ANNUAL REPORT 2017

Dermapharm Holding SE

CONSOLIDATED RESULTS AT A GLANCE

		2017	2016
Revenue	EUR million	467.1	444.5
Adjusted EBITDA	EUR million	112.9	102.7
Adjusted EBITDA Margin	%	24.2	23.1
Unadjusted EBITDA	EUR million	110.2	102.7
Unadjusted EBITDA Margin	%	23.6	23.1
Operating income	EUR million	92.1	86.8
Earnings before taxes	EUR million	88.0	82.9
Profit or (loss) for the period	EUR million	77.7	77.0
Earnings per share	EUR	1.56	1.54
Balance sheet	EUR million	415.3	311.7
Equity	EUR million	73.7	60.8
Equity ratio	%	17.7	19.5
Cash and cash equivalents	EUR million	6.3	3.8
Net debt	EUR million	258.5	173.7

CONTENT

TO THE SHAREHOLDERS

MANAGEMENT'S LETTER TO THE SHAREHOLDERS

Dear shareholders,

The extensive preparations for the successful IPO shaped our 2017 financial year. Dermapharm Holding SE's shares were listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange on 9 February 2018, marking an important milestone in the Company's history.

2017 was also a successful year from an operating perspective. In 2017, we again increased consolidated revenue by 5.1% year on year to EUR 467.1 million. We also reported a 9.9% increase in EBITDA, which amounted to EUR 112.9 million and was adjusted for non-recurring costs of EUR 2.7 million in connection with the preparations for the IPO. Altogether, in 2017 we again increased our profitability and generated an adjusted EBITDA margin of 24.2% (previous year: 23.1%) at the Group level. Unadjusted EBITDA amounted to EUR 110.2 million, representing a 7.3% increase against the previous year and an unadjusted EBITDA margin of 23.6%. This demonstrates our continued commitment to implementing our corporate strategy and that we realised further synergies to help improve efficiency at the Company. We also successfully built on our strong track record of acquisitions through several additional purchases, thus laying the foundation for further growth. During the reporting period and at the beginning of the 2018 financial year we not only acquired the global rights to the hyperthermic medical devices Herpotherm® and bite away®, but also successfully integrated the dietary supplement and pharmaceutical manufacturers Bio-Diät-Berlin, Trommsdorff and Strathmann into our Company.

Furthermore, we successfully brought to market numerous proprietary developments across all therapy fields, further strengthening our diverse product portfolio. In this context we again increased the share of OTC products, i.e., pharmacy-only and non-prescription drugs, thus reducing our dependency on direct discount agreements with health insurers for generic products. The earnings figures for both the "Branded pharmaceuticals and other healthcare products" segment and the parallel import business improved as a result. Revenue generated from branded pharmaceuticals increased by 7.6% year on year to EUR 225.6 million and parallel import business grew by 3.0% to EUR 243.0 million. Looking ahead, our development pipeline is well stocked with new products for selected niche markets.

Secular trends in the pharmaceuticals and healthcare market provide for attractive growth opportunities. This includes demographic changes with an increasingly aging population, global population growth, increasing prevalence of self-medication and health-savvy consumers as well as medical advances. Accordingly, the European pharmaceuticals market is recording steady growth. Our core market of Germany is at the same time one of the markets in Europe that records the highest ratio of off-patent pharmaceuticals to total revenue. Hence, with our focus on off-patent branded pharmaceuticals, we feel that we are excellently positioned to leverage our growth strategy and benefit in the long term from these developments. In the past financial year we also took important steps to expand our international presence and advantageously position Dermapharm in Europe. By establishing sales and distribution platforms in the United Kingdom and Italy we tapped additional, promising markets to sell our off-patent branded pharmaceuticals.

In the coming financial year we will continue work to establish Dermapharm as a leading manufacturer of off-patent branded pharmaceuticals in selected markets and further build on our excellent market position. In light of plans to further develop the Group as part of our three pillar strategy (in-house product development, internationalisation and targeted M&A activities), the Management Board by and large expects to continue achieving growth. We expect to do so thanks to our well-stocked pipeline and an active acquisition strategy focusing on attractive targets to increase value for the Company.

We would like to take this opportunity to thank our employees for their hard work in the past financial year. We would also like to particularly thank you, our shareholders. We could not have successfully gone public without you and the trust you placed in us.

Grünwald, April 2018

The Management Board

Dr. Hans-Georg Feldmeier Karin Samusch

Stefan Grieving Stefan Hümer

MEMBER OF THE MANAGEMENT BOARD

Dr. Hans-Georg Feldmeier
Chief Executive Officer

Stefan Hümer
Chief Financial Officer

Karin Samusch
Chief Business Development Officer

Stefan Grieving
Chief Marketing Officer

REPORT OF THE SUPERVISORY BOARD ON THE 2017 FINANCIAL YEAR*

In financial year 2017, the Supervisory Board of Dermapharm Holding SE performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board monitored and advised the Management Board.

The Company was formed as a shelf company by deed of incorporation dated 4 July 2017. On 11 August 2017, Themis Beteiligungs-Aktiengesellschaft, Grünwald, acquired all of the shares in the Company and subsequently contributed all of the shares in Dermapharm Aktiengesellschaft, Grünwald, to the Company effective as per the end of 31 December 2017.

Personnel changes on the Management Board and the Supervisory Board

In connection with Themis Beteiligungs-Aktiengesellschaft's acquisition of the Company, the composition of the Company's Management Board and Supervisory Board changed respectively as follows:

- By resolution of the Annual General Meeting dated 11 August 2017, the members of the Company's first Supervisory Board – Ms Gabriele Roskothen, Ms Randi Mette Selnes and Ms Katja Gogalla – were dismissed and replaced by Mr Wilhelm Beier, Mr Michael Beier and Dr Erwin Kern, who were appointed as the new members of the Supervisory Board.
- Ms Nicole Lotz resigned as the sole member of the Management Board effective 11 August 2017. The newly comprised Supervisory Board then resolved on 11 August 2017 to appoint Dr Hans-Georg Feldmeier (Chairman), Mr Stefan Grieving, Mr Stefan Hümer and Ms Karin Samusch as the new members of the Management Board.

There was the following further change in the composition of the Supervisory Board at the end of 2017/start of 2018: Mr Michael Beier left the Supervisory Board effective as per the end of 31 December 2017. By resolution of the Annual General Meeting dated 6 December 2017, he was replaced by Mr Lothar Lanz, who was appointed as a new member of the Supervisory Board effective 1 January 2018.

Work of the Supervisory Board in financial year 2017

The 2017 financial year is the Company's first financial year. Since the financial year commenced with the Company's formation on 4 July 2017 it is a short financial year. The Company was not yet operational in the reporting year and did not begin its current operations as the Dermapharm Group's new holding company until the beginning of 2018 following the contribution of Dermapharm Aktiengesellschaft.

Accordingly, in financial year 2017, the work of the Supervisory Board revolved primarily around the appointment of new members to the Management Board in connection with Themis Beteiligungs-Aktiengesellschaft's acquisition of the Company, the contribution of Dermapharm Aktiengesellschaft to the Company and the preparations for the Company's IPO in 2018. The Management Board was in constant contact with the chairman of the Supervisory Board, thus ensuring that he was at all times kept abreast of any material matters, which he then reported to the other members of the Supervisory Board.

On 11 August 2017 of the reporting year, the Supervisory Board held a meeting via conference call with all members of the Supervisory Board participating in the meeting. At this meeting, the Supervisory Board – which had been newly appointed by virtue of the resolution of the Annual General Meeting dated 11 August 2017 – elected its chairman and a deputy chairman, and resolved on the appointment of new members to the Management Board. Furthermore, the Supervisory Board resolved on and approved the contribution of Dermapharm Aktiengesellschaft to the Company by way of written circular resolution with all Supervisory Board members participating.

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

The members of the Company's Supervisory Board did not receive any remuneration for their work in financial year 2017.

Beginning in financial year 2018, pursuant to Article 15 (1) of the Articles of Association, each member of the Company's Supervisory Board shall receive a fixed annual remuneration of EUR 70,000.00 for their work.

* After the first publication of the annual report on April 27, 2018, the report of the Supervisory Board was updated and published in the version printed here on May 18, 2018.

Audit of the 2017 annual and consolidated financial statements

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 prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with § 315e HGB and the Group management report for financial year 2017 and, in each case, issued an unqualified audit certificate.

The members of the Supervisory Board received the above documents and the auditor's respective audit report in due time. The Supervisory Board examined these at its meeting on 26 April 2018. The auditor was present at this meeting and reported on the material audit findings. Upon completion of its own review, the Supervisory Board concurred with the auditor's findings and did not raise any objections to the annual financial statements, consolidated financial statements or the Group management report for financial year 2017 prepared by the Management Board. The Supervisory Board approved the annual financial statements, consolidated financial statements and the Group management report for financial year 2017 prepared by the Management Board. The annual financial statements have thereby been adopted.

Furthermore, the auditor also audited the report of Dermapharm Holding SE on its relationships with affiliated companies as prepared by the Management Board pursuant to § 312 of the German Stock Corporation Act (Aktiengesetz – AktG). The audit did not give rise to any objections. The auditor issued the following unqualified audit certificate:

"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, and (3) there are no circumstances in respect of the measures specified in the report that would give rise to an opinion materially different from that of the Management Board."

The members of the Supervisory Board also received the Company's report on its relationships with affiliated companies and the auditor's corresponding audit report in due time. The Supervisory Board examined these at its meeting on 26 April 2018. The Supervisory Board's review of the Company's report on its relationships with affiliated companies did not give rise to any objections. The Supervisory Board therefore concurred with the auditor's findings and, upon completion of its own review, the Supervisory Board did not raise any objections to the concluding declaration by the Management Board in the Company's report on its relationships with affiliated companies.

Acknowledgements

The Supervisory Board wishes to thank the Management Board of the Company for its unfailing open and constructive cooperation this past year. We would also like to thank the employees of the Dermapharm Group for their hard work this past 2017 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, May 2018

Wilhelm Beier

Chairman of the Supervisory Board

SPECIALIST FOR OFF-PATENT BRANDED PHARMACEUTICALS

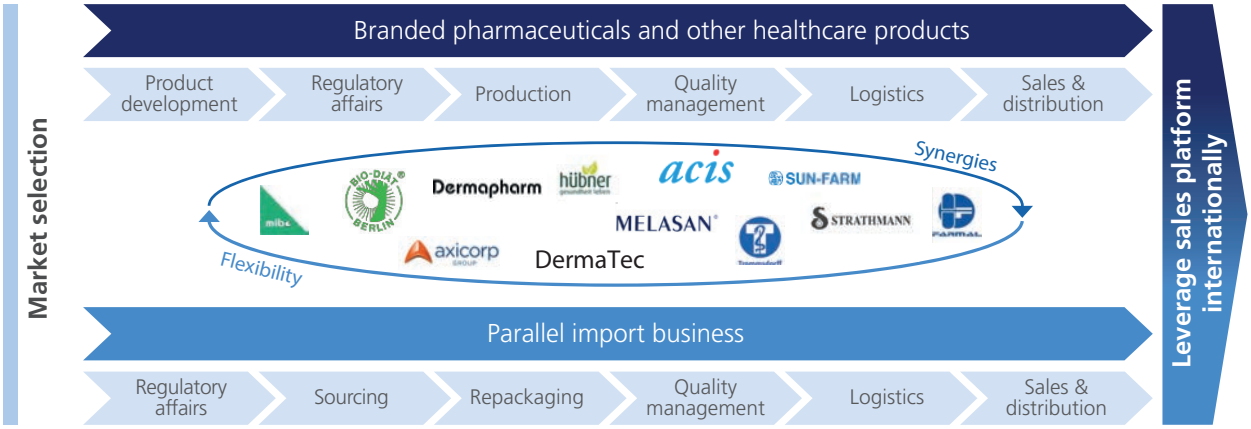
Dermapharm at a glance

We are a leading manufacturer of patent-free branded pharmaceuticals for selected therapy fields, over-the-counter drugs and natural remedies as well as parallel imports of brand-name compounds in Germany, with a growing international presence. Founded in 1991, Dermapharm is based in Grünwald near Munich and its main manufacturing facility is located in Brehna near Leipzig. With regard to formulations and developments, we use our expertise to develop, manufacture and market a wide range of branded pharmaceuticals that are no longer protected by patents. Our portfolio currently comprises around 900 marketing authorisations for more than 200 active pharmaceutical ingredients. Furthermore, we offer a growing portfolio of other healthcare products, including cosmetics, nutritional supplements and diet and medical devices. This broad product range makes our Company unique.

One of our key strengths is the in-house development, in-house production and distribution of pharmaceuticals and other healthcare products for specifically targeted markets by our medical and pharmaceutical sales force. Our "Made in Germany" quality seal and our "one-stop-shop" approach have helped us to achieve a strong track record for developing and marketing new pharmaceuticals and other healthcare products.

