Dermapharm Holding SE

ANNUAL REPORT 2021

CONSOLIDATED RESULTS AT A GLANCE

Consolidated results 5-year overview (IFRS)

		2021	2020	2019	2018	2017
Revenue	EUR million	942.9	793.8	700.9	572.4	467.1
Adjusted EBITDA	EUR million	351.1	200.7	177.6	143.4	112.9
Adjusted EBITDA Margin	%	37.2	25.3	25.3	25.1	24.2
Unadjusted EBITDA	EUR million	354.4	184.5	168.5	139.6	110.2
Unadjusted EBITDA Margin	%	37.6	23.2	24.0	24.4	23.6
Operating income	EUR million	298.5	136.9	119.5	107.5	92.1
Earnings before taxes	EUR million	293.0	125.3	110.1	104.2	88.0
Profit or (loss) for the period	EUR million	208.9	85.9	77.8	75.2	77.7
Earnings per share	EUR	3.89	1.59	1.43	1.41	1.56
Dividend proposal	EUR	2.17	0.88	0.80	0.77	–
Balance sheet	EUR million	1,407.0	1,224.4	1,044.9	704.6	415.3
Equity	EUR million	499.8	324.6	284.5	256.1	73.7
Equity ratio	%	35.5	26.5	27.2	36.3	17.7
Cash and cash equivalents	EUR million	161.4	120.3	115.0	212.5	6.3
Net debt	EUR million	419.7	486.8	465.4	95.2	258.5

QUICK CHECK

>40

DEVELOPMENT PRODUCTS

>380

PHARMACEUTICAL INGREDIENTS

~1,300

MARKETING AUTHORISATIONS

2,373

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 ladies and gentlemen,
Dear shareholders,

It is with profound sadness and consternation that we witness the current developments in Ukraine. War has broken out in the heart of Europe. We were extremely relieved to learn that our Ukrainian employees are safe and sound. The subsidiary in Kyiv has been closed and sales activities in Ukraine have of course been suspended. The revenue we generate in Ukraine amounts roughly to a mere 1 % of consolidated revenue. Hence, the direct impact on our business is negligible. Nevertheless, it is clear to us all that the crisis in Eastern Europe will influence macroeconomic developments and the political situation beyond Europe's borders. The Ukraine conflict is exacerbating what was already a tense situation on procurement markets due to the pandemic. Over the past months, the Dermapharm team has demonstrated that it can successfully drive the Company forward even during times of crises. And we will wield that same great entrepreneurial spirit to tackle any challenges that may come our way. Once again, 2021 stood in the shadow of the COVID-19-pandemic. Right at the beginning of the previous year, Germany imposed a strict second lockdown that wasn't lifted until May 2021. The new delta and omicron variants prolonged the pandemic and time and again disrupted global and regional economies, public life and business activities subject to restrictions throughout the year.

Despite the challenging market environment, 2021 was our most successful year in our Company's 30-year history: We increased our consolidated revenue by 19 % year on year to EUR 943 million. Consolidated EBITDA increased by 75 % to EUR 351 million in the same period. We would like to once again take this opportunity to express our sincere gratitude to all of the employees in the Group for their extraordinary efforts in achieving this truly remarkable milestone that we are all extremely proud of!

This outstanding financial year was the result of hard work, nothing else. The Group, too, had to navigate a challenging environment in the previous year: Our supply chains were disrupted worldwide, and we had to pay higher prices as raw materials became increasingly scarce. Nevertheless, we managed to steer Dermapharm through this increasingly difficult environment, while at the same time ensuring that it remained in a position to meet its delivery commitments and, above all, profitable. That is a strong and likewise important signal, particularly during a pandemic. For the most part, we use our own resources to develop, manufacture and market our products. We leverage the reputations of Germany and other European countries as manufacturing powerhouses and the quality associated with products manufactured there. Our business partners, customers and investors, with whom we strive to maintain excellent, long-term relationships built on trust, appreciate this.

Our highly diverse product portfolio of branded pharmaceuticals performed very well overall despite the current challenges. We successfully consolidated, and in some areas even strengthened, our market position. For instance, demand remained high for our products that strengthen the immune system, particularly the vitamin D compounds of the Dekristol® and Dekristolvit® family. In Poland and Ukraine, we even managed to become the market leader with our high-dosage compound Dekristol® within just a few months. We also built on the positive performance of Allergovit®, a specific immunotherapy used to treat allergies, further expanding our market share.

In addition, every year we add promising in-house product developments to our existing portfolio. A particularly notable success in 2021 was the launch of Calcipotriderm® Gel. Although the development project proved to be highly complex and costly, we successfully launched Calcipotriderm® Gel on the market just as the patent for the originator pharmaceutical expired. This allowed us to become the market leader in Germany within just a few weeks.

Our success this past year was based on more than merely our ability to meet our delivery commitments and our strong brands. Vaccine production in cooperation with BioNTech SE also contributed greatly to our growth. In record time, we built up production capacities for the formulation of the vaccine. We already launched production of the vaccine at our main manufacturing facility in Brehna in October 2020. At the end of April 2021, we expanded our capacities in Reinbek and have since been producing the vaccine at two locations. Furthermore, in the autumn of 2021, we invested in fill & finish facilities in Brehna. Since the beginning of 2022, we have been able to fill vaccine doses in vials and pack them ready for shipment, thus rounding out our vaccine production capacities with fill & finish capabilities.

Acquiring new products, portfolios and companies has been part of the Group's successful business strategy ever since the Company was founded. One of Dermapharm's particular strengths lies not just in its ability to successfully integrate these acquisitions into the Group structure, but also to work systematically to foster their further development. This covers both expanding market position and optimising costs. After the disposal in August 2021 of our minority interest in FYTA, a Dutch producer of cannabis products, we once again gained access to the growth market for medical cannabis by acquiring the C³ Group shortly before the end of the year, which closed at the beginning of 2022. The C³ Group is the market leader for dronabinol in Germany and Austria by a wide margin. The C³ Group is also one of the leading providers in Denmark and Switzerland. The company produces the active ingredient dronabinol both by extracting it from cannabis flowers and synthetically. This ensures a very elevated level of supply security for us. Due to the expected legalisation of cannabis in Germany, we also expect synergistic growth effects in the prescription pharmacy market as cannabis becomes increasingly accepted. In 2021, the share price also reflected the Company's extremely dynamic performance. Dermapharm shares gained 56.8 % in value in the reporting period, whereas the small-cap index SDAX recorded growth of only 11.2 % in the same period.

Dear shareholders,

The 2021 financial year was extremely successful and you should of course also share in this success. We therefore intend to propose to the Annual General Meeting on 1 June 2022 that a dividend of EUR 2.17 be distributed.

The current financial year will be overshadowed by the war in Ukraine. However, pharmaceuticals and healthcare products are also needed in times of crisis. Dermapharm is excellently positioned for this situation by virtue of its extensive in-house value creation processes. We have a highly diverse product range and are not dependent on the success of any single product. This makes us relatively resilient in the face of crises. In the past, we were always faster than our competition in adapting to shifting market conditions. Therefore, at the time of writing, we expect the Company to once again have a successful year in 2022. All of us on the Board of Management of Dermapharm are proud to lead a company full of so many qualified, highly-motivated and hard-working employees. This comes with great responsibility. And we will continue to live up to this responsibility. We would like to thank you for your trust in our work and for your loyalty to the Company in what was once again a very challenging financial year 2021. We hope you will remain at our side – now and in the future.

Grünwald, April 2022

The Board of Management

REPORT OF THE SUPERVISORY BOARD ON THE 2021 FINANCIAL YEAR

Cooperation between the Board of Management and the Supervisory Board

In financial year 2021, 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 continually offered the Board of Management oversight and advice with regard to its management of the Company.

At all times, we were able to affirm the legality, expediency and propriety of the work undertaken by the Board of Management. The Board of Management fulfilled its duty to provide information. The Board of Management regularly provided us with timely and comprehensive written and oral reports on all issues of relevance to the Company and the Group relating to strategy implementation, planning, performance, the risk situation, risk development and compliance. In particular, we discussed at length and verified the soundness of all transactions of material import to the Company on the basis of the Board of Management's written and oral reports.

The Supervisory Board also received reports on material and urgent individual transactions from the Board of Management and granted its consent to the extent this was required by law, the Articles of Association or the rules of procedure for the Board of Management.

Personnel changes on the Board of Management and the Supervisory Board

Board of Management

There were no changes to the Board of Management in financial year 2021.

Supervisory Board

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

Work of the Supervisory Board in financial year 2021

The Supervisory Board met four times during financial year 2021. Every member of the Supervisory Board attended every meeting convened, meaning that the average attendance rate at Supervisory Board meetings in the 2021 financial year was 100%.

Although the members of the Board of Management occasionally attended meetings of the Supervisory Board, the Supervisory Board also convened meetings without members of the Board of Management present. The Chairman of the Supervisory Board attended the meetings of the Board of Management.

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. These reports also focused in particular on the effects of regulatory action taken by governments, including their effects on subsidiaries, and the countermeasures taken, as well as the selective approach taken by German health insurers when announcing calls for tenders for discount agreements and the participation of our German subsidiaries.

Also among the regular topics of discussion in addition to the cooperation and supply agreement entered into with BioNTech SE to manufacture the vaccine to combat the COVID-19-pandemic 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.

On **17 March 2021**, the Supervisory Board approved the 2021 Declaration of Conformity, which explains how the Company has deviated from the recommendations of the German Corporate Governance Code. Other topics of discussion related to questions surrounding the Board of Management's remuneration. The primary focus was on the resolution on the new Board of Management remuneration system, which was subsequently approved by the 2021 Annual General Meeting. In addition, the Supervisory Board approved an updated schedule of responsibilities under the rules of procedure for the Board of Management.

The Supervisory Board's meeting on **12 April 2021** was a conference call with the auditor, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft (now Grant Thornton AG Wirtschaftsprüfungsgesellschaft), Munich. After extensive discussion with the auditor, the Supervisory Board approved the 2020 annual and consolidated financial statements together with the management report and the combined Group management report. The Supervisory Board also decided on an increase in the Supervisory Board's remuneration and the associated amendment to the Articles of Association, which was approved by the 2021 Annual General Meeting.

The Supervisory Board's meeting on **9 September 2021** was also held as a conference call. The Supervisory Board discussed the Company's current performance and selected aspects of the corporate strategy. In this context, Mr Beier reported on the sustained high demand for products that strengthen the immune system, the continuation of the vaccine production and the planned investments at main manufacturing facility in Brehna in order to further expand the manufacturing capacities for the vaccine production in cooperation with BioNTech. Another topic of discussion was the equity investment in CORAT Therapeutics GmbH and other potential acquisitions. The effects of the German Act to Strengthen Financial Market Integrity (Gesetz zur Stärkung der Finanzmarktintegrität, "FISG"), the requirements for members of the Supervisory Board and the necessity of forming an audit committee were also discussed.

In the meeting on **15 December 2021**, Mr Lothar Lanz was elected Chairman of the Audit Committee. Further topics of discussion included the expansion of the rules of procedure of the Supervisory Board to include the tasks of the Audit Committee and the upcoming Supervisory Board election in financial year 2022. Mr Beier reported on the Company's performance and presented current and future acquisitions as well as the financial and liquidity situation to the Supervisory Board. Finally, the Supervisory Board discussed the budget plans for the years 2022 to 2023.

During the reporting year, there were no conflicts of interest on the Supervisory Board. Because the Supervisory Board consists of only three members, the Supervisory Board simultaneously performs the tasks of an audit committee. Beyond this, the Supervisory Board has not formed any committees.

Remuneration of the Supervisory Board

The Annual General Meeting on 23 June 2021 resolved to increase the remuneration of the Supervisory Board by amending the Articles of Association. 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 80 thousand for their work during the 2021 financial year.

Audit of the 2021 annual and consolidated financial statements, report on relationships with affiliated companies , the remuneration report and non-financial report

The Company's auditor, Grant Thornton AG Wirtschaftsprüfungsgesellschaft, 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 2021 prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the supplemental provisions in accordance with § 315e (1) HGB applicable under German commercial law, 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 this at its meeting on 11 April 2022. 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 2021 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 11 April 2022 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 116,832,800 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 this at its meeting on 11 April 2022. 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 remuneration report for the 2021 financial year was prepared by the Board of Management and the Supervisory Board in accordance with § 162 (1) sentence 1 of the German Stock Corporation Act (Aktiengesetz, "AktG") and subjected to a formal audit by the auditor in accordance with § 162 (3) AktG, with the result being that the information required under § 162 (1) and (2) AktG has been provided in the remuneration report in all material respects.

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 this at its meeting on 11 April 2022. 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 2022 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 2022

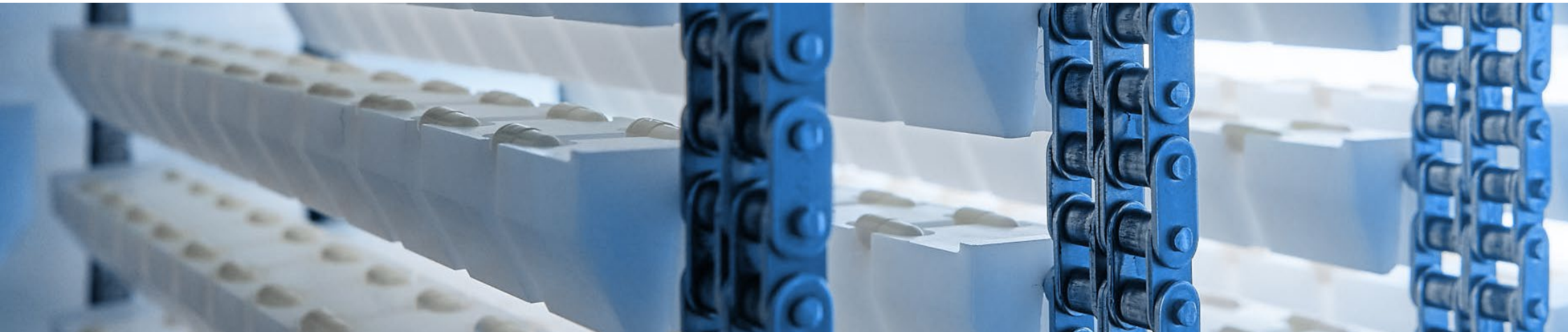
Wilhelm Beier
Chairman of the Supervisory Board

DERMAPHARM AT A GLANCE

branded pharmaceuticals for successful treatment plans

Dermapharm is a rapidly growing manufacturer of branded pharmaceuticals for selected therapeutic areas in Germany. The product range covers prescription pharmaceuticals (Rx), over-the-counter (OTC) products, medical devices, food supplements and cosmetics. More than 50 % of the brand portfolio consists of originator preparations which are no longer protected by patents and for which there is little or no competition on the market. Founded in 1991, Dermapharm is based in Grünwald near Munich. The Group operates four of its own development centres and 12 production facilities in Europe, primarily in Germany – a clear reflection of its commitment to Germany and the country's reputation as a manufacturing powerhouse. mibe is based in Brehna near Leipzig – one of the key manufacturing locations in Germany and the core logistics centre for the Group.

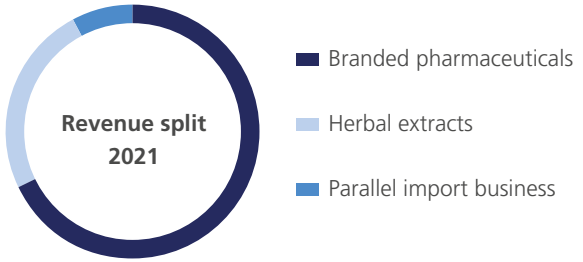
The Group's proven expertise in product development enables it to develop, manufacture and market a wide range of branded pharmaceuticals based on formulations of active pharmaceutical ingredients that are no longer protected by patents. Its portfolio currently comprises more than 380 active pharmaceutical ingredients, with roughly 1,300 marketing authorisations resulting. Together with the growing portfolio of other healthcare products such as food supplements, medical devices and cosmetics, the Group offers a broad product range that makes the Company unique and resilient to crises.



One of the Group's 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 a medical and pharmaceutical sales force. Dermapharm's "Made in Germany" quality seal and an integrated business model have helped it to achieve a strong track record for developing and marketing new pharmaceuticals and other healthcare products. More than 750 national and international marketing authorisations have already been obtained as a result of in-house research and development. By ensuring that entire value chain – from purchasing through production down to logistics and distribution – is covered in-house, Dermapharm streamlines internal processes and creates synergies for the Group. The resulting reduction in manufacturing and logistics costs boosts margins.

The 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. The Group reports Euromed's business in the "Herbal extracts" segment alongside the pollen extraction of recent acquisition Aktiebolaget. This segment was further boosted by the acquisition, completed at the beginning of 2022, of the C³ Group, which focuses on developing, manufacturing and marketing medicinal cannabis.

Dermapharm Holding SE has also been operating an established parallel import business under the "axicorp" brand since 2012. axicorp imports originator pharmaceuticals from other EU Member States and resell them to pharmaceuticals wholesalers and pharmacies in Germany. This enables axicorp 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 2021.



Attractive product mix

The ever-growing product portfolio, which includes known brands such as Dekristol®, Allergovit® and Tromcardin® primarily covers specialised niche markets. These often feature high barriers to entry and thus fewer competitors. Dermapharm holds a significant market share in all of these markets. With a mix of high-growth products and stable products which doctors and pharmacies use as standard therapies, Dermapharm has a market presence with an attractive and diverse portfolio. This portfolio primary focuses on vitamins, minerals & food supplements, dermatology, allergology, pain and inflammation, cardiovascular support and gynaecology and urology. The Group has compounds with more than 380 different active pharmaceutical ingredients in varying strengths and dosage forms. This allows the Group to offer doctors and pharmacists different custom solutions for individual medical treatment needs. Dermapharm has also developed an attractive product category within and beyond the pharmacy business with our patented medical devices bite away® and Herpotherm®.

By acquiring Allergopharma in 2020, the Group has expanded its therapeutic areas to include allergology and has gained valuable expertise in specific subcutaneous 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 enables the Dermapharm to expand its range of products for treating allergy symptoms to include causal therapies.

Since October 2020, Dermapharm has been working in cooperation with BioNTech SE to produce the Comirnaty® COVID-19-vaccine at its main manufacturing facility in Brehna. These capacities received a significant boost at the end of April 2021 when additional production opportunities were opened up at Allergopharma in Reinbek. Since then, Dermapharm has been in a position to offer the BioNTech/Pfizer network annual production capacities of 580 million vaccine doses. Further investments at the beginning of 2022 mean that Dermapharm is now able to fill an additional 250 million vaccine doses in vials, perform quality assurance and pack them ready for shipment as part of a "fill & finish process".

Looking beyond its home market of Germany, Dermapharm Holding SE is also systematically pursuing a strategy of internationalisation. For many years, Dermapharm has operated with success in Austria, Switzerland, Croatia, Poland and Ukraine. Dermapharm has formed subsidiaries in the United States and Japan for the international distribution of hypothermic medical devices. By acquiring Allergopharma GmbH & Co. KG in April 2020, Dermapharm gained a Spanish subsidiary and at the same time merged its own distribution activities in Spain with Allergopharma's existing sales force. Dermapharm also formed independent companies in the United Kingdom and Italy. In line with its domestic distribution model, Dermapharm will likewise use the sales force and distribution partnerships to launch and sell products from its portfolio outside Germany.

During the current financial year, Dermapharm will work to market selected products from our existing German product portfolio as well as new product developments in these international markets.

SYSTEMATIC GROWTH STRATEGY

In-house product development

Dermapharm develops pharmaceuticals and other healthcare products in its core therapeutic areas at four corporate locations, where experienced experts conduct development and authorisation activities – including designing and funding clinical trials. Once authorisation is granted, newly developed products are generally put into production in-house. In total, the Group manufactures about 90 % of the pharmaceutical product portfolio itself.

The focal points of the development work are:

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

Internationalisation

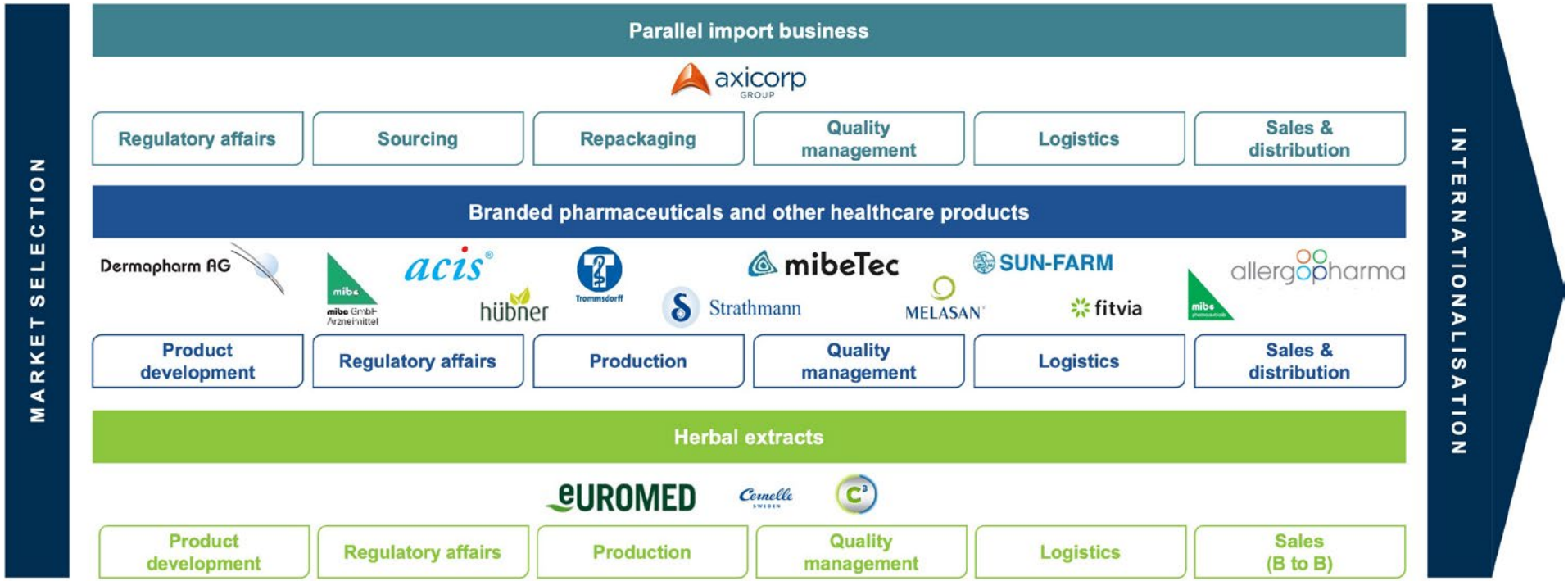
The Group has been operating in Austria, Switzerland, Croatia, Poland and Ukraine for many years now. In order to further expand its business with branded pharmaceuticals and other healthcare products, the Group has formed subsidiaries in the United Kingdom, Italy and Spain. Country-specific portfolios are formed / developed based in each case on a detailed analysis of market conditions, with compounds developed and manufactured by the Group in particular receiving marketing authorisation. This enables the Group to gradually enlarge its portfolio and the respective sales and distribution structures as it expands into new markets. For instance, Dermapharm is expanding into other countries in Europe, Asia and the Americas with its CE-certified and internationally patented medical devices bite away® and Herpotherm®.

Another key aspect of the Group's internationalisation efforts is the acquisition of companies with international operations. The acquisitions of Euromed and Allergopharma stand out as past examples of this approach. At present, the acquisition of Cernelle is making a further contribution to the Group's internationalisation.

M&A activities

Acquiring individual products, portfolios and companies has always been part of Dermapharm's business strategy and a key success factor for its continued growth. Since its formation in 1991, the Group has steadily expanded its 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 the Group's portfolio ideally and expand its offering in growth markets. Another aim when making these types of acquisitions is to further increase the potential of the newly acquired companies by optimising processes and incorporating the companies in the Group's production and logistics structures. The Group continually reviews specific growth opportunities and pursues promising acquisition options that fit its strategic alignment.

Integrated business model of Dermapharm Holding SE



FOCUS ON MARKETING STRATEGY

Growth in the core business: "Branded pharmaceuticals and other healthcare products" segment

Dermapharm, which has more than 380 active pharmaceutical ingredients that form the basis for roughly 1,300 national and international marketing authorisations, focuses on six selected therapeutic areas:

- vitamins, minerals & food supplements,
- dermatology,
- allergology,
- pain and inflammation treatment,
- cardiovascular support and
- gynaecology and urology.

Dermapharm's extensive portfolio of branded pharmaceuticals and other healthcare products consists primarily of prescription drugs that include a large number of various off-patent, originator and generic pharmaceuticals as well as OTC products such as pharmaceuticals, food supplements and medical devices. While the overall market recorded growth of just 1 % in 2021, we increased sales by 5 % for both prescription and OTC drugs. This puts us among the top 10 providers in the German market (current rank: 9). Looking at just the OTC market, we are currently ranked 11th, having recorded revenue growth of 7 % year on year compared to just 2 % growth seen on the overall OTC market.

We are already the market leader with many of our products. We systematically expanded our market positions by leveraging individual growth drivers in our product portfolio, scheduling regular sales visits to doctors by our trained pharmaceutical sales force and maintaining a presence in select trade media.

We are the clear market leader in the **vitamins, minerals and food supplements** therapeutic area. This includes in particular our successful vitamin D products of the **Dekristol®** and **Dekristolvit®** product family.We are the clear market leader in the **vitamins, minerals and food supplements** therapeutic area. This includes in particular our successful vitamin D products of the **Dekristol®** and **Dekristolvit®** product family.

Revenue growth in 2021 of 38 % yoy

Market leader in Germany, Poland, Ukraine

Market share 2021: 22 %

Dekristolvit®, the OTC version of prescription Dekristol, is the market leader in Poland and Ukraine.

We have been the undisputed number one in Germany for many years with our high-dosage vitamin D compound Dekristol® 20,000 I.U. In 2021 alone, we significantly increased our market share in Germany – a dynamic and growing market – by 4 percentage points to 22 % with our OTC compounds Dekristol® and Dekristolvit® D3. This growth is attributable to our nuanced approach of targeting specialists and pharmacies instead of paying high media advertising fees. In Germany, 80 % of the population has a vitamin D deficiency, a circumstance that offers enormous future growth potential.

Revenue growth in 2021 of 12 % yoy

Market leader in Germany

Market share 2021: 88 %

Dekristol® is a vitamin D preparation that is involved in bone formation. The active substance colecalciferol is identical to the colecalciferol found in the human organism. The preparation is used - for single use in the initial treatment of vitamin D deficiency states.

As the company with the most prescriptions in Germany, Dermapharm is also the market leader in the **dermatology** therapeutic area. One of our key growth drivers is for instance our **Ketozolin®** shampoo, which is used to effectively treat seborrheic dermatitis, including dandruff and itchy skin: By directly targeting and marketing the product to dermatologists, we increased our market share by 3 percentage points to more than 40 % in 2021, and now dominate the market. We have revamped the brand and will market the product to dermatologists and pharmacies alike with the aim of building on this success in the current financial year. Given that 3–5 % of Germans suffer from seborrheic dermatitis, we see further potential to use this product, especially in combination with our prescription topical corticoids, to treat for severe cases. Accordingly, we have tailored our communications and product messaging with this in mind.

A further growth driver in the dermatology therapeutic area is **Tacrolimus Dermapharm**, an ointment used to treat neurodermatitis that is also suited for small children. In the past year, we expanded our market share by 11 percentage points to 26 %.

In 2021, following the expiration of the patent on the originator pharmaceutical, we were highly successful in bringing our product **Calcipotriderm® Gel** to market. After just two months on the market, we had become the market leader with a market share of 38 %.

Revenue growth in 2021 of 32 % yoy

Market leader in Germany

Market share 2021: 40 %

The active ingredient **ketoconazole** damages the outer shell, the so-called cell membrane of fungi. This membrane thus loses some of its functions, e.g. it becomes more impermeable to nutrients – the cell starves. Depending on the concentration of the active ingredient, the fungi are thus inhibited in their growth and reproduction or they die directly due to additional damage to the cell interior.

Product launch in October 2021

Market leader in Germany since November 2021

Market share 2021: 38 %

The pharmaceuticals consists of a combination of two active ingredients. **Betamethasone** throttles the body's own defence mechanism, especially if it is too exaggerated - as in the case of allergies, for example. It has an anti-inflammatory effect, especially on the skin, and eliminates itching, redness, swelling and pustules. **Calcipotriol** belongs to the group of vitamin D3 derivatives and is used for the external treatment of psoriasis. Calcipotriol inhibits the growth and multiplication of horn-forming cells (keratinocytes) and improves the disturbed cell differentiation. In addition, calcipotriol suppresses the production of pro-inflammatory substances.

Revenue growth in 2021 of 94 % yoy

Number 2 in Germany

Market share 2021: 26 %

Tacrolimus (as tacrolimus monohydrate), the active ingredient in Tacrolimus Dermapharm 1 mg/g, is an immunomodulating substance. Tacrolimus Dermapharm 1 mg/g is used to treat moderate to severe atopic eczema (neurodermatitis) in adults who do not respond adequately to or cannot tolerate conventional therapies such as topical corticosteroids.

Following the acquisition of Allergopharma in March 2020, we now bundle our allergy products in the **allergology** therapeutic area and are one of the top 3 providers in Germany. While our branded products **Azedil®**, which is available as a nasal spray or eye drop, and **Momekort®**, which is available as a nasal spray, are used to treat allergy symptoms, our specific immunotherapy products target allergens. We thus offer doctors and patients a comprehensive range of products to combat allergies. We have integrated Allergopharma into the Group in record time, thereby significantly increasing profitability. In Germany alone, our revenue rose by more than 10 % and we increased our market share in the market for subcutaneous hyposensitisation for pollen allergies from 23.9 % to 25.2 %.

We are also ahead of the pack in the **pain and inflammation treatment** therapeutic area:

According to studies, approximately 85 % of people in Germany experience back pain at least once in their lives. 90 % of all back pain is attributable to muscle dysfunction or strain. In 2021, revenue in our prescription muscle relaxant **Myditin®** grew five times faster than the overall market. Myditin® now reaches 10 % of the market. If you include **Myopridin®**, which works in exactly the same manner, our market share actually amounts to 16 %.

However, neurological causes are often the source of back pain. Our originator product **Keltican®** forte has been used to treat this type of back pain for over 40 years. Although this market has stagnated, we have consolidated our leading market position by 2 percentage points and now hold a market share of 48 %.

Revenue growth in 2021 of 34 % yoy

Market share 2021: 10 %

Myditin® is a pharmaceuticals that relaxes the muscles. It acts via the central nervous system. Myopridine is used in adults for the treatment of

- pasmodic muscle tension (central and peripheral muscle spasms),
- lumbar pain (lumbalgia)
- torticollis and
- general muscle pain.

Revenue growth in 2021 of 15 % yoy

Market share 2021: 6 %

Myopridin® is a pharmaceuticals that relaxes the muscles. It acts via the central nervous system. Myopridine is used in adults for the treatment of

- spasmodic muscle tension (central and peripheral muscle spasms)
- lumbar pain (lumbalgia),
- torticollis and
- general muscle pain.

