

A photograph of a smiling man with grey hair carrying a young child with curly hair on his shoulders. They are on a sandy beach. The man is wearing a blue t-shirt and dark shorts. The child is wearing a light-colored top. The background shows the ocean and a clear sky.

Geratherm®

SOLUTIONS FOR A
HEALTHY WORLD

Annual Report 2014

DATES AND FACTS

		31/12/2014	31/12/2013	Change in %
Turnover	kEUR	18,715	16,827	11.2
Including export share	kEUR	15,542	14,833	4.8
Export ratio	%	83	88	-5.7
Gross result (EBITDA)	kEUR	3,171	1,601	98.1
EBITDA margin	%	16.9	9.5	77.9
Amortization or depreciation	kEUR	-756	-808	-6.3
Operating result (EBIT)	kEUR	2,415	793	204.4
EBIT margin	%	12.9	4.7	174.5
Financial results	kEUR	-164	492	-
Result of ordinary activities	kEUR	2,251	1,285	75.2
Profits of the parent company's shareholders	kEUR	1,682	1,334	26.1
Long-term assets	kEUR	4,927	5,159	-4.5
Short-term assets	kEUR	23,562	23,538	0.1
Balance sheet total	kEUR	28,489	28,697	-0.7
Equity capital	kEUR	20,343	20,080	1.3
Return on equity	%	8.3	6.6	24.5
Equity ratio	%	71.4	70.0	2.0
Cash, cash equivalents and securities	kEUR	13,072	15,458	-15.4
Earnings per share according to IFRS (EPS)*	EUR	0.34	0.27	25.9
Earnings per share according to DVFA *	EUR	0.34	0.27	25.9
Proposed dividend	EUR	0.25	0.24	4.2
Annual average number of employees		130	116	12.1
Unit shares		4,949,999	4,949,999	0.0
*based on unit shares in circulation		4,949,999	4,949,999	0.0

SIMPLE AND CONCISE

2012

With 127 employees, the company achieves an annual turnover of EUR 16 million. 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.

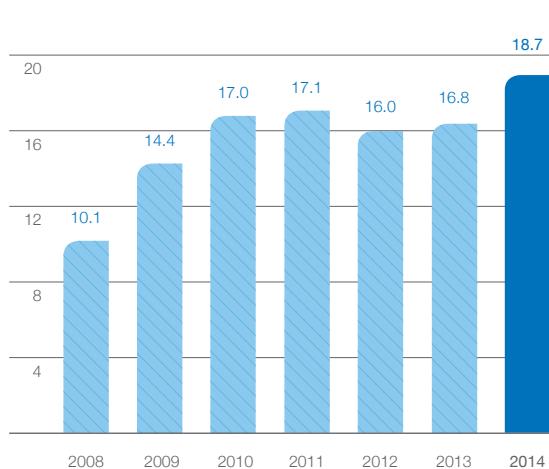
2013

The company continues its growth at +5.4%. The new business segments Warming Systems, Respiratory and Cardio/Stroke, reported a growth between 15.9% and 72.1%. The emerging Women's Care product group is successfully concluding a clinical study with the „ovu control“ fertility product. The study included more than 100 women. The Cardio/Stroke segment signed a cooperation agreement with Philips for the international marketing of the SRAclinic product. The Geratherm Group reported a result after tax of EUR 1.3 million with a sales of EUR 16.8 million. The total consolidated income amounted to EUR 2.5 million, including income recognized directly in the equity capital due to higher valuation of securities.

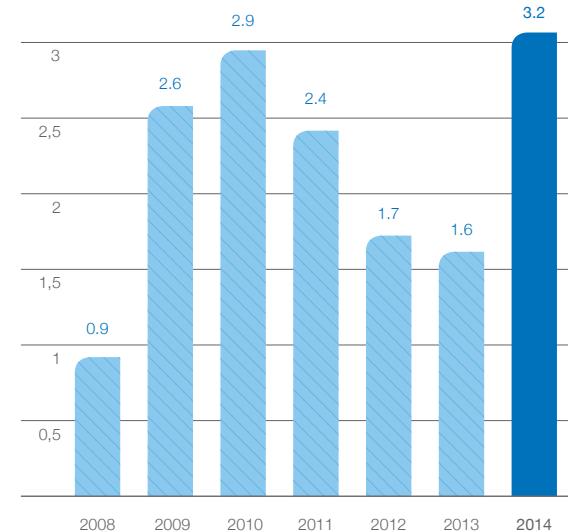
2014

We have made good progress. The company managed to increase its sales volume and profits considerably again. The sales volume amounting to EUR 18.7 million (+11.2%), with an operating result (EBIT) of EUR 2.4 million, met our target for achieving a double-digit operating return. The gross result on EBITDA level with EUR 3.2 million was the best result the company has achieved in its history thus far. Premium medical products will lead to a considerably better operating result. Earnings after taxes amounted to EUR 1.6 million (+41.0%). The company has 130 employees. Geratherm is well equipped for the future with an equity-to-assets ratio of 71.4% and liquid assets amounting to EUR 13.1 million. The two acquisitions made during the course of the business year are currently being integrated into the Group.

TURNOVER
in EUR million

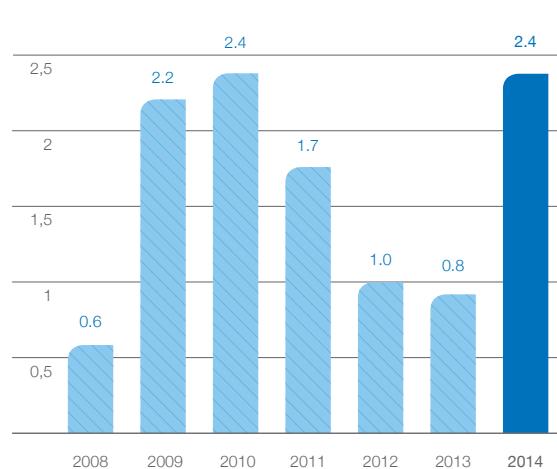


EBITDA
in EUR million

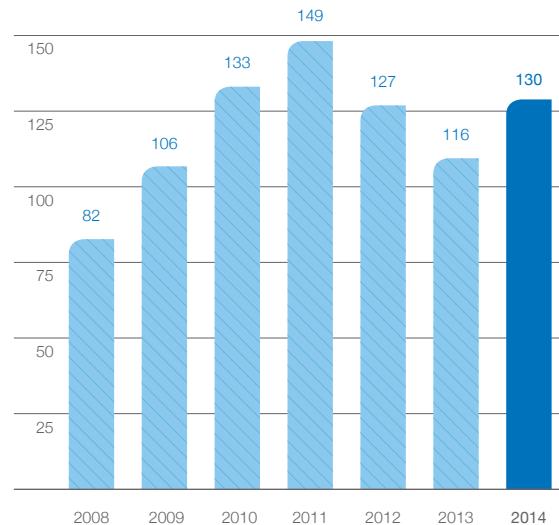


*GERATHERM MEDICAL IS A
GLOBALLY-ORIENTED MEDICAL
TECHNOLOGY COMPANY WITH
BUSINESS AREAS INCLUDING
HEALTHCARE DIAGNOSTIC, RESPIRATORY
PRODUCTS TO MEASURE VITAL SIGNS
MEDICAL WARMING SYSTEMS AND
MEASUREMENT AND MAINTENANCE OF BODY TEMPERATURE
CARDIO/STROKE.
SCREENING OF CARDIAC ARRHYTHMIA*

EBIT
in EUR million



EMPLOYEES



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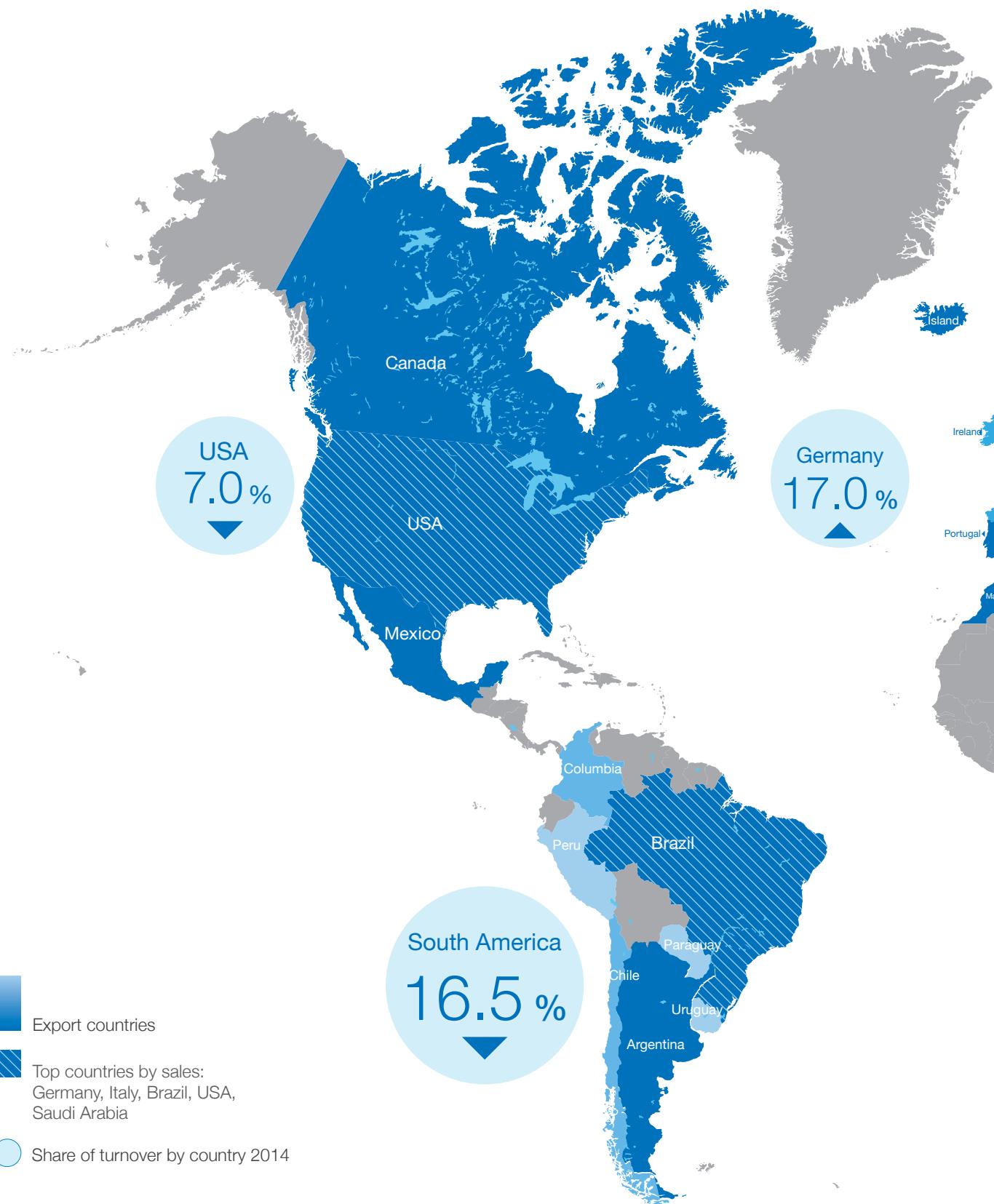
GROUP MANAGEMENT REPORT

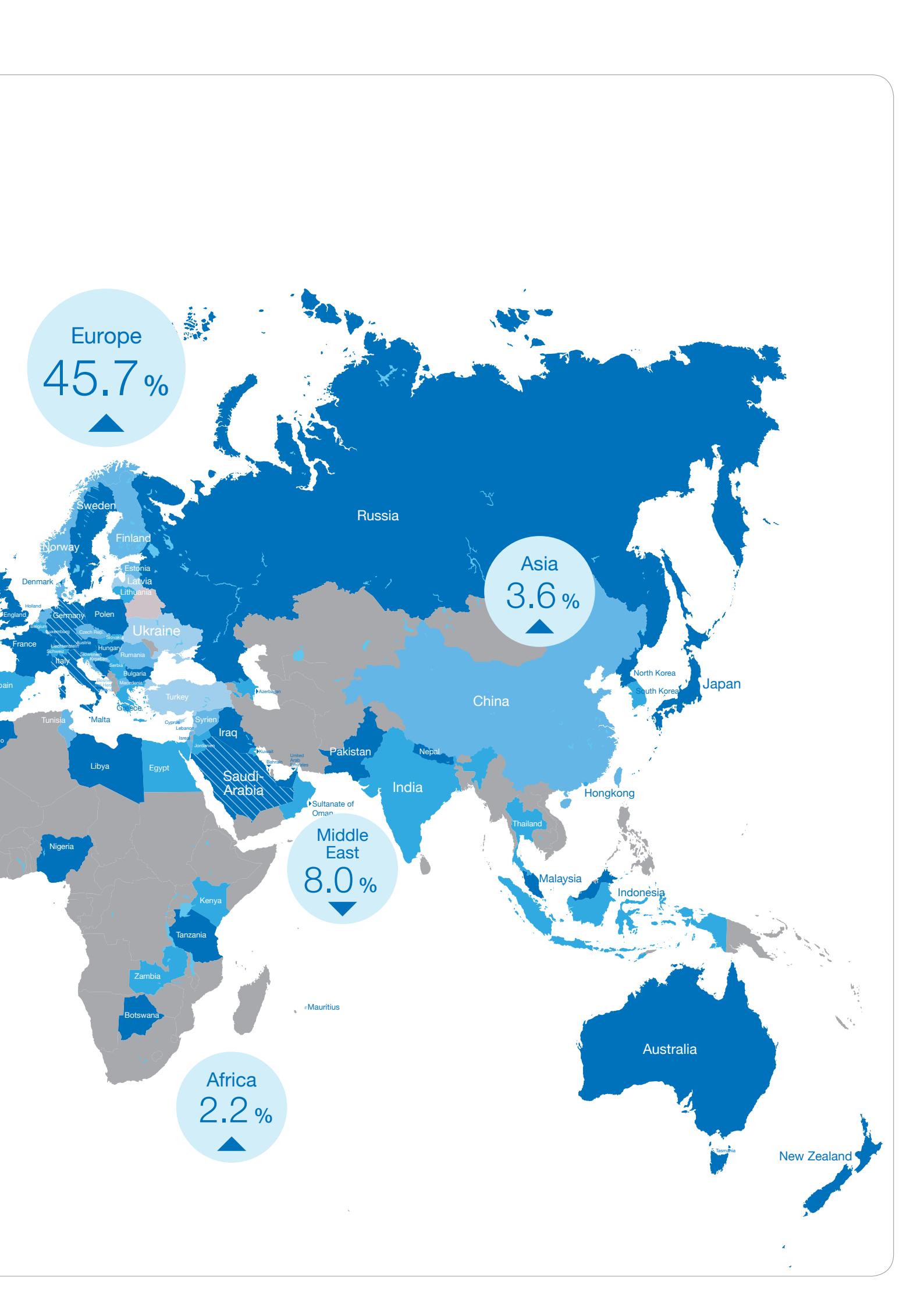
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GERATHERM MEDICAL EXPORTS PRODUCTS TO OVER 60 COUNTRIES







59 clinics

on „SRAclinic“ affiliated!

+17 clinics

increment in 2014.

ATRIAL FIBRILLATION, STROKE

We try to help!

SRAclinic in daily use

As of 01/2015

HAMBURG

Asklepios Klinik Nord

- Kath. Marienkrankenhaus GmbH • Universitätsklinik Hamburg-Eppendorf **BERLIN**

Vivantes Auguste Viktoria Klinikum

LOWER SAXONY Evangelisches Krankenhaus Oldenburg •

Elbe Kliniken Stade • Städtisches Klinikum, Klinikum Uelzen Lüneburg • Krankenhaus St. Elisabeth, Damme •

NORTH RHINE WESTPHALIA Evangelisches Krankenhaus Castrop-Rauxel • Evangelisches Krankenhaus Hattingen

- Klinikum Lippe GmbH, Lemgo • Knappschaftskrankenhaus Bochum • Knappschaftskrankenhaus Recklinghausen • Kreisklinikum Siegen GmbH • Märkisches Klinikum Lüdenscheid
- St. Augustinus Krankenhaus Düren • St. Franziskus-Hospital, Ahlen • St.-Johannes-Hospital, Hagen • St. Josef-Krankenhaus

Essen-Kupferdreh • Universitätsklinikum Münster • Evangelisches Krankenhaus Herne • Klinikum Wuppertal • Universitätsklinikum Essen • Evangelisches Krankenhaus, Haus Gilead I, Bielefeld • Evangelisches Krankenhaus, Johannesstift, Bielefeld **SAXONY-ANHALT** Krankenhaus Martha-Maria Halle-Dölau **SAXONY** Klinikum Aue **THURINGIA** SRH Wald-Klinikum Gera • Klinikum Erfurt • Fachkliniken Hildburghausen • Universitätsklinikum Jena • SRH Zentralklinikum Suhl **HESSE**

Klinikum Frankfurt Höchst • Krankenhaus Nordwest •

Asklepios Neurologische Klinik, Nidda/Bad Salzhausen

- Asklepios Klinikum Melsungen • Klinikum Offenbach GmbH **BADEN-WÜRTTEMBERG** Universität Heidelberg • Universitätsklinikum Freiburg **RHINELAND**-

PALATINATE Universitätsmedizin Mainz • Klinikum der Stadt Ludwigshafen am Rhein GmbH • Städtisches Krankenhaus Pirmasens • Pfalzklinikum Klingenmünster

SAARLAND MediClin Bliestal Kliniken, Blieskastel •

SHG Kliniken Merzig • MediClin Bosenberg Kliniken, St. Wendel • Klinikum Saarbrücken

BAVARIA Kreiskliniken Altötting • Klinikum Traunstein • Universitätsklinikum Erlangen • Benedictus Krankenhaus Tutzing GmbH & Co. KG • Benedictus Krankenhaus Feldafing GmbH & Co. KG • Stiftung Juliusspital Würzburg • Klinikum rechts der Isar der TU München • Klinikum Main-Spessart, Lohr am Main

GERMANY

- AKH Wien
- Barmherzige Brüder Wien Wien

SWITZERLAND

AUSTRIA

ITALY

- Ospedale Sacro Cuore, Negrar (Verona)



Rudolf Bröcker
Chairman Supervisory Board

„THE TRANSFORMATION PROCESS IS UNDER WAY.“

Dear Shareholders,

During the course of the business year, the supervisory board has monitored and advised the management board continuously in accordance with the laws and company statutes. Information provided by the management board included in particular the respective status of the business segments and risks, opportunities and results of the financial assets.

The 2014 business year was characterized primarily by efforts to realise the strategic transformation process of the Geratherm Group to become a manufacturer of primarily premium medical products for worldwide niche markets under the guidance of the management board and monitored by the supervisory board. The discussions with the management board included in this context the evaluation of risks and opportunities from possible share acquisitions, among other things. After extensive consultation, the supervisory board endorsed and approved the two acquisitions that took place during the 2014 business year. Activities were monitored by the supervisory board on the basis of segment reports for the business units Healthcare Diagnostic, Spirometry, Medical Warming Systems and Stroke Prevention as well as the management board's reports on the development in the geographical regions and on securities investments.

