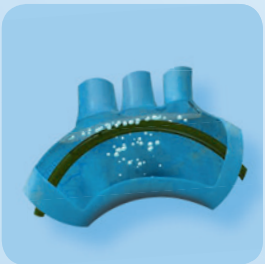


Geratherm®

SOLUTIONS FOR A
HEALTHY WORLD



Geratherm Medical AG

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Dates and Facts

		2018/12/31	2017/12/31	Change in %
Turnover	kEUR	21,522	21,031	2.3
Including export share	kEUR	17,616	17,419	1.1
Export ratio	%	82	83	-1.2
Gross result (EBITDA)	kEUR	2,801	1,768	58.4
EBITDA margin	%	13.0	8.4	54.8
Amortization or depreciation	kEUR	-814	-1,141	-28.6
Operating result (EBIT)	kEUR	1,987	627	216.9
EBIT margin	%	9.2	3.0	206.7
Financial results	kEUR	-509	-163	212.3
Result of ordinary activities	kEUR	1,478	464	218.5
Profits of the parent company's shareholders	kEUR	1,154	680	69.7
Long-term assets	kEUR	10,533	5,523	90.7
Short-term assets	kEUR	18,847	22,944	-17.9
Balance sheet total	kEUR	29,380	28,467	3.2
Equity capital	kEUR	20,128	21,017	-4.2
Return on equity	%	5.7	3.2	77.2
Equity ratio	%	68.5	73.8	-7.2
Cash, cash equivalents and securities	kEUR	7,822	12,836	-39.1
Earnings per share according to IFRS (EPS)*	EUR	0.23	0.14	64.3
Earnings per share according to DVFA *	EUR	0.23	0.14	64.3
Annual average number of employees		207	200	3.5
Proposed dividend	EUR	0.40	0.47	-14.9
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

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.

2018

Geratherm Medical increases sales slightly to EUR 21.5 million (+2.3 %), with an EBIT margin of 9.2 %.

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

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

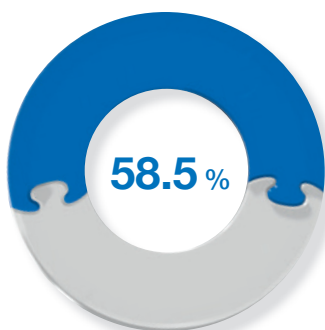
Geratherm Respiratory plans a production plant to accommodate future growth in Bad Kissingen in 2019.

Positive sales and earnings prospects in 2019.

Geratherm[®]

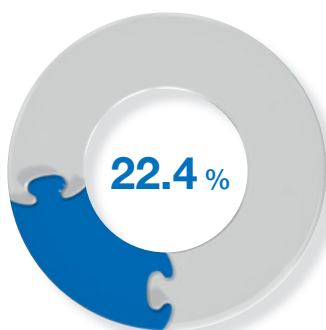
Geratherm medical is a globally-oriented medical technology company with business areas including

Healthcare Diagnostic



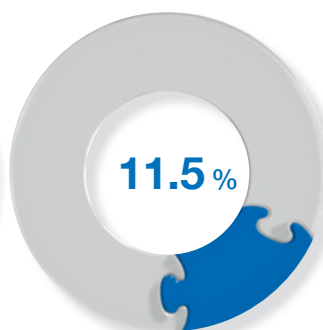
PRODUCTS TO MEASURE VITAL SIGNS

Respiratory



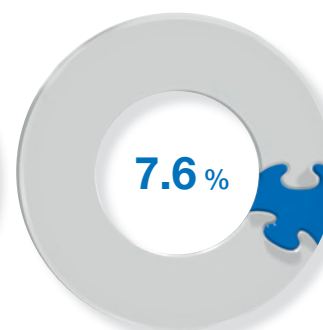
PULMONARY FUNCTION DIAGNOSIS

Medical Warming Systems

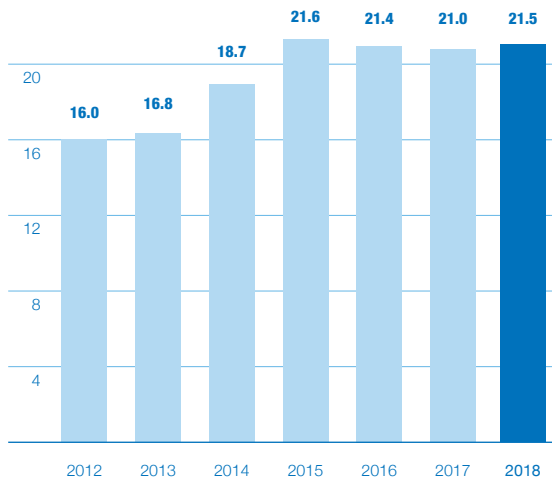


MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE

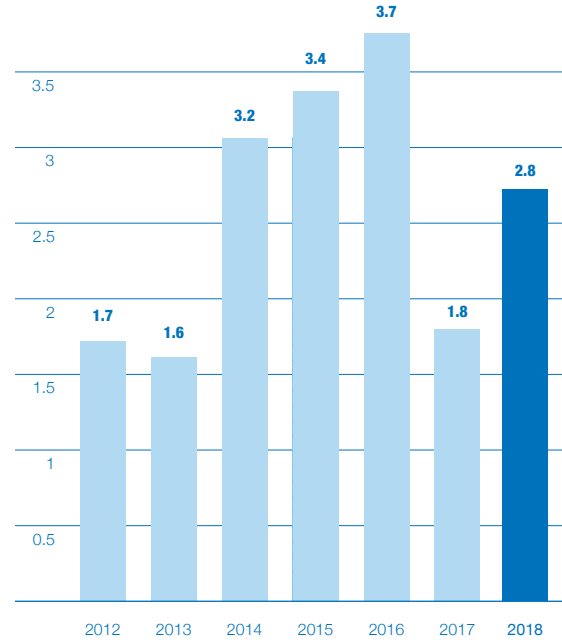
Cardio/Stroke



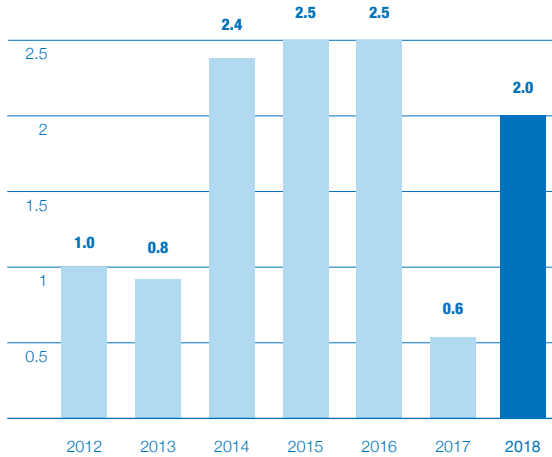
SCREENING OF CARDIAC ARRHYTHMIA



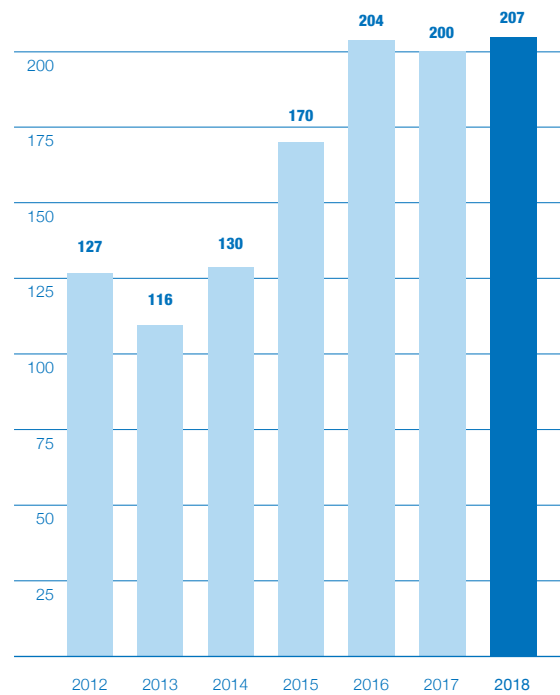
TURNOVER
in EUR million



EBITDA
in EUR million



EBIT
in EUR million



EMPLOYEES

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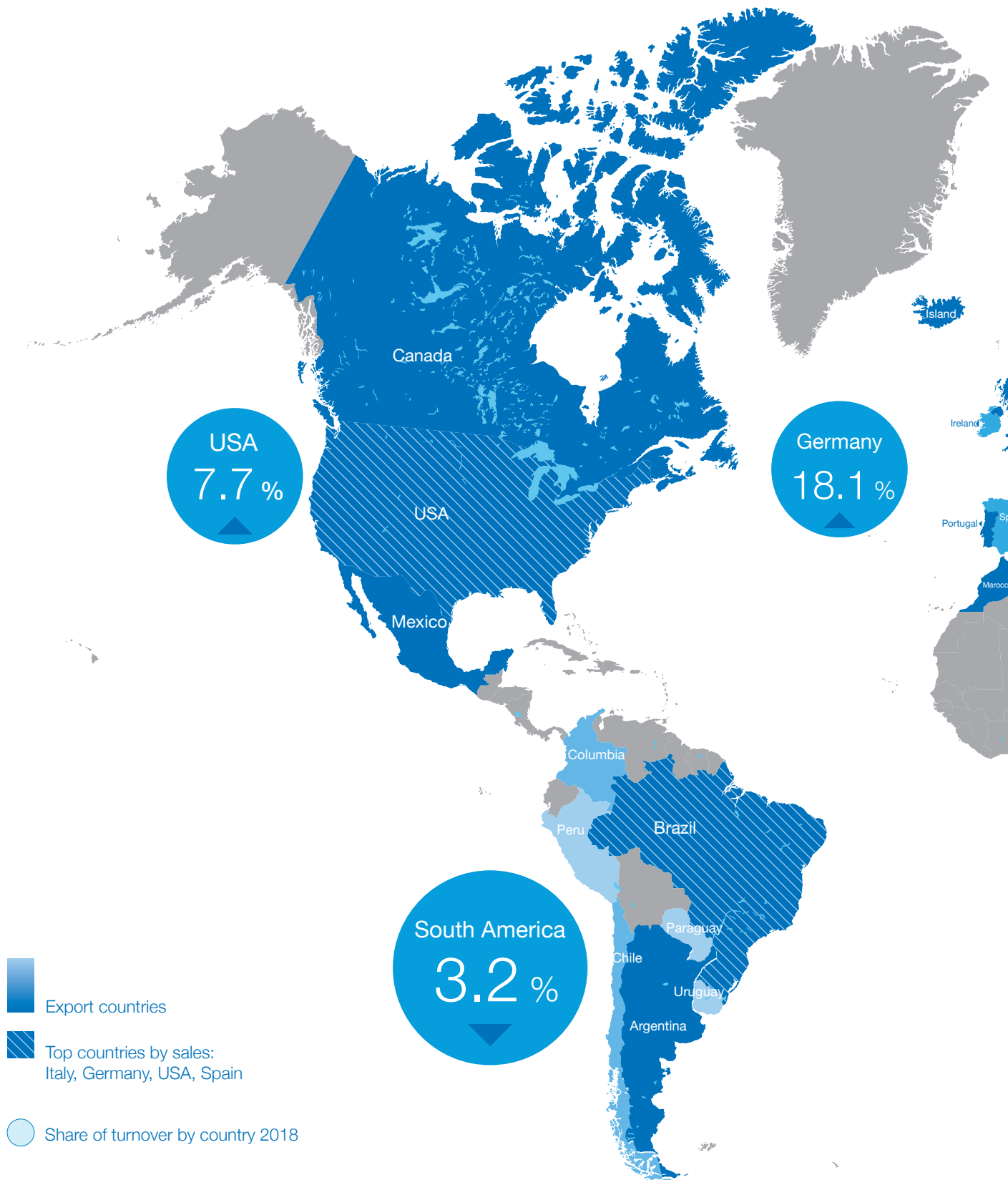
GROUP MANAGEMENT REPORT

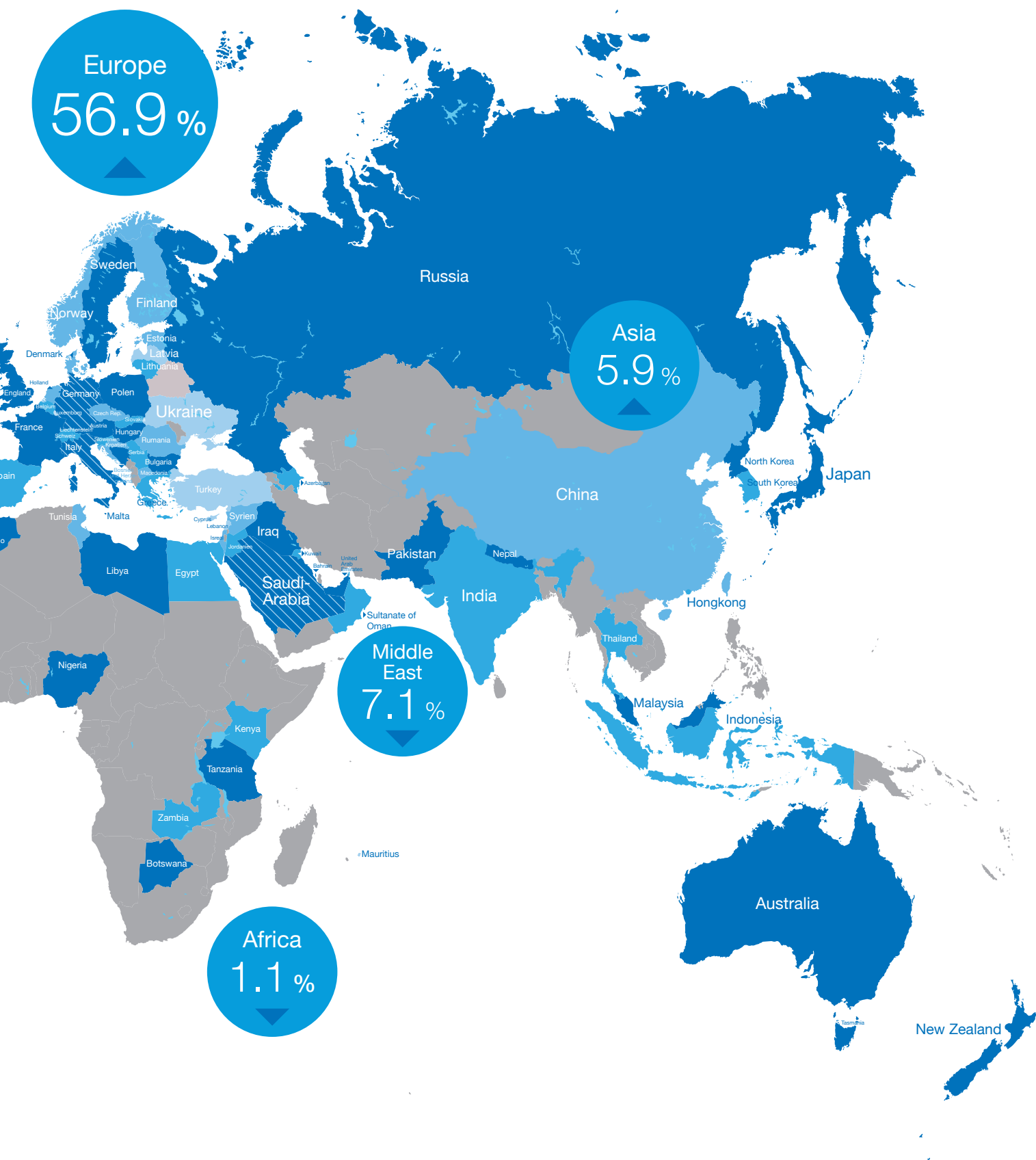
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Geratherm Medical exports products to over 60 countries





- Norfolk and Norwich University Hospital

Atrial fibrillation, stroke

We try to help!

SRAclinic in daily use
As of 01/2019

121 clinics

on „SRAclinic“ affiliated!

+ 13 clinics

increment in 2018.

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 the company's bylaws and regularly supervised and consulted the management board while carrying out its duties throughout the 2018 financial year.

The supervisory board was included in all decisions that were of major importance to the company. It was also regularly informed about the progress of all business-related activities in a timely manner.

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 company's medium- to long-term strategies, the new building and commissioning of the glass basin for medical capillaries as well as the risks and opportunities arising from the upcoming world-wide ban on mercury for the production plant in Geschwenda. Discussions also focussed on the effects of the new EU Medical Device Regulation (MDR), in particular the resulting significantly greater requirements on medical technology companies.

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. Besides operational, financial and strategic issues, the supervisory board's meeting on 3 April 2019 focussed on the consultation 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 2018 fiscal year and certified an unqualified audit opinion.

The auditor participated in the supervisory board's meeting with regard to the approval of the 2018 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 after presenting the final reports and have no objections to raise based on the conclusive results of our audit. We have approved the year-end financial statements prepared by the management board and the consolidated financial statements as at 31 December 2018. 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 0.40 per share.

Based on the predicted demographic developments, it is safe 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 good work.

Geschwenda, 10th April 2019



Rudolf Bröcker
Chairman of the Supervisory Board



Dr. Gert Frank
Chairman

Good Outlook for Development

Ladies and Gentlemen and Shareholders,

Even if it does not seem so at first glance, we did make significant progress during the 2018 financial year. Our company's development enjoyed a positive trend.

In spite of the shutdown capillary production in connection with the new construction at our premises in Geschwenda, Thuringia and a decline in sales posted by our subsidiary in Brazil, we were still able to report a slight increase in sales to EUR 21.5 million (+2.3 %) in 2018. The newer business units Respiratory, Medical Warming Systems and Cardio/Stroke managed to post good double-digit sales growth. Thus, the prospects continue to be positive.