Revenue growth in 2021 of 35 % yoy

Market leader in Germany

Market share 2021: 48 %

Keltican® forte is a dietary food product for special medical purposes (supplementary balanced diet)s. Keltican® forte is intended for the dietary treatment of spinal syndromes, neuralgia and polyneuropathy. Keltican® forte is gluten- and lactose-free and contains no preservatives. Keltican® forte is also suitable for diabetics.

Keltican® forte contains the nutrients uridine monophosphate, vitamin B12 and folic acid, which can support the body's own repair processes. Especially uridine monophosphate as a building block of RNA (ribonucleic acid) is of particular damaged nerves is of great importance.

We are also the leader in the **cardiovascular support** therapeutic area:

One in three people in Germany suffer from high blood pressure. **Hygroton®**, which includes the active ingredient chlortalidone, helps the body to flush out salts. At the same time, it flushes out more water, thereby lowering blood pressure and eliminating oedemata (accumulation of fluids). Hygroton®, has enabled us to gradually expand our market share, which grew almost twice as fast in 2021 as the reference market. In October 2021, we attained market leadership for the first time with a market share of 26 %.

One in four people in Germany suffer from arrhythmia at least once in their lives. **Tromcardin®** complex is another one of our originator products that doctors and patients alike have trusted for 60 years. In 2021, revenue in Tromcardin® complex grew three times faster than the reference market. In this market segment, too, we are by far the market leader with a market share of 45 %.

Revenue growth in 2021 of 17 % yoy

Market leader in Germany

Market share 2021: 26 %

The active ingredient **Chlortalidon®** promotes the excretion of salts such as sodium, potassium and chloride ions from the body. At the same time, it flushes out more water. This lowers blood pressure and eliminates oedema (water retention).

Revenue growth in 2021 of 10 % yoy

Market leader in Germany

Market share 2021: 44 %

For dietary management of heart diseases, especially cardiac arrhythmias: A balanced diet is a food product for special medical purposes (for example **Tromcardin®**complex) that is used for the nutritional treatment of diseases or complaints. This distinguishes them from so-called food supplements, which can be taken without medical recommendation.

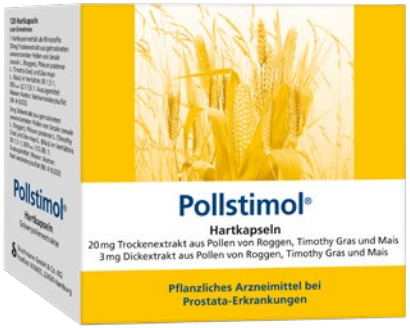
In the **gynaecology and urology** therapeutic area, we are in the top 10 in Germany.

Pollstimol® is an herbal pharmaceutical that is used to treat benign prostate hyperplasia and chronic abacterial prostatitis. In December 2021, Healthcare Marketing magazine named Pollstimol® as the OTC Growth Champion. Prostate disease already affects 40 % of men over 40 and up to 70 % of men over 70. Accordingly, we are aiming to increase our market share by stepping up our marketing efforts with urologists.

Based on the number of prescriptions written, urinary tract infections are the second most common diagnosis made by urologists after prostate hyperplasia. We also offer urologists an outstanding treatment for urinary tract infections: **StroVac®** is a unique inactivated vaccine containing attenuated specified enterobacteria that is used as a prophylactic to treat chronic urinary tract infections (UTI) caused by bacteria. With a market share of 50 %, StroVac® is by far the number 1 drug on the market, and in 2021, its revenue grew twice as fast as the overall market. Given that 3.8 million women suffer from chronic UTI, our growth potential is far from exhausted. Our sales force will continue to pursue a targeted approach and recommend StroVac® to urologists.

Revenue growth 2021 +245 % yoy

Market share 2021: 2 %



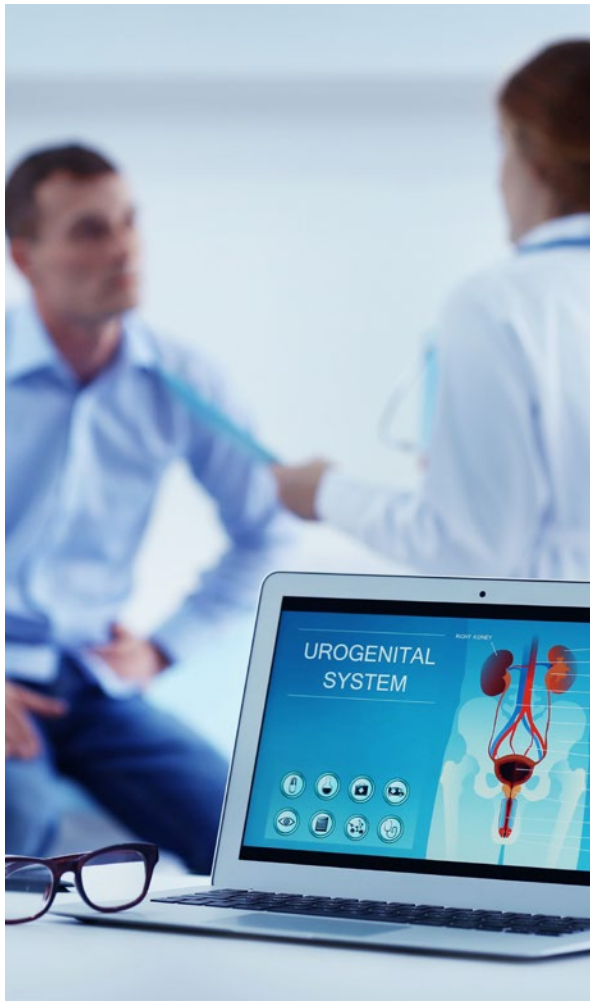
The ingredients of **Pollstimol®** are derived from grass pollen. The preparation is a herbal pharmaceuticals for prostate disorders. The ingredients are said to have an anti-inflammatory and antispasmodic effect.

Revenue growth in 2021 of 14 % yoy

Market leader in Germany

Market share 2021: 50 %

StroVac® is a bacterial vaccine. The germs are inactivated (killed). StroVac is used to prevent and treat recurrent urinary tract infections of bacterial origin.



Interview with Dr Jürgen Ott, Chief Marketing Officer

Dr Ott, a particular success story has been the vitamin D compound Dekristol®, which saw sales grow even further during the pandemic. Why is demand for this product so high, and how can it be met even outside Germany?

Healthy vitamin D levels are essential to good health. Studies show that vitamin D has been proven to help strengthen our immune system. It has also been demonstrated that people with vitamin D deficiencies are at greater risk of developing severe COVID-19-symptoms. We offer vitamin D compounds under the Dekristol® and Dekristolvit® D3 brands as part of our highly diverse product portfolio. Dekristol® was already one of our best selling products even before the COVID-19-pandemic. Thanks to the fact that vitamin D helps to strengthen the immune system, we were able to further capitalise on the elevated – and still rising – demand in vitamin D during the COVID-19-pandemic. With our prescription high-dosage vitamin D compound Dekristol® 20,000I.E., we are already far and away the market leader in Germany. With our OTC variants, we grew three times faster than the market as a whole in percentage terms last year and significantly expanded our market share. As part of our internationalisation efforts, we successfully brought our vitamin D products to market abroad. In Poland and Ukraine, we even managed to become the market leader with our high-dosage compound Dekristol® within just a few months.

How do you increase awareness for your products? Compared to other pharmaceutical companies, Dermapharm does not do much advertising or run any TV commercials. Why is that, and how is Dermapharm able to still be so successful?

Studies clearly show that TV commercials only leave a temporary impression on patients. Our products, however, are recommended by experts: the actual doctors, pharmacists and pharmacy technicians. Our experience has shown that this type of "advertising" is much more lasting and successful. That is why we have generally decided against using TV commercials as a marketing tool. Our primary distribution channel is our pharmaceutical sales force, which targets various groups of doctors, pharmacies and clinics.

Allow me to demonstrate our approach using our products Tromcardin® complex and Keltican® forte: Neither product is marketed as a pharmaceutical, but rather as an OTC balanced diet or food supplement.

Tromcardin® complex is used to help treat arrhythmia. The only marketing for Tromcardin® complex is a physician's recommendation, who first makes the patient aware of the product. If the patient is satisfied with the product, we benefit from continuous repeat purchases. This approach works much better than attempting to increase awareness for the product among the general public through the use of TV commercials.

We use the same approach for Keltican® forte, a product with key nutrients that help our bodies to repair damaged nerves. Doctors recommend our product to help treat spinal afflictions, neuralgia and polyneuropathy. This approach helps us to reach exactly those patients who visit a doctor to treat their pain and are subsequently recommended one of our products. Here, too, we focus specifically on our market and, in doing so, avoid needlessly addressing anyone outside of our target group.

Overall, we market our branded pharmaceuticals in niche markets with high barriers to entry and little competition. Since we cover almost the entire value chain, we benefit from a cost-effective production and logistics structure. This has allowed us to strengthen and steadily further expand our leading market position in selected therapeutic areas.

"Digitalisation" has been on everyone's mind since the start of the COVID-19-pandemic. How is Dermapharm prepared for the ongoing digital transformation, and what advantages does it offer pharmaceutical companies?

Digitalisation is becoming increasingly important for successfully further developing our healthcare system and offers numerous new opportunities for the pharmaceuticals industry. The key question in all this is: How and, more importantly, where do patients look for information about their health problems or treatment options? This information is now obtained almost exclusively on the Internet. That is why we want to accompany patients on their "customer journey", address them through the subtle use of online marketing strategies based on search engine optimisation (SEO) and search engine advertising (SEA) and steer them towards our product websites. In 2021 alone, we attracted more than 1.5 million visitors or generated clicks for our platforms with SEA and native ads. In 2021, we were able to reach one in two Germans who searched for vitamin D (deficiency) on the Internet with our online ads (impression share). Engaging content and successful therapies with our pharmaceuticals are the only ways we will be able to convince our various target groups of Dermapharm's products.

Allow me to give you another example: We have increasingly seen that patients are researching prescription therapies and drugs online before they visit their doctors. Doctors have told us that 50 % of their allergy patients come to them and tell them that they prefer a specific therapy. In other words, they researched the specific immunotherapies available ahead of time. This is corroborated by the rising number of visitors to Allergopharma's patient-friendly website and demonstrates how important it is to make information about various therapies, including their pros and cons, available online and to update that information.

However, digitalisation at Dermapharm is about much more than that: In the course of the COVID-19-pandemic, electronic means of communication have become increasingly common in addition traditional visits to the doctor. We offer online professional development courses for our products, and in doing so are moving away from classroom formats to hybrid or all-digital modules. For instance, we sponsor in-person symposia where speeches are also broadcast online. We also teach pharmacy technicians everything they need to know about our products and how to best recommend them through short, engaging courses via our own online training platform.

We reach a much wider audience online, and the courses are in high demand.

Are there any other emerging marketing trends in the pharmaceuticals industry?

Very much so. And one of these trends, which we are also increasingly turning to, is the real-world evidence study. In addition to traditional clinical trials, we are also using real-world evidence studies to help better market our products. For instance, we conducted a study on our products Myopridin® and Myditin®, which are both based on the active pharmaceutical ingredient pridinol, with a large number of doctors, primarily orthopaedics. Every time a patient visits their doctor, the doctor and the patient both fill out a questionnaire about the effectiveness of the product. This allows us to retrospectively assess whether patients accepted the products and what pain relief they experienced. Real-world evidence studies are becoming increasingly important on the market, as they provide evidence of actual therapeutic success in addition to the classic clinical trial.

We also use the same type of studies for our products Allergovit® and Acaroid®, two specific immunotherapies used to treat allergic reactions to pollen (Allergovit®) and dust mites (Acaroid®). A distinction is drawn between subcutaneous and sublingual allergen-specific immunotherapies. Whereas in the case of a subcutaneous immunotherapy (SCIT) the allergen is injected subcutaneously into the patient, in the case of a sublingual immunotherapy (SLIT) the patient receives the allergen in the form of drops or tablets. We focus exclusively on subcutaneous immunotherapies. Allergen-specific immunotherapies are the only causal therapy options to treat allergies such as allergic rhinitis, allergic rhinoconjunctivitis and allergic asthma and serve to change the body's immune response. These therapies should be carried out over the course of three years because patient compliance is a prerequisite for the success of any therapy.

Using prescription data for patients with statutory health insurance, real-world data was collected for SCIT with Allergovit® grass and tree pollen compounds and Acaroid® dust mite products and compared against SLIT drop and tablet products. The analysis covered nearly 46,000 patients suffering from a grass pollen allergy, some 22,600 patients with a tree pollen allergy and just under 10,400 patients allergic to dust mites who are treated with either SCIT or SLIT products. The analysis showed that significantly more patients were prescribed a SCIT over three years than a SLIT. Among SLIT patients, one in three discontinued their therapy within the first year, whereas the number of SCIT patients who ended their therapy early was less than 10 %. Up to 55 % of SCIT patients discontinued their three-year allergen-specific immunotherapy, whereas only 30 % of SLIT patients adhered to their therapy over three years.

However, if the therapy is not concluded, the benefits of a SLIT therapy are lower than those of a SCIT therapy.

Let's look to the future. What medium-term growth strategies will Dermapharm pursue, and where do you see the greatest potential?

The objective of our marketing strategy is to develop our products into strong brands. When positioning our brands, we clearly communicate to our various target groups, such as doctors, pharmacists and patients, what our brands stand for and what benefits they offer. Depending on the target group, we use different marketing channels to communicate our positioning clearly and understandably. With the exception of TV commercials, we deploy the entire range of marketing channels that also includes our expertly trained pharmaceutical sales force, online presence, professional development events and participation in national and international conventions.

Our Group strategy for future growth continues to be based on our familiar three pillars: in-house product development, internationalisation and M&A activities. At our own centres of excellence, we develop and successfully bring to market branded pharmaceuticals and other healthcare products. As part of our internationalisation efforts, we are expanding our business into other countries in Europe and market our CE-certified and internationally patented medical devices bite away® and Herpotherm® as far away as the United States and Asia. Acquiring individual products, portfolios and companies has always been part of Dermapharm's business strategy and a key success factor for our continued growth. We will continue to pursue this strategy in the future and steadily promote our growth.

INFORMATION ABOUT THE DERMAPHARM HOLDING SE SHARES

Dermapharm Holding SE shares (XETRA, indexed)

Share price performance

The SDAX small-cap index hit a new record high towards the end of 2020, and, for the most part, this positive trend continued into 2021. The euphoria was dampened momentarily by the supply chain bottlenecks that emerged over the course of the year, primarily the chip shortage in the automotive industry, the substantial rise in procurement costs for raw materials, the spike in inflation, the delta and omicron variants of the coronavirus, and fears about interest rates. These factors made for regular setbacks on the stock market. This volatile performance aside, the SDAX hit an all-time high of 17,286 points on 2 September 2021. Despite going on to set another new record of 17,413 on 8 November 2021, however, it dropped almost 1,000 points to close out the year at 16,415 points. The SDAX recorded growth of 11.1 % over the year as a whole.

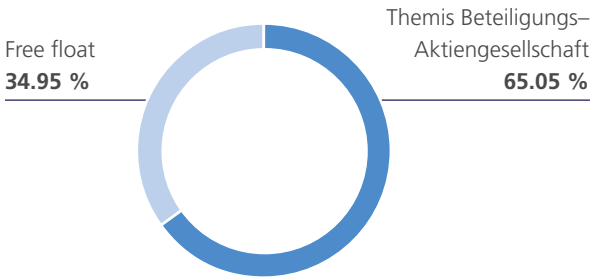
Dermapharm shares began 2021 trading at EUR 56.96. After a sustained sideways drift, the shares gained fresh momentum following publication of the figures for 2020 and the associated outlook for financial year 2021, closing at a new all-time high of EUR 75.95 on 16 April 2021. In the months that followed, the share price trended sideways and slightly nose-down to reach a low for the period of EUR 64.40 on 27 July 2021. A solid recovery then set in at the beginning of August 2021. The share prices of vaccine manufacturers staged a major rally on the back of higher global demand for COVID-19-vaccines due to pending booster campaigns in the autumn of 2021. Buoyed by this bullish environment, Dermapharm's share price hit a new record high of EUR 90.35 on 3 November 2021. Dermapharm shares closed the year at EUR 89.30 on 31 December 2021. Dermapharm Holding SE's share price increased by 56.8 % over the 12-month period in financial year 2021.

The performance of the DAXsector All Pharma & Healthcare Index in 2021, particularly in the second half of the year, far exceeded that of the small-cap SDAX, with the index closing out the year up 28.4 %.

The shares at a glance (XETRA)	
High (3 November 2021)	EUR 90.35
Low (19 March 2020)	EUR 28.665
Closing price (28 February 2022)	EUR 65.20
Trading volume (9 February 2018 to 28 February 2022, average number of shares)	42,396 shares
Market capitalisation (31 December 2021)	EUR 4,807.9 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	Harald Hof, Alster Research Charlotte Friedrichs, Berenberg Alexander Thiel, Jefferies Daniel Wendorff, ODDO BHF Dennis Berzhanin, Pareto Securities Dr Daniel Grigat, Stifel
Designated Sponsors	Berenberg Stifel

Shareholder structure



Disclosure based on the notifications of voting rights received in accordance with German Securities Trading Act (WpHG, as of 15 August 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, thisincludes 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 2021 financial year, the members of the Board of Management conducted a total of 7 virtual roadshows and visited 14 virtual national and international investor conferences, including the Equity Forum, the 2021 Commerzbank and ODDO BHF Corporate Conference, the Jefferies London Healthcare Conference and the 2021 Berenberg European Conference.

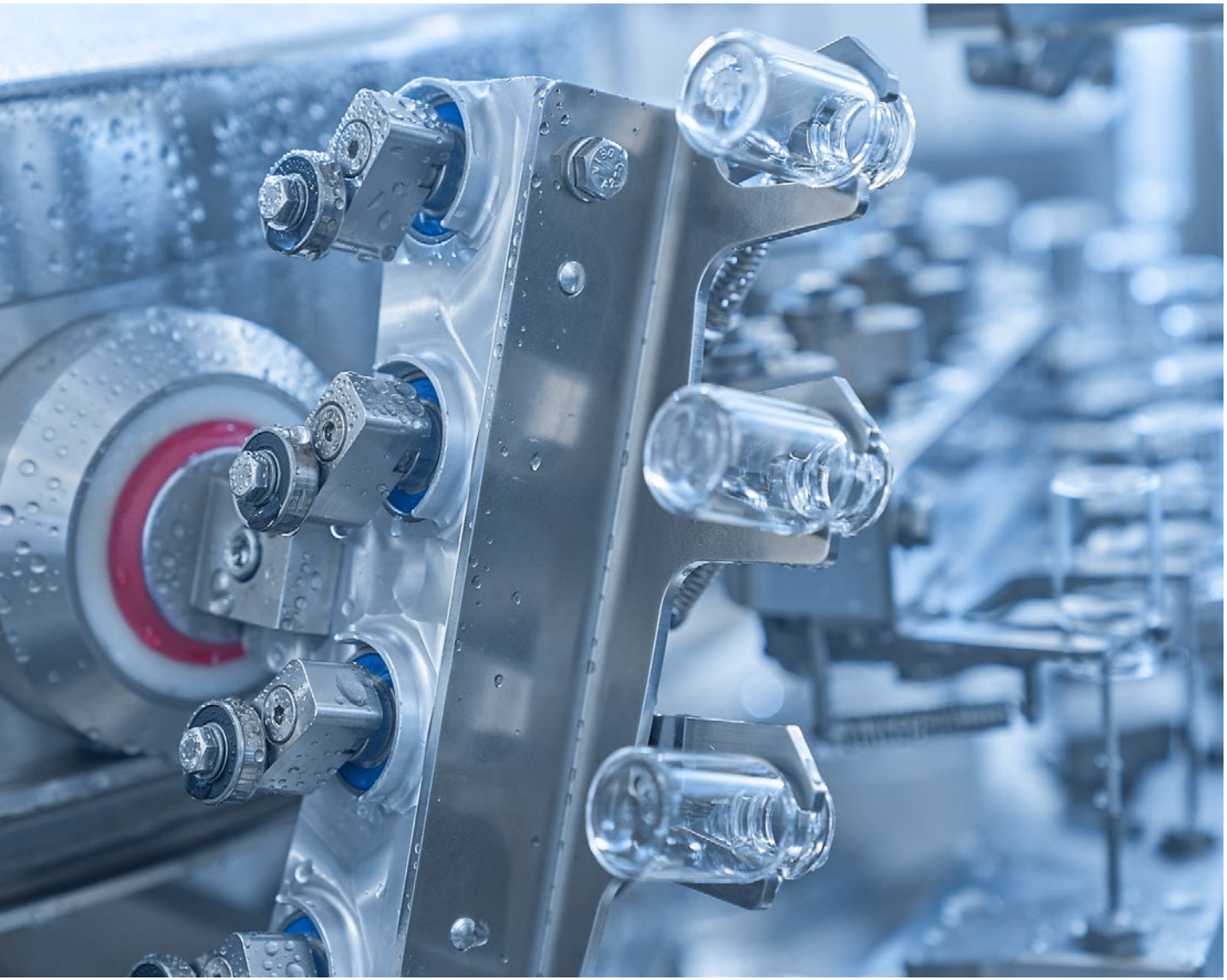
2021 Annual General Meeting

On 23 June 2021, Dermapharm Holding SE held its 2021 Annual General Meeting online. 83.94 % 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 and the Supervisory Board each gave an overview of the 2020 financial year that once again addressed the specific conditions and challenges posed by the COVID-19-pandemic. 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 2020 by a large majority. The AGM followed the Board of Management's recommendation to distribute a dividend of EUR 0.88 per no-par value share. Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft (now: Grant Thornton AG Wirtschaftsprüfungsgesellschaft), Munich, was engaged as the auditor for the 2021 financial year.

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

Financial calendar

Publication of quarterly statement (reporting date Q1)	18 May 2022
Annual General Meeting	1 June 2022
Publication of the preliminary figures for H1 2022	23 August 2022
Publication of the 2022 half-year report	7 September 2022
Publication of quarterly statement (reporting date Q3)	16 November 2022



COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT ON THE SITUATION OF THE COMPANY AND OF THE GROUP FOR FINANCIAL YEAR 2021

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 segments "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 selected segments.

Dermapharm predominantly uses its own resources to develop, manufacture and market its products. The Group leverages the reputations of Germany and other European countries 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, the Group has built up a broad product portfolio of branded pharmaceuticals and other healthcare products such as medical devices, food supplements and cosmetics, in profitable niche markets. The extensive range of pharmaceuticals and healthcare products comprises more than 380 active pharmaceutical ingredients and roughly 1,300 national and international marketing authorisations (unchanged from previous year). The majority of these are produced in-house and sold via our distribution organisation.

At the core of our activities, we partner with and advise doctors and pharmacists in the interest of patients – while ensuring compliance at all times. 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 bespoke therapeutic concepts for individual medical needs. According to the market research firm INSIGHT Health, the Group 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 brands in other selected therapeutic areas such as vitamins, minerals & food supplements, dermatology, allergology, pain and inflammation, cardiovascular support and gynaecology and urology. According to INSIGHT Health, products such as Keltican®, Tromcardin®, Acicutan® and Ketozolin® are leading brands in their respective therapeutic areas.

Dermapharm is also playing an active role in efforts to contain the COVID-19-pandemic by providing extensive production capacities at its locations in Brehna and Reinbeck to manufacture the Comirnaty® COVID-19-vaccine in cooperation with BioNTech SE.

Herbal extracts

Through Spanish subsidiary Euromed S.A., Dermapharm has access to a leading manufacturer of standardised herbal extracts for the production of pharmaceuticals, cosmetics and food supplements. The herbal raw materials are processed at the company's state-of-the-art production facilities in Spain and the USA using procedures that in some cases are patented. A B2B distribution model is used to market the products in 49 countries. Dermapharm also uses Euromed's expertise for its own products: it is currently developing two new healthcare products using Euromed extracts and carrying out clinical trials on them.

The "Herbal extracts" segment was expanded through the acquisition of Swedish firm Aktiebolaget Cernelle. Cernelle

manufactures the only pollen extract with medical approval to treat benign prostate hyperplasia and chronic prostatitis.

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. For sales purposes, the company employs direct marketing activities, particularly its own call centre.

According to INSIGHT Health, axicorp is one of the top 5 parallel importers in terms of gross revenue in financial year 2021 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 the three segments 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, the Group continually strives to develop additional branded pharmaceuticals and healthcare products and launch them on the market.

Dermapharm's product pipeline currently comprises over 40 ongoing development projects involving new products for the defined niche markets. The focal points of the development work are:

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

The Group is expanding its international presence both by forming its own start-up subsidiaries abroad and by acquiring new companies with an international presence. Country-specific portfolios are formed/developed based in each case on a detailed analysis of market conditions. That said, compounds developed and manufactured by the Group in particular are receiving marketing authorisation.

Acquiring new products, portfolios and companies has been part of the Group's business strategy ever since the Company was formed in 1991. Dermapharm's particular strength lies not just in its ability to successfully integrate these acquisitions into the Group structure, but also to work systematically to foster their further development. This covers both expanding market position and optimising costs. 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. The Group 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 the Group's pain and inflammation treatment therapeutic area. Dermapharm expanded its portfolio in the "Herbal extracts" segment by acquiring Euromed in 2019. In 2020, Dermapharm strengthened its position in the allergology therapeutic area by acquiring Allergopharma. In 2021, Dermapharm acquired a 24.9 % interest in CORAT Therapeutics and expanded the "herbal extracts" segment by acquiring Aktiebolaget. Dermapharm will continue to regularly review growth opportunities and pursue strategic options that fit our corporate strategy.

1.2 Group structure and interests

Dermapharm Holding SE holds 100 % of the shares in Dermapharm AG and 100 % of the shares in Dermapharm Beteiligungs GmbH. The Group's business operations are conducted by Dermapharm AG and by Dermapharm Beteiligungs GmbH and its various subsidiaries.

The group of companies consolidated by Dermapharm Holding SE includes all companies whose financial or business policies are controlled directly or indirectly by the Group. In addition, Dermapharm Holding SE holds interests in companies whose financial and business policies are significantly influenced by the Company.

The following Group structure shows the direct and indirect subsidiaries and associates as at 31 December 2021:

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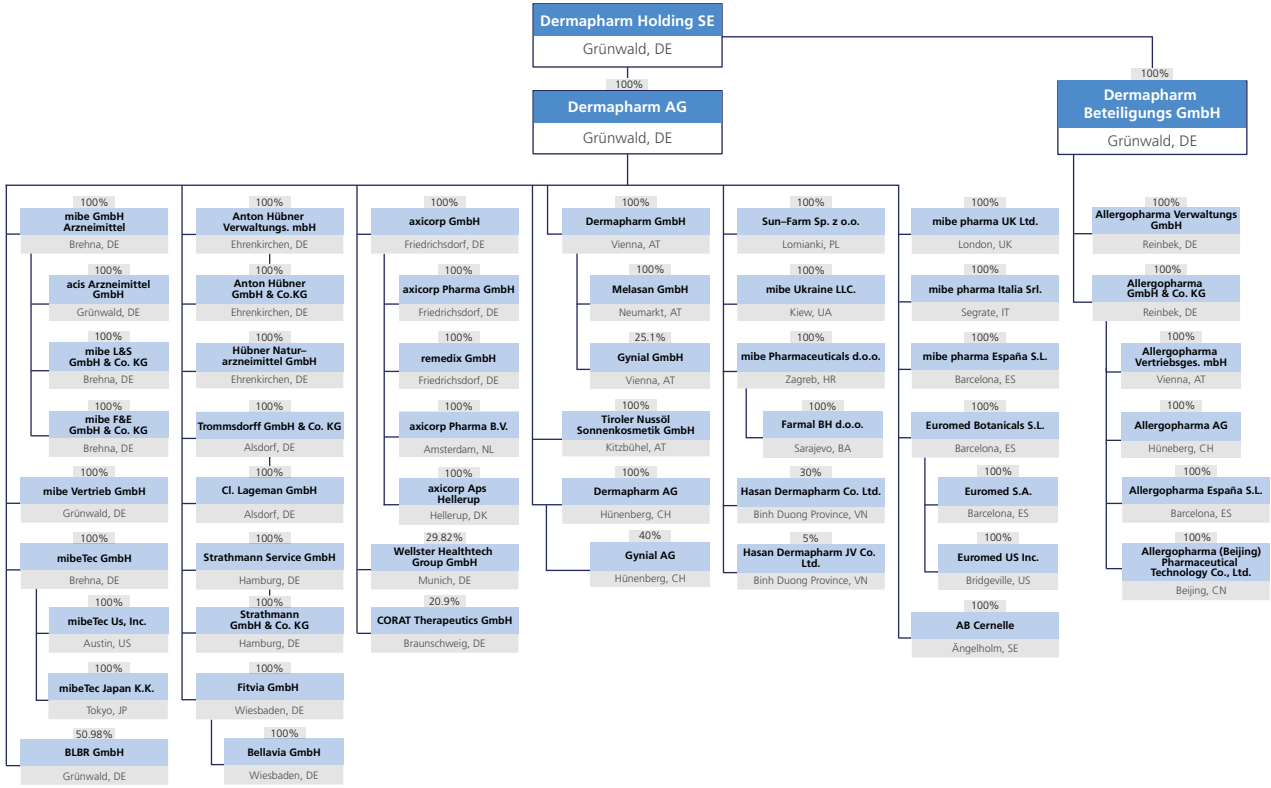


As at 31 December 2021, the Group comprises 53 companies, of which 26 are domiciled in Germany.

1.3 Sites and employees

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

The majority of all compounds from the "Branded pharmaceuticals and other healthcare products" segment are manufactured at and dispatched from 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. These facilities have been modernised – in particular their IT, building technology, equipment and fittings, and integrated into the network centred on the logistics centre in Brehna.

In the "Parallel import business" segment, a new office and operations building was completed for axicorp GmbH at the Friedrichsdorf location in financial year 2021. The move to the new premises took place at the beginning of April 2022.

Euromed, which is allocated to the "Herbal extracts" segment, 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. The Swedish company Aktiebolaget manufactures products at its location in Ängelholm.

