

# Geratherm®

→ SOLUTIONS  
FOR A HEALTHY WORLD

Annual Report 2011



# → *FACTS AND FIGURES*

	12/31/2011	12/31/2010	Change in %	
<b>Sales revenues</b>	<b>17,129 kEUR</b>	<b>16,978 kEUR</b>	<b>0.9</b>	↗
Export share	14,832 kEUR	14,646 kEUR	1.3	↗
Export ratio	87 %	86 %	1.2	↗
Gross profit (EBITDA)*	2,399 kEUR	2,948 kEUR	-18.6	
<b>EBITDA-Margin</b>	<b>14.0 %</b>	<b>17.4 %</b>	<b>-19.5</b>	
Amortization or depreciation	-679 kEUR	-598 kEUR	13.6	↗
<b>Operating results (EBIT)</b>	<b>1,720 kEUR</b>	<b>2,350 kEUR</b>	<b>-26.8</b>	
<b>EBIT-Margin</b>	<b>10.0 %</b>	<b>13.8 %</b>	<b>-27.5</b>	
Financial results	126 kEUR	983 kEUR	-87.2	
Result of ordinary activities	1,846 kEUR	3,333 kEUR	-44.6	
<b>Profits of the shareholders of the parent company</b>	<b>1,451 kEUR</b>	<b>2,712 kEUR</b>	<b>-46.5</b>	
Long-term assets	5,743 kEUR	6,076 kEUR	-5.5	
Short-term assets	18,840 kEUR	20,885 kEUR	-9.8	
Total assets	24,583 kEUR	26,961 kEUR	-8.8	
Equity capital	18,665 kEUR	20,517 kEUR	-9.0	
Return on equity	7.8 %	13.2 %	-41.2	
Equity ratio	75.9 %	76.1 %	-0.3	
Cash, cash equivalents and securities	9,534 kEUR	12,022 kEUR	-20.7	
<b>Earnings per share according to IFRS (EPS)**</b>	<b>0.29 EUR</b>	<b>0.56 EUR</b>	<b>-48.2</b>	
<b>Earnings per share according to DVFA**</b>	<b>0.29 EUR</b>	<b>0.56 EUR</b>	<b>-48.2</b>	
Proposed dividend	0.30 EUR	0.40 EUR	-	
Number of employees at end of period	149	133	12.0	↗
Total shares issued	4,949,999	4,949,999	0.0	→
**based on total shares issued	4,949,999	4,863,698	1.8	↗

\* EBITDA = profits from ordinary business activities adjusted by financial results and write-offs.

# → *BRIEF AND CONCISE*

## 2009

The EU's ban on mercury takes effect on April 3, 2009. Geratherm enjoys a strong demand for the environmentally friendly mercury alternative galinstan, which is used in clinical thermometers, among other things. Production at the plant in Thuringia is expanded significantly. The company posts a sales growth of 43%. More than 80% of the products are distributed internationally to approx. 60 countries.

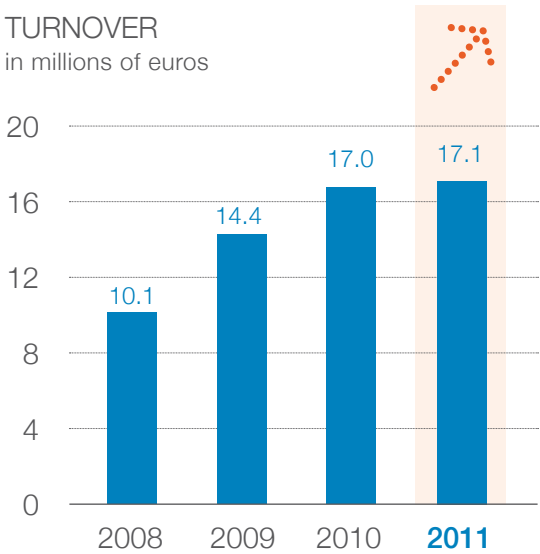
## 2010

The company grows by 18% again. Geratherm warming systems receive FDA approval and are selected as one of the ten best products in Germany, which could achieve the highest savings potential in the healthcare segment. The Pirmasens-based cardio unit apoplex receives the Innovation Award of the Federal State of Rhineland Palatinate. Geratherm Medical has a staff of 133 employees. Sales are increased to EUR 17 million with an operating result (EBIT) of EUR 2.4 million.

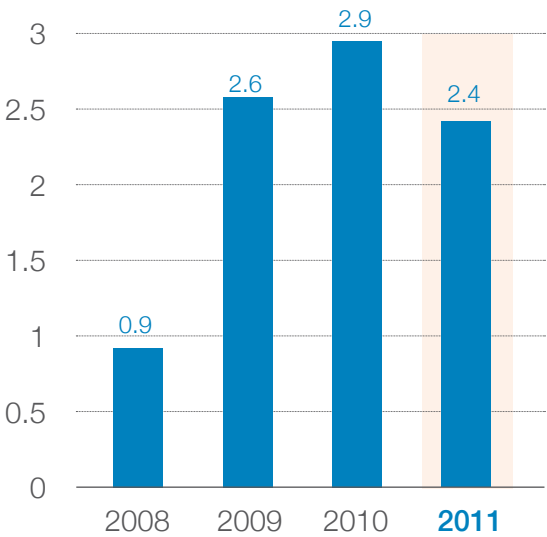
## 2011

The company grows slightly with a 0.9% increase in sales. The turmoil in the Arab nations and the very moderate weather conditions during the 4<sup>th</sup> quarter have an unfavorable effect on sales and earnings. Frost & Sullivan recognizes Geratherm's warming systems as the best product in the "Temperature Management Europe" segment. The University Hospital of Heidelberg publishes positive study data in May 2011 concerning SRAdoc for detecting atrial fibrillation. Geratherm Medical has a staff of 149 employees. Sales increases to EUR 17.1 million with an operating result (EBIT) of EUR 1.7 million.

TURNOVER  
in millions of euros

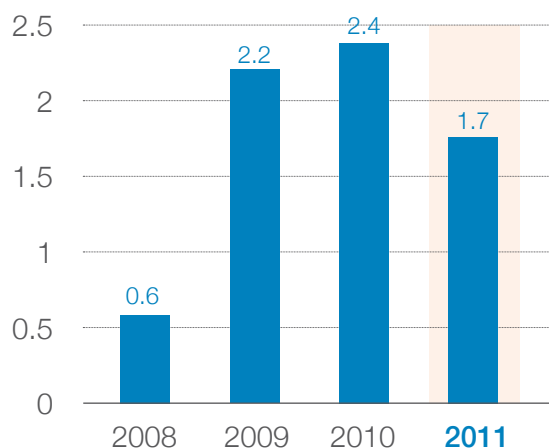


EBITDA  
in millions of euros

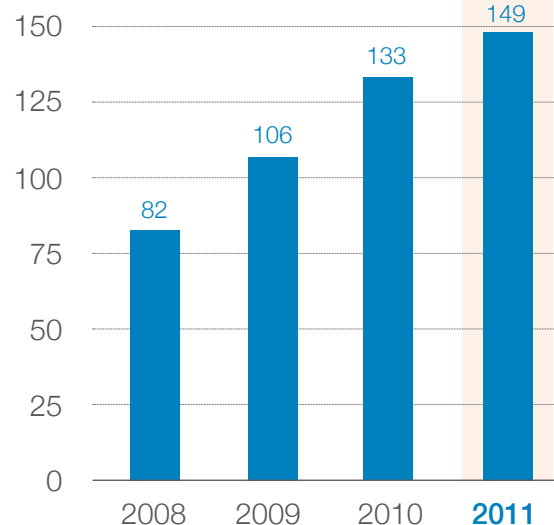


GERATHERM MEDICAL IS AN  
INTERNATIONALLY FOCUSED  
MEDICAL TECHNOLOGY COMPANY  
WITH THE FOLLOWING BUSINESS  
HEALTHCARE DIAGNOSTIC,  
PRODUCTS FOR MEASURING VITAL DATA  
MEDICAL WARMING SYSTEMS,  
MONITORING AND MAINTAINING THE BODY'S TEMPERATURE  
CARDIO/STROKE AND RESPIRATORY.  
SCREENING OF CARDIAC ARRHYTHMIA DIAGNOSIS OF LUNG FUNCTION

EBIT  
in millions of euros



EMPLOYEES



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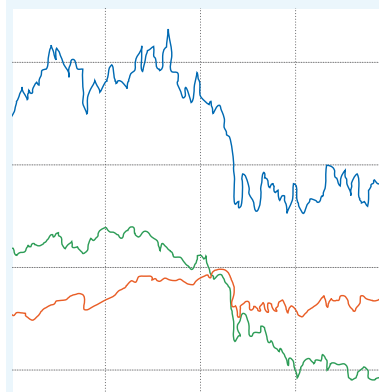
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MANAGEMENT

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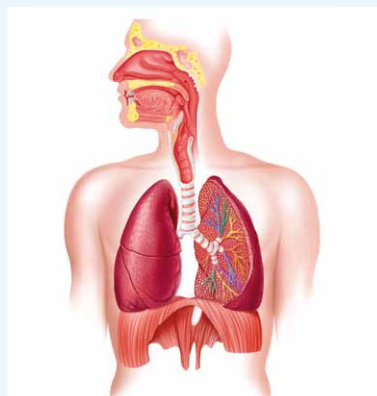
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THE GERATHERM SHARE

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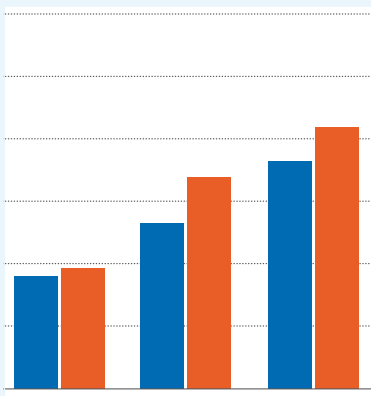
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GROUP  
MANAGEMENT REPORT

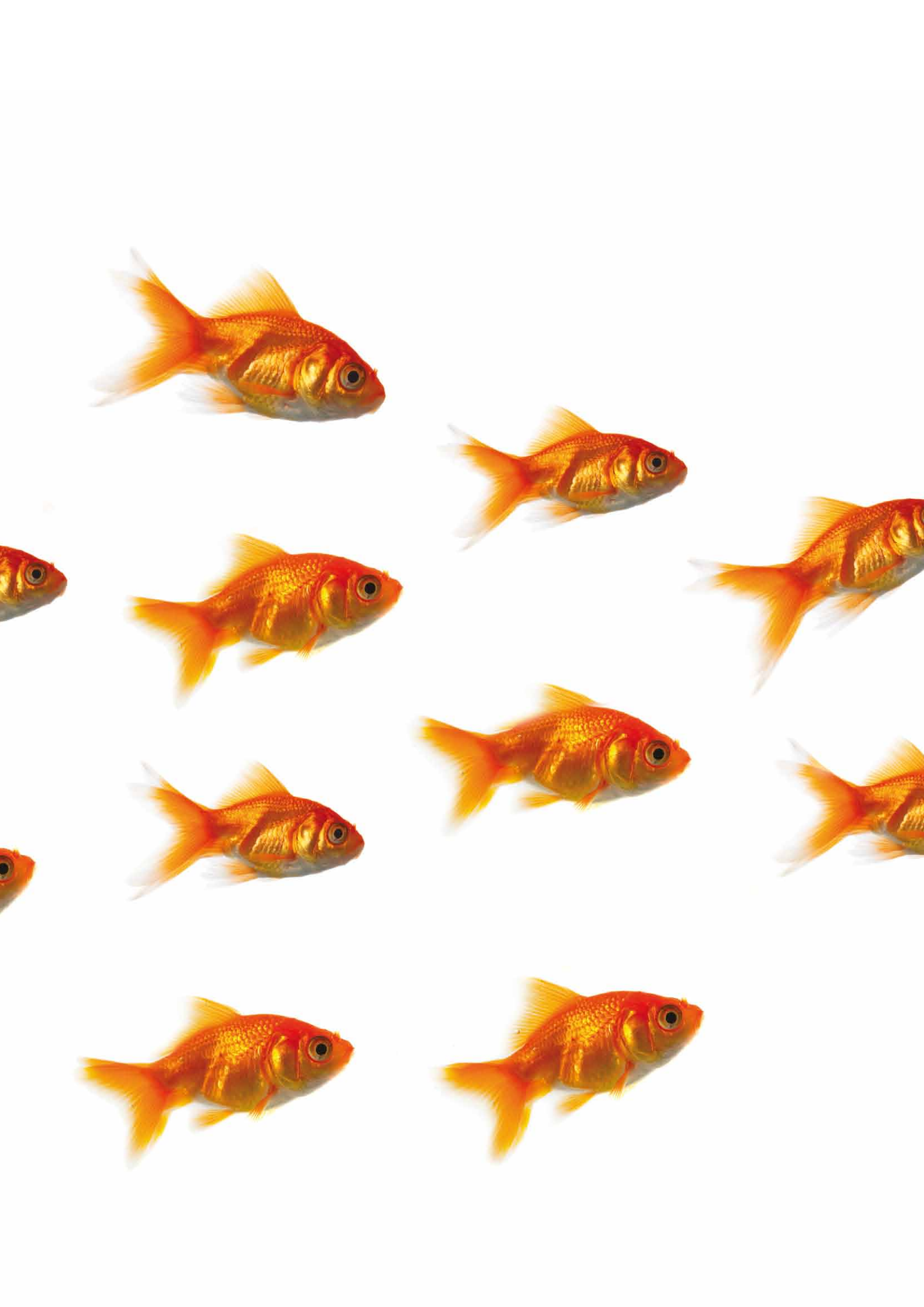
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126 kEUR	983 kEUR	-87.2
1,846 kEUR	3,333 kEUR	-44.6

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*We conduct research  
in order to be able  
to offer our innovative  
products as solutions  
for tomorrow's market.*





## → SUPERVISORY BOARD'S ANNUAL REPORT

The Supervisory Board performed its duties as prescribed by law and set out in Geratherm's bylaws and regularly monitored the work of the Executive Board throughout the 2011 financial year.

The collaboration was characterized by an intensive and trustful interaction on both parts. The Supervisory Board was informed promptly and in detail by the Executive Board about current business developments and risk management activities of the Geratherm Medical Group.

The Company's market and sales situations were regularly addressed while taking general economic development into account. The Supervisory Board meetings focused on the Company's financial situation, especially the development of earnings and liquidity management.

The Supervisory Board convened a total of four times in this regard during the 2011 fiscal year. Outside of the Supervisory Board meetings, the chairman of the Supervisory Board was regularly in contact with the chairman of the Executive Board, discussing relevant issues. The Executive Board fulfilled its duties to inform and report as specified in the Company's bylaws.

The Supervisory Board was not aware of any conflict of interests on part of its members during 2011 such that every member was able to participate in all discussions and decisions.

The topics discussed during the meetings were fundamental aspects of business policy concerning the core business and the state of develop-

ment of new business segments. Moreover, the planned product developments in the individual business segments and asset management in the Company were discussed. The new business segments, which are still in the development stage, Respiratory, Cardio/Stroke and Medical Warming Systems, as well as the development of the Brazilian subsidiary were also discussed and closely monitored by the Supervisory Board.

The year-end financial statements of Geratherm Medical AG, which were prepared according to Germany's Commercial Code (HGB), the consolidated financial accounts compiled in accordance with IFRS and the management report have been checked by the appointed auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft Leipzig, with consideration given to the accounting for the 2011 fiscal year and certified an unqualified audit opinion.

The auditor participated in the Supervisory Board's meeting with regard to the approval of the 2011 financial statements and reported the significant results of the audit.

We checked the year-end financial statements and the consolidated financial accounts including the management reports and have no objections to raise based on the conclusive results of our audit.

In its meeting on March 20, 2012, the Supervisory Board approved the year-end financial statements and the consolidated financial accounts as of December 31, 2011. The financial statements are thus adopted.





The Supervisory Board approved the Executive Board's proposal to use the distributable profit for the year, which envisages a dividend of EUR 0.30 per share. The dividend is disbursed from the tax contribution account in accordance with Art. 27 of KStG (not contributions to nominal capital), thus the payment is made without any deduction of capital gains tax and solidarity surcharge. For German shareholders, dividends are not usually subject to taxation.


KPMG AG Wirtschaftsprüfungsgesellschaft has examined the Executive Board's report on the relations existing with associated companies. It confirmed that according to its dutiful audit and assessment the advice of this report is accurate and that the performance of the company was suitable. Following the conclusion of the audit, there are no objections against the Executive Board's report on the said relations. We agree with the results of the audit.

The Supervisory Board would like to express its gratitude to each and every employee of all companies in the Geratherm Medical Group for their dedication and good work in 2011.

Geschwenda, March 20, 2012

Rudolf Bröcker  
*Chairman of the Supervisory Board*





*We strive to provide  
product solutions  
for a healthy world.*

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## → MANAGEMENT

### **Dear Shareholders and Friends of Geratherm,**

2011 was characterized by traumatic events. The earthquake in Japan on March 11, 2011 and the associated nuclear disaster had an enormous impact on Japan's economy and revealed weaknesses in the global division of labor. Even Geratherm quickly noted the lack of requisite electronic components.

In the summer, the United States were close to insolvency, since the federal debt ceiling under the US constitution was almost reached. As a consequence, the US lost the top-tier AAA credit rating, which it had had without interruption since World War II. Afterwards, the devaluation seemed like the initial drum roll for that which caused Europe to wait with bated breath for the rest of the year.

The euro crisis, which has persisted for two years now, reached the financial markets towards the middle of the year. It also became clear to many stakeholders that Greece, Portugal, Ireland and probably Spain as well are bankrupt. The countries overreached themselves far beyond their means and accumulated mountains of debts that could no longer be met by their own economic strength. In other words, living on credit beyond their means for a long time.

History teaches that that is an expensive affair for all parties that provided the money. That is why it is now recommended keeping a close eye on the underlying conditions that one is subject to as an economic actor.

As a medical technology company, Geratherm is certainly not completely unaffected by public spending as well. Of course, Geratherm generates sales not only in the aforementioned problem countries but also has a very good international position such that we believe that we are well prepared. For instance, more than 80% of our sales come from export. We benefit from the fact that we know our customers very well and that our products are mainly shipped only if payment is made either in advance or safeguarded by a letter of credit. In spite of turmoil in individual countries, we have not noted any bad debt loss in 2011.