As a result of the good performance and the prospects at Geratherm Respiratory in Bad Kissingen, we decided during the course of the year to build a new production facility in order to lay the foundations for future growth. The project will be implemented during the 2019 financial year with the new factory scheduled to be brought on line at the end of 2019.

After considerable effort and with the assistance of our experienced employees, we put our new capillary basin into operation at the Geschwenda location at the end of 2018. We are proud of the fact that we have managed to safeguard the production of our clinical thermometers in this new terrain for us and have thus strengthened our international market presence. We are pleased that we can continue to supply our customers worldwide with outstanding quality. The export quota of our facilities in Thuringia is 92 %. As a result, we are well-equipped for the global ban on mercury.

Even with regard to apoplex medical, we have cranked it up a notch. After having achieved a very good share of the atrial fibrillation diagnostics market in German stroke prevention centres in the meantime, our focus is now on internationalisation. In this context, we have acquired interests in a Spanish company that has taken over the distribution of apoplex products. Even on the English market we are currently active with trials in order to establish the requirements with NHS for future positioning of products. On the German market, we did sign a cooperation agreement with Bristol-Myers Squibb. This nurtured growth will initially impact earnings, but we are confident that this is the correct path.

In the Warming Systems segment, LMT medical was able to almost double its sales in 2018 – an encouraging development. We were not able, however, to achieve our objective of obtaining the license of the Chinese market yet. We do expect to receive it during the course of 2019 though. We are also still involved in the recertification process for our warming systems for operating rooms. We assume that after this trying ordeal, we will receive the new license by mid 2019.

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

We are now on the right track for being able to comply with the new requirements.

Unfortunately, we were not able to show a positive financial result as a result of Geratherm do Brasil and due to a new IFRS regulation. Much to our surprise, the Brazilian judge rejected the "Chapter 11 petition" after nine months. As a result of that, we had to include temporarily interest charges in the amount of 432 kEUR in the IFRS-based financial statements. The petition will be resubmitted in April of 2019. Income from the sale of TEVA shares in the amount of 364 kEUR is no longer shown in the profit and loss statement but rather in the statement of changes in equity.

The Geratherm Group currently has 207 employees. Without their daily dedication and their ideas, we would not be able to deliver the high-quality and in part life-saving medical products to our international customers.

Yours,



Dr. Gert Frank
Management Board

The Geratherm Share

Dive on stock market – Unexpected sharp drop in almost all asset classes in 2018. After a promising start, significant losses were posted on the international stock markets during the second half of the year.

Apart from isolated cases, the development on the capital markets was not very favourable on the whole. There was hardly any investor who went unscathed in 2018. The German stock market dropped by -18.3 %, closing the year at 10,559 points. The Euro-Stoxx-50, the index for European blue-chip stocks, also fell by -14.8 %.

Moreover, the US capital market saw a decline as well. The US Dow Jones Industrial Average closed the year down 5.6 %.

Even the technology shares on the U.S. market performed poorly. The Nasdaq Composite Index decreased by -4.6 % during the course of the year. The MSCI World Index closed with a minus of 11.06 %.

The shares of the healthcare industry were not able to escape the general negative trend. The Nasdaq Biotec Index decreased by -11.1 %. Also the shares of Europe's healthcare industry didn't show a positive development. The Euro Stoxx Healthcare Index, which includes all major medical and pharmaceutical companies, declined by -16.3 %. The shares of companies in Germany's healthcare sector, which are grouped in the Prime Standard Healthcare Index, posted a drop of -27.2 % compared to last year's level.

The negative trend on the share market was influenced by early indicators of an economic slowdown. While the ever-present

discussions of the US/China trade dispute, the constant surprises surrounding the United Kingdom's exit from the EU as well as the possibly pending central bank interest rate hikes are also now starting to affect the capital markets, the economic situation in companies is currently better than the prevailing mood.

The Geratherm share was not able to avoid the general decline noted on the capital markets. The drop in share prices intensified especially during the last six months of the year. Geratherm shares traded at EUR 8.40 at the end of the year. This corresponds to a 30.6 % decline. In 2018, the highest market price posted by Geratherm shares was EUR 12.90, while the lowest price was EUR 8.40.

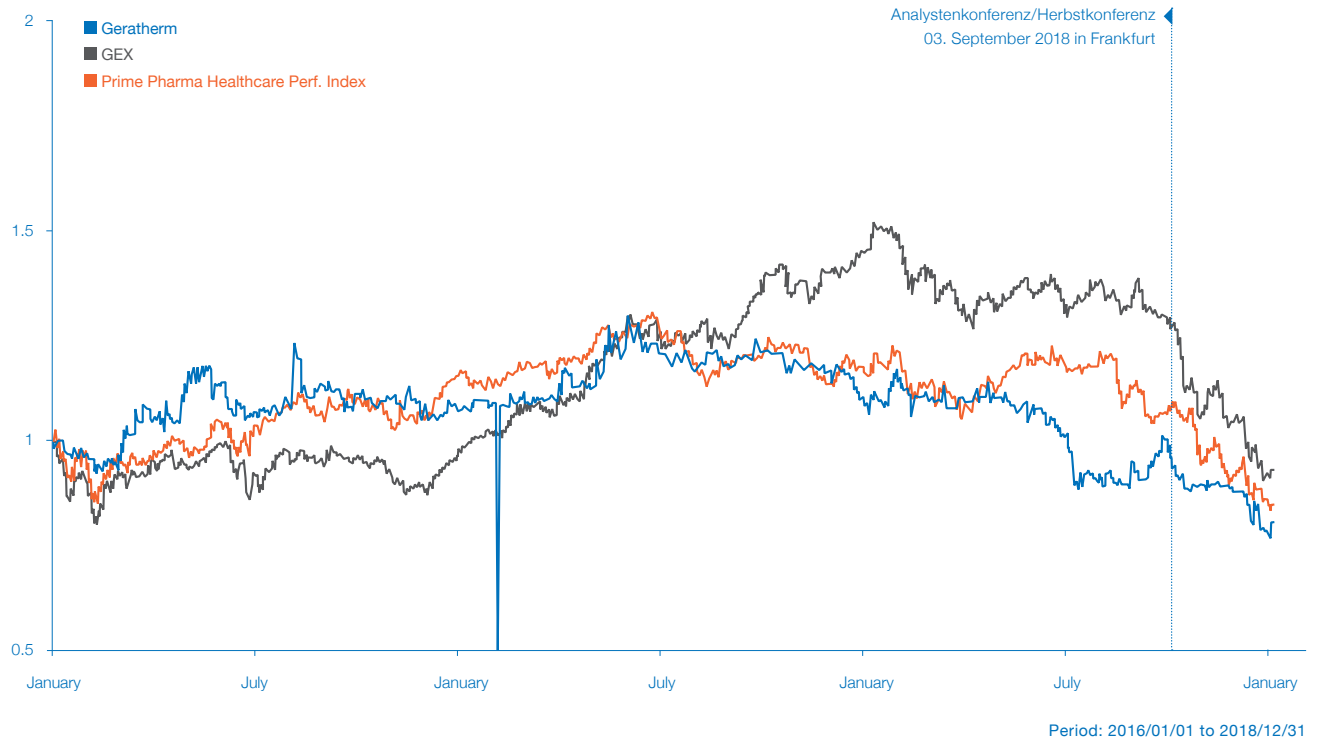
The trading volume of Geratherm shares amounted to 521,495 shares traded (2017: 861,482). The majority of the transactions, amounting to 459,597 shares (2017: 719,248), were conducted through the electronic platform XETRA.

The average daily sales volume stood at 2,392 shares (2017: 3,635 shares). The highest daily sales volume was reported at 18,267 shares (2017: 25,143) of Geratherm Medical.

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. 2,327 shareholders (2017: 2,434).

Development of Geratherm shares



Main shareholder in 2018 were GMF Capital, Frankfurt, with 43.05 %. The company is not aware of any additional 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.

Geratherm participated in the fall investor conference of the EF Equity Forum on 3 and 4 September 2018, Le Meridien Hotel, Frankfurt am Main.

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

OPERATIVE PRODUCT AREAS

Healthcare Diagnostic	20
Respiratory	22
Medical Warming Systems	24
Cardio/Stroke	26

Healthcare Diagnostic

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

The Geratherm brand enjoys a high degree of recognition in this product segment 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 the production of clinical thermometers. We have been manufacturing mercury-free clinical thermometers at our plant in Thuringia for more than 25 years. The patented mercury substitute developed by Geratherm Medical is used in the production of analog clinical thermometers. As a result, we are making an important contribution to reducing the mercury pollution in the environment. In light of the pending world-wide ban on mercury, we now have a good starting point. Geratherm boasts in the meantime a very solid international market position which can be attributed to the development of this innovation.

To safeguard our long-term position on the market and realise our quality standards, we decided to build our own glass basin for the production of medical capillaries at our location in Thuringia. The investment of EUR 5 million was successfully completed at the end of 2018 and we have been producing our own medical capillaries that we need for manufacturing our clinical glass thermometers since November of 2018.

With our own capillary production for medical applications we have managed to increase once again our manufacturing depth and can thus cover the entire value adding process for this product group in our own premises. The glass thermometer with our mercury substitute "Galinstan" is the Geratherm Group's best-selling product, accounting for a 36.2 % share of the Group sales (2017: 36.1 %). As a result, we consider the growth chances of this product group as positive in the medium term. Our goal is to increase productivity considerably in 2019 in order to compensate the pressure of the rising personnel costs at the Geschwenda site.

In addition to the analog clinical glass thermometers we also sell digital clinical thermometers to round out the product group. Sales generated with digital clinical thermometers amounted to EUR 2.1 million in 2018 (2017: 2.3 million units). The competition is in this product segment much fiercer than in the analog glass thermometer segment, where we essentially have good distinguishing characteristics. The best-selling digital thermometer is the "non contact" model with a sales of more than 694 kEUR per year.

The clinical thermometer product group accounts for 46.1 % of the company's entire sales (2017: 47.1 %). In 2018, Geratherm sold a total of 4.7 million clinical thermometers (2017: 4.7 million).

Blood Pressure Monitors

Under the Geratherm brand name, we offer a variety of products for measuring blood pressure via the same sales channels. Sales focuses primarily on upper arm blood pressure monitors. In 2018 we were able to sell 95,300 blood pressure monitors in total (2017: 148,740).

Blood pressure monitors account for 13.3 % of the Healthcare Diagnostic segment and 7.8 % of the Geratherm Group's overall sales. Towards the end of 2018, we launched a new product line called "Geratherm Smart". The product has been well received by our customers.

Women's Health

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

That includes pregnancy tests, diverse ovulation test solutions, chlamydia tests, urinary tract infection and pH test kits. The products are marketed internationally under the Geratherm brand name.

This product group is subject to much stricter monitoring requirements. After we reduced the original product range and focused our sales and marketing activities on four core products, we were able to report again satisfactory increase in sales of +31.7 % in 2018.

The Healthcare Diagnostic segment was not able to show any growth across all product areas in 2018. In this case, it is necessary to note that we had to accept a loss in sales due to the shutdown of the old capillary basin in 2018. This will not happen again in 2019. We moreover do anticipate a recovery in the demand for our mercury-free clinical thermometers as a result of the pending world-wide ban on mercury.

We regard this segment's prospects to be positive.



Respiratory

The Respiratory segment develops and manufactures products specifically for pulmonary and cardiopulmonary function diagnostics. Positive business development and good prospects make a new factory necessary.

Geratherm products for cardiopulmonary use are developed, produced and marketed at the location in Bad Kissingen. Together with the proprietary software platform „BLUE CHERRY“, we offer a forward-looking system solution for cardiopulmonary functional diagnostics.

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 used for more complex exams.

In terms of technology, we have a leading position in the product sector.

Geratherm-Respiratory products are marketed internationally. The lead times till product registration are correspondingly long. In 2018, we successfully received the country approvals for Ukraine, Australia and Thailand. The markets Singapore, Indonesia and China are currently undergoing the approval processes.

The anticipated growth of the company makes a new factory necessary. We have chosen this course in order to facilitate the company's further positive development. The approval was granted in December of 2018, all corresponding expert opinions have been submitted, construction is scheduled to commence in the first quarter of 2019.

A sales growth of at least 15 % is planned for 2019, with an EBIT margin of 12.6 %.



Medical Warming Systems

In this segment, Geratherm develops, produces and markets products for regulating the temperature of patients in operating rooms and in the emergency response sector as well as MRI-compatible incubators for newborn babies.

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

Unique Resc+

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

The products Unique Temp° and Unique Resc+ are currently undergoing recertification. In spite of our best efforts, we still have not yet received the new license. In other words, we can sell the products outside the European market but not in our markets in Europe. The recertification process for CE accreditation is still ongoing and our goal is to obtain the license by mid 2019. This has had a negative impact on business performance in terms of sales and earnings in 2018.

In light of this situation, we have reorganised the development team at our location in Thuringia. We continue to see good prospects for the product group and thus keep our research and development expenses at a high level. For a newly developed temperature sensor for measuring the body's core temperature during an operation, we are currently conducting a clinical study with 100 patients.

LMT

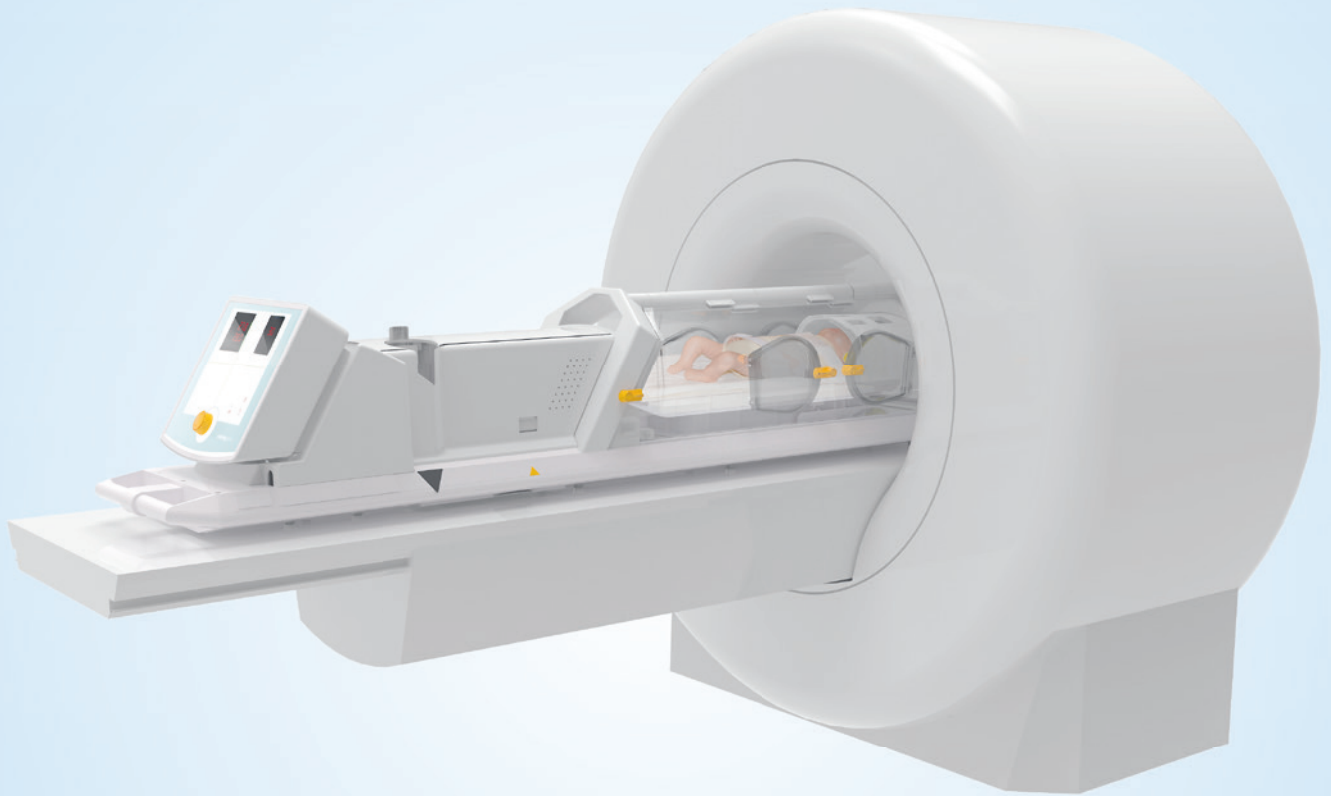
Incubators that are suited for use in magnetic resonance imaging are developed at the Lübeck location and marketed internationally under the LMT brand. With LMT's Incubator System nomag® IC, premature and newborn infants can be placed directly in the MRT in order to diagnose any possible brain or organ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

2018 was a good year for LMT Medical. Sales increased by more than 35.0 %, with a positive income statement. The planned license of the Chinese and Korean market has been delayed unfortunately. We assume that we will receive it during the course of the 2019 business year. We were able to install the first LMT system in Hong Kong, an important step for entering the Chinese market. Even the Children's Hospital of Philadelphia, one of the top 3 children's hospitals in the US, decided in favour of an LMT system.

During the course of 2018, we further intensified the cooperation with the MRT manufacturers GE and Siemens. This involves in particular the coordination and compatibility with the latest product generations.

In 2018, we also attended seven international pediatric conventions and two trade fairs.

