is divided into 4,949,999 share certificates issued to the bearers.

The subscribed capital has been paid in full. As of the reporting date there were no own shares held by the company. The number of shares in circulation was 4,949,999 during the 2017 fiscal year.

### Authorised Capital

The management board was authorised 6 June 2016 to increase the capital stock of the company subject to the approval of the supervisory board by issuing up to a maximum 2,474,999 new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999 by 5 June 2021. Subject to the approval of the supervisory board, the management board is moreover authorised to exclude the statutory subscription rights of shareholders to certain extents.

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

### Authorisation to Purchase of Own Shares

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

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

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

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

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

## 12. Capital Reserves

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

## 13. Other Reserves

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

### Market Assessment Reserve

The change in price of the securities adjusted by the valuation allowances entered with effect on the income was reported in the market valuation reserve item shown in the equity capital as of the reporting date in accordance with the provisions of IAS 39. As at 31 December 2017, the market valuation reserve totals 309 kEUR (2016: 53 kEUR). 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 Conversion Reserve

The currency conversion reserve in the amount of 153 kEUR (2016: -6 kEUR) is based on the consolidation of the financial statements of Geratherm do Brasil Ltda. and LMT Medical Systems Inc., which are prepared in a foreign currency.

### Accumulated Earnings

The accumulated earnings are calculated based on the results brought forward as of the reporting date 31 Dec. 2017 (EUR 5.229 million; 2016: EUR 5.541 million), the purchase of non-controlling interests (0 kEUR; 2016: -74 kEUR), the current net income for the year, which can be attributed to the shareholders of the parent company (680 kEUR; 2016: EUR 2.237 million) less the distributed dividend (EUR 2.475 million; 2016: EUR 2.475 million).

The management board and supervisory board will propose to the general meeting in June 2018 to distribute a dividend of EUR 0.47 per share for the 2017 fiscal year.

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

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognised capital contributions account shall be used for the planned disbursement of the dividend amounting to EUR 0.47 per share for 2017 (altogether EUR 2.326 million).

For the 2017 business year, the earned distributable profit amounts to EUR 2.359 million and is not utilised in full by the planned dividend disbursement such that access to the tax-recognised capital contributions account that continues to exist with EUR 15.206 million is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.4 % (614 kEUR) to the full disbursement amount of EUR 2.326 million.

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

## 14. Shareholders of Minority Interests

|   | Total<br>kEUR |
|---|---------------|
| <b>Minority interests as of 1/1/2017</b>  | <b>-704</b>   |
| Interest-proportional increase in share capital of the subsidiary Geratherm do Brasil Ltda.                           | 144           |
| Increase in share capital of the subsidiary apoplex medical technologies GmbH from shareholders of minority interests | 861           |
| Currency translation in Group   | 154           |
| Result attributable to non-controlling shares   | -457          |
| <b>Non-controlling shares as of 31/12/2017</b>  | <b>-2</b>     |

| 2017<br>in kEUR   | LMT<br>Medical<br>Systems<br>GmbH<br><br>Lübeck | LMT<br>Medical<br>Systems<br>Inc.<br><br>Ohio/USA | apoplex<br>medical<br>techno-<br>logies<br>GmbH<br>Pirmasens | Geratherm<br>Medical do<br>Brasil Ltda.<br><br>Sao Paulo/<br>Brasilien | Geratherm<br>Respiratory<br>GmbH<br><br>Bad<br>Kissingen | Cumulative<br>effects of<br>change in<br>share quota | Total |
|---|---|---|--|--|--|--|-------|
| Percentage of minority interests                                  | 33.33 %   | 33.33 %   | 46.58 %  | 49.00 %  | 34.73 %  |  |       |
| Long-term assets  | 330   | 117   | 862  | 225  | 116  |  |       |
| Short-term assets   | 1,072   | 56  | 1,911  | 624  | 876  |  |       |
| Long-term liabilities   | -527  | 0   | -521   | -1,953   | -218   |  |       |
| Short-term liabilities  | -303  | -162  | -175   | -1,335   | -253   |  |       |
| <b>Net assets</b>   | <b>572</b>                                      | <b>11</b>   | <b>2,077</b>   | <b>-2,439</b>  | <b>521</b>   |  |       |
| Book value of minority interests                                  | 191   | 4   | 967  | -1,195   | 181  | -150   | -2    |
| Sales revenues  | 1,428   | 142   | 1,326  | 899  | 2,690  |  |       |
| <b>Net profit (loss) for the year</b>                             | <b>-80</b>                                      | <b>-13</b>  | <b>610</b>   | <b>-1,562</b>  | <b>158</b>   |  |       |
| Minority interests of attributable net profit (loss) for the year | -27   | -4  | 284  | -765   | 55   | 0  | -457  |
| Cash inflow/(outflow) from operating activities                   | 99  | 67  | 248  | 20   | 63   |  |       |
| Cash inflow/(outflow) from investment activities                  | -79   | 0   | -211   | -1   | -26  |  |       |
| Cash inflow/(outflow) from financing activities                   | 0   | 0   | 1,320  | 46   | 0  |  |       |
| <b>Net increase/ (decrease) in liquid resources</b>               | <b>20</b>                                       | <b>67</b>   | <b>1,357</b>   | <b>65</b>  | <b>37</b>  |  |       |

The following tables contain information about each subsidiary of the group with key minority interests prior to intragroup eliminations as at 31 December 2017 and 31 December 2016:



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

## 15. Long-term Liabilities to Banks

On 30 Dec. 2017, Geratherm Medical AG fully repaid as agreed upon the loan taken out on 22 November 2012 in the amount of EUR 3.000 million extended by Commerzbank AG as part of an entrepreneur loan granted by Kreditanstalt für Wiederaufbau.

The subsidiary Capillary Solutions GmbH received on 12 June/3 July 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 % interest p. a. The interest rate was fixed for the entire term through 30 June 2027. The amortisation rate is monthly 21 kEUR, which will first be due on 31 July 2019.

With regard to Geratherm do Brasil it was possible to redeem a loan in the amount of BRL 1.221 million (approx. 324 kEUR) within the framework of a "haircut" agreement with an involved Brazilian bank in 2017. This results in a financial revenue in the amount of 155 kEUR. Geratherm do Brasil has other loans amounting to 979 kEUR, with terms until 2019 and 2023 respectively. These loans have variable/fixed interest rates ranging between 22.8 % and 30.9 %.

The one loan in the amount of 344 kEUR has a remaining term of up to one year and other loans amounting to EUR 2.635 million have a remaining term of two to five years.

## 16. Accrued Investment Subsidies

The item shown in the balance sheet in the amount of 277 kEUR (2016: 366 kEUR) 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.

Investment grants and subsidies are awarded on the condition that the tangible assets acquired with such remain in the company's assets or in the designated area eligible for development assistance during the binding period.

## 17. Other Long-term Financial Liabilities

In the group, the liabilities arising from the bullet bonds of the minority shareholders of apoplex medical technologies GmbH in the amount of 159 kEUR (2016: 477 kEUR) and Geratherm Respiratory GmbH in the amount of 75 kEUR (2016: 75 kEUR), Geratherm do Brasil Ltda. in the amount of 0 kEUR (2016: 62 kEUR) and LMT Medical Systems GmbH 107 kEUR (2016: 107 kEUR) are essentially reported here. The loans have a one-year term and variable/fixed interest rates ranging between 3 % and 10 %. Another long-term liability in the amount of 236 kEUR (2016: 393 kEUR) in Brazil includes other tax liabilities and liabilities arising in connection with social obligations.

