ANNUAL REPORT 2016

Mit Sicherheit
HAEMATO pharm

Key figures of HAEMATO AG
Consolidated Financial Statments Overview

Key figures of HAEMATO AG's financial statements according to German GAAP (HGB; in kEUR)

	Fiscal year 2016	Fiscal year 2015
Total Assets	60,405	61,862
Equity	45,045	48,905
Sales	13	5
EBIT	3,079	2,839
Net profit	2,374	2,363
Balance sheet profit	11,389	15,248

Key figures of HAEMATO AG's consolidated financial statements according to IFRS (in kEUR)

	Fiscal Year 2016	Fiscal Year 2015
Total Assets	116,774	106,989
Equity	63,092	58,289
Sales	275,614	229,727
EBIT	13,441	8,223
Net profit	11,037	5,540
Balance sheet profit	29,449	24,646

Financial situation of HAEMATO Group according to IFRS (in kEUR)

	Fiscal Year 2016	Fiscal Year 2015
Assets		
Short-term assets	59,431	52,860
Long-term assets	57,342	54,129
Total assets	116,774	106,989
Liabilities		
Short-term liabilities	28,709	35,588
Long-term liabilities	24,973	13,112
Equity	63,092	58,289
Total Liabilities	116,774	106,989

Content

Dear Shareholders,
Ladies and Gentleman,

In 2016 HAEMATO achieved the highest turnover and profit in the history of the company.

Turnover increased by 20 % to EUR 275.6 million; this follows an increase of 13 % in the previous year.

EBIT increased by 63 % to EUR 13.4 million. Annual net profit almost doubled, increasing by 94 % to EUR 11.0 million.

In the first eleven months of 2016, the German pharmaceutical market as a whole expanded by around 4.1% according to turnover. However, sales of selected groups of medicines for cancer treatment increased by 17 % - 22 %. HAEMATO generated 60 % of its turnover from oncology, and was able to make good use of the opportunities for growth in these indications with chronic therapy.

We have been able to increase stock turnover, and will continue to make efforts to optimise this in 2017.

I would like to take this opportunity to thank our employees for their high level of commitment, which made it possible to achieve this increase in profits.

I would also like to thank the members of the supervisory board for their excellent support and cooperation.

Dr. Christian Pahl
Managament Board

April 2017

Report of the supervisory board

1. Supervision of management and cooperation with the management board

In the financial year 2016, the supervisory board of HAEMATO AG fulfilled its duties according to the law and the statutes with great care. The management of the company has been supervised by the supervisory board. In the execution of the monitoring rights, the management board was consulted in its activity by the supervisory board. The supervisory board has been involved in all decisions with fundamental importance for the company by the management board. The management board regularly informed the supervisory board orally, by telephone and in writing, on time about significant events of business operations, the economic situation of the company and the Group, the company‘s plans and investment measures. The supervisory board was able to convince itself of the proper governance of the company.

2. Meetings, consultations and resolutions

In the financial year 2016, the supervisory board held six ordinary meetings, four of which in the first half-year and two in the second half-year (29.04., 08.06., 28.06., 29.06., 29.09., 22.11.). All sessions reached quorum.

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

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

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

3. Annual financial statements

The supervisory board convinced itself of the proper management of the company. The annual financial statements established by the management board, the consolidated financial statements and the consolidated management report of HAEMATO AG and the Group for the financial year ending on December 31, 2016, accounting included, have been audited by the auditor nominated by the general shareholders' meeting, Harry Haseloff, Berlin, and confirmed with an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the consolidated management report of HAEMATO AG and the Group and the proposal for the appropriation of the balance sheet profit have been handed out to each member of the supervisory board in good time for the balance sheet meeting on April 25, 2017. In the balance sheet meeting on April 25, 2017, the auditor reported on the essential results of his audit and was available for questions of the members of the supervisory board. We have ourselves reviewed the annual financial statements established by the management board as well as the consolidated financial statements. In the supervisory board meeting on April 25, 2017, we approved the annual financial statements prepared by the management board and the Group financial statements. The annual financial statements are thus adopted.

In the supervisory board meeting on April 25, 2017 we have approved and taken note of the results of the auditor's audit and, after having conducted our own review of the annual financial statements, the Group financial statements as well as the proposal for the appropriation of the balance sheet profit, we have no objections.

4. Dependency report

For its financial year ending on December 31, 2016, HAEMATO AG prepared a dependency report according to § 312 AktG.

The dependency report has been audited by the auditor nominated by the general shareholders' meeting, Harry Haseloff, Berlin, according to § 313 par. 1 AktG. The auditor, Harry Haseloff, Berlin, has prepared a separate written report on the results of the audit. Since no objections were to be made against the report of the management board, the audit opinion has been issued as of March 16, 2016, according to § 313 par. 3 AktG.

In the balance sheet meeting on April 25, 2017, the auditor reported on the results of his audit and confirmed that the actual information of the dependency report is correct, that the consideration granted by the company in the legal transactions listed in the report were not too high or compensation for disadvantages was given and that with respect to the measures mentioned in the report, no circumstances could support any judgement substantially different from that of the management board.

The dependency report has been submitted to the supervisory board according to § 314 AktG. In its session on April 25, 2017, the supervisory board has comprehensively checked the dependency report for completeness and correctness. As a result, the supervisory board has concluded that no objections are to be made against the statement of the management board at the end of the report about the relations with associated companies and has approved the dependency report.

5. Composition of the supervisory board

In the period from January 1, 2016 to December 31, 2016, the supervisory board was composed in collaboration of the supervisory board members Andrea Grosse (chairwoman), Prof. Dr. Dr. Sabine Meck (deputy chairwoman) and Dr. Marion Braun (member).

6. Other

The supervisory board thanks Dr. Christian Pahl for the successful lead of the HAEMATO Group in 2016.

The Supervisory Board expresses its thanks to all employees of the HAEMATO Group for their commitment during the past financial year.

Berlin, April 25, 2017

A. Grosse

Andrea Grosse
(Chairwoman of the supervisory board)

Consolidated management report of HAEMATO AG and of the Group

Consolidated management report of HAEMATO AG and of the group

I. Basic company group information

1. Company group business model

The HAEMATO Group operates in the pharmaceutical sector. Its business activities are focused on the growth market for patented and non-patented medicinal products. In the forefront are treatment procedures for cancer, HIV, rheumatology and other chronic diseases.

The product portfolio also includes botulinum toxin and hyaluronic acids for the privately financed market for aesthetic treatment. Our main customers are pharmacies and wholesalers, together with doctors and clinics.

2. Research and development

As was the case in the past, we do not carry out any research and development.

II. Economic report

1. General economic and industry-specific situation

a. Global economy

Growth in the world economy was weak in 2016, but recovered slightly towards the end of the year. According to preliminary estimates carried out by the OECD, growth in global economic output in 2016 was the weakest since 2009.[1] The global economy, which had already weakened considerably in the winter months of 2015/16, first recovered noticeably from the middle of 2016 onwards. At 0.9 percent, the growth rate during the third quarter of 2016 was actually the highest for two and a half years.[2] The Kiel Institute's indicator for global economic activity, whose calculation is based on sentiment indicators in 42 countries, signalled a continued economic upturn in the fourth quarter of 2016.[3] The Institute for World Economy predicts a growth in world production of 3.1% for the whole of 2016.[4]

Growth in production accelerated in the advanced economies in summer, but the economic momentum remains moderate overall. GDP in the USA increased by an ample 0.8 percent in the third quarter, after very tentative expansion in the first half of the year. As well as a turnaround in inventory investments and an increase in exports, private consumption expanded strongly and remained a vital linchpin of the economy. The effects of the new occupancy of the office of US president on the economy are currently difficult to ascertain, but in the short term a more expansive financial policy could have a stimulating effect. The rise in share prices to new record highs in the weeks following the election reflects the expectations of considerable fiscal impulses.[5] In the third quarter Japanese GDP increased by 0.3% compared with the previous quarter. Consumer spending contributed significantly to growth, while investments decreased.[6]

Economic output in the Euro zone increased in the third quarter by 0.3 % compared with the previous quarter. Growth also began to affect the job market. Then unemployment went down to 9.8 % in October.[7] The negative effects of the Brexit vote would seem to be less severe than expected in the short term, but there is still great uncertainty regarding the long term. Since the vote in favour of leaving the EU, the UK economy has shown itself to be surprisingly robust, and share prices are actually considerably higher than they were mid-year.[8] Current sentiment indicators point to a continued moderate upswing.[9]

The economy in the newly industrialised countries also recently expanded altogether more strongly again, even though the problems in individual countries remain serious. GDP in China especially increased more quickly again, thanks to expansive economic policy. The government's target of 6.5% could be slightly exceeded as the year draws to a close. The speed of the decline in production in Russia reduced noticeably. On the other hand, economic activity in the third quarter in Turkey slumped dramatically: GDP shrank in the face of increasing political uncertainty, which led to a marked year on year decline in the tourism sector of 1.8 %, following growth of 3.1% in the second quarter. The picture in Latin America is contrasting: while the economy in Mexico and the Andes countries expanded considerably, Brazil, Argentina and Venezuela remained caught in a recession.[10]

