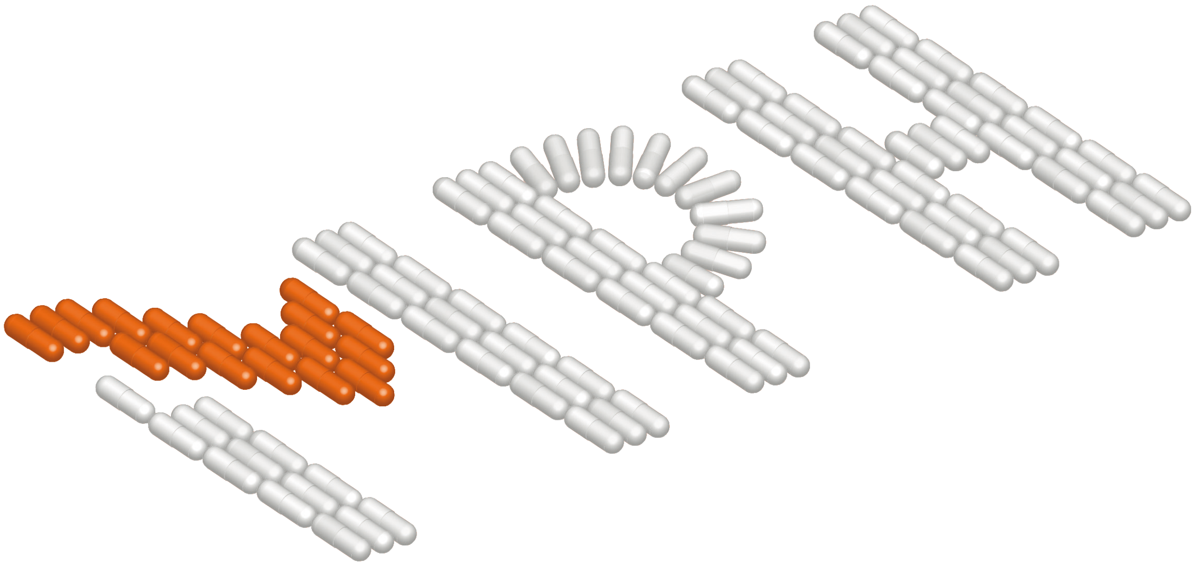
Mittelständische
Pharma Holding AG



ANNUAL REPORT 2012

... on course of further growth

MISSION STATEMENT

The strategic focus of the Berlin based MPH Mittelständische Pharma Holding AG is on the growth sectors Pharma and Healthcare.

In the pharmaceutical sector, the corporate group makes a contribution towards cutting costs in the healthcare system with medicines manufactured on the basis of patent-free or patent-protected active substances for the therapy of chronic diseases.

As a result of the rising life expectation within the population, the demand for inexpensive medicines is also rising, supplied in top quality and meeting the demands for a reliable and comprehensive medical care. The unstoppably ascending medical advances are leading to the market maturity of new innovative medicines that are marketed at high prices as a consequence of the patent protection.

We have made it our target to participate in the shaping of this development. Because medicines may not develop into luxury goods. By means of our commitment, we make a contribution to the target that pharmaceutical products will remain affordable for everybody in the future.

Due to the import of innovative, patent protected medicines, we make an economic contribution to the reduction of costs. Because imported medical products are the only competition - in terms of price - to preparations protected by patent from the manufacturer of the original preparations.

Through our provisions of generic products, we also supply low-priced medicines in the sector of substances for which the patent protection has expired.

The pharmaceutical and healthcare market will continue to grow in the coming years as a result of the long-term demographic trend. This will open up opportunities for the growth of our business. Moreover, the optimisation of the entire value-added chain and the strongly growing segment of special medicines offer further opportunities of growth which we want to exploit.

We use our know-how from the pharmaceutical sector for the setup and expansion of the healthcare area. The business of manufacturing patient individualised medicines and the medical care of patients is currently being expanded.

Outstanding quality, reliability and partner-based collaboration with our customers, pharmacists, physicians, patients and cooperation partners are essential values for the achievement of our targets.

We also want to make a contribution towards affordable healthcare in the future by means of our expertise and our strengths.

MPH group in numbers
Overview

(Reporting according to IFRS):

Key data	Fiscal year 2012 EURm	Fiscal year 2011 EURm
Total assets	111.62	72.67
Equity	67.36	49.30
Sales	205.70	145.52
EBIT	21.88	10.64
Net profit	18.40	8.64

	Fiscal year 2012	
	Sales kEUR	Net income kEUR
MPH group	205,708	18,402
thereof Pharma segment	186,821	7,631
thereof Healthcare segment	18,887	10,771

Content

Dear shareholders,
Ladies and gentlemen,

The MPH group expanded its business activities with the healthcare segment in 2012.

The pharmaceutical segment consists of the existing business of HAEMATO PHARM AG. Here we were able to achieve successful growth in 2012 with patent-protected active substances and generics in the indication areas oncology, HIV, rheumatic, neurology and cardiovascular diseases. The entire pharmaceutical market in Germany grew by 2 % to 32.6 billion € in 2012. The statutory austerity measures also continued undiminished in this year and continued to put pressure on the margins of the pharmaceutical companies. In spite of the high reserves of the healthcare funds amounting to 27 billion Euros, at the beginning of 2013, the German Federal Ministry of Health decided to continue the compulsory manufacturer discount and the price freeze until the end of 2013.

The new healthcare segment encompasses the activities bundled in 2012 in Healthcare Services GmbH. The veterinary existing business HAEMATO Vet GmbH as well as the new business Healthcare Solutions GmbH (consulting services for pharmacies) and Nutri Care GmbH (consulting services for nutritional themes) are all organised in this segment. Furthermore the participation in Windsor AG in 2012 comprises Simgen GmbH (generic and foreign business) and Pharmigon GmbH (production of patient customised medicines).

We will continue to develop both segments in the financial year 2013. It is intended to incorporate the pharmaceutical segment entirely in a separate company with listing in the entry standard of the Frankfurt Stock Exchange, in which MPH AG will hold a participation of approximately 70 % with the free float amounting to approximately 30 %. The newly created structure will be used to continue to grow rapidly and to penetrate the foreign pharmaceutical markets.

The activities in the healthcare sector are not subject to the german compulsory manufacture discounts and produce attractive margins. In 2013 we will additionally establish the medical treatment as a direct patient business.

In the first half year of 2012, with a sales volume of 99.29 million Euros, a growth of +41.30 % in comparison with the same period in the previous year (70.27 million Euros) was achieved. The sales volume in the second half year 2012 was 106.42 million Euros and was therefore 41.42 % over that achieved in the second half year of the previous year (75.25 million Euros).

With a total turnover of 205.71 million Euros in 2012, a growth of 41.36 % in comparison with the previous year (145.52 million Euros) was achieved.

The annual surplus reached 18.40 million Euros (previous year: 8.64 million Euros) and was more than doubled in comparison with the previous year.

We would like to thank our employees for their commitment in 2012. Their performance made the consistent further development of the MPH group possible. We would like to thank the supervisory board for their constructive collaboration in 2012.

We are optimistic about the further development in 2013 and assume that the Corporate group will realise a successful growth.

Patrick Brenske
Member of the
Management Board

Dr. Christian Pahl
Member of the
Management Board

Report of the supervisory board

1. Supervision of management and cooperation with the management board

In the financial year 2012, the supervisory board of MPH Mittelständische Pharma Holding AG fulfilled its duties according to the law and the statutes with great care. The management of the company has been supervised by the supervisory board.

The management board was consulted, in its activity, by the supervisory board. The supervisory board has been involved in all decisions with fundamental importance for the company by the management board directly and on time. The management board regularly informed the supervisory board orally, by telephone and in writing, on time and comprehensively, about business operations, the economic situation of the company and the group, important business events, the company's plans including matters of business policy and risk management, the development of costs and results, the liquidity and investment measures. The supervisory board was able to convince itself of the proper governance of the company. No topic-related committees have been formed within the supervisory board.

2. Meetings, consultations and resolutions

In the financial year 2012, the supervisory board held six ordinary meetings. All sessions reached the quorum.

In the sessions, a.o. the following issues were central:

- the implementation of a capital increase
- the situation of the company
- the strategic development and its operative realization
- the current competitive, organizational and staff situation
- the short and medium term investment planning
- the annual and interim reports of the group before their respective publication

Further informal meetings / phone conferences took place between the supervisory board and the management board and were used to discuss new important business developments.

3. Annual financial statements

The supervisory board convinced itself of the proper management of the company. The annual financial statements established by the management board, the consolidated financial statements and the group management report of MPH Mittelständische Pharma Holding AG for the financial year ending on December 31, 2012, accounting included, have been audited by the auditor nominated by the general shareholders' meeting, Harry Haseloff, Berlin, and confirmed with an unqualified audit opinion.

The annual financial statements, the group financial statements, the group management report, the proposal for the appropriation of the balance sheet profit and the audit reports of the auditor have been handed out to each member of the supervisory board in the balance sheet meeting on April 23, 2013.

In the balance sheet meeting on April 23, 2013, the auditor reported on the essential results of his audit and was available for questions of the members of the supervisory board. We have ourselves reviewed the annual financial statements established by the management board and the group financial statements.

We have approved and taken note of the result of the auditor's audit and, after having conducted our own review of the annual financial statements, the group financial statements and the proposal for the appropriation of the balance sheet profit, we have no objections. In the supervisory board meeting on April 23, 2013, we approved the annual financial statements prepared by the management board and the group financial statements. The annual financial statements are thus adopted.

4. Dependency report

For its financial year ending on December 31, 2012, MPH Mittelständische Pharma Holding AG prepared a dependency report according to § 312 AktG.

The dependency report has been audited by the auditor nominated by the general shareholders' meeting, Harry Haseloff, Berlin, according to § 313 par. 1 AktG. The auditor, Harry Haseloff, Berlin, has prepared a separate written report on the results of the audit. Since no objection was to be made against the report of the management board, the audit opinion has been issued as of April 22, 2012 according to § 313 par. 3 AktG.

In the balance sheet meeting on April 23, 2013, the auditor reported on the results of his audit and confirmed that the actual information of the dependency report is correct, that the consideration granted by the company in the legal transactions listed in the report were not too high or compensation for disadvantages was given and that with respect to the measures mentioned in the report, no circumstances could support any judgment substantially different from that of the management board.

The dependency report has been submitted to the supervisory board according to § 314 AktG for review. In its sessions on April 23, 2013 the supervisory board has comprehensively checked the dependency report for completeness and correctness. As a result, the supervisory board has concluded that no objections are to be made against the statement of the management board at the end of the report about the relations with associated companies and has approved the dependency report.

5. Composition of the supervisory board

In the period from January 1, 2012 to December 31, 2012, the supervisory board was composed in collaboration of the supervisory board members Andrea Grosse (chairwoman), Prof. Dr. Dr. Sabine Meck (deputy chairwoman) and Dr. Marion Braun (member).

6. Other

The supervisory board thanks the management board and all employees of the MPH group for the renewed excellence in performance. Despite continued difficulties of the regulatory context, good results have been achieved. The supervisory board is looking forward to continuing the pleasant, constructive and successful cooperation.

