

23/03/2016 - GBC Executive Interview with Dr. Christian Pahl, Member of the Management Board of MPH Mittelständische Pharma Holding AG

Company: MPH Mittelständische Pharma Holding AG^{*5a,6a,11}

ISIN: DE000A0L1H32

Occasion of the executive interview: Publication of the preliminary results 2015

Analyst: Cosmin Filker

Stock quote: €2.45 (XETRA 22/03/2016; XETRA closing price)

Target price: €5.10

Rating: BUY

Date of completion/publication: 23/03/2016

*Potential conflicts of interest on page 5

With the publication of preliminary results for the preceding financial year 2015 MPH Mittelständische Pharma Holding AG announces sales growth to €264 million (previous year: €219.25 million). For the first time MPH reports as an investment entity according to IFRS 10. The preliminary IFRS net income from the transitional consolidation reporting amounts to about €87 million (previous year: €8.45 million). The preliminary IFRS earnings per share totalled approximately €2 (previous year: €0.19).

The analyst of GBC, Cosmin Filker, has talked to the Management Board member, Dr. Christian Pahl, about the development in 2015 as well as the future potentials.

GBC AG: Dr. Pahl, with sales of €264 million a growth of about 20 % was achieved. What are the key factors for this success?

Dr. Pahl: Our investments HAEMATO AG and M1 Beauty AG expanded their market share. This shows the customer satisfaction in these areas.

GBC AG: In the preceding financial year MPH generated a profit of 87 million Euro. How was that possible?

Dr. Pahl: In the last years MPH has evolved into an investment entity. Shares in HAEMATO were sold. Shares in CR Capital Real Estate AG were bought. The M1 Beauty AG was founded and was established as a market leader in important segments of the aesthetic medicine and plastic surgery. With the financial statements of 2015 we change over to an accounting as investment entity according to IFRS 10. The high profit is a combined result of three components.

The first component is the result of the operative business development. The growth in sales of about 20 % reflects the customer satisfaction and an increase of market shares. Our investments are facing intense competition that they meet by focusing continuously on customers.

The second component is the increase of hidden reserves. In the interim report 2015 we have already indicated the high reserves in the share portfolio. With the annual report 2015 we are taking the consistent step of changing-over our accounting as investment entity. In the balance sheet of MPH, financial assets are now valued at their current stock market prices. At the end of the year this figure amounts to €150 million.

The third component is the deconsolidation of non-controlling interests from MPH equity recognized through statement of income. In prior years MPH achieved a profit of €16 million from the sale of shares in HAEMATO. Within the scope of the common full

consolidation of a controlled company, it was not allowed to recognize this profit in the statement of income, but had to be recorded directly in equity, not affecting net income. Within the consolidated equity capital non-controlling interests were reported to the amount of €25.96 million. The profit contribution of €16 million from the deconsolidation of these non-controlling interests relates to other periods.

GBC AG: What profit are you expecting in 2016?

Dr. Pahl: We expect a high profit in 2016. In the first quarter 2016 the operating development of our investments is promising. So it would be natural, when the share prices reflect this development.

GBC: Equity rose to about €139 million. The investments valued at €150 million at the end of the year. What was the sum of assets and to which amount you use borrowed capital?

Dr. Pahl: The balance sheet sum of MPH amounted to about €151 million. Borrowed capital was around €12 million. Thereof about €10 million are interest-bearing bank loans with midterm maturities and interest obligations of approximately 3.5 %.

GBC AG: In the year 2009 Group sales totalled €62 million and group equity was €43 million. In the following 6 years sales level increased to €264 million and equity rose to €139 million. Additionally a steady dividend strategy was followed. Which recommendation will you make for the vote regarding the dividend at the next general meeting?

Dr. Pahl: First, I would like to mention, that the company issued so called bonus shares to the shareholders in a ratio of 25:1 in connection with a capital increase from company funds. As reserves were converted into share capital, equity remained unchanged. Nevertheless, shareholders could benefit, because these 1.6 million shares with a par value of €1.6 million had a market value of about €5 million. Further it should be noted, that in the last 6 years MPH paid dividends to their shareholders to the amount of €36 million.

We know from our discussion with investors that on the one hand dividend payments are appreciated. On the other hand we notice comments from investors that they prefer to let the money work within the company, to increase the company value. I assume, that the shareholders will continue to resolve a dividend. However, in the healthcare market there are still existing attractive investment opportunities. Hence, I recommend that the company constantly maintains sufficient scope for investments.

GBC AG: Dr. Pahl, thank you for talking with us.

ANNEX

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| | |
|------|-----------------------------------------------------------------------------------------------------------------|
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