

Geratherm®

*SOLUTIONS
FOR A
HEALTHY
WORLD*

Annual Report 2012

DATES AND FACTS

		31.12.2012	31.12.2011	Change in %
Turnover	TEUR	15,970	17,129	-6.8
Including export share	TEUR	13,900	14,832	-6.3
Export rate	%	87	87	0.0
Gross result (EBITDA)	TEUR	1,714	2,399	-28.6
EBITDA margin	%	10.7	14.0	-23.6
Depreciation	TEUR	-757	-679	11.5
Operating result (EBIT)	TEUR	957	1,720	-44.4
EBIT margin	%	6.0	10.0	-40.0
Financial results	TEUR	491	126	>100.0
Result of ordinary activities	TEUR	1,448	1,846	-21.6
Net earnings of the parent company's shareholders	TEUR	1,194	1,451	-17.7
Long-term assets	TEUR	5,575	5,743	-2.9
Short-term assets	TEUR	21,810	18,840	15.8
Balance sheet total	TEUR	27,385	24,583	11.4
Equity capital	TEUR	18,621	18,665	-0.2
Return on equity	%	6.4	7.8	-17.5
Equity ratio	%	68.0	75.9	-10.4
Cash and securities	TEUR	12,528	9,534	31.4
Result per share pursuant to IFRS (EPS)*	EUR	0.24	0.29	-17.2
Result per share pursuant to DVFA *	EUR	0.24	0.29	-17.2
Dividend proposal	EUR	0.20	0.30	–
Number of employees (annual average)		127	149	-14.8
No-par shares		4,949,999	4,949,999	0.0
* compared to registered shares in circulation		4,949,999	4,949,999	0.0

SIMPLE SUMMARY

2010

The company grows again by 18 %. Geratherm warming systems obtain FDA approval and are selected in Germany as one of the ten best products, with the best saving potential in the healthcare sector. The cardio field, covered by apoplex in Pirmasens, was awarded the innovation prize from the state of Rhineland-Palatinate. Geratherm Medical employs 133 people and the turnover rises to 17 m EUR and an operating result (EBIT) of 2.4 m EUR.

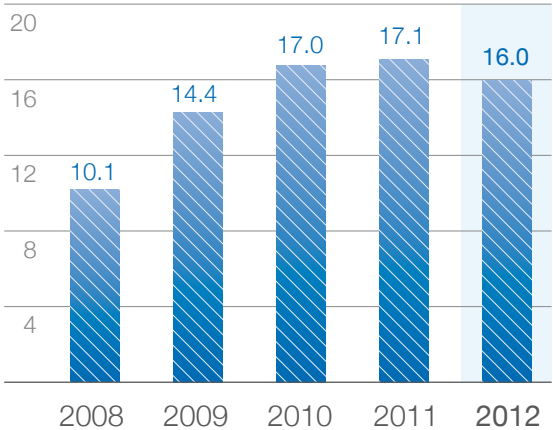
2011

The company grows slightly with turnover increasing by 0.9 %. Unrest in the Middle East and very mild fourth quarter weather conditions impact on sales and earnings. Frost & Sullivan award a prize to Geratherm warming systems as the best product in the range covered by "Temperature Management Europe". In May 2011, Heidelberg University Hospital publishes positive study data concerning the ability of SRAdoc to detect atrial fibrillation. Geratherm Medical employs 149 people. The turnover has risen to 17.1 m EUR with an operating result (EBIT) of 1.7 m EUR.

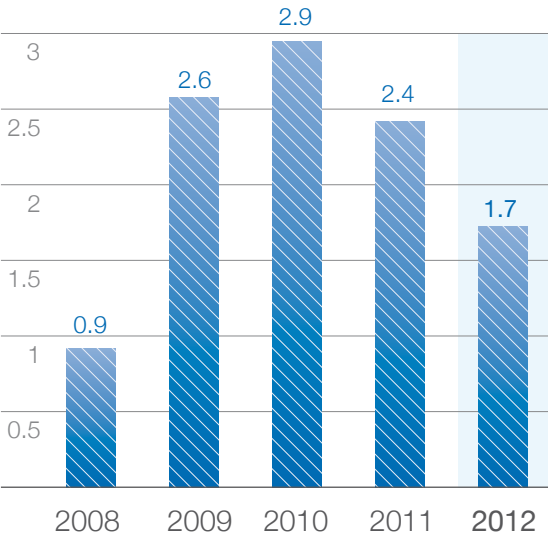
2012

With 127 employees, the company achieves an annual turnover of 16 m EUR. Due to the decline in demand for gallium thermometers, a capacity reduction of 30 % had to be imposed at the Geschwenda/Thuringia factory. The new business fields are experiencing dynamic growth. The strongest growth regions for Geratherm are the Middle East and South America. The process of transformation to premium medical devices is being expedited. Geratherm wins an exclusive contract to supply the US military with warming systems for use in rescues. Study results involving the SRAclinic product were published in October in the "Stroke" journal of the American Heart Association.

TURNOVER
in m Euros

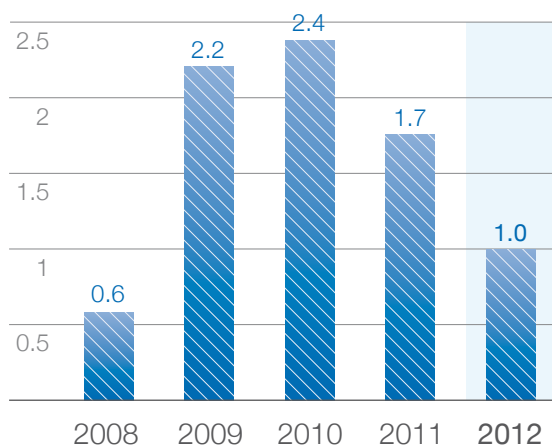


EBITDA
in m Euros

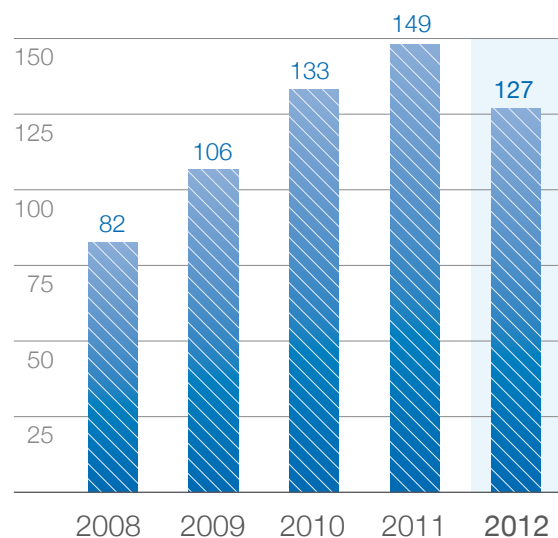


*GERATHERM MEDICAL IS A
GLOBALLY-ORIENTED MEDICAL
TECHNOLOGY COMPANY WITH
BUSINESS AREAS INCLUDING
HEALTHCARE DIAGNOSTIC,
PRODUCTS TO MEASURE VITAL SIGNS
MEDICAL WARMING SYSTEMS,
MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE
CARDIO/STROKE AND RESPIRATORY.
SCREENING OF CARDIAC ARRHYTHMIA PULMONARY FUNCTION DIAGNOSIS*

EBIT
in m Euros



EMPLOYEES



INHALT



1

MAGAZINE

In dialogue with Geratherm	6
SRAclinic study	8

2

TO OUR SHAREHOLDERS

Supervisory board report	12
Management board report	14
Geratherm shares	16

3

OPERATIVE PRODUCT AREAS

Healthcare Diagnostic	20
Medical warming systems	22
Cardio/stroke	24
Respiratory	26

4

GROUP MANAGEMENT REPORT

Overall economic development	30
Economic situation	32
Chances and risks of future developments	42
Other information	46
Anticipated development	47
Significant events after the balance sheet date	48

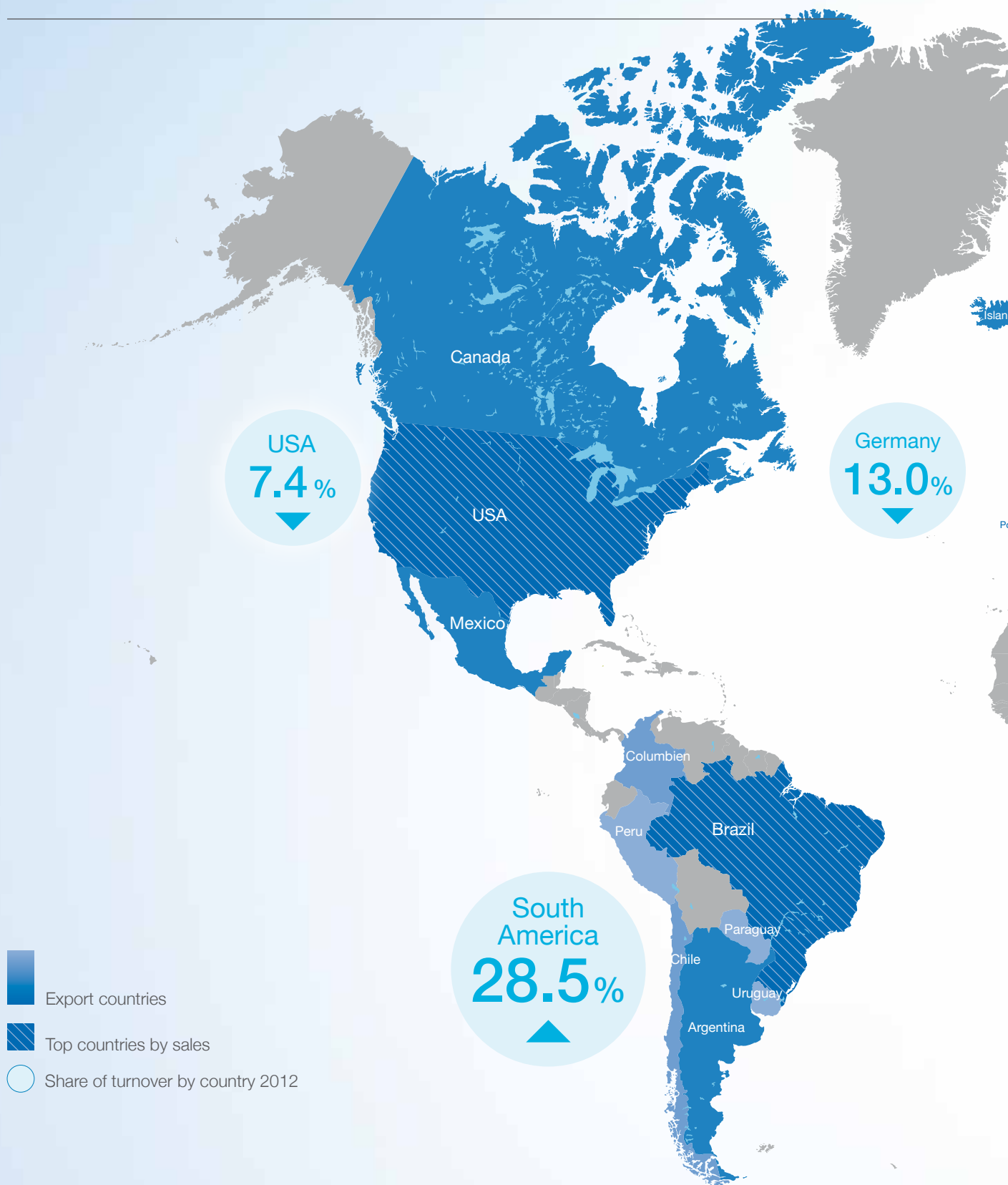
5

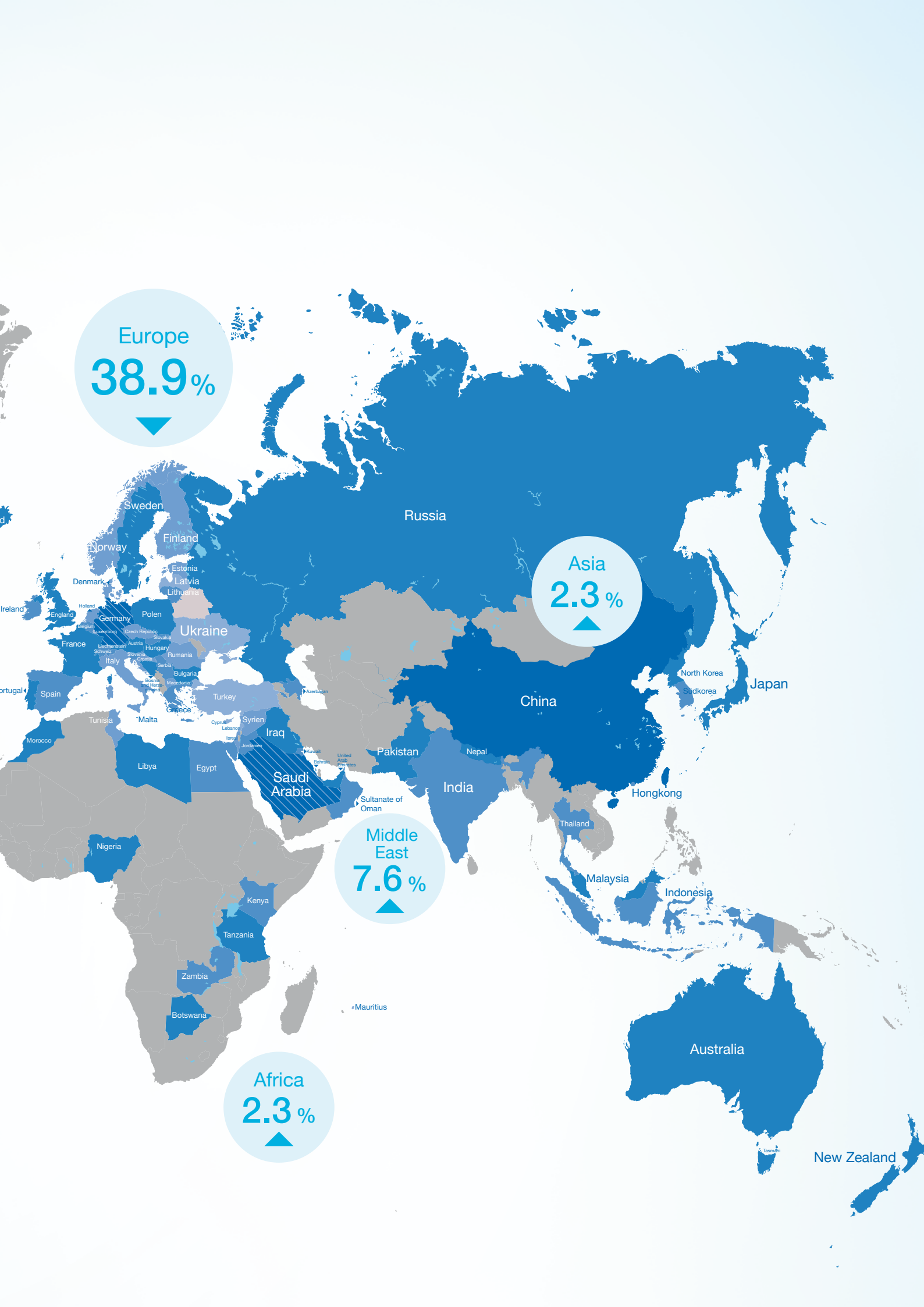
CONSOLIDATED FINANCIAL STATEMENT

Consolidated balance sheet	50
Consolidated profit and loss statement	52
Consolidated cash flow statement	53
Consolidated statement of changes in equity	54
Consolidated statement of comprehensive income	56
Consolidated notes	57
Balance sheet oath	92
Auditors' report	93



GERATHERM MEDICAL EXPORTS ITS PRODUCTS TO OVER 60 COUNTRIES





Europe
38.9%



Asia
2.3%



Middle East
7.6%



Africa
2.3%



MAGAZINE

In dialogue with Geratherm	6
SRAclinic study	8

“DIVIDENDS AND GROWTH STOCK! A GOOD MATCH? WE THINK YES!”

► *Your business is in the medical technology field! Which products do you distribute?*

We operate in the three fields of temperature management, pulmonary function monitoring and cardiology/stroke. Products in the temperature management field include warming systems for the OP field in a hospital and the rescue area but also environmentally friendly clinical thermometers filled with gallium. For lung specialists and hospitals we provide a wide range of products to monitor pulmonary function, while the cardio range, namely SRAdoc and SRAclinic, provides stroke centres and neurologists with very innovative solutions for monitoring cardiac arrhythmias, particularly atrial fibrillations, which is the main cause of strokes in around 30 % of cases.



Dr. Frank, Chairman of Geratherm Medical AG, in an interview with Ingo Janssen of the IR- and HV-agency UBJ. GmbH, Hamburg.

► *Is the market for medical technology still one of growth?*

Yes, absolutely – but with other drivers. In global terms, the market is growing at around 4 % p.a. The main trends are the ageing population and the strong demand from emerging countries. The industrialised nations have increasingly applied the brake here. Around 70 % of medical devices are remunerated by the state. However, if you consider that 60 % of industrialised nations are currently striving to reduce debt and refinancing, it is all too easy to see the need to brake. But this is offset by the dynamic double-digit growth in this industry in emerging countries.

The EU ban on mercury in April 2009 meant we had over two years to find a way to meet demand. The momentum of what was a law very much in our favour is now passed and we are confident that our new innovative medical technology products will also be future growth drivers.

► *How have sales evolved over the past 5 years? What were the growth drivers?*

Over the past five years, Geratherm has grown clearly more dynamically than the market as a whole, and we could more than double turnover in the past 5 years. Although we have invested heavily to develop innovative med tech products, growth to date is clearly down to our long-established and patented gallium clinical thermometer.

► *Where will the future growth come from?*

As above. Obviously, from fields of warming systems, pulmonary function and cardio. These are all markets with high start-up costs and high regulatory requirements. The new Geratherm products in these fields have been approved and are currently in the market launch phase. The international positioning of Geratherm is an effective starting position with this in mind.

► *You went public 13 years ago! Clear of debt! Has anything changed in the meantime?*

No, our policy has remained constant. Excluding our subsidiaries, which generally have to be self-financing with risk in mind, we run our day-to-day business in Germany using only our own capital.

We make the most of the opportunity given to us by our shareholders. We can exercise self-control thanks to the relatively high cash reserves (avoiding anything which is not worthwhile). Moreover, we are still the only company from the “New Market” era, which still retains all the money of the shareholders in its deposits and in the meantime has already paid out half of the (current) market capitalisation in the form of tax-free dividends.

► ***You are very shareholder-friendly!
You’ve been paying dividends for years!
What is your dividend policy?***

How do you define shareholder-friendly? I think you should always be friendly and respectful to those who invest in you. The funds we generate, and which we do not necessarily need for our day-to-day business can potentially be paid out as dividends. From 2002 to date, excluding 2008, we have constantly paid out a dividend which amounts to around the year-end share price. Starting with the year-end price as a benchmark, we have been able to pay back between 4.5 % and 7 % net p.a. to our owners, which equates to 2.84 Euro per share over nine years. (An satisfactory risk-congruent return)

► ***Your dividends are tax-free!
Can you explain to our investors why?***

Yes, certainly. Geratherm has what is known as a taxable deposit account, which was set up almost 20 years ago as part of efforts to restructure the trust. From what remains a healthy cash-rich balance sheet perspective, we pay out dividends without deducting investment income tax on a net basis.

► ***Are you maintaining your dividend policy?***

We would be delighted if we could keep the company performing at a level to be able to continue this tradition.

► ***How do you view your share price?***

I have no desire to attempt clairvoyance as regards future purchase and sales projections of the money market. Let me put it like this: We have a great team at Geratherm and superb products in the pipeline, over 80 % of which will be destined for

the global market. I think Geratherm will become an increasingly interesting prospect for our customers.

► ***Do you view things in terms of dividend value or growth stock?***

I think both terms need not be separated. Without profitable growth in the long run, there will be no more dividends. In recent years, Geratherm has clearly worn both hats!

► ***However, the first three quarters of 2012 saw you record a drop in turnover and revenue for the first time. How does that concur with your statement?***

Good question! The winter 2011/2012 saw Europe encounter very mild temperatures for the first time in a long while and there was no flu epidemic, which was very unusual! We had to slash our production of clinical thermometers by a third, which inevitably made its mark on turnover and revenue. But we are proceeding on the assumption that the flu viruses have not disappeared. Anyway, this meant business was weak for the first 3 quarters, and unsatisfactory from our perspective, but in the fourth quarter, we did see signs of an upturn in business again.

But what is key for us and our future prospects: The new products, areas and regions outside Europe showed exceptional results in the first three quarters. For example, with our warming systems, we have been named the exclusive supplier to the US elite SEALS unit for the next five years. Moreover, the medical service body B.A.D, which is a group serving employees in 250,000 businesses, made a long-term decision to go for Geratherm as its pulmonary monitoring provider and the American Heart Association, the most important global cardiology body, has just published excellent study results featuring the Geratherm subsidiary apoplex concerning the detection of strokes four months ago.

