SANASTERA S.p.A.

Consolidated Financial Statements
as at December, 31st 2017

SANASTERA S.p.A.

DOMICILED IN BOLOGNA
SHARE CAPITAL EUROS 282.865.000
COMMERCIAL REGISTER NUMBER AND FISCAL CODE 02755811201
REGISTERED AT N.464697 OF R.E.A. OF BOLOGNA

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet € / 000	Note	As at 31 December 2017	As at 31 December 2016
Assets			
Non-current assets			
Intangible assets	1	12.798	13.279
Goodwill	1	791	791
Property, plant and equipment	2	189.405	199.726
Equity investments	3	1.538	1.626
Deferred Income tax assets	4	13.968	14.893
Other non-current assets	5	16.114	25.339
		234.614	**255.654**
Current assets			
Inventories	6	569.481	574.753
Trade receivables	7	782.581	795.974
Financial assets at fair value through profit or loss	8	81.729	46.713
Other current assets	9	84.080	84.286
Cash and cash equivalents	10	160.098	184.755
		1.677.969	**1.686.481**
Total assets		**1.912.583**	**1.942.135**
Equity			
Capital and reserves attributable to equity holders of the company			
Share capital	11	282.865	282.865
Share premium	11	100.008	100.008
Legal reserve	11	56.573	56.573
Other reserves	11	104.175	88.320
Available for sale investments	11	452	539
Cash flow hedge	11	(516)	(1.977)
Profit for the period		35.011	34.236
		578.568	**560.564**
Minority interest in equity		**(5)**	**(5)**
Total Equity		**578.563**	**560.559**
Liabilities			
Non-current liabilities			
Borrowings	12	81.868	87.864
Derivative financial instruments	12	1.243	3.298
Deferred income tax liabilities	13	2.526	2.764
Retirement benefit obligations	14	94.550	95.561
Provisions for other liabilities and charges	15	10.335	11.008
		190.522	**200.495**
Current liabilities			
Trade payables	16	495.370	497.049
Current income tax liabilities	17	4	3.284
Borrowings	12	263.210	308.109
Derivative financial instruments	12	-	3
Other liabilities and charges	18	384.914	372.636
		1.143.498	**1.181.081**
Total liabilities		**1.334.020**	**1.381.576**
Total equity and liabilities		**1.912.583**	**1.942.135**

Consolidated Statement of comprehensive income € / 000	Note	2017	2016
Revenue			
Sales revenue	**19**	8.302.123	8.149.597
Other operating income	**20**	92.215	89.968
		8.394.338	**8.239.565**
Cost of raw materials, supplies and merchandise	**21**	**7.929.966**	**7.777.199**
Gross profit		**464.372**	**462.366**
Personnel expenses			
Wages and salaries	**22**	170.935	169.180
Social security, retirement benefits and other benefits	**22**	57.566	56.163
		228.501	**225.343**
Other operating expenses	**23**	**153.270**	**151.875**
Gross Operating Margin		**82.601**	**85.148**
Amortization and depreciation	**24**	**31.008**	**32.549**
Operating Profit		**51.593**	**52.599**
Income from equity investments	**25**	32	28
Finance income	**25**	4.380	4.702
Finance costs	**25**	(3.887)	(4.496)
Financial result		**525**	**234**
Profit before income tax		**52.118**	**52.833**
Income tax expense	**26**	**17.107**	**18.597**
Profit for the year		**35.011**	**34.236**
Attributable to:			
Shareholders of the Company		35.011	34.236
Minority interest		-	-
		35.011	**34.236**
Earnings per shares for profit attributable to the Shareholders of the Company			
- basic	**27**	**12,377**	**12,103**
- diluted	**27**	**12,377**	**12,103**
Profit for the year		**35.011**	**34.236**
Other comprehensive income:			
Changes in the fair value of available-for-sale equity investments	**11**	(87)	9
Fair value losses of the derivatives designated as hedging instruments	**11**	1.461	(1.643)
Other comprehensive income	**11**	1.019	(5.137)
Other comprehensive income for the year, net of tax		**2.393**	**(6.771)**
Total comprehensive income for the year		**37.404**	**27.465**
Attributable to:			
Shareholders of the Company		37.404	27.465
Minority interest		-	-
		37.404	**27.465**

Sanastera S.p.A. Consolidated Financial Statements

Changes in Equity

€ / 000	Share Capital	Share Premium	Legal Reserve	Other reserves	Available for sale equity investments	Cash flow hedge	Group's Profit for the period	Equity of the Group	Minority interest	Minority Profit for the period	Equity of the Minor	Total Equity
December, 31st 2015	*282.865*	*100.008*	*56.573*	*73.151*	*530*	*(334)*	*39.706*	***552.499***	*(5)*	*-*	*(5)*	***552.494***
Profit for the period 2015 allocation				39.706			(39.706)	**-**	-	-	-	**-**
Dividends distribution				(19.400)				**(19.400)**			-	**(19.400)**
Changes in the fair value of available-for-sale equity investments					9			**9**			-	**9**
Fair value losses of the derivatives designated as hedging instruments (*)						(1.643)		**(1.643)**				**(1.643)**
Other changes (*)				(5.137)				**(5.137)**			-	**(5.137)**
Profit for the period 2016							34.236	**34.236**		-	-	**34.236**
December, 31st 2016	*282.865*	*100.008*	*56.573*	*88.320*	*539*	*(1.977)*	*34.236*	***560.564***	*(5)*	*-*	*(5)*	***560.559***
Profit for the period 2016 allocation				34.236			(34.236)	**-**	-	-	-	**-**
Dividends distribution				(19.400)				**(19.400)**			-	**(19.400)**
Changes in the fair value of available-for-sale equity investments					(87)			**(87)**			-	**(87)**
Fair value of derivatives designated as hedging instruments (*)						1.461		**1.461**				**1.461**
Other changes (*)				1.019				**1.019**			-	**1.019**
Profit for the period 2017							35.011	**35.011**		-	-	**35.011**
December, 31st 2017	*282.865*	*100.008*	*56.573*	*104.175*	*452*	*(516)*	*35.011*	***578.568***	*(5)*	*-*	*(5)*	***578.563***

(*) Net of deferred tax

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Consolidated Cash Flow Statement € / 000	Note	Year ended 31, December 2017	Year ended 31, December 2016
Operating Profit		**51.593**	**52.599**
Income from investments		32	28
Finance income		4.380	4.702
Finance costs		(3.887)	(4.496)
Income tax expense		(17.107)	(18.597)
Profit for the year		**35.011**	**34.236**
Amortization and depreciation expense		31.008	32.549
Changes in provisions		(3.213)	5.731
Gain/loss on the disposal of non-current assets		(811)	(1.928)
Changes in inventories		5.272	(36.140)
Changes in trade receivables and other assets		13.599	(19.379)
Changes in trade payables and other liabilities		7.316	41.438
Other non-cash changes in liabilities		2.480	(5.944)
Cash flows from operating activities	**28**	**90.662**	**50.563**
Cash receipts from the disposal of non-current assets (residual carrying amount of disposal increased by gains and reduced by losses on the disposal of the assets)		11.188	3.078
Cash paid/get to acquire intangible assets		(2.935)	(3.419)
Cash paid to acquire property, plant and equipment		(17.694)	(20.870)
Cash paid to acquire financial assets		(18.433)	(5.191)
Cash flows from investing activities	**29**	**(27.874)**	**(26.402)**
Cash receipts from borrowing		(62.322)	101.088
Cash paid to shareholders (dividends, repayment of capital, other distributions)		(19.400)	(19.400)
Cash paid for the repayment of loans		(5.723)	1.798
Net cash used in financing activities	**30**	**(87.445)**	**83.486**
Net increase/decrease in cash and cash equivalents		**(24.657)**	**107.647**
Cash and cash equivalents at beginning of period		184.755	77.108
Cash and cash equivalents at end of period	**31**	**160.098**	**184.755**

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Reconciliation of consolidated equity € / 000	Profit for the year		Equity	
	2017	**2016**	**2017**	**2016**
Equity and Profit for the year of SANASTERA S.p.A.	**37.402**	**27.466**	**578.568**	**560.564**
Other comprehensive income:				
Changes in the fair value of available-for-sale equity investments	87	(9)	-	-
Fair value losses of the derivatives designated as hedging instruments	(1.461)	1.643	-	-
Other comprehensive income	(1.019)	5.137	-	-
rounding	*2*	*(1)*		
Equity and Profit for the year attributable to equity holders of SANASTERA S.p.A.	**35.011**	**34.236**	**578.568**	**560.564**
Equity and Profit for the year attributable to Minority Interest	-	-	(5)	(5)
Equity and Profit for the year of the consolidated financial statements	**35.011**	**34.236**	**578.563**	**560.559**

SANASTERA GROUP

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER, 31ST 2017

Contents

A. General information

Sanastera S.p.A. (hereinafter “Sanastera” or the “Company”) has been incorporated as limited liability company on May 25th, 2007 with a cash contribution of 10 thousand of Euro, and it is domiciled in Italy. The address of its registered office is Piazza Galvani 3, Bologna, Italy.
The Company is not listed on the stock exchange.

The shareholders of Sanastera are the following:

Firm Name	Interest in Sanastera	Domicile
Sanacorp Pharmaholding AG	50 %	Planegg, Germany
Astera S.A.	50 %	France, Rouen

On November 28, 2007 a capital increase has been successfully completed; the share capital of Sanastera was increased from € 10.000 to € 50.000.000 with a capital surplus amounting to € 421.171.546 (total equity increase amounting to € 471.171.546) through the contribution in kind of the investments in the following subsidiaries, accounted for the following amounts (on a predecessor basis value) in Sanastera statutory financials:

1. CERP Rouen SAS (Rouen – France) € 141.427.427
2. Sanacorp Pharmahandel GmbH (Plannegg – Germany) € 329.734.119

The contribution reports, written by an independent auditor, estimated an equity value of each investment of € 350.000.000 for a total amount of € 700.000.000.

