

Geratherm[®]

*SOLUTIONS FOR A
HEALTHY WORLD*



Annual Report **2019**

Dates and Facts

		2019/12/31	2018/12/31	Change in %
Turnover	kEUR	19,851	21,347	-7.0
Including export share	kEUR	15,825	17,489	-9.5
Export ratio	%	80	82	-2.4
Gross result (EBITDA)	kEUR	2,354	2,676	-12.1
EBITDA margin	%	11.9	12.5	-4.8
Amortization or depreciation	kEUR	-1,305	-814	60.2
Operating result (EBIT)	kEUR	1,049	1,862	-43.7
EBIT margin	%	5.3	8.7	-39.1
Financial results	kEUR	-11	-509	-97.8
Result of ordinary activities	kEUR	1,038	1,353	-23.3
Profits of the parent company's shareholders	kEUR	546	929	-41.3
Long-term assets	kEUR	12,476	10,455	19.3
Short-term assets	kEUR	20,788	18,712	11.1
Balance sheet total	kEUR	33,264	29,167	14.0
Equity capital	kEUR	19,181	19,596	-2.1
Return on equity	%	2.8	4.7	-40.0
Equity ratio	%	57.7	67.2	-14.1
Cash, cash equivalents and securities	kEUR	9,542	7,822	22.0
Earnings per share according to IFRS EPS)*	EUR	0.11	0.19	-42.1
Earnings per share according to DVFA *	EUR	0.11	0.19	-42.1
Annual average number of employees		204	206	-1.0
Proposed dividend	EUR	0.25	0.40	-37.5
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

2017

Geratherm Medical posted a sales of EUR 20.8 million (-2.8 %).

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 21.3 million (-2.6 %), with an EBIT margin of 8.7 %.

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

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

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

Positive sales and earnings prospects in 2019.

2019

The sales of Geratherm Medical decreased by -7 % to EUR 19.9 million and an EBIT margin of 5.3 %.

The business unit Medical Warming Systems including LMT Medical and OPR-Warming Systems stress the company's profit with loss in revenue and registration costs.

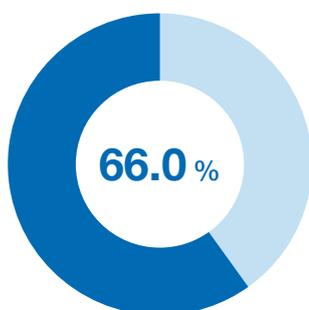
The new production facility of Geratherm Respiratory has been finished at the end of the year 2019.

New challenges due to the new European Medical Device Regulation (MDR) are accepted but tie capacities and diminish published profits.

Geratherm[®]

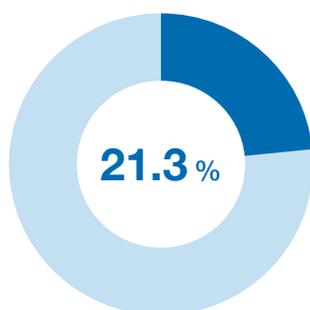
Geratherm medical is a globally-oriented medical technology company with business areas including

Healthcare Diagnostic



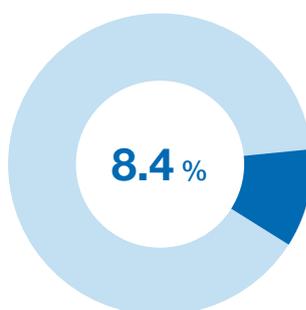
PRODUCTS TO MEASURE VITAL SIGNS

Respiratory



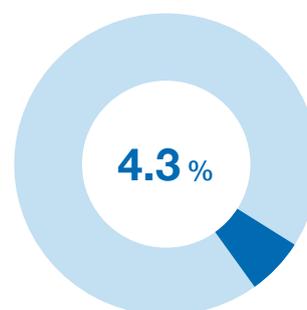
PULMONARY FUNCTION DIAGNOSIS

Cardio/Stroke

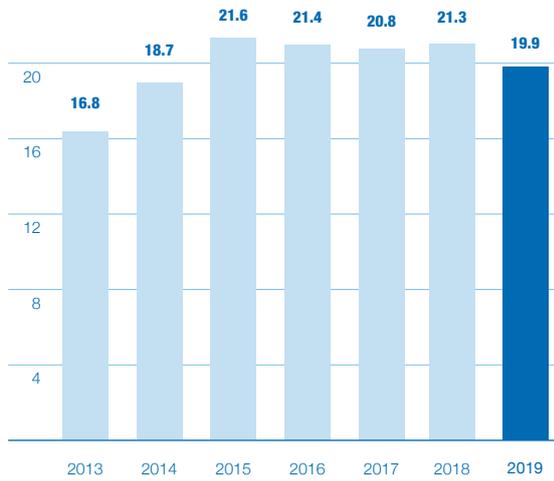


SCREENING OF CARDIAC ARRHYTHMIA

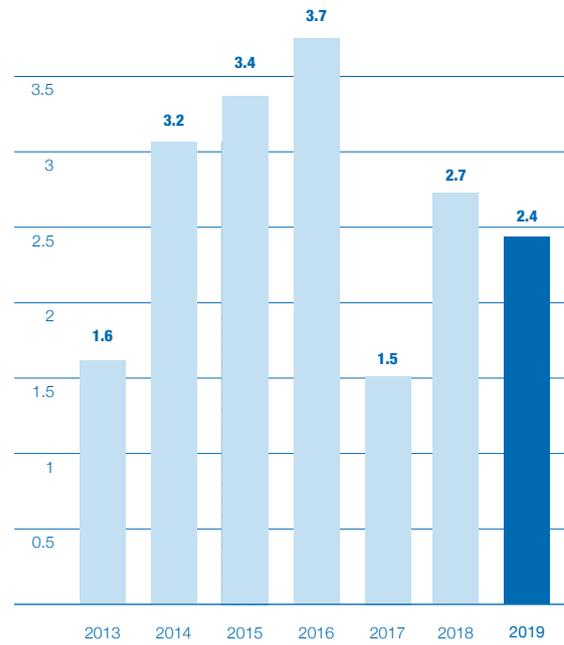
Medical Warming Systems



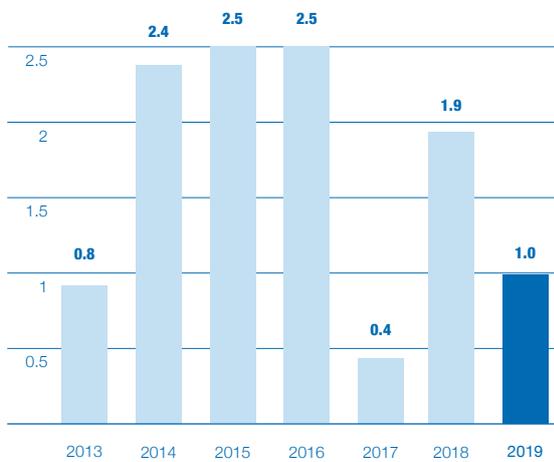
MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE



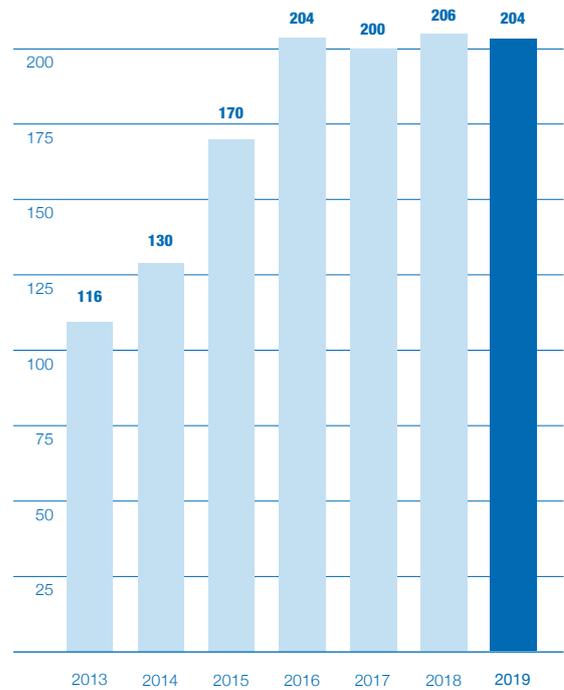
TURNOVER
in EUR million



EBITDA
in EUR million



EBIT
in EUR million



EMPLOYEES

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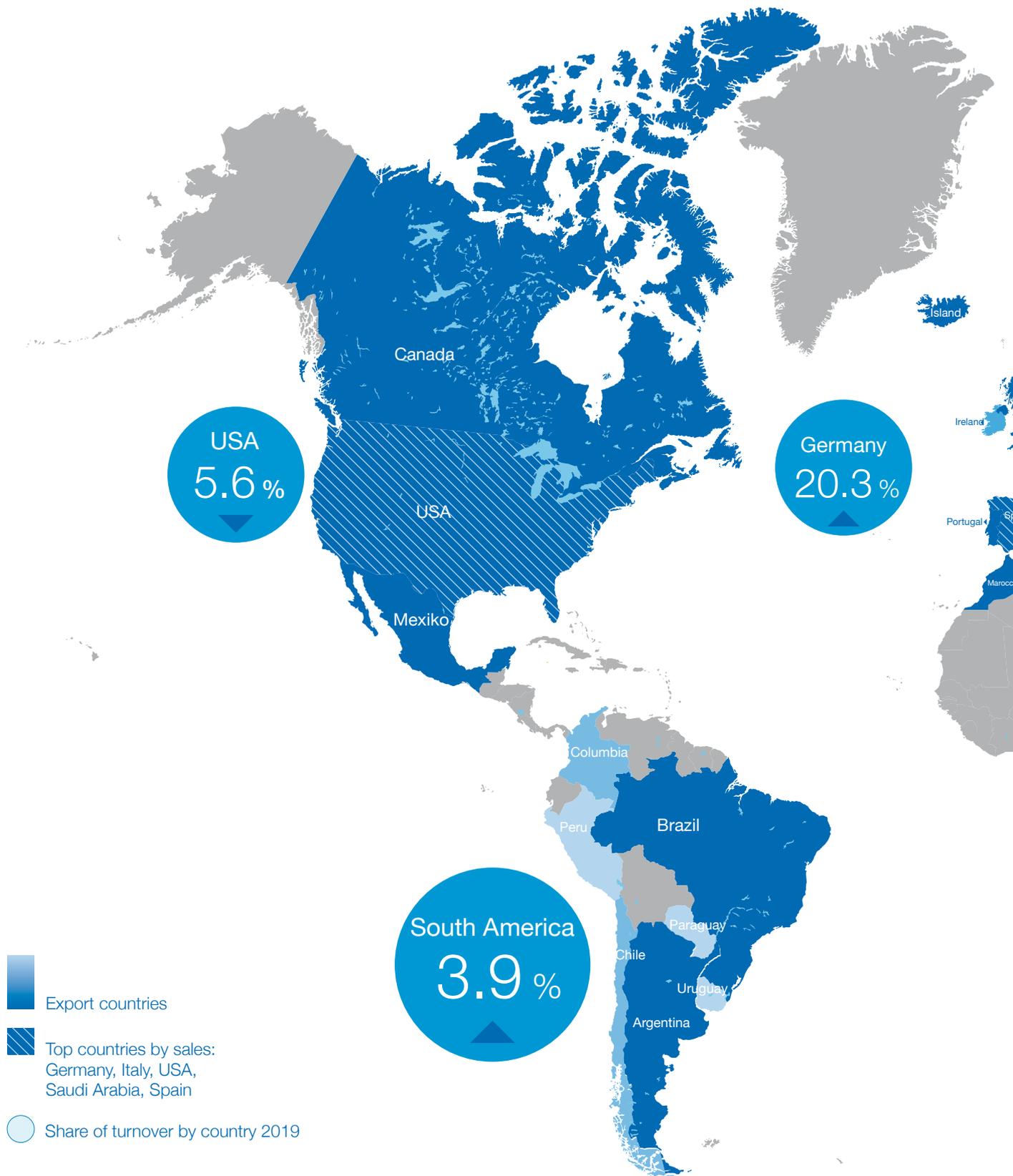
GROUP MANAGEMENT REPORT

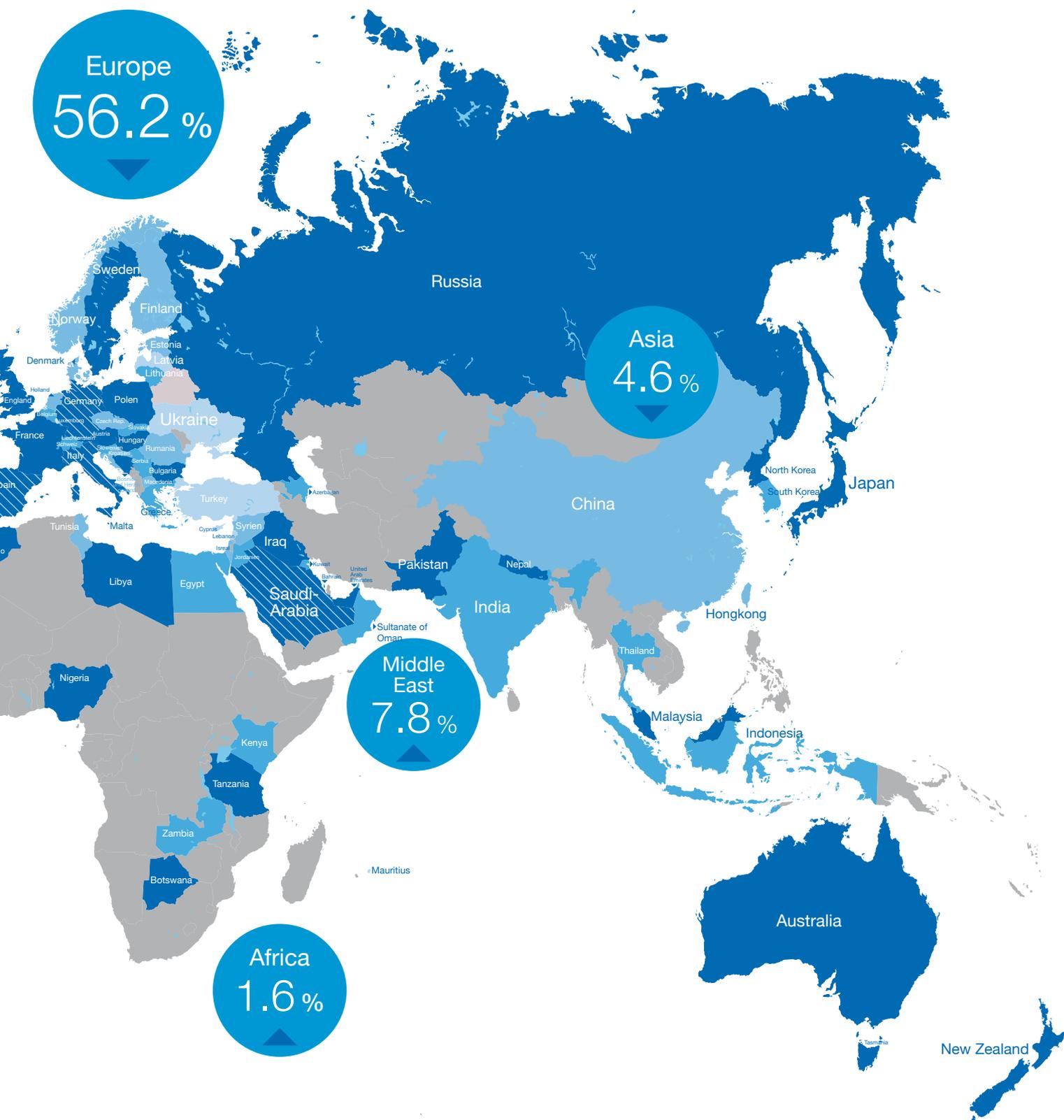
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Geratherm Medical exports products to over 60 countries







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 2019 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 supervisory board carried out monitoring activities, as in past years, on the basis of segment reports for the corporate areas Healthcare Diagnostic, Respiratory, Medical Warming Systems and Cardio/Stroke.

The corresponding performance indicators were prepared on a regular basis and provided to the supervisory board. Even outside of 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 impact of the new EU Medical Device Regulation (MDR) and the resulting significantly greater requirements on medical technology companies. The supervisory board was informed about the new statutory framework conditions. For medical technology companies, the MDR and its implementation is currently one of the biggest obstacles to growth. There is also the potential risk that products or product groups will be discontinued.

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 the operational, financial and strategic issues, the supervisory board's meeting on 02. April 2020 focussed on the presentation of and advice relating to the financial figures for the 2019 business year for the group and the company.

The year-end financial statements of Geratherm Medical AG, which were prepared according to Germany's Commercial Code (HGB), the consolidated financial accounts compiled in accordance with International Financial Reporting Standards (IFRS) and the management report, including accounting for the 2019 fiscal year have been audited and granted an unqualified auditor's certificate by the appointed auditor, PricewaterhouseCoopers (PwC) Wirtschaftsprüfungsgesellschaft GmbH, Erfurt.

The auditor participated in the supervisory board's meeting with regard to the 2019 year-end accounts and consolidated financial statements and reported the significant results of the audit.

The auditor examined the management board's report on relations existing with affiliated companies and confirmed that according to its dutiful audit and assessment the advice of this report is accurate and that the performance of the company was suitable. Following the conclusion of the audit, there are no objections against the statements made by the management board on the relations with affiliated companies. We agree with the results of the audit.

There were no conflicts of interest on part of the members of the management board and supervisory board, which would have required immediate disclosure to the supervisory board.

We checked the year-end financial statements and the consolidated financial accounts including the management reports after presentation of the final reports and have no objections to raise based on the conclusive results of our audit. We have approved the year-end financial statements prepared by the management board and the consolidated financial statements as at 31 December 2019. 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 0.25 per share.

Medical technology is a market that will continue to grow over the long term. Even the company's position in the area of environmentally friendly products forms a good basis for further growth. We can therefore assume the market will develop favourably for Geratherm in the medium to long term.

In light of the now broad range of products with many good distinguishing characteristics and as a result of 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.

Geratal, this 23. day of April 2020



Rudolf Bröcker
Chairman of the Supervisory Board



Dr. Gert Frank
Chairman

2019 – A business year marked by challenges

Ladies and Gentlemen and Shareholders,

The course of the 2019 financial year did not really meet our expectations. All in all, we had to report a decline in sales and earnings. The factors responsible for this development are primarily external in nature.

Even though the core business Healthcare Diagnostic was able to end the year with a 5.1 % increase in sales, we registered an overall decrease in sales of -7.0 % to EUR 19.9 million. Main factor here was LMT Medical Systems, which was only able to launch its new generation of the LMT Nomag product after delays. This led to a loss of sales in 2019 compared to the previous year in the amount of EUR 1.4 million. And it also had an impact the Group's earnings. The issues have been resolved, however, such that most of LMT's deferred sales will be realised in the 1st half-year 2020.

On top of that, operational development is being slowed down by the EU's new "Medical Device Regulation (MDR)", since a large part of the staff is busy with implementing this regulation. Additional cost burden and obstacles to innovation, the purpose of which only few can assess. All companies in the medical technology sector are subject to implementing the MDR. Since this cannot be changed, we have to rise to the challenge. This will keep us busy for at least the next two years. In this context, we still have not yet received the new approval for our Warming Systems product group in 2019 despite putting forward our best efforts.

We have, however, made great progress with a number of product developments so that we will see good growth especially in Geratherm Respiratory and apoplex medical. In 2019, we were involved in a

variety of topics for the new production facility of Geratherm Respiratory in Bad Kissingen. We managed to overcome all the hurdles such that we will be able to move into the new production facility in March of 2020, which should allow the current level of sales to be tripled. With double-digit growth in sales, the Respiratory business unit has made a good start in the first quarter of 2020.

The newly constructed glass basin for medical capillaries delivers good quality, which should allow us to significantly improve our market position in terms of vertical integration. In light of the global ban affecting the use of plastic straws, we will also be able to additionally offer an innovative range thanks to our new glass basin. In order to safeguard sales, we have acquired a 10 % share in the Berlin-based start-up HALM Straws.

To gain access to "artificial intelligence (AI)" solutions in the medical sector, we have subscribed to a financial participation in MindPeak GmbH, Hamburg. The company endeavours to automate pathological diagnostic processes with the aid of AI solutions. As at 31 December, we were able to report a good market development for the securities held. This resulted in EUR 1.3 million being written up in the equity capital. With these write-ups, the overall consolidated income of the parent company's shareholders totalled EUR 1.8 million for 2019.

The consolidated financial statements are based on the reporting date 31 December 2019. Since then, however, the underlying conditions have changed on a global level as a result of the coronavirus during the first weeks of the new year.

Geratherm is benefiting from this development currently. We were able to sell our entire inventory and the increased production of clinical thermometers. The high demand affects a limited range. Our facilities in Thuringia are expected to be working at full capacity with the production of thermometers till August of 2020. That also applies to our facility in Bad Kissingen with the production of products to monitor pulmonary function.

In this context, we are anticipating a strong 1st half-year and a good 2020 financial year.

Geratherm current has 204 employees working at different locations. I would like to take this opportunity to thank all of our employees who form the basis, through their daily commitment and dedication, for providing high-quality medical products to our international customers.

Yours,



Dr. Gert Frank
Chief Executive Officer

The Geratherm share

Good conditions on the capital market. There were hardly any reasons to complain. Driven by high liquidity, almost all asset classes have demonstrated a clear upward trend. 2019 was one of the best stock market years.

In other words, it was hard to do something wrong on the stock market in 2019. The prices of almost all share classes were on the rise. The German stock exchange (DAX) increased by +25.48 %, concluding the year at 13,249 points.

The Euro-Stoxx-50, the index for European blue-chip stocks, also rose by 25.67 %.

The US capital market set a number of record highs as well. The US Dow Jones Industrial Average concluded 2019 with a gain of 23.43 %.

