ANNUAL REPORT

2020

Dermapharm Holding SE

CONSOLIDATED RESULTS AT A GLANCE

Consolidated results 5-year overview (IFRS)

		2020	2019	2018	2017	2016
Revenue	EUR million	793.8	700.9	572.4	467.1	444.5
Adjusted EBITDA	EUR million	200.7	177.6	143.4	112.9	102.7
Adjusted EBITDA Margin	%	25.3	25.3	25.1	24.2	23.1
Unadjusted EBITDA	EUR million	184.5	168.5	139.6	110.2	102.7
Unadjusted EBITDA Margin	%	23.2	24.0	24.4	23.6	23.1
Operating income	EUR million	136.9	119.5	107.5	92.1	86.8
Earnings before taxes	EUR million	125.3	110.1	104.2	88.0	82.9
Profit or (loss) for the period	EUR million	85.9	77.8	75.2	77.7	77.0
Earnings per share	EUR	1.59	1.43	1.41	1.56	1.54
Dividend proposal*	EUR	0.88	0.80	0.77	-	-
Balance sheet	EUR million	1,224.4	1,044.9	704.6	415.3	311.7
Equity	EUR million	324.6	284.5	256.1	73.7	60.8
Equity ratio	%	26.5	27.2	36.3	17.7	19.5
Cash and cash equivalents	EUR million	120.3	115.0	212.5	6.3	3.8
Net debt	EUR million	486.8	465.4	95.2	258.5	173.7

*Dividend for 2020 subject to the resolution of the Annual General Meeting on 23 June 2021

QUICK-CHECK

>50
DEVELOPMENT PRODUCTS

>380
PHARMACEUTICAL INGREDIENTS

>1,300
MARKETING AUTHORISATIONS

2,311
EMPLOYEES

For the sake of readability, we have largely refrained from using both male and female language forms in this report, but people of both sexes are always meant.

CONTENT

TO THE SHAREHOLDERS

MEMBER OF THE MANAGEMENT BOARD

Dr. Hans-Georg Feldmeier
Chief Executive Officer

Hilde Neumeyer
Chief Financial Officer
Chief Compliance Officer

Dr. Jürgen Ott
Chief Marketing Officer

Karin Samusch
Chief Business Development Officer

LETTER TO THE SHAREHOLDERS

Dear shareholders,

We look back on an eventful 2020 – a year in which we faced up to a host of new challenges, both personal and professional in nature. The disruption of the COVID-19 pandemic was felt throughout the global economy. Of course this also impacted Dermapharm's business. We were quick to implement far-reaching measures in order to protect our company and our staff from the negative consequences of the pandemic and to keep the business running throughout the crisis.

The financial year was once again a successful one for Dermapharm despite the difficult conditions we were forced to accept. Our business model has proven remarkably resilient and adaptable, giving us the ability to react rapidly and flexibly to the change in demand for our products brought about by the pandemic. In addition, we laid the groundwork for further profitable, sustainable growth over the years to come by acquiring Allergopharma, introducing promising new products and making targeted investments in our production and logistics capacities. We are particularly proud of our cooperation agreement with BioNTech SE, which we signed in September 2020. Already in early October 2020, we began to manufacture the Comirnaty® vaccine, thereby playing a vital role in beating back the COVID-19 pandemic.

The Company's excellent performance in financial year 2020 is also reflected in the figures: Revenue increased year on year by 13 % to EUR 794 million. Adjusted EBITDA improved by 13 % to EUR 201 million in the reporting period. None of this would have been possible had it not been for the tireless dedication, capability and responsibility of our employees, whom we owe particular thanks.

However, our success was in no way a foregone conclusion. Although the pharmaceuticals industry was not as badly affected as other sectors, Dermapharm did not escape the pandemic entirely unscathed. The "Parallel import business" and "Herbal extracts" divisions in particular suffered under the restrictions placed on procurement and sales markets, and were unable to meet their full targets for 2020. The "Branded pharmaceuticals and other healthcare products" division also experienced declining demand for certain products due to the postponement and cancellation of many doctors' appointments and pharmacy visits during the lockdown. In addition, the ability of our sales force to ply their trade was restricted in the spring and in late autumn, thereby shutting down a key distribution channel for many of our products during the year.

However, thanks to the high level of quality of our diverse range of attractive brand-name products – which we have gradually built up in recent years through in-house development and via targeted acquisitions – we managed to make up for declining demand in certain areas of our portfolio and achieve our ambitious sales targets for the group. In particular, our products developed to strengthen the immune system – especially our vitamin D compound Dekristol® – saw a considerable jump in demand. A trend that is likely to persist in 2021.

For this reason, it was of paramount importance to us in the past year to broaden our catalogue by adding the most promising products and to make groundbreaking decisions regarding the conduct of exciting R&D projects. In that vein, aside from bringing a range of preparations to market such as the dermatological drugs Alitrederm® and Calcipotriderm® comp., we also acquired Allergopharma and its innovative and internationally focused product portfolio. For us, this transaction represents a major step towards developing additional growth markets where we can expand our expertise in dermatologics into the field of allergology. In this area, Allergopharma has more than 50 years' experience in allergy research and treatment, focusing on subcutaneous immunotherapy/ hyposensitisation. As with previous acquisitions, our integration process – which was largely wrapped up by the end of the year – involved a number of targeted modifications to Allergopharma's structure and processes which laid the foundations to enable us to optimally leverage the great potential offered by the company and its highly attractive products going forward.

The success of our corporate strategy is also firmly rooted in our highly modern production and logistics facilities and our unambiguous commitment to Germany as a production hub. The COVID-19 pandemic has highlighted the need to maintain pharmaceuticals production capacities and supply chains in Germany. Dermapharm's local advantage means that it is able to produce medicines at any time without being influenced by restrictions on international production and supply chains.

The quality of our technical infrastructure as well as our expertise in the making of aseptic products and the handling of lipids made it possible for us to quickly meet the complex requirements for the formulation, aseptic filling, packaging and storage of the Comirnaty® vaccine at -70°C at our main manufacturing facility in Brehna under the terms of the above-mentioned cooperation with BioNTech SE. This rapid reaction was made possible in particular thanks to the constructive collaboration with BioNTech SE as well as the cooperation of our suppliers and employees and the responsible

authorities. Production has been running smoothly since its successful kick-off in early October 2020. We expanded our collaboration with BioNTech SE in order to ensure that we can play an even bigger role in the fight against COVID-19 going forward. To that end, Allergopharma is currently expending every effort to establish additional vaccine production capacities, far beyond those offered at the Brehna site. Production in Reinbeck is expected to get underway in May 2021.

In order to ensure that our production activities continue to meet the strictest technical standards going forward and can offer potential for our future growth, we made additional targeted investments in 2020. For instance, construction on Melasan GmbH's new facility in Austria was completed, thereby doubling production and logistics capacity at this location. In addition, axicorp GmbH broke ground on a new plant in Friedrichsdorf, while Strathmann GmbH & Co KG invested in the modernisation of a packaging and quality assurance building in Seevetal. We anticipate a significant increase in productivity and quality at these locations once work has been completed.

Dermapharm remains on the right track as far as operations and strategy are concerned! This is also reflected in the encouraging performance of its share price. Dermapharm shares were up 43.3 % in 2020, thereby beating the small-cap index SDAX, which only climbed by 18 % during the same period.

Once again, we intend to share our success with our shareholders, in the form of a dividend for 2020. Therefore, we will propose to the Annual General Meeting on 23 June 2021 that a dividend of EUR 0.88 per share be distributed for the 2020 financial year.

As in the past, we have set our sights on a number of measures intended to keep Dermapharm on course for growth in 2021. In addition to the previously mentioned expansion of the cooperation with BioNTech SE regarding vaccine production, we plan to continue to market new products, to push forward with our internationalisation efforts and expect to see highly positive effects from Allergopharma's restructuring. We are also keeping an eye out for new acquisition opportunities to enable us to round off our portfolio with innovative niche products.

We would like to thank you for your trust and support in this extraordinary year 2020. We hope you will continue to accompany us on our journey towards sustainable and profitable growth!

Grünwald, April 2021

The Board of Management

Dr. Hans-Georg Feldmeier
Chief Executive Officer

Hilde Neumeyer
Chief Financial Officer
Chief Compliance Officer

Dr. Jürgen Ott
Chief Marketing Officer

Karin Samusch
Chief Business
Development Officer

REPORT OF THE SUPERVISORY BOARD ON THE 2020 FINANCIAL YEAR

Cooperation between the Board of Management and the Supervisory Board

In financial year 2020, the Supervisory Board of Dermapharm Holding SE faithfully and diligently performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board monitored and advised the Board of Management on an ongoing basis. The Supervisory Board regularly received timely and comprehensive written and oral reports from the Board of Management on the performance of Dermapharm Holding SE and the Group companies, the strategic direction of the Company and the progress made in implementing the corporate strategy. The Supervisory Board also received reports on material or urgent matters between meetings from the Board of Management. The reservations of consent stipulated for certain transactions under the rules of procedure for the Board of Management were complied with for all resolutions.

Personnel changes on the Board of Management and the Supervisory Board

Board of Management

On 3 March 2020, the Supervisory Board resolved to appoint Ms Hilde Neumeyer as Chief Financial Officer (CFO) to the Board of Management for a term of three years beginning on 1 July 2020. The agreement ends on 30 June 2023.

Ms Neumeyer has worked in finance and accounting at the Dermapharm Group since 1 October 2000 and has been the Head of Group Accounting since 2005. She constantly and systematically took on new challenges as she built up Group Accounting and successfully integrated various acquisitions into the Group's reporting structures. She has also been Chief Compliance Officer since the IPO. In this role, she established and successfully anchored a governance, risk and compliance system within the Group. Prior to joining the Dermapharm Group, Ms Neumeyer spent ten years working in accounting at Novartis. We wish Ms Neumeyer all the best for what lies ahead!

By virtue of a resolution dated 16 June 2020, the Supervisory Board dismissed Mr Stefan Hümer as CFO at the end of his term on 31 July 2020.

Mr Hümer left the Company at the end of this term on 31 July 2020 due to personal reasons. He joined Dermapharm in 2006 as the Head of Group Controlling & Finance and, most recently as CFO, played a key role in the Group's successful development. Successfully integrating numerous acquisitions into the Group and paving the way for Dermapharm Holding SE's successful IPO in February 2018 are but a few of Mr Hümer's invaluable contributions to the Company over the years. We would like to thank him for his many years of service to Dermapharm and wish him all the best for the future, both personally and professionally!

Supervisory Board

There were no changes to the Supervisory Board in the reporting period.

Work of the Supervisory Board in financial year 2020

The Supervisory Board met five times during financial year 2020. Every member of the Supervisory Board attended every meeting convened, meaning that the average attendance rate at Supervisory Board meetings in the 2020 financial year was 100 %. The members of the Board of Management regularly joined the meetings of the Supervisory Board, with the exception of the meetings on 6 April 2020 (just the CFO), 16 June 2020 and 22 December 2020. The Supervisory Board Chairman also attended Board of Management meetings.

The Supervisory Board used its meetings to discuss any and all matters relating to the Company. As a preparatory measure, the Supervisory Board received reports from the Board of Management about the current state of the Group's business prior to meetings.

Issues of priority included the fundamental direction of corporate strategy, ongoing business performance, corporate planning as well as the situation of the Company and of the Group, particularly with regard to financial position and financial performance.

The Board of Management also provided regular detailed reports on the competitive environment, the demand situation, market structures and the development of prices and discounts in the individual markets. The discussions focused on the effects of the COVID-19 pandemic, the steps taken in this regard, and the cooperation and supply agreement entered into with BioNTech SE to manufacture the vaccine to combat the COVID-19 pandemic.

Also among the regular topics of discussion in addition to the acquisition of Allergopharma were potential further acquisition targets, developments in the product development pipeline and the product portfolio, planned and implemented marketing measures, the technical availability of and capacity utilisation at production facilities and plants, the utilisation of logistics capacities and the integration of recently acquired subsidiaries within the Group.

The Supervisory Board's meeting on **3 March 2020** was held at mibe GmbH Arzneimittel in Brehna, where members also toured the production facility and logistics centre. At this meeting, Ms Neumeyer was appointed to the Board of Management as Chief Financial Officer effective 1 July 2020. The operating highlights and the achievement of the targets communicated to the capital market in the Company's forecast were discussed on the basis of the preliminary figures for the 2019 financial year. Furthermore, potential acquisition targets and next steps in the Company's internationalisation process were presented to the Supervisory Board. In addition, the Board of Management reported to the Supervisory Board on the progress made in the acquisition of Allergopharma, innovations in the Herbal extracts division, further digitalisation efforts and other investment decisions. The Board of Management and Supervisory Board rounded off the meeting by discussing in detail the COVID-19 pandemic's impact on the Company and the action the Company has taken as a result.

The Supervisory Board's meeting on **6 April 2020** was a conference call with the auditor, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf. After extensive discussion with the auditor, the Supervisory Board approved the 2019 annual and consolidated financial statements together with the management report and the combined Group management report.

The Supervisory Board convened its meeting on **16 June 2020** as a conference call. The Supervisory Board resolved to dismiss Mr Hümer as CFO with effect from 31 July 2020 and decided on the settlement of the bonus claims.

The Supervisory Board's meeting on **2 July 2020** was also held as a conference call. The Board of Management updated the Supervisory Board on the progress that had been made in integrating Allergopharma. The Board of Management and the Supervisory Board also discussed selected aspects of the corporate strategy. In connection with this, the Board of Management also informed the Supervisory Board that BioNTech SE had approached Dermapharm to discuss a potential cooperation to supply its mRNA-based vaccine. The Board of Management and the Supervisory Board also discussed current production and the use of existing facilities going forward. Another topic of discussion had been the principles of the German Corporate Governance Code and the implementation of the new recommendations.

At its meeting on **22 December 2020**, the Supervisory Board discussed the general course of business in 2020. Mr Beier presented the current financial and liquidity situation to the Supervisory Board. Dermapharm's growing product range puts it in an excellent position in attractive niche markets. This allowed the Company to successfully navigate the ever-changing environment by systematically exploiting opportunities in certain submarkets to balance out risks elsewhere. Despite the COVID-19 pandemic, the Board of Management succeeded in creating the conditions at Allergopharma that will enable it to contribute to the Company's success going forward as part of the Dermapharm Group. In line with the cooperation and supply agreement with BioNTech SE, Dermapharm delivered the agreed quantities of the vaccine to BioNTech SE on time. Furthermore, the Supervisory Board discussed and approved the budget plans for the years 2021 to 2023. The Supervisory Board also discussed further potential acquisitions.

At its meeting on **17 March 2021**, the Supervisory Board discussed the German Corporate Governance Code and approved the 2021 Declaration of Conformity. The Supervisory Board also discussed the Board of Management's remuneration system and approved the schedule of responsibilities under the rules of procedure for the Board of Management.

During the reporting year, there were no conflicts of interest on the Supervisory Board. The Company's Supervisory Board did not form any committees since the Supervisory Board consists of only three members.

Remuneration of the Supervisory Board

According to Article 15 (1) of the Articles of Association, each member of the Company's Supervisory Board is entitled to fixed remuneration of EUR 70 thousand for their work in financial year 2020, which was paid in full in the 2020 financial year.

Audit of the combined 2020 annual and consolidated financial statements

Warth & Klein Grant Thornton AG Wirtschaftsprüfungs-gesellschaft, Munich, audited the annual financial statements prepared by the Board of Management in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, "HGB") as well as the consolidated financial statements and combined management report for financial year 2020 prepared on the basis of International Financial Reporting Standards (IFRSs) in accordance with § 315e HGB and issued each an unqualified auditor's report.

The members of the Supervisory Board received the above documents, the auditor's respective long-form audit report and the Board of Management's recommendation on the appropriation of the net earnings in due time. The Supervisory Board examined these at its meeting on 12 April 2021. The auditor was present at this meeting and reported on the material audit findings. Upon completion of its own examination, the Supervisory Board concurred with the auditor's findings and did not raise any objections to the annual financial statements, consolidated financial statements, the combined management report or the recommendation on the appropriation of the net earnings for financial year 2020 prepared by the Board of Management. Following the review of the Board of Management's proposal on the appropriation of net earnings, which was conducted on 12 April 2021 and included a discussion with the auditor, the Supervisory Board agreed with and approved the Board of Management's proposal for the appropriation of net earnings. The proposal included distributing the unappropriated net earnings of EUR 47,379,200 in full. The annual financial statements are therefore adopted.

Furthermore, the auditor also audited the dependent company report prepared by the Board of Management of Dermapharm Holding SE required by § 312 of the German Stock Corporation Act (Aktiengesetz, "AktG"). The audit did not give rise to any objections. The auditor issued the following unqualified auditor's report:

"In our opinion and in accordance with our statutory audit, we certify that (1) the factual disclosures provided in the report are correct, (2) the Company's consideration concerning legal transactions referred to in the report was not unduly high or any disadvantages were compensated for."

The members of the Supervisory Board also received the Board of Management's dependent company report and the auditor's corresponding audit report in due time. The Supervisory Board examined these at its meeting on 12 April 2021. The Supervisory Board's examination of the dependent company report did not give rise to any objections. The Supervisory Board therefore concurred with the auditor's findings and, upon completion of its examination, the Supervisory Board did not raise any objections to the concluding declaration by the Board of Management in the dependent company report.

The members of the Supervisory Board also received the Board of Management's separate Group non-financial report in due time. The Supervisory Board examined these at its meeting on 12 April 2021. The Supervisory Board's examination of the separate Group non-financial report did not give rise to any objections. Upon completion of its examination of the Board of Management's separate Group non-financial report, the Supervisory Board did not raise any objections.

Acknowledgements

We would like to thank the Board of Management for its unfailing open and constructive cooperation this past year. We would also like to give special thanks to our employees for their hard work in what was – for all of us – an extraordinary and challenging 2020 financial year. The Supervisory Board likewise wishes the Board of Management and the employees continued success for the work that lies ahead in the new financial year.

Grünwald, April 2021

Wilhelm Beier

Chairman of the Supervisory Board

DERMAPHARM AT A GLANCE

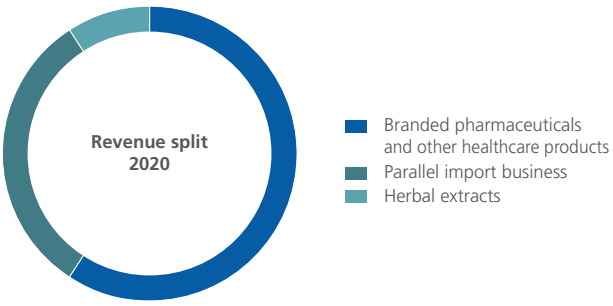
Rapidly growing manufacturer of branded pharmaceuticals

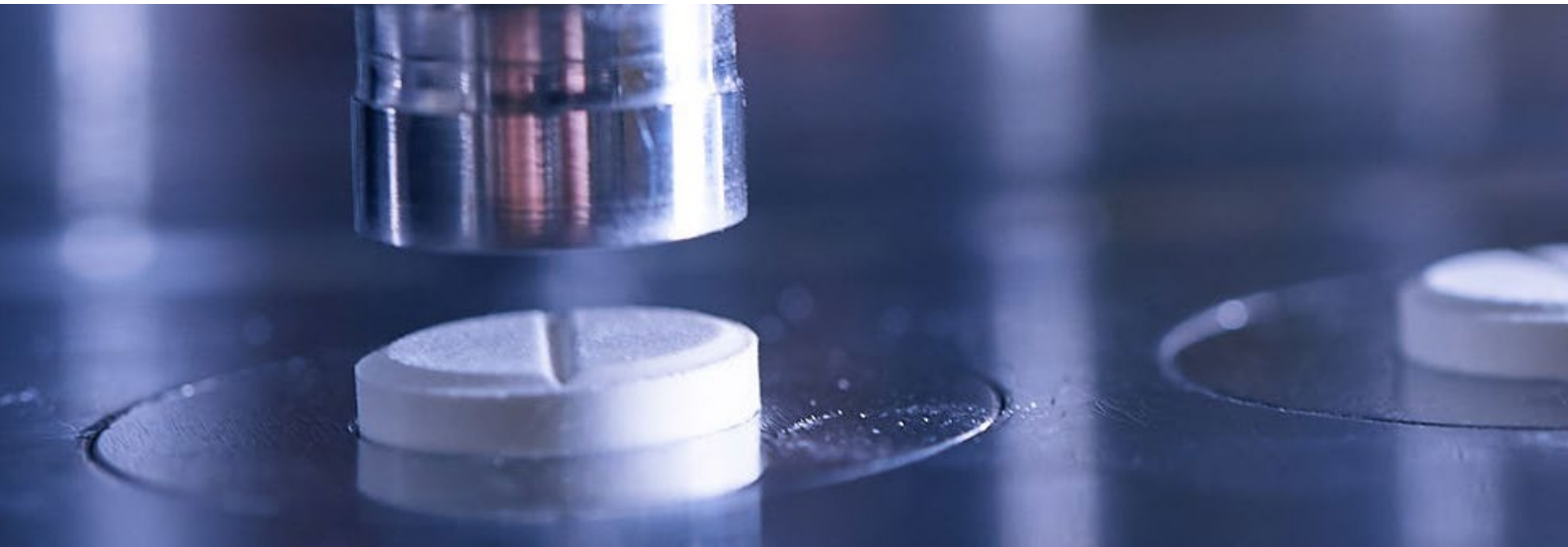
Dermapharm is a manufacturer of branded pharmaceuticals for selected therapeutic areas in Germany. Our product range covers prescription pharmaceuticals (Rx), over-the-counter (OTC) products, medical devices, food supplements and cosmetics. More than 50 % of our brand portfolio consists of originator preparations which are no longer protected by patents and for which there is no or only one competitor on the market. Founded in 1991, Dermapharm is based in Grünwald near Munich. The Group operates four of its own development centres and nine production facilities in Europe, primarily in Germany – a clear reflection of its commitment to Germany as its hub of operations. The Group's main location in Brehna, near Leipzig, includes production facilities as well as the Group's logistics centre.

Our proven expertise in product development enables us to develop, manufacture and market a wide range of branded pharmaceuticals based on formulations of active pharmaceutical ingredients that are no longer protected by patents. Our portfolio currently comprises more than 380 active pharmaceutical ingredients, with more than 1,300 marketing authorisations resulting. Furthermore, we offer a growing portfolio of other healthcare products such as food supplements, medical devices and cosmetics. This broad product range makes our Company unique and resilient to crises.

One of our key strengths is the in-house product development, in-house production in accordance with the Good Manufacturing Practice (GMP) standard and distribution of pharmaceuticals and other healthcare products for specifically targeted markets by our medical and pharmaceutical sales force. Our "Made in Germany" quality seal and an integrated business model have helped us to achieve a strong track record for developing and marketing new pharmaceuticals and other healthcare products. We have obtained marketing authorisations for more than 730 pharmaceuticals developed by our highly qualified teams of researchers. These marketing authorisations also include authorisations for markets outside of Germany. Our comprehensive approach allows us to control the entire value chain and optimise margins by reducing production costs.

Our focus also lies on the attractive growth market for herbal pharmaceuticals and healthcare products, in which Euromed has positioned itself as the market leader for the production and development of herbal extracts. Euromed's business forms part of our "Herbal extracts" division.





We have also been operating an established parallel import business under the "axicorp" brand since 2012. We import originator pharmaceuticals from other EU Member States and resell them to pharmaceuticals wholesalers and pharmacies in Germany. This enables us to benefit from the different pricing structures in the individual EU member states. Based on revenue, axicorp was one of the top five parallel importers in Germany in 2020.

Attractive product mix

Our ever-growing product portfolio, which includes well-known brands such as Dekristol®, Allergovit® and Tromcardin®, primarily covers selected and specialised niche markets with high entry barriers and low levels of competition. We hold a significant market share in each of these markets. With a mix of high-growth products and stable products which doctors and pharmacies use as standard therapies, we have a market presence with an attractive and diverse portfolio. This portfolio primarily covers the following therapeutic areas: vitamins/minerals/enzymes, dermatologics, systemic corticoids, pain treatment, women's healthcare, ophthalmologics, and other healthcare products. We have compounds with more than 380 different active pharmaceutical ingredients in varying strengths and dosage forms. This allows us to offer doctors and pharmacists different solutions for individual medical treatment needs.

We have also developed an attractive product category within and beyond the pharmacy business with our patented medical devices bite away® and Herpotherm®. Acquiring Fitvia, which markets its products for healthy eating and cosmetics exclusively via social media, has also opened the door to new target groups and distribution channels for us.

By acquiring Allergopharma, we also strengthened our position in the field of allergy desensitisation. We are thus expanding our dermatology therapeutic area and gaining valuable expertise in specific immunotherapy for allergies. The newly acquired portfolio covers a broad selection of high-dosage, hypoallergenic preparations, known as allergoids, as well as allergens for diagnostic testing. This allows us to offer therapies to treat both the symptoms and the causes of allergies.

We have successfully implemented our internationalisation strategy and, in addition to our home market of Germany, we are now also present in the United Kingdom, Italy, Spain and the United States. We have also been doing business for many years now in Austria, Switzerland, Croatia, Poland and Ukraine. During the current financial year we will work to market selected products from our existing German product portfolio as well as new product developments in these European markets.

CONSISTENT GROWTH STRATEGY BASED ON THREE PILLARS

In-house product development

We develop and successfully bring to market additional pharmaceuticals and other healthcare products at our very own centre of excellence. Our four development centres specialise in different product groups. We strive to complete all key development and authorisation processes in house – including designing and funding clinical trials – using our own experienced experts. Once authorisation is granted, newly developed products are generally put into production in-house. In total, we manufacture about 90 % of our pharmaceutical product portfolio ourselves.

The focal points of our development are:

- Expanding portfolio of off-patent branded pharmaceuticals
- Further developing allergy therapy product range
- Developing science-based food supplements
- Developing new phytoextracts

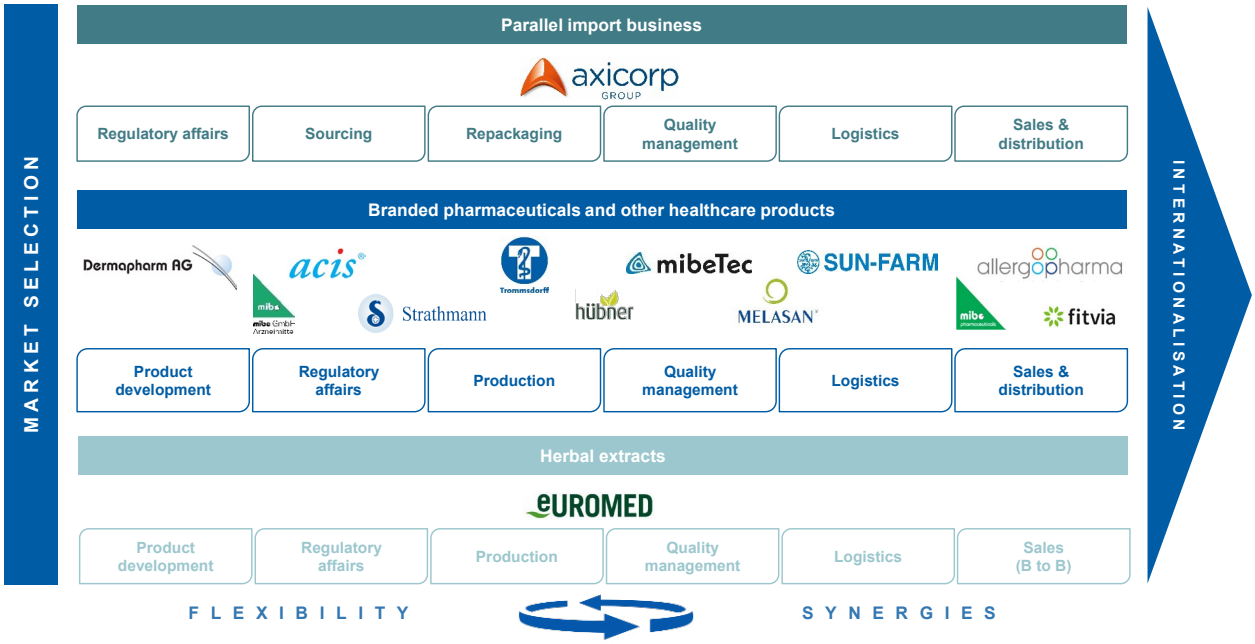
Internationalisation

In order to further expand our business with branded pharmaceuticals and other healthcare products, we have formed subsidiaries in the United Kingdom, Italy, Spain, Ukraine, Poland, the United States and other countries and have hired sales and distribution managers who are intimately familiar with their respective territories. Selected authorised products from our successful product portfolio are transferred to the companies in order to build up the product range, ensuring that we will gradually enlarge our portfolio and the respective sales and distribution structures as we expand into new markets. For instance, we are expanding into other countries in Europe, Asia and the Americas with our CE-certified and internationally patented medical devices bite away® and Herpotherm®. Furthermore, by acquiring international companies, we are driving forward the Group's internationalisation efforts.

M&A activities

Obtaining new authorisations and acquiring products and companies has always been part of Dermapharm's business strategy and a key success factor for continued growth. Since the Company's formation in 1991, we have steadily expanded our product offering through successful acquisitions in Germany and abroad. This includes, for instance, the acquisition of attractive patented medical devices and pharmaceutical manufacturers, which complement Dermapharm's portfolio ideally and expand our offering in growth markets. We also strive to further increase the potential of the newly acquired companies by optimising processes and incorporating the companies in our production and logistics structures. We continually review specific growth opportunities and pursue promising options that fit our strategy.

Integrated business model of Dermapharm Holding SE



SPOTLIGHT ON COOPERATION ON VACCINE PRODUCTION WITH BIONTECH SE

Dermapharm's integrated business model affords high degree of flexibility

Dermapharm has pursued an integrated business model from the outset. The bundling of development and production expertise at a single location is one of the key factors that makes this philosophy so successful. This makes it possible for advances in research and development to be quickly put into production while avoiding any unnecessary transfer risks. This idea was put into practice in exemplary fashion with the design of mibe GmbH Arzneimittel's Brehna facility. The development and production teams have access to nearly every technology needed in the manufacturing and testing of pharmaceuticals. Dermapharm's R&D scientists and their colleagues in Production work together on a daily basis and inspire each other. This is why Dermapharm is ideally positioned to put new products or groups of products into production at extremely short notice.

Rapid implementation of complex vaccine manufacturing processes

On 23 June 2020, BioNTech SE contacted us to ask if Dermapharm could help it produce the Comirnaty® vaccine.

The production of the vaccine essentially comprises four steps:

a. mRNA (messenger ribonucleic acid) production

b. mRNA purification

c. Production of the lipid nanoparticles (LNPs) that envelop the mRNA

d. Fill and finish in glass vials

BioNTech SE approached Dermapharm about production steps c. and d. – with a particular emphasis on step c. the manufacturing of lipid nanoparticles. Our Group is well equipped to implement this highly complex process. At all levels of the Company, we have the specialist expertise required to quickly introduce new products, and in particular we possess the specific know-how needed to manufacture lipid nanoparticles.

Given that we were ideally suited for this role, we did not hesitate to enter into a cooperation agreement with BioNTech SE. We are proud to play an extremely important part in the fight against COVID-19 by helping to distribute the vaccine. This spurred us on immensely as we put the administrative and technical processes in place to manufacture the vaccine. BioNTech SE had already ordered the product-specific technology necessary for manufacturing the vaccine, and we easily and quickly integrated this into our flexible manufacturing concept at mibe GmbH Arzneimittel's production facility. The challenges in the implementation process lay in particular in the introduction of new quality control methods and the creation of the logistical requirements for storing the products at -70°C. Thanks to the incredible teamwork of everyone involved, we also established the necessary processes in record time. The first batch of the vaccine rolled off the production line in Brehna in early October 2020 following the granting of approval by the responsible health authority in September 2020. By the end of the year we manufactured approximately 17 million doses of the vaccine in the form of lipid nanoparticles for further filling within the BioNTech SE/Pfizer network. We would like to take this opportunity to sincerely thank BioNTech SE for the excellent cooperation that has allowed us to so rapidly implement all this in the first place!

Expansion of cooperation with BioNTech SE at Allergopharma's facilities in Reinbek

The enormous demand worldwide for the highly-effective BioNTech SE/Pfizer vaccine spurred BioNTech SE on to immediately begin preparations to ramp up production from originally 1.3 billion doses to 2.0 billion doses in 2021. Dermapharm had previously stated it would also be willing to make manufacturing capacities available at Allergopharma, which it acquired in 2020, as the facilities in Reinbek were also ideally suited to manufacture sterile pharmaceuticals, especially the production of lipid nanoparticles required in step c). BioNTech SE accepted this offer in December 2020, and the agreement was amended accordingly. Accordingly, manufacturing capacities in Reinbek are being ramped up to 40-50 million vaccine doses per month, which will then be transferred to other locations in the BioNTech SE/Pfizer network to be filled in to vials.

The technical preparations to produce the vaccine are in full swing at Allergopharma while the employees are undergoing training in Brehna at mibe GmbH Arzneimittel. The transfer of knowledge within the Dermapharm Group and the lessons learnt from the implementation at mibe GmbH Arzneimittel are an enormous advantage as everyone pulls together to implement the manufacturing processes at Allergopharma. This saves considerable amounts of time, and as everyone knows, time is of the essence in the fight against COVID-19! Production in Reinbek is scheduled to commence early as May 2021.

Vaccine production part of Dermapharm's operations in 2021

We look forward to taking on the great responsibility of manufacturing the vaccine. This has given the entire Group a great deal of expertise that will no doubt be of enormous significance for the Group's future development. However, Dermapharm has demonstrated the great feats it is capable of achieving not only by successfully realising the technologically extremely demanding and important vaccine project, but also by improving the entire Group's performance during a pandemic-stricken 2020. Therefore, in addition to manufacturing the vaccine, it will be just as important for the Group to continue growing organically while at the same time systematically pursuing its own growth strategy comprising the three pillars of developing new products in-house, expanding its international footprint and successfully acquiring new companies.

INTRODUCTION OF ALLERGOPHARMA

M&A: strategically significant acquisition of Allergopharma

In March 2020, Dermapharm acquired the allergies specialist Allergopharma GmbH & Co KG, with its registered office in Reinbek (near Hamburg), as well as its subsidiaries in Switzerland and Austria. Additionally, the transaction also included the acquisition of Allergopharma's Spanish and Chinese sales and distribution businesses, each of which was transferred to a separate, newly formed company.

The Allergopharma deal represents a significant part of Dermapharm's growth strategy. The acquisition enabled it to optimally complement its product portfolio in the field of allergology and thus to tap into another very promising growth market. As a leading company in that area, Allergopharma offers a broad range of highly developed preparations for the innovative allergy therapy field of subcutaneous hyposensitisation. The complex production process in Reinbek is supported not only by outstanding scientific expertise but also a manufacturing facility that meets the highest technical standard. Allergopharma's products are distributed in more than 10 countries at present, with the transaction thus translating to further progress in Dermapharm's internationalisation project. The addition of the Chinese market in particular offers both Allergopharma and the rest of the Group interesting development opportunities.

More than 50 years' experience in researching and treating allergies

Since 1969, Allergopharma has distributed products used in the diagnosing of allergies and allergen-specific immunotherapy of Immunglobulin E (IgE)-mediated type I allergies such as allergic rhinitis (i.e., hay fever) and allergic asthma, which are triggered by pollen, dust mites, mould spores and pet dander. Through its own large in-house research department and in cooperation with research institutions and other partners, the company is helping to bring about a better understanding of the immunological mechanisms behind the development of allergies and is actively working on the next generation of preparations for specific immunotherapies.

Allergopharma is a pioneer in the development of so-called allergoids (hypoallergenic therapeutics), which are the most commonly applied subcutaneous therapeutical preparations around the world today. These products modify the protein structure of allergens through chemical treatment such that the allergenic potential is reduced while the necessary immunogenic effectiveness remains fully intact. This means that these products can be used to apply very high allergen dosages without the risk of undesired side effects rising during injection. The higher the allergen dosage administered, the longer-lasting the effect on the allergy sufferer's immune system.

Allergopharma currently focuses on preparations used in subcutaneous imunotherapy through the prescription products Allergovit® against pollen allergens, Acaroid® against dust mites and Novo-Helisen® Depot against dust mites, pet dander and mould, as well as preparations used in in-vivo diagnostics.

Allergology: a growth market

Allergology is an absolute growth market that offers major potential. The present assumption is that more than a billion people around the world suffer from allergies. Given the epidemic increase in recent decades, it is expected that by 2050 up to four billion people will be affected. Efficient modes of treatment will be ever more important: modelling has shown that for the EU alone, hours absent and reduced ability to concentrate and perform due to allergies cost between EUR 55 billion and EUR 150 billion a year.

USPs for Allergopharma products thanks to highly complex manufacturing and costly approvals processes

The manufacture of allergen extracts is a highly complex and very costly process. It requires significant expertise and scientific excellence in order to produce pharmaceutical-grade allergen extracts from natural raw materials of highly variable quality and to continually improve upon the production processes behind active ingredients and end products. The whole manufacturing process can last up to 22 months from goods receipt checks to active ingredient production, allergoidisation through to the aseptic production of end products. Batch releases are approved not only via in-house quality control processes but also by the competent federal authority, the Paul-Ehrlich-Institut.

In Germany, the market for allergen therapeutics was fundamentally restructured in 2008 by virtue of the entry into force of the Therapy Allergens Regulation (Therapieallergene-Verordnung, "TAV"). For certain frequently prescribed allergens such as grass pollen, tree pollen and dust mites, which until that point could be sold over the counter, it became necessary to obtain subsequent approvals. The producers of allergen extracts can generate the necessary clinical, safety and quality data by the end of 2025 while still selling the affected products. Allergopharma benefits from the fact that Allergovit® products and Novo-Helisen® Depot Milben have already been approved for many years and can focus exclusively on obtaining approval for Acaroid® in accordance with the TAV. It can be assumed that the highly costly TAV process and the associated efforts expended by companies to obtain approvals will lead to a consolidation of the preparation and allergen extracts manufacturers on the market. This will also open up new opportunities for Allergopharma going forward.

Unique and sustainable therapeutic concept

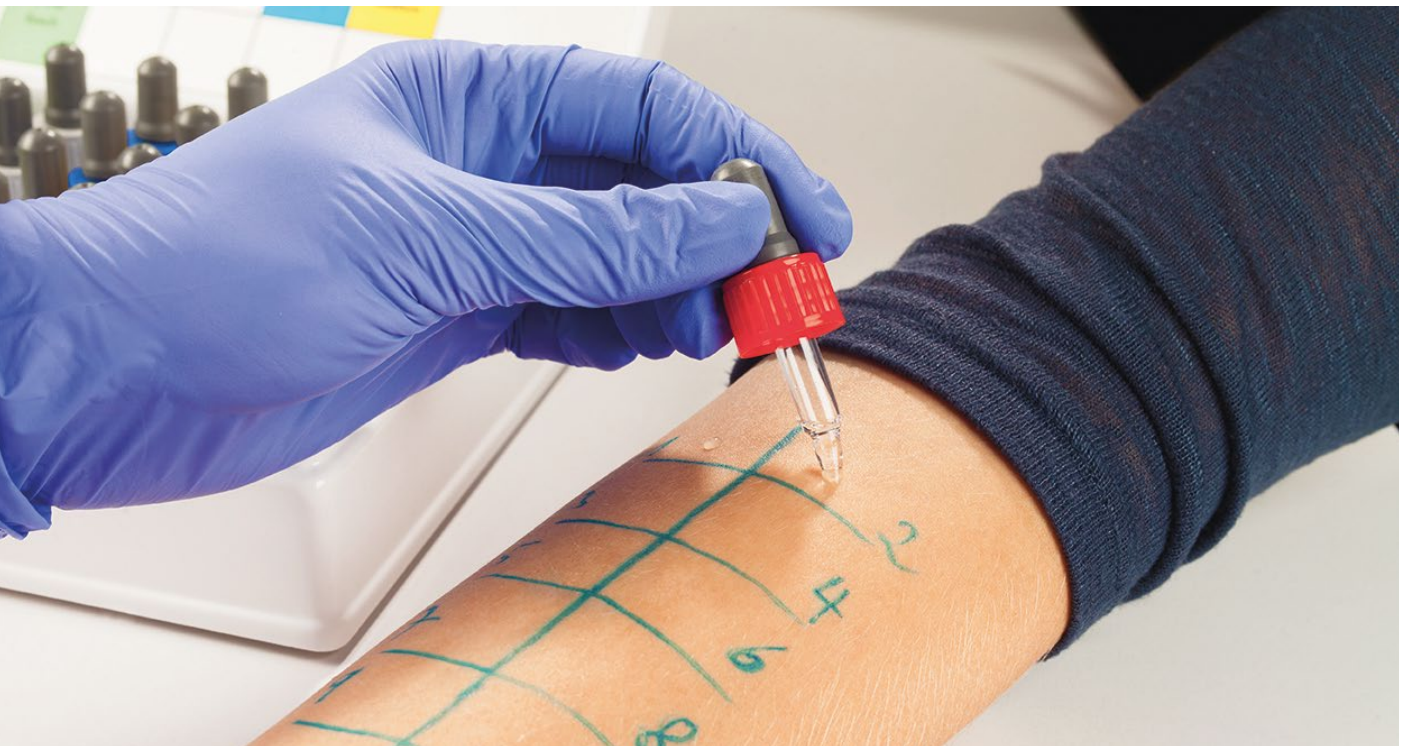
In allergy sufferers, the actually harmless allergens falsely signal danger to the immune system – they react with immune cells and trigger inflammatory processes that cause symptoms. Early diagnosis of allergies is crucial. This process involves several incremental, complementary steps: taking the medical history, clinical examination, skin testing (prick testing), laboratory testing (allergen-specific IgE antibodies in the blood) and, if necessary, provocation testing in the nose or lungs.

Allergies can be treated by allergen abstinence, which often cannot be achieved in practice (e.g., for pollen allergies), and by anti-allergic drugs such as antihistamines, corticosteroids, leukotriene antagonists and mast cell stabilisers. However, anti-allergy drugs are only effective during use; after discontinuation, symptoms reappear.

Allergen-specific immunotherapy (AIT), or hyposensitisation, is the only form of treatment that also treats the causes of the disease individually for each patient. It modulates the immune system through regular administration of the allergenic foreign substances and thus builds up the body's own tolerance to the allergens. Symptoms subside, a spread of symptoms from the upper respiratory tract (nose) to the lungs – also known as clinical progression – is prevented, and fewer sensitisations to new allergens occur. Ideally, patients should be treated when allergic rhinitis or allergic asthma are still in their early stages. However, the therapy also contributes significantly to the improvement of symptoms in the case of a longer illness. It is usually carried out over three years with a short up-dosing and subsequent maintenance phase with injections every six to eight weeks. As soon as in the first year after the start of therapy, symptoms can decrease and still improve noticeably in the subsequent years.

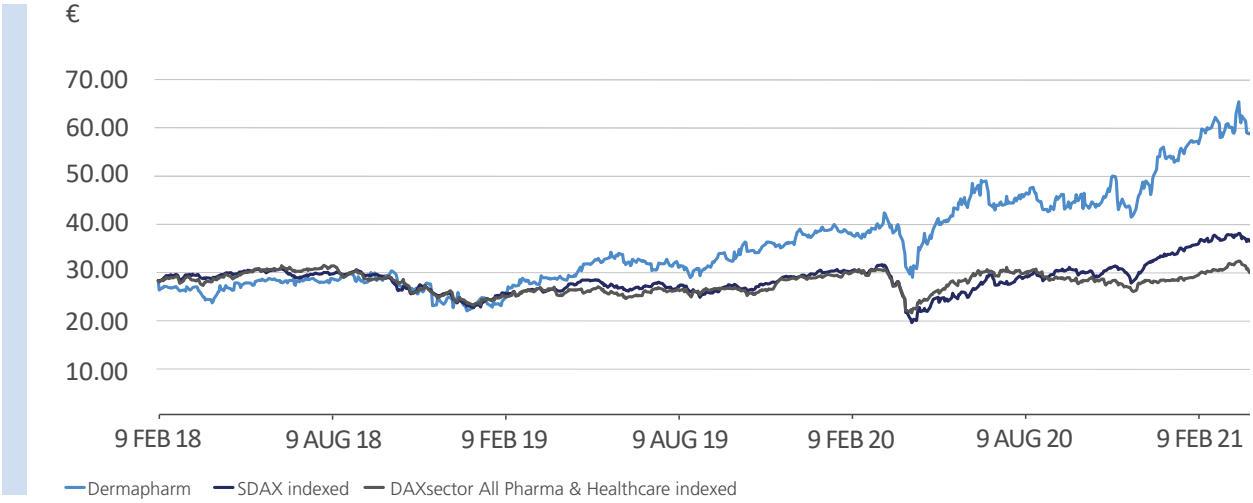
Patients first

Allergopharma always focuses on allergy sufferers and on providing them with optimal care. To help patients learn more about their allergy and treatment options, and to provide practical tips on managing their condition, the company provides the patient website www.allergie-freizeit.de. In addition, Allergopharma supports German and European professional associations and awards renowned research prizes, such as the Allergopharma Award of the European Academy of Allergy and Clinical Immunology (EAACI) since 2001.