The start of a new product generation of the LMT incubator system is planned for 2019. We are planning to deliver the new nomag IC ADVANCED system as of April 2019. The feedback from our sales partners and from our users with regard to the new product generation has been very positive.



Cardio/Stroke

121 hospitals and clinics are already successfully using the SRA product for stroke risk analysis as part of secondary prophylaxis. International expansion initiated. Protembis receives funding in the amount of USD 10 million.

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.

In 2018 we managed to win additional clinics and hospitals as customers who have been successfully using our product in stroke stations. Leveraging a high level of recognition in Germany, we have stepped up our sales activities in other European countries in 2018.

As part of its Europe-wide expansion efforts, apoplex medical technologies acquired a 22.5 percent share of Evina Health Solutions, Spain. The company, which specialises in stroke prevention and is based in Barcelona, Spain, oversees the SRA exclusive distribution on the Iberian Peninsula. Beforehand, Evina, Spain, had already initiated a multicentre study with SRAclinic, showing that SRA managed to find twice as many patients with paroxysmal atrial fibrillation than with the current routine examination.

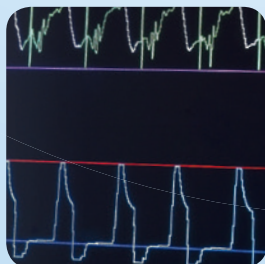
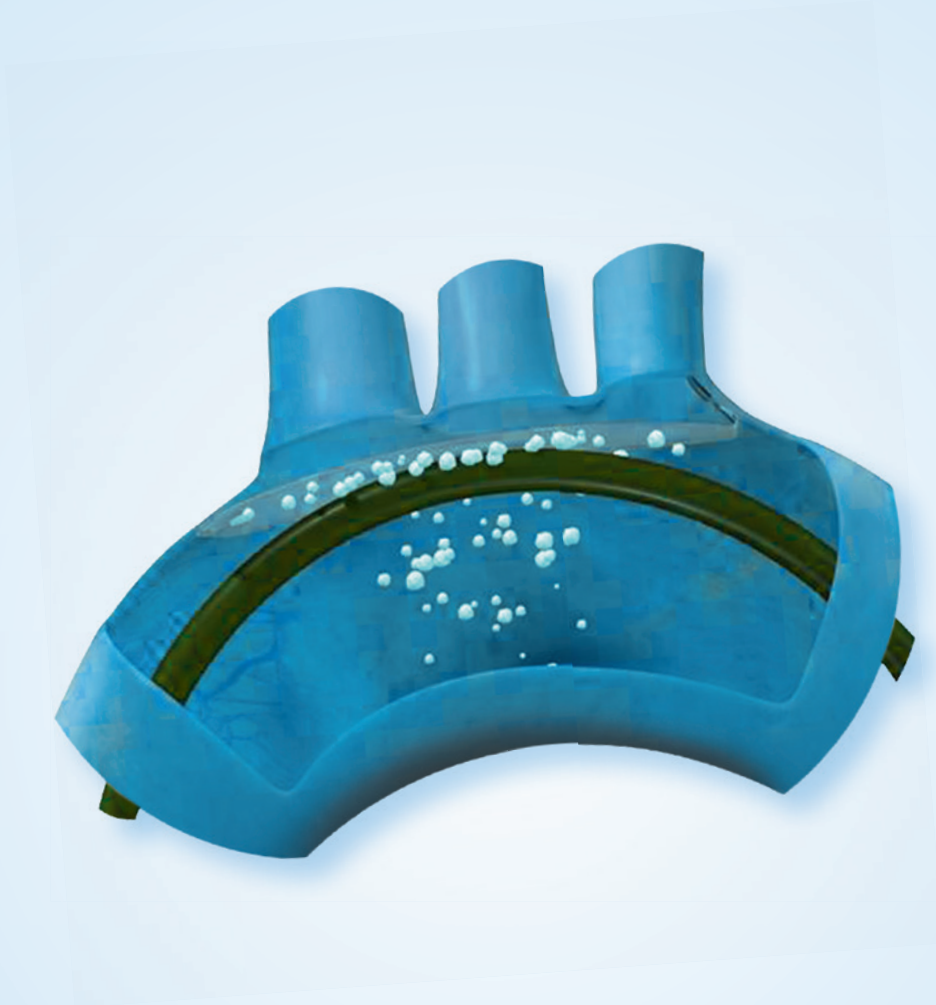
For the exclusive distribution in Switzerland, apoplex was able to win Leuag AG, a competent medical technology specialist on the Swiss market. For distribution in Austria, the company managed to acquire Dräger Austria and for distribution in the Netherlands VCM Medical as another competent partner.

We are currently active on the English market with our own employees. With the large Norfolk and Norwich University Hospital and the Hospital in Chester, the first customers on the English market have successfully started to use our products.

All in all, 72,094 (+17.1 %) patients have been examined with apoplex's product for atrial fibrillation during the course of 2018. The sales generated by apoplex increased by +23.2 % (2017: 17.8 %). For 2019, we anticipate a similarly positive development.

The EU's new data privacy regulations have resulted in many alterations and even considerable administrative expenditure for clinics and hospitals. The priority of hospitals and clinics is to currently fulfil the new regulatory guidelines, which had led to delays in implementing the SRA-clinic product in hospitals and clinics.

There was also good news to be reported with regard to Geratherm's holding Protembis. Protembis develops an innovative catheter-based filter system, which is designed to protect patients from strokes and other neurological complications during interventional cardiology procedures. In total, Protembis has raised US\$ 10 million in the oversubscribed series A round of financing for further product development. The main investor in this financing round is the US-based and listed medical technology group Abiomed. Geratherm Medical was one of the very first investors but it did not participate in this financing round.



GROUP MANAGEMENT REPORT

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A. BASIS OF GERATHERM MEDICAL GROUP

1. 1. *Business model of the Group*

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

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

Healthcare Diagnostic is currently the largest business unit with a 58.5 % share of sales. The focus is on products for measuring body temperature. 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 with a 36.2 % share of sales is a mercury-free clinical glass thermometer, which is produced at the Geschwenda plant. By building a new production facility for medical glass, we control the entire production process and thus have a special market position internationally.

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

Furthermore, the company is represented in the field of cardiology by the subsidiary apoplex medical technologies, which focuses on the promising market of cardiac arrhythmia. The SRA product offers solutions for detecting atrial fibrillation in order to prevent a stroke.

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

The long-term growth prospects of all the business segments, in which Geratherm is active, are favourable. The export ratio is above-average across all business units compared to the competition.

Geratherm Medical's long-term objective is to continue 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*

Our research and development activities have remained essentially unchanged compared to last year and are concentrated primarily in the areas of apoplex medical, Warming Systems and Respiratory. One of the major projects is currently the "Evina" development project at our subsidiary apoplex and involves the development of a new software platform for extended communication with existing and future hospitals, clinics and doctors' offices. LMT Medical is currently conducting an approval study with 120 patients for its "nomag®" product for the Chinese market. In our Diagnostic segment, we have been carrying out a large-scale study with 100 patients for a newly developed temperature sensor.

In the Warming Systems segment, we have reorganized the development team during the course of 2018. After experiencing approval-related setbacks, we hope to promote the innovative solutions for warming and cooling patients with this new team.

The entire research and development expenditure in 2018 amounted to 723 kEUR (2017: 619 kEUR). Development costs in the amount of 211 kEUR (2017: 179 kEUR) were capitalised in 2018. Based on that, the capitalisation ratio was 29.2 % (2017: 28.9 %).

B. ECONOMIC REPORT

1. Overall economic factors

Overall economic factors

In 2018 we could not complain about the positive conditions. We had a globally synchronised upswing, be it in the US, China or Europe. Even in Germany it was possible to see positive signs everywhere, like full employment rate (especially in the area of skilled workers) and wage increases.

All economic cycles will eventually come to an end. As of the fourth quarter of 2018, there were more early indicators, such as an inverse interest rate structure, indicating that the economy is slowing down. The German economy grew slower in 2018 than in the previous five years. The gross domestic product (GDP) increased by only +1.5 % in 2018.

The economy, especially in Europe, but in Germany in particular, started 2019 with considerably less momentum than in the previous year. The growth forecasts are being revised downwards on a monthly basis. For 2019, a growth of +1.3 % is still expected in the euro zone. The growth prospects for Germany are only a meagre +1.1 %.

For Geratherm the economic conditions in Brazil are of particular importance. Jair Bolsonaro's victory in the elections for Brazil's new president gives companies and consumers great confidence. After a long period of economic decline, the central bank expects a considerable acceleration in the GDP's growth of +2.5 %.

Especially in Germany, it is becoming increasingly challenging to recruit suitable skilled workers. To implement and safeguard our growth strategy, Geratherm Medical depends more and more on the integration of employees from abroad. The medical technology market is subject to medium and long-term cycles and thus is less dependent on short-term fluctuations in economic conditions. Due to our broad product differentiation and the fact that we operate in various international markets, we should be less affected by a stronger slowdown of economic growth in 2019.

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 steady growth of the medical technology sector have not changed. The main driver is the demographic development, the rising incomes in Asia and the increase in lifestyle-related diseases. In the medical technology field, German companies profit from their innovative products and good reputation based on a continuing high foreign demand. The largest market for medical technology is North America, which accounts for a 45% share of world market. Europe represents the second largest market with a 28 % share of the global market. The German market for medical technology represents 6 % of the world market. The medical technology market has been subject to an increased change process over the last two years. This involves the increas-

ing digitalisation; the use of artificial intelligence and smart medical technology play an increasing role. Currently, this is still associated with a high risk of data abuse and cybercrime.

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 changeover process is enormously high, especially for small to medium-sized enterprises. The medical technology sector is dominated by medium-sized enterprises. More than 90 % of the companies employ less than 250 employees.

The new EU regulation 2017/745/EC "Medical Device Regulation" (MDR) entered into force on 25 May 2017. Although the European Union originally intended to simplify the placement of medical devices on the EU's internal market with this "regulation", the original idea was transformed into a 175-page "regulation" that is currently characterised by great uncertainties in terms of implementation and practicality for medical technology companies. The new regulation has the potential to brake innovation.

The new extensive processes need to be implemented. Records and documentation must not only be formally accurate, but they have to be updated on a regular basis and made available to the competent supervisory authority when requested. In conjunction with these higher requirements on documentation obligations, relatively expensive clinical studies are also required for demonstrating safety and beneficial aspects.

In light of the aforementioned, sufficient financial and 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). Reference is made to the most important performance indicators in the following sections on Business trend and Situation. 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 had a significantly better business performance for 2018 than in the previous year, since the extraordinary burdens of our subsidiary in Brazil were no longer included in the consolidated net income as in the previous year. At the beginning of 2018, Geratherm do Brasil filed a petition to the competent court for creditor protection under Brazilian law, similar to the US' "Chapter 11". For allegedly formal reasons, the Brazilian judge surprisingly rejected the company's petition after 10 months. The petition will be filed again in April of 2019. Since the company did not have any creditor protection under Brazilian law during the 2018 business year, it was necessary to book according to IFRS regulations interest expenses from existing bank loans in the amount of 432 kEUR in the consolidated financial statements temporarily.

2018 at the Geschwenda location was influenced in particular by the construction of the new glass capillary basin. This project had top priority for the gallium-filled thermometer production at the location in Thuringia as a result of the importance of the new structure for the entire company. With an investment volume of EUR 5 million this

represented the largest single investment in the company's history since its founding. In this context, we are satisfied in spite of the extra expenses that we have successfully managed this technologically demanding project and have been able to manufacture medical capillaries again since December 2018. Approx. 50 % of production goes to our own products. The remainder is delivered to international customers who need this base material for clinical dosing systems and other applications.

In light of the aforementioned, we are essentially satisfied with business development. We did manage to report an +2.3 % increase in sales over the previous year in spite of the loss of revenue in the amount of -491 kEUR due to the shutdown of the capillary basin, the loss of -462 kEUR on the Brazilian market and orders in the amount of -366 kEUR deferred to the new business year.

The weakest segment was Healthcare Diagnostic, which is primarily concentrated at the location in Thuringia. We posted here a -5.8 % decline in sales. All other new business units reported significant double-digit sales growth. This is a very positive development. We do assume that this trend will continue in the coming years. Our strategy of focussing on several segments and on the premium medical technology segment seems to be bearing fruit.

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 to a significant extent.

All in all, Geratherm Medical managed to record once again a positive performance for the 2018 business year. With sales revenue amounting to EUR 21.5 million (+2.3 %), we were able to achieve an operating result (EBIT) of EUR 1.987 million (2017: 627 kEUR).

The EBIT margin was 9.2 % (2017: 3.0 %).

The gross profit on an EBITDA level also increased considerably by +58.4 % to EUR 2.801 million. With this result we still have not achieved the level that we had aimed for. In light of the extraordinary expenses due to the investments made, we are essentially satisfied. The increasingly higher wage demands at the Geschwenda location are having a negative effect. In this context, we will take steps to improve the cost situation in the future.

The group's overall performance was burdened by a negative financial result in the amount of -509 kEUR (2017: -163 kEUR). This item contains bank interests of 494 kEUR and expenses for securities in the amount of 40 kEUR. The bank interests included 432 kEUR from the interest charges of the Brazilian subsidiary, which had to be reported in accordance with IFRS regulations due to the rejection of the "chapter 11" petitions. The proceeds from the sale of TEVA shares in the amount of 364 kEUR were directly offset against the equity as a result of first-time application of IFRS 9.

The profits from ordinary business activities increased considerably to EUR 1.478 million (2017: 464 kEUR).

After deducting income tax in the amount of 644 kEUR, the company reported a consolidated net income of 834 kEUR (2017: 222 kEUR).

Taking into account the results of shareholders of minority interests of -319 kEUR (2017: -457 kEUR), Geratherm Medical managed to report a result of EUR 1.154 million (2017: 680 kEUR) attributable to the shareholders of the parent company. This corresponds to earnings of 23 EUR cents per share (2017: 14 EUR cents).

In 2018 the gross margin on sales was 68.7 % (2017: 65.7 %).

The company Geratherm Medical has a strong position. The proportion of the equity capital in the balance sheet in spite of the high capital expenditures in 2018, which increased the debt capital, amounts to 68.5 % (2017: 73.8 %). The liquid assets including the securities held amount to EUR 7.822 million (2017: EUR 12.836 million).

Our outlook for business development in 2019 is positive. We were not able to realise the planned 20 % increase in production capacity during 2018 for various reasons. In January 2019, we did increase the production of gallium-filled thermometers at our Geschwenda location by approx. 20 %. The commissioning of the capillary basin should result in additional sales contributions for the Geratherm Group in 2019.

Sales development by segments

SALES DEVELOPMENT BY SEGMENTS (in kEUR)

	2017	2018	Change
Healthcare Diagnostic	13,380	12,600	-5.8 %
Respiratory	4,283	4,825	+12.7 %
Medical warming systems	2,043	2,465	+20.7 %
Cardio/Stroke	1,325	1,632	+23.2 %

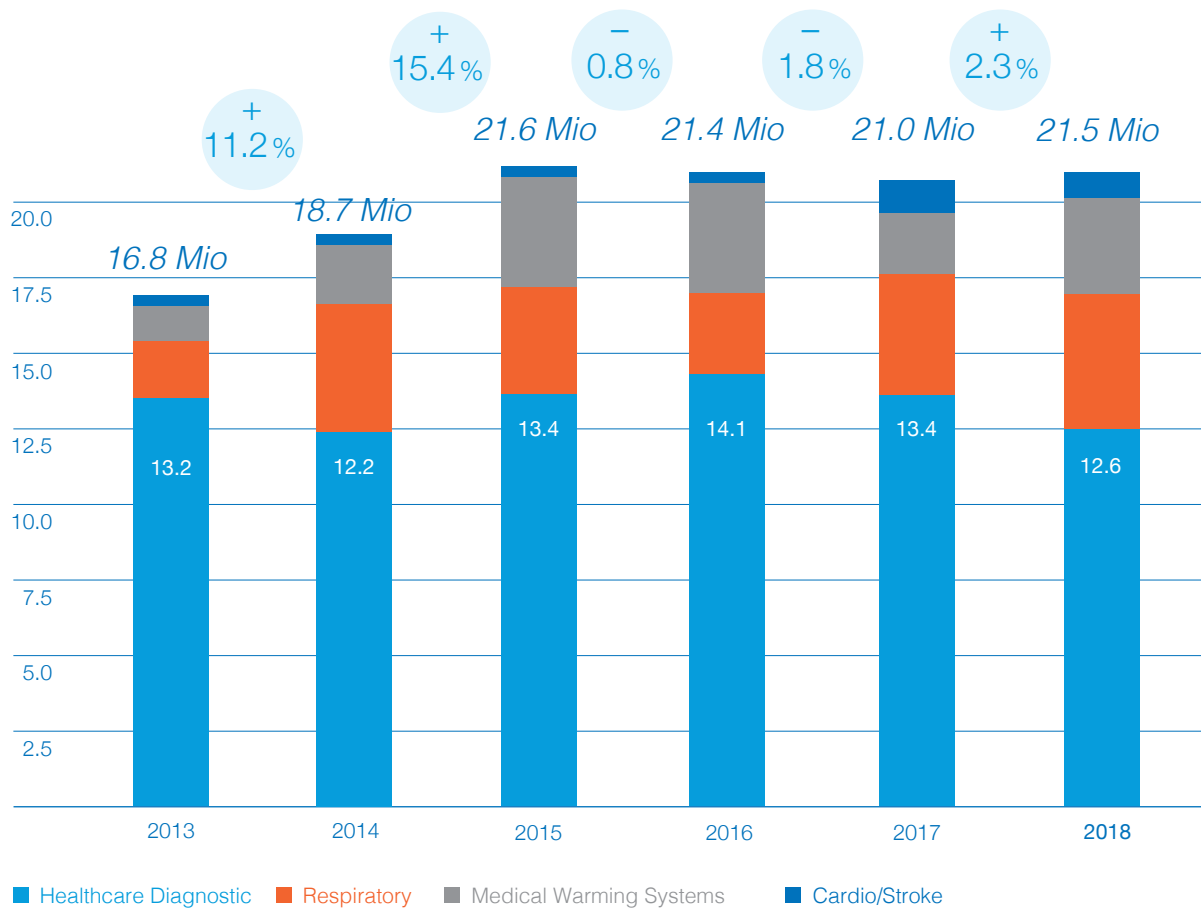
Healthcare Diagnostic

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 segment accounts for 58.5 % of the Group's consolidated sales (2017: 63.6 %). In 2018 we had to report a -5.8 % decline in sales. The decline in sales was mainly due to the shutdown of the glass capillary basin during the construction of the new facility. The lack of sales of medical capillaries resulting from the planned temporary production shutdown is also included in the Healthcare Diagnostic segment. With production having resumed in December 2018, we do expect a significant upturn in sales in the 2019 business year.