Berlin, April 23, 2013

A Grosse

Andrea Grosse

(Chairwoman of the supervisory board)

Group management report

Group management report

A. Economic report

I. Economic environment

1. Global economy

The intensification of the debt and financial crisis and the less expansively oriented monetary and fiscal policy led to a further weakening of the global growth in the course of the previous year.[1] The Institute for the World Economy (IfW) considers the lowest point of the period of weakness in the world economy to have been overcome at the turning of the year 2012/2013. However, uncertainty as a result of the sovereign debt crisis in the Euro Zone and the fiscal developments in the USA continue to cloud the outlook.[2]

The world production increased by 3.2 % in 2012. In 2011 the increase was even higher at 3.8 %. The growth of the gross domestic products 2012 in the advanced economies was very moderate. In the Euro Zone the economic performance even declined. In the developing and emerging nations, whose economies expanded strongly after the financial crisis, moreover, the economic activity dynamics declined considerable. The weakness in economic activity was especially noticeable in the international trade, which expanded at a rate of only 1 % in the course of 2012.[3]

Following a rise of 3.2 % in 2012, the world production should expand at a total rate of 2.5 %[4] in 2013. According to IfW, the gross domestic product will increase at a somewhat stronger rate of 3.9 % in 2014.[5]

2. Economic situation in Germany

The uncertainty about the economic policy to overcome the crisis in the Euro Zone and the economic development in the USA and China are now also having a negative effect on the german industry.[6] After a surprisingly strong spurt of growth in the first quarter of 2012, these aspects led to heightened agitation on the financial and stock markets in the course of the second quarter.[7]

The situation on the financial markets has somewhat eased in the meantime[8] and the german economy continued to grow in 2012. However, the growth dynamics declined. The effects of the weakened external economic environment are also having a noticeably negative effect on the german economic activity.[9]

The macroeconomic production increased slightly in the third quarter 2012. The only stimulus came from foreign trade, although the dynamics in export slowed down.[10] Due to price adjustment, the gross domestic product 2012 grew considerably less strongly by 0.7 % than it had been the case in the two previous years.[11]

In the difficult international environment, the situation of german labour market continues to be positive. The employment recovery did stagnate initially and unemployment has even increased slightly since spring 2012.[12]

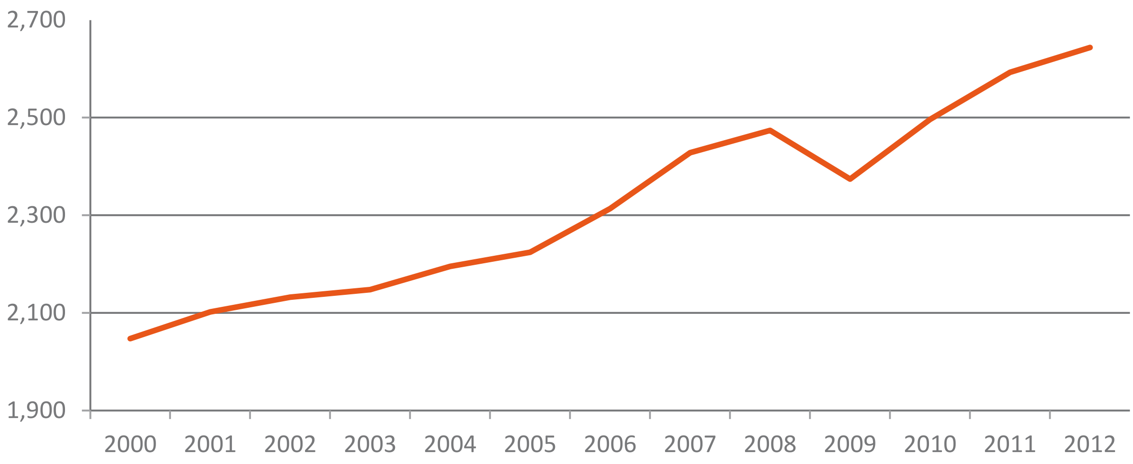
The rise in the rate of employment has gained pace again since November according to the German Federal Ministry for Economics and Technology. Moreover, the early indicators still point to a stable development. In 2012 there was an average unemployment rate of 6.8 %. The Federal Ministry is banking on an unemployment rate of 6.7 % for 2013 and 6.4 % for 2014.[13] In connection with the weak macroeconomic situation, the labour market will remain a stabilising factor for the german economic activity also in the coming year.[14]

In their expertise report, the german government forecasts for 2013 an average growth of 0.4 % in the gross domestic products. The economic dynamics should increase again in the course of the year.[15]

With their offering of patent-protected active substances and generics, the MPH group is active in areas that tend to be less dependent on economic activity and is less dependent on the global economic development than on the regulatory framework conditions.

Development of the gross domestic product in Germany

bn. Euro



Source: Statistisches Bundesamt 2013.

3. The global pharmaceutical market

With an annual growth potential ranging from 3.0 to 6.0 %, the global pharmaceutical market is the strongest and most stable growth sector worldwide.[16] The German Federal Association of the Pharmaceutical Industry estimated the worldwide turnover with pharmaceuticals for 2011* at a total of 684 billion Euros. This is equivalent to a growth of 8.4 % compared with the previous year. 75 % of the total sales volume was achieved in North America, Europe and Japan. With 247.4 billion Euros (+3.3 %) and a share in the worldwide pharmaceutical market turnover of around 36 %, North America is still the largest market as in previous years. Germany is number four with a turnover of 32.25 billion Euros behind Japan and China. The emerging nations continue to be the growth drivers of the global pharmaceutical market. Latin America also exhibited strong growth in 2011 with a rise of 11.7 % in their sales volume.[17]

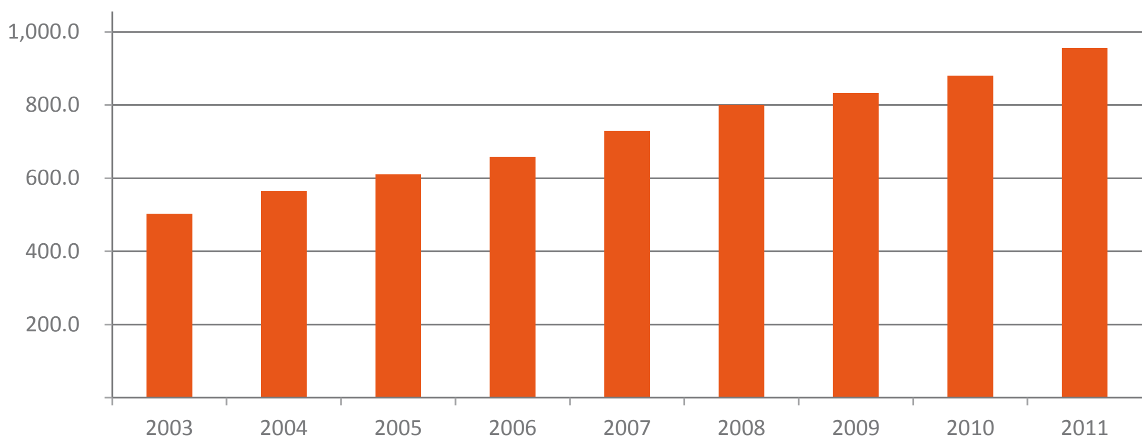
In the european pharmaceutical market, the sales volume in 2011 rose by 6.5 % to 189.3 billion Euros. Within the EU-15 states, Germany is the largest market ahead of France, Italy and Spain. The sales volume achieved in Germany as well as in Italy, the UK, Belgium, Sweden and Austria grew moderately in 2011 approximately 2,0 % in comparison to 2010.[18]

According to a current report from IMS Health, the worldwide spending for pharmaceuticals will rise from 956 billion $ in 2011 to 1.2 trillion $ by 2014.[19] Increases in quantities in the so-called "pharmerging markets", such as Brazil, China, Russia or Turkey as well as rising expenses in the industrial nations are driving this development.[20] Original preparations protected by patent will only achieve a low rate of growth due to rising cost containment. Additionally, there were increased patent expiries which reached their peak in 2012.[21] Patent expiries also lead to a worldwide rise in the expenditure for generics. IMS Health is anticipating a growth from 242 billion $ in 2011 to 400 ranging to 430 billion $ in 2016.[22] The institute estimates the growth in the spending of the industrial countries up to 2016 to reach an annual rate between zero and three per cent.[23]

*The data concerning the global pharmaceutical market relate to 2011. More recent data was not available at the time when this report was compiled.

Development of the global pharmaceuticals market

bn. US$



Source: IMS Health Market Prognosis, May 2012.

4. The german pharmaceuticals market

In contrast to the general economic development, the german healthcare industry has grown by an average of 3.0 % annually in recent years.[24] The pharmaceutical market, as a part of the healthcare industry, is relatively resistant to economic activity and has exhibited steady growth in recent years.[25] In 2012 the overall development of the pharmaceutical market, consisting of the clinical and pharmaceutical market, was mainly positive. At 32.6 billion Euros, the sales volume rose by 2.0 % compared with 2011.[26]

The pharmacy market grew to 25.63 billion Euros in 2012 (sales price of the pharmaceutical companies minus the compulsory discount), hence growing at a rate of 1.7 %. The individual market segments developed very differently. Older original preparations lost by a rate of 17.9 %. In contrast, generic products and preparations protected by newer patent achieved a growth in sales volume of 4.9 % res. 13.6 %.[27] The different pharmaceutical groups also developed very differently in 2012. In the overall pharmacy market, the leading ten pharmaceutical groups grew by almost 3.7 % and therefore twice as strongly as the pharmacy market itself. Pharmaceutical groups such as virustatics against HIV (+10.9 %) exhibited double-digit growth.[28]

The clinical market increased strongly by 5.4 % in relation to the total pharmaceutical market. The sales volume of the top 10 pharmaceuticals reported an above-average increase in this segment too. In particular, different preparation groups for cancer therapies exhibited double-digit growth rates.[29]

In 2012, the compulsory discounts imposed on manufacturers and pharmacies for the statutory health insurance companies (GKV) amounted to 3.8 billion Euros. This was roughly equivalent to the level of the previous year. The discounts imposed for the private health insurance companies (PKV) amounted to 0.4 billion Euros, resulting in a total sum of 4.2 billion Euros in 2012.[30]

In spite of the high surpluses of the individual health insurance companies and of the healthcare funds, which amounted to approximately 27 billion Euros by the end of 2012[31], the German Ministry of Health still maintains that the prize freeze and the manufacturer discount increased to 16 % will be necessary after the end of 2013.[32]

An additional financial burden for the pharmaceutical companies, amounting to more than 2.9 billion Euros in 2012, has resulted from the increased compulsory manufacturer discount for non-reference price medicines and the price freeze that has been imposed in Germany since August 2010.[33]

5. EU import drugs

The European pharmaceutical market is, in spite of a progressive harmonisation in Europe, still divided into individual national markets. As a consequence, there are different price levels in the different countries.[34] The MPH group utilises these differences in price by importing low-priced original preparations from other EU states to Germany. This does not only benefit the company, it also benefits the healthcare system.

Considerable price differences between the pharmaceutical market in Germany and other european countries that have a considerable lower purchasing power in part are a significant reason for the positive development of the parallel imports in Germany. The parallel import is supported sustainably within the EU by the European Commission[35] and in Germany by the health insurance organisations. For example, pharmacies are obligated to the provision of an imported pharmaceutical product if this product is at least 15 % or 15 Euros cheaper than the corresponding original product.[36]

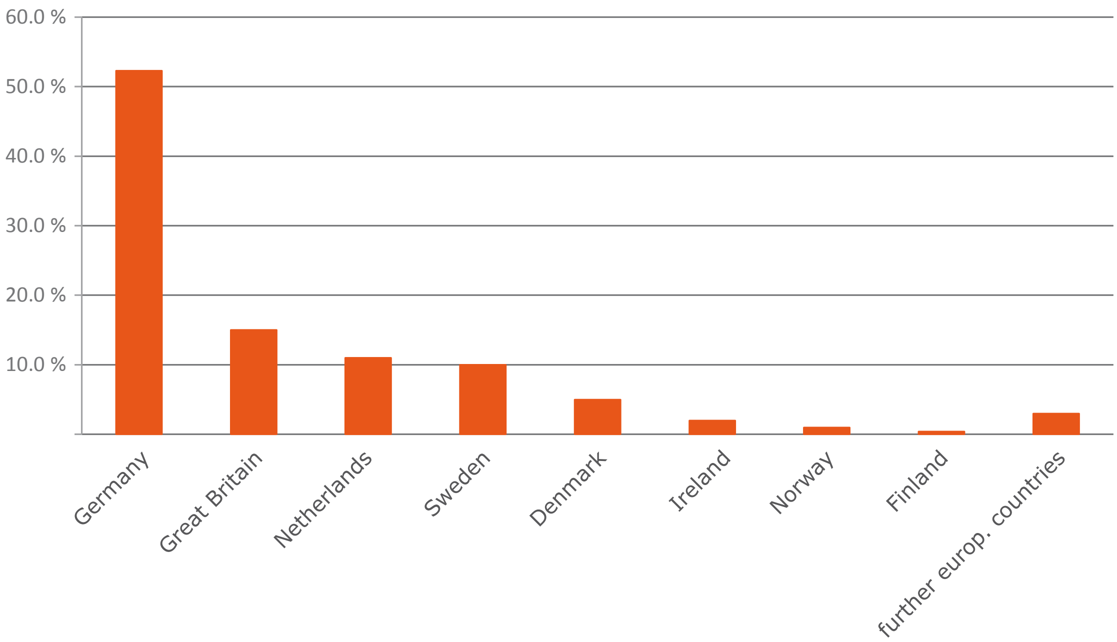
In terms of value, the german parallel import market has a market share of nearly 53 % (12 monthly values, September 2012) in Europe and is by far the largest target market for parallel imports in Europe.[37]

The parallel import in Germany is focussed above all on specific special markets, in particular, oncological and antipsychotic products. More than 40 % of all parallel imports are represented in these two therapeutic areas. Oncological special therapeutic agents are the driving forces for growth. In 2011 there was a growth rate of 34 % in this drug group.[38] (More recent data was not available to us.)

IMS Health is anticipating a further positive development of the parallel import, as the rise is mainly taking place in rapidly growing specialist markets and german physicians are already relying on parallel imports. The price gap clause and the import clause partially control the substitution behaviour of the pharmacists. A discontinuation of these measures, however, would not have an immediate impact on the prescription practice of the physicians. The high import quota will remain available to the german healthcare market in the opinion of IMS Health.[39]

As a result of the very positive development of the market for EU imported pharmaceutical products in Germany, the executive board of MPH AG anticipates that the corporate group will achieve further growth in this sector.