Technology shares also performed well on the US market. The Nasdaq Composite Index increased by +37.48 % during the year. The MSCI World Index closed the year at a plus of 24.83 % over the prior year.

The shares of the healthcare industry also showed a very favourable development. The Nasdaq Biotec Index increased by +26.11 %. Healthcare shares in Europe exhibited less dynamic development.

The Euro Stoxx Healthcare Index jumped by +26.04 %, compared to the prior year. This index includes all major medical and pharmaceutical companies. The shares of German healthcare companies, which are grouped in the Prime Standard Healthcare Index, also registered a healthy performance, showing an increase of +25.08 %.

The positive development reported for the share markets is supported by the high level of liquidity in the markets. Valuations in almost all asset classes are at a high level. As a result, risks are likely to increase.

The ever-present topics included the US/China trade dispute, the United Kingdom's exit from the European Union, the discussion revolving around climate change as well as the zero and negative interest rate environment on the capital markets.

The Geratherm shares remained stable and were not able to take up the general upward trend prevailing on the capital markets. Geratherm shares traded at EUR 8.40 at the end of the year. This corresponds with the same price level as in the previous year.

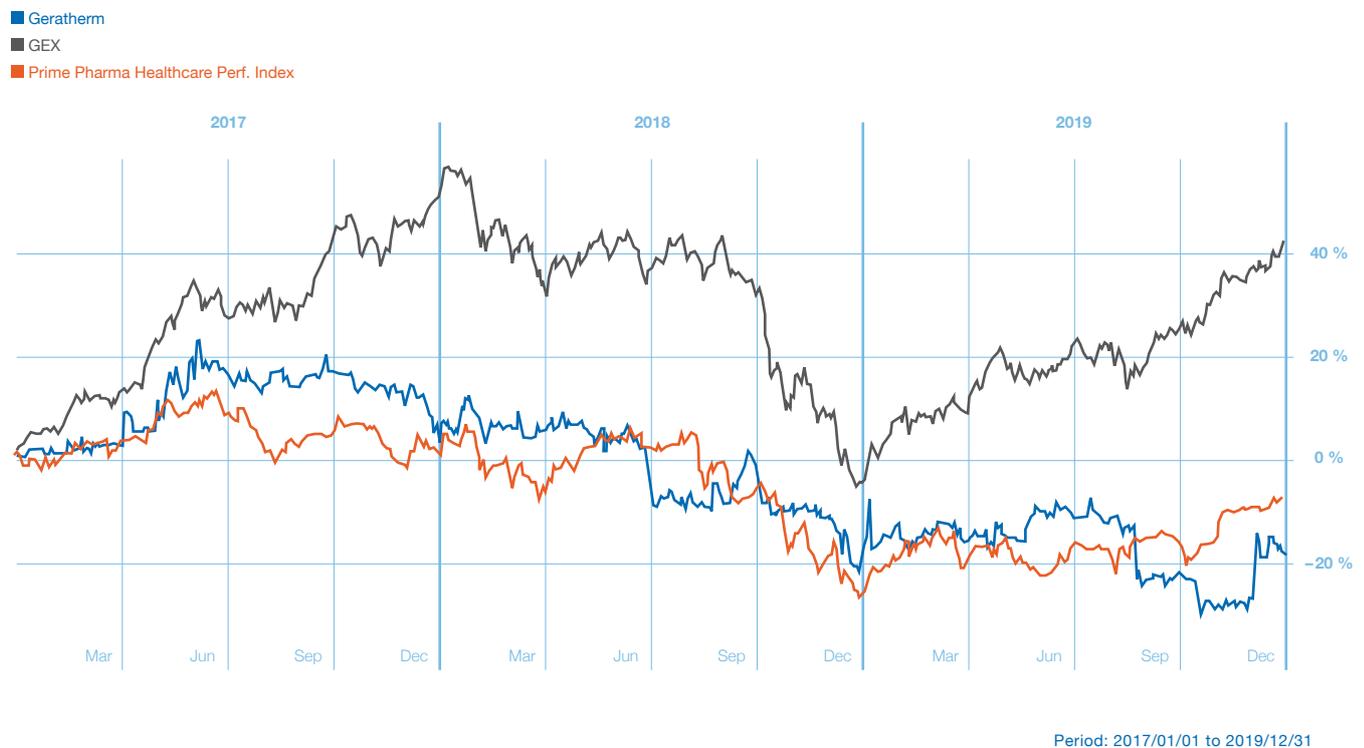
In 2019, the highest market price posted by Geratherm shares was EUR 10.00, while the lowest price was EUR 7.10.

The trading volume of Geratherm shares on the German stock exchanges was 528,527 shares traded (2018: 521,495). The majority of the transactions, amounting to 475,434 shares (2018: 459,597), were carried out using the electronic XETRA platform.

The average daily sales volume stood at 2,629 shares (2018: 2,392 shares). The highest daily sales volume was reported at 42,320 shares (2018: 18,267) 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 also listed in the German Entrepreneurial Index (GEX). The above diagram shows

Development of Geratherm shares



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. 2,276 shareholders (2018: 2,327).

Main shareholders in 2019 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 UG on 2 and 3 September 2019, 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	18
Respiratory	20
Medical Warming Systems	22
Cardio/Stroke	24

Healthcare Diagnostic

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

The Geratherm brand enjoys a high degree of recognition internationally in this product segment and stands primarily for ecological and sustainable medical products thanks to the use of our mercury substitute "Galinstan".

Clinical thermometers

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

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

The clinical glass thermometer with our mercury substitute "Galinstan" is the Geratherm Group's best-selling product, accounting for a 37.3 % share of the Group sales (2018: 36.3 %). As a result, we believe that this product group has positive growth chances in the medium term, especially in light of growing environmental awareness.

With the aid of the newly installed glass basin for medical capillaries at the Geratal location in Thuringia, we also produce metering systems for liquid medications for clinical use and, to a limited extent, special glass straws. As of 2021, plastic drinking straws will be banned worldwide.

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 2019 (2018: EUR 2.1 million). Our best-sell-

ing digital thermometer is the "non contact" model with a sales of more than 756 kEUR (2018: 694 kEUR) per year.

The clinical thermometer product group accounts for 48.1 % of the company's entire sales (2018: 46.1 %). In 2019, Geratherm sold a total of 4.6 million clinical thermometers (2018: 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 2019, we were able to sell 109,821 blood pressure monitors in total (2018: 95,300).

Blood pressure monitors account for 13.8 % of the Healthcare Diagnostic segment and 9.1 % of the Geratherm Group's overall sales.

Women's Health

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

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

This in-vitro diagnostic product group is subject to considerably more stringent monitoring requirements. The best-selling product is the "Early Detect" pregnancy test, a chlamydia rapid test and a saliva test for checking ovulation. We will carry out a supplementary clinical trial for this type of ovulation testing during the course of the 2020 financial year.

The Healthcare Diagnostic segment was able to show a growth of 5.1 % across all product areas in 2019. During the first months of 2020, we experienced an exceptional upswing in this segment, due in particular to the coronavirus pandemic.

We regard this segment's prospects to be positive.



Geratherm products
in daily use



Respiratory

The Respiratory division develops and manufactures products specifically for pulmonary and cardiopulmonary function diagnostics. This corporate division is geared towards growth.

Geratherm products for cardiopulmonary use were developed, produced and internationally marketed at the location in Bad Kissingen. Together with the proprietary „BLUE CHERRY“ software platform, 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 examinations,

Geratherm Respiratory offers the “Spirostik” and “Spirostik Complete” product solutions. A so-called body plethysmography is implemented for more complex exams.

The Geratherm Respiratory team has earned a good reputation on the market with its product solutions. Investments in research and development are still high. The majority of the employees are employed in product development. There are different promising development projects that have been launched. A project on the generation of vital data for early cancer detection by using respiratory air is currently in an initial major clinical study.

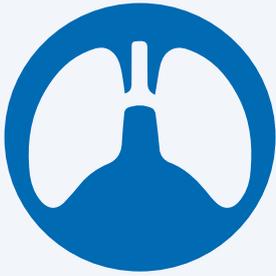
To accommodate the further targeted growth, we constructed a new production facility in Bad Kissingen in 2019. Besides the significantly larger production areas, we have also set up an IT infrastructure and security using cloud solutions fit for the future.

Geratherm Respiratory products are marketed internationally. The lead times till product registration are correspondingly long. In 2019, we successfully concluded product licensing in Indonesia, Morocco, Thailand, Turkey, Saudi Arabia, Ukraine and Vietnam. Applications are currently being submitted for product licenses for Russia, China and Australia. We are expecting to receive the licenses during the course of 2020.

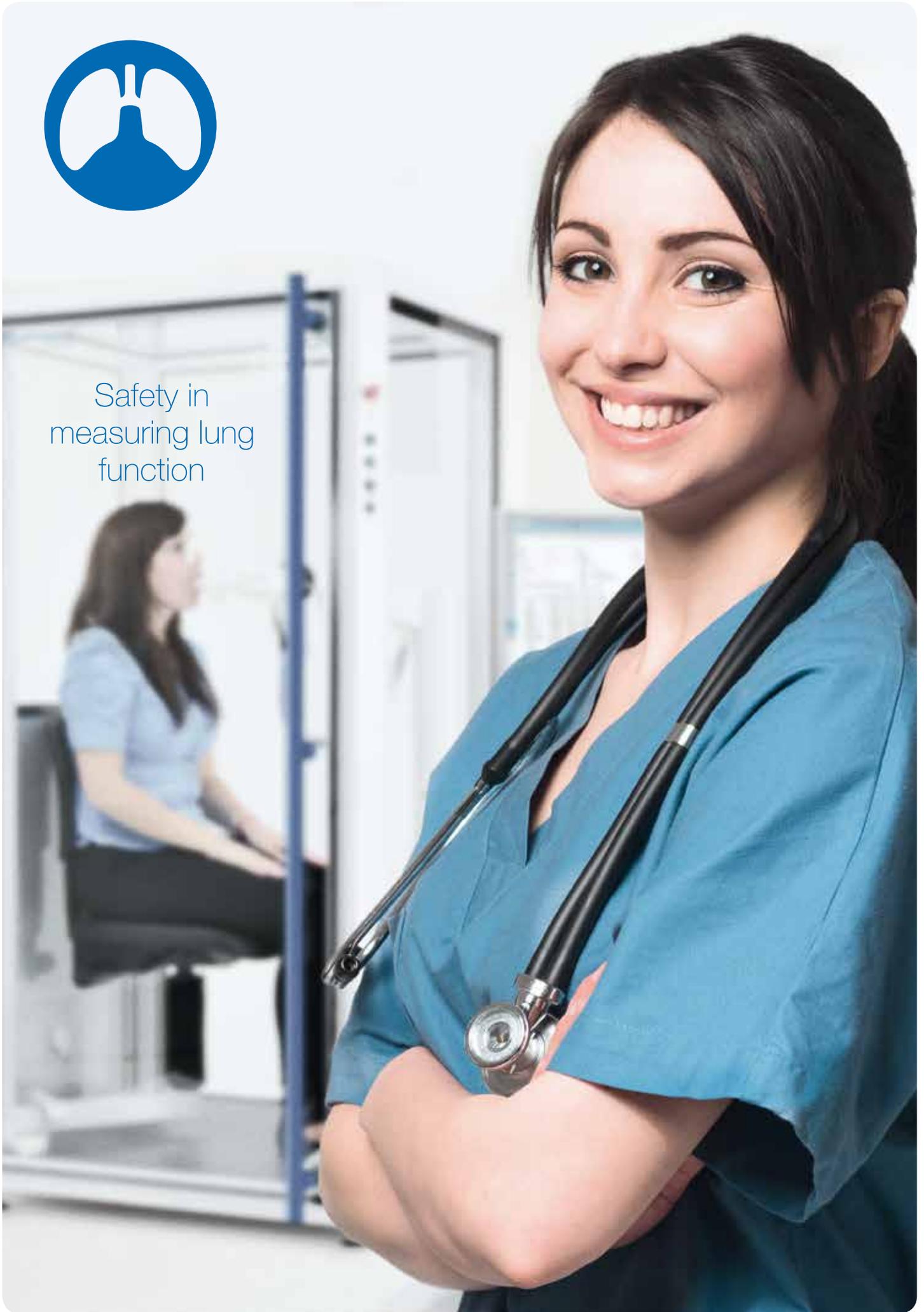
Geratherm managed to further expand its customer base during the 2019 business year. We are delighted that more and more well-known hospitals and clinics, such as Geneva University Hospital, have decided in favour of a Geratherm Respiratory System in 2019.

As a result of the high expenses incurred in conjunction with implementing the new European “Medical Device Regulation” and the construction of the new production facility, our development in the segment in 2019 was less dynamic than planned. We are, however, confident for 2020.





Safety in
measuring lung
function



Medical Warming Systems

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.

UniqueTemp°

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

Unique Resc+

Using similar technology, the warming systems for the emergency response segment are offered under the 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 military.

The products Unique Temp° and Unique Resc+ are currently undergoing recertification. After dedicating a lot of human resources and financial assets, we submitted the revised product records again to the licensing authority for review at the beginning of August 2019. Based on the feedback from the licensing authority at the end of the year, the results of our efforts were not satisfactory. As a result of the new classification of products as a class IIb medical device, there are significantly higher requirements on development documentation that have to be taken into account. In addition, this product group must be approved now in accordance with the new European Medical Device Regulation. We failed to achieve our objective of obtaining new product approval in 2019.

We will strive to take care of the open issues to see where our chances are for relicensing.

LMT

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

2019 did not turn out as planned. The old product generation was discontinued and the launch of the next generation has been delayed. We were able to build up momentum again at the end of the year but were no longer able to offset the drop in sales. One positive aspect is that with LMT we are entering the market with a new generation of products that meet the current state of the normative and regulatory requirements. A first success was the large order from Poland placed at the end of the year for four nomag® systems with a value of approx. EUR 1 million. Another system is currently being completed for a hospital in Hong Kong.

The cooperation with the MRT manufacturers GE and Siemens was successful. All LMT systems are compatible with the new systems from both market leaders.

Contrary to our assumptions, we still have not received a positive vote with regard to the licensing of LMT products for the Chinese market during the course of 2019. The clinical trial has been concluded and the final talks with the licensing authorities have taken place. The decisions on licensing are still pending. Based on the current situation, we expect a letter from the Chinese licensing authority at the end of the first six months of 2020.



Reliable diagnosis
in earliest stage



Cardio/Stroke

apoplex medical's SRAclinic stroke risk analysis process is increasingly becoming the industry standard for secondary prevention of strokes.

Apoplex medical technologies has developed an algorithm for identifying the presence of paroxysmal (occasional) atrial fibrillation episodes with great precision by evaluating ECG records. The procedure is an easy-to-apply and efficient method for preventing strokes and vascular dementia. The algorithm-based analysis of ECG data relies on a mathematical procedure that interprets changes in heart rate dynamics, which are associated with the onset of atrial fibrillation.

The process is currently used in 133 hospitals and clinics in the corresponding stroke centres in Germany. With this solid basis, the process is currently being introduced in various countries. Main areas of focus include Spain, England, Italy, Switzerland and Brazil.

A multi-centre study was carried for the first time in Spain and published in January of 2020, verifying the advantages of the apoplex' product. 524 patients were included in the multi-centre study. The automated ECG analysis from apoplex medical technologies identifies atrial fibrillation three times faster and two times more frequently than a standard patient monitoring system with integrated alarm function. The results were presented in the prominent international trade journal "Stroke" published by the American Heart Association. The multi-centre study, which was conducted in stroke centres in seven Catalan hospitals, forms the basis for market entry and determining the examination fee in Spain.

All in all, 84,112 (+16.6 %) patients were examined using apoplex's SRA process for atrial fibrillation during the course of 2019. The sales generated by apoplex increased by +5.4 % (2018: 43.5 %). For 2020, we anticipate a similarly positive development.

apoplex will continue to be preoccupied with implementing the European Medical Device Regulation (MDR) during the 2020 business year, tying up additional human resources and funds in this context. We are expecting that apoplex will further strengthen its market position in the medium term. The goal is to provide additional analysis options with regard to indicating a stroke.

Geratherm's holding Protembis continues to develop in a positive manner. Protembis develops an innovative catheter-based filter system, which is designed to protect patients from strokes and other neurological complications during interventional cardiology procedures. A clinical study with the new generation of the "ProtEmbo" product is planned at four different hospitals and clinics in Latvia and Poland. The corresponding permits have been obtained. The study is slated to start during the first quarter of 2020.

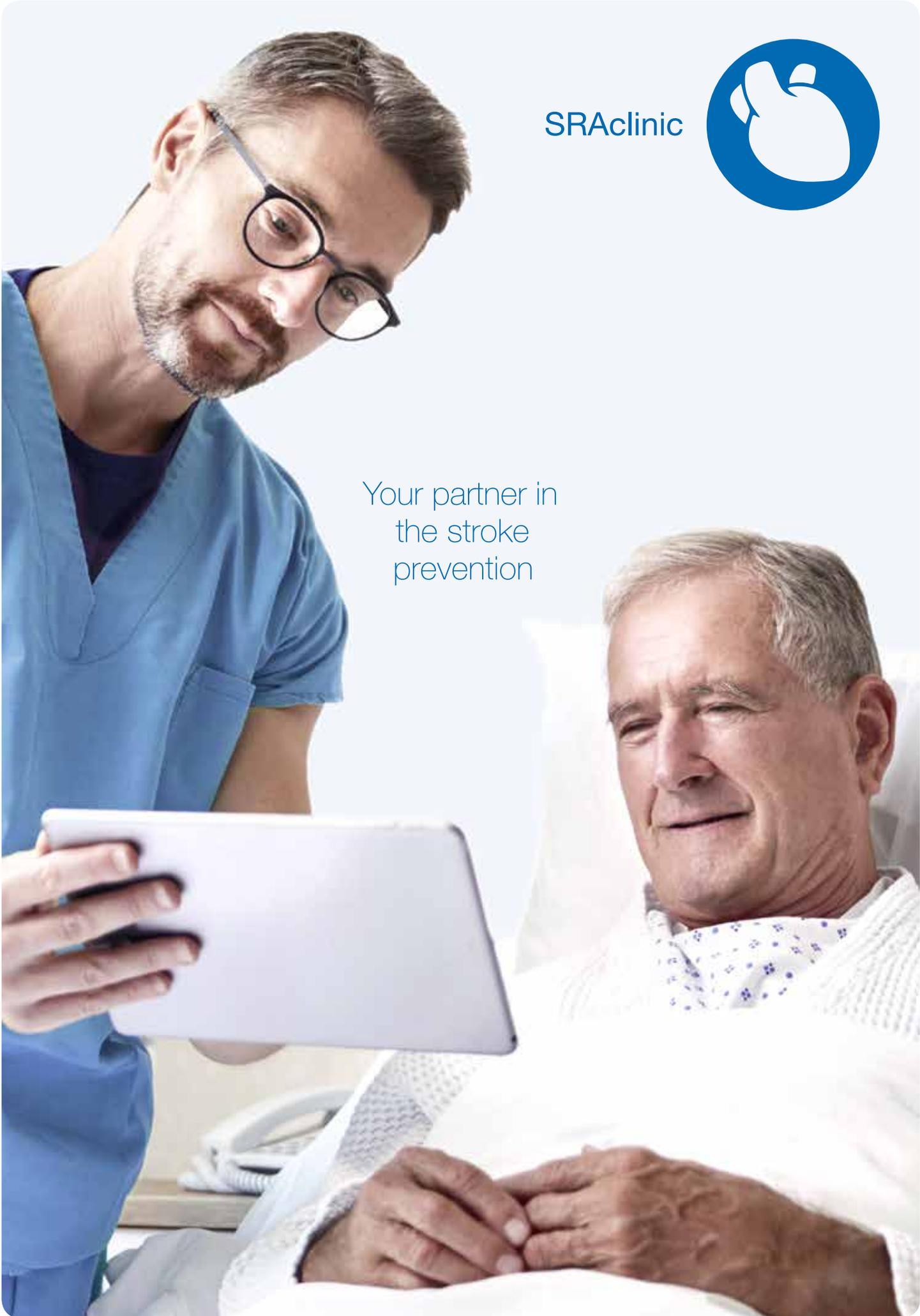


Protembis – ProtEmbo

SRAclinic



Your partner in
the stroke
prevention



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A. BASIS OF GERATHERM MEDICAL GROUP

1. *Business model of the Group*

The Geratherm Medical Group, hereinafter called Geratherm or Geratherm Medical, is an internationally focused medical technology company with the following business units Healthcare Diagnostic, Respiratory, Cardio/Stroke and Medical Warming Systems. The individual business units serve different markets and thus are managed independently at their own locations as well.

Healthcare Diagnostic is currently the largest business unit with a 66.0 % share of sales. The focus is here on products for measuring body temperature. Geratherm has a long-standing tradition in this segment and thus offers a wide range of products for measuring the body's temperature, which in our opinion distinguishes our company for the most part from the competition. The company's main product, which accounts for 37.3 % share of sales, is an environmentally friendly and mercury-free clinical thermometer that is produced at the Geratal plant in Thuringia. Geratherm controls all essential components of the production process. The company's flagship product has a high level of vertical integration. We see Geratherm as a global leader on the market for mercury-free clinical glass thermometer.

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

Furthermore, Geratherm is represented in the field of cardiology by the subsidiary apoplex medical technologies, which focuses on the promising market of cardiac arrhythmia. The SRAclinic product offers solutions for detecting atrial fibrillation in order to prevent a stroke and is currently used in more than 130 hospitals and clinics on a daily basis.

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. We are convinced that LMT is a global leader on the developing market for preterm baby examinations. We manufacture medical warming systems for operating rooms and rescue operations at our Steinbach-Hallenberg location in Thuringia.

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

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

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

2. *Research and development*

The research and development activities of Geratherm are based on medium to long-term objectives. The requirements on product testing and approval have increased tremendously as result of the change in the underlying conditions, in particular the introduction of the new "EU Medical Device Regulation" (MDR). This is currently tying up capacities and has slowed down development projects.

