

ANNUAL REPORT 2013



MISSION STATEMENT

The strategic focus of the Berlin based MPH Mittelständische Pharma Holding AG is on the growth segments of the healthcare market.

In the market areas, which are highly regulated by the legislation, 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 therapies 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.

Furthermore, the MPH Group offers beauty-lifestyle services. This is a high-margin business, which is, with regard to the reimbursement, not highly regulated by legal conditions.



An increasing body and healthcare awareness and a removal of taboos of the aesthetic medicine argues for a rise of demand. The longing for beauty is as old as the mankind itself and this we would like to make accessible to a broad stratum of population through favourable prices.

The 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.

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 and well-being in the future by means of our expertise and our strengths.

MPH Group in numbers Overview

(Reporting according to IFRS):

	01.01. - 31.12.2013		Effective date 31.12.2013	
	Sales in EUR	Net income in EUR	Balance sheet sum in EUR	Equity in EUR
MPH Group	226,844,336.35	7,491,262.92	127,480,510.67	79,193,859.00

Effective date 31.12.2012

Equity in EUR
67,359,576.27

	in EUR
Increase in equity 2013	11,834,282.73
› Profit and loss-neutral increase of equity 2013	4,343,019.81
› Net income 2013	7,491,262.92

Content

▶ Letter to the shareholders	4
▶ Report of the supervisory board	6
▶ Consolidated management report	9
I. Basis of the Group	10
1. Business model of the Group	10
2. Research and development report	10
II. Economic report	11
1. General economic and industry-specific situation	11
2. Development and performance	15
3. Situation	16
4. Financial key performance indicators of MPH Group (IFRS)	17
III. Subsequent report	17
IV. Outlook	17
V. Risk report	17
VI. Risk report on the use of financial instruments	19
VII. Report on branches	19
VIII. Final statement according to § 312 n° 3 par. 3 AktG	19
▶ Consolidated financial statements	21
▶ Notes to the consolidated financial statements	29
▶ Further information	53

A photograph of two men in business suits standing side-by-side against a white background. The man on the left is younger, with dark hair, wearing a dark suit, white shirt, and a light blue tie. The man on the right is older, with thinning hair, wearing a dark suit, white shirt, and a patterned tie. Both are smiling at the camera.

**Dear shareholders,
Ladies and gentlemen**

The MPH Group is active in growth segments of the healthcare market. Through the demographic ageing, technical advances and the increased buying power, in most countries the spending on healthcare is growing faster than the gross domestic product.

In Germany the healthcare economy is a prospering sector with consistent positive growth rates and is the sector with the largest number of employees. The total expenditure for healthcare in Germany is roughly 11.3 % (roughly 300 billion Euro) of the gross domestic product and is thereby 2 % higher than the average in the OECD countries.

Growth drivers in the total expenditure are above all special medicinal products. Especially the expenditure in therapy areas such as oncology is increasing due to an ageing society. Here the MPH Group is making a contribution towards maintaining healthcare affordable.

Our core business lies in the areas that are highly regulated by the legislative bodies such as patent free and patent protected medicinal products, as well as the manufacturing of medication for therapies with cancer, HIV and other chronic diseases.

According to the Hamburgisches Weltwirtschaftsinstitut (HWWI, Hamburg Institute for world economy) the highly regulated insurance financed market will be somewhat inhibited in the coming years through the rationing of services. Our approach of giving the health insurance providers (and thereby the premium payers) the opportunity of saving costs through EU import of medicinal products and generics therefore lies in the trend of what is required from the perspective of society.

According to the Hamburgisches Weltwirtschaftsinstitut (HWWI) the highest growth will be found in the "second healthcare market", which is largely comprised of privately financed services.

The marketing potential in the German beauty market is for example more than 437,000 interventions per year and an estimated market volume of more than 700 million Euro, with an annual growth of roughly 10 %.

We are therefore further developing the business in the area of the beauty-lifestyle services for private payers, who are not highly regulated regarding the reimbursement by the statutory framework conditions.

Our approach here is also directed to contributing towards cost savings. For private payers the company M1 Med Beauty Berlin GmbH, at a prominent location next to the Kurfürstendamm, offers an attractive service spectrum.

With a total turnover of 226.84 million Euro in the year 2013, a growth of 10.27 % was achieved compared to the previous year (205.71 million Euro).

The annual net income reached 7.49 million Euro (previous year: 18.40 million Euro) and was more than halved compared to the previous year. This was due to the fact (different than the previous year) that one-time effects from real estate sales were not in the accounts. The high compulsory manufacturer discount for patent protected medicinal products and a noticeably increasing competitive pressure in this area in the second half of the year led to impairments in the profitability.

We thank our employees for their commitment in the year 2013. Their continued performance allows the continuous further development of the MPH Group. We thank the supervisory board for the constructive cooperation in the year 2013.

In the year 2014 regulatory relief will be implemented for the regulated insurance financed market. At the same time however the competitive pressure is growing here.

In the area of the beauty-lifestyle services for private payers we can expect an attractive growth in the year 2014.

We are overall confident for the further development in the year 2014 and assume that the corporate group will successfully achieve 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 2013, 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 2013, the supervisory board held six ordinary meetings. All sessions reached the quorum.

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

- 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, 2013, 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 good time for the balance sheet meeting on May 6, 2014. In the balance sheet meeting on May 6, 2014, 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 May 6, 2014, 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, 2013, 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 29, 2014 according to § 313 par. 3 AktG.

In the balance sheet meeting on May 6, 2014, 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 in good time for the balance sheet meeting on May 6, 2014. In its sessions on May 6, 2014 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, 2013 to December 31, 2013, 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 achieved performance. In a difficult regulatory context, good results have been realized. The supervisory board is looking forward to continuing the pleasant, constructive and successful cooperation.

Berlin, May 6, 2014



Andrea Grosse
(Chairwoman of the supervisory board)

Consolidated management report

I. Basis of the Group	10
1. Business model of the Group	10
2. Research and development report	10
II. Economic report	11
1. General economic and industry-specific situation	11
a. Global economy	11
b. Economic environment in Germany	12
c. The global healthcare market	13
d. The german healthcare market	14
2. Development and performance	15
3. Situation	16
a. Earnings situation of MPH Group (IFRS)	16
b. Financial situation of MPH Group (IFRS)	16
c. Assets situation of MPH Group (IFRS)	17
4. Financial key performance indicators of MPH Group (IFRS)	17
III. Subsequent report	17
IV. Outlook	17
V. Risk report	17
1. Risk report	18
a. Industry-specific risks	18
b. Profit-related risks	18
c. Financial risks	18
d. Risk management system	18
2. Opportunities report	18
3. General statement	18
VI. Risk report on the use of financial instruments	19
VII. Report on branches	19
VIII. Final statement according to § 312 n° 3 par. 3 AktG	19

Consolidated management report

I. Basis of the Group

1. Business model of the Group

MPH Group is active within the healthcare market. The focus of the business activities lies on products and services in the growth segments of the healthcare market. This concerns areas, that are highly regulated by the legislation, like patent free and patent protected medicines as well as the pro-

duction of medicines for the therapy of cancer, HIV and other chronic diseases, and the beauty-life-style services for private patients, that are, with regard to the reimbursement, not highly regulated by legal framework conditions.

2. Research and development report

We do not conduct any research and development.

II. Economic report

1. General economic and industry-specific situation

a. Global economy

The world economy is again on a course of recuperation since the middle of the year 2013. In the second half of the last year the strongest growth was recorded since 2010. Thereby however the dynamics of the economic recuperation remains attenuated and continues to be susceptible to setbacks.¹ In total the global gross domestic product increased in 2013 by an annual average of 3.0 % somewhat more slowly than in 2012 (3.1 %).² Over the course of the year the growth rate increased from 2.7 % in the first quarter to 3.6 % in the fourth quarter.³

The economic recuperation in the advanced economies already started in spring of 2013. Lastly however several economic indicators declined, above all through the clearly apparent deteriorated trend in USA⁴ due to the extremely cold winter. However according to the Institute for world economy (IfW) the trend indicators in the other advanced economies still indicate continued economic expansion.⁵

The Euro region is also in a phase of economic recuperation.⁶ However the high unemployment paired with the weak wage increases hamper the private spending. The production however is somewhat increasing since spring of 2013. Supported by

the increase of the exports the production increase in the last quarter of 2013 accelerated by an annual rate of 1.1 %. Increases were also recorded on the investment side. According to the IfW the upward trend in the European region was able to consolidate further.⁷

In the threshold countries by comparison structural problems and turbulences in the financial markets hampered the economic dynamics. Here the economy only expanded at a moderate rate. According to the IfW the dynamics of the world economy is more recently above all founded on the advanced economies.⁸