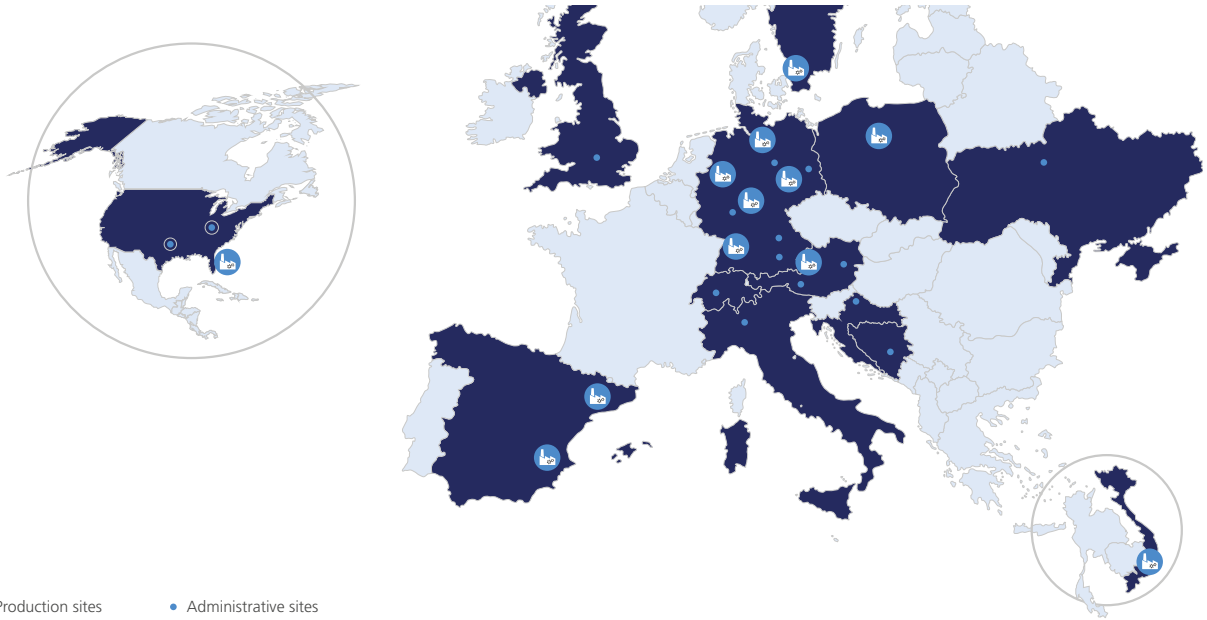
In Germany, Dermapharm's five distinct sales forces visit pharmacies, registered doctors and clinics to promote and distribute branded pharmaceuticals and healthcare products. Depending on the areas of product application, these efforts are conducted very specifically according to the defined customer target groups. Herbal extracts are marketed on the basis of a B2B business model, whereas parallel imports are primarily distributed through direct sales from a call centre.

Qualified employees are the basis for Dermapharm's long-term commercial success. In the first half of financial year 2021, an average of 2,373 employees worked for the Group (previous year: 2,311 employees).

1.4 Management system and performance indicators

At the Group level, Dermapharm has three segments: "Branded pharmaceuticals and other healthcare products", "Herbal extracts" and "Parallel imports business". The Board of Management approves objectives for use in the business planning and management of the segments. 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 segments 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.

The Group 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 segments 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 reversals of write-downs (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, and reversals of write-downs
=	**EBITDA**

1.5 Research and development

Dermapharm is convinced that a growth strategy cannot succeed without investing in research and development. New products "Made by Dermapharm" are the key to driving forward internationalisation and organic growth in the DACH region.

The Group consequently targets its efforts on developing compounds in its core therapeutic areas using active pharmaceutical ingredients that are generally no longer subject to intellectual property rights. However, Dermapharm is also increasingly investing in new patented therapies. Examples include the development of an antibody at the associated company CORAT Therapeutics or the development of a medical device for the treatment of itchiness.

In total, the Group operates four development centres: mibe GmbH Arzneimittel in Brehna focuses on pharmaceutical and analytical development and marketing authorisation for pharmaceuticals and cosmetics. Moreover, mibe GmbH Arzneimittel is the Group's primary location for the manufacture of investigational medicinal products. The research and development centre at Allergopharma GmbH & Co. KG in Reinbek focuses on developing new allergen immunotherapies. Allergopharma is constantly working to improve the existing product range, including clinical indications and clinical application plans. Anton Hübner GmbH & Co. KG in Ehrenkirchen specialises in the development of medical science-based food supplements, substance-based medical devices and cosmetics. These use herbal ingredients in particular – giving rise to synergies with Euromed S.A. Euromed S.A. operates a laboratory and innovation centre in Mollet de Vallès, Spain, that focuses on research and development and the scientific marketing of herbal extracts. As a supplier of medicinally active extracts, Euromed has to ensure that its products keep pace with current developments in science and technology at all times. Furthermore, Euromed concentrates on expanding its portfolio to include new extracts and indications.

In financial year 2021, an average of 163 employees worked in product development at the Group (previous year: 151 employees).

Dermapharm has more than 25 years' of experience and proven expertise in developing off-patent pharmaceuticals. Dermapharm has a solid network of development partners. Furthermore, the Group 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. These broad capabilities mean that new developments can be launched and marketed in Germany and at the subsidiaries outside Germany.

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

Macroeconomic environment

The International Monetary Fund (IMF) in its January 2022 World Economic Outlook anticipated global economic growth of 5.9 % for 2021, thereby exceeding its growth forecast of 5.5 % published at the beginning of 2021.

The economy in Europe also staged a notable recovery in 2021. According to the European Commission, the EU economy expanded by 5.3 % (as at February 2022). An even stronger recovery was prevented by rising inflation around the world, global supply chain bottlenecks and the spread of the omicron variant. According to the Federal Statistical Office (Destatis),

Germany's economy grew by 2.8 % in 2021 (as at January 2022).

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 continued not to adversely affect the pharmaceuticals and healthcare market in 2021. According to information from the consultancy firm IQVIA (source: OTC VALUE), the entire European pharmaceuticals market generated annual revenue of USD 320.4 billion by the end of the third quarter of 2021, meaning that the market volume increased by 12.7 % compared to the same period in the previous year (MAT Q3 2020: USD 284.3 billion). Of that amount, USD 283.1 billion was attributable to prescription pharmaceuticals (MAT Q3 2020: USD 248.9 billion) and USD 37.3 billion to OTC pharmaceuticals (MAT Q3 2020: USD 35.4 billion).

Dermapharm's primary market, Germany, has a highly developed healthcare system with 114,857 registered physicians, 18,753 public pharmacies (2020 figures in each case) and 1,914 hospitals (in 2019). 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 highest per capita healthcare spending and the highest share of health spending covered by public funds in the European Union (correct as at 2020). 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 2021, annual revenue in the German pharmaceuticals market increased by 14.7 % to USD 62.5 billion (Q3 2020: USD 54.5 billion). Of that amount, USD 56.1 billion was attributable to prescription pharmaceuticals (MAT Q3 2020: USD 48.4 billion) and USD 6.3 billion to OTC pharmaceuticals (MAT Q3 2020: USD 6.1 billion). In the first nine months of 2021, revenue from off-patent pharmaceuticals without discounts from discount agreements increased by 5.7 % to EUR 7.4 billion (basis: manufacturer selling price) following EUR 7.0 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 2021, revenue in the parallel imports market amounted to EUR 2.9 billion compared to EUR 3.2 billion in the previous year (basis: Apofusion Sell-Out). Thus, in 2021, revenue in the market suitable for imports decreased by 8.3 %. By contrast, the share of revenue generated with parallel-imported products of total revenue on the German pharmaceutical market declined from 7.3 % in the previous year to 6.2 % in 2021.

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

Financial year 2021 was extremely successful year for Dermapharm despite the persistent COVID-19-pandemic, higher prices for raw materials and emerging supply bottlenecks.

One primary reason for this was the excellent performance in the **"Branded pharmaceuticals and other healthcare products"** segment. Many elective procedures and doctors' appointments were postponed or cancelled due to the COVID-19-pandemic, leading to a decline in revenue for certain product groups. However, this was offset by increases in other areas. The segment's performance was boosted in particular by the vaccine production in cooperation with BioNTech SE, the strong performance of the allergies specialist Allergopharma and the sustained high demand for products that strengthen the immune system, such as the high-dose vitamin D compound Dekristol® 20,000 I.U. and the OTC products of the Dekristolvit product family. The **"Herbal extracts"** segment benefited from the worldwide increase in demand in this area. The higher demand for saw palmetto and milk thistle extracts had a particularly positive impact on business in the United States. However, increased revenue was negatively impacted by a weak US dollar, so expectations for financial year 2021 were not completely met. A sharp decline in demand in the parallel import market as a whole had a sustained impact on the **"Parallel import business"** segment in financial year 2021. The decline in revenue is attributable primarily to fewer orders from wholesalers, the increased participation in health insurance discount agreements in connection with the German Act for More Safety in the Supply of Pharmaceuticals ("GSAV") and price decreases due to adjustments made to reference prices. Higher revenue from OTC products, anaesthetics and medical cannabis also failed to offset this decline in revenue.

Targeted investments are an important component of our business strategy. In financial year 2021, we in particular increased our vaccine production capacities by investing in filling & finish facilities and quality control equipment. In 2021, Dermapharm's growth trajectory was further fuelled by the launch of new products developed in-house and by the introduction of established branded products at our international subsidiaries. Another key driver of growth is the acquisition of companies or promising equity investments. We describe the equity investments we made in 2021 below.

Acquisitions

Aktiebolaget Cernelle

With effect from 4 November 2021, Dermapharm entered into a purchase agreement with Backahill Utveckling AB, Ängelholm, Sweden (seller), to acquire all shares in Aktiebolaget Cernelle, Ängelholm, Sweden. Dermapharm consolidated Cernelle for the first time on 1 December 2021. Cernelle is a pharmaceuticals company that has been producing herbal pharmaceuticals from high-quality pollen extracts since 1953. By deploying state-of-the art technology and qualitative research and development, the company has developed the API Cernitin™ from pollen extract, which is processed in the form of tableting powder and ready tableting blends. This phytopharmaceutical is used to treat urinary tract diseases such as benign prostate hyperplasia and chronic prostatitis. Production takes place at two state-of-the-art facilities in Ängelholm, southern Sweden. Cernelle distributes the pharmaceuticals under the brand names Cernitin™, Cernilton®, Cernitol® and Cernitol®Novum via external distributors in Asia and Europe. Cernilton® is one of just two medications approved worldwide for the effective treatment of chronic prostatitis and chronic pelvic pain.

C³ Cannabinoid Compound Company GmbH (Closing 31 January 2022)

Pursuant to the purchase agreement dated 15 December 2021, Dermapharm acquired a 100 % interest in C³ Cannabinoid Compound Company GmbH, with its registered office in Neumarkt, Germany, from the seller Canopy Growth Germany GmbH, with its registered office in St. Leon-Rot, Germany. C³ Cannabinoid Compound Company GmbH holds 100% of the shares in the subsidiaries Spectrum Therapeutics GmbH, with its registered office in Neumarkt, Germany, THC Pharm GmbH The Health Concept, with its registered office in Frankfurt am Main, Germany, and Spectrum Therapeutics Austria GmbH, with its registered office in Vienna, Austria (C³ Group). The first-time consolidation of the C³ Group in the Group will take place in the 2022 financial year.

The C³ Group specialises in the development, production and distribution of natural and synthetic cannabinoids. It is the market leader for Dronabinol in Germany and also boasts a

leading position in Austria and Denmark. The C³ Group has two GMP-compliant production facilities in Germany.

Acquisitions of shares

Wellster Healthtech Group GmbH

On 20 May 2021, Dermapharm entered into a share purchase agreement to acquire a 29.82 % equity interest in Wellster Healthtech Group GmbH, with its registered office in Munich, Germany. Wellster Healthtech Group GmbH provides telemedicine platform solutions in the European Union.

CORAT Therapeutics GmbH

Pursuant to the share purchase agreement dated 7 July 2021, Dermapharm AG acquired a 24.9 % equity interest in CORAT Therapeutics GmbH, with its registered office in Braunschweig, Germany. CORAT Therapeutics GmbH holds patents in antibodies used to treat infectious diseases in humans. One of the drugs the company is currently developing to treat hospitalised patients with moderate to severe symptoms of COVID-19 is already undergoing testing in a clinical phase Ib/II trial. This equity investment provides Dermapharm access to immunotherapies against COVID-19 and other infectious diseases.

Comparison to outlook in 2020

In the report on expected developments in the 2020 combined management report, the Board of Management forecasted positive overall business performance for financial year 2021. The Board of Management expects consolidated revenue to grow by 24 % to 26 % and consolidated EBITDA by 45 % to 50 %. The ongoing lull in demand across the entire parallel import market and the increasing focus on high-margin branded pharmaceuticals triggered a change in the original guidance, which the Board of Management duly modified on publication of the report for the third quarter of 2021. The forecast for consolidated revenue growth was revised to between 15 % and 20 % and for adjusted consolidated EBITDA to between 50 % and 60 %.

The Board of Management again raised its forecast in an ad hoc disclosure dated 16 December 2021, in which Dermapharm confirmed its revenue guidance of 15 % to 20 % growth and revised its EBITDA growth forecast upwards to between 70 % and 75 %.

At the end of the 2021 financial year, the revised forecasts for revenue and adjusted EBITDA had both been met.

The financial performance indicators for Dermapharm developed as follows in financial year 2021 (excluding segment reconciliation / Group holding company):

Financial performance indicators (EUR million)	2021	2020	+/–
Consolidated revenue	**942.9**	**793.8**	**+18.8 %**
Branded pharmaceuticals and other healthcare products	640.4	471.3	+35.9 %
Herbal extracts	72.0	71.9	0.0 %
Parallel import business	230.6	250.6	–8.0 %
Adjusted EBITDA*	**351.1**	**200.7**	**+74.9 %**
Branded pharmaceuticals and other healthcare products	336.3	184.3	+82.5 %
Herbal extracts	19.5	15.2	+28.2 %
Parallel import business	2.1	6.9	–70.0 %
Adjusted EBITDA margin*	**37.2 %**	**25.3 %**	**+11.9 Pp**
Branded pharmaceuticals and other healthcare products	52.5 %	39.1 %	+13.4 Pp
Herbal extracts	27.0 %	21.1 %	+5.9 Pp
Parallel import business	0.9 %	2.8 %	–1.9 Pp
Unadjusted EBITDA	**354.4**	**184.5**	**+92.0 %**
Branded pharmaceuticals and other healthcare products	334.5	171.1	+95.5 %
Herbal extracts	24.5	12.3	+100.2 %
Parallel import business	2.1	6.9	–70.0 %
Unadjusted EBITDA margin	**37.6 %**	**23.2 %**	**+14.4 Pp**
Branded pharmaceuticals and other healthcare products	52.2 %	36.3 %	+15.9 Pp
Herbal extracts	34.1 %	17.1 %	+17.0 Pp
Parallel import business	0.9 %	2.8 %	–1.9 Pp

*EBITDA 2021 was adjusted for non-recurring expenses amounting to EUR –3.3 million

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

Composition of adjusted non-recurring items

Non-recurring items reduced earnings by EUR 3.3 million in financial year 2021 and broke down as follows:

- Non-recurring expenses of EUR 1.2 million in the context of acquisitions and share purchases as well as M&A deals not completed
- Restructuring expenses of EUR 0.6 million in relation to Fitvia
- Effects relating to the purchase price allocation and the deconsolidation of the FYTA group amounting to EUR 5.1 million (reduction in earnings).

The non-recurring items 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.

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	2021	2020
Revenues	942,912	793,829
Changes in inventories	(5,310)	19,771
Own work capitalised	16,684	13,812
Other operating income	27,165	12,850
Cost of materials	(333,592)	(363,931)
Personnel expenses	(164,663)	(158,056)
Depreciation, amortisation, impairment and write-ups	(55,596)	(49,166)
Other operating expenses	(129,130)	(132,256)
Operating result	**298,469**	**136,853**
Share of profit/loss of companies accounted for using the equity method, after tax	322	(1,504)
Financial income	4,222	565
Financial expenses	(10,036)	(10,631)
Financial result	**(5,492)**	**(11,570)**
Result before taxes	**292,977**	**125,283**
Income tax expenses	(84,073)	(39,357)
Result for the period	**208,904**	**85,926**

Revenue and earnings performance of the Group

In the financial year 2021, Dermapharm was able to increase the **Group's sales revenues** by 18.8 % year-on-year to EUR 942.9 million (previous year: EUR 793.8 million).

The increase resulted mainly from the cooperation with BioNTech SE for the production of a COVID-19-vaccine, which began in October 2020. Dermapharm was already able to expand this production to a second production site in spring 2021 and thus generate further growth. In addition, Allergopharma was included for the full period compared to the previous year (previous year only 9 months). Furthermore, in a market environment marked by the COVID-19-pandemic, Dermapharm succeeded in keeping existing sales stable overall and expanding them in some cases. In particular, growth was again generated in the area of vitamins and food supplements to strengthen the immune system. In other areas, however, declines in turnover had to be accepted. For example, a declining parallel import market also had a negative impact on sales in the parallel import business.

In the financial year 2021, as in previous years, various development projects were approved by the Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities. As a result, further new preparations were successfully launched in various indication groups and individual dosage forms were added to the product range.

The development costs reported under **own work capitalised** amounted to EUR 16.7 million in the 2021 financial year (previous year: EUR 13.8 million). The revenue-related ratio of development costs amounted to 1.8 % and was thus slightly above the previous year's level (previous year: 1.7 %). In the 2021 financial year, development expenses of EUR 17.2 million (previous year: EUR 14.4 million) were capitalised for new products. This corresponds to a capitalisation rate of 100 % (previous year: 100 %).

Other operating income amounted to EUR 27.2 million in the 2021 financial year (previous year: EUR 12.9 million) and was significantly influenced by income from the deconsolidation of the FYTA Group of EUR 9.1 million (previous year: EUR 0 million), the reversal of provisions of EUR 7.8 million (previous year: EUR 3.6 million) and income from currency translation of EUR 4.9 million (previous year: EUR 3.4 million).

In the 2021 financial year, the cost of materials decreased to EUR 333.6 million (previous year: EUR 363.9 million) despite rising sales. The main reasons for this were shifts in the composition of the products sold and the use of savings potential: While increases in sales of high-margin products only had a disproportionately low impact on the **cost of materials**, decreases in sales of low-margin products in the parallel import business in particular led to a reduction in the cost of materials. Additional savings were achieved through improvements in purchasing conditions and the further transfer of products to in-house production as well as the utilisation of intra-Group synergies. The fact that the manufacturing process at Allergopharma is labour-intensive but also characterised by low material costs also had an impact. The cost of materials ratio including changes in inventories (cost of materials and change in inventories in the numerator) therefore improved accordingly to 35.9 % (previous year: 43.4 %).

Personnel expenses amounted to EUR 164.7 million in the 2021 financial year (previous year: EUR 158.1 million). The increase is mainly due to the expanded vaccine production in cooperation with BioNTech SE and the increased administrative requirements in connection with the positive business development. One-time costs of EUR 0.6 million were incurred for the restructuring of Fitvia. The ratio of personnel expenses to revenue was 17.5 % (previous year: 19.9 %).

Depreciation, amortisation, impairment and write-ups increased to EUR 55.6 million in the 2021 financial year (previous year: EUR 49.2 million). Impairment losses of EUR 4.8 million (previous year: EUR 4.5 million) were recognised on capitalised development costs and EUR 5.4 million (previous year: EUR 0 million) on goodwill at the Group subsidiary Fitvia.

Compared to turnover, depreciation, amortisation and impairment losses/reversals fell by 0.3 percentage points to 5.9 % (previous year: 6.2 %). This decrease is due to the disproportionate increase in turnover in the 2021 business year.

Other operating expenses amounted to EUR 129.1 million in the 2021 financial year (previous year: EUR 132.3 million). The main reason for the decrease is the change in the reporting of production and energy costs of the manufacturing companies in the Group. In the 2021 financial year, expenses of EUR 19.4 million were reported in the cost of materials. In the previous year, expenses of EUR 6.6 million were included in other operating expenses. In contrast, the expenses in the area of development increased due to the different expenses of the individual phases in which the individual development projects were located. These development costs are neutralised again in the statement of comprehensive income through the item "Own work capitalised". The ratio of other operating expenses to turnover was 13.7 % (previous year: 16.7 %). This reduction is due to the disproportionate increase in revenue in relation to the slightly lower other operating expenses in the 2021 business year.

Adjusted EBITDA increased by 74.9 % to EUR 351.1 million in the 2021 financial year (previous year: EUR 200.7 million). Adjustments were made for one-off effects in connection with adjustments in the context of the purchase price allocation (IFRS 3) of FYTA in the amount of EUR 2.0 million due to the "step-up" of the book values of technologies and licences and the associated depreciation. In addition, an adjustment of EUR 0.2 million was made for non-executed M&A transactions and EUR 0.9 million for acquisition costs from the purchases of Allergopharma, Wellster, CORAT, Cernelle and the C³ group. Furthermore, restructuring costs at Fitvia of EUR 0.6 million and one-off income from the resale of FYTA of EUR –7.1 million were adjusted. The total amount of the adjustments is EUR –3.3 million (previous year: EUR 16.1 million). The adjusted EBITDA margin of the Group rose to 37.2 % in the 2021 financial year (previous year: 25.3 %).

EBITDA can be reconciled to the consolidated result as follows:

EUR thousand	2021	2020
EBITDA	**354,387**	**184,515**
of which share of profit or loss of companies accounted for using the equity method, after tax	*322*	*(1,504)*
Depreciation, amortisation, and reversals of write-downs	(55,596)	(49,166)
Financial income	4,222	565
Financial expenses	(10,036)	(10,631)
Earnings before taxes (EBT)	**292,977**	**125,283**
Income tax expenses	(84,073)	(39,357)
Result for the period	**208,904**	**85,926**

Unadjusted EBITDA was EUR 354.4 million in the 2021 financial year (previous year: EUR 184.5 million).

The unadjusted EBITDA margin rose by 14.4 percentage points to 37.6 % in the reporting year (previous year: 23.2 %).

Financial income rose to EUR 4.2 million in the 2021 financial year (previous year: EUR 0.6 million). The increase is mainly due to the increase in interest income. This results from the change in the margin of the syndicated loan due to the improvement of the financial ratio net debt ratio, which has arisen due to the positive development of results in the reporting period and the expected development in the future, resulting in an adjustment of the present value of the syndicated loan accounted for according to the effective interest method, which is recognised in profit or loss.

In addition, **financial expenses** fell to EUR 10.0 million in the 2021 financial year (previous year: EUR 10.6 million). The decrease was mainly due to lower interest expenses for current and non-current liabilities.

Earnings before taxes (EBT) amounted to EUR 293.0 million in the 2021 financial year (previous year: EUR 125.3 million). The margin of the earnings before taxes increased significantly due to the business development in the reporting period and amounted to 31.1 % (previous year: 15.8 %).

Income tax expenses rose to EUR 84.1 million in the 2021 reporting period (previous year: EUR 39.4 million).

The unadjusted **result for the period** was EUR 208.9 million in the 2021 financial year (previous year: EUR 85.9 million).

Segment reporting

The Executive Board manages the group of companies internally according to the segments "Branded Medicinal Products and Other Health Products", "Herbal Extracts" and "Parallel Import Business".

The segment reporting shows the key performance indicators of the individual segments of the corporate group. There are only a small number of supply and service relationships between the individual segments, which are shown as "inter-segment sales". The reconciliation column shows the expenses of Dermapharm Holding SE, which as the parent company of the Group provides services for both reporting segments and does not itself carry out any operating activities.

The supply and service relationships within segments are reported on a consolidated basis.

The central parameters for assessing and managing the earnings situation of the segments are revenue and (adjusted) EBITDA.

Overview of segment reporting by segment

The following tables show the development of the key figures reported internally to the Dermapharm Management Board by business segment.

2021 EUR thousand	Branded pharmaceuticals and other health-care products*	Herbal extracts**	Parallel import business	Reconciliation/ Group holding company	Group
Revenue	641,725	72,041	230,630	(1,484)	942,912
of which intra-segment revenue	*1,373*	*78*	*32*	*(1,484)*	–
Revenue from external customers	640,352	71,963	230,597	–	942,912
Revenue growth	36 %	0 %	(8 %)	–	19 %
EBITDA	334,523	24,549	2,073	(6,758)	354,387
of which earnings from investments accounted for using the equity method	*2,919*	*(2,597)*	–	–	*322*
EBITDA margin	52 %	34 %	1 %	–	38 %

* As from 1 July 2021 with CORAT

** As from 1 December 2021 with Cernelle

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

* As from 1 April 2020 with Allergopharma

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

The revenue in the segment "Branded pharmaceuticals and other health care products" reported in the financial year 2021 increased by 35.9 % to EUR 640.4 million (previous year: EUR 471.3 million).

The increase resulted mainly from the cooperation with BioNTech SE for the production of a COVID-19-vaccine, which began in October 2020. Dermapharm was already able to expand this production to a second production site in spring 2021 and thus generate further growth. In addition, Allergopharma was included for the full period compared to the previous year (previous year only 9 months). Furthermore, Dermapharm succeeded in keeping existing sales stable and in some cases expanding them in a market environment marked by the COVID-19-pandemic. In particular, growth was again generated in the area of vitamins and food supplements to strengthen the immune system. On the other hand, however, sales declines had to be accepted in some areas. For example, a change in customer ordering behaviour led to lower sales at the subsidiaries of the Fitvia Group and Trommsdorff.

Furthermore, the German companies of Dermapharm were able to renew or conclude a selective number of strategically important discount agreements with renowned statutory health insurance funds. In addition, the segment is characterised by a high proportion of high-margin products paid for by end consumers themselves and a large proportion of prescription products.

In the 2021 financial year, as in previous years, various development projects were approved by the Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities and successfully brought to market maturity. The additions to the dermatological portfolio should be highlighted here, such as Calcipotriderm® comp. for the treatment of psoriasis or Diclofenac acis® as an anti-inflammatory dermatological gel.

The 24.9 % share in CORAT Therapeutics GmbH, which was acquired in the 2021 financial year and is allocated to the "Branded pharmaceuticals and other healthcare products" segment, was included in the scope of consolidation of the Group as financial assets accounted for using the equity method for the first time on 1 July 2021. As of this date, the contribution to earnings is included in the consolidated result.

Adjusted EBITDA increased by 82.5 % to EUR 336.3 million in the 2021 financial year (previous year: EUR 184.3 million). The adjustments allocated to this segment in connection with the acquisitions of Cernelle, C³ and Allergopharma as well as the acquisition of participations in Wellster and CORAT, the non-executed M&A transactions and restructuring measures at fitvia total EUR 1.8 million. The adjusted EBITDA margin in the segment rose to 52.5 % (previous year: 39.1 %).

Reported and unadjusted EBITDA rose by 95.5 % to EUR 334.5 million in the 2021 financial year (previous year: EUR 171.1 million). This increase was largely based on the cooperation with BioNTech SE for vaccine production and the successful market positioning in high-margin vitamin preparations and nutritional supplements. The full affiliation of Allergopharma for the entire 2021 financial year (previous year only nine months included) also made a further contribution to earnings. Therefore, the segment's unadjusted EBITDA margin rose to 52.2 % (previous year: 36.3 %).

Revenue and earnings performance of the "Herbal extracts" segment

Euromed's revenue, which was reported under the "Herbal extracts" segment in financial year 2021, remained virtually level year on year, amounting to EUR 72.0 million (previous year: EUR 71.9 million).

The "Herbal extracts" segment's adjusted EBITDA amounted to EUR 19.5 million in financial year 2021 (previous year: EUR 15.2 million). In financial year 2021, EUR –5.1 million in adjustments were allocated to this segment in connection with the purchase price allocation of FYTA and the deconsolidation of the FYTA Group. Accordingly, the adjusted EBITDA margin was 27.0 % (previous year: 21.1 %).

The segment's unadjusted EBITDA, as reported, amounted to EUR 24.5 million (previous year: EUR 12.3 million). Thus, the unadjusted EBITDA margin was 34.1 % (previous year: 17.1 %). The investment in the FYTA Group, which is accounted for using the equity method and allocated to the segment, was disposed of during the financial year.

Revenue and earnings performance of the "Parallel import business"

The revenue reported in the "parallel import business" segment in the financial year 2021 decreased by 8.0 % to EUR 230.6 million (previous year: EUR 250.6 million). The decline in revenue was mainly due to the continued decline in the overall parallel import market in the financial year, the increased health insurance discounts and further adjustments to reference prices, which led to reduced sales prices. According to the market research institute INSIGHT Health, axicorp achieved a market share of 9.7 % (previous year: 9.5 %) and was thus able to continue to establish itself among the top five German importers. The reported EBITDA in the "parallel import business" segment fell by 70.0 % to EUR 2.1 million in the 2021 financial year (previous year: EUR 6.9 million). The main reasons for this were the overall decline in the parallel import market and a shift in the product mix caused by the COVID-19-pandemic, which was at the expense of high-margin travel medications and vaccinations, such as malaria prophylaxis and therapy as well as vaccinations against hepatitis. The number of discount tenders by health insurers for high-revenue originator drugs that are about to expire on patent continues to increase. In order to remain competitive, importers must also participate in these tenders, but this puts pressure on product margins. As a result, the segment's EBITDA margin fell to 0.9% (previous year: 2.8 %).

2.3.2 Financial position of the Group

Consolidated statement of financial position as at 31 December 2021

Assets **EUR thousand**	**31 December 2021**	**31 December 2020**
Non-current assets		
Intangible assets	294,842	297,342
Goodwill	264,729	266,268
Property, plant and equipment	222,288	199,619
Investments accounted for in accordance with the equity method	28,261	59,130
Equity investments	25,899	383
Other non-current financial assets	51,729	1,603
Total non-current assets	**887,747**	**824,345**
Current assets		
Inventories	243,601	205,726
Trade receivables	72,517	55,515
Other current financial assets	15,183	3,849
Other current assets	26,169	12,527
Tax assets	339	362
Cash and cash equivalents	161,414	120,301
Non-current assets held for sale	0	1,773
Total current assets	**519,222**	**400,052**
Total assets	**1,406,969**	**1,224,396**

Equity and liabilities EUR thousand	31 December 2021	31 December 2020
Equity		
Issued capital	53,840	53,840
Capital reserves	100,790	100,790
Retained earnings	337,954	177,082
Other reserves	4,731	(9,746)
Equity attributable to owners of parent	**497,316**	**321,966**
Non-controlling interests	2,518	2,616
Total equity	**499,834**	**324,582**
Non-current liabilities		
Provisions for employee benefits	128,878	144,753
Non-current financial liabilities	574,721	580,759
Other non-current financial liabilities	0	261
Other non-current liabilities	11,867	11,222
Deferred tax liabilities	36,056	29,948
Total non-current liabilities	**751,522**	**766,943**
Current liabilities		
Other provisions	18,684	23,778
Current financial liabilities	5,580	26,044
Trade payables	52,101	50,370
Other current financial liabilities	822	4
Other current liabilities	29,630	23,823
Tax liabilities	48,796	8,852
Total current liabilities	**155,613**	**132,872**
Total equity and liabilities	**1,406,969**	**1,224,396**

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 and other non-current and current financial liabilities less cash and cash equivalents) decreased to EUR 419.7 million as at 31 December 2021 (31 December 2020: EUR 486.8 million). This is mainly due to the repayment of the promissory note loan and a higher level of cash and cash equivalents.

The ratio of net debt to adjusted EBITDA (leverage) fell accordingly to 1.2 in the reporting year 2021 (previous year: 2.4). Taking into account the unadjusted EBITDA, the leverage is 1.2 (previous year: 2.6).

The equity ratio was 35.5 % as at the balance sheet date of 31 December 2021 (31 December 2020: 26.5 %). Compared to the previous year, the equity ratio was significantly influenced by the positive annual result.

Dermapharm's net assets developed as shown below in the financial year 2021:

Total assets increased to EUR 1,407.0 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 1,224.4 million).