The greatest expenditure in terms of development services is currently generated by the segments Respiratory and Medical Warming Systems, especially at LMT and by Cardio/Stroke. For instance, Respiratory has launched major clinical trials. A multi-center study was carried for apoplex at four Spanish clinics. The results were pub-

lished at the end of 2019. The Chinese approval study for the LMT's "nomag®" product has been completed. The final approval of the products by the Chinese authorities is still pending.

With a new development team, we are still in the recertification process in the Warming Systems segment. As a result of that, almost all research and development capacities at the Geratal location are tied up in this regard. New development projects have been postponed as a consequence.

The research and development expenditure in 2019 amounted to EUR 1.399 million (2018: EUR 1.081 million). Development costs in the amount of 628 kEUR (2018: 570 kEUR) were capitalised in 2019. Based on that, the capitalisation ratio was 44.9 % (2018: 52.7 %).

B. ECONOMIC REPORT

1. Overall economic factors

Overall economic factors

The momentum of the international economy has slowed considerably in 2019. International trade was weaker due to the trade dispute between the US and China and in Europe as a result of the now resolved uncertainty surrounding the UK's withdrawal from the EU. The prevailing impression is that a de-globalisation process has started. Regional risks, such as the outbreak of the coronavirus, can have a significant impact on the global supply chain, with effects on global economic output, which economic stakeholders are increasingly realising.

Economic growth in Germany came to a standstill as a result of the current underlying conditions. In particular, industries that depend on exports, such as machinery and vehicle construction as well as the production of chemical products are undergoing radical change. The 1.1 % growth predicted by the International Monetary Fund (IMF) for 2020 in Germany seems to be at the high end.

Geratherm's sales areas are international, focussing mainly on emerging markets that have a great deal of catching up to do in medical technology. An important market is Brazil, among others. Economic activities in Brazil are becoming more and more stable after the turbulence in the past. Economic recovery, however, can only be seen in small steps, if at all.

Geratherm Medical has in part different underlying conditions at its four locations in Germany. One of the challenges is to find younger and hard-working technical personnel. With the current underlying economic conditions, this remains a challenge in order to be able to highlight the increasing complexity of tasks and the company's growth.

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

Industry related factors

The medical technology industry operates on an international basis. Apart from large medical technology groups (ten companies generate approx. 1/3 of the industry's sales), the industry is distinguished by medium-sized companies and is for the most part resistant to economic recession. The medical technology industry has grown steadily over the past few years.

The reasons for the steady growth of the medical technology sector have not changed. The main driver is the demographic development, the rising incomes in Asia and the increase in lifestyle-related diseases. In the medical technology field, German companies profit from 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 approx. 45 % of world market. Europe represents the second largest market with a global market share of approx. 28 %. The Asian market accounts for approx. 19 %. The German market for medical technology represents approx. 6 % of the world market. The other countries make up 8 % of the global market for medical technology.

The general mood in the medical technology industry in Germany has turned gloomy. This can be attributed to the "EU Medical Device Regulation" (MDR) that was adopted on 5 May 2017 and which had a national transitional period that was scheduled to end on 26 May 2020. Due to the coronavirus crisis, the transitional period was extended at the end of the first quarter. The awful bureaucracy demanded by Brussels is currently paralyzing most medical technology companies in Europe. The approval procedures for new products have become significantly more complex, while the approval agencies suffer at the same time from resource deficiencies.

The transition to MDR has made the previous regulations considerably more stringent and has accordingly increased product-specific quality standards. Company certification and the approval of medical products will be significantly more comprehensive and cost-intensive than in the past. All medical technology companies are expected to assume enormous expenditure in terms of human resources, finances and bureaucracy. Instead of concentrating on product development, production and sales, it has become necessary to focus on regulatory requirements. Additional personnel have to be hired in order to satisfy the increased requirements on documentation, monitoring placement of products on the market and registration of all economic actors. As a result, the range of products will have to be reduced as well. The period for a successful launch of medical products on the market will be clearly longer. A critical company size and easy access to financing options will become increasingly important.

The described industry-specific conditions also apply to Geratherm Medical. We must accept 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) as well as earnings before interests, taxes, depreciation and amortisation (EBITDA). Reference is made to the most important performance indicators in the following sections on Business trend and Situation and in the Outlook report. 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 addressed in the following sections on Business trend and Situation as well as in the Outlook report.

3. Business trend

General overview

Geratherm's business development during 2019 was influenced by the weaker-than-expected development of its subsidiaries LMT Medical and apoplex medical. The reasons for this vary widely. Due to the delayed launch of the new product generation, LMT was not able to generate the planned sales. This resulted in a -66.5 % drop in sales and a negative earnings contribution of -467 kEUR for the Geratherm Group. With regard to apoplex medical, the generated sales are deferred under IFRS to the entire contractual period. This led to a one-time sales correction of -205 kEUR. In this context, apoplex medical was only able to report a sales increase of +5.4 %. The change led to an adverse impact of -568 kEUR on the consolidated financial statements. In the Respiratory segment, we had to accept a -12.6 % decrease in sales. This can be attributed solely to a customer's temporary outage in sensor production. The core business for measuring pulmonary function reported a slight growth in sales for +2 %.

All in all, we had to record a 7 % decline in the consolidated sales to EUR 19.9 million during the course of business in 2019. The Diagnostic core business reported a sales growth of +5.1 %. Due to the drop in sales recorded by LMT Medical and in the Respiratory segment as well as due to the higher cost burden, especially due to higher personnel costs and expenses for product approvals, the earnings after taxes decreased to 546 kEUR (2018: 929 kEUR). This corresponds to an earnings of EUR 0.11 per share (2018: EUR 0.19).

In 2019, the gross margin on sales was 72.0 % (2018: 68.7 %).

The gross profit EBITDA on a group basis decreased by -12.1 % to EUR 2.354 million (2018: EUR 2.676 million). The EBITDA margin increased by -4.8 % to 11.9 %.

The operating result EBIT decreased to EUR 1.049 million (2018: EUR 1.862 million). The EBIT margin was 5.3 % (2018: 8.7 %). With this result we have not achieved our target of 10 %. Besides the adverse impact on earnings due to the Medical Warming Systems segment, the expenses for the regulatory requirements and the above-average increase in personnel costs have been having a negative impact. In addition to the planned increase in sales, we will be investing in more automation especially at the Geratal location in order to be able to compensate for the increasing cost burden.

The company Geratherm Medical has a strong financial position. The proportion of equity capital in the balance sheet total is 57.7 % (2018: 67.2 %).

The liquid assets including the securities held amount to EUR 9.542 million (2018: EUR 7.822 million).

We expect business development to be positive in 2020. The negative factors, especially by LMT, should no longer occur in that manner. Geratherm Respiratory should also generate a significant double-digit growth. The core business, where we produce clinical thermometers, among other things, has been at full capacity since the outbreak of the coronavirus.

Sales development by segments

SALES DEVELOPMENT BY SEGMENTS (in kEUR)

	2018	2019	Change
Healthcare Diagnostic	12,473	13,109	+5.1 %
Respiratory	4,825	4,219	-12.6 %
Medical warming systems	2,465	854	-65.4 %
Cardio/Stroke	1,584	1,669	+5.4 %

Healthcare Diagnostic

In the Healthcare Diagnostic segment, we market medical products like clinical thermometers, blood pressure monitors and women's healthcare products, which are geared primarily to the end consumers and are sold via pharmacies in Germany and abroad. The segment's products are produced and marketed at Geratal location in Thuringia. A total of 128 people are employed in this segment. The segment accounts for 66.0 % (2018: 58.4 %) of the Group's consolidated sales. All in all, we posted a 5.1 % increase in sales in the Healthcare Diagnostic segment in 2019. The sales growth is due to the good development posted by sales of medical capillaries, blood pressure monitors and women's healthcare products. The production of medical capillaries will continue to further growth in 2020. This positive development is also supported by the high demand for drinking straws with special designs, which we have added to our current range of products at Capillary Solutions. As of 2021, plastic drinking straws will be banned globally. Geratherm has a long tradition of pioneering environmentally friendly products. Here we will also be able to set trends again by producing high-quality glass drinking straws and thus help to reduce the amount of plastic waste world-wide. Via its Capillary Solutions subsidiary, Geratherm has acquired a 10 % share in the Berlin-based start-up HALM Straws GmbH.

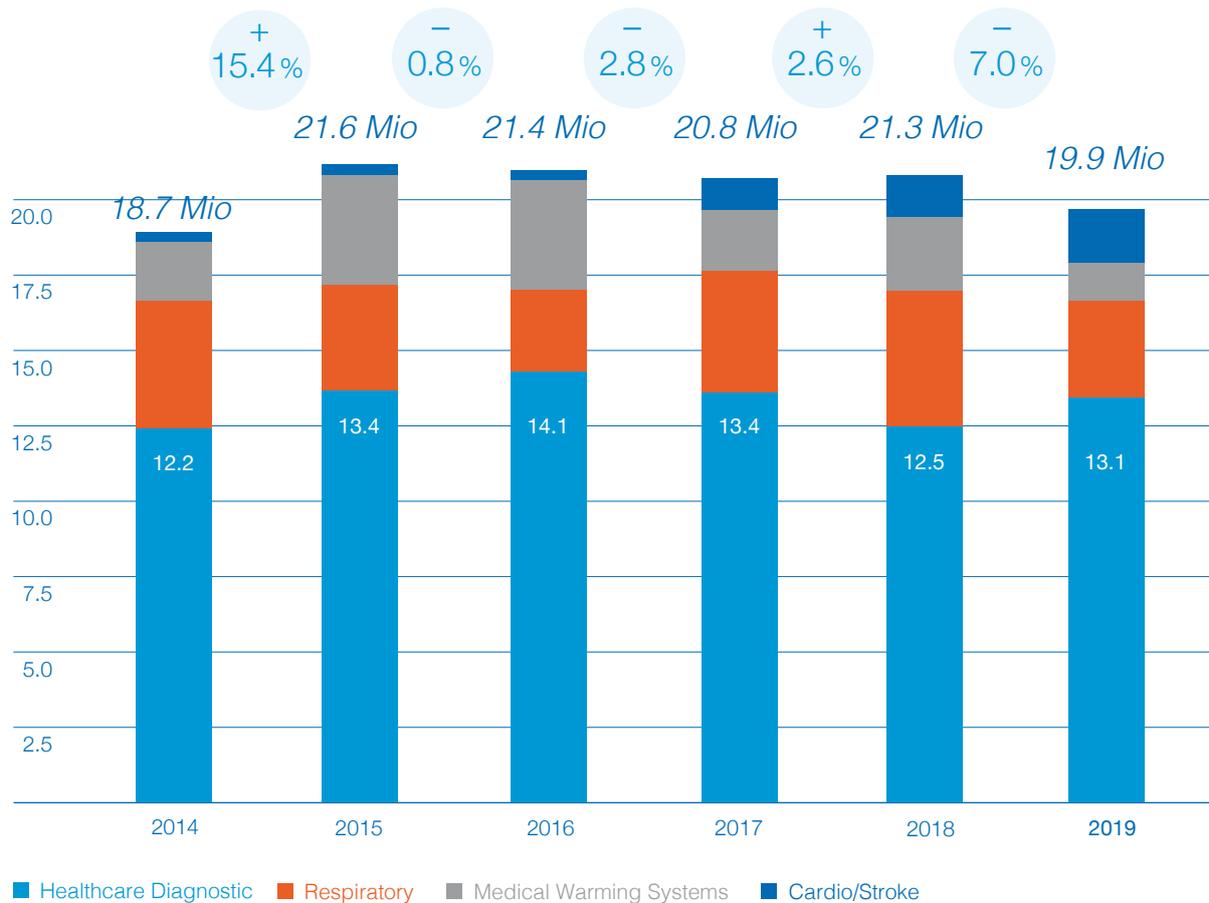
The top-selling product in our Healthcare Diagnostic segment is the analog clinical glass thermometer, which does not use mercury but rather our proprietary metal alloy based on gallium. Gallium-based clinical glass thermometers account for 37.3 % (2018: 36.3 %) share of the Group sales. The product group showed a slight decrease in sales of -4.7 % in 2019. Infrared thermometers posted a significantly stronger development with an increase of 7.3 %. The sales of blood pressure monitors were also favourable, showing a 9.7 % increase over the previous year. The Woman Health product group enjoyed a significantly better demand and concluded the year with a 18.1 % jump. The export rate of the Healthcare Diagnostic segment was 87.4 % (2018: 91.5 %).

Posting a sales of EUR 13.1 million (2018: EUR 12.5 million), the segment reported earnings on EBIT basis of EUR 1.780 million (2018: EUR 1.763 million). The EBIT margin of Healthcare Diagnostic amounted to 12.6 % (2018: 13.0 %).

We anticipate significantly stronger growth in the Healthcare Diagnostic segment in 2020.

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, there are approx. 33 persons employed in this segment, generating a sales of EUR 4.219 million in 2019 (2018: EUR 4.825 million). The -12.6 % drop can be regarded as temporary and does not correspond with the segment's current dynamics in terms of growth. The Respiratory business unit in Bad Kissingen was able to report a 2 % increase in sales in spite of mainly focussing on product approvals.



Business development of Sensor Systems was considerably weaker. The loss of two major customer orders resulted in less favourable performance. The loss has been essentially compensated for in the meantime.

Respiratory represents a 21.3 % share of the Group's overall sales (2018: 22.6 %).

The operating result (EBIT) for Geratherm Respiratory was 357 kEUR (2018: 563 kEUR). That corresponds to an EBIT margin of 8.1 % (2018: 11.3 %). The export rate accounts for 82.8 %.

Promising product development are currently in the lineup in the Respiratory segment. In addition, many country approvals are in the final phase, which will establish the basis for further growth in the segment. The new factory building in Bad Kissingen can also be viewed in this context; the move took place at the end of March 2020. This forms the basis for considerable growth in the company.

We expect significant growth during the 2020 fiscal year.

Medical Warming Systems

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

In the 2019 financial year, the Medical Warming Systems segment posted the worst performance in the Geratherm Group. The segment sales decreased by -65.4 % to 854 kEUR. There are various reasons for the clear drop in sales. In the OP warming blankets product area, we are still in the recertification process. We did not achieve our goal for 2019, obtaining a new product approval for the OP warming blankets, despite making high personnel and financial investments. The revised product files were submitted to the approval agency in September of 2019. In December of 2019, we had to accept a surprising number of deviations that could not be

taken care of quickly. The challenge of obtaining the new approval remains demanding in light of the more stringent guidelines. Sales reduced again by half and essentially involved only spare parts deliveries.

In 2019, LMT Medical had to deal with particular factors that were only foreseeable to a limited extent. On a positive note, LMT's flagship product, the "nomag®" IC Incubator, has been completely revised in accordance with the latest normative and regulatory requirements. That said, there were supply problems with the new generation of products, which could not be delivered as a result. The problem was finally resolved in November of 2019. By then, the financial year was essentially over. In December of 2019, LMT was able to report its largest inflow of orders to date with four "nomag®" systems. These systems could not be delivered, however, by the end of 2019. Altogether, LMT Medical was only able to post a sales of 710 kEUR (2018: EUR 2.119 million), representing a drop in sales of -66.5 %. The planned approval for LMT's "nomag®" IC product for the Chinese market could still not be concluded. All necessary studies and documents have been submitted to the Chinese regulatory authorities. We are still confident that we will obtain a positive decision from the Chinese regulatory authorities soon.

The segment currently has 23 employees. The export rate accounts for 85.3 %.

The development in the segment cannot be assessed at the moment, since the approval of a product is still pending and there are limitations associated with the coronavirus crisis for international sales.

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' SRAclinic product for stroke risk analysis is the first practical screening process for paroxysmal atrial fibrillation. It is available in versions for specialised stroke units located in hospitals and for use in doctors' offices. The business activities of the Cardio/Stroke division are concentrated at the Pirmasens location, which has 20 employees.

The Cardio/Stroke segment is still in a growth phase. It managed to conclude 2019 with a 5.4 % increase in sales. Posting a sales of EUR 1.669 million, the segment achieved an EBIT of -195 kEUR (2018: -99 kEUR). The income objectives are currently subordinate to the objectives for growth. The share of total sales of the Geratherm Group amounts to 8.4%.

In 2019, we managed to connect more clinics and hospitals to apoplex's system. All in all, more than 130 stroke centers rely on the analytical system of apoplex medical. In 2020, we will continue to push internationalisation. Spain, England, Switzerland and Italy in particular form the basis for our expansion strategy. We are anticipating again a significant double-digit growth in sales for 2020.

Sales development by regions

Geratherm Medical's business activities are international. 79.7 % of Geratherm's products are exported (2018: 81.9 %). Our products are sold in more than 60 countries. Main markets outside of Germany are Europe, South America, Middle East and the U.S.

On the whole, sales of EUR 19.9 million was generated in 2019. The high and steady export share reflects the continued competitiveness of Geratherm's products on the international market.

The euro zone outside of Germany is Geratherm's largest sales market, whereas the Italian market dominates here. The European market accounts for EUR 11.2 million, which corresponds to 56.2 % of the total sales of the Geratherm Group. The sales of Geratherm products in Europe posted a decline in sales of -7.8 % in the 2019 business year.

The sales of Geratherm products on the German market showed a considerably more favourable development. On the whole, sales grew by +4.4 % to EUR 4.0 million. Domestic sales account for 20.3 % of the Geratherm Group's total sales.

On the Middle East market, Geratherm sold products totalling EUR 1.6 million, posting a slight increase of 1.4 %.

The Other Countries group essentially includes the markets Africa and Asia. In this group, we had to record a 17.5 % decline in sales in 2019.

Sales on the US market developed less favourably in 2019. Due to the lack of sales on part of LMT Medical, we had to report a decline in sales of -33.8 % to EUR 1.1 million. The share of sales on the US market accounts for 5.6 % of the overall sales posted by the Geratherm Group.

The underlying conditions on the South American market did improve in the 2019 fiscal year. The markets in Peru, Uruguay and Brazil in particular showed a significant double-digit growth in sales. All in all, we were able to report sales of EUR 0.8 million in South America, which is an increase of 12.6 %. The sales in this region accounts for 3.9 % of the total sales of the Geratherm Group.

SALES DEVELOPMENT BY REGIONS (in kEUR)

	2018	2019	Change
Europe	12,106	11,159	-7.8 %
Germany	3,858	4,026	+4.4 %
Middle East	1,536	1,558	+1.4 %
Other countries	1,499	1,237	-17.5 %
USA	1,667	1,104	-33.8 %
South America	681	767	+12.6 %

4. Situation

Earnings situation

Geratherm Medical reported a -7.0 % decline in sales at the group level for the 2019 business year. Group sales totalled EUR 19.9 million,

The reported sales and earnings were essentially influenced by the weaker performance of LMT Medical and the pre-production costs of our subsidiary apoplex medical in 2019. The write-offs increased considerably as a result of the commissioning of the new glass basin at Capillary Solutions for the production of medical capillaries.

Material expenditure decreased by -5.1 % to EUR 7.4 million.

The gross margin, based on the overall performance, rose slightly to 65.7 % (2018: 65.1 %). The gross profit declined slightly by 2.5 % and was with EUR 14.3 million almost at the same level as last year.

Personnel costs again showed an above-average increase of +11.1 %. The higher personnel costs involve the wage and salary increases carried out at the Geratal location as well as the hiring of highly qualified employees, especially in quality management in the Geratherm Group, as a result of the new requirements under MDR.

The other operating expenses decreased by -13.5 % to EUR 4.349 million. This is also due to the application of the new IFRS 16 and the capitalisation of leasing agreements as usage rights in the consolidated financial statements. Thus, the other operating expenses decreased to the detriment of write-offs and interests paid.

The gross earnings prior to depreciation and amortisation (EBITDA) decreased slightly by -12.1 % to EUR 2.354 million. The operating margin, based on sales, on an EBITDA level amounted to 11.9 % (2018: 12.5 %).

Amortisation of intangible assets and depreciation of tangible assets increased considerably by +60.2 % to EUR 1.305 million (2018: 814 kEUR).

The operating results in the amount of EUR 1.049 million (2018: EUR 1.862 million) decreased by -43.7 % compared to the prior year. The EBIT margin for the entire company amounted to 5.3 % (2018: 8.7 %). As a result, we did not achieve our target of a 10% EBIT margin at the group level. This was due to the unexpected loss of sales by LMT in the amount of approx. EUR 1.4 million, the negative impact on earnings as a result of the deferral of sales at apoplex medical and extraordinary burdens from the expenses incurred for the re-approval of the warming systems and the costs for the internationalisation of apoplex medical.

For 2020 we are confident based on the start for the first quarter of 2020 that we will achieve again our internal goal in terms of earnings quality.

EARNINGS PERFORMANCE (in kEUR)

	2014	2015	2016	2017	2018	2019	Change
Operating earnings (EBITDA)	3,171	3,423	3,710	1,548	2,676	2,354	-12.0 %
Operating result (EBIT)	2,415	2,534	2,539	407	1,862	1,049	-43.7 %

The core business at the Geratal location in Thuringia was slightly weaker compared to the prior year without taking into consideration the subsidiaries apoplex medical, Respiratory, LMT Medical, Sensor Systems, Capillary Solutions, Geratherm do Brasil and the Warming Systems business unit. Sales

decreased by -1.3 % to EUR 12.1 million. The result (EBIT) dropped by -15.7 % to EUR 1.755 million. That corresponds to an EBIT margin of 14.6 % (2018: 17.1 %).

The OP warming blankets product group, which is still struggling with the recertification challenges, was not able to initiate a turnaround with a further drop in sales of 144 kEUR (2018: 314 kEUR). High approval costs and lagging sales negatively impacted the consolidated net profit in the amount of -585 kEUR (2018: -294 kEUR). LMT Medical negatively impacted the results shown by the Warming Systems segment in the amount of -461 kEUR (2018: 178 kEUR). LMT Medical posted a drop in sales of EUR 1.410 million in 2019. The Warming Systems segment posed a significant negative impact on the Group's results due to the aforementioned factors.