On the condition of the absence of significant renewed tension in the financial markets, the IfW predicts a slowly increasing expansion of the world economy for 2014 and 2015. Thereby the experts especially foresee higher growth rates for the advanced economies than during both the previous years.⁹ All in all the IfW anticipates an increase in the world production in the running year of 3.6 % and for 2015 a growth of 4.0 %.¹⁰

b. Economic environment in Germany

At the beginning of the year 2013 the economic dynamics slowed down due to the persisting recession in some European countries and the inhibited economic development in the first half of the year. Overall the German economy in 2013 continued to be robust as also during the previous year.¹¹

After the weak start of the year the economic dynamics increased more substantially over the course of the year 2013. The gross domestic product expanded at a rate of 1.4 %.¹² Especially the consumer spending caused an increase in the economic dynamics. This expanded twice as strongly as the total economic performance. In the final quarter the exports also increased noticeably more than the imports.¹³

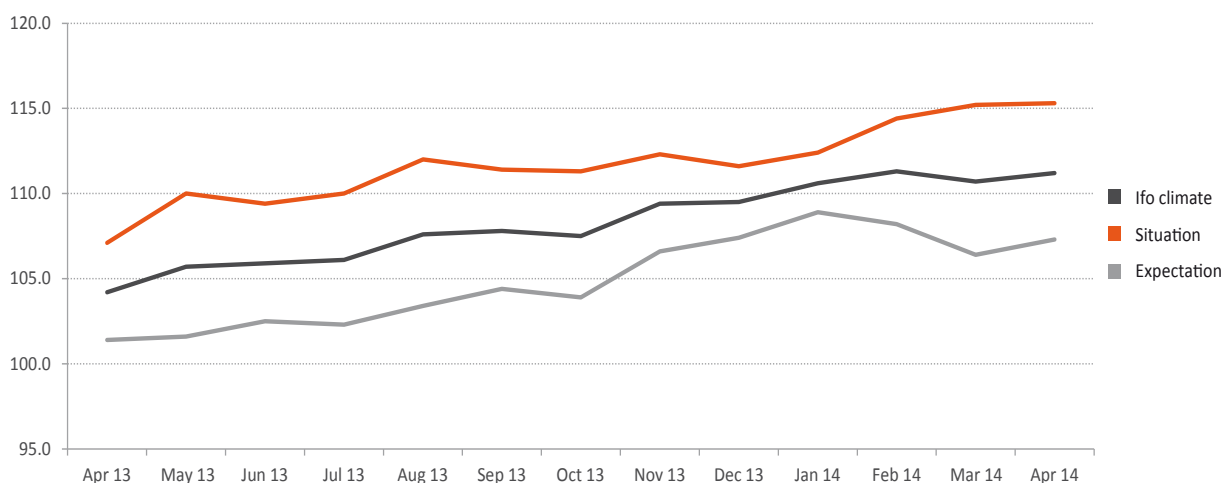
In 2013 the price adjusted gross domestic product nevertheless grew in total less strongly than in the previous years by 0.4 %.¹⁴ The slow economic development at the beginning of the year was only marginally able to be compensated through the consumer spending as the current economic motor of the German economy.¹⁵

Although the economy only developed moderately over the progression, the situation in the job market has however further improved. The unemployment is slightly regressive again since the end of 2013 and the employment upswing has lastly continued again. In the fourth quarter 2013 the number of employed was even 1.7 % higher than in the previous quarter.¹⁶

According to the Institute for world economy the prospects for the German economy have overall improved. The trend indicators continued on their upward course also in view of a slightly enlivened economy in the European region. Experts assume there will be a noticeable stimulation of production. Especially the very low interest rates should stimulate the economy. Nevertheless there are continued risks due to the crisis in the European region. Based on the absence of further tension, the IfW assumes an expansion of the German economy of 1.9 % in the current year and 2.5 % in 2015.¹⁷

ifo business climate Germany

Index value, 2005 = 100, seasonally adjusted



Source: ifo Institut

c. The global healthcare market

Worldwide an increasing number of people are spending more money on their health. According to a study contracted by the Federal Ministry for economy and technology the healthcare economy is growing more strongly than other sectors due to the growth in population and increasing per head expenditure. The global market is growing annually by approximately 6 %. By the year 2030 a growth of the worldwide healthcare market is assumed from 5.7 trillion US-dollars to roughly 20 trillion US-dollars, if the current trend continues.¹⁸

In 2011 the OECD countries spent on average 9.3 % of their gross domestic product and thereby 3,339 US-dollars per head for healthcare services. Thereby USA was in the lead in comparison amongst the OECD countries. With 8,508 US-dollars the per head expenditure was 2 1/2 times higher than the average in all the OECD countries and even 50 % higher than the expenditure of Norway and Switzerland, which in the comparison of the countries hold second and third place. Germany holds the ninth place with per head expenditure of 4,495 US-dollars. The countries with the lowest per head expenditure were according to the report the OECD countries Mexico and Turkey with less than one third of the OECD average.¹⁹

In nearly all OECD countries the healthcare expenditure is on average two thirds financed through public means. Only in Chile, Mexico and USA is the proportion below 50 %. In these countries the largest proportion of the expenditure is either financed directly by the households (Mexico and Chile) or by the private health insurance (USA). The proportion of the privately financed expenditure (without health insurance services) for healthcare services was in OECD countries on average 20 %.²⁰

Through the demographic ageing, technical advances and the increased buying power in most countries the healthcare expenditure is growing faster than the gross domestic product.²¹ Growth drivers are above all special medicinal products. Especially the expenditure in therapy areas such as oncology and diabetes are increasing due to an ageing society and increasing excess weight.²² Alone the expenditure for special pharmaceuticals will by 2017 prospectively increase to 230 – 240 billion US-dollars. Compared to 2012 this corresponds to an increase of 38 %.²³

The increasing income above all in the emerging economies has a further growth stimulating effect, which also leads to growing healthcare awareness in the worldwide population. Experts are anticipating the largest growth being in the expenditure of private households.²⁴

d. The german healthcare market

The healthcare economy is a prospering sector and is the largest employment sector in Germany.²⁵ In comparison to several countries in Europe, whose healthcare expenditure has partially significantly decreased during the last few years due to the economic crisis, Germany continuously records positive growth rates.²⁶

The reasons for this are above all the demographic development and the associated increased demand for healthcare services. Increasing numbers of older individuals suffer from multi-morbidity or require nursing care. Advancements in medical technology make it possible to treat disease conditions that were not treatable some years ago. In addition a further growth motor is the increasing income and an increasingly healthy lifestyle of the population, who are thereby also willing to contribute financially for their health.²⁷

In 2012 the total expenditure for healthcare in Germany was 11.3 % (roughly 300 billion Euro)²⁸ of the gross domestic product and was thereby 2 % higher than the average of the OECD countries in 2011.²⁹ Out of the roughly 300 billion Euro approx-

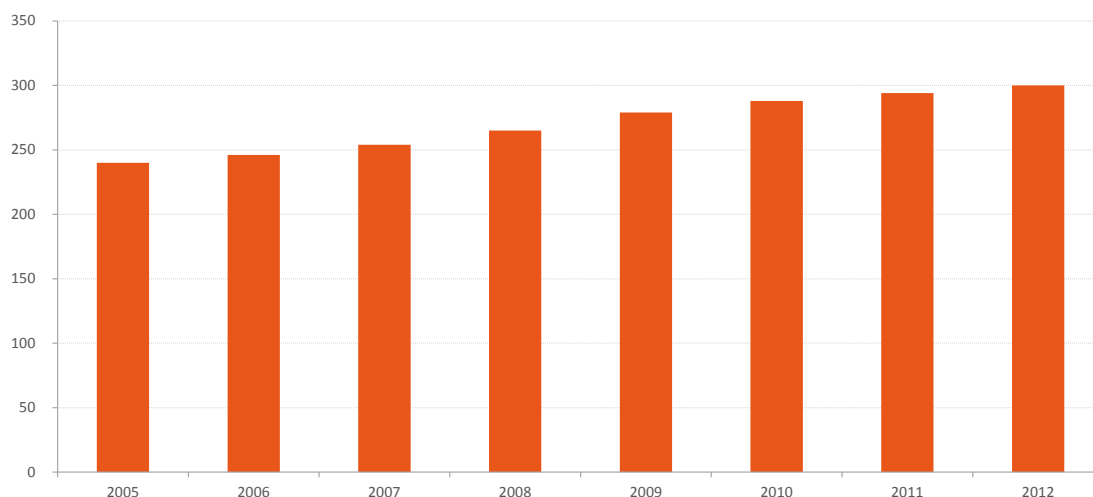
imately 14 % respectively fall on the pharmaceuticals market (approximately 42 billion Euro) and on the private households (40 billion Euro).³⁰

According to the Hamburgisches Weltwirtschaftsinstitut (HWWI, Hamburg Institute for world economy) the highly regulated insurance financed market will be somewhat inhibited in the coming years through the rationing of services. By contrast the largest growth will be in the "second healthcare market", which largely comprises of privately financed services.³¹ The marketing potential in the beauty market is for example 437,000 interventions per year with an estimated market volume of 700 million Euro (status 2012). The German Association for aesthetic plastic surgery reports of a stable growth of the interventions of 10 %.³²

Overall the national association of the German industry assumes a constantly growing importance of the healthcare economy. Up to the year 2020 the association assumes growth rates of 3.3 % per year.³³

Healthcare expenditure in Germany

in Bn Euro



Source: Statistisches Bundesamt, Wiesbaden 2014

2. Development and performance

The company MPH Mittelständische Pharma Holding AG is a company active in the healthcare market.