Global industrial production continues its upwards trend. After the positive GDP figures for the third quarter the global leading indicators also point towards increased momentum.[11] While the Institute for World Economy predicts an increase of 3.5% in world production in 2017 and 3.6% in 2018,[12] the OECD expects growth of 3.3 % in 2017 and 3.6% in 2018. For the Euro zone, after anticipated growth of 1.6% in 2016, analysts expect 1.3% growth in 2017 due to the Brexit vote.[13] As commodity prices increase, Russia and Brazil are expected to come out of recession, and once again to show positive economic growth next year. China's economy continues to develop with a high but slightly diminishing growth rate.[14]

b. Economic environment in Germany

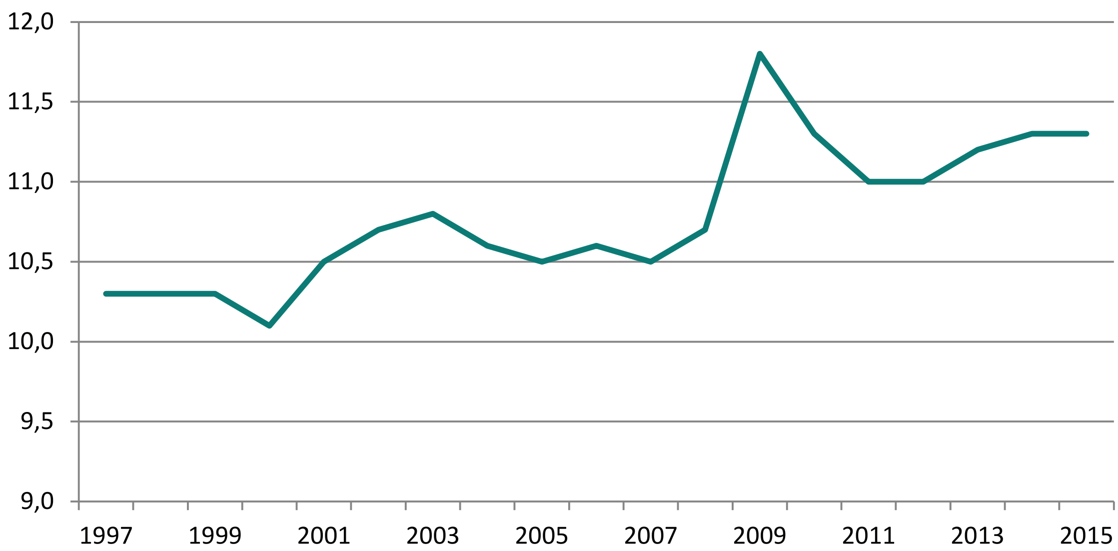
Despite the unstable international economic climate in 2016, the German economy was characterised by substantial steady economic growth. According to the first calculations of the German Federal Statistical Office, the price-adjusted GDP for 2016 was on average 1.9% higher year on year. In the two previous years GDP grew to a similar extent: in 2015 by 1.7 % and in 2014 by 1.6 %. A more long term analysis shows that economic growth in 2016 was half a percent above the annual average of 1.4% for the last ten years. Economic output was created by an annual average labour force of almost 43.5 million. That is the highest figure since 1991.[15]

Private and state consumer spending particularly had a positive influence on the economy from July until September.[16] Private consumer spending increased by 0.4% in the third quarter, and thus twice as much as in the previous quarter. Retail business developed especially well at the beginning of the fourth quarter. After weak development in the previous month, there was a very marked increase in retail sales of 2.5% in October, reaching the highest level for 25 years.[17] Overall price-adjusted consumer spending was 2% higher than one year previously.[18] However, in the next two years private consumer spending might not increase at quite the same rate, because consumer prices are set to increase again after the braking effects of oil prices dissipate, diminishing the purchasing power of private households.[19] State consumer spending actually increased considerably more, by 4.2%. This large increase can partly be accounted for by the influx of large numbers of refugees and the resulting costs. On the other hand, GDP growth in 2016 was slowed down by a reduction in inventories (- 0.4 percent points). Net exports, the difference between exports and imports, also had a slightly negative effect on balance on GDP growth figures (- 0.1 percent points).[20]

According to the Institute for World Economy, next year and the year after the rate of expansion will remain at a similarly high level, with rates of 1.7 percent (working day adjusted 2 percent) and 2 percent respectively.[21] This development continues to be characterised by a powerful internal momentum. The OECD announced that growth in Germany remains "solid". As positive influential factors it cites "the robust job market, low interest rates and slightly expansive fiscal policy", which will continue to stimulate consumer spending and investment in housing.[22]

Development of health expenditures as a share of GDP in Germany by 2015

in %



Source: Statistisches Bundesamt

c. The global pharmaceutical market

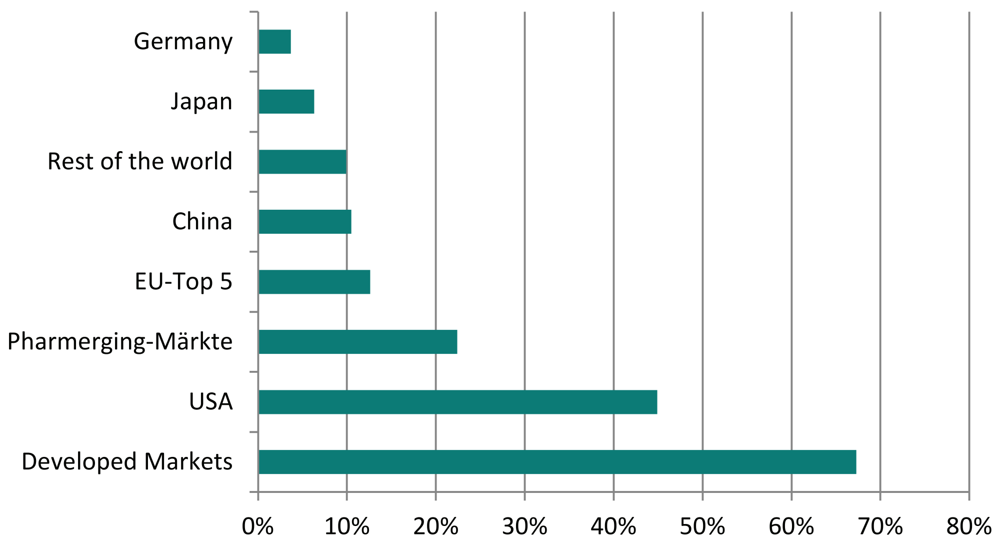
In the large industrial nations, modern lifestyles and increasing life expectancy are leading to an increased demand for medicinal treatment and new therapeutic fields. Growth regions such as the BRIC countries are increasingly attaining a standard of living which enables higher health expenditure. Due to increased life expectancy, more widespread access to medicines and technological progress, which in turn engenders innovative medicines, the pharmaceutical market is one of the growth sectors.[23]

Sales of medicinal products worldwide in 2015 totalled around 979 billion euros, around 1% more than the previous year. A little over 72 % of total sales on the global pharmaceutical market were generated in North America, Europe and Japan. Sales in North America increased by 11% to 416.6 billion euros. In 2015 alone this segment of the market represented around 43% of global pharmaceutical market sales. The European pharmaceutical market expanded by 7% to achieve sales of 217.2 billion euros. The analysis of EU-15 sales in 2015 shows that in absolute terms Germany, followed by France, the UK and Italy represent the largest European markets.[24]

Increased spending in poorer regions reflect their improved access to medical services. This is especially true for South and East Asia: here the intensification of factors such as rapid population growth, reduced infant mortality, increasing life expectancy and improved access to medical services is leading to long term growth in sales of pharmaceutical products.[25] In the five emerging countries – Brazil, Russia, India, South Africa and China (the BRICS countries), annual sales in the pharmaceutical industry have increased continually over the last three years. In 2015 sales of medicinal products reached around 110 billion euros, a year on year increase of 8%.[26]

Seen as a whole, the global healthcare market is a growth market with considerable potential for job creation. Even nowadays many diseases are still incurable, life expectancy is increasing and the changed consumer focus together with the desire for a better quality of life are increasing the demand for health-related services and products. An additional factor is that advances in medicine and pharmaceutics, especially in molecular and cell biology, are fundamental in spurring on innovation.[27] For the period 2016 to 2021, IMS Health predicts an increase in worldwide expenditure on medicinal products, reaching a total of around 1.5 trillion US dollars in 2021,[28] compared with growth of 182 billion US dollars between 2010 and 2015.[29] For the five largest European markets (Germany, UK, Italy, France and Spain) average annual growth of 1 % to 4 % is forecast.[30] The significance of the market for medicinal products in the BRICS countries will continue to increase.[31]

Distribution of worldwide pharmaceutical spending according to selected markets in 2021*



Source: IMS Health

* Prognosis

d. The German Pharmaceutical Market

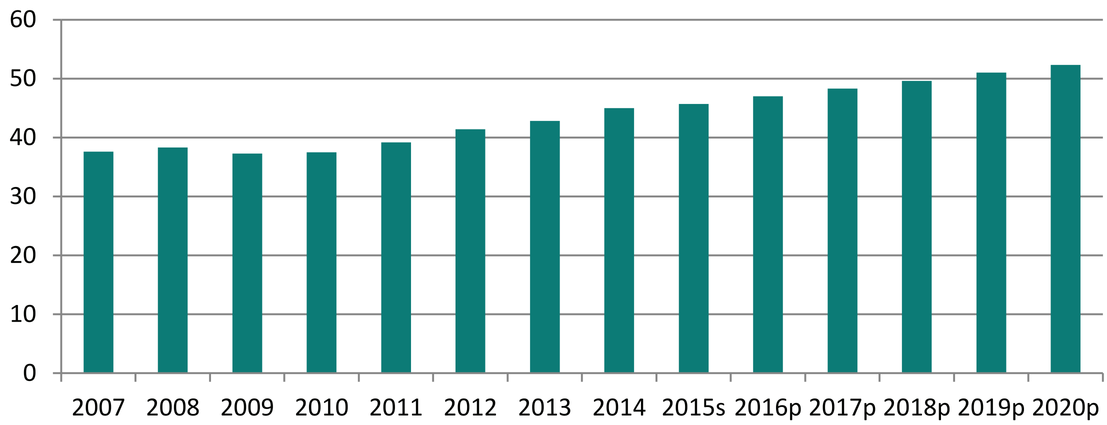
Demographic development presents the healthcare structure with an enormous challenge. The aging society in Germany, which is characterised by a structural shift towards more older and multi-morbid people and the chronification of lifestyle and nutrition-related diseases, is forcing healthcare policymakers to find long-term solutions. As well as increasing incomes and medical advances, the aging society is a fundamental reason for the increase in health expenditure, which boosts the health industry's share of GDP.[32]