The collaboration with the management board was constructive and based on trust. The management board has fulfilled its duties to inform and report in full at all times. The supervisory board convened at regular intervals a total of four times during the 2014 business year. In addition to that, the Chairman of the management board and the Chairman of the supervisory board discussed and informed one another on a regular basis about relevant topics and especially with regard to the current business performance. The supervisory board was informed in good time about any particular risks and opportunities. Besides operating issues, the supervisory board's meeting on March 23, 2015 focused on the audit of the year-end financial statements and the management report for the group and the company.

The year-end financial statements of Geratherm Medical AG, which were prepared according to Germany's Commercial Code (HGB), the consolidated financial accounts compiled in accordance with IFRS and the management report have been checked by the appointed auditor, KPMG AG, Wirtschaftsprüfungsgesellschaft Leipzig, with consideration given to the accounting for the 2014 business year and certified an unqualified audit opinion. The auditor participated in the supervisory board's meeting with regard to the approval of the 2014 financial statements and reported the significant results of the audit.

KPMG AG Wirtschaftsprüfungsgesellschaft has examined the management board's report on the relations existing with associated companies. It confirmed that according to its dutiful audit and assessment, the advice of this report is accurate and that the performance of the company was suitable.

Following the conclusion of the audit, there are no objections against the management board's report on the relations with affiliated companies. We agree with the results of the audit. There were no conflicts of interest on part of the members of the management board and supervisory board, which would have required immediate disclosure to the supervisory board and at the annual general meeting. We checked the year-end financial statements and the consolidated financial accounts including the management reports and have no objections to raise based on the conclusive results of our audit. We have approved the year-end financial statements prepared by the management board and the consolidated financial statements as of 31 December 2014. The year-end financial statements are thus adopted.

Moreover, we propose to the annual general meeting the appointment of KPMG AG, Wirtschaftsprüfungsgesellschaft, as the auditor and group auditor for the 2015 business year. We also approved the management board's proposal to use the distributable profit for the year, which envisages a dividend of EUR 0.25 per share.

The supervisory board would like to express its gratitude to each and every employee of all companies in the Geratherm Medical Group for their dedication and good work in 2014.

Geschwenda, 23 March 2015



Rudolf Bröcker

Chairman of the Supervisory Board



Dr. Gert Frank
Chairman

„THE COURSE HAS BEEN SET.“

Dear Shareholders,

2014 turned out to be economically more successful for Geratherm than anticipated. We made good progress over the course of the year. While the 2014 business year was not the company's best, it was still a good business year.

Our transition to become a manufacturer of premium medical products is progressing. We have registered some successes so far during the course of the 2014 business year.

To bolster the Respiratory business unit, we acquired the company formerly called „Anton Gensler“ in Steinbach-Hallenberg in Thuringia through an asset deal on 1 April 2014. The company has produced sensors for the Respiratory business unit and specialises in the development and production of sensor systems and electronic components. With the acquisition, we are safeguarding know-how in the field over the long term and are making certain that we have our own reliable sensor production for our products for monitoring pulmonary function.

As part of our transition to become a manufacturer of premium medical products and to strengthen our Warming Systems segment, we also assumed a majority share of interests in LMT Medical Systems in Lübeck on 1 July 2014. In this context, the acquisition of LMT Medical represents an important building block. The company has with its MRI-compatible incubator product for premature babies a unique solution that is without parallel worldwide. LMT's products are already used in more than 80 hospitals and clinics with an export share amounting to 90%. In the light of this, the company fits in well with Geratherm Medical's strategic focus for the future.

For medical device manufacturers it is becoming an increasingly vital factor to achieve a specific size in order to be able to satisfy new requirements on product approvals. The EU's new approval requirements attach great importance on being able to provide proof that medical products offer benefit and added value. In this context, approvals require extensive additional case studies. That entails a considerable amount of time, money and documentation. The scope of documentation needed for approving a class IIb product currently encompasses between 600 and 800 pages. This amount can only be managed if the Group has the necessary personnel and financial resources at its disposal.

In 2014 the sales volume reported by German medical device manufacturers had increased by +1.6%. In comparison, Geratherm had managed to significantly boost its sales

volume by +11.2%. The number of employees has increased in the Group from 116 to 130. The dynamics of the transformation process can also be clearly seen in the company's performance indicators.

The Medical Warming Systems business unit registered a jump in sales of 72.5%, the Respiratory business unit increased by +98.4% and the sales reported by the Cardio/Stroke business unit rose by +25.5%. The new business units are expected to have an increasingly positive impact on the earning capacity of the Geratherm Group thanks to a stable core business. Besides the afore-mentioned increase in sales for the entire company amounting to EUR 18.7 million, we were able to boost the profit of our company on EBIT basis by an above average level to EUR 2.415 million. This corresponds with an EBIT margin of 12.9% (prev. y.: 4.7%) for the overall activities of the Geratherm Group. Together with the good financial income, we were able to generate for the 2014 business year an overall result of 1,682 kEUR (prev. y.: 1,334 kEUR) or 34 EUR cents per share (prev. y.: 27 EUR cents). The good development of the Geratherm Group was also reflected in the company's share price. The increase in the value of Geratherm's shares amounted to +63.3% over the past 24 months. We regard the positive development of the share price as confirmation and a vote of confidence in the business model that we have chosen.

Based on the current underlying economic conditions, we assume that the company will continue to develop in a positive manner. We are happy to be able to provide products that gain more and more importance for medical applications and solutions.

2015 is the year of the sheep. Of the 12 animals that make up the Chinese zodiac, the sheep is the most popular and is considered quiet and gentle. Consequently, we anticipate a business year marked by little turbulence.

I would like to thank all employees, customers and shareholders who support the strategy which we have adopted by providing good ideas, dedication and financial

Yours



Dr. Gert Frank
Chairman

GERATHERM SHARES

The capital market in 2014 was mainly characterised by a high level of liquidity on the markets, historically low interest rates and the substantial drop in the value of the euro compared to the US dollar. The value of the euro decreased by 12.3% over the course of the year compared to the US dollar and closed with an exchange rate of US\$ 1.21 per euro.

Germany's share market was more or less treading water this year. The German stock market (DAX) increased by 2.7%, closing with 9,806 points at the end of 2014. The Euro-Stoxx-50, the index for European blue-chip stocks, rose by 1% during the course of the year.

Compared to other countries including major markets, the US market performed exceptionally well in 2014. The US' leading share index Dow Jones rose for the year by 7.5% The MSCI World Index closed with a plus of 3%. The Euribor base interest rate amounted to 0.33% on a nine-month basis for time deposits in interbank services at the end of 2014.

The shares of the healthcare industry were one of the clear winners in 2014 and showed very favorable development. The European Stoxx Healthcare, which includes large medical and pharmaceutical companies, finished the year with a 5.3% increase over the year. The shares of companies in the German healthcare sector, which are grouped in the Prime Pharma Healthcare Index, also exhibited above-average development on the capital market. The Prime Pharma Healthcare Index finished the 2014 year with an increase of 15.9%.

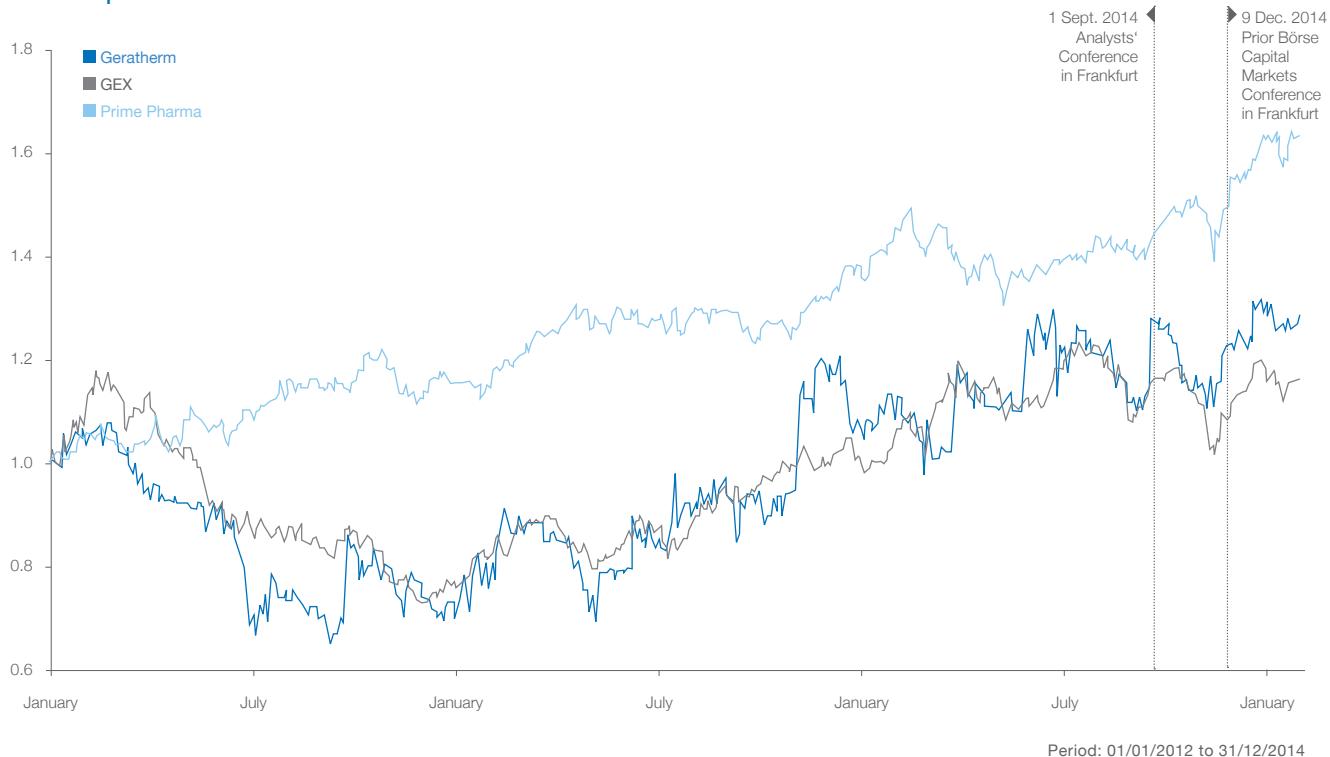
In light of the aforementioned, the developments on the capital market are quite satisfactory. It is necessary to keep in mind, however, the still highly volatile underlying conditions created by the „zero-interest policy“ and the almost unlimited liquidity of central banks. Taking on debt

without any noteworthy interest payments does not pose for many any burden. This will likely result in an highly explosive mixture in the long run. We cannot know how this „experiment“ will end, however. The longer interest rates stay at zero or close to zero, the more dangerous an unexpected increase in interest rates would be for all those involved, when the money supply that is fueled by the European Central Bank achieves the desired inflationary effect.

Geratherm shares also showed positive development during the course of 2014 and traded at EUR 8.33 at the end of the year, which represented a 13.3% increase. Over a two year period, the value of Geratherm shares increased 63.3%. The highest market price posted by Geratherm shares during the course of 2014 was EUR 8.98, the lowest price was EUR 6.05.

The trading volume of Geratherm shares on the German stock exchanges amounted to 1,535,065 shares in 2014 (2013: 1,016,505). The trading volume has more than doubled since the beginning of 2013. The majority of the transactions, amounting to 1,211,024 shares, was conducted through the electronic platform XETRA. That represents once again a considerable increase of 51.0% in the volume traded. The average daily sales volume, standing at 4,838 shares, was considerably higher than in the previous year (4,018 shares).

Development of Geratherm shares



The highest daily sales volume was reported at 125,456 shares with a total value of 912 kEUR.

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

Geratherm Medical enjoys a stable shareholder structure. The issued 4,949,999 shares are held by approx. 2,200 shareholders.

Major shareholders in 2014 were GMF Capital, Hamburg with 52.78%, HSBC GLOBAL AM France with 1.02% and Bayerninvest Luxembourg with 1.01%. Geratherm attaches great importance to ensuring that all financial communications with its current and prospective shareholders remain transparent.

Besides the annual general meeting on 27 May 2014, the three published quarterly reports and the year-end report, we have participated in the DVFA Analysts' Conference that was held in Frankfurt on 1 Sept. 2014. In addition to that, we also attended the Prior Börse Capital Market Conference held in Frankfurt/Egelsbach on 9 Dec. 2014.

During these events, the management provided information about the company's business development and strategic focus.

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HEALTHCARE DIAGNOSTIC

In the Healthcare Diagnostic business unit, we develop, produce and distribute products for monitoring and measuring vital data, which are geared primarily to the end consumer. Products are distributed internationally in pharmacies, hospitals and clinics.

This business unit focuses on clinical thermometers, blood pressure monitors and women's health products, which are offered under the „Woman Health“ label. The high recognition level of the Geratherm brand forms a good basis for gradually expanding the range of products in the Healthcare Diagnostic segment.

Clinical thermometers

Geratherm has plenty experience and a long-standing tradition in the field of medical temperature measurement. Our products range from simple clinical thermometers to sophisticated systems for monitoring and recording a patient's body temperature.

Our best-selling product is still the classic clinical glass thermometer that is filled with gallium. The incredible market position that this product enjoys can be attributed to the innovation of a mercury substitute at the outset of the nineties. The global share of the market is estimated at approx. 90%. The market for environmentally friendly products based on gallium has shown favourable development since the EU's ban on mercury took effect in 2009. Consequently, the product is a stable source of income for the company. The marketing opportunities are also expected to improve over the next few years, especially due to the fact that the World Health Organisation (WHO) has also issued a ban on mercury-filled clinical thermometers, beginning in 2017.

The clinical thermometer product range makes up a 44.5% share of the company's entire sales. And gallium-filled thermometers account for 32.1%. In 2014, Geratherm sold a total of 4.4 million clinical thermometers (2013: 4.3 million).

Blood pressure monitors

Geratherm also offers a variety of products for monitoring blood pressure through pharmacies as sales channel. Like our clinical thermometers, these products are also distributed internationally. Geratherm sold a total of 240,637 units in 2014 (2013: 276,431 units). The market is distinguished by intense competition, especially in Europe. The blood pressure monitor product segment represents 17.0% (2013: 25.9%) of the company's overall sales.

Women's Health

To further strengthen the Healthcare Diagnostic segment, Geratherm is in the process of launching a new product range that includes a variety of diagnostic self-tests for women. That includes pregnancy tests, diverse ovulation test solutions, chlamydia tests, yeast infection test kits and pH tests. The so-called in-vitro diagnostic (IVD) products are subject to a very elaborate approval process and in most cases to additional clinical studies as well. The market entry barriers are thus significantly higher.

The new line of Women's Health products is currently being launched and looks very promising. Customer feedback has been very positive. We are expecting good growth in this segment for the next few years. In 2014, this still new segment, for the first time, reported sales of 459 kEUR, which corresponds with a growth of +106.8% over the previous year.

»Am I
pregnant?«

»How high is my
blood pressure?«

»How are Geratherm
shares performing?«

»Where is my
Geratherm thermometer?«



RESPIRATORY

The Respiratory segment develops and manufactures products specifically for pulmonary and cardiopulmonary function diagnostics.

Diseases affecting lungs and respiratory systems are gaining more and more importance in the medical diagnostics field. The reliability of diagnostic results can be greatly improved especially with availability of additional cardiology data. The Respiratory business unit offers in this regard product solutions at the highest level internationally.

The products are sold primarily to large doctor's offices and clinics specialising in pneumology or university hospitals in Germany and other countries.

The products „Spirostik“ and „Spirostik Complete“ are offered in the field of spirometry to detect irregularities in the lungs. A so-called body plethysmograph is used for more complex exams. The body plethysmography was developed to accurately quantify obstructive and restrictive lung diseases.

A so-called spiroergometer, which is offered under the product name „Ergostik“, takes into account breathing gas parameters like oxygen intake, carbon dioxide exhalation and ventilation, as well as cardiac parameters under stress.

All products are able to rely on the company's own diagnostic software platform called „Blue Cherry“.

Product sales involve considerable lead times for product licensing in the individual countries. In many countries outside of Europe and the US, the market for products that monitor pulmonary function is not so well developed yet and thus still offers considerable potential.

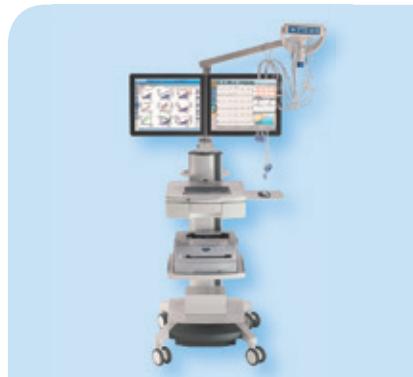
After a long lead time, we now have the necessary approval for our products in Brazil as well. On the Brazilian market, we have been working with the second largest ECG manufacturer in Brazil, the company TEB, Tecnologia Eletrônica Brasileira. We will launch a jointly developed generation of devices on the Brazilian market in 2015.

We expect to receive the approval for the Chinese market during the first six months of 2015. Product approval applications have already been filed for many other countries.

The products we have launched in Algeria have posted good growth in sales over the past year.

In 2014, the Respiratory segment has made significant progress. We have once again increased our manufacturing depth in the segment, allowing us to fulfill our uncompromising demand for impeccable quality in this segment.

For 2015 we are assuming that the segment will continue to enjoy a favourable development.



Take a deep breath,
relax, be healthy.



MEDICAL WARMING SYSTEMS

Geratherm has many years of experience in the medical temperature management segment.

Treating heat loss in patients during surgery or rescue operations plays a key role in maintaining a patient's body temperature.

In cases of cardiac arrest and stroke, it is particularly important to decrease the body's or brain's oxygen demand by means of induced cooling when it is no longer possible to ensure the oxygen demand.

In this segment, Geratherm develops medical solutions for addressing heat loss problems and for reducing a patient's body temperature when needed. The segment was supplemented last year with the addition of temperature management solutions and diagnostics for premature infants

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. The minimum heat-up time, the possibility of connecting multiple warming blankets with one another, the effective hygiene features when used in operations and the low costs are all advantages that help convince hospitals to choose Geratherm warming systems.

The products of the Medical Warming Systems business unit are distributed internationally. Product approvals in this segment also entail a significant amount of effort. After successfully obtaining CE accreditation, the product approval must be carried out once again in every country outside of Europe based on specific national requirements. As a result, the approval process and the time till we are able to enjoy significant returns is rather lengthy.

The segment performed relatively soundly in 2014. We were pleased to have received a contract from the Brazilian government to equip approx. 100 hospitals and clinics with our Geratherm warming systems. Delivery is slated to take place by the end of 2015. Based on our experience though, the delivery of the equipment depends on the payment options of the Brazilian health care sector. The contract represents based on the current exchange rate a potential

gross sales of EUR 4.8 million. We also noted an increased demand for Geratherm products in India and Japan in 2014. We were also delighted to have received a contract to equip six hospitals and clinics in Iraq with 50 care systems.

Unique Resc+

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

The products in the Medical Warming Systems segment are used directly in operating rooms and are class IIb products. In this segment, the requirements on product testing and approval have increased tremendously over the past two years. In most cases, contracts involve very long lead times and are announced internationally for tendering.

That said, there are few international suppliers in this segment, who have specialised in providing solutions for this medical area. We therefore consider the segment an attractive niche market in spite of the high level of expenditure for research and development and licensing.

The Warming Systems segment showed steady development during 2014 and was able to increase sales by +72.5%. Sales were distributed mainly over the markets Europe (25.4%), Brazil (22.9%), Germany (11.1%), Japan (6.6%) and India (5.8%). The LMT business unit posted sales of 718 kEUR, contributing for the first time to the segment's sales volume.