## 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 344 kEUR (2016: EUR 1.375 million), which concern the short-term share of loans of Geratherm do Brasil in the amount of 344 kEUR (2016: 447 kEUR). The liabilities of the subsidiaries Geratherm Respiratory GmbH (2016: 145 kEUR) and LMT Medical Systems GmbH (2016: 33 kEUR) and the loan of Geratherm Medical AG (2016: 750 kEUR) were paid off in full during the 2017 business year.

## 19. Trade Accounts Payable

The trade accounts payable are included at their repayable amount. 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. Tax Liabilities

The tax liabilities shown here relate to liabilities from income taxes at 111 kEUR (2016: 391 kEUR), wage taxes 108 kEUR (2016: 82 kEUR) and sales taxes 331 kEUR (2016: 201 kEUR).

## 21. Other Short-term Liabilities

|                          | 31/12/2017<br>kEUR | 31/12/2016<br>kEUR |
|--------------------------|--------------------|--------------------|
| Accrued liabilities      | 1,134              | 702                |
| Other liabilities        | 699                | 453                |
| <b>Other liabilities</b> | <b>1,833</b>       | <b>1,155</b>       |

## Accrued Liabilities

The accrued liabilities include the following:

|                               | 31/12/2016<br>kEUR | Consumption<br>kEUR | Dissolution<br>kEUR | Addition<br>kEUR | 31/12/2017<br>kEUR |
|-------------------------------|--------------------|---------------------|---------------------|------------------|--------------------|
| Staff related                 | 209                | -185                | -5                  | 191              | 210                |
| Bonuses, commissions, credits | 70                 | -63                 | -7                  | 82               | 82                 |
| Outstanding invoices          | 178                | -99                 | -24                 | 596              | 651                |
| Other                         | 245                | -184                | -16                 | 146              | 191                |
| <b>Total</b>                  | <b>702</b>         | <b>-531</b>         | <b>-52</b>          | <b>1,015</b>     | <b>1,134</b>       |

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

The other liabilities primarily include liabilities from wage payments in the amount of 235 kEUR (2016: 217 kEUR) and social security liabilities in the amount of 307 kEUR (2016: 156 kEUR).

All other liabilities shown here fall due within one year.

## Notes to the Consolidated Profit and Loss Statement

### 22. Sales Revenues

Sales revenues by product groups:

|                       | 2017<br>kEUR  | 2016<br>kEUR  | Change<br>in % |
|-----------------------|---------------|---------------|----------------|
| Healthcare Diagnostic | 13,380        | 14,055        | -4.8           |
| Respiratory           | 4,283         | 3,940         | +8.7           |
| Warming Systems       | 2,043         | 2,289         | -10.7          |
| Cardio/Stroke         | 1,325         | 1,125         | +17.8          |
| <b>Total</b>          | <b>21,031</b> | <b>21,409</b> | <b>-1.8</b>    |

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

Sales revenues by regions:

|               | 2017<br>kEUR  | 2016<br>kEUR  | Change<br>in % |
|---------------|---------------|---------------|----------------|
| Europe        | 11,696        | 11,124        | +5.1           |
| South America | 1,108         | 2,049         | -45.9          |
| Germany       | 3,612         | 3,397         | +6.3           |
| Middle East   | 2,040         | 1,837         | +11.1          |
| USA           | 1,188         | 1,542         | -23.0          |
| Other         | 1,387         | 1,460         | -5.0           |
| <b>Total</b>  | <b>21,031</b> | <b>21,409</b> | <b>-1.8</b>    |

The "Other" item mainly encompasses sales in Asia in the amount of EUR 1.039 million (2016: 976 kEUR) and Africa in the amount of 282 kEUR (2016: 225 kEUR).

## 23. Other Operating Income

The other operating income mainly includes amortisation of capitalised grants and subsidies in the amount of 89 kEUR (2016: 108 kEUR), revenue from the reversal of liabilities accrued in previous years in the amount of 82 kEUR (2016: 142 kEUR), income unrelated to accounting period in the amount of 154 kEUR (2016: 24 kEUR), income from insurance claims in the amount of 28 kEUR (2016: 1 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2017: 102 kEUR; 2016: 435 kEUR).

## 24. Cost of Materials

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

## 25. Personnel Expenses

The personnel expenses in the 2017 fiscal year amounted in total to EUR 6.333 million (2016: EUR 6.214 million). The accounts for this fiscal year included contributions of 426 kEUR (2016: 421 kEUR) made by the employer to the statutory pension scheme. The statutory pension scheme is a contribution-oriented pension scheme within the meaning of IAS 19.

## 26. Amortisation and Depreciation

The write-offs decreased slightly by -2.6 % to EUR 1.141 million (2016: EUR 1.171 million).

## 27. Other Operating Expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (EUR 1.891 million; 2016: EUR 1.880 million) and administrative expenses (EUR 2.482 million; 2016: EUR 2.667 million). The expenses occurring in connection with foreign currency translation during the fiscal year increased to 664 kEUR (2016: 142 kEUR). The increase in the other operating expenses results from the expenses arising in connection with the foreign currency translation and value adjustment of probably unrecoverable claims and unmarketable finished goods in the subsidiary Geratherm do Brasil Ltda. in the amount of 478 kEUR (2016: 0 kEUR).

## 28. Financial Results

The financial results were -163 kEUR (2016: 390 kEUR) during the year under review. These included dividend income (7 kEUR; 2016: 39 kEUR), gains from sales of securities (125 kEUR; 2016: 925 kEUR), expenses occurring in connection with the securities (17 kEUR; 2016: 106 kEUR), interests earned (166 kEUR; 2016: 8 kEUR) and interests paid (445 kEUR; 2016: 476 kEUR). The item "Other interests and similar income" essentially contains the income from the "haircut" with a Brazilian bank in the amount of 155 kEUR.

## 29. Income Taxes

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

|                                     | 2017<br>kEUR | 2016<br>kEUR |
|-------------------------------------|--------------|--------------|
| Actual taxes                        | -600         | -490         |
| Deferred Taxes                      | 359          | -192         |
| <b>Income tax according to IFRS</b> | <b>-241</b>  | <b>-682</b>  |

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 31.35 % (2016: 31.35 %) is applied as the applicable tax rate for offsetting and reconciliation. The relevant tax rate for domestic companies in the concluded fiscal year fluctuated between 29.13 % and 31.35 % depending on the location.

|   | 2017<br>kEUR | 2016<br>kEUR |
|---|--------------|--------------|
| <b>Results before income taxes</b>                                | <b>464</b>   | <b>2,928</b> |
| Tax expenses to be expected                                       | -140         | -1,018       |
| Tax-free income, non-deductible expenses and permanent deviations | 34           | 265          |
| Change in valuation of tax losses carried forward                 | -20          | 20           |
| Differences in tax rates  | -94          | -6           |
| Other   | -21          | 57           |
| <b>Income tax according to IFRS</b>                               | <b>-241</b>  | <b>-682</b>  |

The change in the recognition of tax losses carried forward primarily results from the unrecognised losses carried forward of Geratherm do Brasil Ltda. (391 kEUR) and the losses carried forward and capitalised for the first time by Respiratory GmbH (52 kEUR) and apoplex medical technologies GmbH (463 kEUR).