On January 10, 2008 a second capital increase has been successfully completed through a re-allocation of reserves; the share capital of Sanastera was increased from € 50.000.000 to € 282.865.000 through the allocation of share premium reserve for an amount of € 232.865.000.

The core business of Sanastera S.p.A. is the acquisition and management of interests in companies involved in the activities of wholesale pharmaceutical and para-pharmaceutical goods.

Both subsidiaries companies are mainly involved in the business of wholesale pharmaceuticals and para-pharmaceutical and produce goods and supply services in the same business area.

These Group Consolidated Financial Statements were authorised for issue by the Board of Directors on March 19th, 2018, in order to be approved by the Supervisory Board on May 17th 2018.

B. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of Sanastera S.p.A. and its subsidiaries (“Sanastera Group” or the “ Group”) have been prepared in accordance with International Financial Reporting Standards. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the paragraph *Critical accounting estimates and judgements*.

Standards, amendments and interpretations to existing standards effective after 2017 that have not been early adopted by the Group

IFRS 16 Leases
High impact on financial position, cash flows and P/L
Applying to financial years beginning on or after 1 January 2019

Clarifications to IFRS 15 Revenue from Contracts with Customers
No impact on financial position, cash flows and P/L
Applying to financial years beginning on or after 1 January 2018

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
No impact on financial position, cash flows and P/L
Applying to financial years beginning on or after 1 January 2018

Standards, amendments and interpretations to existing standards effective in 2017

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
No impact on financial position, cash flows and P/L
Applying to financial years beginning on or after 1 January 2017

Amendments to IAS 7: Disclosure Initiative
No impact on financial position, cash flows and P/L
Applying to financial years beginning on or after 1 January 2017

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

As mentioned above, Sanastera S.p.A. is a joint venture company formed in 2007, through the contribution in kind of the investments in the following subsidiaries, which are accounted for the following amounts (on a net equity basis value) in Sanastera statutory financials 2017:

1. CERP Rouen SAS (Rouen – France)	€ 251.389.644
2. Sanacorp Pharmahandel GmbH (Planneg – Germany)	€ 308.682.557

The formation of a joint venture is a transaction which is out of scope of IFRS 3 – Business Combination. As consequence, under IAS 8 the Company had to select a proper accounting policy in order to account for the above mentioned transaction. Following the document Assirevi OPI 1, which deals with transactions between entities under common control, and considering that it is not immediately evident that the transaction will produce a significant impact on the cash flows of the entities involved before and soon after it, the formation of the joint venture has been accounted for on a predecessor basis values. Thus the carrying amounts of assets and liabilities previously booked in the financial statements of the companies that contributed their businesses to the joint venture through the contribution in kind mentioned above, have been used to account for the "acquisition" of the two subsidiaries by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Where the Group, disregarding the percentage of shareholding, does not have the possibility to exercise a significant influence over an associate, the latter is accounting for under IAS 39.

Sanastera Group comprises Sanacorp Subgroup (Germany), where Sanacorp Pharmahandel Gmbh is the parent company, and CERP Rouen Subgroup (France), where CERP Rouen Sas is the parent company.

Sanacorp Pharmahandel GmbH, Planegg - Germany, holds the following subsidiaries:

Firm Name	Domicile	Share in capital
Richard A. L. Witt GmbH	Germany, Planegg	100%
Eurodepot GmbH	Germany, Planegg	100%
Sanddorn GmbH	Planegg, Germany	100%

CERP Rouen Sas, Rouen - France, holds the following subsidiaries:

Firm Name	Domicile	Share in capital
CERP Rouen Formation SAS	France, Rouen	100,00%
Sobedip SA	Belgium, Brussels	99,99%
CERP SA	Belgium, Brussels	99,99%
Les Pharmaciens Associés SA	Belgium, Brussels	99,80%

Intangible assets

After its initial recognition, an internally generated intangible asset, like a separately acquired intangible asset, is to be recognised at cost less any accumulated amortisation and accumulated impairment losses.

Research expense is recognised in the profit or loss in the period in which it arises.

An intangible asset arising from internal development is recognised if, and only if, all the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria mentioned above. If no internally generated intangible asset can be recognised, the development expenditure is to be recognised as profit or loss in the period in which it was incurred.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation.

Construction in progress for the purpose of production, lease or administrative or any other as yet undefined purpose are recognised at cost less any impairment. Cost includes fees for purchased services. Depreciation of such an asset follows the same principles as those applied to comparable other items of property, plant and equipment and begins as soon as it is completed or operates in the manner intended.

The depreciable amount of an asset, except for land or construction in progress, is allocated on a systematic basis over its expected useful life.

The assets useful lives are reviewed, and adjusted if appropriate, at each balance sheet date:

Type of assets	**Expected useful life**
Buildings	25 to 33 years
Hereditary building rights	50 years
Land improvements	9 to 25 years
Structural works	20 to 50 years
Leasehold improvements and finishing works	5 to 33 years
Roofing	10 to 20 years
Fixtures	5 to 15 years
Conveyor belts, order picking machines	8 to 10 years
Equipment & fixtures	3 to 25 years
Operating and office equipment	3 to 13 years
Computer hardware	3 to 10 years
Vehicle fleet	2,5 to 6 years

Gains or losses arising from the sale or retirement of an asset are determined as the difference between the disposal proceeds and the carrying amount of the item. They are recognised in profit or loss.

Low-value assets are fully written off in the year of acquisition. They are recognised as disposals in the statement of changes in non-current assets.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowances were recognised for inventory risks arising from the range of the product portfolio and the turnover rate of the products.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are recognised separately. The financial instruments are recognised as soon as Sanastera becomes a party to the contractual provisions of the instruments.

Financial instruments are initially recognised at their fair values. For the purpose of measuring the financial instruments after initial recognition they are classified into the categories defined in IAS 39. Transaction costs which are directly attributable to the acquisition or issue of a financial asset are accounted for when determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. If the trade date and the settlement date (i.e. the day of delivery) differ, Sanastera chooses the trade date for the initial recognition and/or de-recognition.

Financial assets

The financial assets mainly comprise trade receivables, receivables from affiliates, receivables from banks, cash in hand, derivative financial assets and marketable securities.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss consist of financial assets held for trading. Financial assets such as interest-bearing securities are classified as held for trading, if they are acquired for the purpose of selling them in the near term.
Derivatives, including embedded derivatives, which were separated from their host contract, are also classified as held for trading, unless they are hedging instruments qualifying for hedge accounting and are effective hedges. Gains or losses on financial assets held for trading are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, checks, bank deposits with original maturity of three months or less. Cash and cash equivalents are identical with the respective item in the consolidated cash flow statement.

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market. One example are trade receivables. After their initial recognition, receivables are measured at amortised cost less impairments. Gains and losses are recognised in Group profit, if the receivables are de-recognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are any non-derivative financial assets designated as available for sale and not classified in one of the above-stated categories. This category includes certain equity instruments.
After their initial recognition available-for-sale financial assets are measured at fair value, with unrealised gains or losses recognised directly in equity in the reserve for available-for-sale financial assets. This does not apply, if there is an objective indication that an asset may be impaired or if fair value changes on a debt instrument result from foreign currency fluctuations. The cumulative gains or losses that were recognised in equity are recognised in profit or loss when the financial assets are de-recognised. If a fair value cannot be reliably measured for equity instruments that do not have a quoted market price, they are measured at amortised cost (less impairment losses where applicable). Interest earned on these financial assets is generally recognised as interest income using the effective interest method. Dividends are recognised in profit or loss as soon as there is a legal entitlement to payment.

Impairment of financial assets

By every balance sheet date, the carrying amounts of the financial assets which are not measured at fair value through profit or loss, are assessed to see, whether there is any indication (such as considerable financial difficulties of the debtor, significant changes in the technological, economic, legal and market environment of the debtor) that the asset may be impaired. A sustained or significant decline in the fair value of an equity instrument is an actual indication that the asset may be impaired.

The amount of the impairment of loans and receivables is the difference between the asset's carrying amount and the present value of expected future cash flows (except for future loan losses which have not yet occurred). The impairment is recognised in profit or loss. If the amount of the impairment loss decreases in one of the subsequent reporting periods and if this decrease can be traced to a change that has taken place after the recognition of the impairment loss, the impairment loss recognised in an earlier period is reversed and the reversal is recognised in profit or loss. The impairment of trade receivables is recognised in allowance accounts. Whether a credit risk is recognised in an allowance account or accounted for in an impairment of the receivable, depends on the probability of a credit loss.

If receivables are classified as non-recoverable, the impaired asset is de-recognised.

If an available-for-sale asset is impaired, the amount so far recognised in equity is recognised in profit or loss as the difference between cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Reversals of impairment losses for equity instruments classified as available for sale are not recognised in profit or loss. Reversals of impairment losses for debt instruments are recognised in profit or loss, if the increase in the fair value of the instrument can be traced to an event that took place after the asset was recognised in profit or loss.

Financial liabilities

Financial liabilities mainly consist of trade payables, liabilities to banks, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortised cost

After their initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities measured at fair value through profit or loss

Financial assets which are measured at fair value through profit or loss include other non-current financial liabilities. Gains or losses on these financial liabilities are recognised in profit or loss.

Leases

Leases are finance leases, if substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount equal to the net investment in the Group's leases. The recognition of finance lease income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.
Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on a straight-line basis.