For 2015 we are assuming that the sales of the Warming Systems segment will continue to increase significantly. This development is supported by the release of a new generation of warming systems and the consolidation of sales generated by LMT Medical.



Patient 36.8°C body temperature
stable – thanks to Geratherm.

LMT Medical Systems

The Warming Systems segment was strengthened by the acquisition of a majority stake in LMT Medical Systems on 1 July 2014.

The new product range of LMT possesses an internationally unique solution for premature newborns with its MR diagnostic incubator system nomac® IC. LMT products are primarily implemented in paediatrics / infant radiology. The activities of this product range, such as development, production and sales, are managed by the headquarters in Lübeck.

The healthcare market for newborn infants and premature babies is continually growing. This can be attributed to the fact that many women wait till they are older to have children and the increase in artificial insemination, which is also referred to as fertility medicine.

Approximately 133 million babies are born world-wide every year. And about 13 million babies are born pre-term world-wide, and the number is increasing. Certain countries are very well equipped and prepared for addressing the problems associated with pre-term infants. In Germany, it is necessary to rescue pre-term infants born in the 24th week, while in Japan the requirement is for preemies born in the 22nd week and later.

Early diagnostic is especially important for being able to recognise and treat any possible organ damage. The special MR-proved incubator system from LMT makes it possible

to even examine pre-term infants that require a protective atmosphere in an MRT. Undetected cerebral haemorrhages and strokes are very dangerous for newborns.

LMT products immensely improve the diagnostic options for paediatric radiologists. The uninterrupted supply and continuous monitoring of patients during MRT exams is also guaranteed.

The MR-proved diagnostic incubator system from LMT is currently used in more than 22 countries. And more than 80 systems have already been installed globally. Thanks to this new technology, paediatricians and paediatric radiologists now have at their disposal diagnostic tools that were previously unknown for this early stage of human life.

With an export share of 86.3% and its unique products, LMT is a good fit for Geratherm Medical's strategic plans.

LMT's established sales channels for the paediatric market have also led to new sales opportunities for Geratherm's medical warming systems.

LMT aims to expand its operations during the current business year and make sure that its product range enjoys a broader base.





LMT Medical Systems – Early
diagnostics on the way into life.

CARDIO/STROKE

SRA risk analysis, an innovative system for detecting paroxysmal atrial fibrillation.

A stroke is a traumatic event and one of the leading causes for premature death and invalidity for many patients. Approximately 270,000 strokes are reported in Germany alone every year.

Atrial fibrillation, a cardiac arrhythmia, is one of the most important factors that can trigger a stroke.

The problem is that there are frequently no symptoms and the possible causes remain undetected during routine diagnostics. Many patients with atrial fibrillation cannot be treated, as they are usually not diagnosed in time. This is especially true for intermittent, paroxysmal atrial fibrillation, where conclusive diagnosis is hardly possible. The stroke risk analysis developed by apoplex, which is abbreviated to SRA (Stroke Risk Analyser), fills this diagnostic gap.

The company apoplex medical developed an algorithm, which analyses with the SRA the readings taken by an ECG and identifies the presence of paroxysmal atrial fibrillation episodes with great accuracy. Patients with an increased risk of intermittent atrial fibrillation can now be preselected thanks to early screening with the SRAclinic product.

As a result, it is possible to target a highly selective group of patients for specific follow-up examination. Documentation in the patient's records is handled automatically and thus also improves work flow in the daily hospital routine.

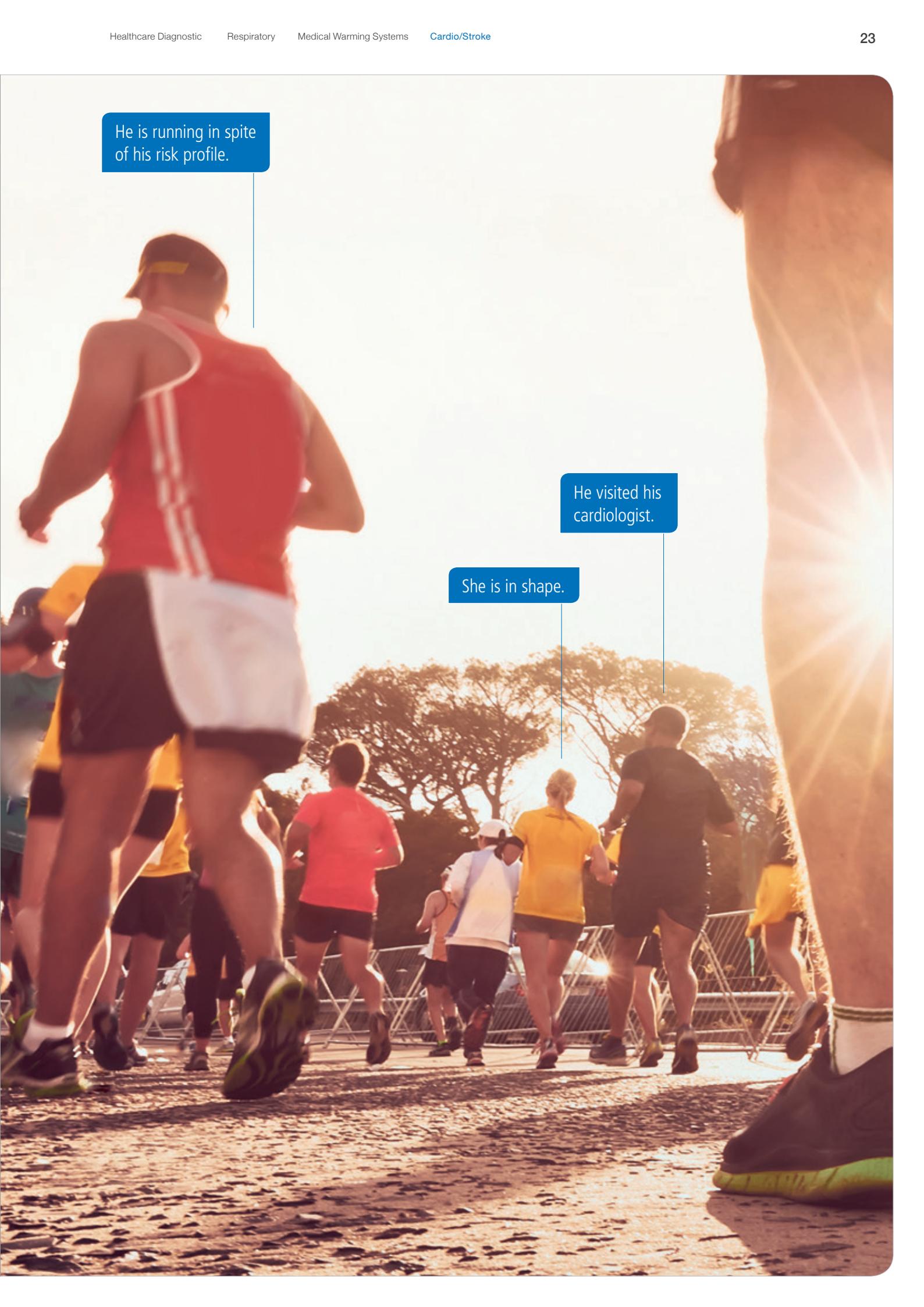
The innovative, quick and gentle diagnostic technology of the Geratherm subsidiary apoplex medical is a significant milestone for stroke prevention.

It is used both in registered doctors' practices as well as for acute treatment in so-called stroke units in hospitals. In the hospital segment, the existing infrastructure can be used thanks to the cooperation between apoplex and the companies Dräger Medical and Philips Medical.

Together with the aforementioned cooperation partners, the Cardio/Stroke segment has focussed its marketing activities for this new technology on stroke units over the past two years. At the end of 2014, 59 hospitals and clinics were connected to apoplex's atrial fibrillation SRAclinic system. That is 17 hospitals and clinics more than 12 months prior.

We are very glad that the university hospitals of Hamburg-Eppendorf, Essen, Jena and Freiburg, the Nordwest-krankenhaus in Frankfurt, as well as a number of hospitals of the Helios Group and the Vivantes Klinikum in Berlin have decided to use the apoplex diagnostic system.

We are anticipating for 2015 that the market penetration of our innovative product will continue to enjoy dynamic development. In addition to concentrating on stroke centers, we will also focus on independently established neurologists and cardiologists.



He is running in spite of his risk profile.

He visited his cardiologist.

She is in shape.

GROUP MANAGEMENT REPORT

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A. BASIS OF GERATHERM MEDICAL GROUP

1. Business model of Group

The Geratherm Medical AG Group, hereinafter called Geratherm or Geratherm Medical, operates in the following segments of Healthcare Diagnostic, Medical Warming Systems, Cardio/Stroke and Respiratory. Our corporate activities are characterized by an international focus. The company's origin lies primarily in measuring body temperature for medical applications. In this area, Geratherm offers a broad range of products, most of which have good distinguishing characteristics. Geratherm provides customers and patients with high quality products that range from clinical thermometers and complex warming systems that are designed for operating rooms and rescue operations through to MRI-capable incubators for preterm babies. In the Cardio segment we offer product solutions for detecting atrial fibrillation to prevent strokes. These products are utilised both in stroke centres and in the practices and offices of neurologists and cardiologists. Our Respiratory segment develops and markets products that are specifically designed to monitor pulmonary function.

In 2014 the Medical Warming Systems and Respiratory segments were bolstered by two acquisitions, the Lübeck-based company LMT Medical and the sensor production unit of the former Gensler GmbH in Steinbach-Hallenberg.

2. Research and development

The research and development activities of Geratherm are based on medium to long-term objectives. Research and development efforts in 2014 were concentrated mainly in the operating segments Medical Warming Systems and Respiratory.

With the acquisition of the Lübeck-based LMT Medical in July of 2014, we have increased our research and development activities significantly in the Medical Warming Systems segment. LMT Medical is an enterprise that focuses mainly on development. Nearly half of the employees are involved in the development and licensing of medical products.

Geratherm is right now in the process of transitioning into a premium product medtec company. That means approval-related tasks and inter-departmental tasks are continuing to grow in importance.

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

B. ECONOMIC REPORT

1. Overall economic and industry-related factors

Overall economic factors

The global economy managed to grow by approx. three percent again in 2014 independent of a wide variety of factors. The largest portion of this growth can be attributed to the flourishing economies in the United States and China. The European market showed hardly any growth impetus, however.

A pleasant surprise was the sharp drop in oil price by almost 50%, which had the effect of an economic stimulus package. In Europe the money printing presses are running at full speed with the effect that the value of the euro has decreased by 12% compared to the U.S. dollar over the course of the year. The problems affecting the Brazilian market, on which Geratherm is also active, were further aggravated by the 10% devaluation compared to the U.S. dollar. The market in Brazil is currently marked by high inflation and a stagnating economy. During the course of 2014, the currency in Russia experienced a 50% drop in its value compared to the euro and dollar. The inflation rate in Germany was reported at 0.1%. For the upcoming business year, the overall economic conditions are characterised by the weak Euro Zone, the possibility of interest rates rising for the first time on the U.S. market and the overall faltering global economy. The Euro Zone is expected to grow by 1% for 2015. According to current forecasts of the International Monetary Fund (IMF), the U.S. market which is important for the sales of medical products shall grow by more than 3%.

Industry related factors

The medical technology industry operates on a global basis. Impulses for the economy continue to be in sync with the rise in population, demographic trends and the increase in lifestyle diseases. An annual growth in sales of 5% is anticipated for the entire medical technology industry, which corresponds approximately to the growth expected for the pharmaceutical industry that is twice the size. Forecasts presume that growth will slow down over the medium term, but the outlook remains good.

Europe's medical technology industry is also in the process of tightening its approval requirements, which affects all medical technology companies to the same extent. For small to medium-sized enterprises, that represents a tremendous expenditure financially and time-wise. The planned EU directive for medical products will substantially increase the amount of paperwork and bureaucracy relating to the development and marketing of new products. This directive calls for unannounced audits at manufacturers' premises and comprehensive studies of new products for application and benefit assessments. The resulting higher costs due to increased monitoring of medical products will impact in particular small enterprises with little capital.

While the underlying requirements in Europe are becoming perceptibly more stringent, it is possible to note that medical technology manufacturers still have greater liberty on the Asian market in particular. That results in slightly disproportionate initial situations on the markets. Admittedly, medical technology products from Asia are sold primarily in emerging markets, a circumstance that noticeably increases the pricing pressure on European manufacturers.

On top of that, it is not always simple to protect intellectual property, which could be a problem for European and U.S. manufacturers of medical technology products.

Well connected, innovative companies that take an interdisciplinary approach and have a high level of technological expertise and a solid financial base offer the best potential for being successful on the medical technology market.

After all, orders are put up internationally for tendering. And the selection process is tough. Contracts are normally awarded to companies that offer the most favorable conditions or a product that solves a problem that other companies cannot solve. In other words, innovation and price leadership are key factors for the long-term focus of a medical technology company.

Companies from the U.S., Japan and Europe make up approx. 84% of the global supply of medical products. The German medical technology industry accounts for approx. 10% of the worldwide sales in the segment. German medical technology manufacturers reported a growth of up to +1.6% last year. Domestic sales generated an increase of 1.3%, while international sales an increase of 1.8%. As in the previous year, the export share was 68%. No major stimulus is expected for the German market. Domestic business is influenced by an investment backlog in the hospital sector and intense price pressure.

In light of this, it is important for German medical technology companies to ensure a quick implementation of innovative product solutions on the international market.

2. Financial and non-financial performance indicators

Geratherm utilises a variety of performance indicators to guide itself with regard to achieving corporate objectives. The key performance indicators for the financial sector correspond with those that are typically used in the segments. The central objectives growth and profitability are tied to the performance indicators revenues and earnings before interests and taxes (EBIT) and in with regard to non-financial factors to the performance indicators product sales and export share. Moreover, the performance indicators equity-to-assets ratio and liquidity are useful for capital management and total cost profitability of funds tied in the individual business segments.

3. Business trend

General overview

All in all, Geratherm Medical was able to report strong business performance during the 2014 fiscal year. We have made good progress in all product segments. That said, our Brazilian subsidiary exhibited less favourable business development and thus posted a sharp drop in sales and a loss as a result of exchange rate changes and high interest charges.

In spite of this, the group managed to reports its best operating result so far with EUR 3.2 million. The company's sales volume increased altogether by +11.2% to EUR 18.7 million.

The strong performance exhibited was favourably influenced by the good development in our core business. That was further supported by the foreign exchange earnings amounting to 219 kEUR based on our dollar holdings. The two new acquisitions Sensor Systems and LMT Medical generated the first profit contributions to the reported overall result.

With regard to apoplex medical, an investment fund contributed with a 2% share on a valuation basis of EUR 28 million. The capital was used to reduce liabilities and as a basis for further growth.

On the whole, the operating result (EBIT) was EUR 2.415 million (2013: 793 kEUR). That represents a substantial increase over the previous year and corresponds to an EBIT margin of 12.9% based on sales. By doing so, we managed to achieve our goal of posting a double digit EBIT margin for the 2014 fiscal year.

The group's overall performance was supported by a positive securities-related result in the amount of 140 kEUR (2013: 726 kEUR). The profits from ordinary business activities increased by +75.2% to EUR 2.251 million. After deducting income tax in the amount of 647 kEUR (of which 499 kEUR reduction in deferred taxes), the group reported a consolidated net income of EUR 1.604 million (+41.0%). That corresponds to 34 EUR cent per share (2013: 27 EUR cents).

Geratherm still has a solid financial position so that it is able to finance the strong growth of the new business segments and prospective acquisitions. At the end of the reporting period, the company had an equity capital of EUR 20.343 million and cash, cash equivalents and securities in the amount of EUR 13.072 million.

Based on current information, it is expected that the new business areas will further boost the company's growth and quality of operating earnings. We are very optimistic about the new business year.

Sales development by segments

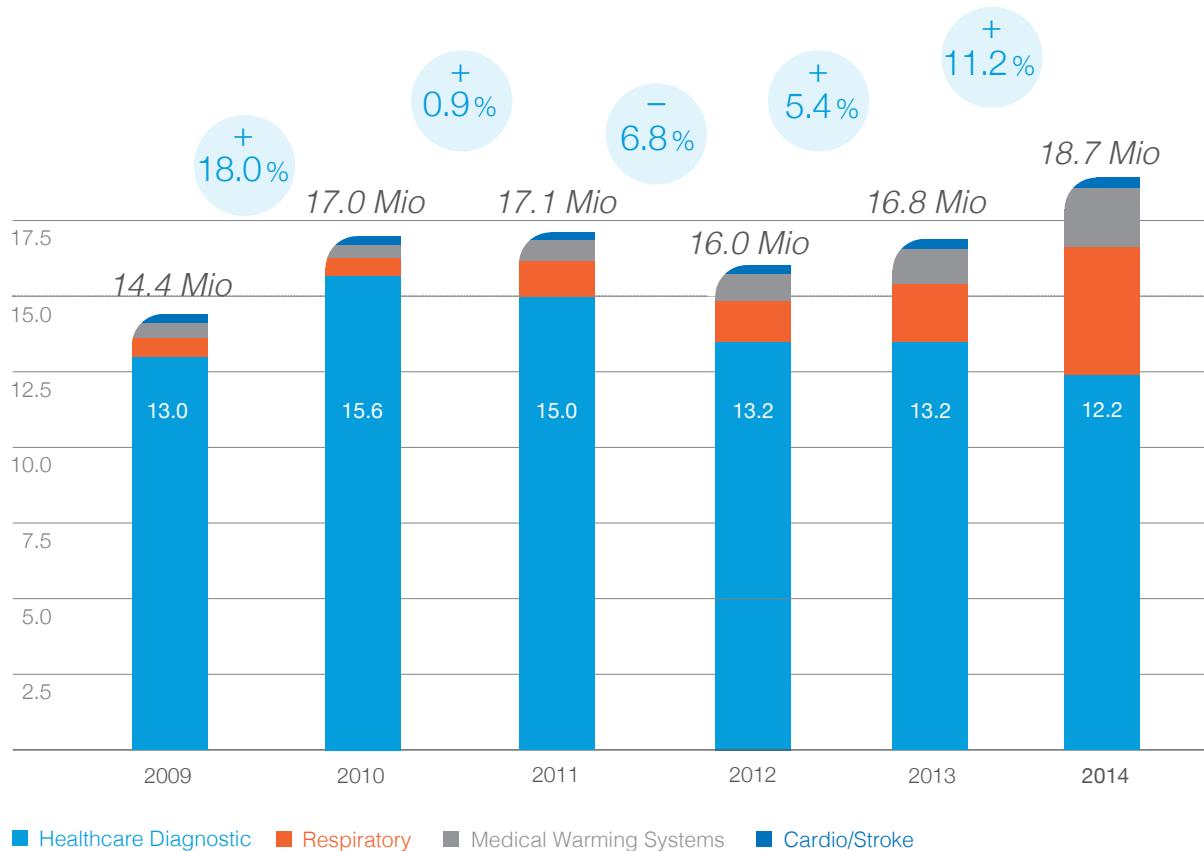
Healthcare Diagnostic

In the Healthcare Diagnostic segment, we offer products that are geared primarily to the end consumer and which are marketed internationally via pharmacies. The segment accounts for 65.0% of the company's sales (2013: 78.6%). Products of the Healthcare Diagnostic segment posted a -8.1% decrease in sales in 2014. The decrease was affected primarily by the negative performance of our subsidiary in Brazil, which reported a decline in sales of -939 kEUR. Without this factor, the sales performance of the Healthcare Diagnostic segment would be roughly at the same level as last year. Posting sales of EUR 12.156 million, the segment earnings on EBIT basis was EUR 1.870 million.