### 30. Earnings per Share

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

|  | 2017        | 2016        |
|--|-------------|-------------|
| Results of the shareholders of the parent company (kEUR)     | 680         | 2,237       |
| Weighted average number of outstanding shares (in thousands) | 4,950       | 4,950       |
| <b>Undiluted earnings per share (EUR)</b>                    | <b>0.14</b> | <b>0.45</b> |
| <b>Diluted earnings per share (EUR)</b>                      | <b>0.14</b> | <b>0.45</b> |

|  | 2017<br>k shares | 2016<br>k shares |
|--|------------------|------------------|
| Nominal capital in no-par shares             | 4,950            | 4,950            |
| <b>Weighted number of outstanding shares</b> | <b>4,950</b>     | <b>4,950</b>     |

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

## Relationships with related parties and persons

Relationships with related parties as defined by IAS 24 exist with GMF Capital GmbH, Frankfurt (GMF). As of 31 December 2017, GMF holds a 43.05 % 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 109 kEUR (2016: 199 kEUR) were recorded for the services performed by the chief executive officer Dr. Frank for GMF during the 2017 fiscal year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2016: 86 kEUR), a performance bonus and a bonus payment based on the posted financial results. This financial bonus complies with the contractual provisions.

The subsidiary Geratherm Respiratory GmbH, Bad Kissingen, booked the expense for the management remuneration to GMF Capital GmbH in the amount of 12 kEUR in 2017. 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 2017 business year. Sensor Systems GmbH in Steinbach-Hallenberg also posted the expense for the management remuneration in 2017 for the activity as managing director in the amount of 12 kEUR.

As of the reporting date 31 December 2017, there were no outstanding accounts owed by GMF. A liability vis-à-vis GMF in the amount of 22 kEUR (2016: 107 kEUR) was discontinued as of the reporting date.

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

There were no accounts receivable from supervisory board members as of the balance sheet date, as during the 2016 fiscal year. The supervisory board's compensation is recognised in the Additional disclosures.

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

GMF Capital GmbH, Frankfurt, informed us on 18 January 2017 that its voting rights in our company fell below the 50 % threshold as of 16 January 2017. As at 31 December 2017, its voting rights share was 43.05 % (2,131,071 voting rights).

On 12 December 2017 Sparta AG, Hamburg, informed us that its share of voting rights in our company fell below the 3 % threshold and that since then, its voting rights share is now 0 %.

## Other Financial Obligations

| As of 31 December 2017                                      | Total | < 1 year | 1–5 years | > 5 years |
|---|-------|----------|-----------|-----------|
| Other financial commitments from lease agreements kEUR      | 192   | 89       | 103       | 0         |
| Financial commitments from orders for new construction kEUR | 1,415 | 1,415    | 0         | 0         |
| Other financial commitments from other agreements kEUR      | 218   | 211      | 7         | 0         |
| Other financial obligations from purchase commitments kEUR  | 746   | 746      | 0         | 0         |

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

The group has entered various rental and leasing agreements with regard to administrative and business premises, vehicles and office equipment as well as for software service agreements. The financial obligations in this regard amount to 410 kEUR (2016: 538 kEUR) for 2017 and subsequent years.

The contracts already awarded for the planned investments (construction of new production facility) of the subsidiary Capillary Solutions GmbH have a value of EUR 1.415 million. The investments will be concluded in 2018.

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

## Auditor Fees

In 2017, 57 kEUR (2016: 57 kEUR) was entered as expenditure for the audit services, 3 kEUR (2016: 3 kEUR) for other assurance services and 11 kEUR (2016: 4 kEUR) as expenditure for tax consultancy services.

## 31. Segment Information

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

### Healthcare Diagnostic

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

### Medical Warming Systems

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

### Cardio/Stroke

- Technological products for preventing strokes

### Respiratory

- Products designed for pulmonary function diagnostics.

In the existing market segment report, the segment revenues, operating results (earnings before interests and taxes) and amortisation and depreciation based on the relevant tax parameters for Geratherm are shown. The figures indicated correspond to the company's internal reports. Income, expenses, assets and debts between the segments are presented prior to consolidation. The consolidation necessary for reconciliation to group figures relates primarily to the segments Respiratory and Healthcare Diagnostic and is due to the internal revenue with our subsidiary in Brazil and the Sensor Systems GmbH with Geratherm Respiratory GmbH. The reconciliation statement shows the income and expenses or assets



which cannot be directly assigned to the segments. The segment assets and debts are not part of our internal reports. The values were directly assigned to the segments or distributed on the basis of sales.

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

In the South America segment, the main sales were generated with Brazil in the amount of 899 kEUR (2016: EUR 1.856 million) and in the Europe segment, the main sales were generated with Italy in the amount of EUR 4.200 million (2016: EUR 3.779 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:

|   | 2017<br>kEUR  | 2016<br>kEUR  |
|---|---------------|---------------|
| Financial assets of Geratherm Medical AG          | 426           | 270           |
| Securities of Geratherm Medical AG                | 4,025         | 2,530         |
| Cash and cash equivalents of Geratherm Medical AG | 7,055         | 9,377         |
| <b>Total</b>                                      | <b>11,506</b> | <b>12,177</b> |

*Group segment report for the period from  
1 January to 31 December 2017*

| By product groups  | Healthcare Diagnostic | Respiratory         | Medical Warming Systems | Cardio/Stroke       | Consolidation       | Reconciliation      | Total               |
|--|-----------------------|---------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|
| 2017   | 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  | 14,904                | 4,156               | 2,077                   | 1,325               | -1,431              | 0                   | 21,031              |
| <b>Operating results</b>   | <b>518</b>            | <b>396</b>          | <b>-226</b>             | <b>243</b>          | <b>43</b>           | <b>-347</b>         | <b>627</b>          |
| including: Amortisation and depreciation of fixed intangible and tangible assets | 777                   | 70                  | 112                     | 50                  | -3                  | 135                 | 1,141               |
| <b>Segment assets</b>  | <b>9,501</b>          | <b>1,746</b>        | <b>2,923</b>            | <b>2,426</b>        | <b>0</b>            | <b>11,506</b>       | <b>28,102</b>       |
| <b>Segment debts</b>   | <b>6,356</b>          | <b>253</b>          | <b>597</b>              | <b>244</b>          | <b>0</b>            | <b>0</b>            | <b>7,450</b>        |
| For information only:  |                       |                     |                         |                     |                     |                     |                     |
| Segment sales  | 14,904                | 4,156               | 2,077                   | 1,325               | -1,431              | 0                   | 21,031              |
| Elimination of intragroup sales  | -1,524                | 127                 | -34                     | 0                   | 1,431               | 0                   | 0                   |
| <b>Sales revenues on third parties</b>   | <b>13,380</b>         | <b>4,283</b>        | <b>2,043</b>            | <b>1,325</b>        | <b>0</b>            | <b>0</b>            | <b>21,031</b>       |