Share of parallel imports by value



Source: Murray, William John; Weissenfeldt, Frank (IMS Health): Parallelimporte: Welche Faktoren bestimmen den Weg nach Deutschland? Einblicke in das Marktsegment der Parallelimporte und ein Ausblick auf dessen Entwicklung, p. 5.

6. The generics market

The use of generic products is supported in industrial nations such as the USA, France, Germany, Italy and the UK by politicians as a cost-effective alternative. Generic products are achieving high rates of growth in these countries.[40]

In the above mentioned countries, the turnover of generic pharmaceutical products between November 2010 and October 2011 achieved a total of 77.6 billion US dollar. Germany and the UK achieved a considerably lower growth as these two countries had pursued this development earlier. In terms of value, the generic proportion in the two countries has almost reached 20 %.[41]

Current comparative studies indicate that the generic market in Germany within the volumes prescribed continue to take the top position.[42] Since 1991 the proportion of patent-free medicines in the generic-eligible pharmaceutical market has risen continually from 60.3 % to 86.8 % in 2011. If the entire market is viewed, the prescribed share almost doubled between 1991 and 2011, from 36.5 % to 72.9 %.[43] (More recent data was not available.)

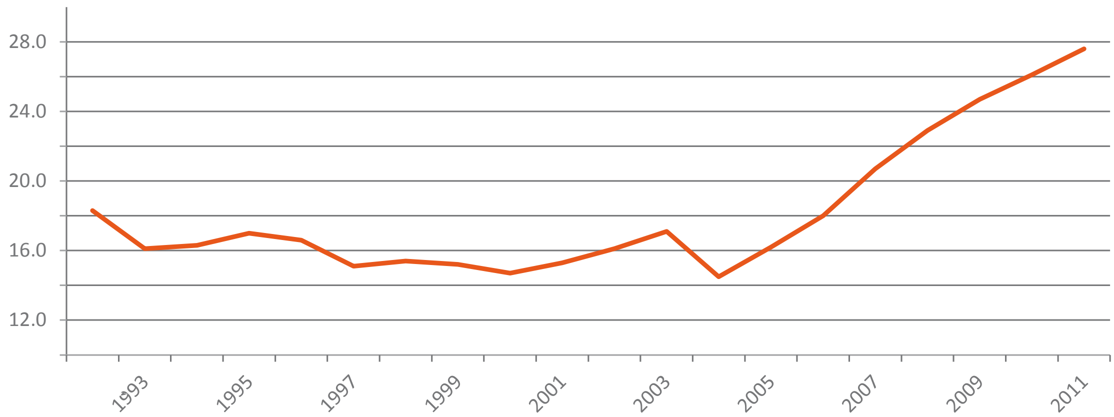
The significant drivers of the general growth of generic products in Germany are above all the cost reducing measures in the healthcare system which have also resulted in budget restrictions. Furthermore, the prescription of active substances instead of brands and the generic substitution by pharmacists contribute to the positive development of the generic market. This development towards an intensified prescription of generic products is taking place worldwide and is also a cause of the strong decrease in the sales volume of original preparations protected by patent.[44]

In 2012 the use of generic products led to the easing of the burden of the GKV association amounting to 12.9 billion Euros. According to information from Pro Generika, however, a further saving potential of 3 billion Euros could have been realised.[45] This illustrates the considerable growth potential of the generic market in Germany.

The executive board The MPH AG sees potential for the expansion of the generic business in the positive development of the generic market.

Development of the prescription value for the total market (Generics and non-generics)

defined daily doses in bn.



Source: Arzneiverordnungsreport 2012, p. 6.

II. Presentation and analysis of business operations and the operating result 2012

The MPH Mittelständische Pharma Holding AG owns the Pharma and Healthcare segments.

The pharmaceutical segment consists of the existing business HAEMATO PHARM AG. The focus of HAEMATO PHARM AG is on the indication areas of oncology, HIV, rheumatic, neurological and cardiovascular diseases. High-quality and innovative preparations are offered both in the growth segment generics and with EU imported pharmaceuticals, which enable low-priced medicinal therapy without a loss in quality.

Here we continue to achieve strong growth. However, the profit margin is suffering from the high statutory "compulsory manufacturer discount" in Germany imposed for patent-protected pharmaceuticals that is also applicable at the current rate for the year 2013.

The veterinary existing business HAEMATO Vet GmbH as well as the new business Healthcare Solutions GmbH (consulting services for pharmacies) and Nutri Care GmbH (consulting services for themes concerning nutrition) are organised in the new healthcare segment. Furthermore, the participation in Windsor AG includes Simgen GmbH (generics and foreign business) and Pharmigon GmbH (production of patient customised medicines). Real estates have been sold in the Windsor AG area. The activities in the healthcare segment are not subject to the german compulsory manufacturer discount and produce high profit margins.

As a result of this double competence and the strategic positioning, the group is in a position to react flexibly to changes in the healthcare market that could occur, for example, due to statutory regulatory measures.

In 2012 the sales volume was increased by means of expansion of the product range and of the customer base.

The sales volume of 145.52 million Euros in 2011 rose to 205.71 million Euros in 2012 and registered a growth of 41.36 %.

The annual net profit was increased to 18.40 million Euros in 2012 (previous year 8.64 million Euros).

The increased compulsory discount and the new price freeze burdened the earnings situation of the pharmaceutical companies again for an entire 12-month period. We are combating this development by expanding the product portfolio and by the penetration of new markets in the pharmaceutical segment as well as the setup and expansion of the healthcare segment.

Service, quality and reliability are the essential contents of our customer orientation and at the same time drive additional growth.

The MPH sees itself as a partner in the cost-conscious provision of pharmaceuticals and makes a valuable contribution towards an affordable healthcare system.

III. Company situation

The situation of the company is good and is distinguished by a growth in the operative business.

The financial situation of our company is characterized by the high increase of the liquid assets by 12.11 million Euros in the short-term assets area, a high increase of the miscellaneous short-term assets by 9.19 million Euros and a high increase of the receivables resulting from deliveries and services by 8.07 million Euros. In the long-term assets area, the increase of the intangible assets amounts to 5.68 million Euros. The increases defined above by 35.05 million Euros are equivalent to a proportion of 89.99 % in the increase of the assets by 38.95 million Euros.

The increase of the equity amounts to 18.06 million Euros and finances 46.39 % of the increase of the assets. The equity ratio has dropped from 67.82 % to 60.35 %.

The short-term liabilities to credit institutions have risen by 8.71 million Euros, while the long-term liabilities to credit institutions have increased by 1.5 million Euros.

The liabilities to credit institutes have thus increased less (total increase of 10.21 million Euros) than the liquid funds (increase of 12.11 million Euros).

In financial year 2012 bonds (participation certificate capital) of Windsor AG, amounting to 5.21 million Euros, must be added as a financing instrument of the MPH group in the consolidated financial statement.

Our financial situation can be described as stable. Our financial management is oriented to the settlement of liabilities within the payment deadlines and to the collection of receivables within the terms of payment.

We utilise the credit lines granted by our banks to finance our sales transactions. We have higher lines of credit at our disposal than we utilise on average.

The liabilities from deliveries and services amount to 5.40 million Euros. All liabilities could always be settled within the payment deadlines.

Long-term investments are covered by our own equity. Only 48.67 % of the short-term assets are financed with short-term liabilities.

The liquidity position improved in the course of the expired financial year.

All in all, our economic situation can be described as good.

IV. Subsequent report

The MPH group owned approximately 7.6 million shares in Windsor AG, Berlin on December 31, 2012 and therefore 60.69 % of the shares in the company.

In accordance with § 4 article 6 of the statutes of Windsor AG, the executive board is authorised, with the agreement of the supervisory board, to increase the equity of the company by means of the issue of new no-par value bearer shares for cash or contributions in kind on one or more occasions until August 22, 2017, however, up to a maximum of EUR 6.926.299 (hereinafter referred to as the "authorised capital 2012"). The executive board of Windsor AG made the resolution in the 1st quarter of 2013 using the authorised capital 2012 and with regard to § 4 section 6 of the statutes to increase the equity of the company against contribution in kind from EUR 13,852,599.00 by EUR 6,926,299 to EUR 20,778,898 by means of the issue of 6,926,299 no-par value bearer shares. The MPH Mittelständische Pharma Holding AG has subscribed the whole capital increase. Windsor AG received for the transferred shares approximately 35.62 % of the company shares of HAEMATO PHARM AG. It is intended to sell the remaining shares to Windsor AG. The MPH group is seeking no further expansion in the participation above the newly attained level of approximately 70 % in 2013.

No further procedures of particular significance have occurred since the end of the financial year.

B. Report on the future development and chances and risks of the company

I. Expected development of the company

As a provider of patent-free and patent-protected active substances for the therapeutic areas of oncology, HIV, rheumatic, neurological and cardiovascular diseases, we see the MPH group in the position to exploit long-term potentials of growth within the pharmaceutical sector. The markets of these therapeutic areas offer chances but also risks resulting from intensive competition and state regulation.

We are also aspiring towards growth in the healthcare area.

We also regard the compound business and the direct business with end customers of the medical treatment sector as interesting potentials which will be derived from the finished pharmaceuticals as downstream value creation stages.

In the future we will continue to push customer acquisition by strengthening our distribution in order to support the positive development of our existing business. This will be augmented by the further expansion of the product portfolio.

Due to a flexible and lean corporate structure, The MPH group has a competitive advantage that will also be exploited in the future. This structure enables us to rapidly adapt to changing framework conditions. This and a sensitive awareness of quality and costs have an influence on the operative business activities.

We secure the optimum quality and safety of the medicines at all times due to the orientation of our operations to the stringent guidelines and ordinances concerning the manufacturing of pharmaceuticals and active substances.

Our employees are distinguished by their competence, service and dedication as well as their personal further development. With these attributes, they vouch for the company and its values.

In its overall estimation, the executive board is anticipating further growth for the financial years 2013 and 2014.

II. Risk report

1. General risk report

The business activities of the MPH group bring both opportunities and risks. The corporate group exploits opportunities of growth under careful appraisal of the associated risks.

In this framework, our focus is directed towards taking only risks that strike an appropriate balance to the anticipated benefits for the corporation. We see a success factor in the efficient and effective management of chances and risks, which can secure the corporate value sustainably. The identification, assessment, control and mastering or exploitation of these chances and risks is an essential constituent of the corporate management and strategy.

The corporate management of the MPH group utilises the chance and risk management as an integral constituent of the governance.

Environmental and sector profile of chances and risks

Active substances that are patent-free or patent-protected will also be important growth markets in the future. Numerous opportunities for the MPH group result from these business fields. Characteristics of the handling of chances by the corporate group are therefore strategically determined therapeutic areas, flat hierarchies and rapid communication processes.

We identify market opportunities with the aid of talks with customers and the communication with scientists, politicians and other responsible persons within the pharmaceutical market. We counter the challenge of using these market opportunities with flexibility and effectiveness.

Risks within the pharmaceutical market are distinguished by general regulatory measures, rising competition and intensified margin pressure. Considerable economic impacts on the corporate success of the MPH group could be new regulations or repealed regulatory measures. Likewise, new or existing competitors could have a negative impact on the market conditions for the corporate group as a result of their organizational or financial resources.

Risk Management System

The MPH group uses the risk management system for the systematic identification of significant risks and risks that could jeopardise the existence of the group, for the appraisal of their impacts as well as the development of appropriate measures.

Moreover, the mechanisms of the risk management system are also applied to the decision-making in relation to entrepreneurial decisions and their individual chance-risk relation.

The objective of the risk management system is to take only reasonable risks which will most probably lead to an enhancement of the value of the company as a result of the opportunities involved. During the more detailed review of the risks, we attach great importance to the fact that these remain manageable and controllable. The essential components of the risk management system are the risk controlling and a management information system. The former comprises the process runs, the financial reporting, the safety concept of the IT infrastructure as well as the adherence to the data protection regulations.

In the course of regular meetings, reports and protocols at all levels of the MPH group, information concerning future developments is exchanged and evaluated in the relevant division. By means of these mechanisms, internal and external information is investigated for its risk relevance in real time. The resulting findings are taken into account in corporation-wide handling. Strategic, operative and functional controlling is performed in all corporate divisions. Business plans and growth concepts are generated for the systematic presentation of short-term and long-term business targets.

2. Special risk report

The liquidity position of the MPH group is good. Bottlenecks are not expected.

Receivables, liabilities and credits at credit institutions define the liquidity of the corporation.

Bad debt losses remain the absolute exception as the group affiliates have a solvent customer base. We have credit insurance for the securing of potential bad debt losses. Liabilities are paid within the agreed payment deadlines.

The company finances itself in the short-term area mainly through supplier credits and the credit lines of different banks.

The objective of the financial and risk management of the company is to secure the corporate success against financial risks of any kind.