We did clearly notice, however, a temporary decline in incoming orders from the Middle East. We also experienced noticeably lower volumes of orders from countries such as Greece, Portugal and Spain. The problems in the Middle East have not been resolved but the demand for our products did rise considerably towards the end of the year. The particularly moderate weather conditions that Europe enjoyed during the last three months of the year did have a negative impact on our business development in 2011. As a result, orders, especially for our clinical thermometers, fell significantly.

Economic growth in Germany reached + 3% in 2011. Export increased by 8.3%. Medical technology companies reported a sales growth of + 5.3% in 2011.

Geratherm Medical's sales did increase by 0.9% to EUR 17.1 million during the 2011 fiscal year.



Unfortunately, we were not able to maintain the healthy double-digit growth in sales of the past three years in 2011. With an operating result of EUR 1.7 million, we did not achieve our target performance level but satisfactorily concluded the year in terms of business operations. The core business, without taking the new segments Respiratory and Cardio/Stroke and our subsidiary Geratherm do Brasil into account, remained stable in 2011 and recorded an EBIT margin of 18.9% with a sales of EUR 12.9 million. The establishment of the two new divisions Respiratory and Cardio/Stroke had an unfavorable impact on Geratherm's result with - 483 kEUR. Even the subsidiary in Brazil did not provide a profit contribution but rather reported a loss of - 231 kEUR due to moving into its new business premises and listing fees.

The devaluation of the securities as at Dec. 31, 2011 offset for the most part the good earnings from securities trading. Together with the still positive financial result of 126 kEUR, the reported profit amounted to EUR 1.8 million before taxes or 9.9% of the equity capital. This allows us to recommend a dividend payment of EUR 0.30 per share.

That was a quick overview of the 2011 fiscal year, but what can we expect from the future? If 60% of the developed countries attempt to reduce massive debts at the same time, economic growth will likely prove to be moderate. That is why the World Bank predicts a global growth of only 2.5% for 2012. For the euro zone, even a 0.3% decline is anticipated. Although the demand for medical technology is not immune

to the underlying economic conditions, stable trends such as increasing population and economic expansion and demographic development are still intact, however. Based on these factors, it can be assumed that the market for medical technology will continue to grow globally in the mid-single-digit range in 2012.

At Geratherm many fundamental factors have already been created that allow us to feel positive about 2012. The new business segments will generate considerable growth impetus and contribute positive results. For the Brazilian market we are expecting sales to double with a good earnings report. The financial assets were written off at the low level as of December 31, 2011 and thus have a corresponding recovery potential.

Geratherm has good products and satisfied customers. That in short forms a good basis for 2012.

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

Yours,

Dr. Gert Frank  
*Chairman of the Board*



### 3

## → THE GERATHERM SHARE

2011 was not only a turbulent year on the capital markets. The previous year's strong economic growth phase was not able to continue with the same dynamics in the form projected by many market participants for 2011. The economic growth reported in Germany still attained with a 3% increase a relatively good level.

The earthquake in Japan, the uprisings in the Arab region and Europe's debt crisis kept the capital markets very busy. The United States lost its status as most indebted country.

2011 was a bad year for the stock markets. Almost all industry indexes closed with loss. In the recent past, only 2001, 2002 and 2008 were worse years on the stock market. Investors' nerves were severely tested during the course of 2011. Germany's leading stock index DAX closed with 5,898 points or a minus of 14.7% at the end of the year.

The European shares, which are represented in Euro Stoxx 50, did not fare much better. This finished 2011 with a minus of 17.6%. The positive development on the US market was surprising. The US securities represented in the Dow Jones Index attained a respectable plus of 6.1%.

The defensive stocks of the healthcare sector have been surprisingly good. First and foremost the healthy reversal of impairment losses of the previously maligned pharmaceutical industry, which was one of the best industries in 2011. The Health Care Stoxx posted the highest rate with an 11.8% growth over the year. The large international health care companies, which are represented in the DJ World Healthcare Index, recorded a 6.07% increase in 2011. The German securities, which are compiled in the Prime Pharma Healthcare Index, posted similar growth rates and finished 2011 with a plus of 6.6%.

The shares of Geratherm exhibited a below-average development compared to the German Prime Healthcare Index in 2011 and closed at EUR 6.50, which corresponds to a 10.3% decrease. The highest stock market price of Geratherm shares was noted at EUR 8.59, and the lowest price was EUR 5.20.

The trade volume of Geratherm shares on the German stock exchanges amounted to 1,004,612 shares in 2011 (2010: 2,232,144 shares). The majority of the transactions, amounting to 668,785 shares, were conducted through the electronic platform (XETRA) of the German Stock Exchange. The average daily sales volume, standing at 4,051 shares, was lower than in the previous year (2010: 8,754 shares). The highest daily sales volume was reported at 30,498 shares.

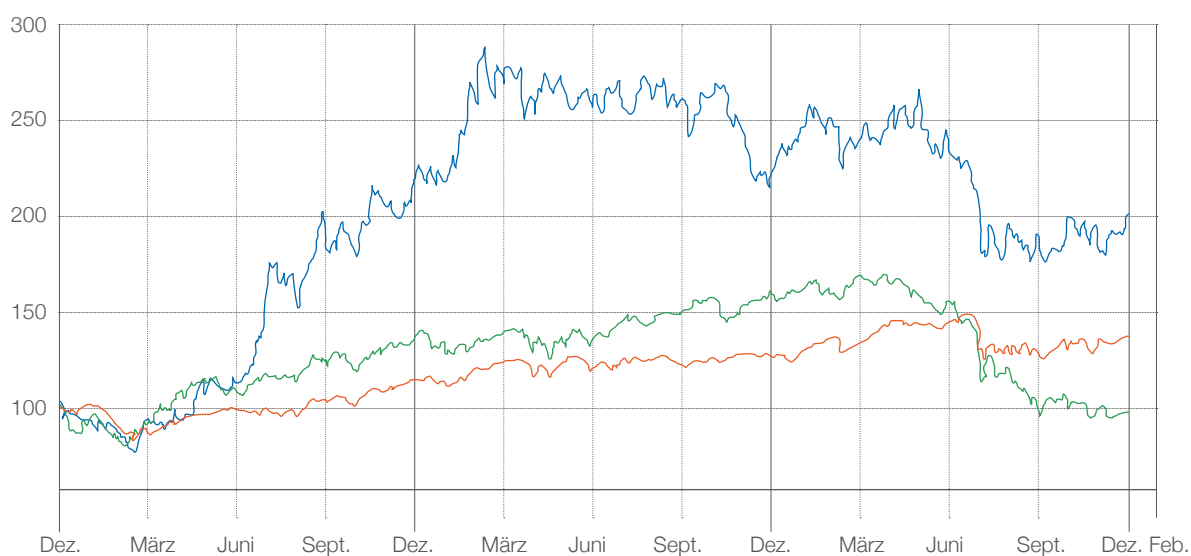
The shares of the Company are listed in the so-called Prime Standard, the highest quality segment of the German stock exchange. Moreover, Geratherm's shares are listed in the German Entrepreneurial Index. The above diagram shows how Geratherm shares have developed over the last three years in comparison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

The company possesses a broad and stable shareholder structure. According to our assessments, the Company's ownership structure is represented by approx. 2,045 shareholders. Main shareholders in 2011 were GMF Beteiligung, Frankfurt (52.78%) and Funds SICAV, FPM, Luxembourg (6.33 %). There are a total 4,949,999 shares in circulation as of 12/31/2011.

Geratherm Medical strives to ensure the most open and transparent financial reporting possible. We focus on maintaining a sound and continuous development of Geratherm Medical.



## GERATHERM SHARE 2011 COMPARED



Period of time: 31.12.2008 to 02.02.2012

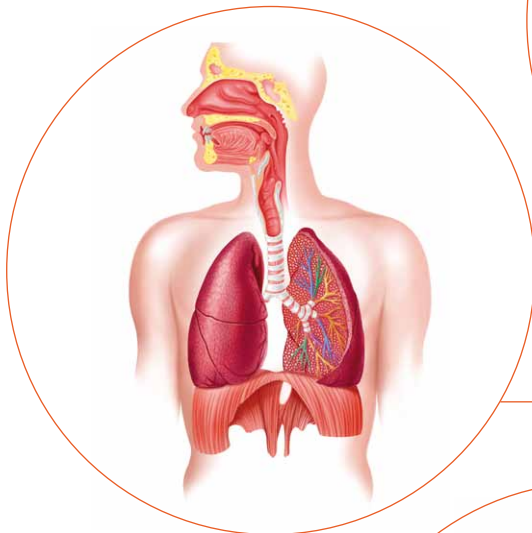
GERATHERM  
PRIME PHARMA HEALTHCARE  
GEX

In 2011 we participated in two events in order to further dialog with our investors. Geratherm took part in the international „Small and Mid Cap Conference“ in Paris, France, in June of 2011. In addition, Geratherm also participated in the Solventis Forum in Frankfurt in April of 2011.

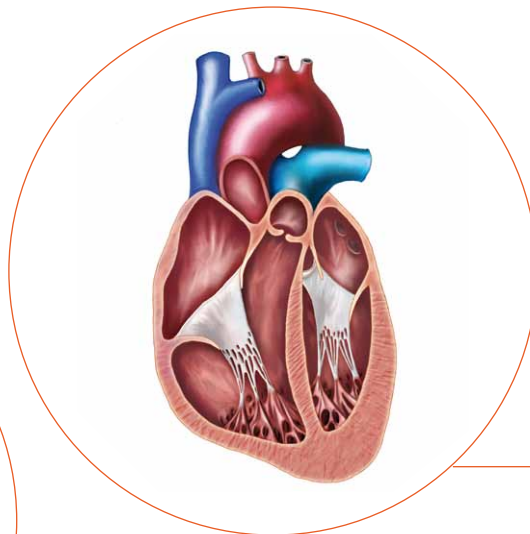
We provide our shareholders and the capital market with up-to-date information. Current reports and publications are available for perusal under Investor Relations on our corporate website.

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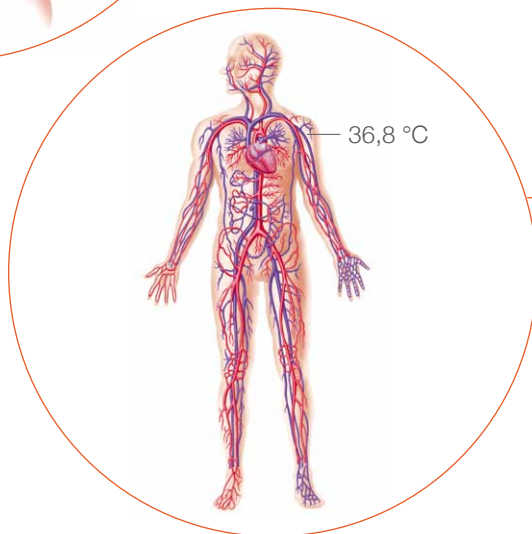
## → OPERATIONAL PRODUCT AREAS



RESPIRATORY



CARDIO/  
STROKE



MEDICAL  
WARMING  
SYSTEMS





## HEALTHCARE DIAGNOSTIC

1





## → HEALTHCARE DIAGNOSTIC

GERATHERM HEALTHCARE OFFERS INNOVATIVE MEDICAL PRODUCTS FOR RECORDING VITAL SIGNS AND FOR TREATMENT BOTH IN HOME-CARE AND HOSPITAL SETTINGS.



### BLOOD PRESSURE

*Blood pressure is the pressure found in a specific area of the cardiovascular system. In clinical language it usually means arterial blood pressure in the major arteries.*

*Blood pressure can be measured in various ways, both internally and externally.*

*A distinction is made between two values:*

- *Systolic blood pressure: the higher value, the maximum pressure value as the heart ejects blood*
- *Diastolic blood pressure: the lower value, the minimum value as the heart refills with blood*

In the Healthcare Diagnostic segment we develop, manufacture and market products for the measurement of vital signs, particularly body temperature and blood pressure. These Geratherm products are marketed internationally via pharmacies and hospitals.

Geratherm Medical has long-standing experience in the field of medical temperature measurement. We offer a broad spectrum of products for this purpose, from simple thermometers to fever monitors which record and store body temperature measurements. The dominant product in this segment is the eco-friendly gallium thermometer "Geratherm classic" which was invented by Geratherm to replace the traditional mercury thermometer.

Following the EU ban on mercury in April 2009, the initially dynamic demand for eco-friendly gallium thermometers has now stabilised. In 2011 4.5 million gallium thermometers were sold by Geratherm around the world.

All in all, Geratherm succeeded in selling 5.5 million thermometers of all product versions on the world market. This amounts to a slight decline of 4%. Sales were bolstered, in particular, by strong demand from the threshold economies. The share of thermometer sales among the company's total sales was 63.3% in 2011 (compared with 65.2% in the previous year).

Further Geratherm products for blood pressure measurement, for the treatment of respiratory conditions and the detection of ovulation are also marketed via pharmacies and hospitals. Nearly all Geratherm blood pressure gauges are also able to detect arrhythmia. Total sales of blood pressure gauges saw a slight increase in 2011, to 202,535 (+ 3%) year-on-year. Blood pressure gauges account for 20% of the company's total sales.



For the year 2012 we are planning to expand the spectrum of products available in pharmacies by launching the "Woman Healthcare" range. We anticipate that these Geratherm products will be well received on the market. This development is part of our medium-term strategic aim of significantly reducing the share of thermometer sales in the total sales of the company.

As a result of the expanded spectrum of products for pharmacies, the product segment Healthcare Diagnostic should experience new growth impulses.



## → MEDICAL WARMING SYSTEMS

THE GERATHERM WARMING SYSTEMS SEGMENT OFFERS TEMPERATURE MANAGEMENT SOLUTIONS IN ALL PHASES OF PRE-CLINICAL AND CLINICAL PATIENT CARE.



### BODY TEMPERATURE

*Body temperature is usually defined as the core temperature of the body, i.e. the temperature of the interior of the thorax, the abdomen and the head.*

*In a healthy adult it is normally between 36 °C (309.15 K, 96.8 °F) and 37 °C (310.15 K, 98.6 °F).*

*Depending on the temperature of the surroundings, there may be large differences between the temperature of the outer body and that of its inner core. The core body temperature is kept more or less constant by means of a homoeostatic system known as thermoregulation.*

The Medical Warming Systems segment develops, manufactures and markets products which prevent hypothermia in patients. The active warming systems sold under the trademark UniqueTemp® are offered for the hospital environment and are used in operations to ensure that the body temperature of the patient is maintained during surgery.

The products for the same purpose which are used in emergency rescue situations are sold under the name UniqueResc+. Geratherm Warming Systems are marketed internationally. The company has many years of experience in the sphere of medical temperature measurement.

The warming systems produced by Geratherm constitute a highly efficient system for preventing hypothermia in patients. The very rapid warm-up time, the possibility of connecting several warming blankets to one another, the good hygiene characteristics for the operating theatre and the low costs are important reasons why hospitals choose Geratherm Warming Systems.

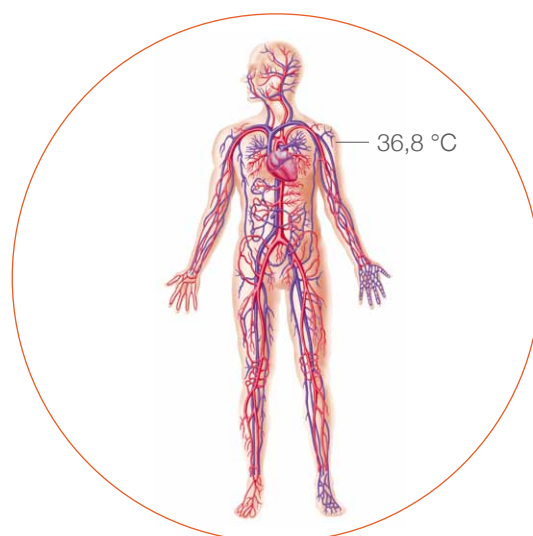
The product UniqueTemp® is used in various operations, particularly in abdominal, thoracic and cardiac surgery, as well as in gynaecological and orthopaedic surgery. A major advantage is that, if required, additional warming system elements can be added during the operation. The Geratherm Warming Systems can also be used during x-ray, ultrasound and computer tomographic investigations.

The warming systems developed by Geratherm are becoming increasingly important on the hypothermia market. Over the course of 2011 our products were licensed/launched onto the market in Indonesia and Thailand. In addition, the product "Geratherm Jelly", an actively warming operating table pad, was successfully launched onto the market.



In addition to the numerous hospitals which opted for Geratherm warming systems in 2011, we are particularly pleased that we were able to equip a mobile field hospital in Qatar with operating and emergency rescue systems produced by Geratherm.

A positive surprise was also the granting by Frost and Sullivan of the "[Product Differentiation Excellence Award 2011](#)" to Geratherm's medical warming systems for being the best product in this sector. The award was presented in London on 18 May 2011.





## → **CARDIO/STROKE**

IN GERMANY AROUND  
1 MILLION PEOPLE HAVE  
UNDIAGNOSED ATRIAL  
FIBRILLATION AND ARE  
THEREFORE AT CONSIDER-  
ABLY INCREASED RISK  
OF SUFFERING A STROKE



### ATRIAL FIBRILLATION

*Atrial fibrillation, also known as cardiac arrhythmia, is a temporary (paroxysmal or intermittent) or permanent form of irregular heart beat with disorganised activity of the cardiac atria. Common abbreviations are AF or AFib.*

*Atrial fibrillation is the most common serious form of cardiac arrhythmia, with around 300,000 sufferers in Germany alone. Unlike ventricular fibrillation, atrial fibrillation is not life-threatening. Around 70 % of atrial fibrillation attacks go unnoticed by the patient. Those affected usually complain of non-specific symptoms such as a sudden lack of energy, fatigue, palpitations or sleep disturbances.*

*A rapid heartbeat is noticed by 70 – 80% of patients showing symptoms. Furthermore, in many cases, atrial fibrillation is associated with an increased risk of stroke.*

The Cardio/Stroke product area is managed by the subsidiary company apoplex medical technologies GmbH in Pirmasens. apoplex medical provides a system for the detection of atrial fibrillation as a means of stroke prevention. Different versions, called SRAdoc and SRAclinic, are available for physicians in private practice and hospitals, respectively.