| By product groups  | Healthcare Diagnostic | Respiratory         | Medical Warming Systems | Cardio/Stroke       | Consolidation       | Reconciliation      | Total               |
|--|-----------------------|---------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|
| 2016   | January to December   | January to December | January to December     | January to December | January to December | January to December | January to December |
|  | kEUR                  | kEUR                | kEUR                    | kEUR                | kEUR                | kEUR                | kEUR                |
| Segment sales  | 15,850                | 3,477               | 2,796                   | 1,125               | -1,839              | 0                   | 21,409              |
| <b>Operating results</b>   | <b>2,443</b>          | <b>305</b>          | <b>-376</b>             | <b>289</b>          | <b>-157</b>         | <b>35</b>           | <b>2,539</b>        |
| including: Amortisation and depreciation of fixed intangible and tangible assets | 881                   | 67                  | 120                     | 28                  | -1                  | 76                  | 1,171               |
| <b>Segment assets</b>  | <b>10,344</b>         | <b>1,870</b>        | <b>3,136</b>            | <b>876</b>          | <b>0</b>            | <b>12,177</b>       | <b>28,403</b>       |
| <b>Segment debts</b>   | <b>5,981</b>          | <b>519</b>          | <b>786</b>              | <b>508</b>          | <b>0</b>            | <b>52</b>           | <b>7,846</b>        |
| For information only:  |                       |                     |                         |                     |                     |                     |                     |
| Segment sales  | 15,850                | 3,477               | 2,796                   | 1,125               | -1,839              | 0                   | 21,409              |
| Elimination of intragroup sales  | -1,795                | 463                 | -507                    | 0                   | 1,839               | 0                   | 0                   |
| <b>Sales revenues on third parties</b>   | <b>14,055</b>         | <b>3,940</b>        | <b>2,289</b>            | <b>1,125</b>        | <b>0</b>            | <b>0</b>            | <b>21,409</b>       |

*Group segment report for the period from  
1 January to 31 December 2017*

| By region   | Europe                 | South America          | Germany                | Middle East            | USA                    | Other                  | Total                  |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 2017  | January to<br>December | January to<br>December | January to<br>December | January to<br>December | January to<br>December | January to<br>December | January to<br>December |
|   | kEUR                   | kEUR                   | kEUR                   | kEUR                   | kEUR                   | kEUR                   | kEUR                   |
| <b>Sales revenues</b>   | 11,696                 | 1,172                  | 4,979                  | 2,040                  | 1,188                  | 1,387                  | 22,462                 |
| Elimination of<br>intragroup Sales  | 0                      | -64                    | -1,367                 | 0                      | 0                      | 0                      | -1,431                 |
| <b>Sales revenues<br/>on third parties</b>  | 11,696                 | 1,108                  | 3,612                  | 2,040                  | 1,188                  | 1,387                  | 21,031                 |
| <b>Gross profit or loss</b>   | 7,799                  | 436                    | 2,511                  | 1,360                  | 792                    | 925                    | 13,823                 |
| <b>Operating results</b>  | 1,092                  | -1,247                 | 351                    | 190                    | 111                    | 130                    | 627                    |
| including: Amortisation<br>and depreciation<br>of intangible<br>assets and<br>tangible assets | 656                    | 15                     | 211                    | 114                    | 67                     | 78                     | 1,141                  |
| Amortisation of<br>public grants and<br>subsidies   | 52                     | 0                      | 16                     | 9                      | 6                      | 6                      | 89                     |
| <b>Acquisition costs<br/>of fixed assets for<br/>the period</b>                               | 0                      | 0                      | 1,502                  | 0                      | 0                      | 0                      | 1,502                  |
| <b>Segment assets</b>   | 0                      | 856                    | 27,213                 | 0                      | 33                     | 0                      | 28,102                 |

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

## Notes on Cash Flow Statement

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

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

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

### 33. Cash Flow from Operations

The cash flow before any change in the commitment of funds in the amount of EUR 2.706 million (2016: EUR 3.196 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 2,466 kEUR (2016: 792 kEUR).

The capital flow statement for 2017 shows in detail the earnings from the "haircut" (155 kEUR) and the write-off of uncollectible accounts (477 kEUR) of our subsidiary Geratherm do Brasil Ltda. It also includes in detail the payments received from interests (11 kEUR; 2016: 8 kEUR), dividends (7 kEUR; 2016: 39 kEUR), outgoing payments from interests (445 kEUR; 2016: 476 kEUR) and tax payments (payment EUR 1.145 million; 2016: 639 kEUR).

### 34. Cash Flow from Investments

The purchase of fixed assets, financial assets and intangible assets, including development costs, result in expenses in the amount of EUR 1.502 million (2016: EUR 1.048 million). Additions in the area of tangible assets mainly involve the payments made in the amount of EUR 1.101 million for the new production facility of Capillary Solutions GmbH, which is currently under construction. Glass tubes and capillaries are manufactured here in the future for the production of gallium-filled clinical thermometers. Development costs were capitalised in the amount of 179 kEUR.

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

### 35. Cash Flow from Financing Activities

The cash flow from financing activities primarily comprises the cash inflow from non-controlling shareholders in the amount of EUR 2.144 million, outflow of funds from dividend payments in the amount of EUR 2.475 million (2016: EUR 2.475 million) and repayment of loan liabilities in the amount of EUR 1.293 million (2016: EUR 1.446 million). New loans were taken loan in the amount of EUR 2.000 million (2016: EUR 1.195 million) during the business year.

## Capital Management

Primary objective of the company is to sustainably ensure the financial equilibrium, while efficiently allocating the capital resources available to the group (equity capital) to the business areas at the same time. In this case an internal capital allocation rate is applicable, which allows for monitoring the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. Financial security is gauged primarily by the equity-to-assets ratio and liquidity. The operative and strategic management of capital is an integral part of the company's internal reporting system. The capital comprises the issued shares, capital reserves and other

reserves. The capital of the parent company's shareholders is EUR 21.019 million (2016: EUR 21.261 million) as of the reporting date such that an equity-to-assets ratio can be derived based on the group's entire capital of 73.8 % (2016: 74.9 %).

## Financial Instruments

a) Financial instruments in the balance sheet

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

| Classification  | Valuation methods  | Book value    | Book value    |
|---|--|---------------|---------------|
|   |  | 31/12/2017    | 31/12/2016    |
|   |  | kEUR          | kEUR          |
| <b>I. Participating interests</b>                             | <b>Net book value</b>  | <b>426</b>    | <b>270</b>    |
| Securities - "Financial assets available for sale"            |  | 426           | 270           |
| <b>II. Securities - "Financial assets available for sale"</b> |  | <b>4,025</b>  | <b>2,530</b>  |
| Securities - "Financial assets available for sale"            | Valuation not affecting net income at the current market value             | 4,025         | 2,530         |
| Credits and accounts receivable                               | Valuation adjustment with effect on the income at the current market value | 0             | 0             |
| <b>III. 1. Trade receivables</b>                              | <b>Net book value</b>  | <b>11,737</b> | <b>13,202</b> |
| 2. Other assets   |  | 2,662         | 3,288         |
| 3. Cash in hand and cash in banks                             |  | 264           | 396           |
| Financial liabilities   |  | 8,811         | 9,518         |
| <b>IV. not measured at fair value</b>                         |  | <b>-4,945</b> | <b>-5,600</b> |
| 1. Other long-term debts                                      |  | -576          | -1,052        |
| 2. Liabilities to banks                                       |  | -2,979        | -2,427        |
| 3. Liabilities on payments received                           |  | -238          | -337          |
| 4. Trade accounts payables                                    |  | -996          | -1,783        |
| 5. Other short-term liabilities (only financial instruments)  |  | -156          | -1            |

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

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

Since the book value of the credits and accounts receivables and financial liabilities not measured at fair value within the meaning of IFRS 7.29 (a) 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 2.000 million) corresponds approximately to the fair value, since the refinancing measures did not take effect until the 2017 business year. Although the fair value of the liabilities to Geratherm do Brasil Ltda. is probably lower than the book value due to the company's economic situation, it cannot be quantified. These financial instruments are not valued at fair value.