SALES DEVELOPMENT BY SEGMENTS *in kEUR*

	2013	2014	Change
Healthcare Diagnostic	13,222	12,156	-8.1 %
Respiratory	2,095	4,157	+98.4 %
Medical Warming Systems	1,078	1,860	+72.5 %
Cardio/Stroke	432	542	+25.5 %

The weak sales performance in the Healthcare Diagnostic segment was counteracted by the dynamic development of the other business segments. The declining proportional development of Healthcare Diagnostic in the overall sales corresponds with the company's strategic focus for the future. The new Women Health product area within the Healthcare Diagnostic segment did compensate part of the decline in sales. Here sales of 459 kEUR were generated for the first time in 2014. We will augment again the marketing activities during the course of 2015 so that we do expect a further positive contribution for the Healthcare Diagnostic segment.



Respiratory

In the Respiratory segment we focus on the development, production and marketing of products designed for cardiopulmonary function diagnostics. The segment's three sales generators are spirometry, pulmonary function and spiroergometry. 70.0% of the products are shipped to customers located outside of Germany.

In 2014, the Respiratory products generated sales of EUR 4.157 million. That corresponds to a plus of 98.4%. The strong sales growth posted by the segment can be attributed to the acquired sensor production of Sensor Systems GmbH at the Steinbach-Hallenberg plant in Thuringia, which was taken into account for the first time. By acquiring our own sensor production now for pulmonary applications, we have deliberately decided to broaden our manufacturing depth. This enables us to ensure a reliable and stable supply of disposable products to customers all over the world. The segment generated an operating result on EBIT basis of 203 kEUR (2013: 181 kEUR).

Medical Warming Systems

Sales in the Medical Warming Systems segment exhibited all in all positive development. The sales volume was increased by +72.5% to EUR 1.860 million. The acquisition of LMT Medical supported this development with a contribution of 718 kEUR to sales revenue. Medical Warming Systems account for 9.9% of the company's overall sales.

In the Medical Warming Systems segment Geratherm offers products that are designed to regulate the body's temperature. That involves primarily products that are geared to warm up and cool down patients. These product solutions are used whenever it is necessary to ensure a fast and effective supply of heat to patients in operating rooms or emergency response situations. Cooling is important when the long-term function of the brain is in danger due to lack of oxygen, caused by cardiac arrest or insufficient blood supply. A new product generation will be introduced respectively for warming and cooling applications during the course of 2015.

We moreover assume that the acquisition of LMT in Lübeck will continue to make a positive contribution to the segment's sales revenue in 2015.

The market for this type of medical products focuses on the long term. Product development and approval takes several years. The products are usually put up internationally for tendering.

The Warming Systems segment generated with pro-rata consideration given to LMT Medical an operating result (EBIT) of 227 kEUR (2013: 67 kEUR) during the course of 2014.

Cardio/Stroke

In the Cardio/Stroke segment we offer products that are designed to detect atrial fibrillation. The generated information is crucial for stroke prevention. apoplex medical has developed a system for identifying atrial fibrillation, which is used in doctor practices and stroke centers.

Our original objective for 2014, having more than 100 hospitals and clinics in the network, was not achieved. That said, we did make good progress again though. At the end of the year, 59 hospitals and clinics were connected to the apoplex system, compared to 42 in 2013.

In 2015 marketing will focus on office-based physicians and healthcare professionals. apoplex managed to post a sales of 542 kEUR in 2014 (+25.5%). The sales revenue was generated for the most part in Germany. The operating result was still slightly negative with -28 kEUR (2013: -61 kEUR).

Sales development based on regions

As medical technology company, Geratherm focuses to a large extent on international markets. Sales are generated in more than 60 countries. The export share accounted for 83% of the company's sales. The main markets are Europe, South America, Germany, Middle East, the U.S. and Other countries. The high export share reflects the international competitiveness of Geratherm's product solutions.

A sales of EUR 18.7 million was generated in 2014. This corresponds to a +11.2% increase. All in all, Geratherm exhibits considerably stronger growth than the medical technology market.

Sales development was impacted by the negative performance in South America, especially in Brazil, in 2014. The market in South America showed once again a decrease of -23.3%. That is not a satisfactory development. Part of the drop in sales revenue can be attributed to the devaluation of the Brazilian real. Another reason is the fierce competition involving high-volume products, such as blood pressure monitors. We are trying to concentrate our efforts on the South American market over the medium term with premium medical technology products. Although that will certainly take some time, we are convinced that this is the right decision. The market in South America accounts for 16.5% of Geratherm's sales revenue.

The euro zone outside of Germany is the company's largest sales market. 45.7% of Geratherm's products are sold here. The European market performed exceptionally well for Geratherm, posting a growth of +23.9%.

The sales recorded in Germany were at EUR 3.2 million considerably higher than during the previous year. Growth was with +59.1% a main factor for the positive development of sales of the entire company.

The Middle East is particularly important as sales region for Geratherm. Sales are growing continuously and the Geratherm brand is very well known in this region. A sales revenue of EUR 1.5 million was generated on the Middle Eastern market. Sales did decrease here by -18.1% in 2014. This should be viewed in comparison to last year's figures, where the region recorded an extraordinary growth of +52.1%. The medium-term growth trend is still very positive.

SALES DEVELOPMENT BY REGIONS *in kEUR*

	2013	2014	Change
Europe	6,905	8,553	+23.9 %
South America	4,035	3,096	-23.3 %
Germany	1,994	3,173	+59.1 %
Middle East	1,834	1,502	-18.1 %
USA	1,266	1,305	+3.1 %
Other countries	793	1,086	+36.9 %

The volume of sales reported on the U.S. market showed a slight growth of 3.1%. The EUR 1.3 million generated on the U.S. market amounts to 7.0% of the company's sales revenue. In the U.S. our gallium-filled thermometers are primarily sold in drugstore chains and warming systems are mainly sold to the U.S. military.

The region covered by other countries reported sales in the amount of EUR 1.1 million. That represents a clear growth of 36.9% compared to the year before. The Other countries region includes mainly the sales region of Asia and Africa. The sales revenue recorded in Asia increased by +41.0% and the generated sales in Africa increased by +29.5%. Although the absolute volume is still relatively low, but it does indicate where there is a large demand for German medical technology products.

4. Situation

Earnings situation

During the course of the 2014 business year, Geratherm Medical was able to considerably expand its business activities. Sales increased by +11.2% to EUR 18.7 million and the overall performance of the company rose by +27.4% to EUR 20.7 million.

The material expenditure exhibited an above-average increase of +17.1% compared to the overall performance. The gross margin, based on the overall performance, rose to 58.3% (2013: 54.6%). The gross profit increased by +36.1% to EUR 12.1 million.

On the EBITDA level, we were able to show the best operating result thus far prior to amortisation and depreciation with EUR 3.171 million (2013: EUR 1.601 million). The operative margin on the EBITDA level amounted to 16.9% (2013: 9.5%).

Amortisation of intangible assets and depreciation of property, plant and equipment accounted for 756 kEUR (2013: 808 kEUR). The depreciation of tangible assets amounted to 653 kEUR. The intangible assets primarily include capitalized development costs that were written off at the beginning of the marketing activities. This position had a depreciable amount of 103 kEUR in 2014.

The other operating expenses exhibited an increase of +12.7% to EUR 4.503 million.

EARNINGS PERFORMANCE *in kEUR*

	2009	2010	2011	2012	2013	2014	Change
Operating result (EBITDA)	2,607	2,948	2,399	1,714	1,601	3,171	+98.1 %
Operating result (EBIT)	2,237	2,350	1,720	957	793	2,415	+204.5 %

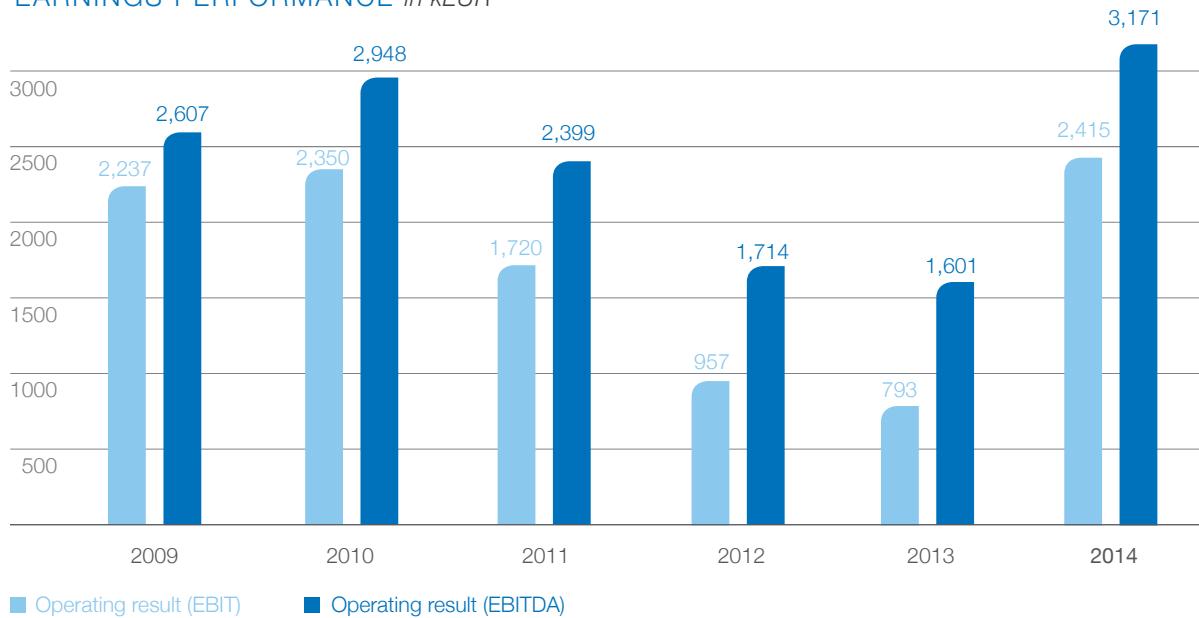
The operating result (EBIT) increased significantly from 793 kEUR to EUR 2.415 million. That corresponds to an EBIT margin of 12.9% for the entire company (2013: 4.7%). The good performance exceeded our original operational targets. The operating result was supported by the foreign exchange earnings in the amount of 219 kEUR and contributions made by the two new acquisitions in the amount of 532 kEUR.

The financial result amounted to -164 kEUR in 2014 (2013: +492 kEUR). The negative financial result can be explained by the lower earnings from sales of securities, temporary depreciation of securities and the considerably higher interest burden from bank liabilities of the subsidiary Geratherm do Brasil in the amount of -245 kEUR.

Compared to the year before, the core business at the Geschwenda plant in Thuringia developed considerably better without taking into consideration the subsidiaries apoplex, Respiratory, LMT, Sensor Systems and do Brasil. The result (EBIT) jumped by 97.7% to EUR 1.829 million (2013: 925 kEUR). That corresponds to an EBIT margin of 16.3%. Consequently, Geratherm's core business is still the company's most important source of income.

The result (EBIT) for the Respiratory segment rose to 203 kEUR (2013: 181 kEUR), which corresponds to an EBIT margin of 5.3%. Although apoplex managed to clearly decrease its reported loss again, it still showed a slight loss of -28 kEUR over the twelve month period. The Warming Systems segment increased its result (EBIT) with the incorporation of LMT Medical from 67 kEUR to 227 kEUR. That corresponds to an EBIT margin of 14.8%.

EARNINGS PERFORMANCE *in kEUR*



The financial result is -164 kEUR. This comprises dividends in the amount of 36 kEUR, earnings from sales of securities in the amount of 565 kEUR and interest earnings of 21 kEUR. That is offset by the temporary depreciation of securities as of the reporting date (Eckert & Ziegler) in the amount of 313 kEUR and write-offs from a shareholding in the amount of 50 kEUR. With regard to earnings from securities in 2013, expenses in the amount of 92 kEUR were set aside as provisions for bonuses. Base rates amounting to 325 kEUR burdened the financial result significantly. 245 kEUR of which represent the interest burden of the subsidiary Geratherm do Brasil. Other price fluctuations for the securities are reflected in the statement of changes in shareholders' equity.

Including the statement of the financial results, it was possible to report a clearly better result from ordinary business activities in the amount of EUR 2.251 million (2013: EUR 1.285 million).

Taxes on profit amounted to 647 kEUR (2013: 147 kEUR). The reported taxes only have a slight impact on the liquidity position for this period. Of the reported taxes, 499 kEUR account for the decrease of the deferred tax assets due to the use of losses carried forward. The actual tax burden on the result from ordinary business activities is 148 kEUR. The losses carried forward on the group level amount to EUR 3.312 million (2013: EUR 4.892 million) as at 31/12/2014.

The consolidated net income increased by +41.0% to EUR 1.604 million.

The result attributable to minority shares amounted to -78 kEUR. That can essentially be explained by the proportional absorption of the loss of the subsidiary Geratherm do Brasil.

The profits from the shareholders of the parent company (EAT) increased by +26.1% to EUR 1.682 million (2013: EUR 1.334 million). The result per share is 34 EUR cent (2013: 27 EUR cents).

The board of directors and supervisory board of Geratherm Medical AG will propose to the annual general meeting to pay a dividend in the amount of EUR 0.25 per share. This is reasonable in light of the company's strong capital resources and the annual earning report in the amount of EUR 0.34 per share. The sum to be distributed should amount to 73.5% of the reported annual profit.

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognized capital contributions account shall be used for the planned disbursement of the dividend amounting to EUR 0.25 per share for the 2014 fiscal year (altogether EUR 1.237 million).

For the 2014 business year, the earned distributable profit on the group level amounts to EUR 1.740 million and is not utilized in full by the planned dividend disbursement such that access to the tax-recognized capital contributions account that continues to exist with EUR 15.206 million is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.38% (326 kEUR) to the full disbursement amount of EUR 1.237 million.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-free from the tax-recognized capital contributions account.

Financial situation, investments and liquidity

Geratherm Medical exhibited a sound financial position throughout the entire 2014 fiscal year. The cash and cash equivalents available including securities as at 31 Dec. 2014 amounted to EUR 13.072 million (2013: EUR 15.458 million). The relatively sound liquidity position and thus the resulting degree of financial freedom allows the company to pursue long-term objectives for product development and market launch. As a result we are able to act whenever an interesting prospective acquisition arises especially for bolstering our business segments.

The gross cash flow amounted to EUR 2.868 million in 2014 (2013: EUR 1.272 million). The cash flow from operations was 952 kEUR (2013: EUR 2.438 million). The lower cashflow reported for operations is essentially due to the increase in inventories by EUR 1.503 million.

A negative cash flow from investment activities was reported with EUR -1.928 million (2013: EUR +1.150 million). The reason for that was essentially investments in fixed assets and the cash outflow for the two acquired companies.

The cash flow from financing activities was EUR -1.267 million (2013: EUR -1.286 million). The reported item was influenced by the dividend payments in the amount of EUR 1.188 million, repayment of loan liabilities in the amount of EUR 2.172 million and the taking out of new loan liabilities in the amount of EUR 1.330 million. The latter mainly involves the new loan taken out by the subsidiary Geratherm do Brasil.

In 2014, Geratherm Medical was always in the position of fulfilling its payment obligations as they arose. Cash discounts were utilized as agreed upon. To minimize risks, the granted payment targets were checked and adapted in individual cases. Geratherm possesses a good financial structure with an above-average equity-to-assets ratio and liquidity position. We do not foresee any situations, which could jeopardize the continued existence of the company.

Assets and capital structure

The balance sheet total of Geratherm Medical was as at 31 Dec. 2014 with EUR 28.5 million, remaining roughly on par with the previous year. Geratherm enjoys a stable asset situation. The company's reported equity capital is EUR 20.3 million (2013: EUR 20.1 million) or 71.4% of the balance sheet total. This results in a book value of EUR 4.11 based on an individual share. With the equity capital classification it is possible for the company to operate for the most part without any external financing and pursue its own long-term corporate objectives.

The transition process for becoming a premium product medtec company involves, of course, increased approval requirements and market entry barriers with higher risks. Even the duration required for product development until the first greater sales are generated can extend over a longer period of time. Geratherm possesses sufficient resources for countering risks of these underlying industry-specific conditions.

As of 31 Dec. 2014, the assets side of the balance sheet contains long-term assets amounting to EUR 4.927 million (2013: EUR 5.159 million). The short-term assets amounted to EUR 23.562 million (2013: EUR 23.538 million).

Within the long-term assets, the intangible assets increased slightly by 4.2% to 722 kEUR. Amortisation of intangible assets accounted for 103 kEUR, and additions of other intangible assets amounted to 132 kEUR.

The value of tangible assets essentially remained with EUR 3.337 million on the same level as last year. Investments in tangible assets amounted in 2014 to 717 kEUR (2013: 173 kEUR), which were offset by the depreciation of tangible assets in the amount of 653 kEUR.

The deferred taxation amounts to 585 kEUR, which represents a considerable drop of 499 kEUR. The drop is based on the positive profit statement as per German tax law, which involves the use (consumption) of existing tax losses carried forward. The deferred taxation includes assets from the tax losses carried forward less the deferred tax liabilities on capitalised developments.

With regard to the short-term assets, the inventories increased considerably by 55.0% to EUR 7.031 million. In part, the inventories that were assumed as part of the two acquisitions such as raw materials and consumables, work in progress, finished goods and products, contributed to an increase of EUR 1.139 million. As part of expansion efforts, inventories increased by an additional EUR 1.357 million.

The accounts receivable and other assets increased by 5.2% to EUR 3.728 million. In this case, trade receivables accounted for EUR 3.001 million and tax receivables 465 kEUR. Of this, 269 kEUR concern our subsidiary Geratherm do Brasil. These are shown as long-term receivables on the balance sheet. The other assets decreased to 262 kEUR (2013: 296 kEUR).

The cash and cash equivalents available as at 31 Dec. 2014 amounted to EUR 8.869 million (2013: EUR 11.112 million).

The equity and liabilities side of the balance sheet shows the company's sound asset situation. The equity capital of EUR 20.343 million is offset by liabilities in the amount of EUR 8.146 million (2013: EUR 8.617 million). The long-term debts amount to EUR 3.416 million (2013: EUR 4.229 million) and include liabilities to banks in the amount of EUR 2.127 million (2013: EUR 2.935 million). The largest bank loan was extended to the company at an interest rate of 1.4% p. a. and reflects the company's very good credit rating. The investment subsidies accrued and received reduced by 16.1% to 586 kEUR. At 703 kEUR, the other long-term liabilities were 18.0% higher than the previous year. This position includes liabilities of other minority shareholders.

The short-term debts increased by 7.8% to EUR 4.730 million (2013: EUR 4.388 million). Short-term liabilities to banks are reported here in the amount of EUR 2.109 million (2013: EUR 2.143 million). The trade accounts payable decreased considerably by 26.5% to 998 kEUR. In light of the positive business performance tax liabilities increased from 84 kEUR to 218 kEUR. The other liabilities increased noticeably by 77.8% to EUR 1.341 million (2013: 754 kEUR). The increase by 587 kEUR can essentially be broken down into short-term liabilities by the first-time consolidation of LMT in the amount of 245 kEUR and Sensor Systems in the amount of 309 kEUR.