The spectrum of the offered products and services is concentrated on the areas oncology, HIV, rheumatism, neurological and cardiovascular diseases as well as beauty-lifestyle services.

Through these competences and the strategic positioning the group is able to respond flexibly to changes in the healthcare market, which can for example result through legislative regulatory measures.

In 2013 the turnover increase was founded on an extension of the product range and further development of the customer base.

The turnover increased from 205.71 million Euro in the year 2012 to 226.84 million Euro in 2013 and thereby grew by 10.27 %.

In the year 2013 the annual net income was 7.49 million Euro (previous year 18.40 million Euro). During the previous year once-only profits from real estate sales were achieved.

The increased compulsory manufacturer discount and the new price moratorium encumbered the net income situation of the pharmaceutical business again over an entire 12-month period. We address this development through an extension of the product portfolio and through the development of new sales markets.

Service, quality and reliability are significant components of our customer orientation and at the same time driving factors for the further growth.

The company MPH regards itself as being a partner in cost conscious healthcare provisioning and makes a valuable contribution so that healthcare remains affordable.

3. Situation

a. Earnings situation of MPH Group (IFRS)

The position of the corporate Group is shaped by growth of the operative business.

Our most important sources of revenue are the parallel imports. Here our turnover largely depends on the product range policies of the pharmacies and wholesalers.

The material cost share compared to the turnover of the corporate Group was 92.6 % in 2013. The payroll portion was 2.6 % in 2013. Our employment position can be designated as being good.

b. Financial situation of MPH Group (IFRS)

Our financial position can be designated as being very stable. Our financial management is directed towards always balancing accounts payable within the payment deadline and receiving receivables within the due dates for payment.

Our capital structure is good. The own capital increased from 67,360 kEUR in 2012 to 79,194 kEUR in 2013. The own capital share increased from 60.34 % in 2012 to 62.12 % in 2013.

The accounts payable towards credit institutes made up 20.88 % of the balance sheet sum. For the purpose of financing our working capital, we make use of the credit limits made available by our banks. Our credit limits are on average higher than we utilise.

Participation certificates make up 4.08 % of the balance sheet sum. Within the Group HAEMATO AG holds own participation certificates with a total nominal value of 103.0 kEUR (1,030 participation rights x EUR 100) on the valuation date. The participation certificate holders receive an interest of 9 % per annum of the nominal value of their participation certificates prior to the profit share of the shareholders of the company HAEMATO AG. On the valuation date the size of emitted participation certificates is 5.3 million Euro.

The trade payables make up 5.83 % of the balance sheet sum. All obligations are always able to be paid within the due dates.

Longer term investments are covered through our own capital. The short-term receivables and bank assets exceed the sum of the short-term accounts payable from goods and services and the other accounts payable.

The liquidity position is satisfactory. Our stocks of finished products and goods have been developed through the extension of our product portfolio.

The financial development of the MPH Group in the reporting period is represented as follows on the basis of the cash flow calculation with indirect determination of the cash flow from current business activity:

	2013 kEUR	2012 kEUR
Cash Flow from operating income	-4,450	6,615
Cash Flow from investment activities	-1,524	-909
Cash Flow from financing activities	-3,235	3,269
Cash Flow from change in the basis of consolidation	492	3,140
	<u>-8,717</u>	<u>12,115</u>

c. Assets situation of MPH Group (IFRS)

The financial position of the MPH Group is good. The financial position of the MPH Group is characterised by increased stocks (from 23,401 kEUR in 2012 to 31,305 kEUR in 2013), by decreased accounts receivables (from 12,384 kEUR in 2012 to 7,914 kEUR in 2013) and by decreased cash funds (from 14,572 kEUR in 2012 to 5,854 kEUR in 2013). The fixed assets increased from 49,126 kEUR in 2012 to 58,549 kEUR in 2013. Investment properties are reported to the amount of 12,800 kEUR.

Our financial position can overall be termed as being good.

4. Financial key performance indicators of MPH Group (IFRS)

For our internal corporate management we utilise the performance figure EBIT.

The EBIT is 12,501,6 kEUR (previous year 21,876,6 kEUR), the EBITDA is 14,223.1 kEUR (previous year 22,890,1 kEUR).

The MPH Group operates overall profitable, and the economic situation can overall be described as being good.

III. Subsequent report

Events of special importance after the end of the business year did not occur.

IV. Outlook

We assess the forecast for the development of the MPH Group as being positive.

The healthcare market offers a large growth potential in the areas patent-free and patent-protected medicines and the production of medicines for the therapy of cancer, HIV and other chronic diseases, as well as beauty-lifestyle services for private patients.

In the following business year 2014 we expect an increase of the turnover volume. Due to regulatory improvements that have been decided by the legislative authorities in the form of a reduction of the compulsory manufacturer discount for patent-protected medicines and the development of beauty and lifestyle services, for the year 2014 we anticipate an increase of the profitability.

We will also in future always be in the position to fulfil our payment obligations on schedule.

V. Risk report

There are no significant currency risks that could influence the assets, financial and earnings position. Goods deliveries from foreign currency countries are transacted within very short deadlines.

We will continue to encounter the competition in the market through service, reliability and through a high level of quality.

On the procurement side we can access a wide range of supply possibilities. For the minimisation of the business risks we diversify our acquisition sources Europe wide. We secure our high quality demands through careful supplier qualification and selection as well as active supplier management.

1. Risk report

a. Industry-specific risks

Continuous legislative regulation measures, a strong margin pressure in the pharmaceuticals market, as well as the continuous change of the parallel import market through exchange rate risk and price differences in the procurement of the medicinal products can have a negative influence on our turnover and earnings situation.

b. Profit-related risks

Due to new competitors in the sector the competitive risks have increased. As our products offer real cost and competition advantages we assume that our economic performance risks have remained stable in comparison to the previous year. We assume that we will over the medium term be able to further expand our market shares. However, during the course of further organisational optimisation there may be associated extraordinary additional costs.

c. Financial risks

Due to the stable liquidity and equity situation of our company liquidity risks are currently not able to be identified.

There are no significant currency risks that could influence the asset, financial and earnings position. Goods deliveries from foreign currency countries are transacted within very short deadlines.

The liquidity position is satisfactory; no bottlenecks are to be expected.

d. Risk management system

The MPH Group utilises a risk management system for the systematic identification of significant risks concerning the survival of the company, to assess their effects and to develop suitable measures.

The objective of the risk management system is largely to prevent financial losses, dropouts or disruptions, or to implement suitable countermeasures without delay. Within the scope of this system the management committee and the supervisory board are informed of risks at an early time. Important early detection mechanisms are thereby the monitoring of the liquidity and the earnings development. The monitoring of the operative development and the determination of planning deviations in good time are the tasks undertaken through controlling. If necessary the respective responsible parties of the specialist departments together with the management board decide about the appropriate strategy and measures for the management of the risks.

2. Opportunities report

The healthcare market is and remains a growth market. Through our specialisation in the therapy areas oncology, HIV and other chronic diseases as well as beauty-lifestyle services for private patients we will participate in this growth.

On the procurement side we can access a wide range of supply possibilities. For the minimisation of the business risks we diversify our acquisition sources Europe wide. We secure our high quality demands through careful supplier qualification and selection as well as active supplier management.

We will continue to encounter the increasing competition of the providers in the healthcare market through experience, innovation, reliability and through a high level of quality.

3. General statement

We still regard the risks for the future development of being in a difficult competition environment, increasing buying prices and the stagnating selling price level in the pharmaceuticals market. On the background of our financial stability we however see ourselves as being well-equipped for managing the future risks. Risks that could endanger the survival of the company are currently not able to be identified.

VI. Risk report on the use of financial instruments

Counted amongst the financial instruments available in the company are largely shares, outstanding debits, accounts payable and credit balance with credit institutes.

The companies of the Group have a solvent customer base. Defaults of receivables are the absolute exception. In addition there is credit insurance in place for potential failure of receivables.

Liabilities are settled within the agreed payment deadlines.

In the short term area the Group largely finances itself through supplier credits and through credit lines with different banks.

In the management of the financial positions the corporate Group follows a conservative risk policy. Insofar as non-payment and credit risks become identifiable with financial assets, respective value corrections are undertaken. For the minimisation of non-payment risks the Group operates an adequate debtor management system. In addition there is commercial credit insurance in place. Furthermore, before engaging in a new business relationship we always acquire information about the creditworthiness of our customers.

VII. Report on branches

The MPH Mittelständische Pharma Holding AG does not have any branches.

