Mit Sicherheit HAEMATO pharm

ANNUAL REPORT 2017

Key figures of HAEMATO AG
Overview of the consolidated financial statements

Key figures HAEMATO Group Consolidated Financial Statements according to IFRS (in kEUR)

	Business year 2017	Business year 2016
Balance sheet total	122,028	116,774
Equity	70,927	63,092
Revenues	289,862	275,614
EBIT	9,416	13,441
Net income	6,983	11,037
Retained earnings	29,838	29,449

Net assets HAEMATO Group according to IFRS (in TEUR)

	Business year 2017	Business year 2016
Assets		
Current assets	67,349	59,431
Non-current assets	54,679	57,342
Total Assets	122,028	116,774
Liabilites		
Current liabilities	31,569	28,709
Non-current liabilites	19,532	24,973
Equity	70,927	63,092
Total liabilites & equity	122,028	116,774

Content

Dear Shareholders,
Ladies and Gentlemen,

After a restrained start to 2017, the HAEMATO Group increased its sales in the second half of 2017 by 13.3 % compared to the same period of the previous year. It was the strongest half-year in the history of HAEMATO. Overall, sales increased by 5.2% to € 289.9 million in 2017.

In addition, the gross margin improved by 0.5 % in the second half of 2017 compared with the first half of 2017.

EBIT of € 9.4 million and net income of € 6.9 million were below the exceptional year 2016 (EBIT 2016: € 13.4 million, net income 2016: € 11.0 million). The differences mainly result from other operating income (2017: € 6.5 million; 2016: € 10.2 million).

The capital increase carried out in 2017 strengthened equity. The additional funds will be used to finance HAEMATO's further growth. Equity increased from € 63.1 million at the end of 2016 to € 70.9 million as of December 31, 2017, and the equity ratio improved from 54.0 % to 58.1 % of total assets.

In 2017, we created the link between operational and market data by introducing a Business Intelligence (BI) system. The first positive effects can be seen in the development of margins and the reduction of reaction times to changes in the market.

Production processes were also realigned at the end of 2017. Since then, throughput times and quality have improved. We will continue to invest in digitization in the future in order to optimize the quality and speed of processes.

The market for special pharmaceuticals continues to grow at above-average rates, in some cases at double-digit rates, depending on the therapy group. The market volume is estimated at between € 5 and 10 billion p.a. Demographic data and medical progress point to long-term, stable market development while maintaining above-average growth rates.

HAEMATO Med started the delivery of a cosmetic series based on hyaluronic acid at the end of 2017. The focus on the rapidly growing aesthetic market for products based on hyaluron promises additional growth potential with high-margin products.

The combination of our broad purchasing competence in Europe with direct access to more than 6,000 customers is an important strategic cornerstone of the HAEMATO Group for our business segments.

We are strategically and operationally on the right track. Last year, we worked intensively to achieve our goals. We would therefore like to thank the Supervisory Board and our employees, who have achieved this success with great personal commitment.

We look forward to further cooperation.

Uwe Zimdars (Management Board)	Daniel Kracht (Management Board)

Report of the Supervisory Board

1. Supervision of management and cooperation with the Executive Board

In fiscal 2017, the Supervisory Board of HAEMATO AG exercised the duties incumbent upon it under the law and the Articles of Association with great care. The management of the company was monitored by the Supervisory Board. The Management Board was advised in its activities by the Supervisory Board within the scope of exercising its control rights. The Supervisory Board was involved by the Management Board in all decisions of fundamental importance to the company. The Executive Board informed the Supervisory Board verbally, by telephone and in writing, regularly and in a timely manner, about significant events in the course of business, the economic situation of the company and the Group, as well as corporate planning and investment measures. The Supervisory Board was able to satisfy itself of the correctness of the management.

2. Meetings, deliberations and resolutions

The Supervisory Board held nine ordinary meetings in the 2017 financial year, four of them in the first half of the year and five in the second half (25 April, 5 May, 10 May, 21 June, 7 July, 13 July, 18 September, 26 September, 5 December).

Among other things, the meetings focused on the following topics:

- The situation of the company
- Strategic development and its operational implementation
- The current competitive, organisational and personnel situation
- Short and medium-term investment planning
- The annual report and the interim report of the group prior to their publication
- Redemption of non-voting equity securities
- Composition of the Management Board of HAEMATO AG and the management of HAEMATO PHARM GmbH
- Approval of the implementation of a capital increase making partial use of Authorized Capital 2013.

Further informal meetings and telephone conferences were held between the Supervisory Board and the Management Board to discuss new key business policy developments.

3. Increase of capital

In the year under review, the Supervisory Board approved a capital increase in the amount of € 1,202,102 from the authorized capital, excluding the subscription rights of existing shareholders. The proceeds from the capital increase are intended to further strengthen the equity of HAEMATO AG and create the conditions for the consistent implementation of the growth strategy of the HAEMATO Group.

4. Annual financial statement

The Supervisory Board satisfied itself of the regularity of the management. The annual financial statements prepared by the Management Board, the consolidated financial statements and the combined management report of HAEMATO AG and the HAEMATO Group for the fiscal year ended December 31, 2017 were audited, including the bookkeeping, by Dipl.-Kfm. Harry Haseloff, Berlin, who was appointed as auditor by the Annual General Meeting, and issued an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the combined management report of the HAEMATO AG and the Group and the proposal for the appropriation of the balance sheet profit were submitted to each member of the Supervisory Board in good time before the balance sheet meeting on April 24, 2018. At the balance sheet meeting on April 24, 2018, the auditor reported the main results of his audit and was available to answer questions from the members of the Supervisory Board. At the Supervisory Board meeting on April 24, 2018, we acknowledged and approved the results of the auditor's audit. We discussed in detail the annual financial statements, the consolidated financial statements and the combined management report of HAEMATO AG and the Group prepared by the Executive Board at the Supervisory Board meeting on April 24, 2018. The Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board. The annual financial statements are thus adopted.

5. Dependency report

HAEMATO AG prepared a dependent company report for the fiscal year ended December 31, 2017 in accordance with § 312 AktG.

The dependent company report was audited by the auditor Harry Haseloff, Berlin, who was appointed as auditor by the Annual General Meeting, in accordance with Section 313 (1) AktG. The auditor Harry Haseloff, Berlin, submitted a separate written report on the results of the audit. Since there were no objections to the report of the Management Board, the following audit opinion was issued in accordance with Section 313 (3) AktG:

Following my due examination and assessment, I confirm that

1. the factual information in the report is correct,
2. the consideration paid by the company in the legal transactions listed in the report was not inappropriately high nor were disadvantages compensated,
3. with regard to the measures listed in the report, there are no circumstances that would indicate a materially different assessment from that of the Management Board.

At the balance sheet meeting on April 24, 2018, the auditor reported on the results of his audit and confirmed that the actual information in the dependent company report is correct.

The dependent company report and the auditor‘s report on it were submitted to the Supervisory Board in good time before the balance sheet meeting on April 24, 2018 in accordance with Section 314 of the German Stock Corporation Act. At its meeting on April 24, 2018, the Supervisory Board thoroughly examined the dependent company report for completeness and correctness. The Supervisory Board concluded that there were no objections to the declaration of the Management Board at the end of the report on relations with affiliated companies and approved the dependent company report.

5. Composition of the Supervisory Board

In the period from January 1, 2017 to December 31, 2017, the Supervisory Board was composed of Supervisory Board members Andrea Grosse (Chairman), Prof. Dr. Dr. Sabine Meck (Deputy Chairman) and Dr. Marion Braun (Member).

6. Other

Dr. Christian Pahl retired on July 31, 2017. Mr Daniel Kracht and Mr Uwe Zimdars were appointed to the Management Board on July 20, 2017.

The Supervisory Board would like to thank all members of the Management Board for the successful management of the HAEMATO Group and the pleasant, constructive and successful cooperation in 2017.

The Supervisory Board would like to thank all employees of the HAEMATO Group for their commitment and achievements in the past fiscal year.

Berlin, April 24, 2018

Andrea Grosse
(Chairwoman of the Supervisory Board)


HAEMATO

Combined Management Report of the HAEMATO AG and the Group

Combined management report and group management report

3.1 Economic basis of the company

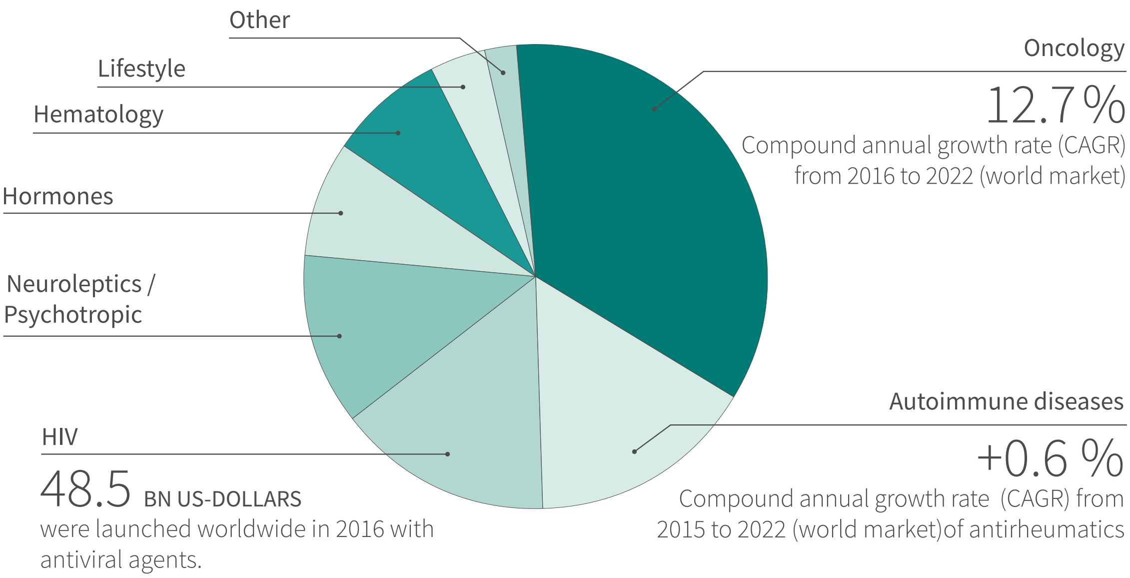
3.1.1 Business model of the company

The HAEMATO group operates in the pharmaceutical industry. The focus of the business activities lies on the growth markets of patent-free and patented medicinal products in the insurance-financed market. Therapies for cancer, HIV, rheumatology and other chronic diseases constitute the major part of the portfolio. In addition, the portfolio also includes products for the privately financed market for aesthetic treatments. Customers are especially pharmacies and wholesalers, doctors and hospitals.

3.1.2 Research and development

We do not carry out research and development.