On the assets side, **intangible assets** decreased to EUR 294.8 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 297.3 million). This development resulted in particular from lower capitalisation from business combinations compared to the previous year, so that amortisation and impairments with an opposite effect led to a decrease.

In the 2021 financial year, development costs of EUR 17.2 million were capitalised as internally generated intangible assets (previous year: EUR 14.4 million). Goodwill decreased to EUR 264.7 million as at 31 December 2021 (31 December 2020: EUR 266.3 million). The increase due to the acquisition of AB Cernelle is offset by a reduction due to the impairment at Fitvia.

Property, plant and equipment increased to EUR 222.3 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 199.6 million). The increase was mainly due to advance payments for buildings and land in connection with the new axicorp GmbH headquarters. Furthermore, investments in production facilities in relation to the expanded COVID-19-vaccine production increased this value.

Financial assets accounted for using the equity method decreased to EUR 28.3 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 59.1 million). The reduction is due to the deconsolidation of the FYTA Group. The acquisition of shares in CORAT Therapeutics GmbH had the opposite effect. Three associated companies (31 December 2020: six) were accounted for in the consolidated financial statements using the equity method.

- Gynial GmbH, Vienna, Austria: Dermapharm GmbH, Vienna, acquired a 25.1 % share in Gynial GmbH, Vienna, in 2015. The focus of Gynial is on products to promote the physical health and well-being of women, with a particular emphasis on prophylaxis. Gynial is a pure distribution company and has no production facilities. The company's strategic goal is to have existing contract manufacturing increasingly produced by mibe GmbH Arzneimittel, which already has a contraceptive manufacturing division, instead of by external suppliers. In this way, the value added in production could be increased. In addition, Gynial GmbH can benefit from future developments of the group of companies in gynaecology. The carrying amount of the investment was EUR 2.0 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 1.8 million).

- Hasan Dermapharm Co., Ltd. Saigon, Vietnam: In the 2007 financial year, Dermapharm AG acquired a share in Hasan Dermapharm Co., Ltd. in which the group currently holds a 30 % stake. Vietnam is characterised by an open market and the highest growth rate in Southeast Asia. The Hasan Pharma Division operates a WHO GMP-certified production facility that can manufacture almost all medicinal products sold on the Vietnamese market. Dermapharm provides the documentation, which is adapted to Vietnamese standards and submitted to the local regulatory authority. After approval, production is carried out for the local market. However, formulations manufactured under licence are sold at higher prices than products manufactured locally only. The carrying amount of the investment was EUR 3.7 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 3.0 million).

- CORAT Therapeutics GmbH: With a contract dated 7 July 2021, Dermapharm acquired 24.9% of CORAT Therapeutics GmbH, based in Braunschweig, Germany. CORAT Therapeutics GmbH holds patents of antibodies for the treatment of infectious diseases. A current development for the treatment of hospitalised COVID-19-patients with moderate to severe symptoms is already in phase Ib/II clinical trials. The investment gives Dermapharm access to immunotherapies against COVID-19 and other infectious diseases. The carrying amount of the investment was EUR 22.5 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 0 million).

The investments increased to EUR 25.8 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 0.4 million). The increase is mainly due to the acquisition of the shares in Wellster.

Other non-current financial assets increased to EUR 51.7 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 1.6 million). This increase is mainly due to the compensation claim of Dermapharm AG in connection with the reversal of the FYTA Group.

Inventories increased to EUR 243.6 million as of the balance sheet date 31 December 2021 (31 December 2020: EUR 205.7 million). The increase is, on the one hand, in line with the increase in sales of the Group companies managed by mibe GmbH and, on the other hand, with the security stocks built up in the course of the COVID-19-pandemic. At the end of the financial years 2021 and 2020, no inventories were pledged as collateral for debts.

Trade receivables increased to EUR 72.5 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 55.5 million). The increase is mainly due to the increase in turnover in the 2021 financial year. The receivables are mainly due from wholesalers and pharmacists in Germany. The Group companies have a solvent and creditworthy customer base in Germany. Bad debt losses are the exception in the "Branded pharmaceuticals and other healthcare products" segment, so there is no trade credit insurance. The creditworthiness of customers in the "parallel import business" and "herbal extracts" segments is also comparable and there were no significant payment defaults in the past financial year. The same applies

to receivables abroad. In order to minimise default risks, the Group has an adequate accounts receivable management system in place. In addition, Dermapharm always informs itself about the creditworthiness of its customers before entering into a new business relationship.

While Dermapharm partly registered a change in customer ordering behaviour due to the COVID-19-pandemic, there was no significant deterioration in customer creditworthiness.

Other current financial assets increased to EUR 15.2 million as at 31 December 2021 (31 December 2020: EUR 3.8 million). This increase is mainly due to a short-term compensation claim from the reversal of the share acquisition of the FYTA Group in the amount of EUR 10.0 million.

The non-current assets held for sale amounted to EUR 0 as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 1.8 million). In the previous year, a commercial property of mibe Pharmaceuticals d.o.o., Croatia, was listed here, which was sold during the reporting year.

Cash and cash equivalents, which include cash and demand deposits as well as short-term financial investments, increased to EUR 161.4 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 120.3 million). This development was based on the effects described in the notes to the consolidated cash flow statement (see 2.3.3).

Equity increased to EUR 499.8 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 324.6 million). The development was significantly influenced by the increase in retained earnings by EUR 166.3 million to EUR 338.0 million (31 December 2020: EUR 177.1 million), which resulted primarily from the consolidated profit carried forward in 2020 and the consolidated profit from the 2021 financial year as well as the dividend paid in 2021 for the previous financial year. The capital reserve remained unchanged compared to the previous year at EUR 100.8 million (31 December 2020: EUR 100.8 million). Furthermore, other reserves increased to EUR 4.7 million (31 December 2020: EUR –9.7 million), in particular due to changes in the valuation parameters for benefits from pension obligations.

Provisions for employee benefits decreased to EUR 128.9 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 144.8 million). The reduction essentially results from the change in the valuation parameters for benefits from pension obligations.

The current and non-current financial liabilities of the Group as at 31 December 2021 in the amount of EUR 5.6 million and EUR 574.7 million, respectively (31 December 2020: EUR 26.0 million and EUR 580.8 million, respectively), primarily comprise the promissory note loans amounting to EUR 99.7 million, a syndicated loan agreement amounting to EUR 402.7 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 as at the balance sheet date of 31 December 2021 decreased by EUR 5.1 million to EUR 18.7 million (31 December 2020: EUR 23.8 million). They mainly include provisions for health insurance rebate payments of the German companies. The decrease in other provisions is mainly due to the utilisation of provisions for restructuring costs at Allergopharma.

Trade payables increased to EUR 52.1 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 50.4 million). They have a remaining term of up to one year and are not interest-bearing and are generally due for payment within 0 to 60 days. The increase is primarily based on reporting date-related effects and the cash flows that can be derived from them.

Other non-current financial liabilities and other non-current liabilities increased slightly to EUR 11.9 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 11.5 million). The reduction in other non-current financial liabilities is due in particular to the discontinuation of long-term derivatives. Other non-current liabilities increased mainly due to higher bonus provisions.

Other current financial liabilities and other current liabilities increased to EUR 29.6 million as at the balance sheet date of 31 December 2021 (31 December 2020: EUR 23.8 million). The increase in other current financial liabilities is mainly due to the purchase price obligation in the course of the acquisition of AB Cernelle.

Tax liabilities increased to EUR 48.8 million in the 2021 financial year (31 December 2020: EUR 8.9 million). The increase is mainly due to higher corporate income tax and trade tax liabilities as a result of the positive development of earnings.

Deferred tax liabilities increased to EUR 36.1 million in the 2021 financial year (31 December 2020: EUR 29.9 million). The increase results from lower deferred tax assets that must be offset, mainly due to the decrease in pension obligations.

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 2021.

The main sources of liquidity procurement were cash inflows from operating activities. In addition to existing financing by means of loans, credit lines and various promissory note loans, Dermapharm also has a liquidity reserve in the form of cash and cash equivalents.

As at the balance sheet date of 31 December 2021, Dermapharm had access to credit lines amounting to EUR 115.4 million. Of this amount, EUR 57.9 million was available as at the balance sheet date.

Financial management: principles and objectives

Dermapharm's financing strategy focuses on securing financial flexibility as well as optimising the cost of capital. In order to be financially flexible, the Group uses various financing instruments.

The definition of the optimal capital structure at Dermapharm is essentially based on whether the "financial covenant" agreed with the debt capital providers can be met. Other focal points are the reduction of capital costs, the generation of liquid funds and the active management of net working capital.

In accordance with the financial covenant, Dermapharm manages its capital structure based on the ratio of net debt to adjusted EBITDA.

In addition to existing financial instruments, the Group also covers its financing needs primarily through cash flow from operating activities.

Overview of the structuring of financial liabilities in the Group

Current remaining terms of financial liabilities as at 31 December 2021:

EUR thousand	< 1 Year	1–5 Years	> 5 Years	Total
Promissory note loan III	–	83,687	16,000	**99,687**
Liabilities to banks	2,379	461,207	4,815	**468,401**
Lease liabilities	3,201	4,397	4,616	**12,214**
Total	**5,580**	**549,291**	**25,431**	**580,302**

As at 31 December 2021, financial liabilities totalled EUR 580.3 million (31 December 2020: EUR 606.8 million). The share of promissory note loans issued decreased to EUR 99.7 million (31 December 2020: EUR 119.0 million), and the share of liabilities to banks fell to EUR 468.4 million (31 December 2020: EUR 473.6 million). In addition, there were liabilities from leasing in the amount of EUR 12.2 million (31 December 2020: EUR 14.1 million).

Significant new financings in the reporting period

No significant new financing was concluded in the reporting period.

Significant existing financing

In 2019, Dermapharm concluded a syndicated loan agreement for bullet loans of EUR 400 million and revolving credit lines of EUR 100 million with an increase option to secure its growth strategy. At the beginning of the agreement, EUR 400 million of the syndicated loan was disbursed in a lump sum to redeem existing loans of EUR 362.2 million. The revolving credit lines were drawn for the first time in April 2020 with EUR 57.5 million to finance the acquisition of Allergopharma; the increase option was not exercised.

In addition to the above-mentioned syndicate agreement, Dermapharm issued variable and fixed-interest promissory note loans with a total nominal volume of EUR 119.5 million and maturities of 5, 7 and 10 years in 2014 and 2019. In November 2021, the remaining outstanding volume of the promissory note loan II of EUR 19.5 million issued in 2014 was due for repayment and was repaid.

The promissory note loan agreements provide for a right of return of the promissory note loans on the part of the investors in the event of a change of control. In the event of non-compliance with the financial covenant, the investors receive a margin step-up of 0.40 %. The same applies to the syndicated loan described above.

Cash flow analysis

Cash flow statement (abridged version)

EUR thousand	2021	2020
Net cash flows from operating activities	250,368	131,098
Cash flows from investing activities	(129,347)	(105,912)
Free cash flow	**121,021**	**25,186**
Cash flows from financing activities	**(80,979)**	**(14,090)**
Cash flow	**40,042**	**11,096**
Cash and cash equivalents	161,414	120,301

Net **cash flow from operating activities** includes the change in items not covered by investments, financing and changes due to the scope of consolidation and valuation.

Net cash flow from operating activities increased by EUR 119.3 million to EUR 250.4 million in the reporting year 2021 (previous year: EUR 131.1 million). This development was significantly influenced by the EUR 167.7 million increase in consolidated earnings before taxes in 2021.

Cash flow from investing activities, which includes cash outflows for investments less cash inflows from divestments, amounted to EUR –129.3 million in the 2021 financial year (previous year: EUR –105.9 million).

The cash flow from investing activities was mainly influenced by payments for investments in intangible assets and property, plant and equipment amounting to EUR 61.2 million (previous year: EUR 40.8 million). In addition, cash flow from investing activities was influenced by payments for investments in financial assets amounting to EUR 48.3 million (previous year: EUR 0). This mainly includes the acquisition of the shareholdings in Wellster and CORAT.

Free cash flow, i.e. cash flow from operating activities plus cash flow from investing activities, amounted to EUR 121.0 million in 2021 (previous year: EUR 25.2 million).

Cash flow from financing activities amounted to EUR –81.0 million in the reporting year (previous year: EUR –14.1 million).

The main influencing factor here was the distribution of the dividend for the 2020 financial year in the amount of EUR 47.4 million in June 2021 (previous year: EUR 43.1 million), which was made in accordance with the resolution of the Annual General Meeting on 23 June 2021. In accordance with the Executive Board's proposal, the Annual General Meeting resolved to distribute a dividend of EUR 0.88 per no-par value share entitled to dividend. Furthermore, the promissory note loan II from 2014 in the amount of EUR 19.5 million was repaid as scheduled in November 2021.

Dermapharm also generated cash inflows of EUR 10.0 million (previous year: EUR 58.4 million) from the raising of financial liabilities.

Cash flow: net cash flow from operating activities plus cash flow from investing activities plus cash flow from financing activities amounted to EUR 161.4 million in 2021 (previous year: EUR 120.3 million).

Investments

The Group's investment volume amounted to EUR 132.0 million in the 2021 reporting year (previous year: EUR 109.6 million). Of this amount, CORAT accounted for EUR 22.8 million, Wellster for EUR 25.5 million and Cernelle for EUR 12.5 million in acquisitions.

Investments in intangible assets amounted to EUR 21.9 million (previous year: 20.6 million) and primarily comprise expenses for products being developed in house. Investments in property, plant and equipment amounted to EUR 39.3 million (previous year: EUR 19.5 million). Accordingly, the ratio of investments in property, plant and equipment to Group revenue amounted to 4.2 % (previous year: 2.5 %). Thus, of the overall investment volume in 2021, 29.8 % was used for property, plant and equipment (previous year: 17.8 %) and 70.2 % for intangible assets (previous year: 82.2 %).

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 the name Dermapharm Holding SE and HRB 234575, and has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany.

Dermapharm Holding SE essentially functions as a strategic holding company. In this function, it does not generate sales from third parties except charges allocated within the Group. It holds, directly and indirectly, shares in companies belonging to the Group.

Services from Dermapharm Holding SE's role as a holding and parent company of the 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 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 segments. 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 2020

In the report on expected developments in the 2020 combined management report, the Board of Management forecasted a moderate improvement in EBITDA for financial year 2021 compared to financial year 2020. EBITDA amounted to EUR –0.3 million in financial year 2021 (previous year: EUR –1.3 million). Thus, the performance was better than forecasted.

2.4.3 Financial performance of Dermapharm Holding SE

Income statement

EUR thousand	2021	2020
Sales	6.491	4,471
Other operating income	167	74
Personnel expenses	(4,701)	(4,097)
Amortisation of intangible fixed assets and depreciation of tangible fixed assets	(8)	(14)
Other operating expenses	(2,204)	(1,779)
Other interest and similar income	17	379
Interest and similar expenses	(289)	–
Earnings after tax	**(527)**	**(967)**
Other taxes	(0)	(13)
Net loss for the financial year	**(527)**	**(979)**
Loss carried forward from the previous year		
Withdrawal from capital reserves	117,360	48,359
Unappropriated net earnings	**116,833**	**47,379**

The **sales** in financial year 2021 amounted to EUR 6.5 million (previous year: EUR 4.5 million) and comprised solely amounts charged for services rendered to companies of the Group.

Personnel expenses increased year on year to EUR 4.7 million (previous year: EUR 4.1 million) and comprise the Business Development department and the Company's Board of Management.

Other operating expenses amounted to EUR 2.2 million in financial year 2021 (previous year: EUR 1.8 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 –0.3 million in financial year 2021 (previous year: EUR –1.3 million).

Other interest and similar income amounted to EUR 0.0 million in financial year 2021 (previous year: EUR 0.4 million) and consisted primarily of intercompany interest income in the previous year. The decrease was due to the repayment of the loan to Dermapharm AG. These interest expenses are for a loan from Dermapharm AG.

Earnings after tax amounted to EUR –0.5 million in financial year 2021 (previous year: EUR –1.0 million).

The **net loss for the financial year** amounted to EUR –0.5 million in financial year 2021 (previous year: EUR –1.0 million).

The **retained earnings** for the 2021 financial year of EUR 116.8 million (previous year: EUR 47.4 million) are to be used for the full distribution of the dividend proposed by the Board of Management.

2.4.4 Financial position of Dermapharm Holding SE

The financial position of Dermapharm Holding SE changed in financial year 2021 as presented below:

Assets **EUR thousand**	**31 December 2021**	**31 December 2020**
Fixed assets		
Intangible fixed assets	18	26
Shares in affiliated companies	1,261,872	1,261,872
Total fixed assets	**1,261,890**	**1,261,898**
Current assets		
Receivables from affiliated companies	12,790	17,790
Other assets	437	8
Total current assets	**13,227**	**17,798**
Bank balances	**1,361**	**3,602**
Prepaid expenses	**214**	**287**
Total assets	**1,276,692**	**1,283,586**

Equity and liabilities **EUR thousand**	**31 December 2021**	**31 December 2020**
Equity	**1,229,757**	**1,277,664**
Provisions		
Other provisions	3,508	2,635
Total provisions	**3,508**	**2,635**
Liabilities		
Trade payables	27	32
Liabilities to affiliated companies	35,038	1,129
Other liabilities	8,361	2,126
Total liabilities	**43,427**	**3,287**
Total equity and liabilities	**1,276,692**	**1,283,586**

The **total assets** decreased to EUR 1,277 million as at 31 December 2021 (31 December 2020: EUR 1,284 million).

The **shares in affiliated companies** remained exactly level year on year at EUR 1,261.9 million as at 31 December 2021 (31 December 2020: EUR 1,261.9 million) and includes the equity investments in Dermapharm AG and Dermapharm Beteiligungs GmbH.

Receivables and other assets decreased to EUR 13.2 million (31 December 2020: EUR 17.8 million). The decline is due mainly to the repayment of the loan to Dermapharm AG.

Bank balances decreased to EUR 1.4 million as at 31 December 2021 (31 December 2020: EUR 3.6 million). The decline is due to higher VAT prepayments from the Group's consolidated VAT tax group.

Equity decreased to EUR 1,230 million as at 31 December 2021 (31 December 2020: EUR 1,278 million) due primarily to the distribution of the 2020 dividend in 2021 and the net loss for financial year 2021.

Other provisions increased to EUR 3.5 million as at 31 December 2021 (31 December 2020: EUR 2.6 million) due in particular to changes in personnel-related provisions.

Other liabilities increased to EUR 8.4 million as at 31 December 2021 (31 December 2020: EUR 2.1 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 Cash flows 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 2021.

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 retained earnings reported in the 2021 financial year are expected to be used in full in the 2022 financial year for the dividend payment proposed by the Board of Management.

2.5 Overall assertion on the economic situation

Overall assertions on the Group

The 2021 financial year was a very challenging year for the Group due to the ongoing COVID-19-pandemic, supply bottlenecks and higher procurement costs for raw materials. Dermapharm successfully adapted to the new situation, permanently secured its ability to deliver and seized growth opportunities as they arose. The Company successfully built on its positive business performance and achieved the targets forecast in December 2021.

Revenue increased by 18.8% to EUR 942.9 million (previous year: EUR 793.8 million).

The segments reported the following growth in revenue:

- Branded pharmaceuticals and other healthcare products: 35.9 %
- Herbal extracts: 0.0 %
- Parallel import business: –8.0 %

Dermapharm increased its **adjusted EBITDA** by 74.9 % to EUR 351.1 million (previous year: EUR 200.7 million). This figure factors in the non-recurring items in connection with the acquisition of Allergopharma, Wellster, CORAT, Cernelle, the C³ Group and Fitvia and M&A deals not completed, restructuring expenses at Fitvia and adjustments made in connection with the purchase price allocation (IFRS 3) and the deconsolidation of the FYTA Group of EUR –3.3 million.

The segments reported the following changes in adjusted EBITDA:

- Branded pharmaceuticals and other healthcare products: 82.5 %
- Herbal extracts: 28.3 %
- Parallel import business: –70.0 %

Prior to adjustment, EBITDA increased by 92.0 % to EUR 354.4 million (previous year: EUR 184.5 million).

The segments reported the following changes in unadjusted EBITDA:

- Branded pharmaceuticals and other healthcare products: 95.5 %
- Herbal extracts: 100.2 %
- Parallel import business: –70.0 %

Overall assertion on Dermapharm Holding SE

In financial year 2021, 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 risks and opportunities

Because Dermapharm operates within a complex and global ecosystem, a number of external and internal factors influence its business. Every decision is fraught with opportunities and risks, which need to be taken into account. Dermapharm has therefore established tools and processes that enable it to identify risks early and take appropriate action to counter them. At Dermapharm, opportunity management is an integral part of internal decision-making processes and business planning during the year.

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 discuss how the COVID-19-pandemic and the uncertainties caused by it will

affect Dermapharm. Specifically, we assessed the likelihood and potential impact of each separate risk category, taking into account the ongoing pandemic and how we expect events to develop in 2022.

The war in Ukraine is addressed under political risks.

There were no material changes in the risk assessments compared to the previous year.

Only the potential impact on the assets, liabilities, financial position and profit or loss of the "Dependence on key products" and "Dependence on customers" risk categories was upgraded from low to medium. Furthermore, the "Risks in developing new compounds/products" category was downgraded from medium to low.

In 2021, no adjustments were made with regard to the methodology used to identify risks.

3.1 Risk management system

Dermapharm's Group-wide risk management system (RMS) covers Dermapharm Holding SE, Dermapharm AG, Dermapharm Beteiligungs GmbH 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 a healthy risk and compliance culture within the Company. To set the right tone from the top, management promotes open risk communication across all subsidiaries, segments and hierarchy levels. Group employees are encouraged to think about potential risks, openly address risks that have been identified, and suggest immediate action to minimise risk. Training on the Group-wide RMS methodology in all relevant segments 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 segments.

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. It is also used to ascertain the Group's risk-bearing capacity so that action can be taken early on to counter any potential developments that could jeopardise the Group's ability to function as a going concern should more than one risk arise at the same time. Risk-bearing capacity refers to the maximum possible loss from the occurrence of potential risks that can just be covered by the available liquidity reserves and free lines of credit without jeopardising the Group's ability to function as a going concern. Another goal of the risk management system is to guarantee 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 exist due to external influences as well as through entrepreneurial actions. Risks may result in targets being missed or adversely impacted. When balancing opportunities and risk, 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 is entirely 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 segment managers and managing directors of the subsidiaries 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 segments and companies in which a majority interest is held. The risk officers adapt and update Dermapharm's standard catalogue of risks. The GRC team centrally consolidates and assesses the results at the end of the year. If necessary, new measures are introduced or previously adopted measures are modified. The results are reported to the Board of Management, which takes action if there is a significant increase in risk.

Organisation of the risk management system:

Supervisory Board: Monitoring of the RMS

Management Board: Overall responsibility for the RMS

1. Line of defense	2. Line of defense	3. Line of defense
Process / risk owner (operative management)	**Governance, Risk & Compliance (GRC) Team**	**Internal Audit**
Responsibilities:	**Responsibilities:**	**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	• 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	• 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 are responsible for regularly identifying, analysing and assessing risks using an established set of risk categories and assessment methodology. The potential impact and likelihood of the risk are assessed taking into account the risk-mitigating structures that have already been implemented in the organisation and processes. Risks are classified as low, medium or high depending on the combination of impact and likelihood. 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

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):

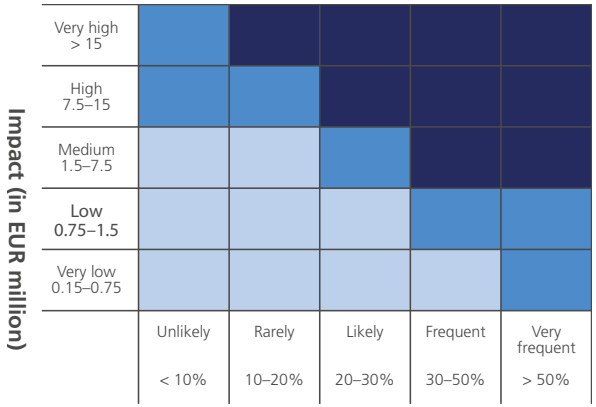
Market & Strategy	Operational	Financial	Compliance
Threat of (new) competitors / manufacturers of originator preparations	Risks in the development of new products	Financing and liquidity risks	Risks arising from changes in the legal and regulatory environment
Dependence on key products	Procurement risks	Interest rate risks	Corruption risks
Dependence on suppliers / business partners	Production risks	Currency risks	Antitrust risks
Risks arising from M&A activities	Quality / product liability	Tax risks	Data protection (GDPR) violations
Political risks	Marketing & distribution risks		Violation of environmental, health and occupational safety provisions, or human rights
	IT risks		Other compliance risks
	HR risks		
	Other operational risks		

Risks are identified by continuously monitoring the general economic trend, the market environment in the pharmaceuticals sector and 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 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), and where possible 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 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 risk is classified as low, medium or high based on a combination of the assessed likelihood and impact. This makes it possible to prioritise the steps required to mitigate risk.

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 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 any requisite recommendations for improvement. Approval is obtained from the Board of Management for material changes to the RMS.

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

In particular, the process of identifying and assessing the Company's internal risk factors involves 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 universally implement the strategic and operational directives of Dermapharm's Board of Management, to achieve the operating efficiency targets and to guarantee that compliance requirements are met.

3.2 Accounting-related internal control system

The Group's accounting-related internal control system is an integral part of the Group-wide risk management system and 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.

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. These processes are implemented to the greatest possible extent using standardised IT systems, which include comprehensive system-based controls to help ensure that transactions are recorded correctly and completely. 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 (approval of invoices, changes to bank master data, matching payment runs, etc.), which is employed for material business processes, a clear division of responsibilities and roles and a wide range of 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 on all employees throughout the Group. We expect all employees of Dermapharm 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.

Suspicious transaction reports can also be filed at Dermapharm 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 authorities and 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 fierce 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 impact market conditions in a way that has a negative outcome for Dermapharm.

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 portion of Dermapharm's revenue and EBITDA is generated through the sale of particularly strong brands, such as Dekristol® (active ingredient: vitamin D). Scientific research shows that vitamin D deficiency can lead to various secondary diseases. Under the Dekristol® brand, Dermapharm has a very extensive portfolio of different high-dosage vitamin compounds and food supplements that can be used prophylactically or to treat vitamin D deficiency. As a consequence, income from the sale of Dekristol® 20,000 I.U. and other products from the Dekristol® family has increased continuously in recent years.

Thanks to the organic growth of Dermapharm's broad product range in various therapeutic areas and the growth from acquisitions (e.g., the acquisition of Allergopharma GmbH & Co. KG in 2020), the brand Dekristol's share of total revenue and EBITDA is relatively low. By contrast, many other competitors are highly reliant on their key products. Thus, the risk from changing market conditions, such as increased competition, the establishment of alternative forms of treatment and regulatory measures, can be limited for the products of the Dekristol® brand. This also applies to other important products in the Group such as Allergovit®, Keltican®forte, Tromcardin®complex or 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.

The production of the vaccine in cooperation with BioNTech SE also contributed to Dermapharm's revenue and EBITDA growth in financial year 2021. Production takes place at the sites of mibe GmbH Arzneimittel in Brehna and at Allergopharma GmbH & Co. KG in Reinbek. Dermapharm expanded the production capacities in financial year 2021, as it intends to continue its cooperation with BioNTech SE.

The further course of the COVID-19-pandemic, and vaccination rates in particular, will influence Dermapharm's cooperation with BioNTech SE and any future vaccine quantities that BioNTech SE will order.

While a slowdown in vaccine production could stunt the Group's growth, this does not represent a risk that could jeopardise the Group's ability to function as a going concern. In addition, this risk is countered by the further development of the product portfolio and suitable new business ideas.

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 suppliers/business partners

Dermapharm requires raw materials, which it purchases from suppliers and third-party manufacturers, to manufacture its products. Supply chain interruptions may considerably reduce the availability of the affected products on the market. However, thanks to our extensive product range and thus the large number of upstream suppliers, this is not expected to adversely affect the Group's performance.

Dermapharm protects itself from potential supplier bottlenecks, due for instance to the loss of a supplier, by employing an appropriate inventory strategy and alternative sources.

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

The Group's business success depends among other things on its ability to successfully market prescription and OTC pharmaceuticals. Demand for Dermapharm's products is driven primarily by doctors and pharmacists and, to a lesser extent, by health food stores and chemist's shops. By contrast, pharmaceutical wholesalers play a purely logistical role.

The risks are mitigated considerably thanks to the substantial number of customers who are doctors and pharmacists. The greatest risk stems from reputational damage due to the failure to fulfil quality promises, deliver products or comply with internal compliance requirements.

One consequence of the COVID-19-pandemic continues to be that many patients/consumers are postponing non-urgent doctor's appointments and pharmacy visits because they feared they might contract the coronavirus. 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.

In connection with the production of the Comirnaty® vaccine, BioNTech SE has become an important customer. As mentioned above, the scope of vaccine production activities depends in particular on the further course of the COVID-19-pandemic and vaccination rates. A slowdown in vaccine production could diminish Dermapharm's growth potential.

Dermapharm's diverse portfolio with the six core therapeutic areas vitamins, minerals & food supplements, dermatology, allergology, pain and inflammation, cardiovascular support and gynaecology and urology proved to be particularly robust and resilient in the face of the crisis in 2021. Dermapharm works to actively minimise risk by comprehensively and continuously observing market developments, relevant participants and significant market structures and by developing alternative courses of action on the basis of these observations. Furthermore, the Group, in particular its sales force, 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 **medium** at Group level.

Risks arising from M&A activity

Dermapharm's growth strategy is based on in-house product development, internationalisation and M&A activities. M&A activities in particular are associated with the risk that products, portfolios or businesses acquired in the past or to be acquired in the future can only be integrated at a higher cost or the expected synergies cannot be leveraged as intended. Moreover, the acquired products or businesses 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, there is the risk that 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

Dermapharm 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 (for example, 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.

At the time of writing, the war in Ukraine presents a macroeconomic and political risk. The subsidiary in Kyiv has been closed and sales activities in Ukraine have been suspended. The revenue generated in Ukraine amounts roughly to a mere 1% of consolidated revenue. Hence, the direct impact on Dermapharm's business is negligible. At the time of writing, it is not possible to forecast how the ripple effects from the crisis in eastern Europe will impact macroeconomic trends or the political situation.

Most of the extensive export restrictions and border closures put in place on supply chains for pharmaceuticals during the COVID-19-pandemic were lifted in 2021. Accordingly, Dermapharm's purchasing risks declined year on year. However, the Ukraine conflict is exacerbating what was already a tense situation due to the pandemic. New restrictions imposed by policy-makers could adversely affect Dermapharm's business operations.

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 import duties, new licensing requirements, rising costs of compliance with regulatory requirements in connection with authorisation processes.

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 developing new compounds/products

Dermapharm generates the majority of its revenue from off-patent branded pharmaceuticals. The development of new products is thus one of the three key pillars of the growth strategy. Accordingly, Dermapharm invests substantial amounts in order to continually and successfully develop and bring to market new products. To this end, the Group has development teams at several locations who focus on the pharmaceutical, analytical and clinical development of drugs, medical devices and food supplements. Despite the extensive expertise these teams possess, there is no guarantee that Dermapharm can successfully launch every single new product development on the market.