The Group as lessee
Being the lessee, we recognise finance leases, with substantially all the risks and rewards incidental to legal ownership being transferred to the Group, as assets in the statement of financial position at the inception of the lease. The leased asset is recognised at the lower of fair value or present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is thus allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised in profit or loss.
The leased assets are depreciated over their useful lives. If there is no reasonable certainty, however, that the Group will obtain ownership by the end of the lease term, the leased asset is depreciated over the shorter of its useful life and the lease term.
Lease payments from operating leases are recognised in profit or loss on a straight-line basis over the lease term. Benefits received or outstanding as an incentive to enter into an operating lease are also depreciated straight-line over the lease term.

Derivative financial instruments and hedging relationships

Due to its activities the Group is exposed to interest rate risks.
Interest-rate swaps were designated by the Group as a hedge of such exposure. Derivative financial instruments were not used for speculative purposes.

Gains or losses arising from a change in the fair value of derivative financial instruments designated as effective cash flow hedges are recognised in equity. The ineffective portion of the instruments is recognised in profit or loss. If cash flow hedges of risks associated with binding commitments or foreseeable transactions result in the recognition of an asset or a liability, the associated gain or loss originally recognised in equity will be included in the initial cost of the asset or the liability.

For an effective hedge of the exposure to changes in fair value the hedged item is adjusted by gains or losses on fair value attributable to the hedged risk and the associated amount is recognised in profit or loss. Gains or losses from re-measuring derivatives or the foreign currency component of the carrying amount for non-derivatives, are recognised in profit or loss.

Gains or losses arising from a change in fair value of derivative financial instruments which do not qualify for hedge accounting are recognised in profit or loss when they are incurred.

Hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting. In this case the cumulative gain or loss on the hedging instrument remains in equity until the forecasted transaction occurs. If we do no longer expect the hedged transaction to occur, the cumulative net gains or losses recognised in equity are reported in profit or loss.

Embedded derivatives or other host contracts are accounted for as separate derivatives if their risks and characteristics are no longer closely related to those of the host contract and the host contracts are not measured at fair value with unrealised gains or losses recognised in profit or loss.

Provisions for pensions and other employee benefits

Pension provisions are measured in accordance with the projected unit credit method. This method is based not only on the pension payments and vested benefits known on the balance sheet date, but also reflects future salary and pension increase prudently including the relevant actuarial assumptions.

The present value of the defined benefit obligation is recognised in the amount defined in the opinion of an actuarial institute less the fair value of plan assets.

The employee benefit obligation recognised is presented as the present value of the defined benefit obligation reduced by past service cost after offsetting it with the fair value of plan assets. Each asset resulting from such a calculation does not exceed past service cost plus the present value of available refunds and the reduction of future contributions to the plan.

Other provisions

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or the amount receivable and is presented as amounts received for services rendered or goods supplied within the normal course of business, less any trade discounts, VAT or other sales-related tax.

Revenue from the sale of goods is recognised upon shipment and after transfer of the risks and rewards of ownership.

Interest income is recognised on an accrual basis taking into account outstanding receivables and the applicable effective interest rate. The effective interest rate is the interest rate, which, when applied, matches the present value of the estimated future cash inflows over the expected useful life of the financial asset with the net carrying amount.

Dividend income from financial investments is recognised as soon as the shareholder is legally entitled to payment.

Cost of retirement benefits

The Sanastera Group uses both defined benefit plans and defined contribution plans.

A defined benefit plan is a pension plan fixing a benefit amount to which an employee is entitled upon retirement and whose amount is determined by various assumptions such as age, years of service and salary.

Defined contribution plans are pension plans under which the subgroup pays fixed contributions into a separate entity. Hence, the Group has no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits.

Accounting for defined benefit plans involves determining the cost of benefits using the projected unit credit method requiring an actuarial valuation at each balance sheet date. Actuarial gains or losses are fully recognised in other comprehensive income in the period in which they are incurred. Past service cost is recognised immediately in the amount in which the benefits have vested or straight-line over the average period until the amended benefits become vested.

Under the defined contribution plan the Group pays contractually agreed contributions into a separate pension fund. The Group has no further obligations to pay any amounts beyond the contributions. The respective contributions are recognised under personnel expenses when they become due.

Government grants

Government grants for property, plant and equipment are deducted from the respective asset reducing depreciation over the expected useful life accordingly. Cost of the respective asset was reduced by the amount of the government grant received.

Impairment of assets

Items of property, plant and equipment and intangible assets are tested for impairment at each reporting date. If any such indication exists the company will have to estimate the recoverable amount of the asset to determine any impairment loss. If the asset does not generate any cash inflows which are independent of other assets, the recoverable amount of the asset will have to be estimated on the basis of the cash generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment annually irrespective of whether there is any indication that they may be impaired.

The recoverable amount is the higher amount of the fair value less costs to sell and the value in use of an asset. The value in use is determined on the basis of discounted future cash inflows taking as a basis a pre-tax market price equivalent to the time value of money, which reflects the asset risks not yet recognised in the future cash inflows.

If the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying amount it is written down to its recoverable amount. Any impairment loss is to be recognised immediately in profit or loss, unless the asset has been re-valued. In this case the impairment loss is recognised as a reduction of the revaluation reserve.

The carrying amount of the asset (or the cash-generating unit) is increased to the recoverable amount when reversing an impairment loss in a subsequent period; it may however not exceed the carrying amount that would have been determined, had no impairment loss been recognised before. The reversal of the impairment loss is to be recognised immediately in profit or loss, unless it is recognised as a revaluation amount on the basis of another IFRS standard.

Borrowing costs

Borrowing costs are recognised in the period in which they are incurred.

Taxes on income

The current income tax charge is calculated on the basis of the tax law enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income.

Tax expense is the aggregate amount of current and deferred income tax.

Current tax is based on the taxable profit for a year. Taxable profit differs from accounting profit as it excludes taxable or deductible items in other years or non-taxable or non-deductible items. The Group's current tax expense is calculated by using the tax rates applicable or fixed by the balance sheet date.

Deferred taxes are the amounts of income taxes payable or recoverable in future periods resulting from the difference between the carrying amounts of the assets and liabilities in the balance sheet and the tax base used to calculate taxable profit. They are recognised using the asset/liability approach. In general, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred taxes are not recognised, if the temporary difference arises from goodwill or the initial recognition of assets and liabilities in a transaction (which is not a business combination) which neither affects taxable or accounting profit.

The carrying amount of a deferred tax asset should be reviewed at each balance sheet date and should be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax asset to be utilised.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred taxes are recognised either as tax income or tax expense, unless they relate to items recognised in equity; the deferred taxes are then also recognised in equity.

Share-based payment transactions

There are no share-based payments in Sanastera Group.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below:

- Impairment of goodwill
- Income taxes
- Fair value of derivatives and other financial instruments
- Revenue recognition

C. Notes to the consolidated balance sheet

Non-current assets

(1) Intangible assets and goodwill

Purchased computer software and licenses were amortised on a straight-line basis over their expected useful lives: 1 to 7 years.

Internally generated intangible assets relate to in-house developed software. These intangible assets were amortised on a straight-line basis over their expected useful lives: 5 to 15 years.

Intangible assets' changes in the year 2017 and 2016 are detailed as follows:

Amounts in € thousand	Purchased		Internally generated		Prepayments	Total
	Computer software	Licenses	Software	Software in development		
Gross carrying amount 31 Dec. 2015	**9.498**	**6.131**	**53.964**	**2.254**	**-**	**71.847**
Addition	372	611	261	2.172	4	3.420
Disposal (gross)	383	70	-	-	-	453
Transfer	525	-	3.190	- 3.719	-	(4)
Change in consolidated group	-	-	-	-	-	-
Reversal of impairment loss	-	-	-	-	-	-
Gross carrying amount 31 Dec. 2016	**10.012**	**6.672**	**57.415**	**707**	**4**	**74.810**
Addition	305	389	552	1.479	211	2.936
Disposal (gross)	839	332	-	-	-	1.171
Transfer	68	-	615	(683)	-	-
Change in consolidated group	-	-	-	-	-	-
Reversal of impairment loss	-	-	-	-	-	-
Gross carrying amount 31 Dec. 2017	**9.546**	**6.729**	**58.582**	**1.503**	**215**	**76.575**
Cumulative amortisation	7.777	6.092	49.908	-	-	63.777
Carrying amount 31 Dec. 2017	**1.769**	**637**	**8.674**	**1.503**	**215**	**12.798**
Current amortisation	800	279	2.339	-	-	3.418

Software, both internally generated and purchased, refers mainly to the IT logistic system needed for delivering pharmaceutical goods.

Changes in Goodwill in the FY 2017 and 2016 are detailed as follows:

Amounts in € thousand	Goodwill
Gross carrying amount 31 Dec. 2015	**27.310**
Addition	-
Disposal (gross)	-
Transfer	-
Change in consolidated group	-
Reversal of impairment loss	-
Gross carrying amount 31 Dec. 2016	**27.310**
Addition	-
Disposal (gross)	-
Transfer	-
Change in consolidated group	-
Reversal of impairment loss	-
Gross carrying amount 31 Dec. 2017	**27.310**
Cumulative amortisation	26.519
Carrying amount 31 Dec. 2017	**791**
Current amortisation	-

The goodwill of € 791 thousand figured as assets represents the contribution value of the veterinary activity brought to CERP Rouen SAS in July 2005; considering the level of profitability of this business, impairment test is not required.

The contribution value of the “von der Linde” group was brought to Sanacorp GmbH in 2009 for an amount of € 26.519 thousand; the goodwill has been impaired in 2012 of € 10.511 thousand to a contribution value of € 16.018 thousand; in 2013 the goodwill attributed to the “von der Linde” group has been entirely impaired due to the result of the impairment test performed at the end of the reporting year.