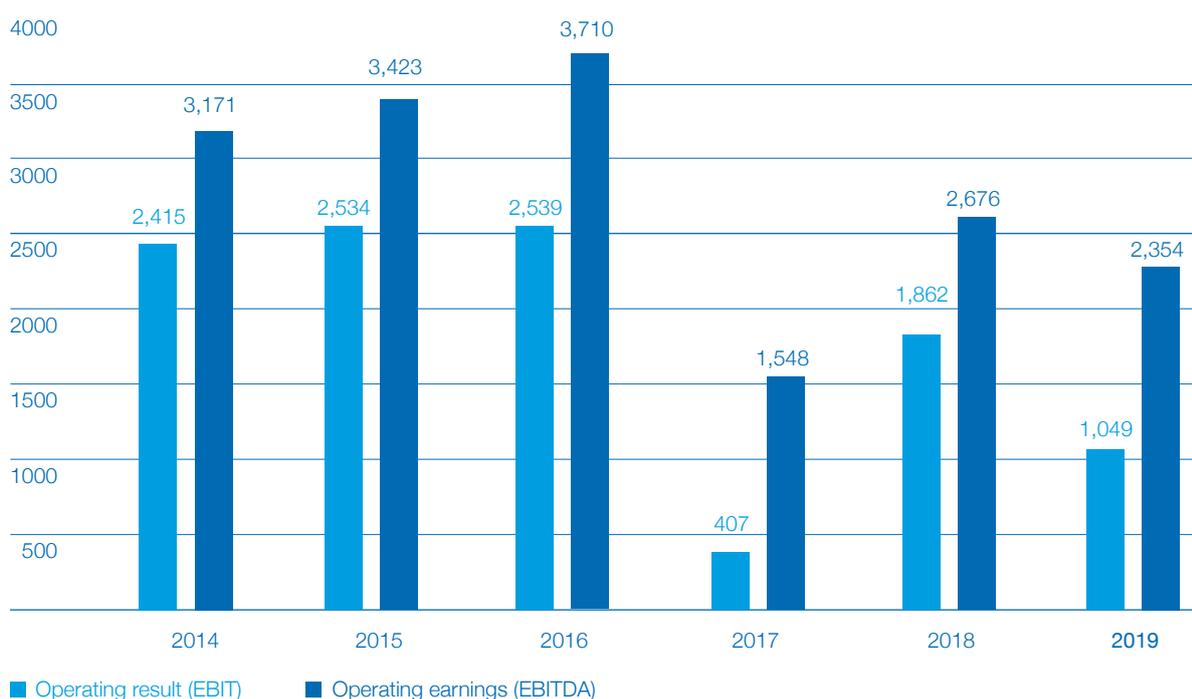
Despite apoplex medical's increase in sales by +5.4 % to EUR 1.669 million, the costs of internationalisation, especially for personnel costs, left a clear mark on the earnings. apoplex medical concluded the year with a negative contribution to earnings (EBIT) in the amount of -195 kEUR (2018: -99 kEUR).

The sales of Geratherm Respiratory, without the subsidiary Sensor Systems, increased slightly by +2 % to EUR 3.040 million. The operating result on an EBIT level grew by +40.0 % to 196 kEUR. The EBIT margin amounted to 6.4 % (2018: 4.7 %).

The financial results amounted to -11 kEUR (2018: -509 kEUR). In the future, the interest charges from Brazil will no longer have to be included in the consolidated financial statements, since the outstanding interests will no longer be the topic of negotiations as a result of the settlement sought by Geratherm with creditors. The write-downs of the value of the securities held were shown in the equity capital.

Taking into account the financial result and the operating result, profits from ordinary business activities in the amount of EUR 1.038 million (2018: EUR 1.353 million) were generated for the 2019 fiscal year. Income taxes amounted to 748 kEUR (2018: 795 kEUR) and consisted of expenses for current income taxes in the amount of 493 kEUR and the expenditure from the formation of deferred tax assets and liabilities in the amount of 255 kEUR.

EARNINGS PERFORMANCE (in kEUR)



The consolidated net income decreased for 2019 by 48.1 % to 290 kEUR (2018: 558 kEUR).

The result attributable to minority shares or non-controlling shareholders amounted to 256 kEUR (2018: 371 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) decreased by 41.3 % to 546 kEUR (2018: 929 kEUR). The earnings per share are EUR 0.11 (2018: EUR 0.19).

The management board and supervisory board will propose to the general meeting in June 2020 to distribute a dividend of EUR 0.25 per share (2018: EUR 0.40 per share) for the 2019 fiscal year.

The planned disbursement is to be carried out on the basis of the tax regulations initially from the distributable profit of EUR 1.237 million (EUR 0.25 per share). Of this capital yields tax in addition to the solidarity surcharge in the amount of 26.38 % (326 kEUR) was withheld.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-neutrally from the tax-recognised contribution account in the amount of EUR 15.206 million (as per tax assessment from 30 March 2020).

Financial situation, investments and liquidity

Geratherm Medical enjoyed a sound financial position throughout the entire 2019 business year. The cash and cash equivalents available including securities as at 31 December 2019 amounted to EUR 9.542 million (2018: EUR 7.822 million). The increase is due to the rise in the value of the securities held and taking out loans in the amount of EUR 3 million (valued at EUR 2.9 million as at the balance sheet date) at an annual interest rate of 0.75 %.

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 2.252 million in 2019 (2018: EUR 2.510 million). The cash flow from operations rose slightly to EUR 1.540 million (2018: EUR 1.507 million).

The negative cashflow from investment activities was with -EUR 4.490 million considerably higher than in the previous year (-EUR 2.847 million). The increase was due to the outflow of investments to fixed assets of -EUR 2.952 million and outflow of financial assets in the amount of -EUR 1.820 million.

The cash flow from financing activities amounted to +EUR 1.722 million (2018: -EUR 2.253 million). The reported item was formed by the dividend payments in the amount of EUR 1.980 million and the cash inflow from taking out loan liabilities in the amount of EUR 4.500 million.

The cash and cash equivalents at the end of the period under review amounted to EUR 4.139 million (2018: EUR 5.361 million).

In 2019, 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 57.7 % 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 2019 business year. At the end of the 2019 financial year, the balance sheet total was EUR 33.3 million and was thus 14.0 % higher than on the reporting date of the prior year. The company's reported equity capital is EUR 19.2 million (2018: EUR 19.6 million) or 57.7 % (2018: 67.2 %) of the balance sheet total. This results in a book value of EUR 3.87 based on an individual share (2018: EUR 3.96). 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 2019, the assets side of the balance sheet contains long-term assets amounting to EUR 12.476 million (2018: EUR 10.455 million). The increase of EUR 2.021 million is due mainly to the new production facility being constructed for Geratherm Respiratory at its Bad Kissingen location. The short-term assets amounted to EUR 20.788 million (2018: EUR 18.712 million).

Within the long-term assets, the intangible assets increased by +46.1 % to EUR 1.952 million (2018: EUR 1.337 million). This results essentially from the capitalisation of development costs for new software solutions at apoplex medical. Regular depreciation and amortisation had an opposite effect.

Fixed assets increased by +19.0 % to EUR 8.283 million (2018: EUR 6.959 million). Investments in tangible assets amounted to EUR 2.195 million in 2019 (2018: EUR 2.804 million). These were offset by depreciation of tangible assets in the amount of 871 kEUR. The significant increase in the tangible fixed assets is mainly due to the construction of the new production facility of Geratherm Respiratory in Bad Kissingen.

Other assets increased to EUR 1.174 million (2018: EUR 1.070 million). The item reflects the interest held in Protombis GmbH, Aachen, and HALM Straws GmbH, Berlin.

Geratherm Medical AG still has provisional loss carryforwards from the subsidiaries as well as corporate tax amounts of EUR 4,493 million (2018: EUR 3.312 million) as well as provisional business tax transfers in the amount of EUR 4.677 million (2018: EUR 3.500 million), which have not been capitalized in 2019. The capitalization of deferred taxes on loss carryforwards in the previous year concerned the subsidiaries apoplex medical, Respiratory and LMT Medical.

With regard to the short-term assets, the inventories increased by +7.0 % to EUR 7.865 million (2018: EUR 7.348 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 remained stable for the most part. The inventory of works in progress increased considerably by +17.8 % to EUR 1.253 million. The inventories of finished goods and products increased by +7.6 % to EUR 4.294 million.

The accounts receivable decreased by -4.6 % to EUR 3.381 million as of the reporting date. In this case, trade receivables accounted for EUR 2.506 million (-5.0 %).

Tax receivables remained on the same level as the prior year. The other assets decreased by 38.2 % to 347 kEUR and essentially involved the reduction in payments on accounts.

The reported book value of the securities held by Geratherm increased considerably to EUR 5.404 million (2018: EUR 2.462 million). The increase is due to the higher market value and the purchase of securities.

The cash and cash equivalents available as at 31 December 2019 amounted to EUR 4.139 million (2018: EUR 5.361 million).

The equity and liabilities side of the balance sheet shows the company's strong equity capital base. The equity capital in the amount of EUR 19.181 million (2018: EUR 19.596 million) is offset by liabilities in the amount of EUR 14.083 million (2018: EUR 9.571 million).

The long-term debts increased by +81.1 % to EUR 7.029 million. The increase in liabilities to banks and accrued investment subsidies is due to the financing of the production facility for Medical Capillaries at the Geratal location and the new production building of Geratherm Respiratory at the Bad Kissingen location.

The other long-term liabilities remained with 410 kEUR on the same level as last year. The position includes liabilities to other minority shareholders.

The short-term debts increased by +25.8 % to EUR 7.024 million (2018: EUR 5.582 million). This includes short-term liabilities to banks in the amount of EUR 2.058 million (2018: EUR 1.099 million). The trade accounts payable decreased by -12.3 % to EUR 1.411 million as of the reporting date.

The other liabilities decreased by 12.1 % to EUR 1.436 million (2018: EUR 1.633 million). The position includes accrued liabilities, especially outstanding invoices from initiated purchase orders.

C. FORECAST, CHANGES AND RISK REPORT

1. Forecast

The economic situation in Germany cooled down significantly compared to the previous year. A mini growth of only 0.5 % was posted. Except for 2012 and 2013, which were characterised by crisis, this was the weakest growth since the strong recession in 2009. The growth crisis in Germany seems to be intensifying. A growth of only 1.1 % was forecast for Germany for 2020. As a result of the world-wide effects of the coronavirus and the associated large-scale shutdown of economic activities, a forecast is currently not possible for 2020.

It is also impossible to assess the effects that the pandemic will have on our company. We do expect an increase in demand and are optimistic about our ability to achieve our objectives.

As a medical technology company, Geratherm Medical is active on international markets and has an export rate of more than 80 % so that the underlying economic conditions in Germany only have a limited impact on Geratherm's business development. For 2020, a growth of 1.0 % was assumed for the euro zone, 2.0 % for the US and 1.8 % for the Middle East, essentially predicting a solid growth for Geratherm's largest sales markets. That said, these expectations have little significance as a result of the world-wide pandemic.

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

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

The Chinese market is becoming increasingly important to Geratherm, whereas the opportunities must be carefully weighed against the risks. 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 considerably over the next ten years. Governments are doing everything to ensure the independent supply of medical devices.

Geratherm is a major manufacturer of mercury-free clinical thermometers. Mercury-filled products will be banned as per the guidelines of the World Health Organisation (WHO) on a global level in the next few years. This should result in a stable and promising expansion of business.

Geratherm has reduced its dependence on third parties considerably by investing in a new production facility for medical capillaries. The construction of the new production facility was successfully commissioned in 2019. During the course of the business year, we have expanded our focus on environmentally friendly products and have decided to also specialise in the production of glass drinking straws. This reduces the risk and reliance on the production of glass thermometers. Plastic drinking straws will be banned world-wide as of 2020. We expect in the short term additional sales of approx. EUR 0.5 million in this product segment.

In the first months of the new business year, we registered a good start that is also due to the strong demand for clinical thermometers as a result of the coronavirus. Based on current information, we expect good growth for the entire Group. The objective of achieving an EBIT margin of at least 10 % at the group level remains.

The restructuring of Geratherm do Brasil to an exclusive distribution company has not yet been finalised. In November 2019, we submitted a Chapter 11 petition again for the Brazilian company in order to restructure the balance sheet, especially on the Brazilian credit side. Doing so should facilitate possible composition negotiations with the creditors. We expected the creditors to approve the petition at the end of the first quarter of 2020. Unfortunately, the creditors' meeting was postponed for the time being as a result of the coronavirus.

The management board projects a significant growth in sales in the double-digit percentage range for 2020. The EBIT margin is also expected to double compared to the 2019 level. The export share should remain for the most part on the same level as in the previous year.

We would like to point out that the actual results may deviate from our expectations with regard to the foreseeable development, if any of the uncertainties specified above 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 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 negative effects on the development of sales and earnings for the 2020 business year. This could mean that sales and earning targets might not be met.

2. Risk report

Risk management

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

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

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

Geratherm and its partners in the individual sales markets attach great importance to maintaining its product approvals and certifications. Product approvals may be revoked or new conditions may be placed on them. Geratherm strives to take these processes into account as early as possible and do everything to fulfill the changing requirements in order to minimise any possible damage for the company.

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

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

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

The company is also subject to risks when long-standing experts and specialists with extensive expertise are no longer available, especially 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 AG have established goals and methods for enabling the company to take controlled risks when there are prospects of significant increases in the operating results with the required financial earnings.

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

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

During the development of new products, major expenses are incurred initially without there being any guarantee that the anticipated success will indeed be achieved. The medical technology market does however 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.

In the following, we provide an overview of the most important risks that may be relevant to the asset, financial and earnings situation.

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 risk

The Group implements a process for minimising bad debt losses, in particular, the daily monitoring of due dates and the prompt initiation of steps to collect debts when necessary. In case of new customers, advance payments and letters of credit are required for the most part. For existing customers, we arrange customer-specific payment targets. If these targets are not complied with, then payment must be made in advance. The non-payment risk for Geratherm has been minimal for the past few years. In Brazil, the 50 % shareholder and manager has taken out loans for which he has personally assumed the commitment to pay. Geratherm has not made any commitments for these liabilities. Risks only exist with regard to the supplier loans from the parent company to Geratherm do Brasil.

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 current software solutions and technologies that minimise risks.

Performance risks and sales risks

IT security risk

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

Patent protection risk

Geratherm holds patents for certain products. Industrial and intellectual property rights may become the target of attacks and violations. Enforcing patent rights internationally is not simple and involves very high financial expenditure. The enforcement of industrial property rights is hardly possible especially in countries where there is a lack of legal certainty. Geratherm strives to take action against any patent infringements in order to protect our patent claims, while taking various criteria into consideration. Such processes are usually lengthy and involve high costs.

Product approval risk

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

Risk - New business areas

Geratherm has a stable core business. On the whole, Geratherm is active in four business segments, which operate in different markets. We try to manage the new business areas so that there are no cumulative risks.

The purchase and integration of companies does come with risks. The original objectives could not be achieved. Legal disputes may arise as a result of that. The time frame and the amount of the planned profit target might change. It is not possible to rule out a total write off of the endeavour. We are aware of the opportunities and risks and are guiding our activities accordingly.

Additional risks

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

3. 3. Opportunities

Management of opportunities

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

The medical industry has become increasingly important in light of the global impact of the coronavirus. Opportunities could arise for us as a result of the increasing demand for our main products.

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

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

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

4. Final conclusion

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

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

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

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

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

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

In this regard, Geratherm Medical AG 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 break-even analysis on the product level including the reconciliation of the Group's profit and loss statement and a presentation of how security investments have developed. Doing so ensures the possibility of following the individual companies and their development with regard to one another even on a month-to-month basis.

In particular, the internal control system for the subsidiaries of Geratherm Medical AG is still in a continuous improvement process.

6. Additional disclosures

Corporate governance statement

According to Art. 161 of AktG (German Stock Corporation Act) in the version of Transparenz- und Publizitätsgesetz (German Transparency and Disclosure Act) from 19 July 2002, the management board and the supervisory board are obligated to state once a year whether the recommendations of the Government Commission on the German Corporate Governance Code will be and 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 2019 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 2020 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 have not been 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 by fax or phone or via e-mail. The management board does participate in the meetings.

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

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

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

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

Principles of the compensation system

The compensation for members of the management board is made up of various components, a fixed salary and a variable bonus. The variable bonus is awarded on the basis of the achievement of objectives, operating profit, financial results and overall performance of the Group. In addition, a bonus of 10 % is granted on the realised capital gains on the shares held by Geratherm less costs. Altogether 91 kEUR (2018: 123 kEUR) were reported in the financial statements for the activities of the management board during the 2019 business year. That included a fixed sum in the amount of 86 kEUR (2018: 86 kEUR) and variable sums in the amount of 5 kEUR (2018: 36 kEUR).

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

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 December 2019 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 14 June 2019 in Frankfurt, Germany. The attendance at the annual general meeting represented 48.78 % of the capital stock.

The expenses for the stock exchange listing in 2019 was 103 kEUR (2018: 94 kEUR).

Geratal, this 21 day of April 2020



Dr. Gert Frank
Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) of 31. December 2019

ASSETS	Notes	31/12/2019	31/12/2018	1/1/2018
		EUR	Error correction as per IAS 8 EUR	Error correction as per IAS 8 EUR
	No,			
A, LONG-TERM ASSETS				
I, Intangible assets	1,			
1, Development costs		1,952,094	1,336,565	808,296
2, Other intangible assets		244,432	165,107	119,154
3, Goodwill		1	75,750	75,750
		2,196,527	1,577,422	1,003,200
II, Tangible assets	2,			
1, Land, land rights and buildings		3,396,137	3,420,582	1,180,698
2, Technical equipment and machinery		3,310,947	3,208,982	954,162
3, Other equipment, factory and office equipment		252,301	251,856	264,083
4, Construction in process		1,323,247	77,149	1,150,294
		8,282,632	6,958,569	3,549,237
III, Rights of use	3,	346,142	0	0
IV, Financial assets accounted on basis of equity method	4,	350,000	350,000	0
V, Other financial assets	4,	1,173,731	1,070,151	426,000
VI, Other long-term receivables	4,	127,437	165,530	178,967
VII, Deferred taxes	5,	0	333,001	425,890
		12,476,469	10,454,673	5,583,294
B, SHORT-TERM ASSETS				
I, Inventories	6,			
1, Raw materials and supplies		2,318,131	2,294,383	2,226,466
2, Unfinished goods		1,252,899	1,063,287	1,111,914
3, Finished goods and merchandise		4,293,693	3,990,128	3,449,379
		7,864,723	7,347,798	6,787,759
II, Receivables and other assets				
1, Trade receivables	7,	2,505,893	2,638,571	2,596,732
2, Receivables from current income taxes	8,	360,385	173,789	264,345
3, Receivables from other taxes	8,	167,827	168,453	129,631
4, Other assets	8,	346,794	561,557	264,047
		3,380,899	3,542,370	3,254,755
III, Securities	9,	5,403,538	2,461,500	4,024,763
IV, Cash and cash equivalents	10,	4,138,814	5,360,555	8,811,417
		20,787,974	18,712,223	22,878,694
		33,264,443	29,166,896	28,461,988

EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018	1/1/2018
	No.	EUR	Error correction as per IAS 8 EUR	Error correction as per IAS 8 EUR
A. EQUITY CAPITAL				
I. Subscribed capital	11.	4,949,999	4,949,999	4,949,999
II. Capital reserves	12.	12,174,192	12,174,192	12,174,192
III. Other reserves	13.	2,703,227	2,829,467	3,753,835
Assignable to the shareholders of the parent company		19,827,418	19,953,658	20,878,026
Shareholders of minority interests	14.	-646,636	-357,718	-116,645
		19,180,782	19,595,940	20,761,381
B. Shareholders of minority interests				
1. Liabilities to banks	15.	5,208,328	2,279,487	2,634,783
2. Accrued investment subsidies	16.	1,347,995	1,190,945	277,242
3. Long-term leasing liabilities	3.	63,011	0	0
4. Other long-term liabilities	17.	409,989	409,989	576,206
		7,029,323	3,880,421	3,488,231
C. Deferred Taxes				
		30,733	108,486	96,012
D. Current debts				
1. Liabilities to banks	18.	2,057,920	1,099,020	344,313
2. Trade payables	19.	1,410,724	1,607,892	996,330
3. Short-term leasing liabilities	3.	290,301	0	0
4. Liabilities from current income taxes	20.	41,016	76,727	110,407
5. Contractual liabilities	22.	1,267,167	622,656	393,230
6. Other tax liabilities	20.	520,155	542,620	439,285
7. Other short-term liabilities	21.	1,436,322	1,633,134	1,832,799
		7,023,605	5,582,049	4,116,364
		33,264,443	29,166,896	28,461,988
Equity of majority shareholder quota		59.6%	68.4%	

CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2019

	Notes	1/1-31/12/2019	1/1-31/12/2018 Error correction as per IAS 8	Change	Change
	No.	EUR	EUR	EUR	in %
Sales revenues	22.	19,851,176	21,347,242	-1,496,066	-7.0
Change in inventory of finished goods and works in progress		796,263	81,126	715,137	>100.0
Other capitalised own work	1.	482,364	504,233	-21,869	-4.3
Other operating income	23.	612,825	576,107	36,718	6.4
		21,742,628	22,508,708	-766,080	-3.4
Cost of materials	24.				
Cost of raw materials, consumables and goods for resale		-6,335,132	-7,170,906	835,774	-11.7
Costs of purchased services		-1,112,235	-678,282	-433,953	64.0
		-7,447,367	-7,849,188	401,821	-5.1
Gross profit or loss		14,295,261	14,659,520	-364,259	-2.5
Personnel costs	25.				
Wages and salaries		-6,241,319	-5,645,182	-596,137	10.6
Social security, pension and other benefits		-1,327,879	-1,166,618	-161,261	13.8
		-7,569,198	-6,811,800	-757,398	11.1
Impairing loss from trade accounts receivables		-23,107	-142,564	119,457	-83.8
Other operating expenses	27.	-4,348,972	-5,028,320	679,348	-13.5
Gross profit (EBITDA)		2,353,984	2,676,836	-322,852	-12.1
Amortisation of intangible assets and depreciation of tangible assets	26.	-1,304,909	-814,447	-490,462	60.2
Operating results		1,049,075	1,862,389	-813,314	-43.7
Securities-related expenses		-4,441	-40,091	35,650	-88.9
Other interest and similar income		948	25,084	-24,136	-96.2
Income from reduction in interest liabilities from previous years		223,427	0	223,427	>100.0
Interests and similar expenses		-231,366	-494,269	262,903	-53.2
Financial results	28.	-11,432	-509,276	497,844	-97.8
Profit (loss) on ordinary activities		1,037,643	1,353,113	-315,470	-23.3
Tax on profit (loss)	29.	-747,786	-794,974	47,188	-5.9
Consolidated net income		289,857	558,139	-268,282	-48.1
Result of non-controlling shareholders		-255,742	-370,744	115,002	-31.0
Results of the shareholders of the parent company		545,599	928,883	-383,284	-41.3
Earnings per share undiluted	30.	0.11	0.19	-0.08	-42.1
Earnings per share diluted	30.	0.11	0.19	-0.08	-42.1

CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2019

	1/1-31/12/2019 EUR	1/1-31/12/2018 EUR
Consolidated net income	289,857	558,139
Income and expenses directly recognised in equity, which are not reclassified to profit or loss:		
Profits or losses from valuation of investments according to IFRS 9	0	644,151
Profits or losses from valuation of securities according to IFRS 9	1,226,013	-249,511
	1,226,013	394,640
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 IAS 39 Difference resulting from currency translation	48,972	265,111
	48,972	265,111
Income and expenses directly included in equity capital	1,274,985	659,751
Total consolidated income	1,564,842	1,217,890
of which assignable to shareholders of minority interest	-231,986	-241,073
of which assignable to shareholders of parent company	1,796,828	1,458,963

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of 31 December 2019

	Subscribed capital	Capital reserves
	11.	12.
	EUR	EUR
As of 1 January 2018 prior to error correction as per IAS 8	4,949,999	12,174,192
Change		
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 prior to error correction as per IAS 8	0	0
Change based on error correction as per IAS 8	0	0
Consolidated net income after error correction as per IAS 8	0	0
Unrealised profits and losses from valuation of investments	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 2018 prior to error correction as per IAS 8	4,949,999	12,174,192
As of 31 December 2018	4,949,999	12,174,192
As of 1 January 2019 prior to error correction as per IAS 8	4,949,999	12,174,192
As of 1 January 2019 after error correction as per IAS 8	4,949,999	12,174,192
Capital increase by subsidiary LMT Medical Systems GmbH with sole participation of Geratherm Medical AG as of 12 April 2019 without proportional consolidated net income	0	0
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	0
Consolidated net income	0	0
from valuation of securities	0	0
Currency translation in the Group	0	0
Total consolidated income	0	0
As of 31 December 2019	4,949,999	12,174,192

Other reserves						
Market valuation reserve	Currency conversion reserve	Accumulated earnings	Assignable to the shareholders of the parent company	Minority interests	Equity capital	
	13.			14.		
EUR	EUR	EUR	EUR	EUR	EUR	EUR
308,636	152,943	3,433,576	21,019,346	-2,293	21,017,053	
		-141,319	-141,319	-114,352	-255,671	
308,636	152,943	3,292,257	20,878,027	-116,645	20,761,382	
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	
0	0	-224,712	-224,712	-51,329	-276,041	
0	0	928,883	928,883	-370,744	558,139	
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	928,883	1,458,963	-241,073	1,217,890	
703,276	288,383	1,979,127	20,094,977	-243,366	19,851,611	
703,276	288,383	1,837,808	19,953,658	-357,718	19,595,940	
703,276	288,383	2,203,839	20,319,689	-192,037	20,127,652	
703,276	288,383	1,837,808	19,953,658	-357,718	19,595,940	
0	0	56,932	56,932	-56,932	0	
0	0	-1,980,000	-1,980,000	0	-1,980,000	
0	0	-1,923,068	-1,923,068	-56,932	-1,980,000	
0	0	545,599	545,599	-255,742	289,857	
1,226,013	0	0	1,226,013	0	1,226,013	
0	25,216	0	25,216	23,756	48,972	
1,226,013	25,216	545,599	1,796,828	-231,986	1,564,842	
1,929,289	313,599	460,339	19,827,418	-646,636	19,180,782	

CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2019

	Notes	1/1-31/12/2019	01/01- 31/12/18 Error correction as per IAS 8
	No.	kEUR	kEUR
Consolidated net income		290	558
Non-cash expenses and income of Geratherm do Brasil Ltda.		-239	-175
Other non-cash expenses		43	122
Interest earnings	28.	-1	-25
Interest expenses		231	494
Decrease in deferred taxes		255	105
Income tax expenditure		493	690
Depreciation of fixed assets		1,009	814
Amortisation of usage rights	3.	296	0
Amortisation of public grants and subsidies	16.	-125	-73
Gross cash flow	32.	2,252	2,510
Increase in inventories		-517	-560
Decrease/increase in trade receivables and other assets		407	-367
Increase in current liabilities and other liabilities		222	591
Cash inflow from interest		1	25
Cash outflow from interest		-89	-62
Cash outflow/inflow from taxes		-736	-630
Cash flow from operations	33.	1,540	1,507
Cash outflow for investments in intangible assets (without capitalised development costs) and tangible assets		-2,324	-4,228
Additions to capitalised development costs		-628	-570
Cash inflow from funding sources for investments		282	987
Acquisition of equity holdings	4.	0	-350
Cash inflow based on financial assets	9.	0	1,356
Cash outflow based on financial assets	9.	-1,820	-42
Cash flow from investments	34.	-4,490	-2,847
Cash outflow for leasing liabilities	3.	-283	0
Dividend payments	13.	-1,980	-2,326
Cash inflow from taking out loan liabilities	15.	4,500	240
Cash outflow for repayment of loan liabilities	15.	-515	0
Decrease/ increase in long-term liabilities	17.	0	-167
Cash flow from financing activities	35.	1,722	-2,253
Change in cash and cash equivalents		-1,228	-3,593
Cash and cash equivalents at beginning of reporting period		5,361	8,811
Exchange rate difference		6	143
Cash and cash equivalents at end of reporting period		4,139	5,361

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2019 FISCAL YEAR

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG for the 2019 fiscal year were prepared in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union, and in accordance with the additional requirements of German commercial law under Sect. 315e (1) of HGB (German Commercial Code).

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2019 fiscal year and have affected the 2019 fiscal year as follows:

Standard/ Inter- pretation	Title of standards/ interpretation or amendment	First-time application ¹	Impact on Geratherm
<i>IAS 8.28</i>			
IFRS 16	Lease arrangements	1 January 2019	General significance
IFRS 9	Financial instruments - Amendments to IFRS 9: Prepayment features with negative compensation	1 January 2019	None Impact
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	No major impact
IAS 28	Investments in associates and joint ventures - Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019	No major impact
IAS 19	Employee benefits - Amendments to IAS 19: Plan amendments, curtailment or settlement	1 January 2019	No impact
Annual improvements to IFRS (Cycle 2015-2017)	Changes to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019	No major 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.

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

Standard/ Interpretation	Title of standards/ interpretation or amendment	First-time application ²
<i>IAS 8.30, EU endorsement has been given by the release for publication</i>		
IAS 1 and IAS 8	Presentation of financial statements - Amendments to IAS 1 and Accounting policies, changes in accounting estimates and errors - Amendments to IAS 8: Definition of "essential"	1/1/2020
IFRS 9, IFRS 7, IAS 39	Amendments to IFRS 9, IFRS 7 and IAS 39 regarding the reform of the reference interest rates	1/1/2020
<i>IAS 8.30, EU endorsement is still pending (as of: 9 January 2019)</i>		
IFRS 3	Business combinations - Amendments to IFRS 3 : Definition of a business	1/1/2020
IFRS 17	Insurance contracts – Amendments to IFRS 17	1/1/2021
IAS 1	Presentation of financial statements - Amendments to IAS 1: Classification of liabilities as current or non-current	1/1/2022

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

Reporting for the 2019 financial year is based on the mandatory standards and interpretations and provides a true and fair picture of the net assets, financial position and earnings situation of the Geratherm Group.

IFRS 16 was applied for the first time in preparing these consolidated financial statements, which is why the company had to change its accounting method as a result of adopting IFRS 16. Geratherm used the modified retrospective transition method for the first-time application of IFRS 16. The comparative information for the previous periods was not adjusted accordingly. A reassessment of the leasing contracts in accordance with IFRS 16, which already existed prior to 1 January 2019 has been waived. The effects of the first-time application of IFRS 16 are described in the chapter "Principles of accounting and valuation" section "Changes in significant accounting methods".

The application of the other above standards and interpretations had no impact on the amounts reported in the previous periods. Geratherm Medical AG does not expect any significant impact from the application of the aforementioned other standards and interpretations indicated in IAS 8.30 on the consolidated financial statements for the current and future periods.

Layout and preparation of the financial statements

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

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

The consolidated financial statements were prepared on the basis of historical acquisition or production costs.

In cases where IFRS stipulates other valuation concepts, these concepts were used. This has been indicated separately in the following statements on the accounting and valuation principles.

Assets and liabilities are generally valued at their amortised book value or, where appropriate, at their current market value.

The consolidated financial statements are prepared in full EUR (functional and reporting currency). Various fig-

ures have been indicated in kEUR (thousand euros) in the Notes to provide better clarity. As a result, this may lead to rounding differences.

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

The management of Geratherm Medical AG has released the consolidated financial statements based on IFRS on 21. April 2020 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 (District Court). The company has its headquarters in Geratal at Fahrenheitstr. 1.

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

Consolidation principles

The consolidated financial statements of Geratherm 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 initially valued at the historical costs at the time of acquisition. The book values of these companies are increased or decreased annually by the proportional results, distributed dividends or other changes in equity. If losses of an associated company have consumed that company's equity, any further losses are not taken into account. If there are objective grounds and if the recoverable amount of the participation on the balance sheet date is below the book value, an impairment loss is recognised. Receivables and liabilities between the companies taken into consideration are eliminated during debt consolidation. The effects of transactions within the group are eliminated during the intercompany profit elimination and consolidation of expenses and receipts.

Minority interests

In case of a business merger, the Group decides in a consistent manner on how to assess any minority interests in the acquired company according to its share of the identifiable net assets of the acquired company, which is generally assessed at fair value.

Changes in ownership interests in a subsidiary that do not result in a loss of control, shall be accounted for as an equity transaction with owners, acting in their capacity as owners. Losses of a subsidiary are then assigned to shares without controlling influence even 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 the ultimate parent company 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 2019	Percentage of shares held 2018
GME Rechte und Beteiligungen GmbH, Geratal, Germany	100.00 %	100.00 %
apoplex medical technologies GmbH, Pirmasens, Germany	53.42 %	53.42 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	65.27 %	65.27 %
Geratherm Medical do Brasil Ltda., Sao Paulo, Brazil	51.00 %	51.00 %
Sensor Systems GmbH, Steinbach-Hallenberg, Germany	100.00 %	100.00 %
Capillary Solutions GmbH, Geratal, Germany	100.00 %	100.00 %
LMT Medical Systems GmbH Lübeck, Germany	80.00 %	66.67 %
Subsidiary: LMT Medical Systems Inc. Ohio, USA	100.00 %	100.00 %

Geratherm do Brasil has been in bankruptcy protection under Brazilian law since 19 November 2019. While the creditors' meeting was scheduled to take place on 19 March 2020, it was postponed indefinitely as a result of the coronavirus. To our knowledge, there are no restrictions on the control of the associated company.

On 12 April 2019, the shareholders of LMT Medical Systems GmbH decided to increase the share capital on part of Geratherm Medical AG from 200 kEUR to a total of 500 kEUR. Geratherm's share in LMT thus increased from 66.66 % to 80.00 %. The share capital has been paid in full and was entered in the Commercial Register of Lübeck on 12 May 2019.

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

Foreign currency translation

We used the concept of functional currency when converting the financial statements of Geratherm Medical do Brasil Ltda. and LMT Medical Systems Inc., which include figures in a foreign currency. Since these companies

operate their businesses independently, they are treated as independent foreign entities as defined by IAS 21. Based on that, the assets and liabilities of the foreign subsidiary are translated at the exchange rate prevailing on the reporting date, while the expenses and receipts are translated at the annual mean exchange rate as permissible simplification according to IAS 21.40. The equity capital is valued using the historical exchange rates (the rates prevailing on the date of payment and the respective mean exchange rate of the yield generated). The difference resulting from this currency translation is reported as a separate item in the Group's other comprehensive income. When converting the financial statements of Geratherm do Brasil into the local currency, a periodend exchange rate of BRL 4.5157 /EUR (balance sheet) and an average exchange rate of BRL 4.4134 /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 1.1234 /EUR (balance sheet) and an average exchange rate of USD 1.1195 /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.

Changes in significant accounting methods

Geratherm used the modified retrospective transition method for the first-time application of IFRS 16. The comparative figures of the previous periods have not been adjusted accordingly. A reassessment of the leasing contracts in accordance with IFRS 16, which already existed prior to 1 January 2019 has been waived.

When applying IFRS 16 for the first time, the Group made use of the following easements:

- Application of a single discount rate to a portfolio of similar lease agreements.
- The retroactive determination of the term of lease agreements with renewal or termination options.

The Group has decided to utilise 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.

With the first-time application of IFRS 16, the company recognised the lease liabilities for leases previously classified as operating leases under IAS 17. The lease liabilities were valued at the current value of the remaining lease payments discounted with the incremental borrowing rate.

The incremental borrowing rate is the interest rate that the lessee would have to pay if he had to raise funds to acquire an asset of comparable value with a comparable term and comparable collateral security under comparable conditions in a comparable economic environment.

The lease payments include fixed payments. To date, Geratherm has only had operating leases that mainly involved rented offices at subsidiaries as well as technical equipment and machinery, leased vehicles and office equipment. The average remaining lease term is approx. 2 years.

A weighted average incremental borrowing rate of 2.0 % served as basis for discounting the lease payments.

If possible, third-party financing of an individual lessee is used as a starting point. If necessary, such is adjusted in order to take into account changes in conditions since receipt of the financing. If there is no recent third-party financing, the Group uses as a starting point a risk-free interest rate and adjusts it to the credit risk of the lessee (so-called build-up method). Other adjustments also involve those relating to the term of the lease, the business environment, the currency of the lease agreement and the collateral security.

The following table shows the reconciliation of leasing liabilities according to IFRS 16 as at 1 January 2019:

Operating lease commitments as at 31 December 2018	470
Effect associated with discounting	-22
Other	-2
Lease liabilities recorded on the balance sheet on 1 January 2019	444
These include: Short-term leasing liabilities	324
These include: Long-term leasing liabilities	120

The first-time application of IFRS 16 had the following effects as of 1 January 2019: The capitalisation of usage rights increased long-term assets by 444 kEUR as at 1 January 2019 (of which 219 kEUR for rented office space, 68 kEUR for technical equipment and machinery and 157 kEUR for leased vehicles and office equipment) and in return the liabilities by posting of leasing liabilities in the same amount by 444 kEUR.

The changed presentation of the lease expenses from lease agreements has also resulted in a shift of 289 kEUR between the cash flow from the financing activities in favour of the cash flow from the operating activities, since the lease payments no longer have an adverse impact on the operating cash flow. Instead they are shown as interest and principal payments in the cash flow from the flow from financing activities.

Intangible assets

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

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

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

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

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

According to IFRS 3, the goodwill resulting during the course of consolidation represents the excess of the cost of acquisition of a company over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary company at the date of acquisition. 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. Geratherm's share in the Medical Warming systems product segment is identified as a cash-generating unit. 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 pretax discount rate.

Tangible assets

The tangible assets were accounted and valued at the acquisition costs in accordance with IAS 16.30. All tangible assets such as buildings, technical equipment and machines as well as other equipment, factory and office equipment, are valued at historical costs and manufacturing costs and decreased by regular linear depreciation.

The acquisition and manufacturing costs also include borrowing costs for long-term construction projects, provided the valuation criteria are fulfilled according to IAS 23. No borrowing costs were capitalised in the 2019 financial year, taking into account aspects of materiality.

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

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

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

Impairment losses of ready-to-use intangible and tangible assets

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

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

There were no indications of impairment of tangible and intangible assets on the reporting date.

The goodwill was written off to its remaining notional value in the financial year.

Rights of use

As explained in the section “Changes in significant accounting methods,” Geratherm changed its accounting methods relating to the accounting of lease arrangements. Previously, the company only had based on IAS 17 operating leases, in which the lease payments in the operating leases were linearly reported as expenditure over the term of the lease. According to IFRS 16, a lessee is obligated to recognise assets (for usage rights) and corresponding lease liabilities for lease agreements with a term of more than 12 months. Assets and liabilities from leases are initially reported at their present values. Lease payments are discounted using the implicit interest rate, on which the lease is based, provided that this can be determined. Otherwise, discounting is carried out using the lessee’s incremental borrowing rate. Geratherm has lease arrangements as lessee of rented offices at subsidiaries as well as technical equipment and machinery, leased vehicles and office equipment.

Associated companies / Financial assets accounted on basis of equity method

We refer to our statements in the section “Consolidation principles.”

An impairment test is carried out if appropriate indicators are evident and 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.

1. Classification of financial assets

Financial assets and liabilities are recognised in the consolidated balance sheet at the time when the Group becomes a contractual party to the financial instrument. The classification and valuation of financial assets and obligations under IFRS 9 requires that the company’s business model and the characteristics of the cash flows 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 costs” or at “fair value through other comprehensive income” (FVOCI).

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

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

The financial liabilities are valued at the net book values (repayment value). Changes in the repayment value due to the exchange rates prevailing on the reporting date were also taken into account. The values applied in the consolidated financial statements essentially correspond with the market values, in as far as these can be determined.

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

2. Impairment of financial assets

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

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

Current and deferred taxes

Actual taxes are the anticipated tax liability or tax receivable on the taxable income or loss 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. For all deductible temporary differences, unused tax losses carried forward and unused tax credits, deferred tax assets are recognised to the extent in which it is probable that the taxable income is available, against which the deductible temporary differences and the unused tax losses carried forward and tax credits can be used.

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

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

Inventories

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

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

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

Listing of sales revenue

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

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

1. Sales of medical products

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

The net amount of sales based on cost units (product groups) is recorded separately from domestic and export proceeds while deducting the cash discounts paid, customer bonuses and discounts. Expenses resulting from sales such as transport costs, insurance and/or commissions, are shown as sales expenditure.

When our subsidiary LMT Medical Systems GmbH sells incubators, customers are offered warranty extension options. According to IFRS 15, these options shall be regarded as independent service components. Sales revenues must thus be recognised separately from the other service components. The sales for the warranty extension shall be recognised based on that during the agreed upon warranty period. On the other hand, the consideration that can be attributed to the supplemental warranty is not to be recognised as revenue in the business year, in which the agreement was formed, but shall be recognised outside of profit or loss. No significant sales revenues were generated from the warranty extension options during the 2019 fiscal year.

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

2. Performance of analysis services

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

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

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

Interests paid and interests earned

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

Estimates and assumptions

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. The estimates are based on past experience and other knowledge of the business transactions which are to be accounted for. For instance, the assessment of capitalisation requirement for development projects (book value EUR 1.952 million), the statements on economic useful lives for long-term intangible and tangible assets (book value EUR 10.479 million) are based in particular on estimates and assumptions. In addition, the assessment of assets of the "Hold and sell" category, which are not traded on an active market, (Other assets, book value EUR 1.174 million) and the impairment tests of the cash-generating units and assets is based on the corporate planning, which of course involves uncertainties (book value of goodwill 0 kEUR, irregular depreciation in 2019 and intangible assets not ready for use EUR 1.864 million) such that the actual values may deviate in individual cases from the made assumptions and estimates. There are also estimates and assumptions relating to the contractual term of the leased office and storage space of subsidiaries. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting. There are also estimates relating to the loan obligations of the Brazilian subsidiary, which is currently in bankruptcy protection under Brazilian law. Exercise of substantial discretionary powers is not available.

Error corrections

1. Correction of deferred taxes with regard to Geratherm Medical AG

During the 2019 financial year, the Group noted a miscalculation while determining the deferred taxes on inventories for the 2018 fiscal year. This resulted in a reduction in deferred tax assets as at 31 December 2018 by 86 kEUR and an increase in deferred tax liabilities by 1 kEUR. In this context, it was noted that the deferred tax liabilities of Geratherm were inadmissibly balanced with deferred tax assets of other Group companies. The offsetting resulted in an increase in deferred tax assets and liabilities in 2017 by 61 kEUR.

The error was corrected by retroactively adjusting all affected end-of-year items from previous years as follows:

Error correction in EUR						
Balance sheet (Excerpt)	31 December 2018	Increase / decrease	31/12/2018 (adjusted)	1 January 2018	Increase / decrease	1/1/2018 (adjusted)
Deferred tax liabilities	0	-59,769	-59,769	0	-60,953	-60,953
Deferred tax assets	411,189	-25,067	386,122	365,160	60,730	425,890
Net assets	411,189	-84,836	326,353	365,160	-223	364,937
Net assets	643,581	84,613	728,194	241,260	223	241,483
Carry-forward of prior-year correction		233			0	
Other reserves	-3,195,265	84,836	-3,110,662	-3,895,155	223	-3,894,932

The effects on the undiluted earnings per share correspond to the diluted earnings per share and have led to a decrease by € 0.00 for the 2017 financial year and by € 0.01 for the 2018 financial year.