– So things are happening here!

NEW ERA IN STROKE PREVENTION



Study manager Prof. Roland Veltkamp (Heidelberg University Hospital) on patient monitoring, whereby the ECG signals are determined for analysis using SRAclinic.

► TO PREVENT ANY RECURRENCE AFTER A STROKE, DETECTING THE CAUSE OF THE STROKE IS CRUCIAL.

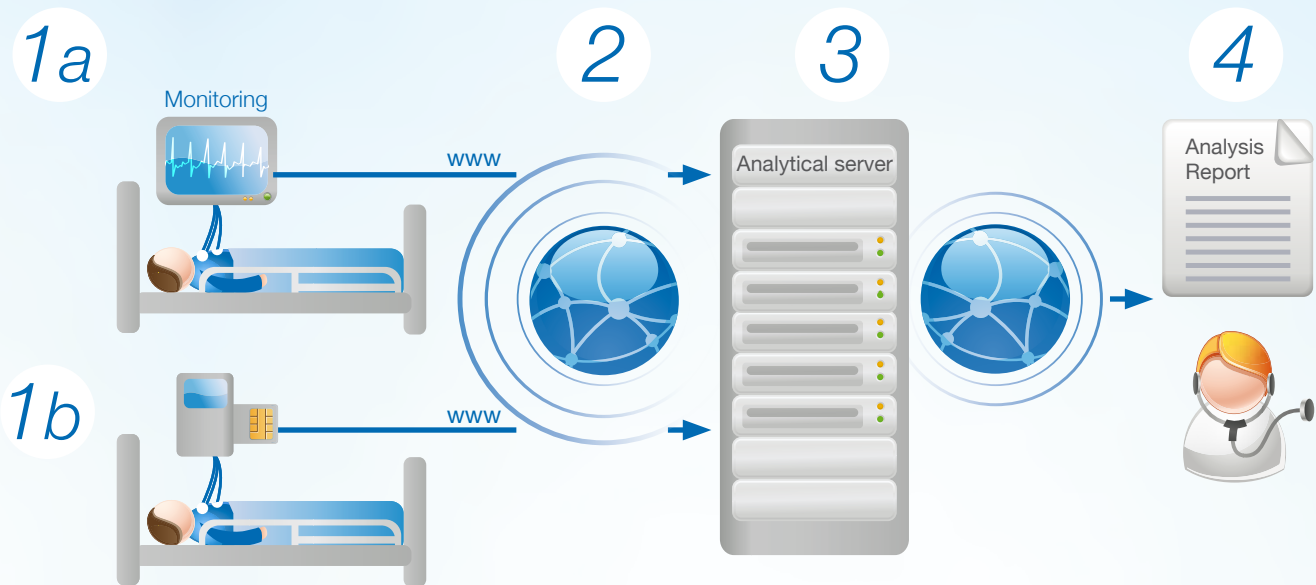
STUDY UNDERLINES THE SUPERIORITY OF SRACLINIC IN DETECTING ATRIAL FIBRILLATION

Nationwide, already over 30 hospitals (stroke units) have installed the SRAclinic product (SRA = Stroke Risk Analysis) developed by apoplex MedTech GmbH, Pirmasens for fully automated ECG analysis to detect atrial fibrillation. The medical journal 'Stroke', official journal of the American Heart Association, has just published a study showing that the SRAclinic* method clearly outperforms the other standard methods used to date to detect paroxysmal atrial fibrillations. This is crucial for stroke patients in particular in whom the cause of the stroke has not yet been determined, since only a diagnosis of atrial fibrillations paves the way for suitable therapy with anticoagulants to greatly reduce the risk of suffering a further stroke.

The publication in 'Stroke' is based on a prospective study conducted from March 2010 to January 2011 on around 500 patients led by Dr. Roland Veltkamp at the stroke unit of the Heidelberg University Hospital. Entitled "Detection of paroxysmal atrial fibrillation", the detection rate for atrial fibrillation was compared when using

SRAclinic and conventional methods. This proved that SRAclinic considerably boosted chances of determining the cause after a stroke based on the 24-hour long-term ECG and also ECG monitoring without automated detection software.

* Designated in the existing study as aCEM (automated continuous stroke unit ECG monitoring)



**“THE SRA METHOD
PROVED THAT IT CAN
CLEARLY OUTPERFORM
THE OTHER METHODS
EMPLOYED TO DATE FOR
THE DETECTION OF
ATRIAL FIBRILLATIONS.”**

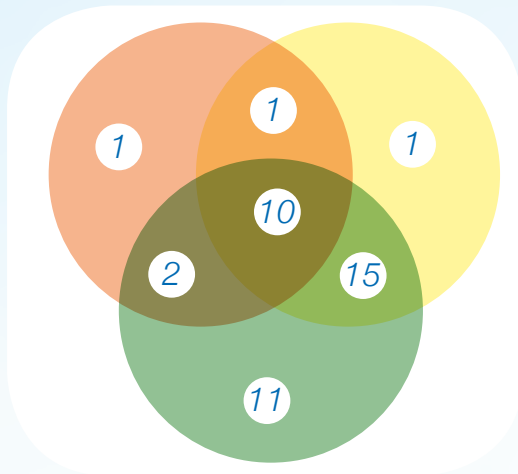
Professor Veltkamp

“After evaluating the study results, we switched all our routine diagnostic equipment used to detect paroxysmal atrial fibrillations in our 20-bed stroke unit to the SRA system. Regardless, SRAclinic evaluates the ECG monitoring curves in the stroke unit from 24-hour ECGs, which we now only still have to record in exceptional cases, considerably easing the burden on our cardiological colleagues.”

The process of the SRAclinic examination is illustrated in the above diagram. The ECG is recorded in a hospital for patients (1a, 1b) and subsequently transmitted over the Internet (2) for analysis to the analytical server at apoplex MedTech, where fully automated analysis is performed (3). The analytical report, also automatically generated, is subsequently again sent back via the Internet to the doctors of the hospital (4). When obtaining ECG of patients, there are two basic methods used: the direct use of monitoring systems compatible with SRAclinic for ECGs generated by patient monitoring (1a) and deriving ECGs using a conventional long-term ECG recorder (1b).

IS SRAclinic A STANDARD METHOD IN HOSPITALS?

“SRAclinic is optimally placed to become a standard method in hospitals. In Germany, the trigger causing a stroke cannot be determined in around 25 percent of all cases. A portion of such stroke cases are attributable to undetected paroxysmal atrial fibrillation. This greatly increases the risk of a second stroke and what tends to be a clearly far more serious effect”, explains Albert Hirtz, Managing Director of apoplex medical technology GmbH.



- Total
- 24h Holter
- CEM
- aCEM

The Venn diagram shows the detection of a total of 41 newly diagnosed patients with paroxysmal atrial fibrillations through the various methods used during the study. The red area shows the number of patients discovered by using a 24 hr. ECG (24h Holter) and the yellow area that revealed by routine monitoring (CEM). The green area, meanwhile, contains all the figures which could be diagnosed using the SRAclinic (aCEM) product. The figures in the overlapping areas show how many patients were simultaneously diagnosed with the respectively applicable methods. So for example 10 patients using all three methods or 2 patients with the 24 hr. ECG and SRAclinic.

11 patients were identified only with SRAclinic (lower green area), which underlines the superiority of SRAclinic. The individual patient in the red area was not connected to the monitor at the time the paroxysmal atrial fibrillations occurred, and thus could not be discovered with SRAclinic, since only the monitor signal was used for analysis (Source: Rizos et al., Stroke 2012).

CONVINCING STUDY RESULTS

The objective of the study was to compare both standard methods used to date for 24-hour long-term ECG evaluation and patient monitoring with SRAclinic in terms of the ability to determine patients with paroxysmal atrial fibrillations.

The scope covered patients with ischemic strokes or TIA (transitory ischemic attacks) with as yet undiagnosed atrial fibrillations. In 41 of the total 496 patients, it was possible to confirm paroxysmal atrial fibrillations during the stay at the stroke unit for the first time. During the 24-hour long-term ECG examination, this information emerged in 14 patients (34.1 %), in 27 through continual monitoring of the patient monitors (65.9 %) and through the SRA method in 38 patients (92.7 %).

This meant SRAclinic more than doubled the detection rate of patients with paroxysmal atrial fibrillations compared to the 24-hour LT-ECG.

“THE NEW METHODS DO NOT NECESSARILY INCUR HIGHER COSTS, BUT MAY EVEN CLEARLY REDUCE THE EXPENSES INCURRED TO DATE – WHICH IS GOOD FOR BOTH PATIENTS AND THOSE PAYING AT THE SAME TIME. SRAclinic IS SAFE, RELIABLE AND ALSO RESOURCE-SAVING, SINCE IT USES DATA FROM THE MONITORING SYSTEM FOR ANALYSIS.”

Albert Hirtz

TO OUR SHAREHOLDERS

Supervisory board report	12
Management board report	14
Geratherm shares	16



Rudolf Bröcker, Chairman of the Board

The supervisory board of Geratherm Medical AG has regularly and carefully monitored the work of the management board in accordance with the law and company articles of association and advised the management board in the exercising of its managerial duties.

As part of an intensive and confidential exchange of information, the management board has fully complied with its obligations in terms of informing and reporting duties at all times. Even outside the supervisory board meetings, the chairman informed the members of the supervisory board respectively fully and promptly of the current business development as well as over key business happenings. The focal point of the regular reports of the management board was on the order, turnover, assets and financial position as well as the group risk management.

The supervisory board convened four times during fiscal year 2012. No conflicts of interest

were declared by supervisory board members, meaning each member could take part in all discussions and decisions taken.

One focus of deliberations was on the business policy orientation of the company, particularly on the further implementation of the strategic transformation process into a manufacturer of exclusively premium medical devices. Here also, the potential to accelerate the transformation process via company acquisitions was mentioned. Possible cooperative agreements with external partners are discussed and evaluated.

A FURTHER AREA OF FOCUS WAS THE DEVELOPMENT IN THE INDIVIDUAL BUSINESS FIELDS, PARTICULARLY ALSO CAPACITY ADJUSTMENT IN THE GESCHWENDA FACTORY FOR THE PRODUCTION OF GALLIUM THERMOMETERS.

Possible financial assets were regularly disclosed to the supervisory board; the respective opportunities and risk profiles were discussed in detail. The framework conditions governing day-to-day decisions were defined.

The annual financial statement of Geratherm Medical AG, prepared in accordance with the rules of German commercial law (HGB), the consolidated financial statements compiled using the

IFRS method and the respective situation reports for fiscal year 2012 were checked by the appointed auditor, KPMG AG, auditing company in Leipzig, including accounting, and an unqualified auditors' report was enclosed with the same.

The annual auditor participated in consultations of the supervisory board concerning the approval of the financial statement for 2012 and hereby reports on the key results of the audit.

The supervisory board also checked the annual financial statement and the consolidated financial statement together with management reports and had no reservations on completion of its investigation.

During its meeting of 22 March, 2013, the supervisory board approved the annual financial statement and the consolidated financial statement as of 31 December, 2012. The annual financial statement is thus adopted.

The supervisory board agreed to the proposal of the management board to use the retained earnings, which set out a dividend as part of a tax-neutral distribution of 20 cents per share. The dividend is paid out in full from the tax contribution account pursuant to § 27 KStG (not contributions to nominal capital), hence the dividend is paid without deduction of investment income tax and solidarity tax. For domestic shareholders, the dividend is normally non-taxable.

The KPMG AG, auditing company, checked the report of the management board for relationships with group companies. It confirmed, that according to its dutiful audit and assessment, the details of this report are correct and the company performance was accurately portrayed.

Following the final result of the audit examination, there are no objections to be raised against the declarations of the management board concerning relationships to affiliated undertakings. The supervisory board agrees with the result of the audit.

The supervisory board thanks the management board and the employees of the companies belonging to the Geratherm Medical group for their commitment and accomplishments in what was a far from easy fiscal year 2012.

Geschwenda, 22 March, 2013



Rudolf Bröcker
Chairman of the Board

“THE PROCESS OF TRANSFORMATION TO HIGH-LEVEL MEDICAL DEVICES WILL REMAIN THE KEY FOCUS.”



Dr. Gert Frank, Chairman of Management Board

DEAR SHAREHOLDERS,

At the start of 2012, although we still found ourselves grappling with the Euro debt crisis, since the ECB indicated its willingness in summer to provide unlimited financing to actually bankrupt sovereigns and financial institutions, optimism has returned. The objective of calming financial markets with the so-called OMT (Outright Monetary Transactions) program seems to have taken off. The problem, however, remains almost unchanged – what we have done is buy some time. It can only be hoped that the countries involved make use of the time window established to implement structural reforms.

One consequence observed following the initiation of this ECB policy has been the drastic decline in interest rates. It has never been easier to get borrowed capital and in effect, monetary deposits are virtually non-interest bearing. The policy of “Money for free, debt costs nothing” augurs ill for the near future.

Thanks to excellent solvency, it is now possible under “one-time” conditions to provide funding. Geratherm also has exploited its opportunity to get its own share of liquidity. The offer of obtaining 3 m EUR of borrowed capital at 1.4 % annual interest over 5 years unsecured was not one we could turn down. In fact, even three times that sum would have been no problem at all. There is a feeling of a new era when it comes to interest rates and inflation.

SHARP DROP IN DEMAND FOR GALLIUM THERMOMETERS IN 2012

Following outstanding corporate performance over the last 3 years, most of which was thanks to the EU ban on mercury, 2012 saw us faced with the challenge of a stark decline in demand for gallium thermometers and the required adjustments to capacity at the Geschwenda factory that this entailed. Another surprise was the drastic slump in in raw material price of gallium over the year, from 850 USD to 300 USD per kilogram. While that is something positive for the current fiscal year, for 2012 conversely, this means write-downs on inventories of gallium thermometers, which had an adverse effect on company sales and revenue.

At the start of 2012, the state of Thuringia informed us that the registration office for Geratherm and its products would be closed midway through the year. This meant the company had to undergo recertification as well as all Geratherm Medical products. Together with the parallel EU initiative to recertify and revise all electronic medical devices, the so-called “Third Edition”, the new constraints this imposed hindered the majority of our management capacities.

Despite this, there were also very encouraging events, which confirmed the course we have

taken to date or rendered it more sustainable.

One of these positive results was the publication of excellent study results for the apoplex SRAclinic product by the "Stroke" journal of the American Heart Association. This publication marked the successful conclusion of long-term work to develop a unique device for detecting atrial fibrillation.

**WE AIM TO ENSURE
THE SRAclinic PRODUCT
IS GRADUALLY MADE
AVAILABLE TO ALL
STROKE CENTRES.**

In the warming systems field, we were the only non-US company to win an exclusive contract to supply the elite US SEAL unit. We take some pride in this achievement, which also spurs us to continue developing high-order products targeted at specific problems for our customers.

A further positive assessment is also the result of the German Financial Reporting Enforcement Panel (DPR). Geratherm was subject to a one-time in-depth audit by Germany's highest auditing body (DPR). Accounts already audited were carefully examined for any errors and negligent points and it reflects very well on our company that the DPR found no deviations in the case of Geratherm. The guidance given by the FREP was incorporated into the consolidated financial statement.

The day-to-day revenue figures for fiscal year 2012 are clearly lower than in previous years. However, bolstered by the healthy financial income, we can still claim a good spread of earnings in an otherwise difficult year.

We would like to thank our shareholders, customers and employees for the confidence they place in us and we look forward to the tasks which remain ahead of us.

Best regards



Dr. Gert Frank
Chairman of Management Board

GERATHERM SHARES

THE WORLD REMAINS UNCHANGED, THE EURO HAS GROWN EVEN FURTHER IN THE PAST YEAR COMPARED TO THE DOLLAR AND 2012 WAS ONE OF THE MOST SUCCESSFUL STOCK MARKET YEARS.

GLOOMY CAPITAL MARKET FORECASTS IN 2012

In the capital market, the economic boom at the start of 2012 heralded gloomy subsequent forecasts. The experts virtually spoke as one – the apocalypse for the European Economic Area was not far away.

Hypotheses were proclaimed by virtually all capital market experts, e.g. the Euro will implode at breakneck speed in the next few months or Greece will leave the Euro zone in the course of the next 12 months. The term “Grexit” dominated all discussions on capital markets. Successful capital market progress was unthinkable at the start of the year.

Well, the forecasts of experts and Nobel prize-winners are really no different to the supposedly rock solid forecasts of the Mayans, who predicted that the world would end as 2012 came to a close. The world remains unchanged, the Euro has grown even further in the past year compared to the dollar and 2012 was one of the most successful stock market years.

The MSCI global index closed with gains of 10.17 %. The key German DAX stock index ended the stock market year 2012 with 7,612 points, representing a gain of 29.1 %.

Likewise, the DJ Euro Stoxx 50, in which the largest European companies are represented, ended fiscal year 2012 with a gain of 18.1 %. The US companies on the S&P 500 also climbed, recording an increase in value of 13.4 %.

Shares in the healthcare sector showed equally positive gains. The Stoxx Health European index, which accommodates the largest European medical and pharmaceutical companies ended the year with an annual gain of 11.6 %. Similar growth rates were recorded in German healthcare sector figures, as reflected by the

Prime Pharma Healthcare Index, which ended the fiscal year 2012 with a gain of 16.5 %.

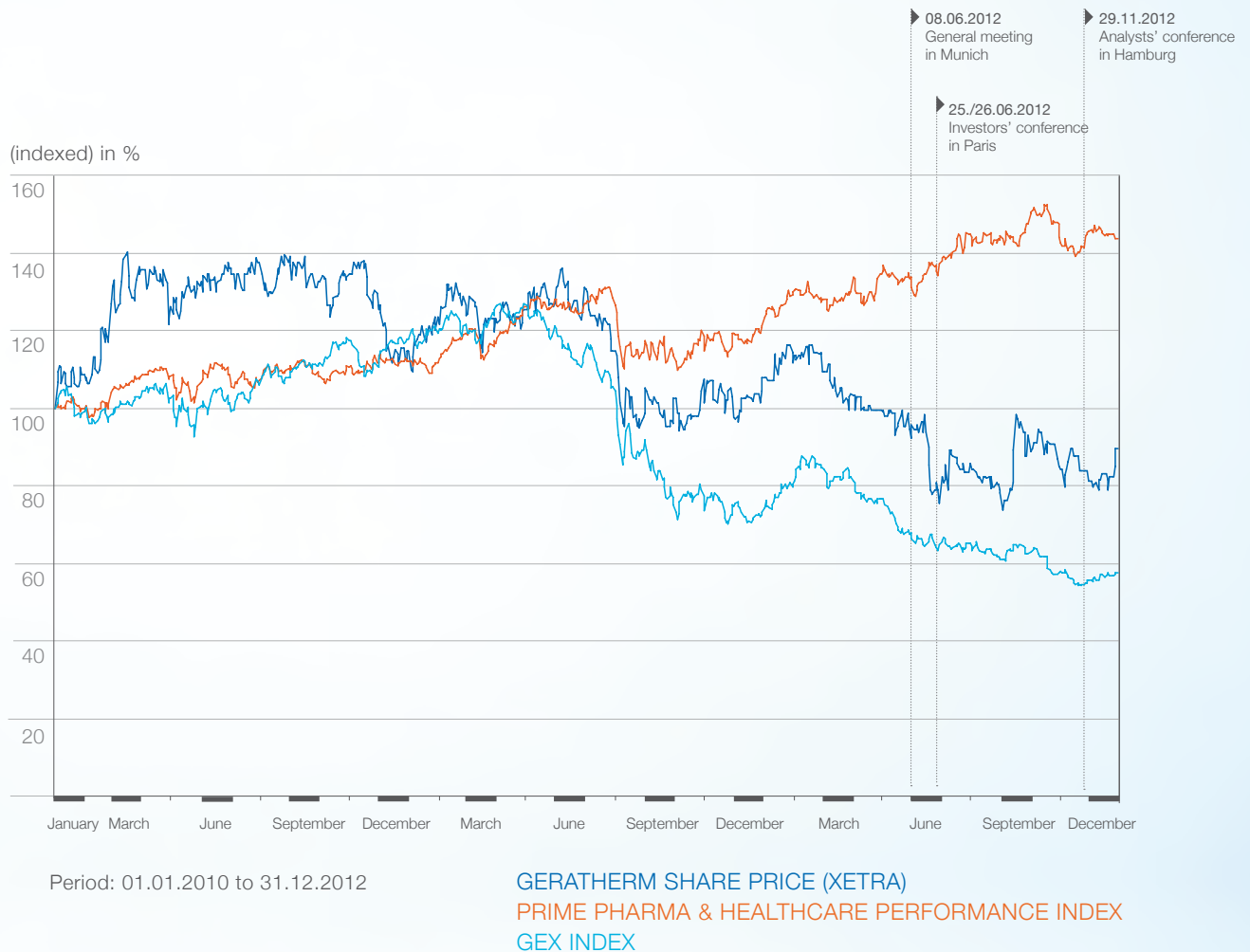
With all the positive development, it should be noted that the capital markets were significantly affected by the intervention of the central banks, particularly the European Central Bank. The statement of the new head of the European Central Bank Mario Draghi at the end of July, “To do anything it takes to rescue to Euro”, triggered a stock market rally, although problems such as enormous budget deficits and mounting government debts as well as lacklustre economic performance have remained. The central banks’ efforts to create liquidity with a policy of “Money for nothing” is sure to lead to new medium-term difficulties, when debt no longer carried a price tag.