(2) Property, plant and equipment

Property, plant and equipment mainly comprises office buildings, production plants, leasehold improvements, warehouse and production technology as well as motor vehicles, of Sanacorp subgroup in Germany, and of CERP Rouen subgroup in France and Belgium.
Finance leases regarding Sanacorp Pharmahandel subgroup have been included within “other equipment” for a carrying amount at the closing date of € 5.798 thousand.

Details of property, plant and equipment are included in the table below:

Amounts in € thousand	Land, land rights and buildings	Other equipment, operating and office equipment	Prepayments and construction in progress	Total
Gross carrying amount 31 Dec. 2015	**231.240**	**238.956**	**2.094**	**472.290**
Addition	3.743	13.619	3.509	20.871
Transfer	1.532	615	- 2.144	3
Disposal	561	10.662	1	11.224
Change in consolidated group	-	-	-	-
Reversal of impairment loss	-	-	-	-
Gross carrying amount 31 Dec. 2016	**235.954**	**242.528**	**3.458**	**481.940**
Addition	3.223	12.587	1.882	17.692
Transfer	876	2.466	(3.342)	-
Disposal	271	7.778	-	8.049
Change in consolidated group	-	-	-	-
Reversal of impairment loss	-	-	-	-
Gross carrying amount 31 Dec. 2017	**239.782**	**249.803**	**1.998**	**491.583**
Cumulative depreciation	112.323	189.855	-	302.178
Carrying amount 31 Dec. 2017	**127.459**	**59.948**	**1.998**	**189.405**
Current depreciation	8.087	19.362	-	27.449

With regard to the investment increase of the period it is mainly related to renewals of agency equipment, renewal of fleet of vehicles and office & data equipment.

(3) Equity investments

Investments in associates are shown in the table below:

Amounts in € thousand	Equity investments
Gross carrying amount 31 Dec. 2015	**1.617**
Addition	9
Transfer	-
Disposal	-
Change in consolidated group	-
Gains/losses on fair value recognized in equity	-
Gross carrying amount 31 Dec. 2016	**1.626**
Addition	-
Transfer	-
Disposal	-
Change in consolidated group	-
Gains/losses on fair value recognized in equity	(88)
Gross carrying amount 31 Dec. 2017	**1.538**
Cumulative impairment loss	-
Carrying amount 31 Dec. 2017	**1.538**
Current impairment loss	-

Investments in associates and other investment can be detailed as follows:

Amounts in € thousand		**Carrying amount 31 Dec. 2017**	**Carrying amount 31 Dec. 2016**
DZ-Bank	Listed	1.478	1.564
Beteilingus-AG der bayerischen Volksbanken	Not listed	41	43
Other investments	Listed	4	4
Other investments	Not listed	15	15
Total		**1.538**	**1.626**

(4) Deferred income tax assets

The deferred tax assets totalled € 13.968 thousand and were recognised primarily for deductible temporary differences between the pension provisions, finance lease liabilities, financial instruments and the other provisions in the IFRS financial statements and their tax base. Deferred tax assets were also recognised for differences arising from the measurement of receivables and low-value assets.

Deferred tax assets were composed as follows:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Non-current assets	3	4
Current assets	1.769	2.863
Provisions for pensions and other employee benefits	14.821	14.538
Other liabilities	1.046	1.035
Finance lease liabilities	148	322
Finance instruments	385	975
(-) Deferred tax liabilities	*(4.204)*	*(4.844)*
Total	**13.968**	**14.893**

Deferred tax assets and deferred tax liabilities regarding temporary differences related to the same taxation authority were offset at the reporting date.

(5) Other non-current assets

Other non-current assets can be detailed as follows:

Amounts in € thousand	Securities	Long term investments and other loans	Prepayments	Corporation Tax credit	Total
Gross carrying amount 31 Dec. 2015	**17.161**	**3.554**	**-**	**1.587**	**22.302**
Addition	4.310	640	-	-	4.950
Disposal	-	327	-	1.586	1.913
Change in consolidated group	-	-	-	-	-
Gains/losses on fair value recognised in equity	-	-	-	-	-
Gross carrying amount 31 Dec. 2016	**21.471**	**3.867**	**-**	**1**	**25.339**
Addition	-	611	-	-	611
Disposal	9.503	307	-	1	9.810
Change in consolidated group	-	-	-	-	-
Gains/losses on fair value recognised in equity	-	-	-	-	-
Gross carrying amount 31 Dec. 2017	**11.969**	**4.171**	**-**	**-**	**16.140**
Cumulative impairment loss	15	11	-	-	26
Carrying amount 31 Dec. 2017	**11.954**	**4.161**	**-**	**-**	**16.114**
Current impairment loss	15	11	-	-	26

Securities mainly refer to financial investments in long-term securities for an amount of € 11.895 thousand (€ 21.401 thousand in 2016); these are securities meant to be held to maturity between 2018 and 2020 according to the various maturities. The amount of these securities getting their maturity in 2018, classified in the other current assets as Securities - held to maturity, are equal to zero (€13.090 thousand in 2016).

Long term loans include long-term loans to employees for a present value of € 3.890 thousand (€ 3.646 thousand in 2016), the nominal value of € 4.583 thousand (€ 4.404 thousand in 2016) being discounted at a rate of 1,30% (1,50% in 2016).

Current assets

(6) Inventories

Inventories breakdown is as follows:

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
Raw materials and supplies	1.956	1.707
Finished goods and work in progress	544.629	555.530
Advances paid	22.897	17.516
Total	**569.481**	**574.753**

Write-downs of inventories to net realisable value which were made to take account of their low turnover rate amounted to € 1.158 thousand. A valuation allowance due to price reductions referred to Sanacorp subgroup was deducted as well as of 31 December 2017 in the amount of € 1.123 thousand.

(7) Trade receivables

Trade receivables are detailed as follows:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Gross amount	795.935	811.579
Allowances	(13.354)	(15.605)
Carrying amount (net)	**782.581**	**795.974**

An allowance was recognised for amounts due from the sale of goods presumed to remain not collectible. The allowance was determined on the basis of the probable collectability of an amount receivable taking into account past experience of debt default.

The trade receivables also include prolongations. Some of the payments deferred are not due within one year. These receivables are due in four years or less. Trade receivables with a residual term of more than one-year total € 785 thousand.

Allowances for trade receivables are composed as follows:

Gross carrying amount 31 Dec. 2016	**15.605**
Change in consolidated group	-
Additions - net	1.426
Utilization	(3.677)
Other changes	-
End of period 31 Dec. 2017	**13.354**

Sanacorp subgroup sold receivables as part of true sale factoring in the amount of € 35.000 thousand; all the risks of these receivables were transferred to the factor.
No receivables were sold as part of an improper factoring in 2017.

(8) Financial assets at fair value through profit or loss

The Financial assets at fair value through profit or loss are composed as follows:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Securities - fair value through P&L	-	-
Other securities - fair value through P&L	81.729	46.713
Total	**81.729**	**46.713**

The entire amount of € 81.729 thousand was composed of marketable securities owned by CERP Rouen SAS.

The difference between *Securities* and *Other securities* is based on the terms of realising these activities: *Securities* can be realised in one day, while *Other securities* can be realised in a short time period (within three months).
Other financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement.

(9) Other current assets

Other current assets are detailed as follows:

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
Prepaid expenses	1.152	2.899
Receivables from related parties	40.893	34.334
Tax receivables	9.412	6.994
Tax receivables - income tax	3.524	2.968
Securities - held to maturity	-	13.090
Other assets	29.099	24.001
Total	**84.080**	**84.286**

Prepaid expenses refer to insurance, maintenance contracts, rent and personnel costs.

Receivables from related parties refer mainly to the CERP Rouen subgroup financial receivables (€ 28.630 thousand). The related parties are detailed in the Note 38.

Tax receivables refer to Sanacorp subgroup (€ 1.530 thousand), CERP Rouen subgroup (€ 11.389 thousand) and Sanastera SpA (€ 17 thousand).

Other assets combined receivables from suppliers and other current receivables. This item did not include any receivables with residual terms of more than one year.

(10) Cash and cash equivalents

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
Cash at bank and on hand	160.098	184.755
Total	**160.098**	**184.755**

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
Cash at bank and on hand	160.098	184.755
Bank overdrafts	(256.653)	(301.051)
Total	**(96.555)**	**(116.296)**

Bank overdrafts are disclosed in the note 12.

Equity

(11) Equity

Sanastera S.p.A. has a share capital for an amount of € 282.865 thousand and a premium in the amount of € 100.008 thousand.

The total authorised number of ordinary shares is 2.828.650 with a par value of € 100 per share. All issued shares are fully paid.

Gains and losses on the fair value evaluation are recognised in Equity as follows:

- with reference to *Available for sale investments* the impact of the period on Equity at the reporting date amounts to € (87) thousand;
- with reference to *Cash flow hedge* the fair value net of deferred tax at the reporting date amounts to € (516) thousand and the impact of the period on Equity net of deferred tax at the reporting date amounts to € 1.461 thousand.

- *Other reserves* mainly include actuarial losses on pension provision and the impact of the period on Equity, net of deferred tax at the reporting date, amounts to € 1.019 thousand.

In the period deferred taxes were recognized on Equity in the amount of € (138) thousand.

The components of equity and their increase/decrease are disclosed in the statements of changes in equity and reconciliation of consolidated equity.