In any project, unexpected technical challenges, regulatory changes or official requirements can lead to delays, cost increases or even the cancellation of the project itself. Even the outcome of meticulously prepared clinical trials cannot be predicted. As a result, a marketing authorisation may not be granted. Furthermore, projects that were initially considered economically viable may prove to be unprofitable, leading to the termination of the project in question.

Even if Dermapharm can successfully develop new products, different factors – some outside of Dermapharm's control – determine the success of new product launches. It takes five to seven years to develop new pharmaceuticals with known active ingredients and obtain the requisite marketing authorisations. The longer it takes to develop a product, the longer it can potentially take for 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. 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 new therapies have been introduced for the same ailments).

Dermapharm actively minimises risks by monitoring the competitive environment whenever a key milestone is reached. For

instance, market research is once again conducted prior to the start of cost-intensive clinical trials. Marketing authorisation databases are checked to see what projects competitors are working on. The Board of Management monitors the progress and costs of projects during development meetings. This drastically minimises the risk of losses.

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.

Purchasing risks

On the purchasing side, there are risks of potential supply bottlenecks and price volatility pertaining to raw materials and energy. As a rule, an increase in the price of ingredients leads to higher manufacturing costs and declining margins.

In 2021 as well, 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. However, thanks to Dermapharm's forward-looking inventory and purchasing policies, these supply bottlenecks had minimal to no impact on production activities and thus on its ability to deliver. Significant portions of the raw materials supply are covered by long-term supply agreements. Furthermore, the Group is always on the lookout for alternative procurement sources and partners.

There are further risks for the procurement of reimported pharmaceuticals by Dermapharm or 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 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.

Risks in relation to manufacturing products

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. 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. The Company introduced extensive hygiene and safety protocols and at times greatly reduced contact between individual groups of employees (shift plans for production staff) in an effort to prevent the workforce from contracting the coronavirus. In addition, Dermapharm's largest production facilities in Germany were classified as critical national infrastructure in accordance with §6 of the Federal Office for Informational Security's Critical Infrastructure Regulation (BSI-Kritisverordnung) and therefore maintain production operations at all times, even in times of crisis.

The steps taken to minimise risks include proactive equipment maintenance, risk assessments, safety stock at various manufacturing stages and regular employee training courses to ensure production within the Group. 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 risks/product liability

Drug safety and product quality are of great significance for the Group. If products manufactured or sold by Dermapharm are subject to market withdrawals or recalls or are demonstrated to be harmful to customers, this would 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.

New scientific findings can result in a less favourable risk/reward analysis with the consequence being that a 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.

Dermapharm actively minimises risks through quality assurance and pharmacovigilance systems prescribed in the German Medicinal Products Act (Arzneimittelgesetz). These systems consist of internal standard operating procedures (SOPs). Employees receive training on these SOPs and their implementation is regularly reviewed by way of internal audits and external inspections by the authorities. The Group has also purchased 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.

Risks in relation to marketing and sales

When developing, seeking marketing authorisation for and selling each and every product, it is crucial to precisely observe the applicable rules and regulations, in particular the German Act on the Advertising of Medicinal Products (Heilmittelwerbegesetz). 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.

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 insufficient trademark protection for the product 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, and 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), and it performs regular software and hardware maintenance and makes routine back-ups of business-critical data, among other things. Furthermore, as an operator of critical national infrastructure, Dermapharm's systems are subject to cyber security audits. The assessments and audits are conducted every other year and also serve as a quality assurance tool for minimising 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.

HR risks

Dermapharm´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 going forward, 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.

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, and 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 of its 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

Funding 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.

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

Dermapharm 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 risks. They are concluded exclusively with commercial banks with solid credit ratings.

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. The Group'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 the 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 in relation to changes in the legal and regulatory environment

The pharmaceuticals and healthcare market is highly regulated. Lifting or amending regulations or passing new regulations, for example as part of 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. Reimbursements for off-patent pharmaceuticals are also exposed to price pressure resulting from discount agreements with statutory health insurers. All of this can result may reduce the profitability of individual products and, in some cases, may mean that bringing a product to market is unprofitable.

Dermapharm actively minimises risks through its ongoing association work. Initiatives and draft legislation, regulations and directives are communicated via associations. This allows Dermapharm to be involved in the drafting process or adapt to changing conditions early on.

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 both in 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 Compliance Manual sets out binding rules for all employees on how to avoid corruption. Employees in key departments (e.g., purchasing, sales force) can also enrol in extensive online compliance courses on the Company's e-learning platform "Dermapharm eCampus". Furthermore, the Chief Compliance Officer and local compliance officers are always available to answer any 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 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) can also enrol in extensive online compliance courses on the Company's e-learning platform "Dermapharm eCampus". Furthermore, the Chief Compliance Officer and local compliance officers are always available to answer any 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 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) can also enrol 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, we introduced extensive hygiene and safety protocols at all Dermapharm locations, issued instructions on and trained employees in these protocols, and introduced mobile working arrangements for certain employee groups.

Dermapharm´s regular occupational safety briefings and internal standards guarantee safety in the Group's production and operating facilities and protection against other health hazards. Therefore, the Dermapharm Compliance Manual sets out binding rules for all employees on how to treat each other fairly and with respect. The Chief Compliance Officer and local compliance officers can be contacted at any time to answer any 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, theft, industrial property rights (patents and trademarks) 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 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 Officer, providing relevant training, and the controls implemented in 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. These general assumptions continue to apply, but must be adapted as the Ukraine crisis develops.

In an economic comparison with other treatment options, pharmaceutical products continue to be considered particularly efficient. In particular, off-patent pharmaceuticals make it possible to offer less expensive therapies which promise a high 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 continues to push ahead with its strategy for continued development. The growth strategy is based on three pillars: (1) in-house product development; (2) internationalisation; and (3) M&A activities. Dermapharm intends to actively leverage the growth opportunities arising from this strategy going forward.

Dermapharm's product pipeline currently covers more than 40 ongoing development projects for selected therapeutic areas. The "Branded pharmaceuticals and other healthcare products" segment's products in our selected therapeutic areas are distinguished by a limited number of competitors and a large degree of independence from tenders by the statutory health insurers. This positioning will allow Dermapharm to remain highly competitive and on its growth trajectory.

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. The internationally patented medical devices of mibeTec GmbH provide Dermapharm with products that have enormous market potential and that have already been 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 products worldwide. The Group also secured product certifications and sales partners in Asia.

In December 2021, Dermapharm signed an agreement to acquire C³ Cannabinoid Compound Company GmbH, which specialises in the development, production and distribution of natural and synthetic cannabinoids. The deal, which closed on 31 January 2022, once again gives Dermapharm access to the growth market for medical cannabis and also further distribution channels in Europe.

Furthermore, in 2021, production capacities for the Comirnaty® vaccine in cooperation with BioNTech SE was expanded as planned. Extensive vaccine production capacities are now available at the production of mibe GmbH Arzneimittel facility

in Brehna and at the facility of Allergopharma GmbH & Co. KG in Reinbek.

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 an effective quality management system all locations. For instance, all of Dermapharm's products are made 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, international sales and distribution, efficient cost management and 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 activity.

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 in the further course of the COVID-19-pandemic and the uncertainties that would entail.

At the time of writing, the war in Ukraine presents a new macroeconomic and political risk. The subsidiary in Kyiv has been closed and sales activities in Ukraine have been suspended. The revenue generated in Ukraine amounts roughly to a mere 1 % of consolidated revenue. Hence, the direct impact on the Group's business is negligible. However, the consequences of the Ukraine conflict will have an impact on future macroeconomic developments and the political situation beyond Europe's borders, which is difficult to predict at present and will have to be taken into account in the future.

Given its financial stability, Dermapharm believes that it is well equipped to manage the future risks. The Group's risk-bearing capacity was ascertained and compared against the aggregate risks. On the basis of this analysis, there are no risks which could jeopardise Dermapharm's assets, liabilities, financial position and profit or loss 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

In our forecast report, Dermapharm addresses, as far as possible, the expected future development of Dermapharm and the market environment of the Group in the financial year 2022.

Expected development of the market environment

After a strong recovery of the global economy in 2021, the OECD expects global economic output to increase by only 3.4 % in 2022 (as of March 2022) due to the global consequences of the Ukraine crisis. For the economy in the euro area, the OECD also sees subdued growth for 2022 of now 2.9 % (as of March 2022).

The Institute for the World Economy has corrected its original forecast for 2022 and now only expects the German economy to grow by 2.1 % instead of 4.0 % (as of March 2022). The reason for this low growth for 2022 is the war in Ukraine and the associated effects on the German economy.

However, these forecasts are fraught with uncertainty. This is largely due to further possible new waves in the COVID-19-pandemic, which can be triggered by highly contagious viral mutations. Associated lockdown measures could weaken the economic recovery again later in the year. The Ukraine crisis could also have a negative impact on international and national economic performance later in the year.

For prescription drugs, Evaluate Ltd's report "World Preview 2021, Outlook to 2026" expects the global prescription drug market to grow at a compound annual growth rate of 6.4 % to USD 1.04 trillion by 2026. For off-patent medicines, on the other hand, the market research company IMARC Group expects an average annual growth of expects an average annual growth rate of 4.9 % until 2026.

Expected development of the Group

Within the framework of its business model, Dermapharm will continue to focus on the health care market and in particular on the pharmaceutical sector. In doing so, the focus will continue to be on selected niche markets in order to remain as independent as possible from the market.

"blockbuster" products and highly regulated products. In general, Dermapharm is thus active in an industry that will continue to grow worldwide and has long-term growth opportunities.

In view of the planned further development of the Group through the three-pillar strategy of own product development, internationalisation in selected markets and targeted M&A activities, the Executive Board assumes overall that it will also be able to achieve growth in the future. Changing regulatory, competitive and economic conditions may have an adverse effect on the development of sales and earnings. Details of the company's opportunities and risks are explained in more detail in the opportunities and risks report.

In the "Branded pharmaceuticals and other healthcare products" segment, Dermapharm intends to steadily expand the Group portfolio in the financial year 2022 on the basis of successful product development with a well-filled pipeline, products with organic growth potential and an active acquisition policy with value-creating acquisitions.

With the acquisition of the C³ Group in December 2021, the closing of which took place at the beginning of 2022, we have once again secured access to know-how in the field of medicinal cannabis. With the swift integration into the group and the increasing legalisation of natural and synthetic cannabinoids, Dermapharm is thus opening up further potential for future growth.

The cooperation with BioNTech SE for the production of the COVID-19-vaccine Comirnaty® at the Brehna site, which began in 2020, was successfully expanded to the Allergopharma site in Reinbek in the 2021 financial year.

In the "parallel import business" segment, Dermapharm will apply for import licences for preparations newly introduced by originators as soon as it makes economic sense, in order to expand the preparation portfolio. Even after a change in the law in August 2019, the government's desired promotion of parallel-imported original medicines to Germany will continue. We see further growth impulses in the import of narcotics and medical cannabis.

In the "Herbal extracts" segment, the effects of the COVID-19-pandemic continued to be felt in the 2021 financial year. However, we were able to stop the decline in sales of the previous year and again generate slight growth. Overall, we continue to see herbal medicines as a growth market, so that the positive outlook prevails in this segment as well. Euromed also has many years of expertise in the development of new extracts. Here, we expect the first launches of new health products in the group of companies in 2023.

Aktiebolaget, acquired in December 2021, with its expertise in phyto-pharmaceuticals, will provide additional growth impetus to this segment.

Continued spread of the COVID-19-virus

The Group has focused production and distribution on the European market; the Group's main production site for the development, manufacture and logistics of branded pharmaceuticals is in Brehna near Leipzig. The company continuously monitors the supply of raw materials to ensure smooth production. Dermapharm's most important production sites have already been classified in 2020 as companies with critical infrastructure for the state community in accordance with § 6 of the Federal Office for Informational Security´s Critical Infrastructure Regulation (BSI-Kritsverordnung) and will therefore maintain production operations throughout, even in times of crisis. As of the beginning of April 2022, Dermapharm is not affected by supply bottlenecks. At this point in time, no significant economic impairments due to the ongoing COVID-19-pandemic are foreseeable for Dermapharm's existing business areas. On the contrary, the expansion of the cooperation with BioNTech S.E. to include additional filling capacities for the vaccine will result in further growth impulses for the 2022 financial year.

Ukraine crisis

The Group has focused production and distribution on the European market; the group's main production site for the development, manufacture and logistics of branded pharmaceuticals is still in Brehna near Leipzig. The current business year will be influenced by the Ukraine crisis. However, Dermapharm is well prepared for times of crisis due to its

integrated business model and broadly diversified product portfolio. As of the beginning of April 2022, no significant economic impact of the Ukraine crisis on Dermapharm's business figures is foreseeable.

The business activities of the Dermapharm subsidiary mibe Ukraine LLC, based in Kiev, are currently suspended. Even a longer-term absence of sales and earnings contributions from this subsidiary will not lead to any significant negative effects for the group.

Fundamental assumptions underlying the Group´s forecast

The forecast for the 2021 financial year was made taking into account known events that were available at the time this combined management report was prepared. In addition, the overall economic and sector-specific outlook was included in the forecast.

In addition, the forecast is based on the following assumptions:

- Largely unchanged regulatory framework conditions in the markets relevant to us
- Constant retention of the current scope of consolidation
- Optimisation of manufacturing costs through a further transfer of products to in-house production
- Successful market launch of preparations from own development pipeline
- Successful integration of the newly acquired companies in 2021 with consistent use of the synergy effects that arise
- Largely unchanged tax framework in the countries in which we operate with Group companies
- No significant negative impact of the ongoing preparation of the COVID-19-virus on the business activities of Dermapharm
- No significant impairment of Dermapharm's business activities due to the Ukraine crisis

Dermapharm Holding SE´s expected performance

The Board of Directors assumes that there will be no significant change in the Company's business activities.

Fundamental assumptions underlying Dermapharm Holding SE´s forecast

The forecast for the 2022 financial year was made taking into account known events that were available at the time this combined management report was prepared.

In addition, the forecast is based on the following assumptions:

- Retention of the contents of the recharging agreement with the subsidiaries
- Constant retention of the current scope of consolidation
- Largely unchanged tax framework

4.2 Overall assertion on future development

Dermapharm's business model is geared towards markets with long-term growth potential due to general and industry-specific growth mechanisms in the pharmaceutical and healthcare market as well as the growth forecasts of independent institutes. However, this is also associated with operational challenges and risks, which are largely determined by changed or additional government regulatory measures, such as cost-cutting measures and more difficult approval-relevant requirements. As a result, the future development of the Group's turnover and earnings will be characterised equally by growth-promoting and growth-inhibiting framework conditions. Dermapharm also does not see any significant impairment of its business model due to the currently ongoing Ukraine crisis.

In view of our strategic orientation in the "Branded pharmaceuticals and other healthcare products" segment and the already consistently pursued three-pillar strategy, the positive outlook should continue to predominate in the future.

The decline in turnover and earnings in the "parallel import business" segment was not least due to a strong decline in the total importable market in 2021. Due to an already emerging recovery in demand, we are currently assuming a return to market growth and expect a significant increase in sales development for the "parallel import business". In addition, cost reductions in procurement and production and a targeted design of the product mix will also lead to an improvement in the result and margin.

The "Herbal extracts" segment should continue its contribution to the Group's growth course in the coming years. In 2021, there was already a clear recovery in demand in the non-European markets. For 2022, we expect this recovery also in the

European market. Therefore, we plan to be able to further increase the growth in the current financial year, which was reduced in 2021 due to the ongoing COVID-19-pandemic.

All in all, the Executive Board expects further Group growth for the 2022 financial year compared to the previous year. Based on volume gains and successful launches of self-developed products, a continuation of the cooperation with BioNTech S.E. for the production of COVID-19-vaccine, as well as revenue and earnings contributions from the recently added business units, the Executive Board expects growth in Group revenue of between 10 % and 13 % and adjusted EBITDA of between 3 % and 7 %.

For the individual company of Dermapharm Holding SE, we do not expect any significant change in EBITDA compared to the financial year 2021.

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 provisi-

ons, 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 chairperson of the Board of Management. Furthermore, it can appoint a deputy chairperson. 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 adopted 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 2019, with terms maturing in 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, Dermapharm 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 Vertriebsgesellschaft m.b.H. in Austria. The provisions of the financing agreement stipulate 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, Dermapharm 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 Dermapharm's ongoing operations, at least temporarily.

Distribution agreements

As is customary in conducting business transactions, Dermapharm 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 Dermapharm'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 2021 financial year on behalf of Dermapharm Holding SE and the 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 February 2022)

In February 2022, the Board of Management and Supervisory Board of Dermapharm Holding SE issued the following "Declaration of Conformity February 2022" 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 the Supervisory Board of Dermapharm Holding SE declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 16 December 2019, published in the official section of the Federal Gazette on 20 March 2020 (the "2020 Code"), have been complied with since the submission of the last declaration of conformity in March 2021 and will continue to be complied with in the future:

- 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 had previously 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). In accordance with § 107 (4) sentence 2 AktG in the version amended by the German Act to Strengthen Financial Market Integrity (Gesetz zur Stärkung der Finanzmarktintegrität, "FISG") that entered into force on 1 January 2022, the Supervisory Board resolved in December 2021 that the full Supervisory Board would also perform the duties of an audit committee going forward. In this context, the Supervisory Board furthermore resolved that, in performing the duties of an audit committee, Supervisory Board member Lothar Lanz would assume the function of an audit committee chairperson. Thus, Recommendations C.10, D.4 and D.11 of the 2020 Code will be complied with going forward.

- 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.

Grünwald, February 2022

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 "https://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 "Compliance Manual" (https://ir.dermapharm.de/pdf/ENG_Compliance-Manual-of-the-Dermapharm-Group.pdf).

The Compliance Manual (https://ir.dermapharm.de/pdf/ENG_Compliance-Manual-of-the-Dermapharm-Group.pdf) serves as a key framework for the Compliance organisation within Dermapharm. 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 Dermapharm 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 2021 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, Marketing Authorisation and Clinical Research, HR, Legal, Investor Relations and Corporate Communications.
- Hilde Neumeyer, member of the Board of Management, is responsible for Accounting, Controlling and Finance as well as Governance, Risk & Compliance.

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 transactions within the various areas of the business.

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.

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 Group.

Composition of the Supervisory Board

In financial year 2021, 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

Supervisory Board committees

Because the Supervisory Board consists of only three members, the Supervisory Board simultaneously performs the tasks of an audit committee.

Audit Committee

The task of the three-member audit committee is primarily to audit the accounting, monitor the accounting process, the effectiveness of the internal control system and the internal audit system as well as the audit of the financial statements and compliance. The accounting includes in particular the consolidated financial statements and the combined management report, the CSR reporting (not part of the group management report), financial information during the year and the annual financial statements of the company.

The Audit Committee monitors the independence of the statutory auditor and furthermore addresses the additional services provided by the auditor, issues the audit engagement, determines the focal points of the audit and sets the audit fee. The Audit Committee reviews the quality of the audit at regular intervals.

By virtue of his professional background, the Chairperson of the Audit Committee during the reporting period, Mr Lothar Lanz, has specific knowledge and experience in applying accounting principles and internal control procedures, and is familiar with audits, in accordance with §§ 107 (4) in conjunction with 100 (5) AktG and Recommendation D.4 of the 2020 Code. Mr Lanz has proven risk management expertise gained during his many years of experience as CFO (1996–2008 CFO of ProSieben Media AG, now ProSiebenSat.1 Media SE, 2009–2014 CFO of Axel Springer AG). In particular, he built up the risk management structure at Axel Springer AG.

Mr Wilhelm Beier is another expert member of the Audit Committee in accordance with § 100 (5) AktG. He likewise has specific knowledge and experience in applying accounting principles and internal control procedures, and is familiar with audits.

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.

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 analysts and investors in Germany 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.

Remuneration of the Board of Management and Supervisory Board

The remuneration report of Dermapharm Holding SE, which can be found as a separate chapter in the Annual Report 2021, presents both the basic features of the remuneration system of the Dermapharm Management Board and the overall details of the remuneration of the members of the Management Board as well as the overall details of the remuneration of the members of the Supervisory Board. The remuneration system of the Board of Management sets incentives for successful implementation of the corporate strategy and sustainable corporate development and is also oriented towards long-term value creation for shareholders. The remuneration of the members of the Supervisory Board is regulated in Article 15 of the Articles of Association of Dermapharm Holding SE. According to the remuneration system, members of the Supervisory Board receive a fixed annual remuneration. In addition, the remuneration report is available for download on the website https://ir.dermapharm.de/index-EN php#CORPORATE-GOVERNANCE.

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 set the target for female representation on the Supervisory Board at 0 % with a deadline for implementation of 30 June 2022. 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. Ms Hilde Neumeyer was appointed as CFO on 1 July 2020, meaning that from that date there have been two female members of the Board of Management.

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 was set as 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) ain 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 26.3 % as at 31 December 2021, thus below the target set at the beginning of 2018. The share of female representation declined compared to the previous year due to "dilution" effects resulting from acquisitions.

Female representation in the second level of management was 50.8 % as at 31 December 2021, thus far 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 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 https://ir.dermapharm.de under Sustainability.

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 2021 to 31 December 2021 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.

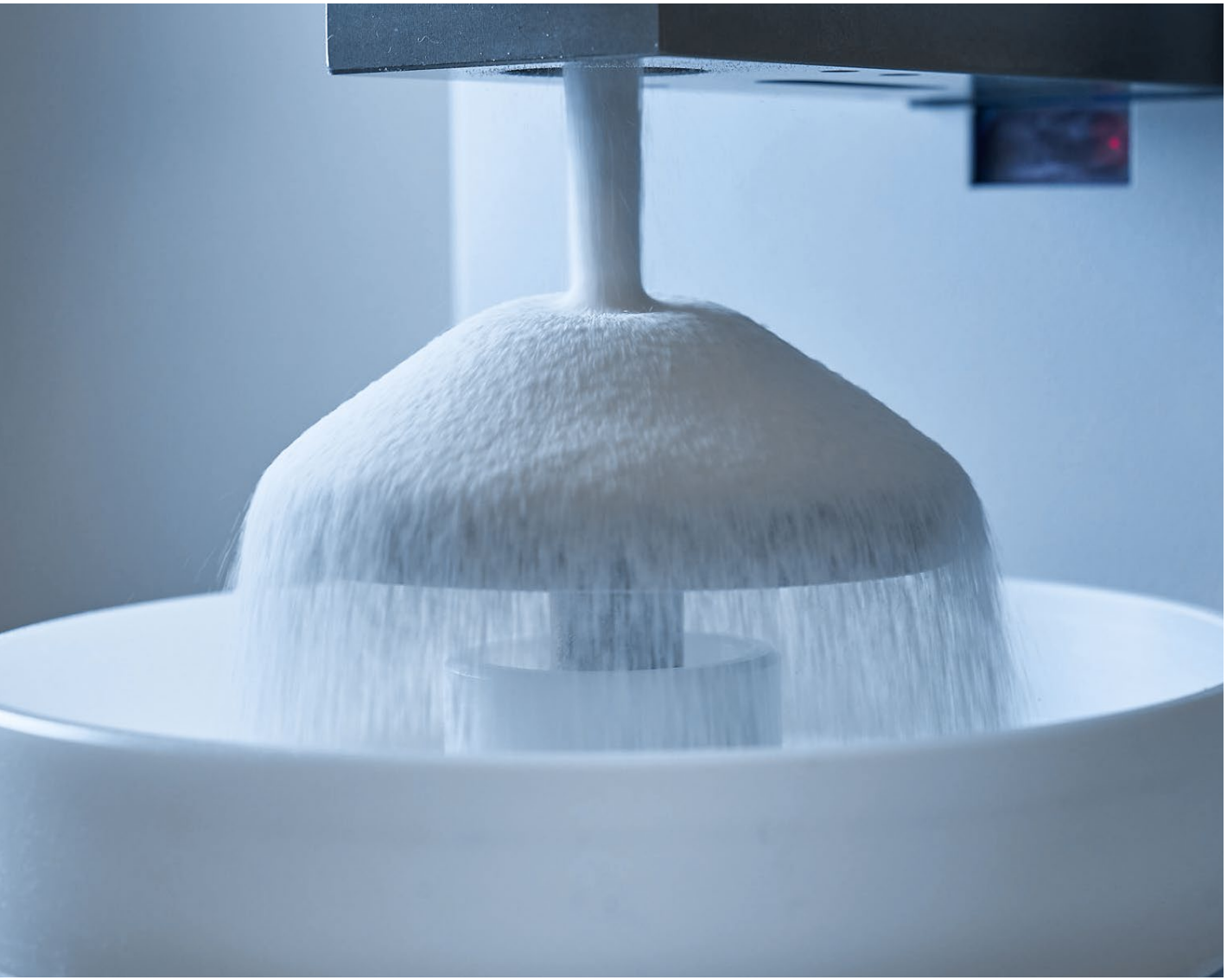
Grünwald, 11 April 2022

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 2021 AND 31 DECEMBER 2020

Assets EUR thousand	Note	31 December 2021	31 December 2020
Non-current assets			
Intangible assets	4.1	294,842	297,342
Goodwill	4.1	264,729	266,268
Property, plant and equipment	4.2	222,288	199,619
Investments accounted for using the equity method	4.3	28,261	59,130
Equity investments	4.4	25,899	383
Other non-current financial assets	4.5	51,729	1,603
Total non-current assets		**887,747**	**824,345**
Current assets			
Inventories	4.6	243,601	205,726
Trade receivables	4.7	72,517	55,515
Other current financial assets	4.8	15,183	3,849
Other current assets	4.8	26,169	12,527
Tax assets	4.18	339	362
Cash and cash equivalents	4.9	161,414	120,301
Non-current assets held for sale	4.10	–	1,773
Total current assets		**519,222**	**400,052**
Total assets		**1,406,969**	**1,224,396**

Equity and liabilities EUR thousand	Note	31 December 2021	31 December 2020
Equity			
Issued capital	4.11	53,840	53,840
Capital reserves	4.11	100,790	100,790
Retained earnings	4.11	337,954	177,082
Other reserves	4.11	4,732	(9,746)
Equity attributable to owners of parent		**497,316**	**321,966**
Non-controlling interests		2,518	2,616
Total equity		**499,834**	**324,582**
Non-current liabilities			
Provisions for employee benefits	4.12	128,878	144,753
Non-current financial liabilities	4.14	574,721	580,759
Other non-current financial liabilities		–	261
Other non-current liabilities	4.16	11,867	11,222
Deferred tax liabilities	4.18	36,056	29,948
Total non-current liabilities		**751,522**	**766,943**
Current liabilities			
Other provisions	4.13	18,684	23,778
Current financial liabilities	4.14	5,580	26,044
Trade payables	4.15	52,101	50,370
Other current financial liabilities	4.17	822	4
Other current liabilities	4.17	29,630	23,823
Tax liabilities	4.18	48,796	8,852
Total current liabilities		**155,613**	**132,872**
Total equity and liabilities		**1,406,969**	**1,224,396**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2021 AND 2020 FINANCIAL YEARS

EUR thousand	Note	2021	2020
Revenue	5.1	942,912	793,829
Change in inventories	4.6	(5,310)	19,771
Own work capitalised	4.1	16,684	13,812
Other operating income	5.2	27,165	12,850
Cost of materials	4.6	(333,592)	(363,931)
Personnel expenses	5.3	(164,663)	(158,056)
Depreciation, amortisation, and reversals of write-downs	4.1, 4.2	(55,596)	(49,166)
Other operating expenses	5.4	(129,130)	(132,256)
Operating result		**298,469**	**136,853**
Share of profit/loss of companies accounted for using the equity method, after tax	4.3	322	(1,504)
Financial income	5.5	4,222	565
Financial expenses	5.5	(10,036)	(10,631)
Financial result		**(5,492)**	**(11,570)**
Earnings before taxes		**292,977**	**125,283**
Income tax expenses	4.18	(84,073)	(39,357)
Profit or loss for the period		**208,904**	**85,926**

EUR thousand	Note	2021	2020
Other comprehensive income not reclassified to profit or loss in subsequent periods:			
Actuarial gains/losses from remeasurement of defined benefit pension plans	4.12	17,468	(2,664)
Deferred taxes relating to items not subject to reclassification	4.18	(4,055)	808
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Foreign operations – currency translation differences	2.6	1,065	(878)
Other comprehensive income, after tax		**14,478**	**(2,734)**
Total comprehensive income for the period		**223,382**	**83,192**
Profit or loss for the period attributable to			
Owners of the parent		209,583	85,826
Non-controlling interests		(679)	100
		208,904	**85,926**
Total comprehensive income for the period attributable to			
Owners of the parent		224,061	83,092
Non-controlling interests		(679)	100
		223,382	**83,192**
Earnings per share			
Basic (= diluted) earnings per share (EUR)	5.6	**3.89**	**1.59**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2021 AND 2020 FINANCIAL YEARS

EUR thousand	Note	2021	2020
Earnings before taxes		292,977	125,283
Depreciation/(reversals of write-downs) of fixed assets	4.1, 4.2	55,159	47,423
(Increase)/decrease in working capital (assets)	4.5, 4.6, 4.7, 4.8	(45,212)	(15,587)
Increase/(decrease) in working capital (liabilities)	4.13, 4.15, 4.16, 4.17	(2,357)	751
Increase/(decrease) in provisions for employee benefits	4.12	1,298	1,026
Other non-cash items		(10,744)	178
Share of profit/loss of companies accounted for using the equity method, after tax		(322)	1,504
(Gain)/loss on disposal of non-current assets	4.1, 4.2	(398)	(141)
Interest expense/(income)	5.5	4,815	8,854
Income tax payments	4.18	(44,848)	(38,193)
Net cash flows from operating activities		**250,368**	**131,098**
Proceeds from the disposal of intangible assets and property, plant and equipment	4.1, 4.2	2,521	581
Business combinations, less cash	2.7	(12,511)	(68,828)
Prepayments for potential acquisition		(10,000)	–
Payments for investments in intangible assets and property, plant and equipment	4.1, 4.2	(61,203)	(40,796)
Payments for investments in financial assets	4.4	(48,253)	–
Dividends from companies accounted for using the equity method	4.3	100	3,131
Cash flows from investing activities		**(129,347)**	**(105,912)**

EUR thousand	Note	2021	2020
Payments for acquisitions of non-controlling interests		–	(14,800)
Dividends paid		(47,379)	(43,072)
Proceeds from borrowings	4.14	10,000	58,442
Repayments of borrowings	4.14	(31,498)	(2,283)
Payments of lease liabilities		(4,411)	(4,507)
Proceeds from reimbursements of interest paid		–	1,286
Interest paid	5.5	(7,692)	(9,156)
Cash flows from financing activities		**(80,979)**	**(14,090)**
Net increase/decrease in cash, cash equivalents and bank overdrafts	**4.9, 4.14**	**40,042**	**11,096**
Cash, cash equivalents and bank overdrafts as at 1 January	4.9, 4.14	120,300	108,992
Effect of exchange rate changes on cash and cash equivalents	4.9, 4.14	1,071	(617)
Effect on cash funds of changes in the group of consolidated companies		–	829
Cash, cash equivalents and bank overdrafts as at 31 December		**161,414**	**120,300**
Bank overdrafts as at 1 January	4.14	0	(5,963)
Bank overdrafts as at 31 December	4.14	–	0
Cash and cash equivalents as at 31 December		**161,414**	**120,301**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2021 AND 2020 FINANCIAL YEARS

	Attributable to owners of the parent						
EUR thousand	**Issued capital**	**Capital reserves**	**Retained earnings**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2020	**53,840**	**92,754**	**139,067**	**(7,012)**	**278,649**	**5,841**	**284,490**
Profit or loss for the period	–	–	85,826	–	85,826	100	85,926
Other comprehensive income, after tax	–	–	–	(2,734)	(2,734)	–	(2,734)
Total comprehensive income for the period	**–**	**–**	**85,826**	**(2,734)**	**83,092**	**100**	**83,192**
Call/put options of non-controlling interests	–	8,036	5,331	–	13,367	–	13,367
Transactions with non-controlling interests without change of control	–	–	(11,475)	–	(11,475)	(3,325)	(14,800)
Dividends	–	–	(43,072)	–	(43,072)	–	(43,072)
Changes to the group of consolidated companies	–	–	1,405	–	1,405	–	1,405
As at 31 December 2020	**53,840**	**100,790**	**177,082**	**(9,746)**	**321,966**	**2,616**	**324,582**
As at 1 January 2021	**53,840**	**100,790**	**177,082**	**(9,746)**	**321,966**	**2,616**	**324,582**
Profit or loss for the period	–	–	209,583	–	209,583	(679)	208,904
Other comprehensive income, after tax	–	–	–	14,478	14,478	–	14,478
Total comprehensive income for the period	**–**	**–**	**209,583**	**14,478**	**224,061**	**(679)**	**223,382**
Call/put options of non-controlling interests	–	–	–	–	–	–	–
Transactions with non-controlling interests without change of control	–	–	(1,332)	–	(1,332)	582	(750)
Dividends	–	–	(47,379)	–	(47,379)	–	(47,379)
Changes to the group of consolidated companies	–	–	–	–	–	–	–
As at 31 December 2021	**53,840**	**100,790**	**337,954**	**4,732**	**497,316**	**2,518**	**499,834**

CONSOLIDATED NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DERMAPHARM HOLDING SE

1. Information about the Company

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 Group, whose subsidiaries operate primarily in Germany. Dermapharm also has subsidiaries in Austria, Switzerland, Italy, Spain, Sweden, 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 2021 and the combined Group management report for financial year 2021 were approved for publication and submission to the Supervisory Board by the Board of Management on 11 April 2022.