If risks of default or credit risks in financial assets are detected, the appropriate value adjustments are undertaken. The company maintains an adequate debtor management system in order to minimise the risk of bad debt losses. There is also credit insurance for potential default on receivables. Moreover, we check the credit rating prior to the initiation of new business relations.

III. Outlook

We rate the estimated development of the MPH group positively. The pharmaceutical market offers a great potential of growth in the areas of patent-free as well as patent-protected pharmaceuticals as long as the service, price and quality are strictly oriented towards the customer requirements.

We combat the risks of supplier bottlenecks with the establishment of several suppliers for the majority of the products.

We expect an increase in the sales volume in the following financial years 2013 and 2014 respectively. We can anticipate a satisfactory result due to our low fixed costs.

C. Research and development report

The MPH group does not conduct any research and development.

D. Report on branches

The company has no branch offices. Pharmigon GmbH is the only company in the group to maintain a branch.

E. Final statement according § 312 n° 3 par. 3 AktG

According to § 312 AktG, the management board has prepared a report on the relationships with associated companies containing the following final statement: „According to the circumstances known to us at the moment in which legal transactions have been concluded with the dominant company and other associated companies, our company and the subsidiaries have received an appropriate return in each legal transaction."

Patrick Brenske
Member of the Management board

Dr. Christian Pahl
Member of the Management board

Consolidated financial statements

Consolidated balance sheet - Assets

as of 31 December 2012*

	Notes	2012 EUR	2011 kEUR
Cash	5.1	14,571,514.27	2,457
Trade receivables	5.2	12,383,869.59	4,319
Inventory	5.3	23,401,384.97	21,418
Other short-term financial assets	5.4	10,997,776.11	1,812
Other short-term assets	5.4	895,840.07	131
Short-term assets		62,250,385.01	30,137
Intangible assets	5.5	6,985,764.51	1,303
Company value	5.5	40,168,339.00	37,322
Tangible assets	5.5	1,094,204.00	270
Prepayment on intangible and tangible assets	5.5	215,122.59	0
Financial assets	5.6	698,532.05	3,549
Other long-term financial assets	5.7	204,897.89	90
Deferred tax liabilities	5.8	11.95	0
Long-term assets		49,366,871.99	42,534
▸TOTAL Assets		111,617,257.00	72,671

* Reporting according to IFRS

Consolidated balance sheet - Liabilities and Equity

as of 31 December 2012*

	Notes	2012 EUR	2011 kEUR
Accruals	5.9	2,373,267.65	796
Bank loan		20,554,960.62	11,843
Trade payables		5,402,905.81	3,897
Other short-term financial liabilities		594,475.64	35
Other short-term liabilities		1,370,578.08	809
Short-term liabilities		30,296,187.80	17,380
Accruals		161,377.91	0
Bond loan		5,209,300.00	0
Bank loan		7,500,000.00	6,000
Deferred tax		1,090,815.02	2
Long-term liabilities		13,961,492.93	6,002
Share capital		41,167,155.00	38,050
Acquired own shares		-4,584,626.00	0
		36,582,529.00	38,050
Capital reserve		4,332,845.00	0
Capital reserve for own shares		-7,047,342.05	0
Other revenue reserves		78,820.27	0
Retained earnings		20,184,720.52	11,239
Equity attributable to equity holders of MPH		54,131,572.74	49,289
Non-controlling shareholders		13,228,003.53	0
Equity		67,359,576.27	49,289
TOTAL Liabilities and Equity		111,617,257.00	72,671

* Reporting according to IFRS

Consolidated profit and loss summary account

for the period January 1 to December 31, 2012*

	Notes	2012 EUR	2011 kEUR
Sales	8.1	205,707,645.07	145,521
Changes in inventories		-3,310,612.42	0
Other operational income	8.2	10,795,287.24	1,150
Cost of materials			
> Cost of purchased goods, services and properties	8.3	-178,262,192.65	-128,684
Labour cost			
> Salaries		-3,643,824.73	-2,111
> Social insurance contribution		-547,402.21	-370
		-4,191,226.94	-2,481
Depreciation / Amortisation	8.4	-1,013,592.65	-372
Other operational expenses	8.5	-7,848,819.73	-4,495
EBIT (earnings before interest and tax)		21,876,487.92	10,639
Interest Income	8.6	224,821.53	3
Income from investments	8.6	1,400.57	49
Financial investment depreciations		-65,604.72	0
Interest expense	8.7	-1,569,391.90	-798
Financial result		-1,408,774.52	-746
EBT (earnings before tax)		20,467,713.40	9,893
Income tax	8.8	-2,061,400.30	-1,256
Other tax	8.9	-3,831.00	7
Net profit / period income		18,402,482.10	8,644
thereof, attributed to:			
Shareholders of MPH		14,714,132.64	8,644
Non-controlling shareholders		3,688,349.46	0
		18,402,482.10	8,644

* Reporting according to IFRS

Consolidated cash flow statement

for the period January 1 to December 31, 2012*

	2012 EUR	2011 kEUR
Operating activities		
1. Earnings before taxes on income and profit minus other taxes	20,463,882.40	9,892
2. Depreciations / Amortisation	1,079,197.36	372
3. Change in long-term accruals	-73,212.23	0
4. Change in financial asset valuation	-49,572.00	-128
5. Profit / loss from the disposal of fixed assets and from the purchase or sale of shares in subsidiaries	-3,121,128.99	0
6. Interest and investment income	-226,222.10	-52
7. Interest expense	1,569,391.90	799
8. Company result before working capital changes	19,642,336.34	10,883
9. Change in trade receivables and other assets	-15,027,923.52	4,866
10. Change in inventory	1,518,015.12	-7,447
11. Change in trade payables, other liabilities and accruals	3,270,936.68	-3,239
12. Cash Flow from company activities	9,403,364.62	5,063
13. Interest income received	92,279.87	52
14. Interest expense paid	-1,572,136.40	-810
15. Income tax and other tax paid	-1,308,725.25	-2,945
	-2,788,581.78	-3,703
16. Cash Flow from operating activities	**6,614,782.84**	**1,360**
Investment activities		
1. Proceeds from the disposal of subsidiaries	3,008,000.00	0
2. Payments for the acquisition of subsidiaries	-2,260,203.78	0
3. Payments for the acquisition of fixed assets	-1,180,263.96	-707
4. Payments for the acquisition of financial assets	-476,233.47	-3,421
3. Cash Flow from investment activities	**-908,701.21**	**-4,128**
Financing activities		
1. Change of bank loans	10,715,640.80	12,402
2. Debt repayment	0.00	-895
3. Reduction of the participation certificate capital	-32,276.63	0
4. Incoming and outgoing payments from the purchase and sale of own shares	-963,677.50	0
5. Dividend paid	-6,450,981.20	-7,039
6. Cash Flow from financing activities	**3,268,705.47**	**4,468**
Change in cash and cash equivalents due to change in companies consolidated	**3,139,906.46**	**0**
Cash Flow	**12,114,693.56**	**1,700**
Cash and cash equivalents		
1. 31 December 2012 / 2011	14,571,514.27	2,457
2. 31 December 2011 / 2010	2,456,820.71	757
	12,114,693.56	**1,700**

*Reporting according to IFRS

Consolidated statement of changes in equity

as of 31 December 2012*

	Share capital EUR	Acquired own shares EUR	Capital reserve EUR	Capital reserve for own shares EUR	Other revenue reserves EUR	Legal reserve EUR	Balance sheet profit EUR	Revenue reserve EUR	Sub-total EUR	Equity of shareholders of MPH EUR	Non-controlling shareholders EUR	Total equity EUR
1. As of 31 December 2010	38,050,000.00	0.00	0.00	0.00	0.00	240,657.53	9,394,154.58	0.00	47,684,812.11	47,684,812.11	0.00	47,684,812.11
2. Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-7,039,250.00	-7,039,250.00	-7,039,250.00	0.00	-7,039,250.00
3. Net profit / Period income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,643,685.79	8,643,685.79	8,643,685.79	0.00	8,643,685.79
4. Reclassifications	0.00	0.00	0.00	0.00	0.00	240,657.53	-9,394,154.58	9,634,812.11	0.00	0.00	0.00	0.00
5. As of 31 December 2011	38,050,000.00	0.00	0.00	0.00	0.00	0.00	0.00	11,239,247.90	49,289,247.90	49,289,247.90	0.00	49,289,247.90
6. Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-6,175,981.20	-6,175,981.20	-6,175,981.20	-275,000.00	-6,450,981.20
7. Increase in the share capital	3,117,155.00	0.00	4,332,845.00	0.00	0.00	0.00	0.00	0.00	7,450,000.00	7,450,000.00	0.00	7,450,000.00
8. Net profit / Period income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,714,132.64	14,714,132.64	14,714,132.64	3,688,349.46	18,402,482.10
9. Reclassifications / Initial consolidation	0.00	-4,584,626.00	0.00	-7,047,342.05	78,820.27	0.00	0.00	407,321.18	-11,145,826.60	-11,145,826.60	9,814,654.07	-1,331,172.53
10. As of 31 December 2012	41,167,155.00	-4,584,626.00	4,332,845.00	-7,047,342.05	78,820.27	0.00	0.00	20,184,720.52	54,131,572.74	54,131,572.74	13,228,003.53	67,359,576.27

* Reporting according to IFRS

Development of consolidated fixed assets

as of 31 December 2012*

	Acquisition cost					Cumulative depreciation / amortisation					Book values	
	As of 31.12.2011 EUR	Addition due to initial consolidation	Addition/ Recl. EUR	Disposal/ Recl. EUR	As of 31.12.2012 EUR	As of 31.12.2011 EUR	Addition due to initial consolidation	Addition EUR	Disposal EUR	As of 31.12.2012 EUR	As of 31.12.2012 EUR	As of 31.12.2011 EUR
I. Intangible assets												
1. Intangible assets	1,988,458.67	7,933,054.12	2,579,039.78	1,455.80	12,499,096.77	685,441.67	3,948,596.99	880,748.40	1,454.80	5,513,332.26	6,985,764.51	1,303,017.00
2. Company value	37,321,621.72	2,000.00	2,846,717.28	2,000.00	40,168,339.00	0.00	2,000.00	0.00	2,000.00	0.00	40,168,339.00	37,321,621.72
	39,310,080.39	7,935,054.12	5,425,757.06	3,455.80	52,667,435.77	685,441.67	3,950,596.99	880,748.40	3,454.80	5,513,332.26	47,154,103.51	38,624,638.72
II. Fixed assets	449,953.32	942,098.39	191,198.40	18,225.32	1,565,024.79	180,414.32	170,676.54	132,844.25	13,114.32	470,820.79	1,094,204.00	269,539.00
III. Prepayments	0.00	336,194.09	159,166.82	280,238.32	215,122.59	0.00	0.00	0.00	0.00	0.00	215,122.59	0.00
IV. Financial assets	3,420,684.65	1,574,434.48	491,487.78	3,420,684.65	2,065,922.26	-128,300.41[1]	1,351,357.49	65,604.72	-78,728.41	1,367,390.21	698,532.05	3,548,985.06
TOTAL	43,180,718.36	10,787,781.08	6,267,610.06	3,722,604.09	56,513,505.41	737,555.58	5,472,631.02	1,079,197.37	-62,159.29	7,351,543.26	49,161,962.15	42,443,162.78

* Reporting according to IFRS

[1)] Appreciation of existing financial assets. A minus sign shows the appreciation above acquisition costs.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

for the period from January 1 to December 31, 2012 (accounting according to IFRS)

1. General information

The MPH Mittelständische Pharma Holding AG was founded in the business year 2008. The company is registered in the commercial register of the local court Berlin-Charlottenburg under HRB 116425 and has its domicile in Fasanenstraße 77, 10623 Berlin. The MPH group operates in the pharmaceutical and healthcare areas.

The consolidated financial statements for the time period from 1st January to 31st December 2012 of the MPH Mittelständische Pharma Holding AG, domicile Berlin, was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied in the European Union. The values for the financial year 2012 are stated in EUR and for the previous year stated in kEUR. The new standards adopted by the IASB have been observed since the time they came into force. The following standards and interpretations as well as modifications of existing standards must initially be applied in the financial year 2012, whereby this did not result in any significant impacts for the MPH Mittelständische Pharma Holding AG:

- Modifications to **IFRS 7** – information – transfer of financial assets ,

- Modifications to **IAS 12** – deferred taxes – realisation of the underlying assets.