VIII. Final statement according to § 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.“

Berlin, April 10, 2014

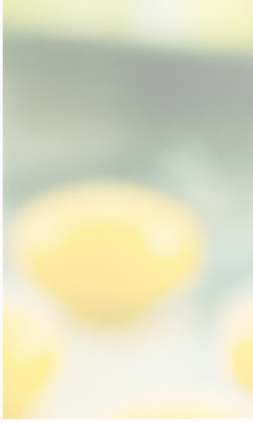
MPH Mittelständische Pharma Holding AG



Patrick Brenske
Member of the
Management Board



Dr. Christian Pahl
Member of the
Management Board



Consolidated financial statements

Consolidated balance sheet - Assets.....	22
Consolidated balance sheet - Liabilities and Equity.....	23
Consolidated profit and loss summary account.....	24
Consolidated cash flow statement.....	25
Consolidated equity change account.....	26
Consolidated assets development.....	27

Consolidated balance sheet - Assets

as of December 31, 2013*

	Notes	◀ 2013 EUR	◀ 2012 kEUR
Cash	5.1	5,854,161.20	14,572
Trade receivables	5.2	7,914,078.51	12,384
Inventory	5.3	31,304,959.75	23,401
Other short-term financial assets	5.4	9,524,382.54	10,997
Other short-term assets	5.4	248,654.78	544
Income tax receivables	5.4	1,120,079.33	352
Short-term assets		55,966,316.11	62,250
Intangible assets	5.5	6,157,562.01	6,986
Company value	5.5	48,197,075.90	40,168
Tangible assets	5.5	1,706,093.35	1,094
Prepayment on intangible and tangible assets	5.5	133,199.68	215
Financial assets	5.6	2,354,929.46	699
Investment properties	5.7	12,800,000.00	0
Other long-term assets	5.8	164,650.16	205
Deferred tax assets	5.9	684.00	0
Long-term assets		71,514,194.56	49,367
► TOTAL Assets		127,480,510.67	111,617

* Accounting under IFRS

Consolidated balance sheet - Liabilities and Equity

as of December 31, 2013*

	Notes	◀ 2013 EUR	◀ 2012 kEUR
Accruals	5.10	2,292,846.57	2,373
Bank loan	5.11	14,776,214.79	20,555
Trade payables	5.11	7,440,677.04	5,403
Other short-term financial liabilities	5.11	1,360,501.25	594
Other short-term liabilities	5.11	1,753,878.64	1,371
Short-term liabilities		27,624,118.29	30,296
Accruals	5.12	82,764.47	161
Bond loan	5.13	5,209,300.00	5,209
Bank loan	5.14	11,850,000.00	7,500
Deferred tax	5.15	3,520,468.91	1,091
Long-term liabilities		20,662,533.91	13,961
Share capital	5.16	41,167,155.00	41,167
Acquired own shares	5.16	-2,069,626.00	-4,585
		39,097,529.00	36,582
Capital reserve	5.16	4,332,845.00	4,333
Capital reserve for own shares	5.16	-3,181,363.62	-7,047
Other revenue reserves	5.16	1,678,175.00	79
Retained earnings	5.16	19,643,999.60	20,185
Equity attributable to equity holders of MPH		61,571,184.98	54,132
Non-controlling shareholders		17,622,674.02	13,228
Equity		79,193,859.00	67,360
► TOTAL Liabilities and Equity		127,480,510.67	111,617

* Accounting under IFRS

Consolidated profit and loss summary account

for the period January 1 to December 31, 2013*

		◀ 2013	◀ 2012
	Notes	EUR	kEUR
Sales	8.1	226,844,336.35	205,708
Changes in inventories	8.2	26,698.98	-3,311
Other operational income	8.3	10,751,403.62	10,795
Cost of materials			
> Cost of purchased goods, services and properties	8.4	-210,024,828.83	-178,262
Labour cost			
> Salaries		-4,993,481.94	-3,644
> Social insurance contribution		-825,173.09	-547
		-5,818,655.03	-4,191
Depreciation / Amortisation	8.5	-1,721,526.71	-1,014
Other operational expenses	8.6	-7,555,831.81	-7,849
EBIT (earnings before interest and tax)		12,501,596.57	21,876
Interest Income	8.7	477,430.38	225
Income from investments	8.7	0.00	2
Financial investment depreciations	8.8	-2,238.84	-66
Interest expense	8.9	-1,699,422.25	-1,569
Financial result		-1,224,230.71	-1,408
EBT (earnings before tax)		11,277,365.86	20,468
Income tax	8.10	-3,768,521.72	-2,062
Other tax	8.11	-17,581.22	-4
Net profit / period income		7,491,262.92	18,402
thereof, attributed to:			
Shareholders of MPH		6,445,556.71	14,714
Non-controlling shareholders		1,045,706.21	3,688
		7,491,262.92	18,402

* Accounting under IFRS

Consolidated cash flow statement

for the period January 1 to December 31, 2013*

	◀ 2013 EUR	◀ 2012 kEUR
Operating activities		
1. Earnings before taxes on income and profit minus other taxes	11,259,784.64	20,464
2. Depreciations / Amortisation	1,723,765.55	1,079
3. Change in long-term accruals	-78,613.44	-73
4. Change in financial asset valuation	-9,581,693.72	-50
5. Profit / loss from the disposal of fixed assets and from the purchase or sale of shares in subsidiaries	-262,882.04	-3,121
6. Interest and investment income	-477,430.38	-226
7. Interest expense	1,699,422.25	1,569
8. Change in trade receivables and other assets	5,903,396.06	-15,028
9. Change in inventory	-6,687,085.79	1,518
10. Change in trade payables, other liabilities and accruals	-4,513,541.25	3,271
11. Cash Flow from company activities	-1,014,878.12	9,403
12. Interest income received	26,949.72	93
13. Interest expense paid	-1,699,422.25	-1,572
14. Income tax and other tax paid	-1,762,363.92	-1,309
15. Cash Flow from operating activities	-4,449,714.57	6,615
Investment activities		
1. Proceeds from the disposal of subsidiaries	7,619,578.38	3,008
2. Payments for the acquisition of subsidiaries	-3,100,000.00	-2,260
3. Proceeds from the disposal of fixed assets	71,848.74	0
4. Payments for the acquisition of fixed assets	-1,249,040.78	-1,181
5. Payments for the acquisition of investment properties	-3,949,763.00	0
6. Proceeds from the disposal of financial assets	177,072.19	0
7. Payments for the acquisition of financial assets	-1,093,903.85	-476
8. Cash Flow from investment activities	-1,524,208.32	-909
Financing activities		
1. Change in bank loans	-1,429,195.83	10,716
2. Reduction of the participation certificate capital	0.00	-32
3. Incoming and outgoing payments from the purchase and sale of own shares	7,980,333.16	-964
4. Dividend paid	-9,786,891.73	-6,451
5. Cash Flow from financing activities	-3,235,754.40	3,269
Change in cash and cash equivalents due to change in companies consolidated	492,324.22	3,140
Cash Flow	-8,717,353.07	12,115
Cash and cash equivalents		
1. 31 December 2013 / 2012	5,854,161.20	14,572
2. 31 December 2012 / 2011	14,571,514.27	2,457
	-8,717,353.07	12,115

* Accounting under IFRS

Consolidated equity change account

as of December 31, 2013*

	Share capital EUR	Acquired own shares EUR	Capital reserve EUR	Capital reserve for own shares EUR	Other reve- nue reserves EUR	Revenue reserve EUR	Sub-total EUR	Equity of share- holders of MPH EUR	Non-con- trolling share- holders EUR	Total equity EUR
1. As of December 31, 2011	38,050,000.00	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
2. Dividends	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
3. Increase in the share capital	3,117,155.00	0.00	4,332,845.00	0.00	0.00	0.00	7,450,000.00	7,450,000.00	0.00	7,450,000.00
4. Net profit / Period income	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
5. Reclassifications	0.00	-4,584,626.00	0.00	-7,047,342.05	78,820.27	407,321.18	-11,145,826.60	-11,145,826.60	9,814,654.07	-1,331,172.53
6. As of December 31, 2012	41,167,155.00	-4,584,626.00	4,332,845.00	-7,047,342.05	78,820.27	20,184,720.52	54,131,572.74	54,131,572.74	13,228,003.53	67,359,576.27
7. Dividends	0.00	0.00	0.00	0.00	0.00	-7,937,191.73	-7,937,191.73	-7,937,191.73	-1,849,700.00	-9,786,891.73
8. Net profit / Period income	0.00	0.00	0.00	0.00	0.00	6,445,556.71	6,445,556.71	6,445,556.71	1,045,706.21	7,491,262.92
9. Reclassifications / Initial consolidation	0.00	2,515,000.00	0.00	3,865,978.43	1,599,354.73	950,914.10	8,931,247.10	8,931,247.26	5,198,664.28	14,129,911.54
10. As of December 31, 2013	41,167,155.00	-2,069,626.00	4,332,845.00	-3,181,363.62	1,678,175.00	19,643,999.60	61,571,184.98	61,571,184.98	17,622,674.02	79,193,859.00

