

Geratherm®



Investing in Health Care

Annual Report
2008

AT A GLANCE

Geratherm Medical

2008

2007

Change
over
2007

Turnover	10,079 kEUR	8,802 kEUR	14.5%
including export share	8,006 kEUR	7,082 kEUR	13.0%
Export rate	79 %	80 %	-1.3%
Gross result (EBITDA)	897 kEUR	931 kEUR	-3.7%
EBITDA - Margin	8.9 %	10.6 %	-16.0%
Depreciation	-303 kEUR	-314 kEUR	-3.5%
Operating result (EBIT)	594 kEUR	617 kEUR	-3.7%
Financial result	-3,499 kEUR	823 kEUR	>-100.0%
Result of ordinary activities	-2,905 kEUR	1,440 kEUR	>-100.0%
Shareholder result	-2,920 kEUR	1,393 kEUR	>-100.0%
At a glance			
Long-term assets	5,472 kEUR	5,154 kEUR	6.2%
Short-term assets	9,588 kEUR	13,012 kEUR	-26.3%
Balance sheet total	15,060 kEUR	18,166 kEUR	-17.1%
Equity capital	12,647 kEUR	16,378 kEUR	-22.8%
Equity return	-23.1 %	8.5 %	>-100.0%
Equity ratio	84.0 %	90.2 %	-6.9%
Cash and securities	4,365 kEUR	7,968 kEUR	-45.2%
Result per share pursuant to IFRS (EPS)*	-0.65 EUR	0.31 EUR	>-100.0%
Result per share pursuant to DVFA *	-0.65 EUR	0.31 EUR	>-100.0%
Suggested dividend per share	0.00 EUR	0.30 EUR	-100.0%
Staff Number (annual average) without boards	82	78	5.1%
No-par shares	4,500,000	4,500,000	
*relating to non-par shares in circulation	4,500,000	4,500,000	

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Business Year 2008

Turnover 10,1 Mio EUR +14,5 %

Operating profits (EBIT) +594 kEUR


Impairment on security holdings

Shareholding results -2,9 Mio EUR

Results per share -65 Cent (p.y.: +31 Cent)

Strong growth expected in 2009



A photograph of two surgeons in an operating room. The surgeon in the foreground is wearing a blue surgical cap, a blue face mask, and clear protective eyewear. He is looking directly at the camera. The surgeon in the background is also wearing a blue surgical cap and is looking towards the camera. They are both wearing blue surgical gowns. The background shows surgical lights and medical equipment.

„Geratherm Medical develops, produces and markets products in the areas of Cardio, Temperature Management and Respiratory“

Dr. Gert Frank - CEO

Supervisory Board's Annual Report



Rudolf Bröcker
Supervisory Board Chairman

The Supervisory Board of Geratherm Medical AG has monitored and advised the company's Managing Board throughout the 2008 fiscal year in accordance with the laws and the company's articles of association. The Managing Board informed the Supervisory Board regularly, promptly and comprehensively about all relevant issues regarding the company's performance by way of verbal presentations and written statements. That involved in particular the order, sales, profit and asset situation, the financial assets as well as the potential and risks of important development projects. The Supervisory Board convened in this regard four times during the 2008 fiscal year.

In addition to the periodic exchange of information between the Supervisory Board and the Managing board, the chairman of the Supervisory Board regularly discussed important issues with the Managing Board on the phone and during individual meetings.

The Managing Board fulfilled completely its duties to inform and report as specified by the Supervisory Board.

The Supervisory Board was not aware of any conflict of interests on part of its members during 2008 such that every member could participate in all discussions and decisions.

The issues discussed during the Supervisory Board meetings involved not only the business policies of the parent company but also issues of individual group member companies in Germany and in other countries.

The strategic focus of Geratherm Medical is supported by the Supervisory Board, especially the formation of the new business segments Cardio/Stroke and Respiratory, which are to help establish a basis for additional future growth.

Issues regarding the impact of the financial and economic crisis on Geratherm Medical were also especially addressed with respect to the financial situation, future financial structure and financial assets. The decision of the Managing Board to maintain its involvement with securities focusing on the MedTech/Biotech segment was supported by the Supervisory Board.

The annual financial statements of Geratherm Medical AG, the consolidated financial accounts and the annual report have been checked by the appointed auditor, KPMG AG Wirtschaftsprüfungsgesellschaft Leipzig, for the 2008 fiscal year and marked with their unqualified audit certificate. The documents of financial statements and the audit reports were sent to the members of the Supervisory Board immediately upon completion. The auditor participated in

Report of the Supervisory
Board

the Supervisory Board's discussions on the presentation of the financial statements, reported the significant results of the audit and was available for answering questions.

The Supervisory Board approved the results of the audits.

The Supervisory Board checked the annual financial statements and the annual report as well as the consolidated financial accounts and the group annual report and has raised no objections after the final result of the audit.

In its meeting of 13 March 2009, the Supervisory Board adopted the annual financial statement as of December 31, 2008 and the consolidated financial accounts in accordance with International Financial Reporting Standards (IFRS).

The Supervisory Board approved the results of the audits.

The Managing Board and the Supervisory Board propose to stay the dividend payout for the 2008 fiscal year.

KPMG AG Wirtschaftsprüfungsgesellschaft has audited the Managing Board's report on the relations to associated companies. They confirmed that according to its dutiful audit and assessment the data of this report are accurate and that the performance of the company was adequate. Following the final result of the audit, there are no objections to be raised against the Managing Board's report on the said relations. The Supervisory Board consents to the results of the audit.

We would like to express our gratitude to each and every employee, who have contributed to the success of Geratherm because your dedication, your expertise and your creativity.

Geschwenda, this 13th day of March 2009



Rudolf Bröcker
Chairman of the Supervisory Board

Dear Shareholders and Friends of Geratherm,



Dr. Gert Frank
Chairman of the Board

The 2008 business year was marked by a turbulent financial market. The 2008 stock market will be remembered as one of the worst in history. Stocks on the international stock markets fell by 40 to 60%. The last time such a drastic drop occurred was almost 100 years ago in 1917 and 1931. Consequences have included bank failures, forced mergers and ad hoc nationalization of financial institutions, a collapse of all classes of assets and an economic downturn that hardly anybody could foresee at such a speed and with such drastic impact. With stock market loss amounting up to 97% in individual local stock markets such as Iceland or in Eastern Europe, 2008 ranks among the worst years that investors could ever begin to imagine.

The turmoil on the financial markets has reached the real economy in the meantime and is causing a recession of economic activities that is without parallel. The industrial sector with long-term investment goods in particular has had to face a decline in sales of up to 40%.

The fundamental macroeconomic data for the coming year show no signs of improvement. 2009 is expected to be even worse than 2008 for the overall economy. The recession will not only continue but will also gain speed. The possibility that the downward movement is coming to a standstill is the best thing that could happen or as the American star economist Nouriel Roubini described in early January 2009: "Even if the best policies might have an effect next year, this year will be a lost year. And even 2010 will be difficult. There is still a lot of room to do things wrong".

The market for medical technology was characterized by a relatively defensive state within the global turmoil.

So far, Geratherm Medical has not felt any impact in terms of operations. The investments that we have made in new products over the past few years are gradually paying off. Our core business is profitable and the new product ranges have overcome the initial difficulties. And thus we are very confident that this trend will continue with more dynamics in 2009.

During the 2008 fiscal year, our sales enjoyed a double-digit increase and the operating results were maintained (or increased) in spite of significant preparatory effort required for intensified market cultivation and considerably higher prices for Gallium.

In 2008 we also managed to post sales figures for the first time with a plus of 14.5%, amounting to EUR 10.1 million. This is a positive development for Geratherm.

Report of the Managing
Board

We are one step closer to realizing our goal of broadening Geratherm Medical's position and advancing into the higher MedTech segment. In the *Medical Temperature Measuring System* segment we rank among the leading companies worldwide.

“In the Medical Temperature Measuring System segment we rank among the leading companies worldwide“

Our investments in product developments for *stroke prophylaxis*, which form the focus of our subsidiary apoplex medical technologies, are increasingly encountering a widening market. Atrial fibrillation diagnosis will develop in the future into a very attractive niche market within the MedTech segment, with annual growth rates between 20 and 30%. In the MedTech segment, apoplex has specialized in new and innovative technological products for preventing strokes. To this end, apoplex has developed and successfully launched a system for identifying atrial fibrillation with the aim to prevent strokes. apoplex possesses extensive know-how in this segment for such medical applications.

Geratherm's newly developed products for *measuring pulmonary function* was launched on the market, and enjoyed a positive response from our customers. The developed multifunctional diagnostic platform Blue Cherry represents a new generation of software for diagnosing pulmonary function. This platform facilitates communications via a wide variety of network systems and uses a modern SQL database for storing measurements that were taken. The diagnostic platform is able to accommodate various high-precision spirometers and auxiliary modules that were developed by Geratherm and are sold primarily to doctor's offices, clinics and hospitals.

Although the three segments *Temperature Management*, *Atrial Fibrillation Diagnosis* and *Respiratory* operate for the most part independent of each other, their overall objective is to broaden Geratherm Medical's position on the market, while leveraging resources and synergy effects.

The products offered by Geratherm are aimed to address international niche markets. The majority of the products offered are based on basic innovations that are protected by patents. All products are offered internationally. The export share of our products exceeds 79%.

We are confident that we have established a good basis for a successful and dynamic development of Geratherm Medical over the past few years. 2009 should at least fall in line with last year's sales dynamic.

2008 was a satisfactory year in terms of operating results. Nonetheless, the trend on the financial markets has caused us some concern. Our decision to hold the securities led to a drop in the values of the held securities of MedTech and pharmaceutical companies in line with the international market trend.

We have not noticed any book-loss thus far, since we are convinced about the medium-term positive development of the securities held. Nevertheless, due to the stricter requirements of the impairment tests, we have been forced to reassign individual positions that were previously reported in the so-called market reserve to the profit and loss statement.

“2009 should at least fall in line with last year’s sales dynamic“

In light of the ongoing market turmoil we have allowed for a depreciation of shares in the amount of EUR 4.0 million or 89 cents per share, affecting the profit/loss statement. The balance from realized profits and depreciation of unrealised book-loss amounts in total to EUR –3.5 million. Should the financial markets recover, the sales of the securities held will lead to a corresponding reporting of profit. Adapting the value according to our opinion temporarily will lead to a nonrecurring reporting of a loss (results of the shareholders) of EUR 2.9 million or 65 cents per share.

Report of the Managing
Board

In spite of this reporting of loss, Geratherm still has a solid financial position. Financial independence allows Geratherm to finance its business activities independent of any banks.

We would like to thank our shareholders, customers and employees for the trust they have in us and their commitment to Geratherm.

Yours faithfully



Dr. Gert Frank

Geratherm[®] *classic*

The roots of Geratherm Medical go back to a fundamental discovery of a replacement substance for mercury consisting of gallium, indium and tin, which we were the first to use in analogue glass clinical thermometers.

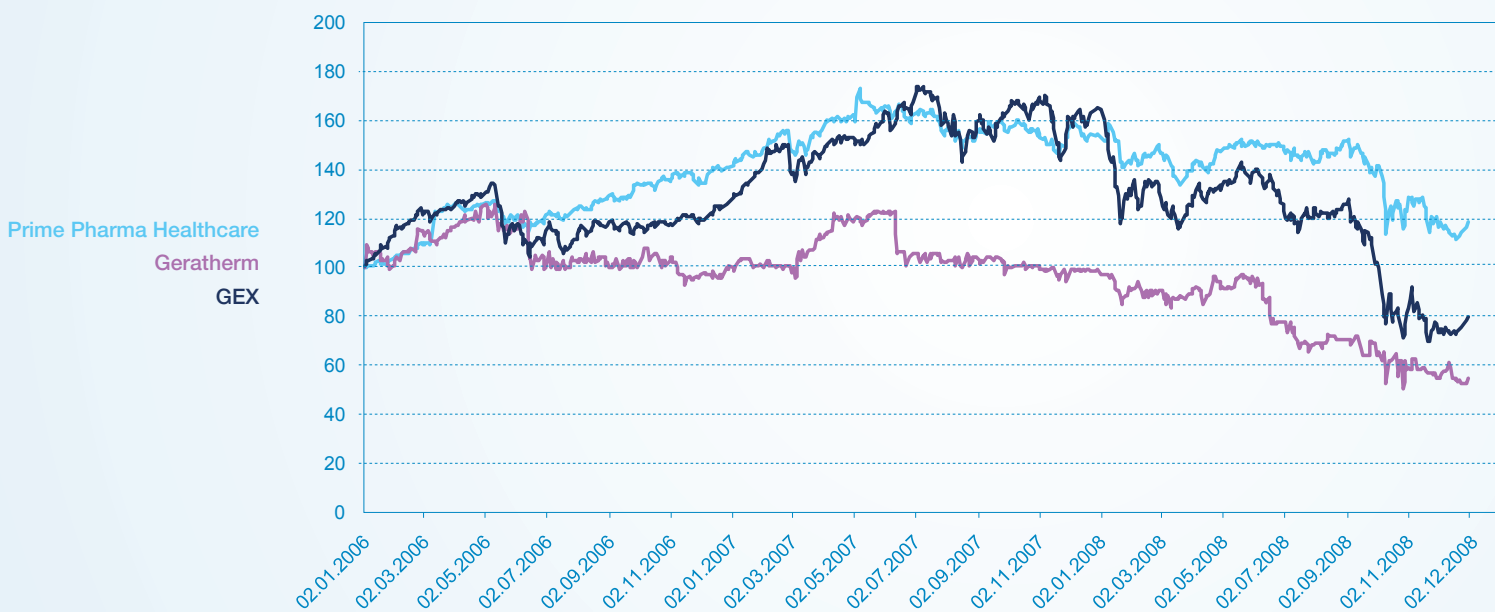
These new kinds of environmentally-friendly products from Geratherm are now offered for sale at almost every druggist or pharmacy around the world. As a result, Geratherm is making a significant contribution to help reduce the use of mercury around the globe.



The Geratherm Share

2008 turned out to be a catastrophic year for stock markets and investments. In the 120 years of its existence, the US stock market has experienced such major losses as those in 2008 only twice before – 1917 and 1931. Stocks on the international stock markets fell between 40 and 60%. The Euro Stoxx 50 Index dropped 43.9% in one year. The world index (Morgan Stanley) nose-dived with 43.3%. The development of the German stock market (DAX) was in unison with the world index, thus also closing with a minus of 40.4%. In 2008 the healthcare sector lost less only relatively speaking. Losses experienced in healthcare shares of -36.6% (SXI Biotech and Medtech Index) or -30.2% (SXI Life Science Index) are anything but financial assets.

The shares of Geratherm Medical AG were not able to escape the global trend and thus ended the year with a negative development as well. Since the beginning of 2008 the share price of EUR 5.60 fell to EUR 3.10 by the end of the year, closing with a minus of 45%.