Composition of the HAEMATO PHARM drug range according to indications



Source: EvaluatePharma World Preview 2017

*according to medical admissions

3.2 Economic report

3.2.1 Macroeconomic and industry-specific conditions

3.2.1.1 Overall economy

The European economy gains momentum in a changing political environment. The economy in the euro area and in the EU as a whole has grown for the last 18 quarters, and the recovery has reached all member states by now.[1] The GDP in the euro area rose by 0.6 % in the third quarter of 2017. This is the fourth increase of at least 0.6 % in succession. The strong economy was driven by private investments. The foreign trade also made a positive growth contribution. Private consumption, however, rose less strongly than before.[2] Employment is rising; the number of employees increased to a record high of 235.4 million in the second quarter of 2017.[3] The seasonally adjusted unemployment rate in the euro area declined to 8.8 % in October, thus reaching the lowest level since the beginning of 2009.[4]

Although the German economy had to prove itself in a difficult international environment with numerous crises, the solid and continuous economic growth continued in Germany also in 2017. The gross domestic product rose in real terms by 2.2 %. With this, the German economy has grown for the eighth year in succession with the highest economic growth since 2011, since 2017.[5] Unemployment is at the lowest level for the last 25 years – in 2017, Germany again registered an employment record with an annual average of the working population of 44.3 million.[6] Positive impulses for the continuing growth were primarily domestic: Private consumption kept its dynamic development, although the inflation in 2017 was about one percentage point higher than in the two preceding years where the sharp oil price decrease shaped the inflation.[7] Private consumption spending was 2.0 % higher in real terms than a year before, public consumption spending rose with + 1.4 % on a lower-than-average level.[8] In the third quarter, the positive external contribution at 0.4 percentage points provided impulses because exports increased more pronounced than imports.[9] By the end of 2017, the high economic dynamics might have slowed down somewhat, estimated by the Federal Ministry for Economic Affairs and Energy. The considerable number of incoming orders and the positive business expectations, however, indicate that the economic development will continue actively in the current year.[10]

3.2.1.2 Pharmaceutical market

In a long-life society, the research of therapies against diseases like cancer, Alzheimer's and diabetes carries great weight.[11] The pharmaceutical industry does not only make an important contribution to medical progress, to therapies for diseases and to the quality of life of patients in Europe, but it is also an important economic factor. It essentially contributes to the creation of value at domestic locations and actively supports their strengthening as business, production, research and study locations.[12] In 2017, an analysis of the EU 15 has shown that Germany, France and the United Kingdom constitute the largest pharmaceutical markets in absolute terms.[13]

In the nine-month period of 2017, the German pharmaceutical overall market (hospitals and pharmacies) recorded an increase in turnover of 5 %. Overall, 72 billion counting units (tablets, sachets, injections, etc.) worth 31 billion Euros were dispensed to patients.[14] For the full year, the current industry report by the portal Statista predicts a turnover of 48.6 billion Euros. This would equal an increase of 2.5 % compared to 2016.[15] At the same time, the German pharmaceutical industry is internationally oriented: In 2016, 67 % of the turnover was generated abroad.[16] In 2017, pharmaceutical companies could continue to improve the treatment options for patients with very different diseases. Especially 31 medicines with a new active substance (without biosimilars) broadened the range of medicinal products and with that the therapy options. About one third of the medicines with a new active substance (11) are drugs for treating various types of cancer. Some of these preparations are immuno-oncological medicines which activate the patient's immune system to fight tumours. Other preparations operate by interfering in one way or another with the control of the cancer cells.[17]

The turnover of the hospital market grew in the nine-month period of 2017 by 6 %. About 4 billion Euros, a good half of the turnover, accounted for the leading ten preparation groups which increased by 6 % in total. The groups with a considerable growth include various oncological therapies (MAB antineoplastics + 13 %; antineoplastics + 9 %), immunosuppressives (+ 9 %), polyvalent immunoglobulins for intravenous injection (+ 13 %) and ophthalmological anti-neovascular products (+ 23 %).[18]

The pharmacy market with medicinal products both available on prescription and obtainable without a prescription including mail-order pharmacies recorded an aggregate turnover of 25.3 billion Euros in the nine-month period of 2017 in Germany. Out of this, 12.28 billion Euros accounted for the segment of originals and second suppliers (protected). The share of generics amounted to 5.22 billion of the turnover.[19] Of the ten preparation groups that were leading in terms of turnover in the pharmacy market during the nine-month period of 2017, various cancer therapeutics (antineoplastic protein kinase inhibitors + 13 %; MAB antineoplastics + 15 %) and direct factor Xa inhibitors (modern anticoagulants + 26 %) achieved the largest increases.[20] Medicinal products available on prescription accounted for a market share of 85 %; another 15 % accounted for medicinal products obtainable without a prescription. In terms of quantity, the pharmacy market stagnated in the first nine months of 2017. Overall, 1.2 billion packages were dispensed to consumers. A little more than half of these were OTC preparations.[21]

The expenditure for medicinal products of the statutory health insurance (SHI) deducting manufacturers' (§ 130a Abs. 1 SGB V) and pharmacies' (regardless of savings from discount contracts) discounts rose by 3.2 % to 28.4 billion Euros in the first nine months of 2017. Maintaining former trends, the expenses for innovative therapies, including anti-cancer therapies, therapies for severe diseases of the immune system and for stroke and thrombosis prevention continued to rise.[22] The development of the SHI expenditure for medicinal products is a regular object of discussions in relation to the healthcare policy. For many years, the SHI expenditure as part of the GDP has remained stable at about 7.0 % (2016: 7.1 %). The SHI expenditure for medicinal products as part of the GDP has not risen faster than the overall economic performance considering the effects of the economic crisis. In the light of this development, there is no indication of a “cost explosion” in the healthcare system.[23]

In Austria, the pharmaceutical supply is covered by the distribution chain pharmaceutical company – pharmaceutical wholesalers – pharmacies – patient. About one third of the medicinal products is sold to hospitals and two thirds to public pharmacies, the licensed section (in terms of value).[24] In 2015, the Austrian pharmaceutical market had a volume of 3.55

billion Euros and a size of 240.7 million packages. This meant both a rise of 5.4 % in terms of value and a rise in size of 1.6 % compared to the previous year.[25]

A medicine already has different prices in different countries due to varying value added tax rates. At the same time, the direct influence of the state and the different legally fixed margins for the sale stages (pharmacies and wholesalers) affect the prices of medicinal products. In addition, price differences of innovative medicinal products are often the result of nationally differentiated healthcare systems and their individual regulations for the reimbursement of medicinal products.[26] On average, about one third of the retail price of a medicine does not go the manufacturer, but to distributors, like wholesalers (ca. 5 %) and pharmacies (almost 19 %), and to the state in the form of taxes (about 10 %). In 2014, the average Austrian ex-factory price per package on the pharmacy market amounted to 10.59 Euros, thus being lower than the average price of the EU 15 at 11.35 Euros. Germany was at the top position with an ex-factory price per package of 19.57 Euros, followed by Switzerland with 19.56 Euros per medicine package. Poland and Bulgaria were at the bottom of the European comparison with the lowest ex-factory price per package.[27] Parallel distributors exploit the varying price levels of medicinal products in the EU. In 2016, the German parallel import market was of superior importance in the European business sector with a market share of 50 %. [28] In Germany itself, parallel imports accounted for about 9 % of the turnover of the pharmaceutical market in 2015.[29] In 2016, the share of imports according to §129 SGB V accounted for about 8 % of the turnover of the SHI market. The market share of sales was at 3 %. For private health insurances, the turnover of imported medicinal products accounts for 8 % and their market share of sales was at 4 %.[30]

Germany belongs to the European markets with the fastest and highest market penetration of generics upon expiry of patents. The supply of patients with patent-free, inexpensive generics especially contributes to the good financial state of the statutory health insurance and stabilises the system.[31] According to the market data for September 2017 of the industry association Pro Generika, generics companies currently cover 77.2 % of the SHI need of medicinal products with chemically defined copy products and biosimilars (in terms of DDD). The rest is divided between patented medicinal products (5.5 %) and patent-free initial supplier products without (10.2 %) and with generics competition (7.1 %). From January to September 2017, 371 million packages of generics were dispensed with a slight loss of 0.3 % compared to data from the previous year.[32]

3.2.1.2 Outlook

The upturn in the euro area continues. The financing conditions are very advantageous thanks to the highly expansive policy of the ECB and easing tensions in the financial sector; the financial policy has a stimulating effect and the world economy has grown. According to the International Monetary Fund (IMF), Europe has made a large contribution to the growth of the global economic performance.[33] The Kiel Institute for the World Economy expects that the growth of the gross domestic product in the euro area will turn out at 2.3 % for the coming year, comparable to the 2017 rate (2.4 %), and that it will also turn out at 2 % in 2019, which is above the growth rate of the production potential.[34] In its current forecast, the OECD expects an economic growth of 2.4 % in the euro area. With this, it has raised its expectations. However, the Brexit process remains a risk factor for the economy in their opinion for the time being.[35]

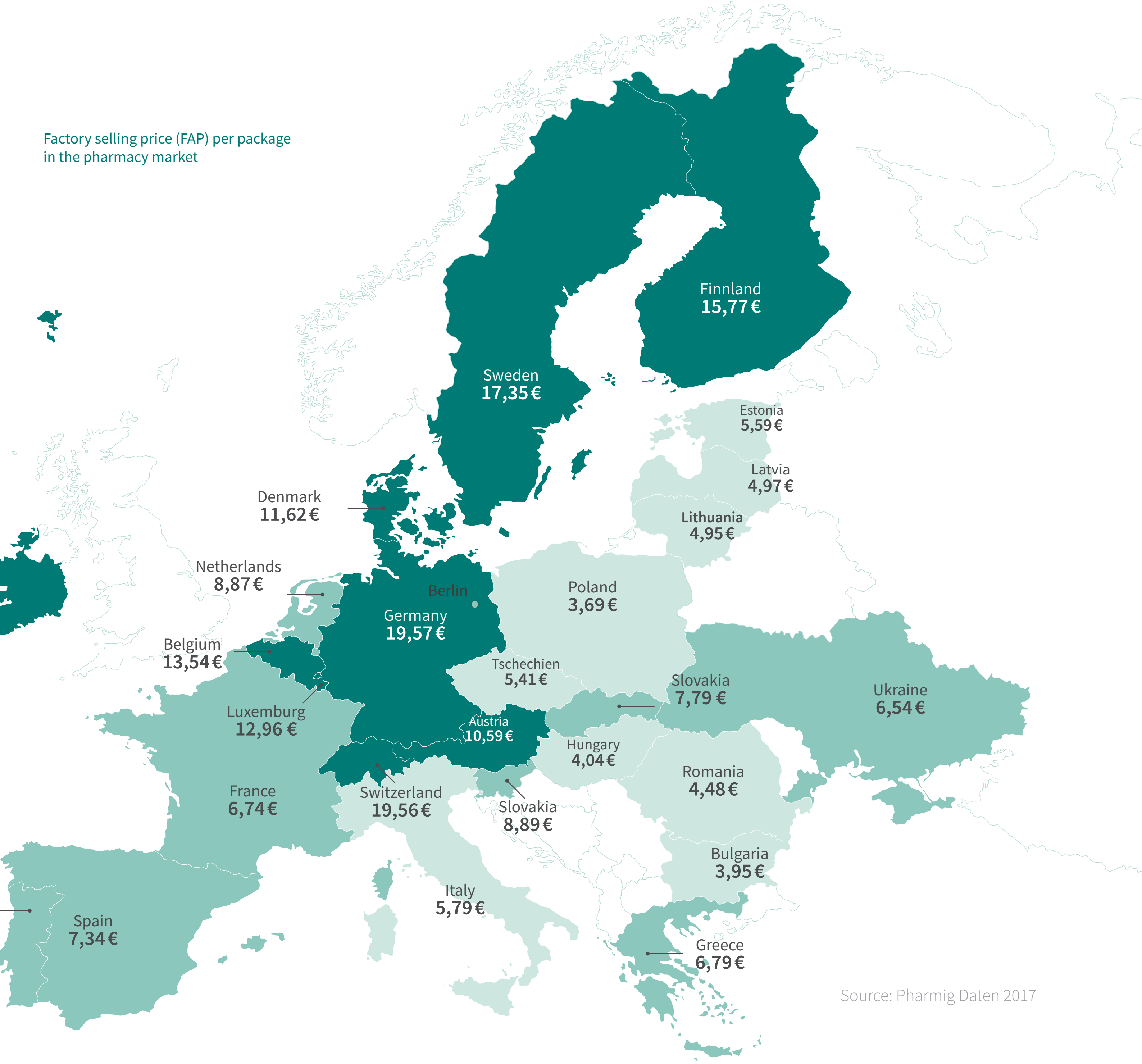
The solid economic development in Germany seems remarkable in the light of the limited prospects and the continuing high debts in parts of the euro area as well as the considerable uncertainties because of geopolitical conflicts and a fragile world economy. According to the autumn forecast of the Federal Ministry for Economic Affairs and Energy, the German economy will, however, rise in 2018 by another 1.9 %. The record registered in 2017 with a working population of 44.3 million is expected to rise to 44.8 million in 2018.[36] The Kiel Institute for the World Economy expects in its spring forecast that the upturn will also continue in 2019 (growth of gross domestic product of 2.2 %), also because the financial conditions will remain very advantageous and thus stimulate the economy.[37]