* Accounting under IFRS

Consolidated assets development

as of December 31, 2013*

	◀ Acquisition cost			◀ Cumulative depreciation / amortisation			◀ Book values	
	As of 31.12.2012 EUR	Addition due to initial con- solidation EUR	Addition/ Red. EUR	Disposal/ Recl. EUR	As of 31.12.2013 EUR	As of 31.12.2012 EUR	As of 31.12.2013 EUR	As of 31.12.2012 EUR
I. Intangible assets								
1. Intangible assets	12,499,096.77	25,957.17	1,241,604.74	2,208,175.62	5,513,332.26	5,413.97	1,577,882.34	6,157,562.01
2. Company value	40,168,339.00	8,028,736.90	0.00	0.00	0.00	0.00	0.00	48,197,075.90
	52,667,435.77	8,054,694.07	1,241,604.74	2,208,175.62	5,513,332.26	5,413.97	1,577,882.34	54,354,637.91
II. Fixed assets	1,565,024.79	258,689.20	759,699.41	188,608.24	470,820.79	43,667.96	87,246.49	1,706,093.35
III. Prepayments	215,122.59	0.00	68,860.50	150,783.41	0.00	0.00	0.00	133,199.68
IV. Financial assets	2,065,922.26	0.00	1,093,903.85	1,301,024.31	1,367,390.21	0.00	1,865,756.71	2,354,929.46
TOTAL	56,513,505.41	8,313,383.27	3,164,068.50	3,848,591.58	7,351,543.26	49,081.93	3,530,885.54	58,548,860.40
								49,161,962.15

* Accounting under IFRS

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



Notes to the consolidated financial statements

1. General information	30
2. Basis of consolidation.....	31
3. Consolidation principles	33
4. Estimates and assumptions	34
5. Information on the consolidated balance sheet including the accounting and valuation methods.....	34
6. Statement of fixed assets.....	40
7. Contingent liabilities and other financial obligations	40
8. Information on the consolidated profit and loss summary account.....	40
9. Earnings per share.....	44
10. Information on members of the corporate bodies	44
11. Number of employees.....	44
12. Information on financial instruments according to IFRS 7.....	45
13. Information on relationships with related companies and persons.....	50
14. Events after the financial statement date	50
15. Release of the consolidated financial statements 2013 by the management board for publication according to IAS 10.17.....	50
16. Audit's opinion	51

Notes to the consolidated financial statements

for the period from January 1 to December 31, 2013

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 is a healthcare group.

The consolidated financial statements for the time period from January 1 to December 31, 2013 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 2013 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 2013, whereby this did not result in any significant impacts for the MPH Mittelständische Pharma Holding AG:

- ▶ Modifications to **IFRS 7** – information – netting of financial assets and debts,
- ▶ Modifications to **IFRS 13** – measurement at fair value,
- ▶ Modification to **IAS 1** – presentation of components of other comprehensive income and presentation of financial statements,
- ▶ Modification to **IAS 19** – employees benefits.

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 10** – Consolidated financial statements (applicable for financial years commencing on or after the January 1, 2014.),

▶ **IFRS 11** – Common agreements (applicable for financial years, commencing on or after the January 1, 2014.),

▶ **IFRS 12** – Information on stakes in other companies (applicable for financial years, commencing on or after the January 1, 2014.),

▶ **IAS 27 (2011)** – Separate financial statements (applicable for financial years, commencing on or after the January 1, 2014.),

▶ **IAS 28 (2011)** – Shareholdings in associated companies and joint ventures (applicable for financial years, commencing on or after the January 1, 2014.).

At the moment, it is not yet possible to estimate potential impacts on the consolidated financial statements in the year of their first application in a reliable manner.

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

The consolidated financial statements are 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 statements of December 31, 2013 of the MPH Mittelständische Pharma Holding AG, Berlin, the following affiliated companies were included beside the MPH Mittelständische Pharma Holding AG:

- ▶ HAEMATO PHARM GmbH (formerly: HAEMATO PHARM AG, Schönefeld (from March 6, 2009, date of initial consolidation),
- ▶ HAEMATO Vet GmbH, Schönefeld (from April 8, 2010, date of initial consolidation),
- ▶ MPH Ventures GmbH (formerly: Healthcare Services GmbH), Schönefeld (from August 31, 2011, date of initial consolidation),
- ▶ Healthcare Solutions GmbH, Schönefeld (from February 21, 2012, date of initial consolidation),
- ▶ Nutri Care GmbH, Schönefeld (from April 5, 2012, date of initial consolidation),
- ▶ HAEMATO AG (formerly: Windsor AG), Berlin (from May 7, 2012, date of initial consolidation),
- ▶ Windsor Grundbesitz AG, Berlin (from May 7, 2012, date of initial consolidation),
- ▶ M1 Med Beauty AG (formerly: Windsor Real Estate AG), Berlin (May 7, 2012, date of initial consolidation),
- ▶ Pharmigon GmbH, Berlin (from May 7, 2012, date of initial consolidation),
- ▶ Simgen GmbH, Schönefeld (from May 7, 2012, date of initial consolidation/up to July 1, 2013, date of merger with HAEMATO PHARM GmbH),
- ▶ Zytotrade GmbH, Schönefeld (from May 7, 2012, date of initial consolidation),
- ▶ Saname GmbH, Schönefeld (from May 22, 2013, date of initial consolidation),
- ▶ Sanago GmbH, Schönefeld (from May 22, 2013, date of initial consolidation),
- ▶ Dr. Fischer Medical Care GmbH, Potsdam (from July 6, 2013, date of initial consolidation),
- ▶ M1 Med Beauty Berlin GmbH, Berlin (from August 1, 2013, date of initial consolidation),
- ▶ Sanate GmbH, Schönefeld (from September 24, 2013, date of initial consolidation),
- ▶ HCS Compound GmbH, Schönefeld (from October 10, 2013, date of initial consolidation),
- ▶ HCS Managed Care GmbH, Schönefeld (from October 31, 2013, date of initial consolidation).

Saname GmbH and Sanago GmbH were both founded on May 22, 2013 by M1 Med Beauty AG res. by HAEMATO AG, resulting in no debit differences in the initial consolidation. The corporate objective of both companies is the acquisition, management and disposal of own and third-party real estate, in particular of real estate in the healthcare area as well as the management and disposal of equity stakes. The equity capital of the companies amounts to EUR 25,000.00 each.

The company Dr. Fischer Medical Care GmbH, which is being consolidated since July 6, 2013, is active in the area of medicinal products and medical devices. The nominal capital of the company Dr. Fischer Medical Care GmbH is EUR 25,000.00. The company Dr. Fischer Medical Care GmbH has an own business establishment in the sense of IFRS 3. After deduction of the identifiable net assets (assets minus liabilities) a business or company value has resulted to the amount of kEUR 7,913. The transferred equivalent contains amongst others advantages from anticipated synergy effects, turnover growth and future market developments. These advantages that are not able to be accounted separately from the business or company value result in their sum total in the above-mentioned business or company value.

The company M1 Med Beauty Berlin GmbH is being consolidated since August 1, 2013. The business purpose of the company M1 Med Beauty Berlin GmbH is amongst others the execution of aesthetic surgery interventions. The nominal capital of the company M1 Med Beauty Berlin GmbH is EUR 25,000.00. The company M1 Med Beauty Berlin GmbH has an own business establishment in the sense of IFRS 3. After deduction of the identifiable net assets (assets minus liabilities) a business or company value has resulted to the amount of kEUR 116. The transferred equivalent contains amongst other advantages turnover growth and future market developments. These advantages that are not able to be accounted separately from the business or company value result in their sum total in the above-mentioned business or company value.

The HAEMATO PHARM GmbH founded the Sanate GmbH on September 24, 2013, resulting in no debit differences in the initial consolidation. The corporate objective is the acquisition, management and disposal of own and third-party real estate, in particular of real estate in the healthcare area as well as the management and disposal of equity stakes. The equity capital amounts to EUR 25,000.00.

HCS Compound GmbH and HCS Managed Care GmbH were both founded on October 10 res. 31, 2013 by Healthcare Solutions GmbH, resulting in no debit differences in the initial consolidation. The corporate objective of HCS Compound GmbH is the trade in and the production of pharmaceuticals and medical products as well as the trade in and the production of parenteral preparations. The corporate objective of HCS Managed Care GmbH is the management consultancy in the health-care sector. The equity capital of the companies amounts to EUR 25,000.00 each.

HAEMATO AG acquired the Castell Pharma B.V., Venray (Netherlands) in the course of the financial year 2013. 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.

The Simgen GmbH that has merged with HAEMATO PHARM GmbH in 2013, acquired the Pharma Life Group Co., Ltd. in Lam Luk Ka (Thailand) in the preceding financial year 2012, which is not consolidated. In this context reference is made to the above-mentioned statements.