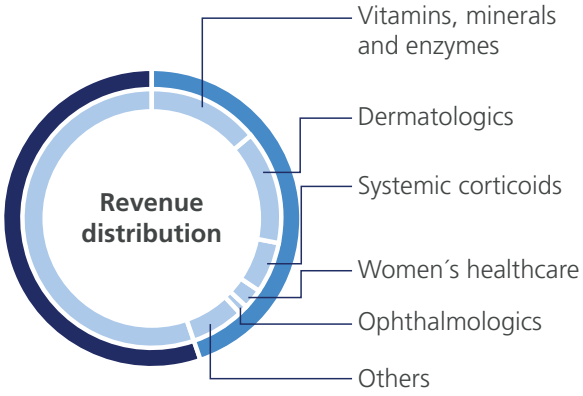
Since 1 January 2012, we have received marketing authorisations for more than 200 pharmaceuticals developed by our team of highly-qualified and experienced professionals. These marketing authorisations also include authorisations for markets outside of Germany. Our comprehensive approach allows us to control the entire supply chain and thus limit any risks of inventory bottlenecks and production problems. This plays a key role in optimising margins at the same time by cutting production costs.

We also operate a parallel import business under the "axicorp" brand. We import pharmaceuticals from other EU Member States and resell them to pharmaceutical wholesalers and pharmacies in Germany. Based on revenue, Dermapharm was one of the top four parallel importers in Germany in 2016. We leverage axicorp's excellent market access to pharmacies to directly market certain well-known high-volume OTC products requiring patient counselling.

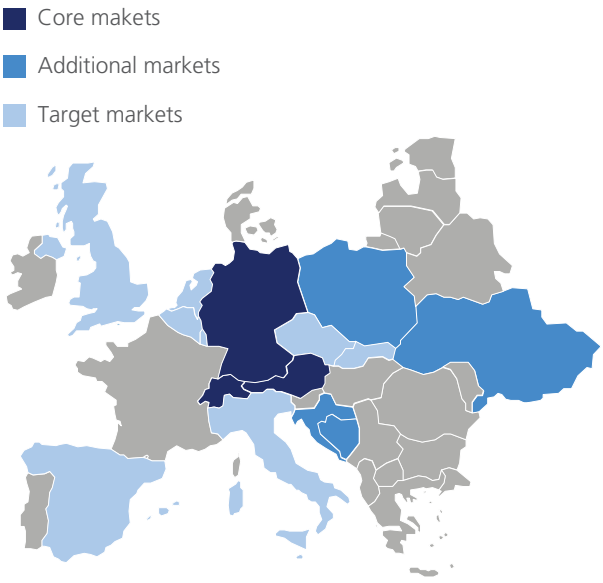


Attractive portfolio

Our product portfolio, which includes well-known brands such as Dekristol®, Ampho Moronal® and Prednisolut®, primarily covers relatively small, selected markets with high entry barriers and low levels of competition. Accordingly, we hold a significant market share in the overwhelming majority of these markets. Our sufficiently diversified portfolio includes a mix of high-growth products and products with stable revenues. This portfolio covers the following product areas: vitamins/minerals/enzymes, dermatologicals, systemic corticoids, women's healthcare, ophthalmologicals and other healthcare products. We have more than 200 active ingredients in varying strengths and dosage forms. This allows us to offer doctors and pharmacists different solutions for individual medical needs.



Branded pharmaceuticals and other healthcare products
Parallel import business



* Volume of the overall national market in each case

Dermapharm primarily operates in Germany, the largest pharmaceuticals market in Europe based on revenue in 2017. We also have a presence in Austria, Switzerland, Croatia, Poland and Ukraine. Our objective going forward is to market selected products from our existing product portfolio as well as new product developments in other European markets.

GEARED FOR GROWTH

Systematic growth strategy

Given our strong position in the German pharmaceuticals market, our focus is on successfully further expanding our business. We are looking to leverage both organic and external growth opportunities to become the leading European manufacturer of pharmaceuticals in select markets. To achieve this objective, we set out a growth strategy based on three pillars: expanding the product portfolio by bringing to market new, internally developed products; increasing the Company's international presence; and successfully completing further acquisitions.

In-house product development

We are striving to develop and bring to market additional pharmaceuticals and healthcare products. We manufacture about 90% of the products ourselves. Once our specialists identify a potentially attractive pharmaceutical that fits with our portfolio, we can successfully complete all key production and authorisation processes in house – including designing and funding clinical trials. We rely in particular on the expertise of our own experts, some of whom have more than 25 years' experience in developing patent-free pharmaceuticals.

Internationalisation

As a part of our strategy we also plan to market selected products from our existing product portfolio as well as new product developments in the United Kingdom, Italy and Spain. In order to support these expansion efforts, we have obtained marketing authorisations in these markets for certain existing and newly developed pharmaceuticals. Dermapharm also recently formed subsidiaries in the United Kingdom and Italy and engaged sales and distribution managers with the relevant know-how for the local markets.

M&A activities

Obtaining new authorisations and acquiring products and companies has always been part of Dermapharm's business strategy. Since the Company's formation in 1991, we have steadily expanded our product offering through successful acquisitions. This includes, for instance, our acquisitions of the medicinal products bite away® and Herpotherm® as well as the pharmaceuticals manufacturers Trommsdorff and Strathmann in 2018. Our objective going forward will also be to continuously review select growth opportunities and seize strategic options in line with our corporate strategy.

Production centre in Brehna (Germany)

SUCCESSFUL PRODUCT DEVELOPMENT AND POWERFUL SALES ORGANISATION

Brehna production location

In 2003, we commissioned a highly-integrated development, production and distribution facility in Brehna near Leipzig in order to control the entire value chain. More than 500 production, R&D and logistics employees work at the 38,000 m^2 site. All of the necessary steps along the value chain take place under one roof at the facility: from the development of new products to the design and sponsoring of the clinical trials required for Dermapharm's pharmaceuticals through to production, packaging and distribution. This allows us to manufacture approximately 90% of all Dermapharm products in-house and market them as "Made in Germany". We currently have more than 40 development projects spanning various classes of active ingredients in the development pipeline.

Production

Dermapharm's modern and flexible production facilities are equipped with individually manufactured and configurable machines. Coupled with our longstanding experience in manufacturing pharmaceuticals, this allows us to produce nearly all relevant pharmaceuticals dosage forms. In addition to regular production facilities, the Brehna site also has separate production and packaging cleanrooms to protect sensitive products from even the smallest of impurities caused by suspended solids.

Sales and distribution

Dermapharm has an efficient sales and distribution organisation for its business with pharmaceuticals and other healthcare products. Our sales force in Germany currently has a staff of approximately 135 (including Trommsdorff) who are responsible for our key customers, doctors and pharmacies. We also employ another seven sales representatives for hospitals. The sales staff receive special training in product areas we cover. We benefit in particular from longstanding relationships and regular contact with our customers. Current figures are impressive proof of this: In 2017, our sales staff visited some 3,500 dermatologists, 3,500 OB-GYNs and 10,000 pharmacies in Germany. In addition, the sales team of Dermapharm's subsidiary Trommsdorff visited around 22,400 general practitioners, 3,400 orthopaedics, 1,500 neurologists, 1,100 cardiologists, more than 2,300 urologists and more than 7,300 pharmacies.

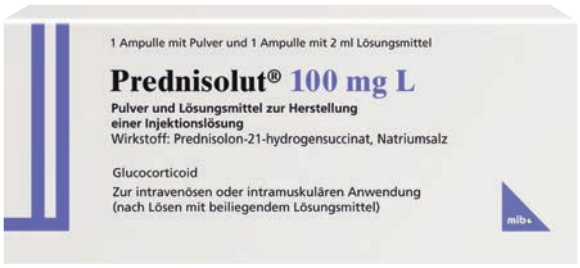
OFF-PATENT BRANDED PHARMACEUTICALS FOR SELECTED THERAPY FIELDS

Diverse product portfolio

Dermapharm's diversified product portfolio includes a mix of high-growth products and products with stable revenues. We are currently focused on the following select fields of therapy: vitamins/minerals/enzymes, dermatologicals, systemic corticoids, women's healthcare and ophthalmologicals. Our portfolio also includes other products covering additional fields of therapy. We strive to steadily expand our product portfolio by introducing new, internally developed products and acquiring established pharmaceuticals that complement our existing portfolio.

Systemic corticoids

In the systemic corticoids product area we market products based on seven active pharmaceutical ingredients in more than 220 different pharmaceuticals. These products help treat allergic reactions, skin disease and inflammation. All of these products are prescription drugs. This includes Prednisolut®, which, depending on the dosage, is the standard therapy for treating a wide range of side effects, ranging from seasonal allergic reactions to anaphylactic shock and other acute symptoms. With this broad product offering we are the market leader for prescription drugs in the German market for systemic corticoids.



Vitamins/minerals/enzymes

The vitamins/minerals/enzymes product area includes products based on 25 active pharmaceutical ingredients that we offer in more than 250 different pharmaceuticals. These products are used to treat a number of ailments from bone disease to nutritional deficiencies. These products include Dekristol® 20,000 I.U., a unique, high-dosage vitamin D compound. We also offer a wide range of OTC vitamin D products under the Dekristol brand. Furthermore, we market vitamin D drops and various silica healthcare products under the "Hübner" brand. This includes sikapur®, a dietary supplement made from pure silicon in silica gel form that is used to strengthen skin, hair and nails. The launch of "VITA aktiv B12 Direktsticks", a galenic form of vitamin B12 with protein compounds, was a great success in 2017. VITA aktiv B12 helps increase energy and performance and combats fatigue.

Dermatologicals

In this product area we market a wide range of products whose active ingredients are offered in some 590 different pharmaceuticals used to treat skin disease. Our longstanding expertise in the field of dermatology has made use the market leader – based on the number of prescriptions written by dermatologists – for prescription dermatologicals in Germany. One of the most well-known brands in this area is Ampho Moronal® – a speciality pharmaceutical and one of the most sold prescription antifungal drugs used to treat mouth, throat and gastrointestinal diseases. Furthermore, Dermapharm recently brought Solacutan® to market. This prescription drug contains diclofenac sodium and is applied to

the skin, in particular to the scalp and face, of patients suffering from mild to moderate keratinization disorders, including actinic keratosis, which can lead to cancer if left untreated. According to our analysis, we are the first manufacturer to receive a marketing authorisation in Europe for a generic pharmaceutical with this formulation. Topical corticosteroids form the basis of the dermatological drugs. Dermapharm's product range includes virtually all important active ingredients in this area. We will continue to expand our product range so that we can produce and offer all key corticosteroids that dermatologists require for their therapies.

Women's healthcare

In the women's healthcare product area we market a wide range of contraceptives and other women's healthcare products made from 13 active pharmaceutical ingredients that we offer in more than 100 different products. One of the most successful prescription hormonal oral contraceptives used to prevent pregnancy and treat acne is Dienovel®. Our range of women's healthcare products also includes the lactic acid treatment Lactofem®, available as pessaries or as a gel, for maintaining and regulating vaginal pH levels.

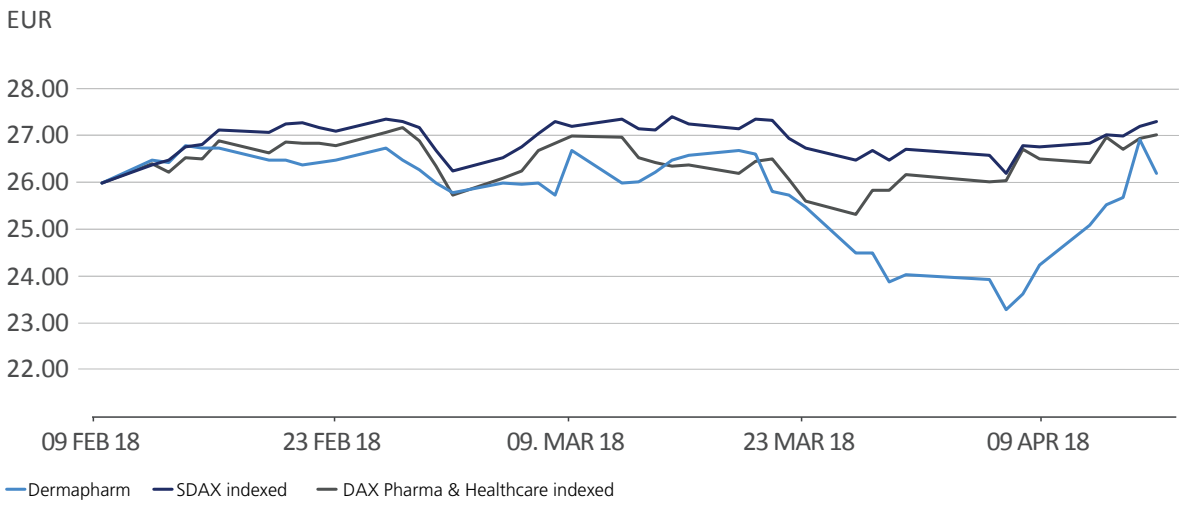
Ophthalmologicals

The ophthalmologicals product area consists of products based on 11 active ingredients that we offer in some 30 different pharmaceuticals used to treat various irritations and eye diseases. The product ranges includes Panthenol Augensalbe JENAPHARM®, an over-the-counter eye ointment. Other prescription antibiotic or corticosteroid eye ointments and drops form the basis of the ophthalmologicals product range. This includes brands such as Prednifluid, Dexafluid or Oxytetracyclin-Augensalbe JENAPHARM®.