C. EVENTS AFTER REPORTING PERIOD

According to the management board, no main events occurred during the first weeks of the 2015 business year. The company started the new business year with a good order situation. The company anticipates a strong double-digit increase in sales and earnings during the first quarter of 2015.

D. FORECAST, CHANCES AND RISK REPORT

1. Forecast

The underlying global economic conditions are favourable with regard to our company. The International Monetary Fund (IMF) anticipates a moderate worldwide growth in 2015. Impetus is being generated by the U.S. market and the accumulated needs of the emerging markets. Almost no noteworthy growth is anticipated for Europe.

Healthcare expenses are expected to further increase worldwide by 2018 as a result of demographic trends. Based on Deloitte's „Healthcare and Life Sciences Predictions 2020“, growth drivers are the Middle East and Africa with +8.7% respectively p. a., followed by Asia, Australia each with +8.1% and North America with +4.9%. Western Europe is expected to only develop moderately with a growth of +2.4%. All in all, the outlook for the healthcare industry remains very favourable.

Our company is currently in a growth phase, which is supported by the market launch of many new products with good distinguishing characteristics. That involves our core business in the Diagnostic segment as well as the other three segments Temperature Management, Respiratory and Cardio/Stroke.

We assume that if the general underlying conditions remain the same, sales and revenues will increase considerably during 2015. The objective is to achieve an EBIT margin of more than 10% at the group level. In light of the development noted in the past few months, we are optimistic that we will achieve these objectives.

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

2. Risk report

Risk management

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

Product safety requirements and regulatory demands in approval procedures have gained tremendous importance over the past years. Approvals involve an ever-increasing expenditure with regard to safety factors and ability to prove added benefit. This in turn calls for the performance of additional clinical studies. The timeline between finished product and actual start of product launch is always becoming longer. That results in a greater risk profile for the company.

Risks for companies in the medical industry are foreseeable only to a certain extent. It is possible that new provisions may also be adopted for medical products. That will impact product marketing and can lead to a devaluation of inventories. Unannounced audits by regulatory authorities may note deficiencies that in a worst-case scenario could result in the closure of product areas or plants.

Geratherm attaches great importance to maintaining its product approvals and certifications. Product approvals can be revoked or required to satisfy new requirements. Geratherm strives to take these processes into account as early as possible and do everything to fulfill the changing requirements in order to minimize any possible damage for the company.

In spite of all the precautionary measures taken, there is still a risk of injury or damage due to the use of medical products. A small number of suppliers are involved in the special technological know-how. Taking the related risk aspects into consideration that can lead to bottlenecks.

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

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

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

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

Geratherm is currently pursuing its objective of investing more and more in premium products. That initially involves significant expenses without there being any guarantee that the anticipated success will indeed be achieved.

In case of successful market launch, these are offset by the scope of opportunities. The management board works within this specific risk profile and manages the financial burdens in such a way that the security and independence of Geratherm Medical is not seriously affected in the event of a worst-case scenario occurring.

The company's risk management and control system encompass the operative and strategic risks. For instance, the activities of our subsidiaries, business units and product groups are analyzed and reported on a monthly basis. These analyses include information about sales, order situation, EBIT margin and currency risk exposure. The management of Geratherm Medical is convinced that the established internal controls and risk management systems are capable of meeting the existing requirements in a suitable manner.

An important source for reducing the strategic risks for the company is maintaining close contact with customers and users. The management board is involved in all negotiations with important customers of Geratherm products and personally attend all major relevant international trade fairs.

Financial management

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

Financial risks

Liquidity risk

The liquidity risk is for Geratherm Medical low. The company enjoys a very good liquidity position for its size and compared to the rest of the industry. Short-term debts are covered by funds that are freely available. Due to its very good credit rating, the company would be able to secure additional external financing or sources of equity at any time.

Market price risk – Interest

Geratherm is essentially exposed to interest rate risks only with regard to investments. The debt capital has fixed interest rates and can be paid back at any time based on the company's liquidity situation.

Market price risk – Foreign currency

Geratherm Medical is internationally active and thus receives income in dollars as well. We have not protected ourselves against a currency risk exposure, since we strive to use dollar proceeds to settle expenses and other outlay in the same currency. With regard to our business activities in Brazil, we are exposed to currency risks involving the Brazilian real.

Credit and non-payment risk

The group implements a process for minimizing bad debt losses, in particular, the daily monitoring of due dates and the prompt initiation of steps to collect debts when necessary. In case of new customers, advance payments and letters of credit are required for the most part. For existing customers, we arrange customer-specific payment targets. If these targets are not complied with, then payment must be made in advance. The non-payment has been minimal for the past few years. The payment targets on the Brazilian market will be reduced significantly in 2015.

Market price risk – Raw materials

To maintain our production, we depend on certain raw materials. The procurement risk involves shortages in supplies or increases in the prices of raw materials necessary for production. We constantly monitor the price trends of raw materials that are crucial for us. The risk of changes in market prices can only be avoided to a limited extent. We strive to negotiate long-term supply agreements based on fixed prices with our suppliers.

Market price risk – Securities

Part of our liquid resources is invested in securities of the healthcare industry. We are aware, however, that due to fluctuations on the capital market the valuation of held securities may have negative effects on the assets, financial and earnings situation. Temporary fluctuations in assets that represent a medium to long-term commitment are part of our investment strategy.

Performance risks and sales risks

IT security risk

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

Patent protection risk

Geratherm holds patents for certain products. Industrial and intellectual property rights may become the target of attacks and violations. Enforcing patent rights internationally is not simple and involves very high financial expenditure. The enforcement of industrial property rights is hardly possible especially in countries where there is a lack of legal certainty. Geratherm strives to take action against any patent infringements in order to protect our patent claims, while taking various criteria into consideration. We are currently pursuing patent infringement claims in Italy, Poland and the Czech Republic. Such processes are lengthy and involve high costs. If we are unable to assert our patent claims, we will have to bear additional litigation costs.

Risk – New business areas

Geratherm has a stable core business. The company's management has focused its efforts for the past ten years on establishing new business areas in order to reduce its dependence on the core business and open up new attractive market niches for the company. Acquisitions have been carried out to speed up this growth. The risk from the new business areas has decreased considerably over the past few years, since these business areas are no longer operating now in the red.

The purchase and integration of companies does come with risks. The original objectives of our acquisition strategy could not be achieved. That said, we have been able to change the time and the scope of the hoped for benefit. It is not possible to rule out a total write off of the endeavour. We are aware of the opportunities and risks and are guiding our activities accordingly.

3. Opportunities

Management of opportunities

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

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

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

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

4. Final conclusion

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

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

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

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

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

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

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

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

6. Other Information

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

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31/12/2014 and is divided into 4,949,999 share certificates issued to the bearers.

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

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

The supervisory board appoints members of the management board for a maximum 3 years. The management board members may be reappointed or their term of office extended for no more than 3 years at a time. Moreover, the regulations governing the appointment and dismissal of management board members correspond with Art. 84 of AktG.

The management board was authorised to increase the capital stock of the company up to a maximum 2,474,999 subject to the approval of the supervisory board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,474,999 by 5 June 2016 (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 five trading days prior to acquisition.

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

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

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

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

The annual general meeting of Geratherm Medical AG convened on 27 May 2014 in Ilmenau, Germany. The attendance at the annual general meeting represented 58.93% of the capital stock.

The expenses for the stock exchange listing in 2014 was 94 kEUR (2013: 82 kEUR).

Geschwenda, 23 March 2015



Dr. Gert Frank
Chairman of the Board

Thomas Robst
Head of Sales

CONSOLIDATED FINANCIAL STATEMENT

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CONSOLIDATED FINANCIAL STATEMENTS

(IFRS) of 31 December 2014

ASSETS	Notes No.	31/12/2014 EUR	31/12/2013 EUR	Change in %
A. LONG-TERM ASSETS				
I. Intangible assets	1.			
1. Development costs		157,442	160,215	-1.7
2. Other intangible assets		488,597	456,845	7.0
3. Goodwill		75,750	75,750	0.0
		721,789	692,810	4.2
II. Tangible assets	2.			
1. Land, land rights and buildings		1,087,273	1,152,585	-5.7
2. Technical equipment and machinery		1,905,588	1,994,532	-4.5
3. Other equipment, factory and office equipment		344,048	169,047	>100.0
4. Construction in process		0	16,663	-
		3,336,909	3,332,827	0.1
III. Other assets	3.			
IV. Other long-term receivables		269,193	0	-
V. Deferred taxes	4.			
		584,714	1,083,646	-46.0
		4,927,311	5,159,286	-4.5
B. SHORT-TERM ASSETS				
I. Inventories	5.			
1. Raw materials and supplies		2,103,356	1,260,058	66.9
2. Unfinished goods		1,753,405	1,185,681	47.9
3. Finished goods and merchandise		3,174,442	2,089,779	51.9
		7,031,203	4,535,518	55.0
II. Receivables and other assets				
1. Trade receivables	6.			
2. Tax receivables	7.			
3. Other assets	8.			
		3,458,975	3,544,073	-2.4
III. Securities	9.			
IV. Cash and cash equivalents	10.			
		8,868,854	11,112,484	-20.2
		23,562,082	23,538,179	0.1
		28,489,393	28,697,465	-0.7

EQUITY AND LIABILITIES	Notes No.	31/12/2014	31/12/2013	Change in %
		EUR	EUR	
A. EQUITY CAPITAL				
I. Subscribed capital	11.	4,949,999	4,949,999	0.0
II. Capital reserves	12.	11,035,367	10,711,677	3.0
III. Other reserves	13.	4,723,663	5,043,049	-6.3
Assignable to the shareholders of the parent company		20,709,029	20,704,725	0.0
Shareholders of minority interest	14.	-366,071	-624,334	-41.4
		20,342,958	20,080,391	1.3
B. Non-current debts				
1. Liabilities to banks	15.	2,127,456	2,934,852	-27.5
2. Accrued investment subsidies	16.	585,706	697,787	-16.1
3. Other long-term liabilities	17.	703,079	596,079	18.0
		3,416,241	4,228,718	-19.2
C. Current debts				
1. Liabilities to banks	18.	2,108,732	2,143,250	-1.6
2. Payments on accounts		63,594	48,104	32.2
3. Trade payables	19.	998,254	1,358,482	-26.5
4. Tax liabilities	20.	218,490	84,127	>100.0
5. Other short-term liabilities	21.	1,341,124	754,393	77.8
		4,730,194	4,388,356	7.8
		28,489,393	28,697,465	-0.7

CONSOLIDATED PROFIT AND LOSS STATEMENT

(IFRS) for the period from 1 January to 31 December 2014

	Notes No.	01/01–31/12/14 EUR	01/01–31/12/13 EUR	Change EUR	Change in %
Sales revenues	22.	18,714,641	16,827,472	1,887,169	11.2
Change in inventory of semi-finished and finished products		925,907	-936,817	1,862,724	>100.0
Other capitalised own work		41,198	27,437	13,761	50.2
Other operating income	23.	1,005,438	313,568	691,870	>100.0
		20,687,184	16,231,660	4,455,524	27.4
Cost of materials	24.				
Cost of raw materials, consumables and goods for resale		-8,071,354	-6,930,802	-1,140,552	16.5
Costs of purchased services		-555,337	-438,636	-116,701	26.6
		-8,626,691	-7,369,438	-1,257,253	17.1
Gross profit or loss		12,060,493	8,862,222	3,198,271	36.1
Personnel expenses	25.				
Wages and salaries		-3,620,634	-2,673,965	-946,669	35.4
Social security, pension and other benefits		-764,948	-591,612	-173,336	29.3
		-4,385,582	-3,265,577	-1,120,005	34.3
Amortisation of intangible assets and depreciation of tangible assets	26.	-756,337	-807,543	51,206	-6.3
Other operating expenses	27.	-4,503,394	-3,995,699	-507,695	12.7
Operating results		2,415,180	793,403	1,621,777	>100.0
Dividend income		36,000	54,145	-18,145	-33.5
Income from securities trading		564,794	879,204	-314,410	-35.8
Amounts written off for securities		-363,262	0	-363,262	-
Securities-related expenses		-97,365	-207,043	109,678	-53.0
Other interest and similar income		20,835	20,800	35	0.2
Interests and similar expenses		-325,298	-255,555	-69,743	27.3
Financial results	28.	-164,296	491,551	-655,847	>100.0
Result of ordinary activities		2,250,884	1,284,954	965,930	75.2
Income taxes	29.	-646,674	-146,964	-499,710	>100.0
Consolidated net income		1,604,210	1,137,990	466,220	41.0
Result of non-controlling shareholders		-78,149	-195,791	117,642	-60.1
Results of the shareholders of the parent company		1,682,359	1,333,781	348,578	26.1
Earnings per share undiluted	30.	0.34	0.27	0.07	25.9
Earnings per share diluted	30.	0.34	0.27	0.07	25.9
Gross result (EBITDA)		3,171,517	1,600,946	1,570,571	98.1

CONSOLIDATED CASH FLOW STATEMENT

(IFRS) for the period from 1 January to 31 December 2014

	Notes No.	01/01– 31/12/14 kEUR	01/01– 31/12/13 kEUR
Consolidated net income		1,604	1,138
Non-cash purchase bargain		-163	0
Other non-cash expenses		10	-12
Dividend income	28.	-36	-54
Interest earnings	28.	-21	-21
Interest expenses		325	256
Decrease in deferred taxes		499	147
Income tax expenditure		148	0
Depreciation of fixed assets		756	808
Income from securities trading	28.	-565	-879
Loss from securities trading		0	0
Amounts written off for securities		363	0
Amortization of public grants and subsidies	16.	-112	-112
Loss from disposal of fixed assets		60	1
Gross cash flow	32.	2,868	1,272
Increase/decrease in inventories		-1,503	925
Increase/decrease in trade receivables and other assets		-313	202
Increase in current liabilities and other liabilities		21	274
Cash inflow from dividends		36	54
Cash inflow from interest		21	21
Cash outflow from interest		-325	-256
Cash inflow/outflow from taxes		147	-54
Cash flow from operations	33.	952	2,438
Cash outflow for investments in fixed assets		-497	-541
Payments for company acquisitions (less acquired cash and cash equivalents)		-1,022	0
Cash inflow from funding sources for investments		15	107
Cash inflow based on financial assets	9.	2,095	3,168
Cash outflow based on financial assets	9.	-2,519	-1,584
Cash flow from investments	34.	-1,928	1,150
Cash inflow from shareholders of minority interests		656	0
Distribution of profit to shareholders of minority interests		0	-10
Dividend payments	13.	-1,188	-990
Cash inflow from taking out loan liabilities	15.	1,330	421
Cash outflow for repayment of loan liabilities	15.	-2,172	-707
Increase in long-term liabilities		107	0
Cash flow from financing activities	35.	-1,267	-1,286
Change in cash and cash equivalents		-2,243	2,302
Cash and cash equivalents at beginning of fiscal year		11,112	8,810
Cash and cash equivalents at end of fiscal year		8,869	11,112

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(IFRS) of 31 December 2014

	Subscribed capital	Capital reserves
	11. EUR	12. EUR
As of 1 January 2013	4,949,999	10,711,677
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	0
Consolidated profit for the year	0	0
Unrealized profits and losses from valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
As of 31 December 2013	4,949,999	10,711,677
As of 1 January 2014	4,949,999	10,711,677
Acquisition of business shares in LMT Medical Systems GmbH	0	0
Increase in share capital of subsidiary apoplex medical technologies GmbH	0	323,690
Dividend paid to shareholders	0	0
Transactions with shareholders and member partners	0	323,690
Consolidated profit for the year	0	0
Unrealized profits and losses from valuation of securities	0	0
Currency translation in the group	0	0
Total consolidated income	0	0
As of 31 December 2014	4,949,999	11,035,367

Other reserves			To be assigned to the sharehold- ers of the parent company	Minority interests	Equity capital
Market valuation reserve	Currency conversion reserve	Accumulated earnings			
13. EUR	EUR	EUR			
144,916	17,968	3,209,505	19,034,065	-412,790	18,621,275
0	0	-989,999	-989,999	-9,888	-999,887
0	0	-989,999	-989,999	-9,888	-999,887
0	0	1,333,781	1,333,781	-195,791	1,137,990
1,332,981	0	0	1,332,981	0	1,332,981
0	-6.103	0	-6.103	-5.865	-11.968
1,332,981	-6,103	1,333,781	2,660,659	-201,656	2,459,003
1,477,897	11,865	3,553,287	20,704,725	-624,334	20,080,391
1,477,897	11,865	3,553,287	20,704,725	-624,334	20,080,391
0	0	0	0	95,203	95,203
0	0	0	323,690	236,311	560,001
0	0	-1,188,000	-1,188,000	0	-1,188,000
0	0	-1,188,000	-864,310	331,514	-532,796
0	0	1,682,359	1,682,359	-78,149	1,604,210
-818,843	0	0	-818,843	0	-818,843
0	5,098	0	5,098	4,898	9,996
-818,843	5,098	1,682,359	868,614	-73,251	795,363
659,054	16,963	4,047,646	20,709,029	-366,071	20,342,958

CONSOLIDATED STATEMENT OF EARNINGS

(IFRS) for the period from 1 January to 31 December 2014

	01/01–31/12/2014 EUR	01/01–31/12/2013 EUR
Consolidated profit for the year	1,604,210	1,137,990
Income and expenses directly recognized in equity, which are reclassified to profit or loss under specific conditions:		
Profits and losses from revaluation of securities	-818,843	1,332,981
Difference resulting from currency translation	9,996	-11,968
Income and expenses directly included in equity capital	-808,847	1,321,013
Total consolidated income	795,363	2,459,003
of which assignable to shareholders of minority interest	-73,251	-201,656
of which assignable to shareholders of parent company	868,614	2,660,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2014 BUSINESS YEAR

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2014 business year in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The following standards, amendments to existing standards and interpretations will take effect for the first time during the 2014 business year and have affected the 2014 business year as follows:

Standard/ interpretation	Title of standard/ interpretation or amendment	First time application ¹	Impact on Geratherm
IAS 8.30			
IFRS 10	Consolidated financial statements	1/1/2014	Additional disclosures
IFRS 11	Joint arrangements	1/1/2014	No significant impact
IFRS 12	Disclosure of interests in other entities	1/1/2014	Additional disclosures in the notes
IFRS 10-12	Transitional provisions	1/1/2014	No significant impact
IAS 28	Shares in associated companies (added)	1/1/2014	No significant impact
IAS 32	Financial instruments (clarification)	1/1/2014	Additional disclosures in the notes
IAS 36	Recoverable amount disclosures for non- financial assets (clarification)	1/1/2014	Additional disclosures in the notes
IAS 39	Novation of OTC derivatives and continuing designation for hedge accounting (amended)	1/1/2014	No significant impact

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

Standard/ interpretation	Title of standard/ interpretation or amendment	First time application ²
<i>IAS 8.30, EU endorsement has already been given</i>		
Improvements to IFRS 2011-2013	Changes to IFRS 1, IFRS 3, IFRS, IFRS 13 and IAS 40 – Improving Disclosure	1/1/2015
Improvements to IFRS 2010-2012	Changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 – Improving Disclosure	1/2/2015

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

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

Standard/ interpretation	Title of standard/ interpretation or amendment	First time application ²
<i>IAS 8.30, EU Endorsement is still pending (as of: 11/3/2015)</i>		
IFRS 10, IAS 28	Consolidated financial statements (amended) – Clarification sale or contribution of assets between an investor and its associate or joint venture	1/1/2016
IFRS 11	Joint arrangements (added) – Acquisition of interests in joint operations	1/1/2016
IAS 1	Disclosure (added)	1/1/2016
IAS 16, IAS 38	Clarification of acceptable methods of depreciation and amortisation (added)	1/1/2016
Improvements to IFRS 2012-2014	Changes to IFRS 5, IFRS 7, IFRS IAS 19 and IAS 34 – Improving Disclosure	1/1/2016
IFRS 15	Revenue from contracts with customers	1/1/2017
IFRS 9 (2014)	Financial instruments – Recognition and measurement	1/1/2018

The impact of the aforementioned standards has not been analysed in depth yet. We do not expect that the aforementioned standards - with the exception of IFRS 9 and IFRS 15 - will have any significant impact on the future consolidated financial statements of Geratherm Medical AG.