The trade volume of Geratherm shares on the German stock exchanges amounted to 590,800 shares. The majority of the transactions were conducted through the electronic platform XETRA (372,362) of the German Stock Exchange. The average daily sales volume stood at 2,326 shares. The highest daily sales volume was reported at 19,844 shares.

Geratherm shares were listed for official trading on the Frankfurt Stock Exchange for the first time in 2000. The shares of the com-

pany are listed in the so-called Prime Standard, the highest quality segment. Moreover, Geratherm Medical AG is also listed in the so-called German Entrepreneurial Index (GEX Index). The above diagram shows how Geratherm shares have developed over the last three years in comparison to the GEX and Prime & Health Care Index. The company possesses a stable shareholder structure of approx. 1,900 shareholders. The free float of the company amounts to 39.29%. Altogether 4.5 million shares are in circulation.

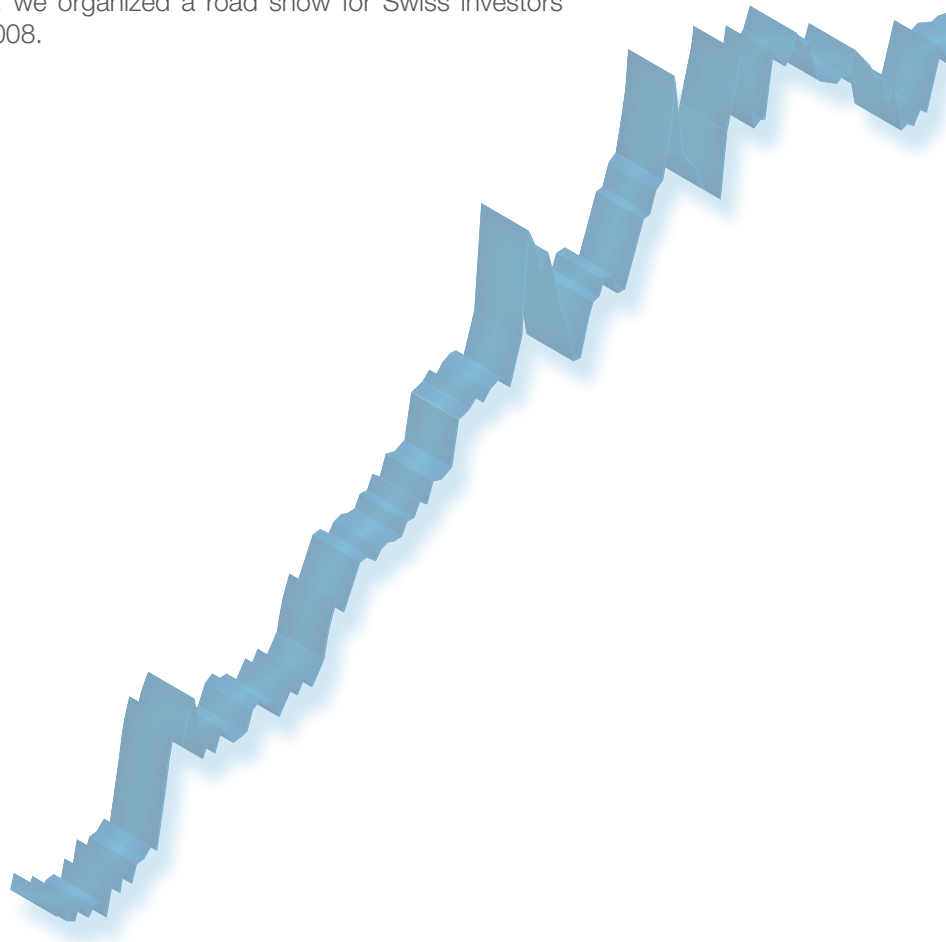
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“The shares of the company are listed in the so-called Prime Standard, the highest quality segment“

Geratherm Medical strives to ensure the most open and transparent financial reporting possible. That also relates to the product range, our customers and markets, which form the foundation for our business activities. We focus on maintaining a sound and continuous development of Geratherm Medical.

As part of our investor relations activities, we provide shareholders and anyone else interested in Geratherm with up-to-date topical information. All reports and publications are available in the “Investor Relations” section of our corporate website (www.geratherm.com).

Within the framework of our investor relations activities, we participated in the MedTech Day in Frankfurt in April of 2008. All major German medical technology companies that are listed on the stock market presented themselves to international investors. In addition to that, we organized a road show for Swiss investors during July of 2008.



Operative Product Areas

CARDIO/STROKE

Screening for cardiac
arrhythmia



TEMPERATURMANAGEMENT

Measurement and maintenance
of body temperature



RESPIRATORY

Pulmonary function diagnostics



Operative Product Areas

Geratherm Medical enjoys a sound core business. The main products for measuring body temperature and blood pressure are sold exclusively to pharmacies and hospitals in more than 58 countries. With average growth rates, this core business will very likely make a strong contribution to the success of the company in the years to come. The public discussion regarding an expansion of the EU's mercury ban should bring out positive effects of the business model of Geratherm.

With regard to our sound core business, we have decided to push forward in two new business areas Cardio/Stroke/early warning system and pulmonary function monitoring, which we believe will enable us to serve challenging markets and provide corporate growth with adequate margins in the medium term.

Cardio/Stroke



The Cardio/Stroke product area forms the focus of our subsidiary apoplex medical technologies GmbH, Pirmasens. Geratherm holds a 60% participating interest in the company. The other 40% are held by the management of apoplex. All shareholders have supported the formation and development of apoplex financially in 2008.

In the field of medical technology, apoplex specializes in new and innovative technological products for preventing strokes with global application. In this case, apoplex has developed a stroke early warning system that has been successfully launched on the market. When it comes to medical applications, apoplex possesses extensive expertise and know-how.

The patient solution offered by apoplex is a screening method for detecting atrial fibrillation. This preventative analysis serves the early detection of atrial fibrillation in patients who display a corresponding disposition due to their age and individual risk factors. The objective is to prevent stroke. Atrial fibrillation represents the most frequent cardiac arrhythmia and has been observed in approx. 0.4 to 2% of the general population. On the average, 6% of the patients with atrial fibrillation have a stroke. 15 to 20% of all strokes occur during atrial fibrillation.

The screening process developed by apoplex should identify patients at risk with atrial fibrillation and thus enable a corresponding treatment. Prevention should reduce the risk of a patient having a stroke by up to 30%. An early detection and treatment of atrial fibrillation should prevent vascular dementia and the associated subsequent costs.

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The field of atrial fibrillation treatment is regarded as one of the strongest growing sub-segments within cardiology in the future.

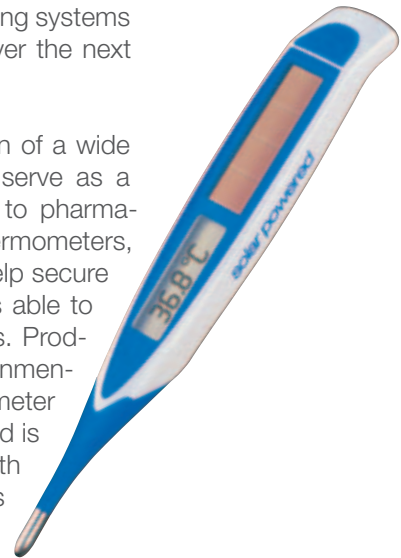


Temperatur-Management

Geratherm Medical possesses many years of experience in the area of *body temperature measurement for medical application*.

A wide variety of products are offered for individual measurement and continuous body temperature measurement through to complex management of active warming systems for operating theaters. These capable warming systems are marketed under the „UniqueTemp“ name. Geratherm UniqueTemp Warming Systems guarantee a fully automatically controlled hypothermia prevention in a broad spectrum of applications for different areas. The microchip technology combined with extra-fine conductive fabric allows for completely new characteristics for warming patients in everyday hospital situations. Geratherm UniqueTemp product is designed to be used wherever there is a need for maintaining the body temperature at a certain life-sustaining level. The warming systems represent a niche market of an international nature. Geratherm UniqueTemp possesses the technological foundation with unique features and a brand with a high degree of familiarity in the area of temperature management. The new generation of digital warming systems should be extended gradually with other products over the next few years.

Geratherm is especially well-known for the production of a wide variety of *clinical thermometers*, which continue to serve as a strong pillar of the company and are primarily sold to pharmacies and hospitals worldwide. In the area of clinical thermometers, Geratherm possesses competitive advantages that help secure its good market position. In 2008, the company was able to increase its sales volume to 3.7 million thermometers. Product development attaches great importance to environmental compatibility. Our classic, a mercury-free thermometer that is filled with gallium, is our best-selling product and is available in almost all drugstore chains in the US. With our solar clinical thermometer, we offer our customers an environmentally friendly product without any hazardous batteries.



“With our solar clinical thermometer, we offer our customers an environmentally friendly product without any hazardous batteries“

The increasing awareness of consumers with regard to ecologically safe products should provide Geratherm with good market prospects in the years to come.

To supplement our clinical thermometers, Geratherm also markets *blood pressure monitors* using the same distribution channels. The product group continues to grow and now accounts for 20.7% of Geratherm's sales. As part of our niche strategy, we strive to provide blood pressure monitors that satisfy the demanding requirements of pharmacies. Geratherm offers products for measuring blood pressure on the upper arm or wrist with an integrated sensor to detect irregular heartbeat.

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Respiratory

Geratherm Respiratory develops, produces and markets products for the diagnosis of *pulmonary function diseases*. Since its formation, Respiratory develops highly innovative products for a wide variety of applications to monitor vital data regarding lung function and ergonomics.

The activities of this product segment are concentrated in our subsidiary Geratherm Respiratory GmbH, Bad Kissingen. Geratherm Medical holds 55% of the company's shares. The other shares are held by the management of Geratherm Respiratory. All shareholders have supported the formation and development of apoplex financially in 2008.

The function of the lungs and respiratory system are evaluated using different flow measurements in the pulmonary function test (spirometry).

Spirostik, Geratherm Respiratory's newly developed product, is a PC-connected open spirometry system that is used by general practitioners, internal specialists, lung specialists and occupational health practitioners for pulmonary function diagnostics. The product is supported by the diagnostic software „Blue Cherry“, which combines different applications on a common diagnostic platform.

Products in the field of cardiopulmonary function diagnostics and performance diagnostics are currently in the commercial launch phase. The range of applications should be extended in the future to include cardiovascular applications.

Besides spirometers, filters are also being offered which represent a highly efficient protection against bacteria and viruses and may be used in almost all commercially available pulmonary function test devices of various manufacturers.





Geratherm warming systems fully automatically guarantee hypothermia prevention by using the latest, most powerful medical engineering tools.

Microchip technology used in conjunction with the finest, conductible fabrics provides ideal and direct warming facilities and very quick warm-up times and even heat distribution; and the products are ideally suited to provide what is needed in a patient warming system for the operating room.

Investment in Healthcare

As in previous years, we decided to invest part of our free liquid resources in securities of the healthcare segment based on medium and long-term goals.

Investments were made particularly in companies that are active in the early diagnosis of cancer, cancer treatment, vaccines and age-related diseases (CNS). Due to the demographic development with an ageing population, the number of cancer cases and age-related diseases is expected to grow over the next few years. For the cited areas there is an unchanged, high medical demand for early diagnosis methods and targeted, effective drugs that are tolerable at the same time. As part of preventative treatment, vaccines are becoming more and more important in the fight against cancer.

Investments



Since our investment strategy is based on medium and long-term objectives, there have not been any major changes in the portfolio selected by us. Due to the fact that the financial crisis has developed a dynamic that can no longer be predicted in terms of consequences, we have sold our positions in both companies OSI Pharmaceuticals and Onyx Pharmaceuticals with profit in favor of our liquidity at the end of 2008.

As at the end of 2008 we held on to our substantial positions in Sanofi Aventis, Agfa Gevaert, Epigenomics, Eckert und Ziegler, Adolor, Evotec and Novavax.

Even the security investments held by Geratherm Medical could not escape the turmoil on the financial markets in 2008. That's why we have implemented value diminution expenses with regard to securities as calculated within the framework of impairment tests due to a significant (-20%) or long-lasting (6 months) decrease in share prices. As a result, the entire investment portfolio was adjusted to the market value as at December 31, 2008 with the exception of smaller positions, which we have sold with profit at the beginning of 2009.

The balance between realized gains and expensed value diminutions led to a reported loss in financial results amounting to EUR 3.5 million. The implemented devaluations are unrealized book losses in shareholdings that were necessary within the framework of an impairment tests. Should the capital market start to recover again, the devalued securities will result in a corresponding report of gains in case of sales.

Should the capital market start to recover again and the devalued securities be sold, this will result in a future report of gains.

Geratherm endeavors to follow long-term trends in the medical and pharmaceutical segments when making investment decisions.

“Geratherm endeavors to follow long-term trends in the medical and pharmaceutical segments when making investment decisions“

We are aware of the risks that are associated with considerable value fluctuations. We are, however, convinced that we are able to achieve yields that are attractive for Geratherm and our shareholders over the medium term.

Group Management Report for 2008 Fiscal Year

1. General Course of Business

The Geratherm Medical Group with its Temperature Management, Cardio/Stroke and Respiratory business areas managed to register a considerable corporate growth for almost all product areas in 2008. The core business proceeded strongly and the new business areas were able to contribute considerable impetus towards expansion for the first time. The operating results were slightly lower than the level attained last year. With an export share of more than 79% the company focuses to a great extent on international markets.

“The Geratherm Medical Group with its Temperature Management, Cardio/Stroke and Respiratory business areas managed to register a considerable corporate growth for almost all product areas in 2008“

The general economic setting has increasingly become troubled as a result of the crisis on the international financial markets in 2008. The global economic recession has accelerated during the fourth quarter. Prompted by the real estate market in the US, the crisis has overwhelmed the international financial markets, damaging practically every type of asset in equal measure. The ensuing anxieties about an economic slowdown and a never-ending flow of negative news, especially from the financial sector, and the resulting consequences for the real economy led to a significant price loss on the international stock markets during the last six months of 2008.

In contrast to previous downturns, all economies were affected simultaneously this time. Hardly any sales market for exports is protected from the global turmoil. The synchronous downturn has resulted in cancellations of individual orders adding up and quickly affected other segments and processing stages in the closely cross-linked international value creation chain. The assumption that business fluctuations would vanish thanks to globalization has not been confirmed. It seems that the impact of recession is even greater due to the synchronous downswing and follows a dynamic that is perceived as „unheard of“.

The economic performance, i.e., the gross national product, the value of all goods and services produced, fell by an average 1.5% in Europe from October to December 2008.

During 2008 the German economy increased by 1.3%, but thanks

only to 2008's strong first quarter. The German economy shrivelled slightly during the second and third quarters of 2008. The gross domestic product (GDP) reduced significantly, by approx. 2.1%, during the fourth quarter compared to the EU zone. As a result, economic performance declined during three quarters with an intensity and dynamics that was not foreseen. Such a drastic slump in economic activities occurred twenty-two years ago, overshadowing the prospects for 2009. For Germany a decline in economic performance of up to 4% is forecasted. The downturn in global trade will continue to weigh heavily on exports during 2009 and 2010. As an economy that attaches great importance on exports, this will affect Germany in particular.