The stabilising effect on the economy as a whole can to a large extent be attributed to the health industry. This encompasses companies whose main business is producing material goods for the health industry (e.g. medicinal products, diagnostic products and medical technical devices such as pacemakers and ultrasonic devices). The pharmaceutical industry is a vital pillar of industry in Germany and also of the whole health sector.[33] In 2015 the pharmaceutical industry in Germany manufactured products amounting to 29.6 billion euros in value.[34] With a turnover of 38.9 billion euros and a labour force of approximately 114,000, it is thus both a significant economic factor and a key provider of jobs.[35] In the cumulated period of the first eleven months of 2016, turnover in the German pharmaceutical market as a whole increased by around 4.1 % to 36.1 billion euros. Growth in volume of sales was 1.7 %. The pharmacy market, which dominates the market as a whole, was able to record an increase in turnover of 4 %, reaching 29.8 billion euros. In the first eleven months of 2016 the top ten medicinal product groups in the pharmacy market according to turnover recorded a total average market growth of 4 %. The highest growth was achieved by direct factor Xa inhibitors (anticoagulants; +33 %), followed by two product groups for cancer treatment (MAB antineoplastic agents +22 %; protein kinase inhibitors +17 %) and immunosuppressants (+11 %). Sales of antivirals (excluding HIV), a key part of which are innovative treatments for hepatitis C, decreased by 39 %.[36]

In the first eleven months of 2016 the state health insurance fund (GKV) registered cost savings generated by manufacturer and pharmacy discounts totalling 3.6 billion euros (+12%). The highest proportion of the state health insurance fund cost savings was generated by pharmaceutical manufacturers, whose discounts totalled 2.6 billion euros in the first eleven months. The 16% increase is due to increased discounts resulting from rebates. A further 943 billion euros (+1 %) were saved as a result of pharmacy discounts. Pharmaceutical manufacturers also give private health insurance companies discount on medical products supplied to the insured. This increased in volume in the period from January to November 2016 by 10% to 407 million euros due to markedly increased rebates.[37]

According to the Statista portal's current report, the outlook until 2020 is optimistic; they forecast an average annual growth rate of 2.7%, which would generate turnover of 52.3 billion euros in the pharmaceutical industry in 2020.[38] For the period from 2016 to 2021 the IMS Institute for Healthcare Informatics forecasts an average annual growth rate of 2% to 5% for the German medicinal product market.[39]

Projected sales development in the pharmaceutical industry in Germany
in Bn. Euro



Sources: Statista, Statistisches Bundesamt, IMF
s: forecast, p: prognosis

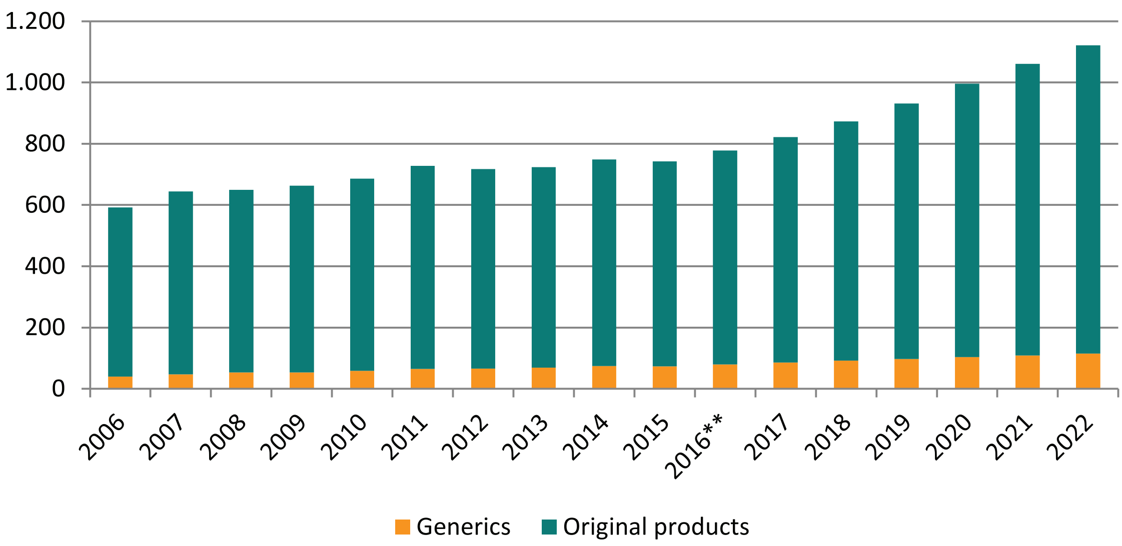
e. The Generics Market

Increased spending on medicinal products means that cost savings are also a key factor in keeping contributions stable in Germany. Over the last five years the availability of generics helped to keep costs down while average total spending increased. 77 % of all medicinal products issued on behalf of the health insurance funds in 2015 were generics.[40] The state health insurance fund (GKV) was able to save 14.52 billion euros in the first eleven months of 2016 by means of increased application of generics. According to the latest forecast of the trade association Pro Generika, the state health insurance fund will achieve savings totalling 15.84 billion euros in 2016, and a further 2.8 billion euros could have been saved by exploiting the whole generics market.[41]The health insurance funds are continually reducing their investment in the supply of generics: net spending on generics represents about 10 % of their actual costs for medicinal products.[42]

Generics are the most powerful factor in generating growth worldwide. In Latin America they constitute over 60 percent of the growth in spending on medicinal products. Also in the European market, with high generic penetration, they account for 46 percent of growth. The largest market share for generics (according to manufacturer's selling price) is in Poland at almost 55 percent, followed by Lithuania, Latvia and Croatia at over 40 percent. Germany is around the middle of the scale with a third of the market.[43] In its latest forecast the IMS Institute for Healthcare Informatics points out that the majority of the savings potentials from the application of generics in Europe has already been exhausted and that fewer patent expiries in the next five years will limit savings opportunities until 2020.[44]

Generics manufacturers have taken on a large role in supplying those in the state health insurance scheme with medicinal products. Turnover of generics increased in Germany – without taking discount from discount contracts into account – from January until October 2016 to 4.3 billion euros (manufacturer's selling prices).[45] The application of generics in the in-patient sector increased by 6% during the total period. At 2%, growth was weaker in the pharmacy market. It has to be noted here that the figures quoted relate to list prices. However, the majority of generics are "discounted", so that actual turnover is in fact lower.[46] In 2015 the ten leading generics manufacturers accounted for 55% of the turnover and 66% of package sales volume of all generics sold in the German pharmacy market. The market share in the whole pharmacy market for all generics was 30% in value and 53% in volume.[47]

Worldwide drug sales of prescription generics and original medicines in the years 2006 to 2022
in Bn. US-Dollar



Source: Evaluate

** As of this year, it is forecast figures based on the estimates of leading experts and analysts in the pharmaceutical sector.

f. EU Imported Medicinal Products

Despite increasing harmonisation in Europe, the European medicinal product market is divided into individual national markets. One consequence of this division is that prices differ. Parallel traders exploit these price differences by buying up original products in the member states of the European Economic Area (EU and Norway, Iceland and Liechtenstein) at low prices, and selling them in other European Economic Area countries. Although parallel traders have to cover considerable costs, for example for logistics and repackaging, arbitrage trading in medicinal products is a lucrative business – demonstrated by the noticeable increase in the volume of business in this segment of the European market in recent years. Re-imports on the other hand, are medicinal products which are produced in Germany and exported to other EU countries. There they are purchased at a low price and reimported into Germany. Because they are cheaper abroad than in Germany, the re-importer can offer them for sale at a price which is lower than the product price for the medicinal product sold directly in Germany.[48]

The fragmentation of the EU pharmaceutical market has resulted in a lucrative parallel trade. Its value for 2012 (manufacturer's price) was estimated at 5.5 billion euros.[49] The overall market value for EU medicinal product imports in Europe recently reached 5.7 billion euros (value for the 12-month period up to March 2015). Compared with 2014 (12-month period up to June 2014) the market expanded by about 3.6 %. Germany, the UK, the Netherlands, Ireland and Scandinavia make up 96% of the total European import market. With a market share of 54% according to value (value for the 12-month period up to March 2015), the German parallel import market has dominant significance within the European Economic Area. Following a long way behind are the UK, with a market share of 15%, and Sweden with 10 %.[50]

Whereas a few years ago a large volume of parallel imports was still being imported into Germany from the UK, nowadays an increasing volume of parallel imports come to Germany from South Eastern Europe. This development is also driven by massive reductions in costs in national health systems (Greece, Ireland and Spain among other countries). Furthermore, some Eastern European currencies (e.g. the Hungarian Forint) have lost value against the euro. Imports to Germany are selective and in special markets or areas of treatment: especially oncology and anti-psychotics. Over 40 % of all parallel imports come into these treatment area categories. Imports of EU medicinal products in Germany is especially supported by legislation: in the scope of the state health insurance system (GKV), pharmacies must derive at least five percent of their turnover from non-discount over the counter medicinal products from imported products. The price of imported medicinal products must also either be at least 15 euros or below the price of the original product.[51]

Because of the heterogeneous economic development, (basically positive economic development in Germany and the UK but no or only slight recovery in Southern Europe and other European countries), the difference in purchasing power between the individual European countries is set to increase. Thus a fundamental stimulus for parallel imports and exports – price differences and exchange rate fluctuations in individual markets – will remain accordingly, and could even become even stronger.[52]

2. Business Development

As a pharmaceutical manufacturer, the HAEMATO Group sells its own generic medicinal products as well as imported European medicinal products. In addition to this, the HAEMATO Group sells medicinal products licensed in Germany made by other manufacturers in the scope of its wholesale trade authorisation.

In 2016 turnover increased to EUR 275.61 million (previous year EUR 229.73 million). Turnover thus increased by 19.97 %.

The increase in turnover in 2016 was supported by extending the product range in the traditional wholesale trade in original products, extending the customer base and developing the sales markets. Optimising measures in logistics led to an acceleration of goods flow during the financial year, and thus to an increase in the stock turnover rate for these medicinal products. The annual net profit for 2016 was EUR 11.04 million (previous year EUR 5.54 million).