The valuation of the securities available for sale conducted at fair value is implemented according to Level 1 (IFRS 13.93).

#### b) Profits and Losses from Financial Instruments

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

|  | available-for-sale |             | Accounts receivable and credits |             | Financial liabilities not measured at fair value |          |
|--|--------------------|-------------|---------------------------------|-------------|--|----------|
|  | 2017               | 2016        | 2017                            | 2016        | 2017   | 2016     |
|  | kEUR               | kEUR        | kEUR                            | kEUR        | kEUR   | kEUR     |
| Interest earnings  |                    |             | 11                              | 8           | 0  | 0        |
| Income from "haircut"  |                    |             | 155                             | 0           |  |          |
| Interest expenses  |                    |             | -445                            | -476        | 0  | 0        |
| <b>Interest income</b>   |                    |             | <b>-279</b>                     | <b>-468</b> | <b>0</b>   | <b>0</b> |
| Exchange gains   |                    |             | 102                             | 435         | 0  | 0        |
| Exchange losses  |                    |             | -664                            | -142        | 0  | 0        |
| <b>Income from currency differences</b>                                    |                    |             | <b>-562</b>                     | <b>293</b>  | <b>0</b>   | <b>0</b> |
| Exchange gains from sales of securities                                    | 125                | 925         |                                 |             |  |          |
| Exchange losses from sales of securities                                   | 0                  | 0           |                                 |             |  |          |
| Impairment of securities   | 0                  | 0           |                                 |             |  |          |
| Dividend income  | 7                  | 39          |                                 |             |  |          |
| Securities-related expenses  | -17                | -106        |                                 |             |  |          |
| <b>Securities-related income</b>   | <b>115</b>         | <b>858</b>  |                                 |             |  |          |
| <b>Allowance for uncollectible accounts</b>                                |                    |             | <b>-25</b>                      | <b>-41</b>  |  |          |
| <b>Losses from non-recoverable bad debts</b>                               |                    |             | <b>-478</b>                     | <b>-16</b>  |  |          |
| <b>Net profits and losses entered in the income statement</b>              | <b>115</b>         | <b>858</b>  | <b>-1,344</b>                   | <b>-232</b> | <b>0</b>   | <b>0</b> |
| Change in market valuation reserve due to sale                             | -3                 | -29         |                                 |             |  |          |
| Change in market valuation reserve due to change in current net book value | 259                | -784        |                                 |             |  |          |
| <b>Overall change in market assessment reserve</b>                         | <b>256</b>         | <b>-813</b> |                                 |             |  |          |
| <b>Overall results from financial instruments</b>                          | <b>371</b>         | <b>45</b>   | <b>-1,344</b>                   | <b>-232</b> | <b>0</b>   | <b>0</b> |

Fiduciary activities are not performed in regard to financial assets.

With regard to the financial assets not measured at current value, no gains or losses occurred during the fiscal year.

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

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

The financial instruments classified as “financial assets available for sale” are subjected essentially to market risks in the form of fluctuations in stock exchange prices. Accordingly, the respective part of risk management system includes the daily monitoring of the stock performance, the securities in the portfolio, and the evaluation of price-related market information and is supported by a company-specific investment strategy that envisages, among other things, maximum amounts for individual values and defines investment focal points. A near-current exchange of information between the management board and the monitoring committee represents in this case an obvious characteristic of risk management.

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

### Credit / Bad Debt Risk

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivable. The process that is implemented in the group for minimising the credit risks encompasses, in particular, the daily monitoring of due dates and the swift initiation of steps to collect debts when necessary. Other instruments leveraged to minimise risks with new domestic customers include requests for advance payments, credit agency queries, event-driven customer-specific credit lines or letters of credit such that the risk of non-payment is regarded as minimal. In other countries, Brazil accounted for accounts receivable in the amount of 233 kEUR (2016: 880 kEUR). The decrease also results, besides the payment settlement, from the bad debts of 478 kEUR in Brazil as of 31 December 2017. This risk is adequately taken into account with value adjustments formed for anticipated bad debts (respectively 100 % of the corresponding receivables).

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

|          | 2017<br>kEUR | 2016<br>kEUR |
|----------|--------------|--------------|
| Domestic | 583          | 600          |
| Abroad   | 2,343        | 3,084        |
|          | <b>2,926</b> | <b>3,684</b> |



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

|                           | 2017<br>Gross<br>kEUR | 2016<br>Gross<br>kEUR |
|---------------------------|-----------------------|-----------------------|
| Not overdue               | 1,951                 | 2,069                 |
| 0 - 30 days overdue       | 531                   | 441                   |
| 31 - 60 days overdue      | 139                   | 823                   |
| More than 60 days overdue | 305                   | 392                   |
|                           | <b>2,926</b>          | <b>3,725</b>          |

The valuation adjustments have developed in this regard as follows:

|                          | 2017<br>kEUR | 2016<br>kEUR |
|--------------------------|--------------|--------------|
| As of 1 January          | 41           | 50           |
| Addition                 | 486          | 6            |
| Utilisation              | -492         | -13          |
| Dissolution              | -3           | -2           |
| <b>As of 31 December</b> | <b>32</b>    | <b>41</b>    |

## Liquidity Risk

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

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

|   | 2017<br>kEUR  | 2016<br>kEUR  |
|---|---------------|---------------|
| Short-term liabilities to banks                       | -344          | -1,375        |
| Trade accounts payables                               | -996          | -1,783        |
| Tax liabilities                                       | -550          | -674          |
| Other liabilities (without advance payments received) | -1,833        | -1,155        |
| <b>Current financial requirements</b>                 | <b>-3,723</b> | <b>-4,987</b> |
| <b>Liquid assets</b>                                  | <b>8,811</b>  | <b>9,518</b>  |
| <b>Liquidity 1</b>                                    | <b>5,088</b>  | <b>4,531</b>  |
| Trade receivables                                     | 2,662         | 3,288         |
| Tax receivables                                       | 394           | 162           |
| Other assets (without prepayments)                    | 147           | 186           |
| <b>Liquidity 2</b>                                    | <b>8,291</b>  | <b>8,167</b>  |
| Securities  | 4,025         | 2,530         |
| <b>Liquidity 3</b>                                    | <b>12,316</b> | <b>10,697</b> |

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<br>kEUR | 1–5 years<br>kEUR | > 5 years<br>kEUR |
| <b>Liabilities to banks in 2017</b> | 2,979      | 538              | 2,119             | 959               |
| Liabilities to banks in 2016        | 2,427      | 1,680            | 1,471             | 258               |

The other long-term liabilities will result in a cash outflow of 348 kEUR (2016: EUR 1.059 million) between one and five years.