Every year more than 250,000 people in Germany suffer a stroke. It is the third most frequent cause of death. If the risk factors are detected early, a stroke can in many cases be avoided. Atrial fibrillation is one of the most significant risk factors for a stroke. The symptoms are very rapid uncoordinated heartbeats as a result of which the cardiac atria merely palpitate instead of pumping blood into the heart ventricles. Owing to the altered flow of blood in the heart, blood clots can be formed or released. There is therefore a greater risk that these will be transported to the brain, where they may become lodged in a blood vessel. Around 30% of all strokes occur in this way. People who suffer from atrial fibrillation have a five times higher risk of suffering a stroke.

If atrial fibrillation is detected early and the correct treatment initiated, the risk of suffering a stroke is decreased by up to 70%

However, atrial fibrillation often goes undiagnosed because in many patients it does not occur continually but only in episodes ("paroxysmal"). The existing diagnostic procedures are inadequate; a traditional ECG can only detect atrial fibrillation if it is taking place at the time of the examination, but not if it has occurred in the past.

The product manufactured by apoplex medical is a step towards finding a solution to this problem. With the help of a special analysis method, it is



possible to detect after a one-hour ECG whether the patient has already had atrial fibrillation in the past. The advantage of this is that the necessary treatment can be introduced at an early stage, thus preventing a stroke.

The product offered by apoplex medical for doctors in private practice is sold under the name SRAdoc. The product SRAdoc is currently being used by around 700 physicians.

For the diagnosis of atrial fibrillation in hospitals, apoplex medical offers the product SRAclinic. The product SRAclinic manufactured by apoplex medical is an interactive analysis system which is integrated into the patient monitoring concept of stroke units. After recording, the ECG monitoring data are automatically analysed, using the clinically validated software supplied by apoplex, in order to detect paroxysmal atrial fibrillation episodes and also to draw up a risk index for atrial fibrillation.

Through the detection of paroxysmal atrial fibrillation episodes and by determining the risk factor, it is possible to improve the approach to treatment and reduce the risk of a subsequent stroke. With its product SRAclinic, apoplex medical is setting new standards in neurological intensive medicine, stroke units and neurological early rehabilitation.

The current product marketing of SRAclinic is based on the findings of a study relating to SRAclinic published by the University Hospital of Heidelberg, which involved more than 600 patients.

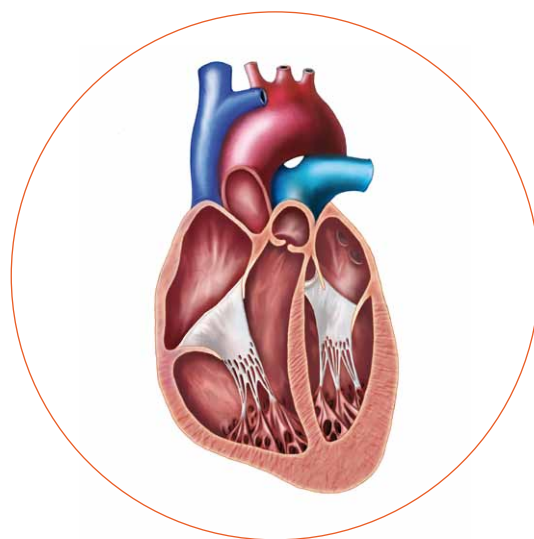
The very positive study findings were presented at the 20th European Stroke Conference in Hamburg on 26 May 2011. The product SRAclinic has now been installed in the first stroke units and has proven extremely successful. In addition to the 15 stroke units which are already connected, we

expect a significant rise in the number of these systems to be installed in 2012.

This new investigation method developed by apoplex medical makes the diagnosis of atrial fibrillation significantly simpler and safe.

apoplex  
medical technologies

**SRAclinic**  
break through in  
detecting  
atrial fibrillation





## → RESPIRATORY

GERATHERM RESPIRATORY IS CONCERNED WITH THE DEVELOPMENT, PRODUCTION AND MARKETING OF PRODUCTS FOR LUNG FUNCTION DIAGNOSTICS AND CARDIOPULMONARY DIAGNOSTICS.



### LUNG FUNCTION DIAGNOSTICS

*Lung function diagnostics is an umbrella term for pneumological testing methods for determining lung volume, airway resistance, gaseous exchange and other clinical parameters relating to the lungs.*

*The following diagnostic methods, among others, are used for testing lung function:*

- Spirometry ("small lung function")
- Bodyplethysmography ("large lung function")
- Spiroergometry
- Impulse oscillometry
- Diffusion capacity
- Blood gas analysis

Since 2007 the Respiratory segment, which is based in Bad Kissingen, has been developing, manufacturing and selling products for use in lung function diagnostics and in cardiopulmonary function diagnostics. These products are offered to pneumologists and cardiologists in private practice and to specialist clinics.

The products developed by Geratherm Respiratory, Spirostik and Spirostik Complete, are innovative product solutions for use in spirometry. All the products utilise the company's own diagnostic software platform Blue Cherry.

For cardiopulmonary function diagnostics, the product Ergostik is on offer. This can be connected to equipment produced by renowned suppliers of ECG systems.

The response of customers to these new products of Geratherm Respiratory continues to be very positive, which is reflected in the considerable increase in sales recorded in 2011.

In the current business year emphasis has been on further improvements in the products and the development of new products. Products for the sphere of bodyplethysmography and CO diffusion have been completed and the first items delivered. For the product Spirostik Complete, conversion to an integrated PC solution with touchscreen has been successfully accomplished.

There is currently close collaboration with the university of applied sciences Fachhochschule Würzburg/Schweinfurt as part of a research project on the continuous recording of vital signs.

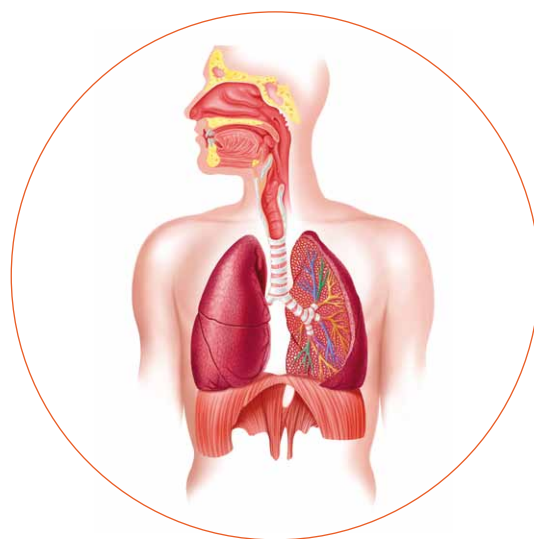
As well as the rapid rate of development of new products, the focus of the business year 2011 was also on marketing activities. Our innovative product





solutions were made accessible to numerous new and international customers. For example, new marketing partners for the Spiroergometry segment have been found in Italy, Spain, France, the Netherlands and Portugal. The further development of marketing activities in South America has also continued successfully.

Focal points for our marketing activities in 2012 will be the Middle East and India. Nearly all the newly developed products have now reached the phase of being launched onto the market. The demand for Geratherm products is good, so that we anticipate a continuation of the dynamic growth of the company in the Respiratory segment during the current business year 2012.



⑤

## → GROUP MANAGEMENT REPORT

*Trends such as increasing population and economic expansion and demographic development are still intact.*

*We are optimistic that the market for medical technology will continue to grow globally in the mid single-digit range in 2012.*





## *GROUP MANAGEMENT REPORT*

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### *GENERAL COURSE OF BUSINESS*

Economic development as a whole was in general weaker in 2011 than in 2010. The decline in the industrial nations was carried by a significantly higher increase in the economic growth of emerging markets. The global economy grew noticeably slower at approx. 3.5% on average for the year than in 2010.

With an economic growth of 3%, Germany was once again the top performer not only in the euro zone but also among the G7 countries. The economic momentum cooled down considerably during the last six months of 2011. Especially the countries affected by crisis, such as Greece, Spain,

Portugal and in part Italy as well, have more or less plunged into a recession.

Nonetheless, the German economy remains well positioned. Companies that maintain, however, extensive export activities in these regions, are feeling the significant decrease in demand and the flagging payment practices, which are associated with the liquidity shortfalls public authorities are now experiencing. This especially affected medical and pharmaceutical companies that deliver products to clinics and hospitals in the countries concerned with high payment targets.

### *MARKET ENVIRONMENT FOR MEDICAL PRODUCTS*

Medical technology companies reported a 5.3% growth in sales in 2011, thus posting an above-average development compared to other segments. The long-term growth drivers in the medical technology market are still intact. That includes the progress made in medical technology for treating diseases that were not even treatable or could not be treated efficiently just a couple of years ago. Moreover, the demand for medical services continues to gain momentum as a result of demographic development. People over sixty account for two-thirds of healthcare costs.

Another positive effect is the strong demand from emerging markets. As a result of their dynamic growth, these regions are increasingly seeking better healthcare. And the number of people with heart problems and/or diabetes, which from experience triggers a high demand for medical products, also increases with prosperity.

Medical technology companies that are able to offer innovative and efficient product solutions on

such markets will profit from these trends over the long term.

Geratherm Medical is well positioned with its innovative product lines in the areas of pulmonary function testing, temperature management and cardio/stroke and will continue to leverage opportunities that may arise in connection with the attractive market environment for medical products.

In this respect, Geratherm's international focus is a good starting point.

The positive response from customers and numerous product awards extended by international organizations for innovative product solutions confirm that we should continue to pursue the course taken.



*Geratherm Medical's  
international focus is a good  
starting point in this respect.*





## → THE ECONOMIC SITUATION OF GERATHERM MEDICAL

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GERATHERM MEDICAL CONTINUED TO ENJOY POSITIVE DEVELOPMENT DURING THE 2011 FISCAL YEAR. NONETHELESS, WE WERE NO LONGER ABLE TO MAINTAIN THE HEALTHY GROWTH IN SALES OF THE PAST THREE YEARS IN 2011.

### GENERAL OVERVIEW

Negative factors affecting business were the political turmoil in the Middle East region, which temporarily resulted in a significant drop in demand for Geratherm products.

The very mild weather conditions in Europe, which extended into late November, led to a considerably lower demand. The normally strong sales posted in the 4th quarter, especially for clinical thermometers, could not be realized in the same manner as before.

The sales of Geratherm Medical in 2011 increased slightly by 0.9% and amounted to EUR 17.1 million.

The company's gross profit accounted for 64.5% of sales and increased by 4.0% during the 2011 fiscal year.

The gross profit (EBITDA) decreased by 18.6% to EUR 2.399 million (2010: EUR 2.948 million). The EBITDA margin was 14.0% (2010: 17.4%).

The operating result (EBIT) exhibited an above-average decrease of 26.8% compared to the year before and amounted to EUR 1.720 million (2010: EUR 2.350 million) for 2011 as a result of the higher write-offs for intangible and tangible assets and higher other operating expenses.

Together with the financial result, the earnings from ordinary business activities amounted to EUR 1.846 million (-44.6%). Utilizing losses carried forward led to a significant decrease in the deferred tax assets, which encumber the consolidated net income shown in the amount of -589 kEUR as non-cash income taxes based on the IFRS. The earnings of the parent company's shareholders amount to EUR 1.451 million or 29 EUR cents (2010: 56 EUR cents) per share for 2011.



## SALES DEVELOPMENT BY SEGMENTS

### HEALTHCARE DIAGNOSTIC

The Healthcare Diagnostic segment encompasses essentially products that are distributed internationally to pharmacies, clinics and hospitals. The segment represents 90.2% of the company's total sales. The overall sales posted by the Healthcare Diagnostic segment decreased by 3.1% and amounted all in all to EUR 15.1 million for the 2011

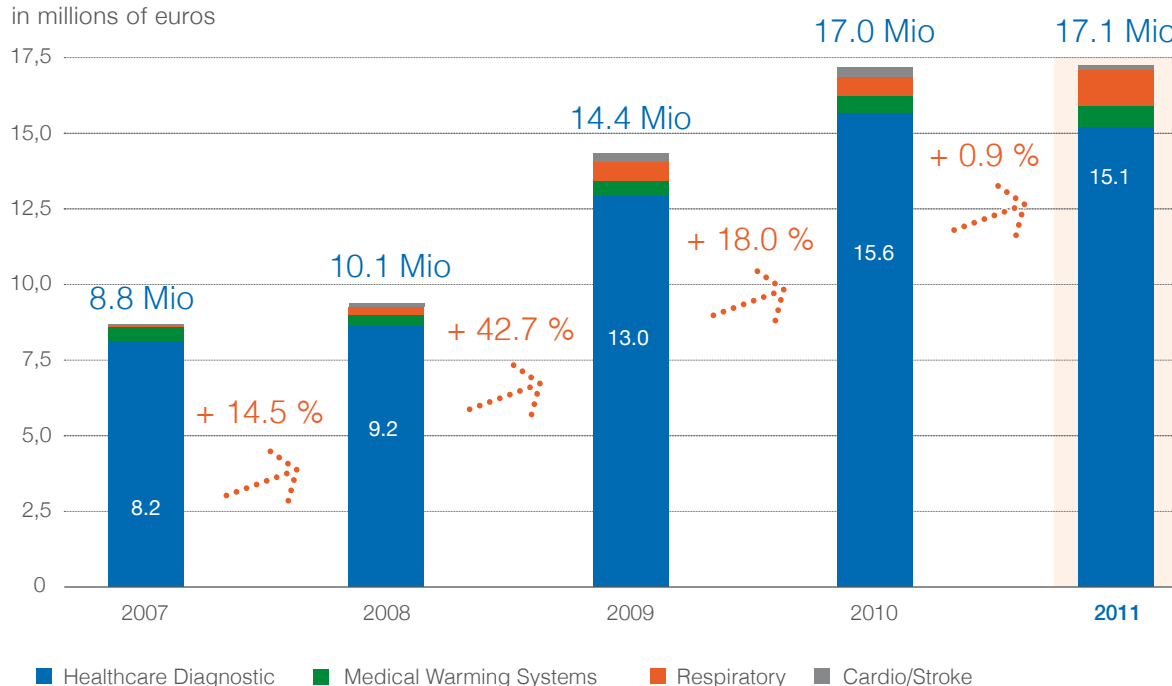
fiscal year. The most important products in this segment include clinical thermometers posting a sales of EUR 10.8 million and blood pressure monitors showing a sales of EUR 3.5 million.

Main sales markets for the Geratherm blood pressure monitors are South America with 65.7% (2010: 58.9%), Middle East 17.2% (2010: 21.2%) and Europe with 11.1% (2010: 11.4%).

### SALES REVENUES *in thousands of euros*

	2007	2008	2009	2010	2011
Healthcare Diagnostic	8,235	9,211	12,969	15,564	15,076
Medical Warming Systems	499	408	448	562	625
Respiratory	16	343	609	590	1,197
Cardio/Stroke	52	117	359	262	231

in millions of euros



## MEDICAL WARMING SYSTEMS

In the Medical Warming Systems segment Geratherm offers products that are designed to maintain the body's temperature. These product solutions are used, wherever it is necessary to ensure a fast and effective supply of heat to patients in operating rooms or emergency response situations.

Geratherm's warming systems are supplied to clinics and hospitals under the UniqueTemp<sup>®</sup> label and rescue services organizations under the UniqueResc<sup>+</sup> label. The market entry barriers are relatively high in the individual countries due to the high preproduction and approval costs. The market is transparent and dominated by few vendors.

Geratherm warming systems concluded the 2011 fiscal year with a sales growth of 11.2% compared to the year before. With a sales of 625 kEUR, the segment managed to show a profit for the first time. This trend shall also continue in 2012.

A total 229 warming systems were sold under the UniqueTemp<sup>®</sup> brand in 2011 to maintain the patients' core temperature during operations. The approval for the new generation of Geratherm's warming systems for operating rooms is concluded in almost all relevant countries in 2011. Therefore, we anticipate a further growth in sales in 2012. Medium-term objective is to expand this segment significantly.

## CARDIO/STROKE

The Cardio/Stroke segment offers stroke prevention products. apoplex medical has developed a system for identifying atrial fibrillation, which is used in doctor practices and stroke centers.

The sales amounted to 231 kEUR (-11.8%) in 2011. Consequently, we did not meet the sales targets set at the beginning of the year. Our expectations envisaged a considerably earlier publication of the study's results.

It is encouraging to see that apoplex' products for atrial fibrillation diagnosis and thus stroke prevention are recommended by more and more opinion leaders and are thus gradually evolving into the medical standard in atrial fibrillation diagnosis.

At the end of the 2011 fiscal year, 669 doctors were connected to apoplex medical's atrial fibrillation diagnostic system.

Based on a large scale study conducted at the University Hospital of Heidelberg, which examined the system's use in stroke prevention centers, marketing focused on product presentation in clinics and hospitals during the last six months of the fiscal year. At the end of 2011, there were a total 15 stroke prevention centers that were connected with apoplex' atrial fibrillation diagnostic system. There are orders for another 20 stroke prevention centers and a series of trials was completed.

Due to the very good response from customers, we anticipate a noticeable improvement in the installation base in 2012.





## RESPIRATORY

The Respiratory segment focuses on the development, production and marketing of products designed for pulmonary function diagnostics and cardiopulmonary function diagnostics. The activities of this business segment are concentrated at the location in Bad Kissingen.

So far, customer response to Geratherm Respiratory's new products has been very good. This is reflected by the segment's strong increase in sales during the course of 2011. We have achieved our goal for growth that doubles sales figures. The business segment managed to post a sales of EUR 1.197 million in 2011 (+102.9%). As a result, Geratherm Respiratory was by far the fastest growing division. The sales was shared by the spirometry (42%), pulmonary function (34%) and spiroergometry (24%) products.

The products have been well received on the market. More than 58% of the products were delivered to customers located outside of Germany. For 2012, we are planning to push our sales activities further such that we can once again assume a growth in sales for this segment

### SALES REVENUES BY SEGMENTS *in thousands of euros*

	2011	2010	Change
Healthcare Diagnostic	15,076	15,564	-3.1 %
Medical Warming Systems	625	562	+11.2 %
Cardio/Stroke	231	262	-11.8 %
Respiratory	1,197	590	+102.9 %
<b>Total</b>	<b>17,129</b>	<b>16,978</b>	<b>+0.9 %</b>

## SALES DEVELOPMENT BASED ON REGIONS

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Geratherm Medical's activities are mainly international.