Layout and preparation of the financial statements

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

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

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

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

The management of Geratherm Medical AG has released the consolidated financial statements based on IFRS on 23 March 2015 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

Legal and economic matters

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

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

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

Consolidation principles

The consolidated financial statements of Geratherm Medical AG include the accounts of all companies that are directly controlled by Geratherm Medical AG within the meaning of IFRS 10.

According to IFRS 10 a group consists of a parent company and its subsidiaries, which are controlled by the parent company while fulfilling the following three criteria at the same time:

- Power of parent company to make decisions about significant activities of associated companies,
- Variable returns from associated companies flow to the parent company, and
- Capability of the parent company to be able to utilise its right to make decisions with regard to influencing the variable returns.

Such companies are incorporated in the consolidated financial statements from the date on which the possibility of control starts to exist for Geratherm Medical AG. The incorporation ends on the date on which the possibility of control ceases to exist.

As part of capital consolidation, the valuation of the shares owned by the parent company in a subsidiary included in the consolidated financial statements is offset by the amount of the equity capital of the subsidiary pertaining to these shares. Losses of a subsidiary are then assigned to shares without controlling influence, if these result in a negative balance.

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

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

Minority interests

For each business combination, the group has decided on an assessment of any minority interests in the acquired entity:

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

Changes in ownership interests in a subsidiary that do not result in a loss of control shall be accounted for as transactions with owners, acting in their capacity as owners. Adjustments of minority interests are based on the pro-rata amount of the net assets of the subsidiary.

Consolidated group

The consolidated group includes Geratherm Medical AG, GME Rechte und Beteiligungen GmbH, Geratherm Medical do Brasil Ltda., apoplex medical technologies GmbH, Geratherm Respiratory GmbH, Sensor Systems GmbH and LMT Medical Systems GmbH. The reporting date of the annual financial statements of these companies corresponds with the consolidated reporting date. The following share quotas apply in detail.

Company	Percentage of shares held 2014	Percentage of shares held 2013
GME Rechte und Beteiligungen GmbH, Geschwenda, Germany	100.00 %	100.00 %
apoplex medical technologies GmbH, Pirmasens, Germany	57.92 %	59.11 %
Geratherm Respiratory GmbH, Bad Kissingen, Germany	61.27 %	61.27 %
Geratherm Medical do Brasil Ltda., Sao Paulo, Brazil	51.00 %	51.00 %
Sensor Systems GmbH, Steinbach-Hallenberg, Germany	100.00 %	-
LMT Medical Systems GmbH, Lübeck, Germany	66.67 %	-

In accordance with the resolution of the shareholders' meeting from 22 July 2014, the share capital of apoplex medical technologies GmbH was increased by EUR 12,367 to EUR 618,367 by creating a new company share. The new share capital was paid in full. Entry in the Commercial Register was carried out on 6 August 2014. Geratherm's interests in apoplex medical technologies GmbH thus changed from 59.11% to 57.92%.

Sensor Systems GmbH was founded with the Articles of Association from 25 February 2014. The nominal capital is € 25,000 and has been paid in full. The formation was entered in the Commercial Register on 14 March 2014. Sensor Systems GmbH is a wholly owned subsidiary of Geratherm Medical AG and started its activities on 1/4/2014. The company is engaged in the development, production and distribution of sensors, filters, connecting elements, electronic components and similar products for different industries, especially for the medical technology segment. With the purchase agreement from 4 March 2014, Sensor Systems was acquired as part of an asset deal including the assets of the insolvent Gensler GmbH at a purchase price of EUR 351,763 with legal effect from 1 April 2014.

Geratherm Medical AG participated in LMT Medical Systems GmbH with a stake of EUR 200,000 in 2014. The share capital of LMT Medical Systems GmbH was increased to EUR 300,000 in accordance with the resolution of the shareholders' meeting from 20 June 2014. Geratherm Medical's share quota amounts to 66.67%. The share capital has been paid in full. Entry in the Commercial Register was carried out on 4 July 2014. Business operations commenced on 1 July 2014. LMT Medical Systems GmbH focuses primarily on the development and production of medical systems, such as incubators for premature babies with MRI diagnostics, and their sales. LMT Medical Systems GmbH acquired a business unit of the insolvent LMT Lammers Medical Technology GmbH, based on a purchase agreement from 17 June 2014, within the framework of an asset deal at a purchase price of EUR 470,000. The purchase price allocation from the asset deal occurred on the date of acquisition on the basis of the fair value of the individual identified assets. The total purchase price of the acquired business operation amounted therefore to EUR 670,000. For both companies, acquisition costs of 19 kEUR were recognised in the profit and loss statement.

The purchase price was at EUR 163,398 below the market value such that the resulting gain was recognised on the balance sheet on the acquisition date. The reason for this „purchase bargain“ entails the earning capacity of the acquired assets in the Geratherm Medical Group and the income already generated by LMT business operations.

The fair values of the tangible assets were calculated using the market comparison method and cost method: The valuation model takes into consideration listed market prices for similar objects, provided such are available and, where appropriate, depreciated replacement costs. Depreciated replacement costs reflect adjustments for a physical deterioration and functional reconditioning and economic obsolescence. The fair values of inventories were determined according to the market comparison method. The fair value is calculated on the basis of the estimated sales price in the ordinary course of business, less the estimated manufacturing and sales costs and reasonable profit margins, which are based on the necessary efforts for producing and selling the inventories.

The following table contains the breakdown of purchase prices for the acquired business operations LMT and Sensor Systems to the acquired assets and debts:

	Book values	Fair value adjustment	Applied values
Assets			
Intangible assets	20,368	0	20,368
Tangible assets	303,200	44,652	347,852
Inventories	872,952	119,114	992,066
Trade receivables	12,815	0	12,815
Tax receivables	11,603	0	11,603
Other assets	18,208	0	18,208
Liquid assets	68	0	68
	1,239,214	163,766	1,402,980
Debts			
Other Long-term Liabilities	102,570	0	102,570
Trade accounts payables	42,173	0	42,173
Tax Liabilities	5,887	0	5,887
Other liabilities	67,190	0	67,190
	217,819	0	217,819
Purchase price allocation			
Net assets			1,185,161
Purchase bargain			-163,398
			1,021,763

Deferred taxes that are essential for the consolidated financial statements do not result from acquisitions. The option to value was waived. LMT's contribution to sales revenue during the 2014 business year is 718 kEUR. The sales of the Geratherm Group would amount to EUR 18.762 million if the purchase would have taken place already on 1 January 2014. Business operations of LMT posted a profit of 251 kEUR in 2014. Insofar as the purchase had really taken place on 1 January 2014, the consolidated net income would amount to EUR 1.595 million.

Shareholdings are accounted for under Financial Assets at fair value in accordance with IAS 39, since they did not have any significant impact or the shareholding was of secondary importance for the consolidated financial statement. If a reliable fair value cannot be determined, they are recognised at acquisition costs.

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. When converting the financial statements of Geratherm do Brasil into the local currency, a period-end exchange rate of BRL 3.2207/EUR (balance sheet) and an average exchange rate of BRL 3.121129/EUR (P&L) were taken as a basis.

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

Principles of accounting and valuation

All accounting and valuation methods were applied uniformly.

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

Intangible assets

The acquired intangible assets have a limited useful life and are valued at the historical costs less regular accumulated amortisation on a 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 assigned. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which is based on current planning. The forecast cash flows are subject to a pre-tax discount rate.

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

- the intangible asset can be completed technically to the extent in which it can be used or sold;
- Geratherm intends and is capable of completing the intangible asset and to utilise or sell it;
- Evidence has been shown that the intangible asset will probably generate future economic benefit, or if it is to be used internally, will generate a corresponding benefit;
- Adequate technical, financial and other resources are available that the intangible asset is entirely developed and can be subsequently used or sold; and
- The costs attributable to the intangible asset can be reliably assessed during its development.

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

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

Depreciation was determined linearly over the estimated useful life between 4 and 15 years.

If the estimates made with regard to future cash inflow require an update, the executive board checks for the presence of a „triggering event“, especially with the relatively new Cardio/Stroke and Respiratory. If such event is present, an impairment test is conducted for the respective area. The recoverable amount is determined on the basis of calculating the value of use while applying a cash flow prognosis, which relies on current planning. That is based on the best assessment made by management with regard to future development. The planning encompasses a detailed plan for the first 4 or 5 years. The cash flows are carried on without change for the further planning phase. The forecast cash flows are subject to a pre-tax discount rate. A separate risk supplement is recognised in the discount rate in order to take in to account the individual risks of the product areas. The estimate of individual aggregate risks, which are reflected in cash-flow planning and the discount rate, remained almost unchanged. There were no indications of any triggering events during the year under review.

Tangible assets

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

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

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

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

Decline in value of intangible and tangible assets

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

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

Leasing

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

Financial assets and liabilities

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

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

Securities are to be assigned to the category „available for sale“ and valued at the current market value that is to be included. All securities (shares) are valued at the market price prevailing on the reporting date and marketable. The valuation changes as of the reporting date are shown in the equity capital under the „Market valuation reserve“ item in accordance with IAS 39.55(b). In case of sale of securities or occurrence of long-term decrease in value, accumulated profits and losses taken in the market valuation reserve into account until then are reported in the income statement of the current period. Revenue resulting from interests and dividends from these securities is entered in the income statement. A long-term decline in value is determined when as of the reporting date, the fair value has declined more than 20% under the acquisition costs or on the reporting date, a decline in the fair value has occurred over a period of nine months. These parameters were checked for the 2014 business year and applied accordingly.

The trade accounts receivable and other assets belong to the category „Receivables of the company“. They are valued at net book value or the lower value based on a value decrease. Foreign currency receivables are valued at the exchange rate prevailing on the reporting date. These assigned values correspond to the market values. The financial liabilities are valued at the net book values (repayment value). Changes in the repayment value due to the exchange rates prevailing on the reporting date were also taken into account. The values applied in the consolidated financial statements essentially correspond with the market values in as far as these can be determined.

Deferred taxes

The accounting and valuation of deferred taxes are 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 applied to the extent that these tax advantages are probably realisable.

Inventories

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

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

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

Listing of sales revenue

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

Interests paid and interests earned

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

Estimates and assumptions

The valuation of assets and liabilities is based in part on estimates and/or assumptions about future developments. For instance, the statements on economic useful life for long-term assets are based on estimates and assumptions. In addition, the assessment of the recoverability of deferred taxation allocated to the losses carried forward, the long-term decline in value from the fair valuation of assets available for sale (securities) and the impairment tests of the cash-generating units and the assets is based on the corporate planning, which of course involves uncertainties such that the actual values may deviate from the made assumptions and estimates in individual cases. Estimates and the underlying assumptions are regularly checked and evaluated with regard to possible impact on accounting.

Determination of fair values

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

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

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

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

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

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

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

Currently fair values are determined exclusively within level 1.

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

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

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

Notes to the Consolidated Financial Statements

ASSETS

1. 1. Intangible assets

As at 31/12/2014, intangible assets totalling 722 kEUR (2013: 693 kEUR) are reported. The development of the intangible assets is shown in the following table:

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Initial and manufacturing costs in EUR				
01/01/2013	2,019,612	352,021	90,000	2,461,633
Additions	93,217	274,116	0	367,333
Disposals	0	1,144	0	1,144
Transfers	0	0	0	0
31/12/2013	2,112,829	624,993	90,000	2,827,822
01/01/2014	2,112,829	624,993	90,000	2,827,822
Additions	15,226	117,232	0	132,458
Disposals	0	0	0	0
Transfers	0	0	0	0
31/12/2014	2,128,055	742,225	90,000	2,960,280
Amortisation or depreciation in EUR				
01/01/2013	1,765,561	149,980	14,250	1,929,791
Additions	187,053	19,309	0	206,362
Disposals	0	1,142	0	1,142
31/12/2013	1,952,614	168,147	14,250	2,135,011
01/01/2014	1,952,614	168,147	14,250	2,135,011
Additions	17,999	85,481	0	103,480
Disposals	0	0	0	0
31/12/2014	1,970,613	253,628	14,250	2,238,491

Intangible assets	Development costs	Other intangible assets	Goodwill	Total
Book values in EUR				
01/01/2013	254,051	202,041	75,750	531,842
31/12/2013	160,215	456,846	75,750	692,811
01/01/2014	160,215	456,846	75,750	692,811
31/12/2014	157,442	488,597	75,750	721,789

The development costs for intangible assets created internally during the 2014 business year were capitalised in the amount of 15 kEUR (2013: 93 kEUR). Non-capitalisable research and development costs were posted as expenses in the amount of 385 kEUR (2013: 312 kEUR).

The goodwill contained in the fixed assets relates to the production of medical warming systems. In connection with the takeover of the medical warming systems range, 90 kEUR was 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.

An impairment test with assigned goodwill is performed once a year for the cash-generating unit in order to determine if there is any impairment loss possibly existing. The annual impairment test is based on the expected cash flows of the smallest cash-generating unit over a planning horizon from 2015 to 2018. The Medical Warming Systems segment was identified as the smallest cash-generating unit. This segment possesses a goodwill of 76 kEUR (2013: 76 kEUR) and an additional net worth of 157 kEUR (2013: 151 kEUR) on the reporting date. The attainable amount, which is used for comparison as part of the impairment test of the cash-generating unit, is determined by the value in use. To calculate the value in use, the cash flows derived from the planning were discounted with a risk-adjusted, fair market interest rate in the amount of 13.12% before taxes. The planning envisions a sales growth between 13% and 36% p.a. with correspondingly increasing costs, whereas an annual increase in margin was assumed in a lower single-digit percentage range. There were no points of reference for an impairment and none were necessary in this regard. A sensitivity analysis was used to gauge how the value in use responds to a change in the interest rate. A one percent increase in the interest rate results in a minus 9 kEUR change in the cash value. A sustained decrease in the sales revenue during the planning period of 15 % would lead to a full write-off of the goodwill amounting to 76 kEUR.

2. Tangible assets

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

Tangible assets	Land, land rights and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Initial and manufacturing costs in EUR					
01/01/2013	2,475,891	6,230,522	698,755	302,799	9,707,967
Additions	0	64,104	32,444	76,685	173,233
Disposals	0	6,092	1,713	0	7,805
Transfers	0	362,821	0	-362,821	0
31/12/2013	2,475,891	6,651,355	729,486	16,663	9,873,395
01/01/2014	2,475,891	6,651,355	729,486	16,663	9,873,395
Additions	0	407,642	266,586	43,081	717,309
Disposals	0	55,182	66,293	14,738	136,213
Transfers	0	43,081	1,925	-45,006	0
31/12/2014	2,475,891	7,046,896	931,704	0	10,454,491
Amortisation or depreciation in EUR					
01/01/2013	1,257,994	4,197,475	490,198	0	5,945,667
Additions	65,312	463,917	71,952	0	601,181
Disposals	0	4,569	1,710	0	6,279
31/12/2013	1,323,306	4,656,823	560,440	0	6,540,569
01/01/2014	1,323,306	4,656,823	560,440	0	6,540,569
Additions	65,312	508,646	78,899	0	652,857
Disposals	0	24,161	51,683	0	75,844
31/12/2014	1,388,618	5,141,308	587,656	0	7,117,582
Book values in EUR					
01/01/2013	1,217,897	2,033,047	208,557	302,799	3,762,300
31/12/2013	1,152,585	1,994,532	169,046	16,663	3,332,826
01/01/2014	1,152,585	1,994,532	169,046	16,663	3,332,826
31/12/2014	1,087,273	1,905,588	344,048	0	3,336,909

The additions in the area of tangible assets involve mainly the purchase price allocations of the new subsidiaries. Sensor Systems GmbH added 258 kEUR and LMT Medical Systems GmbH added 283 kEUR.

Impairment losses on fixed assets were not necessary.

3. Other long-term assets and long-term receivables

The stake held by Geratherm Medical AG since 2012 in the amount of 50 kEUR in the company alphablom AG which has its registered domicile in Berlin was written off on 31 December 2014. During the annual general meeting of alphablom AG on 8 December 2014, the resolution was adopted to dissolve the company with effect upon expiration of 31 December 2014.

The other long-term liabilities relate in the amount of 269 kEUR to sales tax receivables of the Brazilian subsidiary Geratherm do Brasil.

4. Deferred taxes

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

	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	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	50,199	77,550	187,398	176,813	-137,199	-99,263
Goodwill	0	0	16,420	14,637	-16,420	-14,637
Losses carried forward	738,333	1,197,546	0	0	738,333	1,197,546
Total	788,532	1,275,096	203,818	191,450	584,714	1,083,646

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	01/01/2014	Change recognised in profit and loss	Change without effect on profit & loss	31/12/2014
	EUR			EUR
Capitalised development costs/patents	-99,263	-37,936	0	-137,199
Goodwill	-14,637	-1,783	0	-16,420
Losses carried forward	1,197,546	-459,213	0	738,333
Total	1,083,646	-498,932	0	584,714

Change in the balance of deferred taxes	01/01/2013	Change recognised in profit and loss	Change without effect on profit and loss	31/12/2013
	EUR			EUR
Capitalised development costs/patents	54,730	-153,993	0	-99,263
Goodwill	-12,142	-2,495	0	-14,637
Losses carried forward	1,188,021	9,525	0	1,197,546
Total	1,230,609	-146,963	0	1,083,646

An income tax rate ranging between 29.13% and 30.88% (2013: between 29.13% and 30.18%) was established as basis for calculating the deferred taxation. It also includes the trade tax in addition to the corporate income tax together with the solidarity surcharge.

The deferred taxes on the assets side take into consideration the sustainable positive results reported by Geratherm Medical AG during the past business years. To calculate the recoverability of the tax allocation on the assets side, which affects the losses carried forward by Geratherm Medical, the tax-related income that is planned for the core business (without financial results) for a period of five years is applied, whereas the losses carried forward of Geratherm Medical AG can presumably be implemented over the next three years according to the current planning. Since the subsidiaries that are included in the consolidated financial statements are still in part under construction and their revenue planning is still subject to the corresponding uncertainty, the deferred taxes exceeding the deferred tax liabilities from temporary differences were not applied.

Presentation of the deferred taxes on the assets side for the tax loss carried forward

	2014 kEUR	2013 kEUR
Tax loss carried forward as of 31/12	6,600	7,617
Valued	3,312	4,892
Deferred taxation	738	1,197

5. Inventories

	31/12/2014 EUR	31/12/2013 EUR
Raw materials and supplies	2,103,356	1,260,058
Unfinished goods	1,753,405	1,185,681
Finished goods	1,129,865	481,910
Goods	2,044,577	1,607,870
Total	7,031,203	4,535,519

The raw materials and consumables primarily include glass tubes, capillaries, shells, control units and chemical materials. That also includes electronic components from the new subsidiaries.