Geratherm shares were unable to profit from the improved capital market conditions. Geratherm shares appreciated throughout 2012 at a substandard rate relative to the German Prime Healthcare Index and closed at 5.10 EUR, equating a 21.5 % down. The peak stock market price for Geratherm shares was 7.00 EUR and the lowest rate was 4.05 EUR.

The trading volume of Geratherm shares on German stock markets amounted in 2012 to 700,778 shares (p.y. 1,004,612 shares). The majority of transactions, namely 482,025 shares were made via the electronic platform (XETRA). The average daily sales of 2,759 shares were lower than the previous year’s figure (4,051). The highest recorded daily sales were 35,427 Geratherm shares transacted.

Geratherm shares can be traded in the so-called prime standard, the highest quality sector of the Deutsche Börse. Moreover, Geratherm shares are also traded on GEX – the German Entrepreneurial Index. The diagram illustrated the progress of Geratherm shares over the past 3 years compared to GEX and the Prime Healthcare Index.

GERATHERM SHARE PRICE



The company has a stable shareholding structure. The 4,949,999 issued shares are held by around 2,138 shareholders. Key shareholders in 2012 included GMF Capital, Hamburg, (52.78 %), FPM Funds (6.33 %) and DWS Investment (5.84 %).

Geratherm Medical maintains open and transparent financial communication with its shareholders. As well as the three quarterly reports and the annual report, we engaged shareholders in discussion and sought potential investors on 25/26 June, 2012 at the Small & Mid Cap Conference in Paris. On 29 November, 2012 we also took part in the Hamburg Investor conference organised by UBJ on the premises of HSBC Trinkaus & Burkhardt and presented the company and its performance to the analysts and investors who were present.

OPERATIVE PRODUCT AREAS

Healthcare Diagnostic	20
Medical warming systems	22
Cardio/stroke	24
Respiratory	26

HEALTHCARE DIAGNOSTIC

IN THE HEALTHCARE DIAGNOSTIC AREA, WE DEVELOP, PRODUCE AND DISTRIBUTE DEVICES FOR MEASURING VITAL STATISTICS, WHICH ARE THEN APPLIED BY END CONSUMERS.

Geratherm products are marketed internationally via pharmacies and hospitals. Key product areas include clinical thermometers, blood pressure monitors and since 2012 products for "Women's Health".

CLINICAL THERMOMETERS

Geratherm Medical has both a long tradition and extensive experience in manufacturing products for medical temperature reading. Within this product area, we offer a wide range of simple clinical thermometers with the range extending to include fever monitors to record and store details of body temperature. Our most successful product is an environmentally friendly analogue clinical thermometer filled with gallium. Overall however, the market for clinical thermometers is in decline and subject to intense competitive pressures. In 2012, Geratherm sold 4.0 m units (p.y. 5.5 m pcs.) of clinical thermometers internationally. In terms of the share of overall company turnover, the clinical thermometer product area contributed 51.3% in 2012 (p.y. 62.8 %). The sharp decline is due to the significantly reduced demand for gallium thermometers in 2012.

BLOOD PRESSURE MONITORS

Pharmacies are the sales channel for Geratherm products used to monitor blood pressure. Here, Geratherm has a wide range of blood pressure monitors, most of which are sold overseas. In 2012, Geratherm sold a total of 260,071 pcs. (p.y. 202,535 pcs.), representing growth of 28.4 % and blood pressure monitors represent 26.0 % of overall company turnover. The level of competition in this product sector is intense, especially in Europe.

WOMEN'S HEALTH

To offer our customers a wide and appealing product range, we have worked for 2 years on launching products enabling diagnostic self-tests for women. The product range includes pregnancy tests, various birth control options, chlamydia tests, tests for fungal infections and menopause as well as pH tests. This new product area is currently in the approval phase, which means extensive documentation and clinical tests. In terms of saliva-based products for measuring ovulation, we are currently testing via a German university hospital in a study in which a total of 60 people are involved.

We anticipate that investments made in this product range will strengthen the brand and facilitate a medium-term move toward highly innovative products, which will inevitably also bring with it complex approval hurdles.

In 2012, we commissioned a survey of German pharmacies to gauge the awareness level of the Geratherm brand. The good news is that 95 % of all surveyed pharmacies were familiar with the Geratherm brand and 64 % carried Geratherm products. The downside is that the products concerned were mainly clinical thermometers, particularly gallium thermometers.

The high awareness level of the Geratherm brand is the basis of our approach to the healthcare sector, which involves expanding 'Diagnostic' in future, the product line-up under the Geratherm umbrella brand, to include more attractive products.

DESKTOP 2.0

UPPER ARM BLOOD PRESSURE MONITOR

2 DIFFERENT MEASURING METHODS IN A SINGLE MEASUREMENT.

- Double Check technology – measuring blood pressure during inflation and deflation for optimal accuracy.



MEDICAL WARMING SYSTEMS

THE GERATHERM COMPANY HAS MANY YEARS OF EXPERIENCE IN THE MEDICAL TEMPERATURE MANAGEMENT SECTOR.

Treatment of heat loss in patients during operations or during rescue operations is a key component to maintain body temperature. In this area, Geratherm is developing medical warming system solutions to resolve such heat loss issues.

UniqueTemp°

Products, which are also intended for use in operations, are provided under the UniqueTemp° brand name. The active warming systems help maintain body temperature during operations, while the minimal heat-up time and the possibility of connecting multiple warming blankets in layers, the effective hygiene features when used in operations and the low costs are all advantages for hospitals which help persuade them to go for a Geratherm warming system.

The Geratherm-warming systems can also be used during X-ray, ultrasound and CT examinations.

The products in the sector of medical warming systems are marketed internationally. The process of product approvals in Europe is very costly. After successful EU approval, the product approval process must again be repeated in each country outside Europe on a country-specific basis. The approval process itself is equally lengthy, as is the time before any significant returns can be obtained.

In 2012, there was positive development in the UniqueTemp° sector. This started when we received approval for Japan. Approval procedures are currently underway in South Africa, Hong Kong, Lebanon and South Korea.

Following product approvals in Indonesia and Brazil, in 2012, we achieved our first sales in these markets. Likewise, in the United Kingdom and Sweden, after an extended period, we were successfully able to place UniqueTemp° products in hospitals.

Unique Resc+

Using similar technology, warming systems for the rescue field are offered under the UniqueResc+ brand name. Geratherm devices are currently in use with rescue helicopters of the DRF, ADAC and the Swiss REGA.

Geratherm has established contact with the US military for many years. In this area, Geratherm manufactures medical devices to meet specific requirements, particularly warming systems which are deployed under specific military framework conditions. The Geratherm warming systems under the UniqueResc+ brand name have obtained all US approvals for military use, including aviation certification.

After many years of testing, we are delighted to announce that Geratherm came up on top of a tender process for the elite "US-Seals" unit.

Geratherm Medical has been retained as the designated unique supplier over the next 5 years for warming systems for the United States army, Special Operations Forces Survival and Support & Equipment System (SSES). The Geratherm company is the sole supplier of "Tactical Medical" Equipment outside the USA, provision for which was included in the SOF (Special Operations Forces) budget.

The first large-scale orders won under this program will be delivered in the course of 2013.

The warming systems sector recorded double-digit growth in 2012. Sales were mainly distributed over countries including Germany, India, Japan and USA in approximately equal proportions. For 2013, the corporate growth of this sector is expected to increase once again.

UniqueResc⁺

MOBILE HYPOTHERMIA PREVENTION FOR RESCUE OPERATIONS.

UNIQUE MICROCHIP TECHNOLOGY COMBINED WITH ULTRA-FINE CONDUCTIVE TISSUE IS THE SECRET BEHIND THE REVOLUTIONARY PROPERTIES OF THIS ELEGANT ELECTRICAL RESCUE WARMING SYSTEM.

- Swift stabilisation of patients
- Prevents shivering
- Eases feelings of anxiety



CARDIO/STROKE

THE CARDIO/STROKE FIELD IS LED BY THE APOPLEX MEDICAL TECHNOLOGIES.

The Apoplex company was founded in 2004 in Pirmasens and has since specialised in the medical technology field in new and innovative technology products to prevent strokes with a global scope. The focus here is on easily applicable and efficient methods for so-called patient screening using medical technology applications to avoid strokes and vascular dementia. The SRAdoc and SRAclinic products are available in various versions to doctors and hospitals.

The SRAclinic product is an interactive analysis system incorporating a monitoring system from various providers, which examines the recorded real-time ECG monitoring with clinically validated software for signs of paroxysmal atrial fibrillation episodes in a fully automated procedure and also establishes a risk index for the same phenomenon. To date, the SRAclinic method has clearly outperformed what was the previous benchmark method for detecting paroxysmal atrial fibrillation.

Paroxysmal atrial fibrillation is one of the most frequent causes of strokes. At the same time, strokes caused by atrial fibrillation are the most deadly. In many patients, atrial fibrillation occurs painlessly and is often discovered only by chance. Even after a stroke, it is a cause that frequently goes undiagnosed and untreated, meaning the risk of suffering a new stroke remains very high. Targeted efforts to ascertain this risk factor help improve the therapeutic approach and can clearly reduce the potential for a subsequent stroke.

The new analytical system facilitates efforts to securely detect paroxysmal atrial fibrillation and apply preventive treatment. Following analysis of the ECG data of patients by SRAclinic, the treating doctor receives a report, which provides information on paroxysmal atrial fibrillation within the initial hours of treatment. SRAclinic gives the doctor a pointer to the atrial fibrillation condition, allowing him/her to immediately initiate therapy.

The SRAclinic system was employed at the end of 2012 by 30 stroke centres (p.y. 15). The scientific basis for this method are study results from a clinical study involving 600 patients conducted at the Heidelberg University Hospital. The study results were published in October 2012 in the journal "Stroke", the official publication of the American Heart Association. Since the publication of this positive study data, we have seen strong demand emerge. Within the German-speaking region, recent years have seen around 500 stroke centres established.

For the registered doctors' sector, the SRAdoc product is provided, with currently around 700 practices linked up to the analytical system.

Atrial fibrillation is one of the key risk factors behind strokes. Due to changes in the blood flow in the heart, blood clots may form or loosen and constrict blood vessels, which is the cause of around 30% of all strokes.

If atrial fibrillation is diagnosed early and appropriate therapy is applied, the risk of suffering a stroke can be reduced by up to 70 %. However, atrial fibrillation remains an almost unknown quantity, since it often occurs only for a specific period in many patients rather than continuously ("paroxysmal"). The conventional ECG method does not suffice for such cases of atrial fibrillation. However, the new analytical method provided by Apoplex Medical makes the diagnosis of paroxysmal atrial fibrillation far easier and more effective as part of screening measures.

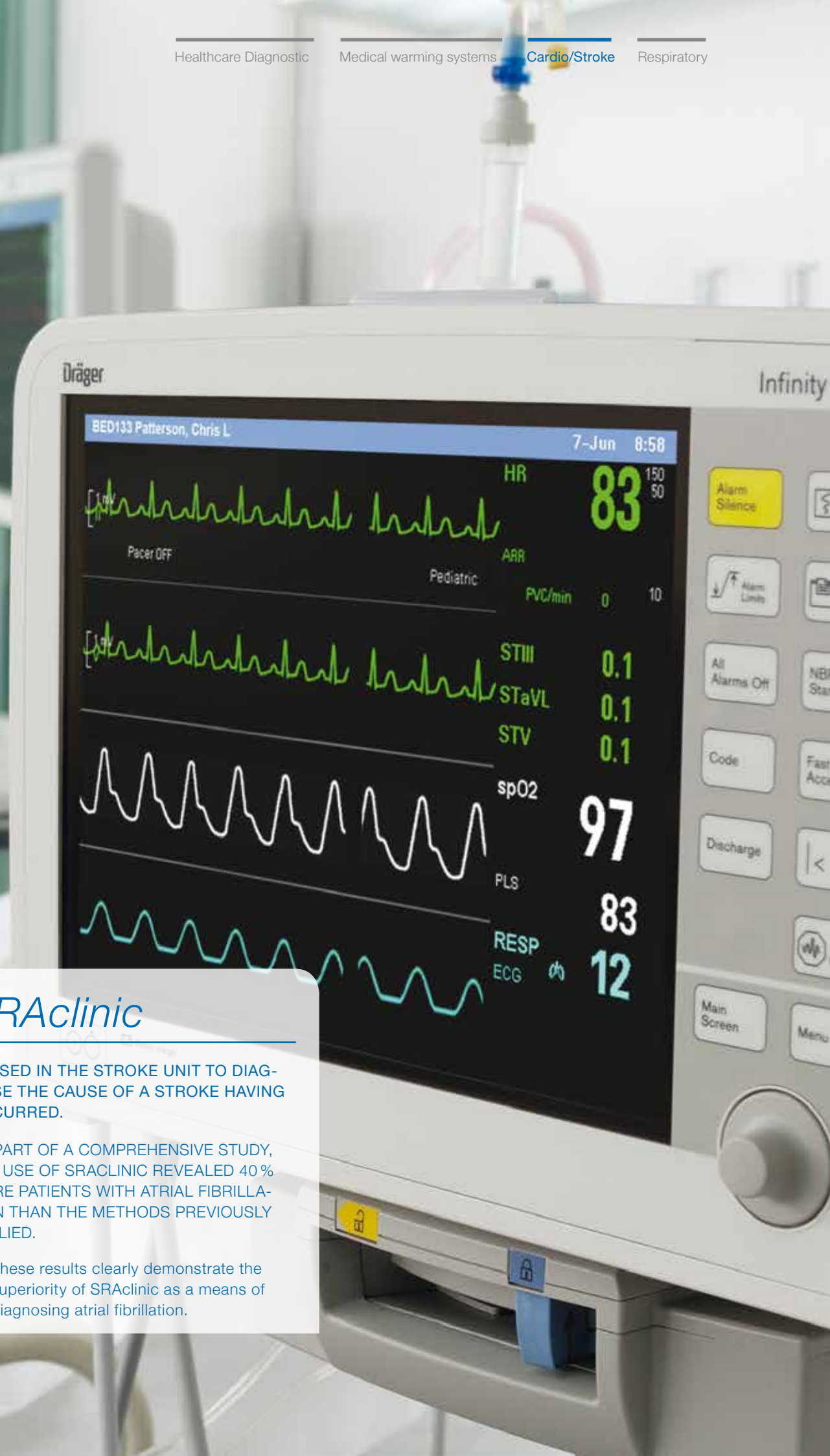
The product offered by Apoplex Medical represents a new medical solution, especially facilitating the swifter and more secure diagnosis of paroxysmal atrial fibrillation. Therapy can be initiated from an earlier period and strokes avoided in the process.

SRAcliclinic

IS USED IN THE STROKE UNIT TO DIAGNOSE THE CAUSE OF A STROKE HAVING OCCURRED.

AS PART OF A COMPREHENSIVE STUDY, THE USE OF SRACLINIC REVEALED 40 % MORE PATIENTS WITH ATRIAL FIBRILLATION THAN THE METHODS PREVIOUSLY APPLIED.

- These results clearly demonstrate the superiority of SRAcliclinic as a means of diagnosing atrial fibrillation.



RESPIRATORY

THE RESPIRATORY DIVISION DEVELOPS PRODUCTS FOR PULMONOLOGISTS AND CARDIOLOGISTS.

The products for use in pulmonary and cardio-pulmonary function diagnostics are manufactured at the Bad Kissingen facility.

Product options on offer in the spirometry field are covered by Geratherm respiratory products "Spirostik" and "Spirostik Complete". All products are based on the in-house software platform "Blue Cherry".

The Ergostik product is a complex product solution for cardiopulmonary diagnostic purposes.

The customer feedback in response to the new products in the respiratory field has been very promising. Product are sold overseas, meaning that the lead times for product registration are linked to factors in individual countries.

Following the development phase, the current focus is on registration and/or the market introduction of such products. We anticipate product approval for the Chinese market by the end of 2013 and product approvals are being expedited in numerous other countries.

We are delighted to report that among our achievements in 2012, we were able to fit the Zürich University Hospital/Switzerland, Aarhus University Hospital/Denmark and the Gießen/Marburg and Hall university hospitals in Germany with a complete spiroergometry system or bodyplethys-

mograph. Generally speaking, a spiroergometry system is deployed for the purpose of quantifying cardiopulmonary performance, while bodyplethysmographs are intended to precisely determine obstructive and restrictive pulmonary diseases, measurement of lung hyperinflation, or performing bronchospasmolysis or provocation tests.

In 2012, the first sales of Geratherm products from the respiratory sector began in Brazil. Given the soaring demand from customers in this region, we expect further dynamic growth for 2013. The growth markets of CIS, Australia and India will also be areas we focus on in 2013.

In terms of our product line up, we have established a stronger integration of product ranges for 2013. We wish to offer customers solutions that generate and record statistics on patients and vital signs in a user-friendly manner during examinations. Of the various parts purchased to date, some will be replaced with in-house developments, to improve the quality of our systems still further. In Germany, we will join forces with the AMEDTEC company, in Aue, a specialist provider in the cardiology field, to establish and enhance our market presence for innovative solutions in the cardiopulmonary function diagnostic field.

In 2013, we anticipate further dynamic growth in the respiratory field.

BODYSTIK

WITH CONVINCING INNOVATIVE TECHNOLOGY, IT REPRESENTS A FORWARD-LOOKING SYSTEM SOLUTION FOR BODYPLETHYSMOGRAPHY.

STABLE, VIRTUALLY FULLY-GLAZED ALUMINIUM CABINS GUARANTEE HIGH MEASUREMENT ACCURACY AND OPTIMAL PATIENT COMFORT.

- Spirometry measurements, flow/volume, resistance, lung volume and respiratory muscles



GROUP MANAGEMENT REPORT

Overall economic development	30
Economic situation	32
Chances and risks of future developments	42
Other information	46
Anticipated development	47
Significant events after the balance sheet date	48

OVERALL DEVELOPMENT

THE GLOBAL ECONOMY GREW IN 2012 BY A GOOD 3% AND WHILE THE ECONOMIC GROWTH IN GERMANY WAS MODEST, WITH GROWTH OF 0.7%, IT WAS STILL SATISFACTORY COMPARED TO MANY OTHER COUNTRIES IN THE EUROPEAN CURRENCY UNION.

Countries like Greece (-6%), Spain (-1.3%), Portugal (-3%) and Italy (-2.3%) recorded a clear decline in the gross domestic product. This also had repercussions on the high export dependency of medical technology companies in these markets.

As in previous years, economic growth in Germany was mainly generated by the export of German goods and services. The decline in the European neighbouring countries was offset by exports outside the EU.

As an annual average, German consumer prices grew by 2.0%, following figures of 2.3% in 2011, 1.1% in 2010 and 0.4% in 2009. Price drivers were energy and food.

The inflation rate in the Euro zone was 2.5%. The unemployment total in Germany was under 2.9 m and hence at its lowest level for 20 years.

MARKET ENVIRONMENT FOR MEDICAL PRODUCTS

The medical technology industry has been under pressure for some time and the boom years of clear double-digit growth are well and truly over. Nevertheless, 2012 saw the market for medical technology grow at a rate exceeding the average growth in GDP. German medical technology companies recorded growth of 4% in 2012, with an impressive export share of 67%.

Sales of medical technology products are inextricably linked to prevailing economic conditions. In markets for self-pay patients, the number of operating interventions does not remain stable. In the USA – the main market for medical technology – operations are suspended if the private financial means run out or there are concerns over job losses.

Medical technology companies must increasingly make their presence felt in international tendering business. Health services and products are increasingly tendered by governmental organisations. Where comparable products are involved, still only the cheapest provider is taken into consideration.

In Europe, the market for medical technology is on a stable footing. Southern European countries recorded significant declines in demand for medical products, due to drastic cost-cutting in national budgets. The impact will also be felt in years to come.

In response, many medical technology companies focus on expansion in emerging markets, where the majority of medicinal needs are still not met (Brazil, India, Indonesia, China and Africa) and where there is also considerable room to improve the quality of the hospitals.

In Germany, there is growing pressure on medical technology manufacturers exerted by purchasing pools within hospitals and the flat rate per case system. Innovations are difficult to realise under such circumstances.

In 2012, the industry experienced a tightening of regulations for the registration and approval of medical products due to new medical product guidelines issued by Brussels. This will inevitably mean more red tape and the approval periods for medical products look set to extend even further. In the short to medium-term, this will lead to significantly increased costs when developing and registering medical products.

Geratherm Medical AG (hereinafter referred to as Geratherm Medical or Geratherm) was also obliged to commit considerable personnel resources to deal with the implementation of the new medical product guidelines in 2012, not to mention the clearly greater expenditure incurred on external advisors, additional developments and fresh approval costs.