Our products are available in more than 68 countries. On the whole, we sold products in the amount of EUR 17.1 million in 2011.

The export activities were once again a mainstay for the company. On the whole, 86.6% of sales were generated in markets outside of Germany. Consequently, the export rate is on the same level of previous years. The high and steady export share reflects the continued competitiveness of Geratherm's products on the international market.

The sales recorded in Germany amounted to 13.4% of the total sales posted and thus was -1.5% below last year's level. We did not manage to achieve the significant increase in the share of sales generated in Germany as we had hoped.

The euro zone outside of Germany is Geratherm's largest sales market, whereas the Italian market dominates here. After a double-digit increase in sales in 2010, the company achieved only a slight plus of 2.4% in 2011. The sharp drop in sales in Spain (-33.3%) and Portugal (-45.2%) had an unfavorable effect in the euro zone. The European Market accounts for EUR 8.7 million which corresponds to 50.6% of the total sales of Geratherm Medical.

Sales on the US market developed below average, decreasing by 10.1% to EUR 1.2 million. The share of the US market in Geratherm's total sales during the year under review was 7.3% (2010: 8.2%). There gallium-filled thermometers are sold primarily in US drugstore chains.

The activities of Geratherm Medical in South America are becoming more and more important. Gera-

therm do Brasil participated in the strong growth experienced in South America and increased sales by 7.8% to EUR 3.6 million. With our subsidiary Geratherm do Brasil, we had an early presence in one of the most dynamic growth regions and thus registered an above-average benefit from the current growth for medical products on a market with 200 million inhabitants. In 2011 we have decided to build our own production/assembly plant in Brazil. Numerous preparations have already been made in order to facilitate dynamic growth. For 2012 we are anticipating a doubling of the company's sales in the region.

A negative sales development over the course of the year was registered mainly in the Middle East, which is shown with the region Other countries in the segment report. As a result of the political turmoil in these regions, the demand for Geratherm products came temporarily to a standstill. The sales in the region covered by Other countries ended with a minus of 9.4% compared to the year before.

The distribution of sales based on countries will present a similar trend in 2012. We anticipate considerably greater sales from the region South America. The demand from the Asian region increased significantly towards the end of the year. Even the demand from the Middle East recovered noticeably.



## SALES REVENUES BASED ON REGIONS *in thousands of euros*

	2011	2010	Change
Germany	2,297	2,332	-1.5 %
Europe	8,675	8,472	+2.4 %
USA	1,245	1,386	-10.1 %
South America	3,592	3,331	+7.8 %
Other	1,320	1,457	-9.4 %
<b>Total</b>	<b>17,129</b>	<b>16,978</b>	<b>+0.9 %</b>

## EARNINGS SITUATION

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Geratherm concluded the 2011 fiscal year with a slight growth in sales of +0.9%. The revenues generated were lower than the prior year level due to various factors on a consolidated basis.

The gross margin was 64.4% (2010: 62.5%) of sales and is thus by 1.9% higher than in the year before.

The operating result (EBITDA) adjusted by write-offs for Geratherm Medical decreased by 18.6% to EUR 2.399 million (2010: EUR 2.948 million). The operative margin (EBITDA) amounted to 14.0% (2010: 17.4%).

The operating result (EBIT) decreased by -26.8% to EUR 1.720 million.

The EBIT margin was 10.0% (2010: 13.8%) of sales. The decline in the operating result can be attributed to the above-average increase in material expenditures, the higher losses of the new business segments, the absent profit contribution from our subsidiary Geratherm do Brasil, the higher volume of write-offs and the considerably higher operating expenses.

The financial results of realized earnings from securities, write-offs and interest earnings made a positive contribution in the amount of 126 kEUR (2010: 983 kEUR) to the company results.

The result from ordinary business activities decreased by 44.6% to EUR 1.846 million (2010: EUR 3.334 million) due to the considerably lower financial earnings and the lagging operating result.

The profit reported in the income statement for the 2011 fiscal year for the parent group is EUR 1.451 million or 29 cents per share.

We did not manage to fully attain our original objective relating to the quality of earnings due to different factors. The drop in demand shown by the Arab region and the very mild weather conditions had a negative impact at the end of the year.

The customers have postponed their demands to next year such that the pre-manufactured goods, in particular clinical thermometers, were not shipped during the 4th quarter. That had a significant impact on the reported operating result, since the products produced for inventory are recognized in the balance sheet at production costs.

In our core business (without apoplex, Geratherm do Brasil and start-up losses for Respiratory), we had a good earning capacity. In spite of the aforementioned unfavorable factors, we attained an EBIT return of 19.7% (2010: 22.8%). The new segments Respiratory and Cardio/Stroke continue to have an unfavorable impact on the operating result of the overall group. It is encouraging that we were able to leave the loss zone behind for the first time with the warming systems segment in 2011 and show an operating result of +20 kEUR. The Cardio/Stroke segment increased once again the negative operating result (EBIT) as a result of the study account and showed a loss of -335 kEUR. The reduction of losses in the Respiratory segment is positive. This business segment continues to exhibit a negative profit contribution of -148 kEUR (2010: -264 kEUR). With this loss we failed to achieve our original earnings target for this segment in 2011.

Unlike in the previous year, where our Brazilian subsidiary made a profit contribution of +106 kEUR, a loss report of -231 kEUR had to be consolidated this year. The losses in Brazil were caused by the high marketing investments as well as the company's move at the end of the fiscal year.



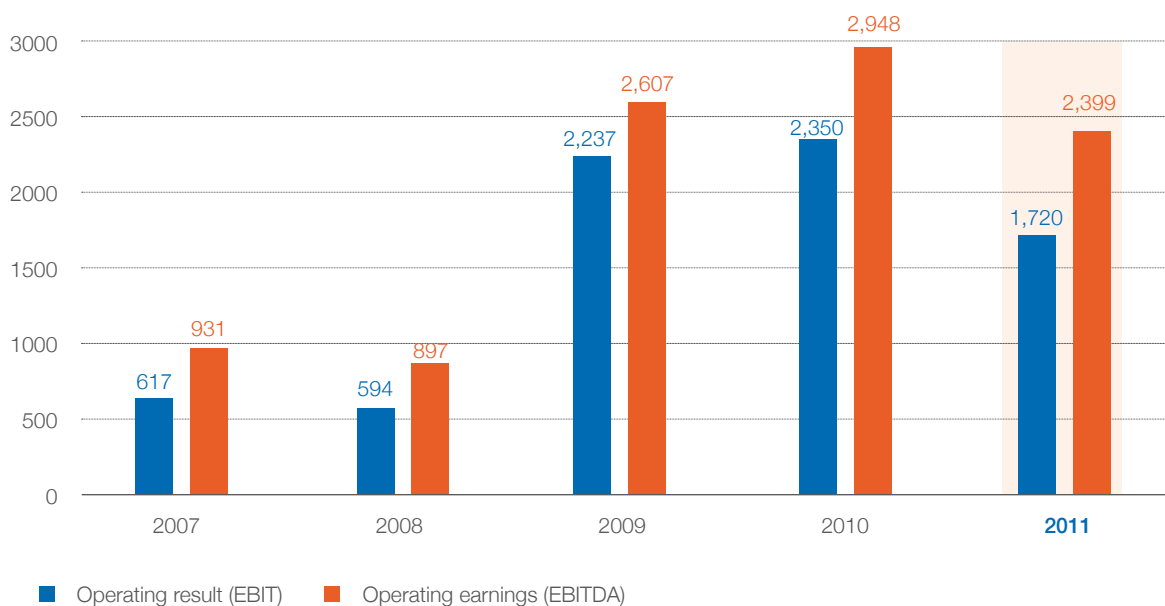
Without the aforementioned losses reported by our subsidiaries, the operating result (EBIT) would have been 714 kEUR higher in the year under review. We are convinced however that setting up these new segments is good for Geratherm over the medium term. For 2012 we are optimistic that the above level of losses will not be incurred again and are thus anticipating positive earnings.

The material costs in 2011 increased by 10.8% and therefore were considerably higher than the sales increase. The higher raw material prices, especially for gallium, had an unfavorable effect here, increasing considerably compared to the year before. The personnel expenses in the 2011 fiscal year accounted for EUR 4.156 million That represents a growth of 6.5% compared to the year before.

## EARNINGS PERFORMANCE *in thousands of euros*

	2007	2008	2009	2010	2011
Operating earnings (EBITDA)	931	897	2,607	2,948	2,399
Operating result (EBIT)	617	594	2,237	2,350	1,720

*in thousands of euros*



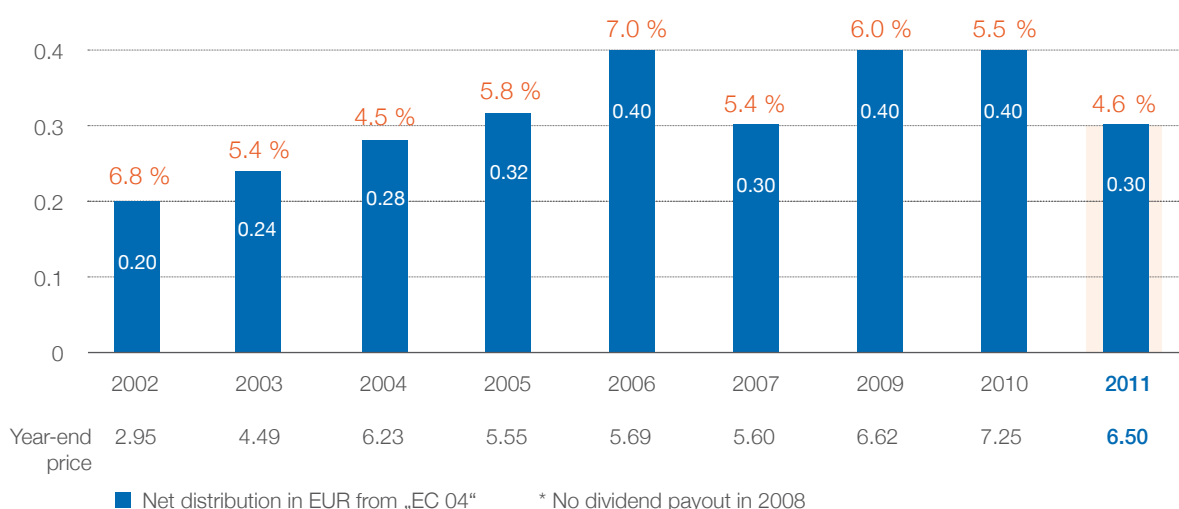
Amortization of intangible assets and depreciation of tangible assets increased by 13.6% and remained on the relatively high level of 2010. All in all, the write-offs amounted to 679 kEUR during the 2011 fiscal year. In this case, amortization of intangible assets accounted for 257 kEUR. These essentially include development costs, which were activated in previous years and are written off with the launch of the marketing activities for the products. The depreciation of tangible assets amounted to 422 kEUR. The other operating expenses also exhibited an above-average increase of 19.1% to EUR 4.485 million (2010: EUR 3.765 million). The research and study costs (+77 kEUR), the fees for litigation and legal advice (+164 kEUR), advertising and trade fair costs (+101 kEUR), of which in Brazil (+83 kEUR), transport costs (+92 kEUR) and

exchange rate fluctuations (+115 kEUR) showed an above-average increase.

A positive financial result of +126 kEUR was posted during the 2011 fiscal year. In this case, dividend income accounted for 120 kEUR and the gain realized on the sale of securities amounted to EUR 2.177 million. The revenue occurred in particular due to the sale of shares in Adolor as part of a takeover offer from October 24, 2011. Based on this takeover offer, Geratherm is still entitled to a payment in the amount of up to US\$ 2.070 million once the active substance ADL 5945 gets approval. The securities existing in this context are recognized on Geratherm's balance sheet at 187 kEUR on the balance sheet date.

## DEVELOPMENT OF NET DIVIDEND IN RELATION TO GERATHERM SHARE PRICE

### Dividend





Unfortunately, we were forced as a result of the weak capital market to write off almost all securities held at market value as of Dec. 31, 2011. The write-offs in the income statement are necessary according to the guidance provided in the IFRS standards if the security prices fall 20% below the original purchase price. This was the case on Dec. 31, 2011. This is regrettable and thus we are able to report a financial result of +126 kEUR only. On a positive note, however, we do possess security investments that are written off at a very low market level on the balance sheet and thus have a high potential for recovery.

Together with the operating result, Geratherm Medical was able to post profits from ordinary business activities in the amount of EUR 1.846 million for the 2011 fiscal year (2010: EUR 3.334 million).

The income taxes reported according to IFRS amounted to 751 kEUR. The high amount of tax due is caused by the decrease in the deferred tax assets by utilization of the losses carried forward in the amount of 589 kEUR. These taxes are only deferred and have no cash effect. The actual tax burden amounted to only 162 kEUR.

Due to the burdensome deferred taxes as per IFRS rules, the consolidated net income decreased considerably by 56.9% to EUR 1.095 million (2010: EUR 2.542 million).

The losses incurred by apoplex medical technologies are taken into account only to the extent of our participating interest in the amount of 59.7%. The same applies to the losses of Geratherm Respiratory, in which we have a 61.27% participating interest. A loss contribution from Geratherm do Brasil is taken into consideration as part of the

consolidation. Geratherm Medical has a 51.0% participating interest in this subsidiary.

Taking the results of minority interests into account in the amount of -356 kEUR (2010: -169 kEUR), the earnings of the parent company's shareholders are reported in the amount of EUR 1.451 million (2010: EUR 2.712 million). This corresponds to an earnings of 29 EUR cents per share (2010: 56 EUR cents).

While the 2011 fiscal year was satisfactory in terms of operating results, it did not progress as well as in the previous year for various reasons. The devaluation of the securities as at Dec. 31, 2011 led to eliminating the very good proceeds from the sales of securities.

We are anticipating that the company will continue to develop positively in 2012 and are looking forward with optimism to the opportunities that we have.

The Board of Directors and Supervisory Board of Geratherm Medical will propose to the general meeting a distribution of dividend in the amount of 30 EUR cents per share. Since a dividend of EUR 0.30 per share is disbursed from the tax contribution account in accordance with Art. 27 of KStG (not contributions to nominal capital), the payment is made without any deduction of capital gains tax and solidarity surcharge.

## ASSET SITUATION

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Geratherm Medical possesses an extremely sound assets situation at the end of the 2011 fiscal year. The 75.9% capital-to-assets ratio and liquid assets and securities in the amount of EUR 9.5 million enable the company to operate for the most part without any external financing and to pursue its long-term corporate targets.

The balance sheet total as of Dec. 31, 2011 was EUR 24.6 million, which was 8.8% lower than on the reporting date of the previous year. The company's reported equity capital is EUR 18.7 million (2010: EUR 20.5 million). The equity capital per share is EUR 3.77.

The formation of new business areas in the medical technology sector involves high development risks and commercial launch risks. Geratherm possesses adequate resources for countering risks of these industry-specific framework conditions.

As of Dec. 31, 2011, the assets side of the balance sheet contains long-term assets amounting to EUR 5.743 million (2010: EUR 6.076 million) and short-term assets amounting to EUR 18.840 million (2010: EUR 20.885 million).

Within the long-term assets, the intangible assets decreased considerably due to write-offs by 32.4% to 529 kEUR (2010: 783 kEUR). The reduction was attributable to amortization of development costs for products that have been launched. The tangible assets increased to EUR 3.711 million (2010: EUR 3.202 million). The increase in tangible assets essentially involved investments made in the plant to bolster production capacity of gallium thermometers in Thuringia. All in all, 881 kEUR were invested in new equipment at the Thuringian production plant during the course of the fiscal year.

The deferred taxation amounts to EUR 1.502 million (2010: EUR 2.091 million). That represents a decrease of 589 kEUR and is justified by the positive profit statement as per German tax law, which involves the use (consumption) of existing tax losses carried forward. The deferred taxation includes assets from the tax losses carried forward less the deferred tax liabilities on capitalized developments.

With regard to the short-term assets, the inventories increased considerably once again by 24.3% to EUR 5.963 million (2010: EUR 4.799 million). The raw materials and supplies exhibited a slight decrease of 6.3% to EUR 1.474 million (2010: EUR 1.573 million), and the unfinished goods have doubled to EUR 1.364 million (2010: 676 kEUR). The assets in finished products and goods also increased by 22.6% to EUR 3.125 million (2010: EUR 2.550 million). The ground for the strong increase in inventories is the build-up of gallium-filled thermometers, for which customers had not yet placed orders as a result of the moderate weather conditions during the 4th quarter of 2011.

The accounts receivable and other assets decreased as of the reporting date Dec. 31, 2011 by 17.7% to EUR 3.343 million (2010: EUR 4.064 million).

The trade accounts receivable decreased by 9.7% to EUR 2.891 million (2010: EUR 3.200 million). The reported tax assets decreased considerably by 70.2% to 98 kEUR (2010: 330 kEUR). The other assets decreased to 354 kEUR (2010: 535 kEUR). This item contains investment grants with 123 kEUR and prepayments with 100 kEUR.

The reported book value of the securities held by Geratherm decreased by 18.3% to EUR 5.309 million (2010: EUR 6.502 million). The cash and cash





equivalents available as at Dec. 31, 2011 amounted to EUR 4.224 million (2010: EUR 5.519 million).

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 EUR 18.665 million (2010: EUR 20.517 million) is set against the liabilities in the amount of EUR 5.918 million (2010: EUR 6.445 million).

The long-term debts amount to EUR 2.492 million (2010: EUR 2.751 million) and includes liabilities to banks in the amount of EUR 1.100 million (2010: EUR 1.500 million). Long-term debts also include investment subsidies accrued and received in past years, which amounted to 783 kEUR as of Dec. 31, 2011. The other liabilities went up by 16.7% to 609 kEUR (2010: 522 kEUR). These are liabilities of other minority shareholders.

The short-term debts decreased by 7.2% to EUR 3.426 million (2010: EUR 3.694 million). Short-term liabilities to banks are reported here in the amount of EUR 1.463 million (2010: EUR 1.128 million). The trade payables remained on the same level as the year before and amounted to EUR 1.131 million at the end of the year. The other liabilities decreased by 13.2% to 653 kEUR (2010: 752 kEUR). These essentially include accounts payable to employees and accrued liabilities.