After a good year in 2017, the pharmaceutical industry expects strong growth also for 2018.[38] The economic importance of the pharmaceutical industry will continue to grow worldwide because of the medical-technological progress, the growing health consciousness of the population and the demographic change.[39] The market size of the pharmaceutical markets in the EU 5 states will grow by 25 % with an average yearly increase of about 4.5 % between 2017 and 2022. Germany is expected to achieve the largest growth on the market with 9.7 billion Euros. Overall, the EU 5 markets will amount to 69 % of the European pharmaceutical market in 2022.[40] For this forecast, the British agency Evaluate cites as reasons not only a number of potential breakthroughs in various areas, for example oncology, but also the better cooperation of the pharmaceutical industry with the European regulatory authorities. Anti-cancer drugs will continue to dominate the sales with five products in the top 10 of the possible European bestsellers for 2022 and a yearly average growth of 8 % until 2022.[41] IQVIA (formerly Quintiles IMS Holdings, Inc.) expects a yearly average growth of the European member states of 3.1 % for a five-year period. In comparison, a larger growth of 7.0 % is predicted for non-EU member states and of 4.9 % for the global market. The five most important EU markets are expected to grow a bit weaker at 2.4 %.[42]

The outlook of the German pharmaceutical industry for 2021 is also optimistic, according to a current industry report of the portal Statista; a yearly average growth rate of 2.7 % is expected so that the turnover of the pharmaceutical industry will probably amount to 54.3 billion Euros in 2021.[43] The IMS Institute for Healthcare Informatics expects an average yearly growth of the German pharmaceutical market of 2 % to 5 % for the time period of 2016 to 2021.[44] The Verband der forschenden Pharma-Unternehmen (Association of Researching Pharmaceutical Companies) estimates that at least 30 medicines with a new active substance could be introduced in Germany in 2018; a third of the newly introduced medicines will serve the treatment of cancer patients. These anti-cancer drugs are, amongst others, directed against certain forms of leukaemia and lymph node cancer, breast and ovarian cancer and different forms of skin cancer.[45]

Against the background of a continuing high demand for inexpensive medicinal products, the cost-saving efforts of the health insurances and a demographically induced higher demand for medicines, the HAEMATO group with its focus on generics, EU medicinal products and inexpensive special medicines (also called “Specialty Pharma”) sees itself very well-positioned for the future. The future focus of HAEMATO will change from generics to special medicines. They are usually high-priced and are used to treat cancer and chronic diseases. This medicine segment has been growing overproportionately for years. The HAEMATO group is already very well-positioned in this segment. With our direct access to 4,800 pharmacies in Germany alone, we can still grow considerably in this segment. On top of this, pharmaceutical, medicinal and medical engineering products for aesthetic surgery and cosmetic dermatology will be developed by the HAEMATO Med in the future. We expect that the first new products will have positive effects on growth and margins in the coming year at the latest.

Factory selling price (FAP) per package
in the pharmacy market



Source: Pharmig Daten 2017

3.3 Business performance

The HAEMATO group as a pharmaceutical manufacturer distributes its own generic medicinal products and European import medicinal products. In addition, the HAEMATO group offers medicinal products that are licensed by other manufacturers in Germany as part of its wholesale trade authorisation.

In 2017, the corporation's turnover grew to reach 289.86 million Euros (previous year 275.61 million Euros) and could therefore be increased by 5.17 %. The increase in turnover for 2017 was carried by a diversification of the product range with original products in classical wholesale as well as an expansion of our customer base and of the markets. Optimisations of the logistics led to an acceleration of goods movement in the business year and therefore to an increase of the inventory turnover rate of these medicinal products. The annual net profit amounted to 6.98 million Euros in 2017 (previous year 11.04 million Euros).

Above all, the HAEMATO group and its entire staff is oriented towards the customers' needs in their daily work. Service, quality and reliability are essential constituents of our customer orientation and at the same time drivers of further growth.

3.4 Situation

3.4.1 Profit situation of the HAEMATO Corporation (IFRS)

The turnovers of the company have been primarily achieved with parallel imports. The cost of goods sold in relation to the turnover of the corporate group slightly increased from 92.9 % in 2016 to 93.1 % in 2017.

The ratio of staff costs could be kept almost constant compared to the previous year and was at 2.1 % in 2017. Our employment situation is to be characterised as good.

3.4.2 Financial situation of the HAEMATO Corporation (IFRS)

Our financial situation is to be characterised as very stable. Our financial management is oriented towards always settling payables within the set term of payment and collecting receivables within the terms of credit.

Our capital structure is stable. The equity capital increased in comparison to 2016 from kEUR 63,092 to kEUR 70,927. The decisive reason for this was the capital increase of the HAEMATO AG in May 2017. By issuing 1,201,000 new no-par value shares at par of EUR 1.00, the subscribed capital was increased to kEUR 21,980. The proceeds exceeding this from the sale of the shares above par were moved into the capital reserve.

The equity capital rate rose to 58.12 % in 2017, in comparison to 54.03 % in 2016. The dividend payment remained constant compared to the previous year at kEUR 6,234.

The amounts owed to credit institutions equal 17.71 % of the balance sheet total (previous year: 17.91 %). The long-term amounts owed to credit institutions remain unchanged compared to the previous year. Almost 90 % of all amounts owed to credit institutions have a duration of more than a year. For financing our sales transactions, we use the credit lines granted by our banks. We have higher credit lines than we use on average.

The trade payables amount to 6.16 % of the balance sheet total. All payables can always be met within the set terms of payment. Our investment activities in fixed assets are low. The main focus of our investment activities will continue to be on acquiring licenses.

Long-term investments are covered by our equity capital.

Profit participation certificates amount to 4.3 % of the balance sheet total. They were called at the due date 31/12/2017 and will be paid out in 2018 according to the terms and conditions of the profit participation certificates. The profit participation certificates at a total nominal value of kEUR 103.0 (1,030 profit participation rights x EUR 100) held by the HAEMATO AG were derecognised to income. All holders of profit participation certificates will receive a payout of 9 % p. a. of the par of their profit participation certificates; this will precede the dividend payout of the shareholders of the HAEMATO AG. At the reporting date, the stock of outside-held and already called-in profit participation certificates amounts to 5.2 million Euros.

The liquidity situation is satisfactory.

The financial development of the HAEMATO Corporation presents itself for the reporting period on the basis of the cash flow statement using the indirect method of reporting cash flow from operating activity as follows:

	2017 TEUR	2016 TEUR
Cash Flow from operating activity	-8,352.3	12,753.7
Cash Flow from investment activity	5,437.5	52.3
Cash Flow from financing activity	-406.6	-5,464.2
	-3,321.4	7,341.8

3.4.3 Assets situation of the HAEMATO Corporation (IFRS)

The assets situation of the HAEMATO Corporation continues to be good in comparison to the reporting date of the previous year. The stocks increased in comparison to the reporting date of the previous year to kEUR 43,114 (previous year: kEUR 37,893). The fixed assets decreased in total to kEUR 54,543 (previous year: kEUR 57,207). Trade receivables increased from kEUR 4,118 in 2016 to kEUR 8,320 in the business year 2017. The liquidity situation is still good. The HAEMATO Corporation had 6.47 million Euros of liquid assets available in 2017 (comparison previous year: 9.79 million Euros). The current assets include securities that are presumably short-term securities, whose value amounts to kEUR 5.992 (previous year: kEUR 4,270).

Our economic situation can be characterised as good overall.

3.4.4 Profit situation of the HAEMATO AG (HGB)

The HAEMATO AG could achieve an annual net profit in the amount of kEUR 2,714 in the business year 2017 (previous year: kEUR 2,374). The turnover revenues amounted to kEUR 2,323 in the business year 2016 (previous year: kEUR 12.7).

3.4.5 Financial situation of the HAEMATO AG (HGB)

The financing of the HAEMATO AG is provided by equity capital in the amount of kEUR 48,611 (previous year: kEUR 45,045) and profit participation certificates capital in circulation at par of kEUR 5,209 (previous year: kEUR 5,312). As of 31 December 2017, the HAEMATO AG had liquid assets in the amount of kEUR 140 (previous year: kEUR 325). The HAEMATO AG had an equity capital rate of 74.57 % at the end of the business year 2016. The equity capital rate increased to 81.16 % in the business year 2017. The provisions of the HAEMATO AG overall amounted to kEUR 43 as of 31 December 2017 (previous year: kEUR 78). At the reporting date, the HAEMATO AG holds no more of its own profit participation certificates. The profit participation certificates were called at the due date 31/12/2017. All holders of profit participation certificates will receive a payout of 9 % p. a. of the par of their profit participation certificates; this will precede the dividend payout of the shareholders of the HAEMATO AG.

3.4.6 Assets situation of the HAEMATO AG (HGB)

The assets situation is mainly characterised by the repayment of receivables from affiliated companies in the amount of kEUR 2,401, the reduction in cash holdings by kEUR 184 and the increase in securities held in current assets in the amount of kEUR 788.

3.5 Financial performance indicators of the HAEMATO group (IFRS)

We use the performance indicators return on equity and EBIT for our internal management control. The return on equity before tax amounts to 11.4 % in the business year (previous year 19.4 %). The return on investment before interest and tax amounts to 13.45 % (previous year 6.07 %). The EBIT amounts to kEUR 9,416 (previous year kEUR 13,441), the EBITDA amounts to kEUR 11,270 (previous year kEUR 15,247).

The HAEMATO Corporation continues to work successfully and the economic situation can be characterised as good.