The HAEMATO Group and all its employees focus in the first instance in their daily work on the needs of the customer. Service, Quality and Reliability are the foundations of our customer focus, and at the same time the driving forces behind our continued growth.

3. Situation

a. Earnings situation of HAEMATO Group (IFRS)

The turnover of the company group was predominantly generated by parallel imports.

The cost of materials in relation to sales decreased from 93.4% in 2015 to 92.9 % in 2016.

The personnel cost ratio could be reduced in comparison with the previous year to 2.0 % (2015: 2.2 %). Our manpower situation is good.

b. Financial situation of HAEMATO Group (IFRS)

Our financial position can be assessed as very stable. Our financial management is designed to ensure the settlement of accounts payable within the payment deadlines, and to collect accounts receivable within payment targets.

Our capital structure is stable. Equity capital increased compared with 2015 from EUR 58,289,000 to EUR 63,092,000. The equity ratio decreased slightly from 54.48 % in 2015 to 54.03 % in 2016. As in the previous year, dividend payments remained constant at EUR 6,234,000.

Liabilities towards credit institutes comprise 17.91 % (previous year 26.75 %) of the balance sheet total. Liabilities towards credit institutes as of the balance sheet date have decreased by EUR 7,705,000 compared with the previous year. The maturities of the authorised loans could be extended in 2016, so that over 90 % of the liabilities towards credit institutes have maturities of over one year. In order to finance our sales transactions, we make use of the credit limits agreed with our banks. We have credit limits which are generally higher than we make use of.

Trade payables comprise 5.49 % of the balance sheet total. All trade payables can be settled within the payment deadlines.

Capital expenditure on property, plant and equipment is minimal. The main focus of capital expenditure will continue to be in the acquisition of licences.
Long term investments are covered by our equity capital.

Profit participation certificates constitute 4.5 % of the balance sheet total. As of the balance sheet date the HAEMATO AG holds its own profit participation certificates to the net value of EUR 103,000 (1,030 profit participation certificates x EUR 100). All profit participation certificate holders receive a dividend from the share in profits of the HAEMATO AG to the value of 9 % p.a. of the nominal value of their profit participation certificate. As of the balance sheet date the total value of profit participation certificates issued was EUR 5.3 million.
The liquidity position is satisfactory.
The financial development of the HAEMATO Group during the reporting period according to the cash flow statement using indirect calculation of the cash flow from ongoing operational activities breaks down as follows:

	2016 kEUR	2015 kEUR
Cash Flow from operating activities	12,753,7	3,028,8
Cash Flow from investment activities	52,3	-442,6
Cash Flow from financing activities	-5,464,2	-2,560,8
	7,341,8	25,4

c. Assets situation of HAEMATO Group (IFRS)

Compared with the position as of the balance sheet date of the previous year, the asset position of the HAEMATO Group remains good.

Compared with the balance sheet date of the previous year, inventories were reduced to EUR 37.9 million (comparison previous year: EUR 41.7 million). Fixed assets increased in total to EUR 57,342,000 (previous year: EUR 54,129,000). Accounts receivable trade decreased from EUR 4,725,000 to EUR 4,118,000 in the course of the financial year.

The liquidity position improved during the last financial year. In 2016 the HAEMATO Group had EUR 9.79 million (comparison previous year: EUR 2.45 million) in liquid funds available.

For the first time current assets include securities with an anticipated short term holding period, to a total value of EUR 4,270,000.

Our overall financial position is good.

d. Earnings situation of HAEMATO AG (HGB)

In the financial year 2016 the HAEMATO AG made an annual net profit of EUR 2,374,000 (previous year: EUR 2,363,000).

Sales revenues totalled EUR 12,700 (previous year: EUR 5,000) in the financial year 2016.

e. Financial situation of HAEMATO AG (HGB)

Financing of the HAEMATO AG is provided by equity capital totalling EUR 45,045,000 (previous year: EUR 48,905,000) and participation capital in circulation with a nominal value of EUR 5,312,000 (previous year: EUR 5,312,000).

As of 31 December 2016 the HAEMATO AG has liquid assets totalling EUR 325,000 (previous year: EUR 70,700).

At the end of the financial year 2015 the HAEMATO AG had an equity ratio of 79.05 %. During the financial year 2016 the equity ratio decreased to 74.57 %.

The reserves of the HAEMATO AG as of 31 December 2016 amount to a total of EUR 78,000 (previous year: EUR 70,000).

As of the balance sheet date the HAEMATO AG holds its own profit participation certificates to a total value of EUR 103,000 (1,030 profit participation certificates x EUR 100). All profit participation certificate holders receive a dividend from the share in profits of the HAEMATO Group to the value of 9 % p.a. of the nominal value of their profit participation certificate.

f. Assets situation of HAEMATO AG (HGB)

The asset position is dominated by the reduction in receivables due from affiliated companies to EUR 2,401,000, the increase in cash and cash equivalents of EUR 254,000 and securities held for the first time as current assets totalling EUR 3,500,000.

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

For our internal management control we use the key figures for return on equity, EBIT.

Return on equity before taxes for the financial year is 19.4 % (previous year 10.3 %).

EBIT is EUR 13,441,000 (previous year: EUR 8,223,000), EBITDA is EUR 15,247,000 (previous year: EUR 10,023,000).

The HAEMATO Group continues to operate successfully and the overall financial position is good.

III. Subsequent report

No events of particular significance took place after the end of the financial year.

IV. Outlook

We expect that the future development of the HAEMATO Group will continue to be positive. The pharmaceutical sector continues to offer large potential for growth in the generics and European imported medicinal products sectors, provided that service, price and quality are closely aligned with customer requirements. We cope with the risk of delivery bottlenecks by establishing several suppliers for the majority of products.

In the coming financial year 2017 we expect the volume of sales to increase.

We will also continue in the future to be able to meet our payment obligations on schedule.

V. Risk report

1. Risk report

a. Industry-specific risks

Constantly increasing regulatory legislation, severe pressure on margins in the pharmaceutical market, continual change in the parallel import market due to exchange rate risk and price differences in the procurement of medicines can have a negative influence on our turnover and earnings position.

b. Profit-related risks

Competitive risks have increased due to the arrival of new competitors in the industry. Because our products offer real cost and competitive advantages, we assume that our business risks have remained stable compared with the previous year. We expect to be able to expand our market shares further in the mid-term. However, extraordinary additional costs may be incurred in the course of further organisational optimisation measures.

c. Financial risks

Due to the stable liquidity and equity capital positions of our company group, there are currently no liquidity risks.

There are no substantial currency risks which could affect the assets, financial or earnings positions of the company group. Goods deliveries from foreign currency countries are processed and completed within very short deadlines.

The liquidity position is good; no difficulties are to be anticipated.

d. Risk management system

The HAEMATO Group uses a risk management system for the systematic identification of significant risks which might pose a threat to the continued existence of the company, in order to evaluate their effects and to prepare appropriate counter-measures.

The fundamental aim of the risk management system is to avoid financial losses, defaults and disruptions or to implement appropriate counter-measures without delay. In the scope of this system, the executive board and supervisory board are informed of risks in good time. In this process, monitoring liquidity and earnings development are important mechanisms for early recognition. Monitoring operative development and identifying timely deviations from planned business development is the responsibility of the controlling departments. Should it be necessary, those responsible in the specialist departments decide in collaboration with the executive board upon the appropriate strategy and measures required for controlling the risks.

2. Opportunities report

The healthcare market is and will continue to be a growth market. Due to our specialisation in oncology and treatment for HIV and other chronic diseases, we will participate in this growth.

From the point of view of procurement, we have a wide range of supply channels. In order to minimise business risks we diversify our sources of supply throughout Europe. We assure our high quality standards by means of a meticulous supplier qualification and selection process together with an active supplier management system.

We will continue to face up to the competition in the market, especially the increasing competition from suppliers in our segment, with experience, innovation, reliability and a high level of quality.

3. Summary statement

We envisage continuing risks to future development in the form of a difficult competitive environment, increasing purchasing prices and stagnating sales prices. However, with our financially stable background, we consider ourselves to be well-equipped to face and overcome future risks. At this point in time there are no recognisable risks which might endanger the continued existence of the company group.

VI. Risk report regarding the use of financial instruments

The main financial instruments which the company group has at its disposal include securities, receivables, liabilities and bank balances.

The company group has a solvent customer base. Defaults on receivables are an absolute exception. A credit insurance policy also covers potential defaults.

Accounts payable are settled within the agreed deadlines.

In the short term the company group finances transactions predominantly via supplier credit and via the credit limits of various banks.

In the management of the financial position the company group adheres to a conservative risk policy.

Insofar as financial asset value default and credit risks can be identified, the appropriate adjustments are made. In order to minimise default risks, the company group has an adequate credit management system. There is also a trade credit insurance policy. In addition to this, we always determine the credit rating of our customers before we embark on a new business relationship.

VII. Report on branches

The company group does not have any branches.

VIII. Closing statement pursuant to Article 312 Number 3 Paragraph 3 German Stock Corporation Act

Pursuant to Article 312 of the German Stock Corporation Act, the board of directors compiled a report about the relationships with affiliated companies, which contained the following closing statement: “Our company and its subsidiaries received reasonable consideration in all transactions in the light of the circumstances known to it at the time the transactions with the controlling company and with other associated companies were undertaken.”