Long-term growth opportunities for the medical technology market remain intact, however, due to the international demographic development and the additional demand from emerging markets.

ECONOMIC SITUATION OF GERATHERM MEDICAL

GENERAL OVERVIEW

In 2012, Geratherm Medical was able to achieve net earnings of 1,194 TEUR, representing a decline in sales of around 6.8% compared to the previous year. The total turnover achieved for Geratherm products was 16 m EUR. In the operating field, we improved our position in the development field, although sales of Gallium thermometers were very weak. Even the introduction of short-time work in the 1st quarter of 2012 at the Geschwenda factory could not prevent us having to reduce the production capacity in the second half of the year by 30%, which temporarily triggered a significant decline in efficiency and significantly increased costs. The earnings contribution made by the Thuringia factory in terms of EBIT-level was therefore 1,674 TEUR lower than the previous year. The adjustment has meanwhile been completed.

Positive developments were seen in the new business areas and our activities in Brazil, which boosted the consolidated earnings on this occasion.

In total, the EBIT operating result of 957 TEUR (-44.4%) was clearly under the equivalent figure for the previous year, and likewise, the same applied to the operating margin before depreciation. The EBITDA margin in 2012 in the Geratherm group was 10.7% (p.y. 14.0%). The EBIT margin was 6.0% (p.y. 10.0%). We are confident that for 2013, we will once again be able to achieve significantly strong earnings.

In fiscal year 2012, liquid assets and securities contributed a positive financial result of 491 TEUR (p.y. 126 TEUR). The result of normal business activity in 2012 totalled 1,448 TEUR (p.y. 1,846 TEUR).

The adjustments to the core business have been made, the new business areas are developing dynamically and Geratherm has established a solid platform for 2013, with liquid assets and securities of 12.5 m EUR as well as an equity ratio of 68.0%.

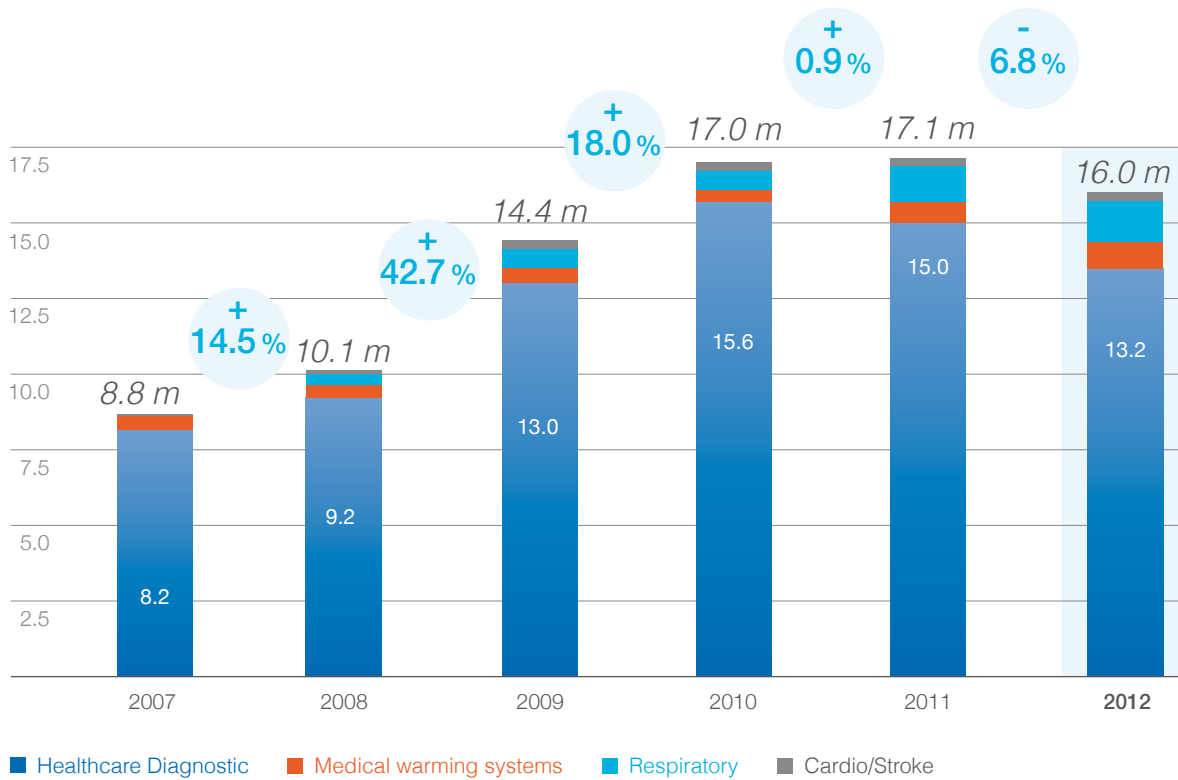
SALES TREND BY SEGMENTS

HEALTHCARE DIAGNOSTIC

In the Healthcare Diagnostic segment, we mainly offer products which are designed for end consumers and marketed via pharmacies. The segment reflects 82.4% (p.y. 88.0%) of the total turnover of the company. Largely due to the significant erosion in demand for Gallium thermometers, we had to record a decline in this segment for the current year of -12.8%. With turnover of 13.2 m EUR, the segment result was 1,235 TEUR.

SALES TREND BY SEGMENTS *(in thousands of Euro)*

	2007	2008	2009	2010	2011	2012
Healthcare Diagnostic	8,235	9,211	12,969	15,564	15,076	13,153
Respiratory	16	343	609	590	1,197	1,636
Medical warming systems	499	408	448	562	625	930
Cardio/Stroke	52	117	359	262	231	251

SALES TREND BY SEGMENTS *in millions of Euro*

Sales of blood pressure devices, conversely, improved significantly. This was primarily due to good business in Brazil and in the Middle East, which saw sales figures increase further still by +28.4% and 260,071 units. In total, blood pressure gauges contributed 26.0% (p.y. 20.2%) to company turnover, with the number of clinical thermometers sold representing 51.3% (p.y. 62.8%) of total turnover.

For 2013, there are plans to expand the Geratherm brand to encompass a third major pillar in the pharmacy sector. There are currently 8 new products awaiting approval in the new product area "Women's Health".

SALES

	2008	2009	2010	2011	2012
Blood pressure monitors (thousands of units)	114	140	189	203	260
Clinical thermometers (in m of units)	3.7	4.9	5.7	5.5	4.0

RESPIRATORY

In the respiratory segment, we offer a product range covering the cardiopulmonary functional diagnosis field. The product sales were split among spirometry (33.6%), lung function (33.5%) and spiroergometry (25.8%). A total of 70.8% of the products (in relation to turnover) were supplied to customers outside Germany.

In 2012, turnover of 1,636 TEUR was achieved, representing a plus of 36.7%. Based on the strong sales expansion, 2012 saw a positive result achieved for the first time amounting to 75 TEUR.

The business area will continue to develop even more positively in years to come. For the second half of 2013, we anticipate product approval in China. In an initial step, we will particularly focus on “smaller hospitals” with around 4,000 beds. Based on the acquisition work performed to date, we anticipate a 2013 turnover clearly exceeding 2 m EUR.

MEDICAL WARMING SYSTEMS

The 2012 sales trend in the area of warming systems was very positive, with turnover increasing by +48.8% to 930 TEUR. This was due, among others, to positive sales growth in South America, while the successful contract award for Geratherm rescue warming systems for the US military saw the first orders generated. As for markets in the United Kingdom and Sweden, after extensive grounding work, the first orders have just been delivered to hospitals.

The sales trend of the segment would have been even more positive had we not been confronted in mid-2012 with newly imposed standards by the EU. The shift in the approval office, over which we had no control, also led to considerably increased internal expenditure, which adversely impacted on the business operations. The new authorisation ordinance meant that we had to rework the electronics and controls of the products, to ensure compliance with the new safety requirements. The product modifications will be completed in the 1st quarter of 2013.

In 2012, with a turnover of 930 TEUR, the area of warming systems achieved an operating result of 22 TEUR (p.y. 20 TEUR).

The product sales development is a long-term process, mainly due to the complex approval procedure imposed in individual countries. The majority of the products are also publicised in so-called “tenders”, the duration of which may extend over a long period. In 2012, 87.4% of products in the warming systems area (in relation to turnover) were exported. For 2013, we assume the growth dynamic in this area will be sustained.

CARDIO/STROKE

One of the key milestones in 2012 was the publication of study results in the professional journal “Stroke”, the official publication of the American Heart Association. Up to the time of publication, the marketing of the products had proved less than efficient, which prevented us from implementing our original sales planning. In total, the segment recorded a modest sales increase in 8.7% or a turnover of 251 TEUR. The result of normal business activity amounted to -165 TEUR (p.y. -256 TEUR).

Based on the publication of the study and the positive feedback from our customers and cooperation partners, we anticipate a significantly improved climate in the Cardio/Stroke segment in 2013. Within the next 12 months, our goal is to ensure between 10 and 15% of all German-speaking stroke centres are equipped with the SRAclinic product.

SALES TREND BY REGIONS

Geratherm is an internationally oriented medical technology company, which sells products in over 60 countries with an export ratio amounting to 87% of the company turnover. The main markets are Europe, South America, Germany, the Middle East, the USA and Other Countries.

In 2012, a turnover of 16 m EUR was achieved, which marked a decline compared to the previous year of 6.8%. We were unable to sustain the strong sales growth of previous years, due mainly to the decline in sales of Gallium thermometers, although this product group had been one of the growth drivers in recent years. Based on this development, a corresponding picture also emerged for the sales trend in individual regions. Anywhere sales of Gallium thermometers had dominated the market to date suffered a clear downturn, namely Europe, Germany and the USA. Elsewhere, with a wider product range, we remained very successful.

In light of the strong decline in Gallium thermometers in Europe, this impact caused a significant decline in sales in this region of -28.4% to 6.2 m EUR. This is a most unwelcome development, particularly as the Euro-space outside Germany is one of the largest sales markets for Geratherm. Within Europe, the Italian market is dominant. The current economic difficulties in southern countries also impact on the sales prospects for medical products. The Euro space reflected a sales share of 38.9% on a company-wide basis.

SALES TREND BY REGIONS *(in thousands of Euro)*

	2012	2011	Change in %
Europe	6,210	8,675	-28.4
South America	4,559	3,592	26.9
Germany	2,070	2,297	-9.9
Middle East	1,206	762	58.1
USA	1,182	1,245	-5.2
Other Countries	743	558	33.2

For the market in South America, we again recorded a sales expansion of +26.9% compared to the previous year. In total, in South America and mainly in Brazil at this point, a turnover of 4.6 m EUR was achieved, representing 28.5% of company turnover. We established an early presence in this growth region through our subsidiary Geratherm do Brasil and are now benefiting from the strong demand for medical products. In future, we will reinforce our focus on marketing of premium Geratherm medical products. Unlike the previous year, for this region, we could achieve an EBIT of 390 TEUR.

A clearly favourable trend emerged in sales of Geratherm products in the Middle East. The turnover increased in 2012 by +58.1% to 1.2 m EUR. The strong sales expansion was made possible by new authorisations for Geratherm products.

The turnover in Germany amounted in 2012 to 2.1 m EUR, which marked a decline of 9.9%. Domestic sales made up 13.0% of the total turnover of the company, a trend with which we are not satisfied. Since 2009, turnover has continually declined. The prevailing conditions for the pharmacy sales channel are positive, while the financial outlay required for successful marketing via this sales channel will barely be covered by the sales achieved to date. We have noted this problem in the German market and will strive

to find new channels. Since the start of 2013, Geratherm has been aiming to establish its own sales network and pursuing online marketing. We believe these actions will help further reinforce the position of Geratherm on the German market.

The sales situation on the US market in 2012 was marked by a mild flu season. In the USA, Gallium thermometers have mainly been distributed via the drugstore chains and despite the initial orders for warming systems for the US military, the decline in sales could not be offset. In 2012, the US market suffered a decline of -5.2% to 1.2 m EUR.

The second-strongest sales growth with an increase in 33.2% was recorded in the Other Countries group, which mainly constitutes sales in African countries. While the overall volume remains relatively low – Africa is undeniably a region of extremely strong growth. From 2001 to 2010, six of the top ten countries in the world for growth were found in Africa. We will strive to exploit these opportunities and ensure we can provide corresponding products for this region.

PROFIT SITUATION

In 2012, Geratherm recorded a decline in sales of -6.8%. The overall performance declined by -14.8% to 16.2 m EUR. On a consolidated basis, the operating earnings were clearly lower than the previous year. In addition to a weaker cyclical development, the decline in sales in Gallium thermometers was the main aggravating factor.

The net margin of the overall result was 56.9% (p.y. 58.2%). The decline in the gross profit by -16.7% compared to the previous year is slightly higher than the decline in overall performance.

The gross profit before depreciation (EBITDA) decreased by -28.6% to 1,714 TEUR (p.y. 2,399 TEUR). The operating margin (EBITDA) also declined to 10.7% (p.y. 14.0%).

The write-offs on intangible assets and tangible assets increased again by 11.5% to 757 TEUR (p.y. 679 TEUR). For the depreciation of tangible assets 509 TEUR was allocated. Of the disclosed sum, 248 TEUR was allocated to scheduled write-offs of intangible assets, most of which capitalised development costs, which are written off in the process of the market launch of the products. The other operating expenses declined by 12.0% to 3,947 TEUR (p.y. 4,485 TEUR).

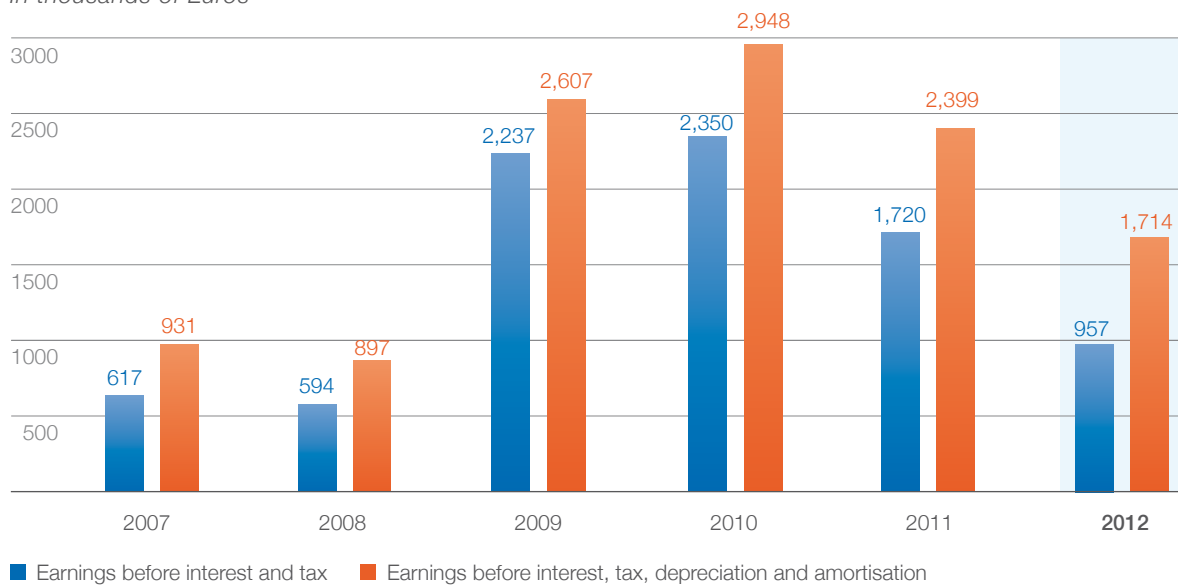
The operating spread of earnings was influenced by various factors. One positive aspect is the lower loss posted in the Geratherm Respiratory and apoplex medical areas as well as the positive earnings contribution from Geratherm do Brasil.

The problems on the earnings side in fiscal year 2012 clearly lay in the Geschwenda/Thuringia factory. The significantly lower overall performance, alongside costs incurred for short-time work, personnel adjustment and increased other costs, lead to a decline in the operating results (EBIT) of -69.5% to 737 TEUR (p.y. 2,414 TEUR). From what was an otherwise stable core business of Geratherm, 2012 saw the an earnings contribution (EBIT) of 1,677 TEUR lacking compared to the previous year.

The consolidated result (EBIT) for the Respiratory segment for 2012 was -9 TEUR (p.y. -148 TEUR). The apoplex segment adversely affected net profit with -235 TEUR (p.y. -335 TEUR). Geratherm do Brasil made a positive overall contribution to the financial result of +441 TEUR (p.y. -231 TEUR). The area of warming systems, like the previous year, showed a modest increase of 22 TEUR (p.y. 20 TEUR).

DEVELOPMENT OF EARNINGS *(in thousands of EUR)*

	2007	2008	2009	2010	2011	2012
Operating result (EBITDA)	931	897	2,607	2,948	2,399	1,714
Operating income (EBIT)	617	594	2,237	2,350	1,720	957

In thousands of Euros

In fiscal year 2012, material expenditure declined by -12.1% to 6,980 TEUR (p.y. 7,941 TEUR). The raw material prices for Gallium declined over the course of the year, with the average price in 2012 amounting to 403 dollars per kg (p.y. 720 dollars per kg). The retained stocks from the previous year meant the cheaper raw material price could not yet be properly exploited to increase the earnings quality. However, we anticipate an improvement in the initial months of the coming year.

In light of the problems already described concerning the production of Gallium thermometers, the workforce in the Geschwenda factory was downsized by around 30%. The personnel costs incurred on a group level were consequently reduced by -14.9% to 3,537 TEUR (p.y. 4,156 TEUR).

On the EBIT level, the operating income before tax and interest also showed a decline of -44.4% to 957 TEUR (p.y. 1,720 TEUR). The EBIT margin was 6.0% (p.y. 10.0%). The decline in the operating profit is mainly attributable to the lower sales volume of Gallium thermometers and the costs of adjusting capacity in the Geschwenda/Thuringia factory. The decline of almost 3 m EUR in overall result consequently led to a significantly lower operating spread of earnings.

The financial result from earnings realised from securities, write-offs and interest made positive earnings contributions in fiscal year 2012. In total, a financial result of +491 TEUR (p.y. 126 TEUR) was generated. Of this, 122 TEUR came from dividend income and 919 TEUR from the income from the sale of securities. Write-offs on securities as of the balance sheet date were recorded at 396 TEUR.

Together with the income from the operating business, for 2012, a result for normal business activity of 1,448 TEUR (p.y. 1,846 TEUR) was generated.

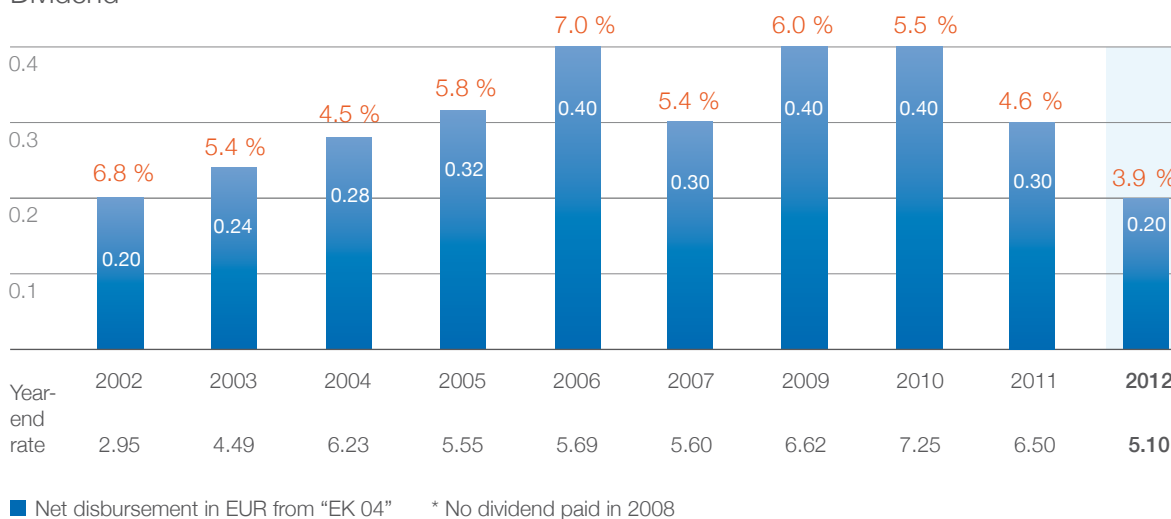
Meanwhile, reduced tax burdens amounting to -297 TEUR (p.y. -751 TEUR) meant in 2012 an increased consolidated net profit of 1,151 TEUR (+5.1%) was achieved. Of the listed taxes, 25 TEUR was imposed with the remainder omitted due to the reduction in deferred tax assets by using losses carried forward. The losses carried forward on a group level as of 31.12.2012 were 5,020 TEUR.

The result of minority interests showed clear improvements in 2012. In total, a modest loss of -43 TEUR (p.y. -356 TEUR) emerged.