INFORMATION ABOUT THE DERMAPHARM HOLDING SE SHARES

Dermapharm Holding SE shares (XETRA, indexed)



Share price performance

The performance of the SDAX small cap index in 2020 was overshadowed by the COVID-19 pandemic. At the beginning of the year, the index recorded a slight upward trend on the heels of upbeat economic expectations, reaching a record high of 13,067 points on 17 February 2020. However, this upward trajectory came to an abrupt halt as stock markets tumbled in the wake of the global COVID-19 pandemic. Within just a few days, the SDAX lost more than 5,000 points, bottoming out for the year at 7,996 points on 18 March 2020. To counter this, the German federal government passed major economic stimulus packages and promised the business sector far-reaching financial support. The SDAX began to rebound in March, regaining most of the ground it had lost. Despite a prolonged volatile upward trajectory that stretched from April to October 2020, the index recorded a new all-time high of 13,133 points on 13 November 2020. Time and again, recurring concerns about a second wave of the COVID-19 pandemic prevented a more robust market recovery. Share prices did not increase until the results of studies on the effectiveness of a potential vaccine were published, ushering in hopes that the COVID-19 pandemic would soon come to an end. The index's performance increased significantly in the last two stock market months of the year. The SDAX closed out the year on 31 December 2020 with 14,765 points, an increase of 18.0 %.

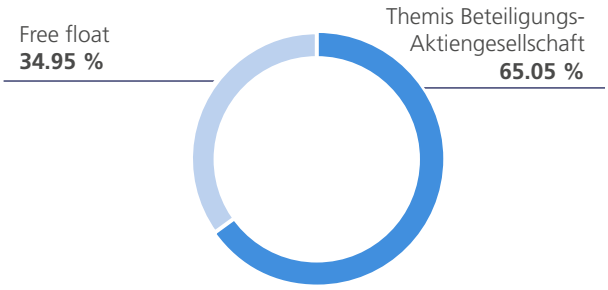
Dermapharm shares began financial year 2020 trading at EUR 39.75. The shares thus picked up where they had left off in 2019, continuing their climb to a new all-time high of EUR 42.195 on 19 February 2020. In early March 2020, the COVID-19 pandemic triggered an unprecedented crash on stock markets around the world, a development that Dermapharm's share were also unable to dodge. The shares reached their nadir of EUR 28.665 for the year on 19 March 2020. However, the losses were recouped within just a few weeks as the global capital markets experienced an unexpectedly rapid recovery. Winners in the COVID-19-virus crises include in particular companies in the medical and pharmaceuticals sectors. Dermapharm shares rose to a new record high of EUR 49.00 on 28 May 2020. After trending sideways for a sustained period between the months of June and October 2020, the share price rose significantly from November onwards. It was during this period, that Dermapharm and BioNTech SE entered into their cooperation to manufacture the vaccine and that the proportion of shares in free float was increased to 10 % in connection with a share placement by Themis Beteiligungs-AG. Dermapharm Holding SE's shares benefited from the year-end rally seen on the stock markets, climbing to a new all-time high of EUR 57.31 on 29 December 2020. The shares closed out the year trading at EUR 56.96 on 31 December 2020. Dermapharm Holding SE's share price increased by 43.3 % over the 12-month period in financial year 2020.

The performance of the DAXsector All Pharma & Healthcare Index particularly in the second half of the year lagged significantly behind that of the SDAX, with the index closing out the year down 1.42 %.

The shares at a glance (XETRA)	
High (15 February 2021)	EUR 65.47
Low (19 March 2020)	EUR 28.665
Closing price (26 February 2021)	EUR 58.88
Trading volume (9 February 2018 to 26 February 2021; average number of shares)	40,107 shares
Market capitalisation (31 December 2020)	EUR 3,066.7 million

General information	
German Securities Code (WKN)	A2GS5D
ISIN	DE000A2GS5D8
Ticker symbol	DMP
Type of shares	No-par value ordinary bearer shares
Initial listing	9 February 2018
Number of shares	53.84 million
Stock exchanges	Regulated Market (Prime Standard) of the Frankfurt Stock Exchange
Analysts	Charlotte Friedrichs, Joh. Berenberg, Gossler & Co. KG Daniel Wendorff, Commerzbank AG Alexander Thiel, Jefferies International Ltd Dennis Berzhanin, Pareto Securities AS Dr. Marcus Wieprecht, Stifel Europe Bank AG
Designated Sponsors	Joh. Berenberg, Gossler & Co. KG Commerzbank AG Stifel Europe Bank AG

Shareholder structure



Disclosure based on the notifications of voting rights received in accordance with German Securities Trading Act (WpHG, as of 1 July 2020)

The majority (65.05 %) of the no-par value shares are held by Themis Beteiligungs-Aktiengesellschaft. 34.95 % of the shares in Dermapharm Holding SE are in free float as defined by Deutsche Börse. With the exception of treasury shares, this includes all holdings below 5 %.

For detailed information on our Company and the shares, please visit our investor relations website at https://ir.dermapharm.de/.

IR activities

By selecting the Prime Standard, Dermapharm Holding SE deliberately opted for Deutsche Börse's most strictly regulated segment when it went public. We strive to communicate transparently with all capital market participants. This includes providing our investors with the latest information by regularly publishing financial reports in both German and English as well as any Company-related disclosures in a timely manner. In addition to our legal obligations, we aim to expand on our IR activities by participating in investor conferences, roadshows and group and one-on-one meetings. In the past 2020 financial year, the members of the Board of Management conducted a total of six virtual roadshows and visited eight virtual national and international investor conferences, including the 2020 Deutsches Eigenkapitalforum, the 2020 Commerzbank Corporate Conference, the Jefferies London Healthcare Conference and the 2020 Berenberg European Conference.

2020 Annual General Meeting

On 17 June 2020, Dermapharm Holding SE held its 2020 Annual General Meeting online. 90.61 % of the share capital was in attendance. All agenda items were approved with a large majority. At the Annual General Meeting, the Board of Management reported in detail on Dermapharm Holding SE's operational and strategic development in financial year 2019 and in the first quarter of 2020. Dermapharm successfully maintained its growth trend as it significantly increased revenue and earnings. Accordingly, the Annual General Meeting ratified the actions of the Board of Management and of the Supervisory Board for financial year 2019 by a large majority. The AGM followed the Board of Management's recommendation to distribute a dividend of EUR 0.80 per no-par value share. Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Munich, was engaged as the auditor for the 2020 financial year.

The detailed results of the voting for each agenda item are available at the Annual General Meeting section of the Company website https://ir.dermapharm.de/.

Financial calendar

Publication of Q1 Quarterly Report	18 May 2021
Annual General Meeting	23 June 2021
Publication of the preliminary figures for H1 2021	24 August 2021
Publication of 2021 Half-Yearly Financial Report	7 September 2021
Publication of Q3 Quarterly Report	16 November 2021


575922 A
575923
Prednisolut® 50 mg L
3 Ampullen mit Pulver und
3 Ampullen mit je 2 ml
mibe GmbH Arzneimittel
Münchener Straße 15

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT ON THE SITUATION OF THE COMPANY AND OF THE GROUP FOR FINANCIAL YEAR 2020

1. Information about the Group

1.1 Business model and strategy

Business model

Dermapharm Holding SE (together with its consolidated subsidiaries referred to as "Dermapharm" or the "Group") is an innovative manufacturer of branded pharmaceuticals for selected therapeutic areas in Germany, with a growing international presence. The Company currently focuses on the three divisions "Branded pharmaceuticals and other healthcare products", "Herbal extracts" and "Parallel import business". The Group's strategy is to achieve the deepest-possible integration of its business model as well as dynamic growth centred on the development of new products, increasing internationalization and targeted M&A activities across all divisions.

Dermapharm develops, produces and markets its products using its own resources, leveraging Germany's and Europe's reputations as manufacturing powerhouses and the quality associated with products manufactured there.

Branded pharmaceuticals and other healthcare products

By pursuing a targeted acquisition strategy together with in-house product development, Dermapharm has built up a broad product portfolio of branded pharmaceuticals in profitable niche markets. Furthermore, the Group offers a growing portfolio of other healthcare products such as medical devices, food supplements and cosmetics. The extensive range of pharmaceuticals and healthcare products comprises more than 380 active pharmaceutical ingredients and more than 1,300 national and international marketing authorisations. The majority of these are produced in-house and sold via our distribution organisation.

As a medium-sized corporate group, Dermapharm is particularly committed to our medium-sized partners such as doctors and pharmacists and especially to our patients. The Group's product portfolio covers a broad spectrum of groups of active ingredients in varying dosage forms and strengths. This allows the Company to offer many different solutions for individual medical needs. According to the market research firm INSIGHT Health, Dermapharm is Germany's market leader for prescription dermatologics and systemic corticoids (based on the number of prescriptions written by doctors registered there) as well as for prescription vitamins, for instance with the vitamin D compound Dekristol® 20,000 IU. The Group also has very strong brands in other selected therapeutic areas such as vitamins/minerals/enzymes, women's healthcare, pain treatment and ophthalmologics. According to INSIGHT Health, Dekristol® 20,000 I.U., Keltican®, Tromcardin®, Acicutan® and Ketozolin® are leading brands in their respective therapeutic areas.

Herbal extracts

The Spanish subsidiary Euromed, a leading manufacturer of standardised herbal extracts for the pharmaceuticals and cosmetics industries, offers Dermapharm access to herbal raw materials and natural active ingredients, thereby expanding its own value chain.

The broad product range is manufactured in house at modern development and production facilities using patented processes and marketed in 42 countries via a B2B distribution model. Dermapharm increasingly uses these to manufacture its own products.

Parallel import business

Dermapharm operates its parallel import business under the "axicorp" brand. The business model is based on legal regulations under the German Social Security Code (Sozialgesetzbuch), with price differences within the European Union's internal market for prescription originator pharmaceuticals being exploited in favour of Germany's statutory health insurance system.

"axicorp" has the specialist expertise needed for procuring these originator pharmaceuticals from other EU Member States. The products are then manufactured in "axicorp's" own production facilities in accordance with the requirements of the German market. The company employs direct marketing activities, particularly its own call centre, to market the products.

According to INSIGHT Health, axicorp is Germany's fifth-largest parallel importer in terms of gross revenue in 2020 and it covered the majority of the prescription originator pharmaceuticals available on the German parallel import market.

Strategy

Dermapharm intends to continue building on its positive performance of recent years and further expand the strong position of its three divisions by systematically leveraging organic and external growth opportunities.

The Group's growth strategy is based on three pillars:

1. expanding the product portfolio by bringing to market new, internally developed products;

2. increasing the Group's international presence;

3. successfully completing further acquisitions of products and businesses.

In order to expand the range of the product portfolio, Dermapharm continually strives to develop additional branded pharmaceuticals and healthcare products and launch them on the market. Dermapharm's product pipeline currently comprises over 50 ongoing development projects involving new products for the defined niche markets. The focus is on the following therapeutic areas: dermatologics, vitamins/minerals/enzymes, women's healthcare products and ophthalmologics. In addition, Dermapharm continues to perfect the technology behind its bite away® and Herpotherm® medical devices. Dermapharm plans to leverage the existing development, manufacturing and marketing capacities to launch and market new products via its distribution organisation. The objective of Dermapharm's "Herbal extracts" division is to leverage the Group's state-of-the-art extraction facilities and partnerships with renowned universities and other partners to continue developing new innovative and sustainable extracts.

In order to expand its international presence, Dermapharm markets selected products from its existing product portfolio and systematically launches new product developments at its international subsidiaries. Dermapharm facilitates these expansion efforts by forming its own subsidiaries abroad and acquiring new companies with an international presence. The acquisition of Allergopharma in particular in financial year 2020 represented an important step forward in this regard.

Obtaining new authorisations and acquiring products and companies has been part of Dermapharm's business strategy ever since the Company's formation in 1991. This has allowed us to steadily expand our product offering over the years. Beginning with the successful integration of the Dermatology business acquired from Bristol-Meyer Squibb in 2002 and the acquisition Jenapharm's therapeutics unit from Schering in 2004, Dermapharm has maintained its consistent growth trend over the years through various acquisitions. Dermapharm acquired the medical devices bite away® and Herpotherm® in September 2017. In 2018, this was followed by the acquisitions of Strathmann and Trommsdorff with their specialised portfolio of prescription pharmaceuticals and OTC products, which formed Dermapharm's "pain treatment" therapeutic area. Dermapharm expanded its portfolio in the "Herbal extracts" division by acquiring Euromed in 2019. In financial year 2020, Dermapharm strengthened its position in the dermatologics therapeutic area by acquiring Allergopharma. Dermapharm will continue to regularly review specific growth opportunities and pursue strategic options that fit our corporate strategy.

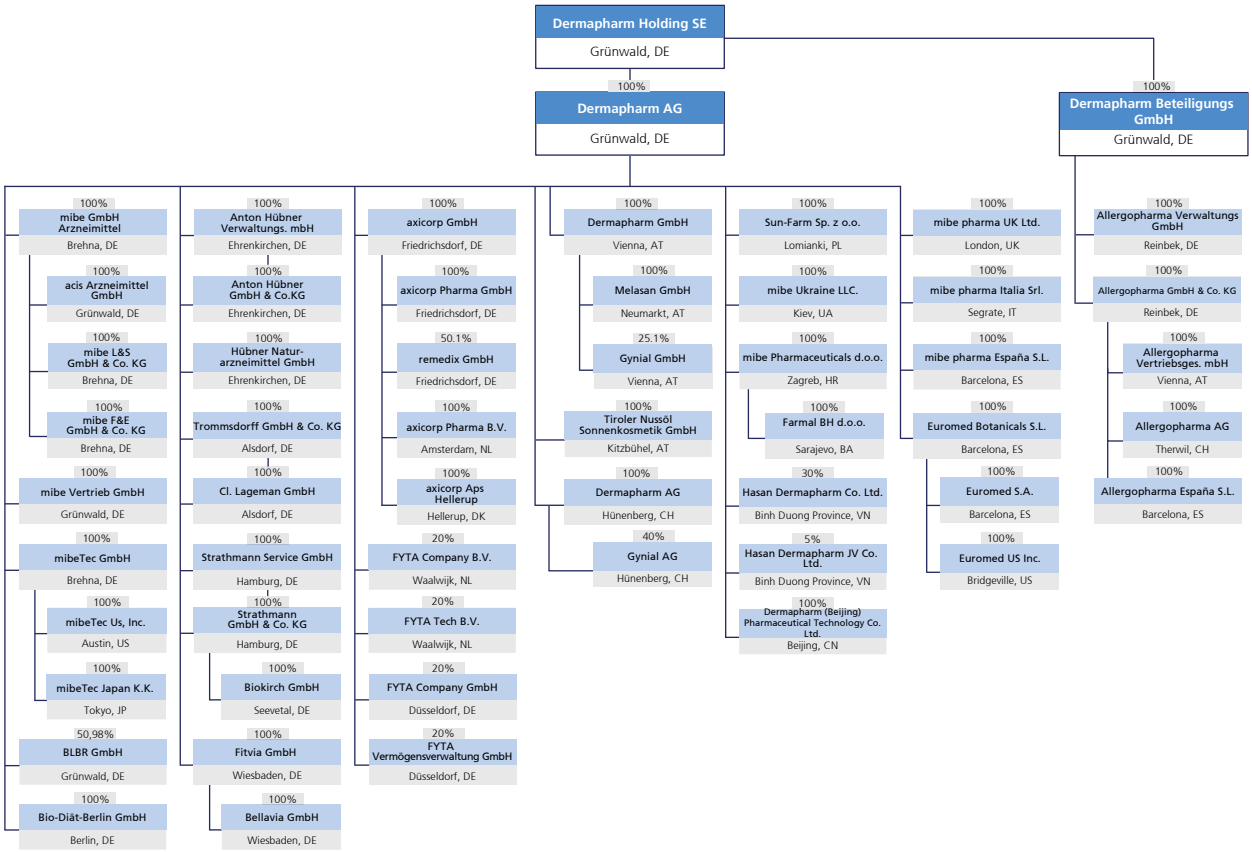
1.2 Group structure and interests

The holding company is organised as a European company, or Societas Europaea (SE), in accordance with European law and thus is subject to the respective European legislation governing these types of companies, particularly Council Regulation on the Statute for a European Company (SE Regulation). As a company registered in Germany, the Company is also subject to German law. Where matters are not, or only partly, regulated by the SE Regulation, the Company is also subject to the regulations applicable to stock corporations under German law. The Company is therefore generally governed by German law subject to the provisions of the SE Regulation. Accordingly, the German Stock Corporation Act (Aktiengesetz, "AktG") along with other laws applicable to German stock corporations, particularly the German Commercial Code (Handelsgesetzbuch, "HGB"), the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") and the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, "WpÜG"), can apply to the Company. German law (mainly AktG) in particular applies to capital measures (e.g. capital increases and decreases), Annual General Meetings and the Company's accounts.

Dermapharm Holding SE holds 100% of the shares in Dermapharm AG as well as in Dermapharm Beteiligungs GmbH and is the parent company of the Group. It essentially functions as a strategic holding company. The business operations of the Dermapharm Group are conducted by Dermapharm AG, Dermapharm Beteiligungs GmbH and their respective subsidiaries.

The group of companies consolidated by Dermapharm includes all companies whose financial or business policies are subject to direct or indirect control by Dermapharm. In addition, Dermapharm holds interests in companies whose financial and business policies are subject to significant influence by the Company.

The following Group structure shows the direct and indirect subsidiaries and associates as at the reporting date:



With its Group companies, Dermapharm has put in place all of the prerequisites for achieving long-term success. These include flexible company structures, a secure and broad customer base, international positioning with regional industry expertise and an entrepreneurial management structure. As at 31 December 2020, the Dermapharm Group comprises 56 companies, of which 28 are domiciled in Germany.

1.3 Sites and employees

The Dermapharm Group operates development, production, and distribution sites in Germany – its largest sales market – as well as sites in Austria, Switzerland, Italy, Spain, the United Kingdom, Croatia, Bosnia and Herzegovina, Poland, Ukraine, the United States, China and Japan.

The majority of all compounds from the "Branded pharmaceuticals and other healthcare products" division are manufactured in the central production and logistics centre, mibe GmbH Arzneimittel in Brehna. This site is also responsible for centralised purchasing and for product supply to the subsidiaries. The production facilities of acquired companies have also become increasingly important in recent years. The necessary modernisation work, in particular with regard to IT, buildings and equipment, was performed at these locations. These sites are part of the same network as the logistics centre in Brehna.

Construction for a new office building and plant for axicorp GmbH commenced in Seevetal in financial year 2020 in order to boost the "Parallel import business" division's productivity. Euromed, which is allocated to the "Herbal extracts" division, has its own production facilities in Molina de Segura, Murcia, Spain, and Mollet del Vallès, Barcelona, Spain, and operates a drying facility in Okeechobee, Florida, United States.

In Germany, the "Branded pharmaceuticals and healthcare products" segment is promoted and sold by five different sales force lines, which visit pharmacies, general practitioners and clinics. This is done in a very targeted manner according to the defined customer target groups, depending on the product application areas. Sales in the "Herbal Extracts" segment are based on a B2B business model, while sales in the "Parallel import business" segment are mainly conducted via a call center using direct telephone sales.

Qualified employees are the basis for Dermapharm's long-term commercial success. In financial year 2020, an average of 2,311 employees worked for the Group (previous year: 1,853 employees).

1.4 Management system and performance indicators

At the Group level, Dermapharm has three divisions: "Branded pharmaceuticals and other healthcare products", "Herbal extracts" and "Parallel import business". The Board of Management approves objectives for use in the business planning and management of the divisions. Budgetary plans which are prepared annually for a period of three years translate these objectives into specific, measurable targets.

Regular reports to the Board of Management provide details on the performance of the three divisions so that any potential unfavourable trends can be countered in a timely manner. In this way, the management system plays a role in ensuring that the Group continues to grow profitably.

Dermapharm manages its operations using selected financial performance indicators that are monitored continuously and integrated into the monthly reporting to the Board of Management. The defined divisions continually review the specified plan figures and compare them with the current business performance. Based on this plan to actual comparison, corresponding measures are derived from any deviations from the original revenue and EBITDA targets.

The key management metrics used by the Board of Management to measure the success of business activities are revenue and earnings before interest, taxes, depreciation, amortisation, write-downs and reversal of impairment (EBITDA).

The following shows a reconciliation of EBITDA to Group earnings as presented in the income statement:

	Profit or loss for the period
+	Income tax expenses
=	Earnings before taxes (EBT)
+	Financial expenses
-	Financial income
+	Depreciation, amortisation, write-downs and reversal of impairment
=	**EBITDA**

1.5 Research and development

The focus of Dermapharm's business model is on the development of compounds using active pharmaceutical ingredients which are generally no longer subject to intellectual property rights. Dermapharm specifically does not conduct any fundamental pharmaceutical research.

The foundation for profitable growth and the long-term success of the Company lies in continuously bringing to market new branded internally developed pharmaceuticals that enhance market competence in the core therapeutic areas and offering them at the best possible cost. Dermapharm is confident that its own expertise in product development is a key success factor. This enables the Group to retain control over the timing and costs of product development and allows it to devote itself to developing special projects, including niche products. The Group's in-house central development centre in Brehna plays a crucial role in this. The Group has also established development centres for food supplements at Strathmann GmbH & Co. KG, Anton Hübner GmbH & Co. KG and for immunotherapy at Allergopharma GmbH & Co. KG. Contract development projects are also awarded to external development partners. In financial year 2020, an average of 151 employees worked in product development at Dermapharm (previous year: 85 employees).

Dermapharm continually monitors its target markets for new product options. After identifying a potentially attractive pharmaceutical product, Dermapharm is able to carry out the key phases of the development and authorisation process itself, including the designing of studies and sponsoring of clinical trials.

In doing so, it has access to the proven expertise of the Group's development specialists, some of whom have over 25 years' of experience in developing off-patent pharmaceuticals. Furthermore, Dermapharm has the necessary regulatory expertise in house in order to be able to carry out the authorisation process itself in Germany as well as in the EU. In this way, newly developed preparations are made available to both the German and the foreign subsidiaries for marketing.

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

Macroeconomic environment

In January 2021, the International Monetary Fund estimated that the global economy had contracted by 3.5 % in 2020. The economic slump across the board is attributable primarily to the actions taken by policy-makers to contain the COVID-19 pandemic. Due to the fact that highly-developed economies recovered more rapidly than expected, the IMF struck a more optimistic tone in its October 2020 forecast than it had in June 2020. The IMF forecasts that the global economy will grow significantly by 5.5 % in 2021.

Economic momentum in the euro nations also faded noticeably in 2020. According to the EU Commission, in 2020, the eurozone saw economic output fall by 6.6 % (as at March 2021). The actions taken by policy-makers to combat the COVID-19 pandemic placed a significant drag on the economic performance of the major economies of the eurzone, in particular Germany, France, Italy and Spain. According to the Federal Ministry for Economic Affairs and Energy, Germany's economy shrank by 5.0 % in 2020 (as at February 2021).

In light of the fact that the Dermapharm's business model in the healthcare market is aligned with relatively cyclical demand, the global economic environment generally has less of a direct impact on the business performance than the respective regulatory conditions in the individual market regions.

Sector-specific environment

The factors driving growth on the pharmaceutical and healthcare markets include in particular demographic trends such as an increasingly ageing society, global population growth, rising health awareness and self-medication as well as advances in the medical field. Accordingly, the European pharmaceuticals market has grown continuously in recent years. The action taken by policy-makers to combat the COVID-19 pandemic did not adversely affect the pharmaceuticals and healthcare market in 2020. According to information from the consultancy firm IQVIA (source: IMSVALOTC), the entire European pharmaceuticals market generated annual revenue of USD 287.2 billion by the end of the third quarter of 2020, meaning that the market volume increased by 4.1 % compared to the same period in the previous year (MAT Q3 2019: USD 275.9 billion). Of that amount, USD 252.0 billion was attributable to prescription pharmaceuticals (MAT Q3 2019: USD 241.1 billion) and USD 35.2 billion to OTC pharmaceuticals (MAT Q3 2019: USD 34.8 billion).

Dermapharm's primary market, Germany, has a highly developed healthcare system with 116,330 registered physicians, 19,075 public pharmacies (2019 figures in each case) and 1,925 hospitals (in 2018). Because of this, Germany spends a larger share of its gross domestic product for healthcare than any other country in the European Union, and it has the second-highest per capita healthcare spending and the highest share of health spending covered by public funds in the European Union. According to IQVIA, the growth trend in the German pharmaceuticals market continued in the previous year as well. At the end of the third quarter of 2020, annual revenue in the German pharmaceuticals market increased by 5.2 % to USD 60.0 billion (Q3 2019: USD 57.1 billion). Of that amount, USD 54.3 billion was attributable to prescription pharmaceuticals (MAT Q3 2019: USD 51.4 billion) and USD 5.7 billion to OTC pharmaceuticals (MAT Q3 2019: USD 5.6 billion). In the first nine months of 2020, revenue from off-patent pharmaceuticals without discounts from discount agreements increased by 4.5 % to EUR 7.0 billion (basis: manufacturer selling price) following EUR 6.7 billion in the prior-year period (including biosimilars in each case). However, volume gains are often neutralised due to government intervention in pricing. As a result, a continued downward trend in prices, state-imposed mandatory discounts and steep discounts to health insurance organisations as a result of statutory discount agreement options between manufacturers and health insurance organisations continue to characterise this market.

According to INSIGHT Health, in financial year 2020, revenue in the parallel imports market amounted to EUR 3.2 billion compared to EUR 3.1 billion in the previous year (basis: manufacturer selling prices). Thus, in 2020, revenue in the market suitable for imports increased by 3.2 %. By contrast, the share of revenue generated with parallel-imported products of total revenue on the German pharmaceutical market declined slightly from 8.7 % in the previous year to 8.5 % in 2020.

Regulatory environment

Reference pricing for pharmaceuticals

Reference pricing refers to maximum amounts for reimbursement of pharmaceutical prices by the statutory health insurance organisations. These amounts are set for groups of comparable pharmaceuticals. If doctors nonetheless prescribe a medication priced at a level above this reference amount, the patient must pay the difference in addition to the statutory supplementary payment.

Groups of comparable pharmaceuticals can be created according to various criteria. Therefore, there are three levels of comparability: level 1 reference pricing groups comprise pharmaceuticals with the same active ingredients. Level 2 reference pricing groups comprise pharmaceuticals with active ingredients which are comparable in terms of pharmacology, particularly chemically, and which at the same time have comparable therapeutic effects. Level 3 reference pricing groups comprise pharmaceuticals which have different active ingredients but which have comparable therapeutic effects. The health insurance organisations can also enter into a special discount agreement with the manufacturers to ensure that the pharmaceuticals priced higher than the reference prices are available to the patients at no extra cost.

Manufacturer discount

In Germany, pharmaceuticals companies are generally free to set their prices for pharmaceuticals. However, pharmaceuticals companies must grant manufacturer discounts on reimbursable pharmaceuticals to the statutory health insurance providers and to private health insurance providers. For reimbursable pharmaceuticals with no reference price, a manufacturer discount of 7 % is applied to the manufacturer selling price (excl. VAT). If the product is an off-patent pharmaceutical with an identical active ingredient, this discount is 6 % of the manufacturer selling price (excl. VAT). An additional 10 % discount on the manufacturer selling price (excl. VAT) is also applied to off-patent pharmaceuticals with identical active ingredients (generics). Manufacturers can offset price reductions against the discount as long as they maintain the lower price for at least three years. For price reductions of 10 % or higher, the discount no longer applies.

Price moratorium

The price moratorium took effect in August 2010. Under the moratorium, statutory and private health insurance providers receive price discounts when pharmaceuticals manufacturers increase their selling price for reimbursable pharmaceuticals over the price level of 1 August 2009. This regulation does not apply to pharmaceuticals subject to reference pricing. For pharmaceuticals introduced after 1 August 2010, the price at their market introduction is applicable. Legislators extended the price moratorium until the end of 2022. A price adjustment equivalent to the rate of inflation was introduced in July 2018.

Supplementary charge

Patients are generally required to pay a supplementary charge when prescription pharmaceuticals are prescribed. The supplementary charge for each pharmaceutical product is generally 10 %, with a minimum amount of EUR 5 and a maximum of EUR 10, not to exceed the cost of the pharmaceutical. However, there is an option to exempt certain compounds from this mandatory supplementary charge. This applies when doctors and the patient together choose a particularly inexpensive pharmaceutical product with a price of at least 30 % below the reference price. A further option to reduce the supplementary charge by half or in full arises if the prescribed pharmaceutical is the object of a discount agreement entered into between the health insurance organisation and the pharmaceuticals manufacturer. Health insurance organisations can use this provision to pass along some or all of the savings from discount agreements to the patient. If doctors prescribe a medication priced at a level above this reference price, the patient must pay the difference in addition to the statutory supplementary charge.

Discount agreements with statutory and private health insurance providers

Since 2003, the laws have permitted health insurance organisations to enter into individual discount agreements for pharmaceuticals with manufacturers. Furthermore, for pharmaceuticals priced above the reference price, they can also negotiate special discount agreements in order to continue to provide the patients with their usual therapy without incurring significant additional costs.

Since 2007, pharmacies have also been required to issue the precise pharmaceutical compound with identical active ingredients for which the patient's health insurance organisation has entered into a discount agreement. This applies unless the doctor indicates otherwise by adding the note "aut idem" (or identical) to the prescription. The advantage for patients is that the supplementary charge may be reduced by half or waived entirely. In the context of the provision of pharmaceuticals, the Pharmaceuticals Market Restructuring Act (Arzneimittelmarktneuordnungsgesetz, AMNOG) also permits the reimbursement of costs in individual cases. This means that patients can now choose a pharmaceutical compound other than the one covered in the discount agreement with their health insurance organisation or one of the three least expensive pharmaceuticals. If they do so, the health insurance organisation reimburses the costs only up to the amount which the health insurance organisation would have incurred for providing standard therapy. In other words, the patient bears any additional costs incurred due to the selection of another pharmaceutical.

International pharmaceuticals markets

The international markets are characterised by their own different local influences at the national level, mostly due to reference lists, reference prices, reimbursement codes and discounts.

Regulations for the parallel import business

The German Act for More Safety in the Supply of Pharmaceuticals (Gesetz für mehr Sicherheit in der Arzneimittelversorgung, "GSAV") went into force in August 2019 and amended the affordability clause under § 129 (1) sentence 2 SGB V, eliminating "or at least EUR 15.00". Instead, "affordability" is met only given a price differential to the price of the reference pharmaceutical of at least 15 % for a selling price of EUR 100, at least EUR 15 for a selling price from EUR 100 to EUR 300, and at least 5 % for a selling price of more than EUR 300. Furthermore, effective 1 July 2019, the Master Agreement on the Supply of Pharmaceuticals (Rahmenvertrag über die Arzneimittelversorgung) in accordance with § 129 (2) SGB V stipulated a new savings target that is to be achieved by selling affordable imported pharmaceuticals. It is the difference between expenditure for the affordable imported pharmaceuticals sold and the expenditure for the respective reference pharmaceutical taking into consideration the statutory discounts and amount to 2 % of the imputed total cost. In addition, in the case of generic active ingredients not covered by discount agreements, the master agreement stipulates that the pharmacist is obligated to sell one of the four most affordable pharmaceutical registration numbers (Pharmazentralnummer, "PZN").

2.2 Course of business

In 2020, the COVID-19 pandemic dramatically changed the landscape of the entire global economy. For its part, the pharmaceuticals industry was not wholly immune to this development. However, thanks to its business model, Dermapharm successfully adapted to the changes in demand brought about by the pandemic.

The "Branded pharmaceuticals and other healthcare products" division recorded a steep increase in demand in the first quarter due to stockpiling effects in connection with the outbreak of the COVID-19 pandemic. The division initially met this demand. Demand for certain products tailed off as many doctors' appointments and pharmacy visits were postponed or cancelled during the lockdown. In addition, the ability of the sales force to ply their trade was restricted in the spring and in late autumn, thereby shutting down a key distribution channel for many products during the year. However, these declines in demand were offset by other products in the Company's portfolio. In particular, our products developed to strengthen the immune system – especially the vitamin D compound Dekristol® – saw a jump in demand. The "Parallel import business" and "Herbal extracts" divisions did not meet their full targets for 2020 due in particular to the effects of the COVID-19 pandemic. The "Parallel import business" division recorded an increase in revenue, which was attributable to higher demand for reimported anaesthetics, including medicinal marijuana, and for parallel imports of originator preparations to meet government import quotas. However, earnings were weighed down in particular by shifts in the product mix caused by the COVID-19 pandemic to the detriment of high-margin travel medications and vaccines.The "Herbal extracts" division also saw a general decline in demand for herbal extracts and nutraceuticals, which was likewise attributable to the pandemic – meaning that the division was unable to fully meet its targets for the 2020 financial year.

The acquisition of Allergopharma and the cooperation with BioNTech SE to produce the vaccine had a positive effect on Dermapharm's performance. The introduction of new products developed in-house, the further development of the existing product portfolio and investments in production and logistics capacities also laid the foundation for the Group's future development. Dermapharm thus successfully continued to grow in financial year 2020.

Acquisition of shares

Allergopharma

With effect from 31 March 2020, Dermapharm Beteiligungs GmbH, as a wholly owned subsidiary of Dermapharm Holding SE, entered into a purchase agreement with Merck KGaA (seller) to acquire all shares and limited partners' interests in Allergopharma Verwaltungs GmbH and Allergopharma GmbH & Co. KG, with its registered office in Reinbek near Hamburg, and its subsidiaries Allergopharma AG, with its registered office in Therwil, Switzerland, and Allergopharma Vertriebsges. mbH, with its registered office in Vienna, Austria. The purchase agreement also provides for the acquisition of Allergopharma's Spanish and Chinese sales and distribution businesses under separate purchase agreements. The Spanish sales and distribution business was acquired with effect from 27 March 2020 under a separate purchase agreement between Merck S.L.U., with its registered office in Madrid, Spain, and Allergopharma España S.L. (previously the shelf company "Fast Placement Systems S.L."), with its registered office in Barcelona, Spain, a wholly owned subsidiary of Allergopharma GmbH & Co. KG. Because of the complex regulatory requirements involved, the Chinese distributor was purchased with effect from 31 August 2020 pursuant to a separate purchase agreement between Merck Serono Co. Ltd. with its registered office in Beijing, China, and Dermapharm (Beijing) Pharmaceutical Technology Co. Ltd., with its registered office in Beijing, China,

a wholly owned subsidiary of Dermapharm AG. The acquisition constituted a business combination as defined under IFRS 3; the company was consolidated for the first time on 31 March 2020.

Allergopharma has more than 50 years' of experience in researching and treating allergies. Allergopharma specialises in subcutaneous hyposensitisation and is one of Europe's market leaders in this field, offering a wide product range with high-dosage, hypoallergenic preparations, known as allergoids. The portfolio also includes a large selection of allergens for diagnostic testing. Allergopharma markets its products in 10 countries. The company uses its own sales force and external partners to market its products abroad.

Fitvia

Pursuant to the purchase agreement dated 7 December 2020, Dermapharm acquired the remaining 30 % interest in Fitvia GmbH from Excelling Ventures GmbH, both of which have their registered office in Wiesbaden. The acquisition resulted in Dermapharm's interest in Fitvia GmbH increasing from 70 % to 100 %. Fitvia was fully consolidated already in the previous year, when Dermapharm still only held a 70 % interest.

Comparison to outlook in 2019

In the report on expected developments in the 2019 combined management report, the Board of Management forecasted positive overall business performance for financial year 2020. The expectation was that the year-on-year percentage growth in consolidated revenue and adjusted EBITDA would be in the high single-digits. Overall, the Group's performance in financial year 2020 was better than expected, with the forecast for both revenue and adjusted EBITDA being exceeded.

Upon publication of the 2020 half-yearly financial report, the Board of Management revised its forecast for consolidated revenue and adjusted EBITDA upward from 12 % to 15 % and from 8 % to 10 %, respectively.

At the end of the 2020 financial year, the revised forecast for revenue had been met and the new forecast for adjusted EBITDA had been exceeded.

The financial performance indicators for the Dermapharm Group developed as follows in financial year 2020 (excluding division reconciliation/Group holding company):

Financial performance indicators EUR million	**2020**	**2019**	**+/-**
Consolidated revenue	**793.8**	**700.9**	**13.3 %**
Branded pharmaceuticals and other healthcare products	471.3	385.1	22.4 %
Parallel import business	250.6	243.5	2.9 %
Herbal extracts	71.9	72.3	(0.6) %
Adjusted EBITDA*	**200.7**	**177.6**	**13.0 %**
Branded pharmaceuticals and other healthcare products	184.3	158.5	16.3 %
Parallel import business	6.9	8.3	(16.9) %
Herbal extracts	15.2	16.4	(7.3) %
Adjusted EBITDA margin*	**25.3 %**	**25.3 %**	**0.0 Pp**
Branded pharmaceuticals and other healthcare products	39.1 %	41.2 %	(2.1) Pp
Parallel import business	2.8 %	3.4 %	(0.6) Pp
Herbal extracts	21.1 %	22.7 %	(1.6) Pp
Unadjusted EBITDA	**184.5**	**168.5**	**9.5 %**
Branded pharmaceuticals and other healthcare products	171.1	153.0	11.8 %
Parallel import business	6.9	8.3	(16.9) %
Herbal extracts	12.3	12.8	(3.9) %
Unadjusted EBITDA margin	**23.2 %**	**24.0 %**	**(0.8) Pp**
Branded pharmaceuticals and other healthcare products	36.3 %	39.7 %	(3.4) Pp
Parallel import business	2.8 %	3.4 %	(0.6) Pp
Herbal extracts	17.1 %	17.7 %	(0.6) Pp

* 2020 EBITDA was adjusted for non-recurring expenses amounting to EUR 16.1 million.
2019 EBITDA was adjusted for non-recurring expenses amounting to EUR 9.1 million.

Composition of adjusted non-recurring expenses

The non-recurring expenses which were eliminated in the calculation for adjusted EBITDA amounted to EUR 16.1 million and comprised the following in financial year 2020:

- EUR 2.9 million in adjustments made in connection with the purchase price allocation (IFRS 3) of FYTA due to the carrying amount "step-up" for technologies and licences and the related amortisation charges
- EUR 1.7 million in adjustments made in connection with the purchase price allocation (IFRS 3) of Allergopharma due to the carrying amount "step-up" for inventories on account of the fair value measurement and the related decrease in inventories
- Non-recurring expenses of EUR 1.4 million in connection with the acquisition of Fitvia
- Non-recurring expenses of EUR 2.3 million incurred in connection with the acquisition of Allergopharma, and
- Restructuring expenses in relation to Allergopharma amounting to EUR 7.8 million.

The non-recurring expenses which were eliminated in the calculation for adjusted EBITDA amounted to EUR 9.1 million and comprised the following in financial year 2019:

- Reductions of inventories in connection with the "carrying amount step-up" for the inventories recognised as at the acquisition date due to fair value measurement as part of the purchase price allocation (IFRS 3) of Euromed (EUR 3.6 million). Given their continually rising significance due to an increase in acquisition activities, the effects of the purchase price allocation relating to inventories will not be eliminated until financial year 2019.
- Non-recurring expenses of EUR 3.0 million and EUR 0.5 million in connection with the acquisition of Euromed and Fitvia, respectively.
- Consulting services in connection with further acquisition projects amounting to EUR 0.4 million.
- Restructuring expenses incurred in relation to Bio-Diät Berlin and its subsidiary Kräuter Kühne amounting to EUR 1.6 million.

Details on the development of the financial performance indicators are included in the following explanations of the financial performance.

2.3 Financial position, financial performance and cash flows

2.3.1 Financial performance of the Group

Income statement

EUR thousand	2020	2019
Revenue	793,829	700,879
Change in inventories	19,771	13,779
Own work capitalised	13,812	12,632
Other operating income	12,850	8,508
Cost of materials	(363,931)	(343,570)
Personnel expenses	(158,056)	(115,923)
Depreciation, amortisation, and reversal of impairment	(49,166)	(50,125)
Other operating expenses	(132,256)	(106,667)
Operating result	**136,853**	**119,513**
Share of profit/loss of companies accounted for using the equity method		
after tax	(1,504)	(1,111)
Financial income	565	2,736
Financial expenses	(10,631)	(11,073)
Financial result	**(11,570)**	**(9,448)**
Earnings before taxes	**125,283**	**110,066**
Income tax expenses	(39,357)	(32,254)
Profit or loss for the period	**85,926**	**77,811**

Revenue and earnings performance of the Group

In financial year 2020, Dermapharm increased its **consolidated revenue** reported by 13.3 % compared to the previous year to EUR 793.8 million (previous year: EUR 700.9 million).

The increase was attributable primarily to the acquisition of Allergopharma, which was included in Dermapharm's Group of consolidated companies for the first time on 1 April 2020. In addition, Fitvia had been consolidated for the entire reporting period compared to just 6 months in the previous year. Furthermore, despite the impact the COVID-19 pandemic had on the market in which Dermapharm operates, the Company succeeded in maintaining its existing revenue levels, and in some cases even increased revenue. Increases were recorded in particular for vitamins and food supplements developed to strengthen the immune system.

As in previous years, various development projects were recognised by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities in financial year 2020. As a result, further new compounds were successfully introduced in various indication groups, and the range was expanded by adding individual dosage forms.

Growth was also fuelled in particular by the production of a COVID-19 vaccine, which began in late October 2020 in connection with the cooperation with BioNTech SE.

Development costs recognised under **other own work capitalised** amounted to EUR 13.8 million in financial year 2020 (previous year: EUR 12.6 million). The ratio of development costs to revenue amounted to 1.7 % and was thus slightly below the 1.8 % reported in the previous year. Development costs of EUR 14.4 million (previous year: EUR 13.2 million) were capitalised for new products in financial year 2020. This represents a capitalisation ratio of 100 % (previous year: 100 %).

Other operating income amounted to EUR 12.9 million in financial year 2020 (previous year: EUR 8.5 million) and primarily comprised income from the reversal of provisions and various refund claims.

The increase in revenue in the reporting year and the first-time consolidation of Allergopharma resulted in a higher cost of materials in absolute terms of EUR 363.9 million in financial year 2020 (previous year: EUR 343.6 million). Compared to the higher revenue, the **cost of materials** saw a disproportionately low increase. The main reasons for this were better purchasing terms, a further shift of products to in-house manufacturing and, above all, the utilisation of intra-Group synergies. Furthermore, while the manufacturing process at Allergopharma is labour-intensive, the cost of materials is low. Accordingly, the cost of materials ratio (including changes in inventories) improved to 43.4 % (previous year: 47.1 %).

Personnel expenses amounted to EUR 158.1 million in financial year 2020 (previous year: EUR 115.9 million). The increase is due primarily to the personnel expenses of Allergopharma, which were included for the first time, and of Fitvia, which were included in full. It was also attributable to the higher administrative requirements associated with the positive business performance. Non-recurring fees of EUR 7.8 million were incurred in connection with the restructuring of Allergopharma. The ratio of personnel expenses to revenue stood at 19.9 % (previous year: 16.5 %).

Depreciation, amortisation and reversal of impairment amounted to EUR 49.2 million in financial year 2020 (previous year: EUR 50.1 million). The increase in depreciation and amortisation, which includes the full amount for Fitvia and for the first time the depreciation and amortisation of Allergopharma, is offset by the decrease in depreciation and amortisation on Euromed's assets from the purchase price allocation (PPA depreciation and amortisation) in 2019 and reversal of impairment in connection with the impairment test on development costs in financial year 2020. Thus, depreciation, amortisation and reversal of impairment decreased slightly by 1.8 %. Furthermore, EUR 4.5 million (previous year: EUR 1.4 million) of capitalised development costs were written down.

Other operating expenses amounted to EUR 132.3 million in financial year 2020 (previous year: EUR 106.7 million). The increase was due primarily to the first-time inclusion of the newly acquired Allergopharma and the full inclusion of Fitvia in the group of consolidated companies. Furthermore, the required health and safety protocols that were introduced during the COVID-19 pandemic led to higher costs at the production and administrative locations. Expenses in the area of development also increased because of variations in the amounts of expenses incurred according to which phase the individual phases were in. These development costs are neutralised through the item own work capitalised. The ratio of other operating expenses to revenue stood at 16.7 % (previous year: 15.2 %).

Adjusted EBITDA increased by 13.0 % to EUR 200.7 million in financial year 2020 (previous year: EUR 177.6 million). Non-recurring expenses were adjusted in connection with EUR 2.9 million in the adjustments made in connection with the purchase price allocation (IFRS 3) of FYTA due to the carrying amount "step-up" for technologies and licences and the related amortisation charges, and EUR 1.7 million in adjustments made in connection with the purchase price allocation (IFRS 3) of Allergopharma due the carrying amount "step-up" for inventories on account of the fair value measurement and the related decrease in inventories. Furthermore, non-recurring expenses of EUR 1.4 million were adjusted in connection with the acquisition of Fitvia, as were EUR 2.3 million in connection with the acquisition of Allergopharma and EUR 7.8 million in restructuring expenses in relation to Allergopharma. Adjustments totalled EUR 16.1 million. Accordingly, Dermapharm's **adjusted EBITDA margin** remained unchanged at 25.3 % year on year.

Prior to adjustment, **EBITDA** amounted to EUR 184.5 million in financial year 2020 (previous year: EUR 168.5 million). Prior to adjustment, the **EBITDA margin** thus fell slightly by 0.8 percentage points to 23.2 % (previous year: 24.0 %).