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

## Market Price Risk - Foreign Currency

Foreign currency risks exist for the group, 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. The foreign exchange risks involving the Brazilian real also change in accordance with the development of the significance of Geratherm do Brazil Ltda.

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

|                             | 31/12/2017<br>kUSD | 31/12/2017<br>kEUR | 31/12/2016<br>kUSD | 31/12/2016<br>kEUR |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| Trade receivables           | 658                | 549                | 474                | 450                |
| Bank loans / cash in banks  | 3,522              | 2,937              | 2,695              | 2,557              |
| Trade accounts payables     | -392               | -326               | -332               | -315               |
| <b>Balance sheet items</b>  | <b>3,788</b>       | <b>3,160</b>       | <b>2,837</b>       | <b>2,692</b>       |
| Order balance               | 1,157              | 965                | 686                | 651                |
| Financial obligations       | 0                  | 0                  | 0                  | 0                  |
| Purchase commitments        | -493               | -411               | -679               | -644               |
| <b>Pending transactions</b> | <b>664</b>         | <b>554</b>         | <b>7</b>           | <b>7</b>           |
| <b>Net item</b>             | <b>4,452</b>       | <b>3,713</b>       | <b>2,844</b>       | <b>2,699</b>       |

The following currency translations were applied:

|           | 31/12/2017 | Average<br>2017 | 31/12/2016 | Average<br>2016 |
|-----------|------------|-----------------|------------|-----------------|
| US dollar | 1.199      | 1.130           | 1.054      | 1.107           |

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

|           | 31/12/2017     |             | 31/12/2016     |             |
|-----------|----------------|-------------|----------------|-------------|
|           | Equity capital | Performance | Equity capital | Performance |
| US dollar | 0              | -338        | 0              | -246        |

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.

|                            | 31/12/2017<br>kBRL | 31/12/2017<br>kEUR | 31/12/2016<br>kBRL | 31/12/2016<br>kEUR |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Trade receivables          | 928                | 234                | 3,020              | 880                |
| Other assets               | 830                | 209                | 1,526              | 445                |
| Bank loans / cash in banks | 389                | 98                 | 112                | 33                 |
| Liabilities to banks       | -3,890             | -979               | -5,143             | -1,499             |
| Trade accounts payables    | -860               | -216               | -934               | -272               |
| Other liabilities          | -1,647             | -415               | -736               | -215               |
| <b>Balance sheet items</b> | <b>-4,250</b>      | <b>-1,070</b>      | <b>-2,155</b>      | <b>-628</b>        |
| <b>Net item</b>            | <b>-4,250</b>      | <b>-1,070</b>      | <b>-2,155</b>      | <b>-628</b>        |

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

The following currency translations were applied:

|     | 31/12/2017 | Average<br>2017 | 31/12/2016 | Average<br>2016 |
|-----|------------|-----------------|------------|-----------------|
| BRL | 3.973      | 3.605           | 3.431      | 3.856           |

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

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

|     | 31/12/2017     |             | 31.12.2016     |             |
|-----|----------------|-------------|----------------|-------------|
|     | Equity capital | Performance | Equity capital | Performance |
| BRL | 222            | 97          | 135            | 57          |

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

## Market Price Risk - Interest

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

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

With regard to long-term debts (without accrued investment subsidies) in the amount of EUR 3.211 million (2016: EUR 2.104 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 Para. 9 in these Notes.

### Agfa-Gevaert N.V.

Agfa-Gevaert Group develops, produces and markets an extensive range of analog and digital imaging systems and IT solutions for diverse applications. The operating activities are divided into three independent corporate groups: Agfa Graphics, Agfa HealthCare and Agfa Specialty. The Agfa HealthCare division is a world-wide leader in the fields of imaging diagnostics and healthcare IT solutions for hospitals and healthcare facilities. Hospital IT represents a long-term growth market. A recovery in value as at 31 December 2017 was posted 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 world-wide 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 rise in value as at 31 December 2017 was posted in the market assessment reserve.

The following table shows the highest and lowest prices respectively on the German capital market for shares included in the balance sheet item securities at the end of the 2017 fiscal year.

|                               | 2017              |                  | 2016             |                  |
|-------------------------------|-------------------|------------------|------------------|------------------|
|                               | Highest price EUR | Lowest price EUR | Highest price EU | Lowest price EUR |
| Agfa-Gevaert N.V.             | 4.85              | 3.58             | 5.12             | 2.61             |
| TEVA Pharmaceutical Ind. Ltd. | 36.05             | 9.56             |                  |                  |

### 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, Dipl. Wirtschaftsingenieur, Frankfurt/Main  
*Managing director of GMF Capital GmbH, Frankfurt/Main*  
*Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda*  
*Managing director of Geratherm Respiratory GmbH, Bad Kissingen*  
*Managing director of Sensor Systems GmbH, Steinbach-Hallenberg*  
*Chairman of the Board of Limes Schlosskliniken AG, Köln*  
*Managing director of Limes Schlossklinik Schloss Heiligenhoven GmbH, Köln*

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

A remuneration in the amount of 109 kEUR was booked to GMF Capital GmbH as expenses for the management board's activities in 2017. These included fixed payments in the amount of 86 kEUR (2016: 86 kEUR) and variable payments in the amount of 23 kEUR (2016: 113 kEUR). The performance-based payment is limited to 10 % of the financial result less the costs reported in the consolidated financial statements of Geratherm Medical AG.

As of the reporting date, the management board held directly and indirectly 2,131,071 shares.

### Information about the Supervisory Board

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

Members of the supervisory board are:

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

A payment in the amount of 12 kEUR (2016: 12 kEUR) is included in the liabilities for the supervisory board's activities in 2017.

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

## Staff Trends

|   |      | Employees | Technical employees | Trainees | Total |
|---|------|-----------|---------------------|----------|-------|
| Number of employees (annual average) - excluding managing directors - | 2017 | 72        | 128                 | 0        | 200   |
|   | 2016 | 74        | 130                 | 0        | 204   |

## Events after reporting period

According to the ad-hoc announcement made on 5 February 2018, Geratherm do Brasil Ltda. is planning to apply for creditor protection under Brazilian law.

According to the management board, no main events occurred during the first weeks of the 2018 fiscal year.

## Declaration on Corporate Governance Code

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

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

Geschwenda, this 12th day of April 2018

**Geratherm Medical AG**



Dr. Gert Frank  
Chief Executive Officer

*CEO's responsibility statement involving the  
consolidated financial statements for the 2017 fiscal year*

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

Geschwenda, this 12<sup>th</sup> day of March 2018

**Geratherm Medical AG**

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

Dr. Gert Frank  
*Chief Executive Officer*



## *Independent auditor's report*

to Geratherm Medical AG, Geschwenda

### **Report on the audit of the consolidated financial statement and group management report**

#### **Audit opinions**

We have audited the consolidated financial statement of Geratherm Medical AG, Geschwenda, and its subsidiaries (the group) – consisting of the consolidated balance sheet as at 31st December 2017, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1st January 2017 to 31st December 2017 as well as the consolidated notes, including a summary of significant accounting policies. In addition, we have audited the group management report of Geratherm Medical AG, Geschwenda, for the financial year from 1st January 2017 to 31st December 2017. In line with German legal requirements, we have not examined the corporate governance statement contained in Section C.6 of the group management report with regard to content.