For fiscal year 2012, the profits of parent company shareholders declined by 17.7% to 1,194 TEUR (p.y. 1,451 TEUR). The result per share amounted to 24 cents (p.y. 29 cents).

TREND OF NET DIVIDEND PAID TO GERATHERM SHAREHOLDERS

Dividend



The Executive Committee and supervisory board of Geratherm Medical will propose at the General Meeting payment of a dividend of 20 cents per share. Since the dividend of 20 cents per share is paid in full from the tax contribution account as defined by § 27 Corporation Tax Act (not contributions to nominal capital), hence payment will be made without the deduction of capital gains tax or the solidarity surcharge. For domestic shareholders, this means the dividend is generally tax-free.

FINANCIAL SITUATION

The balance sheet total of Geratherm Medical as of 31.12.2012 stood at 27.4 m EUR, 11.4% higher than the reporting day the previous year. The company was had a solid financial footing as of the end of the fiscal year. The reported equity amounted to 18.6 m EUR (p.y. 18.7 m EUR) or 68.0% of the balance sheet total. As regards individual shares, each has a book value of 3.76 EUR. equity base makes it possible for the company to pursue long-term company goals. The liquid assets and securities amounted to 12.5 m EUR (p.y. 9.5 m EUR).

Geratherm is in the process of shifting focus to higher-value medical products. This procedure, by nature, also involves a greater degree of risk due to approval and market start-up hurdles. Moreover, the period required from the product development to the start of healthy turnover may be very extensive. With these prevailing industry conditions in mind, Geratherm has appropriate financial resources in place to mitigate such risk.

As of 31.12.2012, the assets side of the balance sheet consisted of long-term assets amounting to 5,575 TEUR (p.y. 5,743 TEUR) and current assets amounting to 21,810 TEUR (p.y. 18,840 TEUR).

Within the long-term assets, intangible assets increased slightly to 532 TEUR (p.y. 529 TEUR). The sum allocated for write-offs of intangible assets was 248 TEUR, and 251 TEUR for additions of other intangible assets. The scheduled write-offs on capitalised development costs were required for products being launched on the market for the first time. The additions resulted from clinical studies initiated and the approval costs of new products.

The tangible assets remained at the same level of the previous year at 3,762 TEUR. Investment amounting to 565 TEUR was made, mainly in the Geschwenda factory. The investment cycle initiated two years ago is close to completion. In the years to come, there should be no further need for significant investment requirements.

The deferred tax assets came to 1,231 TEUR (p.y. 1,502 TEUR), representing a decline of 271 TEUR. This decline is explained by the positive reported profit under German tax law, which entails the utilisation (consumption) of the existing taxable losses carried forward. The deferred tax assets are assets from taxable losses carried forward minus deferred tax liabilities on capitalised developments.

For current assets, inventories declined to 5,460 TEUR (p.y. 5,963 TEUR). This decline in inventory assets is mainly due to the reduction in stock of Gallium thermometers as of the year end. The raw, auxiliary and operating materials declined by 16.1% to 1,236 TEUR (p.y. 1,474 TEUR). The unfinished goods grew slightly by 9.8% to 1,498 TEUR (p.y. 1,364 TEUR). The assets in terms of finished goods and goods declined by 12.8% to 2,726 TEUR (p.y. 3,125 TEUR).

The total balance of other assets payable in 2012 increased by 14.3% to 3,822 TEUR (p.y. 3,343 TEUR). The trade accounts receivable increased by 10.9% to 3,206 TEUR, while the reported tax liability position increased to 233 TEUR (p.y. 98 TEUR). The other assets increased slightly by 8.2% to 383 TEUR. This item includes investment receivables amounting to 107 TEUR and payments in advance amounting to 151 TEUR.

The balance sheet book value of the securities held by Geratherm declined significantly by 30.0% to 3,718 TEUR (p.y. 5,309 TEUR). The decline is attributable to sales of securities held. The liquid funds acquired as of 31.12.2012 were 8,810 TEUR (p.y. 4,224 TEUR).

The passive side showed the strong equity base of the company. Against equity of 18,621 TEUR (p.y. 18,665 TEUR), were liabilities amounting to 8,764 TEUR (p.y. 5,918 TEUR).

The long-term debts totalled 5,091 TEUR (p.y. 2,492 TEUR). The liabilities to banks increased by 2,600 TEUR to 3,700 TEUR. This increase is due to a loan amounting to 3,000 TEUR, taken out by the company at interest of 1.4% p.a. with a term of 5 years. The long-term debts also include the accrued investment subsidies from previous years. As of 31.12.2012 these were 795 TEUR (p.y. 783 TEUR). The other liabilities declined slightly by 2.2% to 596 TEUR and these were liabilities to other minority shareholders.

The current debts increased slightly by 7.2% to 3,673 TEUR (p.y. 3,426 TEUR). Of this, liabilities to banks made up 1,664 TEUR (p.y. 1,463 TEUR). The trade accounts payable, with an increase in 3.5% remained at around the level of the previous year and as of the year end amounted to 1,171 TEUR. The other liabilities remained at the level of the previous year with 656 TEUR. This item includes primarily liabilities for employees and accrued liabilities.

FINANCIAL SITUATION

Geratherm Medical maintained a solid financial situation throughout fiscal year 2012. As of 31.12.2012, cash and cash instruments came to 8,810 TEUR (p.y. 4,224 TEUR). The relatively high liquidity position is a deliberate company strategy, to consider possible acquisitions but also to allow product developments and market launches to be financed long-term.

The gross cash flow in 2012 amounted to 1,584 TEUR (p.y. 2,229 TEUR).

The cash flow from operating activities increased to 1,605 TEUR (p.y. 1,063 TEUR). The stronger operating cash flow is attributable to the in-house reduction of stocks.

The cash flow from investment was also significantly higher than the previous year's figure at 1,608 TEUR (p.y. -586 TEUR). Payments for investment in fixed assets amounted to -816 TEUR (p.y. -935 TEUR) and primarily comprised investment in new packaging lines in the Geschwenda factory.

The payments from financial investments amounted to 3,244 TEUR (p.y. 3,200 TEUR). The disbursements amounted to -942 TEUR (p.y. -3,026 TEUR).

The cash flow from financing activities was 1,373 TEUR (p.y. -1,772 TEUR). The reported position was impacted by the distribution of dividends amounting to 1,485 TEUR (p.y. 1,980 TEUR) and the taking out of a new loan for 3,000 TEUR.

Geratherm was capable of fulfilling its payment obligations at all times in fiscal year 2012. Where agreed, discounts were received. To minimise risk, payment targets were checked and adjusted in individual cases. As a company, Geratherm has maintained a good to excellent financial structure to date with an above-average equity ratio and liquidity position. No circumstances are envisaged which could jeopardise the continued existence of the company.

RESEARCH AND DEVELOPMENT

To maintain the pace of innovation, Geratherm prioritises research and development work. As part of a process of transition to higher-value medical products, the company is focusing its activities on emerging business areas such as warming systems, Respiratory and Cardio/Stroke. In the Healthcare Diagnostic area, we are focusing on the execution of clinical studies.

MEDICAL WARMING SYSTEMS

In the area of medical warming systems, during the current year, we have focused mainly on software and hardware reconfiguration as part of the so-called Third Edition exercise, due to the new EU stipulation on marketing of medical products. Due to strong customer demand, new development projects involving means of cooling of patients were launched. We assume a development period, inclusive of product approval, of around 2 years. In addition, we will integrate a blood warming system in the control unit established to date.

CARDIO/STROKE

The research and development activities in the Cardio/Stroke area have been initially completed with the publication of the manuscript by Prof. Veltkamp, University of Heidelberg, in the medical journal "Stroke". Together with the University of Munster and the US company Medtronic, we are currently implementing a study, to facilitate the combination of existing methods with apoplex products. With the research and

development activities completed, the focus turns to installing these systems in postacute care clinics.

RESPIRATORY

During 2012 was dominated by the further development of the product range to encompass cardiopulmonary functional diagnostics. Included in this work was the integration of hardware and software into the ECG systems of all well-known manufacturers. In future, the ability to cross-link patient data will become increasingly significant and here, corresponding development projects have been established. In particular, the generation and processing of data on patients and vital statistics during the examination process will become increasingly significant as part of research and development activities.

CHANCES AND RISKS OF FUTURE DEVELOPMENTS

CHANCE AND RISK MANAGEMENT

As a medical technology company, Geratherm is exposed to industry-specific risks. The market for medical technology is characterised by a high pace of innovation, and stringent product safety constraints. The regulatory requirements imposed for the purpose of product approval have also become crucial in recent years. Authorisations are becoming more and more expensive and increasingly linked to the execution of clinical studies. The time required between the finished product and the actual marketing launch is getting longer and longer.

At the same time, it is impossible to predict when new provisions will be adopted for medical products. This may mean, for example, that due to short notice, there may be a risk of products which have long since been marketed having to be withdrawn from sale or this could also lead to inventory devaluations. This risk for companies in the medical technology industry is only foreseeable to a certain extent. Innovations are also often documented under patent law. Due to the international marketing structure, enforcing trademark rights can be very costly and time-consuming.

Based on the above prevailing conditions, there are chances and risks, which may have a long-term impact on the assets, financial and earning situation of the company.

The Executive Committee and supervisory board der Geratherm Medical have defined goals and methods as part of a group-wide risk management, so that the company may take limited risks where perspective suggests that an opportunity for profitable growth of the company exists.

In this context, diversification into markets, products and countries is a key component of risk minimisation of the business activities. This explains, for example, why Geratherm operates in four completely different markets with non-correlating risk profiles. The markets for warming systems have nothing in common with those for Consumer Healthcare in pharmacies. The same also applies to Respiratory and Cardio/Stroke areas. From efficiency perspectives, it would make more sense to focus on fewer markets, but with risk in mind, this approach is discouraged.

Geratherm is increasingly pursuing the goal of investing in higher-value products. This approach initially involves considerable expenditure, with no guarantee that it will be matched with future successes. However, a successful market launch will also enhance the opportunity profile, since the competitive intensity is lower. The Executive Committee controlled the activities and expenses in such a way that the security and independence of Geratherm Medical is not seriously affected in the event of a worst-case scenario occurring.

Geratherm is active in business in over 60 countries. However, no single country comprises more than 28.0% of the total turnover. The 5 largest country-specific markets comprise 73.0% of turnover.

We believe this leaves our company well-placed to mitigate circumstances in the event of serious political changes in many countries but concerning currency risks.

The risk management and audit department systematically records the operating and strategic risks. As part of a monthly reporting system, the activities of the subsidiaries, the business areas and the product groups are recorded. Information on turnover, order situation, net margin and exchange risks can be seen. Naturally, not all risks involved in business activity can be completely eliminated. However, the management believes that the risk management system established by Geratherm Medical is sufficient to meet existing requirements.

Geratherm Management is personally present at all key medical trade shows domestically and overseas and is thus always aware of any significant changes on the market side through dialogue with customers.

Geratherm prioritises efforts to maintain product authorisations or product certifications. A shift to a new approval body can incur significant expenditure for the company. Product authorisations can be withdrawn again or subject to new constraints. Geratherm strives to be involved in such procedures from an early stage or to do all it can to keep pace with the changing requirements, to minimise any possible damage to the company.

GOAL OF FINANCIAL MANAGEMENT

The goal of financial management is to control the finances of the Geratherm group. This particularly includes financing of the operational procedures, liquidity management, yield-oriented use of the capital made available as well as all activities with relevance to the capital market.

INTERNAL CONTROL SYSTEM FOR 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.

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

To monitor the control system and its effectiveness, detailed monthly analyses, which are based on operating figures, are prepared in Group Controlling. These include the monthly issuance of a break-even analysis on a product level inclusive bridging the income statement of the group and showing the development of the securities investments. 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 liquidity risk is low for Geratherm Medical. Compared to its size and the industry in which it operates, the company has an excellent liquidity position. The current debts are completely covered by freely available means of payment. Due to its outstanding credit rating, it would be possible for the company to obtain additional third-party or equity capital at any time if required.

MARKET PRICE RISK INTEREST

Geratherm is primarily exposed to interest risks only on the assets side. The third-party capital obtained is in the form of a fixed-interest loan and can be paid back at any time based on the liquidity situation of the company.

MARKET PRICE RISK FOREIGN CURRENCY

Geratherm is internationally active and thus receives income in dollars as well. We have not secured the currency risk, since we strive to use most of this dollar income to cover payments for contract production and purchasing the raw material gallium in the same currency (natural hedge) such that we expect the dollar income and expenditure to be balanced out for the most part

With the increasing volume of business transacted by Geratherm on the Brazilian market, the foreign currency risk with regard to the Brazilian Real is increasing.

CREDIT AND DEFAULT RISK

To minimise the risk of defaults on receivables, the group has implemented a procedure which monitors due dates and the swift initiation of debt collection procedures where necessary. For new customers, prepayments and letters of credit are used. For existing customers, customer-specific payment terms are agreed. If these cannot be complied with, then prepayment is imposed. The default risk has been minimal in recent years. For the subsidiary in Sao Paulo, a maximum credit line is agreed. The use of various instruments for risk minimisation mean we currently consider the default risk to be low.

MARKET PRICE RISK OF 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. We are constantly monitoring the key items for the raw materials we require. The risk of market price changes can only be mitigated to a limited extent. We strive to agree supply contracts as far in advance as possible at fixed prices.

RISK OF PATENT PROTECTION

Geratherm has patent protection for certain products. Industrial and intellectual property rights may become the target of attacks and violations. The international enforcement of patent rights is no easy task and also very expensive. In particular, in countries without solid legal systems, enforcing trademark rights is almost impossible. Even the mere interpretation of trademark rights can vary dramatically among different judges in different countries. Geratherm strives to defend patent claims by weighing up various criteria against patent infringements.

MARKET PRICE RISK SECURITIES

When it comes to financial investments, we only invest in securities in the healthcare sector, to which we are particularly attached. We are aware that fluctuations in the capital market valuation of the securities held may have negative effects on the assets, financial and earning situation of the company. Temporary fluctuations of assets affecting commitments we have made from the medium to long-term are part of the investment.

RISK OF NEW BUSINESS AREAS AND SALES MARKETS

Geratherm has a stable core business. However, changes in prevailing conditions may threaten the business foundations established to date. This is why there is a need for permanent investment in new business areas, to reduce dependencies and remain in line with market trends. Geratherm has decided to

establish segments of Warming systems, Respiratory and Cardio/Stroke. Some of the products in these business areas remain in the early market launch phase. There is also a risk that the original objective may not be attained. Risks therefore play a role in connection with intensified regulatory requirements domestically and overseas for initial and subsequent authorisation as well as when establishing new geographic sales markets, as does product liability. The timing for the planned realisation of profits may be shifted. With success, the medical technology industry offers opportunities for long-term tried and tested business models. We are aware of the relevant opportunity and risk profiles and control our activities accordingly.

CONCLUDING SUMMARY

The markets in which Geratherm is active have medium to long-term cycles. Product launches and market success only emerge after a long period. Short-term risks are thus negligible. The significant risk exists under circumstances where in the long run, you realise that you have brought an appealing product onto the wrong market. Just like in the pharmaceutical industry, product authorisations for medical products are becoming increasingly stringent. To operate successfully in the market for medical technology, having adequate financial resources is vital, to meet the industryspecific risk profile. Geratherm is working to expand the business model, where the markets and hence income sources are completely separate. We are aware of the dependency on the core business. We believe that Geratherm has a well-balanced opportunity/risk profile.

OTHER DETAILS

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

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 December 2012 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 by laws can be passed in accordance with the provisions of Art. 133 of AktG (German Stock Companies Act).

The supervisory board appoints members of the Executive Committee for a maximum 3 years. The executive committee members may be reappointed or their term of office extended for no more than 3 years at a time. Board members are appointed and dismissed in accordance with Art. 84 of AktG.

The Executive Committee was authorised to increase the share capital of the company, with the consent of the supervisory board up to 5 June 2016 by issuing up to 2,474,999 new ordinary bearer shares against contributions in cash or in kind on one or more occasions by up to a total of EUR 2,474,999 (authorised capital).

The company is authorised to purchase own shares up to a portion of the capital stock not exceeding 10% through to 6 June 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 Committee is authorised to resell own shares purchased on the basis of the authorisation as per Art. 71 Para. 1 (8) of AktG with the approval of the Supervisory Board while observing the principle of equal treatment (Art. 53a of AktG) for other purposes than trading in its own shares. The acquired own shares may be sold via the stock exchange. In this regard, the buying option of shareholders is excluded.

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

The Executive Committee is authorised up until 6 June, 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 authorisation is limited to the purchase of a portion of the capital stock, which may not exceed 10%. The authorisation may be exercised in full or in part.

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

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

The GMF Capital GmbH, Hamburg, holds a direct share of 52.78% in Geratherm Medical AG.

The annual general meeting of Geratherm Medical AG convened on 8 June 2012 in Munich. The attendance at the annual general meeting represented 63.05% of the capital stock.

The expenses for the stock exchange listing in 2012 was 87 TEUR (p.y. 88 TEUR).

ANTICIPATED DEVELOPMENT

The uncertainties, particularly in the European area, will persist into 2013 and perhaps even 2014. In the opinion of the World Bank, growth in industrialised nations will be moderate at best with +1.3%. For 2014, growth for the industrialised nations of just under 2% is forecast, and for the global economy, overall growth of 2.4% or 3.1%.

For Germany, the prediction for 2013 is an increase in gross domestic product of 0.5%, while for 2014, growth of 1.6%.

For German medical technology manufacturers, for 2013 growth in the order of +4% is forecast. For domestic sales, a decline of 1% is expected. Overseas sales are expected to grow by 4%. For the following years, a similar spread is envisaged. So much for the forecasts.

For Geratherm, in 2013, many one-off factors, such as the capacity adjustment imposed in the Geschwenda factory, the new certification of the company and products as well as the high raw material prices for Gallium should no longer be a burden.

For the Consumer Healthcare area, we anticipate slight growth, whereby Europe will continue unchanged or decline slightly, while other regions, like Brazil, the Middle East and Africa will strengthen. For the Consumer Healthcare area, we will focus in future on higher-value products with more complex authorisation procedures, to considerably reduce the dependency of what is currently a particularly competitive product range.

For the product segment of Warming Systems and Respiratory, we anticipate significant double-digit growth surge. Our goal is to achieve annual turnover of around 3 m EUR with a positive earnings contribution.

For the Cardio/Stroke product segment, we similarly anticipate a significant expansion of turnover. It is green light go go go. With SRAclinic, we are currently providing stroke centres with a unique product for diagnosing atrial fibrillation. Thanks to strong clinical data and our cooperation partner Dräger, we should be in a position to integrate the apoplex product solution internationally in the medium term into the patient monitoring system already established.

For Geratherm, 2013 will be a year in which the results of the transition process which has already been underway for some years bear fruit. For 2013 and 2014, we are counting on minimum sales growth in the high single-digit percentage range while retaining the balance sheet structure and quality and a comparable financial situation, the outlook for the development of the global economy and the medical technology industry should be as forecast. On this assumption, we anticipate improved earnings in both years in question in the moderate double-digit percentage range.

However, we would like to point out that the actual results can deviate significantly from the 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 initial two business months of 2013 have proceeded in line with details concerning the estimated development of the company. The turnover and earnings performance are in line with our expectations. No major events have occurred in the opinion of the board in the initial weeks of fiscal year 2013.