Other healthcare products

In addition to the aforementioned product areas, we also market a wide range of other pharmaceuticals and healthcare products based on 102 active ingredients that we offer in more than 460 different pharmaceuticals. This includes drugs used to treat bone loss and cardiovascular disease, and pharmaceuticals such as Simagel, which is used to treat stomach ailments. We also market Temagin® pac, an OTC pain medication in tablet form that contains the same active ingredients and comes in the same dosage as the well-known brand-name painkiller Thomapyrin®. Our product range also includes local anaesthetics such as Xylocitin-Ioc or Procain JENAPHARM®, which have become established as standard drugs prescribed by doctors.

INFORMATION ABOUT THE DERMAPHARM SHARE



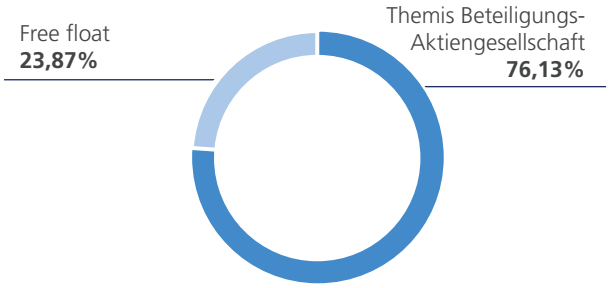
Share price performance

At the stock exchange listing on 9 February 2018, trading in the Company's shares opened at EUR 28.00 (XETRA). In light of the turbulent market conditions, the shares closed the first trading day at EUR 26.00, down approximately 7% on the issue price. The shares subsequently trended downward, losing 14.1% and amounting to EUR 24.05 as against the close of the first trading day. The SDAX made up ground, increasing by 2.3% in the comparative period. During the same period, the DAXsector All Pharma & Healthcare Index increased slightly by 0.7% as against the starting value.

The shares at a glance (XETRA)	
Opening price (9 February 2018)	EUR 28.00
High (9 February 2018)	EUR 28.00
Low (28 March 2018)	EUR 23.20
Closing price (13 April 2018)	EUR 26.20
Trading volume (9 February to 29 March 2018; average number of shares)	123,018 shares

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
Designated Sponsors	Berenberg ODDO BHF

The majority (76.13%) of the no-par value shares are held by Themis Beteiligungs-Aktiengesellschaft. 23.87% of the shares in Dermapharm Holding SE are in free float as defined by Deutsche Börse. With the exception of treasury shares, this includes all holdings below 5%.



Disclosures based on the notifications of voting rights received in accordance with German Securities Trading Act (WpHG) (as of February 13, 2018) and in consideration of the exercised greenshoe option

IR activities

By selecting the Prime Standard, Dermapharm Holding SE deliberately opted for Deutsche Börse's most strictly regulated segment when it went public on 9 February 2018. 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 and one-on-one meetings.

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

IPO

9 February 2018 was a historic day for Dermapharm: the Company successfully went public on the Frankfurt Stock Exchange. At 9:18 a.m., CEO Dr Hans-Georg Feldmeier, CFO Stefan Hümer, CBDO Karin Samusch and CMO Stefan Grieving rang the opening bell and opened public trading in the Company's shares 27 years after its founding in 1991. Dermapharm was the first company in 2018 to go public. The successful IPO demonstrated that Dermapharm – as one of the leading manufacturers of off-patent branded pharmaceuticals with a growth strategy comprising in-house product development, M&A activities and internationalisation – is an attractive investment for investors.

12,855,000 shares representing a total volume of approximately EUR 360 million were placed at an issue price of EUR 28.00 as part of the IPO. The share price was thus in the middle of the price range of EUR 26.00 to EUR 30.00 originally set for the bookbuilding. 3,840,000 of the new shares were issued in the context of a capital increase and 9,015,000 stem from the holdings of the selling shareholder. This also includes 1,155,000 of the 1,755,000 shares originally offered in the context of an over-allotment ("Greenshoe option"). Dermapharm Holding SE's resulting market valuation, calculated on the basis of the issue price, was thus approximately EUR 1.4 billion. The Company will use the approximately EUR 108 million in proceeds from the capital increase to finance further growth. This includes the expansion of Dermapharm's production facilities, broadening its international presence and refinancing activities following acquisitions.

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

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 a leading manufacturer of off-patent branded pharmaceuticals for selected therapy fields, over-the-counter drugs and natural remedies as well as parallel imports of brand-name compounds in Germany, with a growing international presence. The Company focuses on the two divisions "Branded pharmaceuticals and other healthcare products" and the "Parallel import business".

Branded pharmaceuticals and other healthcare products

Dermapharm uses its expertise in terms of formulations and developments to develop, manufacture and market a wide range of branded pharmaceuticals for specific, selected niche markets that are no longer protected by patents. Dermapharm currently holds around 900 marketing authorisations for more than 200 active pharmaceutical ingredients. Furthermore, Dermapharm offers a growing portfolio of other healthcare products such as cosmetics, food supplements and dietary and medicinal products. Dermapharm Group's product portfolio therefore covers a broad spectrum of group agents in varying strengths and dosage forms. This allows the Company to offer doctors and pharmacists different solutions for individual medical needs. With the vitamin D compound Dekristol® 20,000 I.U. for instance, Dermapharm is the market leader in prescription vitamins. According to INSIGHT Health, Dermapharm is also the market leader for prescription dermatologicals in Germany, based on the number of prescriptions written by the doctors registered there, and for systemic corticosteroids. Well-known brands like Ampho Moronal® and Prednisolut® are among Dermapharm's prescription dermatological products and systemic corticosteroids.

Parallel import business

Dermapharm also operates a parallel import business under the "axicorp" brand. The Company uses its skills in direct marketing in Germany by importing pharmaceuticals from other EEA member states for resale to pharmaceutical wholesalers and pharmacies in Germany. In doing so, the Company benefits from the statutory requirement that at least 5% of all prescription pharmaceuticals sold under the health insurance system in Germany must be imported from other EEA member states. At the same time, these pharmaceuticals must be sold for at least EUR 15.00 or 15% less than the German original, which is intended to contribute to lowering healthcare costs. Dermapharm covers the majority of the prescription brand name pharmaceuticals available on the German parallel import market and has grown to become the fourth largest parallel importer measured by gross revenues in 2017, according to INSIGHT Health.

Strategy

Building on its strong position in the German pharmaceutical and parallel import markets, Dermapharm plans to further expand the business. Dermapharm aims to consistently leverage both organic and external growth opportunities to become the leading European manufacturer of pharmaceuticals in select markets.

To continue to grow profitably, Dermapharm's strategy is based on three pillars: expanding the product portfolio by bringing to market new, internally developed products; increasing the Company's international presence; and successfully completing further acquisitions of products and businesses.

In order to expand the range of the product portfolio, Dermapharm continually strives to develop additional branded pharmaceuticals and healthcare products and launch them on the market. Dermapharm's product pipeline currently comprises over 40 ongoing development projects with new products for the niche markets selected by Dermapharm. This pipeline includes 28 branded pharmaceuticals and other healthcare products – dermatologicals, vitamins, minerals and enzymes, systemic corticoids, gynaecological products and opthalmologics – which are anticipated to be marketable by 2023. For introducing new products, Dermapharm plans to utilise the existing development, manufacturing and marketing capacities and to market the products through the established distribution organisation.

In respect to its international presence, Dermapharm plans to market selected products from our existing product portfolio as well as new product developments in the United Kingdom, Italy and Spain. In order to support these expansion efforts, Dermapharm has obtained marketing authorisations in these markets for certain existing and newly developed pharmaceuticals. In introducing new products, Dermapharm plans to obtain marketing authorisations for several target markets more quickly and cost effectively by executing a combined authorisation process for several countries. Dermapharm therefore established mibe Pharma UK Ltd. in the United Kingdom on 27 October 2017 and mibe pharmaceuticals Italia Srl in France on 28 February 2018, as well as hiring distribution managers with local expertise.

Obtaining new authorisations and acquiring products and companies has always been part of Dermapharm's business strategy. Since the Company's formation in 1991, Dermapharm has steadily expanded its product offering through successful acquisitions. For example, the dermatology division of Bristol Meyer Squibb was acquired in 2002 and the therapeutics division of Jenapharm was taken over from Shering in 2004, facilitating Dermapharm's entry into new fields of therapy. The acquisition of the medicinal products bite away® and Herpotherm® and the acquisition of Bio-Diät-Berlin GmbH followed in September 2017. The latest acquisitions of Trommsdorff with 23 different prescription pharmaceuticals and OTC products and of Strathmann were concluded at the beginning of the year.

1.2. Group Structure and Interests

In its articles of association as at 4 July 2017, the Company was established as a European company, or Societas Europaea (SE), in accordance with European and German laws. The business name is Blitz 17 663 SE; based in Munich, the Company is recorded in the commercial register of the Munich local court under the number HRB 234575. The Company was founded by Blitzstart Gruendungs Ltd. in London, United Kingdom. The Company commenced operations on 12 July 2017, the day on which the share capital remaining as of this date was fully paid up.

Themis Beteiligungs-AG acquired all of the Company's shares on 11 August 2017 under a share purchase and transfer agreement. On the same day, the Company's Annual General Meeting resolved to change the name to Dermapharm Holding SE and to move the Company's registered office to Grünwald. The name change and relocation were recorded in the commercial register of the Munich local court, HRB 234575, on 6 September 2017. The Company name is Dermapharm Holding SE. The Company has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0).

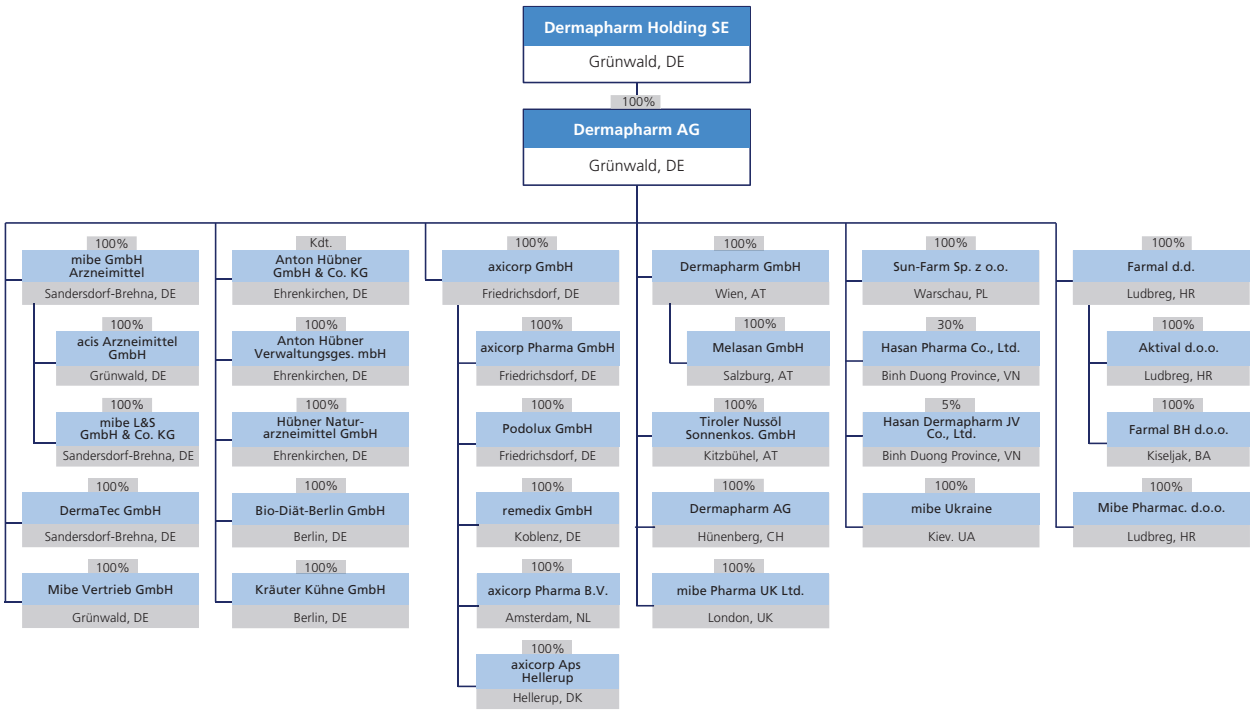
The Company is organised as a European company (Societas Europaea (SE)) according to European law and thus is subject to the European legislation on these types of companies, particularly the Council Regulation on the Statute for a European Company (SE Regulation). As a company registered in Germany,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

Dermapharm Holding SE holds 100% of the shares in Dermapharm AG and is the parent company of the Group. It essentially functions as a strategic holding company. The business operations of the Dermapharm Group are conducted by Dermapharm AG and its various subsidiaries.