Non-current liabilities

(12) Borrowings and derivative financial instruments

Borrowings can be detailed as follows:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Bank borrowings	81.634	87.641
Lease liabilities	234	156
Other financial liabilities	-	67
Total Borrowings – Non current	**81.868**	**87.864**
Bank borrowings	6.128	5.727
Lease liabilities	393	1.292
Bank overdrafts	256.653	301.051
Other	36	39
Total Borrowings – Current	**263.210**	**308.109**
Total Borrowings	**345.078**	**395.973**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Less than 1 year	263.444	308.176
Between 1 year and 2 years	25.015	6.350
Between 2 years and 5 years	20.494	44.822
Over 5 years	36.125	36.625
Total Borrowings	**345.078**	**395.973**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
6 months or less	250	832
6-12 months	250	553
1-5 years	37.500	37.500
Over 5 years	36.125	36.625
Total Borrowings	**74.125**	**75.510**

Sanastera Group has no interest rate changes' exposure for an amount of € 270.953 thousand.

The carrying amounts of the Group's borrowings are denominated in Euro.

The table below represents the fair value of the derivative financial instruments:

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Liability for derivative financial instruments with counterpart Equity - non current quota	1.243	3.298
Asset for derivative financial instruments with counterpart Equity - non current quota	-	-
Total	**1.243**	**3.298**

Amounts in € thousand	**31 Dec. 2017**	**31 Dec. 2016**
Liability for derivative financial instruments - current quota	-	3
Total	**-**	**3**

The total liabilities for derivative financial instruments qualifying for hedge accounting (interest rate exposure) which has its counterpart in the equity amounted to € 1.243 thousand.

(13) Deferred income tax liabilities

Deferred tax liabilities were recognised for tax payable in future periods in respect of differences between IFRS accounting profit and taxable profit. The differences resulted mainly from the measurement of non-current assets.

Deferred tax liabilities developed as follows:

Amounts in € thousand	**31 Dec. 2016**	**Use**	**Reversal**	**Appropriation**	**31 Dec. 2017**
Deferred tax liabilities	2.764	-	1.078	840	2.526

Deferred tax assets and deferred tax liabilities regarding temporary differences related to the same taxation authority were offset at the reporting date.

Deferred tax liabilities refer to CERP Rouen (€ 1.003 thousand) and to Sanastera (€ 1.523 thousand); Sanacorp deferred tax liabilities were offset entirely with the deferred tax assets.

(14) Retirement benefit obligations

Retirement benefit obligations developed as follows:

Amounts in € thousand	**31 dic. 2017**	**31 dic. 2016**
Present value of all unfunded benefit obligations	92.348	93.035
Other defined benefit obligations	18.342	17.888
Present value of all defined benefit obligations	**110.690**	**110.923**
Unrecognised actuarial gain/loss	-	-
Unrecognised past service cost	-	-
Reinsurance policy and Present value of plan assets recognised against liability	(16.140)	(15.362)
Other recognised/unrecognised amounts	-	-
Retirement benefit obligations	**94.550**	**95.561**

The retirement benefit obligations refer to Germany for an amount of € 80.931 thousand and to France for an amount of € 13.619 thousand.

The German retirement benefit obligations include:

- a pension plan applicable to all employees,
- commitments made to provide additional benefits to individual employees,
- the benefit agreements concluded with senior employees, the benefit plan of the support fund transferred,
- collective arrangements on continued salary in the case of death and
- lump-sum benefits payable from bonuses or service periods and claims to premiums accrued for such payment.

The present value of all defined benefit obligations totalled € 110.690 thousand on December 31st, 2017. The total amount both of insurance cover (€ 11.417 thousand) and of plan assets (€ 4.723 thousand), taken out to protect benefit obligations, was deducted from pension provisions.

The reconciliation of pension provisions from the beginning to the end of the current financial year was as follows taking account of the individual expense items:

Amounts in € thousand	
Pension provision as of 31 Dec. 2016	**95.561**
Service cost	1.638
Interest cost	1.482
Pensions paid	(3.198)
Capital payments	523
Recognised actuarial net gain/loss for the year	(667)
Contributions to plan assets	(700)
Change in claim to refund from reinsurance policy	(486)
Funeral benefit	397
Pension provision as of 31 Dec. 2017	**94.550**

The actuarial gains and losses are recognised in other comprehensive income.

The major actuarial assumptions were:

Discount rate	1.30 % - 1.75 % p.a.
Future salary levels	2.50 %
Inflation rate	1.50 % - 1.75 % p.a.
Future pension levels	after 3 years in each case
Future level of benefits accrued	2.00 % p.a.

(15) Provisions for other liabilities and charges

Non-current provisions developed as follows:

Amounts in € thousand	**31 Dec. 2016**	**Use**	**Reversal**	**Appropriation**	**Reclassification**	**31 Dec. 2017**
Other non-current provisions						
Obligations from operating activities	316	316	-	296	-	296
Obligations in relation to personnel and social security	7.898	259	-	-	-	7.639
Employee profit sharing	2.794	907	-	1.608	(1.095)	2.400
Other non-current liabilities	-	-	-	-	-	-
Total non-current provisions	**11.008**	**1.482**	**-**	**1.904**	**(1.095)**	**10.335**

Obligations in relation to personnel and social security refers to long service awards recognized by the German Subgroup to the employees and to pension provisions for retired employees.

Provisions for employee profit sharing, that are bonuses, were recognised in accordance with French Law and CERP Rouen SAS internal regulations.

Current liabilities

(16) Trade payables

The trade payables developed as follows:

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
Trade notes & accounts payable	489.869	491.569
Amounts due to related parties	5.501	5.480
Total	**495.370**	**497.049**

Amounts due to related parties are detailed in the note 38.

(17) Current income tax liabilities

The income tax liabilities are detailed as follows:

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
German Current income tax liabilities	-	3.278
French Current income tax liabilities	4	6
Italian Current income tax liabilities	-	-
Total tax provisions	**4**	**3.284**

(18) Other liabilities and charges

Other liabilities and charges are detailed below:

Amounts in € thousand	31 Dec. 2017	31 Dec. 2016
Advance payments received	202.263	196.388
Amounts due to related parties	49.204	64.797
Obligations in relation to personnel and social security	36.479	36.300
Payments received on account of orders	23.839	21.806
Tax liabilities (except Income Tax)	23.481	13.184
Employee profit sharing - under 1 year	1.078	1.084
Retirement provisions - under 1 year	1.188	1.167
Loss provisions for tax reassessment - under 1 year	5.713	5.064
Deferred income	598	319
Contingencies provisions	528	576
Other current liabilities	40.543	31.951
Total	**384.914**	**372.636**

Advance payments received are composed mainly by cash deposits of Astera SA shareholders (pharmacists clients of CERP Rouen SAS), interest bearing at the interest rate of 0,5% while last year was 1%.
Amounts due to related parties consist of Sanacorp subgroup cash pooling (€ 507 thousand), CERP Rouen subgroup liabilities (€ 47.631 thousand) and Sanastera liabilities (€ 1.066 thousand).
Sanastera liabilities relate to interests accrued on the current accounts with parent companies, for an amount of € 707 thousand, and to other liabilities for an amount of € 359 thousand.

Related parties disclosure is detailed in the note 38.

D. Notes to the Consolidated statement of comprehensive income

(19) Sales revenue

Revenue of the consolidated companies was mainly generated from the sales of drugs to German, French and Belgium pharmacies during the fiscal period 2017. Commercial rebates and discounts granted to customers are included at this level.

Revenue was recognised at fair value, when risks and rewards of ownership were transferred to the buyer, when the amount of revenue was measured reliably and when payment appeared probable.

(20) Other operating income

Other operating income included income from services, advertising cost allowances, cost refund, disposals of other non-current assets and income from the reversal of redundant provisions and valuation allowances. The major items of other operating income were as follows:

Amounts in € thousand	**2017**	**2016**
Revenue from advice to pharmacies, workshops and fees	10.855	10.923
Sales services	20.887	20.074
Revenue from sale of data/clearing unit	2.624	2.618
Advertising cost allowances	6.799	6.863
Refund of transport and fuel costs	1.271	2.211
Reversal of provisions and valuation allowances	3.681	2.742
Commissions from affiliated companies	7.378	7.060
Commissions from laboratories	29.292	27.286
Other income	9.428	10.191
Total	**92.215**	**89.968**

Other operating income was recognised at fair value. The amount of income could be reliably measured. The inflow, if not received, was probable.

Services fees related to Sanacorp Subgroup for an amount of € 9.721 thousand have been included in Sales revenues (€ 9.613 thousand in 2016).

(21) Cost of raw materials, supplies and merchandise

Cost of raw materials, supplies and merchandise includes also commercial rebates and discounts granted by laboratories (€ 8.002) thousand and specific French Social Security Tax for € 41.504 thousand (€ 41.238 thousand for the previous year).

(22) Personnel expenses

Personnel expenses consist of wages and salaries costs (employee profit-sharing plan included), costs of social security, retirement benefits and other benefits. Their break-down can be seen in the income statement.

(23) Other operating expenses

Other operating expenses included in particular costs of sub-contracted personnel, sub-contracted forwarding agents, rent, advertising, energy, maintenance as well as office and administration cost.

The major items of other operating expenses were as follows:

Amounts in € thousand	**2017**	**2016**
Shipping and freight	60.776	60.278
Cost of land and office space	14.863	14.594
IT, data transfer	10.009	9.817
Subcontracted labour, training fees	17.246	17.007
Allocation of allowances and impairment loss of receivables	2.632	2.719
Advertising cost, advice to pharmacies	8.808	8.949
Other non-personnel expenses	5.558	5.315
Non inventory supply	7.879	8.166
Taxes on wages and other taxes	10.186	10.353
Maintenance and repairs	5.584	5.375
Rental	2.096	2.040
Insurance premiums	1.923	1.907
Other expenses	5.710	5.355
Total	**153.270**	**151.875**

Other operating expenses were recognised at fair value. The amount of expenses could be measured reliably and the payment, if not yet made, could be reasonably assured.