2. Reporting correction and subsequent changes in fixed assets

In the 2019 business year, the Group noted an erroneous assessment of circumstances when assigning the assets of a subsidiary in the consolidated financial statements. Since this involved development costs of an internally generated intangible asset, which were to be recognised on the IFRS balance sheet but not itemised on the tax balance sheet, there were consequential effects on the deferred tax liabilities.

The error was corrected by retroactively adjusting all affected end-of-year items from previous years taking into account the adjustments under (1) as follows:

Error correction in EUR						
Balance sheet (Excerpt)	31 December 2018	Increase / decrease	31/12/2018 (adjusted)	1 January 2018	Increase / decrease	1/1/2018 (adjusted)
Development costs	661,872	674,963	1,336,565	462,526	345,770	808,296
Technical equipment and machinery	3,883,675	-674,963	3,420,582	1,299,932	-345,770	954,162
Deferred tax liabilities	-59,769	-48,717	-108,486	-60,953	-35,059	-96,012
Deferred tax Taxes ³	386,122	- 53,121	333,001	425,890	0	425,890
Net assets	4,871,900	-101,838	4,981,662	2,127,395	-35,059	4,871,900
Tax on profit or loss	728,194	66,779	794,973	241,483	35,059	276,542
Carry-forward of prior-year correction		35,059			0	
Other reserves	-3,110,662	67,892	-3,042,770	-3,894,922	23,373	-3,871,559
Shareholders of minority interests	192,037	33,946	225,983	2,293	11,686	13,979
Total reserves and non-controlling shareholders	-2,918,625	101,838	-2,816,787	-3,892,629	35,059	-3,857,580

³ The deferred tax assets on loss carry-forwards were capitalised on LMT's loss carry-forwards, but were assigned to the subsidiary apoplex in the Group, which is why the correction was also made with apoplex' minority share of the other reserves and not with LMT's minority share..

The effects on the undiluted earnings per share correspond to the diluted earnings per share and have led to a decrease by € 0.01 for the 2017 financial year and by € 0.01 for the 2018 financial year.

3. Correction of delimitation of analytical services over time

In the 2019 business year, the Group noted an erroneous assessment of circumstances when delimiting the analytical services in the consolidated financial statements. In addition to the early recognition of sales, there was an impact on the trade accounts receivable and the contractual liabilities to be reported as of 1 January 2018 using IFRS 15.

The error was corrected by retroactively adjusting all affected end-of-year items from previous years taking into account the adjustments under (1) and (2) as follows:

Error correction in EUR						
Balance sheet (Excerpt)	31 December 2018	Increase / decrease	31/12/2018 (adjusted)	1 January 2018	Increase / decrease	1/1/2018 (adjusted)
Trade receivables	2,849,249	-57,811	2,791,438	2,662,175	-65,443	2,596,732
Contractual liabilities	-412,788	-209,868	-622,656	-238,283	-154,947	-393,230
Net assets	2,436,461	-267,679	2,168,782	2,423,892	-220,390	2,203,502
Sales revenues	21,521,920	-47,289	21,474,631	21,030,779	-220,390	20,810,389
Carry-forward of prior-year correction		-220,390			0	
Other reserves	-3,042,770	135,944	-2,906,826	-3,871,549	117,724	-3,753,835
Shareholders of minority interests	225,983	131,735	357,718	13,979	102,666	116,645
Total reserves and non-controlling shareholders	-2,816,787	267,679	-2,549,108	-3,857,570	220,390	-3,637,190

The effects on the undiluted earnings per share correspond to the diluted earnings per share and have led to a decrease by € 0.04 for the 2017 financial year and by € 0.01 for the 2018 financial year.

4. Correction of sales revenues achieved via consignment warehouse

In the 2019 business year, the Group noted an erroneous assessment of circumstances relating to the storage of finished products and goods in consignment warehouse in 2018. The Group recognised sales during storage in the consignment warehouse, but has now noted that the power of disposition only passes over to customers during or after removal from storage. This situation was presented correctly in 2017.

The error was corrected by retroactively adjusting all affected end-of-year items from previous years taking into account the adjustments under (1) to (3) as follows:

Error correction in EUR						
Balance sheet (Excerpt)	31 December 2018	Increase / decrease	31/12/2018 (adjusted)	1 January 2018	Increase / decrease	1/1/2018 (adjusted)
Finished goods and merchandise	3,940,098	50,030	3,990,128	3,449,379	0	3,449,379
Trade receivables	2,791,438	-152,867	2,638,571	2,596,732	0	2,596,732
Receivables from Other taxes	142,975	25,478	168,453	129,631	0	129,631
Net assets	6,874,511	-77,359	6,797,152	6,175,742	0	6,175,742
Sales revenues	21,474,631	-127,389	21,347,242	20,810,389	0	20,810,389
Change in inven- tory of finished products and work in process	68,096	13,030	81,126	-156,297	0	-156,297
Costs of purchased merchandise	-7,207,906	37,000	-7,170,906	-6,624,121	0	-6,624,121
Carry-forward of prior-year correction		0			0	
Other reserves	-2,906,826	77,359	-2,829,467	-3,753,835	0	-3,753,835

The effects on the undiluted earnings per share correspond to the diluted earnings per share and have led to a decrease by € 0.00 for the 2017 financial year and by € 0.01 for the 2018 financial year.

In conjunction with the error corrections, the values in the consolidated balance sheet and in the consolidated profit and loss statement were adjusted for the previous year and the consolidated balance sheet as of 1 January 2018 was drawn up as a comparison. In addition, the corresponding effects were also taken into account in the consolidated cash flow statement and in the consolidated statement of change in the group equity and in the tables in the Notes. Separate labelling was not added to the individual tables.

Determination of fair values

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

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

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

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

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

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

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

Fair values are currently determined within levels 1 and 3.

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

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

Further information about assumptions relating to determining the fair value is included in the Disclosures 4 and 9.

Notes to the Consolidated Financial Statements

ASSETS

1. Intangible assets

Intangible assets totalling EUR 2.197 million (2018: EUR 1.577 million) were reported as at 31 December 2019. 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 2018	2,876,875	820,353	90,000	3,787,228
Additions	569,556	137,740	0	707,296
Disposals	0	0	0	0
Transfers	0	0	0	0
31 December 2018	3,446,431	958,093	90,000	4,494,524
1 January 2019	3,446,431	958,093	90,000	4,494,524
Additions	628,062	129,403	0	757,465
Disposals	39,632	858	0	40,490
Transfers	0	0	0	0
31/12/2019	4,034,861	1,086,638	90,000	5,211,499

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Amortisation and depreciation in EUR				
1 January 2018	2,068,579	701,199	14,250	2,784,028
Additions	41,286	91,787	0	133,073
Disposals	0	0	0	0
31 December 2018	2,109,865	792,986	14,250	2,917,101
1 January 2019	2,109,865	792,986	14,250	2,917,101
Additions	12,534	50,077	75,749	138,360
Disposals	39,632	857	0	40,489
31/12/2019	2,082,767	842,206	89,999	3,014,972
Book values in EUR				
1 January 2018	808,296	119,154	75,750	1,003,200
31 December 2018	1,336,566	165,107	75,750	1,577,423
1 January 2019	1,336,566	165,107	75,750	1,577,423
31/12/2019	1,952,094	244,432	1	2,196,527

The development costs for intangible assets created internally during the 2019 fiscal year were capitalised in the amount of 628 kEUR (2018: 570 kEUR). Non-capitalisable research and development costs were posted as expenses in the amount of 771 kEUR (2018: 512 kEUR). The other intangible assets primarily involve licenses, patents and software.

Own work was capitalised in the amount of 482 kEUR.

The goodwill contained in the fixed assets relates to the production of medical warming systems. In connection with the takeover of medical warming systems range, 90 kEUR was capitalised in 2003. The goodwill was written off with a useful life of 10 years up till 31 December 2004. As of 1 January 2005, a further amortisation was not 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 2020 to 2023. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This possesses a goodwill of 0 kEUR (2018: 76 kEUR) and additional net assets of EUR 1.099 million (2018: 153 kEUR) as per balance sheet date. The attainable amount, which is used for comparison as part of the impairment test of the cash-generating unit, is determined by the value in use. To calculate the value in use, the cash flows derived from the planning were discounted with a risk-adjusted, fair market interest rate in the amount of 8.12 % before taxes. The planning envisions a sales growth from 18 % and 10 % re-spectively from 2021 to 2022 and from 2022 to 2023. The growth from 2020 to 2021 cannot be viewed as representative, since the reapproval of the UniqueTemp warming blanket is only to be taken into account in 2020 and thus a full-year consideration is not possible. As of 2024, a moderate annual growth is expected for the perpetuity of 0.5 %. The expenses increase correspondingly. Due to the high level of uncertainty, we have calculated a discount of 50 % on the determined EBITDA, which represents the basis for our cash flow to be discounted. This resulted in a need for a value adjustment of 81 kEUR, which made it necessary to completely write off the goodwill. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one-percent change in the interest rate results in a change in cash value of minus 114 kEUR, and a minus-one-percent change in the interest rate results in a

change in cash value of 149 kEUR. If the uncertainties were only taken into account with a discount of 25 % to EBITDA, this would result in a change in the cash value of + 448 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					
1/1/2018	2,779,087	8,057,485	1,079,929	1,150,294	13,066,795
Additions	1,645,568	2,254,558	124,192	66,395	4,090,713
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	10,465,286	1,180,577	77,149	16,820,748
1 January 2019	5,097,736	10,465,286	1,180,577	77,149	16,820,748
Additions	127,549	656,865	105,930	1,304,713	2,195,057
Disposals	0	118,175	21,966	0	140,141
Transfers	0	36,785	21,830	-58,615	0
31/12/2019	5,225,285	11,040,761	1,286,371	1,323,247	18,875,664
Amortization and depreciation in EUR					
1/1/2018	1,598,389	7,103,323	815,846	0	9,517,558
Additions	78,765	466,197	136,411	0	681,373
Disposals	0	313,215	23,536	0	336,751
31/12/2018	1,677,154	7,256,305	928,721	0	9,862,180
1/1/2019	1,677,154	7,256,305	928,721	0	9,862,180
Additions	151,994	591,684	127,200	0	870,878
Disposals	0	118,175	21,851	0	140,026
31/12/2019	1,829,148	7,729,814	1,034,070	0	10,593,032
Book values in EUR					
1 January 2018	1,180,698	954,162	264,083	1,150,294	3,549,237
31 December 2018	3,420,582	3,208,981	251,856	77,149	6,958,568
1 January 2019	3,420,582	3,208,981	251,856	77,149	6,958,568
31/12/2019	3,396,137	3,310,947	252,301	1,323,247	8,282,632

The construction of the new production hall, which began in 2017 for Capillary Solutions GmbH (production for glass tubes and capillaries), was completed in 2018 so that it was able to start production in November. In the 2019 financial year, other additions to fixed assets in the amount of 604 kEUR were capitalised for the final completion. For Geratherm Respiratory GmbH's new production facility, the construction of which was started in 2018, EUR 1.211 million (2018: 254 kEUR) were capitalised as addition to the fixed assets in the financial year.

The other additions amounting to 380 kEUR relate to the investments to replace machinery, equipment and other operating systems in the Group.

Irregular depreciation of tangible fixed assets was not necessary.

3. Lease arrangements

The usage rights from rental and lease agreements were reported as asset on the balance sheet for the first time in 2019 in accordance with IFRS 16. The distribution of the usage rights balance sheet item according to IFRS 16.47 is shown in the following overview.

The following effects are present on the liabilities side:

Lease liabilities recorded on the balance sheet on 31/12/2019	353
The report includes Short-term leasing liabilities	290
The report includes Long-term leasing liabilities	63

The following amounts were entered on the balance sheet in connection with the lease arrangements

in kEUR	
Amortisation of usage rights	296
Interests paid for leasing liabilities	6
Total	302

The cash outflow for lease arrangements amounted to 289 kEUR in 2019, which included interests in the amount of 6 kEUR. There were also additions in the amount of 444 kEUR as of 1 January 2019 and 215 kEUR during the course of the business year.

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

The Group uses the equity method to account for associated companies. apoplex acquired a 22.5 % stake in Evina Spain SL, Barcelona, Spain, in the 2018 financial year. From the Group's viewpoint, this investment is not material. The shares were recognised with the acquisition costs of 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. Financial statements have been prepared in the meantime as of 31 December 2018. For reasons of materiality, the results were not yet taken into account in the consolidated financial statements.

The "Other assets" item includes the interest of Geratherm Medical AG held in Protembis GmbH, Aachen, in the amount of EUR 1.070 million (2018: 426 kEUR) and the investment in MindPeak GmbH, Hamburg, which was acquired in September 2019 in the amount of 100.5 kEUR.

We continue to regard the acquisition costs or fair value of Protembis from 2018 to be the best estimate of the fair value, since there have been to our knowledge no significant changes to the estimates that form the basis of the valuation in 2018. The valuation in 2018 was based on a capital increase, in which the Geratherm Medical

AG did not participate. The fair value was calculated on the basis of the going concern value determined during the course of the capital increase (basis of pre-money valuation of the entire company of EUR 18.492 million).

Other non-current receivables to the amount of 83 kEUR (2018: 143 kEUR) value added tax receivables and 44 kEUR (2018: 23 kEUR) income tax receivables relate to the Brazilian subsidiary Geratherm Medical do Brasil.

5. Deferred taxes

The reported deferred tax 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.

	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities	Deferred tax balance	Deferred tax balance
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Capitalised development costs/patents	0	4	626	431	-626	-427
Goodwill	0	0	0	24	0	-24
Fixed assets	7	7	1	3	6	4
Inventories	25	18	0	0	25	18
Losses carried forward	563	652	0	0	563	652
Other	1	1	0	0	1	1
Total	596	683	627	458	-31	224

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	Change with effect on profit and loss	Change without effect on profit and loss	31/12/2019
	kEUR	kEUR	kEUR	kEUR
Capitalised development costs/patents	-427	-199	0	-626
Goodwill	-24	24	0	0
Fixed assets	4	2	0	6
Inventories	18	7	0	25
Losses carried forward	652	-89	0	563
Other	1	0	0	1
Total	224	-255	0	-31

Change in the balance of deferred taxes	1/1/2018	Change with effect on profit and loss	Change without effect on profit and loss	31 December 2018
	kEUR	kEUR	kEUR	kEUR
Capitalised development costs/patents	-262	-165	0	-427
Goodwill	-23	-1	0	-24
Fixed assets	2	2	0	4
Inventories	17	1	0	18
Losses carried forward	591	61	0	652
Other	5	-4	0	1
Total	330	-106	0	224

Income tax rates ranging between 29.13 % and 31.58 % (2018: 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 and Geratherm Respiratory GmbH were used up in 2016 and in 2019. In the 2019 financial year, we have applied the deferred tax assets to the loss carry-forwards for LMT Medical Systems GmbH and apoplex medical technologies GmbH insofar as there are sufficient temporary taxable differences. Due to the losses of both companies in the past years, we have decided to waive a further capitalisation. The same applies to the loss carry-forward of Capillary Solutions GmbH and Geratherm Medical do Brasil Ltda., which we have classified as non-recoverable as of the reporting date.

Presentation of deferred tax assets for tax losses carried forward without consideration of Geratherm Medical do Brasil Ltda.

	2019 kEUR	2018 kEUR
Tax loss carried forward as of 31/12 Corporate income tax and solidarity tax	4,493	3,324
Tax loss carried forward as of 31/12 Trade Tax	4,677	3,512
Of which recoverable	1,815	2,139
Deferred taxation	563	652

6. Inventories

Inventories	31/12/2019 EUR	31/12/2019 EUR
Raw materials and supplies	2,318,131	2,294,383
Unfinished goods	1,252,899	1,063,287
Finished goods	2,125,174	1,518,524
Goods	2,168,519	2,471,604
Total	7,864,723	7,347,798

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 2019 primarily include clinical thermometers in various stages of production as well as semi-finished warming systems and incubators.

The finished goods item mainly includes thermometers, warming systems and incubators as of 31 December 2019.

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

Inventories reported as expenses in the financial year ending on 31 December 2019 amounted to XXX.

7. Trade receivables

The trade receivables are structured as follows:

	31/12/2019 EUR	31/12/2018 EUR
Gross sum of trade receivables	2,551,403	2,803,542
Devaluations	-45,510	-164,971
Total	2,505,893	2,638,571

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

8. Tax receivables and other short-term assets

The tax receivables relate to receivables from reimbursement of income taxes in the amount of 360 kEUR (2018: 174 kEUR) and sales taxes in the amount of 168 kEUR (2018: 168 kEUR).

The other assets essentially relate to advances paid (155 kEUR; 2018 317 kEUR) and other expenses paid in advance (128 kEUR; 2018: 136 kEUR).

9. Securities

The securities held include the following:

2019	Number/ nominal	Book value as of 31/12 EUR	Price as at 31/12 EUR
Agfa-Gevaert N.V.	900,000	4,156,200	4,62
TEVA Pharmaceutical	100,000	856,329	8,56
BIOGEN IDEC Inc.	1,500	391,009	260,67
Total		5,403,538	

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	

During the 2019 fiscal year, the level of securities was increased by means of acquisitions in the amount of EUR 1.716 million (2018: 42 kEUR). No securities were sold in 2019 (2018: sale: EUR 1.356 million).

As of the balance sheet date, 31 December 2019, the share of the market assessment reserve, which results from the valuation gains based on changes in exchange rates, was EUR 1.285 million (2018: 59 kEUR).

10. Cash and cash equivalents

	31/12/2019 kEUR	31/12/2018 kEUR
Cash on hand	17	25
Credit balances with banks	4,122	5,336
Cash and cash equivalents	4,139	5,361

Of which credit balances with banks in the amount of 267 kEUR (2018: 740 kEUR) are invested at the prevailing market rates and are available daily.

EQUITY AND LIABILITIES

Equity capital

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

11. Subscribed capital

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 December 2019 and is divided into 4,949,999 share certificates issued to the bearers. The shares have a nominal value of EUR 1.

The subscribed capital has been paid in full. As of the reporting date, there were no own shares held by the company. The number of shares in circulation was 4,949,999 during the 2019 fiscal 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 authorised to purchase own shares up to a portion of the capital stock not exceeding 10% through to 4 June 2020. The purchase price paid by the company may not be more than 10 % above or below the arithmetic mean of the prices determined for the company's share in the opening auction in XETRA trading (or a comparable successor system of the Deutsche Börse AG) during the last 5 trading days prior to acquisition.

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

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

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

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

12. Capital reserve

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

13. Other reserves

The development of 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 2019, the market assessment reserve totals EUR 1.929 million (2018: 703 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 311 kEUR (2018: 288 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 2019 (EUR 1.838 million; 2018: EUR 3.292 million), the current net income for the year, which can be attributed to the shareholders of the parent company (545 kEUR; 2018: 929 kEUR) and less the distributed dividend (EUR 1.980 million; 2018: EUR 2.326 million) and the insignificant, in the viewpoint of the Group, change in Geratherm do Brasil due to consolidation differences from previous years (0 kEUR; 2018: 57 kEUR) as well as the effect of the capital increase at the subsidiary LMT Medical Systems GmbH with sole participation of the Geratherm Medical AG as of April 12, 2019 without pro rata consolidated net income for the year amounting to 57 kEUR (2018: 0 kEUR).

The management board and supervisory board will propose to the general meeting in June 2020 to distribute a dividend of EUR 0.25 per share (EUR 1.237 million) for the 2019 fiscal year.

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognised capital contributions account shall be used for the planned disbursement of the dividend amounting to EUR 0.25 per share for 2019 (EUR 1.237 million).

For the 2019 business year, the taxably distributable profit amounts to EUR 1.572 million. Since it is not utilised in full by the dividend disbursement, access to the tax-recognised capital contributions account that continues to exist with EUR 15.206 million is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.38 % (326 kEUR) to the full disbursement amount of EUR 1.237 million.

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

14. Shareholders of minority interests

	Total kEUR
Minority interests as of 1/1/2019	-358
Capital increase at the subsidiary LMT Medical Systems GmbH with sole participation of the Geratherm Medical AG as of 12/04/2019 without pro rata consolidated net income	-57
Currency translation in Group	24
Result attributable to non-controlling shares	-256
Minority interests as of 31/12/2019	-647

No dividends were paid to non-controlling shares.

The following tables contain information about each subsidiary of the Group with key minority interests prior to intragroup eliminations as at 31 December 2019 and 31 December 2018:

2019 in kEUR	LMT Medical Systems GmbH Lübeck	LMT Medical Systems Inc. Ohio/USA	apoplex medical techno- logies GmbH Pirmasens	Geratherm Medical do Brasil Ltda. Sao Paulo/ Brasil	Geratherm Respiratory GmbH Bad Kissingen	Cumulative effects of change in share quota	Total
Percentage of minority interests	20.00 %	20.00 %	46.58 %	49.00 %	34.73 %		
Long-term assets	1,103	55	1,453	214	1,661		
Short-term assets	1,179	87	785	807	1,491		
Long-term liabilities	-841	0	-547	-1,167	-1,940		
Short-term liabilities	-1,076	-97	-576	-2,655	-483		
Net assets	365	45	1,115	-2,801	729		
Book value of minority interests	-57	0	0	0	0		
Sales revenues	16	9	519	-1,372	253	-72	-647
	537	173	1,679	440	3,114		
Net profit (loss) for the year	-468	1	-568	125	119		
Minority interests of attributable net profit (loss) for the year	-93	0	-265	61	41		-256
Cash in-flow/(outflow) from operating activities	-169	20	-30	-109	25		
Cash in-flow/(outflow) from investment activities	-333	0	-359	0	-1,128		
Cash in-flow/(outflow) from financing activities	386	0	-81	117	1,254		
Net increase/ (decrease) in liquid resources	-116	20	-470	8	151		

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/ Brasil	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	-576	0	-521	-1,447	-418		
Short-term liabilities	-440	-95	-441	-2,131	-493		
Net assets	633	43	1,683	-2,974	610		
Book value of minority interests	211	14	784	-1,457	212	-122	-358
Sales revenues	1,600	519	1,632	440	3,052		
Net profit (loss) for the year	96	31	-173	-742	89		
Minority interests of attributable net profit (loss) for the year	32	10	-81	-364	31		-371
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		

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 1.625 million is long-term. The following serve as collateral for the amortisable loan from Kreditanstalt für Wiederaufbau:

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

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

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

Geratherm Respiratory GmbH received on 23 November 2018 an amortisable loan from LfA Förderbank Bayern from the Investkredit support programme (IK6) in the amount of EUR 1.500 million via UniCredit Bank AG. The loan bears 1.55 % interest p. a. The interest rate applies until the end of the term on 30 December 2028. The quarterly amortisation rate in the amount of 42 kEUR will first be due on 31 March 2020. The loan was paid out from 5 March 2019 to 17 May 2019. The loan in the amount of EUR 1.333 million is long-term. An uncertificated land charge in the amount of EUR 1.600 million with real and personal foreclosure clause serves as collateral, entered on the company's newly constructed property in Bad Kissingen.