The market environment for medical products remains good, however. So far medical products have proven to be resistant to crisis owing to the high value added and specialization as well as a low price elasticity of demand. The market for healthcare services will continue to grow strongly in the coming years and thus ensure increasing sales among suppliers of medical products. The trend

“The market environment for medical products remains good“

is still uninterrupted: increasing life expectancy, along with higher standards with regard to personal health and the need for developing countries to improve the level of healthcare.

The US market continues to be the most important market for medical technology. Significant losses were incurred by suppliers of medical technology on the US market in 2008, owing to the prevailing reservation in hospitals to make investments and the generally restrictive treatment of the health budget. And it is possible to assume that the decline in sales will not change in 2009 essentially. On the other hand, the economic stimulus plan of the new US government provides some hope. According to the newly elected president, the new economic stimulus plan should focus on improving the performance of the medical sector and especially the IT sector. For suppliers of medical technology that is good news.

The medical technology market in Germany is stable with a slight downward trend. The cost pressure in the health sector continues to prevail especially in Germany. The tightening of budgets, together with complex and slow decision-making structures, makes it increasingly difficult for small to medium-size medical technology suppliers to market their innovative products. That's why marketing in foreign countries is a mainstay for Germany's medical technology sector, which is dominated by small to medium-size enterprises.

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2. The Economic Situation of Geratherm Medical

2.1. General Overview

Geratherm Medical managed essentially to fulfill its objectives for the 2008 fiscal year. Sales experienced a considerable double-digit increase of 14.5%. Thus, the company is on a promising course for growth, which is expected to continue during the coming fiscal year. Business in South America developed positively. Even sales on the German market registered an above-average growth of +20.5 %.

The gross profit increased slightly above average by 17.5% to EUR 6.1 million in comparison to the sales growth.

With a 3.7% decrease, the consolidated operating result (EBIT) remained slightly below the previous year's level. The subsidiary Geratherm do Brasil was able to report a positive result for the business year again like last year.

So far we have not managed to fulfill our primary objective of attaining a noticeably lower loss for the new business areas Cardio and Respiratory. The development of the Cardio/Stroke und Respiratory areas continues to have an adverse impact on the consolidated profits. Personnel expenses, which were in particular offset by lower sales figures, and other operating expenses, which were strained by an increase in costs for approval and market launch, have an overall adverse impact.

The current expenditure and thus the loss registered for the Cardio/Stroke business area increased slightly by 3.1% to -300 kEUR compared to the previous year. The subsidiary apoplex medical technologies GmbH, in which the Cardio/Stroke activities are concentrated, posed once again an above-average strain on the operating results of Geratherm Medical.

In contrast to our planning, we once again registered start-up losses in the amount of -57 kEUR in the Respiratory business area, the activities of which are concentrated in Geratherm Respiratory. Although we did not achieve the original plan estimates, we do expect a considerable improvement in the economic performance of both apoplex and Geratherm Respiratory in 2009. Our plans for 2009 anticipate considerable increases in sales for both areas and an almost break-even result.

In spite of registering good financial results over the past few years, we were not able to escape the turmoil on the financial market in 2008. We agreed to stay with our investment strategy of concen-

trating on international healthcare securities that are listed on the stock exchange. Only an insignificant amount of sales were made, since we view our investments as long-term commitments. Unfortunately, healthcare stocks were not able to escape the global collapse of the market capitalization. During the course of the year we had to accept unpleasant book losses in securities. In light of the increase in our liquidity we sold both OSI Pharmaceuticals Inc. and Onyx Pharmaceuticals Inc. at the end of the third and fourth quarter of 2008 respectively with a good gain of 490 kEUR.

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In accordance with IFRS regulations, book losses and gains have been reported as equity capital in the so-called market valuation reserve with no effect on the bottom line. Given the persistent turmoil on the market, we have decided to utilize the decrease in the value of shareholdings, which have fallen significantly with effect on the bottom line and which are constantly subject to a decrease in value in this regard. The expenditure for this value decrease represents book losses in shareholdings which have not yet been realized actually and were necessary within the framework of an impairment test. Should the capital market start to recover again, the devalued securities will result in a corresponding report of gains in case of sales.

The balance from realized gains, depreciations and unrealized book losses from the financial segment amounts altogether to EUR 3.5 million for 2008. Together with the profit contribution from the operating results, a loss allotted to the shareholders of the parent company was reported in the amount of 2.9 million or 65 cents per share.

The core business of Geratherm Medical up till now has been the manufacturing and marketing of products in the field of medical Temperature Management. This business area encompasses a wide range of various types of clinical thermometers. The products are sold exclusively through pharmacies and hospitals. The Temperature Management business areas make up the main part of the group's sales, amounting to 60.3%.

Sales revenues based on product groups	2008 kEUR	2007 kEUR	Change
Thermometers	6,078	5,542	+9.7%
Warming systems	408	499	-18.2%
Blood pressure monitors	2,090	1,830	+14.2%
Other products	1,503	931	+61.4%
Total	10,079	8,802	+14.5%

Geratherm has a good competitive position in the [Thermometer](#) business area. Here we concentrate on this higher-quality segment and market these products internationally to pharmacies and hospitals. Geratherm products have been able to increase their market share over the past few years. On the whole, the sales volume of clinical thermometers experienced once again a double-digit increase, totalling 3.7 million units in 2008.

The sales of clinical thermometers could be increased by 9.7% to 6,078 kEUR during the course of the 2008 fiscal year. The market is splitting more and more into simple clinical thermometers as commodity and higher-quality multifunctional products. We will concentrate more and more on the higher-quality segment in the future. When it comes to clinical thermometers, Geratherm offers one of the broadest ranges of products. The classical clinical thermometer is gaining significance, since it continues to enjoy a high degree of acceptance worldwide and the poisonous mercury in classical thermometers is being replaced more and more by an environmentally friendly gallium alloy. Geratherm has a leading position when it comes to the production of this new clinical thermometer with gallium filling. Thanks to the EU's mercury ban, which will take effect on April 3, 2009, Geratherm will be able to expand its position even more.

During the course of the 2008 fiscal year, we continued to concentrate on marketing the new [Warming Systems](#) product group and the development of the new UniqueTemp patient warming systems. The UniqueTemp product is an active digital warming system for maintaining the body temperature during operations and in rescue situations. This product is designed to prevent hypothermia using state-of-the-art medical technology. Microchip technology combined with extra-fine fabric allows for a continuous, optimal and direct heat supply in the operating room with the shortest heat-up time.

The production of the product was postponed compared to our original plans. We anticipate that the marketing will take place during the second quarter of 2009 and are expecting considerable impetus for the growth of this area. In 2008 the Warming Systems area has caused a loss of 152 kEUR with a sales of 408 kEUR.

The digital **Blood Pressure Monitor** product group was able to conclude 2008 with a double-digit growth. All in all, the sales with blood pressure monitors increased by 14.2 % and thus represents 20.7% of the overall sales of Geratherm Medical. The offered blood pressure monitors are used primarily for professional applications and are sold mainly to pharmacies and hospitals. The main sales market for products of this type included Europe, (22.9 %), the flourishing markets of South America (55.1%) and the Middle East (11.4%).

The **Other Products** business area has had an above-average growth of 61.4%. The impetus toward expansion came from the Respiratory and Cardio/Stroke business areas, among others, with a sales of 461 kEUR in 2008.

The sales structure of Geratherm products in the individual countries is basically the same. Altogether products amounting to EUR 10.1 million are sold in more than 58 countries.

Sales revenues based on regions	2008 kEUR	2007 kEUR	Change
Germany	2,073	1,720	+20.5%
Europe	4,114	3,855	+6.7%
USA	1,270	1,185	+7.2%
South America	1,831	1,263	+45.0%
Middle East	393	387	+1.6%
Other	398	392	+1.5%
Total	10,079	8,802	+14.5%

Geratherm Medical's export activities were the mainstay of the company for 2008. Internationally Geratherm was able to generate a sales of EUR 8.0 million. Exports represented a share of 79%, which was almost the same level as last year. We view the high and steady export share as a sign for the continued competitiveness of Geratherm's products on the international market.

Accounting for EUR 2.1 million, sales in Germany were considerably higher in 2008 than during the previous year (+20.5%). This

growth can be attributed to the core business as well as the domestic sales of Respiratory and apoplex. All in all the domestic market makes up 20.6% of the total sales registered by Geratherm. The market situation in Germany is still characterized by intense competition.

Sales in [Europe](#) posted a growth of 6.7%. Within the European Economic Area, Italy, France, Spain, Switzerland, Poland and Finland represented the largest sales markets for Geratherm products. The European Market accounts for EUR 4.1 million which corresponds to 40.8% of the total sales of Geratherm Medical.

The distribution of sales for the individual international regions is almost the same as last year. Sales on the important US market enjoyed an above-average growth of 7.2%. The share of the US market in Geratherm's total sales in 2008 was 12.6%. On the [US market](#) our gallium thermometers are sold almost exclusively through US drugstore chains. The sales in [Asia](#) and in the [Middle East](#) remained at the same level as last year with a 1.6% growth. A considerable sales boost was posted on the [South American](#) market. Here sales increased to over EUR 1.8 million, corresponding to a 45% growth.

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The activities of Geratherm Medical in so-called newly industrializing countries continues to gain importance.

The distribution of sales based on countries will have a similar distribution in 2009 as during the 2008 fiscal year. We anticipate that the new product areas Warming Systems, Respiratory and Cardio/Stroke will be a greater impetus for business during the coming fiscal year. **Moreover, the implementation of the EU's ban on mercury, which takes effect on April 3, 2009, should pose a growth factor for Geratherm Medical.** It may be assumed that the EU-wide ban could eventually affect other markets such as Russia, Japan or South America.

2.2. Earnings Situation

The earnings situation of Geratherm Medical's core business has developed positively. All in all, Geratherm has reported 17.5% improvement in gross profits with a 14.5% sales increase.

The gross margin represents 60.5% of sales. Overall, Geratherm Medical recorded a slightly lower operating results of 594 kEUR (-3.7%) compared with the previous year. The start-up losses of the Warming Systems, Respiratory and apoplex business areas

had an unfavorable effect. **The cost basis was adversely influenced by higher start-up costs for new developments in the form of personnel and other expenses.**

The financial results, the balance from realized gains and depreciations based on implemented impairments regarding securities (unrealized book losses) led to an exceptional burden of -3,499 KEUR in 2008. That resulted in reported consolidated profits, i.e. results for the shareholders of the parent company in the amount of -2,920 KEUR. The result was a negative operating profit for the 2008 fiscal year of -65 cents per share.

The consolidated operating result before interest, taxes, depreciation and amortization (EBITDA) for Geratherm Medical decreased slightly by 3.7% to 897 KEUR (2007: 931 KEUR). The EBITDA margin in relation to the higher sales level was reduced to 8.9% (2007: 10.6%). The lower figures such as EBIT or EBITDA only reflect the earning potential of the core business to a limited extent, since they encompass the expenses for setting up the new business areas. In our opinion, the investments made in future med-tech markets are of great importance for Geratherm Medical's development over the medium term. This platform strategy for the Cardio/Stroke, Temperature Management and Respiratory areas will allow for a broader product base and thus reduce the ensuing risk associated with depending on one main product (gallium thermometers).

The operating result for 2008 was negatively influenced by the losses from exchange rate differences (-145 KEUR) and the consolidated start-up losses of the subsidiary apoplex medical technologies, in which the Cardio/Stroke business activities are concentrated. Our forecasts for the financial development of the company have not been attained such that it was necessary to report a loss that was almost on the same level as last year. The company's loss amounted altogether to 301 KEUR (2007: 292 KEUR). The new company, Geratherm Respiratory, which was established in 2007, was not able to achieve the envisaged development in 2008. Although the company managed to increase its sales significantly, it was not able to avoid posting a loss in the amount of 55 KEUR. The losses incurred by the Warming Systems product group could not be reduced in 2008. That even led to a considerable increase in losses, totalling 152 KEUR. Appropriation of results from our Brazilian subsidiary in the amount of 54 KEUR did have a favorable effect.

Without the start-up losses of the new business areas and without the profit contribution of the Brazilian subsidiary the operating result (EBIT) amounted to 1,048 KEUR (2007: 917 KEUR). The resulting EBIT margin was 10.4% (2007: 10.4%).

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Due to the increase in the share of higher-quality products, the total material costs amounting to 4,250 kEUR (+1.8%) was significantly lower than the sales growth of +14.5%. This positive development resulted in a gross profit that 17.5% higher. Personnel costs amounted to 2,557 kEUR (+13.3 %) and thus were almost in line with the sales growth. The personnel costs, which are still too high, can be attributed to the appointment of employees in the new business areas, which up to now have only generated little sales.

Amortization of intangible assets and depreciation of property, plant and equipment were reduced slightly to 303 kEUR (2007: 314 kEUR). The other operating expenses rose sharply by 32.0% to 2,640 kEUR (2007: 2,000 kEUR). The significantly higher additional expenses in the amount of 640 kEUR may be attributed primarily to external services and approval costs incurred by Respiratory in the amount of 192 kEUR. Moreover, there were additional burdens from the increased patent fees +33 kEUR, higher sales-related costs +190 kEUR and greater additional burdens due to exchange rate differences in the amount of +201 kEUR.

In 2008 we were not able to tap the positive contributions from the financial results. Due to the increasing turmoil on the financial markets, we decided to sell the securities that were still within the positive range, and write off unrealized book losses from securities which were listed considerably below our cost value as per December 31, 2008 within the framework of an impairment. That has resulted in a negative profit statement of the financial results in the amount of -3,499 kEUR (2007: +823 kEUR).

As of December 31, 2008 the financial resources (cash, cash equivalents and securities) of Geratherm Medical amounted to 4,365 kEUR. The majority of that was invested in securities in the health-care sector, as in past years. The proportion invested in shares was 68.5%. The non-invested portion of the liquid funds earns interest on a daily basis. The funds invested in shares were not able for the first time since 2004 to make any additional contribution to the results of 2008. Instead they weighed heavily on the consolidated profits. Assuming that the capital market will recover, there is a realistic chance that the implemented devaluations (book losses) may be caught up again. In the event that the securities are sold, this could result in a significant profit report in the income statement, since regulations do not allow for reversing write-downs of securities devalued within the framework of an impairment.

Security investments yielded earnings from the dividend payments in 2008 in the amount of 48 kEUR (2007: 21 kEUR). Interests and

similar earnings from fixed-term deposit investments amounted to 33 kEUR (2007: 94 kEUR). The reason for the interests paid in the amount of 35 kEUR (2007: 11 kEUR) was the granting of a short-term bank loan to Geratherm do Brasil Ltda., the Respiratory and an interim dollar credit to Geratherm Medical. Along with the negative financial earnings, Geratherm showed negative results from ordinary business activities in 2008 in the amount of -2,905 kEUR (2007: +1,440 kEUR). The reported tax expenditure in the amount of 117 kEUR (2007: 145 kEUR) refers exclusively to the changes in deferred taxes and the tax payment made by Geratherm do Brasil in the amount of 20 kEUR.