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

As at the reporting date of 31 December 2017, the Dermapharm Group comprises 30 companies of which 15 are domiciled in Germany.

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



Together with its Group companies, Dermapharm has all of the prerequisites for achieving long-term success. These include flexible company structures, a secure and broad customer base, international positioning with regional flexibility and entrepreneurial management structure.

1.3. Sites and employees

The Dermapharm Group maintains production and distribution sites in Germany, which is also its largest sales market, and in Austria, Switzerland, the Netherlands, Croatia, Bosnia and Herzegovina, Poland and Ukraine.

The majority of all compounds from the Branded pharmaceuticals and other healthcare products division are manufactured in the central production and logistics centre, mibe GmbH Arzneimittel in Brehna. This site is also responsible for centralised purchasing and for product supply to the subsidiaries.

In Austria and Poland, individual products are also produced for the local markets.

In Germany, the promotion and distribution of all branded pharmaceuticals and healthcare products is performed by five different sales force lines that visit pharmacies, registered doctors as well as clinics. Depending on the areas of product application, these efforts are conducted very specifically according to the important customer target groups. Parallel imported brand name compounds are also distributed through direct sales by telephone.

Qualified employees are the basis for Dermapharm's long-term commercial success. In financial year 2017, an average of 1,240 full-time employees worked for Dermapharm (previous year: 1,182 full-time employees).

1.4. Management system and performance indicators

At the Group level, Dermapharm Holding SE has two divisions: "Branded pharmaceuticals and other healthcare products" and "Parallel import business". Objectives adopted by the Management Board are used to ensure efficient planning and management of the divisions. Budgetary plans which are prepared annually for a period of three years translate these objectives into specific, measurable targets.

Regular reports to the Management Board provide details on the performance of the two divisions so that any potential unfavourable trends can be countered in a timely manner. In this way, the management system makes a contribution to securing the continued profitable growth of the Dermapharm Group.

Dermapharm manages its operations using selected financial performance indicators. The financial performance indicators are monitored continuously and are integrated into the monthly reporting to the Management Board. In the defined division, 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 revenue and EBITDA targets.

Revenue and earnings before interest, taxes, depreciation and amortisation serve as the central management metrics for the Management Board to measure the success of business activities.

1.5. Research and Development

Due to its business model, Dermapharm deliberately chooses not to conduct fundamental pharmaceutical research. The focus is on the development of compounds using pharmaceutical ingredients which as a rule are no longer subject to commercial property rights.

The foundation for profitable growth and the long-term success of the Company lies in continuously bringing to market new branded pharmaceuticals which expand the market competence in the core therapeutic areas and offering them at the best possible cost. The Group's own central development centre in Brehna plays a crucial role in this, along with contract developments and a cooperation with external development partners.

Dermapharm continuously analyses the target markets that its range of products serves. After identifying a potentially attractive pharmaceutical product, Dermapharm is able to carry out the key phases of the development and approvals process itself, including the development and sponsoring of clinical trials. Dermapharm is confident that its own expertise in product development is a key factor for the Group's success. This enables Dermapharm to retain control over the timing and costs of product development and allows it to devote itself to developing special projects, including niche products. Furthermore, Dermapharm has the necessary regulatory expertise to be able to carry out the authorisation process in house. In doing so, it has access to the proven expertise of its development specialists, some of whom have over 25 years of experience in developing off-patent pharmaceuticals.

When possible, Group companies will market newly developed products internationally. The companies thus make use of national, but also supranational, mostly EU-wide approval procedures.

2. Report on Economic Position

2.1. Macroeconomic and Sector-Specific Environment

Macroeconomic environment

The expansion of the global economy picked up speed in 2017. According to preliminary information from the International Monetary Fund (IMF), the worldwide gross domestic product increased by 3.7% in 2017. The global economy is even expected to grow by 3.8% in 2018. The IMF estimates that the economic output of the US, the world's largest economy, will reach 2.3% in 2017 as well as in the coming year. By comparison, China's economy is anticipated to record 6.8% growth in 2017 according to the IMF, slowing somewhat to 6.6% in 2018.

The euro nations ramped up their rate of growth to 2.4% in 2017, while growth is expected to weaken slightly to 2.2% in 2018. Growth rates for some economies of the euro zone, particularly for Germany, Italy and the Netherlands, grew significantly according to IMF, reflecting stronger domestic demand and higher foreign demand. For 2017, IMF estimates that the economy in Germany could grow by 2.5%. At 2.3%, the German economy is expected to lose some momentum in 2018.

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

Sector-specific environment

The pharmaceutical and health market benefits in general from demographic trends with increasing aging of society, global population growth, increasing health awareness and self-medication as well as advances in the medical field. Accordingly, the European pharmaceutical market has grown continuously in recent years. According to information from the data service IQVIA, the entire European pharmaceutical market generated revenue of EUR 194.8 billion in 2017, corresponding to a year-on-year increase of around 2.3% (previous year: EUR 190.4 billion).

As Dermapharm's primary market, Germany has a highly developed healthcare system with 152,000 registered doctors, 20,023 licensed pharmacies and 1,951 hospitals in 2016. Because of this, Germany spends a larger share of its gross domestic product for healthcare than any other country in the European Union, and it has the second highest per capita healthcare spending and simultaneously the highest share of health spending covered by public funds in the European Union. Following revenues of EUR 36.7 billion in 2016, IQVIA reports that revenues in the German pharmaceutical market increased by 3.5% to EUR 38.0 billion in the reporting year. Viewed over the last three years, revenues in the German pharmaceutical market therefore even increased by 7.7% from EUR 35.3 billion in financial year 2015 to EUR 38.0 billion in 2017 (basis: manufacturer selling price).

Revenue from off-patent pharmaceuticals without discounts from discount agreements increased by 3.8% in Germany from January to November 2017 to EUR 4.9 billion (basis: manufacturer selling price). 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.

Both the market for off-patent pharmaceuticals as well as the OTC market worldwide were marked by a high degree of consolidation in 2017. This mainly took the form of acquisitions and ownership interests. In addition, several companies also exchanged or pooled divisions in order to focus more on their core skills and to reinforce the associated business lines. The ongoing expiration of patent rights are among the drivers of the growth in this sector. In addition, the penetration of off-patent pharmaceuticals has not yet been exhausted and is expected to continue to grow in light of the budgetary constraints stemming from the public debt crisis in the euro zone.

Off-patent pharmaceuticals including off-patent brand name compounds accounted for 41.3% of total revenue of the German pharmaceutical market in 2016 compared with a share of 44.1% in financial year 2014 (basis: pharmacy sales prices). This share fell slightly to 41.4% in the period from January to November 2017. Its high percentage of off-patent pharmaceuticals makes Germany one of the countries with the highest share of off-patent pharmaceuticals in Europe.

In the parallel import business, laws require that at least 5% of all prescription pharmaceuticals sold under the healthcare system in Germany must be imported from other EEA member states. In the financial years from 2014 to 2016, the share of parallel imports was over this mandatory percentage of the German pharmaceutical market. However, revenues in the parallel import market decreased continuously during this period, from EUR 4.2 billion in 2014 to EUR 3.7 billion in 2016.

Regulatory environment

Reference pricing for pharmaceuticals

Reference pricing refers to maximum amounts for reimbursement of pharmaceutical prices by the health insurance organisations. These amounts are defined for groups of comparable pharmaceuticals. If the doctor still prescribes a medication priced at a level above this reference amount, the patient is liable for the amount of 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 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 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 pricing is available to the policyholders at no extra cost.

Manufacturer discount

In Germany, pharmaceutical companies are generally free to set their prices for pharmaceuticals. However, pharmaceutical companies must grant manufacturer discounts on reimbursable pharmaceuticals to both the statutory health insurance providers and the private health insurance providers.

For reimbursable pharmaceuticals without a reference pricing, 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 only 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). The manufacturer can offset price reductions against the discount as long as it maintains the lower price for at least three years. For price reductions of ten percent, 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 pharmaceutical 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 will be introduced beginning in July 2018.

Supplementary payment

When it comes to prescription pharmaceuticals, patients generally must pay a supplementary payment for prescribed medication. For each pharmaceutical product, the supplementary payment basically amounts to 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 payment. This applies when the doctor 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 payment 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 pharmaceutical manufacturer. Health insurance organisations can use this provision to pass along some or all of the savings from discount agreements to their policyholders. If the doctor prescribes a medication priced at a level above this reference amount, the patient is liable for the amount of the difference in addition to the statutory supplementary payment.

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 their policyholders with their usual therapy without incurring significant additional costs.

Since 2007, pharmacies are also required to issue precisely the 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 a 50% or full reduction in the supplementary payment.

For provision of pharmaceuticals, the Pharmaceutical Market Restructuring Act (Arzneimittelmarktneuordnungsgesetz, AMNOG) also permits reimbursement of costs in individual cases. In other words, policyholders 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 policyholder bears any additional costs incurred due to the selection of another pharmaceutical.

International pharmaceutical markets

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

2.2. Course of Business

In financial year 2017, Dermapharm succeeded in reaching the targets it set.

The following aspects were instrumental in achieving this:

- consistent utilisation of synergies within the group of companies
- expansion of the product portfolio by bringing new, internally developed products into select niche markets
- a growing international presence
- successful product and business acquisitions

Comparison to Outlook in 2016

In the report on expected developments in the 2016 financial statements, the Management Board forecast positive overall business performance and moderate growth in revenue, a corresponding slight increase in costs and moderately higher EBITDA for financial year 2017.

The performance of financial year 2017 largely reflects this forecast.

The financial performance indicators of the Dermapharm Group developed as follows in financial year 2017:

Financial Performance Indicators EUR million	**2017**	**2016**	**+/-%**
Revenue	467.1	444.5	5.1 %
Branded pharmaceuticals and other healthcare products	225.6	209.6	7.6 %
Parallel import business	243.0	235.9	3.0 %
Adjusted EBITDA	112.9	102.7	9.9 %
Adjusted EBITDA Margin	24.2 %	23.1 %	-
Unadjusted EBITDA	110.2	102.7	7.3 %
Branded pharmaceuticals and other healthcare products	104.6	96.6	8.3 %
Parallel import business	7.1	6.1	16.4%
Unadjusted EBITDA Margin	23.6 %	23.1 %	-
Branded pharmaceuticals and other healthcare products	46.4 %	46.1 %	-
Parallel import business	2.9 %	2.6 %	-

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

2.3. Results of operations, financial position and cash flows

2.3.1. Group results of operations

Income statement

EUR thousand	**2017**	**2016**
Revenue	467,117	444,478
Increase/decrease in finished goods and work-in-process	180	1,006
Own work capitalised	10,487	8,301
Other operating income	6,752	9,916
Cost of material	(256,311)	(252,756)
Personnel expenses	(64,124)	(58,749)
Depreciation and amortisation	(16,487)	(14,448)
Other operating expenses	(55,498)	(50,955)
Operating income	**92,116**	**86,793**
Result from investments measured at equity	1,641	1,464
Financial income	8,392	7,297
Financial expenses	(14,119)	(12,689)
Financial result	**(4,086)**	**(3,928)**
Earnings before taxes	**88,030**	**82,865**
Income taxes	(10,286)	(5,871)
Profit or (loss) for the period	**77,744**	**76,994**
Profit transfers due to profit transfer agreements	(57,136)	(59,931)
Profit or (loss) for the period, after profit transfer	**20,608**	**17,063**

Sales and earnings performance of the Group

Group revenue increased once again in 2017. Group revenues reported in financial year 2017 increased by 5.1% compared to the previous year to EUR 467.1 million (previous year: EUR 444.5 million).

The increase was mainly the result of a successful strategy focused on selected niche markets mostly independent of so-called blockbuster products, i.e. individual products accounting for a disproportional share of revenue. Growth was driven primarily by compounds unrelated to those at the centre of ingredient-related discount agreements with health insurance organisations or those characterised by unique features. Furthermore the share of revenue generated by high margin products paid by the consumers themselves could be further increased. The share of prescription products is also increasing in this area. Revenues from the newly acquired Bio-Diät-Berlin GmbH were also included for the first time in financial year 2017 due to its consolidation beginning in the fourth quarter.