According to our assessment on the basis of the findings of our audit

- the accompanying consolidated financial statement conforms in all material respects with the IFRS as applicable in the EU and the supplementary requirements of German law pursuant to Section 315e (1) HGB (German Commercial Code) and provides in accordance with these requirements a true and accurate picture of the assets and financial position of the group as at 31st December 2017 as well as its financial performance for the financial year from 1st January 2017 to 31st December 2017 and
- the accompanying group management report conveys overall an accurate picture of the position of the group. In all material respects this group management report is consistent with the consolidated financial statement, conforms with German legal requirements and accurately conveys the opportunities and risks of future development. Our audit opinion on the group management report does not extend to the contents of the aforementioned corporate governance statement.

Pursuant to Section 322 (3) sentence 1 HGB we declare that our audit did not lead to any objections to the correctness of the consolidated financial statement and the group management report.

#### **Basis for audit opinions**

We conducted our audit of the consolidated financial statement and the group management report in accordance with Section 317 HGB and the EU regulation on statutory auditing (No. 537/2014; hereinafter referred to as "EU RSA") with due regard to the general German standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors). Our responsibility under these regulations and standards is described in more detail in the section "Responsibility of the auditor for the review of the consolidated financial statement and the group management report" of our report. We are independent of the group companies in accordance with the provisions of European law and of German commercial and professional law and have performed our remaining German professional duties in accordance with these requirements. We further declare pursuant to Article 10 para. 2 (f) EU RSA that we have not provided any prohibited non-audit services pursuant to Article 5 para. 1 EU RSA. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statement and the group management report.

#### **Particularly important audit issues in the review of the consolidated financial statement**

Particularly important issues are such as were according to our best judgment of greatest significance in our audit of the consolidated financial statement for the financial year from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017. These issues were considered as a whole in the context of our audit of the consolidated financial statement and in forming our audit opinion on it; we do not deliver any separate audit opinion on them.

### ***Recognition and measurement of deferred tax assets on losses carried forward***

With regard to the accounting and valuation principles used we refer to the consolidated notes section "Accounting and valuation principles". Further details of the deferred tax assets set off in the balance sheet against the deferred tax liabilities are to be found in section "4. Deferred taxes" in the consolidated notes and sections B.3 and B.4 of the group management report.

### **RISK FOR THE FINANCIAL STATEMENT**

Deferred tax assets on losses carried forward are recorded in the consolidated financial statement of Geratherm Medical AG as at 31st December 2017 amounting to TEUR 520. No deferred tax assets were established for tax-loss carry-forwards totalling TEUR 4,275.

The decision on the recognition and measurement of deferred tax assets on losses carried forward is based on the projected reversal of taxable temporary differences and the expected future taxable income. In the event of a loss history, expected taxable income may only be taken into account given the existence of persuasive evidence.

The accounting of deferred tax assets on losses carried forward is thus to a large extent dependent on the assessment by the board of management and marked with a corresponding uncertainty.

The risk exists for the consolidated financial statement of Geratherm Medical AG that the deferred tax assets on losses carried forward are not accounted for at the correct level and that the associated disclosures in the consolidated notes are incomplete.

### **OUR PROCEDURAL METHOD THE AUDIT**

Within the scope of our audit of the tax issues, we involved our tax specialists. We assessed the established internal processes for recording and calculating deferred tax assets on losses carried forward.

We looked critically at the temporary differences between the IFRS and the tax balance carrying amounts. We matched the losses carried forward to the tax statements and the current tax assessments and considered off-balance adjustments. In addition, we dealt with the internal projections of the future fiscal earnings situation of the subsidiaries, at the same time assessing whether, given the existence of a loss history, there was persuasive substantive evidence that the expected taxable income will in fact in all probability be achieved. We assessed the reasonableness of the internal projections with the help of the plans drawn up by the board of management. We critically reviewed the board of management's plans on the basis of external expectations and assured ourselves of the previous forecasting quality of the company. For this we compared earlier financial year plans with the results actually achieved and analysed differences.

Furthermore, we examined the disclosures on deferred tax assets in the consolidated notes for completeness.

### **OUR CONCLUSIONS**

The estimates and assumptions of the board of management as to the recognition and measurement of deferred tax assets on losses carried forward are reasonable. The associated disclosures in the consolidated notes are complete.

### ***Recognition of impairments of securities***

With regard to the accounting and valuation principles used we refer to the consolidated notes sections "Accounting and valuation principles" and "9. Securities". Further information on securities is to be found in section B.4 of the group management report.

### **RISK FOR THE FINANCIAL STATEMENT**

The stock of securities entered in the consolidated financial statement of Geratherm Medical AG as at 31<sup>st</sup> December 2017 amounts to TEUR 4,025.

The securities are equity instruments. They are allocated by the company to the category "available-for-sale". These securities are valued at the market price on the balance sheet date and marketable. Valuation changes on the reporting date are generally recorded in equity without affecting profit or loss under the item "Market valuation reserve" as well as in the consolidated statement of comprehensive income. Impairments in terms of IAS 39 are recorded as income and any cumulated losses included until then without affecting profit or loss in the market valuation reserve reallocated to the consolidated profit and loss statement of the current financial year. An impairment is to be assumed if a significant or prolonged drop in the marketable value of the securities under the acquisition costs exists. The decision as to what "significant" or "prolonged" means is a discretionary one. The board of management thereby takes into account inter alia price fluctuations in the past as well as the duration and extent of and to which the marketable value of the securities lies below their acquisition costs. The board of management presumes that an impairment exists if the marketable value on the balance sheet date has fallen more than 20 % below the acquisition costs (significant drop) or a drop in the marketable value is sustained for more than nine months (prolonged drop).

The risk exists for the consolidated financial statement of Geratherm Medical AG that impairments are not recorded in the consolidated profit and loss statement and that the required disclosures in the consolidated notes in accordance with IFRS 7 are not complete and commensurate.

### **OUR PROCEDURAL METHOD IN THE AUDIT**

We examined the valuation of securities using the share prices on the reporting date. In the event of a fall below the acquisition costs we assessed whether a significant or prolonged drop of the marketable value existed and whether this had been accurately presented in the consolidated financial statement.

The required disclosures in this regard according to IFRS 7 in the consolidated notes were assessed by us for consistency with the obtained audit evidence as well as for complete-ness and commensurateness.

### **OUR CONCLUSIONS**

The assessments of the board of management as to the recognition of impairments of securities are appropriate. The required disclosures in this regard according to IFRS 7 in the consolidated notes are complete and commensurate.

### **Other information**

The legal representatives are responsible for the other information. This comprises the declaration on corporate governance obtained by us prior to the date of this report as well as the remaining parts of the annual report probably made available to us after this date, with the exception of the audited consolidated financial statement and group management report, as well as our report.