EBITDA can be reconciled to Group earnings as follows:

EUR thousand	2020	2019
EBITDA	**184,515**	**168,528**
of which share of profit/loss of companies accounted for using the equity method, after tax	*(1,504)*	*(1,111)*
Depreciation, amortisation, and reversals of write-downs	(49,166)	(50,125)
Financial income	565	2,736
Financial expenses	(10,631)	(11,073)
Earnings before taxes (EBT)	**125,283**	**110,066**
Income tax expenses	(39,357)	(32,254)
Profit or loss for the period	**85,926**	**77,811**

Financial income fell to EUR 0.6 million in financial year 2020 (previous year: EUR 2.7 million). This was due primarily to the expiration of a receivable from Themis Beteiligungs-AG in connection with one cross-currency swap concluded by Dermapharm AG.

At the same time, **financial expenses** decreased to EUR 10.6 million in financial year 2020 (previous year: EUR 11.1 million). The decline was due in particular to the expiration of the cross-currency swap and the repayment of promissory note loans.This is offset by additional costs for financing the Allergopharma acquisition.

Earnings before taxes (EBT) amounted to EUR 125.3 million in financial year 2020 (previous year: EUR 110.1 million). However, the EBT margin increased slightly to 15.8 % (previous year: 15.7 %).

Income tax expenses increased to EUR 39.4 million in the 2020 reporting period (previous year: EUR 32.3 million).

Prior to adjustment, **profit for the period** amounted to EUR 85.9 million in financial year 2020 (previous year: EUR 77.8 million).

Segment reporting

Internally, the Board of Management manages the Company through its "Branded pharmaceuticals and other healthcare products", "Parallel import business" and "Herbal extracts" divisions.

Segment reporting uses key performance indicators for the Group's individual divisions. There are only limited number of transactions entered into for the provision of goods and services between the individual divisions which are reported as inter-segment revenue. The reconciliation column shows expenses incurred by Dermapharm Holding SE for services provided to both reporting segments through its role as the parent company, as it performs no operational activities.

Any transactions entered into for the provision of goods and services within the divisions are reported on a consolidated basis.

Revenue and (adjusted) EBITDA are the key indicators for assessing and managing the divisions' financial performance.

Overview of segment reporting by division

The following tables show the changes in the performance indicators reported internally to Dermapharm's Board of Management by divisions.

2020 EUR thousand	Branded pharmaceuticals and other healthcare products*	Parallel import business	Herbal extracts	Reconciliation/ Group holding company	Group
Revenue	473,338	250,607	72,028	(2,144)	793,829
of which inter-division revenue	*2,040*	*1*	*104*	*(2,144)*	-
Revenue from external customers	471,299	250,606	71,925	-	793,829
Revenue growth	22 %	3 %	0 %	-	13 %
EBITDA	171,127	6,902	12,262	(5,777)	184,515
of which earnings from investments accounted for using the equity method	*2,392*	-	*(3,896)*	-	*(1,504)*
EBITDA margin	36 %	3 %	17 %	-	23 %

* As from 1 April 2020 with Allergopharma

2019 EUR thousand	Branded pharmaceuticals and other healthcare products	Parallel import business	Herbal extracts*	Reconciliation/ Group holding company	Group
Revenue	387,386	243,462	72,302	(2,272)	700,879
of which inter-division revenue	*2,239*	-	*33*	*(2,272)*	-
Revenue from external customers	385,147	243,462	72,269	-	700,879
Revenue growth	15 %	2 %	-	-	22 %
EBITDA	153,037	8,251	12,824	(5,584)	168,528
of which earnings from investments accounted for using the equity method	*1,792*	-	*(2,902)*	-	*(1,111)*
EBITDA margin	40 %	3 %	18 %	-	24 %

* New division from January 2019

Revenue and earnings performance in the "Branded pharmaceuticals and other healthcare products" division

Revenue in the "Branded pharmaceuticals and other healthcare products" division reported in financial year 2020 increased by 22.4 % compared to the previous year to EUR 471.3 million (previous year: EUR 385.1 million).

The increase was attributable primarily to the acquisition of Allergopharma, the inclusion of Fitvia in the group of consolidated companies throughout the entire year and organic growth based on increased volumes, and Dermapharm's continued strategic focus on selected niche markets, while remaining independent of blockbuster products. Growth was boosted by such factors as increased demand for preparations on account of the COVID-19 pandemic, in particular vitamin preparations, food supplements and corticoids used in clinical therapies. The previously mentioned vaccine production cooperation with BioNTech SE also contributed to revenue in this division beginning in October 2020. Dermapharm's German companies were also able to renew a selected number of strategically important discount agreements with well-known statutory health insurance organisations or enter into new agreements. In addition, the division contains a high proportion of high-margin products paid for by end consumers themselves, as well as a large share of prescription products. Revenue increased further year on year for selected compounds, allowing stronger earnings to be generated.

As in previous years, various development projects were recognised by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities in financial year 2020, and the products were successfully brought to market. Noteworthy examples of additions to the portfolio of dermatologics were Calcipotriderm comp., which is used to treat psoriasis, and Levocamed, which is available as a nasal spray or eye drop and is used to treat hay fever.

The Allergopharma acquisition, which closed in March 2020 and is allocated to the "Branded pharmaceuticals and other healthcare products" division, was included in the Group's basis of consolidation for the first time in April 2020. The revenue and earnings contributions is included in the consolidated net profit/loss from this date forward.

Adjusted EBITDA increased by 16.3 % to EUR 184.3 million in financial year 2020 (previous year: EUR 158.5 million). The non-recurring expenses allocated to this division in connection with the acquisition of Allergopharma, the acquisition of Fitvia as well as the restructuring measures and PPA effects at Allergopharma totalled EUR 13.2 million. Accordingly, the division´s **adjusted EBITDA margin** declined to 39.1 % (previous year: 41.2 %).

Unadjusted EBITDA, as reported, increased by 11.8 % to EUR 171.1 million in financial year 2020 (previous year: EUR 153.0 million). This increase was based mainly on the integration of the acquisitions. However, the EBITDA margins of both Fitvia and Allergopharma are below the division average. Therefore, the division's **unadjusted EBITDA** margin decreased to 36.3 % (previous year: 39.7 %).

Revenue and earnings performance of the "Parallel import business"

Revenue in the "Parallel import business" division reported in financial year 2020 rose by 2.9 % to EUR 250.6 million (previous year: EUR 243.5 million).

The increase in revenue was due mainly to rising demand during the financial year for reimported anaesthetics, including medical marijuana, and for parallel imports of originator preparations to meet government import quotas. According to the market research firm INSIGHT Health, axicorp gained a market share of 9.6 %, thereby establishing itself among Germany's top five importers.

EBITDA reported in the "Parallel import business" division fell by 16.9 % to EUR 6.9 million in financial year 2020 (previous year: EUR 8.3 million). This was due primarily to shifts in the product mix caused by the COVID-19 pandemic to the detriment of high-margin travel medications and vaccines, such as malaria prophylactics and therapies as well as hepatitis vaccines. Health insurers' calls for tenders for discount agreements on lucrative originator preparations with patents approaching expiry continue to increase. In order to remain competitive, the importers must also participate in these tenders, although this weighs on product margins. The division's EBITDA margin thus fell to 2.8 % (previous year: 3.4 %).

Revenue and earnings performance of the "Herbal extracts" division

Euromed's revenue, which was reported under the **"Herbal extracts" division** in financial year 2020, amounted to EUR 71.9 million (previous year: EUR 72.3 million). This decline in revenue is due primarily to lower demand for herbal extracts and nutraceuticals on account of the COVID-19 pandemic.

The **"Herbal extracts" division's adjusted EBITDA** amounted to EUR 15.2 million in financial year 2020 (previous year: EUR 16.4 million). In financial year 2020, EUR 2.9 million in adjustments were allocated to this division in connection with the purchase price allocation of FYTA due to the carrying amount "step-up" for technologies and licences and the related amortisation. Accordingly, the **adjusted EBITDA** margin was 21.1 % (previous year: 22.7 %).

The division's **unadjusted EBITDA**, as reported, amounted to EUR 12.3 million (previous year: EUR 12.8 million). Thus, the **unadjusted EBITDA margin** was 17.1 % (previous year: 17.7 %). While Euromed increased its earnings contribution despite the aforementioned decline in revenue, higher costs at the FYTA Group, which is accounted for using the equity method, led to an overall decrease in EBITDA at the division.

2.3.2 Financial position of the Group

Consolidated statement of financial position as at 31 December 2020

Assets EUR thousand	31 Dezember 2020	31 Dezember 2019
Non-current assets		
Intangible assets	297,342	293,031
Goodwill	266,268	202,245
Property, plant and equipment	199,619	132,585
Investments accounted for in accordance with the equity method	59,130	62,113
Equity investments	383	395
Other non-current financial assets	1,603	1,562
Total non-current assets	**824,345**	**691,931**
Current assets		
Inventories	205,726	175,643
Trade receivables	55,515	48,879
Other current financial assets	3,849	6,040
Other current assets	12,527	5,396
Tax assets	362	231
Cash and cash equivalents	120,301	114,956
Non-current assets held for sale	1,773	1,796
Total current assets	**400,052**	**352,941**
Total assets	**1,224,396**	**1,044,871**

Equity and liabilities EUR thousand	31 Dezember 2020	31 Dezember 2019
Equity		
Issued capital	53,840	53,840
Capital reserves	100,790	92,754
Retained earnings	177,082	139,067
Other reserves	(9,746)	(7,012)
Equity attributable to owners of parent	**321,966**	**278,649**
Non-controlling interests	2,616	5,841
Total equity	**324,582**	**284,490**
Non-current liabilities		
Provisions for employee benefits	144,753	56,976
Non-current financial liabilities	580,759	543,347
Other non-current financial liabilities	261	18,684
Other non-current liabilities	11,222	11,915
Deferred tax liabilities	29,948	27,038
Total non-current liabilities	**766,943**	**657,960**
Current liabilities		
Other provisions	23,778	16,238
Current financial liabilities	26,044	11,264
Trade payables	50,370	35,355
Other current financial liabilities	4	7,079
Other current liabilities	23,823	26,571
Tax liabilities	8,852	5,914
Total current liabilities	**132,872**	**102,421**
Total equity and liabilities	**1,224,396**	**1,044,871**

In addition to the items presented in the statement of financial position, the three statement of financial position performance indicators shown below changed as follows:

Net debt (non-current and current financial liabilities as well as other non-current and current financial liabilities less cash and cash equivalents) increased to EUR 486.8 million as at 31 December 2020 (31 December 2019: EUR 465.4 million). This is due primarily to the financing of the Allergopharma acquisition.

Accordingly, the ratio of net debt to the adjusted EBITDA (leverage) fell to 2.4 in the 2020 reporting year (previous year: 2.6). Factoring in the unadjusted EBITDA, the leverage amounted to 2.6 (previous year: 2.8).

At 31 December 2020, the equity ratio amounted to 26.5 % (31 December 2019: 27.2 %). Compared to the previous year, the equity ratio was influenced mainly by the acquisition of Allergopharma and the associated increase in total assets.

The financial position of the Dermapharm Group developed as shown below in financial year 2020:

The **total assets** increased to EUR 1,224.4 million as at 31 December 2020 (31 December 2019: EUR 1,044.9 million).

On the asset side of the statement of financial position, **intangible assets** increased to EUR 297.3 million as at 31 December 2020 (31 December 2019: EUR 293.0 million). This increase is due to the newly acquired company Allergopharma and the intangible assets identified as part of the purchase price allocation. In addition, development costs of EUR 14.4 million (previous year: EUR 13.2 million) were capitalised as internally generated intangible assets in financial year 2020. This was offset by depreciation and amortisation. Goodwill amounted to EUR 266.3 million as at 31 December 2020 (31 December 2019: EUR 202.2 million). The increase was due to the acquisition of Allergopharma.

Property, plant and equipment increased to EUR 199.6 million as at 31 December 2020 (31 December 2019: EUR 132.6 million). The increase was due mainly to the acquisition of Allergopharma and the expansion of the production and logistics capacities, including for mibe GmbH Arzneimittel's production of a COVID-19 vaccine.

Financial investments accounted for in accordance with the equity method decreased to EUR 59.1 million as at 31 December 2020 (31 December 2019: EUR 62.1 million). Six associates (31 December 2019: six) were accounted for in the consolidated financial statements in accordance with the equity method.

- Gynial GmbH, Vienna, Austria: Dermapharm GmbH, Vienna, acquired a 25.1 % interest in Gynial GmbH, Vienna, in 2015. Gynial focuses on products supporting the physical health and the well-being of women with an emphasis on prophylactic measures. Gynial is purely a sales company and does not operate any production facilities. Its strategic objective is to gradually shift more existing job order productions from third-party suppliers to mibe GmbH Arzneimittel, which already has a manufacturing area for contraceptives, thus expanding value creation within production. Furthermore, Gynial GmbH can benefit from future developments of the Group within the women's health sector. The carrying amount of the equity investment amounted to EUR 1.8 million as at 31 December 2020 (31 December 2019: EUR 1.6 million).

- Hasan Dermapharm Co. Ltd, Saigon, Vietnam: In financial year 2007, Dermapharm AG invested in Hasan Dermapharm Co. Ltd. Currently, Dermapharm holds 30 % of the company. Vietnam is characterised by an open market with the highest growth rate in southeast Asia. Hasan Pharma operates a WHO-GMP certified production plant capable of producing nearly all pharmaceuticals sold on the Vietnamese market. Dermapharm's contribution is the delivery of dossiers, which will be adjusted to Vietnamese standards and submitted to the local regulatory authority. Once the relevant approvals have been granted, the pharmaceuticals are produced for the local market. However, preparations that have been produced under license are distributed at higher prices than products produced only locally. The carrying amount of the equity investment amounted to EUR 3.0 million as at 31 December 2020 (31 December 2019: EUR 2.3 million).

- FYTA Group: On 4 March 2019, Dermapharm AG acquired an equity investment in FYTA Company B.V. and FYTA Tech B.V. (each domiciled in Waalwijk, Netherlands), as well as FYTA Company GmbH and FYTA Vermögensverwaltung GmbH (each domiciled in Düsseldorf, Germany). As a result, Dermapharm AG holds a 20.0 % interest in the companies specialised in the production of medicinal cannabis for pharmaceutical applications. At present, FYTA operates its own state-of-the-art indoor production facility in Waalwijk, at which up to 25 tonnes of medicinal cannabis can be produced per year. The transaction also includes the assignment of 49.9 % of the shares in the wholly owned axicorp subsidiary Remedix GmbH (domiciled in Friedrichsdorf, Germany) to UWF Beteiligungsgesellschaft mbH (domiciled in Düsseldorf, Germany). As a re-importer in the pharmaceuticals sector, Remedix GmbH specialises in EU anaesthetics and is licensed by the Federal Opium Agency to trade in anaesthetics. In future, Remedix GmbH will act as a joint platform between Dermapharm and the FYTA companies for importing medicinal cannabis products to Germany and marketing them. The carrying amount of the equity investment amounted to EUR 54.3 million as at 31 December 2020 (31 December 2019: EUR 58.2 million).

Other non-current financial assets remained level at EUR 1.6 million as at 31 December 2020 (31 December 2019: EUR 1.6 million). They include a purchase option for commercial land held by the Spanish subsidiary Euromed amounting to EUR 0.9 million (31 December 2019: EUR 0.9 million).

Inventories increased to EUR 205.7 million as at 31 December 2020 (31 December 2019: EUR 175.6 million). This development was attributable in particular to the first-time consolidation of Allergopharma's inventories. Safety stock was also increased Group-wide as a result of the COVID-19 pandemic. No inventories were pledged as securities for liabilities at the end of financial years 2020 and 2019.

Trade receivables increased to EUR 55.5 million as at 31 December 2020 (31 December 2019: EUR 48.9 million). The increase was based mainly on the first-time consolidation of Allergopharma, as well as the effects related to the reporting date and the cash flows deriving from those effects. Receivables primarily comprise those to wholesalers and pharmacies in Germany. In Germany, the Group companies have a base of solvent customers with good credit ratings. Defaults are the exception in the "Branded pharmaceuticals and other healthcare products" division. Therefore, no commercial credit insurance policies have been taken out. The credit quality of the customers in the "Parallel import business" and "Herbal extracts" divisions is similar, and there were no significant defaults on payment in the past financial year. The same applies to receivables in other countries. To minimise default risk, the Group has adequate debtor management policies in place. In addition, Dermapharm always obtains information on the credit quality of its customers before entering into new business transactions. Although consumer behaviour changed to a certain extent due to the COVID-19 pandemic, Dermapharm did not register a significant deterioration in the credit quality of its customers.

Other current financial assets decreased to EUR 3.8 million as at 31 December 2020 (31 December 2019: EUR 6.0 million). The decline is due primarily to the fact that Dermapharm AG's claim in connection with one foreign currency derivative against Themis Beteiligungs-AG expired (31 December 2019: EUR 1.0 million). Other current financial assets include a loan Dermapharm AG granted to the FYTA Group amounting to EUR 1.7 million (31 December 2019: EUR 1.1 million).

Non-current assets held for sale amounted to EUR 1.8 million as at the reporting date (31 December 2019: EUR 1.8 million). This item included a commercial property owned by mibe Pharmaceuticals d.o.o., Croatia, which is being held for sale. The sales process was delayed in financial year 2020 on account of the COVID-19 pandemic. A deposit was paid on the purchase price on 12 February 2021, so that a sale is expected in the first half of 2021.

Cash and cash equivalents, including cash and demand deposits as well as current financial investments, increased to EUR 120.3 million as at 31 December 2020 (31 December 2019: EUR 115.0 million). This change is due to the effects described in the notes to the consolidated statement of cash flows (see 2.3.3).

Equity increased to EUR 324.6 million as at 31 December 2020 (31 December 2019: EUR 284.5 million). This change was due mainly to the increase in retained earnings by EUR 38.0 million to EUR 177.1 million (31 December 2019: EUR 139.1 million). Retained earnings are the result of the 2019 consolidated profit brought forward and the consolidated net profit for financial year 2020 less the dividend for the prior financial year paid out in 2020 as well as the decrease in retained earnings in connection with the early acquisition of the remaining 30 % interest in Fitvia and the corresponding derecognition of the call and put option. This interest was acquired in full on 7 December 2020. Capital reserves increased by EUR 8.0 million in connection with the derecognition of the call and put option. In addition, other reserves increased to EUR -9.7 million (31 December 2019: EUR -7.0 million) due primarily to actuarial losses in relation to remeasurements and the change in the measurement parameters for payments in connection with pension obligations.

Provisions for employee benefits increased to EUR 144.8 million as at 31 December 2020 (31 December 2019: EUR 57.0 million). The increase was due primarily to the acquisition of Allergopharma as well as remeasurements and changes in measurement parameters for payments under pension obligations.

The **current and non-current financial liabilities** of the Group as at 31 December 2020 in the amount of EUR 26.0 million and EUR 580.8 million, respectively (31 December 2019: EUR 11.3 million and EUR 543.3 million, respectively), primarily comprise the promissory note loans amounting to EUR 119.1 million, a syndicated loan agreement amounting to EUR 406.9 million, a loan (Facility B of the syndicated loan agreement) amounting to EUR 57.5 million in connection with the acquisition of Allergopharma, and real estate loans and bank overdrafts. The financing agreements stipulate a right of return for the respective investor upon a change of control or violation of the financial covenants.

Other provisions increased by EUR 7.6 million to EUR 23.8 million as at 31 December 2020 (31 December 2019: EUR 16.2 million). These mainly comprise provisions for health insurance organisation discount payments by the German companies and provisions for restructuring expenses at Allergopharma. The increase in other provisions is attributable to the two aforementioned items.

Trade payables increased to EUR 50.4 million as at 31 December 2020 (31 December 2019: EUR 35.4 million). The increase was based mainly on the first-time consolidation of Allergopharma, as well as the effects related to the reporting date and the cash flows deriving from those effects. They have remaining terms of up to one year, do not bear interest and generally become due for payment within 0 to 60 days.

Other non-current financial liabilities and other non-current liabilities decreased to EUR 11.5 million as at 31 December 2020 (31 December 2019: EUR 30.6 million). The decrease in other non-current financial liabilities is due mainly to the elimination of the synthetic purchase price liability amounting to EUR 18.4 million in connection with a put option on the remaining 30 % interest in Fitvia. This interest was acquired in full on 7 December 2020. Other non-current liabilities remained largely unchanged and primarily include government grants for investing activities and provisions for bonuses.

Other current financial liabilities and other current liabilities decreased to EUR 23.8 million as at 31 December 2020 (31 December 2019: EUR 33.7 million). The decrease in other current financial liabilities is due mainly to the payment of the remaining purchase price obligation in connection with the 70 % interest in Fitvia that was acquired in 2019 (31 December 2019: EUR 6.0 million). Other current liabilities decreased by the amount of the remaining purchase price obligation that was paid in connection with the acquisition of Euromed (31 December 2019: EUR 4.2 million).

Tax liabilities increased to EUR 8.9 million in financial year 2020 (31 December 2019: EUR 5.9 million). The increase is attributable primarily to tax liabilities of Allergopharma, which was consolidate for the first time, and the tax liabilities arising from the tax audit at Trommsdorff GmbH & Co. KG.

Deferred tax liabilities increased to EUR 29.9 million in financial year 2020 (31 December 2019: EUR 27.0 million). The increase was attributable to lower deferred tax assets against which the liabilities would have been offset, due mainly to the elimination of the synthetic purchase price liability.

2.3.3 Cash flows of the Group

Stable cash flows

Dermapharm's financial position and cash flows remained stable in the reporting period. Accordingly, the Group's liquidity was guaranteed at all times in financial year 2020.

The main sources of liquidity were cash inflows from ongoing business activities and borrowings in the short and long term. In addition to the existing financing by means of loans, lines of credit and various promissory note loans, Dermapharm also has access to a cash liquidity reserve in the form of cash and cash equivalents.

As at 31 December 2020, Dermapharm had access to credit lines amounting to EUR 134.6 million, of which EUR 77.1 million were available.

Financial management: principles and objectives

Dermapharm's financing strategy is centred on securing financial flexibility as well as optimising capital costs. The Group utilises various financing instruments in order to ensure its financial flexibility.

Dermapharm's optimal capital structure is essentially defined by whether the financial covenants agreed with creditors can be maintained. Further focus is placed on the reduction of capital costs, the generation of liquid funds and the active management of the net working assets.

In accordance with the financial covenants, Dermapharm manages its capital structure based on the ratio between net debt and adjusted EBITDA.

In addition to the existing financial instruments, the Group covers its financing requirements primarily through cash flows from operating activities.

Overview of the structure of financial liabilities in the Dermapharm Group

Current remaining terms of the financial liabilities as at 31 December 2020:

EUR thousand	<1 year	1-5 years	>5 years	Total
Promissory note loans II. and III.	19,484	38,115	61,500	**119,099**
Liabilities to banks	2,721	464,089	6,779	**473,589**
Lease liabilities	3,839	5,130	5,145	**14,114**
Total	**26,044**	**507,334**	**73,424**	**606,802**

At 31 December 2020, **financial liabilities** amounted to EUR 606.8 million (31 December 2019: EUR 554.6 million). Issued promissory note loans remained unchanged at EUR 119.0 million (31 December 2019: EUR 119.0 million); liabilities to banks amounted to EUR 473.6 million (31 December 2019: EUR 422.8 million). In addition, lease liabilities amounted to EUR 14.1 million (31 December 2019: EUR 12.8 million).

Material new funding in the reporting period

In 2019, Dermapharm entered into a syndicated loan agreement for a bullet loan of EUR 400 million and a revolving line of credit of EUR 100 million, with an option to increase that amount, in order to ensure the success of its growth strategy. At the inception of the agreement, EUR 400 million of the syndicated loan was disbursed in a single tranche in order to repay existing loans of EUR 362.2 million. The revolving line of credit was utilised for the first time in April 2020, with EUR 57.5 million being drawn down to finance the acquisition of Allergopharma; the option to increase was not exercised.

Material existing funding

In addition to the aforementioned syndicated loan agreement, in 2014 and 2019, Dermapharm issued promissory note loans with floating and fixed rates of interest with a total nominal amount of EUR 119.5 million and with terms of 5, 7 and 10 years. The remaining outstanding volume (EUR 19.5 million) of the promissory note loan II issued in 2014 falls due in November 2021.

Under the promissory note loan agreements, investors have the right to redeem the promissory note loans in the event of a change of control. If the financial covenant is not maintained, a 0.40 % margin step-up occurs. The same applies to the aforementioned syndicated loan agreement.

Cash flow analysis

Cash flow statement (abridged)

EUR thousand	2020	2019
Net cash flows from operating activities	131,098	100,614
Cash flows from investing activities	(105,912)	(382,154)
Free cash flow	**25,186**	**(281,540)**
Cash flows from financing activities	**(14,090)**	**183,962**
Cash flow	**11,096**	**(97,578)**
Cash and cash equivalents	120,301	114,956

The **net cash flow from operating activities** consists of changes in items not covered by investments, financing and through changes in the scope of consolidation and measurement.

The net cash flow from operating activities increased by EUR 30.5 million to EUR 131.1 million in the 2020 reporting year (previous year: EUR 100.6 million). This was due mainly to the consolidated net profit before taxes, which increased by EUR 15.2 million in 2020, and lower income tax payments of EUR 38.2 million (previous year: EUR 52.1 million).

Cash flow from investing activities, which reflects the cash outflows for investments less the inflows from disposals, amounted to EUR -105.9 million in financial year 2020 (previous year: EUR -382.2 million).

Cash flows from investing activities were impacted primarily by payments for business combinations less available cash amounting to EUR 68.8 million (previous year: EUR 277.3 million). These primarily include the acquisition of Allergopharma and earn out payments in connection with the acquisition of Euromed and Fitvia.

Free cash flow, i.e., cash flow from operating business activities plus cash flow from investing activities, amounted to EUR 25.2 million in 2020 (previous year: EUR -281.5 million).

Cash flow from financing activities amounted to EUR -14.1 million in the reporting year (previous year: EUR 184.0 million).

This was influenced significantly by the distribution of a dividend for financial year 2019 amounting to EUR 43.1 million in June 2020 (previous year: EUR 41.5 million) in accordance with the resolution by the Annual General Meeting on 17 June 2020. The AGM followed the Management Board's recommendation to distribute a dividend of EUR 0.80 per share carrying dividend rights.

Dermapharm also recorded proceeds from borrowings in the amount of EUR 58.4 million (previous year: EUR 460.8 million). This is due primarily to the payment of the revolving line of credit in the amount of EUR 57.5 million.

Cash flow: The net balance of the cash flow from operating activities plus the cash flow from investing activities and plus the cash flow from financing activities amounted to EUR 120.3 million in 2020 (previous year: EUR 115.0 million).

Investments

The Group's investment volume amounted to EUR 109.6 million in the 2020 reporting year (previous year: EUR 386.3 million). Of this amount, EUR 69.6 million was attributable to the acquisition of Allergopharma. Investments in intangible assets amounted to EUR 20.6 million (previous year: 16.6 million) and primarily comprise expenses for products being developed in house. Investments in property, plant and equipment amounted to EUR 19.5 million (previous year: EUR 32.1 million). Accordingly, the ratio of investments in property, plant and equipment to Group revenue amounted to 2.5 % (previous year: 5.5 %). Thus, of the overall investment volume in 2020, 17.8 % was used for property, plant and equipment (previous year: 14.4 %) and 82.2 % for intangible assets (previous year: 85.6 %).

2.4 Financial position, financial performance and cash flows of Dermapharm Holding SE (HGB)

2.4.1 Business activities

The Company was established as a European company, or Societas Europaea (SE), in accordance with European and German laws. It is entered in the commercial register of Munich Local Court (Amtsgericht) under number HRB 234575 and the name Dermapharm Holding SE. The Company has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany.

Dermapharm Holding SE essentially functions as a strategic holding company. It holds, directly and indirectly, shares in companies belonging to the Dermapharm Group. It is also the parent company of the Group and the management company acting exclusively as a management and holding company of the Dermapharm Group and does not generate sales from third parties except charges allocated within the Group.

Services from Dermapharm Holding SE's role as a holding and parent company of the Dermapharm Group significantly influence the Company's earnings. These strategic services are compensated by the Group companies using these services and reported as sales by Dermapharm Holding SE.

Please refer to the description of the Dermapharm Group included in this combined management report for further information on the business activities of Dermapharm Holding SE, particularly on the topics of "Strategy", "Research and Development", "Employees", "Macroeconomic and Sector-Specific Environment", "Opportunities and Risks" and "Information relevant to acquisitions".

2.4.2 Management system and performance indicators

The key management metric used by the Board of Management to measure the success of business activities is earnings before interest, taxes, depreciation and amortisation (EBITDA).

This financial performance indicator is monitored continuously and is integrated into the monthly reporting to the Board of Management. The specified plan figures are reviewed on an ongoing basis and compared with the current business performance (plan to actual comparison). Based on this review, corresponding measures are derived from any variances to the original EBITDA targets.

The Board of Management approves objectives for use in the business planning and management of the divisions. Budgetary plans which are prepared annually for a period of three years translate these objectives into specific, measurable targets.

The table below presents a reconciliation of EBITDA to earnings as presented in the income statement:

	Unappropriated net earnings
-	Withdrawal from capital reserves
+	Loss carried forward from the previous year
=	Net loss for the financial year
+	Other taxes
=	Earnings after tax
+	Interest and similar expenses
-	Other interest and similar income
+	Amortisation of intangible fixed assets and depreciation of tangible fixed assets
=	**EBITDA**

Comparison to outlook in 2019

In the report on expected developments in the 2019 combined management report, the Board of Management forecasted a moderate improvement in EBITDA for financial year 2020 compared to financial year 2019. EBITDA amounted to EUR -1.3 million in financial year 2020 (previous year: EUR -1.2 million). Thus, the performance was worse than forecasted.

2.4.3 Financial performance of Dermapharm Holding SE

Income statement:

EUR thousand	2020	2019
Sales	4,471	4,522
Other operating income	74	63
Personnel expenses	(4,097)	(4,026)
Amortisation of intangible fixed assets and depreciation of tangible fixed assets	(14)	(10)
Other operating expenses	(1,779)	(1,720)
Other interest and similar income	379	1,084
Interest and similar expenses	-	-
Earnings after tax	**(967)**	**(86)**
Other taxes	(13)	-
Net loss for the financial year	**(979)**	**(86)**
Loss carried forward from the previous year		
Withdrawal from capital reserves	48,359	43,158
Unappropriated net earnings	**47,379**	**43,072**

The **sales** in financial year 2020 amounted to EUR 4.5 million (previous year: EUR 4.5 million) and comprised solely amounts charged for services rendered to companies of the Group.

Personnel expenses increased slightly year on year to EUR 4.1 million in financial year 2020 (previous year: EUR 4.0 million) and comprise the Business Development department and the Company's Board of Management.

Other operating expenses amounted to EUR 1.8 million in financial year 2020 (previous year: EUR 1.7 million). The slight increase is due primarily to higher legal and consulting fees as well as expenses related to the preparation and auditing of financial statements.

EBITDA amounted to EUR -1.3 million in financial year 2020 (previous year: EUR -1.2 million).

Other interest and similar income amounted to EUR 0.4 million in financial year 2020 (previous year: EUR 1.1 million) and consisted primarily of intercompany interest income. The decrease was due to the partial repayment of the loan to Dermapharm AG.

Earnings after tax amounted to EUR -1.0 million in financial year 2020 (previous year: EUR -0.1 million).

The **net loss for the financial year** amounted to EUR 1.0 million in financial year 2020 (previous year: EUR 0.1 million).

The **unappropriated net earnings** for financial year 2020 amounted to EUR 47.4 million and is to be used in full to distribute the dividend proposed by the Board of Management.

2.4.4 Financial position of Dermapharm Holding SE

Assets EUR thousand	31 Dezember 2020	31 Dezember 2019
Fixed assets		
Intangible fixed assets	26	13
Shares in affiliated companies	1,261,872	1,261,844
Total fixed assets	**1,261,898**	**1,261,857**
Current assets		
Receivables from affiliated companies	17,790	65,341
Other assets	8	3
Total current assets	**17,798**	**65,343**
Bank balances	**3,602**	**903**
Prepaid expenses	**287**	**295**
Total assets	**1,283,586**	**1,328,399**

Equity and liabilities EUR thousand	31 Dezember 2020	31 Dezember 2019
Equity	**1,277,664**	**1,321,715**
Provisions		
Other provisions	2,635	2,360
Total provisions	**2,635**	**2,360**
Liabilities		
Trade payables	32	21
Liabilities to affiliated companies	1,129	884
Other liabilities	2,126	3,418
Total liabilities	**3,287**	**4,323**
Total equity and liabilities	**1,283,586**	**1,328,399**

The financial position of Dermapharm Holding SE changed in financial year 2020 as presented below:

The **total assets** decreased to EUR 1,284 million as at 31 December 2020 (31 December 2019: EUR 1,328 million).

The **shares in affiliated companies** remained approximately level year on year at EUR 1,261.9 million as at 31 December 2020 (31 December 2019: EUR 1,261.8 million) and includes the equity investments in Dermapharm AG and Dermapharm Beteiligungs GmbH.

Receivables and other assets decreased to EUR 17.8 million (31 December 2019: EUR 65.3 million). The decline is due mainly to the partial repayment of a loan to Dermapharm AG.

Bank balances, increased to EUR 3.6 million as at 31 December 2020 (31 December 2019: EUR 0.9 million).

Equity decreased to EUR 1,278 million as at 31 December 2020 (31 December 2019: EUR 1,322 million) due primarily to the distribution of the 2019 dividend in 2020 and the net loss for 2020.

Other provisions increased to EUR 2.6 million as at 31 December 2020 (31 December 2019: EUR 2.4 million) due in particular to changes in personnel-related provisions.

Other liabilities decreased to EUR 2.1 million as at 31 December 2020 (31 December 2019: EUR 3.4 million). These comprise primarily VAT liabilities. Since 1 January 2018, Dermapharm Holding SE has been the consolidated tax group parent of a consolidated income tax group.

2.4.5 Financial position of Dermapharm Holding SE

Dermapharm Holding SE's financial position and cash flows remained stable in the reporting period. Accordingly, the Company's liquidity was guaranteed at all times in financial year 2020.

The main sources of liquidity were cash inflows from charging for services rendered to the companies of the Group.

In June 2019, Dermapharm Holding SE and Dermapharm AG entered into a syndicated loan agreement with five prominent banks with a revolving line of credit and an option to increase the loan amount. It is jointly and severally liable for the promissory note loan taken out by Dermapharm AG. As in the previous year, the risk that it will be drawn down is considered to be extremely low.

Please refer to section 2.3.3. of this combined management report for information on the structure of these financing instruments.

The unappropriated net earnings reported for financial year 2020 is expected to be distributed in full in financial year 2021 as a dividend in accordance with the Board of Management's proposal.

2.5 Overall assertion on the economic situation

Overall assertions on the Group

The 2020 financial year was particularly challenging on account of the COVID-19 pandemic. Dermapharm successfully adapted to the new situation and seized growth opportunities as they arose. The Company successfully built on its positive business performance and achieved the targets forecast in its 2019 combined management report.

Revenue increased by 13.3 % to EUR 793.8 million (previous year: EUR 700.9 million).

The divisions reported the following growth in revenue:

- Branded pharmaceuticals and other healthcare products: 22.4 %
- Parallel import business: 2.9 %
- Herbal extracts: -0.6 %

Dermapharm increased its **adjusted EBITDA** by 13.0 % to EUR 200.7 million (previous year: EUR 177.6 million). This figure factors in the non-recurring expenses incurred in connection with the acquisition of Allergopharma and Fitvia, consultancy services in connection with these acquisitions, adjustments made in connection with the purchase price allocation (IFRS 3) of FYTA and restructuring expenses of EUR 16.1 million at Allergopharma.

The divisions reported the following changes in adjusted EBITDA:

- Branded pharmaceuticals and other healthcare products: 16.3 %
- Parallel import business: -16.9 %
- Herbal extracts: -7.3 %

Prior to adjustment, EBITDA increased by 9.5 % to EUR 184.5 million (previous year: EUR 168.5 million).

The divisions reported the following changes in unadjusted EBITDA:

- Branded pharmaceuticals and other healthcare products: 11.8 %
- Parallel import business: -16.9 %
- Herbal extracts: -3.9 %

Overall assertion on Dermapharm Holding SE

In financial year 2020, Dermapharm Holding SE, in its role as a strategic holding company, provided extensive services to the Group companies, thereby contributing to the Group's positive performance.

3. Report on opportunities and risks

In sections 3.1-3.3 below, we present the Group-wide risk management system, accounting-related internal control system and Dermapharm's compliance management system. In the risk report (section 3.4), we consider the current COVID-19 pandemic and how the uncertainties caused by it could affect Dermapharm's business activities going forward. Specifically, we have assessed the likelihood and potential impact of each separate risk category, taking into account the ongoing pandemic and how we expect events to develop through to the end of 2021. There were no material changes in the risk assessments compared to the previous year. Only the potential impact on the Company's assets, liabilities, financial position and profit or loss was upgraded from low to medium for the following risk categories: "Threat from (new) competitors/manufacturers of originator preparations" and "Procurement risks".

In 2020, certain adjustments were made to the risk categories with regard to the methodology used to identify risks. The category "Marketing & distribution risks" now includes the "Infringement of industrial property rights" risk sub-category. "Product liability risks" and "Quality risks" were combined to represent a single category. The category "Violation of the rules set out in the Compliance Manual" was split into the following risk categories: "Corruption risks", "Antitrust risks", "Data protection (GDPR) violations" and "Other compliance risks". Risks associated with three of the aforementioned categories ("Corruption risks", "Antitrust risks", "Data protection (GDPR) violations") can potentially result in high to very high fines and penalties. This granular approach was selected in order to determine with greater accuracy which (further) steps may need to be taken to minimise those risks.

3.1 Risk management system

Dermapharm's Group-wide risk management system (RMS) covers Dermapharm Holding SE, Dermapharm AG and all subsidiaries in which a majority interest is held (> 50 %). The basic elements of Dermapharm's risk management system are described below:

Risk culture

The key prerequisite for successful risk management is an appropriate risk and compliance culture within the Company. To set the right tone from the top, management promotes open risk communication across all subsidiaries, divisions and hierarchy levels. Group employees are encouraged to think about potential risks, openly address risks that have been identified, and suggest immediate actions to minimise risk. Training on the Group-wide RMS methodology in all relevant divisions in Germany and abroad has made it possible to develop a common "risk language" throughout the Group. This ensures that the results of risk analysis are comparable across international borders and at the same time allows insights to be shared between the individual subsidiaries and/or divisions.

Objective of the RMS

The goal of the Group's risk management system (RMS) is to identify potential risks that could jeopardise the Group's performance early and to introduce suitable measures to actively counter them. Another goal of the risk management system is to ensure that the annual and consolidated financial statements and the combined management report are prepared in compliance with regulations by identifying, assessing and managing the risks of financial reporting. The identified risks also serve as the basis for the risk-oriented definition of principles, procedures and controls under the accounting-related internal control system, which are intended to ensure that the system in place for preparing the financial statements complies with regulations.

Risks for Dermapharm arise due to external influences as well as through entrepreneurial actions. Risks may result in targets being missed or adversely impacted. When balancing opportunities and risks, the Company consciously takes risks that are in line with the anticipated benefit of the corresponding business activity. Consequently, risks cannot be avoided altogether but should be mitigated to the furthest extent possible.

RMS organisation

The risk management system is managed centrally by the Governance, Risk & Compliance (GRC) team, it is tested for effectiveness and appropriateness on a regular basis and lies in the responsibility of the Board of Management. By contrast, risks are monitored and managed at the local level. Depending on the risk category and risk scope, this is the responsibility of the division managers and managing directors as well as the members of the Dermapharm Holding SE Board of Management. Regular risk surveys, either verbal or in writing, are used to identify and document potential risks in all relevant divisions and companies in which a majority interest is held.

Organisation of the risk management system:

Supervisory Board: Monitoring of the RMS

Management Board: Overall responsibility for the RMS

1. Line of defense

Process / risk owner (operative management)

Responsibilities:

- Identifying, assessing and documenting risks in the respective area of responsibility
- Implementing steps to mitigate risks and monitoring the effectiveness of controls
- Conducting annual reviews and, if necessary, updating risks and related mitigation steps/controls
- Promoting risk culture in the respective area of responsibility

2. Line of defense

Governance, Risk & Compliance (GRC) Team

Responsibilities:

- Designing and implementing the risk management system
- Communicating and training regarding the content of the RMS
- Conducting regular Group-wide risk surveys
- Reporting regularly to internal and external stakeholders
- Monitoring and continuously improving the Group-wide risk management system

3. Line of defense

Internal Audit

Responsibilities:

- Conducting independent audits of the appropriateness and effectiveness of the early risk warning system
- Performing independent and objective audit and advisory services with the aim to generate added value and optimising business processes

Risk management process

A defined group of risk owners is responsible for regularly identifying, analysing and assessing risks, using an established set of risk categories and assessment methodology. The potential impact and likelihood of each risk are assessed taking into account the countermeasures that have already been implemented. Risks are classified as low, medium or high depending on the combination of impact and likelihood. The risk classification is the basis for prioritising the measures necessary to manage risk. A full report with a comprehensive assessment of the risk situation is provided to the Board of Management and the Supervisory Board of Dermapharm Holding SE at regular intervals. The appropriateness and effectiveness of the RMS is continually monitored by the Governance, Risk & Compliance (GRC) team and regularly reviewed by the independent Internal Audit unit.

Risk identification

The identification and handling of risks is firmly anchored in the corporate principles and is the responsibility of all Group employees.

Dermapharm differentiates between the following risk categories on the basis of the internationally recognised ERM framework (2014, COSO II) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO):

Market & Strategy	Operational
• Threat of (new) competitors / manufacturers of originator preparations • Dependence on key products • Dependence on suppliers / business partners • Dependence on customers • Risks arising from M&A activities • Political risks	• Risks in the development of new products • Procurement risks • Production risks • Quality / product liability risks • Marketing & distribution risks • IT risks • HR risks • Other operational risks

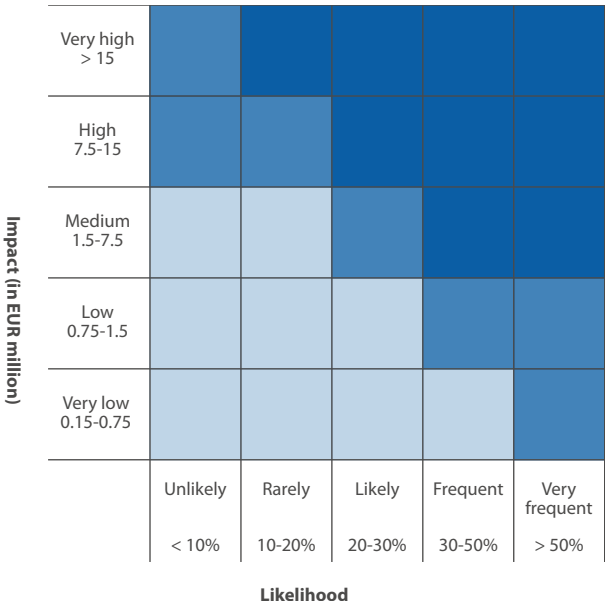
Financial	Compliance
• Financing and liquidity risks • Interest rate risks • Currency risks • Tax risks	• Risks arising from changes in the legal and regulatory environment • Corruption risks Antitrust risks • Data protection (GDPR) violations • Violation of environmental, health and occupational safety provisions, or human rights • Other compliance risks

Risks are identified by continuously monitoring the general economic trend, the market environment in the pharmaceuticals sector and the internal processes. The planning process also serves to recognise risks in the Company at an early stage and to align business management practices accordingly. The budget features a planning horizon of three years. The ultimate objective behind the development and use of a variety of planning scenarios is to achieve a continuous and sustainable increase in the Company's enterprise value, to meet its medium-term financial targets and to secure its continued existence for the long term.

Risk assessment and management

As part of the regular risk surveys, the risk owners assess the identified risks based on two dimensions: impact and likelihood. This takes into consideration countermeasures already implemented and controls already put in place (net risk assessment). Where possible, the risk assessment is based on objective criteria and/or historical experience. The assessment relates to the subsequent 12-month period (assessment horizon = 1 year).

Dermapharm uses a 5x5-assessment scale as illustrated in the following risk matrix:



The risk classification is a combination of the assessed likelihood and impact:

High Medium Low

The likelihood is assessed by answering the following question: how likely is it that the risk will materialise in the next 12 months?

In addition to the likelihood, the potential impact arising on occurrence is assessed in monetary terms as a negative impact on the operating result (EBIT). The potential losses are allocated to ranges given in euros.

The risks are classified as low, medium or high based on the combination of the assessed likelihood and impact. This makes it possible to prioritise the measures required to mitigate the identified risks.

Depending on the respective risk strategy (accept, avoid, mitigate or transfer), the risk/action owner takes the appropriate action and/or implements/modifies the controls inherent in the relevant process. In the case of risk acceptance, there is no (further) action taken/control implemented.

Risk reporting and continual monitoring of the RMS

A full report with a comprehensive assessment of the risk situation is provided to the Board of Management and the Supervisory Board at regular intervals. Ad-hoc reporting is used to notify the Board of Management and where necessary the Supervisory Board of newly identified significant risks.

The Governance, Risk & Compliance (GRC) team at Dermapharm continually monitors the appropriateness of the risk management system and makes recommendations for improvement, when necessary. Approval is obtained from the Board of Management for material changes to the RMS.

The Internal Audit department conducts regular independent audits of the appropriateness and effectiveness of the early risk warning system.

The process of identifying and assessing the Company's internal risk factors involves, in particular, regularly reviewing business processes, projects, acquisitions, HR and compliance issues. In this area, the internal control system at Dermapharm helps minimise and eliminate manageable risks within the business processes. The objective of the internal control system is to consistently implement the strategic and operational directives of Dermapharm's Board of Management, to achieve the operating efficiency targets and to ensure that compliance requirements are met.