As in previous years, various development projects were recognised by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, BfArM) or the corresponding international authorities in financial year 2017, and the products were successfully brought to market. As a result, further new compounds were successfully introduced in various indication groups, and the range was expanded by adding individual dosage forms.

Development costs recognised under **own work capitalised** amounted to EUR 10.5 million in financial year 2017 (previous year: EUR 8.3 million). The ratio of research and development costs to revenue amounted to 2.2% (previous year: 1.9%).

Development expenses of EUR 10.6 million (previous year: EUR 8.3 million) were capitalised for new products in financial year 2017. This represents a capitalisation ratio of 100% (previous year: 100%). In financial year 2017, EUR 0.3 million (previous year: EUR 0.2 million) of capitalised development costs were written down.

The product development department employed an average of 66 people in financial year 2017 (previous year: 62 employees).

Other operating income amounted to EUR 6.8 million in financial year 2017 (previous year: EUR 9.9 million) and was significantly impacted by exchange rate effects, insurance and damage payments and the reversal of investment grants.

The increase in revenue in the reporting year resulted in a higher **cost of materials** in absolute terms of EUR 256.3 million in financial year 2017 (previous year: EUR 252.8 million). Compared to the higher revenue, material expenses saw a disproportionately low increase. The main reasons for this were better purchasing terms and ongoing shift of products to in-house manufacturing and the utilisation of intra-Group synergies. The cost of materials ratio improved to 54.9% (previous year: 56.9%).

Personnel expenses amounted to EUR 64.1 million in financial year 2017 (previous year: EUR 58.7 million). The increase was mainly due to the higher administrative requirements in preparing for the IPO and positive business performance. Following the acquisition of Bio-Diät-Berlin GmbH, the personnel expenses are included for the first time in the fourth quarter of 2017. The ratio of personnel expenses to revenue stood at 13.7% (previous year: 13.2%).

Depreciation and amortisation amounted to EUR 16.5 million in fiscal year 2017 (previous year: EUR 14.4 million).

Other operating expenses amounted to EUR 55.5 million in financial year 2017 (previous year: EUR 51.0 million). The increase is primarily attributable to the higher legal and consulting fees necessary during the preparation and transition measures related to the IPO and the subsequent stock market listing. The costs for these amounted to EUR 2.7 million in financial year 2017. Expenses in the area of research and development also increased as a result of efforts to expand the development pipeline and because the amounts of expenses incurred varied according to which phase the individual phases were in. These development costs are neutralised through the item Own work capitalised. The ratio of other operating expenses to revenue stood at 11.9% (previous year: 11.5%).

Adjusted for non-recurring costs in connection with the preparations for the IPO of EUR 2.7 million, **EBITDA** amounted to EUR 112.9 million (previous year: EUR 102.7 million) in financial year 2017. The **EBITDA margin** could thus be increased to 24.2% (previous year: 23.1%).

Prior to adjustment, the **EBITDA** amounted to EUR 110.2 million in financial year 2017 (previous year: EUR 102.7 million). Accordingly, the EBITDA margin could be increased slightly and amounted to 23.6% (previous year: 23.1%).

EBITDA can be reconciled to Group earnings as follows:

EUR thousand	2017	2016
EBITDA	**110,244**	**102,705**
Depreciation and amortisation	(16,487)	(14,448)
Financial income	8,392	7,297
Financial expenses	(14,119)	(12,689)
Earnings before taxes (EBT)	88,030	82,865
Income taxes	(10,286)	(5,871)
Profit or (loss) for the period	**77,744**	**76,994**
Profit transfers due to profit transfer agreements	(57,136)	(59,931)
Profit or (loss) for the period, after profit transfer	**20,608**	**17,063**

Financial income increased to EUR 8.4 million in financial year 2017 (previous year: EUR 7.3 million). The increase was mainly due to the performance of two currency swaps entered into by Dermapharm AG. The currency swaps are described in greater detail under the financial expenses section.

At the same time, **financial expenses** increased to EUR 14.1 million in financial year 2017 (previous year: EUR 12.7 million). Compared to the previous year, interest expenses for financial liabilities were fundamentally reduced to EUR 7.2 million in 2017 (previous year: EUR 9.3 million) as a result of the low interest rate level, the repayment of participation rights I. of Dermapharm AG in January 2017 and restructuring of the promissory note loans I. + II.

Two currency swaps which Dermapharm AG had already entered into with UniCredit Bank AG in 2010 had a negative impact on financial expenses. These mature in April 2018 and April 2020. The Swiss franc is the reference currency for these swaps. Due to the EUR/CHF exchange rate in 2014 and the floor of 1.20 set for the EUR/CHF exchange rate by the Swiss National Bank (SNB) in September 2011, the maximum exchange rate risk amounted to EUR 1.4 million per year. The SNB reversed this minimum exchange rate on 16 January 2015, so that higher annual interest expenses could also be possible.

Dermapharm AG already filed a lawsuit against UniCredit with the regional court of Munich in December 2011. Dermapharm calls for the rescission of these currency swap transactions in addition to claiming compensation for all damages in connection with these swaps. Dermapharm takes the view that UniCredit acted in breach of its duty to properly advise Dermapharm concerning the risks associated with these transactions. As at 31 December 2017, the negative value of the swap transactions with UniCredit (i.e. the amount of Dermapharm's future payment obligations assumed as at this date) amounted to EUR 4.0 million (31 December 2016: EUR 10.1 million) and was shown under other financial liabilities in the consolidated statement of financial position of Dermapharm AG. The lawsuit was dismissed in the first two instances. Dermapharm has filed an appeal against the denial of leave to appeal with the German Federal Supreme Court and currently assumes that this court will take a decision on this appeal in the second quarter of the financial year ending on 31 December 2018.

Dermapharm AG and Themis Beteiligungs-AG entered into an indemnity agreement on 21 December 2015 under which Dermapharm cedes its claims against UniCredit to Themis Beteiligungs-AG. In return, Themis Beteiligungs-AG agreed in 2015 to assume payments under the currency swap transactions from Dermapharm to UniCredit along with legal fees in connection with the Munich local court unless covered under a provision recognised by Dermapharm AG. All claims levelled by UniCredit against Dermapharm AG in financial year 2017 will be passed on to Themis Beteiligungs-AG. Accordingly, we expect no charges in connection with these contracts.

Prior to adjustment, the **earnings before taxes (EBT)** amounted to EUR 88.0 million in financial year 2017 (previous year: EUR 82.9 million). The EBT margin could therefore be increased and amounted to 18.8% (previous year: 18.7%).

Segment reporting

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

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

Any transactions entered into for the provision of goods and services within the segments are shown as consolidated. The exchange of goods and/or services between the segments took place at arm's-length prices.

Sales revenue and EBITDA are the key indicators for assessing and managing the segments' results of operations.

Overview of segment reporting by division

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

2017 EUR thousand	Branded pharmaceuticals and other healthcare products	Parallel import business	Reconciliation / Group Holding	Group
Revenue	225,616	242,988	-	468,604
Thereof intersegment revenue	1,487	-	-	1,487
Revenue with external customers	224,129	242,988	-	467,117
Revenue growth	7 %	3 %	-	5 %
EBITDA	104,561	7,085	(1,402)	110,244
Thereof result from investments measured at equity	1,641	-	-	1,641
EBITDA Margin	47 %	3 %	-	24 %

2016 EUR thousand	Branded pharmaceuticals and other healthcare products	Parallel import business	Reconciliation / Group Holding	Group
Revenue	209,592	235,946	-	445,538
Thereof intersegment revenue	1,061	-	-	1,061
Revenue with external customers	208,531	235,946	-	444,478
Revenue growth	10 %	21 %	-	15 %
EBITDA	96,564	6,141	-	102,705
Thereof result from investments measured at equity	1,464	-	-	1,464
EBITDA Margin	46 %	3 %	-	23 %

Revenues and earnings performance in the Branded pharmaceuticals and other healthcare products division

Revenue in the Branded pharmaceuticals and other healthcare products division reported in financial year 2017 increased by 7.6% compared to the previous year to EUR 225.6 million (previous year: EUR 209.6 million).

The increase was attributable primarily to maintaining the strategic focus on selected niche markets, while remaining independent of blockbuster products. Growth was driven primarily by compounds unrelated to those at the centre of ingredient-related discount agreements or those characterised by unique features. Dermapharm's German companies were still able to renew a selected number of strategically important discount agreements with well-known statutory health insurance organisations or enter into new agreements. Generally speaking, however, measures were taken to further reduce dependence on low-margin discount agreements with health insurance organisations with a balanced product portfolio. Furthermore, the share of revenue generated by high margin products paid by the consumers themselves could be further increased. The share of prescription products is also increasing in this area. Revenue could be further increased for selected compounds compared to the previous year, allowing stronger earnings to be generated.

As in previous years, various development projects were recognised by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, BfArM) or the corresponding international authorities in 2017, and the products were successfully brought to market.

EBITDA reported in financial year 2017 rose by 8.3% to EUR 104.6 million (previous year: EUR 96.6 million). This increase is mainly based on the performance of gross income (8.3%), attributable to steady growth in revenue while lowering expenses for government discounts, discounts from direct agreements with health insurance organisations and the costs of material. At 46.4% (previous year: 46.1%), the EBITDA margin remained nearly at the prior-year level.

Sales and earnings performance in Parallel import business

Revenue in the Parallel import business division reported in financial year 2017 increased by 3.0% compared to the previous year to EUR 243.0 million (previous year: EUR 235.9 million). The increase was mainly the result of growth in the market suitable for imports in 2017 and consistent and demand-based portfolio optimisation. axicorp was thus able to hold and further reinforce its position as the number four among German reimporters.

EBITDA reported in the Parallel import business division in financial year 2017 rose by 16.4% to EUR 7.1 million (previous year: EUR 6.1 million). This development was based primarily on the optimisation of the product portfolio and the related increase in the gross income margin from demand-based purchasing. By shifting the business with reimported anaesthetics in house, costs were also further optimised, resulting in an additional reduction in the dependence on third-party service providers. The division's EBITDA margin could be increased slightly and amounted to 2.9% (previous year: 2.6%). This increase was due largely to the effects described above, the optimisation of the product portfolio and the demand-based purchasing.

2.3.2. Financial position of the Group

Consolidated statement of financial position as at 31 December 2017 and 31 December 2016

Assets **EUR thousand**	**31 December 2017**	**31 December 2016**
Non-current assets		
Intangible assets	133,404	70,025
Goodwill	24,583	17,033
Property, plant and equipment	56,036	53,357
Investments measured at equity	3,513	3,197
Investments	188	262
Other non-current financial assets	4,419	10,648
Deferred tax assets	290	218
Total non-current assets	**222,433**	**154,740**
Current assets		
Inventories	81,685	84,779
Trade receivables	24,677	26,302
Other current financial assets	78,318	39,976
Other current assets	1,575	1,692
Income tax receivables - current	329	394
Cash and cash equivalents	6,286	3,816
Total current assets	**192,870**	**156,959**
Total assets	**415,303**	**311,699**

Equity and liabilities EUR thousand	31 December 2017	31 December 2016
Equity		
Issued capital	120	1,342
Capital reserves	250	250
Retained earnings	25,669	56,274
Other reserves	(2,234)	(951)
Contribution in kind not yet registered	49,880	-
Equity attributable to owners of the company	**73,685**	**56,915**
Non-controlling interests	-	3,891
Total equity	**73,685**	**60,806**
Non-current liabilities		
Defined benefit obligations and other accrued employee benefits	13,033	13,250
Financial liabilities	222,483	96,896
Other non-current financial liabilities	4,476	10,464
Other non-current liabilities	10,024	11,495
Deferred tax liabilities	11,026	3,365
Total non-current liabilities	**261,042**	**135,470**
Current liabilities		
Other provisions	7,017	6,951
Financial liabilities	32,264	65,883
Trade payables	23,367	24,526
Other current financial liabilities	5,592	4,303
Other current liabilities	9,025	10,983
Income tax liabilities	3,311	2,777
Total current liabilities	**80,576**	**115,423**
Total equity and liabilities	**415,303**	**311,699**

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

Net debt increased to EUR 258.5 million as at 31 December 2017 (31 December 2016: EUR 173.7 million). The financing agreements stipulate a right for the respective investor to withdraw the promissory note loan or bank loan upon a change of control or violation of the financial covenants.

The ratio of net debt to the unadjusted EBITDA increased to 2.3 in the 2017 reporting year (previous year: 1.7).

As at the reporting date of 31 December 2017, the equity ratio amounted to 17.7% (31 December 2016: 19.5%). The equity ratio is significantly influenced by the profit and loss transfer agreement between Themis Beteiligungs-AG and Dermapharm AG applicable until 31 December 2017. The profit and loss transfer agreement was terminated early as at 1 January 2018.