The voluntary application of standards and interpretations, previously published, but not yet obligatory on the balance sheet day and represented as follows has been completely relinquished:

- **IFRS 9** – Financial instruments: classification and evaluation of financial assets and liabilities (applicable for financial year commencing on or after the 1st January 2015),

- **IFRS 10** – Consolidated financial statements (applicable for financial years, commencing on or after the 1st January 2013.),

- **IFRS 11** – Common agreements (applicable for financial years, commencing on or after the 1st January 2013.),

- **IFRS 12** – Information on shareholdings in other companies (applicable for financial years, commencing on or after the 1st January 2013.),

- **IFRS 13** – Determination of the fair value of assets (applicable for financial years, commencing on or after the 1st January 2013.),

- Modifications to **IFRS 7** – information – netting of financial assets and debts (applicable for financial years, commencing on or after the 1st January 2013.),

- Modifications to **IFRS 9** and **IFRS 7** – Time of obligatory application of IFRS 9 and information in relation to the transition (applicable for financial years, commencing on or after the 1st January 2015.),

- Modifications to **IFRS 10, IFRS 11** and **IFRS 12** – consolidated financial statements, common agreements and information on shareholdings in other companies – transition guidelines (applicable for financial years, commencing on or after the 1st January 2013.),

- Modifications to **IFRS** – annual improvements to the IFRS – cycle 2009 to 2011 (applicable for financial years, commencing on or after the 1st January 2013.),

- **IAS 1 (2011)** – Modifications to IAS 1 (applicable for financial years, commencing on or after the 1st July 2012.),

- Modifications to **IAS 19** – employee benefits (applicable for financial years, commencing on or after the 1st January 2013.).

- **IAS 27 (2011)** – Separate financial statements (applicable for financial years, commencing on or after the 1st January 2013.),

- **IAS 28 (2011)** – Shareholdings in associated companies and joint ventures (applicable for financial years, commencing on or after the 1st January 2013.),

- Modifications to **IAS 32** – netting of financial assets and debts (applicable for financial years, commencing on or after the 1st January 2014.),

- **IFRIC 20** – Stripping costs in the production phase of an open-cast mine (applicable for financial years, commencing on or after the 1st January 2013.).

The accounting and valuation was undertaken under the assumption of continuation of the company.

The consolidated financial statement is prepared in compliance with IAS 27.26 on the balance sheet date of the annual financial statement of the parent company, which is the balance sheet date for the annual financial statements of all affiliated companies at the same time.

The balance sheet of the MPH group has been prepared according to maturity aspects. Assets and debts, with realisation or redemption anticipated within twelve months after the balance sheet date, were classified as short-term in accordance with IAS 1. Deferred tax claims and deferred taxes are, however, in accordance with IAS 1.56, fully accounted for under the long-term assets or long-term debts.

The profits and losses are listed in the consolidated income statement in accordance with the total cost method.

2. Basis of consolidation

In the consolidated financial statement of 31st December 2012 of the MPH Mittelständische Pharma Holding AG, Berlin, the following affiliated companies were included beside the MPH Mittelständische Pharma Holding AG:

- Windsor AG, Berlin (from the 7th May 2012, date of initial consolidation) with the following subsidiaries:
  - Windsor Grundbesitz AG, Berlin,
  - Windsor Real Estate AG, Berlin,
  - Pharmigon GmbH, Berlin,
  - 22. Projektgesellschaft Mitte mbH, Berlin (deconsolidated on 28th June 2012),
  - Projektgesellschaft Rungestraße 21 mbH, Berlin (deconsolidated on 28th September 2012),
  - Projektgesellschaft Hohenzollerndamm 119 mbH, Berlin (deconsolidated on 27th September 2012),
  - Simgen GmbH, Schönefeld,
  - Zytotrade GmbH, Schönefeld,

- HAEMATO PHARM AG, Schönefeld (from 6th March 2009, date of initial consolidation),

- Eupospharm GmbH, Potsdam (from 2nd May 2011, date of initial consolidation/up to 30. June 2012, date of deconsolidation),

- Healthcare Services GmbH, Schönefeld (from 31st August 2011, date of initial consolidation),

- HAEMATO-Vet GmbH, Schönefeld (from 8th April 2010, date of initial consolidation),

- Healthcare Solutions GmbH, Schönefeld (from 21st February 2012, date of initial consolidation),

- Nutri Care GmbH, Schönefeld (from 5th April 2012, date of initial consolidation).

In association with a capital increase conducted at the MPH Mittelständische Pharma Holding AG, the MPH group has taken over the majority of shares at Windsor AG, meaning that it was necessary to consolidate Windsor AG with effect from 7. May 2012. For the Windsor group, a consolidated financial statement in accordance with IFRS will be compiled. Windsor AG was founded on 10th May 1993. The company is registered in the commercial register of the local court Berlin-Charlottenburg under HRB 88633 and has its domicile in Berlin. The Windsor group is active in fields of pharmaceuticals and real estate. The equity of Windsor AG on 31st December 2012 amounting to EUR 13,852,599.00 is divided up into 13,852,599 bearer shares with a calculated nominal value of EUR 1.00 each.

Simgen GmbH founded The Pharma Life Group Co.,Ltd. in Lam Luk Ka (Thailand) in the preceding financial year 2012. As it is the case with all IFRS regulations, the global consolidation principle of IAS 27.12 is also subject to the "materiality reservation". Subsidiaries need not to be included if they are of subordinate significance for the revenue, financial and asset situation of the corporation. This regulation was utilised.

Healthcare Solutions GmbH and Nutri Care GmbH were founded on 21st February res. on 5th April 2012; resulting in no debit differences in the initial consolidation. The corporative objective of Healthcare Solutions GmbH is the permit-free provision of consulting and services in the pharmaceutical and medical area. The equity capital amounts to EUR 50,000.00. The corporate objective of Nutri Care GmbH is permit-free provision of nutrition advice as well as the provision of consulting and services in the nutritional segment. The equity capital of the company amounts to EUR 25,000.00.

The 22. Projektgesellschaft Mitte mbH, the Projektgesellschaft Rungestraße 21 mbH, the Projektgesellschaft Hohenzollerndamm 119 mbH and the Eupospharm GmbH were sold in the course of the financial year 2012, meaning that it was necessary to deconsolidate all these companies.

The reported consolidated financial assets are inter alia equity instruments of companies listed on the stock exchange.

The participation quota in the consolidated subsidiaries at the balance sheet date are as follows:

Name and office of the company	Share %
› HAEMATO PHARM AG, Schönefeld	100,00
› Healthcare Services GmbH, Schönefeld	100,00
› Windsor AG*, Berlin	60,69
› HAEMATO-Vet GmbH**, Schönefeld	100,00
› Nutri Care GmbH**, Schönefeld	100,00
› Healthcare Solutions GmbH**, Schönefeld	100,00
› Pharmigon GmbH***, Berlin	30,35
› Windsor Grundbesitz AG***, Berlin	60,69
› Windsor Real Estate AG***, Berlin	60,69
› Simgen GmbH***, Schönefeld	60,69
› Pharma Life Group Co. Ltd.****, Lam Luk Ka (Thailand)	24,28
› Zytodrade GmbH*****, Schönefeld	30,35

* Directly about 2,82 %; indirectly through Healthcare Services GmbH about 57,87 %.

** Directly through Healthcare Services GmbH.

*** Directly through Windsor AG.

**** Directly through Simgen GmbH

***** Directly through Pharmigon GmbH.

3. Consolidation principles

The annual financial statements of all the companies within the group are compiled on the basis of a uniform accounting and valuation method on the balance sheet date of the MPH Mittelständische Pharma Holding AG (parent company).

In the event of corporate acquisition or the founding of a new company, the capital consolidation is undertaken according to the revaluation method at the time of acquisition. In the capital consolidation, the acquisition values of the holdings are set off against the proportional value of equity shares at the time of acquisition. With respect to The Pharma Life Group Co. Ltd. we refer to section 2.

Receivables and debts between the consolidated companies as well as group internal sales revenues, other group internal revenues as well as the corresponding expenses are consolidated. Interim results are eliminated.

Tax deferrals are made with respect to consolidation procedures in accordance with IAS 12 as far as consequential temporary differences have resulted.

4. Estimates and assumptions

The preparation of the consolidated financial statements requires estimates and assumptions which could influence the measurement and classification of assets, liabilities and financial obligations at the balance sheet day as well as the income and expenses in the reporting year. The actual amounts could deviate from these estimates and assumptions.

The determination of the fair values of assets and liabilities is based on the evaluations of the management. The criteria used by the management for the evaluation of the appropriateness of the value adjustments on receivables are the maturity structures of the receivable balances, the credit rating of customers as well as changes in the conditions and terms of payment. In the event of deterioration in the financial situation of customers, the extent of the actual write-offs could exceed the extent of the expected write-offs.

The actual anticipated income tax must be calculated for every object of taxation and the temporary differences from the different treatment of certain balance sheet items between IFRS-consolidated financial statements and the statutory tax financial statements must be evaluated. As far as there are temporary differences, these differences lead fundamentally to the recording of active and passive deferred taxes in consolidated financial statements.

The management must make decisions in the calculation of actual and deferred taxes. Active deferred taxes are only applied to the extent that it is considered probable that they can be utilised. The utilisation of active deferred taxes is dependent on the possibility of achieving sufficient taxable income in the scope of the corresponding kind of tax. Different factors must be employed for the evaluation of the probability of the future utilisation of active deferred taxes, such as for example the profit position in the past, operative planning, and tax planning strategies. If the actual results deviate from these estimates or if these estimates must be adjusted in future periods, they could have negative impacts on the asset, financial and profit position. If there is any change in the recoverability assessment for active deferred taxes, the recognised deferred taxes must be devalued in terms of profit and loss.

Furthermore, the determination of provisions is associated with a range of considerable estimates. These estimates could change as a result of new information. In the procurement of new information, the MPH group mostly uses the services on internal experts as well as the services of external consultants such as legal or tax consultants.

5. Information on the consolidated balance sheet including the accounting and valuation methods

In preparing the consolidated financial statements of the associated group companies, business transactions, processed in currencies other than the functional currency (Euro) are converted at the exchange rate valid on the day of transaction. All monetary items in foreign currency are converted at the exchange rate valid on the balance sheet date. Non-monetary items in foreign currency which are evaluated according to the fair value must be converted at the exchange rates valid at the time of the assessment with the fair value. Conversion differences are recognised as profit or loss.

▶ **5.1** The **liquid assets** comprise mainly bank deposits and are recorded with their nominal values.

▶ **5.2** The **receivables resulting from deliveries and services**, amounting to a total of kEUR 12.384 (previous year: kEUR 4.319), are recognised with application of the effective interest method minus any impairments.

▶ **5.3** Under the inventory, finished products are shown, which are evaluated with production costs. In accordance with IAS 2, all costs are included that incur in connection with the procurement of the respective inventories. There were no borrowing costs to be capitalised. The application of IAS 11 is not relevant.

▶ **5.4** The **miscellaneous financial assets** include only credits and receivables. Credits and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are evaluated according to the effective interest method at amortised cost minus impairments.

The **miscellaneous short-term assets** are mainly tax refund claims.

▶ **5.5** The **tangible assets** as well as the **intangible assets** are evaluated at acquisition costs under the application of IAS 16 res. IAS 38 - in case of temporarily limited use, reduced by depreciations according to schedule. If necessary, depreciations reduce the (continued) acquisition costs. A new evaluation of the tangible fixed assets corresponding to the existing option in accordance with IAS 16 did not take place.

The **scheduled depreciations** are carried out on a straight-line basis. The depreciations correspond to the pattern of consumption of the future economic benefits. The utilisation period is three years for software, for paid licenses and similar rights between one and 15 years, as well as between one and 15 years for other tangible assets.

In the case of the **book value** exceeding the foreseeable recoverable amount, an impairment to this value is undertaken in accordance with IAS 36. The recoverable amount is determined from the net proceeds from revenue or – if higher – the cash value of the estimated future cash flow from the utilisation of the item or asset. In the financial year 2012 there was no impairment requirement.

In the scope of the initial consolidation on the 6th March 2009, a **company value** of EUR 37,321,621.72 was determined for HAEMATO PHARM AG. A business or company value that was acquired by means of a company merger may not be amortised. Instead the acquirer must review it for impairment in accordance with IAS 36 at least once a year or more frequently if occurrences or changed circumstances indicate that an impairment could have occurred. There was no need for action with regard to this matter on the balance sheet date. Besides the company value mentioned above, a further company value is represented that must be recorded in conjunction with the initial consolidation of the Windsor group; it amounts to EUR 2,846,717.28.

▶ **5.6** Under **financial assets** equity instruments of companies listed on the stock exchange are recognised. The shares were assigned to the category "recognised in profit or loss at fair value". The subsequent evaluation of the equity instruments was carried out at the market value on the relevant balance sheet date. The financial year 2012 produced earnings of kEUR 50 (previous year: kEUR 128) as well as the amortisation of financial assets of kEUR 60 (previous year: kEUR 0).

▶ **5.7** The **miscellaneous long-term financial assets** consist mainly of deposits provided that are assessed at the nominal value of the deposits.

▶ **5.8 Deferred tax assets** were activated on tax deductible temporary differences and on benefits of unused tax loss carry forwards as long as future taxable income can be anticipated with sufficient certainty.