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Geratherm Medical's consolidated net loss for 2008 amounts to -3,022 kEUR. The losses incurred by apoplex medical technologies are taken into account only to the extent of our participating interest in the amount of 60%. The same applies to the losses of Geratherm Respiratory GmbH, in which Geratherm AG has a 55% participating interest, and the profits of Geratherm do Brasil, in which Geratherm AG has a 51% participating interest. Full consolidation produced a result in the amount of -102 kEUR (2007: -97 kEUR) which is apportionable to other shareholders.

For the 2008 fiscal year, Geratherm Medical report a negativ shareholder value for the parent company in the amount of -2,920 kEUR (2007: 1,393 kEUR). That corresponds to a net loss of 0.65 EUR per share (2007: +0.31 EUR).

As a result, 2008 was not able to tap the positive business development reported in past years. Due to the fact that we have, in the past, aligned our dividend policies very closely to the yielded annual net profit, we would like to propose to suspend the dividend payout for the 2008 fiscal year in order to bolster the company.

The Executive Committee and Supervisory Board of Geratherm Medical AG recommend that the general meeting approves the suspension of the dividend payout. We are proceeding on the as-

sumption that the dividend payments will resume in 2009.

2.3. Assets Situation

Geratherm Medical possesses a sound assets situation even after the loss report for the 2008 fiscal year. The financial resources provided by shareholders of Geratherm Medical enable the company to operate without any external funding.

The balance sheet total as of December 31, 2008 was EUR 15.1 million, which was 17.1% lower than on the reporting date of the previous year.

At the end of the 2008 fiscal year, equity capital amounting to EUR 12.6 million (2007: EUR 16.4 million) was registered. The lower amount of equity capital is due to the effects of the valuation of securities and the dividend distribution during 2008. The company's equity capital accounts for 84.0% of the balance sheet total assets or EUR 2.81 per share. Thus, a very large portion of the balance sheet total of EUR 15.1 million is made up of equity capital. The capital base allows the company to pursue medium to long-term product development programs. Launching new products in the healthcare sector involves high development risks and commercial launch risks. The company possesses adequate financial resources for countering the corresponding risks.

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“The company's equity capital accounts for 84.0% of the balance sheet total assets or EUR 2.81 per share“

As of December 31, 2008 a total EUR 10.7 million (2007: EUR 10.2 million) were tied up in the operations of Geratherm Medical in the form of fixed assets, inventories, receivables and other assets. With regard to our financial situation, which involves securities, cash and cash equivalents, funds amounting to EUR 4.4 million (2007: EUR 8.0 million) were available. Of the liquid funds, EUR 3.0 million (2007: EUR 5.9 million) were invested in marketable securities in the healthcare sector and EUR 1.4 million (2007: EUR 2.1 million) were invested in banks on a day-to-day basis.

The assets side of the balance sheet, which totals 15,060 kEUR, contains long-term assets amounting to 5,472 kEUR (2007: 5,154 kEUR) and short-term assets amounting to 9,588 kEUR (2007: 13,012 kEUR).

The long-term assets consist of intangible assets in the amount of 1,044 kEUR (2007: 670 kEUR), tangible fixed assets in the amount

of 1,764 kEUR (2007: 1,722 kEUR) as well as deferred taxes amounting to 2,664 kEUR (2007: 2,761 kEUR).

The increase in intangible assets is mainly due to the development work in the Warming Systems, Cardio/Stroke and Respiratory areas.

The tangible assets are essentially made up of land properties and buildings. The assets listed under Technical Equipment and Machinery have been written off for the most part and are only shown with a residual value of 299 kEUR in the books.



The inventory remained almost on the same level as last year, increasing only slightly to 3,080 kEUR (2007: 2,932 kEUR). There was a considerable increase in the balance sheet item for finished goods and products which rose by 273 kEUR to 1,765 kEUR. That was compensated by a decrease in unfinished products approximately by 145 kEUR. The capital tied up in raw materials and supplies amounted to 840 kEUR and thus remained almost on the same level as last year.

The accounts receivable and other assets increased all in all only slightly to 2,143 kEUR (2007: 2,113 kEUR). In spite of the 14.5% increase in sales, the trade receivables only rose slightly by 4.9%. The expenses for the valuation allowances amounted to 14 kEUR and thus were less than last year's level of 49 kEUR.

The reported book value of the securities held by Geratherm was decreased to 2,991 kEUR (2007: 5,883 kEUR) as a result of the implemented write-offs and sales. The cash and cash equivalents available as at December 31, 2008 amounted to 1,373 kEUR (2007: 2,085 kEUR).

The equity and liabilities side of the balance sheet shows the company's strong equity capital base. Consequently, the equity capital in the amount of 12,647 kEUR (2007: 16,378 kEUR) is offset by

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short and medium-term debts totalling 2,413 kEUR (2007: 1,788 kEUR).

The long-term debts in the amount of 921 kEUR (2007: 816 kEUR) are composed of the investment subsidies accrued and received in past years and other long-term liabilities. The investment subsidies are being released to income in accordance with the useful life of the assets they financed, whereas the majority of this balance sheet item involves real estate. The other long-term liabilities in the amount of 405 kEUR (2007: 255 kEUR) come from loans of other shareholders.

As a result of short-term use of existing bank credit, Geratherm reported for the first time liabilities to banks in the amount of 670 kEUR (2007: 0 kEUR).

2.4. Financial Situation

In 2008 Geratherm Medical continued to report a positive financial situation as in previous years. Geratherm Medical's level of cash and cash equivalents amounted altogether to 1,373 kEUR (2007: 2,085 kEUR) as of December 31, 2008. The gross cash flow decreased from 876 kEUR to 775 kEUR.

The cash flow from operations decreased by 566 kEUR to 473 kEUR at the end of the fiscal year. The lower cash flow from operations is essentially due to the increase in inventories by 148 kEUR as a result of the sales growth and the decrease in current liabilities in the amount of 150 kEUR.

The cash flow from investment activities amounted to -716 kEUR (2007: -2,596 kEUR) and thus was significantly lower compared to the same period last year. Cash inflow and outflow based on financial assets were 2,154 kEUR below last year's level. This item reflects the purchase and sale of securities. In 2008 investments were disbursed to fixed assets in the amount of 724 kEUR (2007: 451 kEUR). The investments made in fixed assets mainly involved capitalized development costs at 469 kEUR and investments in property, plant and equipment at 235 kEUR. The increase of these investment activities is due to the company's growth strategy.

The cash flow from financing activities in the amount of -469 kEUR (2007: -1,487 kEUR) essentially reflects the dividend distributed to our shareholders in 2008 and the raising of a loan.

In 2008, as in the previous years, Geratherm Medical was always

in the position of fulfilling its payment obligations as they arose. Cash discounts were utilized as agreed upon. As a result of the intensifying underlying conditions due to the financial crisis, the payment targets that were granted so far have been checked and adapted in individual cases such that certain risks were minimized. The company possesses a good financial structure with an above-average equity-to-assets ratio. We do not foresee any situations, which could jeopardize the continued existence of the company.

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“The company possesses a good financial structure with an above-average equity-to-assets ratio“

In our opinion, Geratherm Medical is in the position of financing product developments and market entries on its own for the most part thanks to its solid assets, financial and earnings situation.

2.5. Research and Development

The research and development activities in 2008 concentrated primarily on the development of new products in the Temperature Management, Cardio/Stroke and Respiratory business areas.

In the Temperature Management area we are focusing primarily on the approval of a newly developed generation of digital warming systems. In the clinical thermometers and blood pressure monitors area we have been mainly developing products that should succeed the previously marketed products in their life cycle.

In the Cardio/Stroke area, we are continuing our efforts to further improve the stroke prophylaxis technology developed by apoplex. apoplex has developed a stroke early warning system that has been successfully launched on the market. When it comes to medical applications, apoplex possesses many years of development know-how.

Geratherm Respiratory focuses its activities primarily on research and development of medical diagnostic equipment for use in hospitals and doctor's practices. The first products for monitoring pulmonary function have already been launched. Developments in the field of cardiopulmonary function diagnostics and performance diagnostics are currently in the commercial launch phase. The scope of applications should be extended to include cardiovascular applications.

3. Opportunities and Risks of Future Developments

3.1. Risk Management

Geratherm focuses on the medical technology market segment. In this regard, its market chances are based on innovative product solutions. A vital success factor is the ability to break into the market as quickly as possible with product innovations.



The success of Geratherm Medical's business activities depends on various factors that are not always easy to foresee and which influence the development of sales and operating results. This situation gives rise to opportunities and risks that may have a long-term impact on the assets, financial and earnings situation of Geratherm Medical.

As part of the group-wide risk management system, the Executive Committee and Supervisory Board of Geratherm Medical have established goals and methods for enabling the company to take controlled risks when there are prospects of significant increases in the operating results or above-average financial earnings. The former relates primarily to the development of new business fields in the Cardio/Stroke and Respiratory areas. The Executive Committee and Supervisory Board are pursuing the goal of operating in various MedTech markets within the framework of a platform strategy in order to improve the risk structure. For the development of these new business fields, expenses are incurred initially without there being any guarantee that the anticipated success will indeed be achieved. As a result, we have controlled the activities and expenses 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. In our opinion, the new business fields will leverage additional sales and earnings potential and thus decrease

our dependence on the current core business in the medium term.

The risk management and control system monitors the operative and strategic risks in a systematic manner. That includes, among other things, monthly analyses of operating figures such as sales, order situation, gross margin, currency risk exposure and business development in the individual business areas and subsidiaries. We are convinced that the management of Geratherm Medical is capable of meeting the existing requirements with the established internal controls and risk management systems.

“In our opinion, the new business fields will leverage additional sales and earnings potential and thus decrease our dependence on the current core business in the medium term“

On the market side, we are endeavoring to combine different risk profiles through our international focus. This applies both to suppliers and our customer base. We view risk management as a long-term obligation. The monitoring system in place at Geratherm is based on corporate performance figures and also includes the roles and responsibilities that help fulfill the statutory demands and operating requirements.

Credit and Non-payment Risk

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 minimize risks with new 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 can be regarded as minimal. The company's low level of bad debts confirms the system we have in place.

Liquidity Risk

One aspect of risk management includes the monitoring and control of liquidity, i.e. the maintenance of the solvency of group companies both in the short term as well as in the medium to long term. The central instrument for this is a continuous liquidity planning that is supplemented with liquidity-related operating figures. The good liquidity situation on the balance sheet date is also evident in the comparison between debts and cash or cash equivalents available. Consequently, short-term debts are covered by freely available means of payment.

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Market Price Risk - Foreign Currency

Owing to our international activity, we also receive income in dollars. We have not secured the currency risk, since we strive to use most of this dollar income to cover payments for contract production in the same currency (natural hedge) such that we expect the dollar income and expenditure to be balanced out for the most part.

Market Price Risk - Interest

Insofar as we have liquid resources available, we aim to use these funds to improve the financial results. We are not subjected to any significant risk of fluctuating interest rates, since our available funds are placed in short-term investments. Geratherm constantly monitors the interest rate trends on the financial markets. The financing of Geratherm Medical continues to be conducted largely out of its own funds such that dependence on liabilities and any negative interest effects that can result from that are not discernible.

Market Price Risk - Share Price

We only invest our financial assets in securities in the healthcare sector and particularly in the three areas of early diagnosis of cancer, oncology and CNS. We believe that these future markets have an attractive risk-return ratio. However, it is not possible to rule out that the current turmoil on the financial markets may have significant negative effects on the assets, financial and earnings situation. The investments are intended for the medium to long term and thus have the opportunity to recover significantly when the capital markets improve.

Market Price Risk - Raw Materials

Certain raw materials are important for the continuous supply of our production processes. The procurement market risks involve shortages in supplies or increases in the prices of the raw materials necessary for production as well as devaluation risks in case of decreasing raw material prices of products in our own inventory. We are constantly monitoring the key items.

3.2. Final Conclusion

Patent protection has been granted or is pending for certain Geratherm products. Industrial and intellectual property rights may become the target of attacks and violations. We have taken the necessary precautions to identify any such threats and to defend our rights, if necessary.

Our risk analysis shows that there are currently no risks to Geratherm Medical as a going concern.

The markets that are served by Geratherm are product markets with medium to long-term cycles. Short-term turmoil in the financial sector or a recession like we are currently experiencing are only expected to have a limited impact on Geratherm Medical's business model.

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4. Anticipated Development

For 2009 we anticipate a positive development of the company as a whole. We are currently unable to identify any imminent risks to Geratherm due to changing underlying conditions.



Based on our current knowledge, we expect once again a clear double-digit increase in sales and an above-average increase in the operating results for the coming fiscal year.

Due to the EU's mercury ban, which will take effect on April 3, 2009, the number of incoming orders for the core business should jump up. In light of that, our order backlog for 2009 is satisfactory. So far Geratherm has not been affected by the economic recession.

The new business areas, Cardio/Stroke and Respiratory, are expected to make a significantly greater contribution to the sales of the core business of the group in 2009.

The earning quality of business operations should increase due to the lower raw material prices. For the Respiratory business area, we plan to post a positive earnings contribution for 2009. The earning quality of the Cardio/Stroke business area will improve considerably based on our current knowledge. However, it does depend on the probability of losses occurring and the successful formation of various partnerships.

All in all, Geratherm Medical should develop considerably better in its core business than in the previous year, provided that the underlying circumstances remain the same. For 2010 we also anticipate a good business development. With regard to the future development of financial results, it is not possible in our opinion to make any forecasts based on the current improvements on the capital markets with all their possible effects.

5. Main Events After the Reporting Date

For Geratherm Medical the 2009 fiscal year shows much promise. The development of sales and earnings corresponds so far with our expectations. In the opinion of the Executive Committee, no main events occurred during the first weeks of the 2009 fiscal year.

6. Other Information

6.1. Reporting in Compliance with Article 315 Para. 4 of HGB (German Commercial Code).

The subscribed capital of Geratherm AG amounts to EUR 4,500,000 as of December 31, 2008 and is divided into 4,500,000 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 supervisory board appoints members of the Executive Committee for a maximum 3 years. The executive committee members may be reappointed or their term of office extended for no more than 3 years at a time. Moreover, the regulations governing the appointment and dismissal of executive committee members correspond with Art. 84 of AktG.

The company was authorized to purchase own shares up to a portion of the capital stock not exceeding 10% through to December 8, 2009. The purchase price paid by the company may not be more than 10% above or below the arithmetic mean of the closing price determined for the company's share by the Frankfurt Stock Exchange (FWB) during the last 30 trading days prior to acquisition (without ancillary acquisition costs).

The authorization may be exercised in full or in part. The Executive Committee is authorized to redeem own shares of the company that were purchased based on this authorization without having the general meeting convene to pass another resolution for the performance of this redemption.