The financial position of the Dermapharm Group developed as shown below in financial year 2017:

The **total assets** increased to EUR 415.3 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 311.7 million).

On the asset side of the statement of financial position, **intangible assets** increased by EUR 70.9 million to EUR 158.0 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 87.1 million). This development is attributable primarily to the acquisition of the hyperthermic medical products unit (Hyperthermic Medical Devices Business) from Riemser Pharmaceuticals GmbH and the acquisition of 100% of the shares in Bio-Diät-Berlin GmbH. These transactions resulted in an increase in intangible assets for software, licenses, patents and rights amounting to EUR 63.4 million. Goodwill of EUR 24.6 million was added to intangible assets as at 31 December 2017 (31 December 2016: EUR 17.0 million). The acquisition of Bio-Diät-Berlin GmbH led to an increase of EUR 7.6 million. In addition, development expenses of EUR 10.6 million (previous year: EUR 8.3 million) were capitalised as internally generated intangible assets in financial year 2017.

Property, plant and equipment increased to EUR 56.0 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 53.4 million). The increase was primarily attributable to the acquisition of Bio-Diät-Berlin GmbH and the related initial consolidation of the property, plant and equipment capitalised there.

Investments measured at equity increased to EUR 3.5 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 3.2 million). Two associates (31 December 2016: two) were accounted for in the consolidated financial statements using the equity method.

- Gynial GmbH, Vienna, Austria: Dermapharm GmbH, Vienna, acquired a 25.1% interest in Gynial GmbH, Vienna, in 2015. Gynial focuses on products supporting the physical health and the well-being of women with an emphasis on prophylactic measures. Gynial is purely a sales company and has no production facility. Its strategic objective is to gradually shift more existing job order productions from third party suppliers to mibe GmbH Arzneimittel, which already has a manufacturing area for contraceptives, thus expanding value creation within production. Furthermore, Gynial GmbH can benefit from future developments of the Group within the women's healthcare sector. The carrying amount of the investment amounted to EUR 1.3 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 1.2 million).
- Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam: In financial year 2007, Dermapharm AG invested in Hasan Dermapharm Co., Ltd. Currently, Dermapharm holds 30% of the company. Vietnam is characterised by an open market with the highest growth rate in southeast Asia. Hasan Pharma operates a WHO-GMP certified production plant capable of producing nearly all drugs sold on the Vietnamese market. Dermapharm's contribution is the delivery of dossiers, which will be adjusted to Vietnamese standards and submitted to the local regulatory authority. Following approval, local production will start; however, preparations that have been produced under license are distributed at higher prices than products produced only locally. The carrying amount of the investment amounted to EUR 2.3 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 2.0 million).

Other non-current financial assets decreased to EUR 4.4 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 10.6 million). This includes positive fair values of foreign currency derivatives that Dermapharm AG entered into and capitalised life insurance contracts by Anton Hübner GmbH & Co. KG.

The positive fair values of derivatives recognised mainly result from a claim that Dermapharm AG has against Themis Beteiligungs-AG under which Themis Beteiligungs-AG will provide compensation for all future payments pertaining to two currency swaps which Dermapharm AG entered into with UniCredit Bank in 2010. The swaps will expire in 2018 and 2020, respectively.

As of December 31, 2017, the positive fair value of the derivatives amounted to EUR 3.9 million (December 31, 2016: EUR 10.1 million). The corresponding negative fair value of the derivative is recognised in other non-current financial liabilities.

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 424 thousand as at 31 December 2017 (31 December 2016: EUR 424 thousand) is taken from an expert opinion.

Inventories decreased to EUR 81.7 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 84.8 million). This development was attributable in particular to the sharp reduction in inventory in the Parallel import business division as a result of optimisation of the product portfolio and the warehouse relocation of remedix GmbH.

The increase in inventory in the Branded pharmaceuticals and other healthcare products division is mainly the result of the expansion of the product portfolio in the individual Group companies, the initial consolidation of Bio-Diät-Berlin GmbH and the hyperthermic medical products unit from Riemser Pharma GmbH, and ensuring adequate inventory levels. No inventories were pledged as securities for liabilities at the end of financial years 2017 and 2016.

Trade receivables decreased to EUR 24.7 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 26.3 million). This change is essentially due to the decline in trade receivables in the Parallel import business division. This was related to lower revenue in December compared to the previous year. Specific valuation allowances of EUR 201 thousand (previous year: EUR 198 thousand) were deducted from gross receivables.

Receivables comprise mainly those to wholesalers and pharmacies in Germany. In Germany, the Group companies have a base of solvent customers with good credit ratings. Defaults are the absolute exception in the Branded pharmaceuticals and other healthcare products division. Therefore, there is no commercial credit insurance. To minimise default risk, the Group has adequate debtor management policies in place. In addition, Dermapharm always collects information on the credit quality of its customers before entering into new business transactions.

Other current financial assets increased to EUR 78.3 million as at 31 December 2017 (31 December 2016: EUR 40.0 million) mainly due to receivables from profit and loss transfer agreements with Themis Beteiligungs-AG.

Cash and cash equivalents, including cash and demand deposits as well as current financial investments, increased to EUR 6.3 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 3.8 million). This change is due to the effects described in the notes to the consolidated statement of cash flows.

Equity increased to EUR 73.7 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 60.8 million).

Subscribed capital of Dermapharm Holding SE founded on 4 July 2017 amounts to EUR 120 thousand and is divided into 120,000 registered no-par shares. All of these shares are fully paid in as at the reporting date and are held directly by Themis Beteiligungs-AG, Grünwald, as the sole shareholder.

On 6 December 2017, the Company's Annual General Meeting approved an increase in subscribed capital, bringing it from EUR 120 thousand to EUR 50,000 thousand by way of a contribution in kind of EUR 49,880 thousand. The in-kind capital increase took place in the form of a contribution of 104,960 shares in Dermapharm AG (corresponding to 20% of Dermapharm AG's share capital) as an in-kind contribution in exchange for the issuance of 49,880,000 new no-par value bearer shares in the Company, with each such share representing a notional interest in the share capital of EUR 1.00.

The remaining 419,840 shares of Dermapharm AG (80% of the share capital of Dermapharm AG) were contributed without separate consideration from Themis Beteiligungs-AG to Dermapharm Holding SE and transferred to the Company. This contribution was made to the Company's unallocated capital reserve.

The contribution and transfer of all shares of Dermapharm AG was completed effectively as at 31 December 2017; the capital increase was recorded in the commercial register of the Munich local court on 4 January 2018.

The contribution in kind of EUR 49,880 thousand is shown as at 31 December 2017 under the Group equity in the item Contributions in kind not yet registered. In contrast, EUR 48,538 thousand was deducted from retained earnings and EUR 1,342 thousand from subscribed capital in financial year 2017. As a result, this reorganisation did not affect the total equity of the Group.

Retained earnings are the result of profits and losses carried forward from the previous reporting periods and the profit for the 2017 period less the transfer of profit as a result of profit and loss transfer agreements.

Provisions for employee benefits (pension provisions) decreased only slightly to EUR 13.0 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 13.3 million).

The **current and non-current financial liabilities** of the Group as at the reporting date of 31 December 2017 in the amount of EUR 32.3 million and EUR 222.5 million, respectively (31 December 2016: EUR 65.9 million and EUR 96.9 million, respectively) mainly comprise participation rights of Dermapharm AG amounting to EUR 7.1 million, the promissory note loans I. + II. amounting to EUR 81.9 million, bank loans amounting to EUR 152.0 million, bank overdrafts amounting to EUR 13.5 million and liabilities from finance leases amounting to EUR 0.3 million.

The financing agreements stipulate a right of return for the respective investor upon a change of control or violation of the financial covenants.

Other provisions increased only slightly by EUR 66.0 thousand to EUR 7.0 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 7.0 million). These mainly comprise provisions for health insurance organisation discount payments by the German companies.

Trade payables decreased to EUR 23.4 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 24.5 million). The reduction is mainly attributable to effects related to the reporting date and the cash flows deriving from these effects. They have remaining terms of up to one year and do not bear interest. The item also includes all trade payables not invoiced as of the reporting date. They generally become due for payment within 0 to 60 days.

Other non-current financial liabilities and other non-current liabilities decreased to EUR 14.5 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 22.0 million).

Other non-current financial liabilities mainly comprise the fair values of held-for-trading derivatives. The Group recognises the negative fair value of two currency swaps within other non-current financial liabilities. Moreover, other non-current financial liabilities include the negative fair values of interest rate swaps and floors.

Other current financial liabilities and other current liabilities decreased to EUR 14.6 million as at the reporting date of 31 December 2017 (31 December 2016: EUR 15.3 million).

Other current liabilities have a maturity of up to one year and do not bear interest. Derivatives comprise the negative fair values of foreign exchange forwards and options entered into by axicorp GmbH to hedge the risk from exchange rate fluctuations. Government grants recorded under other current liabilities comprise the portion of government grants which will be reversed in the course of the next twelve months.

Deferred income relates to payments that have been received, but were not delivered. Personnel-related liabilities comprise holiday accruals, income and church taxes due, liabilities for bonuses and company pensions and other submissions related to personnel.

2.3.3. Cash flows of the Group

Dermapharm's financial position and cash flows continued to be stable in the reporting period. Accordingly, the Group liquidity was guaranteed at all times in financial year 2017.

The main sources of liquidity were cash inflows from ongoing business activities and borrowings in the short, medium and long term.

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

Dermapharm AG issued **participation rights** at a nominal value totalling EUR 10.9 million maturing in 2017 and 2018. The holders of the participation rights receive a guaranteed remuneration of 10% remaining constant over the term as well as a potential profit participation of 2% of the nominal amount, and they participate in any loss up to the nominal amount.

The Dermapharm AG participation rights I. at a nominal value of EUR 4.6 million was repaid at the end of the term on 2 January 2017. The Dermapharm AG participation rights II. at a nominal value of EUR 6.4 million was repaid at the end of the term on 2 January 2018.

For medium- and long-term financing of the Dermapharm AG subgroup, **promissory note loans** entered into by Dermapharm AG in 2012 and 2014 existed as at the reporting date at nominal values of EUR 50 million and EUR 78 million and with terms maturing in 2017–19 and 2019–21, respectively. The five-year tranches of the promissory note loan I. were repaid as scheduled at the end of the term in 2017. The remaining seven-year tranche at a nominal value of EUR 10 million is financed at a variable interest rate (6M EUR EURIBOR) plus 2.00%. The tranches of the promissory note loan II. financed at variable rates were repaid early in 2017. The remaining fixed tranches at a nominal value of EUR 71.5 million are financed at a fixed interest rate of 1.77% for the five-year term and a fixed interest rate of 2.20% for the seven-year term. The financing agreements stipulate a right of the investor to withdraw from the promissory note loan upon a change of control or violation of the financial covenants.

As of 31 December 2017, **liabilities to banks** amounted to EUR 165.5 million (31 December 2016: EUR 22.2 million). The share of bank overdrafts amounted to EUR 13.5 million as at 31 December 2017 (31 December 2016: EUR 4.9 million).

Material new funding:

To finance the acquisition of assets from the hyperthermic medical products unit from Riemser Pharma GmbH, the acquisition of the business Bio-Diät-Berlin GmbH and the repayment and restructuring of the promissory note loans, the Group took out new loans in September 2017 at a nominal value of EUR 150 million at four different banks. All four bank loans are payable in September 2022 and bear variable interest rates.

Material repayments:

In January 2017, the first tranche of the participation rights issued in 2010 at a nominal value of EUR 4.5 million was repaid on time.

In September 2017, the first tranche of a promissory note loan at a nominal value of EUR 40.0 million taken out in 2012 was repaid on time.

In November 2017, the variable portion of the promissory note loan taken out at a nominal value of EUR 6,500 thousand in 2014 was repaid early in order to avoid contractual revisions that would have been necessitated by the restructuring of the Group. Of the amount repaid early, EUR 4,500 thousand would have been due in November 2019 and EUR 2,000 thousand in November 2021.

Overview of the structure of financial liabilities in the Dermapharm Group

Current remaining terms of the financial liabilities to banks as at 31 December 2017

EUR thousand	< 1 year	1-5 years	> 5 years	Total
Participation rights	7,127		-	**7,127**
Promissory note loans I. and. II.	570	81,287	-	**651,287**
Liabilities to banks	24,433	141,059	-	**165,492**
Liabilities on finance-leasing	134	137	-	**271**
Total	**32,264**	**222,483**	**-**	**254,747**

The Group minimises existing financial risks through natural hedging and derivative financial instruments. Dermapharm generally does not issue or hold any derivative financial instruments for the purpose of speculation.