Schönefeld, February 27, 2017

HAEMATO AG

Dr. Christian Pahl
Management Board

Consolidated financial statements

1. Consolidated balance sheet - Assets

as of 31 December 2016*

	Notes	2016 EUR	2015 kEUR
Cash	5.1	9,790,993.70	2,449
Trade receivables	5.2	4,117,689.75	4,725
Inventory	5.3	37,892,812.29	41,677
Securities	5.4	4,269,572.02	0
Other short-term financial assets	5.5	2,813,817.46	2,791
Other short-term assets	5.5	519,055.39	928
Income tax receivables	5.5	27,402.44	290
Short-term assets		59,431,343.05	52,860
Intangible assets	5.6	4,675,775.39	5,629
Company value	5.6	34,583,688.64	34,584
Tangible assets	5.6	1,178,465.00	1,307
Financial assets	5.7	16,768,893.26	12,474
Other long-term assets	5.8	135,489.95	134
Long-term assets		57,342,312.24	54,129
TOTAL ASSETS		116,773,655.29	106,989

* Accounting under IFRS

2. Consolidated balance sheet - Liabilities and Equity

as of 31 December 2016*

	Notes	2016 EUR	2015 kEUR
Accruals	5.9	7,187,195.51	4,309
Trade payables	5.10	6,410,293.60	5,684
Bank loan	5.10	1,911,595.27	21,636
Other short-term financial liabilities	5.10	812,837.19	539
Other short-term liabilities	5.10	12,387,306.16	3,420
Short-term liabilities		28,709,227.73	35,588
Accruals	5.11	13,373.16	21
Bond loan (participation certificate)	5.12	5,209,300.00	5,209
Bank loan	5.13	19,000,000.00	6,981
Deferred tax	5.14	750,116.72	902
Long-term liabilities		24,972,789.88	13,112
Share capital	5.15	20,778,898.00	20,779
Capital reserve	5.15	7,571,981.01	7,572
Legal reserve	5.15	1,155,154.89	1,155
Other revenue reserve	5.15	4,136,318.79	4,136
Balance sheet profit	5.15	29,449,284.99	24,646
Equity		63,091,637.68	58,289
TOTAL LIABILITIES		116,773,655.29	106,989

* Accounting under IFRS

3. Consolidated profit and loss summary account

for the period from 1 January to 31 December 2016*

	Anhang	2016 EUR	2015 TEUR
Sales	8.1	275,613,690.73	229,727
Increase in inventories of finished and unfinished goods		40.00	49
Other operating income	8.2	10,203,258.81	6,573
Cost of materials			
> Cost of purchased goods and services	8.3	-256,145,428.66	-214,455
Labour cost			
> Salaries		-5,056,602.81	-4,495
> Social insurance contribution		-948,036.49	-914
		-6,004,639.30	-5,409
Depreciation / Amortisation of intangible and tangibleassets	8.4	-1,805,312.63	-1,800
Other operational expenses	8.5	-8,420,208.92	-6,462
EBIT (earnings before interest and tax)		13,441,400.03	8,223
Interest and similar income	8.6	43,623.25	11
Income from investments		632,309.10	0
Depreciation on financial assets	8.7	0.00	-565
Interest and similar expenses	8.8	-1,858,166.00	-1,640
Financial result		-1,182,233.65	-2,195
EBT (earnings before tax)		12,259,166.38	6,028
Income tax	8.9	-1,207,192.17	-486
Other tax	8.10	-15,242.42	-3
Net profit / period income		11,036,731.79	5,540
Undiluted earnings per share (in EUR)		0.53	0.27

* Accounting under IFRS

4. Consolidated cash flow statement

for the period from 1 January to 31 December 2016*

	2016 EUR	2015 kEUR
Period result	11,036,731.79	5,540
Depreciation on fixed assets	1,805,312.63	1,800
Change in long-term accruals	-7,562.25	0
Change in short-term accruals	1,836,346.07	1,147
Other non-payment expenses and income	0.00	565
Change in time valuation	-9,656,945.13	-4,994
Change in inventory	3,784,358.56	-7,490
Change in trade receivables and other assets	991,803.44	4,947
Change in trade payables, other liabilities and accruals	568,872.64	-224
Profit / loss from the disposal of fixed assets	59,532.11	-899
Interest income / expenses	1,814,514.80	1,630
Other income from participations	-632,309.10	0
Income tax / expenses	1,207,192.17	486
Income tax payments	-81,141.45	523
Cash Flow from operating activities	12,753,734.23	3,029
Payments for the acquisition of intangible assets	-604,292.27	-364
Proceeds from the disposal of fixed assets	0.00	55
Payments for investments in fixed assets	-121,119.06	-486
Proceeds from the disposal of financial assets	154,596.00	6,778
Payments for acquisitions of financial assets	-7,785.70	0
Proceeds arising from the sale of consolidated companies and other business units	0	80
Payments arising from the acquisition of consolidated companies and other business units	-45,000.00	-6,515
Interest income	43,623.25	11
Investment income	632,309.10	0
Cash Flow from investment activities	**52,331.32**	**-443**
Proceeds from issuance of bonds and borrowing	2,400,000.00	0
Change in bank loans	-705,191.47	5,313
Interest expenses	-1,858,166.00	-1,640
Dividend paid	-5,300,866.78	-6,234
Cash Flow from financing activities	**-5,464,224.25**	**-2,561**
Cash Flow	**7,341,841.30**	**25**
Cash and cash equivalents on 01 January 2016/previous year	2,449,152.40	2,424
Cash and cash equivalents on 31 December 2016/previous year	9,790,993.70	2,449
Change in cash and cash equivalents	**7,341,841.30**	**25**

* Accounting under IFRS

5. Consolidated equity change account

as of 31.12.2016*

	Share capital EUR	Capital reserve EUR	Legal reserve EUR	Revenue reserve EUR	Balance sheet profit EUR	Total equity EUR
1. As of 1 January 2015	20,778,898.00	7,571,981.01	1,155,154.89	4,136,318.79	25.340.315,97	58.982.668,66
2. Period income	0.00	0.00	0.00	0.00	5.539.576,03	5.539.576,03
3. Dividends	0.00	0.00	0.00	0.00	-6.233.669,40	-6.233.669,40
4. As of 1 January 2016	20,778,898.00	7,571,981.01	1,155,154.89	4,136,318.79	24.646.222,60	58.288.575,29
5. Period income	0.00	0.00	0.00	0.00	11.036.731,79	11.036.731,79
6. Dividends	0.00	0.00	0.00	0.00	-6.233.669,40	-6.233.669,40
7. As of 31 December 2016	20,778,898.00	7,571,981.01	1,155,154.89	4,136,318.79	29.449.284,99	63.091.637,68

* Accounting under IFRS

6. Consolidated assets development

as of 31.12.2016*

	Acquisition cost					Cumulative depreciation / amortisation					Book values	
	As of 01.01.2016 EUR	Addition EUR	Disposal. EUR	Reclassification EUR	As of 31.12.2016 EUR	As of 01.01.2016 EUR	Depreciation EUR	Appreciation EUR	Disposal EUR	As of 31.12.2016 EUR	As of 31.12.2016 EUR	As of 01.01.2016 EUR
I. Intangible assets												
1. Intangible assets	14,848,260.22	604,292.27	-5,753.20	1,604.04	15,448,403.33	-9,219,172.01	-1,557,156.68	0.00	3,700.75	-10,772,627.94	4,674,775.39	5,629,088.21
2. Company value	34,583,688.64	0.00	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
	49,431,948.86	604,292.27	-5,753.20	1,604.04	50,032,091.97	-9,219,172.01	-1,557,156.68	0.00	3,700.75	-10,772,627.94	39,259,464.03	40,212,776.85
II. Fixed assets	1,997,796.98	121,119.06	-314.07	-1,604.04	2,116,997.93	-690,376.98	-248,155.95	0.00	0.00	-938,532.93	1,178,465.00	1,307,420.00
III. Financial assets	7,576,724.78	52,785.70	-2,381,771.66	0.00	5,247,738.82	4,897,416.15	-0.00	7,684,919.91	-1,061,181.62	11,521,154.44	16,768,893.26	12,474,140.93
TOTAL	59,006,470.62	778,197.03	-2,387,838.93	0.00	57,396,828.72	-5,012,132.84	-1,805,312.63	7,684,919.91	-1,057,480.87	-190,006.43	57,206,822.29	53,994,337.78

* Accounting under IFRS

Notes to the consolidated financial statement

Notes to the consolidated financial statements

for the period from 1 January to 31 December 2016

1. General Information

The HAEMATO AG was established on May 10, 1993. The company is registered in the commercial register of the local court Berlin-Charlottenburg under HRB 88633 and has its domicile in Berlin. Its business address is Lilienthalstr. 5 c, 12529 Schönefeld. The MPH Mittelständische Pharma Holding AG is the parent company of HAEMATO AG.

The HAEMATO Group operates in the pharmaceutical area.

The consolidated financial statements for the time period from January 1 to December 31, 2016 of HAEMATO AG was voluntarily prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied in the European Union. The values for the financial year 2016 are stated in EUR and for the previous year stated in kEUR. The new standards adopted by the IASB have been observed since the time they came into force.

The following standards and interpretations as well as modifications of existing standards must initially be applied in the financial year 2016, whereby this did not result in any significant impacts for the HAEMATO AG:

- Annual improvements (cycle 2012 - 2014) - various (to be applied for business years beginning on or after 1 January 2016)

- IFRS 14 - Regulatory accruals (Applicable for financial years beginning on January 1, 2016)

- IFRS 11 - Accounting for Acquisition of Non-Excessive Activities in Community Activities (to be applied for financial years beginning on January 1, 2016)

- Amendments to IAS 16 and IAS 38 - Clarification on permissible depreciation methods (to be applied for financial years beginning on January 1, 2016)

- Amendments to IAS 27 - Application of the equity method in individual financial statements (to be applied for financial years beginning on January 1, 2016)

- Amendments to IFRS 10, IFRS 12 and IAS 28 - Application of the Consolidation Exemption for Investment Companies (Applicable for financial years beginning on January 1, 2016)

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

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

The balance sheet of the HAEMATO Group has been prepared according to maturity aspects. Assets and debts, with realisation or redemption anticipated within twelve months after the balance sheet date, were classified as short-term in accordance with IAS 1. Deferred tax claims and deferred tax liabilities are each fully recognised in the long-term assets or long-term debts in accordance with IAS 1.56.