3.5.1 Forecast report

We continue to assess the probable development of the HAEMATO Corporation as positive. The pharmaceutical industry will continue to offer a large growth potential in the areas generics and European import medicinal products if service, price and quality are strictly oriented towards customers' needs. We respond to the risk of supply shortages by having several suppliers available for the majority of products. We expect an increase of the turnover volume by 5 % in the following business year 2018. Because of further technological developments, especially in the controlling sector, we see the possibility to control more precisely and to increase the gross profit margin by 0.5 %. For the business year 2018, we expect a stable profit development, especially in our main sales markets. We will encourage the further expansion of cooperating with the statutory health insurance providers through an optimised purchasing policy by using the existing data basis more efficiently. We will always continue to be in a position to meet our payment obligations on time in the future.

3.5.2 Risk report

3.5.2.1 Industry-specific risks

Permanent legal regulatory measures, a high margin pressure in the pharmaceutical market as well as the permanent change of the parallel import market due to exchange rate risks and price differences when procuring medicines can have a negative influence on our turnover and result situation.

3.5.2.2 Income-oriented risks

The competitive risks have increased due to new competitors in the industry. Since our products offer real cost and competitive advantages, we assume that our performance-related risks have remained stable in comparison to the previous year. We assume that we can expand our market share in the medium term. It is possible, however, that additional costs or investments have to be expected in the course of further optimisations of the organisation.

3.5.2.3 Financial risks

Because of the stable liquidity and equity capital situation of our company, liquidity risks are currently not apparent. Significant currency risks that could influence the assets, financial and profit situation do not exist. Goods deliveries from countries with foreign currencies are settled within very short periods of time. The liquidity situation is satisfactory; shortages are not to be expected.

3.5.2.4 Risk management system

The HAEMATO corporation uses a risk management system for systematically identifying significant and existential (i. e. jeopardising the existence of the corporation) risks in order to assess their effects and to develop suitable measures.

The objective of the risk management system is mainly to avoid financial losses, defaults and disturbances or to implement suitable countermeasures immediately. Within this system, the executive board and the supervisory board are informed of risks at an early stage. The monitoring of the liquidity and the monitoring of the development of earnings constitute important mechanisms of early identification. The monitoring of the operative development and the determination of timely deviations from plan is the task of the controlling. If necessary, the respective responsible persons from the specialist departments decide upon the appropriate strategy and measures for controlling the risks together with the executive board.

3.5.3 Opportunities report

The healthcare market is and will remain a growth market. Because of our specialisation on the therapeutic areas of oncology, HIV and other chronic diseases, we will participate in this growth. On the procurement side, we can rely on a broad range of delivery options. In order to minimise the business risks, we diversify our sources of supply Europe-wide. We secure our high quality standards through a careful supplier qualification and selection as well as an active supplier management. We will continue to respond to the competition on the market, above all due to the increasing competition of retailers in our segment, with experience, innovation, reliability and a high level of quality.

3.5.4 Overall statement

We continue to see risks for the future development in a difficult competition environment, rising purchasing prices and the stagnating level of selling prices. Against the backdrop of our financial stability, however, we see ourselves well prepared for coping with future risks.

3.6 Risk reporting on the use of financial instruments

Financial instruments existing in the company mainly include securities, receivables, payables and credit balances at credit institutes. The corporation has a solvent customer base. Bad debt losses are the absolute exception. Besides, credit insurance exists for potential bad debt losses. Payables are paid within the set term of payment. In the short term segment, our corporation is financed mostly by supplier credits and by credit lines of different banks. For managing the financial positions, the corporation follows a conservative risk policy. As far as default risks and credit risks are recognisable for financial assets, appropriate value adjustments are made. For minimising default risks, the corporation has an adequate receivables management. Besides, commercial credit insurance exists. In addition, we enquire about the credit rating of our customers before we enter a new business relationship.

3.7 Report on branches

Our company does not maintain branches.

3.8 Concluding declaration according to § 312 (3) sentence 3 AktG

The executive board has produced a report according to § 312 AktG about the relations to affiliated companies that includes the following concluding declaration: “Our company and the affiliates have received an appropriate consideration for each legal transaction according to the circumstances known to us at that time at which legal transactions with the dominating and other affiliated companies were undertaken.”

Schönefeld, February 27, 2018

HAEMATO AG

Uwe Zimdars (Management Board)	Daniel Kracht (Management Board)

4. Consolidated financial statement

4.1 Consolidated balance sheet - Assets
as of December 31, 2017*

	Appendix	2017 EUR	2016 kEUR
Cash and cash equivalents	5.1	6,469,565.44	9,791
Trade accounts receivable	5.2	8,320,149.27	4,118
Stocks	5.3	43,114,419.91	37,893
Securities	5.3	5,991,812.52	4,270
Other current financial assets	5.4	3,243,817.23	2,814
Other current assets	5.4	166,916.48	519
Income tax receivables	5.4	42,806.35	27
Current assets		67,349,487.20	59,431
Intangible assets	5.5	4,357,590.86	4,676
Goodwill	5.5	34,583,688.64	34,584
Property, plant and equipment	5.5	1,106,366.00	1,178
Financial assets	5.6	14,495,799.87	16,769
Other non-current assets	5.7	135,489.95	135
Non-current assets		54,678,935.32	57,342
TOTAL ASSETS		122,028,422.52	116,774

* Accounting according to IFRS

4.2 Consolidated balance sheet - Liabilities & Equity

as of December 31, 2017*

	Appendix	2017 EUR	2016 kEUR
Accruals	5.8	7,249,070.23	7,187
Trade accounts payable	5.9	7,522,102.61	6,410
Liabilities to banks	5.9	2,612,130.31	1,912
Other current financial liabilities	5.9	1,228,848.73	813
Other current liabilities	5.9	7,748,190.88	12,387
Bonds (profit participation certificates)	5.10	5,209,300.00	0
Current liabilities		31,569,642.76	28,709
Accruals	5.11	13,348.91	13
Bonds (profit participation certificates)		0.00	5,209
Liabilities to banks	5.12	19,000,000.00	19,000
Deferred tax liabilities	5.13	518,221.70	750
Non-current liabilities		19,531,570.61	24,973
Shared capital	5.14	21,980,000.00	20,779
Reserve capital	5.14	17,954,030.20	11,708
Legal reserve	5.14	1,155,154.89	1,155
Retained earnigs	5.14	29,838,024.06	29,449
Equity		70,927,209.15	63,092
TOTAL LIABILITIES & EQUITY		122,028,422.52	116,774

* Accounting according to IFRS

4.3 Consolidated statement of comprehensive income

for the period from January 1 to December, 31 2017*.

	Appendix	2017 EUR	2016 kEUR
Revenues	8.1	289,862,245.61	275,614
Increase in finished and unfinished goods	8.2	-133,292.07	0
Other operating income	8.3	6,476,388.60	10,203
Cost of materials			
Cost of purchased goods and services	8.4	-269,778,203.72	-256,145
Personnel expenditure			
Salaries and wages		-5,207,567.50	-5,060
Social security contributions		-1,001,787.17	-945
		-6,209,354.67	-6,005
Amortization of intangible assets and depreciation of property, plant and equipment	8.5	-1,854,306.34	-1,805
Other operating expenses	8.6	-8,947,889.33	-8,420
Operating result		9,415,588.08	13,441
Other interest and similar income	8.7	2,394.98	44
Income from investments	8.8	631,064.10	632
Interest and similar expenses	8.9	-1,960,014.68	-1,858
Financial result		-1,326,555.60	-1,182
Result from ordinary activities		8,089,032.48	12,259
Taxes on income and earnings	8.10	-1,102,944.95	-1,207
Other taxes	8.11	-3,348.46	-15
Total comprehensive income for the period		6,982,739.07	11,037
Basic earnings per share (in EUR)		0.32	0.53

*Accounting according to IFRS

4.4 Consolidated cash flow statement

for the period from January 1 to December 31, 2017*.

	2017 EUR	2016 kEUR
Net profit for the period	6,982,739.07	11,037
Depreciation of fixed assets	1,854,306.34	1,805
Increase / decrease in non current provisions	-24.25	-8
Increase / decrease in current provisions	1,032,478.43	1,863
Increase / decrease of fair valuations	-3,559,076.42	-9,657
Increase / decrease in inventories	-5,221,607.62	3,784
Decrease / increase in trade receivables and other assets	-5,627,343.59	992
Increase / decrease in trade payables and other liabilities and other liabilities	-3,111,294.73	569
Profit / loss from the disposal of fixed assets	-811,140.16	60
Interest expense / income	1,957,619.70	1,815
Other investment income	-631,064.10	-632
Income tax expense / income	1,102,944.95	1,207
Income tax payments	-2,320,847.59	-81
Cash flow from operating activities	-8,352,309.97	12,754
Payments for investments in intangible assets	-1,272,978.64	-604
Payments for investments in property, plant and equipment	-191,044.17	-121
Proceeds from disposals of financial assets	6,279,240.00	155
Payments for investments in financial assets	-11,147.32	-8
Cash outflows from the acquisition of consolidated companies and other business units	0.00	-45
Interest earnings	2,394.98	44
Investment income	631,064.10	632
Cash flow from investing activities	5,437,528.95	52
Proceeds from capital contributions	7,446,832.40	0
Proceeds from the issue of bonds and raising of loans	0.00	2,400
Changes in liabilities to banks	700,535.04	-705
Interest charges	-1,960,014.68	-1,858
Payments to company owners and minority shareholders	-6,594,000.00	-5,301
Cash Flow aus Finanzierungstätigkeit	-406,647.24	-5,464
Cash Flow	-3,321,428.26	7,342
Cash and cash equivalents as of 01.01.2017 / previous year	9,790,993.70	2,449
Cash and cash equivalents as of 31.12.2017 / previous year	6,469,565.44	9,791
Change in cash and cash equivalents	-3,321,428.26	7,342

* Accounting according to IFRS

4.5 Consolidated statement of changes in equity

as of December 31, 2017*

	Shared capital	Capital reserve	Legal reserve	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR
As of January 1, 2016	20,778,898.00	11,708,299.80	1,155,154.89	24,646,222.60	58,288,575.29
Net profit for the period	0.00	0.00	0.00	11,036,731.79	11,036,731.79
Dividends	0.00	0.00	0.00	-6,233,669.40	-6,233,669.40
Balance at January 1, 2017	20,778,898.00	11,708,299.80	1,155154.89	29,449,284.99	63,091,637.68
Net profit for the period	0.00	0.00	0.00	6,982,739.07	6,982,739.07
Capital increase / decrease	1,201,102.00	6,245,730.40	0.00	0.00	7,446,832.40
Dividends	0.00	0.00	0.00	-6,594,000.00	-6,594,000.00
Balance at December 31, 2017	21,980,000.00	17,954,030.20	1,155,154.89	29,838,024.06	70,927,209.15