The Executive Committee of Geratherm Medical AG was authorized during the annual general meeting on June 9, 2008 to purchase shares in Geratherm Medical up to December 8, 2009 in order to be able to offer the shares to third parties in connection with mergers with other companies or the acquisition of other companies or participating interests in such companies, whereas the preferential subscription right of the shareholders to the own shares are excluded. This authorization is limited to the purchase of a portion of the capital stock, which may not exceed 10%. The authorization may be exercised in full or in part.

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

The Executive Committee 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.

GMF Beteiligungsberatung GmbH, Frankfurt am Main, holds a direct participating interest of 60.71% in Geratherm Medical AG.

The annual general meeting of Geratherm Medical AG convened on June 9, 2008 in Frankfurt am Main. The attendance at the annual general meeting represented 71.45% of the capital stock.

The expenses for the stock exchange listing in 2008 was 67 kEUR (2007: 94 kEUR).

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6.2. Principles of the Remuneration System

The compensation of the Executive Committee is made up of various components, a fixed salary and a variable bonus during the 2008 fiscal year. The variable bonus is awarded on the basis of the company's performance.

Geschwenda, March 13, 2009

Geratherm Medical AG



Dr. Gert Frank
Vorstandsvorsitzender



Thomas Robst
Vorstand Marketing/Vertrieb

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The Board of Directors and
Supervisory Board
(from left to right):

Dr. Gert Frank,
Chairman of the Board

Rudolf Bröcker
Chairman of the Supervi-
sory Board

Thomas Robst,
Member of the Board



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Consolidated
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ASSETS	Annex	12/31/2008	12/31/2007
Consolidated balance sheet in compliance with IFRS as at 31st December 2008 (IFRS)	No.	EUR	EUR
A. LONG-TERM ASSETS			
I. Intangible assets	1.		
1. Development costs		923,601	553,338
2. Software		45,115	41,235
3. Goodwill		75,750	75,750
		1,044,466	670,323
II. Fixed assets	2.		
1. Land property and buildings		1,274,431	1,348,995
2. Technical equipment and machinery		299,297	225,003
3. Other plant, operating and commercial equipment		151,131	148,185
4. Plant under construction		38,773	0
		1,763,632	1,722,183
III. Deferred taxes	3.	2,664,208	2,761,380
		5,472,306	5,153,886
B. SHORT-TERM ASSETS			
I. Supplies	4.		
1. Raw materials and supplies		839,951	819,208
2. Unfinished products		475,214	620,672
3. Finished products and goods		1,765,298	1,492,181
		3,080,463	2,932,061
II. Receivables and other assets			
1. Receivables from deliveries and services	5.	1,978,498	1,885,167
2. Tax receivables	6.	64,009	113,378
3. Other assets	7.	100,387	114,110
		2,142,894	2,112,655
III. Securities	8.	2,991,346	5,882,688
IV. Cash and cash equivalents	9.	1,373,438	2,085,040
		9,588,141	13,012,444
		15,060,447	18,166,330

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Consolidated statement of income in compliance with IFRS
for the period 1st January to 31st December 2008

	Annex No.	01.01.-31.12.08 EUR	01.01.-31.12.07 EUR
Turnover	20.	10,079,487	8,802,003
Change in inventories of finished products and work in progress		-391,086	168,909
Other internally produced and capitalised assets		326,169	207,897
Other operating revenue	21.	328,908	181,369
		10,343,478	9,360,178
Material input	22.		
Expenditure for raw materials and supplies and for purchased goods		-4,060,549	-3,913,626
Expenditure for purchased services		-189,183	-259,536
		-4,249,732	-4,173,162
Gross profit		6,093,746	5,187,016
Personnel costs	23.		
Wages and salaries		-2,105,836	-1,856,482
Social welfare contributions and expenditure for old-age provision		-450,773	-399,778
		-2,556,609	-2,256,260
Amortisation of intangible assets and depreciation of property, plant and equipment	24.	-303,262	-314,459
Other operating expenses	25.	-2,639,772	-1,999,743
Operating results		594,103	616,554
Income from dividends		48,026	20,635
Income from the sale of securities		490,200	753,338
Losses from the sale of securities		-4,017,793	-6,891
Expenditure from securities		-16,967	-27,078
Other interest and similar income		32,509	94,209
Interest and similar expenses		-35,195	-10,625
Financial Result	26.	-3,499,220	823,588
Result of ordinary business activities		-2,905,117	1,440,142
Taxes on income and profits	27.	-117,120	-144,518
Consolidated annual net loss (income in 2007)		-3,022,237	1,295,624
Minority interests result		-101,620	-97,053
Shareholder value of the parent company		-2,920,617	1,392,677
Result per share undiluted	28.	-0.65	0.31
Result per share diluted	28.	-0.65	0.31

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Group cash flow statement for the business year
1st January to 31st December 2008 (IFRS)

	Annex No.	01.01.-31.12.08 kEUR	01.01.-31.12.07 kEUR
Consolidated annual net loss (income in 2007)		-3,022	1,296
Other non-cash expenditure/income		-65	16
Dividend income	26.	-48	-21
Interest earned	26.	-33	-94
Interest paid		35	11
Decrease in deferred tax assets		97	145
Expenditure from income taxes		20	0
Depreciations on fixed assets		303	314
Income from the sale of securities	26.	-490	-753
Losses from the sale of securities		1	7
Losses from valuation of securities		4,017	0
Amortisation of grants and subsidies	14.	-45	-47
Losses on disposal of fixed assets		5	2
Gross cash flow	30.	775	876
Increase in supplies		-148	-360
Decrease/increase in receivables from deliveries and services and other assets		-28	255
Increase in short-term payables and other liabilities		-150	164
Income from dividends		48	21
Interest income		33	94
Interest outflow		-35	-11
Cash outflow for income taxes		-22	0
Cash flow from operating activities	31.	473	1,039
Payment received owing to disposal of fixed assets		0	1
Expenses for investments in fixed assets		-724	-451
Payment received owing to financial investments	8.	1,002	2,671
Expenses owing to financial investments	8.	-994	-4,817
Cash flow from investment activities	32.	-716	-2,596
Flow of funds from minority interests	13.	67	157
Dividend payoffs	12.	-1,356	-1,800
Increase/decrease in loan liabilities	16.	670	0
Assumption of short-term liabilities		150	156
Cash flow from financing activities	33.	-469	-1,487
Change in amount of available cash and cash equivalents		-712	-3,044
Cash and cash equivalents at the start of the reporting period		2,085	5,129
Cash and cash equivalents at the end of the reporting period		1,373	2,085

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**Group Statement on Change in Equity Capital (IFRS)
as at 31st December 2008**

	Subscribed capital (10.) EUR	Capital reserves (11.) EUR	
Balance on 1st January 2007	4,500,000	7,570,000	
Foundation of subsidiary Geratherm Respiratory GmbH			
Unrealised profits and losses from the valuation of securities			
Currency translation in the Group			
Dividend payouts to shareholders			
Income and expenses recorded in equity capital	0	0	
Group net profit for the year			
Balance on 31st December 2007	4,500,000	7,570,000	
Balance on 1st January 2008	4,500,000	7,570,000	
Increase in share capital of the subsidiary			
Unrealised profits and losses from the valuation of securities			
Currency translation in the Group			
Purchase of own shares	-2,000	-7,000	
Sale of own shares	2,000	7,000	
Dividend payouts to shareholders			
Income and expenses recorded in equity capital	0	0	
Consolidated annual net loss			
Balance on 31st December 2008	4,500,000	7,570,000	

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	Other reserves					Equity capital
	Market valuation reserves	Currency conversion reserves (12.)	Cumulative profits	Assignable to the shareholders of the parent company	Shares of other partners (13.)	
	EUR	EUR	EUR	EUR	EUR	EUR
	78,591	2,205	5,297,454	17,448,250	56,616	17,504,866
					157,500	157,500
	-795,655			-795,655		-795,655
		8,063		8,063	7,745	15,808
			-1,800,000	-1,800,000		-1,800,000
	-795,655	8,063	-1,800,000	-2,587,592	7,745	-2,579,847
			1,392,677	1,392,677	-97,053	1,295,624
	-717,064	10,268	4,890,131	16,253,335	124,808	16,378,143
	-717,064	10,268	4,890,131	16,253,335	124,808	16,378,143
					67,500	67,500
	645,179			645,179		645,179
		-33,205		-33,205	-31,903	-65,108
						-9,000
						9,000
			-1,350,000	-1,350,000	-6,399	-1,356,399
	645,179	-33,205	-1,350,000	-738,026	-38,302	-776,328
			-2,920,617	-2,920,617	-101,620	-3,022,237
	-71,885	-22,937	619,514	12,594,692	52,386	12,647,078

Notes to Consolidated Financial Statements for 2008 Fiscal Year

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2008 fiscal year in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The following amendments in existing standards and interpretations took effect for the first time in 2008:

- Amendment to IAS 39 and IFRS 7: „Reclassifications of Financial Instruments“
- IFRIC 11: „IFRS 2: Group and Treasury Share Transactions“

The aforementioned amendments and interpretations have not had any significant impact on the consolidated financial statements of Geratherm Medical AG.

The following standards, amendments to existing standards and interpretations are taking effect during the 2009 fiscal year:

IFRS 8 “Operating Segments”

The standard in particular calls for the application of the “management approach” with regard to segment identification and valuation. IFRS 8 must be applied for fiscal years that begin on or after January 1, 2009. Nonetheless, it may be used prior to that. The standard will result in changed statements in the operating segments when applied to the financial statements of Geratherm Medical AG for the first time.

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- Revised version of IAS 1 “Presentation of Financial Statements: A Revised Presentation”
- Revised version of IAS 23 “Borrowing Costs”
- Amendment to IAS 32 and IAS 1: “Puttable Financial Instruments and Obligations Arising on Liquidation”
- Amendment to IFRS 1 and IAS 27: “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”
- Amendment to IFRS 2: “Share-based payment - Vesting Conditions and Cancellations”
- “Improvements to International Financial Reporting Standards”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 14: “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

We do not anticipate that the aforementioned standards will have any significant impact on the future consolidated financial statements of Geratherm Medical AG.

Moreover, we would like to add that the following standards from International Accounting Standards Board (IASB) and the following interpretation from International Financial Reporting Interpretations Committee (IFRIC) have been published but have not yet been accepted by the EU.

- Amendment to IAS 27 “Consolidated and Separate Financial Statements”
- Amendment IAS 39 “Financial Instruments: Recognition and Measurement: Eligible Hedged Items”
- Amendment to IAS 39 and IFRS 7 “Reclassification of Financial Assets: Effective Date and Transition”
- Revised version of IFRS 1 “First-time adoption of IFRS”
- Revised version of IFRS 3 “Business Combinations”
- IFRIC 12 “Service Concession Arrangements”
- IFRIC 15 “Agreements for the Construction of Real Estates”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

- IFRIC 17 "Distribution of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"

We do not anticipate that the aforementioned standards will have any significant impact on the future consolidated financial statements of Geratherm Medical AG.

Layout and preparation of the financial statements

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

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

The consolidated financial statements are prepared in full EUR. Various figures have been indicated in kEUR in the Notes to provide better clarity.

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

The management of Geratherm AG has released the consolidated financial statements based on IFRS on March 13, 2009 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

Legal and Economic Matters

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

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

Consolidation Principles

The principles of the IAS 27 standard have been applied to the consolidated financial statements.

As part of capital consolidation, the valuation of the shares owned by the parent company in a subsidiary included in the consolidated financial statements was offset by the amount of the equity capital of the subsidiary pertaining to these shares.

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.

Consolidated Group

The consolidated group includes Geratherm Medical AG, GME Rechte und Beteiligungen GmbH, Geratherm Medical do Brasil Ltda., apoplex medical technologies GmbH and Geratherm Respiratory

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GmbH. The following share quotas apply in detail.

Company	Percentage of shares held
GME Rechte und Beteiligungen GmbH, Geschwenda, Germany	100 %
apoplex medical technologies GmbH, Pirmasens, Germany	60 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	55 %
Geratherm Medical do Brasil Ltda., Sao Paulo, Brazil	51 %

Increase in Share Capital

The share capital of Geratherm Respiratory GmbH, Bad Kissingen, was increased by EUR 150,000 by resolution of the shareholders' meeting from December 3, 2008. The fully paid share capital amounts to EUR 500,000. The share ratio of Geratherm Medical AG in Geratherm Respiratory GmbH remains unchanged at 55%.

Foreign Currency Translation

We used the concept of functional currency when converting the financial statements of Geratherm Medical do Brasil Ltda., which include figures in a foreign currency. Since this company operates its business independently, it is treated as an independent foreign entity in accordance with 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 equity capital.

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

Principles of accounting and valuation

All accounting and valuation methods were applied uniformly.

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

Intangible Assets

The acquired intangible assets have a limited useful life and are valued at the historical costs less regular accumulated amortization on a straight-line basis after the operating life expectancy of the assets. The useful life for software is set at 3 to 4 years, while the useful life for industrial property rights is 10 years.

The goodwill is not written off according to schedule. An impairment test is to be conducted annually or additionally to determine recoverability, if there are new events or changed circumstances which

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would indicate that a decrease in value could have occurred. As part of the impairment tests, the attainable amount is compared to book value for the unit generating cash or cash equivalents to which the goodwill is to be assigned.

The development costs are capitalized in accordance with IAS 38 as intangible assets for such product developments, where there is sufficient probability of future inflow of funds that will cover the incurred development costs in full. Further prerequisites include assuring technical completion and the capability of utilization and marketing.

The capitalized development costs include 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 development of electronic products is written off linearly over a period of 4 years, whereas the write-off period for the development of gallium clinical thermometers is 15 years.

Tangible assets

The acquisition cost model was selected in accordance with IAS 16.30 for the accounting and valuation of tangible assets. All tangible assets such as buildings, technical equipment and machines as well as other equipment, factory and office equipment, are valued at historical costs and manufacturing costs and decreased by regular depreciation.

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

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

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

Decline in value of intangible and tangible assets

Tangible and intangible assets that are no longer usable or are only usable to a limited extent are written off irregularly at the remaining utility value, however no more than the attainable disposal proceeds, in accordance with IAS 36.

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

Leasing

There are no assets which may be classified as finance leasing in accordance with IAS 17.

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

Financial assets and liabilities

The financial assets and liabilities are classified and valued with consideration to IAS 32 and IAS 39

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standards. The initial entry is made with the historical costs including incidental acquisition costs (transaction costs) on the day of performance.

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

Securities are to be assigned to the category "available for sale" and valued at the current market value that is to be included. All securities (shares) are valued at the market price prevailing on the reporting date and marketable. The valuation changes as of the reporting date are shown in the equity capital under the "Market valuation reserve" item in accordance with IAS 39.55(b). In case of sale of securities or occurrence of long-term decrease in value, accumulated profits and losses taken directly in the market valuation reserve into account until then are reported in the income statement of the current period. Revenue resulting from interests and dividends from these securities is entered in the income statement.

The trade accounts receivable and other assets belong to the category "Receivables of the company". They are valued at net book value or the lower value based on a value decrease. Foreign currency receivables are valued at the exchange rate prevailing on the reporting date. These assigned values correspond to the market values.