The unfinished goods as of 31 December 2014 primarily include clinical thermometers in various stages of production as well as semi-finished warming systems and incubators.

The finished goods item mainly includes thermometers, warming systems and incubators as of 31 December 2014. The goods essentially include digital thermometers and blood pressure meters that are earmarked for sales and produced for contracts.

The warehouse of Geratherm Medical AG with a book value of EUR 4.678 million (2013: EUR 3.453 million) is assigned by way of collateral.

Significant impairments were not required.

6. Trade receivables

The trade receivables are structured as follows:

	31/12/2014 EUR	31/12/2013 EUR
Gross sum of trade receivables	3,040,380	2,900,385
Devaluations	-39,067	-33,465
Total	3,001,313	2,866,920

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

7. Tax receivables

The tax receivables essentially comprise the receivable from sales tax refunds in the amount of 178 kEUR (2013: 206 kEUR) and taxes on income in the amount of 18 kEUR (2013: 175 kEUR).

8. Other short-term assets

The other assets essentially relate to the receivables from advances paid (109 kEUR; 2013: 137 kEUR), from expenses paid in advance (73 kEUR; 2013: 49 kEUR).

9. Securities

The securities held include the following:

2014	Number/ nominal	Book value as of 31/12 EUR	Price as at 31/12 EUR
Epigenomics AG	210,100	1,008,900	4.80
Agfa-Gevaert N.V.	700,000	1,449,700	2.07
Eckert & Ziegler Strahlen- u. Medizintechnik AG	65,000	1,225,250	18.85
DB X-TR.ST.EU.600H.CA.S.D.ETF	20,000	332,200	16.61
FDR Acquisition Rights (Adolor)	460,000	187,000	0.41
Total		4,203,050	

2013			
Epigenomics AG	210,017	1,281,104	6.10
Agfa-Gevaert N.V.	700,000	1,162,000	1.66
Eckert & Ziegler Strahlen- u. Medizintechnik AG	60,000	1,716,000	28.60
FDR Acquisition Rights (Adolor)	460,000	187,000	0.41
Total		4,346,104	

During the 2014 business year the level of securities was increased by means of acquisitions in the amount of EUR 2.520 million (2013: EUR 1.584 million). The level also decreased by means of sales in the amount of EUR 2.095 million (2013: EUR 3.168 million). As a result, it was possible to realise a profit contribution of 565 kEUR (2013: 879 kEUR).

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

For the 2014 business year, an impairment in the amount of 313 kEUR was carried out according to IAS 39.67 with regard to shares of Eckert & Ziegler Strahlen- u. Medizintechnik AG.

As per balance sheet date 31/12/2014 the market assessment reserve was due to the sales of securities and exchange rate changes 659 kEUR (2013: EUR 1.478 million).

10. Cash and cash equivalents

	31/12/2014 kEUR	31/12/2013 kEUR
Cash on hand	8	6
Credit balances with banks	8,861	11,106
Cash and cash equivalents	8,869	11,112

Of which credit balances with banks in the amount of EUR 5.520 million (2013: EUR 7.917 million) are invested at the prevailing market rates and are available daily.

EQUITY AND LIABILITIES

Eigenkapital

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

11. Equity capital

The subscribed capital of Geratherm Medical AG amounts to EUR 4,949,999 as of 31 December 2014 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 2014 business year.

Authorised capital

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

Purchase of own shares

The management board was also 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 prices determined for the company's share in the opening auction in Xetra trading (or a comparable successor system of the Deutsche Börse AG) during the last 5 trading days prior to acquisition. The management board is authorised to resell own shares purchased on the basis of the authorisation as per Art. 71 Para. 1 (8) of AktG with the approval of the supervisory board while observing the principle of equal treatment (Art. 53a of AktG) for other purposes than trading in its own shares. The acquired own shares may be sold via the stock exchange. The buying option of shareholders is excluded.

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

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

13. Other reserves

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

Market assessment reserve

The change in price of the securities adjusted by the valuation allowances entered with effect on the income was reported in the market valuation reserve item shown in the equity capital as of the reporting date in accordance with the provisions of IAS 39. As at 31 December 2014, the market assessment reserve totals 659 kEUR (2013: EUR 1.478 million). Material tax effects are not incurred due to corporate tax regulations with regard to participation in other legal entities and groups of persons.

Currency conversion reserve

The currency conversion reserve in the amount of 17 kEUR (2013: 12 kEUR) is based on the consolidation of the financial statements of Geratherm do Brasil Ltda, which are prepared in a foreign currency.

Accumulated earnings

The accumulated earnings are calculated based on the results brought forward as of the reporting date (EUR 3.553 million; 2013: EUR 3.209 million), the current net income of the shareholders of the parent company (EUR 1.682 million; 2013: EUR 1.334 million) less the distributed dividend (EUR 1.188 million; 2013: 990 kEUR).

The management board and supervisory board will propose to the general meeting in June 2015 to distribute a dividend of EUR 0.25 per share for the 2014 business year.

Besides the solidarity surcharge, capital gains tax will be applied to this year's disbursement.

In accordance with the tax regulations, first the distributable profit of the business year and then the tax-recognised capital contributions account shall be used for the planned disbursement of the dividend amounting to EUR 0.25 per share for 2014 (altogether EUR 1.237 million).

For the 2014 business year, the earned distributable profit amounts to EUR 1.740 million and is not utilised in full by the planned dividend disbursement such that access to the tax-recognised capital contributions account that continues to exist with EUR 15.206 million is not possible. That is why the capital gains tax shall be applied besides the solidarity surcharge in the amount of 26.38% (326 kEUR) to the full disbursement amount of EUR 1.237 million.

If the dividend disbursements exceed the profit available for payment of the dividend in future years, these can continue to be rendered tax-free from the tax-recognised capital contributions account.

14. Non-controlling shares in equity capital

	Total kEUR
Non-controlling shares as of 1/1/2014	-624
Minority shares of LMT Medical Systems GmbH	95
Capital increase of apoplex medical technologies GmbH	236
Currency translation in Group	5
Result attributable to non-controlling shares	-78
Non-controlling interests as of 31/12/2014	-366

The following tables contain information about each subsidiary of the group with key non-controlling shares prior to intragroup eliminations as at 31 December 2014 and 31 December 2013:

2014 in kEUR	LMT	apoplex	Geratherm do Brasil	Respiratory	Cumula-tive effects of change in share quota	Total
Percentage of non-controlling shares	33.33 %	42.08 %	49.00 %	38.73 %		
Long-term assets	276	25	348	55		
Short-term assets	1,167	346	2,126	762		
Long-term liabilities	-527	-1,200	-628	-450		
Short-term liabilities	-369	-37	-2,250	-329		
Net assets	547	-866	-404	38		

2014 in kEUR	LMT	apoplex	Geratherm do Brasil	Respiratory	Cumula-tive effects of change in share quota	Total
Book value of non-controlling shares	182	-364	-198	15	-1	-366
Sales revenues	718	544	2,966	1,760		
Net profit (loss) for the year	251	-62	-342	82		
Non-controlling shares of attributable net profit (loss) for the year	84	-26	-168	32	0	-78
Cash inflow/(outflow) from operating activities	-221	-169	-341	53		
Cash inflow/(outflow) from investment activities	-177	-24	-14	-41		
Cash inflow/(outflow) from financing activities	520	330	349	-12		
Net increase/ (decrease) in liquid resources	122	137	-6	0		

2013 in kEUR	apoplex	Geratherm do Brasil	Respiratory	Cumulative effects of change in share quota	Total
Percentage of non-controlling shares	40.89 %	49.00 %	38.73 %		
Long-term assets	9	89	35		
Short-term assets	169	2,248	700		
Long-term liabilities	-1,400	-385	-450		
Short-term liabilities	-142	-2,024	-329		
Net assets	-1,364	-72	-44		
Book value of non-controlling shares	-558	-35	-17	-14	-624
Sales revenues	432	3,904	1,754		
Net profit (loss) for the year	-138	-337	67		
Non-controlling shares of attributable net profit (loss) for the year	-56	-165	26	0	-196
Cash inflow/(outflow) from operating activities	-132	-160	26		
Cash inflow/(outflow) from investment activities	-5	0	-23		
Cash inflow/(outflow) from financing activities	138	160	-3		
Net increase/(decrease) in liquid resources	1	0	0		

15. Long-term liabilities to banks

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

On 22 November 2012, Geratherm Medical AG signed an additional entrepreneur loan agreement with Kreditanstalt für Wiederaufbau in the amount of EUR 3.000 million, which was also extended by the Commerzbank AG. The loan bears 1.40% interest over the entire term till 30 December 2017. The amortisation rate is quarterly 187.5 kEUR, starting on 31 March 2014. The loan was paid off in full on 5 December 2012.

The loan agreement envisages the compliance with certain key financial figures „equity ratio“ and „net debt equity ratio“. As of the reporting date, these key financial figures have been observed.

Multiple loans with a nominal value of EUR 1.330 million were moreover extended and taken out with regard to Geratherm do Brasil with terms extending up to 2015 or 2018. Except for one loan, these loans have fixed interest rates ranging between 10.3% and 21.9%.

Part of the loans amounting to EUR 2.109 million has a remaining term of up to one year and part amounting to EUR 2.127 million has a remaining term of two to five years.

16. Accrued investment subsidies

The item shown in the balance sheet in the amount of 586 kEUR (2013: 698 kEUR) relates to the investment grants and subsidies that have been received or are to be released and which are released to income in accordance with the useful life of the assets they financed. This item basically has long-term character.

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

17. Other long-term liabilities

In the group, the liabilities from bullet bonds from the minority shareholders of apoplex medical technologies GmbH in the amount of 477 kEUR (2013: 477 kEUR) and Geratherm Respiratory GmbH in the amount of 119 kEUR (2013: 119 kEUR) and LMT Medical Systems GmbH 107 kEUR (2013: 0 kEUR) are reported. The loans have a term exceeding one year.

18. Short-term liabilities to banks

As of the reporting date there were in the group short-term liabilities to banks in the amount of EUR 2.109 million (2013: EUR 2.143 million). Of this, EUR 1.050 million (2013: EUR 1.150 million) concern the loan of Geratherm Medical AG, the availment of open credit lines by our subsidiaries Geratherm Respiratory GmbH in the amount of 110 kEUR (2013: 122 kEUR) and short-term loan of Geratherm do Brasil in the amount of 948 kEUR (2013: 841 kEUR).

19. Trade accounts payable

The trade accounts payable 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 at 138 kEUR (2013: 0 kEUR), wage taxes 74 kEUR (2013: 35 kEUR) and sales taxes 7 kEUR (2013: 49 kEUR).

21. Other short-term liabilities

	31/12/2014 kEUR	31/12/2013 kEUR
Accrued liabilities	864	582
Other liabilities	477	172
Other liabilities	1,341	754

Accrued liabilities

The accrued liabilities include the following:

	31/12/2013 kEUR	Consumption kEUR	Dissolution kEUR	Addition kEUR	31/12/2014 kEUR
Staff related	115	-109	-3	188	191
Bonuses, commissions, credits	87	-87	0	86	86
Outstanding invoices	83	-80	0	290	293
Other	297	-266	0	263	294
Total	582	-542	-3	827	864

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 significant liabilities from wage payments in the amount of 151 kEUR (2013: 112 kEUR) and social security liabilities in the amount of 12 kEUR (2013: 16 kEUR).

All other liabilities shown here fall due within one year.

Notes to consolidated income statement

22. Sales revenues

Sales revenues based on product groups:

	2014 kEUR	2013 kEUR	Change in %
Healthcare Diagnostic	12,156	13,222	-8.1
Respiratory	4,157	2,095	+98.4
Warming Systems	1,860	1,078	+72.5
Cardio/Stroke	542	432	+25.5
Total	18,715	16,827	+11.2

Sales revenues by regions:

	2014 kEUR	2013 kEUR	Change in %
Europe	8,553	6,905	+23.9
South America	3,096	4,035	-23.3
Germany	3,173	1,994	+59.1
Middle East	1,502	1,834	-18.1
USA	1,305	1,266	+3.1
Other	1,086	793	+36.9
Total	18,715	16,827	+11.2

The „Other“ item mainly encompasses sales in Asia in the amount of 683 kEUR (2013: 485 kEUR) and Africa in the amount of 396 kEUR (2013: 306 kEUR).

23. Other operating income

The other operating income includes amortisation of capitalised grants and subsidies in the amount of 112 kEUR (2013: 112 kEUR) as well as earnings from the purchase price allocation of the new subsidiaries in the amount of 163 kEUR.

The remaining other operating income is essentially based on the differences in exchange rates (2014: 353 kEUR; 2013: 138 kEUR).

24. Cost of materials

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

25. Personnel expenses

The personnel expenses in the 2014 fiscal year amounted in total to EUR 4.386 million (2013: EUR 3.266 million). The accounts for this fiscal year included contributions of 278 kEUR (2013: 198 kEUR) made by the employer to the statutory pension scheme. The statutory pension scheme is a contribution-oriented pension scheme within the meaning of IAS 19.

26. Amortisation or depreciation

The write-offs decreased by -6.3% to 756 kEUR (2013: 808 kEUR).

27. Other operating expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (EUR 2.028 million; 2013: EUR 1.760 million) and administrative expenses (EUR 2.288 million; 2013: EUR 1.766 million). The increase in the other operating expenses results primarily from the consolidation of the two new companies Sensor Systems GmbH and LMT Medical Systems GmbH. The expenses occurring in connection with foreign currency translation during the fiscal year decreased to 134 kEUR (2013: 372 kEUR).

28. Financial results

The financial results are -164 kEUR (2013: 492 kEUR) during the year under review. These included dividend income (36 kEUR; 2013: 54 kEUR), gains from sales of securities (565 kEUR (2013: 879 kEUR), devaluation of the securities due to sustained impairment with effect on the income (363 kEUR; 2013: 0 kEUR), expenses occurring in connection with the securities (97 kEUR; 2013: 207 kEUR), interests earned (21 kEUR; 2013: 21 kEUR) and interests paid (325 kEUR; 2013: 256 kEUR).

29. Income taxes

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

	2014 kEUR	2013 kEUR
Actual taxes	-148	0
Deferred taxes	-499	-147
Income tax according to IFRS	-647	-147

The nominal tax rate which is valid for the concluded fiscal year of the parent company Geratherm Medical AG of 29.72% (2013: 29.72%) is applied as the applicable tax rate for offsetting and reconciliation. The relevant tax rate for domestic companies in the concluded fiscal year fluctuated between 29.13% and 30.88% depending on the location.

	2014 kEUR	2013 kEUR
Results before income taxes	2,251	1,285
Tax expenses to be expected	-667	-382
Tax-free income, non-deductible expenses and permanent deviations	55	282
Change in valuation of tax losses carried forward	-95	-54
Tax rate changes	0	41
Other	60	-34
Income tax according to IFRS	-647	-147

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.

	2014	2013
Results of shareholders of the parent company (kEUR)	1,682	1,334
Weighted average number of outstanding shares (T shares)	4,950	4,950
Undiluted earnings per share (EUR)	0.34	0.27
Diluted earnings per share (EUR)	0.34	0.27

	2014 T shares	2013 T shares
Nominal capital in no-par shares	4,950	4,950
Weighted number of outstanding shares	4,950	4,950

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

Relationships with related parties and persons

Relationships with related parties as defined by IAS 24 exist with GMF Capital GmbH, Hamburg (GMF). GMF holds a 52.78% share in Geratherm Medical AG. GMF shareholder and thus ultimate controlling party as defined by IAS 24.13 is the executive chairman Dr. Frank. Expenses in the amount of 197 kEUR (2013: 293 kEUR) were recorded for the services performed by the executive chairman Dr. Frank for GMF during the 2014 fiscal year. The amounts are appropriate and comprise the remuneration of the board (86 kEUR; 2013: 86 kEUR), a performance bonus and a bonus payment based on the financial results posted for 2013. From 2010 to 2013, the bonus payments based on financial results were suspended due to devaluations of past years. These devaluations were recovered in 2013. This financial bonus complies with the contractual provisions. Another reserve in the amount of 50 kEUR was formed for the acquisition of the company Sensor Systems by GMF.

The subsidiary Geratherm Respiratory GmbH, Bad Kissingen, booked the expense for the management remuneration to GMF Capital GmbH in the amount of 12 kEUR in 2014. These bookings are directly connected with fulfilling the position of managing director at Geratherm Respiratory GmbH and reflect the received or deferred remunerations of this activity for the 2014 business year. Sensor Systems GmbH in Steinbach-Hallenberg also posted the expense for the management remuneration as of 1 April 2014 for the activity as managing director in the amount of 9 kEUR.

As of the reporting date 31 December 2014 there were no outstanding accounts owed by GMF. A liability vis-a-vis GMF in the amount of 101 kEUR (2013: 200 kEUR) was discontinued as of the reporting date.

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

There were no accounts receivable from supervisory board members as of the balance sheet date, as during the 2013 business year. The supervisory board's compensation is recognised in the Other Information.

In the 2014 business year there were no notifications according to Art. 21 Para. 1 of WpHG (Securities Trade Act).

Other financial obligations

As of 31 December 2014	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements kEUR	268	233	35	0
Other financial commitments from obligation to accept kEUR	334	115	219	0
Other financial commitments from obligation to accept and inventory purchase commitments kEUR	1,017	1,017	0	0

As of 31 December 2013	Total	< 1 year	1–5 years	> 5 years
Other financial commitments from lease agreements kEUR	306	250	56	0
Other financial commitments from obligation to accept kEUR	25	25	0	0
Other financial commitments from obligation to accept and inventory purchase commitments kEUR	1,169	1,169	0	0

The group has entered various rental and leasing agreements with regard to administrative and business premises, vehicles and a phone system as well as for software service agreements. The financial obligations in this regard amount to 268 kEUR (2013: 306 kEUR) for 2014 and subsequent years.

The other purchase commitments mainly comprise purchase commitments from framework agreements to safeguard the production of warming systems for 2015 and the following years and purchase commitments from an order for the purchase of gallium and merchandise.

Auditor fees

In 2014, 55 kEUR (2013: 52 kEUR) was entered as expenditure for the audit services, 1 kEUR (2013: 1 kEUR) for other assurance services and 7 kEUR (2013: 5 kEUR) as expenditure for tax consultancy services.

31. Segment information

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

Healthcare Diagnostic

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

Warming Systems

- Products for maintaining the body's temperature during operations and in rescue situations
- MR proved diagnostic incubator system for premature newborns

Cardio/Stroke

- Technological products for preventing strokes

Respiratory

- Products designed for pulmonary functional diagnostics.

In the existing market segment report, the segment revenues, operating results (earnings before interests and taxes) and amortisation and depreciation based on the relevant tax parameters for Geratherm are shown. The figures indicated correspond to the company's internal reports. The effects based on the consolidation of income, expenses, assets and debts between the segments are eliminated. The consolidation mainly involves the Healthcare Diagnostic segment and is due to the internal revenue with our subsidiary in Brazil. The reconciliation statement shows the income and expenses or assets which cannot be directly assigned to the segments. The segment assets and debts are not part of our internal reports. The values were directly assigned to the segments or distributed on the basis of sales.