* Accounting according to IFRS

4.6 Development of consolidated fixed assets

as of December 31, 2017*

	Acquisition cost				cumulative depreciation					Book values	
	As of 01.01.2017 EUR	Addition EUR	Disposal EUR	As of 31.12.2017 EUR	As of 01.01.2017 EUR	Depreciations EUR	Appreciations EUR	Disposals EUR	As of 31.12.2017 EUR	As of 31.12.2017 EUR	As of 01.01.2017 EUR
I. Intangible assets											
1. Intangible assets	15,448,403.33	1,272,978.64	0.00	16,721,381.97	-10,772,627.94	-1.591,163.17	0.00	0.00	-12,363,791.11	4,357,590.86	4,675,775.39
2. Goodwill	34,583,688.64	0.00	0.00	34,583,688.64	0.00	0.00	0.00	0.00	0.00	34,583,688.64	34,583,688.64
	50,032,091.97	1,272,978.64	0.00	51,305,070.64	-10,772,627.94	-1,591,163.17	0.00	0.00	-12,363,791.11	38,941,279.50	39,259,464.03
II. Fixed assets	2,116,997.93	191,092.02	-47.85	2,308,042.10	-938,532.93	-263,143.17	0.00	0.00	-1,201,676.10	1,106,366.00	1,178,465.00
III. Financial assets	5,247,738.82	785,604.02	-2,979,251.83	3,054,091.01	11,521,154.44	0.00	3,559,076.42	-3,638,522.00	11,441,708.86	14,495,799.87	16,768,893.26
TOTAL	57,396,828.72	2,249,674.68	-2,979,299.6	56,667,203.72	-190,006.43	-1,854,306.34	3,559,076.42	-3,638,522.00	-2,123,758.35	54,543,445.37	57,206,822.29

* Accounting according to IFRS

Notes to the consolidated financial statements

5. Notes to the consolidated financial statements

for the period from January 1 to December 31, 2017

5.1 General Information

HAEMATO AG was founded on May 10, 1993. The company is registered in the Commercial Register of the Berlin-Charlottenburg District Court under HRB 88633 and has its registered office in Berlin. The business address is located at Lilienthalstr. 5c, 12529 Schönefeld. Its parent company is MPH Health Care AG. The HAEMATO Group is active in the pharmaceutical sector. The consolidated financial statements of HAEMATO AG for the period from January 1 to December 31, 2017 were prepared voluntarily in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union. The figures for the 2017 financial year are stated in EUR and for the previous year in TEUR. The new standards adopted by the IASB were observed from the time they came into force. The following standards and interpretations as well as amendments to existing standards are mandatory for the first time in the 2017 financial year, with no material effects for HAEMATO AG:

• Annual Improvements (Cycle 2014 - 2016) - Amendments to IFRS 12 (Applicable to financial years beginning on or after January 1, 2017)

• Amendment to IAS 7 - Disclosure Initiative (applicable for fiscal years beginning on or after January 1, 2017)

• Amendment to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (applicable for fiscal years beginning January 1, 2017)

Accounting and valuation were based on the going concern assumption. The consolidated financial statements have been prepared as of the balance sheet date of the parent company, which is also the balance sheet date of all consolidated subsidiaries. The balance sheet of the HAEMATO Group has been prepared according to maturities, whereby assets and liabilities that are expected to be realized or repaid within twelve months of the balance sheet date were classified as current in accordance with IAS 1. In accordance with IAS 1.56, deferred tax assets and liabilities are reported in full under non-current assets and non-current liabilities, respectively. The income statement is prepared as part of the statement of comprehensive income using the total cost method.

5.2 Scope of consolidation

The consolidated financial statements include the financial statements of the parent company and the companies controlled by it, including structured companies (its subsidiaries). The consolidation effects are as follows:

• HAEMATO PHARM GmbH (from April 1, 2013, date of initial consolidation)

• HAEMATO MED GmbH (from May 22, 2013, date of initial consolidation)

• Sanate GmbH (from September 24, 2013, date of initial consolidation)

HAEMATO MED GmbH was founded by HAEMATO AG on May 22, 2013. There were no differences resulting from the initial consolidations. The share capital amounts to EUR 25,000.00. HAEMATO PHARM GmbH founded Sanate GmbH on September 24, 2013. There was no difference in the initial consolidation. The share capital amounts to EUR 25,000.00.

In connection with a capital increase at HAEMATO AG, HAEMATO AG acquired all shares of the former HAEMATO PHARM AG, which now operates under the name HAEMATO PHARM GmbH. HAEMATO PHARM GmbH was acquired by the parent company.

HAEMATO PHARM GmbH is active in the pharmaceutical sector. The share capital of HAEMATO PHARM GmbH amounts to EUR 500,000.00. After deduction of the identifiable net assets (assets less liabilities), HAEMATO PHARM GmbH has its own business operations within the meaning of IFRS 3, resulting in goodwill of TEUR 31,737. The consideration transferred includes benefits from expected synergies, sales growth and future market developments. These advantages, which cannot be recognized separately from goodwill, add up to the above goodwill. The openly disclosed financial assets include equity instruments of listed companies over which no control can be exercised. HAEMATO AG's shareholdings in the subsidiaries were as follows as of the balance sheet date:

Name and registered office of the company	share quota %
HAEMATO PHARM GmbH*, Schoenefeld	100,00
HAEMATO MED GmbH**, Schoenefeld	100,00
Sanate GmbH****, Schoenefeld	100,00
HAEMATO ASIA Co. Ltd., Lam Luk Ka (Thailand)*****	40,00

* HAEMATO AG holds all shares in HAEMATO PHARM GmbH

** HAEMATO AG holds all shares in HAEMATO Med GmbH

*** Die HAEMATO AG holds all shares in Sanate GmbH

**** Die HAEMATO AG holds all shares in HAEMATO ASIA Co. Ltd.

The following company was not consolidated:

• HAEMATO ASIA Co. Ltd.

Subsidiaries are not required to be included if they are of minor significance for the net assets, financial position and results of operations of the Group. This provision has been applied.

The investment in Castell Pharma B. V., Venray, Netherlands, which existed as of December 31, 2016, was sold in full as of December 21, 2017.

5.3 Principles of consolidation

The annual financial statements of all Group companies have been prepared on the basis of uniform accounting and valuation methods as of the reporting date of HAEMATO AG (parent company). Acquisitions of businesses are accounted by using the purchase method. The consideration transferred in a business combination is measured at fair value. Costs associated with the acquisition of the company were generally recognized in the income statement when incurred. With the exception of deferred tax assets and deferred tax liabilities, the identifiable assets and liabilities acquired were measured at fair value. Deferred tax assets and deferred tax liabilities were recognized and measured in accordance with IAS 12 „Income Taxes". Goodwill is the excess of the sum of the consideration transferred, the amount of all non-controlling interests in the acquired company and the balance of the identifiable assets acquired and liabilities assumed at the date of acquisition. In the case of company acquisitions up to the 2010 financial year, capital consolidation was performed according to the revaluation method at the time of acquisition. All intercompany assets, liabilities, equity, income, expenses and cash flows in connection with transactions between Group companies are eliminated in full on consolidation. Deferred taxes in accordance with IAS 12 were recognized in income to the extent that the differing tax expense is expected to be offset in later fiscal years.

5.4 Estimates and Assumptions

The preparation of the consolidated financial statements requires estimates and assumptions which can influence the amounts of assets, liabilities and financial obligations as of the balance sheet date as well as income and expenses in the year under review. Actual amounts may differ from these estimates and assumptions. In applying the accounting and valuation methods, the Executive Board makes discretionary decisions. In addition, the acquisition of the shares in HAEMATO PHARM GmbH required the impairment test of the acquired goodwill as of the balance sheet date. For the impairment test of goodwill, it is necessary to determine the value in use of the cash-generating unit to which the goodwill has been allocated. The calculation of the value in use requires an estimate of future cash flows from the cash-generating unit and a suitable discount rate for calculating the present value. The determination of the fair values of assets and liabilities is based on management judgements. The bases used by management to assess the appropriateness of allowances on receivables are the maturity structure of the receivables balances, the creditworthiness of customers and changes in payment terms. In the event of a deterioration in the financial situation of customers, the extent of the actual write-offs to be made may exceed the extent of the expected write-offs. The expected actual income tax must be calculated for each taxable entity and the temporary differences arising from the different treatment of certain balance sheet items between the IFRS consolidated financial statements and the tax accounts must be assessed. Where temporary differences exist, these differences generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Management must make judgments when calculating actual and deferred taxes. Deferred tax assets are recognized to the extent that it is probable that they can be utilized. The utilization of deferred tax assets depends on the possibility of generating sufficient taxable income within the scope of the respective tax type. Various factors should be used to assess the probability of the future usability of deferred tax assets, such as past results of operations, operational planning and tax planning strategies. If actual results differ from these estimates or if these estimates have to be adjusted in future periods, they could have an adverse effect on the net assets, financial position and results of operations. If there is a change in the assessment of recoverability of deferred tax assets, the deferred tax assets recognized must be written down and recognized in the income statement.

5.5 information on the consolidated balance sheet including accounting and valuation methods

In preparing the financial statements of the related Group companies, transactions denominated in currencies other than the functional currency (EUR) of the Group company are translated at the exchange rates prevailing on the date of the transaction. All monetary items denominated in foreign currencies are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items denominated in foreign currencies and measured at fair value are translated at the exchange rates prevailing at the date of measurement at fair value.

5.5.1 Cash and cash equivalents

Cash and bank balances are valued at acquisition cost. They comprise cash and other short-term highly liquid financial assets with a maximum term of three months at the time of acquisition.

5.5.2 Trade accounts receivable

Trade receivables totaling EUR 8,320 thousand (PY: EUR 4,118 thousand) are measured at amortized cost less any impairment losses using the effective interest method. Impairment losses are recognized if there is objective evidence that the expected future cash flows have changed negatively as a result of one or more events occurring after the initial recognition of the asset. The criteria that lead to an impairment of trade receivables are based on the probability of default of the receivable and the expected creditworthiness of the customer.

5.5.3 Inventories

Inventories are measured at the lower of cost and net realizable value. The acquisition or production costs of inventories are valued using the average cost method. Production costs include directly attributable direct and indirect costs. Net realisable value represents the estimated selling price of inventories less all estimated costs of completion and disposal.

Securities held as current assets include shares in affiliated companies with the aim of selling them in the short term. They are measured at fair value on the balance sheet date. The changes in acquisition and production costs were recognized in the income statement.

5.5.4 Other current assets

Other current financial assets exclusively comprise loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured using the effective interest method at amortized cost less any impairment losses. They are recognized in the balance sheet at the time when the Group becomes a party to the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from a financial asset expire or when the Group transfers the financial asset and substantially all risks and rewards incidental to ownership of the asset to a third party. When a financial asset is derecognised, the difference between its carrying amount and the sum of the consideration received and all accumulated gains and losses recognised in other comprehensive income and accumulated in equity is recognised in the income statement. Other current assets include input tax deductible in the following year, prepaid expenses and creditors with debit balances. Income tax receivables relate to trade and corporation tax that can be refunded and the solidarity surcharge.