(24) Amortisation and depreciation

Amortisation and depreciation developed as follows:

Amounts in € thousand	**2017**	**2016**
Intangible assets	3.418	3.820
Tangible assets	27.449	27.769
Other provisions	141	960
Total	**31.008**	**32.549**

Other provisions refer to CERP Rouen subgroup and are mainly related to fiscal contingencies € (648) thousand and inventories € (76) thousand, and of the reversal of trade receivables of € 535 thousand.

(25) Income from equity investments and Finance income and costs

This item included primarily interest income from customer relationships and interest expenses relating to the financing of the business operation. In addition the item included dividends received from other long-term investees and investors.

Interest income was recognised pro rata temporis taking into account the effective rate of return. Dividends were recognised as soon as the legal claim to payment arose.

(26) Income tax expense

Income taxes included German, French, Belgian and Italian taxes. This was the result of the fact, that all incomes were generated in these countries.

The difference between income tax expense expected and recognised was accounted for by the following facts:

Amounts in € thousand	**2017**
Profit before tax	52.118
Income tax expense expected	27.865
Tax increase due to non-deductible expenses	(979)
Tax-exempt asset increases	(8.632)
Addition/reduction trade tax	(159)
Differences of impairment loss	-
Different rates for deferred taxes	(305)
Additional tax payments for previous years	(508)
Other differences	(175)
Income tax expense recognised	**17.107**
Effective tax rate	**32,82%**
Profit from ordinary activities	**52.118**
Income tax	**17.107**
Net profit for the year	**35.011**

Deferred taxes were based on the application of current tax rates or tax rates already fixed for the assessment period and are presented as follows:

Amounts in € thousand	**2017**	**2016**
Deferred tax income	3.439	4.870
Deferred tax expense	(3.375)	(4.101)
Balance	**64**	**769**

(27) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Amounts in € thousand	**2017**	**2016**
Profit attributable to equity holders of the company	35.011	34.236
Weighted average number of ordinary shares in issue	2.829	2.829
Basic earnings per share	**12,377**	**12,103**

Diluted earnings per share has the same calculation of basic earnings per share.

E. Segment reporting

Segment information has not been disclosed as IFRS 8 must be mandatorily applied only by enterprises whose debt or equity securities are publicly traded and those in the process of issuing such securities in public securities markets, and Sanastera S.p.A. is not included in this case.

F. Notes to the cash flow statement

(28) Cash flows from operating activities

The cash flow statement was prepared in accordance with the indirect method and starts with the operating profit.

(29) Cash flows from investing activities

Net cash from investing activities comprises all investments and sales made in the reporting period.

(30) Net cash used in financing activities

Net cash used in financing activities in the reporting year was defined by the dividend, which was credited to the parent companies intercompany accounts and by the increase in current financial liabilities.

(31) Cash and cash equivalents at end of period

Cash and cash equivalents comprised cash and bank balances at each balance sheet date.

G. Other notes to the annual financial statements

(32) Financial instruments

a) Carrying amounts and fair values of financial instruments

The following table sets out the carrying amounts and fair values of the Group's financial instruments. Fair value is the amount for which the rights and/or obligations from such financial instrument would be exchanged between two parties in an arm's length transaction. Given the variety of factors the fair values shown are an indicator of the values actually realisable on the market.

Amounts in € thousand	**Carrying amount 31 Dec. 2017**	**Fair value 31 Dec. 2017**	**Carrying amount 31 Dec. 2016**	**Fair value 31 Dec. 2016**
Trade receivables	782.581	782.581	795.974	795.974
Cash and cash equivalents	160.098	160.098	184.755	184.755
Other financial assets:				
- Assets available for sale	1.523	1.523	1.610	1.610
- Assets at fair value through profit and loss	80.677	81.729	46.713	46.713
- Assets held to maturity	11.895	11.895	34.491	34.491
- Derivative financial instruments qualifying for hedge accounting	-	-	-	-
- Other receivables and assets	57.751	57.058	48.481	47.725
Total financial assets	**1.094.525**	**1.094.884**	**1.112.024**	**1.111.268**
Financial liabilities	345.079	343.562	395.909	394.800
Other liabilities	3.602	3.479	4.035	3.879
Trade payables	495.370	495.370	497.049	497.049
Miscellaneous financial liabilities:				
- Financial liabilities recognised at fair value through profit or loss	-	-	68	68
- Derivative financial instruments qualifying for hedge accounting	1.243	1.233	3.301	3.301
- Other miscellaneous financial liabilities	301.665	301.665	301.269	301.269
Total financial liabilities	**1.146.959**	**1.145.309**	**1.201.631**	**1.200.366**

The fair values of the financial instruments were determined on the basis of the market information available on the balance sheet date and the following methods and assumptions:

<u>*Trade receivables and cash and cash equivalents*</u>

Given the short maturity of these financial instruments the fair values are assumed to equal the carrying amounts.

<u>*Other financial assets*</u>

Available-for-sale financial assets include:

- Equity shares measured at fair value. The equity shares recognised at fair value were measured on the basis of the quoted market price available on 31 December.
- Equity shares measured at cost. No fair value was determined for equity shares measured at cost, as there was no active market that could have established price quotations or market prices. These are shares in enterprises not listed on a stock exchange, which, as there are no reliably determinable cash flows, were not measured by discounting expected future cash flows. In these cases, the fair values were assumed to equal the carrying amounts.
- Liability components. Most of the liability components were measured at the market prices quoted as of 31 December. Some of the fair values of these components were established by using valuation techniques which are based on market data; the fair value of a small part of the liability components was established by using valuation techniques which were not based on market data.

Assets at fair value through profit and loss:
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

Assets held to maturity:
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturity less than 12 months from the balance sheet date, which are classified as current assets.

Derivative financial instruments qualifying for hedge accounting:
Derivative contracts to hedge interest rate exposure. The fair values of the interest rate hedging instruments (e.g. interest rate swaps) were determined on the basis of discounted expected future cash flows using the market interest rates applicable to the remaining period to maturity of the financial instruments.

Other receivables and assets include:
Current other receivables and short-term borrowing. These financial instruments are recognised at cost. Given the short maturity of these financial instruments the fair values are assumed to equal the carrying amounts.

<u>*Financial liabilities.*</u>
The fair values of long-term loans are determined as the present values of estimated future cash flows. Interest rates customary in the market are used for discounting in relation to the respective maturity. Given their short maturity, the carrying amounts of current financial liabilities are assumed to be a reasonable approximation of fair value.

<u>*Other liabilities*</u>
The fair values of other liabilities are determined as the present values of estimated future cash flows.

<u>*Trade payables.*</u>
Given the short maturity of these financial instruments the fair values are assumed to equal the carrying amounts.

<u>*Miscellaneous financial liabilities.*</u>
The financial liabilities at fair value through profit or loss include non-current obligations. The non-current liabilities are generally recognised at their present value in the balance sheet; it is assumed, the present values are assumed to equal the fair values of these financial instruments.

Derivative financial instruments qualifying for hedge accounting.
Derivative contracts to hedge interest rate exposure. The fair values of the interest rate hedging instruments (e.g. interest rate swaps) were determined on the basis of discounted expected future

cash flows using the market interest rates applicable to the remaining period to maturity of the financial instruments.

Other miscellaneous financial liabilities. Given the short maturity of these financial instruments the fair values are assumed to equal the carrying amounts.

b) Net gains or losses

The following table presents the net gains or losses on financial instruments recognised in the income statement (less derivative financial instruments which qualify for hedge accounting):

Amounts in € thousand	**2017**	**2016**
Financial assets and liabilities recognised at fair value through profit or loss	503	498
Available-for-sale financial assets	-	-
Loans and receivables	1.781	936
Financial liabilities measured at cost	(33)	(77)

The net gains or losses on the financial assets and liabilities recognised at fair value through profit or loss include interest expenses and income for these financial instruments along with the gains or losses on fair value changes.

Net gains or losses on available-for-sale financial assets include among other items income from equity investments and gains recognised on the disposal of these shares.

Net gains or losses on loans and receivables mainly include the amounts resulting from impairment losses and reversals.

c) Total interest income and expense

Total interest income and expense for financial assets or financial liabilities that are not measured at fair value through profit or loss, are as follows:

Amounts in € thousand	**2017**	**2016**
Total interest income	3.807	4.258
Total interest expense	1.692	2.668

d) Disclosures on derivative financial instruments, use of derivatives

The Group designates cash flow hedges to secure interest rate risks. Changes in the fair value of these derivative financial instruments designated as effective cash flow hedges were recognised in equity.

The following derivatives were used to hedge the interest rate exposure:

Amounts in € thousand	up to 1 year		1 to 5 years		more than 5 years		Average
Derivatives:	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	interest rate
Interest-rate swaps (nominal value)	1.000	1.275	30.250	31.250	100.000	100.000	0,35%

The market price of all the derivatives held totalled net incomes for € 1.461 thousand on the balance sheet date. That incomes have been recognized entirely in Equity.

Interest rates will be fixed every six months over the entire term of the contracts. The Company receives a variable return at the respective 6-month EURIBOR and pays the fixed interest rate agreed. Thus, the respective volume corresponded in substance to a fixed-term loan. In addition, there are fixed-rate loans and variable interest income which further reduce the interest rate exposure.

(33) Risk management

The Group risk policy in the use of financial instruments is to be regarded as very conservative. All derivative financial instruments are used solely for hedging an underlying transaction and are held to maturity. Risks on financial instruments arise from interest rate changes, defaults (credit risk) and a lack of liquidity. Management has established an appropriate risk management system to deal with each of these risks.