Geschwenda, 22 March 2013



Dr. Gert Frank
Chairman



Thomas Robst
Board member for sales

CONSOLIDATED FINANCIAL STATEMENT

Consolidated balance sheet	50
Consolidated profit and loss statement	52
Consolidated cash flow statement	53
Consolidated statement of changes in equity	54
Consolidated statement of comprehensive income	56
Consolidated notes	57
Balance sheet oath	92
Auditors' report	93

CONSOLIDATED BALANCE SHEET

in accordance with IFRS as of 31 December 2012

ASSETS	Annex No.	31.12.2012 EUR	31.12.2011 EUR	Change in %
A. NON-CURRENT ASSETS				
I. Intangible assets	1.			
1. Development costs		254,051	427,043	-40.5
2. Other intangible assets		202,041	26,342	>100.0
3. Goodwill		75,750	75,750	0.0
		531,842	529,135	0.5
II. Tangible assets	2.			
1. Land and buildings		1,217,897	1,051,726	15.8
2. Plant and machinery		2,033,047	1,719,117	18.3
3. Other plants, operating and office equipment		208,557	249,529	-16.4
4. Assets under construction		302,799	691,035	-56.2
		3,762,300	3,711,407	1.4
III. Other assets	3.	50,004	0	-
IV. Deferred taxes	4.	1,230,609	1,502,384	-18.1
		5,574,755	5,742,926	-2.9
B. CURRENT ASSETS				
I. Inventories	5.			
1. Raw, auxiliary and operating materials		1,236,130	1,473,887	-16.1
2. Unfinished products		1,497,963	1,364,390	9.8
3. Finished products and goods		2,725,996	3,124,793	-12.8
		5,460,089	5,963,070	-8.4
II. Receivables and other assets				
1. Trade accounts receivable	6.	3,205,877	2,890,938	10.9
2. Tax claims	7.	232,540	98,069	>100.0
3. Other assets	8.	383,334	354,226	8.2
		3,821,751	3,343,233	14.3
III. Securities	9.	3,718,382	5,309,329	-30.0
IV. Means of payment	10.	8,809,871	4,224,480	>100.0
		21,810,093	18,840,112	15.8
		27,384,848	24,583,038	11.4

[illegible]

CONSOLIDATED PROFIT AND LOSS STATEMENT

in accordance with IFRS for the period from 1 January to 31 December 2012

	Annex No,	01.01.–31.12.12 EUR	01.01.–31.12.11 EUR	Change EUR	Change in %
Sales revenue	22.	15,969,520	17,128,750	-1,159,230	-6.8
Change in stocks of finished and unfinished goods		-213,184	1,373,813	-1,586,997	-
Other own work capitalised		17,546	0	17,546	-
Other operating income	23.	404,756	478,548	-73,792	-15.4
		16,178,638	18,981,111	-2,802,473	-14.8
Material costs	24.				
Costs for consumables, supplies and goods and for specific products		-6,514,112	-7,598,163	1,084,051	-14.3
Cost of purchased services		-466,171	-342,430	-123,741	36.1
		-6,980,283	-7,940,593	960,310	-12.1
Gross profit		9,198,355	11,040,518	-1,842,163	-16.7
Personnel expense	25.				
Wages and salaries		-2,850,221	-3,423,739	573,518	-16.8
Social contributions and expenditures for pensions		-686,608	-732,681	46,073	-6.3
		-3,536,829	-4,156,420	619,591	-14.9
Depreciation of intangible assets and tangible fixed assets	26.	-757,196	-679,392	-77,804	11.5
Other operating expenditure	27.	-3,947,382	-4,484,687	537,305	-12.0
Operating result		956,948	1,720,019	-763,071	-44.4
Income from dividends		121,626	119,728	1,898	1.6
Income from sale of securities		919,247	2,177,354	-1,258,107	-57.8
Depreciation of securities		-395,985	-2,099,343	1,703,358	-81.1
Expenses from securities		-21,970	-37,609	15,639	-41.6
Other interest and related income		22,343	45,108	-22,765	-50.5
Interest and similar expenses		-154,313	-79,260	-75,053	94.7
Financial result	28.	490,948	125,978	364,970	>100.0
Result of normal business activity		1,447,896	1,845,997	-398,101	-21.6
Taxes on income and profit	29.	-296,641	-750,882	454,241	-60.5
Consolidated net profit		1,151,255	1,095,115	56,140	5.1
Profit of non-controlling shareholders		-42,935	-355,565	312,630	-87.9
Profit of parent company shareholders		1,194,190	1,450,680	-256,490	-17.7
Undiluted earnings per share	30.	0.24	0.29	-0.05	-17.2
Diluted earnings per share	30.	0.24	0.29	-0.05	-17.2
Gross income (EBITDA)		1,714,144	2,399,411	-685,267	-28.6

CONSOLIDATED CASH FLOW STATEMENT

for the financial year of 1 January to 31 December 2012 (IFRS)

	Annex No.	01.01.– 31.12.12 TEUR	01.01.– 31.12.11 TEUR
Consolidated net profit		1,151	1,095
Other non-cash expenses		-18	-55
Dividend income	28.	-122	-120
Interest income	28.	-22	-45
Interest paid		154	79
Decrease in deferred taxes		272	589
Expenditure from income taxes		25	162
Depreciation on fixed assets		757	679
Income from the sale of securities	28.	-919	-2,177
Depreciation of securities		395	2,099
Amortisation of allowances and subsidies	16.	-94	-77
Losses on disposal of fixed assets		5	0
Gross cash flow	32.	1,584	2,229
Decrease/increase in inventories		503	-1,164
Increase/decrease in trade receivables and other assets		-484	546
Increase/decrease in current and other liabilities		195	-324
Cash from dividends		122	120
Inflow from interest		22	45
Outflow from interest		-154	-79
Outflow of taxes on income and earnings		-183	-310
Cash flow from operations	33.	1,605	1,063
Outflow for investment in fixed assets		-816	-935
Inflow from funds for investments		122	175
Payments from financial investments	9.	3,244	3,200
Cash for financial investment	9.	-942	-3,026
Cash flow from investment	34.	1,608	-586
Incoming payments from capital increase		39	96
Cash inflow from non-controlling shareholders		32	127
Distribution of profits to non-controlling shareholders		0	-38
Dividend distribution	13.	-1,485	-1,980
Proceeds from the repayment of loans	15.	3,200	336
Outflows for the repayment of loans	15.	-400	-400
Increase/decrease in fixed liabilities		-13	87
Cash flow from financing activity	35.	1,373	-1,772
Change in available cash resources		4,586	-1,295
Cash at the beginning of the period under review		4,224	5,519
Cash at the end of the period under review		8,810	4,224

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) as of 31 December 2012

	Subscribed capital 11. EUR	Capital reserve 12. EUR
Status as of 1 January 2011	4,949,999	10,577,354
Increase in share capital of subsidiary apoplex medical technologies GmbH	0	95,520
Dividend payment to shareholders	0	0
Transactions with associates and shareholders	0	95,520
Consolidated net profit	0	0
Unrealised gains and losses from the fair valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
Status as of 31 December 2011	4,949,999	10,672,874
Status as of 1 January 2012	4,949,999	10,672,874
Increase in share capital of subsidiary apoplex medical technologies GmbH	0	38,803
Dividend payment to shareholders	0	0
Transactions with associates and shareholders	0	38,803
Consolidated net profit	0	0
Unrealised gains and losses from the fair valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
Status as of 31 December 2012	4,949,999	10,711,677

Reserves for contingencies			Attributable to shareholders of the parent company	Non-controlling interests	Equity
Market valuation reserve	Translation reserve 13.	Cumulative gains			
EUR	EUR	EUR		14. EUR	EUR
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
-92,385	27,232	3,500,315	19,058,035	-393,150	18,664,885
0	0	0	38,803	32,197	71,000
0	0	-1,485,000	-1,485,000	0	-1,485,000
0	0	-1,485,000	-1,446,197	32,197	-1,414,000
0	0	1,194,190	1,194,190	-42,935	1,151,255
237,301	0	0	237,301	0	237,301
0	-9,264	0	-9,264	-8,902	-18,166
237,301	-9,264	1,194,190	1,422,227	-51,837	1,370,390
144,916	17,968	3,209,505	19,034,065	-412,790	18,621,275

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in accordance with IFRS, for the period from 1 January to 31 December 2012

	01.01.–31.12.2012	01.01.–31.12.2011
	EUR	EUR
Profits of parent company shareholders	1,194,190	1,450,680
Profit of non-controlling shareholders	-42,935	-355,565
Consolidated net profit	1,151,255	1,095,115
Gains or losses on revaluation of securities	237,301	-1,096,983
Currency translation adjustment item	-18,166	-55,125
Income and expenses recognised directly in equity	219,135	-1,152,108
Total group income	1,370,390	-56,993
Of which for non-controlling shareholders	-51,837	-382,576
Of which for parent company shareholders	1,422,227	325,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR FISCAL YEAR 2012

APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statement of Geratherm Medical AG was drawn up for 2012 in accordance with the International Financial Reporting standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as applicable on the reporting date and as considered mandatory in the European Union.

The following standards and amendments to existing standards and interpretations will have binding applicability for the first time from 2012 and have no material impact on 2012:

Standard/ Interpre- tation	Title of standards/interpretation or amendments	Initial application ¹	Impact on Geratherm
<i>IAS 8.28</i>			
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	1.7.2011	Only relevant to the transfer of financial assets; no transfer made in fiscal year

The option of prematurely applying the following standards adopted by the International Accounting Standards Board but not yet mandatory was not exercised:

Standard/Interpretation	Title of standards/interpretation or amendments	Initial application ²
<i>IAS 8.30, EU endorsement already confirmed</i>		
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	1.7.2012
IAS 12	Amendment Deferred Tax: Recovery of Underlying Asset	1.1.2013
IAS 19 (rev. 2011)	Employee Benefits	1.1.2013
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1.1.2013
IFRS 13	Fair Value Measurement	1.1.2013
Amendments to IAS 27	Separate Financial Statements	1.1.2014
Amendments to IAS 28	Investments in Associates and Joint Ventures	1.1.2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1.1.2014
IFRS 10	Consolidated Financial Statements	1.1.2014
IFRS 11	Joint Arrangements	1.1.2014
IFRS 12	Disclosure of Interests in Other Entities	1.1.2014
IFRS 12	Disclosure of Interests in Other Entities	1.1.2013

¹ Fiscal years, beginning on or after the specified date.

² Fiscal years, beginning on or after the specified date.

Standard/Interpretation	Titel des Standards/der Interpretation bzw. des Amendments (englisch/deutsch)	Erstmalige Anwendung ²
<i>IAS 8.30, EU endorsement remains pending (Version: 11 February 2013)</i>		
IFRS (2011)	Improvements to IFRS	1.1.2013
IFRS 10, 11, 12	Amendments Transition Guidance	1.1.2014
IFRS 10, 11, 12	Amendments Investment Entities	1.1.2014
IFRS 9	Financial Instruments	1.1.2015
IFRS 9, IFRS 7	Amendment Mandatory Effective Date and Transition Disclosures	1.1.2015

No detailed analysis of the effects of the above standards has yet been performed. However, we do not anticipate that the above standards will have any significant impact on the future consolidated financial statements of Geratherm Medical AG.

LAYOUT AND PREPARATION OF THE FINANCIAL STATEMENT

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

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

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

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

The Executive Committee of Geratherm Medical AG has released the consolidated financial statements based on IFRS on 22 March 2013 for presentation to the supervisory board. The supervisory board must check the consolidated financial statement and declare whether it approves the consolidated financial statement.

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 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 Executive Committee and vital data as well as investments in the health care sector” in accordance with Art. 2 of its Articles of Association.

CONSOLIDATION PRINCIPLES

The principles of the IAS 27 and IFRS 3 standards 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 attributed to the non-controlling interest even if that is due a deficit balance.

² Fiscal years, beginning on or after the specified date.

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

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

MINORITY INTERESTS

For each business combination, the group has decided on assessment of any non-controlling interests in the acquired entity – either

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

Amendments to ownership interests in a subsidiary that do not result in a loss of control, shall be accounted for as transactions with owners, acting in their capacity as owners. Adjustments of the non-controlling interests are based on the prorata amount of the net assets of the subsidiary. The goodwill is not adjusted and no profit or loss will be recorded in the Profit or Loss sections.

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 reporting date of the annual financial statement of these companies corresponds to the consolidated reporting date. The following share quotas apply in detail:

Company	Percentage of shares held 2012	Percentage of shares held 2011
GME Rechte und Beteiligungen GmbH, Geschwenda / Germany	100.00 %	100.00 %
apoplex medical technologies GmbH, Pirmasens / Germany	59.11 %	59.70 %
Geratherm Respiratory GmbH, Bad Kissingen / Germany	61.27 %	61.27 %
Geratherm Medical do Brasil Ltda., Sao Paulo / Brazil	51.00 %	51.00 %

On 18.09.2012, in accordance with the shareholders' resolution of 04.10.2011, the share capital of apoplex medical technologies GmbH was increased in relation to the business interest newly established in 2011 in the minority shareholder area by an additional 6,000 EUR to 606,000 EUR. The percentage of shares held by Geratherm Medical is 59.11 % (p.y. 59.70%).

The share capital of apoplex is fully paid. The entry into the companies' register was made on 05.10.2012.

Shareholdings are accounted for under Financial Assets in accordance with IAS 39 at the fair value, since they did not entail any significant influence or the shareholding is of secondary importance for the consolidated financial statement. If no reliable fair value can be determined, they will be recognised based on the acquisition cost.

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 other comprehensive income.

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. When converting the financial statements of Geratherm do Brasil into local currency, a closing rate of 2.6949 BRL/EUR and an average rate of 2.5272 BRL/EUR were taken as the basis. The monetary items (cash, receivables and liabilities) contained in the balance sheets of individual financial statements are valued at the exchange rate prevailing on the reporting date. The foreign currency translation differences are entered with effect on the income.

PRINCIPLES OF ACCOUNTING AND VALUATION

All accounting and valuation methods were applied uniformly.

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

INTANGIBLE ASSETS

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

The goodwill is not written off according to schedule. An impairment test is to be conducted annually or additionally to determine recoverability, if there are new events or changed circumstances which would indicate that a decrease in value could have occurred. As part of the impairment tests, the attainable amount is compared to book value for the unit generating cash or cash equivalents to which the goodwill is to be as-signed. A cash-flow procedure is used to determine the recoverable amount based on the calculated value in use, which is based on current planning. This planning includes detailed planning for the first years. For the subsequent planning phase, cash-flows were extrapolated unchanged with a growth rate of 1.5 %. This growth rate was clearly less than that of 2012 and the forecast 2013 industry growth rate of 4 %. The forecast cash flows are discounted with a pre-tax discount rate amounting to 13.12 % (p.y. 16.75 %). The lowering of the discount rate was due to a reduced risk premium following a reassessment compared to the previous year, since the cash-generating unit dis-tributes established products. No evidence emerged during this procedure which would require a decline in value.

The development costs are capitalised in accordance with IAS 38 as intangible assets activated with future development costs and/or nn:

- It remains technically feasible to use or sell the intangible asset;
- Geratherm has both the intent and the ability to complete the intangible asset and to use or sell the same;
- Evidence has been shown that the intangible asset will probably generate future economic benefits, or, if it is to be used internally, will generate a corresponding benefit;

- Adequate technical, financial and other resources are available, that the intangible asset is entirely developed and can be subsequently used or sold; and
- The costs attributable to the intangible asset can be reliably assessed during its development.

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

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

The writing-off is performed linearly over the estimated useful life of between 4 and 15 years.

Where the previous estimates concerning future cash inflows need updating, the Executive Committee checks for the existence of a “triggering event”, particularly in the cardio/stroke and respiratory product fields, which remain in the start-up phase. If such event is present, an impairment test is performed for the respective development. This involves determining the recoverable amount based on the calculated value in use using a cash-flow forecast, based on current planning and making reference to the best Executive Committee estimate of future development. Here, the planning includes detailed planning for the first 4 or 5 years. For the subsequent planning phase, the cash flows were updated on an unchanged basis without growth rate. The forecast cash flows are subject to a pre-tax discount rate. The pre-tax discount rates applied were within the range 23.2 % and 25.1 % (p.y. 18.0 % and 19.5 %). The increase in the discount rate was due to an increase in the market risk premium and a separate risk supplement, to take account of the individual risks exclusively in the discount rate. The estimate of individual aggregate risks, which are reflected in cash-flow planning and the discount rate, remained almost unchanged. There were no indications in the fiscal year of any factor requiring a decline in value.

TANGIBLE ASSETS

The acquisition cost model was selected in accordance with IAS 16.30 for the accounting and valuation of tangible assets. All tangible assets such as buildings, technical equipment and machines as well as other equipment, factory and office equipment, are valued at historical costs and manufacturing costs and decreased by regular depreciation. The acquisition and manufacturing costs also include borrowing costs for long-term construction projects, provided the criteria for entry in accordance with IAS 23 are met.

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 acquisition 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. Where a decline in value was determined, this was shown in depreciation.

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 directly in the market valuation reserve into account until then are reported in the income statement of the current period. Revenue resulting from interests and dividends from these securities is entered in the income statement. A long-term decline in value is determined when as of the reporting date, the fair value has declined more than 20 % under the acquisition costs or on the reporting date, a decline in the fair value has occurred over a period of nine months. This parameter was audited for fiscal year 2012 and adjusted to the specified percentages or periods.

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

Where declines in value of inventories are determined, these are entered as material costs in the current period. Where amortisation and depreciations on inventories occur, these are recognised as impairments of material costs during the period in which the amortisation and depreciation reversal occurs.

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.

INTEREST PAID AND EARNED

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

ESTIMATES AND ASSUMPTIONS

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. For instance, the statements on economic useful life for long-term assets are based on estimates and assumptions. In addition, the assessment of recoverability of deferred taxation allocated to the losses carried forward, is based on the long-term decline in value from the fair valuation of assets available for sale (securities) amounting to p.y. and the impairment test for 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 audited and evaluated with regard to possible impact on accounting.

For available-for-sale assets (securities) the parameters used to estimate or determine a long-term decline in value were audited and adjusted prospectively in accordance with IAS 8.32 (c) in fiscal year 2012 as follows. A long-term decline in value is determined when the fair value as of the reporting date has declined by more than 20 % (p.y. 50 %) under the acquisition costs or as of the reporting date, a decline in the fair value has existed for a period of 9 months (p.y. period of 9 months up to preparation of the consolidated financial statement). Changing these parameters is due a long-term decline in value. This is taken into consideration by reclassification of TEUR 187 from the market valuation reserve in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

ASSETS

1. INTANGIBLE ASSETS

As of 31.12.2012 intangible assets totalling 532 TEUR (p.y. 529 TEUR) are reported.
The development of the intangible assets is shown in the following table:

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Acquisition and manufacturing costs in EUR				
01.01.2011	1,962,170	155,010	90,000	2,207,180
Additions	0	3,810	0	3,810
Disposals	0	0	0	0
Rebookings	0	0	0	0
31.12.2011	1,962,170	158,820	90,000	2,210,990
01.01.2012	1,962,170	158,820	90,000	2,210,990
Additions	57,442	168,219	0	225,661
Disposals	0	0	0	0
Rebookings	0	24,982	0	24,982
31.12.2012	2,019,612	352,021	90,000	2,461,633
Amortisation and depreciation in EUR				
01.01.2011	1,294,346	115,915	14,250	1,424,511
Additions	240,782	16,563	0	257,345
Disposals	0	0	0	0
31.12.2011	1,535,128	132,478	14,250	1,681,856
01.01.2012	1,535,128	132,478	14,250	1,681,856
Additions	230,433	17,502	0	247,935
Disposals	0	0	0	0
31.12.2012	1,765,561	149,980	14,250	1,929,791
Book values in EUR				
01.01.2011	667,824	39,095	75,750	782,669
31.12.2011	427,043	26,342	75,750	529,135
01.01.2012	427,042	26,342	75,750	529,134
31.12.2012	254,051	202,041	75,750	531,842

The development costs for intangible assets created internally during the 2012 fiscal year were capitalised amounting to 57 TEUR (p.y. 0 TEUR). Non-capitalisable research and development costs were posted as expenses amounting to 239 TEUR (p.y. 352 TEUR).

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

For the cash-generating unit, an impairment test is performed once each year, to determine the need for any decline in value. The basis taken for this impairment test is the expected cash flows of the smallest cash-generating unit over a planning horizon of 2013 to 2015. Here, a perpetual annuity is assumed, the amount of which is derived from the last year of the planning horizon. The medical warming systems subsegment was identified as the smallest unit for generating cash. In addition to goodwill of 76 TEUR (p.y. 76 TEUR), it had an additional net worth at a book value of 119 TEUR as of the reporting day. The recoverable amount, to be compared to the cash-generating unit as part of the impairment test, is determined by the value in use. To determine the value in use, the cash flows derived from the planning were discounted by a risk-adjusted, market interest rate amounting to 13.12 % pre-tax. Indications of a decline in value did not emerge and were therefore not required. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. An interest rate shift of +1 % resulted in a change in cash value of minus 6 TEUR. A sustained decline in sales revenue during the planning period of 15 % would lead to the full write-down of the goodwill amounting to 76 TEUR.

2. TANGIBLE ASSETS

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

Tangible assets	Land and buildings	Plant and machinery	Other assets, plant and office equipment	Assets under construction	Total
Acquisition and manufacturing costs in EUR					
01.01.2011	2,244,407	4,816,292	611,338	571,162	8,243,199
Additions	0	361,281	74,499	495,675	931,455
Disposals	0	1,333	12,196	0	13,529
Rebookings	0	375,802	0	-375,802	0
31.12.2011	2,244,407	5,552,042	673,641	691,035	9,161,125
01.01.2012	2,244,407	5,552,042	673,641	691,035	9,161,125
Additions	11,484	369,279	40,404	168,971	590,138
Disposals	0	3,024	15,290	0	18,314
Rebookings	220,000	312,225	0	-557,207	-24,982
31.12.2012	2,475,891	6,230,522	698,755	302,799	9,707,967
Amortisation and depreciation in EUR					
01.01.2011	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
31.12.2011	1,192,681	3,832,925	424,112	0	5,449,718
01.01.2012	1,192,681	3,832,925	424,112	0	5,449,718
Additions	65,313	367,574	76,374	0	509,261
Disposals	0	3,024	10,288	0	13,312
31.12.2012	1,257,994	4,197,475	490,198	0	5,945,667
Book values in EUR					
01.01.2011	1,125,303	1,249,095	256,563	571,162	3,202,123
31.12.2011	1,051,726	1,719,117	249,529	691,035	3,711,407
01.01.2012	1,051,726	1,719,117	249,529	691,035	3,711,407
31.12.2012	1,217,897	2,033,047	208,557	302,799	3,762,300

The additions in the area of tangible assets mainly concern the acquisition of additional machines and assets to expand the production of Gallium thermometers.