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

The net debt/equity ratio is a maximum 3.0 on the due dates during the term of the contract. The loan in the amount of EUR 2.250 million is long-term.

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 %. The company filed for bankruptcy protection under Brazilian law in 2019. When classifying long-term and short-term loans, we focussed on the current procedure and reported the loans completely as short-term.

All loans have a remaining term of four to eight years.

16. Accrued investment subsidies

The item shown in the balance sheet in the amount of EUR 1.348 million (2018: EUR 1.191 million) relates to all investment grants and subsidies that have been received and which are released to income in accordance with the useful life of the assets they financed. This item basically has long-term character. In the 2019 business year, Capillary Solutions GmbH received investment grants amounting to 117 kEUR (2018: 987 kEUR) for the construction of the new production facility. Geratherm Respiratory GmbH also received grants in the amount of 165 kEUR for the construction of a 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 (2018: 159 kEUR), Geratherm Respiratory GmbH in the amount of 144 kEUR (2018: 144 kEUR) and LMT Medical Systems GmbH 107 kEUR (2018: 107 kEUR) are essentially reported here. The loans have a one-year term at least and variable/fixed interest rates ranging between 2.5 % and 7.8 %.

18. Short-term liabilities to banks

As of the reporting date, there are in the Group short-term liabilities to banks in the amount of EUR 2.058 million (2018: EUR 1.099 million), which concern the short-term share of loans of Capillary Solutions GmbH in the amount of 250 kEUR (2018: 125 kEUR), Geratherm Respiratory GmbH in the amount of 167 kEUR (2018: 0 kEUR) and Geratherm Medical AG in the amount of 600 kEUR (2018: 0 kEUR). There is another short-term bank liability held by the subsidiary Geratherm do Brasil in the amount of EUR 1.041 million (2018: 734 kEUR).

19. Trade accounts payables

The trade payables are recognised at their amortised costs. Corresponding accrued liabilities have been formed for outstanding invoices for deliveries and services on the reporting date. The liabilities fall due within one year. The usual rights to retention of title from the delivery of raw materials and supplies are applicable.

20. Tax liabilities

The tax liabilities shown here relate to liabilities from income taxes at 41 kEUR (2018: 77 kEUR), wage taxes at 144 kEUR (2018: 128 kEUR) and sales taxes at 407 kEUR (2018: 415 kEUR)..

21. Other short-term liabilities

	31/12/2019 kEUR	31/12/2018 kEUR
Accrued liabilities	517	652 ⁴
Other liabilities	919	981
Other liabilities	1,436	1,633

The accrued liabilities include the following:

	31/12/2018 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	31/12/2019 kEUR
Staff related	189	-182	-1	158	164
Bonuses, commissions, credits	76	-76	0	67	67
Outstanding invoices	249	-199	-12	116	154
Other	214	-146	-25	89	132
Total	728	-603	-38	430	517

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 243 kEUR (2018: 254 kEUR) and social security liabilities in the amount of 470 kEUR (2018: 393 kEUR).

All other liabilities shown here fall due within one year.

⁴ The accrued liabilities for bonuses, commissions and credits were reported in 2018 under contractual liabilities. These were corrected in 2019 again in favour of other short-term liabilities.

Notes to the Consolidated Profit and Loss Statement

22. Sales revenues

Sales revenues by product groups:

	2019 kEUR	2018 kEUR	Change in %
Healthcare Diagnostic	13,109	12,473	5.1
Respiratory	4,219	4,825	-12.6
Warming Systems	854	2,465	-65.4
Cardio/Stroke	1,669	1,584	5.4
Total	19,851	21,347	-7.0

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

There was also a limited extent of sales revenues generated that are outside of scope of application of IFRS 15. We refer to our statements in the section "Recognition of sales revenue, performance obligations as combination of IFRS 15 and IFRS 16."

Sales revenues based on regions:

	2019 kEUR	2018 kEUR	Change in %
Europe	11,159	12,106	-7.8
South America	767	681	12.6
Germany	4,026	3,858	4.4
Middle East	1,558	1,536	1.4
USA	1,104	1,667	-33.8
Asia	913	1,260	-27.5
Africa	324	234	38.5
Other	0	5	-100.0
Total	19,851	21,347	-7.0

Contract balances:

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

	31/12/2019 kEUR	01/01/2018 kEUR
Trade receivables	2,506	2,639
Contractual liabilities	1,267	623

The contractual liabilities relate essentially to advance payments received from customers for orders (867 kEUR; 2018: 332 kEUR) and activities performed by the Group based on analytical services (376 kEUR; 2018: 210 kEUR).

As permitted under IFRS 15, no disclosure is provided about the remaining performance obligations as at 31 December 2019, 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 326 kEUR (2018: 73 kEUR), revenue from the reversal of liabilities accrued in previous years in the amount of 41 kEUR (2018: 19 kEUR), income unrelated to accounting period in the amount of 278 kEUR (2018: 31 kEUR) and in-come from insurance claims in the amount of 3 kEUR (2018: 30 kEUR). Income for other accounting periods includes, among other things, the reduction of Geratherm do Brasil's loan at 250 kEUR.

The remaining other operating income is essentially based on the differences in exchange rates amounting to 77 kEUR (2018: 228 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 2019 fiscal year totalled EUR 6.569 million (2018: EUR 7.569 million). The accounts for this fiscal year included contributions of 530 kEUR (2018: 465 kEUR) made by the employer to the statutory pension scheme. The statutory pension scheme is a contribution-oriented pension scheme within the meaning of IAS 19.

26. Amortisation or depreciation

The write-offs increased mainly due to the completion of the new production facility for Capillary Solutions GmbH by +60.2 % to EUR 1.305 million (2018: 814 kEUR).

27. Other operating expenses

The other operating expenses, which decreased by 13.5 % during the financial year, primarily include costs for sales, advertising and marketing (EUR 1.729 million; 2018: EUR 1.743 million) and administrative expenses (EUR 2.479 million; 2018: EUR 2.885 million). The expenses occurring in connection with foreign currency translation during the fiscal year decreased to 104 kEUR (2018: 86 kEUR).

28. Financial results

The financial results were -235 kEUR (2018: -509 kEUR) during the year under review. These included expenses occurring connection with the securities (4 kEUR; 2018: 40 kEUR), interests earned (1 kEUR; 2018: 25 kEUR) and interests paid (231 kEUR; 2018: 494 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:

	2019 kEUR	2018 kEUR
Actual taxes	-493	-690
Deferred Taxes	-255	-105
Income tax according to IFRS	-748	-795

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 29.83 % (2018: 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 31.58 % depending on the location. Changes in the tax rate are based on the changed assessment rates.

	2019 kEUR	2018 kEUR
Results before income taxes	1,038	1,353
Tax expenses to be expected	-310	-424
Tax-free income, non-deductible expenses and permanent deviations	13	108
Effects from non-recognition of deferred taxes or use of tax losses carried forward	-503	-188
Differences in tax rates	46	-124
Other	6	-166
Income tax according to IFRS	-748	-795

The change in recognition of tax losses carried forward mainly results from unrecognised losses carried forward by apoplex medical technologies GmbH at 385 kEUR and by LMT Medical Systems GmbH at 111 kEUR.

30. Earnings per share

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

	2019	2018
Results of the shareholders of the parent company (kEUR)	546	929
Weighted average number of outstanding shares (in thousands)	4,950	4,950
Undiluted earnings per share (EUR)	0.11	0.19
Diluted earnings per share (EUR)	0.11	0.19

	2019 k shares	2018 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 2019, 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 91 kEUR (2018: 123 kEUR) were recorded for the services performed by the chief executive officer Dr. Frank for GMF during the 2019 financial year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2018: 86 kEUR) and a performance bonus.

The subsidiary Geratherm Respiratory GmbH, Bad Kissingen, booked the expense for the management remuneration to GMF Capital GmbH in the amount of 12 kEUR in 2019. 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 2019 business year.

As at the reporting date 31 December 2019, there were no outstanding accounts owed by GMF. A liability vis-a-vis GMF in the amount of 0 kEUR (2018: 36 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 2018 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 2019	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from other agreements kEUR	54	50	4	0
Other financial obligations from purchase commitments kEUR	1,178	1,178	0	0
<hr/>				
As of 31 December 2018	Total	< 1 year	1–5 years	> 5 years
<hr/>				
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

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

For the completion of the new production facility of the subsidiary Capillary Solutions GmbH, all orders placed were settled in 2019 (2018: 582 kEUR). The investments will be concluded in 2020.

Other financial obligations primarily result from software service agreements.

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

Auditor fees

In 2019, 85 kEUR (2018: 70 kEUR) was entered as expenditure for the audit services, 0 kEUR (2018: 3 kEUR) for other assurance services and 9 kEUR (2018: 15 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 separated on the basis of the internal group reports by the primary decision-makers. The following reportable segments of the Group have been identified:

Healthcare Diagnostic

- 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 are shown as relevant tax parameters for Geratherm. 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 Capillary Solutions with Geratherm Medical AG and 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 507 kEUR (2018: 481 kEUR), and in the Europe segment, the main sales were generated with Italy in the amount of EUR 4.113 million (2018: EUR 4.382 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:

	2019 kEUR	2018 kEUR
Financial assets of Geratherm Medical AG	1,171	1,070
Securities of Geratherm Medical AG	5,404	2,462
Cash and cash equivalents of Geratherm Medical AG	3,596	4,425
Total	10,171	7,957

*Group segment report for the period
from 1 January to 31 December 2019*

By product groups	Healthcare Diagnostic	Respiratory	Medical Warming Systems	Cardio/Stroke	Consolidation	Reconciliation	Total
2019	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Segment sales	14,169	4,419	1,024	1,882	-1,327	-316	19,851
Operating results	1,780	357	-1,057	9	172	-212	1,049
including: Amortisation & depreciation of fixed intangible & tangible assets	675	118	169	65	209	69	1,305
Segment assets	13,495	3,913	3,534	2,151	0	10,171	33,264
Segment debts	10,658	2,204	486	736	0	0	14,084
For inform. only							
Segment sales	14,169	4,419	1,024	1,882	-1,327	-316	19,851
Elimination of intragroup sales	-1,060	-200	-170	-213	1,327	316	0
Sales revenues on third parties	13,109	4,219	854	1,669	0	0	19,851

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	13,547	4,961	2,463	1,632	-1,208	-48	21,347
Operating results	1,763	563	-131	3	-53	-283	1,862
including: Amortisation & depreciation of fixed intangible & tangible assets	508	99	112	62	-32	65	814
Segment assets	12,998	2,478	3,286	2,115	0	7,957	28,834
Segment debts	7,317	861	904	489	0	0	9,571
For inform. only							
Segment sales	13,547	4,961	2,463	1,632	-1,208	0	21,395
Elimination of intragroup sales	-1,074	-136	2	-48	1,208	0	-48
Sales revenues on third parties	12,473	4,825	2,465	1,584	0	0	21,347

*Group segment report for the period
from 1 January to 31 December 2019*

By region	Europe	South America	Germany	Middle East	USA	Other	Total
2019	January to December						
	kEUR						
Sales revenues	12,355	898	4,026	1,558	1,104	1,237	21,178
Elimination of intragroup Sales	-1,196	-131	0	0	0	0	-1,327
Sales revenues on third parties	11,159	767	4,026	1,558	1,104	1,237	19,851
Gross profit or loss	7,811	621	3,134	1,091	773	865	14,295
Operating results	502	171	201	70	50	55	1,049
including: Amortisation and depreciation of intangible assets and tangible assets	738	14	296	103	73	81	1,305
Amortisation of public grants and subsidies	73	0	27	10	7	8	125
Acquisition costs of fixed assets for the period	0	0	2,953	0	0	0	2,953
Segment assets	0	970	32,184	0	110	0	33,264
By region	Europe	South America	Germany	Middle East	USA	Other	Total
2018	January to December						
	kEUR						
Sales revenues	12,106	754	4,993	1,536	1,667	1,499	22,555
Elimination of intragroup Sales	0	-73	-1,135	0	0	0	-1,208
Sales revenues on third parties	12,106	681	3,858	1,536	1,667	1,499	21,347
Gross profit or loss	8,203	326	2,946	1,041	1,129	1,015	14,660
Operating results	1,254	-328	450	159	172	155	1,862
including: Amortisation and depreciation of intangible assets and tangible assets	465	1	167	59	64	58	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	28,248	0	89	0	28,834

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 2.069 million (2018: EUR 2.510 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 1.363 million (2018: EUR 1.507 million).

The capital flow statement for 2019 includes in detail the payments received from interests (1 kEUR; 2018: 25 kEUR), outgoing payments from interests (89 kEUR; 2018: 62 kEUR) and payments for taxes (cash outflow 736 kEUR; 2018: 630 kEUR).

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

In the financial year, this resulted in an effect of 289 kEUR on the cash flow from current business activities and correspondingly in a negative effect on cash flow from financing activities.

34. Cash flow from investments

The purchase of fixed assets and financial assets including rights of use and intangible assets resulted in expenses in the amount of EUR 4.804 million (2018: EUR 4.270 million). The additions in the area of tangible assets involve mainly payments made in the amount of EUR 1.211 million (2018: EUR 3.635 million) for the new production facility of Geratherm Respiratory GmbH. Development costs in the amount of 628 kEUR (2018: 570 kEUR) were capitalised in 2019.

Cash inflow and outflow based on financial assets are explained in Section 4 and 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 1.980 million (2018: EUR 2.326 million) and the availing of loan liabilities in the amount of EUR 4.500 million (2018: 240 kEUR).

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

kEUR	31/12/2018	Net change		Non-cash change	31/12/2019
		Repayment	Borrowing		
Liabilities to banks	2,279	0	3,900	-971	5,208
Long-term lease liabilities	0	0	0	63	63
Other long-term liabilities	410	7	0	7	410
Total	2,689	7	3,900	-901	5,681
Liabilities to banks	1,099	591	600	874	2,058
Short-term lease liabilities	0	289	0	579	290
Total	1,099	880	600	1,529	2,348
Liabilities from financing activities	3,788	887	4,500	628	8,029

Interest payments in the amount of 76 kEUR were rendered for liabilities to banks, 7 kEUR for other long-term liabilities and 6 kEUR for lease liabilities.

Capital management

Primary objective of the company is to sustainably ensure the financial equilibrium, while simultaneously allocating the capital resources available to the Group (equity capital) efficiently to the business areas. 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 19.770 million (2018: EUR 19.954 million) as of the reporting date such that an equity-to-assets ratio of 69.4 % (2018: 68.4 %) can be derived based on the Group's entire capital.

Financial instruments

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

a) Financial instruments in the balance sheet

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

	Business model IFRS 9	Valuation category	Book value	Book value
			31/12/2019	31/12/2018
			kEUR	kEUR
I.	Hold and sell	FVOCI	6,577	3,532
	Participating interests		1,174	1,070
	Securities		5,403	2,462
II.	Hold	Amortised cost	6,992	8,561
	1. Trade receivables		2,506	2,638
	2. Other assets		347	562
	3. Cash in hand and cash in banks		4,139	5,361
III.	Other financial liabilities	Other financial liabilities	-10,908	-6,340
	1. Other long-term debts		-410	-410
	2. Liabilities to banks		-7,266	-3,379
	3. Lease liabilities		-353	0
	4. Trade accounts pay-ables		-1,411	-1,608
	5. Contractual liabilities		-1,267	-623
	6. Other short-term liabilities (only financial in-struments)		-201	-320

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

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

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

Since the book value of loans and accounts receivable and financial liabilities not measured at fair value within the meaning of IFRS 7.29 (a) generally represents a reasonable approximation of the current fair value, the fair value is not indicated. The carrying value of the loans for the construction of the capillary glass basin (EUR 1.875 million), the acquisition of the own office location of Respiratory (EUR 1.500 million) and the loan obligation of Geratherm (EUR 2.850 million) corresponds approximately to the fair value, since the refinancing

measures were only implemented during the present business year or in 2018 and the granted interest rate is roughly equal to the Group's incremental borrowing rate. The fair value of the liabilities of Geratherm do Brasil Ltda. Currently in the amount of EUR 1.041 million is probably lower than the book value as a result of the company's economic situation and the ongoing negotiations with the bank about a redemption (a so-called haircut) and is calculated on the basis of the offer to the bank (haircut of 80 % on the original loan amount of BRL 3.025 million) at 134 kEUR on the reporting date.

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 Mind-Peak GmbH and Protembis GmbH is classified according to Level 3. 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)		Net book value		Financial debts not measured at fair value	
	2019	2018	2019	2018	2019	2018
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Interest earnings			1	25	0	0
Income from reduction in interest liabilities from previous years			223			
Interests and similar expenses			-231	-494	0	0
Interest income			-230	-469	0	0
Exchange gains			77	228	0	0
Exchange losses			-104	-86	0	0
Income from currency differences			-27	142	0	0
Exchange gains from sales of securities	0	0				
Exchange losses from sales of securities	0	0				
Impairment of securities	0	0				
Dividend income	0	0				
Securities-related expenses	-4	-40				
Securities-related income	-4	-40				
Allowance for uncollectible accounts			-21	-142		
Losses from non-recoverable bad debts			-2	-49		
Net profits and losses entered in the income statement	-4	-40	-280	-518	0	0
Change in market valuation reserve due to sale	0	0				
Change in market assessment reserve due to change in the fair value up to sale	1,226	394				
Overall change in market assessment reserve	1,226	394				
Overall results from financial instruments	1,222	354	-280	-518	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 “Hold and sell” are essentially subject to market risks in the form of fluctuations in stock exchange prices. Accordingly, the respective part of risk management system includes the daily monitoring of the stock performance, the securities in the portfolio, and the evaluation of price-related market information and is supported by a company-specific investment strategy that envisages, among other things, maximum amounts for individual values and defines investment focal points. A near-current exchange of information between the management board and the monitoring committee represents in this case an obvious characteristic of risk management.

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

Credit / bad debt risk

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable and other assets without tax receivables and receivables from (advance) payments made, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivable. The process that is implemented in the Group for minimizing the credit risks encompasses, in particular, the daily monitoring of due dates and the swift initiation of steps to collect debts when necessary. Other instruments leveraged to minimise risks with new domestic customers include requests for advance payments, credit agency queries, event-driven customer-specific credit lines or letters of credit such that the risk of non-payment is regarded as minimal.

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

	2019 kEUR	2018 kEUR
Domestic	226	337
Abroad	2,395	2,455
	2,621	2,792

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

	2019 Gross kEUR	2018 Gross kEUR
Not overdue	2,136	2,310
0 - 30 days overdue	492	542
31 - 60 days overdue	28	203
More than 60 days overdue	248	190
	2,621	2,792

According to IFRS 9, appropriate impairments are made for receivables and other assets without tax receivables and receivables from (advance) payments made, which are measured at the amortised acquisition costs. The company applies the simplified method as per IFRS 9 for measuring expected credit losses; as a result, the credit losses expected over the period are used for all trade receivables. To measure the expected credit losses, trade receivables were combined on the basis of common credit risk characteristics and overdue dates. The company anticipates a loss rate of almost 0 %, since the average bad debt loss of the past five years has been 0.4 % of the receivables.

If the non-payment risk increases significantly, value adjustments are carried out in the amount of the losses expected over the period. The main factors contributing to value adjustments are in particular late payments or credit standing problems on part of the customer. The value adjustment is measured on the basis of an estimate and assessment of the chances of success.

The maximum default risk of financial assets corresponds to the book values shown on the balance sheet. The 12-month credit loss is formed for all other receivables and other assets without tax receivables and receivables from (advance) payments made.

The valuation adjustments have developed as follows:

	2019 kEUR	2018 kEUR
As of 1 January	165	32
Addition	19	192
Utilisation	-138	-58
Dissolution	-1	-1
As of 31 December	45	165

The value adjustments involve at 34 kEUR (2018: 155 kEUR) the losses expected over the period and at 11 kEUR (2018: 10 kEUR) the expected 12-month credit loss.

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.

	2019 kEUR	2018 kEUR
Short-term liabilities to banks	-2,058	-1,099
Trade accounts payables	-1,411	-1,608
Tax liabilities	-561	-619
Other liabilities (without advance payments received)	-2,127	-1,923
Current financial requirements	-6,157	-5,249
Liquid assets	4,139	5,361
Liquidity 1	-2,018	112
Trade receivables	2,506	2,638
Tax receivables	528	342
Other assets (without prepayments)	192	245
Liquidity 2	1,208	3,337
Securities	5,404	2,462
Liquidity 3	6,612	5,799

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 2019	7,266	2,117	4,023	1,310
Liabilities to banks in 2018	3,379	1,204	1,955	588
Lease liabilities in 2019	353	295	64	0
Lease liabilities in 2018	0	0	0	0
Liabilities to minority shareholders in 2019	410	0	424	0
Liabilities to minority shareholders in 2018	410	0	418	0
Trade accounts payables in 2019	1,411	1,411	0	0
Trade accounts payables in 2018	1,608	1,608	0	0
Other short-term liabilities (only financial instruments) in 2019	201	201	0	0
Other short-term liabilities (only financial instruments) in 2018	320	320	0	0

Market price risk - Foreign currency

The Group is subject to a foreign currency risk, as long as deliveries are made and ordered in part outside of the euro zone. From the Group's point of view, the key foreign currency, in which there is an exchange of services, is the US dollar. 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 subject to the following foreign exchange risk as at reporting date.