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

HAEMATO AG acquired the Windsor Grundbesitz AG, M1 Med Beauty AG (including subsidiary: Saname GmbH) and Pharmigon GmbH (including subsidiary: Zytotrade GmbH) in the course of the financial year, at the same time HAEMATO PHARM GmbH was sold to the above-mentioned company. The transactions were settled at customary market terms

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

Name and office of the company	Share %
› HAEMATO AG*, Berlin	68.51
› HAEMATO PHARM GmbH**, Schönefeld	68.51
› Sanago GmbH**, Schönefeld	68.51
› Castell Pharma B.V.***, Venray (Niederlande)	68.51
› Sanate GmbH***, Schönefeld	68.51
› Pharma Life Group Co. Ltd.***, Lam Luk Ka (Thailand)	27.40
› M1 Med Beauty AG****, Berlin	100.00
› M1 Med Beauty Berlin GmbH*****, Berlin	100.00
› Dr. Fischer Medical Care GmbH*****, Potsdam	100.00
› Saname GmbH*****, Berlin	100.00
› Healthcare Solutions GmbH*****, Schönefeld	100.00
› HCS Compound GmbH*****, Schönefeld	100.00
› HCS Managed Care GmbH*****, Schönefeld	100.00
› MPH Ventures GmbH, Schönefeld	100.00
› HAEMATO Vet GmbH*****, Schönefeld	100.00
› Nutri Care GmbH*****, Schönefeld	100.00
› Windsor Grundbesitz AG, Berlin	100.00
› Pharmigon GmbH, Berlin	50.00
› Zytotrade GmbH*****, Schönefeld	50.00

* directly about 39.05 %; indirectly through MPH Ventures GmbH about 29.46 %.

** indirectly through HAEMATO AG.

*** indirectly through HAEMATO PHARM GmbH.

**** directly about 93.93 %; indirectly through Windsor Grundbesitz AG about 6.07 %.

***** indirectly through M1 Med Beauty AG.

***** indirectly through Healthcare Solutions GmbH.

***** indirectly through MPH Ventures GmbH.

***** indirectly through Pharmigon GmbH.

3. Consolidation principles

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

The acquisition of business operations is reported according to the acquisition method. The consideration transferred for an acquisition is measured at fair value. Acquisition-related costs are fundamentally recognised in profit and loss as incurred. The identifiable assets and liabilities acquired - excluding deferred tax assets res. deferred tax liabilities - are measured at fair value. Deferred tax assets res. deferred tax liabilities were recognised and disclosed in accordance with IAS 12 „Income Taxes“. The business or company value corresponds to the surplus of the sum of consideration transferred, the amount of all non-controlling interests in the acquired entity and the net amount of the identified assets and liabilities acquired at acquisition date. In the case of acquisitions until the financial year 2010, the capital consolidation have been accounted by using the revaluation method as at the acquisition date.

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. Inter-company profits and losses are eliminated.

Tax deferrals are made with respect to consolidation procedures in accordance with IAS 12 to the extent to which the deviation in taxes payable will presumably be set off again in subsequent years of business.

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.

When applying accounting and valuation methods the management board makes discretionary decisions. In addition, in the current financial year the acquisition of the shares of Dr. Fischer Medical Care GmbH as well as the shares of M1 Med Beauty Berlin GmbH required the determination of fair values of the acquired assets and liabilities at the date of the respective acquisition as well as the impairment test of the respective acquired goodwill at the balance sheet date. When testing goodwill for impairment, it is necessary to calculate the value in use of the cash-generating unit to which the goodwill has been located. The calculation of the value in use implies the estimation of future cash flows from the cash-generating unit and an appropriate interest rate for calculating the present value.

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.

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.

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

► **5.2 The trade receivables resulting from deliveries and services**, amounting to a total of kEUR 7,914 (previous year: kEUR 12,384), are recognised with application of the effective interest method minus any impairments. Impairment losses are recognised, if, as a result of one or more events, that occurred after the initial recognition of the asset, there is an objective indication of an impact on the expected future cash flows. The criteria, that leads to an impairment of trade receivables, relates to the default probability of receivables and to the estimated creditworthiness of customers.

► **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 **other short-term 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 financial assets are recognised in the balance sheet at the date when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the contractual rights to cash flows from a financial asset expire or if the financial asset and all major risks and opportunities connected with the ownership of the given asset are transferred to a third party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The **other short-term assets** are amongst others sales tax refund claims and creditors with debit balance. The **tax receivables** are refundable trade and corporation tax, including solidarity surcharge.

► **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 tangible and intangible assets are depreciated on a straight-line basis over various periods of useful life (three to 15 years).

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.

A **business or company value** that was acquired by means of a company merger may not be amortised. Instead the acquirer must allocate it to cash-generating units of the Group and 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.

If the recoverable amount of a cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of the business or company value allocated to the unit and then to the other assets of the unit pro rata. Any impairment loss for the business or company value is recognised directly in profit or loss. An impairment loss recognised for the business or company value is not reversed in subsequent periods. The business or company values reported in the consolidated balance sheet, which were allocated to the respective companies as a cash-generating unit, comprises as follows:

	kEUR
HAEMATO PHARM GmbH (Initial consolidation as of March 6, 2009)	37,321
Business units of SIMGEN GmbH, which were merged into HAEMATO PHARM GmbH	2,847
Dr. Fischer Medical Care GmbH (Initial consolidation as of July 6, 2013)	7,913
M1 Med Beauty Berlin GmbH (Initial consolidation as of August 1, 2013)	116
	<u>48,197</u>

► **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.

► **5.7 Investment Properties:** IAS 40 specifies the accounting procedures of properties held as financial investments. Such types of financial investments are defined as follows: They serve for achieving rental income and/or are held over long periods for value increase. In the course of the financial year 2013, the MPH Group has acquired one investment property.

On acquisition investment properties are accounted with their acquisition or construction costs, including transaction costs. The construction costs comprise all accrued costs that can be assigned to the construction of the real estate object. The subsequent assessment of all investment properties is performed according to the current market value. Profits and losses that result from changes of the current market value are accountable income statement-related in the period in which they result. A real estate object that is held as financial investment, when sold or when it is no longer intended to be used and a future economic benefit from the sale is no longer to be expected, is derecognised. The profit or loss that results from the sale is determined as the difference between the net selling profit and the book value of the real estate asset and is accounted as profit or loss in the period of the sale.

► **5.8.** The **other long-term assets** consist mainly of deposits provided that are assessed at the nominal value of the deposits.

► **5.9 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 469 (previous year: kEUR 642) res. kEUR 1,106 (previous year: kEUR 1,045) 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 216 (previous year: kEUR 238). All losses carried forward can be utilised unrestrictedly. The deferred taxes on December 31, 2013 relate to the following issues:

	31.12.2012 kEUR	Recognised in profit and loss kEUR	Not recognised in profit and loss kEUR	31.12.2013 kEUR
Temporal differences	1,091	2,430	0	3,521
<i>thereof, attributed to:</i>				
Deferred tax assets	0	1	0	1
Deferred tax liabilities	1,091	2,429	0	3,520

► **5.10 Accruals** 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:

	1.1.2013 kEUR	Used kEUR	Released kEUR	Added kEUR	31.12.2013 kEUR
Taxes	718.0	688.9	0.0	354.3	383.4
Costs of auditing and annual financial statements	214.5	213.8	0.7	243.7	243.7
Rental guarantees	76.0	76.0	0.0	68.9	68.9
Vacation entitlements of employees	80.8	80.8	0.0	130.7	130.7
Supervisory board remuneration	5.0	5.0	0.0	50.0	50.0
Others	1,279.1	430.9	119.9	687.8	1,416.10
	<u>2,373.4</u>	<u>1,495.4</u>	<u>120.6</u>	<u>1,535.4</u>	<u>2,292.8</u>

As a result of a current tax audit for the years 2001 to 2005, the fiscal authority is refusing to recognise the tax losses carry forward up to August 2, 2005 of HAEMATO 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 Bank loans** as well as the **trade payables**, the **other short-term financial liabilities** and the **other short-term liabilities** are measured at amortisation cost under application of the effective interest method.

The other short-term financial liabilities amount to kEUR 1,371 (previous year: kEUR 594). These are mainly interest liabilities resulting from participation certificates in circulation on the balance sheet date that are not held by HAEMATO AG.

The other short-term liabilities amount to kEUR 1,754 (previous year: kEUR 1,371). These are mainly liabilities for salaries and turnover tax.

► **5.12 Long-term provisions**

The long-term provisions relate mainly to rental guarantee provisions of HAEMATO 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.

► **5.13 Bond loan**

(Participation Certificates of HAEMATO 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 HAEMATO 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 million EUR 5.3. On the balance sheet date HAEMATO AG held their own participation certificates amounting to a total nominal value of kEUR 103.0 (1,030 participation rights x EUR 100).

	1.1.2013 kEUR	Addition due to initial con- solidation kEUR	Used / Released kEUR	Added kEUR	31.12.2013 kEUR
Rental guarantees etc.	151.4	82.9	0.0	0.0	68.5
Others	10.0	2.0	0.0	6.3	14.3
	161.4	84.9	0.0	6.3	82.8

► **5.14 The long-term liabilities to credit institutions** are balanced on application of the effective interest method.