The best-selling product of the Healthcare Diagnostic segment is the clinical glass thermometer with gallium filling, which makes up 36.2 % of the group's consolidated sales. The product group was able to show a +2.6 % growth over the past year. The sales posted for digital clinical thermometers and blood pressure monitors were much weaker. The fierce competition involving these products is very noticeable in this segment as was the decline in business on the Brazilian market. Here, we mainly sell digital clinical thermometers and blood pressure monitors. With the new Woman Health product group, we were able to report a satisfactory +31.7 % increase in sales.

The export rate of the Healthcare Diagnostic segment was 91.6 % (2107: 89.8 %).

Posting sales of EUR 12.6 million (2017: EUR 13.4 million), the segment earnings on EBIT basis was 1,763 kEUR (2017: 518 kEUR). The EBIT margin of the Healthcare Diagnostic amounted to 12.9 % (2017: 3.5 %). The higher earnings reported by the segment was mainly influenced by the lower expenses from the exchange rate differences (478 kEUR) and a lower tax depreciation (269 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, 32 persons are employed in this segment, generating sales of EUR 4.825 million (+12.7 %) in 2018. This represents a 22.4 % share of the group's overall sales.

The operating result (EBIT) for the Geratherm Respiratory segment rose to 563 kEUR (2017: 396 kEUR). That corresponds to an EBIT margin of 11.3 % (2017: 9.5 %). The increase in earnings is primarily due to the greater sales and the good earnings posted by Sensor Systems. The export rate accounts for 78.2 %.

The favourable growth in the Respiratory segment is likely to continue over the medium term. Many products in a variety of countries are currently undergoing approval.

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 also 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.

We are still in the recertification process for our surgical warming blankets product area at the Geschwenda location in Thuringia. We assume that we will once again receive the product approvals for our surgical warming systems by mid 2019. Due to the lack of approvals, we had considerably less sales

in this product area. We have reorganised the development team und transferred production to the location in Steinbach-Hallenberg. By taking this measure, we strive to prevent the problems that are associated with the Geschwenda location.

Contrary to the surgical warming blankets, LMT Medical, Lübeck, performed very well in 2018. Sales almost doubled with a positive result compared to the previous year. As a result of the good performance of LMT, the segment's sales increased by +20.7 % to EUR 2.465 million compared to the previous year. The products of this segment account for 11.5 % of the overall sales of the Geratherm Group.

In 2018, the segment generated a loss (on the EBIT level) of -131 kEUR (2017: -226 kEUR). The segment currently has 22 employees. The export rate accounts for 82.7 %.

The planned approval for LMT's "nomag@" IC product for the Chinese market could not be concluded during the course of 2018. Based on the current situation, we expect the product approval in mid 2019.

Cardio/Stroke

In the Cardio/Stroke segment, we offer products that are designed to detect atrial fibrillation. The generated information/data is crucial for stroke prevention. apoplex medical has developed a system for identifying atrial fibrillation, which is used in doctor practices and stroke centres. The business activities of the Cardio/Stroke division are concentrated at the Pirmasens location, which has 17 employees.

The Cardio/Stroke segment is still in a growth phase. It managed to conclude 2018 on a positive note with a +23.2 % increase in sales. Posting sales of EUR 1.632 million, the segment achieved an EBIT of 3 kEUR (2017: 243 kEUR). The EBIT margin was 0.2 % (2017: 18.3 %). The decline in the results, in spite of increased sales, is essentially due to the expenses incurred for the nurtured internationalisation. The share of total sales of the Geratherm Group amounts to 7.6 %.

In 2018, we managed to connect more clinics and hospitals to apoplex's system. All in all, more than 120 stroke centres rely on the analytical system of apoplex medical. In 2019, we will continue to push internationalisation. Our attention is focussed in particular on Spain and England. In light of this, we do expect that the company will continue to experience a healthy growth.

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. 81.9 % of Geratherm's products are exported (2017: 82.8 %). 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 21.5 million was generated in 2018.

The euro zone outside of Germany is Geratherm's largest sales market, whereas the Italian market dominates here. The European market accounts for EUR 12.2 million which corresponds to 56.9 % of the total sales of the Geratherm Group. The sales of Geratherm products in Europe achieved an increase in sales by +4.6 % in 2018.

The sales of Geratherm products on the German market also showed a similarly positive performance. On the whole, sales grew by +8.1 % to EUR 3.9 million. Domestic sales account for 18.1 % of the Geratherm Group's total sales.

Sales on the US market developed very favourably in 2018. The main reason for this was LMT Medical's good performance on the US' market. Sales increased by +40.3 % to EUR 1.7 million. The share of sales on the US market accounts for 7.7 % of the overall sales posted by the Geratherm Group.

The Middle Eastern markets are particularly important for Geratherm. The revised product approvals resulted in the delivery of less products such that we had to report a -24.7 % decrease to EUR 1.5 million for this market in 2018. The total share of Geratherm sales in this region amounted to 7.1 %.

The underlying conditions on the Brazilian market did improve in 2018. In conjunction with the specific problems of the subsidiary Geratherm do Brasil and the limited financial freedom, sales declined again by -38.5 % to EUR 0.7 million. We assume that the sales will increase again in 2019. In this region, we are focussing primarily on the marketing of the Geratherm-Respiratory and apoplex medical products. In accordance with the restructuring plan adopted for Geratherm do Brasil, Healthcare Diagnostic products, such as clinical thermometers and blood pressure monitors, are now only sold to customers in South America after the parent company in Germany directly receives advance payment. The sales in this region account for 3.2 % of the total sales of the Geratherm Group.

The Other Countries group mainly includes the regions Africa and Asia. In this group, sales increased by +8.1 % to EUR 1.5 million.

SALES DEVELOPMENT BY REGIONS (in kEUR)

	2017	2018	Change
Europe	11,696	12,233	+4.6 %
Germany	3,612	3,906	+8.1 %
USA	1,188	1,667	+40.3 %
Middle East	2,040	1,536	-24.7 %
Other countries	1,387	1,499	+8.1 %
South America	1,108	681	-38.5 %

4. Situation

Earnings situation

Geratherm Medical showed a slight +2.3 % growth in sales at the group level in 2018. Group sales totalled EUR 21.5 million, the company's overall performance was +5.0 % over the prior year's level and amounted to EUR 22.7 million.

The sales and earnings reported were influenced in 2018 by the shutdown of production and the construction of the new glass basin for producing medical capillaries. This resulted in a loss of revenue of just under EUR 0.5 million. The costs for the 10 employees had to be borne over a year as well. Some of the employees could be assigned to the production of gallium-filled thermometers. We also had to deal with the decrease in sales on the Brazilian market in the amount of 462 kEUR. At the end of the year, orders totalling 366 kEUR could not be delivered due to missing documents and were deferred to the new year. In this regard, the 2018 business year was a year of transition in terms of sales and earnings and thus representative only to a limited extent in terms of performance. Earnings from the capitalisation of development costs totalling 504 kEUR, which came primarily from apoplex, had a positive impact on the earnings situation.

The material expenditure in relation to the overall output increased slightly by 1.6 % to EUR 7.9 million.

The sharp -40.3 % drop in expenses for purchased services in 2018 is mainly due to the lower energy consumption, since the previous glass basin was not in service for 10 months.

The gross margin, based on the overall performance, rose slightly to 65.2 % (2017: 64.0 %). The gross profit increased by +7.0 % to EUR 14.8 million.

Personnel costs increased by +7.6 %. 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, at the Geschwenda location.

The gross earnings prior to depreciation and amortisation (EBITDA) increased by +58.4 % to EUR 2.801 million.

The operating margin, based on sales, on an EBITDA level amounted to 13.0 % (2017: 8.4 %). The significantly higher margin can be attributed to the lower consolidated share of losses of Geratherm do Brasil.

Amortisation of intangible assets and depreciation of tangible assets decreased by -28.6 % to 814 kEUR (2017: EUR 1.141 million).

The other operating expenses exhibited a decrease of -12.1 % to EUR 5.028 million. This position was favourably influenced by the significantly lower burden from dollar holdings, which did not occur in this form as in the previous year. At the same time, there were no further burdens arising from value adjustment on accounts receivable by Geratherm do Brasil.

The operating result (EBIT) in the amount of EUR 1.987 million (2017: 627 kEUR) more than tripled compared to the previous year, since the burdens from the consolidated balance sheet of the Brazilian subsidiary no longer occurred in the form. The EBIT margin for the entire company amounted to 9.2 % (2017: 3.0 %). As a result, we did not quite achieve our target of a 10% EBIT margin at the group level. Since there are no non-recurring charges for 2019, we are optimistic that will attain our internal target again in terms of quality of earnings.

EARNINGS PERFORMANCE (in kEUR)

	2013	2014	2015	2016	2017	2018	Change
Operating profit (EBITDA)	1,601	3,171	3,423	3,710	1,768	2,801	+58.4 %
Operating profit (EBIT)	793	2,415	2,534	2,539	627	1,987	+216.9%

The core business at the Geschwenda location in Thuringia was slightly better 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) jumped by +16.8 % to EUR 1.867 million (2017: EUR 1.599 million). That corresponds to an EBIT margin of 14.8 % (2017: 12.5 %). The location's performance was favourably influenced in 2018 by earnings from the dollar's appreciation in value of +143 kEUR (2017: -562 kEUR). The amounts written off for receivables from Brazil had a negative impact last year.

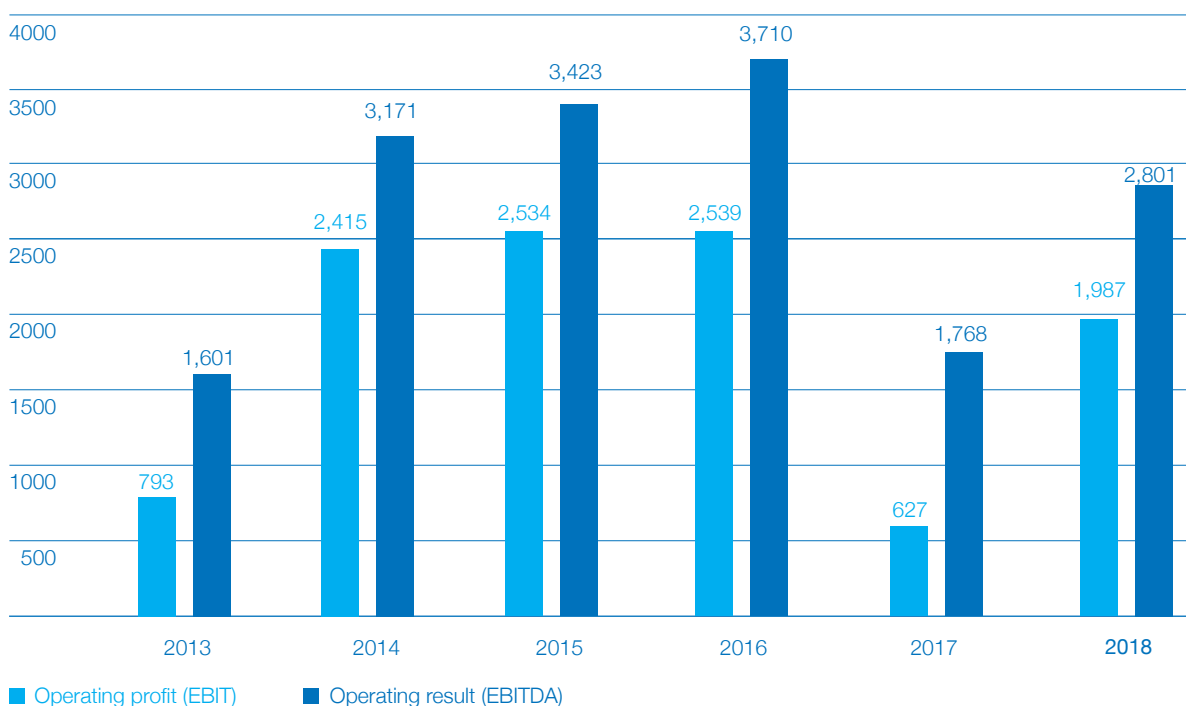
Due to the strong increase in sales and costs for internationalising the Cardio/Stroke segment, it was not possible to maintain the operating result at the EBIT level. The profit reported on the EBIT level amounted to +3 kEUR (2017: +243 kEUR). That corresponds to an EBIT margin of 0.2 % (2017: 18.3 %).

The Warming Systems segment is still struggling with recertification problems for its surgical warming blankets and thus was unable to post with considerably lower sales figures any positive operating results. Even though LMT Medical made a positive earnings contribution, the segment's operating result was -131 kEUR (2017: -226 kEUR).

The financial results as balance of write-offs and interest earnings amounted to -509 kEUR (2017: -163 kEUR). The income realised on the sale of securities was reported at 366 kEUR and involved mainly the successful sale of the held TEVA shares. Due to changes in IFRS regulations this amount of earnings from securities was no longer recognised in the financial result but is now shown in equity capital. In the future, gains and losses from securities will no longer be posted in the profit and loss statement. The financial result was burdened again by the interest expenses incurred by Geratherm do Brasil in the amount of 443 kEUR. The posting of this position was necessary, since the competent court in Sao Paulo had surprisingly rejected the filed "Chapter 11" petition for Geratherm do Brasil at the end of 2018.

Taking into account the financial result and the operating result for 2018, profits from ordinary business activities in the amount of EUR 1.478 million (2017: 464 kEUR) were generated for the 2018 fiscal year. Income taxes amounted to 644 kEUR (2017: 241 kEUR) and consisted of expenses for current income taxes in the amount of 690 kEUR and earnings from the formation of deferred tax assets and liabilities in the amount of -46 kEUR.

EARNINGS PERFORMANCE (in kEUR)



The consolidated net income increased for the 2018 fiscal year to 834 kEUR (2017: 222 kEUR).

The result attributable to minority shares or non-controlling shareholders amounts to -319 kEUR (2017: -457 kEUR). The position reflects the clearly lower loss shown by Geratherm do Brasil.

The earnings of the shareholders of the parent company after taxes (EAT) increased by +69.7 % to EUR 1.154 million (2017: 680 kEUR). The earnings per share are EUR 0.23 (2017: EUR 0.14).

The management board and supervisory board will propose to the general meeting in June 2019 to distribute a dividend of EUR 0.40 per share (EUR 1.980 million) for the 2018 fiscal year.

The planned disbursement is carried out on the basis of the tax regulations initially from the distributable profit of EUR 1.362 million (EUR 0.28 per share). Of this capital yields tax in addition to the solidarity surcharge

in the amount of 26.38 % (359 kEUR) was withheld. The excess amount of 618 kEUR (EUR 0.12 per share) will be disbursed from the shareholders' tax-recognised contribution account in a tax-neutral manner.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-neutrally from the tax-recognised contribution account (as at 31 Dec. 2018: EUR 15.206 million).

Financial Situation, Investments and Liquidity

Geratherm Medical enjoyed a sound financial position throughout the entire 2018 business year. The cash and cash equivalents available including securities as at 31 December 2018 amounted to EUR 7.822 million (2017: EUR 12.836 million). The decrease can be attributed to the paid dividend and the financing of the construction of the new medical capillary production.

The 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 acquisitions can be implemented within short notice at any time with the existing financial budget.

The gross cash flow amounted to EUR 2.707 million in 2018 (2017: EUR 3.013 million). The cash flow from operations decreased essentially as a result of the increase of the working capital to EUR 1.347 million (2017: EUR 2.466 million).

The negative cash flow from investment activities was with -2,847 kEUR similarly high as in the previous year (-2,771 kEUR) and mainly results from expenses incurred in connection with the construction of the new capillary glass basin. Investments in new and premium medical products will continue to be pushed in the future.

The cash flow from financing activities amounted to -2,093 kEUR (2017: -100 kEUR). The reported position was influenced by the dividend payments in the amount of EUR 2.326 million, the inclusion of loan liabilities in the amount of 400 kEUR and the decrease of other long-term liabilities in the amount of 167 kEUR.

The cash and cash equivalents at the end of the period under review amounted to EUR 5.361 million (2017: EUR 8.811 million).

In 2018, 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 68.5 % of the balance sheet total. We do not foresee any situations, which could jeopardize the continued existence of the company.