In the case of tax deductible temporary differences in association with shares in subsidiaries, however, a deferred tax claim is recognised only if it is probable that the reversal of the temporary difference will occur in the foreseeable future and corresponding taxable income can be anticipated.

The book value of the deferred tax claims is reviewed on every accounting balance sheet date and reduced if it is no longer probable that adequate taxable income will be available to utilise these claims.

The deferred tax is determined on the basis of the taxation rates that are valid or have been enacted in relation to the anticipated time when the deferred tax assets or liabilities are settled.

An offsetting of active and passive deferred taxes is undertaken only if a legal claim to the offsetting of actual tax refund claims and actual tax liabilities exists and the deferred tax claims and liabilities relate to income taxes that are levied by the same authority for the same object of taxation.

Business tax and corporation tax losses carried forward amounting to a total of kEUR 642 (previous year: kEUR 12) res. kEUR 1.045 (previous year: kEUR 12) were not taken into consideration for the determination of the deferred taxes as the prerequisites of IAS 12.34 with regard to the accounting of deferred taxes on losses carried forward are not fulfilled. The resulting deferred taxes amount to a total of kEUR 238 (previous year: kEUR 3). All losses carried forward can be utilised unrestrictedly. The deferred taxes on 31st December 2012 relate to the following issues:

	31.12.2011 kEUR	Addition* kEUR	Recognized in profit and loss kEUR	Not recognized in profit and loss kEUR	31.12.2012 kEUR
Temporal differences					
> Valuation of intangible assets and capitalized compensation claims	0	1,205	116	0	1,089
> Valuation of inventories	0	8	8	0	0
> Fair value measurement of existing financial instruments	2	0	0	0	2
	2	1,213	124	0	1,091
thereof, attributed to:					
Deferred tax assets	0	8	8	0	0
Deferred tax liabilities	2	1,205	116	0	1,091

* Addition due to initial consolidation

▸ **5.9 Miscellaneous provisions** comprise deferrals which are created if the group has a current, legal or actual obligation resulting from an occurrence in the past if the outflow of economically useful resources in fulfilment of this obligation is probable and a reliable estimation of the amount of the obligation is possible. Provisions are rated with the value that is the best possible estimate of financial expenditure required for the fulfilment of the current obligation on the balance sheet date.

The short-term provisions concern mainly tax accruals, closing and auditing costs of the companies included as well as miscellaneous provisions.

The table of provisions is the following:

	1.1.2012 kEUR	Used kEUR	Released kEUR	Added kEUR	31.12.2012 kEUR
Taxes	255.0	255.0	0.0	718.0	718.0
Costs of auditing and annual financial statements	85.7	85.7	0.0	214.5	214.5
Rental guarantees	0.0	0.0	0.0	76.0	76.0
Vacation entitlements of employees	33.3	31.6	1.7	80.8	80.8
Supervisory board remuneration	10.0	0.0	10.0	5.0	5.0
Others	411.6	381.6	30.0	1,279.1	1,279.1
	795.6	753.9	41.7	2,373.4	2,373.4

As a result of a current tax audit for the years 2001 to 2005, the fiscal authority is refusing to recognise the tax loss carry forwards up to August 2, 2005 of Windsor AG due to a loss in commercial identity at this time in accordance with § 8 section 4 KStG/§ 10a GewStG. We do not agree with the legal opinion that has been communicated by the fiscal authority and even the Bundesfinanzhof (Federal Fiscal Court) decided otherwise in a similar case. For this reason, we have not created any tax accruals or provisions for the financial years concerned. At the moment we are engaged in a lawsuit, if necessary, we will pursue all legal channels. As a result of changed legal verdicts, the tax authority took a portion of the previously not accepted losses into consideration in March 2009. The maximum risk now stands at kEUR 154.

▸ 5.11 Long-term provisions

The long-term provisions relate mainly to rental guarantee provisions of Windsor AG. The probable burden is determined from the difference between the current actual rental income and the confirmed rental guarantees and discounted according to the duration of the guarantee.

	1.1.2012 kEUR	Addition due to initial consolidation kEUR	Used / Released kEUR	Added kEUR	31.12.2012 kEUR
Rental guarantees etc.	0.0	243.0	91.6	0.0	151.4
Others	0.0	15.0	7.0	2.0	10.0
	0.0	258.0	98.6	2.0	161.4

▸ **5.10 The short-term liabilities to credit institutions** as well as the **liabilities from deliveries and services, the miscellaneous financial liabilities** and the **miscellaneous short-term liabilities** are measured at amortisation cost under application of the effective interest method.

The miscellaneous financial liabilities amount to kEUR 594.5 (previous year: kEUR 34.7). These are mainly interest liabilities resulting from participation certificates in circulation on the balance sheet date that are not held by Windsor AG.

The miscellaneous short-term liabilities amount to kEUR 1.371 (previous year: kEUR 809). These are mainly liabilities for salaries and turnover tax.

▸ 5.12 Bonds (Participation Certificates of Windsor AG)

Under the item bonds issued participation certificates are shown. Participation certificate capital is a mezzanine financial instrument that presents equity capital elements as well as borrowed capital elements. In accounting in accordance with IFRS, only a presentation as borrowed capital is possible. Under ISIN DE 000A0EQVT2, a tranche amounting to million EUR 23.6 is traded on the Frankfurt Stock Exchange in the open market segment. All holders of participation certificate receive a payout of 9 % of the nominal value prior to the profit share payout for Windsor AG shareholders from 2010 onwards.

The participation certificates are made out in the name of the bearer and are divided into 500.000 parcels with a nominal value of EUR 100.00. The sale of participation certificates was discontinued in 2006. In the financial year 2011 the company decided to cancel repurchased participation certificates amounting to a value of million EUR 8.3, meaning that the amount of participation certificates issued on the balance sheet date was reduced to EUR 5.3. On the balance sheet date Windsor AG held their own participation certificates amounting to a total nominal value of kEUR 103.0 (1.030 participation rights x EUR 100).

▸ **5.13** The **long-term liabilities to credit institutes** are balanced on application of the effective interest method.

▸ 5.14 Deferred tax debts

For all taxable temporary differences, a deferred tax liability is recognised unless the deferred tax liability arises from

- a business or company value, for which an amortisation is not tax deductible, or

- the initial recognition of an asset or a liability in a business transaction, which is not a corporate merger and, at the time of the business transaction, neither influences the period result under commercial law nor the taxable income.

However, a deferred tax liability is recognised in taxable temporary differences in conjunction with shareholdings in subsidiaries unless the time point of the reversal of the temporary differences can be controlled by the company and it is probable that it will not occur in the foreseeable future.

In connection with the fair value assessment of existing financial instruments, it was necessary to carry deferred taxes as liabilities. We refer to item 5.8 for further details. The amount by which the fair values exceed the tax balance sheet values amounts to kEUR 133 (previous year: kEUR 133). On application of the effective tax rate of 22.825 % and other components, this results in a deferred tax liability amounting to kEUR 2 (previous year: kEUR 2).

The remaining deferred taxes (effective tax rate of 22.825 %), amounting to kEUR 1.089 on the balance sheet date (previous year: kEUR 0), result from the initial consolidation of an acquired subsidiary. These are disclosed intangible assets amounting to book values on 31st December 2012 kEUR 4.772 (previous year: kEUR 0). These book values all together lead to passive deferred tax provisions of the amount specified above.

▸ 5.15 Equity

The MPH Mittelständische Pharma Holding AG was founded at the end of 2008 as a shelf company. On 9th February 2009 the company concluded a post-formation acquisition and contribution agreement with Magnum AG to which the annual general meeting agreed by the resolution of 6th March 2009. The object of the agreement was the introduction of 500.000 HAEMATO PHARM AG no-par bearer shares at a nominal value EUR 1.00 each at a total fixed value of EUR 38,000,000.00 in the company against the issue of new shares of the company of a total nominal value of EUR 38,000,000.00 at an issuing amount of EUR 38,000,000.00. The equity of the company was therefore increased by EUR 38,000,000.00 to EUR 38,050,000.00. In accordance with the resolution of the Annual General Meeting of 11th June 2009, the executive board is authorised to increase the equity with the approval of the supervisory board within the time period expiring on 10th June 2014 on one or more occasions by the issue of new, no-par bearer shares and/or non-voting preference shares against cash and/or contributions in kind to a total amount of EUR 19,025,000.0 (authorised capital 2009/I). Use was made of this authorisation by increasing the equity from EUR 38,050,000.00 by EUR 3,117,155.0 to EUR 41,167,155.00 by the issue of 3,117,155 new, no-par bearing share (capital increase against contribution in kind). It is divided into 22,142,155 no-par bearer ordinary shares and 19,025,000 non-voting preference shares as no-par bearer shares. With the resolution of the annual general meeting of 29th June 2012 the authorised capital 2009/I was cancelled. The difference between the subscription price or issue price and the nominal value in the scope of the initiated increase in capital contributions, amounting to EUR 4,332,845.00, was shown in the capital reserve.

In accordance with the resolution of the annual general meeting of 29th June 2012, the executive board is authorised to increase the equity with the approval of the supervisory board until 28th June 2017 by the issue of new no-par bearer ordinary shares and/or non-voting preference shares against cash and/or contributions in kind one or more occasions up to a total of EUR 20,583,577.00 (approved capital 2012/I).

By resolution of the annual general meeting of 29th June 2012, the conditional capital 2009/I was cancelled. In accordance with the resolution of the annual general meeting of 29th June 2012, the executive board is authorised, until 28th June 2017 on one or more occasions to issue bearer or registered options or convertible bonds, participation certificates or participating bonds respectively combinations of these instruments to a total nominal value of up to EUR 100,000,000.00 with or without maturity restrictions and to grant or impose the debenture bonds on the bearers or creditors of the respective bonds, equal partial debentures, option or conversion rights to the no-par bearer shares and/or non-voting preference shares of the company, which rank prior or equal to the preference shares issued previously with respect to the distribution of the profit and/or of the corporate assets, with a proportional amount of the equity amounting to EUR 20,583,577.00 in accordance with the details of the bond terms. For this purpose, the equity will be conditionally increased up to EUR 20,583,577.00 by the issue of a total of 20,583,577 new no-par value bearer shares and/or non-voting preference shares, which rank prior or equal to preference shares that were issued previously with regard to the distribution of the profit and/or of the corporate assets (conditional capital 2012/I).

In connection with the initial consolidation of the Windsor group, treasury shares were acquired in 2012, meaning that it was necessary to reduce the existing equity. The stock of the treasury shares in the group on 31st December 2012 amounted to 4,584,626 shares.

In the other capital reserves, the income resulting from the sale of treasury shares are presented which are not recorded in group income and loss statement, but directly in the equity capital.

With regard to the development and composition of the equity capital, reference is made to the statement of changes in equity.

6. Statement of fixed assets

The composition and development of the fixed assets is presented in the table "Development of the fixed assets of the group up to 31st December 2012"; see Annex 5.

7. Contingent liabilities and other financial obligations

There are no existing contingent liabilities. The other financial obligations concern mainly:

- At the annual general meeting on 21st December 2007 of Windsor Real Estate AG, it was decided to increase the equity of Windsor Real Estate AG by million EUR 10.00 to million EUR 15.00. The capital increase was subscribed exclusively by the Windsor group in 2008. Contributions in cash amounting to million EUR 4.31 were made to the capital increase registered in 2008 to the balance sheet date. The outstanding contributions of Windsor AG to the subscribed capital of Windsor Real Estate AG, which are not openly stated in the consolidated financial statement, amounted as of the balance sheet date to million EUR 5.69.

The remaining miscellaneous financial obligations are within the scope of customary business transactions.

8. Information on the consolidated profit and loss summary account

Principles of the revenue recognition

Sale of real estate

Sales revenues resulting from the sale of real estate are recorded if the following conditions are fulfilled:

- The group transferred the significant risks and chances resulting from the ownership of the property to the purchaser.

- The group retains neither a right of disposal as is usually associated with ownership, nor an effective power of disposal in relation to the sold property.

- The amounting sales revenues can be determined reliably.

- It is probable that the economic benefits from the transaction will flow to the group.

- The costs incurred or to be incurred in connection with the sale can be determined reliably.

Accordingly, sales revenues from the sale of real estate must be recorded essentially if there has been a transfer of ownership.

Rental income

In accordance with the contractual agreements, the rents are recorded on a monthly basis. The heating and utility costs in material expenditure are recorded periodically according to their incidence. If tenant refunds or back payments resulting from the running costs charge accounting are expected, these will be recorded as receivables or liabilities from deliveries and services.

Revenues resulting from the sale of pharmaceuticals

Sales revenues resulting from the sale of pharmaceuticals are recorded on a monthly basis in accordance with the contractual agreements. Pharmaceuticals that are shipped lead to revenues as soon as they have been transferred to the shipping company.