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 Board of Management 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 ongoing 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 COVID-19-pandemic on the Company's performance and the resulting effects on its accounts. 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 2020. Due to the improved decision usefulness of the presentation method in the consolidated statement of comprehensive income, production and energy costs amounting to EUR 19,433 thousand were

reclassified from other operating expenses to cost of materials in the financial year 2021. This item amounted to EUR 6,614 thousand in the previous year.

2.3 Published Standards and Interpretations that are not yet mandatory

Standard/Interpretation	First-time application	Endorsed by the EU	Name
IAS 16	1 January 2022	Endorsed	Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
IAS 37	1 January 2022	Endorsed	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
IFRS 3	1 January 2022	Endorsed	Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
IFRS 17	1 January 2023	Endorsed	Insurance Contracts, incl. Amendments to IFRS 17
DIV	1 January 2022	Endorsed	Annual Improvements to IFRSs – 2018-2020 Cycle
IAS 1	1 January 2023	Endorsed	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
IAS 8	1 January 2023	Endorsed	Amendments to IAS 8: Definition of Accounting Estimates
IAS 1	1 January 2023	Pending	Amendments to IAS 1: Classification of Liabilities as Current or Non-current, incl. postponement of effective date
IAS 12	1 January 2023	Pending	Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17	1 January 2023	Pending	Insurance Contracts, incl. Amendments to IFRS 17

Dermapharm intends to apply 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 2021, Dermapharm has 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 2021. These amendments did not have any material effect on Dermapharm's consolidated financial statements.

Standard/Interpretation	First-time application	Name
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)
IFRS 4	1 January 2021	Amendments to IFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9
IFRS 16	1 January 2022	Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021

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 2021 and the consolidated financial statements of Dermapharm Holding SE as at 31 December 2021 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 2021:

	31 December 2021		31 December 2020	
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 %
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	–	100 %	–	50,1 %
mibe Logistik & Service GmbH & Co. KG, Brehna	–	100 %	–	100 %
mibe Forschungs - und Entwicklungsgesellschaft mbH & Co. KG, Brehna*	–	100 %	–	100 %
Melasan GmbH, Neumarkt, Austria	–	100 %	–	100 %
mibeTec GmbH, Brehna	–	100 %	–	100 %
Fully consolidated subsidiaries				

	31 December 2021		31 December 2020	
Company name, registered office	**Interest held directly by parent**	**Interest held by subsidiary**	**Interest held directly by parent**	**Interest held by subsidiary**
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 %
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., Kyiv, Ukraine	–	100 %	–	100 %
mibe pharma España S. L., Barcelona, Spain	–	100 %	–	100 %
Aktiebolaget, Ängelholm, Sweden	–	100 %	–	–
Dermapharm Beteiligungs GmbH, Grünwald	100 %	–	100 %	–
Allergopharma (Beijing) Pharmaceutical Technology Co. Ltd., Beijing, China (formerly Dermapharm (Beijing) Pharmaceutical Technology Co., Ltd, Beijing, China)	–	100 %	–	100 %
Allergopharma Verwaltungs GmbH, Reinbek	–	100 %	–	100 %
Allergopharma GmbH & Co. KG, Reinbek	–	100 %	–	100 %
Allergopharma Vertriebsges. mbH, Vienna, Austria	–	100 %	–	100 %
Allergopharma AG, Therwil, Switzerland	–	100 %	–	100 %
Allergopharma Espana S.L., Barcelona, Spain	–	100 %	–	100 %
Non-consolidated companies				

Company name, registered office	31 December 2021		31 December 2020	
	Interest held directly by parent	Interest held by subsidiary	Interest held directly by parent	Interest held by subsidiary
Anton Hübner Verwaltungsgesellschaft mbH, Ehrenkirchen	–	100 %	–	100 %
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria	–	100 %	–	100 %
mibeTec Japan K. K., Tokyo, Japan	–	100 %	–	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 %
FYTA Tech B.V., Waalwijk, Netherlands	–	–		20 %
FYTA Company GmbH, Monheim am Rhein	–	–		20 %
FYTA Vermögensverwaltung GmbH, Monheim am Rhein	–	–		20 %
CORAT Therapeutics GmbH, Braunschweig	–	24.9 %	–	–
Other equity investments				
Hasan Dermapharm JV Co., Ltd., Binh Duong Province, Vietnam	–	5 %	–	5 %
Wellster Healthtech Group GmbH, Munich	–	29.82 %	–	–

* Not consolidated in 2020

Changes to the scope of consolidation

CORAT Therapeutics GmbH

Pursuant to the share purchase agreement dated 7 July 2021, Dermapharm AG acquired a 24.9 % equity interest in CORAT Therapeutics GmbH (hereinafter also referred to as "CORAT"), with its registered office in Braunschweig. This equity investment provides Dermapharm access to immunotherapies against COVID-19 and other infectious diseases. For additional details, please see note 2.8.

FYTA

With effect from 31 August 2021, Dermapharm AG entered into an agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH (former sellers) to repurchase 20 % of 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). In accordance with the agreement, Dermapharm AG will receive a settlement amount equal to the original purchase price paid. Furthermore, the transaction also includes the re-assignment of 49.9 % of the shares in remedix GmbH (with its registered office in Friedrichsdorf, Germany) by UWF Beteiligungsgesellschaft mbH (with its registered office in Düsseldorf, Germany) to axicorp GmbH (with its registered office in Friedrichsdorf, Germany). The shares had been assigned under the original purchase agreement. For additional details, please see note 4.5 and 4.8.

Bio-Diät-Berlin GmbH

On 1 January 2021, Bio-Diät-Berlin GmbH, with its registered office in Berlin, merged with Hübner Naturarzneimittel GmbH, with its registered office in Ehrenkirchen.

Biokirch GmbH

On 1 January 2021, Biokirch GmbH, with its registered office in Seevetal, merged with Strathmann GmbH & Co. KG, with its registered office in Hamburg.

Aktiebolaget Cernelle

With effect from 30 November 2021, Dermapharm AG acquired 100 % of the shares in Aktiebolaget Cernelle, with its registered office in Ängelholm, Sweden (hereinafter also "Cernelle"). Cernelle develops herbal pharmaceuticals from high-quality pollen extracts. For additional details, please see note 2.7.

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):

	Currency	Average rate		Closing rate	
Country	**1 € =**	**2021**	**2020**	**31 December 2021**	**31 December 2020**
Switzerland	CHF	1.0816	1.0706	1.0366	1.0846
Croatia	HRK	7.5400	7.5491	7.5320	7.5568
Poland	PLN	4.5676	4.4463	4.5968	4.5565
Vietnam	VND	27,190.6071	26,588.6123	25,811.5000	28,403.8000
United Kingdom	GBP	0.8605	0.8894	0.8396	0.9047
USA	USD	1.1836	1.1412	1.1326	1.2284
Ukraine	UAH	32.5989	31.0689	31.1599	35.0183
China	CNY	7.6398	7.8737	7.2185	8.0180
Sweden	SEK	10.2848	–	10.2475	–

2.7 Business combinations

During the period from 1 January 2021 to 31 December 2021, the Group concluded the following business combination:

Aktiebolaget Cernelle

On 4 November 2021, Dermapharm entered into a purchase agreement with Backahill Utveckling AB (seller) to acquire all interests in the Swedish pharmaceutical company Aktiebolaget Cernelle, with its registered office in Ängelholm, Sweden. Dermapharm AG acquired all of the shares in Cernelle when the deal closed on 30 November 2021.

Since 1953, Cernelle has specialised in researching, developing and manufacturing phytopharmaceuticals derived from high-quality pollen extracts to treat urinary tract symptoms caused by benign prostate hyperplasia and chronic prostatitis. The acquisition has expanded Dermapharm's value chain in this therapeutic area, while simultaneously allowing the Group to tap new distribution channels in Asia and Europe. It also expands Dermapharm's portfolio in the "Herbal extracts" segment.

The transaction constituted a business combination as defined under IFRS 3. As a practical expedient, 1 December 2021 was selected as the date to include the company in the consolidated financial statements for the first time. The preliminary purchase price for all of the shares in Cernelle amounted to EUR 13,095 thousand. This amount includes the assumption of a cash pooling receivable amounting to EUR 1,354 thousand of the former owner against the acquired company.

The fair values of Cernelle's assets and liabilities (in accordance with IFRS 3) were as follows at the acquisition date, 30 November 2021:

Identified assets and liabilities EUR thousand	**Fair value**
Intangible assets	4,548
of which identified in purchase price allocation	*4,247*
Property, plant and equipment	1,033
Other non-current financial assets	670
of which identified in purchase price allocation	*627*
Inventories	4,719
of which identified in purchase price allocation	*1,482*
Trade receivables	766
Other current assets	179
Cash and cash equivalents	32
Other non-current liabilities	(117)
Trade payables	(349)
Other current liabilities	(588)
Tax liabilities	(149)
Deferred tax liabilities	(1,309)
of which identified in purchase price allocation	*(1,309)*
Fair value of net assets acquired (100 %)	9,434
Recognised goodwill	3,661

Acquired gross contractual amounts receivable amount to EUR 766 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 resulted in goodwill of EUR 3,661 thousand. Factors giving rise to this goodwill relate to expected synergies from the combined business activities and the employee base that is not eligible for recognition.

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
Customer relationships	933	15 years	7.80 %
Trademarks	795	15 years	7.80 %
Extraction process (incl. certification)	2,519	15 years	7.80 %
Backahill Vegeholm AB purchase option	627	Indefinite	n/a
Inventories	1,482	0.5 years	n/a

Cernelle contributed EUR 382 thousand to consolidated revenue for the period from 1 December to 31 December 2021; the negative EBITDA contribution amounted to EUR 688 thousand over this period.

Had 1 January been applied as the date on which the Cernelle acquisition took economic effect, the total revenue contribution from the acquisition would have amounted to EUR 7,131 thousand for the period from 1 January to 31 December 2021. The positive contribution to the Group's EBITDA would have amounted to EUR 556 thousand.

2.8 Acquisition of investments accounted for using the equity method

CORAT Therapeutics GmbH

Pursuant to the share purchase agreement dated 7 July 2021, Dermapharm AG acquired a 24.9 % equity interest in CORAT Therapeutics GmbH, with its registered office in Braunschweig. CORAT was founded in May 2020 and holds patents in antibodies used to treat infectious diseases in humans. One of the drugs the company is currently developing to treat hospitalised patients with moderate to severe symptoms of COVID-19 is undergoing testing in a clinical phase Ib/II trial. This equity investment provides Dermapharm access to immunotherapies against COVID-19 and other infectious diseases.

As a practical expedient, CORAT was consolidated as an "investment accounted for in accordance with the equity method" for the first time on 1 July 2021. The Group calculated the difference between the cost of the investment and Dermapharm's share of the net fair value of the identifiable assets and liabilities of CORAT in accordance with IAS 28, as required on acquisition of the investment. The purchase price for 24.9 % of the shares in CORAT amounted to EUR 22,753 thousand. The net fair values of the assets and liabilities (in accordance with IAS 28) were as follows at the acquisition date, 7 July 2021:

Identified assets and liabilities	Fair value
Intangible assets	51,455
of which identified in purchase price allocation	*51,446*
Other current assets	691
Cash and cash equivalents	1,188
Trade payables	(1,362)
Other current financial liabilities	(12)
Deferred tax liabilities	(16,244)
of which identified in purchase price allocation	*(16,244)*
Fair value of net assets acquired (100 %)	35,718
Majority share (75.1 %)	26,824
Fair value of net assets acquired (24.9 %)	8,894
Goodwill	13,859

Comparing the consideration transferred for the interests with the identified fair value of the prorated assets and liabilities resulted in goodwill of EUR 13,859 thousand. Factors giving rise to this goodwill relate to expected synergies from the combined business activities and other intangible assets that cannot be reported separately.

The following assets were measured at their fair value for the first time during the purchase price allocation. The key measurement assumptions are as follows:

Identified assets and liabilities at the reporting date	Identified hidden reserves (EUR thousand)	Useful life	Cost of capital
Technology/IP R&D – COR-101	12,810	13 years	15.8 %

2.9 Intangible assets

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

Amortisation of intangible 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.

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.

2.10 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

2.11 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. 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.

2.12 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, loan receivables and equity investments.

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. The fair value of the equity investment in Wellster Healthtech Group GmbH (hereinafter also referred to as "Wellster") was determined using the discounted cash flow (DCF) model, under which future cash flows are discounted using a risk-adjusted discount rate. Due to their immateriality to Dermapharm's consolidated financial statements, amortised cost is used as an approximate value for fair value for the other equity investments. For additional details, please see note 4.4.

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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

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

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

The Group in particular has leases for real estate, motor vehicles and operating and office equipment.

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.

2.25 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.

2.26 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 (Level 3)	The fair value of the equity investment in Wellster was determined using the discounted cash flow (DCF) model, under which future cash flows are discounted using a risk-adjusted discount rate. Due to their immateriality to Dermapharm's consolidated financial statements, amortised cost is used as an approximate value for fair value for the other equity investments.	Probability-weighted revenue and earnings	Taken in isolation an increase/decrease in probability-weighted revenue and earnings would lead to an increase/decrease in fair value
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 coronavirus 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. In connection with the acquisition of Cernelle, a call option was entered into for acquisition of the shares in Backahill Vegeholm AB. Backahill Vegeholm AB is the owner of the land and buildings in Sweden. Cernelle is the current lessee of the land and buildings. The volatility of the underlying is needed as a measurement parameter to measure the option. For the sake of simplicity, the average annual volatility of the FTSE SWEDEN Real Estate Index and MSCI Sweden/Real Estate (Industry Group) Index is used since inputs are not available for the volatility of the land and buildings and other private commercial real estate.	Volatility Murcia: 31 December 2021: 29.3 % Volatility Backahill Vegeholm AB: 30 November 2021: 23.2 %*	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.

*Due to the relatively short amount of time elapsed between the events, the purchase price allocation as at 30 November 2021 was used to determine the fair value of the option as at 31 December 2021

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 Cernelle 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.

The fair value of equity instruments is calculated using the discounted cash flow (DCF) model. The parameters underlying the calculation are based on observable market data. If no such inputs are available, management uses its judgement to calculate the fair value. For additional details, please see note 7.3.

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 calculated on the basis of the yield of high-quality corporate bonds with an AA rating whose maturity and denomination match the corresponding obligations. 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 2021	**287,483**	**382,644**	**74,909**	**745,035**
Exchange differences	231	172	21	425
Additions due to business combinations	3,661	1,728	2,820	8,209
Additions	–	4,802	17,250	22,052
Disposals	–	(1,086)	(1,697)	(2,782)
Reclassifications	–	(1,431)	1,375	(56)
As at 31 December 2021	**291,376**	**386,828**	**94,678**	**772,882**
Depreciation, amortisation, and reversals of write-downs				
As at 1 January 2021	**21,215**	**147,405**	**12,806**	**181,425**
Exchange differences	–	141	–	141
Additions due to business combinations	–	–	–	–
Additions (amortisation)	–	22,940	1,653	24,593
Additions (impairment)	5,432	450	4,309	10,191
Reversals of write-downs	–	–	(279)	(279)
Disposals	–	(1,031)	(1,677)	(2,708)
Reclassifications	–	(202)	150	(52)
As at 31 December 2021	**26,646**	**169,703**	**16,962**	**213,311**
Carrying amounts				
As at 31 December 2020	**266,268**	**235,239**	**62,103**	**563,610**
As at 31 December 2021	**264,729**	**217,126**	**77,716**	**559,571**

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**
Depreciation, amortisation and reversals of write-downs				
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
Reversals of write-downs	–	(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**

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 residual useful lives and carrying amounts of significant intangible assets resulting from the acquisition of Cernelle are presented in the table below; please refer to note 2.7 for additional information on these acquisitions.

31 December 2021	Carrying amount (EUR thousand)	Residual useful life (years)	Origin
Customer relationships	933	15	Acquisition of Cernelle
Trademarks	795	15	Acquisition of Cernelle
Extraction process (incl. certification)	2,519	15	Acquisition of Cernelle

Goodwill was recognised at a carrying amount of EUR 264,729 thousand as at the reporting date (31 December 2020: EUR 266,268 thousand). During the year under review, goodwill amounting to EUR 3,661 thousand for Cernelle.

Amortisation of EUR 24,593 thousand in total was recognised for intangible assets (excl. impairment) during the reporting period (2020: EUR 24,673 thousand). The amortisation taken on capitalised development costs were amounted to EUR 1,653 thousand (2020: EUR 1,561 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 carrying amount of the marketing authorisations in use amounted to EUR 22,959 thousand (31 December 2020: EUR 18,290 thousand). In addition, development costs of EUR 16,685 thousand from current development projects were capitalised in financial year 2021 (31 December 2020: EUR 13,823 thousand).

The total carrying amount for capitalised development costs as at 31 December 2021 was EUR 77,716 thousand (31 December 2020: EUR 62,103 thousand).

The useful lives of internally generated intangible assets remained unchanged in financial year 2021.

An impairment charge of EUR 4,759 thousand on capitalised development costs and authorisations was recognised in the reporting period ended 31 December 2021 (31 December 2020: EUR 4,768 thousand). The impairment charge essentially comprised the derecognition of expired authorisations (EUR 113 thousand; 2020: EUR 518 thousand) and impairment of development projects and authorisations (EUR 4,197 thousand; 2020: EUR 4,250 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 which have not yet been completed are tested annually for impairment, as they are not subject to amortisation. As at 30 September 2021, development projects and technologies which have not yet been completed (EUR 5,128 thousand) with a carrying amount totalling EUR 57,930 thousand (30 September 2020: EUR 45,021 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. The discount rates range between 4.50 % and 7.77 %.

Based on this data and due in particular to changes in cost and market estimate, the impairment test for the 2021 reporting year resulted in an impairment loss of EUR 2,537 thousand (31 December 2020: EUR 1,266 thousand) for development projects. This was offset by EUR 280 thousand in reversals of impairment loss (31 December 2020: EUR 1,252 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 3,374 thousand (30 September 2020: EUR 1,715 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 2021 (30 September 2020: ten).

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 %.

Based on this data, the impairment test for the 2021 reporting year resulted in an impairment loss of EUR 5,432 thousand on Fitvia's goodwill. As at 31 December 2021, Fitvia's goodwill amounted to EUR 24,819 thousand. The impairment loss has been allocated to the "Branded pharmaceuticals and other healthcare products" segment. This was attributable to the expected decline in revenue due to the diminished reach of the brand.

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 presented reflect average values over the four planning years:

30 September 2021*	Budgeted EBITDA margin (%)	Discount rate (%)	Goodwill (EUR thousand)	Value in use (EUR thousand)	Carrying amount (EUR thousand)
mibe GmbH Arzneimittel	33.91	7.79	1,700	797,044	200,722
Euromed Botanicals S.L.	25.39	6.04	117,371	400,643	257,117
Bio-Diät Berlin GmbH	52.44	7.78	7,493	112,164	13,966
axicorp GmbH	2.50	7.86	12,766	63,192	61,319
Sun-Farm Sp. z o.o.	38.40	8.54	1,848	97,077	10,954
Strathmann GmbH & Co. KG	23.98	6.96	2,496	128,401	26,496
BLBR GmbH	20.44	7.75	2,119	84,407	10,793
Trommsdorff GmbH & Co. KG	39.71	7.02	25,481	431,391	82,836
Allergopharma	31.67	9.07	64,152	400,474	127,080
Fitvia GmbH	(22.74)	13.87	30,251	33,391	39,391

*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 impairment test on 30 September 2021 did not include Aktiebolaget's goodwill (EUR 3,661 thousand) because the company was not included in the consolidated financial statements until 1 December 2021. Due to the relatively short amount of time elapsed between the events, the purchase price allocation as at 30 November 2021 was used to test the goodwill for impairment as at 31 December 2021.

30 September 2020*	Budgeted EBITDA margin (%)	Discount rate (%)	Goodwill (EUR thousand)	Value in use (EUR thousand)	Carrying amount (EUR thousand)
mibe GmbH Arzneimittel	34.23	8.00	1,700	967,859	163,099
Euromed Botanicals S.L.	26.00	6.61	117,371	365,973	257,345
Bio-Diät Berlin GmbH	60.94	8.01	7,493	40,045	12,322
axicorp GmbH	3.02	8.21	12,766	76,597	66,563
Sun-Farm Sp. z o.o.	35.64	9.28	1,848	60,528	9,596
Strathmann GmbH & Co. KG	22.25	7.13	2,496	108,326	24,704
BLBR GmbH	17.33	8.11	2,119	49,237	8,423
Trommsdorff GmbH & Co. KG	40.66	7.18	25,481	421,047	90,832
Allergopharma	31.77	8.12	63,875	444,986	125,487
Fitvia GmbH	14.32	13.63	30,251	56,013	52,081

*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 impairment test on 30 September 2021 did not include Aktiebolaget's goodwill (EUR 3,661 thousand) because the company was not included in the consolidated financial statements until 1 December 2021. Due to the relatively short amount of time elapsed between the events, the purchase price allocation as at 30 November 2021 was used to test the goodwill for impairment as at 31 December 2021.

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 13,043 thousand at Fitvia GmbH, and that a 3.00 % decrease in the EBITDA margin would have resulted in an impairment charge of EUR 61,319 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 2021	**147,523**	**81,264**	**56,285**	**285,073**
Exchange differences	34	64	145	243
Additions due to business combinations	1,172	970	91	2,233
Additions	17,147	17,794	6,737	41,678
Disposals	(679)	(694)	(733)	(2,106)
Reclassifications	(1,789)	4,798	(2,953)	56
As at 31 December 2021	**163,408**	**104,197**	**59,572**	**327,177**
Depreciation, amortisation, and reversals of write-downs				
As at 1 January 2021	**26,807**	**32,878**	**25,769**	**85,454**
Exchange differences	27	58	124	208
Additions due to business combinations	–	–	–	–
Additions (depreciation)	6,009	7,321	7,329	20,659
Additions (impairment)	–	–	2	2
Reversals of write-downs	(6)	–	–	(6)
Disposals	(369)	(495)	(615)	(1,479)
Reclassifications	(1,064)	2,092	(976)	52
As at 31 December 2021	**31,402**	**41,855**	**31,633**	**104,890**
Carrying amounts				
As at 31 December 2020	**120,717**	**48,386**	**30,516**	**199,619**
As at 31 December 2021	**132,006**	**62,342**	**27,939**	**222,288**

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**
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, amortisation, and reversals of write-downs				
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
Reversals of write-downs	–	–	–	–
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**

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 2021 by EUR 11,289 thousand. The increase was due primarily to prepayments for buildings and the acquisition of land for axicorp GmbH's new headquarters.

The carrying amounts for technical equipment and machinery rose by EUR 13,956 thousand due in particular to increased investments in production facilities for the purpose of expanding the COVID-19-vaccine production in cooperation with BioNTech SE.

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 20,659 thousand was recognised in the statement of comprehensive income (31 December 2020: EUR 19,174 thousand).

Right-of-use assets comprise the following:

EUR thousand	31 December 2021	31 December 2020
Land, land rights and buildings	8,554	9,571
Technical equipment and machinery	4	5
Other equipment, operating and office equipment	3,268	4,225
Right-of-use assets	**11,826**	**13,801**

Additions to right-of-use assets amounting to EUR 2,612 thousand were recognised in the reporting period (2020: EUR 5.518 thousand).

The depreciation for right-of-use assets was as follows:

EUR thousand	2021	2020
Land, land rights and buildings	1,819	1,984
Technical equipment and machinery	2	2
Other equipment, operating and office equipment	2,386	2,266
Depreciation of right-of-use assets	**4,207**	**4,251**

Cash outflows for leases amounted to EUR 4,411 thousand (2020: EUR 4,507 thousand), expenses for short-term leases to EUR 25 thousand (2020: EUR 127 thousand) and leases for which the underlying asset is of low value to EUR 1 thousand (2020: EUR 1 thousand).

The maturity analysis of lease liabilities can be found in note 4.14.

4.3 Investments accounted for using the equity method

Three associates (31 December 2020: six) were recognised in the consolidated financial statements using the equity method.

Company name	Registered office	Shareholding (%)
31 December 2021		
Hasan Dermapharm Co., Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
CORAT Therapeutics GmbH	Braunschweig, Germany	24.9

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, Deutschland	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 2021	31 December 2020
Shareholding (%)	30.0	30.0
Non-current assets	4,481	4,119
Current assets	13,910	10,049
Current liabilities	1,841	1,465
Net assets (100 %)	16,550	12,703
Carrying amount of equity investment	**3,677**	**2,998**
Revenue	24,487	21,613
Earnings after tax (100 %)	9,422	7,102
Group's share of total comprehensive income	**2,827**	**2,130**
Closing rate of EUR/VND	25,812	28,404
Average rate of EUR/VND	27,191	26,589

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 2021	31 December 2020
Shareholding (%)	25.1	25.1
Non-current assets	1,434	1,150
Current assets	3,598	3,001
Current liabilities	959	865
Net assets (100 %)	4,074	3,287
Carrying amount of equity investment	**2,037**	**1,840**
Revenue	6,138	6,086
Earnings after tax (100 %)	1,187	1,041
Group's share of total comprehensive income	**298**	**261**

CORAT Therapeutics GmbH

In financial year 2021, Dermapharm AG acquired 24.9 % of the shares in CORAT Therapeutics GmbH, Braunschweig. The company holds patents in antibodies used to treat infectious diseases in humans. For additional details, please see note 2.8.

The table below summarises CORAT's financial information as presented in its own financial statements:

EUR thousand	31 December 2021
Shareholding (%)	24.9
Non-current assets	12,854
Current assets	21,620
Current liabilities	2,742
Net assets (100 %)	31,732
Carrying amount of equity investment	**22,547**
Revenue	1
Earnings after tax (100 %)	(1,649)
Group's share of total comprehensive income	**(205)**

FYTA

With effect from 31 August 2021, Dermapharm AG entered into an agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH (former sellers) to repurchase 20 % of 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). For additional details, please see note 2.5.

4.4 Equity investments

Equity investments comprise interests in non-consolidated subsidiaries and associates, which are not accounted for using the equity method, and other equity investments.

As at 31 December 2021, 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.

Pursuant to the share purchase agreement dated 20 May 2021, Dermapharm AG, with its registered office in Grünwald near Munich, acquired a 29.82% equity interest in Wellster Healthtech Group GmbH, with its registered office in Munich. The shares were acquired for a purchase price of EUR 25,501 thousand. Wellster is a provider of telemedical platform solutions in the European Union.

Due to the fact that the Company does not exert significant influence over Wellster, the equity investment in Wellster is accounted for in accordance with IFRS 9 (Financial Instruments). By virtue of the overall contractual structure of the equity investment, Dermapharm currently does not exert significant influence over Wellster. In financial year 2020, Wellster reported a net loss for the year of EUR 5,872 thousand and a net loss not covered by equity of EUR 2,469 thousand. For additional details, please see note 2.12 and 7.3.

As at 31 December 2021, the carrying amount of the equity investments amounted to EUR 25,899 thousand (31 December 2020: EUR 383 thousand).

4.5 Other non-current financial assets

Other non-current financial assets primarily comprise the non-current interest-bearing settlement claim amounting to EUR 50,000 thousand arising from an agreement with HS Beteiligungsgesellschaft GmbH, UR Investment GmbH and WR Investment GmbH (former sellers) to repurchase 20 % of 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). The claim will be repaid in instalments until 2027.

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 272 thousand as at 31 December 2021 (31 December 2020: EUR 415 thousand) is taken from an expert opinion.

4.6 Inventories

Inventories break down as follows:

EUR thousand	31 December 2021	31 December 2020
Finished goods and merchandise	106,655	98,696
Raw materials, consumables and supplies	93,956	73,676
Work in progress	39,924	30,892
Prepayments	3,065	2,463
Inventories	**243,601**	**205,726**

The cost of materials and changes in inventories developed as follows:

EUR thousand	2021	2020
Cost of materials	(333,592)	(363,931)
Change in inventories	(5,310)	19,771
Expenses for current period	**(338,902)**	**(344,160)**

In the financial years 2021 and 2020, 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	2021	2020
Finished goods and merchandise, work in progress	5,275	7,104
Raw materials, consumables and supplies	1,902	1,326
Write-downs for current period	**7,177**	**8,430**

No inventories were pledged as securities for liabilities at the end of financial years 2021 and 2020.