5.5.5 Tangible and intangible assets

Property, plant and equipment and intangible assets are carried at acquisition cost in accordance with IAS 16 or IAS 38 less scheduled depreciation if used for a limited period of time. If necessary, impairment losses reduce (amortised) cost. There was no revaluation of property, plant and equipment in accordance with the option under IAS 16. Scheduled depreciation is calculated using the straight-line method. Depreciation corresponds to the pattern of consumption of future economic benefits. Property, plant and equipment and intangible assets are depreciated on a straight-line basis over different useful lives (three to 15 years). If the carrying amount exceeds the expected recoverable amount, an impairment loss is recognized in accordance with IAS 36. The recoverable amount is determined from the net sales proceeds or - if higher - the present value of the estimated future cash flow from the use of the asset. Goodwill acquired in a business combination may not be amortized. Instead, the acquirer should allocate it to cash-generating units of the Group and test it for impairment in accordance with IAS 36 once a year or more frequently if events or changes in circumstances indicate that an impairment may have occurred. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is first allocated to the carrying amount of the goodwill allocated to the unit and then proportionately to the other assets. Any impairment loss on goodwill is recognized directly in the income statement. Impairment losses recognized for goodwill may not be reversed in future periods. The goodwill of kEUR 34,584 reported in the consolidated balance sheet was fully allocated to the Pharmaceuticals division of HAEMATO PHARM GmbH as a cash-generating unit.

5.5.6 Financial assets

Financial assets include equity instruments of listed companies among others on the balance sheet. The shares were allocated to the category „at fair value through profit or loss“. Equity instruments are subsequently measured at the market price on the respective balance sheet date.

5.5.7 Other non-current assets

Other non-current financial assets are deposits measured at the nominal value of the amounts deposited.

5.5.8 Current provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) from a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the provision. The amount recognized as a provision is the best estimate of the benefit to be provided at the balance sheet date to settle the present obligation. The risks and uncertainties inherent in the obligation must be taken into account. If a provision is measured on the basis of the estimated cash flows required to settle the obligation, these cash flows are discounted if the interest effect is material. The changes in provisions are as follows: As a result of an ongoing tax audit for the years 2001 to 2005, the tax authorities did not intend to recognize the tax loss carryforwards incurred until August 2, 2005 due to a loss of economic identity at this point in time pursuant to Section 8 (4) KStG/ Section 10a GewStG. We do not share the legal opinion communicated to us by the tax authorities, and the Federal Fiscal Court has also decided otherwise in a similar case. For this reason, we have not formed any tax provisions for the financial years in question. The lawsuit has turned out in our favor. However, the tax office is now trying to recognize the loss carryforwards for the 2003 assessment year. In this respect, we are in the process of legal action; if necessary, we would exhaust all legal remedies. Due to changes in case law, a portion of the previously unrecognized losses was taken into account by the tax office in March 2009. The maximum risk now amounts to kEUR 154.

5.5.9 Current liabilities

The short-term liabilities to banks and the liabilities from finance leases, trade payables, other financial liabilities and other current liabilities are carried at amortized cost using the effective interest method. Other financial liabilities mainly comprise debtors with credit balances and interest liabilities that are attributable to interest on the non-voting equity securities outstanding as of the balance sheet date, which are not held by the HAEMATO AG. Other current liabilities amount to kEUR 7,748 (previous year: TEUR 12,387). These mainly relate to wage and sales tax liabilities as well as loan liabilities to affiliated companies.

5.5.10 Bonds

Only issued profit participation capital is shown under the item bonds for the liabilities. Profit participation capital is a mezzanine financial instrument with both equity and debt elements. In accordance with IFRS, only borrowed capital can be shown in the balance sheet. Under ISIN DE 000A0EQVT2, a tranche of EUR 23.6 million is traded on the Frankfurt Stock Exchange over the counter. All holders of profit participation certificates will receive a distribution of 9% p.a. of the nominal value of their profit participation certificates prior to the profit share of the shareholders of HAEMATO AG as of the 2010 financial year. The profit participation certificates are bearer shares and are divided into 500,000 shares with a nominal value of EUR 100.00 each. The sale of profit participation certificates was discontinued in 2006. In 2011, the Company decided to cancel repurchased non-voting equity securities amounting to EUR 8.3 million, so that the number of non-voting equity securities issued decreased to EUR 5.3 million as of the balance sheet date.

As of the balance sheet date, HAEMATO AG held own profit participation certificates with a total nominal value of kEUR 103.0 (1,030 profit participation rights x EUR 100). The profit participation certificates were cancelled with effect from 12-31-2017. The own profit participation certificates with a total nominal value of kEUR 103 (1,030 profit participation certificates x EUR 100.00) are also subject to termination. No payment will be made for this. In 2017 the disposal took place at book value.

5.5.11 Long-term provisions

Non-current provisions relate to provisions for retention obligations with a remaining term of more than one year.

5.5.12 Non-current liabilities

Long-term liabilities to banks were carried at amortized cost using the effective interest method.

5.5.13 Deferred tax assets and liabilities

In the case of tax-deductible temporary differences in connection with shares in subsidiaries, a deferred tax asset is only recognized to the extent that it is probable that the temporary difference will be reversed in the foreseeable future and corresponding taxable income is expected. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize these assets. Deferred taxes are calculated on the

Accruals	1.1.2017 TEUR	Utilisation TEUR	Reversal TEUR	Allokation TEUR	12-31-2017 TEUR
Taxes	1,015	-1,012	-3	44	44
Audit and annual financial statement costs	50	-50	0	50	50
Personnel / Holiday entitlements	88	-86	-2	104	104
Remuneration of the Supervisory Board	20	-20	0	20	20
Other	6,014	-5,870	-73	6,973	7,044
	7,187	-7,038	-78	7,191	7,262

basis of the tax rates applicable at the expected date or to be applied in the future when the deferred tax assets or liabilities are settled. Deferred tax assets and liabilities are only offset if there is a legal right to offset current tax refund claims and current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same authority for the same taxable entity. No deferred tax assets were reported as of the reporting date. A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from

- goodwill for which amortization is not tax deductible, or
- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor the taxable profit

However, in the case of taxable temporary differences in connection with investments in subsidiaries, a deferred tax liability is recognized unless the timing of the reversal of the temporary difference can be controlled by the company and it is probable that this will not occur in the foreseeable future. Deferred taxes as of December 31, 2017 relate to the following items: see table (page 36). In connection with the fair value measurement of existing financial instruments, it was necessary to recognize deferred tax liabilities. The amount by which the IFRS values measured at fair value exceed the tax balance sheet values amounts to kEUR 590 (previous year: kEUR 581). Applying the effective tax rate of 24.225% and other components, the deferred tax liability to be recognized amounts to kEUR 143 (previous year: kEUR 140). The valuation of assets and liabilities denominated in foreign currencies at the mean spot exchange rate on the balance sheet date does not result in any deferred tax liabilities. The deferred tax liabilities of EUR 3 thousand recognised in the previous year were derecognised in the income statement. The remaining deferred taxes (effective tax rate of 24.225%), which amounted to TEUR 375 (previous year: TEUR 607) on the balance sheet date, result from the initial consolidation of a subsidiary acquired in 2009 and 2013. Intangible assets with carrying amounts of EUR 1,549 thousand as of December 31, 2017 (PY: kEUR) were disclosed upon initial consolidation.

5.5.14 Shareholders‘ equity

The company‘s share capital of EUR 21,980,000.00 is divided into 21,980,000 shares with an imputed nominal value of EUR 1.00 each. In 2005, a capital increase of EUR 6.75 million was carried out through the conversion of reserves, which came to EUR 2.0 million from the shareholders‘ contributions (withdrawal from capital reserves) and to EUR 4.75 million from the company‘s already taxed profits. In the first quarter of 2007, 235,066 new shares were issued; reference is made to the resolution of the Annual General Meeting of July 18, 2005 authorizing the Management Board to increase the share capital with the consent of the Supervisory Board. The subscription (for existing shareholders) and issue price amounted to EUR 6.00 per share. The difference between the subscription or issue price and the nominal value of EUR 5.00 per share was allocated to the capital reserve. In 2011, a further capital increase in the amount of EUR 4.6 million was carried out through the conversion of reserves, which came to EUR 1.1 million from shareholder contributions (withdrawal from capital reserves) and to EUR 3.5 million from the company‘s already taxed profits (withdrawal from revenue reserves). In the first quarter of 2013, the Management Board of the Company resolved to increase the share capital of the Company by EUR 6,926,299 from EUR 13,852,599.00 to EUR 20,778,898 by issuing 6,926,299 new ordinary bearer shares as no-par value shares against non-cash contributions, utilizing the Authorized Capital 2012 and in accordance with Section 4 (6) of the Articles of Association. In the second quarter 2017, the share capital was increased to EUR 21,980,000 by issuing 1,201,102 new shares with a nominal value of EUR 1.00 each. The new shares were issued at a subscription price of EUR 6.20. The premium of EUR 6.25 million was transferred in full to capital reserves. In accordance with the resolution of the Annual General Meeting on May 30, 2013, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions until May 29, 2018 by issuing new shares against contributions in kind or in cash, but by a maximum total of EUR 9,188,347.00 (authorized capital 2013). Conditional Capital 2013: In order to adjust the authorization to the Company‘s increased share capital in March 2013, the Management Board was authorized, in accordance with the resolution of the Annual General Meeting on May 30, 2013, to issue bearer or registered bonds with warrants or convertible bonds, profit participation rights or income bonds or combinations of these instruments in a total amount of up to EUR 50 on one or more occasions until May 29, 2018 with or without a time limit and to grant or impose option or conversion rights of up to EUR 4,989,449.00 in proportion to the share capital, in accordance with the terms and conditions of the bonds, on the holders or creditors of the respective bonds with equal rights. For this purpose, the share capital is conditionally increased by up to EUR 4,989,449.00 by issuing up to 4,989,449 new bearer shares. Other revenue reserves include income from the sale of treasury shares in the years 2006 to 2007 and 2013, which was recognized directly in equity rather than in the consolidated income statement. HAEMATO AG held no treasury shares as of the reporting date. Please refer to the statement of changes in equity for details of development and composition.

5.6 Statement of changes in fixed assets

The composition and development of fixed assets is shown in the table „Changes in fixed assets“.

5.7 Contingent liabilities and other financial commitments

HAEMATO AG is liable to HYPO NOE Gruppe Bank AG as joint borrower with MPH Health Care AG (formerly MPH Mittelständische Pharma Holding AG) in connection with a promissory note loan of EUR 7 million, which was disbursed to MPH Health Care AG. This loan was fully utilized by MPH Health Care AG as of the reporting date.
HAEMATO AG is liable to HYPO NOE Gruppe Bank AG as joint borrower with MPH Health Care AG in connection with a promissory note loan of EUR 3 million, which was disbursed to MPH Health Care AG. This loan was fully utilized by MPH Health Care AG as of the reporting date.
HAEMATO AG is liable to Raiffeisenlandesbank Niederösterreich-Wien AG as joint borrower with MPH Health Care AG in connection with a further promissory note loan of EUR 4 million, which was disbursed to MPH Health Care AG. This loan was fully utilized by MPH Health Care AG as of the reporting date. Given the current creditworthiness and the payment behaviour of the beneficiaries to date, we consider the utilisation of contingent liabilities to be low. We have no discernible indications that would require a different assessment. Other financial obligations are within the scope of normal business transactions.

5.8. Notes to the income statement

Principles of revenue recognition

Revenues from the sale of pharmaceuticals are recognized in part on a monthly basis in accordance with the contractual agreements. Drugs that are shipped generate revenue as soon as they are handed over to the shipping company.