Segment reporting in accordance with IFRS 8

IFRS 8 requires from companies the reporting of financial and descriptive information in relation to its segments with reporting obligations. Segments with reporting obligations represent business segments which fulfill specific criteria. Business segments are enterprise operating units for which separate financial information is existent. The segment reporting must therefore be inevitably oriented to the internal reporting system of the company (management approach). The internal governance of the company thus provides the basis for the segment reporting. In 1st half year 2012 the business activities of the MPH group were extended by a further segment "Healthcare". The MPH Mittelständische Pharma Holding AG therefore owns the segments "Pharma" and "Healthcare".

The "Pharma" segment consists of the existing business HAEMATO PHARM AG. HAEMATO PHARM AG focuses on the indication areas oncology, HIV, rheumatic, neurology and cardiovascular disease. High-quality and innovative preparations are provided in both growth segments, generics and in EU imported pharmaceuticals, which enable low-priced medicinal therapy without compromising on the quality.

The existing veterinary business in HAEMATO Vet GmbH as well as the new business Healthcare Solutions GmbH (consulting services for pharmacies) and Nutri Care GmbH (consulting services for themes concerning nutrition) are organised in the new "Healthcare" segment. Moreover, the participation in Windsor AG includes Simgen GmbH (generics and foreign business) and Pharmigon GmbH (production of patient customised medicines). The healthcare buildings sector is currently in the project phase within the Windsor AG area.

Segment revenue and segment earnings

The revenues and results of the individual reportable segments of the corporation are presented below:

	Segment revenue	Segment earnings after taxes
	2012	2012
	kEUR	kEUR
Pharma segment	186,821	7,631
Healthcare segment	18,887	10,771
Total continuing operations	205,708	18,402

The segment net sales defined above are sales revenues from business transactions with external customers. The accounting and valuation methods of the reportable segments correspond to the corporate accounting guidelines.

Segment assets and liabilities

Segment assets

	31.12.2012
	kEUR
Pharma segment	81,754
Healthcare segment	29,863
Total segment assets (consolidated)	111,617

Segment liabilities

	31.12.2012
	kEUR
Pharma segment	35,089
Healthcare segment	9,168
Total segment liabilities (consolidated)	44,257

Other segment information

	Other operating income 2012 kEUR	Scheduled depreciation 2012 kEUR	Other interest and related income 2012 kEUR	Interest and related expenses 2012 kEUR
Pharma segment	479	474	11	1,099
Healthcare segment	10,316	540	214	470
	10,795	1,014	225	1,569

	Taxes on income and profit 2012 kEUR
Pharma segment	830
Healthcare segment	1,231
	2,061

Geographical Information
The MPH group operates mainly in the geographic segment Germany.

Key customers
IFRS 8.34 is not applicable as the revenues are distributed among a variety of customers.

▶ **8.1** The **sales** concern mainly revenues resulting from the sake of pharmaceuticals and real estate.

▶ **8.2** The reduction of the **inventory of finished and semi-finished products** concern inter alia real estate which was sold in the financial year 2012. The previously mentioned real estate was procured in connection with the Windsor group.

▶ **8.3** The **miscellaneous operating income** amounts to kEUR 10,795.3 (previous year: kEUR 1,150.0), of which kEUR 6,783 (previous year: kEUR 0) relate to profits resulting from the sale of subsidiaries.

▶ **8.4** The item **material expenditure**, amounting to a total of kEUR 178,262.2 (previous year: kEUR 128,684.6) includes all the expenditure incurred in association with the purchase of pharmaceuticals. Moreover, this item includes expenditure incurred in association with the purchase and the modernisation of owner apartments and rental apartment buildings as well as the settlement of the building services provided.

▶ **8.5** The **amortisations** include scheduled amortisations on tangible assets and intangible assets amounting to kEUR 1,013.6 (previous year: kEUR 372,6). The tangible assets and the intangible assets are amortised on a straight-line basis over their different useful lives (three to 15 years).

▶ **8.6** The **miscellaneous operating expenses**, amounting to a total of kEUR 7,848.8 (previous year: kEUR 4,494.8), are distributed among a variety of single items, for example, rent, advertising costs and travel expenses, packaging material, freight costs, insurance contributions, contracted work, legal and advisory costs as costs for the annual financial statement and auditing.

For commercial services provided affecting the financial year 2012, Magnum AG received from HAEMATO PHARM AG a net total remuneration of kEUR 115.2 (previous year: kEUR 115.2). Under consideration of IAS 24, it is pointed out that The Magnum AG is an affiliated company.

8.7 Miscellaneous interest and similar revenues and income from participations

This is interest income amounting to a total of kEUR 224.8 (previous year: kEUR 3.4). The interest results from the granting of loans or from the investment of liquid assets at german credit institutions. The participation revenues amounting to kEUR 1.4 (previous year: kEUR 49.0) are inter alia dividends received.

8.8 Amortisations on financial investments

Amortisations amounting to kEUR 65.6 (previous year: kEUR 0.0) were undertaken on existing equity instruments of companies listed on the stock exchange.

8.9 Interest and similar expenditure

The interest amounting to a total of kEUR 1,569.4 (previous year: kEUR 798.7) is mainly the interest that was invoiced for loans granted. Moreover this was interest expense payable for the return of the participation certificate capital of Windsor AG in 2005 res. 2006. The net results from the financial instruments corresponding to evaluation categories in accordance with IAS 39 are represented as shown below:

January 1 - December 31, 2012

			from subsequent valuation			
	Interest income + dividends kEUR	Interest charges kEUR	Fair Value kEUR	Currency conversion kEUR	Impairment kEUR	Net result 2012 kEUR
Cash equivalents (other financial assets)	50	0	0	0	0	50
Credits and receivables (other financial assets and liabilities)	175	-313	0	0	0	-138
Equity instruments (financial investments at fair value through profit and loss)	1	0	-16	0	0	-15
Liabilities recognized at amortized acquisition costs (other financial liabilities)	0	-1,256	0	0	0	-1,256
Total net result	226	-1,569	-16	0	0	-1,359
of which recognized:						
through profit and loss	226	-1,569	-16	0	0	-1,359
in the income statement under other results	0	0	0	0	0	0

January 1 - December 31, 2011	Interest income + dividends kEUR	Interest charges kEUR	from subsequent valuation: Fair Value kEUR	from subsequent valuation: Currency conversion kEUR	from subsequent valuation: Impairment kEUR	Net result 2011 kEUR
Cash equivalents (other financial assets)	1	0	0	0	0	1
Credits and receivables (other financial assets and liabilities)	2	0	0	0	0	2
Equity instruments (financial investments at fair value through profit and loss)	49	0	128	0	0	177
Liabilities recognized at amortized acquisition costs (other financial liabilities)	0	-799	0	0	0	-799
▸ Total net result	52	-799	128	0	0	-619
of which recognized:						
▸ through profit and loss	52	-799	128	0	0	-619
▸ in the income statement under other results	0	0	0	0	0	0

▸ 8.10 Taxation of income and revenues

The item includes mainly the current tax expense of the financial year 2012, which was determined on the basis of the current fiscal legislation:

	2012 EUR	2011 EUR
Tax expenditures of the current period	-2,169,359.36	-1,259,124.89
Deferred tax expenditures		
from appreciations and other differences between fiscal balance sheet and accounting according to IFRS	0	-1,448.13
Deferred tax revenue		
from differences between fiscal balance sheet and accounting according to IFRS	107,959.06	4,261.94
	-2,061,400.30	-1,256,311.08

The calculation of the deferred taxes is carried out as in the previous year on application of different tax rates. With reference to IAS 12.81 c, the following tax rates are applicable:

	2012 %	2011 %
Tax rates		
Legal effective tax rate of the companies, which are resident in Berlin	30,175	30,175
Legal effective tax rate of the companies, which are resident in Schönefeld	22,825	22,825
Legal effective tax rate of the companies, which are resident in Potsdam	31,575	31,575
Actual tax rate	10,073	12,690

The statutory effective tax rate includes the corporation tax and the solidarity surcharge (effective rate: 15.825 %) as well as the business tax (effective rate: Berlin 14.350 % / Schönefeld 7.000 % / Potsdam 15.750 %).

▸ **8.11** The **miscellaneous taxes** are mainly comprised of vehicle tax.

9. Earnings per share

The earnings per share are calculated from the division of the annual surplus by the number of shares issued. In accordance with IAS 33.19 in the determination of the undiluted results for each share, the number of ordinary shares of the weighted average number of ordinary shares in circulation during the period should be applied. Dilution effects should not be taken into account:

	2012 EUR	**2011** EUR
Profit for the financial year attributable to the equity holders of the parent	14,714,132.64	8,643,685.79
Number of shares (weighted average)	39,321,382	41,167,155
Earnings per share	0.37	0.21

Other information

10. Information on members of the corporate bodies

Management board

Name	Position	Authority to act	Profession
Patrick Brenske	Board member	Authorized to act solely	Master of Banking & Finance
Dr. Christian Pahl	Board member	Together with another board member	Master of Business Administration

The total remuneration of the management board in 2012 was kEUR 569.3 (preceding year: kEUR 433.0).

Supervisory Board

Name	Position	Profession
Andrea Grosse	Chairwoman	Lawyer
Prof. Dr. Dr. Sabine Meck	Deputy Chairwoman	University Professor and Science Journalist
Dr. Marion Braun	Member	Doctor

The total remuneration of the supervisory board in the financial year 2012 was kEUR 45.0 (preceding year: kEUR 45.0). There are no claims against members of the supervisory board; on December 31, 2012, there are liabilities at the amount of kEUR 24.3 (preceding year: kEUR 24.2), they result from the remuneration of the supervisory board and advanced travel expenses.

11. Number of employees

An average staff of 113 were employed by Windsor AG, Windsor Real Estate AG, Pharmigon GmbH, Simgen GmbH, Healthcare Solutions GmbH and HAEMATO PHARM AG in the financial year 2012 (previous year: 71). No staff was employed in the other companies during the reporting period.

12. Information on financial instruments according to IFRS 7

An analysis of the yields from financial investments structured according to the evaluation categories of structures is represented below:

	2012 kEUR	2011 kEUR
Category		
Cash and equivalents	50	1
Receivables	175	2
Financial assets at fair value	51	177

The yields from credits and receivables are included in the interest returns. The yields from financial assets measured at fair value relate at kEUR 1 (previous year: kEUR 49) are income from shareholdings and kEUR 50 (previous year: kEUR 128) are income from appreciation of financial assets.

An analysis of expenses from financial investment grouped as financial assets and financial liabilities according to evaluation categories is presented below:

	2012 kEUR	2011 kEUR
Category		
Liabilities recognized at amortized acquisition cost	1,256	799
Other financial liabilities	313	0
Financial assets at fair value	66	0

The expenses resulting from liabilities evaluated at amortised cost and the miscellaneous financial liabilities concern interest expenditure. The expenses resulting from financial assets measured at fair value relate to write-downs of financial assets.

Risk management policy and securing measures

The risk management system of the MPH group has the objective of early detection and recording of all significant risks and their causes in order to prevent financial losses, debt loss or disturbance.

The procedure ensures that appropriate countermeasures for risk avoidance can be implemented in good time. Significantly, this is an early detection system which serves the monitoring of the liquidity and the development of earnings.

The risk management policy is covered mainly by the executive board of the MPH Mittelständische Pharma Holding AG. The controlling departments of Windsor AG and HAEMATO PHARM AG, which provide support, also monitor the operative successes and can therefore detect deviations from plans in good time. If necessary, the relevant responsibilities of the specialised departments decide in collaboration with the executive board on the appropriate strategy to be taken for the control of risks.

The MPH group is exposed to general risks that could emerge due to changes in framework conditions as a result of legislation or from other directives. However, if such changes should be made, they do not occur suddenly and surprisingly, meaning that, as a rule, there is sufficient reaction time to react to changes.

Capital risk management, debt and interest risk

The group steers its capital with the objective of maximising the revenues of the group companies by optimisation of the relation of equity to borrowed capital. In the process, it is ensured that all companies in the group can operate under the going concern principle. The equity capital totalled to the respective balance sheet date:

	December 31, 2012 kEUR	December 31, 2011 kEUR
Equity	67,360	49,289
Total assets	111,617	72,671
Equity ratio	60.35 %	67.82 %

The corporation has borrowed capital on a short-term and long-term basis for the operative implementation of its business model.

The bank liabilities have increased from kEUR 17,843 to a total of kEUR 28,055 during the reporting period. Due to the low rate of interest, we currently see the risk of changing interests to a limited extent.