## FINANCIAL SITUATION

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Geratherm Medical exhibited a sound financial position throughout the entire 2011 fiscal year. The cash and cash equivalents available as at Dec. 31, 2011 amounted to EUR 4.224 million (2010: EUR 5.519 million). Geratherm attaches great importance to a good liquidity position. The degree of financial freedom allows the company to finance product development and market releases on its own, which could also extend over a longer period of time.

The gross cash flow amounted to EUR 2.229 million in 2011 (2010: EUR 2.721 million).

The cash flow from operations increased to EUR 1.063 million (2010: 427 kEUR). The increased cash flow from operations can mainly be attributed to the decrease in trade accounts receivable.

The cash flow from investment activities was with -586 kEUR (2010: EUR -2.369 million) considerably lower compared to the same period last year. Of which 935 kEUR (2010: EUR 1.235 million) concerned the outflow of investments in fixed assets. The investments concentrated on expanding production capacity and increasing productivity at the plant in Thuringia.

The cash inflow based on financial assets amounted to EUR 3.200 million (2010: EUR 1.921 million). The cash outflow amounted to EUR 3.026 million (2010: EUR 3.212 million).

The cash flow from financing activities amounted to EUR -1.772 million (2010: EUR 1.758 million). The reported item was influenced by the dividend payments in the amount of EUR 1.980 million.

In 2011, Geratherm Medical was always in the position of fulfilling its payment obligations as they arose. Cash discounts were utilized as agreed

upon. The payment targets are subject to risk management and are constantly checked and adjusted on a case-by-case basis. Geratherm 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.



## RESEARCH AND DEVELOPMENT

The research and development activities of Geratherm Medical focus primarily on the relatively new business areas Warming Systems, Cardio/Stroke and Respiratory. Emphasis was placed on expanding the product portfolio. Approval-related activities which must be incorporated in product development at an early stage are gaining more and more importance.

Another focal point of the research and development activities includes the performance of broad studies or trials to ensure the effectiveness of the product and the safety of patients.

The research and development expenditure in 2011 amounted to 352 kEUR (2010: 337 kEUR).

### MEDICAL WARMING SYSTEMS

In the Warming Systems segment we focus our research and development activities on expanding our range of products, which are equipped with Geratherm's proven warming technology. In 2011 we successfully concluded the development of a gel-based warming pad for operating rooms. The gel-based warming pad was released towards the end of the year.

### CARDIO/STROKE

The Cardio/Stroke segment continued to show the highest research and development expenditure. In 2011 a variety of test installations were expanded and the algorithm adjustment for detecting atrial fibrillation was further refined. Another milestone in research and development activities was the conclusion of the study results with over 600 patients. The results were presented on May 26, 2011 at the 20th European Conference in Hamburg.

On July 18, 2011 the Cooperative Association for Neurology and Rhythmology at the Cardiac Center of University Hospital of Münster (UKM) was recognized as the winning project with the „Best Practice Gesundheit NRW“ award for the topic: „Unidentified atrial fibrillation – as key cause of a stroke“. There was a close cooperation in place with apoplex medical and Medtronic for technical performance.

### RESPIRATORY

In the Respiratory segment the majority of employees are active in the development of new products in the areas of spirometry and cardiology. In this segment, a close cooperation was formed with the University of Applied Sciences of Würzburg/Schweinfurt, where research is also conducted in different product solutions.

The three-year project on „non-invasive electro-optical early diagnosis and online monitoring of cardiovascular diseases“ was concluded in August 2011. The budget was EUR 1.7 million. Besides Geratherm Respiratory, the project partners included the University of Applied Sciences of Würzburg/Schweinfurt and the Medical Clinic of Leopoldina Hospital of the City of Schweinfurt.



## → OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENTS

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GERATHERM MEDICAL  
FOCUSES ON THE  
MEDICAL TECHNOLOGY  
MARKET SEGMENT.

THIS IS A DEMANDING  
SECTOR IN TERMS OF IN-  
NOVATIVE CAPABILITY,  
PRODUCT RELIABILITY  
AND COUNTRY-SPECIFIC  
APPROVALS.

### CHANCES AND RISK

Innovative product solutions are subject to long lead times prior to commercial launch. These lead times call for a high financial commitment. The regulatory requirements will also continue to increase. It is also becoming increasingly more difficult to predict when new requirements are adopted with regard to medical products. That concerns existing Geratherm products that are already on the market and products being readied for commercial launch. For instance, clinical trials are becoming more and more important for the acceptance of products. Access to and maintenance of a sales network for our own medical products are to be regarded as an essential value component in the medical technology segment.

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 Board and Supervisory Board of Geratherm Medical have established goals and methods for enabling the company to take controlled risks when there are prospects of significant increases in the operating results with the required financial earnings.

The Executive Board and Supervisory Board are striving to operate in various medical technology markets that are independent of one another in order to improve the risk structure. At the same time, an attempt is being made not to accept any dominant country and customer risks. We are attempting to manage these risks by focusing on broad diversification. For instance, Geratherm exports its products to more than 60 countries. In the medical technology segment, it takes a long time to set up new products and business units. That initially involves expenses without there being any guarantee that the anticipated success will indeed be achieved. We are aware of the maximum risks that these types of projects involve and have managed the financial aspects 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.

The company's risk management and control system encompass the operative and strategic risks. For instance, the activities of our subsidiaries, business units and product groups are analyzed and reported on a monthly basis. These analyses



include information about sales, order situation, gross margin and currency risk exposure. The management of Geratherm Medical is convinced that the established internal controls and risk management systems are capable of meeting the existing requirements in a suitable manner.

Attending trade fairs and maintaining dialog with our customers provide us with invaluable information for recognizing potential risks on the market.

Geratherm attaches great importance to maintaining its product approvals and certifications as well as permission to implement in-house customs clearance. We strive to eliminate the risk in this segment as much as possible by ensuring that the responsible employees attend professional development and by preparing appropriate action guidelines.

## OBJECTIVE OF FINANCIAL MANAGEMENT

Financial management focuses on the administration of financial aspects of the Geratherm Group. That includes in particular the financing of operating processes, liquidity management, return-oriented use of available capital and all activities relating to the capital market.

## INTERNAL CONTROL SYSTEM FOR THE FINANCIAL REPORTING PROCESS

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

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

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

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

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

### LIQUIDITY RISK

The company has a good to excellent liquidity position. Short-term debts are covered by funds that are freely available. The group company monitors solvency as part of its risk management system over the short-term as well as the medium to long-term planning interval.

### MARKET PRICE RISK - INTEREST

Geratherm constantly monitors the interest rate trends on the financial markets. The company is not exposed to significant interest rate risks, since financing is primarily based on its own funds. Interest income is currently not significant such that changes do not pose a risk to Geratherm.

### MARKET PRICE RISK - FOREIGN CURRENCY

Geratherm is internationally active and thus receives income in dollars as well. We have not protected ourselves against a currency risk exposure, since we strive to use dollar proceeds to settle expenses and other outlay in the same currency (natural hedge). Thus, there is a foreign exchange risk that is manageable taking the related risk aspects into consideration. The increasing significance of the business activities of Geratherm do Brazil Ltda also means an increase in the foreign exchange risks involving the Brazilian real.

### MARKET PRICE RISK - RAW MATERIALS

It is essential that there is a continuous supply of specific raw materials to maintain ongoing production. 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. The most important raw materials are monitored by us continuously to ensure that we are able to respond promptly to market changes affecting key raw materials.

### CREDIT AND NON-PAYMENT RISK

Because of the high level of export activities, Geratherm's business is subject for the most part to advance payments or letters of credit. The non-payment has been minimal for the past few years. For existing customers, we arrange customer-specific payment targets. A maximum credit line has been agreed upon for the Sao Paulo-based subsidiary. Thanks to the combination of instruments used to minimize risks, we currently regard the bad debt risk as low.

### RISK PATENT PROTECTION

Patent protection has been granted for certain Geratherm products. Industrial and intellectual property rights may become the target of attacks and violations. Enforcing patent rights internationally is not simple and involves very high financial expenditure. Geratherm strives to take action against any patent infringements in order to protect our patent claims, while taking various criteria into consideration.



## MARKET PRICE RISK - SECURITIES

A portion of the liquid funds we have is used to invest in securities in the healthcare sector, to which we are particularly attached. We believe that financial investments in the healthcare sector offer an attractive risk-return ratio. We are aware, however, that the current turmoil on the capital markets may have negative effects on the assets, financial and earnings situation. Temporary fluctuations in assets that represent a medium to long-term commitment are part of our investment strategy.

## RISK - NEW BUSINESS AREAS

As part of its long-term strategic planning, Geratherm has decided to set up new business units in the Warming systems, Respiratory and Cardio/Stroke segments. The products of these business units are still in part in the market launch phase. The time that it takes to make a profit is not fixed in such sophisticated medical technology segments. Long-term and well established business models are crucial for achieving success. Of course, there is the risk of not being able to achieve the original objectives. We are well aware of that and guide our activities accordingly.

## FINAL CONCLUSION

The markets that are served by Geratherm have a defensive character. Product developments are always subject to longer lead times due in part to the ever-increasing criteria for product approvals in the medical segment. Geratherm is well equipped financially to go the distance and to bear the industry-specific risk profile. Geratherm is working on broadening its business model, where markets and thus the sources of income are independent of one another in order to lessen dependence on the core business. It is not possible to rule out risks either. The market does offer, however, corresponding opportunities.





## → ADDITIONAL INFORMATION

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### REPORTING IN COMPLIANCE WITH ARTICLE 315 (4) OF HGB (GERMAN COMMERCIAL CODE).

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of Dec. 31, 2011 and is divided into 4,949,999 share certificates issued to the bearers.

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

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

The Supervisory Board appoints members of the Executive Board for a maximum 3 years. The Executive Board 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 Board members correspond with Art. 84 of AktG.

The Executive Board was authorized to increase the capital stock of the company up to a maximum 2,474,999 subject to the approval of the Supervisory Board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999 by June 5, 2016 (authorized capital).

The company is authorized to purchase own shares up to a portion of the capital stock not exceeding 10% through to 6/6/2015. The purchase price paid by the company may not be more than 10% above or below the arithmetic mean of the prices determined for the company's share in the opening

auction in XETRA trading (or a comparable successor system of the Deutsche Börse AG) during the last 5 trading days prior to acquisition.

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

The Executive Board 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 Board is authorized up until June 6, 2015 to purchase shares of the company in order to be able to offer own shares to third parties as part of a merger with companies or the purchase of companies or holdings thereof, whereby the buying option of shareholders to own shares is excluded. This 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 Board has issued a separate report on the relations with affiliated companies in accordance with Art. 312 Para. 3 of AktG. The company received or paid a suitable consideration for every legal transaction cited in the report on the relations with affiliated companies and has not been placed at a disadvantage.



The GMF Beteiligungsberatung GmbH, Frankfurt am Main holds a direct share of 52.78% in Geratherm Medical AG.

The annual general meeting of Geratherm Medical AG convened on June 6, 2011 in Hamburg, Germany. The attendance at the annual general meeting represented 63.05% of the capital stock.

The expenses for the stock exchange listing in 2011 were 88 kEUR (2010: 90 kEUR).

## PRINCIPLES OF THE REMUNERATION SYSTEM

The compensation of the Executive Board was made up of various components, a fixed salary and a variable bonus during the 2011 fiscal year. The variable bonus is awarded on the basis of the company's achievement of objectives, operating profit and overall development.



## → ANTICIPATED DEVELOPMENT

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The World Bank has revised its forecast for global economic growth in 2012 downwards and now anticipates that the world economy will only grow 2.5%. If economic performance in Europe could maintain last year's level, that would be a positive factor. The latest economic indicators are hinting, however, at a slight recession in 2012. The overall market for medical technology should not experience any major fluctuations such that it is possible to expect further market growth, as in past years. There is uncertainty regarding the public sector, which correlates with the debt crisis in Europe. Of course, vendors of medical products will most probably feel the effects as well over the short term.

For Geratherm Medical we are anticipating further positive development of the company as a whole for 2012 and 2013 based on our current state of knowledge. The share that sophisticated medical technologies from the Warming systems, Respiratory and Cardio/Stroke segments have in Geratherm's total sales should increase significantly. From South America we are expecting strong sales developments and thus strive to further intensify our efforts there.

The unfavorable effect caused by higher raw material costs had improved during the last six months of 2011. The market price for gallium fell from USD 900 to USD 600 during this time period. To produce gallium-filled thermometers, Geratherm has an annual demand of approx. 2,200 kg.

The prospects for 2012 and 2013 are somewhat more conservative than in the prior year, but positive on the whole. We anticipate an increase in sales and earnings in the moderate double-digit percent range, while maintaining the balance sheet structure and quality and a comparable financial position with analog underlying conditions.

Should the situation on the capital markets stabilize, we anticipate once again positive financial results as in the past years.

We would like to point out that the actual results may deviate significantly from our expectations with regard to the foreseeable development, if any of the uncertainties specified above should occur or the assumptions which serve as a basis for the statements prove to be incorrect.



## → MAIN EVENTS AFTER THE REPORTING DATE

The company's development during the first months of the new fiscal year essentially meets our expectations. The new segments and the activities in Brazil have been very positive. We have temporarily decreased the production of gallium clinical thermometers during the first two months of the new fiscal year as a result of the warm weather during the 4th quarter of 2011. Consequently, we are expecting a weaker 1st quarter in terms of earnings in 2012.

As at December 31, 2011 we depreciated all securities held to the corresponding lower closing price for this period. With the start of the new year, the capital markets and thus the securities held had recovered considerably.

Geschwenda, March 20, 2012

Dr. Gert Frank  
*Chairman of the Board*

Thomas Robst  
*Head of Sales*

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→ *GROUP ANNUAL  
FINANCIAL STATEMENT*







## CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) zum 31. December 2011

ASSETS	Annex No.	12/31/2011 EUR	12/31/2010 EUR
<b>A. LONG-TERM ASSETS</b>			
<b>I. Intangible Assets</b>	1.		
1. Development costs		427,043	667,824
2. Software		26,342	39,095
3. Goodwill		75,750	75,750
		<b>529,135</b>	<b>782,669</b>
<b>II. Intangible Assets</b>	2.		
1. Land, land rights and buildings		1,051,726	1,125,303
2. Technical equipment and machinery		1,719,117	1,249,095
3. Other equipment, factory and office equipment		249,529	256,563
4. Construction in process		691,035	571,162
		<b>3,711,407</b>	<b>3,202,123</b>
<b>III. Deferred Taxes</b>	3.	1,502,384	2,091,495
		<b>5,742,926</b>	<b>6,076,287</b>
<b>B. SHORT -TERM ASSETS</b>			
<b>I. Inventories</b>	4.		
1. Raw materials and supplies		1,473,887	1,573,475
2. Unfinished goods		1,364,390	676,235
3. Finished goods and merchandise		3,124,793	2,549,516
		<b>5,963,070</b>	<b>4,799,226</b>
<b>II. Receivables and other assets</b>			
1. Trade receivables	5.	2,890,938	3,200,158
2. Tax receivables	6.	98,069	329,605
3. Other assets	7.	354,226	534,529
		<b>3,343,233</b>	<b>4,064,292</b>
<b>III. Securities</b>	8.	5,309,329	6,502,161
<b>IV. Cash and cash equivalents</b>	9.	4,224,480	5,519,458
		<b>18,840,112</b>	<b>20,885,137</b>
		<b>24,583,038</b>	<b>26,961,424</b>

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## CONSOLIDATED INCOME STATEMENT

(IFRS) for the period from January 1 to December 31, 2011

	Annex No.	1/1–12/31/11 EUR	1/1–12/31/10 EUR
Sales revenue	21.	17,128,750	16,978,282
Change in inventory of semi-finished and finished products		1,373,813	355,524
Other capitalised own work		0	0
Other operating income	22.	478,548	449,291
		<b>18,981,111</b>	<b>17,783,097</b>
Cost of materials	23.		
Cost of raw materials, consumables and goods for resale		-7,598,163	-6,806,067
Costs of purchased services		-342,430	-361,502
		-7,940,593	-7,167,569
<b>Gross profit or loss</b>		<b>11,040,518</b>	<b>10,615,528</b>
Personnel expenses	24.		
Wages and salaries		-3,423,739	-3,230,401
Social security, pension and other benefits		-732,681	-672,007
		-4,156,420	-3,902,408
Amortization of intangible assets and depreciation of tangible assets	25.	-679,392	-598,133
Other operating expenses	26.	-4,484,687	-3,764,794
<b>Operating results</b>		<b>1,720,019</b>	<b>2,350,193</b>
Dividend income		119,728	89,453
Income from securities trading		2,177,354	1,175,617
Losses from securities		-2,099,343	-49,640
Securities-related expenses		-37,609	-173,599
Other interest and similar income		45,108	31,628
Interests and similar expenses		-79,260	-90,004
<b>Financial results</b>	27.	<b>125,978</b>	<b>983,455</b>
<b>Result of ordinary activities</b>		<b>1,845,997</b>	<b>3,333,648</b>
Income taxes	28.	-750,882	-791,358
<b>Consolidated net income</b>		<b>1,095,115</b>	<b>2,542,290</b>
Results of the minority interests		-355,565	-169,285
<b>Results of the shareholders of the parent company</b>		<b>1,450,680</b>	<b>2,711,575</b>
Earnings per share undiluted	29.	0.29	0.56
Earnings per share diluted	29.	0.29	0.56

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## CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the fiscal year from January 1 to December 31, 2011