Assets and capital structure

Geratherm Medical possessed a sound assets situation at the end of the 2018 business year. At the end of the 2018 fiscal year, the balance sheet total was EUR 29.4 million and was thus +3.2 % higher than on the reporting date of the prior year. The company's reported equity capital is EUR 20.1 million (2017: EUR 21.0 million) or 68.5 % (2017: 73.8 %) of the balance sheet total. This results in a book value of EUR 4.07 based on an individual share (2017: EUR 4.25). 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 2018, the assets side of the balance sheet contains long-term assets amounting to EUR 10.533 million (2017: EUR 5.523 million). The increase of EUR 5.010 million can be attributed to the construction of the new capillary production at the Geschwenda location. The short-term assets amounted to EUR 18.847 million (2017: EUR 22.944 million).

Within the long-term assets, the intangible assets increased by +37.3 % to 903 kEUR (2017: 657 kEUR). This results mainly from the capitalisation of development costs for software at apoplex medical. Regular depreciation and amortisation had an opposite effect.

Fixed assets increased by +96.0 % to EUR 7.633 million (2017: EUR 3.895 million). Investments in tangible assets amounted to EUR 2.804 million in 2018 (2017: EUR 1.240 million). These were offset by depreciation of tangible fixed assets in the amount of 632 kEUR. The significant increase in tangible fixed assets is mainly due to the construction of the new capillary production.

Other assets increased to EUR 1.070 million (2017: 426 kEUR). The position reflects the interests in Protembis GmbH. The increase in the assets results from a value adjustment based on an increase in capital in 2018. Furthermore, the new participation "Evina" of apoplex medical in Spain with a value of 350 kEUR was accounted for using the equity method.

Geratherm Medical still has existing losses carried forward in the amount of EUR 4.749 million (2017: EUR 4.275 million) for subsidiaries, which were not yet capitalised. The capitalisation of deferred taxes on losses carried forward affects the subsidiaries apoplex medical technologies and Geratherm Respiratory. 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 increased by +7.5 % to EUR 7.298 million (2017: EUR 6.788 million). This is essentially due to the higher inventories resulting from delayed deliveries of customer orders on the reporting date. The inventory of raw materials and supplies increased by +3.1 % to EUR 2.294 million (2017: EUR 2.227 million).

The inventory of unfinished goods decreased slightly by -4.4 % to EUR 1.063 million.

The position finished products and goods mainly increased due to the increased inventory of ear thermometers and blood pressure monitors by +14.2 % to EUR 3.940 million (2017: EUR 3.449 million).

The accounts receivable increased by +12.3 % to EUR 3.728 million as of the reporting date. In this case, trade receivables accounted for EUR 2.849 million (2017: EUR 2.662 million).

Tax receivables increased by +10.3 % to 143 kEUR (2017: 130 kEUR). Other assets increased significantly to 562 kEUR (2017: 264 kEUR) and mainly concerned advance payments in the amount of 317 kEUR.

The reported book value of the securities held by Geratherm decreased by -38.8 % to EUR 2.462 million (2017: EUR 4.025 million). The reduction can be attributed to the sale of securities and the value adjustment of the securities held.

The cash and cash equivalents available as at 31 December 2018 amounted to EUR 5.361 million (2017: EUR 8.811 million).

The equity and liabilities side of the balance sheet shows the company's strong equity capital base. The equity capital in the amount of EUR 20.128 million (2017: EUR 21.017 million) is offset by liabilities in the amount of EUR 9.252 million (2017: EUR 7.450 million).

The long-term debts increased by +11.2 % to EUR 3.880 million. The increase related mainly the deferred investment subsidies in conjunction with the financing of the production facility for medical capillaries at the Geschwenda location.

The other long-term liabilities exhibited a decrease of -28.8 % to 410 kEUR. The position includes liabilities to other minority shareholders.

The short-term debts increased by +35.6 % to EUR 5.372 million (2017: EUR 3.961 million). This includes short-term liabilities to banks in the amount of EUR 1.099 million (2017: 344 kEUR). The trade accounts payable increased by +61.4 % to EUR 1.608 million as of the reporting date.

The other liabilities decreased by -10.9 % to EUR 1.633 million (2017: EUR 1.833 million). The position includes accrued liabilities, especially outstanding invoices from initiated purchase orders.

C. FORECAST, CHANGES AND RISK REPORT

1. Forecast

The gross domestic product (GDP) in Germany increased by +1.5 % in 2018. For 2019 it is expected that the economic cycle will weaken further. We do not want to comment on political risks, such as the trade dispute between the US and China and the UK's exit from the EU.

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.

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

The Chinese market is becoming increasingly important to Geratherm, whereas the opportunities must be carefully weighed against the risks. In addition to that is the problematic lack of protection of intellectual property there. On the other hand, China's share of the global market for medical devices is expected to increase from the current 6 % to an expected 26% over the next ten years.

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". Geratherm has reduced its dependence on third parties considerably by investing in a new production facility for medical capillaries. The previous risk has resulted in significantly better opportunities.

The construction of the new medical glass production was concluded in 2018. The resulting loss of revenue should no longer have such an effect in 2019. Even in the other business units, we have managed to post good results for the first months of 2019. We therefore anticipate a slightly better growth for the company in terms of sales and earnings than in 2018. The objective of achieving an EBIT margin of at least 10 % at the group level remains.

The restructuring of Geratherm do Brasil to a pure distribution company was realised for the most part in the 2018 business year. The risks for the group were reduced considerably as a result of changing the company's business model. The "Chapter 11" petition for Geratherm do Brasil is planned to be filed again in April of 2019. Doing so should facilitate possible composition negotiations with the company's main bank. By submitting the "Chapter 11" petition, the interest burden for the company and thus the earnings burden for the group will be reduced considerably and sustainably.

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 of development projects, the continuous start-up of the capillary basin, the anticipated growth of the gallium-filled thermometer product group and the filing of the "Chapter 11" petition by Geratherm do Brasil as well as the successful conclusion of its restructuring efforts. If the aforementioned assumptions do not occur, we then expect a slight increase in sales and earnings and an EBIT margin of just under 10 % for the 2019 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 fulfil the changing requirements in order to minimise any possible damage for the company.

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

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

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

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

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

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

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

Risks can be minimised by means of diversification in terms 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. However, 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 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 risks

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 Brazilian market has been the exception. We learned our lesson here and have since switched to deliveries only upon advance payment.

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. Another risk is also fraud with false identities. 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 represent a major challenge for medium-sized medical technology companies. If certain criteria are not fulfilled, there is a risk of ban on production and marketing. We strive to counter this risk through quality management by reducing product complexity and by increasing our own know-how.

Risk - New business areas

Geratherm has a stable core business. On the whole, Geratherm is active in four business segments, which operate in different markets. We try to manage the new business areas so that 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. The time and the scope of the hoped-for benefit could change. It is not possible to rule out a total write off of the endeavour. We are aware of the opportunities and risks and are guiding our activities accordingly.

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 fulfils this prerequisite. In our opinion, the efforts taken over the past few years to broaden the business model to include various markets and sources of income are in line with a well-balanced opportunity and risk profile.

Especially with regard to our main product, the gallium-filled thermometer, we have achieved a very high level of vertical integration for reducing our 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 risks include the evaluation of securities, financial assets, capitalised developments and correct allocation of sales revenues.

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

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

6. Additional Disclosures

Corporate Governance Statement

According to Art. 161 of AktG (German Stock Corporation Act) in the version of Transparenz- und Publizitätsgesetz (German Transparency and Disclosure Act) from 19 July 2002, the management board and the supervisory board are obligated to state once a year whether the recommendations of the Government Commission on the German Corporate Governance Code will be and 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 2018 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 2019 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. Further corporate governance practices are not followed.

Procedures of 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 management board does participate in the meetings.

Resolutions are adopted after careful review of all reports and proposals and advice in meetings, provided such are necessary in accordance with statutory demands or requirements set forth in the Articles of Association. At the order of the chairman of the supervisory board, resolutions may also be adopted in writing, by 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 are taken of the supervisory board's meetings.

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

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

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

Principles of the 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 123 kEUR (2017: 109 kEUR) were reported in the financial statements for the activities of the management board during the 2018 business year. That included a fixed sum in the amount of 86 kEUR (2017: 86 kEUR) and variable sums in the amount of 36 kEUR (2017: 23 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 Monday, December 31, 2018 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 authorised to increase the capital stock of the company up to a maximum 2,474,999 subject to the approval of the supervisory board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999.00 by 5 June 2021 (authorised capital).

The company is 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 2018 in Frankfurt, Germany.
The attendance at the annual general meeting represented 47.51 % of the capital stock.

The expenses for the stock exchange listing in 2018 was 94 kEUR (2017: 109 kEUR).

Geschwenda, 29 March 2019

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

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CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) of 31. December 2018

ASSETS	Notes No.	2018/12/31 EUR	2017/12/31 EUR	Change in %
A. LANGFRISTIGE VERMÖGENSWERTE				
I. Intangible assets	1.			
1. Development costs		661,872	462,526	43.1
2. Other intangible assets		165,107	119,154	38.6
3. Goodwill		75,750	75,750	0.0
		902,729	657,430	37.3
II. Tangible assets	2.			
1. Land, land rights and buildings		3,420,582	1,180,698	>100.0
2. Technical equipment and machinery		3,883,675	1,299,932	>100.0
3. Other equipment, factory and office equipment		251,856	264,083	-4.6
4. Construction in process		77,149	1,150,294	-93.3
		7,633,262	3,895,007	96.0
III. Financial assets accounted on basis of equity-method	3.	350,000	0	-
IV. Other assets	3.	1,070,151	426,000	>100.0
V. Other long-term receivables	3.	165,530	178,967	-7.5
VI. Deferred taxes	4.	411,189	365,160	12.6
		10,532,861	5,522,564	90.7
B. SHORT-TERM ASSETS				
I. Inventories	5.			
1. Raw materials and supplies		2,294,383	2,226,466	3.1
2. Unfinished goods		1,063,287	1,111,914	-4.4
3. Finished goods and merchandise		3,940,098	3,449,379	14.2
		7,297,768	6,787,759	7.5
II. Receivables and other assets				
1. Trade receivables	6.	2,849,249	2,662,175	7.0
2. Receivables from current income taxes	7.	173,789	264,345	-34.3
3. Receivables from other taxes	7.	142,975	129,631	10.3
4. Other assets	8.	561,557	264,047	>100.0
		3,727,570	3,320,198	12.3
III. Securities	9.	2,461,500	4,024,763	-38.8
IV. Cash and cash equivalents	10.	5,360,555	8,811,417	-39.2
		18,847,393	22,944,137	-17.9
		29,380,254	28,466,701	3.2

EQUITY AND LIABILITIES	Notes No.	2018/12/31 EUR	2017/12/31 EUR	Change in %
A. EQUITY CAPITAL				
I. Subscribed capital	11.	4,949,999	4,949,999	0.0
II. Capital reserves	12.	12,174,192	12,174,192	0.0
III. Other reserves	13.	3,195,498	3,895,155	-18.0
Assignable to the shareholders of the parent company		20,319,689	21,019,346	-3.3
Shareholders of minority interests	14.	-192,037	-2,293	>100.0
		20,127,652	21,017,053	-4.2
B. Non-current debts				
1. Liabilities to banks	15.	2,279,487	2,634,783	-13.5
2. Accrued investment subsidies	16.	1,190,945	277,242	>100.0
3. Other long-term liabilities	17.	409,989	576,206	-28.8
		3,880,421	3,488,231	11.2
C. Current debts				
1. Liabilities to banks	18.	1,099,020	344,313	>100.0
2. Payments on accounts		0	238,283	-
3. Trade accounts payable	19.	1,607,892	996,330	61.4
4. Liabilities from current income taxes	20.	76,727	110,407	-30.5
5. Contractual liabilities	22.	412,788	0	-
6. Other tax liabilities	20.	542,620	439,285	23.5
7. Other short-term Liabilities	21.	1,633,134	1,832,799	-10.9
		5,372,181	3,961,417	35.6
		29,380,254	28,466,701	3.2
Equity of majority shareholder quota		69.16	73.84	

CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2018

	Notes No.	1/1-31/12/2018 EUR	1/1-31/12/2017 EUR	Change EUR	Change in %
Sales revenues	22.	21,521,920	21,030,779	491,141	2.3
Change in inventory of finished and unfinished products		68,096	-156,297	224,393	>100.0
Other capitalised own work	1.	504,233	155,085	349,148	>100.0
Other operating income	23.	576,107	554,827	21,280	3.8
		22,670,356	21,584,394	1,085,962	5.0
Cost of materials	24.				
Cost of raw materials, consumables and goods for resale		-7,207,906	-6,624,121	-583,785	8.8
Costs of purchased services		-678,282	-1,136,990	458,708	-40.3
		-7,886,188	-7,761,111	-125,077	1.6
Gross profit or loss		14,784,168	13,823,283	960,885	7.0
Personnel expenses	25.				
Wages and salaries		-5,645,182	-5,205,866	-439,316	8.4
Social security, pension and other benefits		-1,166,618	-1,127,043	-39,575	3.5
		-6,811,800	-6,332,909	-478,891	7.6
Impairing loss from trade accounts receivables		-142,564	0	-142,564	-
Other operating expenses	27.	-5,028,320	-5,722,291	693,971	-12.1
Gross result (EBITDA)		2,801,484	1,768,083	1,033,401	58.4
Amortisation of intangible assets and depreciation of tangible assets	26.	-814,447	-1,141,085	326,638	-28.6
Operating results		1,987,037	626,998	1,360,039	>100.0
Dividend income		0	6,797	-6,797	-
Income from securities trading		0	125,386	-125,386	-
Securities-related expenses		-40,091	-17,013	-23,078	>100.0
Other interest and similar income		25,084	166,206	-141,122	-84.9
Interests and similar expenses		-494,269	-444,759	-49,510	11.1
Financial results	28.	-509,276	-163,383	-345,893	>100.0
Profit (loss) on ordinary business activities		1,477,761	463,615	1,014,146	>100.0
Income taxes	29.	-643,581	-241,260	-402,321	>100.0
Consolidated net income		834,180	222,355	611,825	>100.0
Result of non-controlling shareholders		-319,415	-457,432	138,017	-30.2
Results of the shareholders of the parent company		1,153,595	679,787	473,808	69.7
Earnings per share undiluted	30.	0.23	0.14	0.09	64.3

CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2018

	1/1-31/12/2018 EUR	1/1-31/12/2017 EUR
Consolidated net income	834,180	222,355
Income and expenses directly recognised in equity, which are not reclassified to profit or loss:		
Profits or losses from valuation of investments according to IFRS 9	644,151	0
Profits or losses from valuation of securities according to IFRS 9	-249,511	0
	394,640	0
Income and expenses directly recognised in equity, which are reclassified to profit or loss under specific conditions:		
Profits or losses from valuation of securities according to IFRS 39	0	256,132
Difference resulting from currency translation	265,111	312,531
	265,111	568,663
Income and expenses directly included in equity capital	659,751	568,663
Total consolidated income	1,493,931	791,018
of which assignable to shareholders of minority interest	-189,744	-303,348
of which assignable to shareholders of parent company	1,683,675	1,094,366

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of 31 December 2018

	Subscribed capital	Capital reserves
	11. EUR	12. EUR
as of 1 January 2017	4,949,999	11,035,367
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
Transactions with shareholders and member partners	0	1,138,825
Consolidated net income	0	0
Unrealised profits and losses from revaluation of securities	0	0
Currency translation in the Group	0	0
Total consolidated income	0	0
as of 31 December 2017	4,949,999	12,174,192
as of 1 January 2018	4,949,999	12,174,192
Other change in Geratherm do Brasil	0	0
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	0
Consolidated net income	0	0
Unrealised profits and losses from valuation of investments	0	0
Unrealised profits and losses from valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
as of 31 December 2018	4,949,999	12,174,192

Other reserves		Accumulated earnings	Assignable to the shareholders of the parent company	Minority interests	Equity capital
Market valuation reserve	Currency conversion reserve				
EUR	13. EUR				
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
308,636	152,943	3,433,576	21,019,346	-2,293	21,017,053
0	0	-56,832	-56,832	0	-56,832
0	0	-2,326,500	-2,326,500	0	-2,326,500
0	0	-2,383,332	-2,383,332	0	-2,383,332
0	0	1,153,595	1,153,595	-319,415	834,180
644,151	0	0	644,151	0	644,151
-249,511	0	0	-249,511	0	-249,511
0	135,440	0	135,440	129,671	265,111
394,640	135,440	1,153,595	1,683,675	-189,744	1,493,931
703,276	288,383	2,203,839	20,319,689	-192,037	20,127,652

CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2018

	Notes No.	1/1-31/12/2018 kEUR	1/1-31/12/2017 kEUR
Consolidated net income		834	222
Non-cash expenses and income of Geratherm do Brasil Ltda.		0	629
Other non-cash expenses		65	615
Dividend income	28.	0	-7
Interest earnings	28.	-25	-11
Interest expenses		494	445
Increase in deferred taxes		-46	-418
Income tax expenditure		644	600
Depreciation of fixed assets		814	1,141
Income from securities trading	28.	0	-125
Loss from securities trading		0	0
Amounts written off for securities		0	0
Amortisation of public grants and subsidies	16.	-73	-89
Loss from disposal of fixed assets		0	11
Gross cash flow	32.	2,707	3,013
Increase/decrease in inventories		-510	666
Increase/decrease in trade receivables and other assets		-484	410
Increase/decrease in current liabilities and other liabilities		690	-51
Cash inflow from dividends		0	7
Cash inflow from interest		25	11
Cash outflow from interest		-494	-445
Cash outflow/inflow from taxes		-587	-1,145
Cash flow from operations	33.	1,347	2,466
Cash outflow for investments in fixed assets		-5,148	-1,502
Cash inflow from funding sources for investments		987	0
Cash inflow based on financial assets	9.	1,356	167
Cash outflow based on financial assets	9.	-42	-1,436
Cash flow from investments	34.	-2,847	-2,771
Cash inflow from shareholders of minority interests		0	2,144
Dividend payments	13.	-2,326	-2,475
Cash inflow from taking out loan liabilities	15.	630	2,000
Cash outflow for repayment of loan liabilities	15.	-230	-1,293
Decrease/ increase in long-term liabilities	17.	-167	-476
Cash flow from financing activities	35.	-2,093	-100
Change in cash and cash equivalents		-3,593	-405
Cash and cash equivalents at beginning of reporting year		8,811	9,518
Exchange rate difference		143	-302
Cash and cash equivalents at end of reporting period		5,361	8,811