► **5.15 Deferred tax liabilities**

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.

► **5.16 Equity**

In the financial year 2012 the equity of the company was increased by EUR 3,117,155.00 to EUR 41,167,155.00 by the issue of 3,117,155 new, no-par bearing shares (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 June 29, 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 June 29, 2012, the executive board is authorised to increase the equity with the approval of the supervisory board until June 28, 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 June 29, 2012, the executive board is authorised, until June 28, 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 HAEMATO 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 December 31, 2013 amounted to 2,069,626 shares.

In the other capital reserves, the income resulting from the sale of treasury shares is presented, which is 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 "Consolidated assets development" of the Group as of December 31, 2013" (page 27).

7. Contingent liabilities and other financial obligations

Together with HAEMATO AG, HAEMATO PHARM GmbH is jointly and severally liable to Investitionsbank of Brandenburg (ILB) to the amount of EUR 214,440.00 (enforceable guarantee), in order to cover liabilities from the subsidy relationship between ILB and the Simgen GmbH that has merged with HAEMATO PHARM GmbH. In addition HAEMATO PHARM GmbH is jointly and severally liable together with MPH Mittelständische Pharma Holding AG, in order to cover liabilities from the subsidy relationship between ILB and HAEMATO PHARM GmbH to the amount of EUR 1,478,400.00 (enforceable guarantee).

The other financial obligations primarily concern:

- At the annual general meeting on December 21, 2007 of M1 Med Beauty AG, it was decided to increase the equity of M1 Med Beauty AG by million EUR 10.00 to million EUR 15.00. 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 MPH Mittelständische Pharma Holding AG to the subscribed capital of M1 Med Beauty AG, acquired in 2013, which are not openly stated in the consolidated financial statements, amounted as of the balance sheet date to million EUR 5.69.

The remaining other 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

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 fulfil 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. The MPH Group is essentially active in one summarised business segment (healthcare) and mainly in one regional segment (Germany), so that there is a practical release from the segment reporting obligation.

However, according to IFRS 8.31, one-segment groups are also obliged to indicate certain disaggregated financial data. These are information requirements that have to be represented according to the following criteria:

- a. Products and services (IFRS 8.32): All products (diverse medicinal products) were summarised to a group of comparable products. Due to the large number of the available medicinal products the representation of product related turnover revenue is not expedient and due to lacking information also not possible. All turnover represented in the profit and loss calculation is largely related to the above described product group.

- b. Geographic partial areas (IFRS 8.33): As was already described the MPH Group is mainly active in a regional segment (Germany). As the processing of information about geographic regions would be associated with increased costs this has been dispensed with.
- c. Most important customers (IFRS 8.34): Out of the turnover, which is a total of kEUR 226,844, kEUR 26,748 in the Group falls on turnover (sale of medicinal products) with the largest customer of the company. No other individual customer has in the business year 2013, respectively 2012 contributed 10 % or more in each case to the turnover revenue of the company.

Expenses and profits of the business year are – independent of the time of the payment – taken into account when they are effected. Revenue from the sale of assets and revenue from services are effected when the related opportunities and risks have been transferred and the contribution of the expected equivalent is able to be reliably assessed.

► **8.1** The **sales** concern mainly revenues resulting from the sale of pharmaceuticals.

► **8.2** The **changes in inventories** amounting to a total of kEUR 27 (previous year: kEUR -3,311). The changes in inventories in the prior-year concern inter alia real estate which was sold in the financial year 2012. The previously mentioned real estate was procured in connection with the HAE-MATO Group in the financial year 2012.

► **8.3** The **other operating income** amounts to kEUR 10,751 (previous year: kEUR 10,795), of which kEUR 0 (previous year: kEUR 6,783) relate to profits resulting from the sale of subsidiaries.

► **8.4** The item **cost of materials**, amounting to a total of kEUR 210,025 (previous year: kEUR 178,262) includes all the expenditure incurred in association with the purchase of pharmaceuticals. The prior-year figure includes inter alia 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 1,722 (previous year: kEUR 1,014). 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 **other operating expenses**, amounting to a total of kEUR 7,556 (previous year: kEUR 7,849), 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.

► **8.7 Interest income and similar revenues and income from participations**

This is interest income amounting to a total of kEUR 477 (previous year: kEUR 225). The interest results from the granting of loans or from the investment of liquid assets at German credit institutions.

► **8.8 Financial investment depreciations**

Amortisations amounting to kEUR 2 (previous year: kEUR 66) were undertaken on existing equity instruments of companies listed on the stock exchange.

► 8.9 Interest expense

The interest amounting to a total of kEUR 1,699 (previous year: kEUR 1,569) 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 HAEMATO 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:

01.01. - 31.12.2013

	Interest income + divi- dends kEUR	Interest charges kEUR	from subsequent valuation			Net result 2013 kEUR
			Fair value kEUR	Currency conver- sion kEUR	Impair- ment kEUR	
Cash equivalents (other financial assets)	24	0	0	0	0	24
Credits and receivables (other financial assets and liabilities)	453	-469	0	0	0	-16
Equity instruments (financial investments at fair value through profit and loss)		0	729	0	0	729
Liabilities recognised at amortised acquisition costs (other financial liabilities)	0	-1,230	0	0	0	-1,230
► Total net result	477	-1,699	729	0	0	-493
of which recognised:						
► through profit and loss	477	-1,699	729	0	0	-493
► in the income statement under other results	0	0	0	0	0	0

01.01. - 31.12.2012

	Interest income + divi- dends kEUR	Interest charges kEUR	from subsequent valuation			Net result 2012 kEUR
			Fair value kEUR	Currency conver- sion kEUR	Impair- ment 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 recognised at amortised 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 recognised:						
► 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

► 8.10 Income tax

The position is categorised as follows:

	2013 kEUR	2012 kEUR
Tax expenditures of the current period	-1,339	-2,169
Deferred tax expenditures from valuation differences	-2,639	0
Deferred tax revenues from valuation differences	209	107
	-3,769	-2,062

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:

	2013 %	2012 %
<i>Tax rates</i>		
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

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 **other taxes** are inter alia 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.

This results in the following:

	2013	2012
	EUR	EUR
Profit for the financial year attributable to the equity holders of the parent company	6,445,556.71	14,714,132.64
Number of shares (weighted average)	38,596,598	39,321,382
Earnings per share	0.17	0.37

10. Information on members of the corporate bodies

Management board

Name	Position	Authority to act	Profession
Patrick Brenske	Board member	Authorised 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 2013 was kEUR 665.9 (preceding year: kEUR 569.3).

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 2013 was kEUR 45.0 (preceding year: kEUR 45.0). There are no claims against members of the supervisory board; on December 31, 2013, there are liabilities at the amount of kEUR 0.0 (preceding year: kEUR 24.3), they result from the remuneration of the supervisory board and advanced travel expenses.

11. Number of employees

An average staff of 149 were employed by MPH Group in the reporting period (previous year: 113).

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:

	2013 kEUR	2012 kEUR
<i>Category</i>		
Cash and equivalents	24	50
Receivables	453	175
Financial assets at fair value	731	51

The yields from credits and receivables are included in the interest returns. The yields from financial assets measured at fair value relate at kEUR 0 (previous year: kEUR 1) are income from shareholdings and kEUR 731 (previous year: kEUR 50) 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:

	2013 kEUR	2012 kEUR
<i>Category</i>		
Liabilities recognised at amortised acquisition cost	1,230	1,256
Other financial liabilities	469	313
Financial assets at fair value	2	66

The expenses resulting from liabilities evaluated at amortised cost and the other 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 counter-measures 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 HAEMATO AG and HAEMATO PHARM GmbH, 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 totalled to the respective balance sheet date:

	31.12.2013	31.12.2012
	kEUR	kEUR
Equity	79,194	67,360
Balance sheet sum	127,481	111,617
Equity ratio	62.12 %	60.35 %

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 decreased from kEUR 28,055 to a total of kEUR 26,626 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 2,000, kEUR 936 of which have been used in the form of short-term fixed-rate credits as of the balance sheet date	ca. 5.5 % p.a.
Loan of kEUR 2,000	3-months-EURIBOR + 2.50 % p.a.
Loan of kEUR 3,500	3-months-EURIBOR + 3.40 % p.a.
Loan of kEUR 1,100	3-months-EURIBOR + 4.30 % p.a.
Loan of kEUR 4,000, kEUR 1,734 of which have been used	3-months-EURIBOR + 1.50 % p.a.
Loan of kEUR 7,500, kEUR 5,500 of which have been used	3-months-EURIBOR + 4.50 % 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 3,850	3-months-EURIBOR + 4.30 % p.a.	02.07.2018
Loan of kEUR 4,000	3-months-EURIBOR + 4.50 % p.a.	31.12.2016
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 25,684 by 1 % leads to a rise in interest expenses by kEUR 257. 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 257.