Declines in value of assets were not required.

3. OTHER ASSETS

In fiscal year 2012 Geratherm Medical AG purchased a shareholding of 6.8 % in the alphablom AG company based in Berlin amounting to 50 TEUR.

4. DEFERRED TAXES

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

	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities	Deferred tax balance	Deferred tax balance
	EUR	EUR	EUR	EUR	EUR	EUR
Capitalised development costs/patents	127,983	228,241	73,253	123,974	54,730	104,267
Goodwill	0	0	12,142	10,458	-12,142	-10,458
Losses carried forward	1,188,021	1,408,575	0	0	1,188,021	1,408,575
Total	1,316,004	1,636,816	85,395	134,432	1,230,609	1,502,384

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	01.01.2012	Change with effect on income	Change without effect on income	31.12.2012
	EUR	EUR	EUR	EUR
Capitalised development costs/patents	104,267	-49,537	0	54,730
Goodwill	-10,458	-1,684	0	-12,142
Losses carried forward	1,408,575	-220,554	0	1,188,021
Total	1,502,384	-271,775	0	1,230,609

Change in the balance of deferred taxes	01.01.2011	Change with effect on income	Change without effect on income	31.12.2011
	EUR	EUR	EUR	EUR
Capitalised development costs/patents	128,998	-24,731	0	104,267
Goodwill	-8,773	-1,685	0	-10,458
Losses carried forward	1,971,271	-562,696	0	1,408,575
Total	2,091,496	-589,112	0	1,502,384

An income tax rate of between 28.08 % and 29.83 % (p.y. between 28.08 % and 29.83 %) was established as the 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, where

the loss carried forward of Geratherm Medical AG can presumably be implemented over the next 4 years in accordance with the current planning. Since the subsidiaries included in the consolidated financial statement are still partially in the development phase 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 TAX ALLOCATION ON THE ASSETS SIDE FOR THE TAX LOSS CARRIED FORWARD

	2012 TEUR	2011 TEUR
Tax loss carried forward as of 31.12.	6,727	8,428
Valued	5,019	6,791
Deferred taxation	1,188	1,409

5. INVENTORIES

	31.12.2012 EUR	31.12.2011 EUR
Raw materials and consumables	1,236,130	1,473,887
Unfinished goods	1,497,963	1,364,390
Finished goods	1,106,445	1,434,117
Goods	1,619,551	1,690,676
Total	5,460,089	5,963,070

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

The unfinished goods as of 31.12.2012 primarily include clinical thermometers in various stages of production.

The finished goods item mainly include thermometers and warming systems as of 31.12. 2012. The goods essentially include digital thermometers and blood pressure meters that are earmarked for sales and produced for contracts.

6. TRADE RECEIVABLES

The trade receivables are structured as follows:

	31.12.2012 EUR	31.12.2011 EUR
Gross sum of trade receivables	3,227,391	2,918,669
Devaluations	-21,514	-27,731
Total	3,205,877	2,890,938

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

7. TAX RECEIVABLES

The tax receivables essentially comprise the reclaim of paid withholding tax on specific interest income plus solidarity surcharge amounting to 89 TEUR (p.y. 68 TEUR) and taxes on income and profit amounting to 143 TEUR (p.y. 30 TEUR).

8. OTHER ASSETS

The other assets essentially relate to the receivables from advances paid (151 TEUR; p.y. 100 TEUR) and receivables from investment subsidies and grants (125 TEUR; p.y. 123 TEUR).

9. SECURITIES

The securities holdings are structured as follows:

2012	Number/ Nominal	Book value as of 31.12. EUR	Rate as of 31.12. EUR
Epigenomics AG	95,778	170,693	1.78
Agfa-Gevaert N.V.	700,000	917,000	1.31
Cardionet Inc.	100,000	159,489	1.59
Eckert & Ziegler Strahlen- und Med. AG	50,000	1,183,500	23.67
Celesio AG	50,000	645,000	12.90
Rhön-Klinikum AG	30,000	455,700	15.19
FDR Acquisition Rights (Adolor)	460,000	187,000	0.41
Total		3,718,382	
2011	Number/ Nominal	Book value as of 31.12. EUR	Rates of 31.12. 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

2011	Stück/Nominal	Buchwert zum 31.12. EUR	Kurs zum 31.12. EUR
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
Total		5,309,329	

In fiscal year 2012, the level of securities was increased by means of acquisitions amounting to 893 TEUR (p.y. 3,026 TEUR). The level also decreased by means of sales amounting to 3,244 TEUR (p.y. 3,200 TEUR). As a result, it was possible to realise a profit contribution of 919 TEUR (p.y. 2,177 TEUR).

The held securities as of the reporting date were audited in accordance with IAS 39.58 and IAS 39.61 for any possible significant decrease in value that may persist for an extended period of time. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The decision over what "significant" or "prolonged" means is discretionary. As part of this decision, among other factors, the Executive Committee evaluates the previous price fluctuations, the duration and scope, in which the fair value of an investment remained under its acquisition cost. A long-term decline in value is thus deemed to occur when the fair value as of the reporting date has declined more than 20 % under the acquisition cost is or as of the reporting date, a decline in the fair value over a period of nine months up to is confirmed on the consolidated financial statement.

On the basis of these criteria, a decline in value totalling 396 TEUR (p.y. 2,099 TEUR) was included in the income statement in accordance with IAS 39.67.

As of the reporting date 31.12.2012, the market valuation reserve increased due to securities sales and price changes compared to the previous year of minus 92 TEUR to 145 TEUR.

10. CASH AND CASH EQUIVALENTS

	31.12.2012 TEUR	31.12.2011 TEUR
Cash on hand	7	6
Credit balances with banks	8,803	4,218
Cash and cash equivalents	8,810	4,224

The credit balances with banks amount to 8,771 TEUR (p.y. 4,090 TEUR) invested at the prevailing market rates and available on a daily basis.

LIABILITIES

EQUITY

The change in equity is specified in the consolidated statement of changes in equity.

11. SUBSCRIBED CAPITAL

The subscribed capital of Geratherm Medical AG amounted to a total of 4,949,999 EUR as of 31.12.2012 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 2012 fiscal year.

AUTHORISED CAPITAL

The Executive Committee was authorised to increase the capital stock of the company by a total of up to EUR 2,474,999 subject to the approval of the Supervisory Board, by issuing a maximum of 2,474,999 new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions by 5 June 2016.

PURCHASE OF OWN SHARES

The Executive Committee was authorised on 7 June 2010 to purchase own shares up to a portion of the capital stock, not exceeding 10%, by 6 June 2015. The purchase price paid by the company may not be more than 10% above or below the arithmetic mean of the closing price determined for the company's share by the Frankfurt Stock Exchange (FWB) during the last 30 trading days prior to acquisition. The Executive Committee may, on the basis of an authorisation in accordance with § 71 para. 1 No. 8 Stock Corporation Act to call in own shares of the company that were purchased based on this authorisation with the principle of equal treatment (§ 53a Stock Corporation Act) for purposes other than trading in its own shares. The sale of the own shares acquired may be effected on the stock exchange. Subscription rights of shareholders are excluded.

The Executive Committee is authorised to call in own shares of the company that were purchased based on this authorisation without having the general meeting convene to pass another resolution for the performance of this liquidation.

The Executive Committee is authorised up to 6 June 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. Authorisation is limited to the purchase of a portion of the capital stock, which may not exceed 10%. The authorisation may be exercised in full or in part.

12. CAPITAL RESERVES

The capital reserves show the amount that was realised, exceeding the nominal amount, with the issuance of the shares. With regard to the parent company and in accordance with German company law rules, access is limited.

The increase in the capital reserve boosts capital with payment of a premium for the subsidiary apoplex medical technologies GmbH. For this transaction, with non-controlling shareholders, a payment for the shares plus a premium was paid by non-controlling shareholders amounting to 71 TEUR. Of this total, 39 TEUR was accountable to Geratherm and 32 TEUR to non-controlling shareholders.

13. OTHER RESERVES

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

MARKET VALUATION RESERVE

The change in price of the securities adjusted by the valuation allowances entered with effect on the income was reported in the market valuation reserve item shown in the equity capital as of the reporting date in accordance with the provisions of IAS 39. As of 31 December 2012 the market valuation reserve amounted to 145 TEUR (p.y. -92 TEUR).

CURRENCY CONVERSION RESERVE

The currency conversion reserve amounting to 18 TEUR (p.y. 27 TEUR) 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 (3,500 TEUR; p.y. 4,030 TEUR), the current net income of the shareholders of the parent company for the year (1,194 TEUR; p.y. 1,451 TEUR) less the distributed dividend (1,485 TEUR; p.y. 1,980 TEUR).

At the General Meeting in June 2013, the Executive Committee and supervisory board will propose a dividend of 0.20 EUR per share for fiscal year 2012.

The dividend will be paid in full from the tax-recognised contribution account as defined by § 27 Corporation Tax Act (not contributions to nominal capital), hence payment will be made without the deduction of capital gains tax or the solidarity surcharge. For domestic shareholders, this means the dividend is generally tax-free.

14. MINORITY INTERESTS

	Total TEUR
Minority interests as of 01.01.2012	-393
Capital increase by apoplex medical technologies GmbH	32
Currency translation in group	-9
Dividend pay-out by Geratherm do Brasil	0
Result allotted to minorities	-43
Minority interests as of 31.12.2012	-413

15. LONG-TERM LIABILITIES TO BANKS

Geratherm Medical AG took out a loan on 04./11.09.2009 amounting to 2,000 TEUR as refinancing funds for the promotional program "GuW Plus - Financing for Business Startups and Growth" of Thuringia Development Bank (TAB), which is guaranteed by Commerzbank AG. The loan is subject to interest at 1.45 % p. a.. The interest rate was agreed for the entire term up to 30.09.2015. The quarterly redemption instalment amounts to 100 TEUR, which first became due on 30.12.2010. To take out the loan, a supplementary agreement was made on 18./22.09.2009 with Commerzbank AG, which includes the chattel mortgage of the entire goods stock of Geratherm Medical AG in Geschwenda.

On 22.11.2012, Geratherm Medical AG concluded an additional loan agreement for entrepreneur credit from the Reconstruction Credit Institution amounting to 3,000 TEUR, which was also guaranteed by Commerzbank AG. The loan is subject to interest over the entire term up to 30.12.2017 of 1.40 %. The quarterly redemption instalment amounts to 187.5 TEUR with effect from 31.03.2014. As of 05.12.2012, the loan had been 100 % disbursed.

The loan agreement must include specific key financial figures "Equity ratio" and "Net indebtedness". As of the reporting date, these key financial figures had been included.

Accordingly, part of the loan amounting to 400 TEUR has a remaining term of up to a year and the amount up to 3,700 TEUR has a remaining term ranging from two to five years.

16. ACCRUED INVESTMENT SUBSIDIES

The items reported in the balance sheet amount to 795 TEUR (p.y. 783 TEUR) and contain all or 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.

The granting of investment subsidies and grants is subject to the suspensive condition, that the tangible assets they are used to acquire remain as company assets or used in the development area within the period of validity.

17. OTHER LONG-TERM LIABILITIES

In the group, the liabilities from the loans from the minority shareholders of apoplex medical technologies GmbH amounting to 477 TEUR (p.y. 477 TEUR) and Geratherm Respiratory GmbH amounting to 119 TEUR (p.y. 119 TEUR) are reported. The loans have a term exceeding one year.

18. SHORT-TERM LIABILITIES TO BANKS

As of the reporting date, the group had short-term liabilities to banks amounting to 1,664 TEUR (p.y. 1,463 TEUR). Of this, 400 TEUR was reclassification from the loan of Geratherm, the availment of open credit lines by our subsidiaries Geratherm Respiratory GmbH amounting to 125 TEUR (p.y. 127 TEUR) and apoplex medical technologies GmbH amounting to 92 TEUR (p.y. 0 TEUR) and a short-term loan of Geratherm do Brasil amounting to 1,047 TEUR (p.y. 936 TEUR).

19. 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.

20. TAX LIABILITIES

The tax liabilities shown here relate to liabilities from income taxes of 23 TEUR (p.y. 65 TEUR), wages of 30 TEUR (p.y. 37 TEUR) and value-added taxes 56 TEUR (p.y. 34 TEUR).

21. OTHER LIABILITIES

	31.12.2012 TEUR	31.12.2011 TEUR
Accrued liabilities	437	363
Other liabilities	219	290
Other liabilities	656	653

ACCRUED LIABILITIES

The accrued liabilities are structured as follows:

	31.12.2011 TEUR	Verbrauch TEUR	Auflösung TEUR	Zuführung TEUR	31.12.2012 TEUR
Personnel-related	145	-142	0	160	163
Bonuses, commissions, credit items	77	-77	0	82	82
Outstanding invoices	71	-67	0	96	100
Others	70	-53	-1	76	92
Total	363	-339	-1	414	437

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 amounting to 108 TEUR (p.y. 192 TEUR) and liabilities from social security payments amounting to 16 TEUR (p.y. 32 TEUR).

All other liabilities shown here fall due within one year.

NOTES ON CONSOLIDATED PROFIT AND LOSS ACCOUNT

22. SALES REVENUE

Sales revenue by product areas:

	2012 TEUR	2011 TEUR	Change in %
Healthcare Diagnostic	13,153	15,076	-12.8
Respiratory	1,636	1,197	36.7
Medical warming systems	930	625	48.8
Cardio/Stroke	251	231	8.7
Total	15,970	17,129	-6.8

Sales revenue by regions:

	2012 TEUR	2011 TEUR	Change in %
Europa	6,210	8,675	-28.4
South America	4,559	3,592	26.9
Germany	2,070	2,297	-9.9
Middle East	1,206	762	58.1
USA	1,182	1,245	-5.2
Others	743	558	33.2
Total	15,970	17,129	-6.8

The item "Others" primarily contains sales in Asia exceeding 365 TEUR (p.y. 438 TEUR) and Africa of 378 TEUR (p.y. 120 TEUR).

23. OTHER OPERATING INCOME

The other operating income includes amortisation of capitalised grants and subsidies amounting to 94 TEUR (p.y. 77 TEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2012: 67 TEUR; p.y. 241 TEUR).

24. COST OF MATERIALS

The material costs mainly encompass raw materials and consumables, commodities, heating and energy costs and external services.

25. PERSONNEL EXPENSES

The personnel expenses in fiscal year 2012 totalled 3,537 TEUR (p.y. 4,156 TEUR). The accounts for this fiscal year included contributions of 232 TEUR (p.y. 283 TEUR) made by the employer to the statutory pension scheme. The statutory pension scheme is a contribution-oriented pension scheme as defined by IAS 19.

26. AMORTISATION AND DEPRECIATION

Amortisation and depreciation have increased mainly due to the planned investment in additional new machines and assets to produce Gallium clinical thermometers by 11.5 % to 757 TEUR (p.y. 679 TEUR).

27. OTHER OPERATING EXPENSES

Other operating expenses primarily comprise the costs for sales, advertising and marketing (1,733 TEUR; p.y. 1,952 TEUR) and administrative expenses (1,900 TEUR; p.y. 2,020 TEUR). The decrease in administrative expenses is mainly due to expenses on other third-party services (442 TEUR; p.y. 583 TEUR), legal and audit fees (275 TEUR; p.y. 389 TEUR) and expenses for studies (18 TEUR; p.y. 77 TEUR). The expenses from foreign currency translation in fiscal year 2012 declined to 238 TEUR (p.y. 319 TEUR).

28. GROUP FINANCIAL STATEMENT

The financial results are 491 TEUR (p.y. 126 TEUR) in the year under review. This includes dividend income (122 TEUR; p.y. 120 TEUR), gains from sales of securities (919 TEUR; p.y. 2,177 TEUR), losses from sales of securities due to long-term decline in value (396 TEUR; p.y. 2,099 TEUR), expenses occurring in connection with securities (22 TEUR; p.y. 38 TEUR), interest earned (22 TEUR; p.y. 45 TEUR) and interest paid (154 TEUR; p.y. 79 TEUR).

29. INCOME TAXES

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

	2012 TEUR	2011 TEUR
Current taxes	-25	-162
Deferred taxes	-272	-589
Income taxes according to IFRS	-297	-751

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

	2012 TEUR	2011 TEUR
Results before income taxes	1,448	1,846
Expected tax expenditure	-407	-518
Effects from valuation variances (change of permanent differences)	-2	-21
Effects due to tax-free income	191	78
Effects due to non-deductible expenses	-39	-22
Effects from changed valuation methods for losses carried forward	-65	-258
Other	25	-10
Income taxes according to IFRS	-297	-751

30. EARNINGS PER SHARE

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

	2012	2011
Results of the shareholders of the parent company (TEUR)	1,194	1,451
Weighted average number of outstanding shares (T shares)	4,950	4,950
Undiluted earnings per share (EUR)	0.24	0.29
Diluted earnings per share (EUR)	0.24	0.29

	2012 T shares	2011 T shares
Nominal capital in no-par shares	4,950	4,950
Weighted average number of own shares held by the	4,950	4,950

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

RELATIONSHIPS WITH RELATED PARTIES AND PERSONS

Relationships with related parties as defined by IAS 24 exist with GMF Capital GmbH, Hamburg (GMF). The GMF owns a shareholding of 52.78 % in Geratherm Medical AG. GMF shareholder and thus the ultimate controlling party as defined by IAS 24.13 is the executive chairman Dr. Frank. The services rendered in fiscal year 2012 by the executive chairman Dr. Frank expenses amounting to 92 TEUR (p.y. 104 TEUR) were recorded with respect to GMF. The amounts are appropriate and comprise the board remuneration for 2012 and bonus payments collectively.

As of the reporting date 31.12.2012 there were no outstanding accounts owed to or by GMF. An accrued liability vis-a-vis GMF amounting to 6 TEUR (p.y. 15 TEUR) was discontinued.

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

As of the reporting day, there were no receivables against any of the board members, as in the previous year.

In fiscal year 2012 there were no notices in accordance with § 21 para. 1 German Securities Trading Law.

OTHER FINANCIAL OBLIGATIONS

As of 31 December, 2012	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements TEUR	288	223	65	0
Other financial commitments from obligation to accept TEUR	240	240	0	0
Other financial commitments from obligation to accept TUSD	19	19	0	0

As of 31 December, 2011	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements TEUR	181	80	101	0
Other financial commitments from obligation to accept TEUR	763	756	7	0
Other financial commitments from obligation to accept TUSD	49	49	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 amount to 288 TEUR (p.y. 181 TEUR) for 2013 and the following years.

The other financial obligations mainly comprise balance payments for the investment commenced to expand the production capacity commencing in fiscal year 2012 and amounting to 101 TEUR and obligations to accept deliveries from framework agreements to secure the production of warming systems amounting to 139 TEUR for 2013 and the following years. Further obligations from existing investment already underway amounting to 19 TUSD.

AUDITOR FEES

In 2012, 51 TEUR (p.y. 47 TEUR) was entered as expenditure for audit services, 3 TEUR (p.y. 7 TEUR) for other assurance services, 5 TEUR (p.y. 0 TEUR) on other services and 6 TEUR (p.y. 4 TEUR) as expense for tax consultancy services.

31. SEGMENT INFORMATION

In the current financial statement, the operating segments are shown 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 segments of the group were identified:

HEALTHCARE DIAGNOSTIC

- Analogue and digital products to measure body temperature
- Blood pressure monitors
- Other products to measure temperature and accessories

MEDICAL WARMING SYSTEMS

- Products to maintain the body temperature in OP or rescue fields

CARDIO/STROKE

- Technological products for stroke prevention

RESPIRATORY

- Products pulmonary function diagnostics.

In the existing segment of information, the segment revenues, operating results (earnings before interest and taxes) and amortisation and depreciation based on the relevant tax parameters for Geratherm are shown. The specified values correspond to the internal reporting system. The effects of consolidation of income, expenses, assets and liabilities between the segments are eliminated. The consolidation mainly encompasses the Healthcare Diagnostic segment and is due to the development of internal revenues with our subsidiary in Brazil. The transition represents the income and expenses or the assets, which cannot be directly assigned to specific segments. The segments assets and segment liabilities do not come within the internal reporting scope. The values were directly assigned to the segments or distributed on the basis of turnover.

The segmentation by region was retained from the previous year and is geared to the sales markets of the group. The geographical information is specified for Germany, Europe, USA, South America and Other. Internal sales are reported in the revenue segment.

In the South America segment, the main turnover was with Brazil amounting to 4,490 TEUR (p.y. 3,569 TEUR) and in the Europe segment the main turnover was with Italy amounting to 3,028 TEUR (p.y. 5,009 TEUR).