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2018 FISCAL YEAR

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG for the 2018 fiscal year were prepared in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2018 fiscal year and have affected the 2018 fiscal year as follows:

Standard/ Inter- pretation	Title of Standards/ Interpretation or Amendment	First-time Ap- plication ¹	Impact on Geratherm
<i>IAS 8.28</i>			
IFRS 9	Financial Instruments	1 January 2018	General significance
IFRS 15	Revenue from Contracts with Customers	1 January 2018	General significance
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	No significant impact
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	No impact, since the group falls outside of the scope of application of IFRS 4
Amendments to IFRS 15	Clarifications to IFRS 15	1 January 2018	General significance
Amendments to IAS 40	Transfers of Investment Property	1 January 2018	No significant impact
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	No significant impact
Improve- ments to IFRS 2014-2016	Amendments to IFRS 1 and IAS 28	1 January 2018	No significant impact

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

Standard/ Interpretation	Title of Standards/ Interpretation or Amendment	First time application ²
<i>IAS 8.30, EU endorsement has been given by the release for publication</i>		
IFRS 16	Leases	1 Jan. 2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 Jan. 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 Jan. 2019
<i>IAS 8.30, EU endorsement is still pending (as of: 9 January 2019)</i>		
IFRS 17	Insurance Contracts	1 Jan. 2021
Amendments to IFRS 3	Definition of a Business	1/1/2020
Amendments to IAS 1 and 8	Definition of Material	1/1/2020
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	³
IFRS 17	Insurance Contracts	1 Jan. 2021
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 Jan. 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 Jan. 2019
Framework	Amendments to References to the Conceptual Framework in IFRS Standards in the IFRS Standards	1/1/2020
Improvements to IFRS 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 Jan. 2019

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

³ On 17 December 2015, the IASB decided to postpone indefinitely the date of initial application of this amended standard.

A. Expected Impact from Application of IFRS 16

The group is obligated to apply IFRS 16 Leases as of 1 January 2019. The group has evaluated the expected effects of the first-time application of IFRS 16 on the consolidated financial statements, as shown below. The actual effects from applying this standard as of 1 January 2019 may differ, since the group has not yet completed its testing and evaluation of the controls on its new IT systems and the new accounting procedures may be subject to change before the first consolidated financial statements are published after the date of initial application.

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 of low value. Accounting on part of the lessor is comparable to the current standard –meaning that lessors may continue to classify leases as finance or operating leases.

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

1. Leases where the group is the lessee

The group will recognise new assets and liabilities for its operating leases of administrative and business premises (see Disclosure for Other financial obligations). The type of the expenses which are associated with these leases will change, since the group now recognises write-offs for right-of-use assets and interest expenses from the lease liabilities. Up till now, the group has reported expenses from operating leases on a straightline basis over the term of the lease as well as assets and liabilities only in the amount, in which there was a time difference between the actual lease payments and the booked expenses.

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

Based on the information currently available the group reckons that it will recognise additional lease liabilities of 418 kEUR as at 1 January 2019.

2. Leases where the group is the lessor

Such leases do not exist, and thus no changes are to be expected in this regard.

3. Transition

The group intends to apply IFRS 16 for the first time as of 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 values of earning reserves as at 1 January 2019; comparative information will not be adjusted.

The group intends to use the simplification rule with regard to maintaining the definition of a lease during the transition. This means that the group will apply IFRS 16 to all contracts that were formed prior to 1 January 2019 and which had been identified as leases in accordance with IAS 17 and IFRIC 4.

Application simplifications will be utilised for leased assets of low value and for short-term leases (less than 12 months).

B. 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 financial statements

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

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

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

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

The management of Geratherm Medical AG has released the consolidated financial statements based on IFRS on 8 April 2019 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 at Fahrenheitstr. 1.

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

Consolidation principles

The consolidated financial statements of Geratherm 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.

The investments in companies included at equity are valued at the historical costs at the time of acquisition. If these are higher than the proportional equity, the difference (good-will or going concern value) remains in the stake valuation. This is to be examined as of the balance sheet date to check if signs of a value impairment are evident. If the acquisition costs are lower than the proportional equity at the time of acquisition, this difference is ascribed to the balance sheet approach and recognised in the equity result in the profit and loss statement. The book values of these companies are increased or decreased annually by the proportional results, distributed dividends or other changes in equity. An impairment is recognised in profit or loss if there are signs of an investment's permanently lower value. Longterm financing, which can be assigned to the economic content after the owner's net investment in the company, is included when taking into consideration the change in equity.

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

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

Minority interests

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

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

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

Consolidated group

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

Company	Percentage of shares held 2018	Percentage of shares held 2017
GME Rechte und Beteiligungen GmbH, Geschwenda, Germany	100.00 %	100.00%
apoplex medical technologies GmbH, Pirmasens, Germany	53.42 %	53.42 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	65.27 %	65.27 %
Geratherm Medical do Brasil Ltda., Sao Paulo, Brazil	51.00 %	51.00 %
Sensor Systems GmbH, Steinbach-Hallenberg, Germany	100.00 %	100.00 %
Capillary Solutions GmbH, Geschwenda, Germany	100.00 %	100.00 %
LMT Medical Systems GmbH Lübeck, Germany	66.67 %	66.67 %
<i>Subsidiary: LMT Medical Systems Inc. Ohio/USA</i>	<i>100.00 %</i>	<i>100.00 %</i>

No changes occurred in the consolidation group during the 2018 fiscal year.

Foreign currency translation

We use the concept of functional currency when converting the financial statements of Geratherm Medical do Brasil Ltda. and LMT Medical Systems Inc., which include figures in a foreign currency. Since these companies operate their businesses independently, they are treated as independent foreign entities as defined by IAS 21. Based on that, the assets and liabilities of the foreign subsidiary are translated at the exchange rate prevailing on the reporting date, while the expenses and receipts are translated at the annual mean exchange rate as permissible simplification according to IAS 21.40. The equity capital is valued using the historical exchange rates (the rates prevailing on the date of payment and the respective mean exchange rate of the yield generated). The difference resulting from this currency translation is reported as a separate item in the group's other comprehensive income. When converting the financial statements of Geratherm do Brasil into the local currency, a periodend exchange rate of BRL 4.444 /EUR (balance sheet) and an average exchange rate of BRL 4.308.493 /EUR (P&L) were taken as a basis. When converting the financial statements of LMT Medical Systems into the local currency, a periodend exchange rate of USD 1.145 /EUR (balance sheet) and an average exchange rate of USD 1.1809545 /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 straightline 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 in to account the individual risks of the relatively new product areas in the business life cycle (start-up allowance). The estimate of individual aggregate risks, which are reflected in cash-flow planning and the discount rate, remained almost unchanged. There were no indications of any triggering events during the year under review.

Tangible assets

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

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

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

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

Decline in value of intangible and tangible assets

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

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

Leasing

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

Associated companies / Financial assets accounted on basis of equity method

Shares in associated companies are generally accounted for with their proportional equity according to the equity method. Pro-rated results are taken into account in the profit and loss statement and ascribed to or written off of the book value. Changes in equity without any effect on net income are also treated reflectively with no effect on net income in the consolidated financial statements. Distributions from associated companies decrease their equity and are thus deducted from the book value without any effect on the net income. If losses of an associated company or a joint venture have consumed their equity, no further losses are taken into account, unless there are long-term unsecured claims against the company or the group has accepted additional obligations or has made payments for the company. An increase in the book value only occurs after the loss carried forward has been settled and a positive equity value has been reached again.

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

Financial assets and liabilities

IFRS 9 Financial Instruments defines the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As of 1 January 2018, the group started to apply IFRS 9 for the first time.

Due to the transition methods selected by the group for applying this standard, the comparative information in the present financial statements has not been adapted to the requirements of the new standard, except for certain hedges and separately reported impairment losses from trade receivables and contractual assets.

As a result of the introduction of IFRS 9 there have been consequential changes to IAS 1 Presentation of financial statements, according to which an impairment of financial assets is to be reported in a separate position of the statement of comprehensive income.

In addition to that, the group has applied consequential changes in IFRS 7 Financial instruments: Disclosures to the disclosure for the 2018 financial statements. These were generally not applied to the comparative information, however.

1. Classification of financial assets

The classification and valuation of financial assets and obligations under IFRS 9 requires that the company's business model and the characteristics of the cashflows of the respective financial assets determine the classification and its valuation. For initial recognition, the respective financial asset is classified either as measured at "fair value through profit or loss" (FVPL), or at "amortised acquisition costs" or at "fair value through other comprehensive income" (FVOCI). Since the requirements under IFRS 9 deviate from the existing assessments under IAS 39, there are minor differences in classifying and evaluating financial assets. This includes the option of accounting for certain assets at fair value. The classification and assessment of financial obligations under IFRS 9 remains for the most part unchanged.

Geratherm has evaluated the financial assets on the basis of the underlying business models and the contractual cashflow characteristics of the assets and assigned them as follows:

Financial assets	Category IAS 39	Business model IFRS 9 / Valuation category	Book value 31/12/17 in kEUR	Book value 1/1/18 in kEUR
Other long-term assets (interests in Protembis GmbH)	Available for sale / FVOCI	Hold and sell / FVOCI	426	426
Other long-term receivables	Loans and receivables / amortised cost	Hold / amortised cost	179	179
Short-term receivables and other assets	Loans and receivables / amortised cost	Hold / amortised cost	3,320	3,320
Securities	Available for sale / FVOCI	Hold and sell / FVOCI	4,025	4,025
Cash and cash equivalents	Loans and receivables / amortised cost	Hold / amortised cost	8,811	8,811

There was no change in the book value due to reclassifications. The classification of financial liabilities has not changed compared to the previous year.

The other long-term financial assets and securities were classified at the time of firsttime application of IFRS 9 in the category "Hold and sell / FVOCI". All fluctuations in value –including capital gains, -loss on sale- shall be recognised in the equity in the "market assessment reserve" position without effect on income. All securities (shares) are valued at the market price prevailing on the reporting date and marketable. The other financial assets in the form of holdings are also evaluated in accordance with their fair value as of the reporting date.

Receivables, other short-term assets as well as cash and cash equivalents belong to the "receivables originated by the company" category. 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.

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.

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

Since the group has already taken the risk of bad debts in the past sufficiently into account by forming specific valuation allowances in accordance with reasonable commercial prudence, the first-time application of IFRS 9 has no impact on the group.

3. Übergang

The changes in accounting procedures due to first-time application of IFRS 9 were applied retroactively, except for the following cases:

- The group has made use of the exemption not to adopt comparative information for previous periods with regard to changes in classification and valuation (including impairment). In this regard, the information shown for 2017 generally does not comply with the requirements of IFRS 9, but with those of IAS 39.
- The following evaluations have been carried out on the basis of facts and circumstances that existed at the time of first-time application:
 - Determination of the business model, within the framework of which a financial asset is held.
 - Determination of certain equity investments held as financial assets, which are not held for trading purposes, as FVOCI.

The financial assets and liabilities that existed as of 31 December 2017 are classified and valued with consideration of 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 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

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.

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

As of 1 January 2018, the group started to apply IFRS 15 for the first time.

Due to the transition methods selected by the group for applying this standard, the comparative information in the present financial statements has not been adapted to the requirements of the new standards.

With the transition to IFRS 15, the group has applied the modified retrospective method (without simplification rules), according to which cumulative adjustment amounts are recognised on 1 January 2018. As a result, the comparative information was not adapted for 2017; that means that it was presented as before in accordance with IAS 18, IAS 11 and the corresponding interpretations. In addition, the disclosures according to IFRS 15 were generally not applied to the comparative information.

The total required adjustment (after taxes) of the equity capital on the group's opening balance sheet as of 1 January 2018 is -27 kEUR. The adjustment effect 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.

The group has waived a correction of the opening balance sheet values as at 1 January 2018 due to the insignificant amount of the adjustment effect.

The following table summarises the effects caused by applying IFRS 15 on the relevant items of the consolidated balance sheet as at 31 December 2018 and the consolidated statement of comprehensive income for the 2018 business year. There was not significant impact on the consolidated cashflow statement for the 2018 financial year.

Items	As reported on 31/12/2018 in kEUR	Adjustment due to application of IFRS 15 in kEUR	Amounts without application of IFRS 15 in kEUR
Sales revenues	21,522	127	21,395
Increase in inventory	68	-50	118
Finished goods and merchandise	3,940	-50	3,990
Trade accounts receivable (short-term)	2,849	152	3,001
Other tax liabilities (short-term)	543	-25	518

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.

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.

Geratherm Medical AG enters consignment inventories at the customers' premises in the amount of 50 kEUR under inventory in the balance sheet as at 31 December 2018. 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 127 kEUR are to be entered in the balance sheet on the basis of a typical customer margin. This results (without taking into account the additional taxes to be paid) in a gain of 77 kEUR.

When our subsidiary LMT Medical Systems GmbH sells incubators, customers are offered warranty extension options. According to IFRS 15, these options shall be regarded as independent service components. Sales revenues must thus be recognised separately from the other service components. The sales for the warranty extension shall be recognised based on that during the agreed upon warranty period. On the other hand, the consideration that can be attributed to the supplemental warranty is not to be recognised as revenue in the

business year, in which the agreement was formed, but shall be recognised outside of profit or loss. No significant sales revenues were generated from the warranty extension options during the 2018 fiscal year. Thus, the application of IFRS 15 does not have any impact of earnings in this regard.

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.

The sales revenues of the 2017 business year were recognised on the basis of IAS 18.

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 662 kEUR), the statements on economic useful lives for long-term intangible and tangible assets (book value EUR 8.536 million) are based in particular on estimates and assumptions. In addition, the assessment of the deferred taxes (book value 411 kEUR), the long-term impairment of assets available for sale (securities, book value EUR 2.462 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.

Fair values are currently determined exclusively within level 1 and 2.

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 3 and 9.

Notes to the Consolidated Financial Statements

ASSETS

1. Intangible assets

Intangible assets totalling 903 kEUR (2017: 657 kEUR) are reported as of 31 December 2018. The development of the intangible assets is shown in the following table:

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Initial and manufacturing costs in EUR				
1 January 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 Dec. 2017	2,493,980	820,353	90,000	3,404,333
1 January 2018	2,493,980	820,353	90,000	3,404,333
Additions	211,176	137,740	0	348,916
Disposals	0	0	0	0
Transfers	0	0	0	0
31 Dec. 2018	2,705,156	958,093	90,000	3,753,249

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Amortization and depreciation in EUR				
1 January 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 Dec. 2017	2,031,454	701,199	14,250	2,746,903
1 January 2018	2,031,454	701,199	14,250	2,746,903
Additions	11,830	91,787	0	103,617
Disposals	0	0	0	0
31 Dec. 2018	2,043,284	792,986	14,250	2,850,520
Book values in EUR				
1 January 2017	303,696	246,343	75,750	625,789
31 Dec. 2017	462,526	119,154	75,750	657,430
1 January 2018	462,526	119,154	75,750	657,430
31 Dec. 2018	661,872	165,107	75,750	902,729

The development costs for intangible assets created internally during the 2018 fiscal year were capitalised in the amount of 211 kEUR (2017: 179 kEUR). Non-capitalisable research and development costs were posted as expenses in the amount of 512 kEUR (2017: 440 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 December 31, 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 2019 to 2022. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This segment possesses a goodwill of 76 kEUR (2017: 76 kEUR) and an additional net worth of 141 kEUR (2017: 153 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 5 % 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
Initial and manufacturing costs in EUR					
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
1/1/2018	2,779,087	8,440,380	1,079,929	1,150,294	13,449,690
Additions	1,645,568	2,612,938	124,192	66,395	4,449,093
Disposals	0	313,216	23,544	0	336,760
Transfers	673,081	466,459	0	-1,139,540	0
31/12/2018	5,097,736	11,206,561	1,180,577	77,149	17,562,023
Amortisation and depreciation in EUR					
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
1/1/2018	1,598,389	7,140,448	815,846	0	9,554,683
Additions	78,765	495,653	136,411	0	710,829
Disposals	0	313,215	23,536	0	336,751
31/12/2018	1,677,154	7,322,886	928,721	0	9,928,761
Book values in EUR					
1/1/2017	1,202,108	2,001,863	322,578	50,519	3,577,068
31/12/2017	1,180,698	1,299,932	264,083	1,150,294	3,895,007
1/1/2018	1,180,698	1,299,932	264,083	1,150,294	3,895,007
31/12/2018	3,420,582	3,883,675	251,856	77,149	7,633,262

The construction of the new production hall which began in the previous year for Capillary Solution GmbH (production for glass tubes and capillaries) was completed in 2018 so that it was able to start production in November. In this case, additions to fixed assets were capitalised in the amount of EUR 3.635 million in 2018. Geratherm Respiratory GmbH had also started the planned construction of a new facility in 2018, for which 254 kEUR was capitalised as addition to fixed assets. The other additions amounting to 560 kEUR relate to the investments to replace machinery, equipment and other operating systems in the group.