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

31.12.2013 in kEUR	short-term			Total book values	Fair value
	Trade receivables	Other short-term financial assets	Cash and equivalents		
Financial assets measured at amortised cost	7,914	9,524	5,854	25,092	25,092
	7,914	9,524	5,854	25,092	25,092

31.12.2012 kEUR	short-term			Total book values	Fair value
	Trade receivables	Other short-term financial assets	Cash and equivalents		
Financial assets measured at amortised cost	12,384	10,997	14,572	37,953	37,953
	12,384	10,997	14,572	37,953	37,953

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 2,355 (previous year: kEUR 699) on the balance sheet date.

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

Liabilities

31.12.2013 kEUR	short-term			long-term	Total book values	Fair value
	Liabilities to credit institutions	Trade payable	Other financial liabilities	Liabilities to credit insti- tutions and bonds		
Financial liabilities meas- ured at amortised cost	14,776	7,441	1,361	17,059	40,637	40,767
	14,776	7,441	1,361	17,059	40,637	40,767

31.12.2012 kEUR	short-term			long-term		Fair value
	Liabilities to credit institutions	Trade payable	Other financial liabilities	Liabilities to credit insti- tutions and bonds	Total book values	
Financial liabilities meas- ured at amortised cost	20,555	5,403	594	12,709	39,261	37,751
	<u>20,555</u>	<u>5,403</u>	<u>594</u>	<u>12,709</u>	<u>39,261</u>	<u>37,751</u>

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:

Foreign currency	Assets		Liabilities	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	kEUR	kEUR	kEUR	kEUR
Norway (NOK)	20.2	0.5	0.0	39.9
Great Britain (GBP)	2.0	120.3	0.0	94.1
Czech Republic (CZK)	0.1	0.2	0.0	0.0
Poland (PLN)	0.8	0.6	0.0	0.0
Romania (RON)	1.1	10.3	0.0	0.0
Denmark (DKK)	263.3	7,060.1	5.4	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 December 31, 2013 and until December 31, 2012 are demonstrated in the following tables:

	Book values	Cash Flow up to 1 year	Cash Flow > 1 year to 5 years	Cash Flow > 5 years
	kEUR	kEUR	kEUR	kEUR
31. December 2013				
Financial liabilities valued at amortised acquisition costs				
Provisions	2,376	2,293	83	0
Interest-bearing financial liabilities	31,836	16,386	15,120	5,209
Non-interest-bearing financial liabilities	8,802	8,802	0	0
	Book values	Cash Flow up to 1 year	Cash Flow > 1 year to 5 years	Cash Flow > 5 years
	kEUR	kEUR	kEUR	kEUR
31. December 2012				
Financial liabilities valued at amortised acquisition costs				
Provisions	2,534	2,373	161	0
Interest-bearing financial liabilities	33,264	21,793	8,203	5,209
Non-interest-bearing financial liabilities	5,997	5,997	0	0

The financial liabilities bearing no interest relate at kEUR 7,441 (previous year: kEUR 5,403) to the liabilities resulting from deliveries and services as well as at kEUR 1,361 (previous year: kEUR 594) 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 "Consolidated cash flow statement", the cash flows are structured according to business, investment and financing activities. The financing funds include short-term available liquid assets amounting to kEUR 5,854 (previous year: kEUR 14,572).

13. Information on relationships with related companies and persons

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

Under consideration of IAS 24 it is noted that the company Projektgesellschaft Rungestraße 21 mbH is a closely associated company. In the business year 2012 the company Projektgesellschaft Rungestraße 21 mbH received a loan of a total of kEUR 940 from the company HAEMATO AG. This loan is subject to interest of 9.0 % p.a. and is valued to the effective date including interest at kEUR 738 and is to be paid back at the latest by December 31, 2014.

The company M1 Med Beauty Berlin GmbH was acquired from the company Magnum AG. The company Magnum AG is a closely associated company. The transaction was performed according to usual external terms.

No further business relationships were maintained to closely associated companies and individuals in the business year 2013.

14. Events after the financial statement date

No essential events have occurred after the financial statement date until April 10, 2014.

15. Release of the consolidated financial statements 2013 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 10, 2014.

Berlin, April 10, 2014



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, 2013 to December 31, 2013. 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 HGB 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 such a way 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 basis 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 § 315 a 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 29, 2014


Dipl.-Kfm. Harry Haseloff
Auditor





Further information

1. The share	54
2. Glossary	55
3. Sources	56
4. Imprint	57

1. 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 57.65 million Euro (as at 30.04.2014)
Coverage	GBC AG, First Berlin GmbH

2. Glossary

AMNOG

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

3. Sources

- 1** cf. Institut für Weltwirtschaft: Weltkonjunktur im Frühjahr 2014. 12.03.2014, p. 3.
- 2** cf. Institut für Weltwirtschaft: Weltkonjunktur im Winter 2013, p. 3f.
- 3** cf. Institut für Weltwirtschaft: Weltkonjunktur im Frühjahr 2014. 12.03.2014, p. 3.
- 4** cf. id.
- 5** cf. id., p. 9.
- 6** cf. id.
- 7** cf. id., p. 14.
- 8** cf. id., p. 3ff.
- 9** cf. id., p. 24.
- 10** cf. id., p. 225.
- 11** cf. Statistisches Bundesamt: Moderates Wachstum der deutschen Wirtschaft im Jahr 2013. press release from January 15, 2014 – 16/14, p. 1.
- 12** cf. Institut für Weltwirtschaft: Deutsche Konjunktur im Frühjahr 2014. 12.03.2014, p. 3
- 13** cf. id.
- 14** cf. Statistisches Bundesamt: Moderates Wachstum der deutschen Wirtschaft im Jahr 2013. press release from January 15, 2014 – 16/14, p. 1.
- 15** cf. id.
- 16** cf. Institut für Weltwirtschaft: Deutsche Konjunktur im Frühjahr 2014. 12.03.2014, p. 3.
- 17** cf. id., p. 4.
- 18** cf. Dr. Kartte, Joachim; Dr. Neumann, Karsten: Weltweite Gesundheitswirtschaft – Chancen für Deutschland. Studie im Auftrag des Bundesministeriums für Wirtschaft und Technologie. Roland Berger Strategy Consultants, 2011, p. 2.
- 19** cf. OECD: HEALTH AT A GLANCE: OECD INDICATORS, 2013, p. 154ff.
- 20** cf. id., p. 162.
- 21** cf. Dr. Kartte, Joachim; Dr. Neumann, Karsten: Weltweite Gesundheitswirtschaft – Chancen für Deutschland. Studie im Auftrag des Bundesministeriums für Wirtschaft und Technologie. Roland Berger Strategy Consultants, 2011, p. 2.
- 22** cf. IMS Institute for Healthcare Informatics: The Global Use of Medicines: Outlook through 2017, p. 6ff.
- 23** cf. IMS Institute for Healthcare Informatics: IMS Healthcare Study Forecasts global spending on medicines to reach \$1 Trillion Treshold in 2014, IMS News, 19. November 2013.
- 24** cf. Reuters: Schrittmacher der Wirtschaft – Gesundheitsbranche boomt.
- 25** cf. Bundesverband der Deutschen Industrie e.V.: Herausforderungen aus Sicht der Industrie. Industrielle Gesundheitswirtschaft in Deutschland – was jetzt zu tun ist, p. 8.
- 26** cf. OECD: HEALTH AT A GLANCE: OECD INDICATORS, 2013, p. 154f.
- 27** cf. Reuters: Schrittmacher der Wirtschaft – Gesundheitsbranche boomt.
- 28** cf. Statistisches Bundesamt.
- 29** cf. OECD: HEALTH AT A GLANCE: OECD INDICATORS, 2013, p. 157.
- 30** cf. Statistisches Bundesamt.
- 31** cf. Reuters: Schrittmacher der Wirtschaft – Gesundheitsbranche boomt.
- 32** cf. OSCAR GmbH. Marktpotentialanalyse im Auftrag der MPH AG.
- 33** cf. Bundesverband der Deutschen Industrie e.V.: Herausforderungen aus Sicht der Industrie. Industrielle Gesundheitswirtschaft in Deutschland – was jetzt zu tun ist., p. 8.

4. Imprint

MPH Mittelständische Pharma Holding AG
Fasanenstraße 77
10623 Berlin

Phone: +49 (0) 30 897 308 660
Fax: +49 (0) 30 897 308 669

E-Mail: info@mph-ag.de
Web: www.mph-ag.de

Supervisory Board:

Chairwoman of the supervisory board: Andrea Grosse
Deputy chairwoman of the supervisory board: Prof. Dr. Dr. Sabine Meck
Member of the supervisory board: Dr. Marion Braun

Management board:

Patrick Brenske
Dr. Christian Pahl

Register court: district court Charlottenburg
Register number: HRB 116425 B

Conception, design and realization:
MPH Mittelständische Pharma Holding AG
Investor Relations

Photos:
MPH Mittelständische Pharma Holding AG
Fotolia