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

In the South America segment, the main sales were generated with Brazil in the amount of EUR 2.920 million (2013: EUR 3.876 million) and in the Europe segment, the main sales were generated with Italy in the amount of EUR 3.230 million (2013: EUR 2.668 million).

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

	2014 kEUR	2013 kEUR
Financial assets of Geratherm Medical AG	0	50
Securities of Geratherm Medical AG	4,203	4,346
Cash and cash equivalents of Geratherm Medical AG	8,025	11,078
Total	12,228	15,474

*Group segment report for the period
from 1 January to 31 December 2014*

Based on product groups	Healthcare Diagnostic	Respiratory	Warming Systems	Cardio/ Stroke	Conso- lidation	Re- conciliation	Total
2014	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Segment sales	13,349	3,855	1,531	544	-564	0	18,715
Operating results	1,870	203	227	-28	-30	173	2,415
including: Amortisation and depre- ciation of fixed intangible and tangible assets	597	42	59	8	-20	70	756
Segment assets	10,572	2,076	2,658	370	0	12,228	27,904
Segment debts	6,286	693	653	514	0	0	8,146
For information only:							
Segment sales	13,349	3,855	1,531	544	-564	0	18,715
Elimination of intragroup sales	-1,193	302	329	-2	564	0	0
Sales revenues on third parties	12,156	4,157	1,860	542	0	0	18,715
Based on product groups	Healthcare Diagnostic	Respiratory	Warming Systems	Cardio/ Stroke	Conso- lidation	Re- conciliation	Total
2013	January to December	January to December	January to December	January to December	January to December	January to December	January to December
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Segment sales	14,797	1,754	815	432	-971	0	16,827
Operating results	913	181	-67	-61	-131	-42	793
including: Amortisation and depre- ciation of fixed intangible and tangible assets	756	13	20	5	-66	80	808
Segment assets	10,153	880	929	177	0	15,474	27,613
Segment debts	7,341	380	302	594	0	0	8,617
For information only:							
Segment sales	14,797	1,754	815	432	-971	0	16,827
Elimination of intragroup sales and recon- ciliation	-1,575	341	263	0	971	0	0
Sales rev- enues on third parties	13,222	2,095	1,078	432	0	0	16,827

*Group segment report for the period
from 1 January to 31 December 2014*

By region	Europe	South America	Germany	Middle East	USA	Other	Total
2014	January to December						
	kEUR						
Sales revenues	8,553	3,405	3,428	1,502	1,305	1,086	19,279
Elimination of intragroup Sales	0	-309	-255	0	0	0	-564
Sales revenues on third parties	8,553	3,096	3,173	1,502	1,305	1,086	18,715
Gross profit or loss	5,687	1,651	2,134	999	868	722	12,061
Operating results	1,286	62	482	226	196	163	2,415
including:							
Write-off of intangible assets and tangible assets	406	14	152	71	62	51	756
Amortisation of public grants and subsidies	61	0	23	11	9	8	112
Acquisition costs of fixed assets for the period	0	14	836	0	0	0	850
Segment assets	0	2,334	25,570	0	0	0	27,904

By region	Europe	South America	Germany	Middle East	USA	Other	Total
2013	January to December						
	kEUR						
Sales revenues	6,905	4,651	2,348	1,834	1,266	794	17,798
Elimination of intragroup sales	0	-617	-354	0	0	0	-971
Sales revenues on third parties	6,905	4,034	1,994	1,834	1,266	794	16,827
Gross profit or loss	3,694	2,003	1,082	981	677	425	8,862
Operating results	461	-63	135	122	85	53	793
including:							
Write-off of intangible assets and tangible assets	421	26	124	112	77	48	808
Amortisation of public grants and subsidies	60	0	18	16	11	7	112
Acquisition costs of fixed assets for the period	0	0	541	0	0	0	541
Segment assets	0	2,228	25,385	0	0	0	27,613

Notes on cash flow statement

32. Gross cash flow, cash and cash equivalents

The gross cash flow is determined according to the indirect method. It is calculated by adding the consolidated profits before taxes and dividends received to depreciations of fixed assets, minus profits (losses) from the sales of securities, amortisation of grants and subsidies on the liabilities side and the change in long-term accruals.

The cash and cash equivalents encompass the cash on hand and bank balances.

33. Cash flow from operations

The cash flow before any change in the commitment of funds in the amount of EUR 2.868 million (2013: EUR 1.272 million) is set against changes in the operating funds.

Altogether, the consolidated net income for the year and the funds commitment in current assets result in an inflow of funds from operations in the amount of 952 kEUR (2013: EUR 2.438 million).

The capital flow statement for 2014 includes in detail the payments received from interests (21 kEUR; 2013: 21 kEUR) and dividends (36 kEUR; 2013: 54 kEUR) and outgoing payments from interests (325 kEUR; 2013: 256 kEUR) and payments for taxes (cash inflow 147 kEUR; 2013: cash outflow -54 kEUR).

34. Cash flow from investments

The purchase of fixed assets, financial assets and intangible assets, including development costs, results in expenses in the amount of 497 kEUR (2013: 541 kEUR). Moreover, payments were posted for the two acquisitions in the amount of EUR 1.022 million (2013: 0 kEUR) in 2014.

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 encompassed essentially the outflow of funds from the dividend payments and amounted to EUR 1.188 million (2013: 990 kEUR) and repayment of loan liabilities in the amount of EUR 2.172 million (2013: 707 kEUR). New loans were taken in the amount of EUR 1.330 million (2013: 421 kEUR).

Capital management

Primary objective of the company is to sustainably ensure the financial equilibrium, while efficiently allocating the capital resources available to the group (equity capital) to the business areas at the same time. In this case an internal capital allocation rate is applicable, which allows for monitoring the operating efficiency of the individual areas. Financing is implemented for the most part using own funds. Financial security is gauged primarily by the equity-to-assets ratio and liquidity. The operative and strategic management of capital is an integral part of the company's internal reporting system. The capital comprises the issued shares, capital reserves and other reserves. The capital of the parent company's shareholders is EUR 20.709 million (2013: EUR 20.705 million) as of the reporting date such that an equity-to-assets ratio is derived based on the group's entire capital of 72.7% (2013: 72.1%).

Financial instruments

a) Financial instruments in the balance sheet

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

Classification	Valuation methods	Book value	
		31/12/2014	31/12/2013
		kEUR	kEUR
I. Securities - „Financial assets available for sale“			
Securities - „Financial assets available for sale“	Valuation not affecting net income at the current market value	4,203	4,346
Securities - „Financial assets available for sale“	Valuation adjustment with effect on the income at the current market value	2,978	4,346
		1,225	0
II. Credits and accounts receivable	Net book value	5,255	6,822
1. Trade receivables		3,001	2,867
2. Tax receivables and other assets		727	677
3. Cash in hand and cash in banks		8,869	11,112
4. Other long-term debts		-703	-596
5. Liabilities to banks		-4,236	-5,078
6. Liabilities on payments received		-64	-48
7. Trade accounts payables		-998	-1,358
8. Other short-term debts		-1,341	-754

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

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

Since the book value of the credits and accounts receivable according to IFRS 7.29 (a) represents a reasonable approach to the current market value, there is no indication of the current market value. These financial instruments are not valued at fair value. The valuation of the securities available for sale conducted at fair value is implemented according to Level 1 (IFRS 13.93).

b) Profits and losses from financial instruments

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

	available-for-sale		Accounts receivable and credits	
	2014	2013	2014	2013
	kEUR	kEUR	kEUR	kEUR
Interest earnings			21	21
Interest payable			-325	-256
Interest income			-304	-235
Exchange gains			353	138
Exchange losses			-134	-372
Income from currency differences			219	-234
Exchange gains from sales of securities	565	879		
Exchange losses from sales of securities	0	0		
Impairment of securities	-313	0		
Dividend income	36	54		
Securities-related expenses	-97	-207		
Securities-related income	191	726		
Allowance for uncollectible accounts			-7	-15
Net profits and losses entered in the income statement	191	726	-92	-484
Change in market valuation reserve due to sale	-618	6		
Change in market valuation reserve due to change in current net book value	-200	1,327		
Overall change in market assessment reserve	-818	1,333		
Overall results from financial instruments	-627	2,059	-92	-484

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 essentially subject to market risks in the form of fluctuations in stock exchange prices. Accordingly, the respective part of risk management system includes the daily monitoring of the stock performance, the securities in the portfolio, and the evaluation of price-related market information and is supported by a company-specific investment strategy that envisages, among other things, maximum amounts for individual values and defines investment focal points. A near-current exchange of information between the management board and the monitoring committee represents in this case an obvious characteristic of risk management. With regard to financial instruments assigned to the „Credits and accounts receivable“ category, it is possible to cite credit risks and foreign exchange risks as potential sources of risks.

Credit/bad debt risk

A credit risk entails the possibility of a non-payment or default of payment for accounts receivable, which result from the possible non-fulfillment of a contractual party and thus exists at most in the amount of the positive current market value of the respective accounts receivable. The process that is implemented in the group for minimising the credit risks encompasses, in particular, the daily monitoring of due dates and the swift initiation of steps to collect debts when necessary. Other instruments leveraged to minimise risks with new customers include requests for advance payments, credit agency queries, event-driven customer-specific credit lines or letters of credit such that the risk of non-payment is regarded as minimal. In other countries, Brazil accounted for significant accounts receivable in the amount of EUR 1.259 million (2013: EUR 1.337 million). Moreover, this risk is adequately taken into account with value adjustments formed for bad debt losses (respectively 100% of the corresponding receivable).

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

	2014 kEUR	2013 kEUR
Domestic	371	272
Abroad	2,892	2,893
	3,263	3,165

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

	2014 Gross kEUR	2013 Gross kEUR
Not overdue	2,754	3,263
0 – 30 days overdue	510	143
31 – 60 days overdue	52	41
More than 60 days overdue	440	130
	3,756	3,577

The valuation adjustments have developed in this regard as follows:

	2014 kEUR	2013 kEUR
As of 1 January	33	22
Addition	7	15
Claim	0	-4
Dissolution	-1	0
As of 31 December	39	33

Liquidity risk

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

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

	2014 kEUR	2013 kEUR
Short-term liabilities to banks	-2,109	-2,143
Trade accounts payables	-998	-1,359
Tax liabilities	-218	-84
Other liabilities (without advance payments received)	-1,341	-754
Current financial requirements	-4,666	-4,340
Liquid assets	8,869	11,112
Liquidity 1	4,203	6,772
Trade receivables	3,001	2,867
Tax receivables	196	381
Other assets (without prepayments)	153	159
Liquidity 2	7,553	10,179
Securities held as short-term investments	4,203	4,346
Liquidity 3	11,756	14,525

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

	Book value	Cash outflow		
	kEUR	< 1 year kEUR	1-5 years kEUR	> 5 years kEUR
Liabilities to banks 2014	4,236	2,336	2,237	0
Liabilities to banks 2013	5,078	2,451	3,125	0

The other long-term liabilities will result in a cash outflow of 712 kEUR (2013: 600 kEUR) between one and five years.

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

Market price risk - Foreign currency

Foreign currency risks exist for the group insofar as deliveries are made and ordered in part outside of the euro zone. From the group's point of view, the key foreign currency, in which there is an exchange of services, is the US dollar. The increasing significance of Geratherm do Brazil Ltda also means an increase in the foreign exchange risks involving the Brazilian real.

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

	31/12/2014 kUSD	31/12/2014 kEUR	31/12/2013 kUSD	31/12/2013 kEUR
Trade receivables	1,487	1,225	1,253	909
Bank loans / cash in banks	1,811	1,492	2,081	1,509
Trade accounts payables	-82	-68	-44	-32
Balance sheet items	3,216	2,649	3,290	2,386
Order balance	400	329	498	361
Financial obligations	-510	-420	-165	-120
Purchase commitments	-410	-338	-1,447	-1,049
Pending transactions	-520	-428	-1,114	-808
Net item	2,696	2,221	2,176	1,578

The following currency translations were applied:

	31/12/2014	Average 2014	31/12/2013	Average 2013
US-Dollar	1.214	1.321	1.379	1.328

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.

	31/12/2014 Equity capital	31/12/2014 Result	31/12/2013 Equity capital	31/12/2013 Result
US-Dollar	0	-202	0	-143

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.

	31/12/2014 kBRL	31/12/2014 kEUR	31/12/2013 kBRL	31/12/2013 kEUR
Trade receivables	3,905	1,212	4,355	1,337
Other assets	1,419	441	748	230
Bank loans / cash in banks	80	25	101	31
Liabilities to banks	-5,075	-1,576	-3,995	-1,226
Trade accounts payables	-362	-112	-278	-85
Other liabilities	-249	-77	-397	-122
Balance sheet items	-282	-88	534	164
Net item	-282	-88	534	164

There were no key pending transactions as of the balance sheet date, as during the 2013 fiscal year.

The following currency translations were applied:

	31/12/2014	Average 2014	31/12/2013	Average 2013
BRL	3.221	3.111	3.258	2.869

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

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

	31/12/2014		31/12/2013	
	Equity	Result	Equity	Result
BRL	35	8	-5	-15

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

Market price risk - Interest

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

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

With regard to long-term debts in the amount of EUR 2.831 million (2013: EUR 3.531 million) opportunity cost effects could occur that we do not view as significant.

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

Market price risk - Share price

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

Epigenomics AG

Epigenomics AG is a molecular diagnostic company, which develops and markets a pipeline of in-house products for diagnosing cancer. These products help doctors to diagnose cancer cases more accurately and at an earlier stage, which allows improved therapeutic success for patients. Epigenomics' key product is the blood-based Epi proColon® test for the early detection of colon cancer. The test is already being marketed in Europe and is in the approval phase for the US market. The high level of acceptance of the company's technologies and products is reflected in the large number of partnerships with leading companies active in the diagnostics industry, including Abbott, QIAGEN, Sysmex and Quest Diagnostics. Epigenomics is a multinational company with branches in Europe and the USA. The value assignment as at 31/12/2014 was posted in the market assessment reserve.

Agfa-Gevaert N.V.

Agfa-Gevaert is a worldwide leader in image technology with a sales volume of EUR 2.7 billion. With approx. 42% of total sales, the healthcare division is an international prominent IT supplier for hospitals. Hospital IT represents a long-term growth market. The value assignment as at 31/12/2014 was posted in the market assessment reserve.

Eckert & Ziegler Strahlen- und Medizintechnik AG

Eckert & Ziegler Group is one of the world's largest manufacturers of radioactive components for medical, scientific and metrological purposes. The company focuses on applications in cancer treatment, nuclear medical diagnostics and industrial radiometry. The group has laid claim to being a world leader in certain fields of activity. The operational side of business can be divided into four sectors: radiotherapy, isotope products, radiopharma and environmental services. As at 31 December 2014 an impairment in the amount of 313 kEUR was recorded due to the temporary low period-end exchange rate as per IAS 39.55(b).

The following table shows the highest and lowest prices respectively on the German capital market for shares included in the balance sheet item securities at the end of the 2014 fiscal year.

	2014		2013	
	Highest price EUR	Lowest price EUR	Highest price EUR	Lowest price EUR
Epigenomics AG	8.25	3.06	7.72	1.44
Agfa-Gevaert N.V.	2.77	1.71	1.76	1.28
Eckert & Ziegler Strahlen- u. Medizintechnik AG	30.50	18.85	30.00	23.51
DB X-TR.ST.EU.600H.CA.S.D.ETF	21.08	16.22	-	-

Market price risk - Raw material prices

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

Market risk - New products

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

Other information

Information about management board

The management board of Geratherm Medical AG included during the year under review:

Chairman

- Industrial Engineer Dr. Gert Frank, Hamburg
Managing director of GMF Capital GmbH, Hamburg
Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda
Managing director of Geratherm Respiratory GmbH, Bad Kissingen
Managing director of Sensor Systems GmbH, Steinbach-Hallenberg
Board member of GMF Capital AG, Hamburg

Board member

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

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

Fixed payments in the amount of 171 kEUR (2013: 177 kEUR) and variable payments in the amount of 126 kEUR (2013: 203 kEUR) were reported for the activities of the management board during the 2014 business year. The remuneration received by the managing directors in the amount of 9 kEUR (2013: 9 kEUR) represents contributions to the contribution-oriented pension schemes. On 6 June 2011 the annual general meeting decided while applying Art. 286 Para. 5 of HGB (German Commercial Code) that the information required for five years according to Art. 285 Para. 1(9)a Clause 5 to 9 and Art. 314 Para. 1(6)a Clause 5 to 9 of the HGB may be omitted.

As of the reporting date, the management board held directly and indirectly 2,612,987 shares.

Information about supervisory board

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

Members of the supervisory board are:

- Herr Rudolf Bröcker, Bensheim, Business Administration
(Chairman of the supervisory board)
Chairman of the supervisory board of GMF Capital AG, Hamburg
- Herr Bruno Schoch, Suresnes, France
Deputy general director of Fromageries Bel SA, Paris
Member of executive board of Unibel SA, Paris
Member of executive board of SICOPA SA, Paris
Member of supervisory board of Société des Domaines SAS, Wattwiller, France
Member of the supervisory board of GMF Capital AG, Hamburg

- Herr Firus Mettler, Frankfurt am Main, Attorney, MBA; Investment Manager
Managing director of Party World GmbH & Co. KG, Dänischenhagen
Managing director of Martius Terrassen GmbH & Co. KG, Kiel
Managing director of Düsternbrooker Weg 45 GmbH & Co. KG, Kiel

A payment in the amount of 12 kEUR (2013: 12 kEUR) is included in the liabilities for the supervisory board's activities in 2014.

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

Staff trends

	Employees	Technical employees	Trainees	Total
Number of employees (annual average) - excluding managing	2014 51	78	1	130
	2013 49	66	1	116

Declaration on Corporate Governance Code

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

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

Geschwenda, this 23rd day of March 2015

Geratherm Medical AG



Dr. Gert Frank
Chairman of the Board



Thomas Robst
Head of Sales

CONSOLIDATED FINANCIAL STATEMENTS AFFIDAVIT FOR 2014 FISCAL YEAR

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

Geschwenda, this 23rd day of March 2015

Geratherm Medical AG



Dr. Gert Frank
Chairman of the Board



Thomas Robst
Head of Sales

Auditor's Report

We have audited the consolidated financial statements prepared by Geratherm Medical AG, Geschwenda, Germany, comprising the consolidated financial statements, consolidated profit and loss statement, consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes on consolidated accounts and group management report for the business year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sect. 315a (1) of HGB (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 on the basis of our audit.

We have performed our audit of the consolidated financial statements in accordance with Sect. 317 of HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that inaccuracies and violations affecting substantially the presentation of the net assets, the financial position and earnings situation in the consolidated financial statements in accordance with the accounting principles generally accepted in Germany and in the group management report are detected with reasonable certainty. Knowledge about the group's business activities and the economic and legal environment as well as expectations as to possible misstatements have been taken into consideration while determining audit procedures. The effectiveness of the internal controlling system relating to accounting procedures as well as evidence supporting the disclosures in consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not reveal any objections.

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 Sect. 315a (1) of HGB and IFRS and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the company's position and accurately presents the opportunities and risks of future development.

Jena, this 23rd day of March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Lauer
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Dr. Schneider
Auditor

Notes

Notes

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Corporate Calender 2015

2015

Publication Annual Report 2014	23. April
Annual General Meeting in Frankfurt am Main	05. June
Interim Report 1st quarter	21. May
Interim Report 2nd quarter	20. August
Interim Report 3rd quarter	19. November

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