3.2 Accounting-related internal control system

The Group's accounting-related internal control system comprises all procedures and measures to ensure proper and reliable accounting and compliance with the relevant statutory provisions and the articles of association. There are clear rules governing the responsibility for implementing the internal control system within the accounting process, and it lies with the Board of Management, the responsible managers, the financial accounting department and the managerial accounting department. The system is being continually improved and its effectiveness tested on a regular basis in order to ensure that the accounting and the processes for preparing the annual and consolidated financial statements are accurate and complete at all times.

New accounting rules are assessed for their impact on the accounting within the Group and, if necessary, are applied accordingly. A variety of controls are integrated into the accounting process and the process for preparing the annual and consolidated financial statements and the combined management report. The IT-supported processes include system-based controls to help ensure that transactions are recorded correctly and completely. Appropriate software is used to support the consolidation process. An IT security concept has been widely implemented to ensure the availability of systems used within the Company. Further controls include implementation of the principal of dual control, which is employed for material business processes, a clear division of responsibilities and roles and manual checks that are documented and monitored accordingly. In addition, the Supervisory Board monitors the effectiveness of this system as part of its oversight of the Board of Management.

3.3 Compliance management

Trust and integrity are among the most important values in the corporate culture and are prerequisites for Dermapharm's business success. The compliance guidelines serve to ensure that the Company, the managers and the employees act responsibly and in an ethically correct manner. Possible violations should be recognised in advance and systematically prevented.

The Chief Compliance Officer (CCO) is responsible for managing and monitoring the necessary activities at the Group level and is supported by local compliance officers at the individual subsidiaries.

The corporate principles and rules of conduct derived therefrom are laid down in Dermapharm Holding SE's Compliance Manual, which is binding for all employees throughout the Group. We expect all employees of the Dermapharm Group to treat each other fairly and with respect. We do not tolerate discrimination or harassment based on age, origin, gender, appearance, ideology, religion, sexual orientation or other individual characteristics. The Compliance Manual also lays down binding rules governing corruption, money laundering and terrorist financing, unfair competition, insider trading, market manipulation, data protection and conflicts of interest.

The Dermapharm Group has also established a whistleblower system that enables suspicious transaction reports to be filed in connection with the activities of the organisation and its business partners. Any information about violations of our code of conduct may be communicated to the respective superiors, to the compliance officers of the individual companies or directly to the Chief Compliance Officer personally or anonymously, electronically, in writing or by telephone.

Any reported violations will be investigated according to professional standards and, depending on the individual case, may lead to disciplinary action under employment or contract law or to criminal prosecution by investigative as well as judicial authorities. The Board of Management receives quarterly compliance reports providing regular updates about any compliance incidents and inquiries from within the Group and any action that must be taken as a result.

3.4 Risk report

Market and strategy

Threat of (new) competitors/manufacturers of originator preparations

Dermapharm could be adversely affected by developments in the international markets for pharmaceuticals and healthcare products. Because Dermapharm is subject to intense competition in all markets in which it operates, various factors can adversely affect the Group's business activities.

The emergence of new competitors can have an unfavourable impact on market conditions. Furthermore, some competitors – due to their financial and/or organisational resources, production capacities, and selling and/or market power – may affect market conditions in a way that has a negative outcome for Dermapharm. This applies in particular to activities that influence the pricing for tenders for discount agreements, the range of products and services and/or the terms of delivery or discount terms to the benefit of their own competitive position.

The manufacturers of originator preparations for which Dermapharm develops off-patent substitutes could take measures to prevent such substitutes from being used. This could result in an increase in Dermapharm's costs as well as delays in the introduction of pharmaceuticals by Dermapharm or even prevent such pharmaceuticals from being introduced outright. In addition, the manufacturers of originator preparations are increasingly introducing approved off-patent pharmaceuticals and non-pharmaceutical versions of their products (i.e., products which may be sold outside of pharmacies), which may adversely affect the market share Dermapharm gains with its new products. The manufacturers of originator preparations are not exposed to any noteworthy barriers to markets for off-patent pharmaceuticals and other healthcare products.

Several studies conducted since the outbreak of the pandemic indicate that vitamin D helps protect against severe cases of COVID-19. A vitamin D deficiency can weaken the immune system, thus compromising the body's immune response to infections. The resulting increase in demand for vitamin D preparations makes this market, which is one of Dermapharm's key markets, even more attractive for (new) competitors.

Dermapharm mitigates the aforementioned risks as far as possible by continuously observing the market, creating relevant markets analyses and monitoring its competitors. Appropriate adjustments to the strategy are also made, if necessary.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Dependence on key products

A significant share of Dermapharm's revenue and EBITDA is generated through the sale of a limited number of key products, such as Dekristol® 20,000 I.U. In recent years, Dekristol® 20,000 I.U. sales benefited significantly from the broad acceptance of medical trials demonstrating the health consequences of vitamin D deficiency and the increasing recognition of its prevalence within the population, as well as from the fact that, until the beginning of 2019, there were no competitors on the German market offering authorised vitamin D compounds with a similar combination of dosage and packaging size. As a consequence, income from the sale of Dekristol® 20,000 I.U. has increased continuously in recent years. However, due to the Group's growth, which is driven in part by the 2020 acquisition of Allergopharma GmbH & Co. KG, the share of total revenue and consolidated EBITDA attributable to Dekristol® declined slightly. There is no guarantee that the revenue from Dekristol® 20,000 I.U. will continue to grow at the same pace or remain constant over the long term. Risks in this respect include adverse changes to market conditions, a decline in the purchasing power of patients who pay for products directly, competition, the establishment of alternative treatments and regulatory measures. These risks also apply to other key products sold by Dermapharm, such as Keltican® forte, Tromcardin® complex and bite away®.

Dermapharm manages these risks by continually developing new high-margin products (diversification of the product portfolio), monitoring the relevant markets and identifying alternative courses of action, as needed.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Dependence on suppliers/business partners

Dermapharm depends on a limited number of suppliers and third-party manufacturers for the raw materials it requires to manufacture its products. Interruptions in the supply chain may considerably impair Dermapharm's business activities. Attempts by policy-makers in 2020 to contain the COVID-19 pandemic by closing international borders demonstrated quite clearly the importance of robust supply chains to Asia and within Europe, particularly those for active ingredients.

We protect ourselves from potential supplier bottlenecks, due for instance to the loss of a supplier, by employing an appropriate inventory strategy and alternative sources of supply.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Dependence on customers

Dermapharm's business success depends among other things on its ability to successfully market prescription pharmaceuticals to doctors who prescribe medication to their patients. Changes to the market conditions may occur as a result of an increase in the buying power of individual customer groups such as doctors, pharmacy chains, health insurers, purchasing groups and wholesale associations. Consequently, competition related to pricing, terms and conditions, and/or services could intensify and the overall conditions for tenders for discount agreements could deteriorate. In addition, changes in customer requirements/needs could result in an inability to resell (reimported) pharmaceuticals/healthcare products at attractive prices, if at all.

One consequence of the COVID-19 pandemic was that many patients/consumers postponed non-urgent doctor's appointments and pharmacy visits because they feared they might contract the COVID-19-virus. In addition, the various measures that were introduced (social distancing, mask mandates, etc.) led to a drop in the number of cases of the common cold. Dermapharm's diverse portfolio across the six core therapeutic areas proved to be particularly robust and resilient in the face of the crisis in 2020.

The Dermapharm Group actively minimises the described risks by comprehensively and continuously observing the market developments, relevant participants and significant market structures and by developing alternative courses of action on the basis of these observations. Furthermore, the Group is in close, regular contact with key customers. Other sales channels are reviewed as required in the interest of diversification.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Risks arising from M&A activities

Dermapharm's corporate strategy is geared towards growth and internationalisation in the pharmaceutical market in the "Branded pharmaceuticals and other healthcare products", "Herbal extracts" and "Parallel import business" divisions. Dermapharm's growth strategy is associated with the risk that businesses and products acquired in the past or to be acquired in the future may only be integrated at a higher cost or the expected synergies may not be leveraged as intended. Moreover, the acquired businesses or products may not generate the expected results on the market, if the markets and therapeutic areas comprising Dermapharm's strategic focus develop differently than expected.

The targeted expansion of the business into foreign markets furthermore exposes Dermapharm to risks associated with conducting business in unfamiliar countries. Established consumer habits, legal conditions and existing market and distribution structures may adversely affect the Company's performance. Against this backdrop, there is the risk that Dermapharm may fail to identify and leverage attractive growth opportunities. Even if Dermapharm takes part in acquisitions, joint ventures or other business combinations, either in Germany or abroad, such transactions may develop differently than initially expected.

Dermapharm counters such scenarios with comprehensive measures. These include conducting due diligence reviews of potential acquisitions together with relevant internal departments, such as business development and finance, and experienced external advisors, where necessary. In recent years, the Group has established various processes designed to help integrate acquired companies into the Group.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Political risks

The Dermapharm Group operates globally and as such is exposed to a number of political systems. Changes in the political environment may adversely affect Dermapharm's business activities, including through the imposition of tariffs, export bans in supplier countries, changes in pricing policy (including the rates paid by health insurers), and new legislation and regulations affecting the healthcare sector. The effects can also be indirect, for instance minimum wages being introduced or amended, higher taxes, military conflict or industrial action.

In 2020, wide-ranging export restrictions were introduced on pharmaceuticals in response to the COVID-19 pandemic. Although highly controversial from an EU law perspective, these restrictions represent an actual purchasing risk for Dermapharm's parallel import business. Furthermore, Dermapharm's business activities could be adversely affected if policy-makers were to again close borders and impose lockdowns due to mutations of the COVID-19-virus.

As of 1 January 2021, the United Kingdom left the European Single Market and the EU Customs Union. This may as a consequence adversely affect Dermapharm's business operations in the United Kingdom, for instance through the introduction of import duties, new licensing requirements or rising costs of compliance with regulatory requirements in connection with authorisation processes. It also remains to be seen whether other EU member states will follow the UK's example.

Dermapharm manages these risks by continually monitoring the relevant political developments, communicating with pharmaceuticals associations and taking appropriate action when necessary.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Operational risks

Risks in the development of new products

Dermapharm generates the majority of its revenue from off-patent branded pharmaceuticals. In general, the revenue generated from these pharmaceuticals declines continuously the longer these products are on the market. For Dermapharm, sustainable growth therefore depends on the continuous development, introduction and marketing of new products.

There is no guarantee that Dermapharm can successfully develop new products since even the reproduction of established formulations can prove more difficult and more costly than originally anticipated. Although Dermapharm has its own development capacities, along with the expertise required to design and sponsor the clinical trials necessary for obtaining new authorisations, it relies on contract research institutions and other third parties which provide support in the administration, conduct and monitoring of such clinical trials. If third parties fail to successfully conduct the clinical trials initiated by Dermapharm, the quality and accuracy of the data are adversely impacted, the protocols for clinical trials are not followed or envisaged deadlines are not met, there is a risk that Dermapharm's clinical trials may fail to meet regulatory requirements. After Dermapharm has filed an application for authorisation to bring a new pharmaceutical to market, there is the risk that the responsible regulators can change the standards and/or require Dermapharm to conduct additional trials or evaluations. Therefore, Dermapharm may face delays and higher costs than initially anticipated. As a result, projects which were initially classified as economically feasible may prove to be unprofitable, and the projects therefore discontinued.

Even if Dermapharm can successfully develop new products, different factors – some outside of Dermapharm's control – determine the success of new product launches (e.g., competitor behaviour and customer perception of new products). On average, it takes around five years for Dermapharm to develop an off-patent pharmaceutical (including the authorisation procedure). However, this period can vary widely depending on the type of regulatory requirements, the type of trial, complexity of the development of the active ingredients or type of authorisation procedure (national or multinational). The longer it takes to develop a product, the longer it can potentially take Dermapharm to cover its development costs and generate profits. A product that is considered to be promising in the early stages of its development cycle can become less attractive if a competitor succeeds in occupying the market earlier. Furthermore, Dermapharm could potentially fail to accurately assess the potential market for new products. Because Dermapharm generally does not focus on high-volume pharmaceutical markets, the limited availability of data makes these assessments particularly difficult. Moreover, the actual market at the date of market entry may be significantly less attractive than in the early stages of development (e.g., if alternative treatment forms have been discovered or more advanced products have been introduced for the same ailments).

Dermapharm actively minimises those risks by providing its staff ongoing training on all statutory requirements (including in accordance with Good Clinical Practice (GCP)), by holding development meetings with all relevant corporate departments on a regular basis and by conducting annual reviews of the expected market potential of newly developed products.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Procurement risks

On the purchasing side, there are risks of potential supply bottlenecks and price volatility pertaining to raw materials and energy. An increase in the price of ingredients could result in a higher cost basis in production. A price drop in this area could, in turn, necessitate the recognition of impairment losses on inventories.

In 2020, the measures imposed by policy-makers to contain the COVID-19 pandemic (lockdowns, border closures, company closures) increasingly led to supply bottlenecks and price increases (particularly for personal protective equipment). However, thanks to Dermapharm's inventory and purchasing policies, these supply bottlenecks had minimal to no impact on production activities and thus on Dermapharm´s ability to meet the demand for its products. Significant portions of the raw materials supply are covered by long-term supply agreements and price escalation clauses in the supplier agreements. Furthermore, the Group is continuously on the lookout for alternative procurement sources and partners.

There are further risks for the procurement of reimported pharmaceuticals by Dermapharm's subsidiary – the axicorp Group. Since the parallel import business is subject to statutory regulations, lowering the parallel import quotas, introducing export restrictions or pharmaceutical quotas and similar regulations could have an adverse effect on Dermapharm's parallel import business. As a result of market and demand changes, there is also a risk that Dermapharm will be unable to resell the pharmaceuticals imported under the parallel import business at attractive prices or at all.

Dermapharm also faces the risk that pharmaceuticals needed for the range of products offered in the parallel import business cannot be imported or purchased. If the prices for pharmaceuticals rise in the procurement markets or fall in the German pharmaceuticals market, Dermapharm may not be able to identify attractive purchasing opportunities. This also represents a potential risk for the necessary combination of high-margin and low-margin pharmaceuticals in the product portfolio. A corresponding diversity of products is needed to offer customers an attractive range of products at an adequate margin. If Dermapharm is unable to purchase a sufficient amount of low-margin pharmaceuticals, which are usually characterised by less availability and are therefore also more attractive to Dermapharm's customers, this could adversely affect revenue.

Dermapharm counters these risks by identifying and assessing risks on a regular basis and by introducing countermeasures by the management team in accordance with the quality standards of the axicorp QS system (DIN EN ISO 9001:2008 – Preventive action/management processes). These include, in particular, the early preparation and evaluation of case scenarios.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Production risks

Disruptions in Dermapharm's manufacturing processes and delays in launching new products could adversely affect Dermapharm's business activities. These disruptions include a lack of availability of production facilities and disruptions in workplace and process safety, which can result in production targets not being achieved and demand not being adequately met, leading to a loss of contribution margins. Many of Dermapharm's products are manufactured in technically complex processes that require special equipment and facilities and raw materials as well as special production conditions. Increasingly, such processes depend on the use of product-specific devices for implementation, which can result in technical bottlenecks.

Dermapharm's top priority since the outbreak of the COVID-19 pandemic has been to maintain its production operations. In 2020, the Company introduced extensive hygiene and safety protocols and reduced contact between individual groups of employees to a minimum (shift plans for production staff) in an effort to prevent the workforce from contracting the COVID-19-virus.

The steps taken to minimise risks include, furthermore, proactive equipment maintenance, risk assessments, safety stock at various manufacturing stages and regular employee training courses to improve the Group's safety standards. In addition, Dermapharm continually optimises and modernises all production equipment and facilities in order to guarantee optimal production conditions along the entire value chain.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Quality/product liability risks

The Dermapharm Group sells its products under recognised brand names. Therefore, market perception is crucial to Dermapharm's business, particularly perception relating to product safety and quality. If products manufactured or sold by Dermapharm – including products sold in the context of the parallel import business – and similar products sold by other companies are subject to market withdrawals or recalls or are alleged or demonstrated to be harmful to customers, this could have a negative effect on the demand for such products. A negative public perception of the quality of Dermapharm's products could have the same effect.

It is possible that despite comprehensive tests and trials, side effects or initially undetected defects are discovered to affect existing products only after they have received approval or been marketed. Additionally, new scientific findings can result in a less favourable risk/reward analysis with the consequence being that the compound must be partially or entirely withdrawn from the market. Such a suspension of sales may be due to legal or regulatory measures or may be implemented voluntarily by the Company at its due discretion. Additionally, court proceedings and associated claims for damages resulting from such findings could have a considerable adverse effect on the Company's operating result.

In order to protect its brands and avoid negative publicity, Dermapharm could recall certain products which fail to meet Dermapharm's own high standards of quality, even if there is no risk to customers or statutory obligation to do so.

Dermapharm actively minimises the described risks through its established quality assurance and pharmacovigilance systems, regular training of relevant employees, and internal audits as well as external inspections by the authorities. The Group also took out pharmaceuticals product liability insurance that covers personal injury claims up to EUR 120 million.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Marketing & distribution risks

When developing, seeking marketing authorisation for and selling each product, it is crucial to precisely observe the applicable rules and regulations, including with respect to industrial property rights. Industrial property rights include patents, trademarks and summaries of product characteristics. If individual legal requirements are not complied with, this can result in delays in the sale and distribution of a new product, the sale and distribution may be prevented due to legal actions by competitors, or authorisations by the relevant authorities may be denied. If Dermapharm has sold products under the assumption that there were no legal grounds preventing it from doing so and it is established through the courts that this assumption was erroneous, there is the risk that products must be removed from the market, written off and destroyed, all at considerable cost. Moreover, infringing industrial property rights poses the risk of litigation and considerable damages.

A large number of the products sold by Dermapharm are branded pharmaceuticals for which a strong, protected brand is a key success factor. Another risk factor is therefore an insufficient trademark protection for the products sold.

The use of dubious advertising materials (e.g., incorrect or incomplete references, imitating competitors' advertising, advertising not compliant with the marketing authorisation) may result in cease-and-desist letters from competitors and even legal proceedings.

Dermapharm manages these risks by continually monitoring the relevant market situation and, where necessary, modifying its product strategy as appropriate. Meticulous research is conducted before a product is assigned a brand name. Marketing and sales employees also receive specific training on regulatory issues (e.g., the German Act against Unfair Competition (Gesetz gegen den unlauteren Wettbewerb, "UWG"), the German Act on the Advertising of Medicinal Products (Heilmittelwerbegesetz, "HWG"), trademark law). Our information officers are tasked with checking and approving all advertising materials before they are made public.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

IT risks

Because of the increased use of IT systems and programs, there is a risk of losing digital information. This risk can arise as a result of lacking or insufficient data security and malicious attacks by external parties. Risks can also exist due to the heterogeneous system landscape, which requires maintenance and updates at regular intervals, as well as due to Dermapharm's in-house developments, which require greater upkeep in order to meet the continually growing security requirements. Moreover, the integration of the IT infrastructure of acquired companies and the potential outage of IT systems (i.e., in production) give rise to further risks.

The likelihood of hacker attacks, phishing e-mails and other attempts to exploit IT vulnerabilities is higher than it was before the COVID-19 pandemic due to the fact that more people are working remotely and processes had to change (on short notice) to accommodate this.

To manage these risks, Dermapharm has developed an appropriate IT security and authorisation concept and adequate IT security systems (e.g., redundant data processing centres and Group-wide anti-virus programs). Moreover, it performs regular software and hardware maintenance and makes routine back-ups of business-critical data.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

HR risks

The Dermapharm Group's success is highly dependent on the motivation and skills of its employees, who among other things develop promising products, manufacture them in observance of quality and safety, and sell them effectively in various international markets.

Due to the Group's growth, another critical success factor is Dermapharm's ability to attract and retain skilled employees going forward. Some German regions have almost full employment. The resulting lack of skilled workers, which could be further exacerbated by demographic factors in the future, may adversely affect Dermapharm's operating result.

Furthermore, high staff turnover, in particular in key roles, may adversely affect remaining employees' commitment, result in negative employer branding and cause process delays or disruptions and a loss of expertise.

Due to the general atmosphere of uncertainty in connection with the COVID-19 pandemic, many employees are not as willing to consider a change in jobs. In this sense, the pandemic had a positive effect on employee turnover at Dermapharm in 2020. Furthermore, the staff redundancy measures introduced at many other companies on account of the pandemic could increase the pool of qualified employees.

To counter the risks described above, appropriate measures to recruit and develop employees are developed on the basis of the annual HR planning. In order to ensure the continuing development of existing staff and comply with the relevant regulatory requirements (for example in terms of pharmacovigilance, drug safety, occupational health and safety), almost all divisions conduct regular training that is documented accordingly.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Other operational risks

Dermapharm bears further general business risks in the respective market regions such as the risk of unexpected disruption of the infrastructure, strikes, sabotage, natural disasters, criminal activities, terrorism and other unforeseeable material adverse effects.

Dermapharm has taken extensive steps and technical precautions in order to prevent and minimise damage to company property (buildings/machinery/inventories) – including the installation of sprinkler systems and fire alarms, conducting regular fire safety inspections, developing contingency plans describing what to do in the event of fire, water damage, earthquakes, etc., and storing finished goods separately at several warehouses. Where possible and economically viable, Dermapharm insures itself against the aforementioned risks by taking out the appropriate insurance cover (Group-wide business interruption insurance and property insurance). However, it cannot be ruled out that the insurance policies may not provide adequate coverage in individual cases.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Financial risks

Financing and liquidity risks

Fundamental liquidity risks may occur should Dermapharm not have sufficient liquid resources at its disposal. For instance, such a risk could materialise as a result of the unavailability of lines of credit, the loss of existing cash resources, the inability to access the financial markets or strong fluctuations in the operating business. In addition, Dermapharm's financial liabilities could limit the cash flows available for the operating business. Defaults on the payment of financial liabilities or an increase in the level of the Company's debt could also have a detrimental effect on Dermapharm's business.

The outbreak of the COVID-19 pandemic did not have a significant impact on Dermapharm's financing and liquidity risks in 2020. In particular, there were no COVID-19-related defaults on trade receivables.

Dermapharm counters the aforementioned risks through prudent liquidity management, the objective of which is to ensure solvency at all times and safeguard financial flexibility by holding sufficient liquidity reserves and free lines of credit.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Interest rate risks

Interest rate risks include potential losses caused by changes in market rates of interest. Interest rate risks from financial instruments can arise within the Group mainly in connection with financial liabilities.

Dermapharm manages its interest rate risks by borrowing funds largely at matching maturities and through the use of interest rate derivatives.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Currency risks

The Dermapharm Group prepares its accounts with the euro as its Group currency. Since the Group's business is international in nature, it is exposed to risks arising from exchange rate volatility. In particular receivables and liabilities denominated in other currencies are subject to the risk of a change in value. Additionally, accounting risks can arise from exchange rate fluctuations affecting the consolidated financial statements as well as from the translation of items of the statement of financial position and items of income and expense for foreign subsidiaries with a local currency other than the euro. In this connection, any appreciation (depreciation) of the euro against other currencies could have a negative (positive) effect.

If necessary, financial instruments (currency forwards) are used to minimise the described risks.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Tax risks

Dermapharm is subject to the general tax conditions in the countries in which the Group operates, particularly in Germany. Dermapharm's tax burden depends on the application and interpretation of various tax laws. Tax planning and optimisation at Dermapharm depends on the current and expected tax environment. Changes in the general tax environment and future external tax audits and investigations could increase Dermapharm's tax burden.

Moreover, tax matters are generally subject to a degree of uncertainty with respect to the judgement of domestic and foreign tax authorities. Even if Dermapharm is confident that all tax matters have been presented correctly and in accordance with the law, the possibility cannot be ruled out that the tax authorities might conclude otherwise in individual cases.

Dermapharm counters tax risks by carefully reviewing and processing all tax matters.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Compliance risks

Risks arising from changes in the legal and regulatory environment

Numerous regulations govern the pharmaceuticals and healthcare market. Lifting or amending regulations or passing new regulations, for example as part of a healthcare reform, could have significant economic and strategic effects on Dermapharm's business activities and adversely affect its performance. Regulations at the national or supranational level are highly significant if they affect the market structure, pricing and/or product approvals in the public healthcare sector. In principle, for all products in the healthcare market, but especially for pharmaceutical products, there is the risk that they will no longer be covered or the reimbursement rates will be lowered due to regulatory interventions in the respective national social security systems. The prices for off-patent pharmaceuticals are also exposed to price pressure resulting from the discount agreements with statutory health insurers. All of this may reduce the profitability of individual products and, in some cases, may mean that bringing a new product to market is unprofitable.

In addition, the formulation, manufacturing, packaging, labelling, advertising and sale of Dermapharm's products are subject to comprehensive regulations, such as restrictions on obtaining marketing authorisations, price restrictions, packaging requirements for Dermapharm's products and restrictions on the distribution of pharmaceuticals and other healthcare products. In the past, compliance with such provisions resulted in higher expenditures and an increased administrative burden for Dermapharm. If additional requirements are introduced in the future, these are expected to necessitate additional expenses and could prevent Dermapharm from continuing to conduct business as it currently operates. Exact forecasts concerning the introduction and scope of any changes are not possible since these regulations depend on the political processes in the respective countries or on court decisions.

Dermapharm works to actively minimise those risks by comprehensively observing relevant sources of regulations and the tenders for active ingredients by the statutory health insurers, and by developing alternative courses of action on the basis of these observations.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Corruption risks

Potential corruption risks can arise in both the procurement (bribery by suppliers to secure orders) and sales processes (for instance, by offering physicians inducements in order to unfairly influence which drugs they prescribe). Even suspected (and ultimately unfounded) cases of corruption can lead to criminal prosecution and investigations by the relevant authorities as well as high reputational damage. Court proceedings and severe penalties can be expected if these suspicions are substantiated.

Therefore, the Dermapharm Group Compliance Manual sets out binding rules for all employees on how to avoid corruption. Employees in key departments (e.g., purchasing, sales force) are also enrolled in extensive online compliance courses on the Company's e-learning platform "Dermapharm eCampus". Furthermore, the Chief Compliance Officer and local compliance officers are available to answer any compliance-related questions. As a member of Arzneimittel und Kooperation im Gesundheitswesen e.V. (AKG), a leading association dedicated to promoting compliance in the pharmaceuticals industry, Dermapharm also complies with the AKG Code of Conduct.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Antitrust risks

Antitrust laws proscribe predatory business practices such as price fixing, bid rigging, market allocation, and monopolies (e.g., treating customers and suppliers differently for no objective reason). Any violations of the applicable laws may lead to criminal prosecution and investigations by the relevant authorities, reputational damage, court proceedings and severe penalties.

Therefore, the Dermapharm Group Compliance Manual sets out binding rules for all employees on how to avoid unfair competitive practices. Employees in key departments (e.g., purchasing, sales force) are also enrolled in extensive online compliance courses on the Company's e-learning platform "Dermapharm eCampus". Furthermore, the Chief Compliance Officer and local compliance officers are available to answer any compliance-related questions. As a member of Arzneimittel und Kooperation im Gesundheitswesen e.V. (AKG), a leading association dedicated to promoting compliance in the pharmaceuticals industry, Dermapharm also complies with the AKG Code of Conduct.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Data protection (GDPR) violations

The European Union's General Data Protection Regulation (GDPR) went into force on 25 May 2018 and governs the processing of personal data. Under the GDPR, personal data is protected and may not be stored, processed, altered, destroyed, published, transferred to third parties, etc. without legal basis/consent. Violations of the provisions of the GDPR may lead to investigations by the relevant authorities, reputational damage, court proceedings and severe penalties (up to EUR 20 million or up to 4 % of total global revenue).

Dermapharm appointed a Group Data Protection Officer (DPO) in 2018 in order to comply with the legal requirements. Dermapharm's DPO worked with the relevant departments to prepare the documentation required under the GDPR (e.g., contractual arrangements with business partners (data processing agreements), records of processing activities, data protection guidelines and privacy policies). The DPO is also available to answer any questions related to data protection. Employees who deal with personal data on a daily basis (e.g., HR, IT and Drug Safety staff) are also enrolled in extensive online GDPR courses on the Company's e-learning platform "Dermapharm eCampus". All other employees receive a memo outlining the key data protection rules and regulations.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Violation of environmental, health and occupational safety provisions, or human rights

Dermapharm places high priority on protecting the environment and the health and safety of its employees in their day-to-day work.

Non-compliance with legal requirements or internal policies may lead to personal injury or damage to property and/or the environment, cause operational disruption and result in the obligation to pay damages.

In order to fulfil our duty of care as an employer during the current COVID-19 pandemic, in 2020, we introduced extensive hygiene and safety protocols at all Dermapharm locations, issued instructions on and trained employees in these protocols, and gave those employees who could work remotely from home the opportunity to do so.

The Dermapharm Group's regular occupational safety briefings and internal standards guarantee safety in the Group's production and operating facilities and protection against other health hazards. Furthermore, the Dermapharm Group Compliance Manual sets out binding rules for all employees to treat each other fairly and with respect. The Chief Compliance Officer and local compliance officers can be contacted at any time to answer relevant questions or to report (suspected) violations.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Other compliance risks

Violations of other internal or external requirements, e.g., concerning money laundering and terrorist financing, insider trading, market manipulation, embezzlement, misappropriation or theft, can give rise to further compliance risks. Any violations of the applicable laws may lead to criminal prosecution and investigations by various authorities, reputational damage, court proceedings and severe penalties.

All Dermapharm Group employees are required to follow the rules defined in the Compliance Manual, without exception. Nevertheless, compliance failures may occur due to human error. In such cases action is taken under labour law and, if necessary, criminal law.

The likelihood of compliance violations is reduced by means of regular communication and advice from the compliance officers, by providing relevant training, and via the controls implemented in the business processes (e.g., principle of dual control, separation of functions, insider lists).

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

3.5 Report on opportunities

According to the German Pharmaceuticals Industry Association (Bundesverband der Pharmazeutischen Industrie e.V., "BPI"), the market for pharmaceuticals products is likely to be largely unaffected by the global economy and one of the fastest-growing markets over the coming years. The most significant influencing factors for market development include increasing life expectancies in industrialised countries, global population growth and the rising number of lifestyle and nutritional disorders becoming chronic.

In an economic comparison with other treatment options, pharmaceutical products continue to be considered highly efficient. In particular, off-patent pharmaceuticals have great potential for growth because they make it possible to offer less expensive therapies which promise the same level of quality. They therefore greatly help to ease the rising cost pressure in the healthcare system. Moreover, patents and trademark rights will continue to expire in the future, allowing for a continuous expansion of market potential which competitors offering generics can develop. Dermapharm intends to leverage this market potential by introducing new products and acquiring existing off-patent branded pharmaceuticals.

Dermapharm is actively working to implement its strategy for continued development. Its corporate strategy comprises three pillars: (1) active portfolio management by in-house product development with the goal to strengthen the individual product areas; (2) internationalisation strategy to expand into selected attractive markets in Europe; and (3) active participation in industry consolidation through acquisitions and partnerships. Dermapharm intends to actively leverage the growth opportunities arising from this strategy going forward.

Dermapharm's development pipeline contains a wide variety of brand-name pharmaceutical products in selected therapy fields, and these products are distinguished by a limited number of competitors and by a large degree of independence from tenders by the statutory health insurers.

The Group's international sales organisation is structured so that the brand-name pharmaceutical products from the Group's portfolio can be modified to meet the various regulatory and competitive conditions and be sold in individual national market regions. mibeTec's thermotherapy medical devices provide the Dermapharm Group with high-demand products that were rolled out in numerous European countries in quick succession because they are CE certified. Furthermore, Dermapharm also secured certifications in individual countries outside of Europe, on the basis of which the Group is planning to gradually launch the mentioned products worldwide. Despite the pandemic-related restrictions, the Group successfully launched its products in the United States in 2020. The Group also secured product certifications and sales partners in Asia. Accordingly, Dermapharm is planning to break into the South Korean and Chinese markets in 2021.

By acquiring Allergopharma GmbH & Co. KG, with its registered office in Reinbek near Hamburg, on 1 April 2020, Dermapharm expanded its expertise in immunotherapies used to treat allergies and in the dermatology therapeutic area. Allergopharma specialises in the subcutaneous hyposensitisation treatment of allergies and offers a wide range of high-dose, hypoallergenic preparations, known as allergoids, and a large selection of allergens for diagnostic testing.

In September 2020, Dermapharm signed a cooperation and supply agreement for the production of the COVID-19 vaccine Comirnaty® (BNT162b2) with BioNTech SE. The vaccine, which BioNTech SE developed together with Pfizer, was granted a conditional marketing authorisation at the end of December 2020. In the fourth quarter of 2020, the Dermapharm Group swiftly adapted its production processes and facilities in Brehna near Leipzig to ensure that it had the requisite formulation and fill & finish capacities for the vaccine. In 2021, production capacities will be expanded as planned. To this end, preparations are already under way at Allergopharma's production facility in Reinbek near Hamburg. Production of the vaccine at the Reinbek location is planned to commence in May 2021.

From an earnings perspective, efficient cost management will continue to play a major role. Dermapharm will continue to focus on optimising the manufacturing processes for its products and reducing the associated costs since these represent the largest cost items in the Group's budget. By reducing its manufacturing costs through in-house production and sharing market risk with suppliers, the Company intends to leverage the corresponding opportunities to cut costs.

Going forward, Dermapharm will also confront market competition with experience, new product approvals, confidence and high quality. The Group's high standard of quality is implemented with the assistance of internal process and quality controls. For instance, all of Dermapharm's products are manufactured in accordance with the international Good Manufacturing Practice (GMP) standards.

3.6 Overall assertion – assessment and summary

Dermapharm believes that there are opportunities for future development in particular in the pharmaceuticals market's independence from economic cycles, the growth potential in the area of off-patent pharmaceuticals, the cooperation with BioNTech SE in the production of the COVID-19-vaccine, international sales and distribution, efficient cost management and the high product standards. Dermapharm intends to systematically leverage these growth opportunities through its growth strategy, which involves in-house product development, internationalisation and M&A activities.

Dermapharm believes that there are risks to future development in connection with the difficult, state-regulated competitive environment, volatile prices for raw materials, a stagnating price level caused by a state-initiated price moratorium, changes to authorisation and market requirements for internally developed products and acquired companies as well as an ongoing COVID-19 pandemic and the uncertainties that would entail.

Given Dermapharm's financial stability, the Group believes that it is well equipped to manage the future risks.

Concerning the future performance of Dermapharm, there are no risks which could jeopardise the Group's assets, liabilities, financial position and profit or loss to a significant extent or its ability to function as a going concern from today's perspective.

The Board of Management of Dermapharm Holding SE has thus fulfilled its duty to provide information on the Group's risks and opportunities to the Supervisory Board and the shareholders. It considers this report to be an important element of corporate governance in practice.

4. Report on expected developments

4.1 Outlook

The report on expected developments discusses, to the extent possible, the expectations with respect to the future development of Dermapharm and the market environment in which the Group operates for financial year 2021.

Expected development of the market environment

After the global economy slumped in 2020 in the wake of the COVID-19 pandemic, the International Monetary Fund expects global economic output to grow by 5.5 % (as at January 2021). In its Winter 2021 Economic Forecast, published in February 2021, the European Commission estimated growth of 3.8 % for the eurozone and 3.7 % for the EU.

After a turbulent 2020, the Federal Government is also looking ahead to the current year with confidence. In its annual forecast for 2021 overall at the end of January 2021, it expects real gross domestic product (GDP) in Germany to increase by 3.0 %, as the economy should begin to rebound as the country steps up its vaccination campaign and gets a handle on the pandemic.

However, these forecasts are subject to uncertainties. This is due primarily to potential new waves of the COVID-19 pandemic that could be caused by highly contagious mutations of the virus. Any lockdown measures taken as a result could once again throttle the economic recovery in the further course of the year.

In its report "World Preview 2020, Outlook to 2026", Evaluate Ltd. expects the global market for prescription pharmaceuticals to grow at an average annual rate of 7.4 % until 2026, reaching USD 1.4 trillion. The market for off-patent pharmaceuticals, meanwhile, is expected to grow at an average annual rate of 4.9 % through 2026.

Expected development of the Group

Going forward, in line with its business model, Dermapharm will continue to focus on the healthcare market, particularly in the pharmaceuticals segment. We will continue to focus on selected niche markets to remain as independent as possible from blockbuster and heavily regulated products. In general, Dermapharm operates in a sector that will continue to grow worldwide and which offers long-term growth opportunities.

In light of plans to further develop the Group as part of the three pillar strategy comprising in-house product development, internationalisation into selected markets and targeted M&A activities, the Board of Management by and large expects to continue achieving growth. Changing regulatory, competitive and economic conditions might also adversely influence the Group's revenue and earnings trend. A more detailed description of the opportunities and risks for the Group is presented in the report on opportunities and risks.

Thanks to its successful product development activities and well-filled pipeline, products with organic growth potential as well as its active acquisition policy – with the Group adding value through acquisitions – Dermapharm strives to continually expand the Group's portfolio in the "Branded pharmaceuticals and other healthcare products" division in financial year 2021. Dermapharm gained expertise in the field of allergy research and treatment by acquiring Allergopharma in March 2020. For Dermapharm, the acquisition represents a key opportunity to complement its dermatologics therapeutic area and is a source for further potential growth in the future.

The acquisition of Fitvia – which, in addition to tea, markets food and food supplements in several European countries using a marketing concept based on social media and influencers – opens up future opportunities for the Group to develop new marketing and sales concepts that can be used throughout the Group, as well as a new target group.

The cooperation that the Company entered into with BioNTech SE in 2020 to produce the COVID-19 vaccine Comirnaty® in particular offers the potential for considerable growth in financial year 2021. In February 2021, the agreement with BioNTech SE was expanded and additional production capacities were created at Allergopharma's Reinbek location. Allergopharma will presumably begin producing the vaccine in May 2021.

In the "Parallel import business" division, as soon as it is economically feasible, in order to expand its portfolio of compounds, Dermapharm will apply to receive import licences for compounds newly introduced by manufacturers of originators. Even after legislative amendments were made in August 2019, the government continues to promote the parallel import of originator pharmaceuticals to Germany. The import of anaesthetics and medicinal marijuana is another source of potential growth.

The "Herbal extracts" division recorded a slight decline in revenue in financial year 2020 due to the COVID-19 pandemic. However, the market for herbal pharmaceuticals continues to grow and be a source of optimism. In this division, Euromed has longstanding expertise in the development of new extracts. Dermapharm believes the potential for the Group to develop healthcare products in this area is particularly interesting going forward.

COVID-19-virus continues to spread

The Group's production and sales activities focus on the European market. The Group's main manufacturing facility for the development and production of as well as logistics associated with branded pharmaceuticals is located in Brehna near Leipzig. The Company is continuously monitoring its supply of raw materials to ensure that its production operations run smoothly. In 2020, Dermapharm's main production

facilities were classified as critical national infrastructure in accordance with § 6 of the Federal Office for Informational Security's Critical Infrastructure Regulation (BSI-Kritisverordnung) and will therefore maintain production operations at all times, even in times of crisis. As at the beginning of April 2021, Dermapharm has not been affected by any supply bottlenecks and the ongoing COVID-19 pandemic is not expected to have any significant economic impact on the Group's existing business areas. On the contrary, the cooperation with BioNTech SE to produce the vaccine has the potential to boost growth considerably in financial year 2021.

Fundamental assumptions underlying the Group's forecast

The forecast for financial year 2021 was prepared taking into account known events which had taken place at the time this combined management report was prepared. In addition, the macroeconomic and industry-specific outlook were also factored into the forecast.

Furthermore, our forecast is based on the following assumptions:

- largely stable regulatory conditions in the markets of relevance to us
- current group of consolidated companies to remain constant
- optimisation of manufacturing costs by making more products in house
- successful market launch of preparations from own development pipeline
- successful integration of companies acquired in 2020 and systematic utilisation of created synergies
- largely stable tax conditions in the countries in which our Group companies operate
- no noteworthy adverse effects on Dermapharm's business by the continued spread of the COVID-19-virus

Dermapharm Holding SE's expected performance

The Board of Management does not expect any material change in the Company's business activities.

Fundamental assumptions underlying Dermapharm Holding SE's forecast

The forecast for financial year 2021 was prepared taking into account known events which had taken place at the time this annual report was prepared.

Furthermore, our forecast is based on the following assumptions:

- maintaining the terms of the agreement in place with the subsidiaries on the charging on of costs
- current group of consolidated companies to remain constant
- largely stable tax conditions

4.2 Overall assertion on future development

Dermapharm's business model is geared towards markets which offer sustainable growth potential due to general and industry-specific growth mechanisms in the pharmaceuticals and healthcare market, as well as to growth forecasts by independent institutions. However, that growth potential also entails operating challenges and risks which are determined to a large extent by changing or additional state regulatory measures, such as cost-reduction measures and more cumbersome requirements for authorisations. As a result, the future development of the Group's revenue and earnings will be characterised in equal parts by growth-promoting and growth-inhibiting conditions.

However, in light of our strategic alignment in the "Branded pharmaceuticals and other healthcare products" division and our consistent implementation of the three-pillar strategy, we believe that the outlook for the future remains positive on balance.

Due to the steadily growing market suitable for imports, we also continue to anticipate a relatively stable and slightly increasing revenue trend for the "Parallel import business" division. In addition, steps to reduce costs and optimise the product mix will once again improve the margin.

The "Herbal extracts" division will weather the decline in demand seen in the wake of the COVID-19 pandemic and will once again contribute to the Group's growth in the coming years.

Overall, the Board of Management therefore expects the Group to experience continued year-on-year growth in financial year 2021. Based on increases in volume, the successful launch of internally developed products and in particular the production of a COVID-19 vaccine in cooperation with BioNTech SE, the Board of Management expects consolidated revenue and EBITDA to grow organically by between 24 % and 26 % and 45 % and 50 %, respectively.

Compared to financial year 2020, we do not expect there to be a material change in Dermapharm Holding SE's EBITDA.

5. Information relevant to acquisitions in accordance with § 289a and § 315a of the German Commercial Code (Handelsgesetzbuch, HGB)

5.1 Composition of issued capital, rights and obligations/restrictions attaching to shares affecting the transfer of shares

Since 31 December 2018, the share capital has remained unchanged at EUR 53,840,000.00 divided into 53,840,000 no-par value bearer shares. Each no-par value share carries one vote.

New shares will also be issued as bearer shares, unless otherwise agreed upon issuance. There are no shares conferring special rights which grant powers of control over the Company.

In the event of a capital increase, dividend rights attaching to new shares may be stipulated in derogation of § 60 (2) German Stock Corporation Act (Aktiengesetz, "AktG").

The Board of Management stipulates the form and content of share certificates and any dividend and renewal coupons. Specifically, the Company may also combine several no-par value shares in a single share certificate (global certificates). Shareholders are not entitled to receive definitive share certificates for their respective shareholdings.

5.2 Restrictions applicable to voting rights or the transfer of shares

The Board of Management of Dermapharm Holding SE is not aware of any restrictions applicable to voting rights or the transfer of shares.

5.3 Direct or indirect interests in the Company's capital that exceed 10 % of voting rights

On the basis of notifications of significant voting rights received in accordance with §§ 21 and 22 of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") or in accordance with §§ 33 and 34 WpHG as well as notifications of managers' transactions in accordance with Article 19 of the EU Market Abuse Regulation, the Board of Management is aware of the following direct or indirect interests in the Company's capital that exceed 10 % of the voting rights:

Themis Beteiligungs-Aktiengesellschaft, Lil-Dagover-Ring 7, 82031 Grünwald, Germany – 65.05 % share of voting rights

We published notifications of corresponding transactions from 9 February 2018 on our website at https://ir.dermapharm.de/.

5.4 Shares conferring special rights granting powers of control

There are no shares conferring special rights which grant powers of control over the Company.

5.5 Type of voting rights control if employees hold an interest in the capital and do not exercise their control rights directly

Employees holding an interest in the capital of Dermapharm Holding SE can directly exercise the control rights to which the stocks entitle them in accordance with the provisions of the Articles of Association and the law.

5.6 Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

§§ 84 and 85 AktG govern the appointment and dismissal of members of the Board of Management. Under these provisions, the Supervisory Board appoints members of the Board of Management for a maximum term of five years. Members may be reappointed or their appointments may be renewed for maximum terms of five years in each case. Members are appointed to and dismissed from the Board of Management exclusively in accordance with the statutory provisions (§§ 84, 85 AktG).

Article 7 of the Articles of Association contains no special regulations on the appointment or dismissal of individual or all members of the Board of Management. The Supervisory Board is solely responsible for appointments and dismissals. It appoints members of the Board of Management for maximum terms of five years in each case. Reappointments are possible. The Board of Management comprises one or more persons. The Supervisory Board sets the number of members of the Board of Management. The Supervisory Board can appoint a chairman of the Board of Management; furthermore, it can appoint a deputy chairman. For Board of Management resolutions, in derogation of Article 50 (2) of the SE Regulation, the chairman of the Board of Management has no right to cast a tie-breaking vote in the event of a tie.

Rules governing amendment of the Articles of Association are set forth in §§ 133 et seq. and 179 et seq. AktG. As a rule, this requires a resolution taken by the Annual General Meeting. Resolution by the Annual General Meeting requires a majority of at least three-quarters of the share capital represented at the time the resolution is adopted. The Articles of Association can stipulate another capital majority, however only a larger capital majority for amending the object of the Company.