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 2021	31 December 2020
Gross trade receivables	72,744	56,274
Valuation allowances	(227)	(759)
Net trade receivables	**72,517**	**55,515**

The year-on-year increase in trade receivables is attributable primarily to the successful business combinations in financial year 2021.

The allowance account developed as follows:

EUR thousand	2021	2020
As at 1 January	**(759)**	**(606)**
Valuation allowance on receivables	(532)	(153)
As at 31 December	**(227)**	**(759)**

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 2021	31 December 2020
Settlement claim from acquisitions	10,000	–
Loans to investments measured using the equity method	–	1,473
Receivables from related parties	3,421	1,326
Deposits	20	13
Miscellaneous	1,742	1,037
Other current financial assets	**15,183**	**3,849**
VAT receivables	2,550	3,559
Prepaid expenses	2,632	1,958
Prepayments	10,559	1,495
Receivables from tax authorities	7,822	420
Money in transit	14	323
Receivables from employees	145	214
Miscellaneous	2,447	4,557
Other current assets	**26,169**	**12,527**

Other current financial assets primarily comprise the current interest-bearing settlement claim amounting to EUR 10,000 thousand arising from an agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH (former sellers) to repurchase 20 % of 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). For detailed information regarding receivables from related parties, please refer to note 9.

Other current assets comprise primarily a purchase price payment amounting to EUR 10,000 thousand for the acquisition of the shares in C³ Cannabinoid Compound Company GmbH, Spectrum Therapeutics GmbH (each having their registered office in Neumark), THC Pharm GmbH The Health Concept, with its registered office in Frankfurt am Main, and Spectrum Therapeutics Austria GmbH, with its registered office in Vienna, Austria (hereinafter collectively also referred to as the "C³ Group"). For further information on the acquisition of the C³ Group, please see note 13.

4.9 Cash and cash equivalents

Cash and cash equivalents changed as follows:

EUR thousand	31 December 2021	31 December 2020
Bank balances	161,379	120,264
Cash-in-hand	35	36
Cash and cash equivalents	**161,414**	**120,301**

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). Dermapharm cannot freely dispose of credit balances at banks amounting to EUR 1,109 thousand (31 December 2020: EUR 1,109 thousand). This relates to a bank account pledged as security for the purpose of insolvency protection for early partial retirement.

4.10 Non-current assets held for sale

Pursuant to the purchase agreement dated 22 July 2021, Medipure d.o.o., with its registered office in Zagreb, Croatia, acquired the former commercial property of the former Farmal d.d., which has since been merged with mibe Pharmaceuticals d.o.o., with its registered office in Zagreb, Croatia, for the equivalent of EUR 1,800 thousand. Farmal d.d.'s site in Ludbreg, Croatia, was closed in connection with the merger at the time. Prior to this, the property had always been classified as a current asset held for sale and included in Dermapharm's 2020 consolidated financial statements. The sale process was delayed until July 2021 on account of the COVID-19-pandemic.

4.11 Equity

Issued capital

At 31 December 2021, 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 2021.

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.

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. This corresponds a total distribution of 116,833. 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 23 June 2021, a dividend of EUR 47,379 thousand (EUR 0.88 per share carrying dividend rights) was distributed to the shareholders from the unappropriated net earnings for the 2020 financial year. The dividend was distributed on 28 June 2021.

Transactions with non-controlling interests without change of control

The FYTA repurchase agreement also includes the re-assignment of 49.9 % of the shares in remedix GmbH (with its registered office in Friedrichsdorf, Germany) by UWF Beteiligungsgesellschaft mbH (with its registered office in Düsseldorf, Germany) to axicorp GmbH (with its registered office in Friedrichsdorf, Germany). The shares had been assigned under the original purchase agreement. For further information on this transaction, please refer to note 2.5.

4.12 Provisions for employee benefits

As at the reporting date, plan assets break down as follows:

EUR thousand	31 December 2021	31 December 2020
Defined benefit obligation	691	821
Fair value of plan assets	(392)	(381)
Total	**299**	**440**

Provisions for pensions (excluding plan assets) amount to EUR 127,689 thousand as at 31 December 2021 (31 December 2020: EUR 143,565 thousand).

Expenses for defined benefit plans break down as follows:

EUR thousand	2021	2020
Interest expense	925	1,132
Current service cost	3,605	2,934
Total	**4,530**	**4,066**

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 obligations
As at 1 January 2021	**144,386**	**381**	**144,005**
Gain/loss			
Current service cost	3,605	–	3,605
Interest expense	928	–	925
Interest income	–	3	(3)
Remeasurement			
Actuarial gains (-)/losses (+)			
of which due to changes in financial assumptions	*(14,668)*	–	*(14,668)*
of which due to changes in demographic assumptions	–	–	–
of which experience-based adjustments	*(2,755)*	–	*(2,755)*
Return on plan assets, excl. previously recognised interest income	–	45	(45)
Miscellaneous			
Employer contributions	–	6	(6)
Employee contributions	–	6	(6)
Retirement benefits	(3,115)	(48)	(3,067)
As at 31 December 2021	**128,380**	**392**	**127,988**

EUR thousand	Pension obligations	Fair value of plan assets	Net pension obligations
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**

There were no exchange differences because all provisions for pensions were recognised by German entities. At the reporting date, plan assets included EUR 392 thousand in securities (31 December 2020: EUR 381 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 2021	31 December 2020
Discount rate	1.2	0.7
Salary trend	1.2	1.2
Pension trend	1.8	1.7

The sensitivity of the total pension commitments to changes in the average assumptions is as follows:

		31 December 2021		31 December 2020	
EUR thousand	Change in actuarial assumptions	Pension obligations	Change	Pension obligations	Change
	1.00 % increase	106,999	(21,381)	126,745	(17,641)
Discount rate	1.00 % decrease	157,008	28,628	166,040	21,654
	0.50 % increase	129,971	1,591	146,681	2,295
Salary trend	0.50 % decrease	126,975	(1,405)	142,363	(2,023)
	0.50 % increase	135,777	7,397	155,039	10,654
Pension trend	0.50 % decrease	121,649	(6,731)	134,744	(9,642)
	1-year increase	54,758	3,109	61,073	3,631
Life expectancy	1-year decrease	0	0	0	0

At 31 December 2021, the weighted duration of the pension obligations was 14 years (31 December 2020: 15 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 decline in the Group's pension obligations as reported above in comparison to 31 December of the previous year was primarily attributable to the increase in the discount rate to 1.2 % (31 December 2020: 0.7 %).

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 854 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 2021	**18,053**	**2,084**	**3,642**	**23,778**
Additions	17,683	129	447	18,259
Reversals	(1,890)	(1,744)	(404)	(4,038)
Utilisations	(16,019)	–	(3,321)	(19,340)
Exchange differences	–	24	–	24
As at 31 December 2021	**17,827**	**492**	**365**	**18,684**

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**

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.

4.14 Financial liabilities

Financial liabilities changed as follows:

EUR thousand	31 December 2021	31 December 2020
Bank loans	466,021	470,868
Promissory note loans	99,687	99,615
Lease liabilities	9,013	10,276
Non-current financial liabilities	**574,721**	**580,759**
Bank loans	2,379	2,721
Promissory note loans	–	19,484
Lease liabilities	3,201	3,839
Current financial liabilities	**5,580**	**26,044**

At the end of November 2021, the promissory note loan amounting to EUR 19,484 thousand was repaid.

Lease liabilities

The maturity analysis for the lease liabilities is as follows:

EUR thousand	2021	2020
Remaining term of:		
Less than one year	3,201	3,839
Between one and five years	4,397	5,130
More than five years	4,616	5,145
Total	**12,214**	**14,114**

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 liabilities

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 9,456 thousand as at the reporting date (31 December 2020: EUR 9,715 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 2021	31 December 2020
Purchase price liabilities	706	–
Derivatives	112	–
Liabilities to related parties	4	4
Other current financial liabilities	**822**	**4**
Other personnel-related liabilities	15,938	15,058
VAT liabilities	11,399	5,710
Deferred income	373	578
Government grants	250	485
Prepayments received	351	318
Miscellaneous	1,319	1,674
Other current liabilities	**29,630**	**23,823**

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 as well as with axicorp GmbH and axicorp Pharma GmbH. The current income tax expenses are recognised at Dermapharm AG as the tax group parent.

Effects on current income tax expense

The key components of income tax expenses for the 2021 and 2020 financial years break down as follows:

EUR thousand	2021	2020
Current income taxes	**83,347**	**40,394**
Deferred taxes		
from temporary differences	933	(1,301)
from tax loss carryforwards	(207)	264
Subtotal	**726**	**(1,036)**
Income tax expenses	**84,073**	**39,357**

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	2021		2020	
Earnings before taxes		292,977		125,283
Expected tax expenses	**24.23 %**	**70,974**	**24.23 %**	**30,350**
Utilisation of tax loss carryforwards	(0.10 %)	(292)	(0.08 %)	(103)
Non-deductible operating expenses	0.63 %	1,833	0.06 %	74
Tax-exempt income	(1.90 %)	(5,559)	(0.86 %)	(1,079)
Prior-year taxes	(0.13 %)	(368)	1.00 %	1,252
Difference to Group tax rate	2.88 %	8,438	1.72 %	2,152
Miscellaneous	1.60 %	4,680	2.57 %	3,222
Adjustment of profit in accordance with section 60 (2) EStDV	0.00 %	0	0.15 %	187
Tax loss carryforwards not utilised	1.49 %	4,366	2.64 %	3,302
Current tax expense	**28.70 %**	**84,073**	**31.41 %**	**39,357**

Deferred taxes as at the reporting date were as follows:

EUR thousand	31 December 2021	31 December 2020
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	10,148	14,198
Deferred tax assets to be recovered within 12 months	1,468	1,122
Total deferred tax assets	**11,616**	**15,319**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(42,811)	(40,141)
Deferred tax liabilities to be recovered within 12 months	(4,861)	(5,127)
Total deferred tax liabilities	**(47,672)**	**(45,267)**
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	**(36,056)**	**(29,948)**

The change in deferred taxes in the statements of financial position as at 31 December 2021 and 31 December 2020 was as follows:

EUR thousand	1 January 2021	Income statement	Capital reserves	Other ompre-hensive income	Deferred tax assets – acquired through business combination	Deferred tax liabilities – acquired through business combination	31 December 2021	Deferred tax assets	Deferred tax liabilities
Intangible assets	(42,026)	(1,534)	–	–	–	(1,313)	(44,887)	609	(45,496)
Property, plant and equipment	(2,002)	272	–	–	–	–	(1,730)	276	(2,006)
Financial instruments	71	(41)	–	–	–	–	30	30	–
Inventories	–	–	–	–	–	–	–	–	–
Other current financial assets	–	75	–	–	–	–	75	75	–
Other non-current financial asset	(216)	46	–	–	–	–	(170)	–	(170)
Pension obligations	12,561	134	–	(4,055)	–	–	8,640	8,640	–
Other provisions	732	(13)	–	–	–	–	719	719	–
Intra-group result	**601**	**124**	**–**	**–**	**–**	**–**	**725**	**725**	**–**
Deferred taxes on tax loss carryforwards	331	207	–	–	–	–	538	538	–
Equity investments	–	4	–	–	–	–	4	4	–
Tax asset/(liability)	**(29,948)**	**(726)**		**(4,055)**		**(1,313)**	**(36,056)**	**11,616**	**(47,672)**

EUR thousand	1 January 2021	Income statement	Capital reserves	Other omprehensive income	Deferred tax assets – acquired through business combination	Deferred tax liabilities – acquired through business combination	31 December 2021	Deferred tax assets	Deferred tax liabilities
Intangible assets	(41,917)	(32)	–	–	–	(79)	(42,026)	714	(42,740)
Property, plant and equipment	(2,201)	199	–	–	–	–	(2,002)	309	(2,312)
Financial instruments	(207)	278	–	–	–	–	71	71	–
Inventories	–	–	–	–	–	–	–	–	–
Other current financial assets	(218)	2	–	–	–	–	(216)	–	(216)
Other non-current financial assets	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)**

The acquisition of Cernelle gave rise to deferred tax liabilities of EUR 1,313 thousand.

As at 31 December 2021, Dermapharm carried forward corporate income tax losses totalling EUR 34,072 thousand (31 December 2020: EUR 20,388 thousand) and trade tax losses of EUR 30,579 thousand (31 December 2020: EUR 14,386 thousand). These were attributable primarily to mibeTec GmbH, Dermapharm Holding SE, mibeTec US, BLBR GmbH, Bellavia GmbH and mibe pharma UK Ltd. In financial year 2021, deferred tax assets amounting to EUR 538 thousand (31 December 2020: EUR 331 thousand) were recognised in respect of corporate income tax and trade tax loss carryforwards of EUR 1,901 thousand (31 December 2020: EUR 1,168 thousand), whereas no deferred tax assets were recognised for corporate income tax loss carryforwards of EUR 32,171 thousand (31 December 2020: EUR 19,170 thousand) and no deferred tax assets were recognised for trade tax loss carryforwards of EUR 30,579 thousand (31 December 2020: EUR 14,386 thousand) despite positive earnings forecasts in individual cases due to the loss history.

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 70,789 thousand (31 December 2020: 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 857 thousand (31 December 2020: EUR 872 thousand).

Tax assets

Tax assets amounted to EUR 339 thousand as at 31 December 2021 (31 December 2020: EUR 362 thousand). These are attributable primarily to Dermapharm AG's tax prepayments.

Tax liabilities

Tax liabilities of EUR 48,796 thousand were reported as at 31 December 2021 (31 December 2020: EUR 8,852 thousand). These are attributable primarily to Dermapharm AG, Dermapharm Beteiligungs GmbH and Allergopharma GmbH & Co. KG.

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue

Dermapharm generates its revenue primarily through the supply of products and amounted to EUR 942,912 thousand in financial year 2021 (2020: EUR 793,829 thousand).

The year-on-year increase in revenue is due mainly to the cooperation with BioNTech SE that began in to October 2020 to produce a COVID-19-vaccine. In spring 2021, Dermapharm brought a second manufacturing facility online, thereby expanding its production capacities and generating further growth. In addition, Allergopharma contributed to revenue for the entire reporting period compared to just 9 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 once again recorded in particular for vitamins and food supplements developed to strengthen the immune system.

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 786,660 thousand (2020: EUR 656,730 thousand) and accounted for 83 % (previous year: 83 %) of total consolidated revenue. Consolidated revenue of EUR 75,289 thousand was generated in the reporting period (2020: EUR 74,489 thousand) in Spain, corresponding to 8 % (2020: 9 %) of consolidated revenue. Revenue generated in Austria and Switzerland, representing approximately 4 % (2020: 5 %) of consolidated revenue overall, amounted to EUR 42,187 thousand (2020: EUR 38,002 thousand). The remaining portion of Dermapharm's consolidated revenue (EUR 38,776 thousand; 2020: EUR 24,608 thousand) is generated in eastern Europe, primarily in Poland, Croatia and Ukraine, and in the United Kingdom, Italy, China, Sweden 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	2021	2020
Income from deconsolidation of associates	9,055	–
Income from the reversal of provisions and derecognition of liabilities	7,813	3,564
Currency translation gains	4,863	3,368
Income from disposals of fixed assets	1,380	225
Netting of employee in-kind benefits and proceeds from employee grants	1,267	1,370
Government grants	492	671
Passed-on charges	211	152
Insurance refunds and damages	187	257
Prior-period income	171	1,451
Miscellaneous	1,725	1,793
Other operating income	**27,165**	**12,850**

5.3 Personnel expenses and number of employees

Personnel expenses comprise the following:

EUR thousand	2021	2020
Wages and salaries	133,806	122,243
Social security expenses	29,215	27,087
Severance payments	1,642	8,726
Personnel expenses	**164,663**	**158,056**

In financial year 2021, expenses for company pension plans in the amount of EUR 4,135 thousand (2020: EUR 3,483 thousand) were reported under personnel expenses and included in social security expenses in the table above. The table below provides an overview of the Dermapharm's average number of employees at the end of the financial year:

Function	2021	2020
Production	876	858
Marketing & sales	619	570
Administration	541	557
Logistics	174	175
Product Development	163	151
Average number of employees	**2,373**	**2,311**

The higher average number of employees is due primarily to the acquisition of Cernelle 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	2021	2020
Marketing and sales costs	36,457	34,628
Freight and warehousing	16,356	17,299
Development costs	14,174	12,662
Contributions, fees, charges and other taxes	12,840	11,486
Maintenance expenses	10,965	10,258
Legal and consulting fees	10,129	11,359
Incidental rental costs	4,882	9,739
Communication	2,940	3,323
Currency translation losses	2,588	4,994
Purchased services	1,730	1,626
Vehicle expenses	1,706	1,536
Travel expenses	1,385	1,021
Personnel expenses	1,322	1,225
Miscellaneous	11,656	11,103
Other operating expenses	**129,130**	**132,256**

5.5 Financial result

The financial result comprises the following:

EUR thousand	2021	2020
Interest income	4,022	507
Income from fair value measurement	149	34
Miscellaneous	51	24
Financial income	**4,222**	**565**
Interest expense	(8,552)	(9,043)
Leasing	(285)	(319)
Expenses from fair value measurement	(185)	(18)
Miscellaneous	(1,014)	(1,251)
Financial expenses	**(10,036)**	**(10,631)**
Share of profit/loss of companies accounted for using the equity method, after tax	**322**	**(1,504)**
Financial result	**(5,492)**	**(11,570)**

The increase in interest income resulted from the change in the margin for the syndicated loan due to the improvement in the net debt ratio thanks to the positive earnings trend during the period under review and the expected trend in the future. This resulted in the recognition through profit or loss of a present value adjustment to the syndicated loan in accordance with the effective interest method.

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	2021	2020
Profit attributable to the owners of Dermapharm Holding SE	209,583	85,826
Weighted average number of shares outstanding (in thousands of shares)	53,840	53,840
Earnings per share in EUR	**3.89**	**1.59**

Weighted average number of ordinary shares

in thousands of shares	2021	2020
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 segment 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 segments.

Based on this, Dermapharm defined the segments "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" segment 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.

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, nutraceuticals and cosmetics products.

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 %.

Please refer to note 5.1 for a breakdown of revenue by region.

The gross revenue generated from those five customers in the 2021 and 2020 financial years was as below:

	2021		2020	
EUR thousand	Gross revenue	Share of gross consolidated revenue (%)	Gross revenue	Share of gross consolidated revenue (%)
Wholesaler A	137,669	13	120,648	13
Wholesaler B	121,124	11	103,452	11
Wholesaler C	99,391	9	73,495	8
Wholesaler D	74,145	7	67,996	7
Wholesaler E	69,558	7	61,151	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 segment

Segment reporting uses key performance indicators – revenue and EBITDA and the indicators derived therefrom – for Dermapharm's individual segments. There is trade between the individual segments only to a limited extent; this is presented in the "intra-segment 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 segments are reported on a consolidated basis. The exchange of goods and/or services between the segments 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 segments:

2021 EUR thousand	Branded pharmaceuticals and other healthcare products*	Herbal extracts**	Parallel import business	Reconciliation/ Group holding company	Group
Revenue	641,725	72,041	230,630	(1,484)	942,912
of which intra-segment revenue	*1,373*	*78*	*32*	*(1,484)*	–
Revenue from external customers	640,352	71,963	230,597	–	942,912
Revenue growth	36 %	0 %	(8 %)	–	19 %
EBITDA	334,523	24,549	2,073	(6,758)	354,387
of which earnings from investments accounted for using the equity method	*2,919*	*(2,597)*	–	–	*322*
EBITDA margin	52 %	34 %	1 %	–	38 %

* As from 1 July 2021 with CORAT

** As from 1 December 2021 with Cernelle

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

* As from 1 April 2020 with Allergopharma

The Group's EBITDA is reconciled to consolidated profit or loss as follows:

EUR thousand	2021	2020
EBITDA	**354,387**	**184,515**
Depreciation, amortisation, and reversals of write-downs	(55,596)	(49,166)
Financial income	4,222	565
Financial expenses	(10,036)	(10,631)
Earnings before taxes (EBT)	**292,977**	**125,283**
Income taxes	(84,073)	(39,357)
Profit or loss for the period	**208,904**	**85,926**

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 segments 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-segment 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 2021	Receivables and liabilities denominated in other currencies	EUR thousand	+5% impact on the statement of comprehensive income	–5% impact on the statement of comprehensive income
GBP	(2,523)	(3,006)	143	(158)
HRK	(103,877)	(13,792)	657	(726)
USD	(9,122)	(8,054)	384	(424)

31 December 2020	Receivables and liabilities denominated in other currencies	EUR thousand	+5% impact on the statement of comprehensive income	–5% impact on the statement of comprehensive income
GBP	(1,883)	(2,082)	99	(110)
HRK	(116,340)	(15,395)	733	(810)
USD	(12,998)	(10,581)	504	(557)

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 2021	31 December 2020
Assumed change in interest rate		
– 100 basis points	(214)	(573)
Current fair value of derivatives	(122)	(261)
+ 100 basis points	(12)	40

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 2021	31 December 2020
Assumed change in interest rate		
– 100 basis points	5,668	6,515
Expected interest expense	5,733	6,589
+ 100 basis points	10,653	11,520

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. The Group considers the concentration of risk with regard to the refinancing of its debt to be low, as sufficient sources of financing are available to the Group:

EUR thousand	31 December 2021	31 December 2020
Aggregate lines of credit	115,400	134,670
Available lines of credit	57,500	77,170
Number of banks	8	15

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 2021 **Expected cash flows from financial liabilities**			
Interest	6,536	11,522	650
Repayment of principal	1,961	549,290	20,774
Expected cash flows from trade payables	52,101	–	–
Expected cash flows from other financial liabilities	116	–	–
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	–	–

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 2021 **Expected cash flows from derivatives**			
Derivative contracts – proceeds	–	–	–
Derivative contracts – expenses	(111)	–	–
31 December 2020 **Expected cash flows from derivatives**			
Derivative contracts – proceeds	–	–	–
Derivative contracts – expenses	(150)	(114)	–

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 (net debt ratio) and the equity ratio (as a percentage). Compliance with the Group's financial covenants is reviewed on the basis of the quarterly, half-yearly and annual financial statements and is documented in a declaration of conformity. Where necessary, Dermapharm makes adjustments, taking into account changes in the general economic environment. The purpose of capital management is to meet the Group's minimum capital requirements. Accordingly, the net debt ratio may not exceed a value of 3.25. In the event of the acquisition of a company with a purchase price of more than EUR 100,000 thousand, the value for the net debt ratio to be complied with increases to 3.75 for the current quarter and the following quarters.

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 2021 was EUR 419,710 thousand (31 December 2020: EUR 486,766 thousand). EBITDA is defined as operating earnings plus depreciation, amortisation and reversals of write-downs and equity interests in companies accounted for using the equity method.

At 31 December 2021, the net indebtedness to EBITDA ratio was 1.2 (31 December 2020: 2.6).

The equity ratio changed as follows:

EUR thousand	31 December 2021	31 December 2020
Equity attributable to owners of parent	502,747	321,966
Total equity and liabilities	1,410,699	1,224,396
Equity ratio (%)	**36**	**26**

In financial years 2020 and 2021, 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 2021	Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9						
EUR thousand	Carrying amount at 31 December 2021	Amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Measurement in accordance with IFRS 16	Fair value as at 31 December 2021	Fair value level
Financial assets							
Other non-current financial assets	51,729	51,100	629	–	–	51,729	3
Equity investments	25,899	398	–	25,501	–	25,899	3
Trade receivables	72,517	72,517	–	–	–	72,517	–
Other current financial assets	15,183	14,505	677	–	–	15,183	3
Cash and cash equivalents	161,414	161,414	–	–	–	161,414	–
Financial liabilities							
Non-current financial liabilities							
of which bank loans	*466,021*	*466,021*	–	–	–	*478,136*	*2*
of which promissory note loans	*99,687*	*99,687*	–	–	–	*101,793*	*2*
of which lease liabilities	*9,013*	–	–	–	*9,013*	*10,775*	*2*
Other non-current financial liabilities	–	–	–	–	–	–	–
Current financial liabilities							
of which bank loans	*2,379*	*2,379*	–	–	–	*2,379*	–
of which promissory note loans	–	–	–	–	–	–	–
of which lease liabilities	*3,201*	–	–	–	*3,201*	*3,201*	–
Trade payables	52,101	52,101	–	–	–	52,101	–
Other current financial liabilities	822	710	112	–	–	116	2

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	At fair value through profit or loss	At fair value through other comprehensive income	Measurement 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 lease liabilities	*3,839*	–	–	–	*3,839*	*3,839*	–
Trade payables	50,370	50,370	–	–	–	50,370	–
Other current financial liabilities	4	4	–	–	–	4	–

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	Equity instruments measured at fair value through other comprehensive income	Financial liabilities measured at fair value
As at 1 January 2021	**863**	**0**	**0**
Additions	629	25,501	–
Disposals	–	–	–
Change in fair value recognised through profit or loss	(185)	–	–
Change in fair value recognised through other comprehensive income	–	–	–
As at 31 December 2021	**1,307**	**25,501**	**0**

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**

There were no reclassifications within the fair value hierarchy in the 2021 financial year.

In financial year 2021, Dermapharm did not receive a dividend from its equity investment in Wellster, which is accounted for as an equity instrument.

The table below depicts the net result from financial instruments for the period ended 31 December 2021 and 2020.

EUR thousand	2021	2020
Interest income	**4,002**	**494**
from financial assets measured at (amortised) cost	3	2
from derivatives measured at fair value through profit or loss	173	492
from financial liabilities measured at (amortised) cost	3,826	–
Interest expense	**(8,552)**	**(9,031)**
from financial liabilities measured at (amortised) cost	(8,402)	(8,661)
from derivatives measured at fair value through profit or loss	(150)	(371)
Amortisation and impairment of financial assets measured at (amortised) cost	**(1,176)**	**(634)**
Net result from subsequent measurement through profit or loss	**(36)**	**16**
Gains from subsequent measurement through profit or loss of derivatives	149	34
Losses from subsequent measurement through profit or loss of derivatives	(185)	(18)
Foreign exchange gains on financial instruments	**4,863**	**3,368**
Foreign exchange losses on financial instruments	**(2,588)**	**(4,994)**
Net result from financial instruments (in accordance with IFRS 9)	**(3,487)**	**(10,782)**

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 12,511 thousand, which are reported under cash flows from investing activities, resulted primarily from the acquisition of Cernelle. EUR 12,543 thousand was paid for this acquisition. An outflow of EUR 12,511 thousand resulted, not taking into account the EUR 32 thousand in cash acquired. 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 2021 financial year:

EUR thousand	2021	2020
Financial liabilities as at 1 January	**606,802**	**554,611**
Proceeds from borrowings	10,000	58,442
Repayments of borrowings	(31,498)	(2,283)
Payments of lease liabilities	(4,411)	(4,507)
Total changes from cash flows from financing activities	**(25,909)**	**51,652**
Effect of exchange rate changes	(8)	(25)
Changes in bank overdrafts	–	(5,963)
Lease liabilities	1,413	2,551
Changes to the group of consolidated companies	1,200	3,389
Other changes	(3,196)	588
Financial liabilities as at 31 December	**580,301**	**606,802**

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. As at 31 December 2021, the Group is only involved in court proceedings that are within the scope of its ordinary activities and do not have a material effect on the Group's financial position.

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 2021 or 31 December 2020.

Contingent liabilities

There were no material contingent liabilities as at 31 December 2021 or 31 December 2020.

Purchase commitments

At 31 December 2021, the Group had purchase commitments relating to inventories of EUR 91,024 thousand (31 December 2020: EUR 53,683 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 2021 and 31 December 2020 between Dermapharm and significant shareholders and other related parties are summarised below

a) Material transactions

Related party transactions (persons)

EUR thousand	2021	2020
Marketing and advertising	834	1,266
Total	834	1,266

Related party transactions (entities)

	Transactions in		Open receivables as at 31 December		Open liabilities as at 31 December	
EUR thousand	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Transfer of goods						
Associates	797	–	–	–	–	–
Non-consolidated companies	4,518	3,066	1,176	940	–	–
Consulting and services						
Parent (Themis Beteiligungs-AG) of Dermapharm	300	334	–	16	–	–
Non-consolidated companies	39	13	–	–	4	4
Offsetting of current expenses						
Parent (Themis Beteiligungs-AG) of Dermapharm	–	248	–	–	–	–
Associates	2,148	1,417	2,148	–	–	–
Miscellaneous						
Associates	392	573	97	1,819	–	–
Non-consolidated companies	31	25	–	36	–	–
Total	**8,225**	**5,676**	**3,421**	**2,811**	**4**	**4**

The open balances at the end of the financial year are unsecured and fall due in the short term. There are no guarantees for receivables to or liabilities from 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 remuneration 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	2021	2020
Short-term benefits	3,008	2,731
Long-term benefits	1,270	1,079
Total	**4,278**	**3,810**

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

Name	Member since	Appointed until	Position	Profession
Dr Hans-Georg Feldmeier	Aug 2017	2023	Chief Executive Officer	Pharmacist
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 23 June 2021, the shareholders of Dermapharm Holding SE elected Warth & Klein Grant Thornton AG to audit the annual financial statements. The fees for Grant Thornton AG (formerly Warth & Klein Grant Thornton AG) broke down as follows:

EUR thousand	2021	2020
Audit services	1,141	1,038
Other confirmation services	20	–
Tax consultancy services	–	–
Miscellaneous services	5	5
Total	**1,166**	**1,043**

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 2021.

12. Declaration of Conformity with the German Corporate Governance Code (GCGC)

The Board of Management and the Supervisory Board of Dermapharm Holding SE have jointly issued the Declaration of Conformity with the GCGC required under § 161 of the German Stock Corporation Act. The Declaration of Conformity has been made permanently accessible to the public on the Company's homepage (https://ir.dermapharm.de/).

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:

Russia-Ukraine conflict

After the end of the reporting year, Russia invaded Ukraine. The Group company in Ukraine has been closed since that time and has suspended its sales operations. Given that the revenue generated in Ukraine amounts to 1 % of consolidated revenue, the conflict is not expected to have a direct material effect on the Group's financial situation. Likewise, the risk of any impairment losses on the Ukrainian company's assets amounts to less than 1 % of consolidated total assets. However, the short- and medium-term consequences, in particular the duration of the war and the extent of the sanctions or any further escalation, cannot be assessed at this time. Therefore, any assessment regarding the further development of and future effects on Dermapharm is subject to uncertainty.

C³ Cannabinoid Compound Company GmbH

Pursuant to the purchase agreement dated 15 December 2021, Dermapharm AG acquired a 100 % interest in C³ Cannabinoid Compound Company GmbH, Spectrum Therapeutics GmbH (each having their registered office in Neumark), THC Pharm GmbH The Health Concept, with its registered office in Frankfurt am Main, and Spectrum Therapeutics Austria GmbH, with its registered office in Vienna, Austria. The acquisition of the C³ Group closed on 31 January 2022. As a practical expedient, 1 February 2022 was selected as the date to include the companies in the consolidated financial statements for the first time. The C³ Group develops, produces and distributes natural and synthetic cannabinoids and will be included in Dermapharm's "Herbal extracts" segment. The C³ Group is the market leader for Dronabinol in Germany and Austria. Dronabinol is an active ingredient and a cannabinoid that is primarily used for pain treatment and in palliative care and for oncology and neurology. It is used to treat a wide range of chronic and severe diseases. The acquisition of the C³ Group gives Dermapharm access to the growth market for medical cannabis and also further distribution channels in Europe.