Group liquidity was guaranteed at all times in the reporting year. Dermapharm mainly receives liquidity through cash inflows from its ongoing business activities and through borrowings. The profitability of business activities and net working capital, receivables in particular, impacted the cash inflows received from the ongoing business activities. In addition to the existing financing by means of loans, lines of credit, a participation right and various promissory note loans, Dermapharm also has access to a cash liquidity reserve.

Cash flow analysis

Cash flow statement (short version)

EUR thousand	2017	2016
Net cash flows from operating activities	86,736	76,778
Net cash flows used in investing activities	(84,860)	(12,279)
Free cash flow	**1,876**	**64,499**
Net cash flows used in financing activities	(7,976)	(55,928)
Cash flow	**(6,100)**	**8,571**
Cash and cash equivalents	6,286	3,816

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

The net cash flow from operating activities increased by EUR 9.9 million to EUR 86.7 million in the 2017 reporting year (previous year: EUR 76.8 million). This development was due mainly to the continued positive business development and lower income tax payments.

Cash flow used in investing activities, which reflects the cash outflows for investments less the inflows from disposals, amounted to EUR -84.9 million in financial year 2017 (previous year: EUR -12.3 million).

Cash flow from investing activities was mainly influenced by payments for investments in intangible assets amounting to EUR 70.2 million in financial year 2017 (previous year: EUR 12.7 million). Among other things, these consisted of the acquisition of the assets of the hyperthermic medical products unit from Riemser Pharma GmbH and expenditures by Dermapharm for capitalised development projects in support of the Company's development efforts and for the acquisition of licenses, patents and similar rights.

In addition, investments for acquiring subsidiaries less cash and cash equivalents acquired increased to EUR 13.7 million in financial year 2017 (previous year: EUR 1.4 million) as a result of the acquisition of a 100% interest in Bio-Diät-Berlin GmbH.

Free cash flow, i.e. cash flow from ongoing business activities plus cash flow from investing activities, amounted to EUR 1.9 million in 2017 (previous year: EUR 64.5 million).

Cash flow from financing activities amounted to EUR -8.0 million in the reporting year (previous year: EUR -55.9 million).

Payments to Themis Beteiligungs-AG under the profit and loss transfer agreement amounting to EUR 77.6 million from 2017 and the previous year were responsible for the most significant cash outflows.

The repayment and borrowing of funds in 2017 was affected by the circumstances described here, among others. Dermapharm generated proceeds from borrowings in the amount of EUR 150 million by taking out loans. A part of these proceeds was used to refinance existing promissory note loans resulting in payments in connection with the repayment of borrowings of EUR 66.6 million in financial year 2017.

Cash flow is a net balance of all inflows and outflows; the cash flow generated from ongoing business activities plus the cash flow from investing activities and less the cash flow from financing activities amounted to EUR -6.1 million in 2017 (previous year: EUR 8.6 million). The negative amount in financial year 2017 was in part funded by the utilisation of bank overdraft facilities.

Investments

The Group's investment volume amounted to EUR 88.5 million in the 2017 reporting year (previous year: EUR 19.2 million). Of this amount, the acquisition of Bio-Diät-Berlin GmbH accounted for EUR 13.7 million. Investments in intangible assets amounted to EUR 70.2 million (previous year: EUR 12.7 million). This increase is mainly attributable to the acquisition of the hyperthermic medical products unit from Riemser Pharma GmbH and the investments in development projects. Investments in property, plant and equipment amounted to EUR 4.5 million (previous year: EUR 5.0 million). Accordingly, the ratio of investments in property, plant and equipment to Group revenue amounted to 1.0% (previous year: 1.1% of Group revenue). Thus, of the overall investment volume in 2017, 5.0% was used for property, plant and equipment (previous year: 26.0%) and 79.3% for intangible assets (previous year: 66.1%).

Acquisitions

Acquisition of the hyperthermic medical products unit from Riemser Pharma GmbH:

On 20 September 2017 (closing date), the Group acquired the assets of the hyperthermic medical products unit from Riemser Pharma GmbH, Greifswald-Insel Riems. The acquired unit has a highly innovative medical portfolio targeting mosquito and insect bites (bite-away), cold sores (Herpotherm) and a development project focused on dermatitis and its associated symptoms. The acquisition offers the Group further growth opportunities. The acquired assets include the business intellectual property rights, the technical know-how of the division, the commercial know-how, the purchased regulatory approvals, as well as the inventories. Moreover, the employment relationships of some employees of the unit were transferred to Dermapharm at the closing date.

Acquisition of Bio-Diät-Berlin GmbH

In 2017, the Group acquired all of the shares and voting rights in Bio-Diät-Berlin GmbH, Berlin, along with its wholly owned distribution subsidiary Kräuter Kühne GmbH, Berlin, from the former shareholder. The transaction was completed on October 1, 2017. On this date, Dermapharm AG obtained control of the company for the first time. The purchase price for this acquisition amounted to EUR 15.3 million, however only EUR 14.5 million was paid in financial year 2017. As of 31 December 2017, a residual amount of EUR 0.8 million remains as a purchase price liability. Less the cash and cash equivalents acquired, a cash outflow of EUR 13.7 million resulted in financial year 2017.

2.4. General Statement on the Economic Situation

In financial year 2017, the Dermapharm Group has continued the successful implementation of its strategy and effectively utilise numerous synergy effects to improve efficiency in the Company.

Business performance was generally positive overall, and the published forecast was met.

Revenue increased by 5.1% to EUR 467.1 million (previous year: EUR 444.5 million).

- Division: Branded pharmaceuticals and other healthcare products 7.6%
- Division: Parallel import business 3.0%

Adjusted for non-recurring costs in connection with the preparations for the IPO of EUR 2.7 million, EBITDA increased by 9.9% to EUR 112.9 million (previous year: EUR 102.7 million).

Prior to adjustment, EBITDA increased by 7.3% to EUR 110.2 million (previous year: EUR 102.7 million).

- Division: Branded pharmaceuticals and other healthcare products 8.3%
- Division: Parallel import business 16.4%

3. Report on Opportunities and Risks

3.1 Risk Management System and Internal Control System

The goal of risk management at Dermapharm Holding SE is to recognise potential risks at an early stage and to avert impending damage by implementing using suitable measures. In order to identify risks in a timely manner, to evaluate them and to introduce adequate measures, the Company strives to fully implement a risk management system that is an integral part of corporate governance. Risks for Dermapharm Holding SE exist due to external influences as well as through entrepreneurial actions. Consequences of the risks can cause targets to be missed or negatively impacted. In the balance between opportunities and risk, the Company consciously takes risks that are in line with the anticipated benefit of the corresponding business activity. In this sense, risks can not be generally avoided but should be mitigated as much as possible.

Risk management is a centralised task, it is tested for effectiveness and appropriateness on a regular basis and is entirely the responsibility of the Management Board. Risks are identified by observing the markets on a regular and ongoing basis. As a part of this, macroeconomic and industry-specific analyses are prepared to derive countermeasures for the risks detected and to minimise their impacts. The planning process also serves to recognise risks in the Company at an early stage and to align corporate management accordingly. To achieve this, the Management Board is provided with regular reports on the analyses and on plan data in order to be able to make the appropriate entrepreneurial decisions. Planning covers a plan horizon of three years. The goal of developing and using a variety of planning scenarios is ultimately to continually and sustainably increase corporate value, to achieve the medium-term financial goals and to secure the continued existence of the Company in the long term.

Dermapharm differentiates between the following risk categories:

- Regulatory risks
- Legal risks
- Industry-related external risks
- Other external risks
- Product portfolio risks
- Strategic business operational risks
- Business performance operational risks
- Parallel import business risks
- Financing and liquidity risks
- Interest rate risks
- Currency risks
- Tax risks

3.2 Risk Report

The Dermapharm Holding SE business model is aligned with long-term growth potential and growth opportunities in the health and pharmaceutical market. These are also associated with challenges and risks, arising in particular from changes in national regulations and intense competition. In light of this, the Management Board is of the opinion that drastic regulatory interventions, intense competition, margin pressure and default risks will occur more frequently in the future.

External risks

Sector-specific risks

Dermapharm could be negatively affected by developments in the German market for pharmaceuticals and healthcare products. Because Dermapharm is subject to intense competition in all markets where it is active, various different factors can negatively affect the Group's business activities.

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

Dermapharm's business success depends on its ability to successfully market prescription pharmaceuticals to doctors who prescribe medication to their patients. Changes to the market conditions may occur as a result of an increase in the buying power of individual customer group such as doctors, pharmacy chains, health insurance organisations, purchasing groups and wholesale associations. Consequently, competition in terms of pricing, terms and services could grow, and the framework conditions for tenders for discount agreements could become less favourable as a result.

The Dermapharm Group works to actively minimise risk by comprehensively observing market developments, relevant participants and significant market structures and identifies action alternatives based on the findings.

Regulatory risks

Numerous regulations characterise the pharmaceutical and health market. Lifting or changing regulations or passing new regulations under healthcare reform could have significant economic and strategic impacts on the business activities and negatively affect Dermapharm's business success. Regulations at the national or supranational level are highly significant if they affect the market structure, pricing and/or product approvals in public healthcare. In principle, all products in the health market, although pharmaceutical products in particular, are at risk of exclusion or reduction of cost reimbursement as a result of regulatory interventions under the respective national social insurance systems. In the area of off-patent pharmaceuticals, pricing of different products is also subject to the price pressure originating in connection with the discount agreements with statutory health insurance organisations. All of these can result in a reduction in the profitability of individual products and, in some cases, may cause the market launch of a product to be unprofitable.

Exact forecasts concerning the introduction and scope of any changes are not possible since these regulations depend on the political processes in the respective countries or on court decisions. Dermapharm works to actively minimise risk by comprehensively observing relevant sources of regulations and identifies action alternatives based on the findings.

In addition, the manufacturing, distribution, processing, formulation, packaging, labelling, advertising and sale of Dermapharm's products are subject to comprehensive regulations, particularly the statutory regulations implemented by Germany and the European Union such as restrictions on obtaining marketing authorisation, price restrictions, provisions for the packaging of Dermapharm products and restrictions on the distribution of pharmaceuticals and other healthcare products. In the past, compliance with such provisions resulted in higher expenditures for Dermapharm and constituted an increased administrative burden for the organisation. If additional requirements are introduced in the future, these are expected to require additional expenses and could prevent Dermapharm from continuing its business activities as it currently operates.

Other external risks

As every company, Dermapharm bears further general business risks in the respective market regions such as the risk of unexpected disruption of the infrastructure, strikes, sabotage, natural catastrophes, criminal activities, terrorism, war and other unforeseeable material negative impacts. Where possible and economically viable, Dermapharm insures itself against this by taking out the appropriate insurance cover. However, it cannot be excluded that the insurance policies may not adequately cover the damages in individual cases.

Operational risks

Strategic business risks

The corporate strategy of Dermapharm aligned with growth and internationalisation in the pharmaceutical market in the divisions Branded pharmaceuticals and other healthcare products and Parallel import business. Dermapharm's growth strategy is associated with a risk that businesses and products acquired in the past or in the future can only be integrated at a higher cost or the intended synergy effects cannot be leveraged in the intended way. Alongside this, the businesses or products added could potentially fail to achieve the expected results in the market as markets and fields of therapy which are the subject of Dermapharm's strategic focus develop differently than expected. Even if Dermapharm makes all efforts to minimise these risks through careful analysis, each of the previously mentioned circumstances can result in the need to recognise an impairment loss on the intangible assets.

Because of its objective of expanding business into international markets, Dermapharm also faces risks associated with conducting business activities in unfamiliar countries. As a result, existing consumer behaviours, legal conditions and existing market and distribution structures can have a negative impact on business success. Against this backdrop, there is a risk to Dermapharm that attractive growth opportunities may potentially remain undetected and unused. Even if Dermapharm takes part in acquisitions, joint venture or other business combinations both in Germany and abroad, these transactions may have a different outcome than what had been anticipated.

Business performance operational risks

Disruptions in Dermapharm's manufacturing processes and delays in introducing new products could have a negative impact on the business activities of Dermapharm. These disruptions include a lack of availability of production equipment and disruptions in workplace and process safety resulting in failure to meet production targets and inadequate fulfilment of existing demand. As a consequence, contribution margin is lost. Many Dermapharm products are manufactured in technologically complex processes requiring specific equipment and raw materials as well as certain production conditions. Increasingly, such processes depend on the use of product-specific devices for implementation, which can result in technical problems.

Dermapharm counters such scenarios with comprehensive measures. These include proactive equipment maintenance, hazard assessments and regular employee training sessions to improve the standards and level of safety. In addition, Dermapharm continually optimises and modernises all production equipment and premises in order to guarantee optimal production conditions along the entire value chain.