	Annexa No.	1/1–12/31/11 kEUR	1/1–12/31/10 kEUR
Consolidated net income		1,095	2,542
Other costs not affecting expenses/ income		-55	60
Dividend income	27.	-120	-89
Interest earnings	27.	-45	-32
Interest expenses		79	90
Decrease in deferred taxes		589	534
Income tax expenditure		162	202
Depreciation of fixed assets		679	598
Income from securities trading	27.	-2,177	-1,176
Loss from securities trading		0	0
Loss from valuation of securities		2,099	50
Amortization of public grants and subsidies	15.	-77	-65
Loss from disposal of fixed assets		0	7
<b>Gross cash flow</b>	<b>31.</b>	<b>2,229</b>	<b>2,721</b>
Increase in inventories		-1,164	-1,976
Decrease/increase in trade receivables and other assets		546	-1,344
Increase/decrease in current liabilities and other liabilities		-324	1,146
Cash inflow from dividends		120	89
Cash inflow from interest		45	32
Cash outflow from interest		-79	-90
Cash outflow for income taxes		-310	-151
<b>Cash flow from operations</b>	<b>32.</b>	<b>1,063</b>	<b>427</b>
Cash outflow for investments in fixed assets		-935	-1,235
Cash inflow from funding sources for investments		175	157
Cash inflow based on financial assets	8.	3,200	1,921
Cash outflow based on financial assets	8.	-3,026	-3,212
<b>Cash flow from investments</b>	<b>33.</b>	<b>-586</b>	<b>-2,369</b>
Cash inflow from increase in capital		96	3,600
Cash outflow for procurement costs of equity capital		0	-198
Tax effect from procurement costs of equity capital		0	55
Cash inflow from non-controlling shareholders		127	63
Distribution of profit to non-controlling shareholders		-38	-26
Dividend payments	12.	-1,980	-1,980
Decrease/increase in loan liabilities	14.	-64	187
Recourse to long-term liabilities		87	57
<b>Cash flow from financing activities</b>	<b>34.</b>	<b>-1,772</b>	<b>1,758</b>
<b>Change in cash and cash equivalents</b>		<b>-1,295</b>	<b>- 184</b>
<b>Cash and cash equivalents at beginning of fiscal year</b>		<b>5,519</b>	<b>5,703</b>
<b>Cash and cash equivalents at end of fiscal year</b>		<b>4,224</b>	<b>5,519</b>



## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IFRS) of December 31, 2011

	Subscribed capital 10. EUR	Capital reserves 11. EUR
As of January 1, 2010	4,500,000	7,570,000
Increase in share capital	449,999	3,149,993
Transaction costs	0	-198,316
Tax effect from transaction costs	0	55,677
Increase in share capital of the subsidiary Geratherm Respiratory GmbH	0	0
Increase in share capital of subsidiary apoplex medical technologies GmbH	0	0
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	449,999	3,007,354
Consolidated net income	0	0
Unrealized profits and losses from valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
As of December 31, 2010	4,949,999	10,577,354
As of January 1, 2011	4,949,999	10,577,354
Increase in share capital of subsidiary apoplex medical technologies GmbH	0	95,520
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	95,520
Consolidated net income	0	0
Unrealized profits and losses from valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
As of December 31, 2011	4,949,999	10,672,874



Market valuation reserve	Other reserves		To be assigned to the shareholders of the parent company	Non-controlling shares	Equity capital
	Currency conversion reserve	Accumulated earnings			
	12. EUR	EUR		13. EUR	EUR
2,274,419	24,918	3,298,059	17,667,396	3,030	17,670,426
0	0	0	3,599,992	0	3,599,992
0	0	0	-198,316	0	-198,316
0	0	0	55,677	0	55,677
0	0	0	0	26,750	26,750
0	0	0	0	36,000	36,000
0	0	-1,979,999	-1,979,999	-25,907	-2,005,906
0	0	-1,979,999	1,477,354	36,843	1,514,197
0	0	2,711,575	2,711,575	-169,284	2,542,291
-1,269,821	0	0	-1,269,821	0	-1,269,821
0	30,428	0	30,428	29,235	59,663
-1,269,821	30,428	2,711,575	1,472,182	-140,049	1,332,133
1,004,598	55,346	4,029,635	20,616,932	-100,176	20,516,756
1,004,598	55,346	4,029,635	20,616,932	-100,176	20,516,756
0	0	0	95,520	127,465	222,985
0	0	-1,980,000	-1,980,000	-37,863	-2,017,863
0	0	-1,980,000	-1,884,480	89,602	-1,794,878
0	0	1,450,680	1,450,680	-355,565	1,095,115
-1,096,983	0	0	-1,096,983	0	-1,096,983
0	-28,114	0	-28,114	-27,011	-55,125
-1,096,983	-28,114	1,450,680	325,583	-382,576	-56,993
-92,385	27,232	3,500,315	19,058,035	-393,150	18,664,885

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## CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from January 1 to December 31, 2011

	1/1–12/31/2011 EUR	1/1–12/31/2010 EUR
Profit of the shareholders of the parent company	1,450,680	2,711,575
Profit of the non-controlling shareholders	-355,565	-169,285
<b>Consolidated net profit</b>	<b>1,095,115</b>	<b>2,542,290</b>
Capital gains and losses from the revaluation of securities	-1,096,983	-1,269,821
Balance from currency conversion	-55,125	59,663
<b>Income and expenditure recognised in equity</b>	<b>-1,152,108</b>	<b>-1,210,158</b>
<b>Total consolidated income</b>	<b>-56,993</b>	<b>1,332,132</b>
of which attributable to non-controlling shareholders	-382,576	-140,049
of which attributable to shareholders of the parent company	325,583	1,472,181



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR 2011 FISCAL YEAR

### APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements of Geratherm Medical AG were prepared for the 2011 fiscal year in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2011 fiscal year and result in additional information in the Notes:

Standard/ Interpreta- tion	Title of Standards/ Interpretation or Amendment (English)	First time application <sup>1</sup>	Impact on Geratherm AG
IAS 8.28			
Improvements to IFRS 2010		7/1/2010 <sup>2</sup> or 1/1/2011 <sup>3</sup>	Generally of significance; Additional disclosures in the Notes
IAS 24 (rev. 2009)	Related Party Disclosures	1/1/2011	Generally of significance; Additional disclosures in the Notes
Amendments to IAS 32	Classification of Rights Issues	2/1/2010	Only significant with regard to the issue of certain subscription rights; no subscription rights issued in the fiscal year
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	7/1/2010	Only important for first-time adopters of IFRS; has no impact on Geratherm AG
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	1/1/2011	Only important for companies with pension plans with minimum funding requirements; has no impact on Geratherm AG
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	7/1/2010	Generally of significance; has no impact on Geratherm AG

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

<sup>2</sup> As far as the amendments to IAS 21, IAS 28, IAS 31 and IFRS 3 are concerned.

<sup>3</sup> As far as the amendments to IAS 1, IAS 34, IFRS 1, IFRS 7 and IFRS 13 are concerned.

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

Standard/Interpretation	Title of the Standard/ Interpretation or Amendment (English)	First-time application <sup>4</sup>
<i>IAS 8.30, EU endorsement has already been given</i>		
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	7/1/2011
<i>IAS 8.30, EU Endorsement is still pending (as of: January 02, 2012)</i>		
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	7/1/2012
Amendments to IAS 12	Deferred Tax on Investment Property	1/1/2012
IAS 19 (rev. 2011)	Employee Benefits	1/1/2013
Amendments to IAS 27	Separate Financial Statements	1/1/2013
Amendments to IAS 28	Investments in Associates and Joint Ventures	1/1/2013
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1/1/2014
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1/1/2013
IFRS 9	Financial Instruments	1/1/2015
IFRS 10	Consolidated Financial Statements	1/1/2013
IFRS 11	Joint Arrangements	1/1/2013
IFRS 12	Disclosure of Interests in Other Entities	1/1/2013
IFRS 13	Fair Value Measurement	1/1/2013

The impact of the aforementioned standards has not been analyzed in depth yet. 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 (functional currency). 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).

<sup>4</sup> Fiscal years that start on or after the indicated date.



The management of Geratherm AG has released the consolidated financial statements based on IFRS on Tuesday, March 20, 2012 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

## LEGAL AND ECONOMIC MATTERS

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

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

## CONSOLIDATION PRINCIPLES

The 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. Losses of a subsidiary are then assigned to shares without controlling influence, if these result in a negative balance.

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 GmbH.

The following share quotas apply in detail.

Company	Percentage of shares held 2011	Percentage of shares held 2010
GME Rechte und Beteiligungen GmbH, Geschwenda, Germany	100.00 %	100.00 %
apoplex medical technologies GmbH, Pirmasens, Germany	59.70 %	61.00 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	61.27 %	61.27 %
Geratherm Medical do Brasil Ltda., Sao Paulo, Brazil	51.00 %	51.00 %



The share capital of apoplex medical technologies GmbH was increased to a total EUR 600,000 in 2011. The first increase of EUR 100,000 to EUR 500,000 was effected in accordance with the resolution of the shareholders' meeting from May 9, 2011. In this regard, Geratherm Medical AG assumed a capital share of EUR 61,000 in accordance with the percentage of shares it held at that time (61%). On Oct. 4, 2011, the shareholders resolved to increase the share capital by an additional EUR 100,000 to EUR 600,000. Here Geratherm Medical AG assumed a capital share of EUR 53,187. The new interest held is currently 59.70 %.

The new share capital of apoplex was paid in full. Corresponding entries in the Commercial Register were carried out respectively on June 16, 2011 and Nov. 7, 2011.

## 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 would indicate that a decrease in value could have occurred. As part of the impairment tests, the attainable amount is compared to book value for the unit generating cash or cash equivalents to which the goodwill is to be assigned. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which is based on current planning. The planning encompasses a



detail plan for the first couple years. The cash flows were carried on for the further planning phase without change. The forecasted cash flows are discounted with a discount rate before taxes in the amount of 16.75% (2010: 16.75%). There were no indications that call for an impairment loss.

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

Depreciation is implemented on a straight-line basis between 4 and 15 years.

If the assessments made with regard to future inflow of funds require an update, the Executive Board checks for the presence of a „triggering event“, especially with Cardio/Stroke and Respiratory, which are still in the start-up phase. If such does exist, an impairment test is conducted for the respective development. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which relies on current planning.

That is based on the best assessment made by management with regard to future development. The planning encompasses a detail plan for the first couple years. The cash flows were carried on for the further planning phase without change. The forecasted cash flows are discounted with a discount rate before taxes. The applied discount factors before taxes range between 18.0 % and 19.5 %. There were no indications that call for an impairment loss during the year under review.

## TANGIBLE ASSETS

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

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. If impairment losses are implemented, these are shown under depreciations.

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

## LEASING

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

## FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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.

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

## LISTING OF SALES REVENUE

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

## INTERESTS PAID AND INTERESTS EARNED

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

## USE OF ESTIMATES

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 the intrinsic value of the tax deferrals and accruals attributable to the tax losses carried forward in the amount of EUR 1.409 million (2010: EUR 1.971 million) and the impairment tests of the cash-generating units and assets 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ASSETS

#### 1. INTANGIBLE ASSETS

As at December 31, 2011, intangible assets totalling 529 kEUR (2010: 783 kEUR) are reported. The development of the intangible assets is shown in the following table:

Intangible Assets	Development costs	Software	Goodwill	Total
Initial and manufacturing costs in EUR				
1/1/2010	1,962,170	162,919	90,000	2,215,089
Additions	0	14,230	0	14,230
Disposals	0	22,139	0	22,139
Transfers	0	0	0	0
12/31/2010	1,962,170	155,010	90,000	2,207,180
1/1/2011	1,962,170	155,010	90,000	2,207,180
Additions	0	3,810	0	3,810
Disposals	0	0	0	0
Transfers	0	0	0	0
12/31/2011	1,962,170	158,820	90,000	2,210,990
Amortization and depreciation in EUR				
1/1/2010	1,045,378	118,315	14,250	1,177,943
Additions	248,968	19,739	0	268,707
Disposals	0	22,139	0	22,139
12/31/2010	1,294,346	115,915	14,250	1,424,511
1/1/2011	1,294,346	115,915	14,250	1,424,511
Additions	240,782	16,563	0	257,345
Disposals	0	0	0	0
12/31/2011	1,535,128	132,478	14,250	1,681,856
Book values in EUR				
1/1/2010	916,792	44,604	75,750	1,037,146
12/31/2010	667,824	39,095	75,750	782,669
1/1/2011	667,824	39,095	75,750	782,669
12/31/2011	427,042	26,342	75,750	529,134



No development costs for intangible assets created internally were capitalized during the 2011 fiscal year (2010: 0 kEUR). Non-capitalizable research and development costs were posted as expenses in the amount of 352 kEUR (2010: 337 kEUR).

The goodwill contained in the fixed assets relates to the production of medical warming systems. In connection with the takeover of the 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.

An impairment test is conducted once a year for the cash-generating unit in order to determine if there is any impairment loss possibly existing. The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2012 to 2014. A perpetuity is assumed, the scope of which is derived from the last year of the planning time frame. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This segment possesses a goodwill of 76 kEUR (2010: 76 kEUR) and an additional net worth of 136 kEUR as per balance sheet date. The attainable amount which is used for comparison as part of the impairment test of the cash-generating unit, is determined by the value in use. To calculate the value in use, the cash flows derived from the planning were discounted with a risk-adjusted, fair market interest rate in the amount of 16.75 % before taxes. There were no points of reference for an impairment and none were necessary in this regard. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one percent increase in the interest rate results in a +6 kEUR change to the present value.

## 2. TANGIBLE ASSETS

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

Tangible assets	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in process	Total
Initial and manufacturing costs in EUR					
1/1/2010	2,244,407	4,130,262	511,065	234,940	7,120,674
Additions	0	555,413	176,259	488,503	1,220,175
Disposals	0	21,664	75,986	0	97,650
Transfers	0	152,281	0	-152,281	0
12/31/2010	2,244,407	4,816,292	611,338	571,162	8,243,199
1/1/2011	2,244,407	4,816,292	611,338	571,162	8,243,199
Additions	0	361,282	74,498	495,675	931,455
Disposals	0	1,333	12,196	0	13,529
Transfers	0	375,802	0	-375,802	0
12/31/2011	2,244,407	5,552,043	673,640	691,035	9,161,125
Amortization and depreciation in EUR					
1/1/2010	1,044,540	3,396,180	360,603	0	4,801,323
Additions	74,564	192,680	62,182	0	329,426
Disposals	0	21,663	68,010	0	89,673
12/31/2010	1,119,104	3,567,197	354,775	0	5,041,076
1/1/2011	1,119,104	3,567,197	354,775	0	5,041,076
Additions	73,577	267,060	81,410	0	422,047
Disposals	0	1,332	12,073	0	13,405
12/31/2011	1,192,681	3,832,925	424,112	0	5,449,718
Book value in EUR					
1/1/2010	1,199,867	734,082	150,462	234,940	2,319,351
12/31/2010	1,125,303	1,249,095	256,563	571,162	3,202,123
1/1/2011	1,125,303	1,249,095	256,563	571,162	3,202,123
12/31/2011	1,051,726	1,719,118	249,528	691,035	3,711,407

The additions in the area of tangible assets mainly involve the acquisition of additional machinery and systems for expanding the production of gallium-filled thermometers.

Impairment losses on fixed assets were 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.

	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
	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	228,241	328,499	123,974	199,501	104,267	128,998
Goodwill	0	0	10,458	8,773	-10,458	-8,773
Losses carried forward	1,408,575	1,971,271	0	0	1,408,575	1,971,271
<b>Total</b>	<b>1,636,816</b>	<b>2,299,770</b>	<b>134,432</b>	<b>208,274</b>	<b>1,502,384</b>	<b>2,091,496</b>

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

Change in the balance of deferred taxes	1/1/2011	Change with effect on income	Change without effect on income	12/31/2011
	EUR	EUR	EUR	EUR
Capitalized development costs/patents	128,998	-24,731	0	104,267
Goodwill	-8,773	-1,685	0	-10,458
Foreign currency valuation				
Losses carried forward	1,971,271	-562,696	0	1,408,575
<b>Total</b>	<b>2,091,496</b>	<b>-589,112</b>	<b>0</b>	<b>1,502,384</b>

Change in the balance of deferred taxes	1/1/2010	Change with effect on income	Change without effect on income	12/31/2010
	EUR	EUR	EUR	EUR
Capitalized development costs/patents	162,662	-33,664	0	128,998
Goodwill	-7,089	-1,684	0	-8,773
Foreign currency valuation	-6,379	6,379	0	0
Losses carried forward	2,476,445	-560,851	55,677	1,971,271
<b>Total</b>	<b>2,625,639</b>	<b>-589,820</b>	<b>55,677</b>	<b>2,091,496</b>



An income tax rate ranging between 28.08% and 29.83% (2010: between 28.08% and 29.83%) was established as basis for calculating the deferred taxation. It also includes the trade tax in addition to the corporate income tax together with the solidarity surcharge.

The 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, whereas the losses carried forward of Geratherm Medical AG can presumably be implemented over the next three years according to the current planning. Since the subsidiaries that are incorporated in the consolidated financial statements are still in part under construction and their revenue planning is still subject to the corresponding uncertainty, their losses carried forward were not taken into account for calculating the deferred tax assets.

#### PRESENTATION OF THE DEFERRED TAXES ON THE ASSETS SIDE FOR THE TAX LOSS CARRIED FORWARD

	2011 kEUR	2010 kEUR
Tax loss carried forward as of 12/31	8,428	9,668
Valued	6,791	7,697
<b>Deferred taxation</b>	<b>1,409</b>	<b>1,971</b>

#### 4. INVENTORIES

	12/31/2011 EUR	12/31/2010 EUR
Raw materials and supplies	1,473,887	1,573,475
Unfinished goods	1,364,390	676,235
Finished goods	1,434,117	593,393
Goods	1,690,676	1,956,123
<b>Total</b>	<b>5,963,070</b>	<b>4,799,226</b>

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

The unfinished goods as of Dec. 31, 2011 primarily include clinical thermometers in various stages of production.

The finished goods item mainly includes thermometers and warming systems as of Dec. 31, 2011. The goods essentially include digital thermometers and blood pressure meters that are earmarked for sales and produced for contracts.



## 5. TRADE RECEIVABLES

The trade receivables are structured as follows:

	12/31/2011 EUR	12/31/2010 EUR
Gross sum of trade receivables	2,918,669	3,213,370
Devaluations	-27,731	-13,212
<b>Total</b>	<b>2,890,938</b>	<b>3,200,158</b>

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

## 6. TAX RECEIVABLES

The tax receivables essentially comprise the receivable from sales tax refunds in the amount of 68 kEUR (2010: 242 kEUR) and other taxes in the amount of 30 kEUR (2010: 88 kEUR).

## 7. OTHER ASSETS

The other assets essentially relate to the receivables from advances paid (100 kEUR; 2010: 219 kEUR) and receivables from investment subsidies and grants (123 kEUR; 2010: 167 kEUR).