Segment reporting in accordance with IFRS 8

IFRS 8 requires companies to report financial and descriptive information about their reportable segments. Reportable segments are operating segments that meet certain criteria. Business segments are components of a company for which separate financial information is available. Segment reporting must therefore necessarily be based on the company's internal reporting system (management approach). The internal management of the company thus forms the basis for segment reporting. The HAEMATO Group is mainly active in a combined business segment (Pharmaceuticals) and mainly in a

	12-31-2016 kEUR	recognised in profit or loss kEUR	not affecting net income kEUR	12-31-2017 kEUR
Temporary differences				
Valuation of intangible assets	607	-232	0	375
Fair value valuation of existing financial instruments	140	3	0	143
Valuation of foreign currencies as of balance sheet date	3	-3	0	0
Deferred tax liabilities	750	-232	0	518

regional segment (Germany), so that it is largely exempt from the segment reporting obligation. However, IFRS 8.31 also requires single-segment groups to disclose certain disaggregated financial data. These are identification requirements which must be presented according to the following criteria.

Products and Services

All products (various medicines) have been combined into a group of comparable products. The presentation of product-related sales revenues is not meaningful due to the large number of available drugs and is also not possible due to a lack of information. All sales shown in the income statement mainly relate to the product group described above.

Geographical information

The HAEMATO Group is mainly active in the geographical segment Germany.

Key customers

Of the revenues from direct sales in the Pharmaceuticals division of kEUR 289.862 (previous year 275.614), kEUR 9.928 (previous year 9.060) are attributable to revenues with the Group‘s largest customer. No single customer contributed 5 % or more to Group sales in fiscal 2017.

Expenses and income for the financial year are recognized when they are realized, independent of the date of payment. Revenue from the sale of assets and income from services is recognized when the significant risks and rewards have been transferred and the amount of the expected consideration can be reliably estimated.

5.8.1 Revenues

Revenues mainly comprise revenues from the sale of pharmaceuticals.

5.8.2 Changes in inventories

Changes in inventories include disposals of current assets at book value. These include, among others, the participation certificates held by the company, which were terminated as of December 31, 2017.

5.8.3 Other operating income

Of the other operating income, which totals kEUR 6,476 (previous year: kEUR 10,203), kEUR 5,031 (previous year: kEUR 9,657) is attributable to the valuation of financial assets at fair value. Gains from the disposal of financial assets amount to EUR 811 thousand in fiscal year 2017.

5.8.4 Cost of materials

The cost of materials item includes all expenses incurred in connection with the purchase of pharmaceuticals.

5.8.5 Depreciation

Depreciation includes scheduled depreciation of property, plant and equipment and intangible assets in the amount of EUR 1,854 thousand (previous year: EUR 1,805 thousand). Property, plant and equipment and intangible assets are depreciated on a straight-line basis over different useful lives (three to 15 years).

5.8.6 Other operating expenses

Other operating expenses, which total kEUR 8,948 (previous year: kEUR 8,420), include a large number of individual items. These include in particular occupancy costs, insurance and contributions, repairs and maintenance, advertising and travel costs, legal and consulting costs and other various operating costs.

5.8.7 Other interest and similar income

Interest results from the granting of loans and the investment of liquid funds at German banks.

5.8.8 Income from investments

Income from investments mainly relates to dividends received.

5.8.9 Interest and similar expenses

Interest relates to expenses for interest on loans taken out and interest expenses for the profit participation certificates placed in 2005 and 2006. Of all expenses totaling EUR 1,960 thousand (PY: EUR 1,858 thousand), EUR 469 thousand (PY: EUR 469 thousand) relates to interest on non-Haemato AG non-voting equity securities in circulation at the balance sheet date.
The net results from financial instruments in accordance with IAS 39 are as follows:

	Interest earnings + dividends 2017 kEUR	Interest earnings + dividends 2016 kEUR	Interest cost 2017 kEUR	Interest cost 2016 kEUR
Cash and cash equivalents (other financial assets)	631	632	0	0
Loans and receivables (other financial assets and liabilities)	2	44	-469	-469
Liabilities carried at amortized cost (other financial liabilities)	0	0	-1,491	-1,389
Total net income	633	676	-1,960	-1,858
Affecting net income	633	676	-1,960	-1,858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5.8.10 Taxes on income and earnings

The position can be broken down as follows:

	2017 EUR	2016 EUR
Tax expense for the current period	-1,334,839.97	-1,358,576.39
Deferred tax expense from valuation differences	-20,634.92	-140,719.59
Deferred tax income from valuation differences	252,529.94	292,103.81
	-1,102,944.95	-1,207,192.17

Deferred taxes are calculated on a company basis using different effective tax rates. With reference to IAS 12.81 c, the following tax rates apply:

	from 2014 %	until 2013 %
Statutory effective tax rate, Schoenefeld	24,225	22,825

The statutory effective tax rate includes corporate income tax and the solidarity surcharge (effective rate: 15.825 %) and trade tax (effective rate: 8.400 %).

5.8.10 Other taxes

Other taxes include motor vehicle tax.

5.9 Earnings per share

Earnings per share are calculated by dividing net income by the number of shares issued. In accordance with IAS 33.19, the undiluted earnings per share must be calculated using the weighted average number of ordinary shares outstanding during the period. Dilution effects are not to be taken into account.

The weighted average number of ordinary shares outstanding during the period is calculated as follows:

Time	Number of ordinary shares	Weighting	Weighted portion
January 1 - June 7, 2017	20,778,898	156/365	8,880,844
June 8 - December 31, 2017	21,980,000	209/365	12,585,808

	2017 EUR	2016 EUR
Equity attributable to equity holders of the parent of net income for the year	6,982,739.07	11,036,731.79
Number of shares (weighted average)	21,466,652	20,778,898
Earnings per share	0.33	0.53

5.10 Information on members of the corporate bodies

5.10.1 Management Board

Last Name	First Name	Function	power of representation	Job	
Dr. Pahl	Christian	Board of directors	Sole power of representation	Merchant	until 07/2017
Zimdars	Uwe	Board of directors	Jointly authorized to represent	Merchant	from 07/2017
Kracht	Daniel	Board of directors	Jointly authorized to represent	Merchant	from 07/2017

5.10.2 Supervisory Board

Name	First Name	Function	Job
Grosse	Andrea	Chairwoman	Lawyer
Prof. Dr. Dr. Meck	Sabine	Deputy Chairwoman	University teacher and science journalist and psychotherapist
Dr. Braun	Marion	Member	Doctor

The total remuneration of the Supervisory Board in fiscal year 2017 amounted to kEUR 45 (previous year: kEUR 45).

5.11 Number of employees

The HAEMATO Group employed an average of 195 people during the reporting period (previous year: 181).

Wage-earning employees	Staff	Senior executives thereof	Total
111	84	11	195

5.12 Disclosures on financial instruments in accordance with IFRS 7

The following is an analysis of income from financial investments in financial assets broken down by measurement categories:

Income Category	2017 kEUR	2016 kEUR
Debts	2	44
Financial assets measured at fair value	5,031	9,657

Income from loans and receivables is included in interest income. Income of TEUR 5,031 (previous year: TEUR 9,657) from financial assets measured at fair value relates to income from the higher valuation of financial assets.

The following is an analysis of expenses from financial investments in financial assets and financial liabilities broken down by measurement categories:

Expenses Category	2017 kEUR	2016 kEUR
Liabilities carried at amortized cost	1,960	1,858

Expenses from liabilities measured at amortized cost relate to interest expenses.

5.12.1 Risk management policy and justification

The HAEMATO Group's risk management aims to identify and record all significant risks and their causes at an early stage in order to avoid financial losses, breakdowns or disruptions.

This procedure ensures that suitable countermeasures can be implemented to avoid risks. At the same time, the Management Board and the Supervisory Board are informed. This is essentially an early warning system by monitoring liquidity and the development of earnings.

The HAEMATO Group is generally exposed to risks arising from changes in general conditions due to legislation or other regulations. Since the business activities of the HAEMATO Group are essentially limited to Germany and in most cases such changes do not occur suddenly and unexpectedly, there is usually sufficient reaction time to react to changes.

Furthermore, there are risks from investments in financial assets, which may fluctuate depending on the stock market prices as of the balance sheet date.

5.12.2 Borrowing and interest rate risk

The Group has taken on borrowed capital to implement its business model. In 2017, the bank liabilities of the HAEMATO Group totaled TEUR 21,612 (previous year: TEUR 20,912). Of these, TEUR 19,000 are long-term liabilities to banks. Due to the low level of interest rates, interest rate risks are currently limited.

The current liabilities to banks comprise several loans, which were concluded on the following terms:

	Utilization in kEUR	Conditions
Loans of kEUR 4,000	2,612	3-month Euribor plus 1,50 % p.a.

Non-current liabilities to banks comprise several loans, which were concluded on the following terms:

	Utilization in kEUR	Conditions
Loans of kEUR 10,000	10,000	By agreement Adjustment according to Euribor
Loans of kEUR 5,000	5,000	2,95 % p.a.
Loans of kEUR 4,000	4,000	2,601 % p.a. on 3-month Euribor

An increase in the interest rate of the HAEMATO Group‘s variable-interest liabilities to banks totaling EUR 14,000 thousand by 1 percentage point leads to an increase in interest expenses of EUR 140 thousand, while a decrease in the interest rate of the HAEMATO Group‘s variable-interest liabilities to banks by 1 percentage point leads to a decrease in interest expenses of kEUR 140.

Other financial liabilities are not subject to interest rate risk, as the conditions are fixed until maturity.

5.12.3 Fair value of financial instruments

Financial assets

12-31-2017 in kEUR	short-term Trade accounts receivable	short-term Other current financial assets	short-term Cash and cash equivalents	Total book values	Fair values to be attributed
Financial assets measured at amortized cost	8,320	3,244	6,470	18,034	18,034

12-31-2017 in kEUR	short-term Trade accounts receivable	short-term Other current financial assets	short-term Cash and cash equivalents	Total book values	Fair values to be attributed
Financial assets measured at amortized cost	4,118	2,813	9,791	16,722	16,722

The total book values and the fair values of securities with short-term holding periods valued through profit or loss amounted to TEUR 5,992 (previous year: TEUR 4,270) as of the balance sheet date.

The total carrying amounts and fair values of financial assets at the balance sheet date amounted to TEUR 14,496 (previous year: TEUR 16,769).

For the instruments presented in the table above and below, the Management Board considers the carrying amounts in the consolidated balance sheet to be a good approximation of their fair values.