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

2. Basis of consolidation

Besides the HAEMATO AG, Sanate GmbH, Schönefeld, HAEMATO MED GmbH, Schönefeld, and HAEMATO PHARM GmbH, Schönefeld, have been included in the consolidated financial statements of HAEMATO AG for the current financial year from January 1 to December 31, 2016.

The consolidations performed are as follows:

- HAEMATO PHARM GmbH (from April 1, 2013, date of initial consolidation),
- HAEMATO MED GmbH (formerly Sanago GmbH - from May 22, 2013, date of initial consolidation),
- Sanate GmbH (from September 24, 2013, date of initial consolidation).

HAEMATO AG founded HAEMATO MED GmbH on May 22, 2013, resulting in no debit differences in the initial consolidation. The equity capital amounts to EUR 25,000.00.

HAEMATO PHARM GmbH founded Sanate GmbH on September 24, 2013, resulting in no debit differences in initial consolidation. The equity capital totals to EUR 25,000.00.

HAEMATO AG acquired the Castell Pharma B.V., Venray (Netherlands) in the course of the financial year 2013. As it is the case with all IFRS regulations, the global consolidation principle of IAS 27.12 is also subject to the "materiality reservation". Subsidiaries are not required to be included if they are of minor importance to the Group's financial position and results of operations. This regulation was made use of.

In association with a capital increase conducted at the HAEMATO AG, the HAEMATO AG has taken over all shares of the former HAEMATO PHARM AG, which now operates as HAEMATO PHARM GmbH. HAEMATO PHARM GmbH was acquired from the parent company. HAEMATO PHARM GmbH operates in the pharmaceutical area. The share capital amounts to EUR 500,000.00. HAEMATO PHARM GmbH has its own business operations as defined by IFRS 3. After deduction of identifiable net assets (assets less liabilities) a business or company value was set at kEUR 31.737. The consideration transferred includes, amongst others, advantages from expected synergies, growth in sales and from future market trends. These advantages, that can not be recognised separately from business or company value, result in the above mentioned goodwill.

The reported consolidated financial assets are inter alia equity instruments of listed companies, on whose business no authority to dispose exists.

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

Name and office of the company	Share %
▶ HAEMATO PHARM GmbH*, Schönefeld	100.00
▶ HAEMATO MED GmbH**, Schönefeld	100.00
▶ Castell Pharma B.V.***, Venray (Niederlande)	100.00
▶ Sanate GmbH****, Schönefeld	100.00
▶ HAEMATO ASIA Co. Ltd., Lam Luk Ka (Thailand)*****	40.00

* HAEMATO AG holds all shares of HAEMATO PHARM GmbH.

** HAEMATO AG holds all shares of HAEMATO MED GmbH.

*** HAEMATO AG holds all shares of Castell Pharma B.V.

**** HAEMATO PHARM GmbH holds all shares of Sanate GmbH.

***** HAEMATO PHARM GmbH holds 8,000 of 20,000 shares (40 %) of HAEMATO ASIA Co. Ltd.

The following companies were not consolidated:

- Castell Pharma B.V.,
- HAEMATO ASIA Co. Ltd.

Subsidiaries need not to be included if they are of subordinate significance for the revenue, financial and asset situation of the corporation. This regulation was utilised.

3. Consolidation principles

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

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

Receivables and debts between the consolidated companies as well as Group internal sales revenues, other Group internal revenues as well as the corresponding expenses are consolidated. Intercompany profits and losses are eliminated.

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

4. Estimates and assumptions

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

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

The determination of the fair values of assets and liabilities is based on the evaluations of the management.

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

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

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

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

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

▶ 5.1 Cash and bank balances

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

▶ 5.2 Trade receivables

Trade receivables, amounting to a total of kEUR 4,118 (previous year: kEUR 4,725), are recognised with application of the effective interest method minus any impairments. Impairment losses are recognised, if, as a result of one or more events, that occurred after the initial recognition of the asset, there is an objective indication of an impact on the expected future cash flows. The criteria, that leads to an impairment of trade receivables, relates to the default probability of receivables and to the estimated creditworthiness of customers.

▶ 5.3 Inventory

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

▶ 5.4 Securities

The securities held as current assets include shares in affiliated companies with the aim of short-term sales. They are measured at fair value, the fair value at the reporting date. The changes to the acquisition and production costs were recognized in the income statement.

▶ 5.5 Other short-term assets

The other short-term financial assets include only credits and receivables. Credits and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are evaluated according to the effective interest method at amortised cost minus impairments. The other short-term financial assets are recognised in the balance sheet at the date when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised if the contractual rights to cash flows from a financial asset expire or if the financial asset and all major risks and opportunities connected with the ownership of the given asset are transferred to a third party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

▶ 5.6 Tangible and intangible assets

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

The scheduled depreciations are carried out on a straight-line basis. The depreciations correspond to the pattern of consumption of the future economic benefits. The tangible and intangible assets are depreciated on a straight-line basis over various periods of useful life (three to 15 years).
In the case of the book value exceeding the foreseeable recoverable amount, an impairment to this value is undertaken in accordance with IAS 36. The recoverable amount is determined from the net proceeds from revenue or – if higher – the cash value of the estimated future cash flow from the utilisation of the item or asset.

A business or company value that was acquired by means of a company merger may not be amortised. Instead the acquirer must allocate it to cash-generating units of the Group and review it for impairment in accordance with IAS 36 at least once a year or more frequently if occurrences or changed circumstances indicate that an impairment could have occurred.

If the recoverable amount of a cash-generating unit is less than its book value, the impairment loss is allocated first to reduce the book value of the business or company value allocated to the unit and then to the other assets of the unit pro rata. Any impairment loss for the business or company value is recognised directly in profit or loss. An impairment loss recognised for the business or company value is not reversed in subsequent periods. The business or company value reported in the consolidated balance sheet of kEUR 34,584 was fully allocated to the pharma segment of HAEMATO PHARM GmbH as a cash-generating unit. With a view to improve clarity, the advance payments are shown different from the previous year under intangible assets or fixed assets. The previous year's figures were adjusted accordingly.

▸ 5.7 Financial assets

Under financial assets equity instruments of companies listed on the stock exchange are recognised. The shares were assigned to the category "recognised in profit or loss at fair value". The subsequent evaluation of the equity instruments was carried out at the market value on the relevant balance sheet date.

▸ 5.8 Other long-term assets

The long-term assets consist of deposits provided that are assessed at the nominal value of the deposits.

▸ 5.9 Other provisions

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

The table of provisions is the following:

As a result of a current tax audit for the years 2001 to 2005, the fiscal authority is refusing to recognise the tax loss carried forward up to August 2, 2005 due to a loss in commercial identity at this time in accordance with § 8 section 4 KStG/§ 10a GewStG. We do not agree with the legal opinion that has been communicated by the fiscal authority and even the Bundesfinanzhof (Federal Fiscal Court) decided otherwise in a similar case. For this reason, we have not created any tax accruals or provisions for the financial years concerned. The lawsuit has turned out to our favour. However, the financial authority tries to deny the losses carried forward for the assessment year 2003. At the moment we are engaged in an opposition procedure, if necessary, we will pursue all legal channels. As a result of changed legal verdicts, the tax authority took a portion of the previously not accepted losses into consideration in March 2009. The maximum risk now stands at kEUR 154.

▸ 5.10 Short-term liabilities

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

The other financial liabilities are mainly interest liabilities resulting from participation certificates in circulation on the balance sheet date that are not held by HAEMATO AG. The miscellaneous short-term liabilities amount to kEUR 12,387 (previous year: kEUR 3,420). These are mainly liabilities for salaries and turnover tax.

▸ 5.11 Long-term provisions

The long-term provisions relate mainly to the part of the provisions for document safekeeping obligations with a remaining period of more than one year.

▸ 5.12 Bonds (Participation Certificate of HAEMATO AG)

Under the item bonds issued participation certificates are shown. Participation certificate capital is a mezzanine financial instrument that presents equity capital elements as well as borrowed capital elements. In accounting in accordance with IFRS, only a presentation as borrowed capital is possible. Under ISIN

	1.1.2016	Used	Released	Added	31.12.2016
Accruals	kEUR	kEUR	kEUR	kEUR	kEUR
Taxes	0	0	0	1.015	1.015
Cost of auditing and annual financial statements	58	-56	-2	50	50
Personnel / vacation entitlements	87	-87	0	88	88
Supervisory board remuneration	20	-20	0	20	20
Other	4,144	-1,453	-3	3,326	6,014
	4,309	-1,616	-5	4,499	7,187

DE 000A0EQVT2, a tranche amounting to million EUR 23.6 is traded on the Frankfurt Stock Exchange in the open market segment. All holders of the participation certificate receive a payout of 9 % of the nominal value prior to the profit share payout for HAEMATO AG shareholders from 2010 onwards. The participation certificates are made out in the name of the bearer and are divided into 500.000 parcels with a nominal value of EUR 100.00. The sale of participation certificates was discontinued in 2006. In the financial year 2011 the company decided to cancel repurchased participation certificates amounting to a value of million EUR 8.3, meaning that the amount of participation certificates issued on the balance sheet date was reduced to million EUR 5.3. On the balance sheet date HAEMATO AG held their own participation certificates amounting to a total nominal value of kEUR 103.0 (1.030 participation rights x EUR 100).

▸ 5.13 Long-term liabilities

Long-term liabilities to credit institution are balanced on application of the effective interest method.

▸ 5.14 Deferred tax claims and deferred tax liabilities

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

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

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

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

As of the reporting date no active deferred tax were reported.