Given its activities the Group was exposed to financial risks arising from changes in interest rates. Interest rate exposure is mainly to be seen in connection with current and non-current liabilities to banks. All of these loans were granted on a variable basis plus a margin.

The Group is not exposed to currency risks, since the purchases and sales of goods are almost all transacted in Euro.

The pharmaceutical wholesale market is heavily regulated by law. Hence, there is no commodity risk in its narrow sense. The purchase prices for prescription drugs are regulated. Selling prices are defined by a profit/price margin less discounts granted. An active accounts receivable management prevents Sanastera from major default risks. The default risk depends mainly on the regulatory measures introduced by the government. There is no concentration of major default risks.

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating are accepted. Customers are not independently rated and risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. However, credit risk of primary financial instruments is limited to their carrying amount which does not significantly differ from the carrying amount.

There is no liquidity risk at present. The Group has available short-term credit lines to a sufficient extent to run its business. The market price risk of all financial instruments is regularly monitored.

(34) Contingent liabilities and other financial obligations

There were the following financial obligations not disclosed in the balance sheet:

Amounts in € thousand	**2017**	**2016**
As a counterpart to financial liabilities in form of:		
- Mortgage	4.125	5.450
- Guarantee	1.284	316
As a counterpart to authorised overdraft credit:		
- Letter of intent	33.293	33.293
- Other bank guarantee	-	-
- Rental agreements	5.487	7.608
- Leases	1.434	-
Total	**45.623**	**46.667**

(35) Members of the Supervisory Board

Name	**Residence**
BERTHEUIL ALAIN PIERRE JAQUES - Chairman	Franqueville Saint Pierr - France
SCHNEIDER MATTHIAS - Vice Chairman	Finnigen - Germany
ROUDIERES CORINNE HUGUETTE - Member	Salses Chateau - France
BARTETZKO NORBERT CASPAR EBERHARD - Member	Berlin - Germany
KELLER JAN-HENNING - Member	Mainz - Germany
PINTON ARMAND - Member	Orsennes - France
FIORITTI ALBERTO - Member	Bologna - Italy

(36) Members of Board of Directors

Name	Residence
LANG HERBERT - Chairman	Planegg - Germany
BRONCHAIN OLIVIER CHRISTIAN - Vice Chairman	Rouen - France
HENNINGS FRANCK HORST - Director	Planegg - Germany
ROUDERGUES ALAIN EMILE JEAN – Director	Rouen - France

(37) Remuneration of the Board of Directors and the Supervisory Board

For 2017 were resolved emoluments only for the Supervisory Board, for an amount of € 40 thousand for fixed annual indemnity plus a meeting participation indemnity of € 300 per day. The total cost for the period amounts to € 60 thousand.

(38) Related party disclosures

Transactions between the Company and its subsidiaries, which are to be considered related parties, were eliminated upon consolidation and will not be discussed in this paragraph.
The following companies are classified as related parties as of 31 December 2017:

German side:

Firm Name	Domicile
Sanacorp eG Pharmazeutische Großhandlung	Planegg, Germany
Sanacorp Grundstücksverwaltung GmbH	Planegg, Germany
Sanacorp Pharmaholding AG	Planegg, Germany

French side:

Firm Name	Domicile
Astera S.A.	France, Rouen
Eurodep S.A.S.	France, Rouen
Eurodep Exploitant S.A.S.	France, Rouen
Premiere Ligne S.A.S.	France, Reims
Eurolease S.A.S.	France, Rouen
Centrale des Pharmaciens S.A.S.	France, Rouen
Pharmaciens Associés S.A.	France, Rouen
Sophese S.A.	France, Rouen
Isipharm S.A.	France, Rouen
Oxypharm S.A.	France, Rouen
Vitaléa Médical S.A.S.	France, Redon
CERP France	France, Paris
Health & Technology	Belgium, Bruxelles

Italian side:

Firm Name	Domicile
Sociedad Europea de Cooperacion Farmaceutica SA	Seville, Spain

Related parties are the members of key management, supervisory bodies and members of their family of all related entities and/or the companies included in the subgroup financial statements.

The amounts of related party transactions are disclosed in the following table:

Amounts in € thousand	**2017**	**2016**
Revenue		
- Turnover sale	13.546	12.295
- Other operating income	10.697	9.972
- Maintenance income	-	-
- Management service income	117	117
- Interest income	228	230
Total revenue	**24.588**	**22.614**
Purchase		
- Goods	27.370	27.367
- Rent	4.787	4.754
- Sublease	-	2.545
- Other services	3.406	3.061
- Interest expense	108	161
Total purchase	**35.671**	**37.888**

Amounts in € thousand	**2017**	**2016**
Assets		
Trade receivables	85	1.397
Financial receivables	41.903	21.741
Total assets	**41.988**	**23.138**
Liabilities		
Trade liabilities	5.501	753
Financial liabilities	47.591	45.088
Total liabilities	**53.092**	**45.841**

The receivables from corporate board members do not contain any information on interest rates or other material conditions, because the amounts due relate to the procurement of goods.

(39) Full-time employees

	2017		2016	
	Reporting date	Average	Reporting date	Average
Office-based staff	1.692	1.696	1.693	1.697
Blue-collar staff	2.664	2.639	2.664	2.613
Apprentices	95	83	80	75
Pre pensioned	0	0	0	0
Total	**4.451**	**4.418**	**4.437**	**4.386**

Part-time employment was recomputed as full-time-employment.

With reference to the information regarding the performance of the Group, including its forecasted development, as well as the significant events occurring after the reporting date are disclosed in Management Report.

Bologna, March, 19th 2018

On behalf of the Board of Directors
The Chairman

(Herbert Lang)

On behalf of the Board of Directors
The Vice Chairman

(Olivier Christian Bronchain)

Sanastera S.p.A.

Domiciled in Bologna, Piazza Galvani, 3
Share Capital Euro 282.865.000
Commercial Register number and Fiscal Code 02755811201
Bologna Business Register no. 464697

Management Report

on the

Consolidated Financial Statements as at December, 31st 2017

Shareholders and Members of Supervisory Board,

The Consolidated Financial Statements as at December 31st, 2017 presented for your examination and approval by the Board of Directors, report a Net Profit amounting to € 35.011 thousand, after taxes of € 17.107 thousand.

This Management Report has been prepared covering financial information on Sanastera S.p.A. Consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS").

Financial data

The following table shows the Consolidated Income Statements key figures:

Amounts in € thousand	**2017**	**2016**
Revenues	8.394.338	8.239.565
Gross Profit	464.372	462.366
Gross Operating Margin	82.601	85.148
Operating Profit	51.593	52.599
Profit for the year	**35.011**	**32.436**

Amounts in € thousand	**2017**	**2016**
Equity holders of the company	35.011	34.236
Minority interest	-	-
Profit for the year	**35.011**	**34.236**

The following table shows the Consolidated Balance Sheet key figures:

Amounts in € thousand	2017	2016	Change	Change %
Share capital	282.865	282.865	-	0%
Share premium	100.008	100.008	-	0%
Legal reserve	56.573	56.573	-	0%
Other reserves	104.175	88.320	15.855	18%
Available for sale investments	452	539	(87)	-16%
Cash flow hedge	(516)	(1.977)	1.461	-74%
Profit for the period	35.011	34.236	775	2%
Group's Equity	**578.568**	**560.564**	**18.004**	**3%**
Minority reserve	(5)	(5)	**-**	0%
Minority Profit for the period			**-**	0%
Total Equity	**578.563**	**560.559**	**18.004**	**3%**

The following table shows the breakdown of Equity:

Amounts in € thousand	2017	2016	Change	Change %
Non-current assets	234.614	255.654	(21.040)	-8%
Current assets	1.677.969	1.686.481	(8.512)	-1%
Total assets	**1.912.583**	**1.942.135**	**(29.552)**	**-2%**
Equity	578.563	560.559	18.004	3%
Non-current liabilities	190.522	200.495	(9.973)	-5%
Current liabilities	1.143.498	1.181.081	(37.583)	-3%
Total equity and liabilities	**1.912.583**	**1.942.135**	**(29.552)**	**-2%**

The following table sets out the carrying amounts and fair values of the Group's financial instruments.

Amounts in € thousand	Carrying amount 31 Dec. 2017	Fair value 31 Dec. 2017	Carrying amount 31 Dec. 2016	Fair value 31 Dec. 2016
Trade receivables	782.581	782.581	795.974	795.974
Cash and cash equivalents	160.098	160.098	184.755	184.755
Other financial assets:				
- Assets available for sale	1.523	1.523	1.610	1.610
- Assets at fair value through profit and loss	80.677	81.729	46.713	46.713
- Assets held to maturity	11.895	11.895	34.491	34.491
- Derivative financial instruments qualifying for hedge accounting	-	-	-	-
- Other receivables and assets	57.751	57.058	48.481	47.725
Total financial assets	**1.094.525**	**1.094.884**	**1.112.024**	**1.111.268**
Financial liabilities	345.079	343.562	395.909	394.800
Other liabilities	3.602	3.479	4.035	3.879
Trade payables	495.370	495.370	497.049	497.049
Miscellaneous financial liabilities:				
- Financial liabilities recognised at fair value through profit or loss	-	-	68	68
- Derivative financial instruments qualifying for hedge accounting	1.243	1.233	3.301	3.301
- Other miscellaneous financial liabilities	301.665	301.665	301.269	301.269
Total financial liabilities	**1.146.959**	**1.145.309**	**1.201.631**	**1.200.366**

Relations with related parties

The following companies are identified as related parties of Sanastera Group as of December 31, 2017:

German side:

Firm Name	Domicile
Sanacorp eG Pharmazeutische Großhandlung	Planegg, Germany
Sanacorp Grundstücksverwaltung GmbH	Planegg, Germany
Sanacorp Pharmaholding AG	Planegg, Germany