In accordance with Article 16 of the Articles of Association, the Supervisory Board is however authorised to resolve amendments to the Articles of Association that are merely editorial in nature.

5.7 Board of Management's authority to issue or repurchase shares

The Board of Management is authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period until 1 January 2023 (inclusive) against cash or in-kind contributions by a total of up to EUR 16,100,000.00 by issuing new no-par value bearer shares (Authorised Capital 2018). The Board of Management is authorised, subject to the consent of the Supervisory Board, to stipulate the further details concerning the rights attaching to the shares and the terms of their issue. The dividend rights attaching to the new shares may be stipulated in derogation of § 60 (2) AktG; specifically, the new shares may also carry dividend rights from beginning of the financial year preceding the year in which the shares were issued if at the date of issuance of the new shares no resolution has been passed by the Annual General Meeting in relation to the appropriation of net profits for that financial year.

Shareholders must generally be granted the statutory right to subscribe the new shares. The subscription right may also be structured in whole or in part as an indirect subscription right within the meaning of § 186 (5) sentence 1 AktG.

However, the Board of Management is authorised, subject to the consent of the Supervisory Board, to exclude in whole or in part the shareholders' subscription right in accordance with the following provisions:

a) The Board of Management is authorised, subject to the consent of the Supervisory Board, to exclude fractional amounts from shareholders' subscription rights and to exclude shareholders' subscription rights to the extent that this is necessary in order to grant the holders or creditors of conversion or option rights from convertible or warrant-linked bonds issued or to be issued by the Company or a domestic or foreign entity in which Dermapharm Holding SE directly or indirectly holds a voting and capital majority, or to grant subscription rights to those obligated in the case of an own conversion right of the Company to the extent to which they would be entitled after exercising their conversion or option rights or after fulfilling a conversion or option obligation.

b) The Board of Management is furthermore authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights pursuant to § 186 (3) sentence 4 AktG in the event of capital increases against cash contributions if the issue price of the new shares is not significantly lower than the stock exchange price of the existing shares and the shares issued by exercising this authorisation to exclude subscription rights do not exceed a total of 10 % of the share capital, either at the time this authorisation becomes effective or at the time it is exercised. New and existing shares of the Company that are issued or sold during the term of this authorisation on the basis of a further authorisation pursuant to or in accordance with § 186 (3) sentence 4 AktG with the exclusion of subscription rights shall be counted towards this 10 % limit; in addition, shares of the Company that are issued or sold to service conversion or option rights or to meet conversion or option obligations arising from convertible or warrant-linked bonds, provided that the bonds are issued during the term of this authorisation by analogous application of § 186 (3) sentence 4 AktG on the basis of another authorisation excluding subscription rights, shall be counted towards this limit.

c) The Board of Management is furthermore authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights in the event of capital increases against in-kind contributions, specifically for the purpose of acquiring companies, parts of companies or equity interests in companies, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables.

d) Finally, the Board of Management is authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights if the new shares are issued as part of an equity compensation program and/or as share-based payments to persons in an employment relationship with the Company or an enterprise which is dependent on or (indirectly) majority-owned by the Company, to members of the Board of Management of the Company and/or members of management boards of enterprises which are dependent on or (indirectly) majority-owned by the Company (or to third parties who transfer the economic ownership and/or the economic benefits of the shares to these persons). The new shares may also be issued using a bank or an entity operating in accordance with § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz, "KWG") as an intermediary, which underwrites the shares with the obligation to offer them to the aforementioned persons. The shares issued by exercising this authorisation to exclude subscription rights may not exceed a total of 5 % of the share capital, either at the date on which such authorisation enters into effect or at the date on which this authorisation is exercised. To the extent shares within the scope of this authorisation are to be granted to members of the Company's Board of Management, the Supervisory Board of the Company shall decide on the allocation of those shares in accordance with the allocation of responsibilities under German stock corporation law.

The issued capital is contingently increased by a total of up to EUR 10,700,000.00 by issuing a total of up to 10,700,000 new no-par value bearer shares (Contingent Capital 2018). The contingent capital increase serves to grant shares to holders or creditors of convertible bonds and to holders of option rights from warrant-linked bonds issued by the Company or a domestic or foreign entity in which the Company directly or indirectly holds a voting and capital

majority in the period until 25 January 2023 (inclusive) on the basis of the authorisation resolved by the Annual General Meeting of 26 January 2018. The contingent capital increase will only be implemented to the extent that conversion or option rights from the aforementioned bonds are actually exercised or conversion obligations from such bonds are fulfilled and to the extent that no other forms of fulfilment are used to service them. The new shares will be issued at the option or conversion price to be determined in accordance with the aforementioned authorisation resolution by the Annual General Meeting of 26 January 2018. The new shares carry dividend rights from the beginning of the financial year in which they are created by the exercise of conversion or option rights or the fulfilment of conversion obligations; they shall carry dividend rights as of the beginning of the financial year preceding the year in which the shares were issued if at the date of issuance of the new shares no resolution has been passed by the Annual General Meeting in relation to the appropriation of net profits for that financial year. The Board of Management is authorised, subject to the consent of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase.

5.8 Significant agreements of the Company which are conditional upon a change of control following a takeover bid

Financing agreements

As borrower, Dermapharm AG is party to promissory note loans entered into in 2014, which matures until 2021. The provisions of the financing agreements stipulate that, if a change of control occurs, the lender – each individually or in aggregate – is authorized to terminate the loan at face value (in each case plus interest accrued by the date of repayment) in the amount of the lender's respective participation in the total face value of the loan by means of written notification to the loan participants and observing a 30-day notice period. A change of control is deemed to have occurred when any person or group of persons voting in concert as defined in § 22 (2) WpHG at any point in time, directly or indirectly (as defined in § 22 (1) WpHG), obtains control over the majority of the voting rights in the borrower's capital.

As borrower, Dermapharm AG is party to promissory note loans entered into in 2019, with terms maturing until 2024, 2026 and 2029. The provisions of the financing agreements stipulate that, if a change of control occurs, the lender – each individually or in aggregate – is authorized to terminate the loan at face value (in each case plus interest accrued by the date of repayment) in the amount of the lender's respective participation in the total face value of the loan by means of written notification to the loan participants and observing a 30-day notice period. A change of control is deemed to have occurred if Mr Wilhelm Beier alone or together with Ms Elisabeth Beier and/or Mr Michael Beier directly or indirectly no longer hold more than 50 % of the capital shares and/or voting rights in Dermapharm Holding SE and has/have the ability to nominate the management of Dermapharm Holding SE.

In 2019, the Dermapharm Group entered into an agreement with an Austrian bank for a term loan facility to secure long-term financing for the construction of a new production and administrative facility for Melasan Produktions- und Vertriebsges. m.b.H. in Austria. The provisions of the financing agreement stipulates that, if a change of control occurs at the borrower, the lender is authorised to call in the loan with immediate effect. Control means that a person or a group of persons acting in concert directly or indirectly holds over 50 % of the borrower's shares and/or voting rights.

In 2019, the Dermapharm Group took out a syndicated loan with various German banks with an option to increase that amount and a revolving line of credit in order to secure long-term financing. The provisions of the financing agreement stipulate that, if a change of control occurs, the lender – each individually or in aggregate – is authorized to terminate the loan at face value (in each case plus interest accrued by the date of repayment) in the amount of the lender's respective participation in the total face value of the loan by means of written notification to the loan participants and observing a 10-day notice period. A change of control is deemed to have occurred if Mr Wilhelm Beier alone or together with Ms Elisabeth Beier and/or Mr Michael Beier directly or indirectly no longer hold more than 50 % of the capital shares and/or voting rights in Dermapharm Holding SE and has/have the ability to nominate the management of Dermapharm Holding SE.

Exercising these termination rights could have an adverse effect on the financing of the Dermapharm Group's ongoing operations, at least temporarily.

Distribution agreements

As is customary in conducting business transactions, the Dermapharm Group has entered into an insignificant amount of exclusive distribution agreements and distribution agreements which provide for unilateral or bilateral termination options in the event of a change of control. Change of control means that a person or group of persons acting in concert sells a significant amount of the distribution partner's shares and/or voting rights.

Exercising these termination rights could have a minimal adverse effect on the financing of the Dermapharm Group's ongoing distribution operations, at least temporarily.

Agreements with members of the Board of Management

The Company has not entered into any agreements with members of the Board of Management which are conditional upon a change of control following a takeover bid.

5.9 Company agreements entered into with members of the Board of Management or employees regarding indemnity in the event of a takeover bid

The Company has not entered into any agreements with members of the Board of Management or employees regarding indemnity in the event of a takeover bid.

6. Corporate Governance Report

6.1 Corporate governance statement in accordance with § 289f and § 315d HGB

As a listed company in Frankfurt, Dermapharm Holding SE hereby issues the following corporate governance statement for the 2020 financial year on behalf of Dermapharm Holding SE and the Dermapharm Group in accordance with §§ 289f and 315d of the German Commercial Code (*Handelsgesetzbuch*, "HGB").

The Board of Management and the Supervisory Board of Dermapharm Holding SE furthermore issue the following report on corporate governance at Dermapharm Holding SE in accordance with Principle 22 of the German Corporate Governance Code (2020).

6.1.1 Declaration of conformity in accordance with § 161 AktG (updated March 2021)

In March 2021, the Board of Management and Supervisory Board of Dermapharm Holding SE issued the following "Declaration of Conformity March 2021" with the recommendations of the Government Commission on the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex) in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz, "AktG"):

The Board of Management and Supervisory Board of Dermapharm Holding SE declared that the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" published in the official section of the Federal Gazette (Bundesanzeiger) in the version dated 16 December 2019 (the "2020 Code"), published in the Federal Gazette on 20 March 2020, with the following exceptions:

- In accordance with the Company's Articles of Association, the Supervisory Board comprises only three members. Therefore, no committees are formed, as the Supervisory Board is of the view that doing so would not result in a more efficient fulfilment of the Supervisory Board's duties. Accordingly, none of the recommendations of the 2020 Code pertaining to the committees of the Supervisory Board and their members have been complied with (see Recommendations C.10, D.2, D.3 sentence 1, D.4, D.5, D.11, D.13 and G.17 of the 2020 Code).
- The consolidated financial statements and Group management report, as well as financial information made public throughout the year are published within the respective applicable statutory deadlines and the deadlines prescribed by stock exchange regulations. In the opinion of the Company, compliance with the shorter publication deadlines stipulated in Recommendation F.2 of the 2020 Code is not more conducive to the information interests of investors, creditors, employees and the public.
- The variable remuneration paid to the Board of Management consists of a rolling bonus that is granted each financial year and determined using a three-year calculation basis. Within the first four months of the financial year for which the bonus is granted, but not before the beginning of that year, the Supervisory Board determined the targets for this and the following two financial years (deviation from Recommendation G.7 of the 2020 Code). As the targets are set here simultaneously for a total of three consecutive financial years and thus well before the start of the second and third years, this approach also ensures that the relevant calculation basis still extends far into the future when the targets are set.
- The long-term variable remuneration of the members of the Board of Management is granted neither in shares of the Company nor on a share-based basis; the members of the Board of Management can also dispose of the long-term variable remuneration before the end of four years (deviation from Recommendation G.10 of the 2020 Code). By linking variable remuneration to the achievement of earnings targets which are set up to three years in advance in each case, the remuneration system is consistently oriented to a sustainable increase in the value of the Company. The Supervisory Board therefore does not consider it necessary to additionally link remuneration to share price performance. In the view of the Supervisory Board, the rolling allocation of variable remuneration in annual tranches, each consisting of three components to be paid out after one, two and three financial years respectively, also ensures a sufficiently long-term incentive effect.
- The Board of Management members' contracts of service do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements (deviation from Recommendation G.11 sentence 2 of the 2020 Code). The Supervisory Board is of the opinion that the statutory provisions, in particular the statutory provisions according to which members of the Board of Management are required to compensate the Company for damages in the event of breaches of duty

and to surrender benefits received without entitlement, are sufficient and that additional intervention in remuneration is therefore not necessary for the time being.

- Under the contracts of service of the Board of Management, the Supervisory Board is entitled at the end of the contract to redeem any outstanding components of variable remuneration whose targets relate to financial years that do not begin until after the expiry of the contract or expire more than six months after the end of the contract by means of a discounted upfront payment compared with the target amount (deviation from Recommendation G.12 of the 2020 Code). The Supervisory Board is of the opinion that an unchanged performance-based payment of variable remuneration is not generally necessary for periods in which the departing member of the Board of Management can no longer exert any relevant influence on the achievement of targets; it therefore reserves the right to avail itself of the right of advance payment, which at the same time allows the Company to reduce the amount paid out compared with the target amount.

- In deviation from recommendation G.17 of the 2020 Code, all members of the Supervisory Board receive remuneration in the same amount. Because the Supervisory Board consists of only three members and no committees are formed, the Company does not consider it necessary to differentiate between the members of the Supervisory Board with regard to the amount of remuneration.

- The Board of Management and Supervisory Board of Dermapharm Holding SE further declare that in the period since the last Declaration of Conformity was issued in January 2020, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017 (the "2017 Code"), published in the Federal Gazette (Bundesanzeiger) on 24 April 2017, with a correction published on 19 May 2017, with the following exceptions:

- Dermapharm Holding SE's D&O insurance policy does not provide for a deductible for Supervisory Board members (deviation from section 3.8 para. 3 of the 2017 Code). The Company does not believe that having a deductible would improve the Supervisory Board members' sense of responsibility or motivation.

- The Annual General Meeting on 6 December 2017 passed a resolution that there would be no individualised disclosure of Board of Management remuneration in the Company's annual and consolidated financial statements. As such, the Company also did not implement the recommendations in section 4.2.5 paras. 3 and 4 of the 2017 Code which relate to the disclosure of the remuneration of each member of the Board of Management and the use of model tables for this purpose.

- In accordance with the Company's Articles of Association, the Supervisory Board comprises only three members. Therefore, no committees are formed, as the Supervisory Board is of the view that doing so would not result in a more efficient fulfilment of the Supervisory Board's duties (deviation from sections 5.3.1 to 5.3.3 of the 2017 Code).

- In deviation from section 5.4.6 para. 1 of the 2017 Code, all members of the Supervisory Board receive remuneration in the same amount. Because the Supervisory Board consists of only three members and no committees are formed, the Company does not consider it necessary to differentiate between the members of the Supervisory Board with regard to the amount of remuneration.

- The consolidated financial statements and Group management report, as well as financial information made public throughout the year are published within the respective applicable statutory deadlines and the deadlines prescribed by stock exchange regulations. In the opinion of the Company, compliance with the shorter publication deadlines stipulated in section 7.1.2 sentence 3 of the 2017 Code is not more conducive to the information interests of investors, creditors, employees and the public.

Grünwald, March 2021

Dermapharm Holding SE

The Board of Management The Supervisory Board

This Declaration of conformity has also been made permanently accessible to the public on the Company's website at "ir.dermapharm.de", under >> Corporate Governance >> Declaration of conformity. All published declarations of conformity are available for download on the website.

6.1.2 Information on corporate governance practices implemented above and beyond the statutory requirements

Dermapharm Holding SE is committed to ethical and legal conduct in all its business operations. In recognition of the social responsibility that comes with being a brand-name pharmaceuticals manufacturer, the Board of Management and the Supervisory Board take a responsible, transparent and value-driven approach to corporate governance. For Dermapharm this means more than merely complying with statutory and prudential requirements, it also means pursuing an ethically responsible corporate philosophy that is reflected in our "Code of Business Ethics and Compliance".

The Code of Business Ethics and Compliance serves as a key framework for the Compliance organisation within the Dermapharm Group. It applies not only to Dermapharm's employees, managers and senior executives, but also to our business partners, from whom we proactively require

compliance with minimum standards. The values, principles and practices laid down in the Code of Business Ethics and Compliance are intended to prevent the Company from suffering potential harm and to guard against actions being taken that are inconsistent with our corporate principles and ethics.

In addition to our compliance measures, a responsible approach to dealing with business risks is another element of good corporate governance. The aim is to enable the Board of Management to identify risks and market trends at an early stage and to respond promptly to the changed risk profile. To this end, risks are identified and assessed on a regular basis. The findings of these risk assessments are then incorporated directly into business management practices. For further information on the risks to which the Dermapharm Group is exposed, see the "Report on opportunities and risks" contained in the combined management report to this Annual Report.

6.1.3 Composition and description of the working practices of the Board of Management and Supervisory Board and the working practices of their committees

Dermapharm Holding SE is organised as a European Company (Societas Europaea, "SE") and is subject in particular to the provisions of the German Stock Exchange Act on the basis of which the German Corporate Governance Code was likewise developed. A fundamental principle of German stock corporation law is that of a two-tier corporate governance system consisting of a management board and a supervisory board. The Board of Management is responsible for managing the Company while the Supervisory Board advises and supervises the Board of Management. No person may be a member of both boards at the same time. Dermapharm Holding SE's Board of Management and Supervisory Board work together in close cooperation and a spirit of trust with the aim of increasing the value of the enterprise for shareholders over the long-term.

Board of Management

Responsibilities of the Board of Management

The Board of Management manages the Company's business under its own responsibility and in the Company's interest with the aim of increasing value over the long term. This includes taking into account the interests of shareholders, employees and other groups associated with the Company (stakeholders). The members of the Board of Management are collectively responsible for managing the Company. The Board of Management manages the Company's business in accordance with the law, the Articles of Association, the rules of procedure and the schedule of responsibilities.

Composition and competences of the Board of Management

In financial year 2020 the Board of Management comprised four members with the following areas of responsibility:

- Dr. Hans-Georg Feldmeier, Chairman of the Board of Management, is responsible for Product Development and Production.
- Dr. Jürgen Ott, member of the Board of Management, is responsible for Marketing and Sales.
- Karin Samusch, member of the Board of Management, is responsible for Business Development, HR, Legal, Governance & Risk, Investor Relations and Corporate Communications.
- Hilde Neumeyer, member of the Board of Management (since 1 July 2020), is responsible for Accounting, Controlling and Finance as well as Compliance.
- Stefan Hümer, member of the Board of Management (until 31 July 2020), was responsible for Finance, Corporate Communications and Investor Relations.

Working practices of the Board of Management

Within the scope of the rules of procedure and the resolutions of the Board of Management, the members of the Board of Management are independently responsible for the functions assigned to them under the applicable schedule of responsibilities. Notwithstanding their assigned functions under the schedule of responsibilities, the members of the Board of Management as a whole share accountability for management. All members of the Board of Management must keep themselves informed of material business transacted within the business divisions.

The Board of Management decides by resolution on all matters with respect to which the adoption of a resolution is required by law, the Articles of Association or the rules of procedure. Members of the Board of Management may submit a matter from their respective department to the Board of Management for resolution.

Meetings of the Board of Management are convened by the Chairman of the Board of Management. The dates and the notice of meeting are set by the Chairman of the Board of Management who also chairs the Board of Management meeting. In urgent cases or if two members of the Board of Management so move, a Board of Management meeting will be convened without undue delay.

The Board of Management has quorum if at least half of its members are present or otherwise participate in the adoption of the resolution. Votes are decided by simply majority of the votes cast. In the event of a tie, the motion is denied.

Resolutions of the Board of Management may also be adopted outside the context of meetings (or by way of combined resolutions) by oral or telephone voting, voting in text form (§126 of the German Civil Code (Bürgerliches Gesetzbuch, "BGB")) and/or using other modes of telecommunication or electronic media, if so ordered by the Chairman of the Board of Management at least two days in advance; in urgent cases, the period may be shortened appropriately.

The Board of Management works together with the Supervisory Board in the Company's interest. It coordinates the strategic direction of the Company with the Supervisory Board and discusses the progress made in implementing the corporate strategy with the Supervisory Board on a regular basis. The Board of Management must provide the Supervisory Board with any and all information it requires for exercising its supervisory duties.

At least once every three months, the Board of Management reports to the Supervisory Board on the course of business of the Company and the Group and its expected performance. The Board of Management furthermore keeps the Supervisory Board fully and regularly informed about all issues of relevance to the business as pertains to strategy, planning, business performance, the risk situation, risk management and compliance.

For certain transactions set out in the rules of procedure for the Board of Management, the Board of Management must obtain the prior approval of the Supervisory Board.

Dermapharm's Board of Management has not established any committees.

Board of Management remuneration

The remuneration report, which is contained in the combined management report of the Board of Management, presents the main features of the remuneration scheme for Dermapharm's Board of Management as well as overall disclosures of the remuneration of the members of the Board of Management.

Supervisory Board

Responsibilities and competences of the Supervisory Board

The Supervisory Board appoints the members of the Board of Management. It also supervises and advises the Board of Management with respect to the strategic direction of the business. Through regular dialogue with the Board of Management, the Supervisory Board is kept informed about business development, strategy, corporate planning, the risk situation, risk management and compliance.

It approves the budget planning and the annual financial statements of Dermapharm Holding SE and the consolidated financial statements of the Dermapharm Group.

Composition of the Supervisory Board

In financial year 2020, the Company's Supervisory Board consisted of three members.

The following persons were members of the Supervisory Board:

- Chairman of the Supervisory Board: Wilhelm Beier
- Deputy Chairman of the Supervisory Board: Dr. Erwin Kern
- Member of the Supervisory Board: Lothar Lanz

Working practices of the Supervisory Board

Meetings of the Supervisory Board are convened by the Chairman in text form (§ 126b BGB) subject to a notice period of ten (10) calendar days; the place of the meeting shall be determined by the Chairman. For the purpose of calculating the 10-day period, the date on which the notice of meeting is sent and the date of the meeting do not count; it is sufficient if the notice of meeting is sent within the time. In urgent cases, the Chairman may reasonably shorten the notice period and may also call the meeting orally or by telephone. The rules of procedure for the Supervisory Board may provide for a shorter period than the period specified in sentence 1 either generally or in specific cases.

The place and time of the meeting and the agenda are to be included in the notice of meeting. Amendments to the agenda must be communicated at least three days prior to the meeting, unless the urgency of the case justifies a shorter notice period.

Resolutions may only be adopted at improperly convened meetings, or on agenda items that were not properly notified in advance, if none of the members of the Supervisory Board object. In such cases, absent Supervisory Board members are to be given the opportunity to object to the resolution or cast their vote afterwards within a reasonable period to be stipulated by the Chairman. The resolution shall only become valid if the absent members do not object to the resolution (or they consent to it) within that period, or have subsequently cast their vote.

The Chairman chairs the meetings of the Supervisory Board and determines the order in which matters will be discussed and the nature and order of voting.

Resolutions of the Supervisory Board are generally adopted in the context of meetings. Absent Supervisory Board members may also vote on the resolution by arranging for written votes to be submitted in accordance with § 108 (3) AktG. Where prescribed by the Supervisory Board Chairman prior to voting, absent Supervisory Board members may also cast their votes

by telephone, in text form (§ 126b BGB) or using other modes of telecommunication or electronic media, including subsequently within a period set by the Chairman, if applicable.

Resolutions of the Supervisory Board may also be adopted outside meetings (or by way of combined resolutions) by oral or telephone voting, voting in text form (§126b BGB) and/or using other modes of telecommunication or electronic media, if so ordered by the Chairman of the Supervisory Board. Members of the Supervisory Board have no right to object to this form of adopting resolutions. The above provisions (paragraphs 1 and 2) apply mutatis mutandis in relation to the notice and form of the Chairman's order.

Even if the order is not issued properly (on time), a resolution will still be valid if no member of the Supervisory Board objects. In such cases, absent or non-participating Supervisory Board members are to be given the opportunity to object to the resolution or cast their vote afterwards within a reasonable period to be stipulated by the Chairman. The resolution shall only become valid if the absent or non-participating members do not object to the resolution (or they consent to it) within that period, or have subsequently cast their vote.

The Supervisory Board has quorum if at least half the number of members it is required to have participate in the adoption of the resolution. However, if the Supervisory Board does not have its full complement of members for a period of more than two months, the Supervisory Board will be deemed not to have quorum from the expiry of this period until such time as it has its full complement of members, regardless of the number of remaining members.

For the purposes of the provisions regarding these types of resolutions, a member of the Supervisory Board will be deemed to have participated in the adoption of the resolution if he or she abstains from voting.

Unless a different majority is prescribed by law, the Supervisory Board adopts resolutions by a simple majority of the votes cast. If voting is tied, the Chairman of the Supervisory Board has the casting vote; this also applies in the case of elections. If no Chairman has been appointed or the Chairman abstains, a motion is deemed defeated in the event of a tie. If the Chairman is unable to vote, the Deputy Chairman is not entitled to the casting vote.

The Chairman is authorised to implement the resolutions of the Supervisory Board and to give and take receipt of the declarations of intent necessary for this purpose.

Remuneration of the Supervisory Board

The remuneration report, which is contained in the combined management report of the Board of Management, presents the main features of the remuneration scheme for Dermapharm's Supervisory Board as well as overall disclosures of the remuneration of the members of the Supervisory Board.

Transparent corporate governance

Transparent corporate governance is very important to the Board of Management and the Supervisory Board of Dermapharm Holding SE. Our shareholders, financial analysts, shareholder associations, all capital market participants and the media are regularly updated about the state of the business and all material changes to the business. We primarily use the internet to provide comprehensive and timely information to all parties alike. We report on the situation and results of Dermapharm Holding SE by way of:

- interim reports;
- the annual report;
- general meetings;
- press releases;
- conference calls; and
- special events with financial analysts domestically and abroad.

The financial calendar lists the routine reporting dates. Ad hoc notices are published if circumstances arise at Dermapharm Holding SE outside the routine reporting dates, and such circumstances would be likely to materially influence the price of Dermapharm Holding SE shares.

The financial calendar and ad hoc notices are published online at https://ir.dermapharm.de/.

6.1.4 Stipulation of targets to promote participation by women and men in managerial positions in accordance with § 76 (4) and § 111 (5) AktG

In accordance with § 111 (5) AktG, the Supervisory Board set targets in 2018 for female representation on the Supervisory Board and the Board of Management as well as periods for achieving such targets. The periods are no longer than five years.

Report on the target set for female representation on the Supervisory Board and target achievement

At the time the target was set on 10 January 2018, the Supervisory Board of Dermapharm Holding SE had a total of three members. There were no female members. There are no current plans to change the composition of the Supervisory Board during the current term of office.

The existing target for female representation is to be retained for the period until 30 July 2022, and thus for the full current term of office of the members of the Supervisory Board, which in ordinary circumstances will run until the Annual General Meeting in 2022.

The Supervisory Board of Dermapharm Holding SE decided that the target for female representation on the Supervisory Board should, until further notice, correspond with the existing level of female representation, namely 0 %. 30 June 2022 is the date by which the above targets are to be achieved. The targets will therefore be revised in 2022 at the latest.

Report on the target set for female representation on the Board of Management and target achievement

At the time the target was set on 10 January 2018, the Board of Management of Dermapharm Holding SE had a total of four members, one of whom was a woman. Mr Stefan Hümer resigned as Chief Financial Officer with effect from 31 July 2020. The Supervisory Board has appointed Ms Hilde Neumeyer to replace him as CFO with effect from 1 July 2020.

The Board of Management of Dermapharm Holding SE decided that the target for female representation on the Board of Management should, until further notice, correspond with the existing level of female representation, namely 25 %. 30 June 2022 is the date by which the above targets are to be achieved. The targets will therefore be revised in 2022 at the latest.

Report on the target set for female representation in the two levels of management below the Board of Management and target achievement

In accordance with § 76 (4) AktG, the Board of Management set targets in 2018 for female representation in the two levels of management below the Board of Management as well as periods for achieving such targets. The periods are no longer than five years.

The Board of Management of Dermapharm Holding SE set the following targets for female representation in the two levels of management below the Board of Management:

The target set for female representation:

a. in the first level of management below the Board of Management is 35 % until further notice; and

b. in the second level of management below the Board of Management is 35 % until further notice.

The level of female representation in the two levels of management below the Board of Management at the time of determination on 10 January 2018 was:

- First level of management: 40 %
- Second level of management: 49 %

The existing target for female representation in both levels of management is to be retained for the period until 30 July 2022. 30 June 2022 is the date by which the above targets are to be achieved. The targets will therefore be revised in 2022 at the latest.

Female representation in the first level of management was 39.3 % as at 31 December 2020, thus far exceeding the target set at the beginning of 2018. The share of female representation increased due to the acquisition of Allergopharma.

Female representation in the second level of management was 53.8 % as at 31 December 2020, thus also exceeding the target set at the beginning of 2018.

Dermapharm seeks to achieve a balanced gender ratio when filling vacancies. We also place importance on reasonable female representation when re-filling managerial positions so as to increase the ratio of women.

Generally speaking, however, the personal suitability and professional qualifications of candidates are the most important factors, not gender.

6.2 Notes to the non-financial report pursuant to § 315b HGB

Employees, quality policy, environmental concerns and Dermapharm's mission statement

Dermapharm Holding SE has disclosed the Dermapharm Group's sustainability-related activities in a Group non-financial report. In accordance with the German Act Implementing the CSR Directive (CSR-Richtlinie-Umsetzungsgesetz), the report provides information within the meaning of §§ 315b et seq. HGB about the Group's sustainability strategy and its sustainable actions as far as environmental, employee and social concerns, human rights and anti-corruption are concerned. The Group non-financial report is published on the Company's website ir.dermapharm.de under Publications.

6.3 Remuneration report pursuant to § 289a and § 315a (2) HGB

The remuneration report describes the main features of the remuneration scheme for members of the Board of Management and explains the structure and amount of total remuneration paid. It also provides information regarding the benefits promised to members of the Board of Management if their employment is terminated and the principles for and amount of remuneration paid to the members of the Supervisory Board.

6.3.1 Resolution exempting from the obligation to disclose Board of Management remuneration on an individualised basis pursuant to §§ 286 (5), 314 (3) sentence 1, 315a (1) HGB:

The Annual General Meeting on 6 December 2017 passed a resolution that there would be no individualised disclosure of Board of Management remuneration in the Company's annual and consolidated financial statements. As such, the Company will also not implement the recommendations G.1 and G.2 in section 4.2.5 para. 3 of the 2020 Code which relate to the disclosure of the remuneration of each member of the Board of Management and the use of model tables for this purpose.

Please refer to note 9.3 of the notes to the consolidated financial statements in this annual report for the aggregate amount of remuneration paid to members of the Board of Management in financial year 2020.

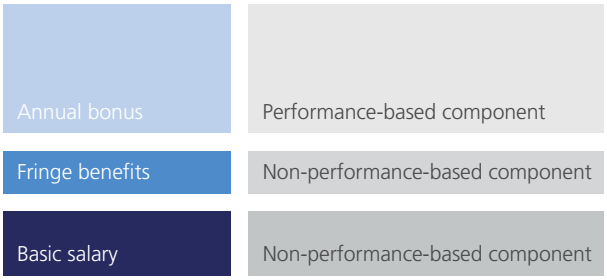
6.3.2 Board of Management remuneration

In accordance with § 87 AktG, the Supervisory Board of Dermapharm Holding SE duly addresses the issue of the Board of Management's remuneration and the reasonableness of such remuneration. It does so regularly, at least once each year. The individual components and their impact on future Board of Management remuneration are discussed and included in the Supervisory Board's review. A comparison with national and international companies is also performed as part of this.

Main features of the remuneration scheme

The Board of Management remuneration scheme valid for the reporting period entered into force across the board for all Board of Management members on 1 January 2018. It is geared towards creating incentives for lasting and successful business performance and added value, which the members of the Board of Management are intended to share in. Special achievements are intended to be rewarded, while failure to achieve targets is to lead to a noticeable reduction in remuneration. The individual performance-based components are subject to a cap.

Graphic:



Non-performance-based components

Fixed salary

The fixed salary is a fixed annual basic salary paid in 12 equal monthly instalments. As all other components of remuneration are variable and can fall to as low as zero, the fixed salary is the minimum amount of remuneration paid to Board of Management members.

Fringe benefits

The members of the Board of Management receive other remuneration in the form of fringe benefits, which essentially comprise the private use of a company car and subsidised health and nursing care insurance. The remuneration does not include [contributions to] a company-organised pension scheme.

Performance-based component

Variable components

In addition to the fixed salary, there is also a variable component (bonus) which is capped at a maximum amount and can be as low as zero. The performance-based component is structured in the same way for all Board of Management members.

Before the beginning of each financial year, the Supervisory Board sets target variable remuneration for the coming financial year (short-term and long-term components) for the Board of Management in relation to business performance. The reference figure is absolute consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) as taken from the three-year operating plan approved by the Supervisory Board. A long-term incentive is created by virtue of the fact

that the bonus for a particular financial year is calculated by reference to the consolidated EBITDA generated in that financial year (baseline year) and the two subsequent financial years (multi-year calculation basis). The targets for the first-, second- and third-year components of the bonus are set based on the 3-year plan approved for the baseline year. The Supervisory Board sets the targets within the first four months of the baseline year having regard to current developments.

For each annual component included in the bonus, target amounts were set assuming 100 % of the target is achieved. The amount paid out for the respective component depends on the percentage of target achieved as follows:

Target achievement (in % of the associated EBITDA target)	**Payout amount** (in % of the associated target amount)
< 95 %	0 %
≥ 95 % and ≤ 97.5 %	50 %
≥ 97.5 % and ≤ 102.5 %	100 %
≥ 102.5 %	150 %

The percentage of target achieved for each component is determined based on the Company's audited and adopted consolidated financial statements for the relevant financial year. In the event of unscheduled developments, particularly in the case of acquisitions, divestments, reallocations in the accounting system and other similar non-recurring measures, the actual EBITDA generated in the respective year may, for the purposes of measuring the percentage of target achieved, be adjusted for the impacts of such developments at the Supervisory Board's reasonable discretion, to the extent that the relevant measure has not already been taken into account when setting the EBITDA target, or not taken into account to an appropriate extent.

The respective components of the bonus fall due for payment once the Supervisory Board has established the percentage of target achieved for the relevant financial year.

Absolute cap

Total remuneration, i.e. the sum of the fixed salary and the annual performance-based bonus, is subject to an absolute cap for each Board of Management member every year of the term of their contract. The amount of total remuneration is reasonable compared to other stock corporations and other companies of a similar size. It takes both positive and negative developments into account. In addition, the individual components do not encourage the Board of Management to take unreasonable risks. In summary, it can be said that the remuneration paid to the members of Dermapharm Holding SE's Board of Management is geared towards sustainability.

For the 2020 financial year, the Supervisory Board approved advance quarterly payments towards the short-term component. Provisions were set aside in financial year 2020 to cover the potential remaining payments in respect of the short-term component and the estimated amount payable for the long-term components (2021 and 2022), and these payments will be made in the following year in each case.

Commitments to Board of Management members

If a member of the Board of Management is temporarily unfit for work as a result of illness or for other reasons for which the member is not responsible, his or her remuneration will continue to be paid for a duration of six weeks, but not beyond the termination of his or her contract of service. Members of the Board of Management do not otherwise have any entitlement to the continued payment of remuneration. For periods of absence during which, according to the above, there is no entitlement to the continued payment of remuneration, the variable remuneration is prorated.

Miscellaneous

In addition to the above remuneration, the Supervisory Board may, at its discretion, award the members of the Board of Management additional non-recurring bonus payments up to the amount of their fixed annual remuneration in a single financial year, including in conjunction with the termination of their contract of service. For the sake of clarity, the contracts of service of Board of Management members do not establish an entitlement to receive such additional bonuses.

If a member of the Board of Management is dismissed for cause (§ 84 (3) AktG), the Company has the right to terminate his or her contract of service, subject to the statutory notice period under § 622 (1) and (2) BGB. In such a case, the Board of Management member will receive a severance payment.

The right to terminate contracts of service for cause pursuant to § 626 BGB remains unaffected. The Company is not obligated to make a severance payment in the event that it terminates the contract of service without notice for cause.

The members of the Board of Management have no entitlement to compensation in the event of a change of control.

6.3.3 Supervisory Board remuneration

Remuneration scheme for the Supervisory Board according to the Articles of Association.

The remuneration scheme for the Supervisory Board is governed by Article 15 of Dermapharm Holding SE's Articles of Association.

According to this provision, the members of the Supervisory Board receive a fixed amount of remuneration for each full financial year of their Supervisory Board membership, amounting to EUR 70 thousand for each Supervisory Board member.

If a Supervisory Board member's term of office is less than a full financial year, or if a financial year is shorter than a calendar year, the above remuneration under paragraph 3 will be prorated by reference to the duration of Supervisory Board membership. It is payable quarterly following the expiry of the relevant calendar quarter.

The members of the Supervisory Board also receive reimbursement for their expenses. They also receive a refund of the value added tax payable in respect of their remuneration and expenses.

Supervisory Board remuneration in financial year 2020:

- Chairman of the Supervisory Board: Wilhelm Beier EUR 70,000.
- Deputy Chairman of the Supervisory Board: Dr. Erwin Kern EUR 70,000.
- Member of the Supervisory Board: Lothar Lanz EUR 70,000.

Miscellaneous

Other than the remuneration described above, the members of the Supervisory Board have not been granted any further remuneration or benefits for personal services rendered in connection with their work on the Supervisory Board; nevertheless, all members of the Supervisory Board are covered by D&O insurance as part of a Group policy that corresponds with the statutory framework for the deductible payable by the members of the Board of Management.

7. Concluding declaration to the dependent company report

Concluding declaration to the report on relationships with affiliated companies (dependent company report), § 312 (3) sentence 3 AktG

The Board of Management declares that, with regard to the legal transactions and measures cited in the report on relationships with affiliated companies in the reporting period from 1 January 2020 to 31 December 2020 and based on the circumstances known to us at the time when the legal transactions or measures were undertaken or omitted, the Company received appropriate consideration for each legal transaction and the Company was not adversely affected by the fact that measures were undertaken or omitted.

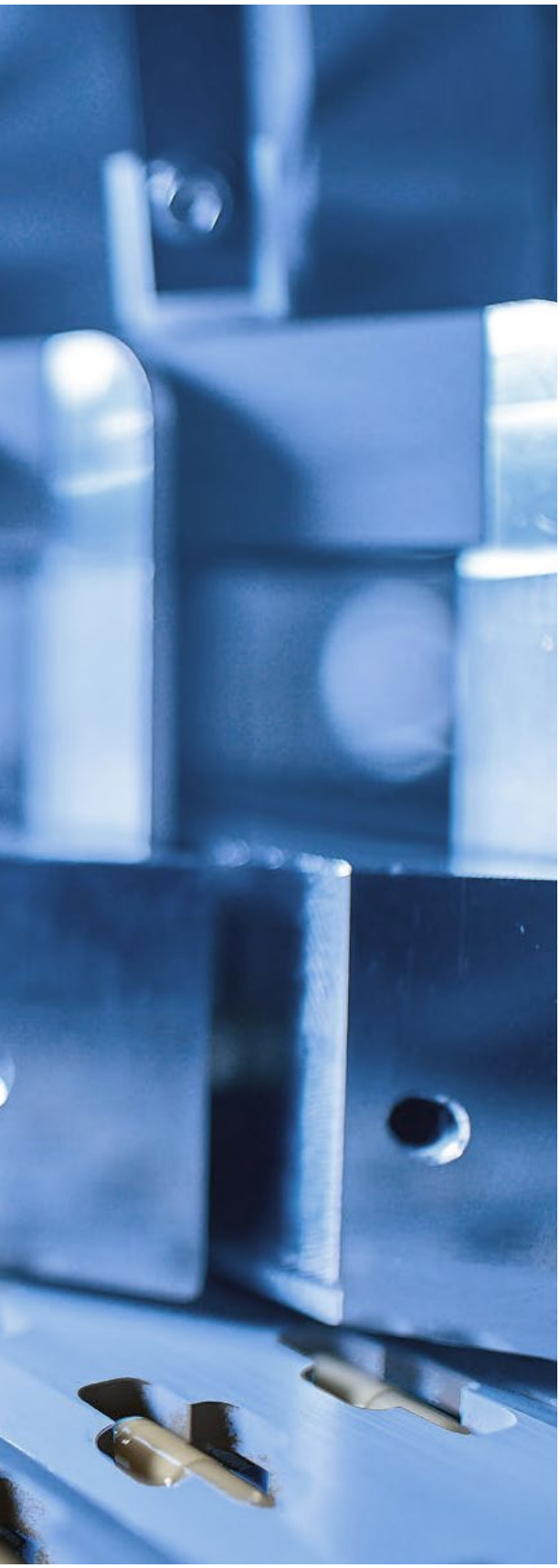
Grünwald, April 2021

Dr. Hans-Georg Feldmeier
Chief Executive Officer

Hilde Neumeyer
Chief Financial Officer
Chief Compliance Officer

Dr. Jürgen Ott
Chief Marketing Officer

Karin Samusch
Chief Business
Development Officer



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

Assets EUR thousand	Note	31 December 2020	31 December 2019
Non-current assets			
Intangible assets	4.1	297,342	293,031
Goodwill	4.1	266,268	202,245
Property, plant and equipment	4.2	199,619	132,585
Investments accounted for using the equity method	4.3	59,130	62,113
Equity investments	4.4	383	395
Other non-current financial assets	4.5	1,603	1,562
Total non-current assets		**824,345**	**691,931**
Current assets			
Inventories	4.6	205,726	175,643
Trade receivables	4.7	55,515	48,879
Other current financial assets	4.8	3,849	6,040
Other current assets	4.8	12,527	5,396
Tax assets	4.18	362	231
Cash and cash equivalents	4.9	120,301	114,956
Non-current assets held for sale	4.10	1,773	1,796
Total current assets		**400,052**	**352,941**
Total assets		**1,224,396**	**1,044,871**

Equity and liabilities EUR thousand	Note	31 December 2020	31 December 2019
Equity			
Issued capital	4.11	53,840	53,840
Capital reserves	4.11	100,790	92,754
Retained earnings	4.11	177,082	139,067
Other reserves	4.11	(9,746)	(7,012)
Equity attributable to owners of parent		**321,966**	**278,649**
Non-controlling interests		2,616	5,841
Total equity		**324,582**	**284,490**
Non-current liabilities			
Provisions for employee benefits	4.12	144,753	56,976
Non-current financial liabilities	4.14	580,759	543,347
Other non-current financial liabilities	4.16	261	18,684
Other non-current liabilities	4.16	11,222	11,915
Deferred tax liabilities	4.18	29,948	27,038
Total non-current liabilities		**766,943**	**657,960**
Current liabilities			
Other provisions	4.13	23,778	16,238
Current financial liabilities	4.14	26,044	11,264
Trade payables	4.15	50,370	35,355
Other current financial liabilities	4.17	4	7,079
Other current liabilities	4.17	23,823	26,571
Tax liabilities	4.18	8,852	5,914
Total current liabilities		**132,872**	**102,421**
Total equity and liabilities		**1,224,396**	**1,044,871**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2020 AND 2019 FINANCIAL YEARS

EUR thousand	Note	2020	2019
Revenue	5.1	793,829	700,879
Change in inventories	4.6	19,771	13,779
Own work capitalised	4.1	13,812	12,632
Other operating income	5.2	12,850	8,508
Cost of materials	4.6	(363,931)	(343,570)
Personnel expenses	5.3	(158,056)	(115,923)
Depreciation, amortisation and reversal of impairment	4.1, 4.2	(49,166)	(50,125)
Other operating expenses	5.4	(132,256)	(106,667)
Operating result		**136,853**	**119,513**
Share of profit/loss of companies accounted for using the equity method, after tax	4.3	(1,504)	(1,111)
Financial income	5.5	565	2,736
Financial expenses	5.5	(10,631)	(11,073)
Financial result		**(11,570)**	**(9,448)**
Earnings before taxes		**125,283**	**110,066**
Income tax expenses	4.18	(39,357)	(32,254)
Profit or loss for the period		**85,926**	**77,811**
Other comprehensive income not reclassified to profit or loss in subsequent periods:			
Actuarial gains/losses from remeasurement of defined benefit pension plans	4.12	(2,664)	(6,502)
Deferred taxes relating to items not subject to reclassification	4.18	808	2,057
Gains/losses from remeasurement of property, plant and equipment		-	(117)
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Foreign operations - currency translation differences	2.6	(878)	723
Other comprehensive income, after tax		**(2,734)**	**(3,839)**
Total comprehensive income for the period		**83,192**	**73,972**

EUR thousand	Note	2020	2019
Profit or loss for the period attributable to			
Owners of the parent		85,826	77,196
Non-controlling interests		100	616
		85,926	**77,811**
Total comprehensive income for the period attributable to			
Owners of the parent		83,092	73,357
Non-controlling interests		100	616
		83,192	**73,972**
Earnings per share			
Basic (= diluted) earnings per share (EUR)	5.6	**1.59**	**1.43**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2020 AND 2019 FINANCIAL YEARS

EUR thousand	Note	2020	2019
Earnings before taxes		125,283	110,066
Depreciation, amortisation/(reversal of impairment) of fixed assets	4.1, 4.2	47,423	47,877
(Increase)/decrease in working capital (assets)	4.5, 4.6, 4.7, 4.8	(15,587)	(25,493)
Increase/(decrease) in working capital (liabilities)	4.13, 4.15, 4.16, 4.17	751	10,484
Increase/(decrease) in provisions for employee benefits	4.12	1,026	(252)
Other non-cash items		178	892
Share of (profit)/loss of companies accounted for using the equity method, after tax		1,504	1,111
(Gain)/loss on disposal of non-current assets	4.1, 4.2	(141)	4
Interest expense/(income)	5.5	8,854	8,009
Income tax payments	4.18	(38,193)	(52,084)
Net cash flows from operating activities		**131,098**	**100,614**
Proceeds from the disposal of intangible assets and property, plant and equipment	4.1, 4.2	581	1,457
Proceeds from the disposal of financial assets		0	497
Business combinations, less cash	2.7	(68,828)	(277,317)
Payments for investments in intangible assets and property, plant and equipment	4.1, 4.2	(40,796)	(46,442)
Payments for investments in financial assets	4.4	-	(60,349)
Dividends from companies accounted for using the equity method	4.3	3,131	-
Cash flows from investing activities		**(105,912)**	**(382,154)**

EUR thousand	Note	2020	2019
Payments for acquisitions of non-controlling interests		(14,800)	-
Dividends paid		(43,072)	(41,457)
Proceeds from borrowings	4.14	58,442	460,776
Transaction costs in connection with borrowings	4.14	-	(788)
Repayments of borrowings	4.14	(2,283)	(224,084)
Payments of lease liabilities		(4,507)	(4,101)
Proceeds from reimbursements of interest paid		1,286	1,958
Interest paid	5.5	(9,156)	(8,343)
Cash flows from financing activities		**(14,090)**	**183,962**
Net increase / decrease in cash, cash equivalents and bank overdrafts	4.9, 4.14	**11,096**	**(97,578)**
Cash, cash equivalents and bank overdrafts as at 1 January	4.9, 4.14	108,992	206,439
Effect of exchange rate changes on cash and cash equivalents	4.9, 4.14	(617)	132
Effect on cash funds of changes in the group of consolidated companies		829	-
Cash, cash equivalents and bank overdrafts as at 31 December		**120,300**	**108,992**
Bank overdrafts as at 1 January	4.14	(5,963)	(6,082)
Bank overdrafts as at 31 December	4.14	0	(5,963)
Cash and cash equivalents as at 31 December		**120,301**	**114,956**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2020 AND 2019 FINANCIAL YEARS

	Attributable to owners of the parent		
EUR thousand	**Issued capital**	**Capital reserves**	
As at 1 January 2019	**53,840**	**100,790**	
Profit or loss for the period	-	-	
Other comprehensive income, after tax	-	-	
Total comprehensive income for the period	**-**	**-**	
Call/put options of non-controlling interests	-	(8,036)	
Acquisition of subsidiary with non-controlling interests	-	-	
Transactions with non-controlling interests without change of control	-	-	
Dividends	-	-	
Changes to the group of consolidated companies	-	-	
As at 31 December 2019	**53,840**	**92,754**	
As at 1 January 2020	**53,840**	**92,754**	
Profit or loss for the period	-	-	
Other comprehensive income, after tax	-	-	
Total comprehensive income for the period	**-**	**-**	
Call/put options of non-controlling interests	-	8,036	
Transactions with non-controlling interests without change of control	-	-	
Dividends	-	-	
Changes to the group of consolidated companies	-	-	
As at 31 December 2020	**53,840**	**100,790**	

Attributable to owners of the parent				
Retained earnings	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
100,992	**(3,173)**	**252,449**	**3,636**	**256,085**
77,196	-	77,196	616	77,811
-	(3,839)	(3,839)	-	(3,839)
77,196	**(3,839)**	**73,357**	**616**	**73,972**
-	-	(8,036)	-	(8,036)
-	-	-	3,181	3,181
2,336	-	2,336	(1,591)	745
(41,457)	-	(41,457)	-	(41,457)
-	-	-	-	-
139,067	**(7,012)**	**278,649**	**5,841**	**284,490**
139,067	**(7,012)**	**278,649**	**5,841**	**284,490**
85,826	-	85,826	100	85,926
-	(2,734)	(2,734)	-	(2,734)
85,826	**(2,734)**	**83,092**	**100**	**83,192**
5,331	-	13,367	-	13,367
(11,475)	-	(11,475)	(3,325)	(14,800)
(43,072)	-	(43,072)	-	(43,072)
1,405	-	1,405	-	1,405
177,082	**(9,746)**	**321,966**	**2,616**	**324,582**

CONSOLIDATED NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DERMAPHARM HOLDING SE

1. Corporate information

Dermapharm Holding SE (hereinafter also the "Company") together with its consolidated subsidiaries (hereinafter referred to as "Dermapharm" or the "Group") is a leading manufacturer of off-patent branded pharmaceuticals for selected therapeutic areas, over-the-counter drugs, non-prescription natural remedies, medical devices, herbal extracts as well as parallel imports of originator preparations, both in Germany and with a growing international presence.