Our audit opinions on the consolidated financial statement and the group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion upon it.

In the context of our audit we have the responsibility to read the other information, and in doing so to consider whether the other information

- exhibits significant inconsistencies with the consolidated financial statement, the group management report or the information we have obtained during our audit or
- appears otherwise significantly misrepresentative

### **Responsibility of the legal representatives and the supervisory board for the consolidated financial statement and the group management report**

The legal representatives are responsible for the preparation of the consolidated financial statement, which conforms in all material respects with the IFRS as applicable in the EU and the supplementary applicable requirements of German law pursuant to Section 315e (1) HGB, and that the consolidated financial statement provides a true and fair view of the asset, financial and profit position of the group. Further, the legal representatives are responsible for the internal control procedures they have deemed necessary in order to allow a consolidated financial report to be prepared that is free of material – intentional or unintentional – misstatements.

During the preparation of the consolidated financial statement, the legal representatives are responsible for assessing the ability of the group to continue its business activity. They are further responsible for indicating issues in connection with the continuation of business activity, where relevant. In addition, they are responsible for balancing the continuation of business activity on the basis of accounting standards, unless the intention is to liquidate the group or to cease business operations or there is no realistic alternative to this.

The legal representatives are also responsible for preparing the group management report, which overall provides an accurate picture of the position of the group and is consistent with the consolidated financial statement in all material respects, which conforms with German statutory requirements and accurately conveys the opportunities and risks of future development. Further, the legal representatives are responsible for the provisions and measures (systems) they have deemed necessary to allow preparation of a group management report in accordance with the requirements of German law, and to be able to provide sufficient appropriate evidence for the statements in the group management report.

The supervisory board is responsible for monitoring the accounting process of the group for preparing the consolidated financial statement and the group management report.

### **Responsibility of the auditor for the review of the consolidated financial statement and the group management report**

Our aim is to obtain reasonable assurance as to whether the consolidated financial statement as a whole is free from material – whether intentional or unintentional – misstatements, and whether the group management report overall provides an accurate picture of the position of the group and is consistent in all material respects with the consolidated financial statement and with the information obtained during the audit, conforms with the requirements of German law and accurately conveys the opportunities and risks of future development, and to provide an auditor's report containing our audit opinions on the consolidated financial statement and the group management report.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit conducted in accordance with Section 317 HGB and the EU RSA with due regard to the general German standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors) will always uncover a material misstatement. Misstatements may result from irregularities or error and are seen as material if they could reasonably be expected to influence individually or as a whole the economic decisions of users on the basis of this consolidated financial statement and group management report.

During the audit we exercise professional judgment and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material – intentional or unintentional – misstatements in the consolidated financial statement and the group management report, plan and implement audit procedures as a reaction to these risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinions. The risk that material misstatements are not uncovered is greater with irregularities than with error, as irregularities may contain fraudulent collaboration, falsifications, intentional incompleteness, misleading representations or the suspension of internal controls.
- we gain an understanding of the relevant internal control system for the review of the consolidated financial statement and the relevant provisions and measures for the review of the group management report, in order to plan appropriate audit procedures in the given circumstances, however not with the aim of giving an audit opinion on the effectiveness of these systems.
- we evaluate the adequacy of the accounting methods used by the legal representatives as well as the tenability of the estimated values stated by the legal representatives and associated disclosures.
- we draw conclusions over the appropriateness of the accounting standards of the continuation of business activity used by the legal representatives, as well as whether, on the basis of the audit evidence obtained, material uncertainty exists in connection with events or circumstances that could cast serious doubt on the ability of the group to continue business activity. Should we come to the conclusion that material uncertainty exists, we are obligated to call attention to the corresponding statements in the group management report or, if these statements are incommensurate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained by the date of our report. Future events or circumstances may however lead to the group no longer being able to continue its business activity.
- we assess the overall presentation, the structure and content of the consolidated financial statement including the disclosures as well as whether the consolidated financial statement portrays the underlying business transactions and events so as to provide with due regard the IFRS as applicable in the EU and the supplementary applicable requirements of German law pursuant to Section 315e (1) HGB a true and fair picture of the asset, financial and profit position of the group.
- we obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the group to give audit opinions on the consolidated financial statement and the group management report. We are responsible for the guidance, monitoring and implementation of the group audit. We bear sole responsibility for our audit opinions.
- we assess the consistency of the group management report with the consolidated financial statement, its conformity with the law and the picture it provides of the position of the group.
- We carry out audit activities on the forward-looking statements of the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence, we hereby specifically reconstruct the important assumptions underlying the forward-looking statements of the legal representatives and assess whether these forward-looking statements have been properly derived from these assumptions. We do not provide a discrete audit opinion on the forward-looking statements and underlying assumptions. There is a significant unavoidable risk that future events will deviate materially from the forward-looking statements.

- We discuss with those persons responsible for monitoring inter alia the planned extent and scheduling of the audit as well as significant audit findings, including possible shortcomings in the internal control system that we detect during our audit.
- We issue a statement to those responsible for the monitoring that we have satisfied the relevant independence requirements and discuss with them all relationships and other issues from which it could be reasonably assumed that they would affect our independence, and the respective protective measures taken.
- We identify from the issues that we have discussed with those responsible for monitoring those issues that were of the greatest significance in the audit of the consolidated financial statement in the period under review, and which are therefore the particularly important audit issues. We describe these issues in the auditor's report unless laws or other legal provisions exclude public disclosure of the issue.

#### **Other statutory and other legal requirements**

#### **Other disclosures pursuant to Article 10 EU RSA**

We were appointed group auditors by the annual general meeting on 6th June 2017. We were commissioned by the supervisory board on 23<sup>rd</sup> January 2018. Including an extension pursuant to Section 318 (1a) HGB, we have acted uninterruptedly as group auditors of Geratherm Medical AG, Geschwenda, since the 2005 fiscal year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the supervisory board in accordance with Article 11 EU RSA (Audit report).

We have rendered the following services for the group companies that were not specified in the consolidated financial statement or the group management report in addition to the group audit:

- tax advisory services in connection with the preparation of business tax returns and advance tax returns on the basis of already realised situations as well as other tax advice (with the exception of taxes on wages and duties), which were authorised by the supervisory board.
- audit pursuant to Section 64 (3) no. 1 (c) EEG 2017 (German Renewable Energy Law) in conjunction with Section 6 (2) DSPV (Ordinance for calculating average electricity prices) for the limiting year 2018 of Capillary Solutions GmbH, which was authorised by the supervisory board.

### **Auditor responsible**

The auditor responsible for the audit is Burkhard Lauer.

Jena, den 12. April 2018

### **KPMG AG**

*Wirtschaftsprüfungsgesellschaft*

gez. Lauer  
*Wirtschaftsprüfer*

gez. Leser  
*Wirtschaftsprüfer*







## Imprint

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## Corporate Calender 2018

|   | 2018             |
|---|------------------|
| <b>Publication Annual Report 2017</b>       | <b>26. April</b> |
| Annual General Meeting in Frankfurt am Main | 07. June         |
| Interim Report 1st quarter                  | 24. May          |
| Interim Report 2nd quarter                  | 23. August       |
| Interim Report 3rd quarter                  | 22. November     |