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

Deferred Taxes

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The accounting and valuation of deferred taxes is implemented according to IAS 12. Based on the accounting and valuation method, they are applied to time-limited differences between valuations in the commercial balance sheet and tax balance sheet and to losses carried forward and chargeable taxes.

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

Deferred taxes representing assets and liabilities are offset against each other, if there is an identity of the tax creditors and matching maturities and only then or applied to the extent that a realizability of these tax advantages is probable.

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 and percentage of indirect production costs. The inventories of technical thermometers are valued according to the retrograde valuation method. The marketing costs, profit mark-up and the associated manufacturing costs, taking the degree of processing into consideration, are decreased based on the sales price.

Listing of Sales Revenue

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

Interests Paid and Interests Earned

Interests earned are time-proportional, accruing payable interests are reported time-proportional depending on the contractual commitment or by applying the effective interest method.

Estimates and Assumptions

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. For instance, the statements on economic useful life for long-term assets are based on estimates and assumptions. In addition, the assessment of recoverability of deferred taxation allocated to the losses carried forward in the amount of 2,664 kEUR (2007: 2,761 kEUR) and the capitalized development costs in the amount of 924 kEUR (2007: 553 kEUR) is based on the corporate planning, which of course involves uncertainties such that the actual values deviate from the made assumptions and estimates in individual cases. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting.

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ASSETS

1. Intangible Assets

Intangible assets totalling 1,044 kEUR (2007: 670 kEUR) are reported as of December 31, 2008. The development of the intangible assets is shown in the following table:

Group financial statement	Intangible assets	Development costs	Software	Goodwill	Total
	Acquisition and manufacturing costs In EUR				
	1/1/2007	1,068,875	104,055	90,000	1,262,930
	Additions	319,144	22,167	0	341,311
	Disposals	0	0	0	0
	Rebookings	0	0	0	0
	12/31/2007	1,388,019	126,222	90,000	1,604,241
	1/1/2008	1,388,019	126,222	90,000	1,604,241
	Additions	469,001	19,785	0	488,786
	Disposals	0	1,380	0	1,380
	Rebookings	0	0	0	0
	12/31/2008	1,857,020	144,627	90,000	2,091,647
	Amortization and depreciation In EUR				
	1/1/2007	712,725	69,104	14,250	796,079
	Additions	121,956	15,883	0	137,839
	Disposals	0	0	0	0
	12/31/2007	834,681	84,987	14,250	933,918
	1/1/2008	834,681	84,987	14,250	933,918
	Additions	98,738	15,904	0	114,642
	Disposals	0	1,379	0	1,379
12/31/2008	933,419	99,512	14,250	1,047,181	
Book values In EUR					
1/1/2007	356,150	34,951	75,750	466,851	
12/31/2007	553,338	41,235	75,750	670,323	
1/1/2008	553,338	41,235	75,750	670,323	
12/31/2008	923,601	45,115	75,750	1,044,466	

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The development costs for intangible assets created internally during the 2008 fiscal year are capitalized in the amount of 469 kEUR (2007: 319 kEUR). Non-capitalizable research and development costs were posted as expenses in the amount of 21 kEUR (2007: 11 kEUR).

61 kEUR (2007: 99 kEUR) of the development costs capitalized in 2008 went to the auxiliary devel-

opment of the new Stroke Risk Analyser SRA IV for preventing strokes, 143 kEUR (2007: 111 kEUR) went to the development of the new generation of warming systems and 265 kEUR (2007: 109 kEUR) to the development of a spirometer.

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 capitalized in 2003. The goodwill was written off with a useful life of 10 years by December 31, 2004. As of January 1, 2005 no other write-offs were implemented in accordance with the amended IAS 38. A discounted cashflow process was used to determine the recoverability of this item. For calculating the payment flow, the medical warming systems subsegment was identified as the smallest unit for generating cash. Besides the goodwill assigned to it, this possesses an additional net worth at a book value of 254 kEUR as per balance sheet date. The cash inflow (sales) were derived from the corresponding budget overviews for the period between 2009 and 2011. The relevant expenditure associated with the business activity (cash outflow) was calculated with consideration to empirical values. An estimated reduced cash flow in the amount of 352 kEUR with a derivative interest rate of 8.2% was determined for the next three years. There were no reference points for a decrease in value. The book value for goodwill as of the reporting date December 31, 2008 is 76 kEUR (2007: 76 kEUR).

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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 equip-ment, factory and office equipment	Construction in process	Total
Group financial statement	Acquisition and manufacturing costs In EUR					
	1/1/2007	2,244,407	3,780,137	399,060	10,895	6,434,499
	Additions	0	5,100	86,159	18,847	110,106
	Disposals	0	39,617	16,060	0	55,677
	Rebookings	0	27,423	2,319	-29,742	0
	12/31/2007	2,244,407	3,773,043	471,478	0	6,488,928
	1/1/2008	2,244,407	3,773,043	471,478	0	6,488,928
	Additions	0	125,490	70,863	38,773	235,126
	Disposals	0	125,322	63,514	0	188,836
	Umbuchungen	0	0	0	0	0
	12/31/2008	2,244,407	3,773,211	478,827	38,773	6,535,218
	Amortization and depreciation In EUR					
	1/1/2007	820,848	3,551,102	271,474	0	4,643,424
	Additions	74,564	36,555	65,501	0	176,620
	Disposals	0	39,617	13,682	0	53,299
	12/31/2007	895,412	3,548,040	323,293	0	4,766,745
	1/1/2008	895,412	3,548,040	323,293	0	4,766,745
	Additions	74,564	51,136	62,920	0	188,620
	Disposals	0	125,262	58,517	0	183,779
	12/31/2008	969,976	3,473,914	327,696	0	4,771,586
	Book values In EUR					
	1/1/2007	1,423,559	229,035	127,586	10,895	1,791,075
	12/31/2007	1,348,995	225,003	148,185	0	1,722,183
	1/1/2008	1,348,995	225,003	148,185	0	1,722,183
	12/31/2008	1,274,431	299,297	151,131	38,773	1,763,632

Substantial additions in the area of tangible assets were due to replacement investments for production systems and other business equipment.

Irregular depreciation of fixed assets was not necessary.

3. Deferred Taxes

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

	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities	Deferred tax balance	Deferred tax balance
	EUR	EUR	EUR	EUR	EUR	EUR
Capitalized development costs/patents	523,659	611,879	262,789	143,864	260,870	468,015
Goodwill	0	0	5,405	3,720	-5,405	-3,720
Foreign currency valuation	0	0	14,624	0	-14,624	0
Losses carried forward	2,423,367	2,297,085	0	0	2,423,367	2,297,085
Total	2,947,026	2,908,964	282,818	147,584	2,664,208	2,761,380

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	1/1/2008	Change with effect on income	Change without effect on income	12/31/2008
	EUR	EUR	EUR	EUR
Capitalized development costs/patents	468,015	-207,145	0	260,870
Goodwill	-3,720	-1,685	0	-5,405
Foreign currency valuation	0	-14,624	0	-14,624
Losses carried forward	2,297,085	126,282	0	2,423,367
Total	2,761,380	-97,172	0	2,664,208

Change in the balance of deferred taxes	1/1/2007	Change with effect on income	Change without effect on income	12/31/2007
	EUR	EUR	EUR	EUR
Capitalized development costs/patents	918,605	-450,590	0	468,015
Goodwill	-2,707	-1,013	0	-3,720
Losses carried forward	1,990,000	307,085	0	2,297,085
Total	2,905,898	-144,518	0	2,761,380

An income tax rate ranging between 28.08% and 29.83% (2007: between 28.08% and 29.83%)

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was established as basis for calculating the deferred taxation. It also includes the trade tax in addition to the corporate income tax together with the solidarity surcharge.

No deferred taxation had to be set up for the foreign subsidiary.

The deferred taxes on the assets side take into consideration the sustainable positive results reported by Geratherm Medical AG during the past fiscal years. To calculate the recoverability of the tax allocation on the assets side, which affects the losses carried forward by Geratherm Medical, the tax-related income that is planned for the core business (without financial results) for a period of five years is applied and for the following period (as of the sixth year) a perpetuity is applied. The perpetuity is calculated on the basis of the adjustment of the planning results at the end of the detailed planning period, which is decreased by a deduction for risk.

Deferred taxes on the liabilities side were set up primarily for the capitalized development costs in the group.

Presentation of the tax allocation on the assets side for the tax loss carried forward

	2008 kEUR	2007 kEUR
Tax loss carried forward as of 12/31	12,110	11,890
Valued	8,622	8,164
Deferred taxation	2,423	2,297

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4. Inventories

	12/31/2008 EUR	12/31/2007 EUR
Inventories		
Raw materials and supplies	839,951	819,208
Unfinished goods	475,214	620,672
Finished goods	370,106	615,734
Goods	1,395,192	876,447
Total	3,080,463	2,932,061

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

The unfinished goods as of Dec. 31, 2008 primarily include clinical thermometers in various stages of production.

The finished goods item mainly include thermometers and warming systems as of Dec. 31, 2008. The goods essentially include digital thermometers and blood pressure meters that are earmarked for sales and produced for contracts.

If retrograde valuations are applied, these involve exclusively technical thermometers, which are included in the inventories with a valuation basis of 51 kEUR (2007: 62 kEUR).

5. Trade receivables

The trade receivables are structured as follows:

	12/31/2008 EUR	12/31/2007 EUR
Gross sum of trade receivables	2,034,235	1,987,493
Devaluations	-55,737	-102,326
Total	1,978,498	1,885,167

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.

6. Tax receivables

The tax receivables essentially comprise the reclaim of paid withholding tax on specific interest income plus solidarity surcharge in the amount of 12 kEUR (2007: 32 kEUR), the receivable from sales tax refunds in the amount of 35 kEUR (2007: 81 kEUR) and other taxes of our subsidiary company Geratherm do Brasil in the amount of 17 kEUR (2007: 0 kEUR).

7. Other assets

The other assets essentially relate to the receivables from advances paid (63 kEUR; 2007: 61 kEUR) and from expenses paid in advance (24 kEUR; 2007: 47 kEUR).

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8. Securities

Group financial statement			Number/ nominal	Purchase rate EUR	Acquisition costs EUR	Valuation allowance Income statement EUR	Market valuation reserve EUR	Book va- lue as of 12/31 EUR	Rate as of 12/31 EUR
	OSI Phar- maceuti- cals Inc.	2008	Sale September 30, 2008						
		2007	15,000	20.63	309,514	0	190,886	500,400	33.36
	ANADYS Pharma- ceuticals Inc.	2008	88,214	1.89	166,964	0	-71,885	95,079	1.08
		2007	74,913	2.19	163,920	0	-77,021	86,899	1.16
	RENOVIS Inc.	2008	Merger with Evotec AG on May 5, 2008						
		2007	66,448	2.53	168,129	0	-27,259	140,870	2.12
	Evotec AG ADRs 2	2008	35,024	4.80	168,125	-118,547	0	49,578	1.42
		2007							
	Evotec AG	2008	350,000	3.47	1,214,000	-962,000	0	252,000	0.72
		2007	350,000	3.47	1,214,000	0	-440,500	773,500	2.21
	Adolor Corp.	2008	230,000	4.89	1,123,683	-862,564	0	261,119	1.14
		2007	230,000	4.89	1,123,683	0	-422,183	701,500	3.05
	Epigeno- mics AG	2008	292,593	2.73	798,149	-227,592	0	570,557	1.95
		2007	200,000	3.25	650,000	0	-270,000	380,000	1.90
	Agfa-Geva- ert N.V.	2008	140,000	10.98	1,536,721	-1,281,921	0	254,800	1.82
		2007	100,000	12.83	1,283,221	0	-235,221	1,048,000	10.48
	Onyx Pharma- ceuticals Inc.	2008	Sale December 29, 2008						
		2007	20,000	8.98	179,521	0	599,279	778,800	38.94
	Eckert & Ziegler Str.- u. Med. AG	2008	29,460	10.22	301,057	-51,531	0	249,526	8.47
		2007	21,502	10.84	233,105	0	-22,386	210,719	9.80
	Sanofi- Aventis S.A.	2008	20,000	56.43	1,128,500	-221,900	0	906,600	45.33
		2007	10,000	63.17	631,700	0	-5,300	626,400	62.64
	Novavax Inc.	2008	280,000	2.30	642,959	-290,872	0	352,087	1.26
		2007	280,000	2.30	642,959	0	-7,359	635,600	2.27
Total	2008			7,080,158	-4,016,927	-71,885	2,991,346		
	2007			6,599,752		-717,064	5,882,688		

During the 2008 fiscal year the level of securities was increased by means of acquisitions in the amount of 994 kEUR (2007: 4,817 kEUR). The level also decreased by means of sales in the amount of 1,002 kEUR (2007: 2,671 kEUR). As a result, it was possible to realize a profit contribution of 490 kEUR (2007: 746 kEUR). The level of acquisition costs amounts to 7,080 kEUR as of December 31, 2008 (2007: 6,600 kEUR) and was valued based on the rate indicated in the table on the reporting date.

The held securities as of the reporting date were audited in accordance with IAS 39.58 and IAS 39.61 for any possible significant decrease in value that may persist for an extended period of time. According to IFRS 39.67, the valuation allowance for all held securities was reported with effect on the income with the exception of Anadys Pharmaceuticals Inc. The latter was sold at a profit during the 2009 fiscal year.

The valuation allowance for Anadys Pharmaceuticals Inc. was entered in the market valuation reserve in the equity capital.

9. Cash and cash equivalents

	12/31/2008 KEUR	12/31/2007 KEUR
Cash on hand	5	4
Credit balances with banks	1,368	2,081
Cash and cash equivalents	1,373	2,085

The credit balances with banks, amounting to 1,314 kEUR (2007: 2,008 kEUR), are invested at the prevailing market rates and are available daily.

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EQUITY AND LIABILITIES

10. Subscribed capital

The subscribed capital of Geratherm Medical AG amounts to EUR 4,500,000 as of December 31, 2008 and is divided into 4,500,000 share certificates issued to the bearers.

The subscribed capital has been paid in full. As of the reporting date there were no shares held by the company. The number of shares in circulation was 4,500,000 during the 2008 fiscal year.

Authorized capital

On June 12, 2006 the Executive Committee was authorized to increase the capital stock of Geratherm Medical AG by a total of up to EUR 2,250,000 subject to the approval of the Supervisory Board, by issuing a maximum of 2,250,000 new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions by June 11, 2011.

Purchase of own shares

The Executive Committee was also authorized on June 9, 2008 to purchase own shares up to a portion of the capital stock, not exceeding 10%, by December 8, 2009. The purchase price paid by the company may not be more than 10% above or below the arithmetic mean of the closing price determined for the company's share by the Frankfurt Stock Exchange (FWB) during the last 30 trading days prior to acquisition (without ancillary acquisition costs). The authorization may be exercised in full or in part. The Executive Committee is authorized to call in own shares of the company that were purchased based on this authorization without having the general meeting convene to pass another resolution for the performance of this liquidation.