## 8. SECURITIES

The securities holdings include the following:

2011	Number/nominal	Book value as of 12/31 EUR	Rate as of 12/31 EUR
Pfizer Inc,	40,000	664,039	16.60
Epigenomics AG	95,778	123,075	1.29
Agfa-Gevaert N,V,	700,000	826,000	1.18
Cardionet Inc,	100,000	177,062	1.77
Eckert & Ziegler Strahlen- und Med, AG	50,000	1,126,500	22.53
Sanofi-Aventis S,A,	24,907	1,395,041	56.01
Newron Pharmaceuticals S,P,A,	17,000	28,249	1.66
Medtronic Inc,	10,000	293,763	29.38
Celesio AG	40,000	488,600	12.22
FDR Acquisition Rights (Adolor)	460,000	187,000	0.41
<b>Total</b>		<b>5,309,329</b>	
2010	Number/nominal	Book value as of 12/31 EUR	Rate as of 12/31 EUR
Pfizer Inc,	40,000	521,778	13.04
Adolor Corp,	460,000	416,555	0.91
Epigenomics AG	478,889	938,622	1.96
Agfa-Gevaert N,V,	500,000	1,600,000	3.20
Cardionet Inc,	100,000	350,247	3.50
Eckert & Ziegler Strahlen- u, Med, AG	51,000	1,341,810	26.31
Sanofi-Aventis S,A,	24,000	1,148,400	47.85
Newron Pharmaceuticals S,P,A,	17,000	75,184	4.42
Roche Holding AG	1,000	109,565	109.56
<b>Total</b>		<b>6,502,161</b>	

During the 2011 fiscal year the level of securities was increased by means of acquisitions in the amount of EUR 3.026 million (2010: EUR 3.212 million). The level also decreased by means of sales in the amount of EUR 3.200 million (2010: EUR 1.921 million). As a result, it was possible to realize a profit contribution of EUR 2.177 million (2010: EUR 1.176 million).



The held securities (available-for-sale assets) are regularly audited as of the reporting date in accordance with IAS 39.58 and IAS 39.61 for any possible significant or longer lasting decrease in value. In case of equity instruments classified as held for sale, a significant or longer lasting decrease in the fair value of the instrument would present an objective indication under its acquisition costs. The decision as to what „significant“ or „lasting“ may mean, is a discretionary decision. As part of this decision, the Executive Board values in addition to other factors the price fluctuations in the past, the duration and scope, in which the fair value of a financial investment is below its acquisition costs.

Based on these criteria, an impairment loss totalling EUR 2.099 million (2010: 50 kEUR) was reported with effect on the bottom line as pursuant to IAS 39.67.

As at the balance sheet date Dec. 31, 2011, the market assessment reserve was decreased by sales of securities and declines in prices compared to the year before from EUR 1.005 million to minus 92 kEUR.

## 9. CASH AND CASH EQUIVALENTS

	12/31/2011 kEUR	12/31/2010 kEUR
Cash on hand	6	4
Credit balances with banks	4,218	5,515
<b>Cash and cash equivalents</b>	<b>4,224</b>	<b>5,519</b>

The credit balances with banks, amounting to EUR 4.090 million (2010: EUR 5.424 million) are invested at the prevailing market rates and are available daily.

## LIABILITIES

### EQUITY CAPITAL

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

## 10. SUBSCRIBED CAPITAL

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of December 31, 2011 and is divided into 4,949,999 share certificates issued to the bearers.

The subscribed capital has been paid in full. As of the reporting date there were no shares held by the company. The number of shares in circulation was 4,949,999 during the 2011 fiscal year.

### AUTHORIZED CAPITAL

The Executive Board was authorized to increase the capital stock of the company up to a maximum 2,474,999 subject to the approval of the Supervisory Board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999 by June 5, 2016.

## PURCHASE OF OWN SHARES

The Executive Board was also authorized on June 7, 2010 to purchase own shares up to a portion of the capital stock, not exceeding 10%, by June 6, 2015. The purchase price paid by the company may not be more than 10 % above or below the arithmetic mean of the prices determined for the company's share in the opening auction in Xetra trading (or a comparable successor system of the Deutsche Börse AG) during the last 5 trading days prior to acquisition. The Executive Board is authorized to resell own shares purchased on the basis of the authorization as per Art. 71 Para. 1 (8) of AktG with the approval of the Supervisory Board while observing the principle of equal treatment (Art. 53a of AktG) for other purposes than trading in its own shares. The acquired own shares may be sold via the stock exchange. The buying option of shareholders is excluded.

The Executive Board 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 Board is authorized up until June 6, 2015 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 reserve shows the amount that was realized, exceeding the nominal amount, with the issuance of the shares. They are limited in relation to the parent company according to Germany's corporate law regulations with regard to their usefulness.

## 12. OTHER RESERVES

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

## ASSESSMENT RESERVE

The change in price of the securities adjusted by the valuation allowances entered with effect on the income was reported in the market valuation reserve item shown in the equity capital as of the reporting date in accordance with the provisions of IAS 39. The market assessment reserve amounts to -92 kEUR (2010: EUR 1.005 million) as of December 31, 2011.

## CURRENCY CONVERSION RESERVE

The currency conversion reserve in the amount of 27 kEUR (2010: 55 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 (EUR 4.030 million; 2010: EUR 3.298 million), the current net income of the shareholders of the parent company (EUR 1.451 million; 2010: EUR 2.712 million) less the distributed dividend (EUR 1.980 million; 2010: EUR 1.980 million).

The Executive Board and Supervisory Board will propose to the general meeting in June 2012 to distribute a dividend of EUR 0.30 per share for the 2011 fiscal year.

Since a dividend of EUR 0.30 per share is disbursed from the tax contribution account in accordance with Art. 27 of KStG (not contributions to nominal capital), the payment is made without any deduction of capital gains tax and solidarity surcharge.

## 13. NON-CONTROLLING SHARES

	Total kEUR
<b>Non-controlling shares as of 1/1/2011</b>	<b>-100</b>
Capital increase by apoplex medical technologies GmbH	127
Currency translation in Group	-27
Dividend payout by Geratherm do Brasil	-37
Result attributable to non-controlling shares	-356
<b>Non-controlling shares as of 12/31/2011</b>	<b>-393</b>

## 14. LONG-TERM LIABILITIES TO BANKS

Geratherm Medical AG received on September 4/11, 2009 a loan in the amount of EUR 2.000 million from the refinancing funds of the aid program „GuW Plus – Gründungs- und Wachstumsfinanzierung“ (start-up and growth financing) of Thüringer Aufbaubank (TAB), which was granted through Commerzbank AG. The loan bears 1.45% interest p. a. The interest rate was fixed for the entire term through September 30, 2015. The amortization rate is quarterly 100 kEUR, which was due for the first time on December 30, 2010. An addendum to the loan agreement was concluded with the Commerzbank AG on September 18/22, 2009, which envisages the assignment of the entire warehouse inventory of Geratherm Medical AG in Geschwenda as collateral. 400 kEUR were reclassified from loans remaining in the amount of EUR 1.500 million as of December 31, 2011 in short-term liabilities to banks.

## 15. ACCRUED INVESTMENT SUBSIDIES

The item shown in the balance sheet in the amount of 783 kEUR (2010: 729 kEUR) relates to the investment grants and subsidies that have been received or are to be released and which are released to income in accordance with the useful life of the assets they financed. This item basically has long-term character.

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

## 16. 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 477 kEUR (2010: 477 kEUR) and Geratherm Respiratory GmbH in the amount of 119 kEUR (2010: 45 kEUR) are reported. The loans have a two-year term.

## 17. CURRENT LIABILITIES DUE TO BANKS

As of the balance sheet date there were in the group short-term liabilities to banks in the amount of EUR 1.463 million (2010: EUR 1.128 million). 400 kEUR of these are the reorganization of the loans of Geratherm, 127 kEUR (2010: 149 kEUR) the avilment of open credit lines by our subsidiary Geratherm Respiratory GmbH as well as short-term loans of Geratherm do Brasil in the amount of 936 kEUR (2010: 579 kEUR).

## 18. 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.

## 19. TAX LIABILITIES

The tax liabilities shown here relate to liabilities from income taxes 65 kEUR (2010: 286 kEUR), wage taxes 37 kEUR (2010: 35 kEUR) and sales taxes 34 kEUR (2010: 126 kEUR).

## 20. OTHER LIABILITIES

	12/31/2011 kEUR	12/31/2010 kEUR
Accrued liabilities	363	443
Other liabilities	290	309
<b>Other liabilities</b>	<b>653</b>	<b>752</b>



## ACCRUED LIABILITIES

The accrued liabilities include the following:

	12/31/2010 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	12/31/2011 kEUR
Staff related	166	-162	-1	142	145
Bonuses, commissions, credits	115	-115	0	77	77
Outstanding invoices	101	-100	-1	71	71
Other	61	-46	0	55	70
<b>Total</b>	<b>443</b>	<b>-423</b>	<b>-2</b>	<b>345</b>	<b>363</b>

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 192 kEUR (2010: 177 kEUR) and social security liabilities in the amount of 32 kEUR (2010: 75 kEUR).

All other liabilities shown here fall due within one year.



## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 21. SALES REVENUES

Sales revenues based on product groups:

	2011 kEUR	2010 kEUR	Change %
Healthcare Diagnostic	15,076	15,564	-3.1
Medical Warming Systems	625	562	11.2
Cardio/Stroke	231	262	-11.8
Respiratory	1,197	590	102.9
<b>Total</b>	<b>17,129</b>	<b>16,978</b>	<b>0.9</b>

Sales revenues based on regions:

	2011 kEUR	2010 kEUR	Change %
Germany	2,297	2,332	-1.5
Rest of Europe	8,675	8,472	2.4
USA	1,245	1,386	-10.1
South America	3,592	3,331	7.8
Other	1,320	1,457	-9.4
<b>Total</b>	<b>17,129</b>	<b>16,978</b>	<b>0.9</b>

The „Other“ item mainly encompasses sales in Middle East over 762 kEUR (2010: EUR 1.011 million) and Asia over 438 kEUR (2010: 273 kEUR).

### 22. OTHER OPERATING INCOME

The other operating income includes amortization of capitalized grants and subsidies in the amount of 77 kEUR (2010: 65 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2011: 241 kEUR; 2010: 261 kEUR).

### 23. COST OF MATERIALS

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



## 24. PERSONNEL EXPENSES

The personnel expenses in the 2011 fiscal year were EUR 4.156 million (2010: EUR 3.902 million). The accounts for this fiscal year included contributions of 283 kEUR (2010: 248 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.

## 25. AMORTIZATION AND DEPRECIATION

The write-offs mainly increased by 13.6% to 679 kEUR (2010: 598 kEUR) as a result of the planned investments made in new additional machinery and installations for producing gallium-filled clinical thermometers.

## 26. OTHER OPERATING EXPENSES

Other operating expenses primarily comprise the costs for sales, advertising and marketing (EUR 1.952 million; 2010: EUR 1.803 million) and administrative expenses (EUR 2.020 million; 2010: EUR 1.640 million). The increase in the administrative expenses is mainly due to expenses for other external services (583 kEUR; 2010: 492 kEUR), lawyers' fees and auditing costs (389 kEUR; 2010: 220 kEUR) and expenses for studies (77 kEUR; 2010: 0 kEUR). The expenses occurring in connection with foreign currency translation during the fiscal year increased to 319 kEUR (2010: 203 kEUR).

## 27. FINANCIAL RESULTS

The company posted financial results in the amount of 126 kEUR (2010: 983 kEUR). These included dividend income (120 kEUR; 2010: 89 kEUR), gains from sales of securities (EUR 2.177 million; 2010: EUR 1.176 million); devaluation of the securities with effect on the income (EUR 2.099 million; 2010: 50 kEUR), expenses occurring in connection with the securities (38 kEUR; 2010: 174 kEUR), interests earned (45 kEUR; 2010: 32 kEUR) and interests paid (79 kEUR; 2010: 90 kEUR).

## 28. INCOME TAXES

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

	2011 kEUR	2010 kEUR
Actual taxes	-162	-202
Deferred taxes	-589	-589
<b>Income tax according to IFRS</b>	<b>-751</b>	<b>-791</b>

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 28.08% (2010: 28.08 %) 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.

	2011 kEUR	2010 kEUR
<b>Results before income taxes</b>	<b>1,846</b>	<b>3,334</b>
Tax expenses to be expected	-518	-936
Effects from valuation variances (change of permanent differences)	-21	90
Effects due to tax-free income	78	291
Effects due to expenses nondeductible	-22	-26
Change in valuation of tax losses carried forward	-258	-200
Other	-10	-10
<b>Income tax according to IFRS</b>	<b>-751</b>	<b>-791</b>

## 29. 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.

	2011	2010
Results of the shareholders of the parent company (kEUR)	1,451	2,712
Weighted average number of outstanding shares (k shares)	4,950	4,864
<b>Undiluted earnings per share (EUR)</b>	<b>0.29</b>	<b>0.56</b>
<b>Diluted earnings per share (EUR)</b>	<b>0.29</b>	<b>0.56</b>

	2011 k shares	2010 k shares
Nominal capital in no-par shares	4,950	4,950
<b>Weighted number of outstanding shares</b>	<b>4,950</b>	<b>4,864</b>

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

## RELATIONSHIPS WITH RELATED PARTIES AND PERSONS

Relationships with related parties as defined by IAS 24 exist with GMF Beteiligungsberatung GmbH, Frankfurt am Main (GMF). The GMF Beteiligungsberatung, Frankfurt am Main, holds a direct share of 52.78% in Geratherm Medical AG. Expenses in the amount of 104 kEUR (2010: 239 kEUR) were recorded



for the services performed by the chairman of the board Dr. Frank for GMF during the 2011 fiscal year. The amounts are appropriate and comprise the remuneration of the board for 2011 and bonus payments.

As of Dec. 31, 2011 there were no outstanding accounts owed to or by GMF. An accrued liability vis-à-vis GMF in the amount of 15 kEUR (2010: 15 kEUR) was discontinued as of the reporting date.

There were no accounts receivable from supervisory board members as of the balance sheet date, as during the 2010 fiscal year.

In 2011 there were no notifications according to Art. 21 Para. 1 of WpHG (Securities Trade Act).

## OTHER FINANCIAL OBLIGATIONS

As of Saturday, December 31, 2011	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements kEUR	181	80	101	0
Other financial commitments from obligation to accept kEUR	763	756	7	0
Other financial commitments from obligation to accept kUSD	49	49	0	0

As of December 31, 2010	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements kEUR	267	130	137	0
Other financial commitments from obligation to accept kEUR	666	618	48	0
Other financial commitments from obligation to accept kUSD	235	235	0	0

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 in this regard amount to 181 kEUR (2010: 267 kEUR) for 2012 and subsequent years.

Other purchase commitments primarily comprise final payments for investments made in 2011 for expanding capacity of production in the amount of 579 kEUR and purchase commitments from blanket agreements to safeguard the production of warming systems in the amount of 184 kEUR for 2012 and following years. There are other obligations arising in connection with already started investments in the amount of 49 kUSD.

## AUDITOR FEES

In 2011, 47 kEUR (2010: 45 kEUR) was entered as expenditure for the audit of the financial statements, 7 kEUR (2010: 1 kEUR) for other auditing services and 4 kEUR (2010: 10 kEUR) as expenditure for tax consulting services.

### 30. SEGMENT INFORMATION

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

#### HEALTHCARE DIAGNOSTIC

- Analog and digital products for measuring the body's temperature
- Blood pressure monitors
- Other products for measuring temperature and accessories

#### MEDICAL WARMING SYSTEMS

- Products for maintaining the body's temperature during operations and in rescue situations

#### CARDIO/STROKE

- Technological products for preventing strokes

#### RESPIRATORY

- Products designed for pulmonary function diagnostics.

The foregoing segment report shows the segment's sales volume, the operating results and write-offs. The figures indicated correspond to the company's internal reports. The effects based on the consolidation of income, expenses, assets and debts between the segments are eliminated. The consolidation mainly involves the Healthcare Diagnostic segment and is due to the internal revenue with our subsidiary in Brazil. The reconciliation statement shows the income and expenses or assets which cannot be directly assigned to the segments. The segment assets and debts are not part of our internal reports. The values were directly assigned to the segments or distributed on the basis of sales.

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

In the South America segment, the majority of sales were generated in Brazil in the amount of EUR 3.569 million (2010: EUR 3.314 million) and in the Europe segment the majority of sales were generated in Italy in the amount of EUR 5.009 million (2010: EUR 4.407 million).

