

REPORT OF THE SUPERVISORY BOARD ON THE 2018 FINANCIAL YEAR

Cooperation between the Management Board and the Supervisory Board

In financial year 2018, the Supervisory Board of Dermapharm Holding SE faithfully and diligently performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board monitored and advised the Management Board on an ongoing basis. The Supervisory Board regularly received timely and comprehensive written and oral reports from the Management Board on the performance of Dermapharm Holding SE and the Group companies, the strategic direction of the Company and the progress made in implementing the corporate strategy. The Supervisory Board also received reports on material or urgent matters between meetings from the Management Board. The reservations of consent stipulated for certain transactions under the rules of procedure for the Management Board were complied with for all resolutions.

Personnel changes on the Management Board and the Supervisory Board

Mr. Lothar Lanz was appointed as member of the Supervisory Board by resolution of the Extraordinary General Meeting on 6 December 2017, with effect from 1 January 2018. He replaced Mr. Michael Beier as a member of the Supervisory Board.

Work of the Supervisory Board in financial year 2018

The Supervisory Board met five times during financial year 2018. All Supervisory Board members attended or participated in more than half of the Supervisory Board's meetings. The average attendance rate at Supervisory Board meetings in the 2018 financial year was 100 %. The members of the Management Board regularly joined the meetings of Supervisory Board, with the exception of the meeting on 26 April 2018. The Supervisory Board Chairman also attended Management Board meetings.

The Supervisory Board used its meetings to discuss any and all matters relating to the Company. As a preparatory measure, the Supervisory Board received reports from the Management Board 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 Management Board 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. The primary focus was on the selective approach taken by German health insurers when announcing a call for tenders for discount agreements and the participation of our German subsidiaries in our home market.

Also among the regular topics of discussion were introductory information on potential 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 newly acquired subsidiaries within the Group.

The meeting on 19 April 2018 was held at the Brehna facility. In addition to visiting the production facility, the Supervisory Board discussed the financial and liquidity situations with the Management Board, in particular as it related to future investments within the Group. These discussions also covered the financing structure, the refinancing strategy and changes in the debt ratio. Preparations for the Annual General Meeting were also discussed, and the draft 2017 annual financial statements were presented. Finally, the Management Board reported on proposed investor relations activities and its regular communication with the various capital market stakeholder groups.

The Supervisory Board's meeting on 26 April 2018 was a conference call with the auditor, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf.

After extensive discussion with the auditor, the Supervisory Board approved the 2017 annual and consolidated financial statements together with the management report.

Another Supervisory Board meeting was held directly after the Annual General Meeting on 26 June 2018. The Management Board and the Supervisory Board discussed selected aspects of the corporate strategy and corporate planning. The Management Board also reported on the current business performance and the financial situation of the Dermapharm Group.

The Supervisory Board held a meeting on 10 September 2018 by way of a conference call. At this meeting, the Supervisory Board approved the 2018 half-yearly financial report and its publication on 12 September 2018.

At a further meeting on 17 October 2018, the Supervisory Board addressed reviewed, proposed and completed acquisitions and the expansion of certain production facilities. After discussion with the Management Board, the Supervisory Board also approved the now finally negotiated refinancing measures at this meeting. The Management Board also presented the draft 2019 Group budget (three-year plan) to the Supervisory Board. The Supervisory Board also considered the Company's corporate governance principles and discussed implementation of the new recommendations of the German Corporate Governance Code.

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

Remuneration of the Supervisory Board

According to Article 15 (1) of the Articles of Association, each member of the Company's Supervisory Board is entitled to fixed remuneration of EUR 70,000 for their work during the 2018 financial year. Of this amount, EUR 52,500 was paid in the 2018 financial year.

Audit of the Annual and Consolidated Financial Statements and the Combined Management Report 2018

Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the annual financial statements prepared by the Management Board 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 2018 prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with § 315e HGB and issued each an unqualified auditor's report.

The members of the Supervisory Board received the above documents, the proposal for the appropriation of retained earnings and the auditor's respective long-form audit report in due time. The Supervisory Board examined these at its meeting on 12 April 2019. 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 proposal for the appropriation of retained earnings for financial year 2018 prepared by the Management Board. As a result of the review of the Management Board's proposal for the appropriation of retained earnings conducted at the Supervisory Board meeting on 12 April 2019, which included a discussion with the auditor, we approved the Management Board's proposal for the appropriation of retained earnings and concurred with the proposal. The proposal includes the complete distribution of retained earnings of EUR 41,456,800. The annual financial statements are therefore adopted.

Furthermore, the auditor also audited the dependent company report prepared by the Management Board of Dermapharm Holding SE required by § 312 of the German Stock Corporation Act (Aktengesetz, "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 Management Board's dependent company report and the auditor's corresponding audit report in due time. The Supervisory Board examined these at its meeting on 12 April 2019. 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 Management Board in the dependent company report.

In addition, the members of the Supervisory Board also received the separate non-financial report of the Management Board in good time. The Supervisory Board dealt with this issue at its meeting on April 12, 2019. The Supervisory Board's examination of the separate non-financial report did not lead to any objections. The Supervisory Board did not raise any objections to the separate non-financial report of the Management Board following the final result of its own examination.

Thanks and acknowledgements

The Supervisory Board wishes to thank the Management Board for its unfailing open and constructive cooperation this past year. We would also like to thank the employees for their hard work this past 2018 financial year. The Supervisory Board wishes the Management Board and the employees continued success in meeting the coming challenges of the new financial year.

Grünwald, April 2019



Wilhelm Beier

Chairman of the Supervisory Board