The Executive Committee is authorized up to December 8, 2009 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. Authorization is limited to the purchase of a portion of the capital stock, which may not exceed 10%. The authorization may be exercised in full or in part.

11. Capital reserves

The capital reserves show the amount that was realized, exceeding the nominal amount, with the issuance of the shares.

12. Other reserves

The development of the other reserves is shown in the calculation of changes in the group's equity capital.

Market valuation reserve

The change in price of the securities adjusted by the valuation allowances entered with effect on the income was reported in the market valuation reserve item shown in the equity capital as of the reporting date in accordance with the provisions of IAS 39. The market valuation reserve amounted to -72 kEUR (2007: -717 kEUR) as of December 31, 2008.

Currency conversion reserve

The currency conversion reserve in the amount of -23 kEUR (2007: 10 kEUR) is based on the consolidation of the financial statements of Geratherm do Brasil Ltda, 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 (4,890 kEUR; 2007: 5,297 kEUR), the current net income of the shareholders of the parent company for the year (-2,920 kEUR; 2007: 1,393 kEUR) less the distributed dividend (1,350 kEUR; 2007: 1,800 kEUR).

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The shareholders of Geratherm Medical AG have agreed during the annual general meeting of the company on June 9, 2008 in Frankfurt am Main to distribute a tax-free dividend of 0.30 EUR per individual share from the tax deposit account (previously EK 04, Art. 27 of KStG (Corporation Tax Law)) on the capital stock in the amount of EUR 4,500,000. The dividend was distributed in the amount of EUR 1,350,000 on June 10, 2008.

The Executive Committee and Supervisory Board will propose to the general meeting in June of 2009 not to distribute any dividend for the 2008 fiscal year.

13. Minority Interests

	Total kEUR
Minority interests as of 1/1/2008	125
Capital increase by Geratherm Respiratory GmbH	67
Currency translation in group	-32
Dividend payout by Geratherm do Brasil	-6
Result allotted to minorities	-102
Minority interests as of 12/31/2008	52

14. Accrued investment subsidies

The item shown with the amount 516 kEUR (2007: 561 kEUR) relates to the investment grants and subsidies received that are released to income in accordance with the useful life of the assets they financed. This item basically has long-term character.

15. Other long-term liabilities

In the group, the liabilities from the loans from the minority shareholders of apoplex medical technologies GmbH in the amount of 360 kEUR (2007: 255 kEUR) and Geratherm Respiratory GmbH in the amount of 45 kEUR (2007: 0 kEUR) are reported here. The loans have a two-year term.

16. Liabilities to banks

As of the balance sheet date there were in the group liabilities to banks in the amount of 670 kEUR (2007: 0 kEUR). 406 kEUR of these are a credit in current account for US\$ 565,000 of Geratherm Medical AG. This is short-term and bore 5.0% interest p. a. (as of 12/22/2008: 4.5% p. a.). Another short-term credit in the amount of 240 kEUR was extended by Banco Itaú S/A Sao Paulo to Geratherm do Brasil with an interest rate of 5.46% p. a.

17. Trade payables

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

18. Tax liabilities

The tax liabilities shown here relate to liabilities from wage taxes 21 kEUR (2007: 26 kEUR) and sales tax 15 kEUR (2007: 20 kEUR).

19. Other liabilities

	12/31/2008 kEUR	12/31/2007 kEUR
Accrued liabilities	272	234
Other liabilities	151	163
Other liabilities	423	397

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Accrued liabilities

The accrued liabilities include the following:

	12/31/2007 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	12/31/2008 kEUR
Outstanding invoices	51	-39	-2	24	34
Bonuses, commissions, credits	29	-29	0	81	81
Costs of financial statements	28	-28	0	17	17
Vacation entitlements	32	-32	0	42	42
Guarantees	17	-4	-5	6	14
Worker's compensation association	8	-5	-3	7	7
Remuneration of inventors	12	0	0	12	24
Staff bonuses	30	-30	0	30	30
Supervisory board compensation	18	-18	0	12	12
Tax consulting	5	-5	0	5	5
Archiving	4	0	0	2	6
Total	234	-190	-10	238	272

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The accrued liabilities for vacation 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 114 kEUR (2007: 103 kEUR).

All other liabilities shown here fall due within one year.

Notes to consolidated income statement

20. Sales revenues

Sales revenues based on product groups:

	2008 kEUR	2007 kEUR	Veränderung %
Analoge Diagnostikprodukte	3,750	3,278	14.4
Digitale Diagnostikprodukte	4,418	4,094	7.9
Sonstige	1,911	1,430	33.6
Gesamt	10,079	8,802	14.5

The product group "Other" includes the sales of the warming systems in the amount of 408 kEUR (2007: 499 kEUR).

Sales revenues based on regions:

	2008 kEUR	2007 kEUR	Change %
Germany	2,073	1,720	20.5
Rest of Europe	4,114	3,856	6.7
USA	1,270	1,185	7.2
Other	2,622	2,041	28.5
Total	10,079	8,802	14.5

The item "Other" encompasses sales in South America in the amount of 1,831 kEUR (2007: 1,263 kEUR).

21. Other operating income

The other operating income includes amortization of capitalized grants and subsidies in the amount of 45 kEUR (2007: 47 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2008: 192 kEUR; 2007: 72 kEUR). The revenue from the release of accrued liabilities (2008: 10 kEUR; 2007: 27 kEUR) and accounts written-off (2008: 17 kEUR; 2007: 2 kEUR) are to be regarded as income unrelated to an accounting period.

22. Cost of materials

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

23. Personnel expenses

The personnel expenses in the 2008 fiscal year were 2,557 kEUR (2007: 2,256 kEUR). The accounts for this fiscal year included contributions of 180 kEUR (2007: 168 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.

24. Amortization and depreciation

Amortization and depreciation have decreased further due to the comparatively low investments in tangible assets.

25. Other operating expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (1,104 kEUR; 2007: 914 kEUR), administrative expenses (1,131 kEUR; 2007: 857 kEUR), including those in connection with the stock exchange listing (67 kEUR; 2007: 94 kEUR), external services (444 kEUR; 2007: 282 kEUR), consulting and auditing costs (118 kEUR; 2007: 98 kEUR), expenses occurring in connection with exchange rate fluctuations (337 kEUR; 2007: 136 kEUR) as well as expenses for operating leasing (109 kEUR; 2007: 100 kEUR).

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26. Financial results

The financial results are -3,499 kEUR (2007: 823 kEUR) during the year under review. The negative reporting is based primarily on the devaluation of the securities with effect on the income in the amount of 4,017 kEUR (2007: 0 kEUR), which are experiencing significant loss of price on the market. The financial results include dividend income (48 kEUR; 2007: 21 kEUR), gains from sales of securities (490 kEUR; 2007: 753 kEUR); losses from sales of securities (1 kEUR; 2007: 7 kEUR), expenses occurring in connection with the securities (17 kEUR; 2007: 27 kEUR), interests earned (33 kEUR; 2007: 94 kEUR) and interests paid (35 kEUR; 2007: 11 kEUR).

27. Income taxes

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

	2008 kEUR	2007 kEUR
Current taxes	-20	0
Deferred Taxes	-97	-145
Income tax according to IFRS	-117	-145

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 28.08% (2007: 37.34%) 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 28.08% and 29.83% depending on the location.

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	2008 kEUR	2007 kEUR
Results before income taxes	-2,905	1,440
Tax expenses to be expected	816	-538
Effect from change in tax rate	0	-910
Effects from valuation variances (change of permanent differences)	87	18
Effects due to tax-free income	158	277
Effects due to expenses nondeductible	-1,131	-5
Effects from changed valuation methods for losses carried forward	0	1,203
Change in valuation of tax losses carried forward	-59	-166
Other	12	-24
Income tax according to IFRS	-117	-145
Effective tax rate		10.04%

28. 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.

	2008	2007
Results of the shareholders of the parent company (kEUR)	-2,920	1,393
Weighted average number of outstanding shares (k shares)	4,500	4,500
Undiluted earnings per share (EUR)	-0.65	0.31
Diluted earnings per share (EUR)	-0.65	0.31

	2008 k shares	2007 k shares
Nominal capital in no-par shares	4,500	4,500
Weighted average number of own shares held by the company	0	0
Weighted number of outstanding shares	4,500	4,500

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 Beteiligungsberatung GmbH, Frankfurt am Main (GMF), which charged 71 kEUR (2007: 192 kEUR) for the services performed by the chairman of the board Dr. Frank during the 2008 fiscal year. The amounts invoiced are appropriate and comprise the remuneration of the board for 2008 and an accrued liability as of December 31, 2007..

As of December 31, 2008 there were no outstanding accounts owed to or by GMF. An accrued liability vis-a-vis GMF in the amount of 9 kEUR was discontinued as of the reporting date.

There were also accounts receivable vis-a-vis the member of the supervisory board Bruno Schoch in the amount of 1 kEUR. During the 2008 fiscal year, Geratherm Medical AG acquired its own shares on his behalf with a value of 9 kEUR and sold these to him in the same amount during the fiscal year.

The following voting right percentages have been reported to Geratherm Medical AG in accordance with Art. 21 Para. 1 of WpHG (Securities Trading Act):

	Votes	Percentage
GMF Beteiligungsberatung GmbH, Frankfurt am Main	2,731,737	60.71 %

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Other financial obligations

The group has entered various rental and leasing agreements with regard to administrative and business premises, vehicles and a phone system as well as for software service agreements. The financial obligations amount to 124 kEUR (2007: 137 kEUR) for 2009 and subsequent years.

In 2007, gallium deliveries which are important for the company were arranged contractually with the main supplier through to December 31, 2008. This means that Geratherm has an obligation to accept gallium amounting to US\$ 131,000 (2007: US\$ 924,000).

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As of 2008 and following years	Total	< 1 year	1 - 5 years	> 5 years
Other financial commitments from lease agreements kEUR	137	102	35	0
Other financial commitments from obligation to accept kEUR	163	163	0	0
Other financial commitments from obligation to accept kUSD	924	924	0	0
As of 2009 and following years	Total	< 1 year	1 - 5 years	> 5 years
Other financial commitments from lease agreements kEUR	124	107	17	0
Other financial commitments from obligation to accept kEUR	0	0	0	0
Other financial commitments from obligation to accept kUSD	131	131	0	0

Auditor fees

In 2008, 44 kEUR (2007: 44 kEUR) was entered as expenditure for the audit of the financial statements and 7 kEUR (2007: 5 kEUR) as expenditure for tax consulting services.

29. Segment information

The segment information is presented in Annex 1 to Notes on Consolidated Accounts.

The structure of assets and operating results based on fields of activity (primary report format) and on regions (secondary format) is presented in the segment report as follows:

The Analog diagnostic products segment includes the sales of clinical glass thermometers. For the Digital diagnostic products segment we have provided the income and expenses for digital clinical thermometers and blood pressure meters. Our remaining business fields, especially the product groups warming systems, early stroke detection (apoplex medical technologies GmbH) and the new spirometry products (Geratherm Respiratory GmbH), are entered under Others. There is no service integration between the segments of the primary report format.

The significant operating results and expenses are entered individually according to the internal short-term income statement or assigned based on appropriate allocation formulas. The remaining segment earnings and expenses are typically arranged according to sales revenue.

The fixed assets and inventories are assigned individually, to the extent possible. The fixed assets,

which cannot be counted directly, (primarily buildings) are assigned based on m² use.

Segment receivables and liabilities are assigned according to their structure in relation to sales.

Segmentation by regions is based on the sales markets of the group.

Notes on Cash Flow Statement

30. Gross cash flow

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, amortization of grants and subsidies on the liabilities side and the change in long-term accruals.

31. Cash flow from operations

The cash flow before any change in commitment of funds in the amount of 775 kEUR (2007: 876 kEUR) is set against changes in the operating funds.

Altogether, the net income for the year and the funds commitment in current assets result in an inflow of funds from operations in the amount of 473 kEUR (2007: 1,039 kEUR).

The capital flow statement for 2008 includes in detail the payments received from interests (33 kEUR; 2007: 94 kEUR) and dividends (48 kEUR; 2007: 21 kEUR) and outgoing payments from interests (35 kEUR; 2007: 11 kEUR) and income taxes (22 kEUR; 2007: 0 kEUR).

32. Cash flow from investments

The purchase of fixed assets, financial assets and intangible assets, including development costs, result in expenses in the amount of 724 kEUR (2007: 451 kEUR). Cash inflow and outflow based on financial assets are explained under Item 8 of these Notes.

33. Cash flow from financing activities

The cash flow from financing activities comprises an outflow of funds from the dividend payments in the amount of 1,356 kEUR (2007: 1,800 kEUR) and the inflow of funds from payment of minorities for the increase in the share capital of Geratherm Respiratory GmbH in the amount of 67 kEUR (2007: formation: 157 kEUR) and the provision of loans to apoplex medical technologies GmbH in the amount of 105 kEUR (2007: 156 kEUR) and to Geratherm Respiratory GmbH in the amount of 45 kEUR (2007: 0 kEUR). The increase in loan liabilities is based on the short-term utilization of credit lines totalling 670 kEUR.

Capital management

Primary objective of the company is to sustainably ensure the financial equilibrium, while efficiently allocating the capital resources available to the group (equity capital) to the business areas at the same time. In this case an internal capital allocation rate is applicable, which allows for monitoring

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the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. The operative and strategic capital management is an integral part of the company's internal reporting system.

Financial instruments

a) Financial instruments in the balance sheet

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

	Classification	Valuation methods	Book value 12/31/2008 kEUR	Book value 12/31/2007 kEUR
Group financial statement	I. Securities - „Financial assets available for sale“		2,991	5,883
	Securities - „Financial assets available for sale“	Valuation not affecting net income at the current market value	95	5,883
	Securities - „Financial assets available for sale“	Valuation adjustment with effect on the income at the current market value	2,896	0
	II. Credits and accounts receivable	Net book value	1,619	2,970
	1. Trade receivables		1,979	1,885
	2. Tax receivables and other assets		164	227
	3. Cash in hand and cash in banks		1,373	2,085
	4. Long-term debts		-405	-255
	5. Liabilities to banks		-670	0
	6. Liabilities on payments received		0	-65
	7. Trade accounts payables		-363	-464
	8. Tax liabilities and other liabilities		-459	-443

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

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

Since the book value of the financial instruments according to IFRS 7.29 (a) represents a reasonable approach to the current market value, there is no indication of the current market value.

b) Profits and losses from financial instruments

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

	available - for - sale		Accounts receivable and credits	
	2008 kEUR	2007 kEUR	2008 kEUR	2007 kEUR
Interest earnings			33	94
Interests paid			-35	-11
Interest income			-2	83
Exchange gains			192	72
Exchange losses			-337	-136
Income from currency differences			-145	-64
Exchange gains from sales of securities	490	753		
Exchange losses from sales of securities	-1	-7		
Losses from valuation of securities	-4,017	0		
Dividend income	48	21		
Securities-related expenses	-17	-27		
Securities-related income	-3,497	740		
Allowance for uncollectible accounts			-14	-49
Net profits and losses entered in the income statement	-3,497	740	-161	-30
Change in market valuation reserve due to sale	-777	-43		
Change in market valuation reserve due to change in current net book value	1,422	-753		
Overall change in market valuation reserve	645	-796		
Overall results from financial instruments	-2,852	-56	-161	-30

Fiduciary activities are not performed in regard to financial assets.

c) Type and degree of risks resulting from financial instruments

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

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

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

Credit / Bad Debt Risk

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivable. The group process that is implemented for minimizing the credit risks encompasses in particular the daily monitoring of maturities and, if need be, the near-current implementation of a dunning procedure. Other instruments leveraged to minimize risks with new customers include requests for advance payments, credit agency queries, event-driven customer-specific credit lines and letters of credit such that the bad debt risk can be regarded as minimal. Moreover, this risk is adequately taken into account with valuation adjustments formed for bad debt losses.