The transaction constituted a business combination as defined under IFRS 3. A purchase price allocation in accordance with IFRS 3 following the acquisition of the shares will be carried out in the first half of 2022. The initial purchase price was EUR 93,710 thousand, including further escalation clauses.

Grünwald, 11 April 2022

The Board of Management

Dr Hans-Georg Feldmeier
Chief Executive Officer

Hilde Neumeyer
Chief Financial Officer
Chief Compliance Officer

Karin Samusch
Chief Business Development Officer

Dr Jürgen Ott
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, 11 April 2022

Dr Hans-Georg Feldmeier
Chief Executive Officer

Hilde Neumeyer
Chief Financial Officer
Chief Compliance Officer

Karin Samusch
Chief Business Development Officer

Dr Jürgen Ott
Chief Marketing Officer

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 2021, 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 2021 to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined 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 2021 to 31 December 2021. 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 pursuant to Section § 315b HGB 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 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, 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.

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 2021 to 31 December 2021. 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. 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 2021, capitalised development costs for the development of new pharmaceutical products and authorisations amounting to EUR 77.7 million are reported in consolidated statement of financial position under the line item "Intangible assets", of which EUR 17.3 million were capitalized in the financial year 2021. 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 2021 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 selected employees. 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 "2.9 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. 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 2021, Dermapharm Holding SE recognised "Goodwill" in the amount of EUR 264.7 million and capitalised development costs in the amount of EUR 77.7 million under the line item "Intangible assets", of which EUR 54.8 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 2021. 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 2.5 million and for goodwill amounting to EUR 5.4 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 selected employees, 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.

3. References to Related Disclosures

The disclosures of Dermapharm Holding SE relating to impairment testing of goodwill and capitalised development costs are included in Sections "2.11 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,
- Remuneration report pursuant to Section 162 AktG [Aktiengesetz: German Stock Corporations Act],
- Report of the supervisory board, and
- the remaining parts of the annual report 2021, but not the consolidated financial statements, not the the audited parts of the combined management report and not 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 Statement as well as for the Remuneration report pursuant to Section 162 AktG. The supervisory board is responsible for the report of the supervisory board. 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 of Electronic Rendering, of the Consolidated Financial Statements and the Combined Management Report, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with Section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „5299009F0KNZINQQQK37-2021-12-31-de.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 combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the filed identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2021 to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering, of the consolidated financial statements and the combined management report, contained in the file identified above in accordance with Section 317 paragraph 3a HGB and the IDW Assurance Standard "Assurance on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance

with Section 317 Paragraph 3a HGB" (IDW AsS 410 (10.2021)). Our responsibilities in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies 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 with the electronic renderings of the consolidated financial statements and the combined 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 supervisory board is responsible for overseeing the process for preparing 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 circumstances, 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, in the version in force at the date of the financial statements, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 23 June 2021. We were engaged by the supervisory board on 4 November 2021. 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).

Other Matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Anja Zweck.

Munich, 11 April 2022

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Thomas Senger	Anja Zweck
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

REMUNERATION REPORT

INTRODUCTION

The Board of Management and the Supervisory Board of Dermapharm Holding SE have prepared this Remuneration Report in accordance with their statutory obligation to do so as set out in § 162 of the German Stock Corporation Act (Aktiengesetz, "AktG"). In preparing this Report, Dermapharm Holding SE (together with its consolidated subsidiaries "Dermapharm" or the "Group") has taken effort to ensure that the Report is clear, transparent and complete.

Dermapharm believes that transparency and comprehensibility of the remuneration system, as well as of the individual remuneration paid to the members of the Board of Management and the Supervisory Board, are essential to good corporate governance.

Due to rounding, it is possible that individual figures presented in this Report will not entirely match the reported totals and that percentages will not reflect the absolute values to which they refer.

MAIN FEATURES OF THE REMUNERATION SYSTEM, SIGNIFICANCE FOR THE GROUP'S BUSINESS STRATEGY AND LONG-TERM DEVELOPMENT

The objective of the remuneration system is to compensate the members of the Board of Management appropriately in light of their duties and responsibilities, taking into account the performance of each individual member and the success of the Group as a whole. Accordingly, the remuneration system comprises both fixed and variable remuneration components.

The objective behind the Group's corporate strategy is to achieve profitable growth and sustainable long-term appreciation in enterprise value. This ambition flows into the structure of the remuneration system for Dermapharm Holding SE's Board of Management. Therefore, the Group's earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) serves as the target parameter for variable remuneration and a key earnings indicator that is used in planning and measuring the Group's profitable growth. This indicator is also used as a measure of the achievement of both single-year and multiple-year targets. However, the remuneration system for Board of Management members is also designed to permit the use of different target parameters in future. If aggregated, these parameters, in turn, can be used to steer profitable growth as well as to achieve a sustainable, long-term appreciation of enterprise value.

At present, the Supervisory Board does not believe that it is necessary to link variable remuneration to share price performance or non-financial target parameters in order to achieve the objectives set out in the Group's overarching corporate strategy. However, the Supervisory Board is well aware of the significance of not only environmentally sustainable management but also corporate social responsibility; nonetheless, in its view, the achievement of such targets need not be enshrined in the remuneration system for the Board of Management.

The remuneration system for members of the Board of Management is straightforward, clear and comprehensible, and moreover satisfies the requirements set out in the AktG. To the extent it deviates from the recommendations of the German Corporate Governance Code ("GCGC"), this is presented and explained in the Declaration of Conformity in accordance with the statutory requirements.

BOARD OF MANAGEMENT REMUNERATION

The remuneration system for the Board of Management presented in further detail below was approved by the Supervisory Board in March 2021 and adopted by the Annual General Meeting on 23 June 2021 with an 80.30 % majority.

Remuneration components

Annual bonus	Performance-based component
Fringe benefits	Non-performance-based component
Basic salary	Non-performance-based component

Overview of the individual remuneration components

Remuneration comprises fixed and variable components. The fixed components consist of the fixed annual remuneration and fringe benefits. The variable remuneration consists of a rolling bonus that is granted each financial year and determined using a multiple-year basis of calculation.

Furthermore, the Supervisory Board may grant non-recurring bonus payments in individual instances of special achievement.

Fixed remuneration components

Fixed annual remuneration

The fixed annual remuneration is compensation paid to respective members of the Board of Management in cash for the financial year, the amount of which being based in particular on their duties and responsibilities. The fixed annual remuneration is paid out in twelve monthly instalments at the end of each month.

If a member of the Board of Management joins or departs the Board in the course of the year, the fixed salary is paid out on a pro rata temporis basis. In the event of illness or in other instances where a member of the Board of Management is prevented from fulfilling their duties, they may continue to receive remuneration for a period to be determined by the Supervisory Board, albeit not beyond termination of their service agreement.

Fringe benefits

In addition to their fixed annual remuneration, members of the Board of Management also receive fringe benefits in the form of in-kind and other financial benefits.

As a standard benefit, the members of the Board of Management are each provided with a company car, which may also be used privately, as well as subsidised health and nursing care insurance. In addition, the Company has taken out a directors & officers (D&O) liability insurance policy on behalf of the members of the Board of Management.

The Supervisory Board may opt to grant further in-kind benefits, or reimburse the corresponding costs. Furthermore, new members of the Board of Management may be granted compensation for remuneration/pension claims which they had to forego due to their having joined to the Company. In addition, relocation costs may also be reimbursed, as well as – for a transitional period to be defined by the Supervisory Board – other additional costs incurred as a result of their having joined the Company or their relocation to a different Group location (for instance, costs and ancillary expenses incurred for travel home and maintaining a second household).

Variable compensation (bonus)

Target parameters

At present, the bonus is based solely on Dermapharm Group's earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) as the target parameter. This figure is a key earnings indicator for the Group, which is used to present the Group's operational performance – including in international comparisons.

The Company routinely reports on the development of this target parameter in its regular financial reporting. This is the core metric for steering profitable growth as well as sustainable long-term appreciation in enterprise value, thereby serving the achievement of the Group's overarching strategic objectives.

However, the remuneration system does not dictate the current target parameters. Rather, if it so chooses, the Supervisory Board may in future define other (e.g., non-financial) target parameters and/or use other target parameters in lieu of consolidated EBITDA. Any target parameters used, however, must feature in the Company's regular reporting on the development of financial indicators at least once annually. Target parameters may also be selected for individual business lines. In the event that target parameters are modified or replaced, the Supervisory Board will ensure that the respective target parameters will, in their aggregate, continue to represent key metrics for steering profitable growth as well as achieving sustainable, long-term appreciation in enterprise value. Moreover, non-financial targets may also be used in the future. Nevertheless, at least one target parameter must continue to be based on a relevant earnings indicator.

Assessment period

Any bonus granted for a specific financial year is subject to a three-year assessment period. This period comprises the financial year in relation to which the bonus is granted ("baseline year") and the two financial years following the baseline year ("year 2" and "year 3").

Targets

Within the first four months of each baseline year, the Supervisory Board defines targets with respect to consolidated EBITDA or the relevant target parameters for the baseline year as well as for years 2 and 3. These targets are defined on the basis of the relevant planning figures in accordance with the annual budget for the baseline year, as approved by the Supervisory Board, and the multi-year plan for years 2 and 3, as applicable in the baseline year. However, the Supervisory Board may also make suitable adjustments to the planning figures for the purposes of defining the targets, specifically in order to reflect current developments occurring between the date on which the underlying annual budget was approved and the date on which the targets were defined.

Individual components

The bonus comprises a year-1 component, the amount of which is determined on the basis of target achievement for the respective baseline year; a year-2 component, the amount of which is determined on the basis of target achievement for the respective year 2; and a year-3 component, the amount of which is determined on the basis of target achievement for the respective year 3.

Target amount and calculation of payout amount

An individual target amount for the bonus, to be paid out upon 100 % target achievement and allocated across the three individual components, is defined in each Board of Management member's service agreement. If multiple target parameters are defined, the target amount is additionally allocated to the relevant target parameters within each individual component. The combined portion of the target amounts allocated to the year-2 and year-3 components must be greater than the portion of the target amount allocated to the year-1 component.

The service agreement furthermore sets out a target achievement curve to serve as the basis for calculating the payout amounts of the relevant individual components depending on the target achievement rate and the individual target amount. The Supervisory Board also defines (i) a minimum target achievement rate, below which no payout is made, and (ii) a maximum target achievement rate, above which

the payout amount may no longer increase. Thus, the payout amount for the bonus and its respective individual components are capped at a maximum percentage in relation to the associated target amount. This cap is currently set at 150 % for all relevant target amounts. However, the Supervisory Board may also set a different cap.

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

The percentage of target achieved for each individual component is determined based on the Company's audited and adopted consolidated financial statements for the relevant financial year. In the event of non-budgeted developments, particularly in the case of acquisitions, divestments, reallocations in the accounting system and other similar non-recurring measures, the actual figures generated for the relevant target parameter of consolidated EBITDA 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.

Payout

The payout amount for the year-1 component is calculated after the close of the respective baseline year, and the corresponding amount is then paid out. Accordingly, the payout amount is calculated and the year-2 component is paid out after the close of year 2 and the year-3 component is paid out after the close of year 3.

Furthermore, the Supervisory Board may approve the payment of advances on the year-1 component of the bonus – including during the respective baseline year.

If a member of the Board of Management joins or departs the Company in the course of a given financial year, the bonus granted for that financial year will be paid out for all individual components solely on a pro rata temporis basis. In the case of absences during periods for which the service agreement stipulates no claim to continued payment of remuneration, the variable remuneration granted for the relevant financial year will be reduced for all individual components on a pro rata temporis basis.

Upon termination of the service agreement, the Supervisory Board has the right to settle, by way of advance payment, individual components of the respective bonus for which the targets relate to financial years beginning only after the service agreement is terminated, or not yet ended as of the termination date for the service agreement. Advance payments are based on the respective target amount, which the Supervisory Board may reduce by an amount stipulated in the service agreement.

Claw-back of variable remuneration components

The service agreements do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements ("malus" or claw-back provisions). 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. However, when the remuneration system undergoes regular reviews, this issue will be re-examined at the appropriate time. The Supervisory Board reserves the right to establish provisions on the withholding or claw-back of variable remuneration components in service agreements in future.

Other remuneration components

The remuneration system allows for the Supervisory Board to grant, at its due discretion, additional, non-recurring bonus payments to reward special achievements or performance; however, the service agreements of the members of the Board of Management stipulate no contractual claim to the granting of such bonuses.

Target total and maximum remuneration

The Supervisory Board defines a specific target total remuneration for each individual member of the Board of Management according to their duties and responsibilities. The target total remuneration relates in each case to one full financial year and comprises the sum of all remuneration components of relevance to the total remuneration, which – regardless of their payout date – are granted for the relevant financial year. In-kind fringe benefits are stated at the values relevant for wage tax purposes. The D&O policy taken out by the Company on behalf of the members of the Board of Management is not included separately, as this is not a remuneration component in the strictest sense of the term. The target amount for variable remuneration is based on 100 % target achievement.

The relative share of fixed annual remuneration in target total remuneration is generally between 35 % and 65 %; the relative share of fringe benefits amounts to up to 7 % and the relative share of variable compensation (bonus) is between 35 % and 65 %. In the event of fringe benefits granted once or for a limited period, the above relative shares for the individual remuneration components in the target total remuneration may also deviate for individual financial years.

The total remuneration granted for the financial year, comprising fixed salary including fringe benefits and variable remuneration components, is capped at a maximum of EUR 2 million for each member of the Board of Management, regardless of whether the amount is paid out in the relevant financial year or at some other time. The maximum remuneration includes the respective maximum possible fixed ("non-performance-based") and variable remuneration components. In-kind fringe benefits are stated at the values relevant for wage tax purposes.

Legal agreements pertaining to remuneration

Terms, requirements for terminating legal agreements pertaining to remuneration

The service agreements of the members of the Board of Management are entered into for the duration of the respective member's appointment. First-time appointments have a maximum term of three years; appointments may be renewed for up to five years thereafter.

Given the fixed terms of the appointments, the service agreements generally contain no provision regarding termination. However, in the event that a member of the Board of Management becomes permanently disabled during the term of their service agreement, it may be stipulated that the agreement be automatically terminated at the end of the quarter in which the permanent disability is established.

Furthermore, the respective service agreement may be terminated prior to the end of their term solely by mutual agreement by virtue of rescission agreement or termination for cause. The Company may terminate service agreements for cause, in particular in the event the Supervisory Board rescinds the appointment of a member of the Board of Management for cause pursuant to § 84 (3) AktG. In such cases, termination is subject to the statutory notice periods pursuant to § 622 of the German Civil Code (Bürgerliches Gesetzbuch, "BGB") unless cause for immediate termination of the service aggreement by the company is already deemed to exist pursuant to § 626 BGB.

Granting of severance compensation

The service agreements of members of the Board of Management provide that a member receives a severance payment if the Company terminates the service agreement for cause upon the dismissal of the member of the Board of Management in accordance with § 84 (3) AktG, unless cause for immediate termination of the service agreement by the Company is already deemed to exist pursuant to § 626 BGB. The severance payment to be stipulated for this purpose in the service agreement may correspond to a maximum of two years' remuneration, not to exceed the remuneration for the remaining term of the service agreement; however, the Supervisory Board may also stipulate a lower severance payment and make lump-sum payments and/or reductions in the calculation.

For other cases, the service agreements do not provide for severance compensation agreed in advance.

The right of the Company to agree severance payments also in the event of early termination of service on the Board of Management by mutual consent remains unaffected.

For the purpose of determining the maximum remuneration, severance payments are to be allocated (pro rata temporis, if applicable) to the financial year for which they are granted, regardless of whether they are paid out or received in the financial year in question or at some other time.

Non-compete clause

The service agreements of members of the Board of Management include a non-compete clause for the term of the agreement.

In addition, a post-contractual non-compete clause may be agreed with members of the Board of Management for a period of up to two years. The compensation to be granted for this may not exceed 75 % of the most recent annual remuneration, whereby individual lump-sum remuneration components may also be set and variable compensation components may be set at their target amount. Any severance payment to be made to the member of the Board of Management in connection with the termination of their employment agreement shall be offset in full against such compensation.

Process for establishmenting, implementing and reviewing the remuneration system

The Board of Management remuneration system is established and subject to regular review by the Supervisory Board in accordance with the statutory requirements. Because the Supervisory Board has not formed any committees, this responsibility is assumed by the full Supervisory Board. Specifically, the Supervisory Board also reviews the appropriateness of the remuneration as compares to executive board remuneration within a peer group (horizontal appropriateness). The peer group is defined by the Supervisory Board and includes comparable German and foreign companies which are comparable in terms of sector, size and revenue.

Furthermore, when establishing and implementing the remuneration system, the Supervisory Board also takes into account the remuneration paid to senior management and the rest of staff at the German Group companies (vertical appropriateness) and compares this remuneration to that paid to the members of the Board of Management. For this purpose, the Supervisory Board defines senior management as the group of executives at the first management level below the Board of Management. The Supervisory Board takes into consideration not only the current remuneration ratio but also how this changes over time. The existing remuneration system also serves as the basis for a vertical appropriateness review in accordance with these principles.

If necessary, the Supervisory Board may engage an external remuneration consultant to perform vertical and horizontal appropriateness reviews. The Supervisory Board takes care to ensure that only independent external consultants are engaged.

Any conflict of interest that may arise in connection with establishing, implementing or reviewing the remuneration system is handled by the Supervisory Board in the same manner as other conflicts of interest which may arise with members of the Supervisory Board. The relevant Supervisory Board member must therefore disclose any conflicts of interest and must recuse themselves from voting on resolutions or giving advice. The early disclosure of conflicts of interest ensures that the decisions by the Supervisory Board are not subject to undue influence.

The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval.

The Supervisory Board regularly reviews the remuneration system for members of the Board of Management and makes modifications whenever necessary. In the event of material modifications, and every four years at a minimum, the remuneration system is once again submitted to the Annual General Meeting for approval.

If the Annual General Meeting does not approve the remuneration system as submitted, a reviewed remuneration system is submitted to the next Annual General Meeting at the latest, in accordance with the statutory requirements.

Alignment of existing service agreements with the remuneration system

All service agreements with members of the Board of Management are fully aligned with the remuneration system presented above.

Temporary deviations from the remuneration system

In accordance with § 87a (2) sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system if doing so is necessary in the interests of the long-term well-being of the Company. Any deviation requires a resolution by the Supervisory Board setting out the grounds, nature and manner of the deviation, as well as the intended duration. Deviations may be made for all remuneration components on the basis of such a resolution. However, no deviation is permitted with respect to the defined maximum remuneration.

Remuneration granted and owed in financial year 2021

The tables below present the remuneration granted and owed to the members of the Board of Management in financial years 2021 and 2020 pursuant to § 162 (1) sentence 1 AktG. In accordance with that provision, the tables present all amounts granted to the individual members of the Board of Management during the period under review ("granted remuneration") and all amounts legally due but not yet paid ("owed remuneration").

Pursuant to § 162 (1) sentence 2 no. 1 AktG, the relative share of all fixed and variable remuneration components in total remuneration must also be indicated in addition to the remuneration amounts. The relative shares presented here relate to the remuneration components granted and owed in the respective financial years pursuant to § 162 (1) sentence 1 AktG.

Remuneration granted and owed to current menbers of the Board of Management in financial year 2021.

	Dr Hans-Georg Feldmeier CEO				Karin Samusch CBDO			
	2020		2021		2020		2021	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR
Non-performance-based remuneration								
Fixed remuneration	411	56 %	800	61 %	358	52 %	380	42 %
Fringe benefits	15	2 %	15	1 %	17	2 %	19	2 %
Total	**426**	**58 %**	**815**	**62 %**	**375**	**55 %**	**399**	**44 %**
Short-term variable compensation								
2019 year-1 component	40	5 %	–	–	40	6 %	–	–
2020 year-1 component	160	22 %	49	4 %	160	23 %	49	5 %
2021 year-1 component (advance payment)	–	–	160	12 %	–	–	160	18 %
Total	**200**	**27 %**	**209**	**16 %**	**200**	**29 %**	**209**	**23 %**
Long-term variable compensation								
2018 year-2 component	110	15 %	–	–	110	16 %	–	–
2018 year-3 component		–	190	14 %	–	–	190	21 %
2019 year-2 component		–	110	8 %	–	–	110	12 %
Total	**110**	**15 %**	**300**	**24 %**	**110**	**16 %**	**300**	**33 %**
Miscellaneous								
Special remuneration	0	0 %	0	0 %	0	0 %	0	0 %
Total remuneration (TR)	**736**	**100 %**	**1,324**	**100 %**	**685**	**100 %**	**908**	**100 %**
Maximum remuneration			2,000				2,000	

The relative share of fixed annual remuneration in total remuneration in 2021 was between 35 % and 65 % for all members of the Board of Management, while the relative share of fringe benefits in 2021 was between 2 % and 3 %, and thus below 7 %. The relative share of variable compensation (bonus) ranged between 35 % and 65 %, with the exception of Ms Neumeyer's bonus (34 %). Ms Neumeyer was appointed as a member of the Board of Management for the first time with effect from 1 July 2020 and therefore received only a pro-rated share of the 2020 year-1 component. The

	Dr Jürgen Ott[1] CMO				Hilde Neumeyer[2] CFO/CCO			
	2020		2021		2020		2021	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR
Non-performance-based remuneration								
Fixed remuneration	342	65 %	342	58 %	171	67 %	342	64 %
Fringe benefits	17	3 %	17	3 %	6	2 %	13	2 %
Total	**359**	**68 %**	**359**	**61 %**	**177**	**69 %**	**355**	**66 %**
Short-term variable compensation								
2019 year-1 component	10	2 %	–	–	–	–	–	–
2020 year-1 component	160	30 %	40	7 %	80	31 %	20	4 %
2021 year-1 component (advance payment)	–	–	160	27 %	–	–	160	30 %
Total	**170**	**32 %**	**200**	**34 %**	**80**	**31 %**	**180**	**34 %**
Long-term variable compensation								
2018 year-2 component	–	–	–	–	–	–	–	–
2018 year-3 component	–	–	–	–	–	–	–	–
2019 year-2 component	–	–	27	5 %	–	–	–	–
Total	**0**	**0 %**	**27**	**5 %**	**0**	**0 %**	**0**	**0 %**
Miscellaneous								
Special remuneration	–	0 %	–	0 %	–	0 %	–	0 %
Total remuneration (TR)	**529**	**100 %**	**586**	**100 %**	**257**	**100 %**	**535**	**100 %**
Maximum remuneration			2,000				2,000	

[1] Dr Jürgen Ott was appointed as member of the Board of Management for the first time with effect from 1 October 2019.

[2] Hilde Neumeyer was appointed as member of the Board of Management for the first time with effect from 1 July 2020.

total remuneration for each member of the Board of Management was below the maximum remuneration in financial year 2021. A maximum remuneration was approved for the first time by the Annual General Meeting on 23 June 2021; prior to this, no maximum had been set.

The variable remuneration granted and owed in financial year 2021 was based solely on the achievement of the adjusted target consolidated EBITDA. The variable remuneration granted and owed in financial year 2021 was based on the following target achievement rates and payouts:

	Target achievement	Payout
Year-3 component – 2018	108.4 %	100 %[1]
Year-2 component – 2019	99.2 %	100 %
Year-1 component – 2020	101.8 %	100 %
Year-1 component – 2021	116.4 %	–[2]

[1] Payout amount set at 100 % by Supervisory Board, taking into account adjustments for non-budgeted developments.

[2] Target achievement for 2021 to be determined subsequently.

The target achievement rates and payout amounts are identical for all members of the Board of Management.

The service agreements for members of the Board of Management do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements*. During the period under review, no variable remuneration components were clawed back.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration system for the Supervisory Board presented below was approved by the Annual General Meeting on 23 June 2021 with an 83.47 % majority.

[3] 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 bene fits received without entitlement, are sufficient and that additional intervention in remuneration is therefore not necessary for the time being.

Fundamentals of the remuneration system for members of the supervisory board

The remuneration of the Supervisory Board of Dermapharm Holding SE is set out in Article 15 of the Articles of Association (Remuneration). Article 15 of the Articles of Association reads as follows:

1. 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 80,000.00 beginning in financial year 2021 for each Supervisory Board member.

2. 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 1 will be prorated by reference to the duration of Supervisory Board membership. It is payable quarterly following the expiry of the relevant calendar quarter.

3. 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.

4. The Company must take out a directors and officers (D&O) liability insurance policy on behalf of the members of the Supervisory Board at appropriate, prevailing market rates; this policy must cover the statutory liability in connection with the work of the Supervisory Board.

The following remuneration system is based on the provisions of §§ 113 (3) sentence 3, 87a (1) sentence 2 AktG:

In line with prevailing market practice at listed companies in Germany, the remuneration paid to Supervisory Board members is structured exclusively as fixed remuneration. It does not include any performance-based components. The Board of Management and the Supervisory Board are of the opinion that an exclusively fixed remuneration of the Supervisory Board members is best suited to strengthen the independence of the Supervisory Board and to take into account the advisory and monitoring function of the Supervisory Board, which must be carried out independently of the Company's performance.

The amount and structure of Supervisory Board remuneration ensure that the Company is able to attract qualified candidates for membership of the Company's Supervisory Board; in this way, Supervisory Board remuneration makes a sustainable contribution to promoting the business strategy and the long-term development of the Company.

The remuneration system for Supervisory Board members is approved by the Annual General Meeting on the basis of proposals by the Board of Management and Supervisory Board. The remuneration system is subject to regular review, at least once every four years, by the Board of Management and the Supervisory Board to determine whether the amount and structure are still in line with the market and appropriate in light of the responsibilities of the Supervisory Board and the position of the Company. In the opinion of the Board of Management and the Supervisory Board, the increase in fixed annual remuneration proposed to the Annual General Meeting on 23 June 2021 takes appropriate account of the increased legal requirements for Supervisory Board activities.

The remuneration and employment conditions of the employees were and are of no relevance to the structure of the Supervisory Board's remuneration system. This is because Supervisory Board remuneration is granted for an activity which is fundamentally different to the activity of employees, given its advisory and supervisory function.

Any conflicts of interest in the review of the remuneration system are counteracted by the statutory allocation of competences, according to which the authority to decide on Supervisory Board remuneration lies with the Annual General Meeting. The Board of Management and Supervisory Board propose a corresponding resolution to the Annual General Meeting. A system of mutual control is thus already inherent in the statutory requirements.

Remuneration granted and owed in financial year 2021

The remuneration granted and owed[1] to the Supervisory Board in financial year 2021 breaks down as follows:

	Wilhelm Beier Chairman of the Supervisory Board				Dr Erwin Kern Member of the Supervisory Board				Lothar Lanz Member of the Supervisory Board			
	2020		2021		2020		2021		2020		2021	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR
Fixed remuneration	70	100 %	80	100 %	70	100 %	80	100 %	70	100 %	80	100 %
Variable remuneration	0	0 %	0	0 %	0	0 %	0	0 %	0	0 %	0	0 %
Total remuneration (TR)	70	100 %	80	100 %	70	100 %	80	100 %	70	100 %	80	100 %

[1] For a definition of remuneration granted and owed, see "Board of Management remuneration – Remuneration granted and owed in financial year 2021"

The Supervisory Board receives a 100 % fixed remuneration. Pursuant to the resolution by the Annual General Meeting on 23 June 2021, each member of the Supervisory Board receives a fixed amount of remuneration for each full financial year of their Supervisory Board membership amounting to EUR 80 thousand beginning in financial year 2021 (previous year: EUR 70 thousand). Remuneration of EUR 20 thousand is paid out per quarter in 2021 (previous year: EUR 17.5 thousand).

COMPARISON OF REMUNERATION AND EARNINGS TRENDS

In accordance with § 162 (1) sentence 2 no. 2 AktG, this section presents the development of Dermapharm's earnings, the annual change in the remuneration of the members of the Board of Management and Supervisory Board and the annual change in the average remuneration of employees on a full-time equivalent basis. In the first year of application, Dermapharm shows only the change compared to the previous year and builds up successively to a five-year comparison.

The development of the Group's earnings is presented using its earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) as a key financial performance indicator. For the members of the Board of Management and the Supervisory Board, the remuneration granted and owed in the respective financial year is presented in accordance with § 162 (1) sentence 1 AktG. The earnings trend for the individual company Dermapharm Holding SE does not form the basis for the remuneration of the Board of Management; it is merely presented in the table.

The average remuneration of employees on a full-time equivalent (FTE) basis is presented on the basis of the companies Dermapharm AG with a working time of 39 hours per week, mibe GmbH Arzneimittel with a working time of 40 hours per week, Trommsdorff GmbH & Co. KG with a working time of approximately 38[2] hours per week and Anton Hübner GmbH & Co. KG with a working time of 39.75 hours per week including interns, student trainees and apprentices. Converted to full-time equivalent positions, the four companies employed 798 people as at 31 December 2021 (previous year: 880).

[2] Working hours/week: 37.5 per CBA, 40 non-CBA, 39 sales force.

Average employee remuneration includes personnel expenses in accordance with IFRSs for wages and salaries, fringe benefits, employer contributions to social security, and any variable remuneration components attributable to the financial year.

Comparison of remuneration and earnings trends for the members of the Board of Management and the Supervisory Board

	2020 (EUR thousand)	2021 (EUR thousand)	Change in %
Dr Hans-Georg Feldmeier	736	1,324	80 %
Karin Samusch	685	908	32 %
Dr Jürgen Ott	529	586	11 %
Hilde Neumeyer[1]	257	535	108 %
Wilhelm Beier	70	80	14 %
Dr Erwin Kern	70	80	14 %
Lothar Lanz	70	80	14 %
Avg. remuneration / FTE	68	71	4 %
Consolidated EBITDA (adjusted)	200,651	351,071	75 %
EBITDA of Dermapharm Holding SE (individual company)	(1,331)	(248)	81 %

[1] Hilde Neumeyer was appointed as member of the Board of Management for the first time with effect from 1 July 2020.

Wilhelm Beier
Chairman of the Supervisory 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

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Publisher

Dermapharm Holding SE
Lil-Dagover-Ring 7
82031 Grünwald
Germany

Tel.: +49 (89) 6 41 86 – 0

E-Mail: ir@dermapharm.com
https://ir.dermapharm.de

Investor Relations & Corporate Communications

Dermapharm Holding SE
Britta Hamberger

Tel.: +49 (89) 641 86 – 233

E-Mail: ir@dermapharm.com
https://ir.dermapharm.de

Concept, editing, layout and typesetting

cometis AG
Unter den Eichen 7
65195 Wiesbaden
Germany

Tel.: +49 611 20 58 55 – 0

E-Mail: info@cometis.de
www.cometis.de

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Dermapharm Holding SE

Lil-Dagover-Ring 7
82031 Grünwald
Germany

Telephone: +49 (89) 6 41 86 – 0

E-Mail: ir@dermapharm.com
https://ir.dermapharm.de