The Company has its registered office at Lil-Dagover-Ring 7, Grünwald, Germany, and is entered in the commercial register under number HRB 234575.

The Company is the holding company of the Dermapharm Group, whose subsidiaries operate primarily in Germany. Dermapharm also has subsidiaries in Austria, Switzerland, Italy, Spain, the United States, Japan, China and the United Kingdom as well as in Eastern Europe (Croatia, Poland and Ukraine), among other countries. The Company's domestic and international subsidiaries concentrate on the development, licensing, manufacture and sale of products using off-patent active pharmaceutical ingredients in the healthcare sector, and in particular in the pharmaceutical industry. Its core products are branded generics, OTC products, non-prescription healthcare products, herbal extracts and parallel-imported originator pharmaceuticals.

Dermapharm's shares are listed on the Regulated Market and the Regulated Market sub-segment (Prime Standard) of the Frankfurt Stock Exchange under German Securities Code (WKN) A2GS5D, International Securities Identification Number (ISIN) DE000A2GS5D8 and ticker symbol DMP. Trading opened on 9 February 2018.

These consolidated financial statements as at 31 December 2020 and the combined Group management report for financial year 2020 were approved for publication and submission to the Supervisory Board by the Board of Management on 12 April 2021.

2. Significant accounting policies and changes

2.1 Basis of preparation

Dermapharm's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the Interpretations of the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU), and the supplemental provisions in accordance with § 315e (3) HGB in conjunction with § 315e (1) HGB applicable under German commercial and stock corporation law. All mandatory standards and interpretations have been applied. IFRSs not yet entered into force have not been applied.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities, which are measured at fair value in accordance with the requirements of IFRSs.

To improve the clarity of presentation, various items have been aggregated in the consolidated statement of financial position and consolidated statement of comprehensive income. These items are shown separately and explained in the notes to the consolidated financial statements.

The consolidated statement of comprehensive income is prepared based on the nature of expense method.

As a rule, Dermapharm classifies assets as current if they are expected to be recovered within twelve months from the reporting date. Liabilities are classified as non-current if the Company has the right to defer settlement beyond one year. Deferred tax assets and liabilities are classified as non-current assets or liabilities in accordance with IAS 1.

The financial statements are presented in EUR (€). Unless otherwise indicated, amounts are shown in thousands of euros (EUR '000). Due to the rounding of figures, it is possible that individual items and percentages do not add up to the totals indicated.

The financial year corresponds to the calendar year. The separate financial statements of the companies included in the scope of consolidation have the same reporting date as the consolidated financial statements.

Preparing the IFRS consolidated financial statements requires the Management Board to make judgements, estimates and assumptions concerning the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Due to the currently unforeseeable global effects of the COVID-19 pandemic, these judgements and estimates by the management are subject to a higher degree of uncertainty than would normally be the case. In this context, Dermapharm is constantly reviewing the impact of the pandemic on the Company's performance and the resulting effects on its accounts. The course of the business in financial year 2020 was marked in the first quarter by a rise in demand in some therapeutic areas as a result of the COVID-19 pandemic, which led to higher-than-budgeted revenue growth. The increase in inventories at wholesalers and pharmacies, the general reluctance to visit doctors and pharmacies and lower demand across the board from international customers led to a decline in sales in the second quarter. In the second half of the financial year, the situation largely returned to normal. Based on the analysis of the Company's performance in 2020 and management's assessment of the Company's future performance, there are currently no indications as at the reporting date of material impairment in respect of goodwill or intangible assets. Nor were there any indications of significant impairment of other assets, in particular trade receivables and inventories.

Areas involving a more significant degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Board of Management prepared the consolidated financial statements on a going concern basis.

2.2 Changes in accounting policies

Subject to the changes described in note 2.4, the same accounting policies were applied in these consolidated financial statements as in the consolidated financial statements for financial year 2019.

2.3 Published Standards and Interpretations that are not yet mandatory

Standard / Inter-pretation	First-time application	Endorsed by the EU	Name
IFRS 4	1 January 2021	15 December 2020	Amendments to IFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9
DIV	1 January 2021	13 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)
IAS 16	1 January 2022	Pending	Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
IAS 37	1 January 2022	Pending	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
IFRS 3	1 January 2022	Pending	Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
DIV	1 January 2022	Pending	Annual Improvements to IFRSs – 2018-2020 Cycle
IAS 1	1 January 2023	Pending	Amendments to IAS 1: Classification of Liabilities as Current or Non-current, incl. postponement of effective date
IAS 1	1 January 2023	Pending	Amendment to IAS 1 and IFRS Guidance Document 2: Disclosures of Accounting Policies
IAS 8	1 January 2023	Pending	Amendment to IAS 8: Definition of accounting estimates
IFRS 17	1 January 2023	Pending	Insurance Contracts, incl. Amendments to IFRS 17

Dermapharm intends to implement these standards once they enter into force in the EU. The above amended standards and interpretations are not expected to have any material effect on the consolidated financial statements.

2.4 Standards and Interpretations applicable for the first time during the year under review

In financial year 2020, Dermapharm observed and, where relevant, applied the pronouncements and amendments to IASB pronouncements published by the IASB and endorsed by the EU with an initial application date of 1 January 2020 and 1 June 2020. These amendments did not have any material effect on Dermapharm's consolidated financial statements.

2.5 Consolidation principles and group of consolidated companies

Consolidation principles

Dermapharm Holding SE is the parent company of the Group. Dermapharm's business is conducted by Dermapharm AG and its subsidiaries as well as the subsidiaries of Dermapharm Beteiligungs GmbH. The consolidated financial statements include all material companies as defined in IFRS 10 whose financial and business policies can be controlled by the Company, either directly or indirectly, and the material equity interests of Dermapharm whose financial and business policies can be influenced by the Company to a significant extent. According to IFRS 10, control exists if Dermapharm or its subsidiaries have rights to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Dermapharm or the respective subsidiary. They are deconsolidated from the date that control ceases.

As the parent company, Themis Beteiligungs-Aktiengesellschaft, Grünwald, prepares the consolidated financial statements for the largest group of companies. As the parent company, Dermapharm Holding SE, Grünwald, prepares the consolidated financial statements for the smallest group of companies in accordance with IFRSs, as adopted by the EU. The consolidated financial statements of Themis Beteiligungs-Aktiengesellschaft as at 31 December 2020 and the consolidated financial statements of Dermapharm Holding SE as at 31 December 2020 will be published in the Federal Gazette (Bundesanzeiger).

Associates are companies over which Dermapharm is able to exercise significant influence and which are not subsidiaries or joint ventures. Dermapharm is generally assumed to exercise significant influence if it directly or indirectly holds between 20 % and 50 % of voting rights in a company. Such equity investments are included in the consolidated financial statements using the equity method.

Subsidiaries, whose influence, both individually and as a whole, on Dermapharm's financial position, financial performance and cash flows is immaterial due to the limited scope of their business activities, are not consolidated or accounted for using the equity method, but rather at amortised cost.

Newly acquired subsidiaries are consolidated in accordance with the acquisition method. The assets, liabilities and contingent liabilities identified in the course of a business combination are initially consolidated at their fair value as at the acquisition date. The excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an acquiree is recognised as goodwill. If the acquisition costs are lower than the fair value of the net assets, the difference is recognised directly in the income statement. Where necessary, amounts reported by subsidiaries have been adjusted to conform to Dermapharm's accounting policies. Transaction costs are expensed as they are incurred.

Intercompany receivables and liabilities are netted. If exchange rate effects result in netting differences, these are generally recognised through profit or loss. Intercompany revenue and income are eliminated against the relevant expenses as part of the consolidation of expenses and income. Intercompany profits not yet realised are also eliminated through profit or loss, as is intercompany investment income. Effects on income taxes in the income statement arising from consolidation are accounted for in accordance with IAS 12 by recognising deferred taxes.

Group of consolidated companies

The table below shows the composition of the Group as at 31 December 2020:

	31 December 2020		31 December 2019	
Company name, registered office	**Interest held directly by parent**	**Interest held by subsidiary**	**Interest held directly by parent**	**Interest held by subsidiary**
Fully consolidated subsidiaries				
Dermapharm AG, Grünwald	100 %	-	100 %	-
mibe GmbH Arzneimittel, Brehna	-	100 %	-	100 %
mibe Vertrieb GmbH, Grünwald	-	100 %	-	100 %
Anton Hübner GmbH & Co. KG, Ehrenkirchen	-	100 %	-	100 %
Hübner Naturarzneimittel GmbH, Ehrenkirchen	-	100 %	-	100 %
Bio-Diät-Berlin GmbH, Berlin	-	100 %	-	100 %
Dermapharm GmbH, Vienna, Austria	-	100 %	-	100 %
Dermapharm AG, Hünenberg, Switzerland	-	100 %	-	100 %
Sun-Farm Sp. z o.o., Lomianki, Poland	-	100 %	-	100 %
Farmal BH d.o.o, Sarajevo, Bosnia and Herzegovina	-	100 %	-	100 %
mibe Pharmaceuticals d.o.o, Zagreb, Croatia	-	100 %	-	100 %
acis Arzneimittel GmbH, Grünwald	-	100 %	-	100 %
axicorp GmbH, Friedrichsdorf	-	100 %	-	100 %
axicorp Pharma GmbH, Friedrichsdorf	-	100 %	-	100 %
axicorp Pharma B.V., Amsterdam, Netherlands	-	100 %	-	100 %
axicorp ApS, Hellerup, Denmark	-	100 %	-	100 %
remedix GmbH, Friedrichsdorf	-	50.1 %	-	50.1 %
mibe Logistik & Service GmbH & Co. KG, Brehna	-	100 %	-	100 %
Kräuter Kühne GmbH, Berlin	-	-	-	100 %
Melasan GmbH, Neumarkt, Austria	-	100 %	-	100 %
mibeTec GmbH, Brehna	-	100 %	-	100 %
mibeTec US, Inc., Austin, USA	-	100 %	-	100 %
Trommsdorff GmbH & Co. KG, Alsdorf	-	100 %	-	100 %
Cl. Lageman GmbH, Alsdorf	-	100 %	-	100 %
Strathmann GmbH & Co. KG, Hamburg	-	100 %	-	100 %
Biokirch GmbH, Seevetal	-	100 %	-	100 %
Strathmann Service GmbH, Hamburg	-	100 %	-	100 %
BLBR GmbH, Grünwald	-	50.98 %	-	50.98 %
mibe pharma UK Ltd., London, UK	-	100 %	-	100 %
mibe pharma Italia Srl., Segrate, Italy	-	100 %	-	100 %
Euromed Botanicals S. L., Barcelona, Spain	-	100 %	-	100 %
Euromed S.A., Barcelona, Spain	-	100 %	-	100 %
Euromed USA Inc., Bridgeville, USA	-	100 %	-	100 %
Fitvia GmbH, Wiesbaden	-	100 %	-	70 %
Bellavia GmbH, Wiesbaden	-	100 %	-	100 %
mibe Ukraine LLC., Kiev, Ukraine	-	100 %	-	100 %
mibe pharma España S. L., Barcelona, Spain	-	100 %	-	100 %

Company name, registered office	31 December 2020		31 December 2019	
	Interest held directly by parent	Interest held by subsidiary	Interest held directly by parent	Interest held by subsidiary
Consolidated companies				
Dermapharm (Beijing) Pharmaceutical Technology Co. Ltd., Peking, China	-	100 %	-	-
Dermapharm Beteiligungs GmbH, Grünwald	100 %	-	-	-
Allergopharma Verwaltungs GmbH, Reinbek	-	100 %	-	-
Allergopharma GmbH & Co. KG, Reinbek	-	100 %	-	-
Allergopharma Vertriebsges. mbH, Wien, Austria	-	100 %	-	-
Allergopharma AG, Therwill, Switzerland	-	100 %	-	-
Allergopharma Espana S.L., Barcelona, Spain	-	100 %	-	-
Non-consolidated companies				
Anton Hübner Verwaltungsgesellschaft mbH, Ehrenkirchen	-	100 %	-	100 %
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria	-	100 %	-	100 %
mibeTec Japan K.K., Tokyo, Japan	-	100 %	-	100 %
mibe Forschungs- und Entwicklungs-gesellschaft mbH & Co. KG, Brehna	-	100 %	-	-
Associates				
Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam	-	30 %	-	30 %
Gynial GmbH, Vienna, Austria	-	25,1 %	-	25,1 %
Gynial AG, Hünenberg, Switzerland	-	40 %	-	40 %
FYTA Company B.V., Waalwijk, Netherlands	-	20 %	-	20 %
FYTA Tech B.V., Waalwijk, Netherlands	-	20 %	-	20 %
FYTA Company GmbH, Düsseldorf	-	20 %	-	20 %
FYTA Vermögensverwaltung GmbH, Düsseldorf	-	20 %	-	20 %
Other equity investments				
Hasan Dermapharm JV Co., Ltd., Binh Duong Province, Vietnam	-	5 %	-	5 %

Changes to the group of consolidated companies and associates

mibe Ukraine LLC.

mibe Ukraine LLC., with its registered office in Kiev, Ukraine, is a wholly owned subsidiary of Dermapharm AG and was included in the group of consolidated companies for the first time with effect from 1 January 2020 as it is classified as material to the Group's financial position, financial performance and cash flows following the change in the business model. The object of the company is the sale and distribution of pharmaceutical products.

mibe pharma España S. L.

mibe pharma España S. L. with its registered office in Barcelona, Spain, is a wholly owned subsidiary of Dermapharm AG and was included in the group of consolidated companies for the first time with effect from 1 January 2020 as it is now classified as material to the Group's financial position, financial performance and cash flows. The object of the company is the sale and distribution of pharmaceutical products.

Kräuter Kühne GmbH

On 1 January 2020, Kräuter Kühne GmbH merged with Bio-Diät-Berlin GmbH (each having their registered office in Berlin).

Dermapharm Beteiligungs GmbH

On 18 February 2020, the former shelf company IONOS 19-080 GmbH was reorganised under German law (wirtschaftliche Neugründung) and now operates as Dermapharm Beteiligungs GmbH, with its registered office in Grünwald near Munich. The object of the company is the acquisition, holding, management and disposal of equity investments in other enterprises and companies. The company is a wholly owned subsidiary of Dermapharm Holding SE.

Allergopharma España S.L.

On 24 March 2020, the former shelf company Fast Placement Systems S.L. was reorganised and now operates as Allergopharma España S.L., with its registered office in Barcelona, Spain. The company includes the Allergopharma Group's sales and distribution business in Spain and is a wholly owned subsidiary of Allergopharma GmbH & Co. KG. For additional details, please see note 2.7.

Allergopharma Group

With effect from 31 March 2020, Dermapharm Beteiligungs GmbH acquired all of the interests in Allergopharma GmbH & Co. KG, with its registered office in Reinbek near Hamburg, as well as its subsidiaries and international sales units (jointly referred to as "Allergopharma"). Allergopharma specialises in the subcutaneous hyposensitisation treatment of allergies and offers a wide range of high-dose, hypoallergenic preparations, known as allergoids, and a large selection of allergens for diagnostic testing. For additional details about this acquisition, please see note 2.7.

Dermapharm (Beijing) Pharmaceutical Technology Co. Ltd.

On 31 August 2020, Dermapharm (Beijing) Pharmaceutical Technology Co. Ltd., with its registered office in Beijing, China, was formed. The company includes the Allergopharma sales and distribution business in China and is a wholly owned subsidiary of Dermapharm AG. For additional details, please see note 2.7.

Fitvia GmbH

Pursuant to the purchase agreement dated 7 December 2020, Dermapharm AG acquired the remaining 30 % of shares in Fitvia GmbH and its subsidiary Bellavia GmbH from the former co-shareholder. For additional details, please see note 2.7.

mibe Forschungs- und Entwicklungsgesellschaft mbH & Co. KG

On 10 December 2020, mibe Forschungs- und Entwicklungsgesellschaft mbH & Co. KG, with its registered office in Brehna (near Leipzig), was formed. The object of the company is to develop pharmaceuticals, medical devices and other healthcare products. With effect from 1 January 2021, the company was included in the group of consolidated companies for the first time as a wholly owned subsidiary of mibe GmbH Arzneimittel as the company had not yet commenced operations as at the reporting date.

2.6 Currency translation

Dermapharm's consolidated financial statements are presented in euros (EUR).

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. In subsequent periods, financial assets and liabilities denominated in foreign currencies are translated at spot rates. The resulting exchange rate gains and losses are recognised through profit or loss under net foreign exchange gains and losses and reported separately.

The assets and liabilities of consolidated foreign companies whose functional currency is not the euro are translated at the exchange rates applicable as at the end of the period. Equity items are translated at historical rates, and items of the statement of comprehensive income are translated at average exchange rates over the relevant periods. Currency translation differences in the statement of financial position and statement of comprehensive income are recognised outside profit or loss in equity.

The Group's material exchange rates are as follows (equivalent value for EUR 1):

Country	Currency	Average rate		Closing rate	
	1 EUR =	2020	2019	31 December 2020	31 December 2019
Switzerland	CHF	1.0706	1.1130	1.0846	1.0877
Croatia	HRK	7.5491	7.4277	7.5568	7.4612
Poland	PLN	4.4463	4.3004	4.5565	4.2604
Vietnam	VND	26,588.6123	26,102.1600	28,403.8000	26,001.5000
United Kingdom	GBP	0.8894	0.8775	0.9047	0.8539
USA	USD	1.1412	1.1285	1.2284	1.1200
Ukraine	UAH	31.0689	-	35.0183	-
China	CNY	7.8737	-	8.0180	-

2.7 Business combinations and acquisitions of non-controlling interests

During the period from 1 January 2020 to 31 December 2020, the Group concluded the following business combinations:

Allergopharma

With effect from 31 March 2020, Dermapharm Beteiligungs GmbH, as a wholly owned subsidiary of Dermapharm Holding SE, entered into a purchase agreement with Merck KGaA, with its registered office in Darmstadt (seller), to acquire all shares and limited partners' interests in Allergopharma Verwaltungs GmbH and Allergopharma GmbH & Co. KG, with its registered office in Reinbek near Hamburg, and its subsidiaries Allergopharma AG, with its registered office in Therwil, Switzerland, and Allergopharma Vertriebsges. mbH, with its registered office in Vienna, Austria. The purchase agreement also provides for the acquisition of Allergopharma's Spanish and Chinese sales and distribution businesses by Dermapharm under separate purchase agreements. The Spanish sales and distribution business was acquired with effect from 27 March 2020 under a separate purchase agreement between Merck S.L.U., with its registered office in Madrid, Spain, and Allergopharma España S.L. (previously the shelf company "Fast Placement Systems S.L."), with its registered office in Barcelona, Spain, a wholly owned subsidiary of Allergopharma GmbH & Co. KG. Because of the complex regulatory requirements involved, the Chinese distributor was purchased with effect from 31 August 2020 pursuant to a separate purchase agreement between Merck Serono Co. Ltd. with its registered office in Beijing, China, and Dermapharm (Beijing) Pharmaceutical Technology Co. Ltd., with its registered office in Beijing, China, a wholly owned subsidiary of Dermapharm AG.

Germany's Federal Cartel Office (Bundeskartellamt) approved the entire transaction on 12 March 2020.

For the past 50 years, Allergopharma has specialised in the subcutaneous hyposensitisation treatment of allergies and offers a wide range of high-dose, hypoallergenic preparations, known as allergoids, and a large selection of allergens for diagnostic testing, which constitute an ideal complement to Dermapharm's existing portfolio. The Allergopharma Group's business was included in the Dermapharm's Groups "Branded pharmaceuticals and other healthcare products" division.

The acquisition constituted a business combination as defined under IFRS 3. 31 March 2020 was selected as the date to include the company in the consolidated financial statements for the first time. The purchase price for Allergopharma amounted to EUR 70,220 thousand, of which EUR 66,346 thousand is attributable to the companies in Germany, Austria and Switzerland (DACH countries), EUR 2,029 thousand to the Spanish sales and distribution business and EUR 1,845 thousand to the Chinese sales and distribution business. Separate purchase price allocations were prepared for the individual DACH, Spanish and Chinese components of the transaction.

The fair values of the assets and liabilities (in accordance with IFRS 3) of Allergopharma's DACH companies were as follows at the acquisition date, 31 March 2020:

Identified assets and liabilities (EUR thousand)	Fair value
Intangible assets	11,978
of which identified in purchase price allocation	*9,285*
Property, plant and equipment	64,838
of which identified in purchase price allocation	*3,372*
Inventories	17,643
of which identified in purchase price allocation	*1,593*
Trade receivables	11,178
Other assets	401
Cash and cash equivalents	11,934
Deferred tax assets	354
Provisions for employee benefits	(84,088)
Other provisions	(1,881)
Trade payables	(14,347)
Other liabilities	(12,102)
Deferred tax liabilities	(79)
Recognised goodwill	60,518

Acquired gross contractual amounts receivable amount to EUR 11,178 thousand, none of which were deemed uncollectable as at the acquisition date. The gross amount corresponds to the fair value because the remaining term of the receivables is less than one year.

Comparing the consideration transferred for the interests with the identified fair value of the assets and liabilities (EUR 5,828 thousand) resulted in goodwill of EUR 60,518 thousand. Factors giving rise to this goodwill relate to expected increases in profitability and other intangible assets that cannot be reported separately, such as the workforce of the acquired companies. The goodwill deductible for tax purposes amounts to EUR 55,889 thousand.

The assets measured at fair value for the first time in connection with the purchase price allocation and the key assumptions for the valuation were as follows:

Identified assets and liabilities at the reporting date	Identified hidden reserves (EUR thousand)	Useful life	Cost of capital
Land	1,236	Indefinite	3.98 %
Buildings	(3,334)	45 years	3.98 %
Machinery	5,471	12 years	3.69 %
IT software	398	12 years	3.69 %
Trademark - Allergopharma	6,617	15 years	8.56 %
Drug - Allergovit®	2,270	15 years	8.56 %
Inventories	1,593	0.75 years	n/a

The fair values of the assets and liabilities (in accordance with IFRS 3) of Allergopharma Spain were as follows at the acquisition date, 31 March 2020:

Identified assets and liabilities at the reporting date	Fair value
Inventories	517
of which identified in purchase price allocation	*81*
Recognised goodwill	1,512

Comparing the consideration transferred for the interests with the identified fair value of the assets and liabilities (EUR 517 thousand) resulted in goodwill of EUR 1,512 thousand. Factors giving rise to this goodwill relate to expected increases in profitability and other intangible assets that cannot be reported separately, such as the workforce of the acquired company.

The assets measured at fair value for the first time in connection with the purchase price allocation and the key assumptions for the valuation were as follows:

Identified assets and liabilities at the reporting date	Identified hidden reserves (EUR thousand)	Useful life	Cost of capital
Inventories	81	0.75 years	n/a

The fair values of the assets and liabilities (in accordance with IFRS 3) of Allergopharma China were as follows at the acquisition date, 31 August 2020:

Identified assets and liabilities (EUR thousand)	Fair value
Recognised goodwill	1,845

Comparing the consideration transferred for the interests with the identified fair value of the assets and liabilities (EUR 0 thousand) resulted in goodwill of EUR 1,845 thousand. Factors giving rise to this goodwill relate to expected increases in profitability and other intangible assets that cannot be reported separately, such as the workforce of the acquired company.

The Allergopharma Group contributed EUR 57,324 thousand to consolidated revenue for the period from 31 March 2020 to 31 December 2020; the EBITDA contribution amounted to EUR 6,485 thousand over this period.

Furthermore, the following non-controlling interest in the Group was acquired in the reporting period from 1 January 2020 to 31 December 2020:

Fitvia

Pursuant to the purchase agreement dated 7 December 2020, Dermapharm acquired the remaining 30 % interest in Fitvia GmbH from Excelling Ventures GmbH, both of which have their registered office in Wiesbaden, in exchange for EUR 14,800 thousand in consideration. The acquisition resulted in Dermapharm's interest in Fitvia GmbH increasing from 70 % to 100 %.

To settle the purchase price adjustment and fulfil the final purchase price, a final amount totalling EUR 7,445 thousand has arisen in accordance with the purchase agreement. The fair value of the outstanding purchase price adjustment (earn-out) as of the reporting date of 31 December 2019 was settled in the amount of EUR 6,022 thousand. This results in a difference of EUR 1,423 thousand.

Fitvia was fully consolidated already in the previous year, when Dermapharm still only held a 70 % interest. The acquisition did not result in any changes in the group of consolidated companies or the presentation of the consolidated financial statements.

The carrying amount of Fitvia GmbH net assets recognised in Dermapharm's consolidated financial statements was EUR 7,217 thousand as at the acquisition date. The acquisition of the non-controlling interests resulted in a EUR 3,325 thousand reduction in Dermapharm's non-controlling interests and a decrease in its retained earnings by EUR 11,475 thousand.

The original purchase agreement dated 6 June 2019 concerning 70 % of shares furthermore included provisions concerning options with respect to the remaining 30 % interest in Fitvia GmbH. These provisions included a call option and a put option, for which the strike price was determined based on the average EBITDA for the years 2023 and 2024 as determined based on Fitvia's adopted annual financial statements. Due to the aforementioned acquisition of the remaining 30 % interest, both options have expired without replacement. The net EUR 5,331 thousand resulting from the derecognition of the options resulted in an increase in retained earnings.

2.8 Intangible assets

Intangible assets are measured using the cost model in accordance with IAS 38.

Amortisation of intangible fixed assets is based primarily on the following useful lives:

Intangible assets	Years
Software, licenses, patents and similar rights	3 – 20
Capitalised development costs (amortisation from date of authorisation)	15
Goodwill	Indefinite useful life

Software, licenses, patents and similar rights

Software, licenses, patents and similar rights have a finite useful life and are carried at cost less cumulative amortisation and impairment.

Capitalised development costs

Capitalised development costs consist primarily of projects for the development of new pharmaceutical products as well as authorisations obtained on the basis of the Company's own development activities. Costs that are incurred from the expansion of these authorisations to new countries are also capitalised.

Once a project has received approval by the Board of Management, the costs are capitalised during the project phase in accordance with the recognition criteria set out in IAS 38. Those costs directly attributable to the development project are used, and include personnel costs for members of staff involved in the development process, an appropriate part of the corresponding directly attributable overhead costs and costs for external resources. Once the development stage of the project has been completed and the project has been approved by the authorising authorities, the asset is economically viable and amortisation commences.

Other development costs that do not meet these recognition criteria are expensed as incurred. Development costs previously recognised as an expense are not capitalised in subsequent periods.

Since the Group does not conduct any fundamental pharmaceutical research, no research costs are incurred.

Intangible assets acquired in the context of a business combination

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an acquiree. If the consideration is less (negative goodwill), it is recognised in profit or loss.

2.9 Property, plant and equipment

All items of property, plant and equipment are measured at cost less cumulative depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of internally generated assets includes the cost of materials and direct labour costs, plus any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment; these are recognised through profit or loss on a net basis within other operating income or other operating expenses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to Dermapharm and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation is based primarily on the following estimated useful lives:

Property, plant and equipment	**Years**
Buildings, including buildings on third-party land	10 – 60
Technical equipment and machinery	5 – 20
Other equipment, operating and office equipment	3 – 23
Prepayments	n/a

2.10 Impairments of non-financial assets

Intangible assets which are not subject to amortisation are tested annually for impairment. Property, plant and equipment and other intangible assets already in use are depreciated and amortised, as well as tested for impairment if there are indications that the assets may have become impaired.

In order to determine whether an asset is impaired, the recoverable amount (the higher of fair value less costs to sell and the value in use) of the respective asset is compared against its carrying amount. If the recoverable amount is lower than the carrying amount, the amount of the difference is recognised as an impairment loss. Due to the COVID-19 pandemic a moderate discount – as far as necessary – was applied to the planning in order to adequately reflect current market uncertainities. To the extent possible, impairment tests are carried out at the level of the individual asset, otherwise at the level of the cash-generating unit. Goodwill is only tested for impairment at the level of the cash-generating unit. If the reasons for recognising an impairment cease to apply, the impairment is reversed to no higher than the carrying amount that would have been recognised had no impairment originally been recognised (amortised cost). Impairments on goodwill may not be reversed.

The impairment test is conducted using the discounted cash flow (DCF) model. Goodwill is tested for impairment on the basis of projections made in budgets approved by the Board of Management and the Supervisory Board, while development costs are tested for impairment on the basis of project-specific budgets approved by the Board of Management. The expected cash flows are discounted using an appropriate interest rate for the relevant market.

2.11 Financial assets

Recognition and measurement

All financial assets are measured at fair value upon initial recognition. The transaction costs directly attributable to the acquisition of financial assets which will not be subsequently measured at fair value through profit or loss are included in the fair value. Additions and disposals of financial assets are recognised on the trading date, i.e., the date on which Dermapharm is obligated to buy or sell the asset.

The financial assets held by the Group consist in particular of cash, trade receivables and derivative financial assets.

Subsequent measurement

Financial assets are classified into three measurement categories set out in IFRS 9 for the purpose of subsequent measurement:

The category "at amortised cost (AC)" includes financial assets for which the cash flows comprise payments of interest and principal and are held for the purpose of collecting contractual cash flows. After initial recognition, these financial assets are carried at amortised cost using the effective interest rate method, less impairments.

The category "at fair value through other comprehensive income (FVOCI)" covers financial assets held for the purpose of collecting contractual cash flows as well as for disposal if required. These are measured at fair value. Any resulting changes in value are recognised in a separate reserve under other comprehensive income. Upon disposal, the cumulative measurement gains and losses in other comprehensive income are recognised at fair value through profit or loss.

The category "at fair value through profit or loss (FVPL)" contains those financial assets which do not fall under any different category. These are measured at fair value. Any changes in their value are recognised through profit or loss.

An entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value (FVOCI) of an investment in an equity instrument within the scope of IAS 32 that is not held for trading, whereby only income from dividends is recognised in profit or loss. Dermapharm exercises this option and classifies equity instruments in the form of equity investments in other entities at fair value through other comprehensive income. Due to its immateriality to Dermapharm's consolidated financial statements, amortised cost is used as an approximate value for fair value.

Derecognition and impairment

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to a third party.

Receivables, including associated impairment losses, are derecognised if they are deemed uncollectable.

Derivatives are derecognised at the end of the contractual obligation.

The impairment model under IFRS 9 provides for loss allowances for expected credit losses. Dermapharm applies the simplified approach for calculating expected losses on trade receivables based on customers' payment history using a provision matrix. In the provision matrix, the expected loss over the remaining term is determined on the reporting date as a fixed percentage rate depending on how long the receivables were past due.

2.12 Inventories

In accordance with IAS 2, those assets that are intended for sale in the ordinary course of business (finished goods and merchandise), that are in the process of production for sale (work in progress), or that are consumed in the production process or in the rendering of services (raw materials, consumables, and supplies) are presented under inventories. Prepayments for the acquisition of inventories are also presented under inventories.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred to acquire the inventories, production costs and other costs incurred to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost of inventories includes direct material and production costs and an appropriate share of production overheads based on normal operating capacity. The cost of raw materials is allocated individually or based on a weighted average.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash contributions and are intended for meeting current payment obligations. They are generally measured at their nominal amounts.

2.14 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Property, plant and equipment classified as held for sale is not depreciated.

2.15 Financial liabilities

Recognition and measurement

Financial liabilities are measured at fair value upon initial recognition. Directly attributable transaction costs associated with the acquisition of financial liabilities which will not be subsequently measured at fair value through profit or loss are included as part of their carrying amount.

Financial liabilities give rise to a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities held by Dermapharm consist primarily of trade payables, financial liabilities and other financial liabilities not held for trading, as well as derivative financial liabilities.

Subsequent measurement

In accordance with IFRS 9, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in financial expenses in the statement of comprehensive income.

Derivative financial liabilities that are not part of an effective hedging relationship are measured at fair value through profit or loss. Gains and losses in connection with these types of financial liabilities are recognised through profit or loss.

Derecognition

A financial liability is derecognised if the corresponding obligation is settled, revoked or expired. The difference between the carrying amount of the derecognised financial obligation and the consideration obtained or to be obtained is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is both an enforceable legal right to offset the recognised amounts and an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Government grants

mibe GmbH Arzneimittel received government grants for the construction and extension of the production facility in Brehna, Germany. These are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs which the grants are intended to compensate. Grants are recognised in the statement of financial position under other liabilities.

At the reporting date, there were no unfulfilled conditions or contingencies attached to the recognised grants.

2.17 Provisions for employee benefits

Defined benefit pension commitments are measured using the projected unit credit method in accordance with IAS 19. Under that method, the pensions known as at the reporting date and vested benefits are factored into the calculation along with future expected increases in salaries and pensions. The calculation is based on actuarial reports and take into consideration the biometric accounting principles set out in the 2018G Heubeck mortality tables. The discount rates used are determined based on the market yields of high-quality corporate bond portfolios.

For pension commitments financed through pension funds, the fair value of plan assets is deducted from the present value of the defined benefit obligation for pensions and other post-employment benefits to determine the net defined benefit liability.

Deviations between the assumptions made in the pension report and the actual development result in actuarial gains and losses. The resulting remeasurements and income on plan assets are recognised in other comprehensive income, which forms part of the retained earnings and is not recycled to profit or loss in subsequent periods. The current service cost is presented through profit or loss in personnel expenses, with the interest portion relating to the additions to provisions recognised in the financial result.

The Provisions for milestone bonuses are recognised based on actuarial reports in accordance with IAS 19.

2.18 Other provisions

Other provisions are recognised in accordance with IAS 37 when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions with a remaining term of longer than one year are recognised at their present value.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date.

2.19 Long-term employee benefits

Bonus schemes

For bonus payments after the end of the respective financial year for the preceding financial year, an obligation is recognised and the corresponding expenses are recognised as personnel expenses. The amount of the obligation is measured individually for each employee for whom either a contractual bonus obligation or a constructive obligation due to past practice exists.

2.20 Taxes on income and deferred taxes

Taxes on income

Current income taxes are measured for the current period at the amount in which a reimbursement from the taxation authority or a payment to the taxation authority is expected. The amount is calculated based on the tax rates and tax laws that are applicable at the reporting date in the countries in which the Group operates and generates taxable income.

Current income taxes that relate to items that are recognised directly in equity are not recognised in the income statement, but rather in equity.

Deferred taxes

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts recognised for tax purposes.

Deferred tax assets are recognised for unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred taxes are measured based on the tax rates on the recognition date that are applicable or expected based on the current legal situation in the individual countries. Deferred taxes that relate to items recognised in equity are presented in equity. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off the current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

The initial recognition exemption provided for in IAS 12 is applied to leases accounted for in accordance with IFRS 16 and therefore no deferred taxes are recognised.

2.21 Recognition of income and expenses

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts, returns and value added taxes.

Revenue is recognised once the goods and merchandise have been delivered and control passes to the customer. Revenue generated from the sale of goods is generally recognised at a point in time. Discounts, customer bonuses and rebates are deducted from revenue.

The German pharmaceuticals market is highly regulated, requiring manufacturers to obtain marketing authorisations before introducing a new product for sale. The extensive regulation also affects the prices for prescription pharmaceuticals in Germany. Certain prescription pharmaceuticals, in particular those with high volumes, are subject to a reference price, which is the maximum price for which patients are reimbursed by statutory health insurance ("SHI") providers. All other prescription pharmaceuticals (i.e., those without a reference price) are subject to a mandatory manufacturer rebate, normally of 7 %, as well as a price moratorium, which was extended until 2022 at the beginning of 2017. Under this moratorium, pharmaceuticals manufacturers are required to compensate SHI providers and private health insurance companies for any price increases. In addition, generics manufacturers such as Dermapharm are generally required to offer a mandatory generics rebate of 10 % on the ex-factory price of their prescription pharmaceuticals. Rebates are accounted for as deductions from revenue in the consolidated statement of comprehensive income.

Other operating income / expenses

Other operating income is recognised when the economic benefits flow to the entity. Other operating expenses are recognised at the point at which the service is rendered, the delivery is received or at the date they are incurred.

Interest income / expenses

Interest income/expenses are recognised in profit or loss using the effective interest method. Derivatives are measured at fair value. Any resulting changes in value are generally recognised in profit or loss.

2.22 Earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit for the period which is attributable to the shareholders of the parent by the weighted average number of ordinary shares outstanding. IAS 33 was applied retrospectively to calculate the weighted average number of ordinary shares outstanding. At Dermapharm, diluted earnings per share is calculated in the same manner as basic earnings per share because Dermapharm has not issued any financial instruments that could potentially result in a capital increase or an increase in ordinary shares.

2.23 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the leased asset) for a period of time in exchange for consideration.

The Group, as a lessee, generally recognises the rights to use the underlying asset (right-of-use assets) and the liabilities associated with the payment obligations (lease liabilities) at their respective present values in the statement of financial position. The lease liabilities comprise the following lease payments:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the lease payments are discounted using the incremental borrowing rate. Dermapharm uses the incremental borrowing rate since the interest rates implicit in the leases could not be readily determined. This incremental borrowing rate is derived as a risk-adjusted interest rate to borrow over a similar term in the same currency.

Right-of-use assets are measured at cost, which comprises:

- the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to a required condition.

Right-of-use assets are subsequently measured at cost. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

The Group exercises these options for short-term leases and leases for which the underlying asset is of low value and as such does not recognise right-of-use assets or liabilities for these types of leases.

A number of leases, in particular real estate leases, include extension and termination options. These contractual terms and conditions offer Dermapharm the utmost flexibility. When determining the terms of the leases, all relevant facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option are considered. Such options are only considered when determining the term if it is reasonably certain that they will be exercised.

2.24 Derivatives

Dermapharm uses derivatives to mitigate the risk of changes in interest rates. The instruments used include interest-rate swaps and options. Derivatives are initially recognised on the trade date when the Company becomes a counterparty under the contractual provisions of the instrument.

Depending on whether the market value of the derivatives is positive or negative, they are recognised under other financial assets or other financial liabilities. Dermapharm does not apply hedge accounting.

2.25 Fair value measurement

The tables below show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value measurement
Equity investments (n/a)	Due to the limited scope of their business activities and resulting immateriality of equity investments, the fair value of those equity investments is assumed to be equal to the carrying amount.	n/a	n/a
Interest rate swaps (level 2)	Swap models: Fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value measurement is subject to a credit/debit valuation adjustment that reflects the credit risk of Dermapharm and the counterparty, which is calculated based on credit spreads.	n/a	n/a
Options (Level 3)	Option measurement model: The Black 76 model is used to calculate the fair value of options. The key model parameters for measuring options include the underlying, the exercise price, the expected volatility of the underlying, the risk-free interest rate and the expected remaining maturity. For the sake of simplicity, the call option on land and buildings in Murcia is measured based on an Iberian real estate investment trust since inputs are not available for the volatility of the land and building and other private commercial properties. The impact of the COVID-19 crisis was factored in in the form of a lump-sum deduction on the basis of a study examining the consequences of the pandemic and its ramifications for real estate in Spain. According to the findings of the study, a 10 % discount on land and a 4 % discount on buildings are assumed.	Volatility 31 December 2020: 27.6 %	A decrease in volatility would result in a decrease of the (positive) fair value of the option. By contrast, an increase in volatility would result in an increase in the (positive) fair value of the option.

Financial instruments not measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value measurement
Liabilities to banks and lease liabilities (Level 2)	Discounted cash flows: The valuation model considers the present value of future cash flows, discounted using a risk-adjusted discount rate. The discount rate is determined using a benchmark yield curve that is consistent with the timing and the estimated riskiness of the bank loan at the closing date of the contract. The discount rate used as at the reporting date corresponds to the value of the benchmark yield curve on that date. Discount rates for future maturities correspond to the values of the term-equivalent benchmark yield curve.	n/a	n/a

3. 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. Estimates and assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Dermapharm makes estimates and assumptions concerning the future. These accounting estimates may deviate from actual events. 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 addressed below. Please refer to note 2.1 for information about the impacts of the COVID-19 pandemic.

Business combinations

Valuation methods, which are primarily based on estimates and assumptions, are used in connection with purchase price allocations for business combinations. The methods employed and carrying amounts identified in the course of the acquisition of Allergopharma are presented in note 2.7.

Goodwill impairment test

The Group tests recognised goodwill for impairment at least once annually. For more detailed information on the carrying amounts of goodwill as at the reporting date and the necessary assumptions and estimates, please refer to note 4.1.

Impairment of other assets

For items of property, plant and equipment and intangible assets, the expected useful lives and associated amortisation or depreciation expenses are determined on the basis of the management's expectations and assessments. The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date.

Particularly in connection with impairment testing of approvals that are not yet in use, the growth rates applied for testing as well as the price and cost development of active pharmaceutical ingredients are based on best possible estimates. The carrying amounts of the items of property, plant and equipment and intangible assets as well as the respective amortisation, depreciation and impairment expenses are shown in the tables in notes 4.1 and 4.2.

Development costs

Development costs are capitalised based on the assessment of whether the capitalisation requirements of IAS 38 have been met. Projections are necessary to determine the future economic benefits. These are by their nature subject to estimates and may therefore deviate from actual circumstances in the future. For the carrying amounts of capitalised development costs as at the reporting date, please refer to note 4.1.

Taxation

The Group operates in various countries and is required to pay the relevant income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred tax liabilities in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain statement of financial position items in accordance with IFRS and their accounting in accordance with tax law must each be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed figures, this has a corresponding effect on current and deferred taxes and thus on Dermapharm's financial position, financial performance and cash flows for the respective period. For more detailed information on the income taxes and deferred taxes, please refer to note 4.18.