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

	2008 kEUR	2007 kEUR
Domestic	212	302
Abroad	1,931	1,811
	2,143	2,113

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The age structure of accounts receivable and other assets is as follows:

	2008		2007	
	Gross	valuation adjustment	Gross	valuation adjustment
	kEUR	kEUR	kEUR	kEUR
Not overdue	1,699	0	1,604	0
0 - 30 days overdue	220	0	424	0
31 - 60 days overdue	194	0	81	0
More than 60 days overdue	86	-56	106	-102
	2,199	-56	2,215	-102

The valuation adjustments have developed in this regard as follows:

	2008 kEUR	2007 kEUR
As of January 1	102	56
Addition	14	49
Utilization	-43	-1
Dissolution	-17	-2
As of December 31	56	102

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.

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

	2008 kEUR	2007 kEUR
Liabilities to banks	-670	0
Trade payables	-363	-464
Tax liabilities	-36	-46
Other liabilities (without advance payments received)	-423	-397
Short-term financial resources required	-1,492	-907
Liquid assets	1,373	2,085
Liquidity 1	-119	1,178
Trade receivables	1,979	1,885
Tax receivables	64	113
Other receivables (without prepayments)	100	53
Liquidity 2	2,024	3,229
Securities held as short-term investments	2,991	5,883
Liquidity 3	5,015	9,112

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Market Price Risk - Foreign Currency

Foreign currency risks exist for the group insofar as deliveries are made and ordered in part outside of the euro zone. From the group's point of view, the key foreign currency, in which there is an exchange of services, is the US dollar. Consequently, Geratherm Medical is subjected to the following foreign exchange risk as at reporting date.

	12/31/2008 kUSD	12/31/2008 kEUR	12/31/2007 kUSD	12/31/2007 kEUR
Trade receivables	1,435	1,031	1,287	874
Bank loans / cash in banks	-565	-406	10	7
Trade payables	-122	-87	-102	-69
Balance sheet items	748	538	1,195	812
Order balance	73	52	39	27
Financial obligations	-131	-94	-924	-628
Purchase commitments	-320	-230	- 168	- 114
Pending transactions	-378	-273	-1,053	- 715
Net item	370	265	142	97

The following currency translations were applied.

	12/31/2008	Average 2008	12/31/2007	Average 2008
US-Dollar	1.392	1.471	1.472	1.371

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

	12/31/2008		12/31/2007	
	Equity capital	Performance	Equity capital	Performance
US-Dollar	0	-24	0	-10

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.

Market Price Risk - Interest

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

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

With regard to long-term debts in the amount of 405 kEUR (2007: 255 kEUR) 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 security investments, we only have highly fungible securities which are currently tradeable according to the current state of knowledge such that no long-term, significant risks can be derived. In the opinion of the Executive committee a sensitivity analysis does not present the actual price risk, since the majority of the security investments comprise shares from companies whose business model is not yet conclusively confirmed by the capital markets such that there is a high individual volatility per se and the historic market trend many not be regarded as representative. Below we provide a brief overview of the key security 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 historic costs of more than 500 kEUR as at the reporting date as important. With regard to the valuation of the individual items, we refer to item 8 in these notes.

Evotec AG

Evotec is a biotech research company that focuses on the central nervous system (CNS). The active agents developed by Evotec target a broad therapeutic field. In 2008 the company was looking

for a partner for phase III of its sleeping agent EVT 201, whose development is the farthest along. A smoking cessation agent should have entered phase II. This objective has not yet been achieved. The merger with Renovis took place on May 5, 2008 as per the resolution adopted by the general meeting with a ratio of 1 to 0.527. From the merger Geratherm Medical AG received 35,024 shares with the designation Evotec ADRs 2. Since the share price of both securities in 2008 fell by 78% compared to our purchase share, we have reported a decrease in value as at the reporting date within the framework of an impairment with effect on the bottom line.

Adolor Corp.

Adolor Corp. USA is a biotech company that is currently developing the pain relieving agent (ENTEREG), which should be used for post-operative applications, whereas we are of the opinion that there is no other comparable agent available yet. The U.S. Food and Drug Administration (FDA) gave its approval for ENTEREG in May 2008. In spite of the approval, the stock market price fell by 77% compared to our purchase price. We have reported the decrease in value as of December 31, 2008 with effect on the bottom line.

Epigenomics AG

Epigenomics AG is a biotech company that is active in the field of identifying colon cancer on the basis of tumor markers. We see a great market potential for this type of cancer diagnosis, which should experience greater acceptance than previously used invasive procedures while offering the same high quality results. In addition to that, it is not possible to rule out that the tumor marker procedure may also be used to improve the quality of results of the invasive procedures used in the past. As a result, we are expecting that our involvement will have a positive development in the future. Should our assessment fail to come true, there is also the possibility of a corresponding negative development of our involvement. Since the stock market price as of the reporting date fell by 29% compared to the purchase price, a value decrease was entered with effect on the bottom line.

Agfa-Gevaert N.V.

Agfa-Gevaert is a worldwide leader in image technology. With 42% of total sales, the health care division is an international prominent IT supplier for hospitals. Hospital IT represents a long-term growth market. The original split-up of the group was called off. Due to the lack of dividend and operative problems the share price took an 83% nosedive in 2008. We have entered the decrease in value between the purchase price and valuation as at December 31, 2008 with effect on the bottom line within the framework of the impairment.

Sanofi-Aventis S.A.

Sanofi-Aventis is a large international pharmaceutical company with the third largest research and development budget in the world. The research resources are concentrated on four major growth areas: cancer, thromboses, diabetes and vaccines. Sanofi-Aventis is the global market leader in the field of vaccines, including the new vaccine for treating cervical cancer, for instance. We foresee a positive development of this major pharmaceutical group over the medium term. Sanofi-Aventis is suffering, however, like other companies in the same segment, due to competition from generic products and expiring patents. In spite of the company's and segment's sound prospects for the medium term, there is the risk of a negative development of the involvement. Since the stock market price as of the reporting date fell by 20% compared to the purchase price, a value decrease was entered with effect on the bottom line.

Novavax Inc.

Novavax is a biopharmaceutical company that focuses on the development of vaccines for infectious diseases. The company possesses a novel technology for producing vaccines. Development includes, among other things, vaccines for H5N1 (avian flu virus), H9N2 and other sub-types of the flu virus with pandemic potential. In case of success, the company will be able to tap a high market

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potential. Since Novavax is one of the most important and innovative vaccine developers, we see a good potential in this involvement. There is the risk that the development in the contemplated form will not bear fruit or other factors may have a negative impact, which could adversely influence the involvement. Since the stock market price as of the reporting date fell by 45% compared to the purchase price, a value decrease was entered with effect on the bottom line.

The following table shows the highest and lowest prices respectively on the German and US capital markets for shares included in the balance sheet item of Securities at the end of the 2008 fiscal year.

	2008		2007	
	Highest price	Lowest price	Highest price	Lowest price
	EUR	EUR	EUR	EUR
Evotec ADRs 2	2.91	1.25	-	-
Evotec AG	2.29	0.66	4.33	2.13
Adolor Corp.	3.80	1.14	6.67	2.11
Epigenomics AG	2.73	1.50	4.39	1.96
Agfa-Gevaert N.V.	10.45	1.72	20.18	6.65
Sanofi-Aventis S.A.	66.79	37.50	71.47	57.00
Novavax Inc.	2.24	1.01	3.30	1.93
Anadys Pharmaceuticals Inc.	2.02	0.93	3.71	1.18
Eckert & Ziegler Str.- u. Med. AG	10.30	7.30	12.96	9.70

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Market Price Risk - Raw Material Prices

Specific raw materials are important for the continuous supply of our production. 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.

Other information

Information about the Executive Committee

The Executive Committee of Geratherm Medical AG included during the year under review:

Chairman

Dr. Gert Michael Frank, Dipl. Wirtschaftsingenieur, Frankfurt am Main
Managing director of GMF Beteiligungsberatung GmbH, Frankfurt am Main
Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda
Executive board of Biomics Biotec AG, Mainz

Board member

Thomas Robst, Dipl.- Ing., Geraberg
Board member for Marketing and Sales

The company is legally represented by two members of the Executive Committee or by one member of the Executive Committee in conjunction with one authorized officer (Prokurist). If the Executive Committee has only one member, this person represents the company exclusively. Dr. Frank is authorized to represent the company on his own.

Fixed payments in the amount of 137 kEUR (2007: 137 kEUR) and variable payments in the amount of 20 kEUR (2007: 15 kEUR) for the activities of the Executive Committee were reported during the

2008 fiscal year. The remuneration received by the managing directors in the amount of 9 kEUR (2007: 9 kEUR) represents contributions to the contribution-oriented pension schemes. As in the previous year, no variable payments were accrued in 2008 for management services based on financial results. On June 9, 2006 the annual general meeting decided that the information required for five years according to Art. 285 Para. 1(9)a Clause 5 to 9 and Art. 314 Para. 1(6)1 Clause 5 to 9 of the HGB (German Commercial Code) be omitted.

As of the reporting date, the Executive Committee held directly and indirectly 2,731,987 shares.

Information about the Supervisory Board

In accordance with the Articles of Association, the supervisory board comprises 3 members.

Members of the supervisory board are:

Rudolf Bröcker, Bensheim (Chairman of the supervisory board)
Dipl.-Kaufmann
Chairman of the supervisory board of Biomix Biotech AG, Mainz

Bruno Schoch, Suresnes (France)
Deputy general director of Fromageries Bel SA, Paris
Member of executive board of Unibel SA, Paris
Member of executive board of SICOPA SA, Paris
Member of supervisory board of Société des Domaines SAS, Wattwiller, France

Firus Mettler, Frankfurt am Main
Dipl. Jurist, MBA

A payment in the amount of 12 kEUR (2007: 18 kEUR) is included in the accrued liabilities for the activities of the supervisory board in 2008.

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

Staff trends

		Employees	Technical employees	Trainees	Total
Number of employees (annual average) - excluding managing	2008	36	45	1	82
	2007	31	44	3	78

Corporate Governance Report

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

Geratherm Medical AG

Geschwenda, March 13, 2009



Dr. Gert Michael Frank



Thomas Robst

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Group Segment Report for the business year from 1st January 2008 to 31st December 2008

(cf. Annex No. 29)

	According to business area	Analogue Diagnostic Products	
		2008	2007
		kEUR	kEUR
Segment reporting	Turnover	3,750	3,278
	Gross Profit	2,436	2,378
	Operating Results	792	675
	Financial result		
	Taxes on income and earnings		
	Consolidated annual net loss (income in 2007)		
	of which:		
	Amortisation of intangible assets and depreciation of property, plant and equipment	-90	-87
	Amortisation of subsidies and allowances	16	17
	Acquisition costs for fixed assets in the period	95	24
	Book value of fixed assets	743	716
	Short-term assets	1,726	2,165
	Segment assets	2,469	2,881
	Deferred taxes		
	Total assets		
	Short-term debts	419	363
	Long-term debts	223	209
	Segment debts	642	572
	According to region	Germany	
		2008	2007
		kEUR	kEUR
	Turnover	2,505	2,152
	Elimination of intragroup turnover	-432	-432
	Turnover to third parties	2,073	1,720
	Gross profit	1,479	1,171
	Operating result	144	139
	of which:		
	Amortisation of intangible assets and depreciation of property, plant and equipment	-73	-71
	Amortisation of subsidies and allowances	9	9
	Acquisition costs for fixed assets in the period	696	412
	Book value of fixed assets	11,583	14,692

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	Digital Diagnostic Products		Others		TOTAL	
	2008	2007	2008	2007	2008	2007
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	4,418	4,094	1,911	1,430	10,079	8,802
	2,269	1,918	1,389	891	6,094	5,187
	397	492	-595	-550	594	617
					-3,499	823
					-117	-144
					-3,022	1,296
	-57	-67	-156	-160	-303	-314
	20	22	9	8	45	47
	53	46	576	379	724	449
	235	219	1,830	1,458	2,808	2,393
	2,167	1,711	5,695	9,136	9,588	13,012
	2,402	1,930	7,525	10,594	12,396	15,405
					2,664	2,761
					15,060	18,166
	663	452	410	157	1,492	972
	218	261	480	346	921	816
	881	713	890	503	2,413	1,788

Geratherm Medical AG, Geschwenda

Oath concerning the Group Management Report for the business year 2008

We hereby affirm that to the best of our knowledge the Consolidated Financial Statement drawn up in accordance with the applicable accounting standards truthfully reflects the assets, financial and earnings situation of the Group and that in the Group Management Report the course of business, including the business results and the situation of the Group, are presented in such a way as to convey a true picture of the real circumstances and to describe the main opportunities and risks arising from the Group's anticipated development.

Geschwenda, March 13, 2009

Geratherm Medical AG

A blue ink signature, appearing to read 'Gert Frank', written in a cursive style.

Affidavit

Dr. Gert Frank

A blue ink signature, appearing to read 'Thomas Robst', written in a cursive style.

Thomas Robst

Auditor's Report

We have audited the consolidated financial statements prepared by the Geratherm Medical AG, Geschwenda, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st to December 31 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.


In our opinion, based on the findings of our au-

dit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Leipzig, March 13, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(vormals
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)


Liebers
Wirtschaftsprüfer


Fricke
Wirtschaftsprüfer

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Cooperate calender 2009

Annual General Meeting

6/08/2009

Hotel „Hessischer Hof“ in Frankfurt/Main

Quarterly Reports 1. Quarter

5/20/2009

Quarterly Reports 2. Quarter

8/20/2009

Quarterly Reports 3. Quarter

11/19/2009

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Fahrenheitstrasse 1, 98716 Geschwenda,
Phone: +49 36205 - 980, Fax: +49 36205 - 98115
E-Mail: info@geratherm.com, Internet: www.geratherm.com

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Geratherm Medical AG

Fahrenheitstrasse 1

D - 98716 Geschwenda

Phone: +49 36205 - 980

Fax: +49 36205 - 98115

E - Mail: info@geratherm.com

Internet: www.geratherm.com