The short-term bank liabilities are comprised of several loans that were concluded to the following terms and conditions:

	Conditions
Loan of kEUR 3,500, kEUR 3,000 of which have been used in the form of short-term fixed-rate credits as of the balance sheet date	ca. 4 % p.a.
Loan of kEUR 6,500, kEUR 6,000 of which have been used in the form of short-term fixed-rate credits as of the balance sheet date	5.5 % p.a.
Loan of kEUR 2,000, kEUR 45 of which have been used in the form of short-term fixed-rate credits as of the balance sheet date	5.5 % p.a.
Loan of kEUR 2,000	3-months-EURIBOR + 2.50 % p.a.
Loan of kEUR 5,500	3-months-EURIBOR + 4.30 % p.a.
Loan of kEUR 4,000	3-months-EURIBOR + 1.50 % p.a.

The following applies for the long-term liabilities to credit institutions which are subject to the risk of changing interest rates:

	Conditions	Maturity
Loan of kEUR 3,500	3-months-EURIBOR + 3.40 % p.a.	30.09.2014
Loan of kEUR 4.000	3-months-EURIBOR + 3.15 % p.a.	30.09.2016

An increase in the rate of interest of the variable interest-bearing bank liabilities of the MPH group amounting to a total of kEUR 19,000 by 1 % leads to a rise in interest expenses by kEUR 190. A reduction of the interest of the variable interest-bearing bank liabilities of the MPH group by 1 % leads to a reduction of the interest expenses by kEUR 190.

The remaining financial liabilities are not subject to the risk of changes in interest, as no interest must be paid. These are short-term liabilities.

Fair values of financial instruments

Assets

December 31, 2012 kEUR	short-term Trade receivables	short-term Other short-term financial assets	short-term Cash and equivalents	Total book values	Fair value
Financial assets measured at amortized cost	12,384	10,998	14,572	37,954	37,954
	12,384	10,998	14,572	37,954	37,954

December 31, 2011 kEUR	short-term Trade receivables	short-term Other short-term financial assets	short-term Cash and equivalents	Total book values	Fair value
Financial assets measured at amortized cost	4,319	1,812	2,457	8,588	8,588
	4,319	1,812	2,457	8,588	8,588

The total sum of the book values res. of the fair values of the evaluated (through profit and loss statement) financial investments amounted to a total of kEUR 699 on the balance sheet date (previous year: kEUR 3,549).

Furthermore, there are existing long-term financial instruments of which the book value of kEUR 205 (previous year: kEUR 90) correspond to the fair value.

In the instruments demonstrated in the tables above and below, the executive board regards the book values in the consolidated balance sheet as a good approximation of their fair values.

Liabilities

December 31, 2012 kEUR	short-term Liabilities to credit institutions	short-term Trade payable	short-term Other financial liabilities	long-term Liabilities to credit institutions and bonds	Total book values	Fair value
Financial liabilities measured at amortized cost	20,555	5,403	594	12,709	39,261	37,751
	20,555	5,403	594	12,709	39,261	37,751

December 31, 2011 kEUR	short-term: Liabilities to credit institutions	short-term: Trade payable	short-term: Other financial liabilities	long-term: Liabilities to credit institutions and bonds	Total book values	Fair value
Financial liabilities measured at amortized cost	11,843	3,897	35	6,000	21,775	21,775
	11,843	3,897	35	6,000	21,775	21,775

Exchange rate risk

Exchange rate risks occur in the case of financial instruments dominated in a foreign currency, i.e. in a currency other than the functional currency (EUR). Certain business transactions (purchase of goods) in the corporation are conducted in foreign currencies, hence there are risks resulting from fluctuation in exchange rates. The book value of the monetary assets in foreign currency and liabilities of the corporation on the balance sheet date is defined as shown below:

	Assets		Liabilities	
Currencies of the countries	31.12.2012 kEUR	31.12.2011 kEUR	31.12.2012 kEUR	31.12.2011 kEUR
Norway (NOK)	0.5	2.2	39.9	67.3
Great Britain (GBP)	120.3	6.5	94.1	236.7
Czech Republic (CZK)	0.2	0.3	0.0	46.2
Poland (PLN)	0.6	2.9	0.0	39.9
Romania (RON)	10.3	9.7	0.0	0.0
Denmark (DKK)	7,060.1	49.3	0.0	0.0

Forward exchange dealings, which could serve the securing of risks in currency exchange rates, were not transacted.

Miscellaneous price risk

Miscellaneous price risks could result from increasing purchase prices. Long-term delivery agreements and similar measures that could limit these risks do not exist at the moment. The conclusion of such agreements would have a negative impact on the necessary flexibility of the management in the compilation of the pharmaceuticals to be sold, which are ordered according to demand.

Risk from payment defaults

The risk of the non-payment of claims resulting from the sale of pharmaceuticals is taken into account by means of corresponding individual and collective value adjustment. Moreover, a merchandise credit insurance has been concluded, serving the protection against the non-payment of claims. The maximum default risk of the financial assets is limited by the amount of the book values.

Liquidity risk

The group controls liquidity risks by continuous monitoring of the forecast and actual cash flow and coordination of the payability profiles of financial assets and liabilities.

The expected cash flows of the financial liabilities (undiscounted redemption and interest payments) until 31st December 2012 and until 31st December 2011 are demonstrated in the following tables:

December 31, 2012	Book values kEUR	Cashflow up to 1 year kEUR	Cashflow > 1 year to 5 years kEUR	Cashflow > 5 Years kEUR
Financial liabilities valued at amortized acquisition costs				
Provisions	2,535	2,374	161	
Interest-bearing financial liabilities	28,055	21,793	8,203	0
Non-interest-bearing financial liabilities	5,997	5,997	0	0

December 31, 2011	Book values kEUR	Cashflow up to 1 year kEUR	Cashflow > 1 year to 5 years kEUR	Cashflow > 5 Years kEUR
Financial liabilities valued at amortized acquisition costs				
Provisions	796	796	0	0
Interest-bearing financial liabilities	17,843	12,209	6,572	0
Non-interest-bearing financial liabilities	3,932	3,932	0	0

The financial liabilities bearing no interest relate at kEUR 5,403 (previous year: kEUR 3,897) to the liabilities resulting from deliveries and services as well as at kEUR 594 (previous year: kEUR 35) to the miscellaneous short-term financial liabilities.

Consolidated cash flow statement

The consolidated cash flow statement shows how the funds of the MPH group have changed in the course of the reporting year due to cash inflow and outflow. In this consolidated cash flow statement, see Annex 3, the cash flows are structured according to business, investment and financing activities. The financing funds include short-term available liquid assets amounting to kEUR 14,572 (previous year: kEUR 2,457).

13. Information on relationships with related companies and persons

For information concerning the executive board and supervisory board, we refer to section (10), moreover, we refer to Tz. 8.6. The following business transactions were conducted with associated companies and persons:

The Projektgesellschaft Rungestraße 21 mbH was sold to Magnum AG. On consideration of IAS 24 it is pointed out that Magnum AG is an affiliated company. The transaction was concluded at terms and conditions customary to external partners. The deconsolidated Projektgesellschaft Rungestraße 21 mbH received from Windsor AG during the current financial year 2012 loan funds amounting to a total of kEUR 940. This loan is subject to an interest rate of 9.0 % p.a. and valued to the balance sheet date including interest at kEUR 677 and must be repaid by 31.12.2013, at the latest.

The capital increase against contributions in kind undertaken in 2012, see Tz. 5.15, was subscribed by Magnum AG.

There were no further business relations with associated companies and persons in the financial year 2012.

14. Events after the financial statement date

On 13th March 2013 the annual general meeting of HAEMATO PHARM AG decided that a gross dividend amounting to kEUR 7,000.00 would be paid out to the MPH Mittelständische Pharma Holding AG. In accordance with IAS 18.30 c, the dividend claim specified above will be recorded when the legal claim to payment arises.

In the scope of an increase in capital contributions in kind, Windsor AG has increased its equity capital by EUR 6,926,299.00 to a total of EUR 20,778,898. This capital increase was subscribed by the MPH Mittelständische Pharma Holding AG. For the transferred shares, Windsor AG received 35.62 % of the shares of HAEMATO PHARM AG. It is intended to also sell the remaining shares to Windsor AG.

There have been no more substantial issues affecting the company and the group occurring after 31st December 2012.

15. Release of the consolidated financial statements 2012 by the management board for publication according to IAS 10.17

The present consolidated financial statements consider all events known to the management board until April 18 2013.

Berlin, April 18, 2013

Patrick Brenske Member of the Management board	Dr. Christian Pahl Member of the Management board

16. Audit‘s opinion

„I have audited the consolidated financial statements established by MPH Mittelständische Pharma Holding AG – consisting of consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement and statement of changes in consolidated equity as well as the group management report for the financial year from January 1, 2012 to December 31, 2012. The establishment of the consolidated financial statements and the group management report according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and the complementary applicable regulations of trade law according to § 315a par. 3 in connection with par. 1 HGB lies within the responsibility of the legal representatives of the company. My task is to provide a judgment on the consolidated financial statements on the basis of the examination conducted by me.

I have conducted my group audit according to § 317 HBG in consideration of the German Generally Accepted Standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). According to them, the audit must be planned and conducted in a way such that mistakes and violations that have a significant impact on the reflection of the assets, financial situation and profitability by the consolidated financial statements respecting the applicable accounting rules and by the group management report, can be detected with sufficient certainty. When the audit measures are determined, knowledge about the business activity and about the economic and legal context of the group as well as the expectations about possible mistakes are taken into consideration.

Within the auditing, the effectiveness of the accounting-related internal control system and evidence for the information in the consolidated financial statements and the group management report are evaluated mainly on the basis of samples. The audit comprises the judgment on the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the scope of consolidation, the accounting and consolidation principles applied and the essential opinions of the legal representatives and the assessment of the global presentation of the group financial statements and the group management report. I am of the opinion that my audit forms a sufficiently safe basis for my judgment.

My audit has led to no objections.

In my opinion on the basis of the knowledge gained during the audit, the consolidated financial statements comply with the International Financial Reporting Standards (IFRS), as they are applicable in the EU, and the complementary applicable regulations of trade law according to § 315a par. 3 in connection with par. 1 HGB and correctly reflect, in application of these regulations, the situation of the group’s assets, financial position and profitability“.

The group management report is in line with the consolidated financial statements, globally reflects a correct representation of the group’s situation and correctly presents the chances and risks of future development.

Berlin, April 22, 2013

Dipl.-Kfm. Harry Haseloff
Auditor

Further information

The share

Classes of Shares	Ordinary shares and preference shares
Number of ordinary shares	22,142,155
Number of preference shares	19,025,000
Market listed shares	Preference shares
WKN / ISIN	A0NF69 / DE000A0NF697
Stock symbol	93MV
Trading floor	Xetra, Frankfurt
Market segment	Entry Standard (Open Market)
Designated Sponsor, Listing Partner	Close Brothers Seydler Bank AG
Market Capitalisation	Preference shares 65,06 million Euro (as at 28.03.2013)
Coverage	GBC AG, First Berlin GmbH

Our employees

The MPH group employed a total staff of 113 on December 31, 2012. The number of employees increased by 42 during the course of the year.

By means of internal guidelines, the MPH creates the corresponding framework in which all employees can make their individual contribution to the success of the company.

The promotion and support of all our employees according to their individual and operational potential is one of the principles of our personnel policy. This commitment is reflected by a highly motivated, qualified and dedicated staff that strongly identifies with our company.

The “quota of women” has already been implemented in our corporate group. 50 % of the management positions are now occupied by women and the supervisory board is composed entirely by three highly qualified ladies. All in all, 70 % of our staff are women.

Glossary

AMNOG
German law for the restructuring of the pharmaceutical market, which came into force on 1 January 2011.

Balance sheet profit
Balance of net profit of the financial year, profit or loss carried forward and appropriation of profits.

Cash Flow
An economic indicator informing on the liquidity of a company. It represents the increase of liquid funds during a period.

DAX
DAX is the most important german share price index. It reflects the development of the 30 largest companies in Germany with the highest turnover.

Dividend
This is the part of distributed profit of a stock corporation attributed to an individual share.

EBIT
It means earnings before interest and taxes and is an indicator of the operating profit of a company in a given period.

EBITDA
It means earnings before interest, taxes, depreciation and amortization and corresponds to the EBIT plus depreciation and amortization of tangible and intangible assets.

Earnings per share
The earnings per share result from dividing the group result by the weighted average of the number of shares. The calculation is made according to IAS 33.

Patent
In application to drugs: for a newly developed pharmaceutical agent, an industrial property right is granted. In the EU, this market exclusivity limited in time can last up to 20 years.

Patent-free agents
Patent-free agents are also called generic drugs. A generic drug is a drug that is a copy of another drug already on the market under a brand name with the same active agent. Generic drugs are therapeutic equivalents to the original preparation.

Patent-protected agents
Branded drugs that on the one hand are marketed by the patent owner and on the other hand are purchased for a lower price within the EU member states as EU imported drugs on the basis of the legal base of the import.

Oncology
Oncology is the science dealing with cancer.

Approval
An official authorization which is required to be able to offer, distribute or provide an industrially produced, ready-to-use drug.

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Patrick Brenske
Dr. Christian Pahl

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