Fair value of financial assets and liabilities

Valuation models based on input parameters observable in the market are applied to determine the fair values of derivatives and other financial instruments, for which no market price is available in an active market. The cash flows, which are already fixed or calculated based on the current yield curve using forward rates, are discounted to the measurement date with the discount factors determined based on the yield curve valid on the reporting date. All carrying amounts are shown in note 7.3.

Trade receivables, cash and cash equivalents, trade payables, current liabilities to banks, current lease liabilities and other current financial liabilities generally have a remaining term of up to one year. The carrying amounts less allowances, where applicable, approximate the fair values.

Pensions and other post-employment benefits

The carrying amounts of defined benefit pension plans and other post-employment benefits are based on actuarial valuations. These include assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. The discount rate is generally determined on the basis of the yield of high-quality corporate bonds with an AA rating, whose maturity and currency correspond to the respective obligations. When determining the discount rate, an improved estimation procedure was used as of the reporting date by making the database more precise, in order to better take into account the continued lower interest rate level in the valuation procedure. The improved estimation method resulted in a discount rate of 0.7 %. If the previous estimation method had been used on the reporting date, the discount rate would have been 0.4 % and pension obligations would have increased by EUR 6,496 thousand. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. For more detailed information, please refer to note 4.12.

Other provisions

The estimate of future costs is subject to many uncertainties, including legal uncertainties based on the applicable laws and regulations and with uncertainties regarding to the actual conditions in the different countries and operating locations. In particular, estimates of costs are based on previous experience in similar cases, the conclusions of expert opinions commissioned by Dermapharm, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on the future profit or loss of the Group.

The expenses for recognising provisions for health insurance discounts are estimated based on the relevant underlying two-year discount agreement and information obtained from a database which tracks the historical volumes of pharmaceuticals reimbursed by each insurance company. Actual expenses for these discounts may differ from the estimate and revenue would accordingly be higher or lower. The accounting treatment for the discounts and hence the utilisation of provisions for discounts for health insurers is generally expected within the next twelve months. The expenses for recognising these provisions are offset against revenue.

For the carrying amounts of other provisions as at the reporting dates, please refer to note 4.13.

4. Notes to the consolidated statement of financial position

4.1 Intangible assets

Intangible assets changed as follows:

EUR thousand	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
Cost				
As at 1 January 2020	**223,459**	**369,518**	**66,693**	**659,671**
Exchange differences	149	(27)	(83)	39
Additions due to business combinations	63,875	11,717	268	75,860
Additions	-	6,198	14,397	20,595
Disposals	-	(4,291)	(6,838)	(11,129)
Reclassifications	-	(473)	473	-
As at 31 December 2020	**287,483**	**382,644**	**74,909**	**745,035**
Amortisation, impairment and reversal of impairment				
As at 1 January 2020	**21,215**	**128,466**	**14,715**	**164,395**
Exchange differences	-	(20)	(4)	(23)
Additions due to business combinations	-	1	-	1
Additions (amortisation)	-	23,112	1,561	24,673
Additions (impairment)	-	309	4,471	4,780
Reversal of impairment	-	(63)	(1,257)	(1,319)
Disposals	-	(4,275)	(6,806)	(11,080)
Reclassifications	-	(126)	126	-
As at 31 December 2020	**21,215**	**147,405**	**12,806**	**181,425**
Carrying amounts				
As at 31 December 2019	**202,245**	**241,053**	**51,979**	**495,276**
As at 31 December 2020	**266,268**	**235,239**	**62,103**	**563,610**

EUR thousand	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
Cost				
As at 1 January 2019	**75,836**	**255,949**	**52,200**	**383,986**
Exchange differences	-	99	3	102
Additions due to business combinations	147,623	121,983	-	269,606
Additions	-	1,873	13,180	15,054
Disposals	-	(8,838)	(276)	(9,114)
Reclassifications	-	(1,549)	1,585	36
As at 31 December 2019	**223,459**	**369,518**	**66,693**	**659,671**
Amortisation and impairment				
As at 1 January 2019	**21,215**	**106,004**	**12,210**	**139,429**
Exchange differences	-	94	-	94
Additions (amortisation)	-	30,202	850	31,052
Additions (impairment)	-	554	1,377	1,931
Disposals	-	(8,173)	53	(8,119)
Reclassifications	-	(217)	224	7
As at 31 December 2019	**21,215**	**128,466**	**14,715**	**164,395**
Carrying amounts				
As at 31 December 2018	**54,622**	**149,944**	**39,990**	**244,557**
As at 31 December 2019	**202,245**	**241,053**	**51,979**	**495,276**

Intangible assets consist primarily of purchased assets – including in particular recognised goodwill, customer relationships, orders on hand, trademarks and authorisations – and capitalised costs for current development projects and internally developed authorisations. The changes since the previous year resulted in particular from the latest acquisition, Allergopharma. The residual useful lives and carrying amounts of significant intangible assets resulting from this acquisition are presented in the table below; please refer to note 2.7 for additional information on these acquisitions.

31 December 2020	Carrying amount (EUR thousand)	Residual useful life (years)	Origin
Drug - Allergovit®	2,156	14	Allergopharma acquisition
Trademark – Allergopharma	6,286	14	Allergopharma acquisition

Goodwill was recognised at a carrying amount of EUR 266,268 thousand as at the reporting date (31 December 2019: EUR 202,245 thousand). During the year under review, goodwill amounting to EUR 64,024 thousand for Allergopharma.

Amortisation of EUR 24,673 thousand in total was recognised for intangible assets (excl. impairment) during the reporting period (2019: EUR 31,525 thousand). The amortisation taken on capitalised development costs were amounted to EUR 1,561 thousand (2019: EUR 850 thousand). This related to the portion of capitalised development costs that had already resulted in an approval and will thus be amortised over 15 years. The total carrying amount for capitalised development costs as at 31 December 2020 was EUR 62,103 thousand (31 December 2019: EUR 51,979 thousand). Of that amount, development projects with a carrying amount of EUR 18,290 thousand (31 December 2019: EUR 15,111 thousand) are already in use and the after receiving authorisation. In addition, current development costs of EUR 13,823 thousand were capitalised during financial year 2020 (31 December 2019: EUR 14,357 thousand).

The useful lives of internally generated intangible assets remained unchanged in financial year 2020.

An impairment charge of EUR 4,768 thousand on capitalised development costs and authorisations was recognised in the reporting period ended 31 December 2020 (31 December 2019: EUR 1,849 thousand). The impairment loss mainly consists of the derecognition of expired approvals in the amount of EUR 518 thousand (2019: EUR 727 thousand) as well as impairments on development projects and approvals of EUR 4,250 thousand (2019: EUR 1,122 thousand).

Impairment testing for capitalised development projects and technologies which have not yet been completed

Capitalised projects in the development phase for which no authorisations have been received, and technologies acquired during the reporting year which have not yet been completed are tested annually for impairment, as they are not subject to amortisation. As at 30 September 2020, development projects and technologies which have not yet been completed (EUR 4,497 thousand) with a carrying amount totalling EUR 45,021 thousand (30 September 2019: EUR 39,498 thousand) were tested for impairment.

As part of the impairment test, the recoverable amount of the individual projects was determined by calculating the value in use, which is based on the projected cash flows of the individual development projects. The cash flow projections underlying the calculation were made for a planning period of three years and derived based on management inputs of key parameters for each project and included in an individual business plan. These key parameters include the target market share for the product based on the total market volume, the expected year of market introduction, the total life of the product, the expected EBIT margin and the estimated cost to complete based on the degree of completion as at the measurement date.

A single peer group was selected for calculating the discount rates. Differences in discount rates resulted from the respective applicable tax rates, risk premiums and terms.

Based on this data, the impairment test for the 2020 reporting year resulted in an impairment loss of EUR 1,266 thousand (31 December 2019: EUR 467 thousand) for development projects and technologies which have not yet been completed. This was offset by EUR 1,252 thousand in reversals of impairment loss (31 December 2019: EUR 0 thousand).

The results of the impairment tests are based primarily on the management assumptions described. To validate these results, the assumptions made were subjected to sensitivity analyses where the impact of a change in parameters on the carrying amounts was calculated. Modified assumptions involved the pre-tax interest rates and EBIT margins applied to the terminal value.

A 1.00 % increase in the interest rates before taxes combined with a decrease in the expected EBIT margin of 2.00 % would have resulted in an additional impairment charge of EUR 1,715 thousand (30 September 2019: EUR 1,567 thousand).

Goodwill impairment tests

The Board of Management monitors and manages the Group's goodwill at the level of the various legal entities. Dermapharm defines all legal entities and groups of legal entities as cash generating units (CGUs), which are tested for impairment on a regular basis. For this reason, ten CGUs with material goodwill were subjected to impairment tests as at 30 September 2020 (30 September 2019: eight).

The recoverable amount of the individual CGUs was determined by calculating the value in use, which in turn is based on the projected cash flows of the individual legal entities. The cash flow projections underlying the value in use calculation stem from the financial plans for a period of three years as of the respective valuation date as approved by the Board of Management and the Supervisory Board (budget planning).

As the management plans indicate that not all of the CGUs had reached a sustainable state as at the measurement date, in particular with respect to revenue growth, the reconciliation to the terminal value was planned within a three-year transition period. The first year of the transition period is characterised by decreasing growth rates while EBITDA margins were kept constant. The growth rates were reduced to the sustainable revenue growth. The remaining two transition periods were already planned with terminal value assumptions, i.e., with a growth rate of 1.0 % and constant EBITDA margins analogously to the last detailed planning year in each case. Due to discounting effects, recognising the two additional transition periods does not significantly impact the valuations. This state was extrapolated using a long-term growth rate of 1.0 %.

The respective carrying amounts and goodwill as well as the key assumptions for the calculation of values in use for each CGU were as follows. The budgeted EBITDA margins and budgeted EBITDA margin growth rates presented reflect average values over the four planning years:

30 September 2020*	Budgeted EBITDA margin (%)	Budgeted EBITDA margin growth (%)	Discount rate (%)	Goodwill (EUR thousand)	Value in use (EUR thousand)	Carrying amount (EUR thousand)
mibe GmbH Arzneimittel	34.23	(6.39)	8.00	1,700	967,859	163,099
Euromed Botanicals S.L.	26.00	0.60	6.61	117,371	365,973	257,345
Bio-Diät Berlin GmbH	60.94	(1.16)	8.01	7,493	40,045	12,322
axicorp GmbH	3.02	0.80	8.21	12,766	76,597	66,563
Sun-Farm Sp. z o.o.	35.64	8.85	9.28	1,848	60,528	9,596
Strathmann GmbH & Co. KG	22.25	1.54	7.13	2,496	108,326	24,704
BLBR GmbH	17.33	14.36	8.11	2,119	49,237	8,423
Trommsdorff GmbH & Co. KG	40.66	8.11	7.18	25,481	421,047	90,832
Allergopharma	31.77	31.18	8.12	63,875	444,986	125,487
Fitvia GmbH	14.32	(6.47)	13.63	30,251	56,013	52,081

30 September 2019*	Budgeted EBITDA margin (%)	Budgeted EBITDA margin growth (%)	Discount rate (%)	Goodwill (EUR thousand)	Value in use (EUR thousand)	Carrying amount (EUR thousand)
mibe GmbH Arzneimittel	36.51	(6.52)	10.32	1,700	576,340	148,919
Euromed Botanicals S.L.	29.29	(11.62)	8.57	117,371	288,372	262,630
Bio-Diät Berlin GmbH	54.37	31.67	10.48	7,493	39,978	11,747
axicorp GmbH	3.59	(5.72)	10.27	12,766	83,648	49,799
Sun-Farm Sp. z o.o.	32.37	6.83	11.16	1,848	39,590	7,206
Strathmann GmbH & Co. KG	26.20	4.83	8.91	2,496	74,827	25,270
BLBR GmbH	35.79	22.71	6.64	2,119	246,350	7,066
Trommsdorff GmbH & Co. KG	33.53	7.25	9.03	25,481	262,478	98,594

*Due to its immateriality for the consolidated financial statements, this does not include the goodwill for Melasan GmbH (EUR 673 thousand) and acis Arzneimittel GmbH (EUR 47 thousand).

The results of the impairment tests are based primarily on the management assumptions described. In order to gauge how changes in certain parameters affect the results, the assumptions are subjected to sensitivity analyses. The assumptions relating to the pre-tax interest rates and EBITDA margins applied in the terminal value were tested for sensitivity.

The sensitivity analysis indicated that a 1.00 % increase in the pre-tax interest rate and a 3.00 % decrease in the EBITDA margin would have resulted in an impairment charge of EUR 6,311 thousand at Fitvia GmbH as well as a reduction in the EBITDA margin by 3.00 % would result in an impairment loss of EUR 66,563 thousand at axicorp GmbH.

This scenario would not result in any impairment charge for the other cash-generating units.

4.2 Property, plant and equipment

Property, plant and equipment changed as follows:

EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
Cost				
As at 1 January 2020	**102,540**	**53,817**	**45,179**	**201,537**
Transfers due to changes in accounting policies	-	-	-	-
Exchange differences	(129)	(78)	(210)	(417)
Additions due to business combinations	42,014	20,217	3,243	65,474
Additions	4,693	7,894	9,427	22,014
Disposals	(513)	(1,464)	(1,558)	(3,535)
Reclassifications	(1,083)	878	204	-
As at 31 December 2020	**147,523**	**81,264**	**56,285**	**285,073**
Depreciation, impairment and reversal of impairment				
As at 1 January 2020	**21,536**	**27,593**	**19,823**	**68,952**
Exchange differences	(41)	(46)	(145)	(232)
Additions due to business combinations	-	13	153	166
Additions (depreciation)	5,874	6,054	7,246	19,174
Additions (impairment)	7	21	88	117
Reversal of impairment	-	-	-	-
Disposals	(515)	(811)	(1,397)	(2,722)
Reclassifications	(54)	53	1	-
As at 31 December 2020	**26,807**	**32,878**	**25,769**	**85,454**
Carrying amounts				
As at 31 December 2019	**81,005**	**26,224**	**25,356**	**132,585**
As at 31 December 2020	**120,717**	**48,386**	**30,516**	**199,619**

EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
Cost				
As at 1 January 2019	**71,655**	**39,870**	**25,617**	**137,143**
Transfers due to changes in accounting policies	7,133	47	2,887	10,067
Exchange differences	58	14	38	109
Additions due to business combinations	7,552	7,160	8,981	23,693
Additions	19,867	8,965	6,424	35,256
Disposals	(2,797)	(1,394)	(504)	(4,695)
Reclassifications	(928)	(844)	1,736	(36)
As at 31 December 2019	**102,540**	**53,817**	**45,179**	**201,537**
Depreciation and impairment				
As at 1 January 2019	**17,559**	**24,467**	**14,244**	**56,269**
Exchange differences	40	8	31	79
Additions (depreciation)	4,544	3,995	6,050	14,588
Additions (impairment)	448	-	8	456
Disposals	(1,055)	(875)	(502)	(2,432)
Reclassifications	-	-	(7)	(7)
As at 31 December 2019	**21,536**	**27,593**	**19,823**	**68,952**
Carrying amounts				
As at 31 December 2018	**54,096**	**15,404**	**11,373**	**80,874**
As at 31 December 2019	**81,005**	**26,224**	**25,356**	**132,585**

Property, plant and equipment comprises land, land rights and buildings, technical equipment and machinery as well as other equipment, operating and office equipment.

The carrying amounts for land, land rights and buildings increased in financial year 2020 by EUR 39,712 thousand. The increase was due primarily to the acquisition of Allergopharma GmbH & Co. KG (EUR 38,814 thousand) in financial year 2020.

The carrying amounts increased by EUR 22,162 thousand for technical equipment and machinery, and by EUR 5,160 thousand for other equipment, operating and office equipment. Equipment increased by EUR 18,688 thousand and other operating and office equipment by EUR 2,641 thousand due to the acquisitions in financial year 2020.

There were no indications of impairment in accordance with IAS 36 at the reporting date or in the previous year.

During the reporting period, depreciation of EUR 19,174 thousand was recognised in the statement of comprehensive income (31 December 2019: EUR 14,588 thousand).

Right-of-use assets comprise the following:

EUR thousand	31 December 2020	31 December 2019
Land, land rights and buildings	9,571	9,235
Technical equipment and machinery	5	7
Other equipment, operating and office equipment	4,225	3,364
Right-of-use assets	**13,801**	**12,606**

Additions to right-of-use assets amounting to EUR 5,518 thousand were recognised in the reporting period.

The depreciation for right-of-use assets was as follows:

EUR thousand	2020	2019
Land, land rights and buildings	1,984	2,047
Technical equipment and machinery	2	48
Other equipment, operating and office equipment	2,266	1,889
Depreciation of right-of-use assets	**4,251**	**3,984**

Cash outflows for leases amounted to EUR 4,507 thousand (2019: EUR 4,101 thousand), expenses for short-term leases to EUR 127 thousand (2019: EUR 0 thousand) and leases for which the underlying asset is of low value to EUR 1 thousand (2019: EUR 0 thousand).

The maturity analysis of lease liabilities can be found in note 4.14.

4.3 Investments accounted for using the equity method

Six associates (31 December 2019: six) were recognised in the consolidated financial statements in accordance with the equity method. There was no change in the shareholdings as compared to the previous year.

Company name	Registered office	Shareholding (%)
31 December 2020		
Hasan Dermapharm Co., Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
FYTA Company B.V.	Waalwijk, Netherlands	20.0
FYTA Tech B.V.	Waalwijk, Netherlands	20.0
FYTA Company GmbH	Düsseldorf, Germany	20.0
FYTA Vermögensverwaltung GmbH	Düsseldorf, Germany	20.0

Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam

In financial year 2007, Dermapharm AG acquired an interest in Hasan Dermapharm Co. Ltd, in which Dermapharm AG currently holds a 30 % interest. The company operates a WHO-GMP certified production plant capable of producing nearly all pharmaceuticals sold on the Vietnamese market.

The table below summarises Hasan Dermapharm Co. Ltd.'s financial information as presented in its own financial statements:

EUR thousand	31 December 2020	31 December 2019
Shareholding (%)	30.0	30.0
Non-current assets	4,119	4,653
Current assets	10,049	10,041
Current liabilities	1,465	2,842
Net assets (100 %)	12,703	11,852
Carrying amount of equity investment	**2,998**	**2,284**
Revenue	21,613	19,095
Earnings after tax (100 %)	7,102	5,212
Group's share of total comprehensive income	**2,130**	**1,564**
Closing rate of EUR/VND	28,404	26,002
Average rate of EUR/VND	26,589	26,102

Gynial GmbH, Vienna, Austria

In 2015, Dermapharm GmbH, Vienna, Austria, acquired a 25.1 % interest in Gynial GmbH. The company focuses on the physical health and the well-being of women with an emphasis on prophylactic measures.

The table below summarises Gynial GmbH's financial information as presented in its own financial statements:

EUR thousand	31 December 2020	31 December 2019
Shareholding (%)	25.1	25.1
Non-current assets	1,150	895
Current assets	3,001	2,434
Current liabilities	865	825
Net assets (100 %)	3,287	2,504
Carrying amount of equity investment	**1,840**	**1,641**
Revenue	6,086	5,657
Earnings after tax (100 %)	1,041	908
Group's share of total comprehensive income	**261**	**228**

FYTA

In financial year 2019, Dermapharm AG acquired 20 % of the shares in FYTA Company B.V. and FYTA Tech B.V. (each having their registered office in Waalwijk, Netherlands), as well as FYTA Company GmbH and FYTA Vermögensverwaltung GmbH (each having their registered office in Düsseldorf, Germany), jointly referred to as "FYTA". FYTA specialises in the production of medicinal cannabis for pharmaceutical applications.

The table below summarises the financial information reported in FYTA's separate financial statements:

EUR thousand	31 December 2020	31 December 2019
Shareholding (%)	20.0	20.0
Non-current assets	10,857	18,972
Current assets	2,659	903
Non-current liabilities	15,128	19,773
Current liabilities	11,461	7,590
Net assets (100 %)	(13,074)	(7,488)
Carrying amount of equity investment	**54,292**	**58,188**
Earnings after tax (100 %)	(5,586)	(4,023)
Group's share of total comprehensive income	**(1,117)**	**(805)**

4.4 Equity investments

Equity investments comprise interests in non-consolidated subsidiaries and associates, which are not accounted for using the equity method.

As at 31 December 2020, Dermapharm shareholdings included 100 % of the shares in Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria, 100 % of shares in mibeTec Japan K.K., Tokyo, Japan, and 40 % of shares in Gynial AG, Hünenberg, Switzerland. These shares, as well as the other shares mentioned in note 2.5, are not consolidated. Due to the limited scope of their business activities, even if these companies are not included in the consolidated financial statements, this results in a true and fair view of Dermapharm's financial position, financial performance and cash flows. As at 31 December 2020, the shares in unconsolidated subsidiaries and associates, which are not accounted for using the equity method, had a carrying amount of EUR 383 thousand (31 December 2019: EUR 395 thousand).

Dermapharm does not intend to dispose of these shares.

4.5 Other non-current financial assets

Other non-current financial assets primarily comprise receivables from derivatives as well as capitalised life insurance policies.

As at 31 December 2020, the receivable from derivatives measured at fair value amounted to EUR 863 thousand (31 December 2019: EUR 871 thousand) and related to the purchase option for the land and buildings of Euromed Botanicals S.L.

Anton Hübner GmbH & Co. KG capitalised life insurance policies, which do not qualify as plan assets in accordance with IAS 19 and cannot be netted with future pension obligations. The carrying amount of EUR 415 thousand as at 31 December 2020 (31 December 2019: EUR 404 thousand) is taken from an expert opinion.

4.6 Inventories

Inventories break down as follows:

EUR thousand	31 December 2020	31 December 2019
Finished goods and merchandise	98,696	86,475
Raw materials, consumables and supplies	73,676	66,714
Work in progress	30,892	18,978
Prepayments	2,463	3,475
Inventories	**205,726**	**175,643**

The cost of materials and changes in inventories developed as follows:

EUR thousand	2020	2019
Cost of materials	(363,931)	(343,570)
Change in inventories	19,771	13,779
Expenses for current period	**(344,160)**	**(329,790)**

In the financial years 2020 and 2019, the following write-downs of inventories had to be recognised for the destruction of expired finished goods as well as destruction due to quality shortcomings in raw materials and other defects.

EUR thousand	2020	2019
Finished goods and merchandise, work in progress	7,104	4,263
Raw materials, consumables and supplies	1,326	1,807
Write-downs for current period	**8,430**	**6,070**

No inventories were pledged as securities for liabilities at the end of financial years 2020 and 2019.

4.7 Net trade receivables

Trade receivables are generally due within a payment period of between 30 and 120 days and do not bear interest. There are no restrictions of any kind on rights of disposal.

The net balance of trade receivables was as follows:

EUR thousand	31 December 2020	31 December 2019
Gross trade receivables	56,274	49,485
Valuation allowances	(759)	(606)
Net trade receivables	**55,515**	**48,879**

The year-on-year increase in trade receivables is attributable primarily to the successful business combinations in financial year 2020.

The allowance account developed as follows:

EUR thousand	2020	2019
As at 1 January	**(606)**	**(273)**
Valuation allowance on receivables	(153)	(333)
As at 31 December	**(759)**	**(606)**

4.8 Other current financial assets and other current assets

Other current financial assets and other current assets comprise the following:

EUR thousand	31 December 2020	31 December 2019
Loans to investments accounted for using the equity method	1,473	1,083
Receivables from related parties	1,326	2,851
Deposits	13	9
Derivatives	-	1,041
Miscellaneous	1,037	1,056
Other current financial assets	**3,849**	**6,040**
VAT receivables	3,559	2,306
Prepaid expenses	1,958	1,660
Prepayments	1,495	224
Receivables from tax authorities	420	569
Money in transit	323	24
Receivables from employees	214	158
Miscellaneous	4,557	455
Other current assets	**12,527**	**5,396**

Other current financial assets primarily comprise loans to investments measured in accordance with the equity method and receivables from minority interests.

As at 31 December 2020, miscellaneous other current financial assets included receivables from minority interests amounting to EUR 1,004 thousand (31 December 2019: EUR 1,011 thousand) and EUR 1,205 thousand in subsequent tax assets stemming from a previous acquisition. For detailed information regarding receivables from related parties, please refer to note 9.

Prepaid expenses includes payments for services that will not be provided until after the reporting date.

4.9 Cash and cash equivalents

Cash and cash equivalents changed as follows:

EUR thousand	31 December 2020	31 December 2019
Bank balances	120,264	114,710
Cash-in-hand	36	246
Cash and cash equivalents	**120,301**	**114,956**

Dermapharm maintains credit facilities with various German and international banks. For information about the utilisation of this credit facility at the respective reporting date, please refer to note 7.1c).

4.10 Non-current assets held for sale

Non-current assets held for sale comprise the property owned by mibe Pharmaceuticals d.o.o., Zagreb, Croatia. The company has been allocated to the "Branded pharmaceuticals and other healthcare products" division.

The sales process was delayed in financial year 2020 on account of the COVID-19 pandemic. A deposit was paid on the purchase price on 12 February 2021, so that a sale is expected in the first half of 2021. It was measured at fair value less costs to sell.

4.11 Equity

Issued capital

At 31 December 2020, the issued capital (share capital) amounted to EUR 53,840 thousand divided into 53,840,000 no-par value bearer shares. Each no-par value share carries one vote. The number of issued shares has not changed since 1 January 2020.

Dermapharm's shares are listed on the Regulated Market and the Prime Standard sub-segment of the Frankfurt Stock Exchange under German Securities Code (WKN) A2GS5D, International Securities Identification Number (ISIN) DE000A2GS5D8 and ticker symbol DMP.

Authorised capital

The Board of Management is authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period until 1 January 2023 (inclusive) against cash or in-kind contributions by a total of up to EUR 16,100 thousand by issuing new no-par value bearer shares (Authorised Capital 2018).

The Board of Management is furthermore authorised, subject to the consent of the Supervisory Board, to stipulate the further details concerning the rights attaching to the shares and the terms of their issue as well as to exclude shareholders' subscription rights under certain conditions and within defined limits.

To date, the Authorised Capital 2018 has not been utilised.

Contingent capital

The issued capital is contingently increased by a total of up to EUR 10,700 thousand by issuing a total of up to 10,700,000 new no-par value bearer shares (Contingent Capital 2018). The contingent capital increase serves to grant shares to holders or creditors of convertible bonds and to holders of option rights from warrant-linked bonds issued by the Company or a domestic or foreign entity in which the Company directly or indirectly holds a voting and capital majority in the period until 25 January 2023 (inclusive) on the basis of the authorisation resolved by the Annual General Meeting of 26 January 2018. The contingent capital increase will only be implemented to the extent that conversion or option rights from the aforementioned bonds are actually exercised or conversion obligations from such bonds are fulfilled and to the extent that no other forms of fulfilment are used to service them.

The Board of Management is authorised, subject to the consent of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase.

To date, the Contingent Capital 2018 has not been utilised. For further information on changes in equity, please refer to the consolidated statement of changes in equity.

Capital reserves

The change in capital reserves was attributable to the elimination of the call/put-option due to the acquisition of the remaining 30 % interest in Fitvia in financial year 2020. For additional information, please see note 2.7.

Dividend

In accordance with the German Stock Corporation Act, the dividend is distributed from the unappropriated net earnings as reported in Dermapharm Holding SE's HGB single-entity financial statements. The Board of Management and the Supervisory Board intend to recommend that the Annual General Meeting distribute a dividend of EUR 0.88 per share carrying dividend rights. The proposed distribution still has to be approved by the shareholders at the Annual General Meeting and is therefore not recognised as a liability in the consolidated financial statements.

Pursuant to the resolution adopted by the Annual General Meeting on 17 June 2020, a dividend of EUR 43,072 thousand (EUR 0.80 per share carrying dividend rights) was distributed to the shareholders from the unappropriated net earnings for the 2019 financial year. The dividend was distributed on 22 June 2020.

4.12 Provisions for employee benefits

As at the reporting date, plan assets break down as follows:

EUR thousand	31 December 2020	31 December 2019
Defined benefit obligation	821	823
Fair value of plan assets	(381)	(393)
Total	**440**	**431**

Provisions for pensions (excluding plan assets) as at 31 December 2020 amount to EUR 143,565 thousand (31 December 2019: EUR 56,545 thousand).

Expenses for defined benefit plans break down as follows:

EUR thousand	2020	2019
Interest expense	1,132	823
Current service cost	2,934	558
Total	**4,066**	**1,381**

The table below shows the reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

EUR thousand	Pension obligations	Fair value of plan assets	Net pension obligation
As at 1 January 2020	**57,368**	**393**	**56,976**
Gain / loss			
Current service cost	2,934	-	2,934
Interest expense	1,135	-	1,135
Interest income	-	3	(3)
Remeasurement			
Actuarial gains (-) / losses(+)			
of which due to changes in financial assumptions	*3,044*	-	*3,044*
of which due to changes in demographic assumptions	-	-	-
of which experience-based adjustments	*(377)*	-	*(377)*
Return on plan assets, excl. previously recognised interest income	-	4	(4)
Miscellaneous			
Employer contributions	-	6	(6)
Employee contributions	-	7	(7)
Retirement benefits	(2,824)	(32)	(2,792)
As at 31 December 2020	**144,386**	**381**	**144,005**

EUR thousand	Pension obligations	Fair value of plan assets	Net pension obligation
As at 1 January 2019	**51,129**	**404**	**50,726**
Gain / loss			
Current service cost	558	-	558
Interest expense	829	-	829
Interest income	-	6	(6)
Remeasurement			
Actuarial gains (-)/losses(+)			
of which due to changes in financial assumptions	*7,619*	-	*7,619*
of which due to changes in demographic assumptions	-	-	-
of which experience-based adjustments	*(1,063)*	-	*(1,063)*
Return on plan assets, excl. previously recognised interest income	-	54	(54)
Miscellaneous			
Employer contributions	-	5	(5)
Employee contributions	-	9	(9)
Retirement benefits	(1,704)	(86)	(1,618)
As at 31 December 2019	**57,368**	**393**	**56,976**

There were no exchange differences because all provisions for pensions were recognised by German entities. At the reporting date, plan assets included EUR 381 thousand in securities (31 December 2019 EUR 393 thousand). All security funds have quoted prices in active markets.

Risk resulting from pension obligations

The risks from defined benefit plans arise partly from the defined benefit obligations and partly from the investment in plan assets. The risks result from the possibility that higher direct pension payments will have to be made to the beneficiaries.

Demographic / biometric risks

Since a large proportion of the defined benefit obligations comprises lifelong pension payments to retirees or their surviving dependents, pensions, longer claim periods and earlier claims may result in higher benefit obligations, higher benefit expense and/or higher pension payments than previously anticipated.

Investment risks

If the actual return on plan assets falls below the return anticipated on the basis of the discount rate, the net defined benefit liability would increase, assuming no changes to other parameters. This could happen as a result of a drop in share prices, increases in market rates of interest, default on the part of individual debtors or the purchase of low-risk but low-interest bonds, for example.

Interest rate risks

The principal actuarial assumptions at the reporting date are presented below (expressed as weighted averages):

in %	31 December 2020	31 December 2019
Discount rate	0.7	0.8
Salary trend	1.2	1.0
Pension trend	1.7	1.8

The sensitivity of the total pension commitments to changes in the average assumptions is as follows:

Pension obligations	Change in actuarial assumptions	Impact as at 31 December 2020		Impact as at 31 December 2019	
EUR thousand		Pension obligations	Change	Pension obligations	Change
	1.00 % increase	126,745	(17,641)	49,000	(8,368)
Discount rate	1.00 % decrease	166,040	21,654	68,119	10,750
	0.50 % increase	146,681	2,295	57,821	452
Salary trend	0.50 % decrease	142,363	(2,023)	56,934	(435)
	0.50 % increase	155,039	10,654	61,377	4,009
Pension trend	0.50 % decrease	134,744	(9,642)	53,734	(3,634)
	1-year increase	61,073	3,631	60,909	3,541
Life expectancy	1-year decrease	0	0	0	0

At 31 December 2020, the weighted duration of the pension obligations was 15 years (31 December 2019: 14 years).

The above sensitivity analysis is based on the change in one assumption, with all other factors remaining constant. Changes in several assumptions can be correlated. The same method was used to calculate the sensitivity of defined benefit obligations to actuarial assumptions as was used to calculate the provisions for pensions in the statement of financial position.

The year-on-year increase in the Group's aforementioned pension obligations was due primarily to the acquisition of Allergopharma GmbH & Co. KG.

In order to limit the aforementioned risks and comply with future obligations, Anton Hübner GmbH & Co. KG has taken out life insurance policies, which, however, do not qualify as plan assets in accordance with IAS 19 and cannot be netted against future pension obligations. Please refer to note 4.5 for further information. The same applies to Trommsdorff GmbH & Co. KG, which holds EUR 1,109 thousand in a bank account pledged as security for the purpose of insolvency protection for early partial retirement.

4.13 Other provisions

Other provisions changed as follows:

EUR thousand	Health insurance discounts	Litigation	Miscellaneous	Total
As at 1 January 2020	**14,661**	**1,235**	**342**	**16,238**
Additions	17,594	858	9,656	28,109
Reversals	(685)	(11)	(177)	(873)
Utilisations	(13,518)	-	(6,179)	(19,698)
Exchange differences	-	2	-	2
As at 31 December 2020	**18,053**	**2,084**	**3,642**	**23,778**

EUR thousand	Health insurance discounts	Litigation	Miscellaneous	Total
As at 1 January 2019	**7,593**	**814**	**179**	**8,586**
Additions	13,903	645	252	14,800
Reversals	(325)	(4)	(90)	(419)
Utilisations	(6,509)	(253)	-	(6,762)
Exchange differences	-	34	-	34
As at 31 December 2019	**14,661**	**1,235**	**342**	**16,238**

As a consequence of regulatory state interventions on the pharmaceuticals market in Germany, the Group is obligated to negotiate discount agreements with health insurance organisations. For further information on provisions for health insurance discounts, please see note 3.

The miscellaneous item includes provisions for onerous contracts and a restructuring provision amounting to EUR 3,607 thousand. This provision includes expenses incurred in connection with a programme of measures implemented at Allergopharma. The aim of the measures is to further improve Allergopharma's profitability going forward by adjusting the size of the workforce, thereby streamlining work processes.

4.14 Financial liabilities

Financial liabilities changed as follows:

EUR thousand	31 December 2020	31 December 2019
Bank loans	470,868	414,583
Promissory note loans	99,615	119,009
Lease liabilities	10,276	9,755
Non-current financial liabilities	**580,759**	**543,347**
Bank loans	2,721	2,251
Promissory note loans	19,484	-
Lease liabilities	3,839	3,049
Bank overdrafts	0	5,963
Current financial liabilities	**26,044**	**11,264**

In early April 2020, Dermapharm drew on a working capital line of EUR 57,500 thousand from Facility B of the syndicated loan to finance the acquisition of the interests in Allergopharma.

Lease liabilities

The maturity analysis for the lease liabilities is as follows:

EUR thousand	2020	2019
Remaining term of:		
Less than one year	3,839	3,049
Between one and five years	5,130	4,611
More than five years	5,145	5,144
Total	**14,114**	**12,804**

4.15 Trade payables

Trade payables fall due within one year and do not bear interest. They generally fall due for payment within 0 to 60 days. The item also includes all trade payables not invoiced as of the reporting date.

4.16 Other non-current financial liabilities and other non-current liabilities

Other non-current financial liabilities mainly comprise the fair values of derivatives. The negative fair value of the derivatives amounted to EUR 261 thousand as at 31 December 2020 (31 December 2019: EUR 18,684 thousand) and includes an interest rate swap that matures in financial year 2022. As described in note 2.7, the put option in the previous year was derecognised upon the early acquisition of the remaining 30 % of shares in Fitvia GmbH.

The other non-current liabilities mainly comprise government grants. In accordance with IAS 20, government grants for assets are recognised as deferred income and had a carrying amount of EUR 9,715 thousand as at the reporting date (31 December 2019: EUR 10,070 thousand).

4.17 Other current financial liabilities and other current liabilities

Other current financial liabilities and other current liabilities comprise the following:

EUR thousand	31 December 2020	31 December 2019
Purchase price liabilities	-	6,022
Derivatives	-	1,041
Liabilities to related parties	4	17
Miscellaneous	-	-
Other current financial liabilities	**4**	**7,079**
Other personnel-related liabilities	15,058	11,516
VAT liabilities	5,710	7,430
Deferred income	578	189
Government grants	485	679
Prepayments received	318	1,217
Holdback Euromed	9	4,206
Miscellaneous	1,665	1,333
Other current liabilities	**23,823**	**26,571**

Other current financial liabilities have a maturity of up to one year and do not bear interest. For information concerning the liabilities to related parties, please refer to note 9.

Government grants which are reported under other current liabilities comprise the portion which will be reversed in the course of the next 12 months.

Deferred income relates to payments that have been received, for which the corresponding services have not yet been rendered.

As in the previous year, personnel-related liabilities comprise holiday entitlements, income and church taxes due, liabilities for bonuses and company pensions and other personnel-related charges.

4.18 Income taxes

Income taxes include taxes on income and earnings paid or owed in the individual countries as well as deferred tax assets or liabilities.

Profit and loss transfer agreements

There is a consolidated income tax group in place between Dermapharm AG and its subsidiaries mibe GmbH Arzneimittel, mibe Vertrieb GmbH, Hübner Naturarzneimittel GmbH, acis Arzneimittel GmbH, Bio-Diät GmbH as well as with axicorp GmbH and axicorp Pharma GmbH. In addition, there is a consolidated income tax group in place between Strathmann GmbH & Co. KG and Biokirch GmbH. The current income tax expenses are recognised at Dermapharm AG or Strathmann GmbH & Co. KG as the tax group parent.

Effects on current income tax expense

The key components of income tax expenses for the 2020 and 2019 financial years break down as follows:

EUR thousand	2020	2019
Current income taxes	**40,394**	**36,448**
Deferred taxes		
from temporary differences	(1,301)	(4,148)
from tax loss carryforwards	264	(46)
Subtotal	**(1,036)**	**(4,194)**
Income tax expenses	**39,357**	**32,254**

The income taxes reported are derived as follows from an expected income tax expense that would have resulted from applying the nominal tax rate of a corporation headquartered in Grünwald.

Reconciliation to effective tax rate

EUR thousand	2020		2019	
Earnings before taxes		125,283		110,066
Expected tax expenses	**24.23 %**	**30,350**	**24.23 %**	**26,663**
Utilisation of tax loss carryforwards	(0.08 %)	(103)	(0.25 %)	(277)
Non-deductible operating expenses	0.06 %	74	0.06 %	64
Tax-exempt income	(0.86 %)	(1,079)	(0.12 %)	(134)
Prior-year taxes	1.00 %	1,252	(0.08 %)	(89)
Difference to Group tax rate	1.72 %	2,152	2.84 %	3,131
Miscellaneous	2.57 %	3,222	(2.13 %)	2,342
Adjustment of profit in accordance with section 60 (2) EStDV	0.15 %	187	(0.21 %)	(234)
Tax loss carryforwards not utilised	2.64 %	3,302	0.72 %	788
Current tax expense	**31.41 %**	**39,357**	**29.30 %**	**32,254**

Deferred taxes as at the reporting date were as follows:

EUR thousand	31 December 2020	31 December 2019
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	14,198	17,551
Deferred tax assets to be recovered within 12 months	1,122	1,114
Total deferred tax assets	**15,319**	**18,665**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(40,141)	(40,121)
Deferred tax liabilities to be recovered within 12 months	(5,127)	(5,583)
Total deferred tax liabilities	**(45,267)**	**(45,703)**
of which deferred tax assets reported in the statement of financial position	***0***	***0***
of which deferred tax liabilities reported in the statement of financial position	***(29,948)***	***(27,038)***

The change in deferred taxes in the statements of financial position as at 31 December 2020 and 31 December 2019 was as follows:

EUR thousand	1 January 2020	Income statement	Capital reserves	Other comprehensive income	Deferred tax assets – acquired through business combination	Deferred tax liabilities – acquired through business combination	31 December 2020	Deferred tax assets	Deferred tax liabilities
Intangible assets	(41,917)	(32)	-	-	-	(79)	(42,026)	714	(42,740)
Property, plant and equipment	(2,201)	199	-	-	-	-	(2,202)	309	(2,312)
Financial instruments	(207)	278	-	-	-	-	71	71	-
Inventories	-	-	-	-	-	-	-	-	-
Other non-current financial assets	(218)	2	-	-	-	-	(216)	-	(216)
Other non-current financial liabilities	5,032	-	(5,032)	-	-	-	-	-	-
Pension obligations	10,538	1,215	-	808	-	-	12,561	12,561	-
Other provisions	1,115	(384)	-	-	-	-	732	732	-
Intra-group result	**225**	**22**	**-**	**-**	**354**	**-**	**601**	**601**	**-**
Deferred taxes on tax loss carryforwards	595	(264)	-	-	-	-	331	331	-
Tax asset / (liability)	**(27,038)**	**1,036**	**(5,032)**	**808**	**354**	**(79)**	**(29,948)**	**15,319**	**(45,267)**

EUR thousand	1 January 2019	Income statement	Capital reserves	Other comprehensive income	Acquired through business combination	31 December 2019	Deferred tax assets	Deferred tax liabilities
Intangible assets	(13,567)	2,744	-	(27)	(31,067)	(41,917)	839	(42,756)
Property, plant and equipment	(581)	251	-	-	(1,871)	(2,201)	321	(2,522)
Financial instruments	209	(416)	-	-	-	(207)	-	(207)
Inventories	-	908	-	-	(908)	-	-	-
Other non-current financial assets	-	17	-	-	(235)	(218)	-	(218)
Other non-current financial liabilities	-	-	5,032	-	-	5,032	5,032	-
Pension obligations	8,615	(134)	-	2,057	-	10,538	10,538	-
Other provisions	204	711	-	-	200	1,115	1,115	-
Intra-group result	**157**	**68**	**-**	**-**	**-**	**225**	**225**	**-**
Deferred taxes on tax loss carryforwards	550	45	-	-	-	595	595	-
Tax asset / (liability)	**(4,413)**	**4,194**	**5,032**	**2,030**	**(33,880)**	**(27,037)**	**18,665**	**(45,703)**

The Allergopharma GmbH & Co. KG business combination gave rise to deferred tax assets of EUR 354 thousand and deferred tax liabilities of EUR 79 thousand. Due to the early increase in the shareholding in Fitvia GmbH and the resulting elimination of the put option, the deferred tax assets of EUR 5,032 thousand were derecognised in the capital reserves with no effect on profit or loss.

As at 31 December 2020, Dermapharm carried a total of EUR 20,339 thousand (31 December 2019: EUR 12,423 thousand) in tax losses forward. These resulted from Dermapharm Holding SE, Dermapharm Beteiligungs GmbH, BLBR GmbH, mibeTec GmbH, remedix GmbH, mibe pharma UK Ltd., mibe pharmaceuticals d.o.o and mibe pharma Italia Srl. In financial year 2020, deferred tax assets amounting to EUR 331 thousand (31 December 2019: EUR 595 thousand) were recognised in respect of tax loss carryforwards of EUR 1,168 thousand (31 December 2019: EUR 2,257 thousand), whereas no deferred tax assets were recognised for tax loss carryforwards of EUR 19,170 thousand (31 December 2019: EUR 10,166 thousand) despite individual positive earnings forecasts on account of the loss history. Write-downs of EUR 159 thousand were recognised on deferred tax assets from loss carryforwards in financial year 2020 (31 December 2019: EUR 0 thousand).

Deferred tax liabilities for taxable temporary difference in connection with investments in subsidiaries and associates (outside-basis difference)

In accordance with IAS 12, no deferred tax liabilities were recognised for temporary differences amounting to EUR 72,045 thousand in connection with investments in subsidiaries and associates. Under the current rules, if these differences led to the recognition of deferred tax liabilities, this would result in a tax liability of EUR 872 thousand.

Tax assets

Tax assets amounted to EUR 362 thousand as at 31 December 2020 (31 December 2019: EUR 231 thousand). These are attributable primarily to Strathmann GmbH & Co. KG's tax prepayments.

Tax liabilities

Tax liabilities of EUR 8,852 thousand were reported as at 31 December 2020 (31 December 2019: EUR 5,914 thousand). These resulted primarily from Trommsdorff GmbH & Co. KG, Dermapharm AG and Fitvia GmbH.

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue

Dermapharm generates its revenue primarily through the supply of products.

The primary focus of Dermapharm's business lies on the German market. The consolidated revenue generated in Germany in the reporting period amounted to EUR 656,730 thousand (2019: EUR 588,852 thousand) and accounted for 83 % (2019: 84 %) of total consolidated revenue. Consolidated revenue of EUR 74,489 thousand was generated in the reporting period (2019: EUR 72,269 thousand) in Spain, corresponding to 9 % (2019: 10 %) of consolidated revenue. Revenue generated in Austria and Switzerland, representing approximately 5 % (2019: 4 %) of consolidated revenue overall, amounted to EUR 38,002 thousand (2019: EUR 26,157 thousand). The remaining portion of Dermapharm's consolidated revenue (EUR 24,608 thousand; 2019: EUR 13,600 thousand) is generated in eastern Europe; primarily in Poland, Croatia and Ukraine; and in the United Kingdom, Italy and the United States. Consolidated revenue is allocated on the basis of where the respective companies are located.

Revenue and (adjusted) EBITDA are the two key performance indicators which the Board of Management of Dermapharm Holding SE uses as the basis for steering the Group. Additional information on the development of revenue during the reporting period is contained in the Segment Reporting section contained in note 6.