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

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

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

However, a deferred tax liability is recognised in taxable temporary differences in conjunction with shareholdings in subsidiaries unless the point of time of the reversal of the temporary differences can be controlled by the company and it is probable that it will not occur in the foreseeable future. The deferred taxes on December 31, 2016 relate to the following issues:

Temporal differences	31.12.2015 kEUR	Recognised in profit and loss kEUR	Not recognised in profit and loss kEUR	31.12.2016 kEUR
> Valuation of intangible assets	839	-232	0	607
> Fair value measurement of existing financial instruments	60	80	0	140
> Valuation of foreign currencies as of the balance sheet date	3	0	0	3
Deferred tax liabilities	902	-152	0	750

In connection with the fair value assessment of existing financial instruments, it was necessary to carry deferred taxes as liabilities. The amount by which the fair values exceed the tax balance sheet values is kEUR 581 (previous year: kEUR 250). On application of the effective tax rate of 24.225 % (previous year: 22,825 %) and other components, this results in a deferred tax liability amounting to kEUR 141 (previous year: kEUR 60).

In addition, as of the reporting date there is a deferred tax liability of kEUR 3 (previous year: EUR 3) from the valuation of assets and liabilities denominated in foreign currency at the average spot exchange rate.

The remaining deferred taxes (effective tax rate of 24.225 %), amounting to kEUR 719 as of the balance sheet date (previous year: kEUR 839), result from the initial consolidation of an acquired subsidiary in 2009 res. 2013. Within the scope of initial consolidation intangible assets were disclosed with a total book value of kEUR 2,505 as of December 31, 2016 (previous year: kEUR 3,461).

▸ 5.15 Equity

The company‘s ordinary share capital amounting to EUR 20,778,898.00 is divided up into 20,778,898 no-par shares with a calculated nominal value of EUR 1.00 each. 2005, equity was upgraded by million EUR 6.75 by converting reserves of which million EUR 2.0 stemmed from contributions of shareholders (withdrawal from capital reserves) and million EUR 4.75 from the company’s profit already paid taxes for. 235,066 new shares were issued in the first quarter of 2007. In this respect reference is made to the resolution of annual general meeting of July 18, 2005, authorising the management board, subject to the consent of the supervisory board, to increase the share capital. Thereby, the subscription (as for senior shareholders) or issue price amounted to EUR 6.00 per share each. The difference between the subscription and issuing price and nominal value of EUR 5.00 per share was stated as capital provision. 2011 another capital increase was realised in share capital amounting to million EUR 4.6 by converting reserves of which million EUR 1.1 stemmed from contributions of shareholders (withdrawal from capital reserves) and million EUR 3.5 from the company’s profit already paid taxes for (withdrawal from revenue reserves).

In the first quarter 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 shares in form of bearer shares against contribution in kind, utilising the Authorised Capital 2012 and with regard of § 4 par. 6 of the statutes.

According to the resolution of the annual general meeting from May 30, 2013 the management board was authorised upon approval by the supervisory board to increase the share capital until May 29, 2018 by issuing new shares, on one or more occasions, against contribution in kind or cash contribution, but in total not more than by EUR 10,389,449.00 (authorised capital).

Conditional capital 2013: To adjust the authorisation to the share capital of the company increased in March 2013, the management board was authorised, according to the resolution of the annual general meeting of May 30, 2013, to issue until 29 May 2018, on one or more occasions, registered or bearer options or convertible bonds, profit participation rights or participating bonds res. combinations of these instruments up to a total of EUR 50,000,000.00 with or without limitation of maturities and to grant or impose option or conversion rights to the holders or creditors of bonds for registered shares in the company representing an proportionate amount of the capital stock in a total of EUR 4,989,449.00 as further specified in the terms and conditions of the bonds. For this purpose, the share capital was increased conditionally by up to EUR 4,989,449.00 by issuing up to 4,989,449 new bearer shares.

The revenue from the sale of own shares in 2006 till 2007 res. 2013 are stated in the other revenue reserves that have not been recorded in the Group profit and loss account, but rather directly in equity. As of the balance sheet date HAEMATO AG holds 0 of its own shares.

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

6. Statement of fixed assets

The composition and development of the fixed assets is presented in the table “Consolidated assets development”.

7. Contingent liabilities and other financial obligations

HYPO NOE Group Bank AG is liable as a joint borrower with MPH Mittelständische Pharma Holding AG in connection with a debt loan loan of EUR 7 million. This loan was paid to MPH Mittelständische Pharma Holding AG. This loan was fully utilized by MPH Mittelständische Pharma Holding AG as of the balance sheet date.

HAEMATO AG is the joint borrower with MPH Mittelständische Pharma Holding AG in connection with a debt loan loan of EUR 3 million. This loan was paid to MPH Mittelständische Pharma Holding AG. This loan was fully utilized by MPH Mittelständische Pharma Holding AG as of the balance sheet date.

Towards the Raiffeisenlandesbank Niederösterreich-Wien AG, HAEMATO AG is liable as a joint borrower with MPH Mittelständische Pharma Holding AG in connection with another debt loan loan of EUR 4 million. This loan was paid to MPH Mittelständische Pharma Holding AG. This loan was fully utilized by MPH Mittelständisches Pharma Holding AG as of the balance sheet date.

We assume the utilisation from contingent liabilities as low due to the present creditworthiness and the beneficiaries' previous payment practices. There are no recognisable indications that would require a different assessment.

The other financial obligations are within the scope of ordinary business.

8. Information on the consolidated profit and loss summary account

Principles of revenue recognition

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

Segment reporting in accordance with IFRS 8

IFRS 8 requires from companies the reporting of financial and descriptive information in relation to its segments with reporting obligations. Segments with reporting obligations represent business segments which fulfil specific criteria. Business segments are enterprise operating units for which separate financial information is existent. The segment reporting must therefore be inevitably oriented to the internal reporting system of the company (management approach). The internal governance of the company thus provides the basis for the segment reporting.

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

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

Products and services

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

Geographic information

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

Key customers

Of the direct sales achieved in the pharma segment amounting to kEUR 275,614 (previous year: kEUR 229,727), kEUR 9,060 (previous year: kEUR 7,722) relate to sales with the Group's largest customers.

In the financial year 2016 no single customer accounted for more than 5 % of the total Group revenues.

Expenses and gains of the financial year are accounted for – regardless of the time of their payment – when they have been realised. Revenues from the sale of assets and revenues from services are realised when the major chances and risks have passed and the amount of the expected return service can reliably be estimated.

▶ 8.1 Sales

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

▶ 8.2 Other operating income

The other operating income amounts to a total of kEUR 10,203 (previous year: kEUR 6,573), of which kEUR 0 (previous year: kEUR 0) relate to profits resulting from sales of subsidiaries. From the fair value valuation of financial assets relate kEUR 9,657 (previous year: kEUR 4,994) to the other operating income.

▶ 8.3 Material expenditures

The item material expenditure comprises all expenditure incurred in association with the purchase of pharmaceuticals.

▶ 8.4 Amortisations

The amortisations include scheduled amortisations on tangible assets and intangible assets amounting to kEUR 1,805 (previous year: kEUR 1,800). The tangible assets and the intangible assets are amortised on a straight-line basis over their different useful lives (three to 15 years).

▶ 8.5 Other operating expenses

Other operating expenses amounting to a total of kEUR 8,420 (previous year: kEUR 6,462), relate to a variety of single items. In particular, this includes rents, insurances and charges, repair and maintenance, advertising costs and travel expenses, legal and advisory costs and other operating expenses.

▶ 8.6 Other interest and similar income

The interest results from the granting of loans or from the investment of liquid assets at German credit institutions.

▶ 8.7 Depreciation of financial assets

Depreciation on financial assets from measurement at fair value was not incurred in the fiscal year (previous year: kEUR 355).

▶ 8.8 Interest and other expenses

The interests include expenses for interests of loans used res. interest payments spent on participation certificates placed in 2005 or 2006. The overall expenses total kEUR 1,858 (previous year: kEUR 1,640), thereof kEUR 469 (previous year: kEUR 469) account for the interest paid on the outstanding participation certificates as of the balance sheet date that are not held by HAEMATO AG.

The net results from the financial instruments according to IAS 39 are as follows:

	Interest income + dividends 2016 kEUR	Interest income + dividends 2015 kEUR	Interest expenses 2016 kEUR	Interest expenses 2015 kEUR
Cash equivalents (other financial assets)	0	0	0	0
Credit and receivables (other financial assets and liabilities)	44	11	-469	-469
Liabilities recognised at amortised acquisition costs (other financial liabilities)	0	0	-1,389	-1,171
▶ Total net result	44	11	-1,858	-1,640
▶ recognised through profit and loss	44	11	-1,858	-1,640

▶ 8.9 Income Tax

The position is categorised as follows:

	2016 EUR	2015 EUR
Tax expenditures of the current period	-1.358,576.39	660.049,14
Deferred tax expenditures from valuation differences	-140.719,59	-60.489,56
Deferred tax revenue from valuation differences	292.103,81	234.721,30
	-1.207.192,17	-485.817,43

The calculation of the deferred taxes is carried out company-related on application of different tax rates. With reference to IAS 12.81 c, the following tax rates are applicable:

	ab 2014 %	bis 2013 %
Legal effective tax rate, Schönefeld	24,225	22,825

The statutory effective tax rate includes the corporation tax and the solidarity surcharge (effective rate: 15.825 %) as well as the business tax (effective rate: 8.400 %).

▶ 8.10 Other taxes

The other taxes are inter alia comprised of vehicle tax.

9. Earnings per share

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

This results in the following:

	2016 EUR	2015 EUR
Profit for the financial year attributable to the equity holders of the parent company	11,036,731.79	5,539.576,03
Number of shares (weighted average)	20,778,898	20,778,898
Earnings per share	0,53	0,27

10. Information on members of the corporate bodies

10.1 Management board

Surname	First name	Position	Authority to act	Profession
Dr. Pahl	Christian	Board Member	Authorised to act solely	Master of Business Administration

10.2 Supervisory board

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

The total remuneration of the supervisory board in the financial year 2015 was kEUR 45 (previous year: kEUR 45).

11. Number of employees

An average staff of 181 were employed by HAEMATO Group in the reporting period (previous year: 173).

Industrial employees	Employees	Managerial employees	Sum
109	72	11	181

12. Information on financial instruments according to IFRS 7

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

Income Category	2016 kEUR	2015 kEUR
Receivables	44	11
Financial assets at fair value	9,657	4,994

The yields from credits and receivables are included in the interest returns. The yields from financial assets measured at fair value relate at kEUR 9,657 (previous year: kEUR 4,994) are income from appreciation of financial assets.