The reconciliation of the segment assets in the segment report based on product areas is made up of the following cash or cash equivalents and securities of Geratherm Medical AG, which are not assigned to a specific segment. These comprise the following:

	2011 kEUR	2010 kEUR
Securities of Geratherm Medical AG	5,309	6,502
Cash and cash equivalents of Geratherm Medical AG	4,097	5,427
<b>Total</b>	<b>9,406</b>	<b>11,929</b>



## GROUP SEGMENT REPORT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011

Based on product groups	Healthcare Diagnostic	Medical warming systems	Cardio/Stroke	Respiratory	Consolidation	Reconciliation	Total
2011	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Segment sales	16,651	596	239	1,136	-1,493	0	17,129
<b>Operating results</b>	<b>2,305</b>	<b>20</b>	<b>-256</b>	<b>-41</b>	<b>-239</b>	<b>-69</b>	<b>1,720</b>
including: Amortization and depreciation of fixed intangible and tangible assets	673	31	4	11	-127	87	679
<b>Segment assets</b>	<b>11,832</b>	<b>931</b>	<b>255</b>	<b>657</b>	<b>0</b>	<b>9,406</b>	<b>23,081</b>
<b>Segment debts</b>	<b>4,922</b>	<b>124</b>	<b>565</b>	<b>307</b>	<b>0</b>	<b>0</b>	<b>5,918</b>
For information only:							
Segment sales	16,651	596	239	1,136	-1,493	0	17,129
Elimination of intragroup sales	-1,575	29	-8	61	1,493	0	0
Sales revenues on third parties	15,076	625	231	1,197	0	0	17,129
Based on product groups	Healthcare Diagnostic	Medical warming systems	Cardio/Stroke	Respiratory	Consolidation	Reconciliation	Total
2010	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Segment sales	16,793	610	263	649	-1,336	-1	16,978
<b>Operating results</b>	<b>3,161</b>	<b>-69</b>	<b>-193</b>	<b>-120</b>	<b>-394</b>	<b>-35</b>	<b>2,350</b>
including: Amortization and depreciation of fixed intangible and tangible assets	557	38	4	10	-88	77	598
<b>Segment assets</b>	<b>11,082</b>	<b>984</b>	<b>311</b>	<b>564</b>	<b>0</b>	<b>11,929</b>	<b>24,870</b>
<b>Segment debts</b>	<b>5,459</b>	<b>112</b>	<b>617</b>	<b>257</b>	<b>0</b>	<b>0</b>	<b>6,445</b>
For information only:							
Segment sales	16,793	610	263	649	-1,336	-1	16,978
Elimination of intragroup sales and reconciliation	-1,229	-48	-1	-59	1,336	1	0
Sales revenues on third parties	15,564	562	262	590	0	0	16,978

**GROUP SEGMENT REPORT**  
**FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2011**

By region	Germany	Europe	USA	South America	Other	Total
2011	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Sales revenues	2,737	8,675	1,245	4,645	1,320	18,622
Elimination of intragroup sales	-440	0	0	-1,053	0	-1,493
Sales revenues on third parties	2,297	8,675	1,245	3,592	1,320	17,129
Gross profit or loss	1,552	5,863	841	1,893	892	11,041
Operating results	300	1,133	163	-48	172	1,720
including: Amortization/depreciation of intangible assets and tangible assets	110	415	60	31	63	679
Amortization of public grants and subsidies	13	49	7	0	8	77
Acquisition costs of fixed assets for the period	893	0	0	42	0	935
Segment assets	21,026	0	0	2,055	0	23,081

By region	Germany	Europa	USA	South America	Other	Total
2010	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.	Jan.- Dec.
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Sales revenues	2,827	8,472	1,386	4,172	1,457	18,314
Elimination of intragroup sales	-495	0	0	-841	0	-1,336
Sales revenues on third parties	2,332	8,472	1,386	3,331	1,457	16,978
Gross profit or loss	1,362	4,952	810	2,640	852	10,616
Operating results	215	781	127	1,093	134	2,350
including: Amortization/depreciation of intangible assets and tangible assets	98	354	58	27	61	598
Amortization of public grants and subsidies	11	40	7	0	7	65
Acquisition costs of fixed assets for the period	1,168	0	0	66	0	1,234
Segment assets	22,915	0	0	1,955	0	24,870



## NOTES ON CASH FLOW STATEMENT

### 31. 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.

### 32. CASH FLOW FROM OPERATIONS

The cash flow before any change in the commitment of funds in the amount of EUR 2.229 million (2010: EUR 2.721 million) 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 EUR 1.063 million (2010: 427 kEUR).

The capital flow statement for 2011 includes in detail the payments received from interests (45 kEUR; 2010: 32 kEUR) and dividends (120 kEUR; 2010: 89 kEUR) and outgoing payments from interests (79 kEUR; 2010: 90 kEUR) and income taxes (310 kEUR; 2010: 151 kEUR).

### 33. CASH FLOW FROM INVESTMENTS

The purchase of fixed assets, financial assets and intangible assets, including development costs, result in expenses in the amount of 935 kEUR (2010: EUR 1.235 million). Cash inflow and outflow based on financial assets are explained under Item 8 of these Notes.

### 34. CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities comprises primarily the inflow of funds from the increase in the capital of apoplex medical technologies GmbH in the amount 127 kEUR and an outflow of funds from the dividend payments or distribution of profits in the amount of EUR 2.018 million (2010: EUR 2.006 million).

## CAPITAL MANAGEMENT

Primary objective of the company is to sustainably ensure the financial equilibrium, while efficiently allocating the capital resources available to the group (equity capital) to the business areas at the same time. In this case an internal capital allocation rate is applicable, which allows for monitoring the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. Financial security is gauged primarily by the equity-to-assets ratio and liquidity. The operative and strategic management of capital is an integral part of the company's internal reporting system. The capital comprises the issued shares, capital reserves and other reserves. The capital of the parent company's shareholders is EUR 19.058 million (2010: EUR 20.617 million) as of the reporting date such that an equity-to-assets ratio is derived based on the group's entire capital of 77.5% (2010: 76.5%).



## FINANCIAL INSTRUMENTS

### a) Financial instruments in the balance sheet

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

Classification	Valuation methods	Book value	Book value
		12/31/2011	12/31/2010
		kEUR	kEUR
<b>I. Securities – „Financial assets available for sale“</b>		<b>5,309</b>	<b>6,502</b>
Securities – „Financial assets available for sale“	Valuation not affecting net income at the current market value	4,332	417
Securities – „Financial assets available for sale“	Valuation adjustment with effect on the income at the current market value	977	6,085
<b>II. Credits and accounts receivable</b>	<b>Net book value</b>	<b>2,433</b>	<b>3,867</b>
1. Trade receivables		2,891	3,200
2. Tax receivables and other assets		452	864
3. Cash in hand and cash in banks		4,224	5,519
4. Non-current debts		-609	-522
5. Liabilities to banks		-2,563	-2,628
6. Liabilities on payments received		-42	-240
7. Trade accounts payables		-1,131	-1,128
8. Tax liabilities and other liabilities		-789	-1,198

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. The valuation conducted at the current market value is implemented according to level 1 (IFRS 7.27 A (a)).



## 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	
	2011	2010	2011	2010
	kEUR	kEUR	kEUR	kEUR
Interest earnings			45	32
Interests paid			-79	-90
<b>Interest income</b>			<b>-34</b>	<b>-58</b>
Exchange gains			241	261
Exchange losses			-319	-203
<b>Income from currency differences</b>			<b>-78</b>	<b>58</b>
Exchange gains from sales of securities	2,177	1,176		
Exchange losses from sales of securities	0	0		
Losses from valuation of securities	-2,099	-50		
Dividend income	120	89		
Securities-related expenses	-38	-174		
<b>Securities-related income</b>	<b>160</b>	<b>1,041</b>		
<b>Allowance for uncollectible accounts</b>			<b>-25</b>	<b>-21</b>
<b>Net profits and losses entered in the income statement</b>	<b>160</b>	<b>1,041</b>	<b>-137</b>	<b>-21</b>
Change in market valuation reserve due to sale	-845	-547		
Change in market valuation reserve due to change in current net book value	-252	-723		
<b>Overall change in market assessment reserve</b>	<b>-1,097</b>	<b>-1,270</b>		
<b>Overall results from financial instruments</b>	<b>-937</b>	<b>-229</b>	<b>-137</b>	<b>-21</b>

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 the

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 Board and the monitoring committee represents in this case an obvious characteristic of risk management.

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

## CREDIT / BAD DEBT RISK

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivable.

The process that is implemented in the group for 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. Moreover, this risk is adequately taken into account with value adjustments formed for bad debt losses (respectively 100% of the corresponding receivable).

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

	2011 kEUR	2010 kEUR
Domestic	493	740
Abroad	2,850	3,324
	<b>3,343</b>	<b>4,064</b>

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

	2011 Gross kEUR	2010 Gross kEUR
Not overdue	2,891	3,594
0–30 days overdue	241	407
31–60 days overdue	139	10
More than 60 days overdue	100	66
	<b>3,371</b>	<b>4,077</b>



The valuation adjustments have developed in this regard as follows:

	2011 kEUR	2010 kEUR
As of January 1	13	42
Addition	25	21
Utilization	0	-44
Dissolution	-10	-6
<b>As of December 31</b>	<b>28</b>	<b>13</b>

## LIQUIDITY RISK

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

The central instrument for this is a continuous liquidity planning that is supplemented with liquidity-related operating figures.

The liquidity situation as of the reporting date is as follows and illustrates that there is currently no significant liquidity risk.

	2011 kEUR	2010 kEUR
Current liabilities due to banks	-1,463	-1,128
Trade receivables	-1,131	-1,127
Tax liabilities	-136	-446
Other liabilities (without advance payments received)	-653	-752
<b>Current financial requirements</b>	<b>-3,383</b>	<b>-3,453</b>
<b>Liquid assets</b>	<b>4,224</b>	<b>5,519</b>
<b>Liquidity 1</b>	<b>841</b>	<b>2,066</b>
Trade receivables	2,891	3,200
Tax receivables	98	330
Other assets (without prepayments)	254	315
<b>Liquidity 2</b>	<b>4,084</b>	<b>5,911</b>
Securities held as short-term investments	5,309	6,502
<b>Liquidity 3</b>	<b>9,393</b>	<b>12,413</b>

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

	Book value	Cash outflow		
	kEUR	< 1 year kEUR	1-5 years kEUR	> 5 years kEUR
<b>Liabilities to banks 2011</b>	2,563	1,482	1,122	0
Liabilities to banks 2010	2,628	1,153	1,541	0

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

## 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. The increasing significance of Geratherm do Brazil Ltda also means an increase in the foreign exchange risks involving the Brazilian real.

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

	12/31/2011 kUSD	12/31/2011 kEUR	12/31/2010 kUSD	12/31/2010 kEUR
Trade receivables	1,481	1,144	625	468
Bank loans / cash in banks	1,324	1,023	97	72
Trade receivables	-273	-211	-566	-423
<b>Balance sheet items</b>	<b>2,532</b>	<b>1,956</b>	<b>156</b>	<b>117</b>
Order balance	248	192	484	362
Financial obligations	-49	-38	-235	-176
Purchase commitments	-789	-610	-334	-250
<b>Pending transactions</b>	<b>-590</b>	<b>-456</b>	<b>-85</b>	<b>-64</b>
<b>Net item</b>	<b>1,942</b>	<b>1,500</b>	<b>71</b>	<b>53</b>

The following currency translations were applied:

	12/31/2011	Average	12/31/2010	Average
US dollar	1.294	1.393	1.336	1.325

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.



	12/31/2011		12/31/2010	
	Equity capital	Performance	Equity capital	Performance
US dollar	0	-136	0	-4

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.

	12/31/2011 kBRL	12/31/2011 kEUR	12/31/2010 kBRL	12/31/2010 kEUR
Trade receivables	2,358	969	2,338	1,059
Other assets	380	156	726	329
Bank loans / cash in banks	231	95	196	89
Liabilities to banks	-2,278	-936	-1,276	-578
Trade receivables	-550	-226	-148	-67
Other liabilities	-450	-185	-819	-371
<b>Balance sheet items</b>	<b>-309</b>	<b>-127</b>	<b>1,018</b>	<b>461</b>
<b>Net item</b>	<b>-309</b>	<b>-127</b>	<b>1,018</b>	<b>461</b>

There were no key pending transactions as of the balance sheet date, as during the 2010 fiscal year.

The following currency translations were applied:

	12/31/2011	Average	12/31/2010	Average
BRL	2.434	2.335	2.208	2.227

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

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

	12/31/2011		12/31/2010	
	Equity capital	Performance	Equity capital	Performance
BRL	-9	0	-42	0

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

## MARKET PRICE RISK - INTEREST

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

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

With regard to long-term debts in the amount of EUR 1.709 million (2010: EUR 2.022 million) opportunity cost effects could occur that we do not view as significant.

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

## MARKET PRICE RISK - SHARE PRICE

There are other risks for the group to the extent that changes on the capital markets could have a pervasive influence on the group's investments in securities listed on different capital markets of this world. In our security investments, we only have fungible securities which are currently tradeable according to the current state of knowledge such that no long-term, significant risks can be derived. Below we provide a brief overview of the key 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.

## PFIZER INC.

Pfizer Inc. is one of the leading research-based biotechnology and pharmaceutical companies in the world. Pfizer concentrates mainly on the development and production of pharmaceutical products that are available only on prescription basis. Areas of competence include: Cardiovascular diseases, central nervous system disorders, rheumatism, aches, infections, cancer as well as HIV diseases, urogenital, respiratory, ocular and metabolic diseases. The change in value as at Dec. 31, 2011 was posted in the market assessment reserve.

## 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. The change in value as at Dec. 31, 2011 was posted 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 healthcare division is an international prominent IT supplier for hospitals. Hospital IT represents a long-term growth market. The change in value as at Dec. 31, 2011 was posted with effect on the bottom line.

## ECKERT & ZIEGLER STRAHLEN- UND MEDIZINTECHNIK AG

Eckert & Ziegler Strahlen- und Medizintechnik AG is an internationally active company in the isotope technology field and holding company for a number of subsidiaries, specializing in the processing of radioisotopes as well as the development, production and sales of isotope technology components and medical equipment. The change in value as at Dec. 31, 2011 was posted in the market assessment reserve.

## 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. The change in value as at Dec. 31, 2011 was posted in the market assessment reserve.

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 securities at the end of the 2011 fiscal year.

	2011		2010	
	Highest price	Lowest price	Highest price	Lowest price
	EUR	EUR	EUR	EUR
Pfizer Inc.	16.70	12.10	14.36	11.22
Epigenomics AG	4.60	1.28	3.58	1.83
Agfa-Gevaert N.V.	3.60	1.00	7.30	2.97
Cardionet Inc.	3.90	1.60	7.51	2.96
Eckert & Ziegler Strahlen- u. Med. AG	31.00	20.00	27.60	16.00
Sanofi-Aventis S.A.	57.00	46.00	58.84	44.03
Newron Pharmaceuticals	5.87	1.48	16.43	3.75
Medtronic Inc.	30.10	21.50	-	-
Celesio AG	20.00	9.00	-	-



## MARKET PRICE RISK - RAW MATERIAL PRICES

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

## MARKET RISK - NEW PRODUCTS

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

## ADDITIONAL INFORMATION

### INFORMATION ABOUT THE EXECUTIVE BOARD

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

#### Chairman

- Dr. Gert Michael Frank, Dipl. Wirtschaftsingenieur, Hamburg  
*Managing director of GMF Beteiligungsberatung GmbH, Frankfurt am Main*  
*Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda*  
*Managing director of Geratherm Respiratory GmbH, Bad Kissingen*  
*Executive board of Biomics Biotec AG, Dänischenhagen*

#### Board member

- Thomas Robst, Dipl.- Ing., Geraberg  
*Head of Sales*

The company is legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with one authorized officer (Prokurist). If the Executive Board 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 168 kEUR (2010: 168 kEUR) and variable payments in the amount of 33 kEUR (2010: 166 kEUR) for the activities of the Executive Board were reported during the 2011 fiscal year. The remuneration received by the managing directors in the amount of 9 kEUR (2010: 9 kEUR) represents contributions to the contribution-oriented pension schemes. On June 6, 2011 the annual general meeting decided while applying Art. 286 Para. 5 of HGB (German Commercial Code) that the information required for five years according to Art. 285 Para. 1(9)a Clauses 5 to 9 and Art. 314 Para. 1(6) a Clauses 5 to 9 of the HGB be omitted.

As of the reporting date, the Executive Board held directly and indirectly 2,612,987 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, Dipl.-Kaufmann  
(Chairman of the Supervisory Board)  
*Chairman of the Supervisory Board of Biomics Biotec AG, Dänischenhagen*
- Bruno Schoch, Suresnes, France  
*Deputy general director of Fromageries Bel SA, Paris*  
*Member of the Executive Board of Unibel SA, Paris*  
*Member of the Executive Board of SICOPA SA, Paris*  
*Member of the Supervisory board of Société des Domaines SAS, Wattwiller, France*
- Firus Mettler, Frankfurt am Main, Dipl. Jurist, MBA; Investment Manager  
*Chairman of the Supervisory Board of Biomics Biotec AG, Dänischenhagen*  
*Managing director of Bau Company Kiel GmbH*

A payment in the amount of 12 kEUR (2010: 12 kEUR) is included in the accrued liabilities for the activities of the Supervisory Board in 2011.

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

## STAFF TRENDS

		Employees	Technical employees	Trainees	Total
Number of employees (annual average)	2011	51	95	3	149
– excluding managing directors –	2010	37	92	2	131

## CORPORATE GOVERNANCE REPORT

The declaration as prescribed in Art. 161 of Aktiengesetz (*German Stock Corporation Act*) was issued by the Executive Board and Supervisory Board of Geratherm Medical AG and made available to the shareholders on the company's homepage (<http://www.geratherm.com/geratherm/investor-relations/berichte/corporate-governance/>).

### Geratherm Medical AG

Geschwenda, March 20, 2012

Dr. Gert Frank  
*Chairman of the Board*

Thomas Robst  
*Head of Sales*

## **CONSOLIDATED FINANCIAL STATEMENTS AFFIDAVIT FOR 2011 FISCAL YEAR**

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

### **Geratherm Medical AG**

Geschwenda, March 20, 2012



Dr. Gert Frank  
*Chairman of the Board*



Thomas Robst  
Head of Sales



## *AUDITOR'S CERTIFICATE*

We have examined the consolidated financial statements – consisting of consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and consolidated notes – as well as the group management report prepared by Geratherm Medical AG, Geschwenda for the financial year from 1st January to 31st December 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) HGB (German Commercial Code), is the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the principles of proper accounting laid down by the IDW (German Institute of Accounting). 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 principles of proper accounting and through the group management report are detected with adequate certainty. When planning the audit, we take our knowledge of the group's business activity, the business and legal environment as well as expectations as to possible misstatements into consideration. Within the scope of the audit, the effectiveness of the internal control system for accounting and the evidence supporting the disclosures in the consolidated financial statements and the group management report are assessed primarily on a test basis. The audit includes an assessment of the financial statements of all companies included in the consolidated financial statements, specification of the consolidated companies, the accounting and consolidation principles applied and the material estimates of the legal representatives as well as an appraisal of the overall presentation of the consolidated financial statements and the group management report. We are of the opinion that our audit provides a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our judgment on the basis of the findings of our audit, the consolidated financial statements comply with the IFRS, as adopted in the EU, and the additional requirements of German commercial law pursuant to section § 315a (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 overall provides a true view of the group's position and presents the opportunities and risks of future development appropriately.

Leipzig, 20<sup>th</sup> March 2012

KPMG AG  
Auditing Company

## IMPRINT

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*Geratherm's 2011 Annual Report, entitled „Solutions for a healthy world“, is available as download under the „Investor Relations“ section of Geratherm Medical's website.*

## *KEY DATES FOR 2012*

 PUBLICATION OF 2011 FINANCIAL REPORT  
April 24, 2012

 ANNUAL GENERAL MEETING  
June 8, 2012 in Munich

 INVESTOR CONFERENCE  
June 25/26, 2012 in Paris  
December 11/12, 2012 in Geneva

 ANALYSTS' CONFERENCE  
November 29, 2012 in Hamburg

 INTERIM REPORT 1st QUARTER  
May 24, 2012

 INTERIM REPORT 2nd QUARTER  
August 23, 2012

 INTERIM REPORT 3rd QUARTER  
November 22, 2012

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