	31/12/2019 kUSD	31/12/2019 kEUR	31/12/2018 kUSD	31/12/2018 kEUR
Trade receivables	712	634	653	570
Bank loans / cash in banks	1,153	1,026	847	740
Trade accounts payables	-35	-30	-201	-175
Balance sheet items	1,830	1,630	1,299	1,135
Order balance	110	98	325	284
Financial obligations	-93	-83	-211	-184
Purchase commitments	-972	-865	-343	-300
Pending transactions	-955	-850	-229	-200
Net item	875	780	1,070	935

The following currency translations were applied:

	31/12/2019	Average 2019	31/12/2018	Average 2018
US dollar	1.123	1.118	1.145	1.178

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

	31/12/2019		31/12/2018	
	Equity capital	Result	Equity capital	Result
US dollar	0	-72	0	-86

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.

	31/12/2019 kBRL	31/12/2019 kEUR	31/12/2018 kBRL	31/12/2018 kEUR
Trade receivables	1,449	321	127	29
Other assets	275	61	1,109	250
Bank loans / cash in banks	58	13	20	5
Liabilities to banks	-4,702	-1,041	-5,060	-1,139
Trade accounts payables	-1,066	-236	-962	-216
Other liabilities	-2,541	-563	-3,062	-689
Balance sheet items	-6,527	-1,445	-7,828	-1,761
Net item	-6,527	-1,445	-7,828	-1,761

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

The following currency translations were applied:

	31/12/2019	Average 2019	31/12/2018	Average 2018
BRL	4.516	4.413	4.444	4.308

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.

	31/12/2019		31/12/2018	
	Equity capital	Result	Equity capital	Result
BRL	255	131	270	160

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 EUR but in the opposite direction provided that all other variables remain constant.

Marktpreisrisiko - Zins

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 5.681 million (2018: EUR 2.689 million) opportunity cost effects could occur that we do not view as significant.

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

Market price risk - Share price

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

Agfa-Gevaert N.V.

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 increase in value as at 31 December 2019 was posted in the market assessment reserve.

TEVA Pharmaceutical Ind. Ltd.

Teva Pharmaceutical Industries Limited is an Israeli pharmaceutical company with international operations. It is one of the ten leading manufacturers of drugs world-wide and is the largest generic drug manufacturer in the world. Teva specialises in the development, production and distribution of drugs, such as special therapeutics, generic drugs and OTC drugs as well as active pharmaceutical ingredients. The impairment as at 31 December 2019 was recognised in the market assessment reserve.

The following table shows the highest and lowest prices respectively on the German capital market for shares included in the Securities balance sheet item at the end of the 2019 fiscal year.

	2019		2018	
	Highest price EUR	Lowest price EUR	Highest price EUR	Lowest price EUR
Agfa-Gevaert N.V.	4.88	3.2	4.23	2.80
TEVA Pharmaceutical Ind. LTD	17.57	5.52	-	-
BIOGEN IDEC Inc.	287.83	194.27	-	-

Market price risk - Raw material prices

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

Market risk - New products

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

Additional disclosures

Information about the management board

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

Chief Executive Officer

- Dr. Gert Frank, Industrial Engineer, Frankfurt/Main
Managing director of GMF Capital GmbH, Frankfurt/Main
Managing director of GME Rechte und Beteiligungen GmbH, Geratal
Managing director of Geratherm Respiratory GmbH, Bad Kissingen
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
Managing director of Limes Schlossklinik GmbH, Heiligenhoven

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

The compensation for members of the management board is made up of various components, a fixed salary and a variable bonus. The variable bonus is awarded on the basis of the achievement of objectives, operating profit, financial results and overall performance of the Group. In addition, a bonus of 10 % is granted on the realised capital gains on the shares held by Geratherm less costs. Altogether 91 kEUR (2018: 123 kEUR) were reported in the financial statements for the activities of the management board during the 2019 business year. That included a fixed sum in the amount of 86 kEUR (2018: 86 kEUR) and variable sums in the amount of 5 kEUR (2018: 36 kEUR).

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 comprises 3 members.

Members of the supervisory board are:

- Rudolf Bröcker, Bensheim, Business Administration
(Chairman of supervisory board)
Chairman of supervisory board of Limes Schlosskliniken AG, Cologne
- Bruno Schoch, Suresnes, France
President of UNIBEL SA, Paris
Member of executive board of Fromageries Bel SA, Paris
Member of executive board of SICOPA SA, Paris
Member of supervisory board of Société des Domaines SAS, Wattwiller, France
Member of the supervisory board of Limes Schlosskliniken AG, Cologne
- Firus Mettler, Frankfurt am Main, Attorney, MBA; Investment Manager
(till 14/06/2019)
Managing director of Martius Terrassen GmbH & Co. KG, Kiel
Managing director of Düsternbrooker Weg 45 GmbH & Co. KG, Kiel
Member of supervisory board of Limes Schlosskliniken AG, Cologne
- Dirk Isenberg, Usingen, MBA
(as of 14/6/2019)
Member of executive board of MEDIQON Group AG, Königstein
Managing director of MEDIQON Beteiligungsgesellschaft mbH, Königstein
Member of supervisory board of Limes Schlosskliniken AG, Cologne

In 2019, 12 kEUR (2018: 12 kEUR) was allotted as remuneration for the activities of the supervisory board, which was included in the liabilities and expenses for the fiscal year.

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

Staff trends

		Employees	Industrial employees	Trainees	Total
Number of employees (annual average) - excluding management board and managing directors -	2019	79	124	1	204
	2018	73	132	1	206

Events after reporting period

The corona crisis has led to full utilisation of production capacity for our mercury-free clinical glass thermometers at the beginning of the financial year.

Current demand has surpassed supply many times over, which is why our inventories are sold almost entirely. An increase in production was inevitable in order to meet demand. Production was expanded gradually to two and three shift operations. The current additional Saturday shift will be maintained at least until mid 2020.

The current developments are leading to an increase in sales and to an increase in personnel expenses as a result of the corresponding expansion of production capacity. All in all, the crisis is thus having a positive impact on the development of net assets, financial position and earnings situation.

Corporate governance report

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

<https://geratherm.com/wp-content/uploads/downloads/2019/12/gez.-CG-Erkla%CC%88rung-2020.pdf>

Geratal, this 21th day of April 2020

Geratherm Medical AG



Dr. Gert Frank
Chief Executive Officer

CEO's responsibility statement involving the consolidated financial statements for the 2019 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.

Geratal, this 21th day of April 2020

Geratherm Medical AG



Dr. Gert Frank
Chief Executive Officer

AUDIT CERTIFICATE OF THE INDEPENDENT ANNUAL AUDITOR

To Geratherm Medical AG, Geratal

OPINION ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statement of Geratherm Medical AG, Geratal, and its subsidiaries (the group) – comprising the consolidated balance sheet as at 31st December 2019, the consolidated income statement, consolidated profit and loss statement, consolidated equity capital statement and the consolidated cash flow statement for the financial year from 1st January to 31st December 2019 as well as the notes to the consolidated financial statement, including a summary of significant accounting methods. We have also audited the group management report of Geratherm Medical AG for the financial year from 1st January to 31st December 2019. We have not audited the contents of the group declaration on corporate governance pursuant to § 315d of the HGB (German Commercial Code) in accordance with the provisions under German law.

In our opinion, based on the findings of our audit,

- the enclosed consolidated financial statement complies, in all material respects, with the IFRS as applicable in the EU, and with the additional provisions under the German law applicable pursuant to § 315e Para. 1 of the HGB and, taking these provisions into account, provides a true and fair view of the assets and financial position of the group as at 31st December 2019 and of its earnings position for the financial year from 1st January to 31st December 2019 and
- the attached group management report gives an overall accurate picture of the situation of the group. In all material respects, this group management report conforms with the consolidated financial statement, corresponds to the provisions under the German law and correctly presents the opportunities and risks of future development. Our audit opinion on the group management report does not extend to the contents of the above-mentioned group declaration on corporate governance.

In accordance with § 322 Para. 3 Sentence 1 of the HGB, we declare that our audit has not led to any objections against the correctness of the consolidated financial statement and the group management report.

Basis for the audit opinions

We have conducted our audit of the consolidated financial statement and group management report in accordance with § 317 of the HGB and the EU Regulation on Annual Auditors (no. 537/2014; called "EU-APrVO" in the following) taking into account the annual audit principles applicable in Germany as defined by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these provisions and principles has been described in detail in section "Annual auditor's responsibility when auditing the consolidated financial statement and the group management report" of our audit certificate. Independent of the group companies, we are in compliance with the provisions under European law and under German commercial and professional laws, and have fulfilled our other professional obligations applicable in Germany in accordance with these requirements. In addition, we declare in accordance with Article 10 Para. 2 Letter f) of the EU-APrVO that we have not offered any prohibited non-audit services in accordance with Article 5 Para. 1 of the EU-APrVO. We believe that the audit evidence we received is sufficient and appropriate for providing a basis for our audit opinions on the consolidated financial statement and the group management report.

Very significant audit aspects when auditing the consolidated financial statement

Very significant audit aspects refer to those aspects, which, according to our due discretion, were most significant for our audit of the consolidated financial statement for the financial year from 1st January to 31.12.2019. These aspects have been considered in their entirety during our audit of the consolidated financial statement and when forming our opinion on it; we have not provided a separate audit opinion on them.

In our view, the following aspects were the most significant for our audit:

① Recognition and measurement of internally generated intangible assets

② Realisation and period allocation of sales revenues

We have structured our description of these very significant audit aspects as follows:

- ① Aspect and problem statement
- ② Audit approach and findings
- ③ Reference to further information

We have presented the very significant audit aspects below:

① Recognition and measurement of internally generated intangible assets

- ① In the consolidated financial statement of Geratherm Medical AG, internally generated intangible assets with a total amount of kEUR 1,952 (6% of the balance sheet total or 10% of the equity capital) are shown under the balance sheet item "Intangible assets". As a result of incorrect allocation of the assets of a subsidiary, the reported technical equipment and machinery in the internally generated intangible assets in the amount of kEUR 991 (previous year: kEUR 675) was corrected in accordance with IAS 8 for the financial year 2019. The internally generated intangible assets are intangible assets under development in accordance with IAS 38.119 (g), which are capitalised in accordance with the requirements of IAS 38. Initial recognition is carried out with the corresponding manufacturing costs. Subsequent valuation is always carried out as per the acquisition cost model. Capitalised development costs are depreciated on a straight-line basis from the time they are ready for use. A useful life of eight years is assumed for the completed development projects. In view of the corrections made in accordance with IAS 8 and the fact that the capitalisation of development costs is largely based on estimates and assumptions made by the legal representatives and is therefore subject to corresponding uncertainties, this aspect was very significant for our audit.
- ② As part of our audit, we assessed, among other things, the internal processes and controls for recording intangible assets and the methodological procedure for determining, accounting and valuing incurred development costs. We also conducted a sample assessment of the prerequisites for the possibility of capitalisation in individual projects based on the criteria specified under IAS 38.57. When doing so, we particularly took into account the assets that were reported with a correction according to IAS 8. We have assessed the amount of capitalised development costs and the recoverability of recognised intangible assets based on the evidence provided to us. In the process, we essentially looked at the itemisation of worked hours of internal employees, services obtained from third parties and expenses for the material used, and verified the correct determination of manufacturing costs. We assessed the retrospective adjustments made in accordance with IAS 8 and checked them for their compliance with accounting standards. In addition, we verified the recoverability of intangible assets based on internal forecasts about future usability, and assessed the appropriateness of the underlying estimates and assumptions.

Based on our audit activities, we have ascertained that the valuation parameters and valuation assumptions used by the legal representatives and the corrections made in accordance with IAS 8 are well-founded and adequately documented.

- ③ The information provided by the company against the balance sheet items "Intangible assets" is given in the sections "Accounting and valuation methods", (1) "Intangible assets" as well as "Error corrections" of the notes to the consolidated financial statement.

② Realisation and period allocation of sales revenues

- ① In the consolidated financial statement of Geratherm Medical AG, sales revenues in the amount of kEUR 19,851 are shown in the consolidated profit and loss statement. The company accounts for sales revenues from the sale of medical devices, in some cases also from consignment stores, from the provision

of analysis services and service obligations that fall within the scope of IFRS 15 and IFRS 16. The transfer of control to the customer is decisive for realising sales revenues from the sale of medical devices. The transfer of control is assessed using various indicators, which include the transfer of right to ownership and possession and the transfer of key opportunities and risks. In the case of commission agreements, the end customer gains control only when the medical devices are removed from the consignment store. With regard to revenue realisation in connection with commission agreements, a correction was made in accordance with IAS 8 in the reporting year. For the analysis services provided by the subsidiary apoplex medical technologies GmbH, sales revenues are realised in a periodrelated manner. Revenues attributable to the following year are deferred on a pro rata basis as at the balance sheet date taking into account additional utilisation. In this context too, a correction was made to the period-related revenue realisation in accordance with IAS 8 in the reporting year. In the case of sales revenues from service obligations that fall within the scope of IFRS 15 and IFRS 16, the transaction price is divided between the service obligations of finance leasing, analysis services and one-time installation services. Sales for the provided ECG devices including the related sales costs as well as sales from the installation services previously performed were recorded as at the balance sheet date. Furthermore, the analysis services were realised on a pro rata basis. In view of the complexity of the customer contracts, on which the realisation of sales revenues is based, and the corrections made in accordance with IAS 8, this item, which is of a significant amount, involves a particular risk.

Against this background, the relevant revenue recognition and revenue deferral are to be regarded as complex and are based in part on the assessments, assumptions and discretion of the legal representatives and were therefore very significant aspects for our audit.

- ② As part of our audit, we have, among other things, assessed the correct reporting of sales revenues from the sale of medical devices and the provision of analysis services (individually and in combination with other services) in the consolidated financial statement using the accounting and valuation principles applied by Geratherm Medical AG for the realisation of sales revenues against the background of the relevant IFRS, particularly IFRS 15. To do so, we first took an overview of all major contract types in the group and assessed the identification of key service obligations. Additionally, we assessed individual key transactions and performed detailed sample assessments of other transactions with regard to revenue realisation, and for that we reviewed individual customer contracts, tracked the identification of service obligations and assessed whether these services were provided over a specific period or at a specific time and which transaction prices were collected. In this context, we have also assessed the appropriateness and mathematical correctness as well as accounting of individual assumptions made by the legal representatives regarding the correct delimitation of period-related sales revenues and the determination of the transaction price to be allocated to individual service obligations for the service obligations that fall within the scope of IFRS 15 and IFRS 16. As part of our audit activities, we reviewed the corrections made by the company in accordance with IAS 8 and assessed them accordingly.

Based on our audit activities, we have ascertained that the assessments and assumptions made by the legal representatives for the realisation and period allocation of sales revenues as well as the corrections made in accordance with IAS 8 are well-founded and adequately documented.

- ③ The information provided by the company on revenue realisation is given in the sections “Accounting and valuation principles”, “(22) Sales revenues” as well as “Error corrections” of the notes to the consolidated financial statement.

Other information

The legal representatives are responsible for other information. Other information includes the group declaration on corporate governance pursuant to § 315d of the HGB.

Other information also includes the remaining parts of the annual report – without further cross-references to external information – barring the audited consolidated financial statement, the audited group management report and our audit certificate.

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

As far as our audit is concerned, it is our responsibility to read other information and to assess whether the other information

- is materially inconsistent with the consolidated financial statement, the group management report or our audit findings or
- otherwise appears to be materially misrepresented.

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 preparing the consolidated financial statement such that it complies, in all material respects, with the IFRS as applicable in the EU and with the additional provisions under the German law applicable pursuant to § 315e Para. 1 of the HGB, and for ensuring that the consolidated financial statement gives a true and fair view of the assets, financial and earnings position of the group taking these provisions into account. Moreover, the legal representatives are responsible for internal controls that they have determined as necessary to facilitate the preparation of a consolidated financial statement that is free from intentional or unintentional material misstatements.

When preparing the consolidated financial statement, the legal representatives are responsible for assessing the group's ability to continue its business activities. Furthermore, they are responsible for disclosing matters relating to the continuation of the company's business activities if relevant. They are responsible for drawing up the balance sheet for the continuation of business activities on the basis of the accounting principles, unless there is a chance of liquidation of the group or cessation of its business operations, or there is no realistic alternative for this.

The legal representatives are also responsible for preparing the group management report, which gives an overall accurate picture of the situation of the group and, in all material respects, conforms with the consolidated financial statement, corresponds to the provisions under the German law and correctly presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) that they have determined as necessary to facilitate the preparation of a group management report in accordance with the applicable provisions under the German law and to provide sufficient and appropriate evidence for the statements made in the group management report.

The Supervisory Board is responsible for monitoring the group's accounting process for preparing the consolidated financial statement and the group management report.

Annual auditor's responsibility when auditing the consolidated financial statement and the group management report

Our objective is to obtain sufficient assurance as to whether the consolidated financial statement as a whole is free from intentional or unintentional material misstatements and whether the group management report gives an overall accurate picture of the situation of the group and, in all material respects, conforms with the consolidated financial statement and is in line with our audit findings, corresponds to the provisions under the German

law and correctly presents the opportunities and risks of future development. Our objective is also to issue an audit certificate that contains our audit opinions on the consolidated financial statement and the group management report.

Reasonable assurance is a high degree of assurance but does not provide a guarantee that an audit conducted in accordance with § 317 of the HGB and the EU-APrVO, taking into consideration the annual audit principles applicable in Germany as defined by the Institut der Wirtschaftsprüfer (IDW), can always detect material misstatements. Misstatements may result from violations or inaccuracies and are considered material if it can be reasonably expected that they, either individually or collectively, influence the economic decisions of users taken on the basis of this consolidated financial statement and group management report.

During the audit, we exercise due discretion and maintain a critical attitude. In addition,

- we identify and assess the risks of intentional or unintentional material misstatements in the consolidated financial statement and in the group management report, plan and perform audit activities in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of material misstatements not being detected is greater in the case of violations than in the case of inaccuracies because violations may involve fraudulent interaction, counterfeiting, intended incompleteness, misleading representations or the overriding of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statement and of the precautions and measures relevant for the audit of the consolidated audit report, in order to plan audit activities that are appropriate under the given circumstances, but not with the aim of expressing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the justifiability of the estimated values and the related information presented by the legal representatives.
- we draw conclusions about the appropriateness of the accounting principles for the continuation of business activities applied by the legal representatives. On the basis of the obtained audit evidence, we also draw conclusions about whether there is material uncertainty in connection with events or circumstances that may give rise to significant doubts about the group's ability to continue its business activities. If we come to the conclusion that material uncertainty exists, we are obliged to draw attention to the related details in the consolidated financial statement and in the group management report in our audit certificate or, if these details are inappropriate, to modify our audit opinion. We draw our conclusions based on the audit evidence obtained till the date of our audit certificate. However, there may be events or circumstances in the future, due to which the group may no longer be able to continue its business activities.
- we assess the overall presentation, structure and content of the consolidated financial statement, including the details, as well as whether the consolidated financial statement presents the underlying business transactions and events in such a way that it gives a true and fair view of the assets, financial and earnings position of the group in accordance with the IFRS, as applicable in the EU, and the additional provisions under the German law applicable pursuant to § 315e Para. 1 of the HGB.
- we obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the group in order to give audit opinions on the consolidated financial statement and the group management report. We are responsible for providing guidance for, monitoring and conducting the audit of the consolidated financial statement. We are solely responsible for our audit opinions.
- we assess the consistency of the group management report with the consolidated financial statement, its legal compliance and the picture of the group's situation conveyed by it.
- we perform audit activities on the forward-looking statements presented in the group management report by the legal representatives. On the basis of sufficient and appropriate audit evidence, we particularly reconstruct the significant assumptions on which the legal representatives base their forward-looking statements, and assess the appropriate derivation of forward-looking statements from these assumptions. We do not provide an independent audit opinion on forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from forward-looking statements.

We discuss with the supervisors about the planned scope and scheduling of the audit and the significant audit findings, including any shortcomings in the internal control system identified during our audit.

We give a declaration to the supervisors that we have complied with the relevant independence requirements and will discuss with them about all relationships and other aspects that can reasonably be expected to affect our independence, and the about protective measures taken for this.

From the aspects discussed with the supervisors, we determine those, which were most significant during the audit of the consolidated financial statement for the current reporting period and which therefore constitute the very significant audit aspects. We describe these aspects in the audit certificate, unless laws or other legal provisions preclude their public disclosure.

OTHER LEGAL AND STATUTORY REQUIREMENTS

Remaining details in accordance with Article 10 of the EU-APrVO

We were elected as the group's annual auditor in the Annual General Meeting held on 14.06.2019. We were commissioned by the Supervisory Board on 07.09.2019. We have been the annual auditor for the group Geratherm Medical AG, Geratal every year since the financial year 2019.

We declare that the audit opinions contained in this audit certificate are consistent with the additional report submitted to the Audit Committee in accordance with Article 11 of the EU-APrVO (audit report).

AUDITOR IN CHARGE

The auditor in charge of the audit is Andreas Kremser

Erfurt, 24th April 2020

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Andreas Kremser
Auditor

ppa. Katharina Schubert
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Imprint

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Responsible

Dr. Gert Frank, Chief Executive Officer

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Corporate Calender 2020

	2020
Publication Annual Report 2019	29. April
Annual General Meeting in Frankfurt am Main	12. June
Interim Report 1st quarter	20. May
Interim Report 2nd quarter	20. August
Interim Report 3rd quarter	19. November

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