Own work was capitalised in the amount of 504 kEUR.

Irregular depreciation of fixed assets was not necessary.

3. Financial assets accounted on basis of equity method, other long-term financial assets and non-current receivables

The group use the equity method to account for associated companies. apoplex acquired a 22.5 % stake in Evina Spain SL, Barcelona, Spain, in the 2018 financial year. From the group's viewpoint, this investment is not material. The shares were recognised with the acquisition costs 350 kEUR. Since the acquisition took place close to the reporting date and there was no company financial statements prepared on the basis of the group's accounting procedures by the reporting date, the book value remained unchanged at 350 kEUR as of 31 December 2018.

The "Other assets" item includes the interest of Geratherm Medical AG held in Protembis GmbH, Aachen, in the amount of EUR 1.070 million (2017: 426 kEUR). The increase in the book value compared to the previous year is the result of adjusting the book value to the current market value. In 2018 a capital increase was carried out, in which the Geratherm Medical AG did not participate. Geratherm Medical AG holds now an 5.79 % share (2017: 11.0 %). The share in Protembis GmbH is valued at the fair value. This is calculated on the basis of the current enterprise value determined during the course of the capital increase (basis of premoney valuation of the entire company of EUR 18.492 million).

The Other long-term liabilities relate in the amount of 166 kEUR (2017: 179 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.

	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	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	4	7	62	67	-58	-60
Goodwill	0	0	24	23	-24	-23
Fixed assets	7	8	3	6	4	2
Inventories	103	22	161	96	-58	-74
Losses carried forward	547	520	0	0	547	520
Other	0	0	0	0	0	0
Total	661	557	250	192	411	365

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	1/1/2018 kEUR	Change with effect on profit and loss kEUR	Change without effect on profit & loss kEUR	31/12/2018 kEUR
Capitalised development costs/ patents	-60	2	0	-58
Goodwill	-23	-1	0	-24
Fixed assets	2	2	0	4
Inventories	-74	16	0	-58
Losses carried forward	520	27	0	547
Other	0	0	0	0
Total	365	46	0	411

Change in the balance of deferred taxes	1/1/2017 kEUR	Change with effect on profit and loss kEUR	Change without effect on profit & loss kEUR	31/12/2017 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
Total	-53	418	0	365

Income tax rates ranging between 29.13 % and 31.35 % (2017: between 29.13 % and 31.35 %) were established as basis for calculating the deferred taxation. It also includes the trade tax in addition to the corporate income tax together with the solidarity surcharge.

The tax losses carried forward by Geratherm Medical AG were used up in 2016. During the 2018 business year, we classified the losses carried forward by the subsidiaries apoplex technologies GmbH (EUR 1.495 million) and Geratherm Respiratory GmbH (50 kEUR) as recoverable 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 the deferred taxes on the assets side for the tax loss carried forward

	2018 kEUR	2017 kEUR
Tax loss carried forward as of 31/12	6,610	6,003
Of which recoverable	1,861	1,728
Deferred taxation	546	520

5. Inventories

Inventories	31/12/2018 EUR	31/12/2017 EUR
Raw materials and supplies	2,294,383	2,226,466
Unfinished goods	1,063,286	1,111,914
Finished goods	1,505,495	1,375,585
Goods	2,434,604	2,073,794
Total	7,297,768	6,787,759

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 2018 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 2018.

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

6. Trade receivables

The trade receivables are structured as follows:

	31/12/2018 EUR	31/12/2017 EUR
Gross sum of trade receivables	3,014,220	3,164,770
Devaluations	-164,971	-502,595
Total	2,849,249	2,662,175

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 recognized on the balance sheet under other expenses of the current period.

7. Tax receivables

The tax receivables relate to receivables from reimbursement of income taxes in the amount of 174 kEUR (2017: 264 kEUR) and sales taxes in the amount of 143 kEUR (2017: 130 kEUR).

8. Other short-term assets

The other assets essentially relate to prepayments (317 kEUR; 2017: 117 kEUR), and other expenses paid in advance (136 kEUR; 2017: 119 kEUR).

9. Securities

The securities holdings include the following:

2018	Number/ nominal	Book value as of 31/12 EUR	Price as at 31/12 EUR
Agfa-Gevaert N.V.	750,000	2,461,500	3.28
Total		2,461,500	
2017			
Agfa-Gevaert N.V.	750,000	2,895,000	3.86
TEVA Pharmaceutical Ind. LTD	71,500	1,129,763	15.80
Total		4,024,763	

During the 2018 fiscal year, the level of securities was increased by means of acquisitions in the amount of 42 kEUR (2017: EUR 1.280 million). The level also decreased by means of sales in the amount of EUR 1.356 million (2017: 167 kEUR). Due to the continuous valuation of the shares sold during 2018 at the current market value, the valuation gains in the amount of 366 kEUR determined until sale were reported in equity under the market assessment reserve without any impact on the income statement.

As of the balance sheet date 31 December 2018 the share of the market assessment reserve, which results from the valuation gains based on changes in exchange rates, was 59 kEUR (2017: 309 kEUR). The change in the revaluation reserve in the amount of -250 kEUR results mainly from the gains and losses due to the continuous revaluation at the current market value.

10. Cash and cash equivalents

	31/12/2018 kEUR	31/12/2017 kEUR
Cash on hand	25	15
Credit balances with banks	5,336	8,796
Cash and cash equivalents	5,361	8,811

Of which credit balances with banks in the amount of 740 kEUR (2017: EUR 2.585 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 December 2018 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 shares held by the company. The number of shares in circulation was 4,949,999 during the 2018 business year.

Authorised capital

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

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

Authorisation to purchase of own shares

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 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 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

In accordance with the reclassification of securities and other financial assets at the beginning of the business year in the "Fair Value through OCI" category, the identified valuation differences as of the reporting date were recognised in the market assessment reserve shown under equity in accordance with the regulations of IFRS 9. This item also includes the gains and losses from the ongoing revaluation of securities at market value in accordance with IFRS 9. As at 31 December 2018, the market assessment reserve totals 703 kEUR (2017: 309 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 of 288 kEUR (2017: 153 kEUR) is based on the consolidation of the financial statements of Geratherm do Brasil Ltda and LMT Medical Systems Inc., which are prepared in a foreign currency.

Accumulated earnings

The accumulated earnings are calculated based on the results brought forward as of the reporting date 31 December 2018 (EUR 3.434 million; 2017: EUR 5.229 million), the current net income for the year, which can be attributed to the shareholders of the parent company (EUR 1.154 million; 2017: 680 kEUR) less the distributed dividend (EUR 2.327 million; 2017: EUR 2.475 million) and the insignificant, in the viewpoint of the group, change in Geratherm do Brasil due to consolidation differences from previous years (57 kEUR; 2017: 0 kEUR).

The management board and supervisory board will propose to the general meeting in June 2019 to distribute a dividend of EUR 0.40 per share (EUR 1.980 million) for the 2018 fiscal year.

The planned disbursement is carried out on the basis of the tax regulations initially from the distributable profit of EUR 1.362 million (EUR 0.28 per share). Of this capital yields tax in addition to the solidarity surcharge in the amount of 26.38 % (359 kEUR) was withheld.

The excess amount of 618 kEUR (EUR 0.12 per share) will be disbursed from the shareholders' tax-recognised contribution account in a tax-neutral manner.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-free from the tax-recognized capital contributions account (as of 31 December 2018: EUR 15.206 million).

14. Shareholders of minority interests

	Total kEUR
Minority interests as of 1/1/2018	-2
Currency translation in Group	129
Result attributable to non-controlling shares	-319
Minority interests as of 31/12/2018	-192

The following tables contain information about each subsidiary of the group with key minority interests prior to intragroup Eliminations as at 31 December 2018 and 31 December 2017:

2018 in kEUR	LMT Medical Systems GmbH Lübeck	LMT Medical Systems Inc. Ohio/USA	apoplex medical techno- logies GmbH Pirmasens	Geratherm Medical do Brasil Ltda. Sao Paulo/ Brasilien	Geratherm Respiratory GmbH Bad Kissingen	Cumulative effects of change in share quota	Total
Percentage of minority interests	33.33 %	33.33 %	46.58 %	49.00 %	34.73 %		
Long-term assets	692	54	1,426	213	376		
Short-term assets	957	84	1,219	391	1,145		
Long-term liabilities	-527	0	-521	-1,447	-418		
Short-term liabilities	-440	-95	-175	-2,131	-493		
Net assets	682	43	1,949	-2,974	610		
Book value of minority interests	227	14	908	-1,457	212	-96	-192
Sales revenues	1,600	519	1,632	440	3,052		
Net profit (loss) for the year	110	31	-73	-742	89		
Minority interests of attributable net profit (loss) for the year	37	10	-34	-364	31	0	-320
Cash inflow/(outflow) from operating activities	493	1	-203	-253	299		
Cash inflow/(outflow) from investment activities	-371	0	-626	0	-337		
Cash inflow/(outflow) from financing activities	0	0	0	160	0		
Net increase/ (decrease) in liquid resources	122	1	-829	-93	-38		

2017 in kEUR	LMT Medical Systems GmbH Lübeck	LMT Medical Systems Inc. Ohio/USA	apoplex medical techno- logies GmbH Pirmasens	Geratherm Medical do Brasil Ltda. Sao Paulo/ Brasilien	Geratherm Respiratory GmbH Bad Kissingen	Cumulative effects of change in share quota	Total
Percentage of minority interests	33.33 %	33.33 %	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		
Net assets	572	11	2,077	-2,439	521		
Book value of minority interests	191	4	967	-1,195	181	-150	-2
Sales revenues	1,428	142	1,326	899	2,690		
Net profit (loss) for the year	-80	-13	610	-1,562	158		
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		
Net increase/ (decrease) in liquid resources	20	67	1,357	65	37		

15. Long-term liabilities to banks

The subsidiary Capillary Solutions GmbH received on 12 Jun./3 Jul. 2017 an amortisable loan from Kreditanstalt für Wiederaufbau in the amount of EUR 2.000 million from the ERP Start-up Loan Universal SME aid program, which was granted by Commerzbank AG. The loan bears 1.00 % interest p. a. The interest rate was fixed for the entire term through 30 June 2027. The amortisation rate is monthly 21 kEUR, which will first be due on 31 Jul. 2019. The loan in the amount of EUR 1.875 million is long-term. The following serve as collateral for the amortisable loan from Kreditanstalt für Wiederaufbau:

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

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

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

Geratherm do Brasil has a long-term loan of 404 kEUR with a term ending in 2024. This loan has a fixed interest rate of 23.0 %.

All loans have a remaining term of two to nine years.

16. Accrued investment subsidies

The item shown in the balance sheet in the amount of EUR 1.191 million (2017: 277 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. In the 2018 business year, Capillary Solution GmbH received investment grants amounting to 987 kEUR for the construction of the new production facility.

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

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 (2017: 159 kEUR) and Geratherm Respiratory GmbH in the amount of 144 kEUR (2017: 75 kEUR) and LMT Medical Systems GmbH 107 kEUR (2017: 107 kEUR) are essentially reported here. The loans have a one-year term at least and variable/fixed interest rates ranging between 3 % and 10 %.

18. Short-term liabilities to banks

As of the reporting date, there are in the group short-term liabilities to banks in the amount of EUR 1.099 million (2017: 344 kEUR), which in part relate to the short-term share of the loan of Capillary Solution GmbH in the amount of 125 kEUR (2017: 0 kEUR). The subsidiary Geratherm Respiratory GmbH has a temporary bank liability from a current account credit in the amount of 237 kEUR (2017: 0 kEUR). There is an-other short-term bank liability held by the subsidiary Geratherm do Brasil in the amount of 734 kEUR (2017: 344 kEUR).

19. Trade accounts payables

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 77 kEUR (2017: 111 kEUR), wage taxes 128 kEUR (2017: 108 kEUR) and sales taxes 415 kEUR (2017: 331 kEUR).

21. Other short-term liabilities

	31/12/2018 kEUR	31/12/2017 kEUR
Accrued liabilities	652	1,134
Other liabilities	981	699
Other liabilities	1,633	1,833

The accrued liabilities include the following:

	31/12/2017 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	31/12/2018 kEUR
Staff related	210	-204	0	183	189
Bonuses, commissions, credits	82	-82	0	0	0
Outstanding invoices	651	-598	-15	211	249
Other	191	-122	-4	149	214
Total	1,134	-1,006	-19	543	652

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 254 kEUR (2017: 235 kEUR) and social security liabilities in the amount of 393 kEUR (2017: 307 kEUR).

All other liabilities shown here fall due within one year.

Notes to the Consolidated Profit and Loss Statement

22. Sales revenues

The effect from the first-time application of IFRS 15 on the revenue from contracts with customers of the group is described in the Disclosure "Recognition of sales revenue". Due to the transition method used for IFRS 15, the comparative information was not adapted to the new requirements.

Sales revenues based on product groups:

	2018 kEUR	2017 kEUR	Change %
Healthcare Diagnostic	12,600	13,380	-5.8
Respiratory	4,825	4,283	+12.7
Warming systems	2,465	2,043	+20.7
Cardio/Stroke	1,632	1,325	+23.2
Total	21,522	21,031	+2.3

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.

No sales revenues were generated, which do not fall inside the scope of IFRS 15.

Sales revenues based on regions:

	2018 kEUR	2017 kEUR	Change %
Europe	12,233	11,696	+4.6
South America	681	1,108	-38.5
Germany	3,906	3,612	+8.1
Middle East	1,536	2,040	-24.7
USA	1,667	1,188	+40.3
Other	1,499	1,387	+8.1
Total	21,522	21,031	+2.3

The "Other" position mainly includes sales in Asia in the amount of EUR 1.260 million (2017: EUR 1.039 million) and Africa in the amount of 234 kEUR (2017: 282 kEUR).

Contract balances:

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

	31/12/2018 kEUR	1/1/2018 kEUR
Trade receivables	2,849	2,662
Contractual liabilities	413	320

The contractual liabilities relate to advance payments received from customers for orders (332 kEUR; 2017: 238 kEUR) as well as customer bonuses, commissions and credits granted by the group but not yet paid (81 kEUR; 2017: 82 kEUR).

As permitted under IFRS 15, no disclosure is provided about the remaining performance obligations as at 31 December 2018, which have an expected original term of one year or less.

23. Other operating Income

The other operating income mainly includes amortisation of capitalised grants and subsidies in the amount of 73 kEUR (2017: 89 kEUR), revenue from the reversal of liabilities accrued in previous years in the amount of 19 kEUR (2017: 82 kEUR), income unrelated to accounting period in the amount of 31 kEUR (2017: 154 kEUR) and income from insurance claims in the amount of 30 kEUR (2017: 28 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2018: 228 kEUR; 2017: 102 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 2018 fiscal year totalled EUR 6.812 million (2017: EUR 6.333 million). The accounts for this fiscal year included contributions of 465 kEUR (2017: 426 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

Amortisation and depreciation mainly decreased due to the expiry of write-offs for production facilities by -28.6 % to 814 kEUR (2017: EUR 1.141 million).

27. Other operating expenses

The other operating expenses primarily decreased by -12.1 % during the financial year and largely include the costs for sales, advertising and marketing (EUR 1.743 million; 2017: EUR 1.891 million) and administrative expenses (EUR 2.885 million; 2017: EUR 2.482 million). The expenses occurring in connection with foreign currency translation during the fiscal year decreased to 86 kEUR (2017: 664 kEUR).

28. Financial results

The financial results were -509 kEUR (2017: -163 kEUR) during the year under review. These included expenses occurring connection with the securities (40 kEUR; 2017: 17 kEUR), interests earned (25 kEUR; 2017: 166 kEUR) and interests paid (494 kEUR; 2017: 445 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:

	2018 kEUR	2017 kEUR
Actual taxes	-690	-600
Deferred Taxes	46	359
Income tax according to IFRS	-644	-241

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 31.35 % (2017: 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.

	2018 kEUR	2017 kEUR
Results before income taxes	1,477	464
Tax expenses to be expected	-463	-140
Tax-free income, non-deductible expenses and permanent deviations	108	34
Change in valuation of tax losses carried forward	-188	-20
Differences in tax rates	-119	-94
Other	18	-21
Income tax according to IFRS	-644	-241

The tax rate differences are essentially due to the loss of Geratherm do Brasil, which based on the lower local tax rate, results in additional expenses from the group's perspective.

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.

	2018	2017
Results of the shareholders of the parent company (kEUR)	1,154	680
Weighted average number of	4,950	4,950
outstanding shares (in thousands)	0.23	0.14
Undiluted earnings per share (EUR)	0.23	0.14
Diluted earnings per share (EUR)		

	2018 k shares	2017 k shares
Nominal capital in no-par shares	4,950	4,950
Weighted number of outstanding shares	4,950	4,950

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

Relationships with related parties and persons

Relationships with related parties as defined by IAS 24 exist with GMF Capital GmbH, Frankfurt (GMF). As of 31 December 2018, 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 123 kEUR (2017: 109 kEUR) were recorded for the services performed by the chief executive officer Dr. Frank for GMF during the 2018 fiscal year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2017: 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 2018. 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 2018 business year. Sensor Systems GmbH in Steinbach-Hallenberg also posted the expense for the management remuneration in 2018 for the activity as managing director in the amount of 12 kEUR.