French side:

Firm Name	Domicile
Astera S.A.	France, Rouen
Eurodep S.A.S.	France, Rouen
Eurodep Exploitant S.A.S.	France, Rouen
Premiere Ligne S.A.S.	France, Reims
Eurolease S.A.S.	France, Rouen
Centrale des Pharmaciens S.A.S.	France, Rouen
Pharmaciens Associés S.A.	France, Rouen
Sophese S.A.	France, Rouen
Isipharm S.A.	France, Rouen
Oxypharm S.A.	France, Rouen
Vitaléa Médical S.A.S.	France, Redon
CERP France	France, Paris
Health & Technology	Belgium, Bruxelles

Italian side:

Firm Name	Domicile
Sociedad Europea de Cooperacion Farmaceutica SA	Seville, Spain

With reference to the information required about transactions with related parties for the period ended at December, 31st 2017, occurred on an arm length's basis, see tables below:

- **Balance Sheet data**

Amounts in € thousand	**2017**	**2016**
Revenue		
- Turnover sale	13.546	12.295
- Other operating income	10.697	9.972
- Maintenance income	-	-
- Management service income	117	117
- Interest income	228	230
Total revenue	**24.588**	**22.614**
Purchase		
- Goods	27.370	27.367
- Rent	4.787	4.754
- Sublease	-	2.545
- Other services	3.406	3.061
- Interest expense	108	161
Total purchase	**35.671**	**37.888**

- **Profit and Loss data**

Amounts in € thousand	2017	2016
Assets		
Trade receivables	85	1.397
Financial receivables	41.903	21.741
Total assets	**41.988**	**23.138**
Liabilities		
Trade liabilities	5.501	753
Financial liabilities	47.591	45.088
Total liabilities	**53.092**	**45.841**

Financial indicators

The following tables contain the main financial indicators:

Reclassified Balance sheet:

ASSETS		LIABILITIES	
Operating working capital	1.813.202	Equity	578.568
Extra-operating capital	99.381	Financial liabilities	346.316
	-	Operating liabilities	987.699
Total assets	**1.912.583**	**Total liabilities and equity**	**1.912.583**

Reclassified Income statement:

Sales	8.302.123
Operating production value	8.302.123
Production costs	7.929.966
Gross profit	372.157
Personnel expenses	228.501
Gross Operating Margin	143.656
Amortization and depreciation	31.008
Operating Profit	112.648
Other operating income/charge result	- 61.055
Financial incomes	4.412
EBIT	56.005
Financial expenses	3.887
Profit before income tax	52.118
Income tax	17.107
Minority interest	-
Net profit	**35.011**

Non-current asset financing margins and ratios		
Primary structure margin	*Equity - Non-current asset*	€ 357.922
Primary structure ratio	*Equity / Non-current asset*	262%
Secondary structure margin	*(Equity + Non-current financial liabilities) - Non-current asset*	€ 548.439
Secondary structure ratio	*(Equity + Non-current financial liabilities) / Non-current asset*	349%

Financial structure ratios		
Global liabilities ratio	*(Non-current liabilities + Current liabilities) / Equity*	230,57%
Financial liabilities ratio	*Fiancial liabilities / Equity*	59,86%

Profitability ratios		
Net Return on Equity	*Profit for the year / Equity*	6,05%
Gross Return on Equity	*Profit befor taxes on income / Equity*	9,01%
Return on investment	*Gross profit / Net working capital*	13,65%
Return on sales	*Gross profit / Sales*	1,36%

Liquidity indicators		
Current margin	*Current asset - Current liabilities*	€ 548.439
Current ratio	*Current asset / Current liabilities*	148%
Treasury margin	*(Cash and cash equivalent + receivables) - Current liabilities*	-€ 21.042
Treasury ratio	*(Cash and cash equivalent + receivables) / Current liabilities*	98%

Risk report

The risks can be classified into the following risk categories:

Environmental and market risk

Intervention in the health system by respective governments is the main risk in the pharmaceutical market. Among other things, historical and future financing of welfare systems is important in this context, as are changes in health care costs. Basically, one has to assume that an economic slowdown will lead to a rise in unemployment and the associated burden on social security systems. The Company does not assume that the fundamental reorganisation of the financing of health services in Germany, which is once again under discussion, will take place during the current legislative period. At the same time, further short-term cost measures by the legislator remain a possibility. Like the AMNOG or new regulations passed by the French government, these can have an adverse direct or indirect effect on pharmaceutical wholesalers in the respective markets.
Depending on the nature and extent of the intervention, wholesalers may be forced to fundamentally change their existing pricing models and the range of services they offer. As a result, it is conceivable that customers will move and that there will be corresponding changes in the respective market shares.
In spite of the fact that third-party ownership is currently prohibited in law, one has to assume that interested market participants will continue to lobby for a change in the existing regulations in the mid to long term. As companies which are closely affiliated to pharmacists, neither Sanacorp Pharmahandel GmbH in Germany, nor the companies of CERP SAS in France and Belgium will participate in these efforts. By consistently developing and expanding existing models for collaboration between independent pharmacies, the companies are however now already preparing themselves and their customers so that they can continue to operate successfully in the market even if trading conditions change.
Apart from changes in the legal framework, future developments concerning the level of competition in the German market have the most impact on profitability. The latter forces wholesalers to grant discounts that are at times barely justifiable operationally and as a consequence leads to a notable deterioration in gross profit. As the branch network continued to become denser and existing locations were expanded, the level of competition in the German and French markets increased – not only in the affected regions.
As far as pharmacies are concerned, the current changes in the legal framework result in a deterioration of gross profit. The operating companies counteract this risk through active management of accounts receivable.

Financial and capital market risks

Financial and capital market risks arise for the operating companies primarily from the volume of business to be financed by the money and capital market. Among others, these involve liquidity and

interest rate risks, as well as risks of non-compliance with agreed financial performance indicators in connection with borrowing.
To limit liquidity risks, the companies use various instruments such as cash pooling or factoring. The regular monitoring of credit lines and the long-term cooperation with a large number of banks also help to counteract the liquidity risk.
It should be noted that current liquidity of the operating companies in Germany, France and Belgium should be regarded as extremely solid.
To hedge against interest rate risk, the operating companies also use derivatives, which are monitored and measured over time. In addition, acquisitions of equity investments and land and buildings are generally financed over longer time periods. With long periods of credit and large deposits, as is customary in the French market, the financial and capital market risk can be reduced considerably.
Any liquidity surpluses are placed in secure investments with the appropriate principal banks. Only banks with a first-class credit rating are considered for this purpose.

Operating risk

Especially in the area of accounts receivable, the operating companies can be exposed to risks from customer liquidity problems or from a deterioration in their creditworthiness. Through continuous and timely management of accounts receivable it is possible to react to any impending customer payment difficulties without delay. There are also guidelines on the deferral of the delivery of goods to public pharmacies and on the deferral of large sales. There is a positive correlation between debtor risk and the risk of higher interest rates.
Potential operating risks also arise from medicine inventories. Fire or other damage may interrupt a branch's operations for longer periods of time. Constant inspections by the Company's internal security management and by public authorities, the use of modern fire alarm systems and inventory insurance cover serve to counteract this risk. Furthermore, constant readiness to deliver to customers is ensured by the branch network. If one branch fails, deliveries can therefore be assumed by other branches.

Risk of research and development

In order to make technological improvements to operating procedures, existing software systems are modified or replaced. Implementation in a live environment can lead to a partial or full systems failure, resulting in loss of sales and profit. To reduce this risk, systems are tested extensively before implementation and are not introduced simultaneously into several branches. Introduction of systems is followed by regular maintenance and adaptations to new circumstances. Furthermore, the existing branch network secures a timely supply from the second nearest location to any customers that may be affected.

Legal risk

On a case-by-case basis, risks could arise for both Sanastera S.p.A. and the operating companies from changes in company or tax law. This risk however is minimised at the individual company level through the use of internal analysis and ongoing contact with external legal and tax advisers.

Risks arising from financial instruments

Due to their activities, the operating companies are primarily exposed to financial risks arising from changes in interest rates. These risks arise directly from liabilities with variable interest rates including credit raised through factoring.
To hedge against interest rate risk, the Company also uses derivatives, which are monitored and measured over time. Acquisitions of equity investments and land and buildings are generally financed over longer time periods.
Risks from financial instruments arise from changes in interest rates, defaults and a lack of liquidity. The management of each company has established an appropriate risk management system for each of these risks.
At 31 December 2017, the amount of borrowing by the operating companies that had been hedged through interest rate swaps amounted to € 131.250 thousand (€ 132.525 thousand in 2017).
As a result of active management of accounts receivable, the operating companies are not exposed to material default risk from trade receivables. The default risk in this area is above all dependant on the interventions by the legislator and their impact on the profitability of pharmacies. There is no concentration of material default risks.

There is no exposure to foreign currency risks, since the pharmaceutical wholesale companies almost exclusively purchase and sell goods in euros. Since the purchase prices for prescription-only medicines are regulated by law, there is no commodity risk in the narrow sense.
Neither Sanastera nor the operating companies are subject to any liquidity risks. They have sufficient short-term and long-term credit available.

Report on post-balance sheet events

There were no significant post-balance sheet events that would have materially affected the financial position, cash flows and profit or loss.

Report on expected developments

It can be assumed that the operating companies will pay dividends to Sanastera S.p.A for financial year 2018 at the previous year's level.

We thank you for your confidence in us and invite you to approve the Consolidated financial statements as presented.

Bologna, March, 19th 2018

On behalf of the Board of Directors	On behalf of the Board of Directors
The Chairman	The Vice Chairman
(Herbert Lang)	(Olivier Christian Bronchain)