Liabilities

12-31-2017 in kEUR	short-term Liabilities to financial institutions	short-term Trade accounts payable	short-term Other financial liabilities	long-term Liabilities to banks and bonds	Total book values	Fair values
Financial liabilities measured at amortized cost	7,821	7,522	1,229	19,000	35,572	35,572

12-31-2016 in kEUR	short-term Liabilities to financial institutions	short-term Trade accounts payable	short-term Other financial liabilities	long-term Liabilities to banks and bonds	Total book values	Fair values
Financial liabilities measured at amortized cost	1,912	6,410	813	24,209	33,344	33,344

Foreign exchange risk

Exchange rate risks arise with financial instruments denominated in a foreign currency, i.e. in a currency other than the functional currency (EUR). Certain business transactions (purchase of goods) in the Group are denominated in foreign currencies, resulting in risks from exchange rate fluctuations. The carrying amount of the Group‘s foreign currency monetary assets and liabilities at the reporting date is as follows:

	Financial assets		Liabilities	
	12-31-2017	12-31-2016	12-31-2017	12-31-2016
Currencies of the countries	kEUR	kEUR	kEUR	kEUR
Norway (NOK)	0,1	46,7	689,4	0,0
Great Britain (GBP)	2,5	55,7	405,4	0,0
Czech Republic (CZK)	0,0	0,0	0,0	0,0
Poland (PLN)	0,0	40,2	0,0	0,0
Rumania (RON)	0,1	0,1	0,0	0,0
Denmark (DKK)	180,0	33,6	4,7	11,5

Other price risks

Other price risks may arise from rising purchase prices. There are currently no long-term supply contracts or similar measures that could limit these risks. The conclusion of such contracts would adversely affect the necessary flexibility of management in compiling the medicines to be sold, which are ordered according to demand.

Risk from the default of receivables

The default risk of receivables from the sale of pharmaceuticals is assessed by means of corresponding individual and lump-sum value adjustments. In addition, a trade credit insurance policy was taken out to protect against bad debts. The maximum default risk of financial assets is limited by the carrying amounts.

Liquidity risk

The Group manages liquidity risks by constantly monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables show the expected future cash flows of financial liabilities (undiscounted repayments) as of December 31, 2017 and December 31, 2016. Interest payments were not taken into account.

	Carrying amount 12-31-2017 kEUR	Cash Flow 1 year kEUR	Cash Flow > 1 year to 5 years kEUR	Cash Flow > 5 years kEUR
Financial liabilities measured at amortized cost				
Accruals	7,262	7,249	13	0
Interest-bearing financial liabilities	32,306	7,821	19,000	5,485
Non-interest-bearing financial liabilities	8,751	8,751	0	0

	Carrying amount 12-31-206 kEUR	Cash Flow 1 year kEUR	Cash Flow > 1 year to 5 years kEUR	Cash Flow > 5 years kEUR
Financial liabilities measured at amortized cost				
Accruals	7,200	7,187	13	0
Interest-bearing financial liabilities	35,542	1,912	19,000	14,630
Non-interest-bearing financial liabilities	7,223	7,223	0	0

EUR 7,522 thousand (PY: EUR 6,410 thousand) of the non-interest-bearing financial liabilities relate to trade payables and EUR 1,229 thousand (PY: EUR 813 thousand) to other current financial liabilities.

Consolidated cash flow statement

The cash flow statement shows how the HAEMATO Group‘s cash and cash equivalents have changed in the course of the reporting years due to cash inflows and outflows. In this cash flow statement, cash flows are broken down by operating, investing and financing activities. Cash and cash equivalents include cash and cash equivalents of EUR 6,470 thousand (PY: EUR 9,791 thousand) available at short notice.

5.13 Statement of the auditor‘s fees

Provisions totaling EUR 50 thousand were formed for the anticipated fee of the auditor Harry Haseloff for audits of the financial statements relating to the 2017 financial year and the Group.

5.14 Related party disclosures

Related parties within the meaning of IAS 24 „Related Party Disclosures“ are generally members of the Management Board and Supervisory Board, their close family members, non-consolidated subsidiaries and all companies included in the scope of consolidation of MPH Health Care AG. Please refer to section (10) for information on the Management Board and Supervisory Board. These related parties were not involved in any transactions with companies of the HAEMATO Group that were unusual in nature. All transactions between related parties have been concluded on arm‘s length terms.

Any assets or liabilities resulting from transactions with these companies are reported under other assets and other liabilities.

The following transactions were conducted with related parties:

Receivables / liabilities to / from Related parties and persons	12-31-2017 kEUR	12-31-2016 kEUR
Receivables from related parties	112	30
Liabilities to related parties	5,507	9,421

Transactions with related parties and persons	12-31-2017 kEUR	12-31-2016 kEUR
Deliveries and services rendered	10,887	6,463
Goods and services received	6,667	19,094
Other operating expenses	165	213

5.15 Events after the balance sheet date

No other significant events occurred after the balance sheet date as of March 29, 2018.

Schoenefeld, March 29, 2018

Uwe Zimdars
(Board of directors)

Daniel Kracht
(Board of directors)

5.16. Auditor‘s report

Audit opinions

I have audited the consolidated financial statements of HAEMATO AG - consisting of the consolidated balance sheet as of December 31, 2017, consolidated statement of comprehensive income for the period from January 1, 2017 to December 31, 2017, consolidated cash flow statement for the period from January 1, 2017 to December 31, 2017 - prepared in accordance with IFRS. Consolidated Statement of Changes in Equity for the Period from January 1, 2017 to December 31, 2017, Consolidated Statement of Changes in Fixed Assets as of December 31, 2017, Notes to the Consolidated Financial Statements, for the Period from January 1, 2017 to December 31, 2017 and the Group Management Report.

In my opinion, based on the findings of the audit the accompanying consolidated financial statements comply in all material respects with IFRS and the German commercial law provisions applicable to corporations and give a true and fair view of the net assets and financial position of the Group as of December 31, 2017 and its results of operations for the fiscal year from January 1, 2017 to December 31, 2017 in accordance with German principles of proper accounting; and the accompanying group management report provides a suitable understanding of the Group‘s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with IFRS and German law and accurately presents the opportunities and risks of future development.

In accordance with § 322 III 1 HGB, I declare that my audit has not led to any objections to the correctness of the consolidated annual financial statements and the Group management report.

Basis for the audit opinions

I conducted my audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). My responsibility under these rules and principles is further described in the section „Auditor‘s Responsibility to Audit the Financial Statements and Management Report“ of my audit opinion. I am independent of the company in accordance with German commercial and professional regulations and have fulfilled my other German professional duties in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the consolidated financial statements and the Group management report.

Management‘s Responsibility for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and German commercial law in all material respects, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls they have determined necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the company‘s ability to continue as a going concern. They are also responsible for disclosing, where relevant, matters relating to the continuation of the company‘s activities. In addition, they are responsible for accounting for the continuation of the company's activities on the basis of the accounting principle, unless there are actual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for the preparation of the Group management report, which as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development in accordance with IFRS and German law. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a group management report in accordance with IFRS or the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the group management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

My objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether intended or not, and whether the Group management report as a whole provides a suitable view of the Group's position and suitably presents my audit opinion on the consolidated financial statements and the Group management report in all material respects, is in accordance with German law and suitably presents the opportunities and risks of future development. Adequate assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with § 317 HGB and taking into account the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement.

Misstatements may result from infringements or inaccuracies and are considered material if it could reasonably be expected that they will influence the economic decisions of addressees made individually or collectively on the basis of these consolidated financial statements and the group management report.

During the examination I exercise due discretion and maintain my critical attitude.

Beyond that:

• I identify and assess the risks of material misstatements, whether intentional or not, in the consolidated financial statements and management report, plan and perform audit procedures in response to these risks, and obtain audit evidence sufficient and appropriate to support my audit opinion. The risk that material misrepresentations are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent interaction, forgery, intentional incompleteness, misleading representations or the repeal of internal controls.

• I gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the arrangements and measures relevant to the audit of the Group management report that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's systems. I assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.

• I draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the evidence obtained, whether there is a material uncertainty in connection with events or circumstances that may raise significant doubts about the ability of the company to continue the business. If I come to the conclusion that there is material uncertainty, I am obliged to draw attention to the related information in the consolidated annual financial statements and in the consolidated management report in the audit report or, if this information is inappropriate, to modify my respective audit opinion. I draw my conclusions on the basis of the audit evidence obtained by the date of my audit opinion. However, future events or circumstances may prevent the company from continuing its business activities.

• In my opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS and German principles of proper accounting.

• I assess the consistency of the Group management report with the consolidated financial statements, its discussion of the law and the picture it conveys of the Group's position. I perform audit procedures on the forward-looking statements made by the legal representatives in the group management report. On the basis of sufficient suitable audit evidence, I particularly verify the significant assumptions underlying the future-oriented statements made by the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. I do not express an independent opinion on these forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

• I discuss with those responsible for monitoring, inter alia, the planned scope and timing of the audit and significant audit findings, including any shortcomings in the internal control system, which I identify during my audit.

Berlin, April 12, 2018

Dipl.-Kfm. Harry Haseloff
Wirtschaftsprüfer

6. More Information

6.1 The Share

Class of shares	Bearer shares
WKN / ISIN	619070 / DE0006190705
Number of shares	21,980,000 Pieces
Icon	HAE
Listing	Frankfurter Wertpapierbörse
Exchange segment	Open Market
Designated Sponsor, Listing Partner	ICF Kursmakler AG
Stock capital	21,980,000,00 EUR
First trading day	05.12.2005
Specialist	ODDO SEYDLER BANK AG

6.2. The participation certificate

WKN / ISIN	A0EQVT / DE000A0EQVT2
Icon	HAE1
Type / Securitisation	Bearer instruments, Global certificate
First edition	2005
Basic amount per non-voting equity security	100 EUR (Minimum investment)
Run	terminated as of 31.12.2017
Annual distribution	9,00 % p.a. based on the nominal value of the non-voting equity security (depending on the balance sheet profit of HAEMATO AG)
Date of distribution	retrospectively to the first banking day after the day of the Annual General Meeting of HAEMATO AG
Stock exchange	Frankfurter Wertpapierbörse

6.3 Glossary

AMNOG
German law on the new regulation of the pharmaceutical market. Entry into force on 01.01.2011.

Net profit
Balance of net income for the financial year, profit or loss carried forward and appropriation of earnings.

Cash Flow
An economic measure that says something about a company's liquidity. Represents the inflow of liquid funds during a period.

DAX
The DAX is the most important German stock index. The 30 largest and highest-volume German shares are listed in this stock exchange directory.

Dividends
The profit per share of a stock corporation that is distributed to the shareholders.

EBIT
Earnings before interest and taxes. Says something about a company's operating profit over a certain period of time.

EBITDA
Earnings before interest, taxes, depreciation and amortization: Depreciation & amortization are added to earnings before interest and taxes.

Earnings per share
Earnings per share are calculated by dividing consolidated net income by the weighted average number of shares. This is calculated in accordance with IAS 33.

GKV
Statutory health insurance: It is part of the German health system and obligatory for all employees whose annual pay is below the compulsory insurance limit and for many other persons.

HAP
The ex-factory price (HAP) of a pharmaceutical product is the price at which the pharmaceutical manufacturer sells the pharmaceutical product to pharmaceutical wholesalers.

Oncology
Science that deals with cancer.

Patent
In application to the pharmaceutical market: Industrial property right for a newly developed active pharmaceutical ingredient. In the EU, market exclusivity is limited to 20 years.

Patent free active ingredients
Patent free active ingredients are also called generics. A generic is a drug that is a copy of a drug already on the market under brand names with the same active ingredient. Generics are therapeutically equivalent to the original preparation.

Patent-protected active substances
Branded pharmaceuticals, which are marketed by the patent holder on the one hand and purchased more cost-effectively within the EU member states as EU imported pharmaceuticals, based on the legal basis of the import.

Licencing
An official authorisation required to offer, distribute or supply an industrially manufactured, ready-to-use medicinal product.

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6.5 Imprint

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