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

Expenditures Category	2016 kEUR	2015 kEUR
Liabilities recognised at amortised acquisition costn	1,858	1,640

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

12.1 Risk management policy and securing measures

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

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

The HAEMATO Group is exposed to general risks that could emerge due to changes in framework conditions as a result of legislation or from other directives. Since the business activities of the HAEMATO Group are essentially limited to Germany and such changes do normally not occur suddenly and surprisingly, as a rule, there is sufficient reaction time to react to changes.

Furthermore, risks emerge from investments in financial assets. Hereby fluctuation of financial assets can result depending on the respectively valid stock exchange prices as of the accounting date.

▸ 12.2 Debt and interest risk

The corporation has borrowed capital for the operative implementation of its business model. In 2016 bank liabilities of HAEMATO PHARM GmbH have reduced to kEUR 20,912 (previous year kEUR 28,617). Of this, TEUR 19,000 is long-term liabilities to credit institutions. Due to the low rate of interest, risk of changing interests are limited.

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

	Utilisation in kEUR	Conditions
Loan of kEUR 4,000	1,912	3-month-Euribor + 1,50 % p.a.

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

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

An increase in the rate of interest of the variable interest-bearing bank liabilities of the HAEMATO Group amounting to a total of kEUR 14,000 by 1 % leads to a rise in interest expenses by kEUR 140. A reduction of the interest of the variable interest-bearing bank liabilities of the HAEMATO Group by 1 % leads to a reduction of the interest expenses by kEUR 140.

The remaining financial liabilities are not subject to the risk of changes in interest, as the conditions are firmly agreed until the end of the term.

12.3 Fair values of financial instruments

Assets

31.12.2016 kEUR	short-term Trade receivables	short-term Other short-term financial assets	short-term Cash and equivalents	Total book values	Fair value
Financial assets measured at amortised cost	4,088	2,814	9,791	16,693	16,693

31.12.2015 kEUR	short-term Trade receivables	short-term Other short-term financial assets	short-term Cash and equivalents	Total book values	Fair value
Financial assets measured at amortised cost	4,725	2,791	2,449	9,965	9,965

The total sum of the book values res. of the fair values of the evaluated short-term securities amounted to a total of kEUR 4,270 at the balance sheet date (previous year: kEUR 0).

The total sum of the book values res. of the fair values of the evaluated financial investments amounted to a total of kEUR 16,769 at the balance sheet date (previous year: kEUR 12,474).

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

Liabilities

31.12.2016 kEUR	short-term Liabilities to credit institutions	short-term Trade payable	short-term Other financial liabilities	long-term Liabilities to credit institutions and bonds	Total book values	Fair value
Financial liabilities measured at amortised cost	1,912	6,410	813	24,209	33,344	33,344

31.12.2015 kEUR	short-term Liabilities to credit institutions	short-term Trade payable	short-term Other financial liabilities	long-term Liabilities to credit institutions and bonds	Total book values	Fair value
Financial liabilities measured at amortised cost	21,636	5,684	539	12,190	40,049	40,049

Exchange rate risks

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

	Assets		Liabilities	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Foreign currency	kEUR	kEUR	kEUR	kEUR
Norway (NOK)	46,7	0,5	0,0	814,7
Great Britain (GBP)	55,7	34,7	0,0	176,5
Poland (PLN)	40,2	12,0	0,0	0,0
Romania (RON)	0,1	0,1	0,0	0,0
Denmark (DKK)	33,6	182,0	11,5	1,0

Other price risk

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

Risk from payment defaults

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

Liquidity risk

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

The expected cash flows of the financial liabilities (undiscounted redemption and interest payments) until December 31, 2016 and until December 31, 2015 are demonstrated in the following tables. Thereby the interest payments were not considered.

	Book values 31.12.2016 kEUR	Cash Flow up to 1 year kEUR	Cash Flow > 1 year to 5 years kEUR	Cash Flow > 5 years kEUR
Financial liabilities valued at amortised acquisition costs				
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

	Book values 31.12.2015 kEUR	Cash Flow up to 1 year kEUR	Cash Flow > 1 year to 5 years kEUR	Cash Flow > 5 years kEUR
Financial liabilities valued at amortised acquisition costs				
Accruals	4,330	4,309	21	0
Interest-bearing financial liabilities	33,826	21,636	6,981	5,209
Non-interest-bearing financial liabilities	6.223	6.223	0	0

The financial liabilities bearing no interest relate at kEUR 6,410 (previous year: kEUR 5,684) to the liabilities resulting from deliveries and services as well as at kEUR 813 (previous year: kEUR 539) to the other short-term financial liabilities.

Consolidated cash flow statement

The consolidated cash flow statement shows how the funds of the HAEMATO Group have changed in the course of the reporting year due to cash inflow and outflow. In this consolidated cash flow statement, the cash flows are structured according to operating, investment and financing activities. The financing funds include short-term available liquid assets amounting to kEUR 9,791 (previous year: kEUR 2,449).

13. Information on fees for the auditor

For the expected fees of auditor Harry Haseloff provisions to the amount of kEUR 50 for final examinations were formed for the financial year 2016.

14. Information on relationships with related companies and persons

As closely associated companies and persons according to IAS 24 “Related Party Diclosures” basically members of the management board and supervisory board, their close relatives, not fully consolidated subsidiaries as well as companies, which belong to the consolidated companies of the MPH Mittelständische Pharma Holding AG, are considered. Regarding management board and supervisory board we refer to section (10). These closely associated companies and persons were not involved in any unusual transactions of their kind and quality with companies of the HAEMATO Group. All transactions between closely associated companies were concluded under normal market conditions, as between unrelated third parties.

If financial assets or liability terms result from the transactions with these companies, they will be recognised under other financial assets or other liabilities.

The following business transactions were performed with closely associated companies and individuals:

Receivables / Liabilities / to closely associated companies and individuals	31.12.2016 kEUR	31.12.2015 kEUR
Receivables to closely associated legal persons	30	455
Liabilities to closely associated legal persons	9,421	1

Transactions to closely associated companies and persons	31.12.2016 kEUR	31.12.2015 kEUR
Provision of goods and services	6,463	2,680
Received goods and services	19,094	13,986
Other operating expenditures	213	792

15. Events after the financial statement date

No essential events have occurred after the financial statement date until April 5, 2017.

Schönefeld, April 5, 2017

Dr. Christian Pahl
(Management Board)

14. Audit's opinion

„I have audited the consolidated financial statements established by HAEMATO AG – consisting of consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement and statement of changes in consolidated equity as well as the Group management report for the financial year from January 1, 2016 to December 31, 2016. The establishment of the consolidated financial statements and the Group management report according to the International Financial Reporting Standards (IFRS), as applicable in the EU, and the complementary applicable regulations of trade law according to § 315a par. 3 in connection with par. 1 HGB lies within the responsibility of the legal representatives of the company. My task is to provide a judgment on the consolidated financial statements on the basis of the examination conducted by me.

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

Within the auditing, the effectiveness of the accounting-related internal control system and evidence for the information in the consolidated financial statements and the Group management report are evaluated mainly on the basis of samples. The audit comprises the judgment on the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the basis of consolidation, the accounting and consolidation principles applied and the essential opinions of the legal representatives and the assessment of the global presentation of the Group financial statements and the Group management report.

My audit has led to no objections.

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

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

Berlin, April 7, 2017

Dipl.-Kfm. Harry Haseloff
Auditor

DIPL.-KFM. HARRY HASELOFF * BERLIN * WIRTSCHAFTSPRÜFER SIEGEL

Further information

1. The share

Classes of shares	Bearer shares
WKN / ISIN	619070 / DE0006190705
Number of shares	20,778,898
Stock symbol	HAE
Listing	Frankfurt Stock Exchange
Stock market segment	Open Market
Designated Sponsor, Listing Partner	ICF Kursmakler AG
Nominal capital	20,778,898.00 EUR
First day of trading	05.12.2005
Specialist	ODDO SEYDLER BANK AG

2. The participation certificate

WKN / ISIN	A0EQVT / DE000A0EQVT2
Stock symbol	HAE1
Type / Certification	Bearer instruments, global certificate
Initial listing	2005
Basic value per certificate	100 EUR (minimum investment)
Maturity	Unlimited term
Annual distribution	9.00 % p.a. relating to nominal value of the participation certificate (depending on balance sheet profit of HAEMATO AG)
Date of payment	Subsequently on first bank working day following the annual general meeting of HAEMATO AG
Market place	Frankfurt Stock Exchange

3. Glossary

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

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

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

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

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

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

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

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

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

GKV
Statutory health insurance: forms part of the german health system and is mandatory for all of the employees, whose annual remuneration is below the mandatory threshold for health insurance, and for many other person.

Oncology
Oncology is the science dealing with cancer.

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

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

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

rx-bound drugs
is an adapted spelling of the symbol, that originates from the medieval manuscripts and stands for „recipe“ („take“). In the Anglo-Saxon area the term refers to prescription medicine.

4. Sources

1 cf. Bundesministerium für Wirtschaft und Energie: Schlaglichter der Wirtschaftspolitik, Monatsbericht 01-2017, p. 34
2 cf. Institut für Weltwirtschaft: Kieler Konjunkturberichte - Weltkonjunktur im Winter 2016, p. 2
3 cf. id.
4 cf. id.
5 cf. id., p. 3
6 cf. Bundesministerium für Wirtschaft und Energie: Schlaglichter der Wirtschaftspolitik, Monatsbericht 01-2017, p. 35
7 cf. id.
8 cf. Institut für Weltwirtschaft: Kieler Konjunkturberichte - Weltkonjunktur im Winter 2016, p. 6
9 cf. Bundesministerium für Wirtschaft und Energie: Schlaglichter der Wirtschaftspolitik, Monatsbericht 01-2017, p. 35
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