As at the reporting date 31 December 2018, there were no outstanding accounts owed by GMF. A liability vis-a-vis GMF in the amount of 36 kEUR (2017: 22 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 2017 fiscal year. The supervisory board's compensation is explained in the Additional disclosures.

The company was not informed about any change in shareholder structure during the preparation of the financial statements:

Other financial obligations

As of 31 December 2018	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements kEUR	470	349	121	0
Financial commitments from orders for new construction kEUR	582	582	0	0
Other financial commitments from other agreements kEUR	50	45	5	0
Other financial obligations from purchase commitments kEUR	703	703	0	0

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

The group has entered various rental and leasing agreements with regard to administrative and business premises, vehicles and office equipment. The financial obligations in this regard amount to 520 kEUR (2017: 410 kEUR) for 2018 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 582 kEUR (2017: EUR 1.415 million). The investments will be concluded in 2019.

The other financial obligations primarily result from software service agreements.

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

Auditor fees

In 2018, 70 kEUR (2017: 57 kEUR) was entered as expenditure for the audit services, 3 kEUR (2017: 3 kEUR) for other assurance services and 15 kEUR (2017: 11 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's Health

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 481 kEUR (2017: 899 kEUR) and in the Europe segment, the main sales were generated with Italy in the amount of EUR 4.386 million (2017: EUR 4.200 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:

	2018 kEUR	2017 kEUR
Financial assets of Geratherm Medical AG	1,070	426
Securities of Geratherm Medical AG	2,462	4,025
Cash and cash equivalents of Geratherm Medical AG	4,425	7,055
Total	7,957	11,506

*Group segment report for the period from
1 January to 31 December 2018*

By product groups	Healthcare Diagnostic	Respiratory	Medical Warming Systems	Cardio/Stroke	Consolidation	Reconciliation	Total
2018	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Segment sales	13,674	4,961	2,463	1,632	-1,208	0	21,522
Operating results	1,763	563	-131	3	142	-353	1,987
including: Amortisation & depreciation of fixed intangible & tangible assets	508	99	112	62	-32	65	814
Segment assets	13,055	2,478	3,307	2,172	0	7,957	28,969
Segment debts	7,328	861	784	279	0	0	9,252
For inform. only							
Segment sales	13,674	4,961	2,463	1,632	-1,208	0	21,522
Elimination of intragroup sales	-1,074	-136	2	0	1,208	0	0
Sales revenues on third parties	12,600	4,825	2,465	1,632	0	0	21,522

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
Operating results	518	396	-226	243	43	-347	627
including: Amortisation & depreciation of fixed intangible & tangible assets	777	70	112	50	-3	135	1,141
Segment assets	9,501	1,746	2,923	2,426	0	11,506	28,102
Segment debts	6,356	253	597	244	0	0	7,450
For inform. 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
Sales revenues on third parties	13,380	4,283	2,043	1,325	0	0	21,031

*Group segment report for the period from
1 January to 31 December 2018*

By region	Europe	South America	Germany	Middle East	USA	Other	Total
2018	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Sales revenues	12,233	754	5,041	1,536	1,667	1,499	22,730
Elimination of intragroup Sales	0	-73	-1,135	0	0	0	-1,208
Sales revenues on third parties	12,233	681	3,906	1,536	1,667	1,499	21,522
Gross profit or loss	8,292	326	2,979	1,041	1,130	1,016	14,784
Operating results	1,328	-328	477	167	181	162	1,987
including: Amortisation and depreciation of intangible assets and tangible assets	464	1	169	59	64	57	814
Amortisation of public grants and subsidies	43	0	14	5	6	5	73
Acquisition costs of fixed assets for the period	0	3	4,795	0	0	0	4,798
Segment assets	0	497	28,383	0	89	0	28,969
By region	Europe	South America	Germany	Middle East	USA	Other	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
Sales revenues	11,696	1,172	4,979	2,040	1,188	1,387	22,462
Elimination of intragroup Sales	0	-64	-1,367	0	0	0	-1,431
Sales revenues on third parties	11,696	1,108	3,612	2,040	1,188	1,387	21,031
Gross profit or loss	7,799	436	2,511	1,360	792	925	13,823
Operating results	1,092	-1,247	351	190	111	130	627
including: Amortisation and depreciation of intangible assets and tangible assets	656	15	211	114	67	78	1,141
Amortisation of public grants and subsidies	52	0	16	9	6	6	89
Acquisition costs of fixed assets for the period	0	0	1,502	0	0	0	1,502
Segment assets	0	856	27,213	0	33	0	28,102

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 2.707 million (2017: EUR 3.013 million) is set against changes in the operating funds.

Altogether, the consolidated result for the year and the funds tied up in short-term assets result in an inflow of funds from operations in the amount of EUR 1.347 million (2017: EUR 2.466 million).

The capital flow statement for 2018 includes in detail the payments received from interests (25 kEUR; 2017: 11 kEUR), dividends (0 kEUR; 2017: 7 kEUR), outgoing payments from interests (494 kEUR; 2017: 445 kEUR) and payments for taxes (cash outflow 587 kEUR; 2017: EUR 1.145 million)

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 5.148 million (2017: EUR 1.502 million). The additions in the area of tangible assets involve mainly payments made in the amount of EUR 3.635 million (2017: EUR 1.101 million) for the new production building of Capillary Solutions GmbH. Glass tubes and capillaries are manufactured here for future production of galliumfilled clinical thermometers. Development costs were capitalised in the amount of 211 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 encompassed essentially the outflow of funds from dividend payments in the amount of EUR 2.326 million (2017: EUR 2.475 million).

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

kEUR	31/12/2017	Cash-effective change		Non-cash change	31/12/2018
		Repayment	Borrowing		
Non-current financial debts	3,211	-466	69	-125	2,689
Current financial debts	344	0	630	125	1,099
Liabilities from financing activities	3,555	-466	699	0	3,788

Capital management

Primary objective of the company is to sustainably ensure the financial equilibrium, while efficiently allocating the capital resources available to the group (equity capital) to the business areas at the same time. In this case an internal capital allocation rate is applicable, which allows for monitoring the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. Financial security is gauged primarily by the equity-to-assets ratio and liquidity. The operative and strategic management of capital is an integral part of the company's internal reporting system. The capital comprises the issued shares, capital reserves and other reserves. The capital of the parent company's shareholders is EUR 20.320 million (2017: EUR 21.019 million) as of the reporting date such that an equity-to-assets ratio of 69.2 % (2017: 73.8 %) can be derived based on the group's entire capital.

Financial instruments

The financial instruments have been classified as of 1 January 2018 in accordance with IFRS 9 (see Disclosure on financial assets and liabilities).

a) Financial instruments in the balance sheet

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

	Business model IFRS 9	Valuation category	Book value	Book value
			31/12/2018	31/12/2017
			kEUR	kEUR
I.	Hold and sell	FVOCI	3,532	4,451
	Participating interests		1,070	426
	Securities		2,462	4,025
II.	Hold	Amortised cost	8,772	11,737
	1. Trade receivables		2,849	2,662
	2. Other assets		562	264
	3. Cash in hand and cash in banks		5,361	8,811
III.	Other financial liabilities	Other financial liabilities	-5,304	-4,945
	1. Other long-term debts		-410	-576
	2. Liabilities to banks		-3,379	-2,979
	3. Liabilities on payments received		0	-238
	4. Trade accounts payables		-1,608	-996
	5. Contractual liabilities		413	0
	6. Other short-term liabilities (only financial instruments)		-320	-156

Hedging activities within the meaning of IFRS 9 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 loans and accounts receivable and financial liabilities not measured at fair value within the meaning of IFRS 7.29 (a) generally represents a reasonable approximation of the current fair value, the fair value is not indicated. The carrying value of the loans for the construction of the capillary glass basin (EUR 2.000 million) corresponds approximately to the fair value, since the refinancing measures were only implemented during the present business year and the granted interest rate is only slightly below the group's marginal borrowing rate. 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 and the ongoing negotiations with the bank about a redemption (a so-called haircut), it cannot be quantified.

The valuation of the securities of listed companies which are classified under "Hold and sell" at fair value is carried out according to Level 1 (IFRS 13.93). The share in Protombis GmbH is classified according to Level 2. The determination of the fair value is explained under "Assets 3."

b) Profits and losses from financial instruments

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

	Fair value through OCI (FVOCI)	available for sale	Net book value		Financial debts not measured at fair value	
	2018 kEUR	2017 kEUR	2018 kEUR	2017 kEUR	2018 kEUR	2017 kEUR
Interest earnings			25	11		
Income from "haircut"			0	155		
Interest expenses			-494	-445		
Interest income			-469	-279	0	0
Exchange gains			228	102		
Exchange losses			-86	-664		
Income from currency differences			142	-562	0	0
Exchange gains from sales of securities	0	125				
Exchange losses from sales of securities						
Impairment of securities						
Dividend income	0	7				
Securities-related expenses	-40	-17				
Securities-related income	-40	115				
Allowance for uncollectible accounts			-142	-25		
Losses from non-recoverable bad debts			-49	-478		
Net profits and losses entered in the income statement	-40	115	-518	-1.344	0	0
Change in market valuation reserve due to sale	0	-3				
Change in market assessment reserve due to change in the fair value up to sale	394	259				
Overall change in market assessment reserve	394	256				
Overall results from financial instruments	354	371	-518	-1.344	0	0

Fiduciary activities are not performed in regard to financial assets.

c) Type and degree of risks resulting from financial instruments

The systematic analysis and monitoring of potential risks associated with financial instruments is an integral part of the 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 nearcurrent exchange of information between the management board and the monitoring committee represents in this case an obvious characteristic of risk management.

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

Credit / bad debt risk

A credit risk entails the possibility of a non-payment or default of payment for 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.

The maximum credit risk for trade accounts receivable and other assets corresponds to the book value and can be broken down as follows:

	2018 kEUR	2017 kEUR
Domestic	799	583
Abroad	2,656	2,343
	3,455	2,926

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

	2018 Gross kEUR	2017 Gross kEUR
Not overdue	2,520	1,951
0 - 30 days overdue	542	531
31 - 60 days overdue	203	139
More than 60 days overdue	190	305
	3,455	2,926

In accordance with IFRS 9, appropriate impairments in the amount of credit loss to be expected over the term were carried out for receivables and other assets that are measured at amortised acquisition costs. The group assumes that the default risk of a financial assets has increased significantly if it is more than 30 days overdue. For cash and cash equivalents, there is generally no need for impairment due to the "low credit risk".

The valuation adjustments have developed as follows:

	2018 kEUR	2017 kEUR
As of 1 January	32	41
Addition	192	486
Utilisation	-58	-492
Dissolution	-1	-3
As of 31 December	165	32

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.

	2018 kEUR	2017 kEUR
Short-term liabilities to banks	-1,099	-344
Trade accounts payables	-1,608	-996
Tax liabilities	-619	-550
Other liabilities (without advance payments received)	-1,714	-1,833
Current financial requirements	-5,040	-3,723
Liquid assets	5,361	8,811
Liquidity 1	321	5,088
Trade receivables	2,849	2,662
Tax receivables	317	394
Other assets (without prepayments)	245	147
Liquidity 2	3,732	8,291
Securities	2,462	4,025
Liquidity 3	6,194	12,316

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

	Book value	Cash outflow		
	kEUR	< 1 year kEUR	1-5 years kEUR	> 5 years kEUR
Liabilities to banks in 2018	3,379	1,204	1,955	588
Liabilities to banks in 2017	2,979	538	2,119	959

The other long-term liabilities will result in a cash outflow of 418 kEUR (2017: 348 kEUR) between one and five years.

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

Geratherm do Brasil is currently negotiating with its bank with regard to the repayment of the existing loan for an amount that is well below the carrying value of EUR 1.139 million as at 31 December 2018. If the negotiations do succeed, the cash outflow from the loan would also decrease.

Market price risk - Foreign currency

The group is subject to a foreign currency risk, as long as deliveries are made and ordered in part outside of the euro zone. From the group's point of view, the key foreign currency, in which there is an exchange of services, is the US dollar. The foreign exchange risks involving the Brazilian real also change in accordance with the decreasing significance of Geratherm do Brazil Ltda.

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

	31/12/2018 kUSD	31/12/2018 kEUR	31/12/2017 TUSD	31/12/2017 kEUR
Trade receivables	653	570	658	549
Bank loans / cash in banks	847	740	3,522	2,937
Trade accounts payables	-201	-175	-392	-326
Balance sheet items	1,299	1,135	3,788	3,160
Order balance	325	284	1,157	965
Financial obligations	-211	-184	0	0
Purchase commitments	-343	-300	-493	-411
Pending transactions	-229	-200	664	554
Net item	1,070	935	4,452	3,713

The following currency translations were applied:

	31/12/2018	Average 2018	31/12/2017	Average 2017
US dollar	1.145	1.178	1.199	1.130

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.

	31/12/2018		31/12/2017	
	Equity capital	Performance	Equity capital	Performance
US dollar	0	-86	0	-338

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.

	31/12/2018 kBRL	31/12/2018 kEUR	31/12/2017 kBRL	31/12/2017 kEUR
Trade receivables	127	29	928	234
Other assets	1,109	250	830	209
Bank loans / cash in banks	20	5	389	98
Liabilities to banks	-5,060	-1,139	-3,890	-979
Trade accounts payables	-962	-216	-860	-216
Other liabilities	-3,062	-689	-1,647	-415
Balance sheet items	-7,828	-1,761	-4,250	-1,070
Net item	-7,828	-1,761	-4,250	-1,070

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

The following currency translations were applied:

	31/12/2018	Average 2018	31/12/2017	Average 2017
BRL	4.444	4.308	3.973	3.605

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.

	31/12/2018		31/12/2017	
	Equity capital	Result	Equity capital	Result
BRL	270	160	222	97

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

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

With regard to long-term debts (without accrued investment subsidies) in the amount of EUR 2.689 million (2017: EUR 3.211 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 over-view 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.

The Agfa-Gevaert-Group develops, produces and distributes an extensive range of analog and digital imaging systems and IT solutions for diverse applications. The operational activities are divided into three independent corporate groups, Agfa Graphics, Agfa HealthCare and Agfa Specialty. The Agfa HealthCare division is a leading international vendor in the field of imaging diagnostics and healthcare IT solutions for hospitals and care facilities. Hospital IT represents a long-term growth market. The impairment as at 31 December 2018 was recognised in the market assessment reserve.

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

	2018		2017	
	Highest price EUR	Lowest price EUR	Highest price EUR	Lowest price EUR
Agfa-Gevaert N.V.	4.23	2.80	4.85	3.58
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 management board

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

Chief Executive Officer

- Dr. Gert Frank, Industrial Engineer, Frankfurt/Main
Managing director of GMF Capital GmbH, Frankfurt/Main
Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda
Managing director of Geratherm Respiratory GmbH, Bad Kissingen
Managing director of Sensor Systems GmbH, Steinbach-Hallenberg
(till 21/12/2018)

Chairman of the Board of Limes Schlosskliniken AG, Cologne
Managing director of Limes Schlossklinik Rostocker Land GmbH, Teschow
Managing director of Limes Schlossklinik Fürstenhof GmbH, Cologne

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

A remuneration in the amount of 123 kEUR was booked to GMF Capital GmbH as expenses for the management board's activities in 2018. These included fixed payments in the amount of 86 kEUR (2017: 86 kEUR) and variable payments in the amount of 36 kEUR (2017: 23 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 supervisory board

In accordance with the Articles of Association, the supervisory board consists of 3 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 Unibel SA, Paris
Member of executive board of Fromageries Bel SA, Paris
Member of executive board of SICOPA SA, Paris
Member of supervisory board of Société des Domaines SAS, Wattwiller, France
Member of 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
Member of the supervisory board of Limes Schlosskliniken AG, Cologne

A payment of 12 kEUR (2017: 12 kEUR) is included in the liabilities and expenses of the financial year for the supervisory board's activities in 2018.

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

Staff trends

		Employees	Industrial employees	Trainees	Total
Number of employees (annual average) - excluding executives -	2018	74	132	1	207
	2017	72	128	0	200

Events after reporting period

No significant events occurred during the first weeks of the 2019 fiscal year.

Corporate governance report

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

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

Geschwenda, 8 April 2019

Geratherm Medical AG



Dr. Gert Frank
Chief Executive Officer

*CEO's responsibility statement involving the
consolidated financial statements for the 2018 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, 8 April 2019

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 2018, 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 2018 to 31st December 2018 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 2018 to 31st December 2018. 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 2018 as well as its financial performance for the financial year from 1st January 2018 to 31st December 2018 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-APrVO") 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-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 para. 1 EU-APrVO. 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 1st January 2018 to 31st December 2018. 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 2018 amounting to kEUR 546. No deferred tax assets were established for tax-loss carry-forwards totalling kEUR 4,749.

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 IN 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.

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-APrVO 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. Further-more,

- 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-APrVO

We were appointed group auditors by the annual general meeting on 7th June 2018. We were commissioned by the supervisory board on 25th January 2019. 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-APrVO (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 2019 of Capillary Solutions GmbH, which was authorised by the supervisory board.

Auditor responsible

The auditor responsible for the audit is Burkhard Lauer.

Jena, den 8. April 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

gez. Lauer
Wirtschaftsprüfer

gez. Leser
Wirtschaftsprüfer

Imprint

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Responsible

Dr. Gert Frank, Chief Executive Officer

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Corporate Calender 2019

	2019
Publication Annual Report 2018	25. April
Annual General Meeting in Frankfurt am Main	14. June
Interim Report 1st quarter	23. May
Interim Report 2nd quarter	22. August
Interim Report 3rd quarter	21. November