5.2 Other operating income

Other operating income comprise the following:

EUR thousand	2020	2019
Income from the reversal of provisions and derecognition of liabilities	3,564	1,480
Currency translation gains	3,368	2,712
Prior-period income	1,451	417
Netting of employee in-kind benefits and proceeds from employee grants	1,370	969
Government grants	671	865
Insurance refunds and damages	257	486
Income from disposals of fixed assets	225	311
Passed-on charges	152	433
Miscellaneous	1,793	836
Other operating income	**12,850**	**8,508**

The miscellaneous item comprises a number of low-value individual items, including tax assets of EUR 1,205 thousand from a previous acquisition.

5.3 Personnel expenses and number of employees

Personnel expenses comprise the following:

EUR thousand	2020	2019
Wages and salaries	122,243	96,121
Social security expenses	27,087	19,281
Severance payments	8,726	521
Personnel expenses	**158,056**	**115,923**

In financial year 2020, expenses for company pension plans in the amount of EUR 3,483 thousand (2019: EUR 1,176 thousand) were reported under personnel expenses and included in social security expenses in the table above. Personnel expenses include EUR 7,836 thousand restructuring expenses for Allergopharma GmbH & Co. KG.

The table below provides an overview of Dermapharm's average number of employees at the end of the financial year:

Function	2020	2019
Production	858	726
Marketing & sales	570	442
Administration	557	441
Logistics	175	159
Product Development	151	85
Average number of employees	**2,311**	**1,853**

The higher average number of employees is due primarily to the acquisition of Allergopharma as well as new hires in connection with Dermapharm's overall positive performance.

5.4 Other operating expenses

Other operating expenses comprise the following:

EUR thousand	2020	2019
Marketing and sales costs	34,628	27,243
Freight and warehousing	17,299	11,724
Development and production costs	12,662	11,207
Contributions, fees, charges and other taxes	11,486	10,075
Legal and consulting fees	11,359	11,455
Maintenance expenses	10,258	7,203
Incidental rental costs	9,739	8,081
Currency translation losses	4,994	3,635
Communication	3,323	1,205
Purchased services	1,626	2,268
Vehicle expenses	1,536	1,511
Personnel expenses	1,225	1,205
Travel expenses	1,021	1,833
Miscellaneous	11,103	8,023
Other operating expenses	**132,256**	**106,667**

5.5 Financial result

The financial result comprises the following:

EUR thousand	2020	2019
Interest income	507	2,061
Income from fair value measurement	34	593
Miscellaneous	24	81
Financial income	**565**	**2,736**
Interest expense	(9,043)	(9,753)
Leasing	(319)	(317)
Expenses from fair value measurement	(18)	(179)
Miscellaneous	(1,251)	(824)
Financial expenses	**(10,631)**	**(11,073)**
Share of profit / loss of companies accounted for using the equity method, after tax	**(1,504)**	**(1,111)**
Financial result	**(11,570)**	**(9,448)**

The decline in interest income and expenses is attributable to the cross-currency swap with UniCredit Bank that expired in the first half of 2020.

5.6 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to holders of ordinary shares by the weighted average number of shares outstanding, as presented below:

EUR thousand	2020	2019
Profit (loss) attributable to the owners of Dermapharm Holding SE	85,826	77,196
Weighted average number of shares outstanding (in thousands of shares)	53,840	53,840
Earnings per share	**1.59**	**1.43**

Weighted average number of ordinary shares

in thousands of shares	2020	2019
Number of shares outstanding at the beginning of the period	53,840	53,840
Number of shares outstanding at the end of the period	53,840	53,840
Weighted average number of shares outstanding	53,840	53,840
Number of potentially dilutive ordinary shares	-	-
Weighted average number of shares used to calculate diluted earnings per share	**53,840**	**53,840**

6. Segment reporting

6.1 Notes to segment reporting

In the segment reporting, Dermapharm's activities are broken down by division and region in accordance with the provisions of IFRS 8 (Segment Reporting). The breakdown reflects internal management structures as well as the varying risk and profit profiles of the individual divisions.

Based on this, Dermapharm defined the divisions "Branded pharmaceuticals and other healthcare products", "Parallel import business" and "Herbal extracts" in line with its internal reporting structure.

Dermapharm's "Branded pharmaceuticals and other healthcare products" division covers numerous product areas through a wide range of products sold under well-known brand names. The Group focuses on the development, manufacturing and marketing of branded pharmaceuticals and other healthcare products for specifically selected markets in which Dermapharm generally holds a significant market share and is able to generate attractive margins.

Dermapharm's parallel import business, which operates under the well-known "axicorp" brand, benefits from the statutory requirement that at least 5 % of all prescription medications sold within the state healthcare system in Germany must be imported from other member states of the European Economic Area (EEA) in order to help decrease healthcare costs. The actual market share of parallel imports in Germany is greater than 5 %.

Herbal extracts represent another area of Dermapharm's value chain. The business is mainly covered by Euromed S.A., a leading manufacturer in this field. Herbal extracts and natural active ingredients are needed as precursors in the manufacturing of phytopharmaceuticals (herbal pharmaceuticals), nutraceuticals (functional foods) and cosmetics products.

Please refer to note 5.1 for a breakdown of revenue by region.

As is customary in the industry, Dermapharm maintains business relationships with Germany's major pharmaceuticals wholesalers. Overall, approximately half of consolidated revenue is generated with five pharmaceuticals wholesalers. The gross revenue generated from those five customers in the 2020 and 2019 financial years was as below:

	2020		2019	
EUR thousand	**Gross revenue**	**Share of gross consolidated revenue (%)**	**Gross revenue**	**Share of gross consolidated revenue (%)**
Wholesaler A	120,648	13 %	121,267	15 %
Wholesaler B	103,452	11 %	98,820	12 %
Wholesaler C	73,495	8 %	72,759	9 %
Wholesaler D	67,996	7 %	63,805	8 %
Wholesaler E	61,151	7 %	58,586	7 %

The concentration of revenue on certain wholesalers does not lead to any dependencies for Dermapharm, because the demand of the numerous end customers in the pharmacies is ultimately the decisive factor for the Group's revenue. In this regard, the wholesalers play a merely logistical role. Any reduction in demand in the event of the loss of one wholesaler would immediately be compensated for by another wholesaler. Furthermore, the wholesalers' credit risk – which is already insignificant due to the high frequency of comparatively small-volume orders – represents a much less significant risk for Dermapharm.

6.2 Segment reporting by division

Segment reporting uses key performance indicators – revenue and EBITDA and the indicators derived therefrom – for Dermapharm's individual divisions. There is trade between the individual divisions only to a limited extent; this is presented in the "inter-division revenue" line item. The reconciliation column also shows expenses incurred by Dermapharm Holding SE for services provided to the reporting segments through its role as the parent company, as it performs no operational activities.

Any transactions entered into for the provision of goods and services within the divisions are reported on a consolidated basis. The exchange of goods and/or services between the divisions was conducted at arm's-length prices.

The segment assets and liabilities for each segment are not regularly reported to the Board of Management and are therefore not presented in the segment reporting.

The following tables show the changes in the performance indicators reported internally to Dermapharm's Board of Management by divisions:

2020 EUR thousand	Branded pharmaceuticals and other healthcare products*	Parallel import business	Herbal extracts	Reconciliation / Group holding company	Group
Revenue	473,338	250,607	72,028	(2,144)	793,829
of which intersegment revenue	*2,040*	*1*	*104*	*(2,144)*	-
Revenue from external customers	471,299	250,606	71,925	-	793,829
Revenue growth	22 %	3 %	0 %	-	13 %
EBITDA	171,127	6,902	12,262	(5,777)	184,515
of which earnings from investments accounted for using the equity method	*2,392*	-	*(3,896)*	-	*(1,504)*
EBITDA margin	36 %	3 %	17 %	-	23 %

* As from 1 April 2020 with Allergopharma

2019 EUR thousand	Branded pharmaceuticals and other healthcare products	Parallel import business	Herbal extracts	Reconciliation / Group holding company	Group
Revenue	387,386	243,462	72,302	(2,272)	700,879
of which intersegment revenue	*2,239*	-	*33*	*(2,272)*	-
Revenue from external customers	385,147	243,462	72,269	-	700,879
Revenue growth	15 %	2 %	-	-	22 %
EBITDA	153,037	8,251	12,824	(5,584)	168,528
of which earnings from investments accounted for using the equity method	*1,792*	-	*(2,902)*	-	*(1,111)*
EBITDA margin	40 %	3 %	18 %	-	24 %

The Group's EBITDA is reconciled to consolidated profit or loss as follows:

EUR thousand	2020	2019
EBITDA	**184,515**	**168,528**
Depreciation, amortisation, and reversals of impairments	(49,166)	(50,125)
Financial income	565	2,736
Financial expenses	(10,631)	(11,073)
Earnings before taxes (EBT)	**125,283**	**110,066**
Income tax expenses	(39,357)	(32,254)
Profit or loss for the period	**85,926**	**77,811**

7. Financial risk management and financial instruments

7.1 Financial risk factors

Dermapharm's future market development is exposed to a host of financial risks (market risk – including currency and interest rate risk – as well as credit and liquidity risk) due to the fact that its competitive environment is subject to state regulation, as well as to volatile prices for raw materials and stagnating prices caused by the government-initiated price freeze.

However, given its financial stability, the Group is well positioned to overcome future risks. At present, no risks that could jeopardise the Company's ability to operate as a going concern have been identified.

Dermapharm's risk management focused on identifying and assessing risks which arise as a result of unpredictable developments on the financial markets, among other things, as well as the appropriate management of potential negative impacts on the Group's financial position.

The risk management system is overseen centrally by the Risk Officer and by the Board of Management as a whole. It is regularly reviewed for effectiveness and appropriateness. By contrast, individual risks are monitored and organised on a decentralised basis. Depending on the category and scope of the risks, this is the responsibility of either the heads of departments and managing directors, or the members of the Board of Management of Dermapharm Holding SE. Potential risks are communicated regularly, either verbally or in writing, to all relevant divisions and companies.

The Group's Finance department works closely with the operating units to identify and assess financial risks. Management sets out both the principles for cross-divisional risk management and guidelines for specific risks, such as exposure to foreign currency, interest and credit risks, the use of derivative and non-derivative financial instruments and investments of liquidity surpluses.

Significant financial liabilities include interest-bearing financial liabilities, trade payables and other liabilities. Financial liabilities serve in particular to guarantee that the Group's operations are financed and secured. In addition, Dermapharm reports trade and other receivables and cash and cash equivalents which result directly from its business activities.

Derivative financial instruments are used by the Group to hedge against certain risks.

The following statements discuss the Group's exposure to identified financial risks. Furthermore, the goals, strategies and processes for risk management as well as the methods used to measure the risks are described.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to effectively manage market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Currency risk relates to either translation risk or transaction risk.

Translation risk describes the risk from changes to items of the statement of financial position and statement of comprehensive income for a subsidiary due to changes to the exchange rates when converting local financial statements into the Group's presentation currency. Changes caused by currency fluctuations when translating items of the statement of financial position are recognised in equity. Dermapharm is currently exposed to such a risk through subsidiaries, although this risk is negligible due to the size of those companies.

Transaction risk is the risk that the value of future foreign currency payments may change due to exchange rate fluctuations. Dermapharm operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to euros.

IFRS 7 requires that sensitivity analyses be prepared to accompany the presentation of market risks arising in connection with financial instruments; these analyses must show the impact that hypothetical changes in relevant risk variables might have on profit or loss for the period and on equity. The analysis presented below is one-dimensional and does not take into account tax effects. The table shows the positive and negative effects that would occur should the euro depreciate or appreciate by 5 % in relation to the relevant currencies (GBP, HRK and USD), with all other variables remaining constant. Currency translation gains and losses on trade receivables and payables denominated in foreign currencies have an impact on the consolidated profit or loss, which is reflected analogously in equity. Aside from these currency translation effects, there are no further effects on equity arising from financial instruments.

A potential strengthening (weakening) of the euro against material currencies used by Dermapharm as at 31 December of the respective year would have affected the measurement of financial position by the amounts shown below. This analysis assumes that all other variables, particularly interest rates, remain constant and ignores any impact of forecast sales and purchases.

31 December 2020	Receivables and liabilities denominated in foreign currencies	EUR thousand	+5 % impact on income statement	-5 % impact on income statement
GBP	(1,883)	(2,082)	99	(110)
HRK	(116,340)	(15,395)	733	(810)
USD	(12,998)	(10,581)	504	(557)

31 December 2019	Receivables and liabilities denominated in foreign currencies	EUR thousand	+5 % impact on income statement	-5 % impact on income statement
GBP	(1,409)	(1,650)	79	(87)
HRK	(118,090)	(15,827)	754	(833)
USD	(1,229)	(1,098)	52	(58)

The Group's risk from exchange rate fluctuations for all other currencies not presented here was immaterial.

Interest rate risk

Interest rate risk includes the effect of positive and negative changes to interest rates on profit, equity, or cash flows in current and future reporting periods. Dermapharm is exposed to interest rate risks from financial instruments mainly in connection with financial liabilities.

The table below depicts the change in income or expenses from interest rate swaps, which would result from a decrease or increase of the EURIBOR by 100 basis points:

EUR thousand	31 December 2020	31 December 2019
Assumed change in interest rate		
- 100 basis points	(573)	(809)
Current fair value of derivatives	(261)	(285)
+ 100 basis points	40	208

The table below shows the change in interest expenses for variable rate loans, which would result from a decrease or increase of the EURIBOR by 100 basis points:

EUR thousand	31 December 2020	31 December 2019
Assumed change in interest rate		
- 100 basis points	6,515	5,090
Current interest expense	6,589	5,175
+ 100 basis points	11,520	9,544

b) Credit risk

Credit risk is the risk of financial loss arising from a counterparty's inability to repay or service debt in accordance with the contractual terms. Credit risk includes both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risk.

Credit risk is managed at the Group level, except for credit risk as it pertains to trade receivables. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

The extent of the maximum credit risk for Dermapharm corresponds to the sum of trade receivables, other financial assets and cash and cash equivalents. In the event of a default on the part of a counterparty, the maximum credit risk for all classes of financial assets is equal to the respective carrying amount at the reporting date. No material concentration risks for the Group existed during the current or prior periods.

The Group is exposed to potential credit risks primarily in relation to trade receivables from customers. As in the past, there was no need to recognise any major valuation allowances in respect of trade receivables during the current period. Credit risks from financial transactions are managed centrally by the Finance department. To minimise risks, financial transactions are conducted only within short-term periods and with banks and other partners that preferably have investment-grade ratings.

In addition, there exists a credit risk in respect of cash and cash equivalents in the event that financial institutions were no longer able to satisfy their obligations. This credit risk is limited by investing only with various banking institutions with good ratings.

c) Liquidity risk

Liquidity risk includes the risk that Dermapharm will not be in the position to satisfy its assumed financial liabilities as they fall due. For this reason, a significant aim of liquidity management is to ensure that payment is possible at all times. Management continuously monitors the risk of liquidity shortfalls by using the liquidity planning capabilities of its ERP system. This system tracks payments into and out of the financial assets and financial liabilities as well as expected cash flows from business activities.

The Group's aim is to maintain a balance between continuously covering the required financial resources and ensuring flexibility by using bank credit facilities. Any remaining short-term liquidity requirement peaks are balanced out by using those credit facilities.

Dermapharm has access to the following lines of credit:

EUR thousand	31 December 2020	31 December 2019
Aggregate lines of credit	134,670	151,330
Available lines of credit	77,170	145,367
Number of banks	15	16

The table below shows the Group's financial liabilities according to maturity, based on the remaining maturity at the respective reporting dates and in relation to the contractually agreed, non-discounted cash flows. Financial liabilities payable at any time are allocated to the earliest possible time of payment. Variable interest payments from the financial instruments, where applicable, were calculated on the basis of respective forward rates as at the reporting date.

EUR thousand	Due within 1 year	Due between 1-5 years	Due after 5 years
31 December 2020 **Expected cash flows from financial liabilities**			
Interest	7,779	19,436	1,260
Repayment of principal	21,463	503,835	68,254
Expected cash flows from trade payables	50,370	-	-
Expected cash flows from other financial liabilities	4	-	-
31 December 2019 **Expected cash flows from financial liabilities**			
Interest	6,423	21,659	2,162
Repayment of principal	8,214	465,747	70,309
Expected cash flows from trade payables	35,355	-	-
Expected cash flows from other financial liabilities	7,079	-	-

Proceeds and expenses from derivatives were expected as follows:

EUR thousand	Due within 1 year	Due between 1-5 years	Due after 5 years
31 December 2020 **Expected cash flows from derivatives**			
Derivative contracts - proceeds	-	-	-
Derivative contracts - expenses	(150)	(114)	-
31 December 2019 **Expected cash flows from derivatives**			
Derivative contracts - proceeds	1,037	-	-
Derivative contracts - expenses	(1,152)	(172)	-

7.2 Disclosures on capital management

Dermapharm's capital management objectives are primarily to maintain and ensure an optimum capital structure to continue financing the growth plan and to manage the Company's value over the long term. Dermapharm's optimal capital structure is essentially defined by whether the financial covenants agreed with creditors can be maintained. Further focus is placed on the reduction of capital costs, the generation of liquid funds and the active management of the net working assets.

In accordance with the financial covenants, Dermapharm manages its capital structure based on the KPIs net debt, the ratio between net debt and EBITDA and based on the equity ratio (as a percentage). Where necessary, Dermapharm makes adjustments, taking into account changes in the general economic environment.

Net indebtedness is defined as the total of current and non-current financial liabilities and other current and non-current financial liabilities less cash and cash equivalents. Net indebtedness as at 31 December 2020 was EUR 486,766 thousand (31 December 2019: EUR 465,418 thousand). EBITDA is defined as operating earnings plus depreciation, amortisation and write downs and equity interests in companies accounted for using the equity method.

At 31 December 2020, the net indebtedness to EBITDA ratio was 2.6 (31 December 2019: 2.8).

The equity ratio changed as follows:

EUR thousand	31 December 2020	31 December 2019
Equity attributable to owners of parent	321,966	278,649
Total equity and liabilities	1,224,396	1,044,871
Equity ratio (%)	**26 %**	**27 %**

In financial years 2019 and 2020, the Group did not breach the financial covenants.

7.3 Additional disclosures on financial instruments

The table below shows the carrying amounts of all financial instruments reported in the consolidated statement of financial position and how the assets and liabilities or parts of the totals of each category are classified into the categories in accordance with IFRS 9.

It also depicts the fair values of the financial instruments and the IFRS 13 fair value hierarchy level applied to obtain the value.

31 December 2020	Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9						
EUR thousand	Carrying amount at 31 December 2020	Amortised cost	Fair value through profit or loss	Fair value through other compre-hensive income	Measure-ment in accordance with IFRS 16	Fair value as at 31 December 2020	Fair value level
Financial assets							
Other non-current financial assets	1,603	740	863	-	-	1,603	3
Equity investments	383	383	-	-	-	383	-
Trade receivables	55,515	55,515	-	-	-	55,515	-
Other current financial assets	3,849	3,849	-	-	-	3,849	-
Cash and cash equivalents	120,301	120,301	-	-	-	120,301	-
Financial liabilities							
Non-current financial liabilities							
of which bank loans	*470,868*	*470,868*	-	-	-	*488,843*	*2*
of which promissory note loans	*99,615*	*99,615*	-	-	-	*103,738*	*2*
of which lease liabilities	*10,276*	-	-	-	*10,276*	*12,364*	*2*
Other non-current financial liabilities	261	-	261	-	-	261	2
Current financial liabilities							
of which bank loans	*2,721*	*2,721*	-	-	-	*2,721*	-
of which promissory note loans	*19,484*	*19,484*	-	-	-	*19,484*	-
of which bank overdrafts	-	-	-	-	-	-	-
of which lease liabilities	*3,839*	-	-	-	*3,839*	*3,839*	-
Trade payables	50,370	50,370	-	-	-	50,370	-
Other current financial liabilities	4	4	-	-	-	4	-

31 December 2019		Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9					
EUR thousand	Carrying amount at 31 December 2019	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Measurement in accordance with IFRS 16	Fair value as at 31 December 2019	Fair value level
Financial assets							
Other non-current financial assets	1,562	691	871	-	-	1,562	3
Equity investments	395	395	-	-	-	395	-
Trade receivables	48,879	48,879	-	-	-	48,879	-
Other current financial assets	6,040	4,999	1,041	-	-	6,040	2
Cash and cash equivalents	114,956	114,956	-	-	-	114,956	-
Financial liabilities							
Non-current financial liabilities							
of which bank loans	*414,583*	*414,583*	-	-	-	*427,659*	2
of which promissory note loans	*119,009*	*119,009*	-	-	-	*121,351*	*2*
of which lease liabilities	*9,755*	-	-	-	*9,755*	*12,614*	*2*
Other non-current financial liabilities	18,684	-	285	18,399*	-	18,684	2/3
Current financial liabilities							
of which bank loans	*2,251*	*2,251*	-	-	-	*2,251*	-
of which promissory note loans	-	-	-	-	-	-	-
of which bank overdrafts	*5,963*	*5,963*	-	-	-	*5,963*	-
of which lease liabilities	*3,049*	-	-	-	*3,049*	*3,049*	-
Trade payables	35,355	35,355	-	-	-	35,355	-
Other current financial liabilities	7,079	6,038	1,041	-	-	7,079	2

* Liability from the put-option on the remaining shares in Fitvia GmbH; see also the 2019 Annual Report, note 2.16.

Due to the short maturity of the cash and cash equivalents, trade receivables and payables as well as other current financial assets and other current financial liabilities, it is assumed that the carrying amounts of these items were reasonable approximations of their fair values.

The fair values of the financial instruments allocated to Level 3 changed as follows:

EUR thousand	Financial assets measured at fair value	Financial liabilities measured at fair value
As at 1 January 2020	**871**	**18,399**
Additions	-	-
Disposals	-	(19,147)
Change in fair value recognised through profit or loss	(8)	-
Change in fair value recognised through other comprehensive income	-	748
As at 31 December 2020	**863**	**0**

EUR thousand	Financial assets measured at fair value	Financial liabilities measured at fair value
As at 1 January 2019	**0**	**564**
Additions	939	13,759
Disposals	-	(743)
Change in fair value recognised through profit or loss	(68)	179
Change in fair value recognised through other comprehensive income	-	4,640
As at 31 December 2019	**871**	**18,399**

There were no reclassifications within the fair value hierarchy in the 2020 financial year.

EUR thousand	2020	2019
Interest income	**494**	**2,058**
from financial assets measured at (amortised) cost	2	73
from derivatives measured at fair value through profit or loss	492	1,985
Interest expense	**(9,031)**	**(9,753)**
from financial liabilities measured at (amortised) cost	(8,661)	(7,713)
from derivatives measured at fair value through profit or loss	(371)	(2,040)
Amortisation and impairment of financial assets measured at (amortised) cost	**(634)**	**(232)**
Net result from subsequent measurement through profit or loss	**16**	**414**
Gains from subsequent measurement through profit or loss of derivatives	34	593
Losses from subsequent measurement through profit or loss of derivatives	(18)	(179)
Foreign exchange gains on financial instruments	**3,368**	**2,712**
Foreign exchange losses on financial instruments	**(4,994)**	**(3,635)**
Net result from financial instruments (in accordance with IFRS 9)	**(10,782)**	**(8,436)**

8. Other disclosures

8.1 Notes to the consolidated statement of cash flows

The consolidated statement of cash flows was prepared in accordance with IAS 7 Statement of Cash Flows and shows the changes in the Group's cash and cash equivalents during the course of the reporting period due to cash inflows and outflows.

Under IAS 7, cash flows are disclosed separately based on origin and classified as cash flows from either operating, investing or financing activities. The cash inflows and outflows from operating activities are derived indirectly starting from the Group's profit or loss for the year. Cash inflows and outflows from investing and financing activities are derived directly. The funds in the consolidated statement of cash flows correspond to the value of cash and cash equivalents and bank overdrafts in the consolidated statement of financial position. Cash and cash equivalents include the freely available cash deposits and deposits with financial institutions.

Payments for business combinations, less cash of EUR 68,828 thousand, which are reported under cash flows from investing activities, resulted primarily from the acquisition of Allergopharma, the subsequent purchase price payment amounting to EUR 4,236 thousand for Euromed, which was acquired in financial year 2019, and the EUR 6,022 thousand payment of the earn-out liability to Fitvia. EUR 70,105 thousand was paid to acquire Allergopharma. An outflow of EUR 58,571 thousand resulted, not taking into account the EUR 11,534 thousand in cash acquired. For further information on these acquisitions, please refer to note 2.7.

Payments for acquisitions of non-controlling interests amounting to EUR 14,800 thousand, which are reported under cash flows from financing activities, are attributable to the purchase of the remaining 30 % share in Fitvia GmbH. For further information on these acquisitions, please refer to note 2.7.

The cash and non-cash changes in financial liabilities, the inflows and outflows for which are presented under cash flows from financing activities in the statement of cash flows, can be broken down as follows for the 2020 financial year:

EUR thousand	2020	2019
Financial liabilities as at 1 January	**554,611**	**304,319**
Proceeds from borrowings	58,442	460,776
Transaction costs in connection with borrowings	-	(788)
Repayments of borrowings	(2,283)	(224,084)
Payments of lease liabilities	(4,507)	(4,101)
Total changes from cash flows from financing activities	**51,652**	**231,804**
Effect of exchange rate changes	(25)	1
Changes in bank overdrafts	(5,963)	(118)
Lease liabilities	2,551	12,932
Changes to the group of consolidated companies	3,389	5,052
Other changes	588	621
Financial liabilities as at 31 December	**606,802**	**554,611**

8.2 Other financial obligations and contingent liabilities

Litigation

In the course of its business activities, the Group is regularly exposed to numerous legal risks, particularly in connection with litigation relating to the areas of product liability, competition, intellectual property disputes and tax matters. The following legal dispute represents the only material proceedings in which the Group currently is or was involved during the past twelve months:

The action filed in 2011 by Dermapharm against UniCredit Bank AG ("UniCredit") before the Munich I Regional Court (Landgericht) in connection with currency swap transactions was settled in September 2020 before the Higher Regional Court (Oberlandesgericht) of Munich. All claims and costs of the legal dispute have thus been settled and resolved.

In addition to the aforementioned and settled litigation, the Group is involved in other court proceedings. However, none of these proceedings have a material effect on the Group's financial position and each of them are within the scope of the Group's ordinary activities.

Apart from the proceedings described above, the Group is not aware of any administrative court or arbitration proceedings (whether pending or threatened) which may have, or have had, a material effect on its financial position or profitability.

Guarantees

There were no material guarantees as at 31 December 2020 or 31 December 2019.

Contingent liabilities

There were no material contingent liabilities as at 31 December 2020 or 31 December 2019.

Purchase commitments

At 31 December 2020, the Group had purchase commitments relating to inventories of EUR 53,683 thousand (31 December 2019: EUR 116,492 thousand).

9. Related party disclosures

In accordance with IAS 24, related parties are persons or companies, other than entities which are already included in the consolidated financial statements, which can be materially influenced by or are able to influence Dermapharm.

Key management personnel include members of the Board of Management and the Supervisory Board. Significant shareholders are those who own or are the beneficial owners of more than 10 % of Dermapharm's voting shares. The ultimate controlling shareholder is Mr Wilhelm Beier.

Transactions with related parties for the financial years ended 31 December 2020 and 31 December 2019 between Dermapharm and significant shareholders and other related parties are summarised below.

a) Material transactions

Related party transactions (persons)

EUR thousand	2020	2019
Marketing and advertising	1,266	1,099
Remuneration at Dermapharm AG, Hünenberg, Switzerland	-	56
Total	**1,266**	**1,155**

Related party transactions (entities)

	Transactions in		Open receivables as at 31 December		Open liabilities as at 31 December	
EUR thousand	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Transfer of goods						
Associates	-	522	-	-	-	-
Non-consolidated companies	3,066	1,678	940	1,029	-	-
Consulting and services						
Parent (Themis Beteiligungs-AG) of Dermapharm	334	322	16	-	-	-
Non-consolidated companies	13	2,983	-	-	4	21
Offsetting of current expenses						
Parent (Themis Beteiligungs-AG) of Dermapharm	248	1,905	-	1,041	-	-
Associates	1,417	1,652	-	1,652	-	-
Miscellaneous						
Associates	573	1,250	1,819	1,250	-	-
Non-consolidated companies	25	15	36	15	-	-
Total	**5,676**	**10,327**	**2,811**	**4,987**	**4**	**21**

The outstanding balances at the end of the financial year are unsecured and due for payment at short notice. There are no guarantees for receivables from or liabilities to related parties.

b) Remuneration of key management personnel

The total remuneration paid to the Board of Management and the Supervisory Board is described in detail in the Group management report, including additional disclosures relating to the remuneration system.

The remuneration of members of the Board of Management and the Supervisory Board, who represent the key management personnel, is presented as follows in accordance with IAS 24:

EUR thousand	2020	2019
Short-term benefits	3,681	3,151
Long-term benefits	1,079	997
Total	**4,760**	**4,148**

The members of key management receive remuneration solely due to their function as a person in a key position.

10. Disclosures on the Board of Management and the Supervisory Board

The Company's corporate boards are composed as follows:

Members of the Board of Management

Due to personal reasons, Mr Stefan Hümer resigned as Dermapharm's Chief Financial Officer at the end of his term on 31 July 2020. Ms Hilde Neumeyer succeeded him on 1 July 2020.

Name	Member since	Appointed until	Position	Profession
Dr. Hans-Georg Feldmeier	Aug 2017	2023	Chief Executive Officer	Pharmacist
Stefan Hümer	Aug 2017	2020	Chief Financial Officer	Merchant
Hilde Neumeyer	Jul 2020	2023	Chief Financial Officer	Merchant
Dr. Jürgen Ott	Oct 2019	2022	Chief Marketing Officer	Chemist
Karin Samusch	Aug 2017	2023	Chief Business Development Officer	Merchant

Members of the Supervisory Board

Name	Member since	Appointed until	Position	Profession
Wilhelm Beier	Aug 2017	2022	Chairman of the Supervisory Board	Merchant
Dr. Erwin Kern	Aug 2017	2022	Deputy Chairman of the Supervisory Board	Merchant
Lothar Lanz	Jan 2018	2022	Member of the Supervisory Board	Merchant

In the financial years presented, there were no pension obligations due to current or former members of key management. The Supervisory Board members are covered by a Group D&O insurance policy.

11. Auditor's fee and services

At the Annual General Meeting on 17 June 2020, the shareholders of Dermapharm Holding SE elected Warth & Klein Grant Thornton AG to audit the annual financial statements. Warth & Klein Grant Thornton AG's fees were broken down as follows:

EUR thousand	2020	2019
Audit services	1,038	788
Other confirmation services	-	-
Tax consultancy services	-	-
Miscellaneous services	5	5
Total	**1,043**	**793**

The audit services related to the audit of the consolidated financial statements and the audit of the annual financial statements and dependent company reports of Dermapharm Holding SE and its subsidiaries at the end of the financial year as well as the audit review of the interim consolidated financial statements as at 30 June 2020.

12. Declaration of compliance with the German Corporate Governance Code (DCGK)

The management board and the supervisory board of Dermapharm Holding SE have jointly issued the declaration of compliance with the DCGK required by Section 161 of the German Stock Corporation Act. The declaration of conformity is on the company's website (https://ir.dermapharm.de/) permanently available to the public.

13. Events after the reporting period

Events after the reporting date with a material or potentially material effect on the Group's financial position, financial performance and cash flows:

Vaccine production ramped up in cooperation with BioNTech SE

On 12 February 2021, Dermapharm's Board of Management announced that the contribution to consolidated revenue in financial year 2021 from the cooperation with BioNTech SE to produce the COVID-19 vaccine Comirnaty® was expected to be in the high tens of millions. This was based on current plans for the production of the vaccine, in line with which additional production capacities would be brought on line at the Group subsidiary Allergopharma's Reinbek location, near Hamburg. Allergopharma is scheduled to begin producing the vaccine in May 2021. Dermapharm and BioNTech SE entered into a cooperation and supply agreement in September 2020, and production of the vaccine began at mibe GmbH Arzneimittel's main manufacturing facility in Brehna in October 2020.

Grünwald, 6 April 2021

The Management Board

Dr. Hans-Georg Feldmeier	Hilde Neumeyer	Karin Samusch	Dr. Jürgen Ott
Chief Executive Officer	Chief Financial Officer Chief Compliance Officer	Chief Business Development Officer	Chief Marketing Officer

DECLARATION OF THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, and the Group management report, which is combined with the management report of Dermapharm Holding SE, presents the Group´s business performance, including the financial performance and the financial position, in a manner that gives a true and fair view and describes the principal opportunities and risks of the company's anticipated development.

Grünwald, 12 April 2021

Dr. Hans-Georg Feldmeier	Hilde Neumeyer	Karin Samusch	Dr. Jürgen Ott
Chief Executive Officer	Chief Financial Officer Chief Compliance Officer	Chief Business Development Officer	Chief Marketing Officer

The following copy of the independent auditor's report also includes a "Report on the Assurance in Ac-cordance with Section 317 Paragraph 3b HGB on the Electronic Re-production of the Consolidated Fi-nancial Statements and the Group Management Report Prepared for Publication Purposes" ("separate report on ESEF compliance"). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Gederal Gazette].

INDEPENDENT AUDITOR'S REPORT

To Dermapharm Holding SE, Grünwald

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of Dermapharm Holding SE, Grünwald, and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report which is combined with the management report (referred to subsequently as "combined management report") of Dermapharm Holding SE for the financial year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Statement pursuant to Section 289f and Section 315d HGB [Handelsgesetzbuch: German Commercial Code] included in Section 6.1 of the combined management report nor the nonfinancial consolidated report referred to in Section 6.2 of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the above-mentioned Corporate Governance Statement nor the nonfinancial consolidated report referred to in the combined management report.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" Section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with

these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters in our view:

1. Capitalisation of development costs
2. Identification and measurement of the assets and liabilities transferred in the context of the Allergopharma DACH acquisition and related note disclosures
3. Impairment testing of the goodwill and of the capitalized development costs with (still) indefinite useful lives

Our presentation of these key audit matters has been structured as follows:

1. Financial statement risk
2. Audit approach
3. Reference to related disclosures

1. Capitalisation of development costs

1. Financial Statement Risk

In the consolidated financial statements of Dermapharm Holding SE for the year ended 31 December 2020, capitalised development costs for the development of new pharmaceutical products and authorisations amounting to EUR 62.1 million are reported in consolidated statement of financial position under the line item "Intangible assets", of which EUR 14.4 million were capitalized in the financial year 2020. The development costs are capitalised subject to the assessment by the executive directors of Dermapharm Holding SE as to whether the capitalisation requirements of development costs of IAS 38 have been met. The assessment required in this context whether it is likely that future economic benefits are expected for the Dermapharm Group was based on internal planning calculations. The capitalised development costs are determined by the costs directly attributable to the development project and include personnel costs for employees involved in the development process, and an appropriate part of the directly attributable overhead costs and costs for external resources.

Whether and to what extent it is necessary or permitted to capitalise the development costs incurred in the financial year 2020 highly depends on the assessment of the executive directors with regard to the fulfillment of the requirements of IAS 38 and is therefore associated with a high degree of estimation uncertainty. In consideration of the foregoing and of the importance of capitalised development costs for the assets, liabilities and financial performance of the Dermapharm Group, this matter was of particular significance in our audit.

2. Audit Approach

Within our audit, we obtained an understanding of the processes implemented for the capitalisation of the development costs and analysed potential risks of errors. In addition, we assessed the controls implemented for the capitalisation of development costs. We assessed development projects selected on the basis of quantitative and qualitative criteria as to whether the requirements set out in IAS 38 for the capitalisation of development costs have been met. For this purpose we critically assessed the underlying assumption of the capitalisation that future economic benefits are expected for the Dermapharm Group on the basis of the planning calculations submitted to us by the executive directors of Dermapharm Holding SE. We assessed the appropriateness of key planning assumptions

in the light of current and expected market conditions and of the explanations, we obtained from interviews of the executive directors and one more selected employee. For the selected development projects we furthermore convinced ourselves that the capitalised development costs are directly attributable costs which qualify for capitalisation under IAS 38 and an appropriate part of the directly attributable overheads and costs for external resources.

3. Reference to Related Disclosures

The disclosures of Dermapharm Holding SE relating to capitalised development costs are shown in Sections "2.8 Intangible assets – Capitalised development costs", "3. Estimates and judgements – Development costs" and "4.1 Intangible assets" of the notes to the consolidated financial statements.

2. Identification and measurement of the assets and liabilities transferred in the context of the Allergopharma DACH acquisition and related note disclosures

1. Financial Statement Risk

With effect from 31 March 2020, Dermapharm Beteiligungs GmbH, a direct subsidiary of Dermapharm Holding SE, acquired all business or limited partner shares in Allergopharma Verwaltungs GmbH, Reinbek, Allergopharma GmbH & Co. KG, Reinbek, as well as its subsidiaries in Austria and Switzerland (jointly referred to as "Allergopharma DACH").

This acquisition transaction was completed in the financial year and accounted for as Business Combinations using the acquisition method as defined in IFRS 3. The assets and liabilities identified in the purchase price allocation process were fully recognised at their acquisition-date fair values. The first-time consolidation resulted in goodwill of Allergopharma DACH in the amount of EUR 60.5 million.

The identification and measurement of acquired assets – in particular intangible assets such as brands and not patented technologies– and liabilities is often based on discretionary assumptions of the executive directors and is therefore subject to high estimation uncertainty. Particular risks for the financial statements are also attributable to the complex assumption-based measurement methods used to determine the fair values of intangible assets in particular. In consideration of the foregoing and due to the significance of the acquisition for the Dermapharm Group, the aforementioned elements of the recognition of the Allergopharma DACH acquisition in the financial statements completed in the financial year was of particular significance in our audit.

2. Audit Approach

Within our audit, we obtained an understanding of the processes in place for the identification and measurement of acquired assets and liabilities, the related note disclosures and analysed possible risks of errors. As part of our audit of the presentation of the completed acquisition, we also evaluated the competence, capability and objectivity of the external expert engaged to carry out the purchase price allocation. With the involvement of our internal valuation experts we evaluated the appropriateness of the identification and valuation methods employed by the expert in the context of the general accounting policies and assessed the content of the applied measurement assumptions and parameters. For example for intangible assets the fair value of which was determined using the Relief from Royalty Approach, hence we compared the royalty rates used by the expert with reference values from relevant databases. For selected valuations on the basis of planning calculations we examined the planning calculations provided to us as of valuation date for their arithmetical accuracy and assessed the planned future revenue and cost developments, among other things, on the basis of interviews of the executive directors and of the external expert engaged to prepare the purchase price allocation. Where the calculation of a present value was relevant in the determination of the fair values in the abovementioned context, we recalculated the used capital costs and compared their underlying parameters with publicly available information.

We compared the identified assets and liabilities recognised in the consolidated statement of financial position and their fair values with the valuation reports of the external expert. Finally, we assessed whether the note disclosures relating to the Allergopharma DACH acquisition have been presented appropriately and completely.

3. Reference to Related Disclosures

The disclosures of Dermapharm Holding SE are included in the Sections "2.5 Consolidation principles and group of consolidated companies" and "2.7 Business acquisitions and acquisitions of non-controlling interests" of the notes to the consolidated financial statements.

3. Impairment testing of the goodwill and of the capitalised development costs with (still) indefinite useful lives

1. Financial Statement Risk

In the consolidated statement of financial position as at 31 December 2020, Dermapharm Holding SE recognised "Goodwill" in the amount of EUR 266.3 million and capitalised development costs in the amount of EUR 62.1 million under the line item "Intangible assets", of which EUR 43.8 million were not yet subject to planned depreciation as the use was not started yet.

Pursuant to IAS 36, an impairment test shall be performed for the goodwill and development costs not subject to planned depreciation; the impairment test was performed as of 30 September 2020. Impairment tests are performed at the level of the cash-generating units or at the level of the individual development projects. In this process the recoverable amounts of the individual cash-generating units or development projects are compared with the carrying amounts of each of the cash-generating units or development projects. The recoverable amount is determined by calculating the value in use which is based on the discounted cash flow forecasts of each of the cash-generating units or development projects. The cash flow forecasts for the impairment test of the goodwill are based on the budget planning of each of the cash-generating units as approved by the executive directors and the supervisory boards; the cash flow forecasts for the individual development projects are derived from the key indicators determined by the executive directors. For discounting, the discount rate is determined by using the weighted average discount rates of equivalent terms of the relevant cash generating units or development projects.

On the basis of the impairment test, Dermapharm Holding SE reported impairment losses for capitalised development costs amounting to EUR 4.25 million.

The result of the impairment tests is highly affected by the assessment of the future cash flows and the applied discount rate and is subject to considerable estimation uncertainty. Against this background and due to the complexity of the implementation of the applied valuation method, this matter was of particular significance in our audit.

2. Audit Approach

As part of our audit, we obtained an understanding of the processes in place for the calculation of the recoverable amount of cash generating units or development projects within the explained context and analysed possible risks of errors. In the course of our audit we evaluated the methodology applied in the impairment tests. In addition, we assessed the controls in place for the identification and calculation of possible impairments. We compared the underlying cash flow forecasts of determining the value in use of the goodwill with the budget planning as approved by the executive directors and the supervisory board. By interviewing the executive directors and a selected employee, we analysed the value-driving assumptions on a sample basis, which were used in budget planning and in determining the key indicators for the calculation of the values in use of the development projects, for their consistency and reasonableness. In our analysis, we have incorporated our understanding of the economic environment and the conditions as of reporting date or the expected conditions in the relevant markets. In addition, as part of our impairment test of the goodwill, we analysed the planning history by comparing the planning of the preceding years with the actual results of the financial years and by comparing the current planning with the prior year planning. In relation to the impairment test of the goodwill, we additionally evaluated the consistency in differentiating the cash-generating units.

We evaluated the respective calculation scheme for deriving the applied discount rates and verified the parameters included in the derivation of the discount rate with the involvement of our valuation experts. Furthermore, we analysed and assessed the consistent use of parameters and the consistent derivation of the discount rates in comparison with the preceding year.

We evaluated the sensitivity analyses performed by Dermapharm Holding SE for appropriateness.

3. Reference to Related Disclosures

The disclosures of Dermapharm Holding SE relating to impairment testing of goodwill and capitalised development costs are included in Sections "2.10 Impairment on non-financial assets", "3. Estimates and judgements" and "4.1 Intangible assets" of the notes to the consolidated financial statements.

Other Information

The executive directors or the supervisory board, as applicable, are responsible for the other information. The other information comprises:

- the Corporate Governance Statement pursuant to Section 289f and Section 315d HGB,
- the nonfinancial consolidated report according to Section 315b HGB
- the affirmation of the legal representatives pursuant to Section 297 paragraph 2 clause 4 and Section 315 paragraph 1 clause 5 HGB, and
- the remaining parts of the annual report 2020 with the exception of the audited consolidated financial statements, the audited parts of the combined management report and our auditor's report.

The executive directors and the supervisory board are responsible for the Statement according to Section 161 AktG relating to the German Corporate Governance Kodex which is part of the Corporate Governance Statatement included in Section 6.1.1 of the combined management report. The supervisory board is responsible for the report of the supervisory board included in the annual report. The executive directors are responsible for the remaining other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development.

In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e paragraph 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in Accordance with Section 317 Paragraph 3b HGB on the Electronic Re-production of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Opinion

We have performed assurance work in accordance with Section 317 paragraph 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file „529900BTFP18OVB3JT02-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with Section 317 paragraph 3b HGB and the Exposure Draft of IDW Assurance Standard "Assurance in Accordance with Section 317 Paragraph 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes" (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" Section. Our audit firm has applied the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 paragraph 1 sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 paragraph 1 sentence 4 no. 2 HGB.

In addition, the executive directors of the company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format.

The executive directors of the company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circum-stances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 17 June 2020. We were engaged by the supervisory board on 18 September 2020. We have been the group auditor of Dermapharm Holding SE, Grünwald, as capital market-oriented corporation in the meaning of Section 264d HGB without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the supervisory board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Anja Zweck.

München, 12 April 2021

Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Thomas Senger	Anja Zweck
[German Public Auditor]	[German Public Auditor]

IMPRINT

Publisher

Dermapharm Holding SE
Lil-Dagover-Ring 7
82031 Grünwald
Germany

Tel.: +49 (89) 6 41 86 – 0
Fax: +49 (89) 6 41 86 – 130

E-Mail: ir@dermapharm.com
https://ir.dermapharm.de

Investor Relations & Corporate Communications

Dermapharm Holding SE
Britta Hamberger

Tel.: +49 (89) 641 86 – 233
Fax: +49 (89) 641 86 – 165

E-Mail: ir@dermapharm.com
https://ir.dermapharm.de

Concept, editing, layout and typesetting

cometis AG
Unter den Eichen 7
65195 Wiesbaden
Deutschland

Tel.: +49 611 20 58 55 – 0
Fax: +49 611 20 58 55 – 66

E-Mail: info@cometis.de
www.cometis.de

Photos

Dermapharm Holding SE
Günther Fotodesign
Andreas Stedtler, Mitteldeutsche Zeitung

Dermapharm Holding SE

Lil-Dagover-Ring 7
82031 Grünwald
Germany

Telephone: +49 (89) 6 41 86 – 0
Telefax: +49 (89) 6 41 86 – 130

E-Mail: ir@dermapharm.com
https://ir.dermapharm.de