The transition in the assets segment in the information segment by product areas consists of the following cash and cash equivalents and securities holdings of Geratherm Medical AG, which are not assigned to any segment. They are structured as follows:

	2012 TEUR	2011 TEUR
Financial assets of Geratherm Medical AG	50	0
Securities of Geratherm Medical AG	3,718	5,309
Cash and cash equivalents of Geratherm Medical AG	8,776	4,097
Total	12,544	9,406

CONSOLIDATED SEGMENT INFORMATION
FOR FISCAL YEAR FROM 1 JANUARY UP TO 31 DECEMBER, 2012

By product area	Healthcare Diagnostic	Respiratory	Medical warming systems	Cardio/Stroke	Consolidation	Transition	Total
2012	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Segment revenues	14,637	1,328	646	242	-884	1	15,970
Operating results	1,235	75	22	-165	-144	-66	957
of which: Writing-off of intangible assets and tangible assets	762	9	24	4	-137	95	757
Segment assets	11,714	776	957	162	0	12,545	26,154
Segment liabilities	7,635	280	222	627	0	0	8,764
For information only:							
Segment revenues	14,637	1,328	646	242	-884	1	15,970
Elimination of sales in group	-1,484	308	284	9	884	-1	0
Sales revenue to third parties	13,153	1,636	930	251	0	0	15,970

By product area	Healthcare Diagnostic	Respiratory	Medical warming systems	Cardio/Stroke	Consolidation	Transition	Total
2011	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Segment revenues	16,651	1,136	596	239	-1,493	0	17,129
Operating results	2,305	-41	20	-256	-239	-69	1,720
of which: Writing-off of intangible assets and tangible assets	673	11	31	4	-127	87	679
Segment assets	11,832	657	931	255	0	9,406	23,081
Segment liabilities	4,922	307	124	565	0	0	5,918
For information only:							
Segment revenues	16,651	1,136	596	239	-1,493	0	17,129
Elimination of sales in group and Transition	-1,575	61	29	-8	1,493	0	0
Sales revenue to third parties	15,076	1,197	625	231	0	0	17,129

CONSOLIDATED SEGMENT INFORMATION FOR FISCAL YEAR FROM 1 JANUARY UP TO 31 DECEMBER, 2012

By regions	Europe	South America	Germany	USA	Others	Total
2012	January to December	January to December	January to December	January to December	January to December	January to December
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Sales revenue	6,210	4,996	2,517	1,182	1,949	16,854
Elimination of sales in group	0	-437	-447	0	0	-884
Sales revenue to third parties	6,210	4,559	2,070	1,182	1,949	15,970
Gross profit	3,490	2,775	1,173	664	1,096	9,198
Operating results	308	390	103	59	97	957
of which: Write-down on intangible and tangible assets	393	34	132	75	123	757
Amortisation of allowances and grants	51	0	17	10	16	94
Acquisition costs of assets during the period	0	25	791	0	0	816
Segment assets	0	2,724	23,430	0	0	26,154

By regions	Europe	South America	Germany	USA	Others	Total
2011	January to December	January to December	January to December	January to December	January to December	January to December
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Sales revenue	8,675	4,645	2,737	1,245	1,320	18,622
Elimination of sales in group	0	-1,053	-440	0	0	-1,493
Sales revenue to third parties	8,675	3,592	2,297	1,245	1,320	17,129
Gross profit	5,863	1,893	1,552	841	892	11,041
Operating results	1,133	-48	300	163	172	1,720
of which: Write-down on intangible and tangible assets	415	31	110	60	63	679
Amortisation of allowances and grants	49	0	13	7	8	77
Acquisition costs of assets during the period	0	42	893	0	0	935
Segment assets	0	2,055	21,026	0	0	23,081

NOTES TO THE CASH FLOW STATEMENT

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

33. CASH FLOW FROM OPERATIONS

The cash flow before any change in commitment of funds amounting to 1,584 TEUR (p.y. 2,229 TEUR) 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 amounting to 1,605 TEUR (p.y. 1,063 TEUR).

The capital flow statement for 2012 includes in detail the payments received from interest (22 TEUR; p.y. 45 TEUR) and dividend income (122 TEUR; p.y. 120 TEUR) and outgoing payments from interests (154 TEUR; p.y. 79 TEUR) and income taxes (183 TEUR; p.y. 310 TEUR).

34. CASH FLOW FROM INVESTMENTS

The purchase of fixed assets, financial assets and intangible assets, including development costs, result in expenses amounting to 816 TEUR (p.y. 935 TEUR). Cash inflow and outflow based on financial assets are explained under Item 9 of these Notes.

35. CASH FLOW FROM FINANCING ACTIVITIES

The cash flow from financing activities mainly constitutes Inflows from the raising of a bank loan amounting to 3,200 TEUR (p.y. 336 TEUR) and cash outflow from dividend payments or distribution of profits amounting to 1,485 TEUR (p.y. 2,018 TEUR). Due to the materiality of the bank loans taken out, the cash flows from the repayment and amortisation of bank liabilities on a gross basis are reported, amounts for the previous year were adjusted.

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 of the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. The operative and strategic capital management is an integral part of the company's internal reporting system. The capital consists of issued shares, the capital reserve, and other reserves. The capital of the shareholders of the parent company as of the reporting day amounted to 19,034 TEUR (p.y. 19,058 TEUR), from which an equity quota based on the entire capital of the group of 69.5 % (p.y. 77.5 %) can be derived.

FINANCIAL INSTRUMENTS

a) Financial instruments in the balance sheet

The financial instruments used can be classified as follows:

Classification	Valuation method	Book value	Book value
		31.12.2012	31.12.2011
		TEUR	TEUR
I. Securities – “available-for-sale financial assets”		3,718	5,309
Securities – “available-for-sale financial assets”	Valuation not affecting net income (market value)	2,375	4,332
Securities – “available-for-sale financial assets”	Valuation adjustment with effect on the income at the current market value (market value)	1,343	977
II. Credits and accounts receivable	Amortised acquisition costs	4,663	2,433
1. Trade receivables		3,206	2,891
2. Tax receivables and other assets		616	452
3. Cash in hand and cash in banks		8,810	4,224
4. Long-term debts		-596	-609
5. Liabilities to banks		-5,364	-2,563
6. Liabilities on payments received		-73	-42
7. Trade accounts payable		-1,171	-1,131
8. Tax liabilities and other liabilities		-765	-789

Hedging activities as defined by IAS 39 were not made this year nor in the previous year.

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 made based on fair value was implemented in accordance with stage 1 (IFRS 7.27 A (a)).

b) Earnings and losses from financial instruments

The earnings and losses which have occurred in connection with financial assets/debts, are structured as follows:

	available-for-sale		Accounts receivable and credits	
	2012	2011	2012	2011
	TEUR	TEUR	TEUR	TEUR
Interest earnings			22	45
Interest paid			-154	-79
Interest income			-132	-34
Exchange gains			67	241
Exchange losses			-238	-319
Income from currency differences			-171	-78
Exchange gains from sale of securities	919	2,177		
Exchange losses from sale of securities	0	0		
Losses from decline in value of securities	-396	-2,099		
Dividend income	122	120		
Securities-related expenses	-22	-38		
Securities-related income	623	160		
Allowances for bad debts			-2	-25
Net profits and losses entered in the income statement	623	160	-305	-137
Change in market valuation reserve due to sale	-345	-845		
Change in market valuation reserve due to change in current net book value	582	-252		
Overall change in market valuation reserve	237	-1,097		
Overall results from financial instruments	860	-937	-305	-137

Fiduciary activities are not performed in regard to financial assets.

c) Type and degree of risks resulting from financial instruments

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

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

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-fulfilment of a contractual party and thus exists at most amounting to the positive current market value of the respective accounts receivable. The group process that is implemented for minimising the credit risks encompasses in particular the daily monitoring of maturities and, if need be, the near-current implementation of a dunning procedure. Other instruments leveraged to minimise risks with new customers include requests for advance payments, credit agency queries, event-driven customer-specific credit lines and letters of credit such that the bad debt risk can be regarded as minimal. Moreover, this risk is adequately taken into account with valuation adjustments formed for bad debt losses (respectively 100 % for the amount involved).

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

	2012 TEUR	2011 TEUR
Domestic	599	493
Abroad	3,223	2,850
	3,822	3,343

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

	2012 Gross TEUR	2011 Gross TEUR
Not overdue	3,248	2,891
0 - 30 days overdue	384	241
31 - 60 days overdue	47	139
More than 60 days overdue	165	100
	3,844	3,371

The valuation adjustments have developed in this regard as follows:

	2012 TEUR	2011 TEUR
Status as of 01 January	28	13
Addition	2	25
Claim	-7	0
Dissolution	-1	-10
Status as of 31 December	22	28

LIQUIDITY RISK

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

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

	2012 TEUR	2011 TEUR
Short-term liabilities to banks	-1,664	-1,463
Trade payables	-1,171	-1,131
Tax liabilities	-109	-136
Other liabilities (without advance payments received)	-656	-653
Short-term financial resources required	-3,600	-3,383
Liquid assets	8,810	4,224
Liquidity 1	5,210	841
Trade receivables	3,206	2,891
Tax receivables	233	98
Other assets (without prepayments)	232	254
Liquidity 2	8,881	4,084
Securities held as short-term investments	3,718	5,309
Liquidity 3	12,599	9,393

We show below the outflow of cash and cash equivalents from the amortisation of financial liabilities to banks:

	Book value	Outflow of cash and cash equivalents		
	TEUR	Up to 1 year TEUR	1 – 5 years TEUR	Over 5 years TEUR
Liabilities to banks 2012	5,364	1,719	3,793	0
Liabilities to banks 2011	2,563	1,482	1,122	0

The liabilities on payments received, from supplies and services and from tax liabilities and other liabilities will lead to an outflow of cash and cash equivalents in the coming years.

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. With increasing significance for the Geratherm do Brazil Ltda subsidiary, the foreign currency risks from the Brazilian Real are also increasing.

Accordingly, as of the reporting day, Geratherm Medical is subject to the following currency risk.

	31.12.2012 TUSD	31.12.2012 TEUR	31.12.2011 TUSD	31.12.2011 TEUR
Trade receivables	1,362	1,032	1,481	1,144
Bank loans/credit balances	1,593	1,207	1,324	1,023
Trade payables	-89	-67	-273	-211
Balance sheet items	2,866	2,172	2,532	1,956
Orders on hand	165	125	248	192
Financial liabilities	-19	-14	-49	-38
Commitments	-385	-292	-789	-610
Pending transactions	-239	-181	-590	-456
Net position	2,627	1,991	1,942	1,500

The following currency exchange rates were applied:

	31.12.2012	Average 2012	31.12.2011	Average 2011
US dollar	1,319	1,285	1,294	1,393

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

	31.12.2012		31.12.2011	
	Equity capital	Perfor- mance	Equity capital	Perfor- mance
US dollar	0	-181	0	-136

A 10% increase in the US dollar over the euro as at the reporting date would have a similar effect but in the opposite direction provided that all other variables remain constant.

	31.12.2012 TBRL	31.12.2012 TEUR	31.12.2011 TBRL	31.12.2011 TEUR
Trade receivables	4,045	1,501	2,358	969
Other assets	567	210	380	156
Bank loans/credit balances	84	31	231	95
liabilities to banks	-2,821	-1,047	-2,278	-936
Trade payables	-1,248	-463	-550	-226
Other liabilities	-625	-232	-450	-185
Balance sheet items	0	0	-309	-127
Net position	0	0	-309	-127

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

The following currency translations were applied:

	31.12.2012	Average 2012	31.12.2011	Average 2011
BRL	2.695	2.527	2.434	2.335

We show existing risks in the following significance analysis based on a weakening of the Brazilian Real by 10 %.

All other variables which may affect the financial instruments, are considered unchanged.

	31.12.2012		31.12.2011	
	Equity capital	Perfor- mance	Equity capital	Perfor- mance
BRL	-27	0	-9	0

An increase of the Brazilian Real by 10 % relative to the Euro as of the reporting day would have an approximately equivalent but opposite effect on the foreign exchange differences in consolidated equity capital assuming that all other variables would remain unchanged.

MARKET PRICE RISK – INTEREST

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

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

With regard to long-term debts amounting to 4,296 TEUR (p.y. 1,709 TEUR) opportunity cost effects could occur that we do not view as significant.

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

MARKET PRICE RISK – SHARE PRICE

There are other risks for the group to the extent that changes on the capital markets could have a pervasive influence on the group's investments in securities listed on different capital markets of this world. In our security investments, we only have highly fungible securities which are currently tradable 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 TEUR as at the reporting date as important. With regard to the valuation of the individual items, we refer to item 9 in these notes.

EPIGENOMICS AG

The Epigenomics AG (www.epigenomics.de) is a molecular diagnostic company, which develops and markets a pipeline of in-house products to treat cancer. These products facilitate efforts by doctors to diagnose cancer disorders at an earlier stage and more accurately, which allows improved therapeutic success for patients. Epigenomics' key product is the blood-based Epi proColon® test for the early detection of bowel cancer. The test is already being marketed in Europe and is under development for the US-American market. The high level of acceptance for the technologies and products of the company is reflected in the large number of partnerships with leading companies in the diagnostics industry, including Abbott, QIAGEN, Sysmex and Quest Diagnostics. Epigenomics is a multinational company with branches in Europe and the USA. After the decline in value as of the reporting day 30.09.2012 was recognised in income, the increase in value as of 31.12.2012 is shown in the market valuation reserve.

AGFA-GEVAERT N.V.

Agfa-Gevaert is a worldwide leader in image technology with 3 mrd. EUR turnover. With 42% of total sales, the health care division is an international prominent IT supplier for hospitals. Hospital IT represents a long-term growth market. The value assignment as of the reporting day 31.12.2012 was included in the market valuation reserve.

ECKERT & ZIEGLER STRAHLEN- UND MEDIZINTECHNIK AG

The Eckert & Ziegler group is one of the world's biggest manufacturers of radioactive components for medical, scientific and metrological purposes. The company focuses on applications in cancer therapy, nuclear medical diagnostics and industrial radiometry. The group is, by its own account, a world leader in certain fields of activity. The operative business can be divided into four sectors: radiotherapy, isotope products, radiopharma and environmental services. The change in value as of the reporting day 31.12.2012, based on the long-term decline in value of the market valuation reserve, was reclassified in the consolidated profit and loss account.

CELESIO AG

Celesio is one of the leading international service providers in pharmaceutical and healthcare markets – patients and consumers, pharmacies and pharmaceutical manufacturers. The company is globally active in 18 countries. The change in value as of the reporting day 31.12.2012 was included in the market valuation reserve.

RHÖN-KLINIKUM AG

Rhön-Klinikum AG is one of the largest healthcare providers in Germany. It has 43 branches spanning a nationwide network of 53 hospitals and 39 supply centres, which collectively handle a total of around 2.28 million patients each year. The company caters for all medical specialisations and since 2008, has transformed from a conventional clinic operator to become a comprehensive healthcare provider. Based on capacities and turnover, Rhön-Klinikum AG, boasting a market share of just under 4% in Germany, occupies by its own admission a leading position as a provider of hospital inpatient services. The change in value as of the reporting day 31.12.2012 was included in the market valuation reserve.

The following table shows, as of the end of the fiscal year 2012, for shares of securities in the balance sheet items, the respective highest and lowest rates in the German or American stock market.

	2012		2011	
	Highest rate	Lowest rate	Highest rate	Lowest rate
	EUR	EUR	EUR	EUR
Epigenomics AG	3.47	0.73	4.60	1.28
Agfa-Gevaert N.V.	1.76	1.17	3.60	1.00
Cardionet Inc.	2.45	1.48	3.90	1.60
Eckert & Ziegler Strahlen- und Medizintechnik AG	26.00	20.50	31.00	20.00
Celesio AG	15.84	10.75	20.00	9.00
Rhön-Klinikum AG	22.20	13.59	-	-

MARKET PRICE RISK – RAW MATERIAL PRICES

Certain raw materials are important for the continuous supply of our production processes. The procurement market risks involve shortages in supplies or increases in the prices of the raw materials necessary for production. We are constantly monitoring the key items and see no significant risks at present.

MARKET RISK – NEW PRODUCTS

Geratherm is proceeding with development and sales activities involving new products in all segments. Our technological expertise is boosted even further thanks to collaboration with technology partners. Some of these new products remain in the launch phase and provided the market success is achieved as expected, look set to provide a considerable boost to turnover. Meanwhile, as well as risks, there are also significant opportunities.

OTHER INFORMATION

INFORMATION ON THE BOARD

The Executive Committee of Geratherm Medical AG was made up of the following:

Chairman

- Qualified industrial engineer Dr. Gert Frank, Hamburg
Managing Director of GMF Capital GmbH, Hamburg
Managing Director of GME Rechte and Beteiligungen GmbH, Geschwenda
Managing Director of Geratherm Respiratory GmbH, Bad Kissingen
Board of GMF Capital AG, Hamburg

Board member

- Qualified industrial engineer Mr. Thomas Robst, Geraberg
Board member for sales

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

Fixed payments amounting to 170 TEUR (p.y. 168 TEUR) and variable payments amounting to 16 TEUR (p.y. 33 TEUR) for the activities of the Executive Committee were reported. The remuneration received by the managing directors amounting to 9 TEUR (2007: 9 TEUR) represents contributions to the contribution-oriented pension schemes. On 9 June 2006 the annual general meeting decided that the information required for five years according to Art. 285 Para. 1(9)a Clause 5 to 9 and Art. 314 Para. 1(6)1 Clause 5 to 9 of the HGB (German Commercial Code) be omitted.

As of the reporting date, the Executive Committee held directly and indirectly 2,612,987 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:

- Mr. Rudolf Bröcker, Bensheim, Dipl.-Kaufmann
(Chairman of the supervisory board)
Chairman of the supervisory board of GMF Capital AG, Hamburg
- Mr. Bruno Schoch, Suresnes, France
Deputy General Director of Fromageries Bel SA, Paris
Executive Board Member of Unibel SA, Paris
Executive Board Member of SICOPA SA, Paris
Member of the supervisory board of Société of the Domaines SAS, Wattwiller, France
Member of the supervisory board of GMF Capital AG Hamburg
- Mr. Firus Mettler, Frankfurt am Main, Dipl. Jurist, MBA; investment manager
Managing Director of Party World GmbH & Co. KG, Dänischenhagen
Managing Director of Bau Company Kiel GmbH

For the activity of the supervisory board in 2012, remuneration of 12 TEUR (p.y. 12 TEUR) is included in the accrued liabilities.

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

EMPLOYEE DEVELOPMENT

		Employees	Technical employees	Apprentices	Total
Workforce (yearly average – excluding board members –	2012	55	69	3	127
	2011	51	95	3	149

CORPORATE GOVERNANCE CODEX DECLARATION

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

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

Geratherm Medical AG

Geschwenda, 22 March 2013



Dr. Gert Frank
Chairman



Thomas Robst
Board member for sales

OATH CONCERNING THE GROUP MANAGEMENT REPORT FOR THE BUSINESS YEAR 2012

We hereby confirm that to the best of our knowledge the consolidated financial statements prepared in accordance with the relevant accounting principles present a faithful picture of the actual asset, financial and earnings of operations of the Group and that the Group Management Report presents the business development including the business results and position of the Group such that a true and fair view of the Group is reflected and that the significant opportunities and risks of the expected development of the Group are described.

Geratherm Medical AG

Geschwenda, 22 March 2013



Dr. Gert Frank
Chairman



Thomas Robst
Board member for sales

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by Geratherm Medical AG, comprising the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which was combined with the management report of the parent company, for the fiscal year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the management report for the parent company and the group in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply

with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 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 management report for the parent company and the group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Leipzig, 22 March 2013

KPMG AG

Wirtschaftsprüfungsgesellschaft

NOTES

NOTES

[illegible]

IMPRINT

Editor

Geratherm Medical AG

Fahrenheitstraße 1, 98716 Geschwenda

Phone: +49 36205 980, Fax: +49 36205 98115

info@geratherm.com, www.geratherm.com

Responsible

Dr. Gert Frank, Chairman of the Board

Publication

24. April 2013

Picture Credits

© VILevi – istockphoto.com, p. 1; © sjlocke – istockphoto.com, Nicht Nur GmbH, p. 21;

© Oliver Hausen – Fotolia.com, p. 23; © Drägerwerk AG & Co. KGaA, Lübeck, p. 25;

© Jodi Jacobson – istockphoto.com, p. 27

Concept and layout

Nicht Nur Werbe- und Handelsgesellschaft mbH, 98693 Ilmenau,

www.nichtnur.de, info@nichtnur.de

Print

SDC Satz+Druck Centrum Saalfeld GmbH, 07318 Saalfeld

© 2013

Geratherm Medical AG

All rights reserved. Reproduction or duplication on paper and electronic media as well as feed-in data networks only with the permission of the publisher.

CORPORATE CALENDER 2013

	2013
Publication Annual Report 2012	24. April
Annual General Meeting in Ilmenau, „Hotel Tanne“	07. June
Investor/ Analysts' Conference in Hamburg	21. November
Interim Report 1st quarter	23. May
Interim Report 2nd quarter	22. August
Interim Report 3rd Quarter	21. November

Geratherm Medical AG

Fahrenheitstraße 1

98716 Geschwenda

Phone: +49 36205 980

Fax: +49 36205 98115

info@geratherm.com

www.geratherm.com