On the purchasing side, there are risks of potential supply bottlenecks and price volatility of raw materials and energy. Dermapharm depends on a limited number of suppliers and third-party manufacturers for the raw materials it requires to manufacture its products. Interruptions in the supply chain could considerably impair Dermapharm's business activities. In addition, an increase in the price of ingredients could result in a higher cost basis in production. A price drop in this area could, in turn, necessitate the recognition of impairment losses on inventories.

Dermapharm has inventory and purchasing policies in place to prevent this. Significant portions of the raw materials supply are covered by long-term supply agreements and price escalation clauses in the supplier agreements. We protect ourselves from potential supplier bottlenecks, due for instance to the loss of a supplier, by employing an appropriate inventory strategy and alternative sources.

Parallel import business risks

There are further risks for the procurement of reimported pharmaceuticals by Dermapharm or the axicorp Group. As 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 a negative impact on Dermapharm's parallel import business. As a result of market and demand changes, there is also a risk that Dermapharm will be unable to resell the pharmaceuticals imported under the parallel import business at attractive prices or at all.

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

In addition, the parallel import business harbours a risk of counterfeit drugs or deficient products. While Dermapharm has introduced strict procedures to assess the reliability of the suppliers and thus to guarantee the dependability of its sources, Dermapharm cannot completely rule out the possibility that pharmaceuticals it purchases are counterfeit versions rather than original products. Counterfeit pharmaceuticals could negatively impact Dermapharm's image. In addition, imported pharmaceuticals could be deficient, particularly if the original manufacturer does not maintain the same strict manufacturing standards as Dermapharm. If third parties should sell counterfeit or defective pharmaceuticals to Dermapharm under the parallel import business, Dermapharm could be made liable for the distribution of such pharmaceuticals.

Dermapharm counters these risks by conducting regular risk identification and assessment and by introducing countermeasures by the management team corresponding 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.

Risks related to the product portfolio

Dermapharm generates the majority of its revenue from off-patent branded pharmaceuticals. In general, the revenue generated from these pharmaceuticals declines continuously the longer these products are on the market. For Dermapharm,

sustainable growth therefore depends on the continuous development, introduction and marketing of new products. However, there is no guarantee that Dermapharm will be in a position to successfully develop new products since even the reproduction of established formulations can prove more difficult and cost-intensive than originally assumed. Although Dermapharm has its own development capacities, along with the expertise required to design and sponsor the clinical trials necessary for obtaining new approvals, Dermapharm relies on contract research institutions and other outside parties which assist with the administration and monitoring of such clinical trials as well as other aspects of implementing those trials. If these outside parties engaged by Dermapharm fail to successfully implement the clinical trials, if the quality and accuracy of the data gathered in these trials are adversely impacted, or if the outside parties otherwise fail to comply with the protocols for clinical trials or fail to meet expected deadlines, Dermapharm's clinical trials may fail to meet regulatory requirements. Moreover, the competent regulatory authorities may modify standards and/or require that additional trials or evaluations be conducted by Dermapharm after Dermapharm has requested that approval for a pharmaceutical product be granted. Therefore, delays may be encountered in the development of new products and higher costs may be incurred than originally expected.

Furthermore, the manufacturers of brand name compounds for which Dermapharm develops off-patent substitutes may take measures to prevent such substitutes from being used. This could result in an increase in Dermapharm's costs as well as delays in the introduction of pharmaceuticals by Dermapharm or even prevent such pharmaceuticals from being introduced outright. In addition, the manufacturers of brand name compounds are increasingly introducing approved off-patent pharmaceuticals and non-pharmaceutical versions of their products (i.e., products which may be sold outside of pharmacies), which can have a negative effect on the Dermapharm's market share for its new products. The manufacturers of brand name compounds do not face any noteworthy barriers to markets for off-patent pharmaceuticals and other healthcare products.

In addition, when new products are developed and approvals are sought, it is crucial that the relevant legal requirements be observed to the letter. This is particularly so when it comes to observing intellectual property rights (such as patents and summaries of product characteristics of pharmaceuticals) when developing off-patent pharmaceuticals. If individual legal requirements are not complied with, this can result in delays in the sale and distribution of a new product, or the sale and distribution may be prevented due to legal actions by competitors. Likewise, approvals 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. In addition, there is the risk of substantial claims for damages, including in the event of a violation of intellectual property rights.

Furthermore, a significant share of Dermapharm's revenue and EBITDA is generated through the sale of a limited number of key products, such as Dekristol® 20.000 I.E. in particular. In recent years, Dekristol® 20.000 I.E. sales benefited significantly from the broad acceptance of medical studies demonstrating the health consequences of vitamin D deficiency and the increasing recognition of its prevalence within the population, as well as from the fact that there are no competitors on the German market offering approved vitamin D compounds with a similar combination of dosage and packaging size. As a consequence, income from the sale of Dekristol® 20.000 I.E. has increased continuously in recent years. There is no guarantee that the revenue from Dekristol® 20.000 I.E. will continue to grow at the same pace or remain constant over the long term. Risks in this respect include adverse changes to market conditions, a decline in the purchasing power of patients who pay for products directly, competition, the establishment of alternative treatments and regulatory measures. These risks also apply to other key products sold by Dermapharm, such as Ampho Moronal®, Dienovel® and Prednisolut®.

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

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

Dermapharm actively minimises risks by closely monitoring relevant sources of regulation and intellectual property databases and by developing alternative courses of action based on the insights gained. In order to protect its brands and avoid negative publicity, Dermapharm is able to recall certain products which fail to meet Dermapharm's own high standards of quality, even if there is no risk to customers or statutory obligation to recall such products.

Legal risks

Dermapharm is also exposed to the risk that it may be involved in various legal disputes. This includes potential patent disputes to which Dermapharm may become a party as part of its ordinary course of business as a manufacturer of off-patent pharmaceuticals, e.g., in relation to alleged product liability, violation of intellectual property, labour matters or breaches of contract. Dermapharm may incur costs stemming from the assertion of or defence against such claims. This could expose Dermapharm to considerable liability or have an adverse effect on its business.

The risks of liability and loss to which Dermapharm may be exposed in the course of its business and as the result of selling pharmaceutical compounds are limited through corresponding insurance policies, specifically a pharmaceuticals product liability insurance policy.

There is the risk that Dermapharm's existing compliance structure is inadequate and this may have a detrimental effect on Dermapharm's business, as may any failure to comply with the relevant laws and legal requirements. Dermapharm has implemented various measures to ensure compliance with the applicable requirements, including the appointment of a compliance officer. Elements of the compliance management system include compliance audits of the relevant units at Dermapharm, a compliance manual which contains Dermapharm's binding compliance guidelines, regular training on the relevant compliance risks and measures and appropriate measures to enable employees to report potential compliance shortfalls.

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 existing financial liabilities could limit the cash flows available for the operating business and defaults on the payment of financial liabilities could result in insolvency on Dermapharm's part. An increase in the level of the Company's debt could also have a detrimental effect on Dermapharm's business. Accordingly, the objective of liquidity management is to ensure solvency at all times and safeguard financial flexibility by holding sufficient liquidity reserves and free lines of credit. At present, thanks to the Company's stable liquidity and equity situation and prudent liquidity management, it is not exposed to any identifiable liquidity risks.

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.

Exchange rate risks

The Dermapharm Group prepares its accounts with the euro as its Group currency. Since the Group's business is international in nature, it is exposed to risks arising from exchange rate volatility. In particular receivables and liabilities denominated in other currencies are subject to the risk of a change in value. Additionally, accounting risks can arise from exchange rate fluctuations affecting the consolidated financial statements as well as from the translation of items of the statement of financial position and items of income and expense for foreign subsidiaries with a local currency other than the euro. In this connection, any appreciation (depreciation) of the euro against other currencies could have a negative (positive) effect. The axicorp Group uses financial instruments (currency forwards) to reduce procurement-side risks from cash flow fluctuations arising from foreign currency transactions. To that end, offsetting underlying and hedging transactions are combined to form anticipatory valuation units (micro hedges). The financial instruments are concluded exclusively with commercial banks with solid credit ratings. The amount of the hedging is determined through a rolling procurement planning system.

Tax risks

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

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

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

3.3 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 one of the fastest-growing markets over the coming years, largely independent from global economic influences. The most significant influencing factors for market development include increasing life expectancies in the industrialised countries, global population growth and the rising number of lifestyle and nutritional disorders becoming chronic.

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

Dermapharm is actively working to implement its strategy for continued development. Its corporate strategy comprises three pillars: (1) active portfolio management by developing its own new products in-house, together with continuous efficiency enhancement and strengthening of product areas; (2) internationalisation strategy to tap into selected attractive markets in Europe; and (3) active participation in industry consolidation through acquisitions, partnerships and divestments. Dermapharm intends to actively leverage the growth opportunities arising from this strategy going forward.

The Group's international sales organisation is structured so that 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.

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

Going forward, Dermapharm will also confront market competition with experience, new product approvals, confidence and high quality. The Group's high standard of quality is implemented with the assistance of internal process and quality controls. In this way, all of Dermapharm's products are made according to the international Good Manufacturing Practice standards (GMP).

3.4 Overall assertion

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 activities.

Dermapharm believes that there are risks to future development primarily in connection with the difficult, state-regulated competitive environment, volatile prices for raw materials and a stagnating price level caused by a state-initiated price moratorium.

Given Dermapharm's financial stability, the Group believes that it is well equipped to manage the future risks. This view is also underscored by the successful initial public offering conducted in February 2018. At present, no risks which might jeopardise the Group's ability to function as a going concern have been identified.

4. Report on expected developments

4.1. Outlook

In its report on expected developments, Dermapharm discusses, to the extent possible, its expectations with respect to the future development of Dermapharm Holding SE and the market environment in which the Group operates for the financial year 2018.

Expected development of the market environment

The International Monetary Fund forecasts that in financial year 2018, the global economy will grow by 3.8%, with even faster growth in 2019 at 3.9%. By contrast, German real GDP is expected to grow at a slower pace: in 2017 and 2018, it is forecasted to grow by 2.1% and 1.9%, respectively.

Evaluate Ltd. expects the global market for prescription pharmaceuticals to grow by 6.5% each year until 2022. Growth for off-patent pharmaceuticals is expected to be more pronounced, which will result in an increase in the market share for off-patent pharmaceuticals to 10.6% of all prescription pharmaceuticals in financial year 2022.

According to Evaluate Ltd., the size of the pharmaceuticals market in Europe is expected to increase to EUR 206 billion by 31 December 2022, representing an increase by approximately 21.9% as compared to 2015. This growth corresponds to an annual rate of growth until 2022 amounting to approximately 3.1%.

Expected development of the Group

Going forward, Dermapharm will continue to focus its business on the healthcare market, particularly in the pharmaceuticals segment. We will continue to target our strategy to focus on selected niche markets and the greatest degree possible of independence from "blockbuster" products and heavily regulated products. In general, we operate in a sector that will continue to grow worldwide and which offers long-term growth opportunities.

However, changing regulatory, competitive and economic conditions might also adversely influence the Group's revenue and earnings trend. For a more detailed look at these risks, please refer to our report on risks and opportunities.

In light of plans to further develop the Group as part of our three pillar strategy comprising in-house product development, internationalisation into selected markets and targeted M&A activities, the Management Board by and large expects to continue achieving growth. A more detailed description of the opportunities and risks for the Group is presented in the report on risks and opportunities.

Thanks to its successful product development activities and well-filled pipeline, as well as its active acquisition policy – with the Group adding value through acquisitions in 2017 and 2018 – Dermapharm will be able to continually expand the Group's portfolio in the branded pharmaceuticals and other healthcare products segment. In the parallel import business segment, as soon as it is economically feasible, in order to expand its portfolio of compounds, Dermapharm will apply to receive import licences for compounds newly introduced by original developers.

Fundamental assumptions underlying the forecast

The forecast for financial year 2018 was prepared taking into account known events which had taken place at the time this annual report was prepared. In addition, the macroeconomic and industry-specific outlook were also factored into forecasts.

Furthermore, our forecasts are based on the following assumptions:

- Largely stable regulatory conditions in the markets of relevance to us
- Current group of consolidated companies to remain constant, including newly acquired companies as described
- Optimisation of manufacturing costs by making more products in-house
- Successful market launch of own development pipeline
- Successful integration of products and companies acquired in 2017 and 2018 and systematic utilisation of created synergies
- Largely stable tax conditions in the countries in which our Group companies operate

4.2. Overall assertion on future development

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

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

Thanks to the stability of the legal environment and continuous growth of the market for pharmaceuticals imports, we expect that the positive outlook will prevail here as well.

The Management Board therefore expects the Group to experience continued year-on-year growth in financial year 2018.

Consolidated revenue is expected to be up year on year by 20% to 25%, and EBITDA is expected to increase by 22% to 27% over the figure for 2017. These growth rates are based on organic growth and growth from the new acquisitions included in the forecast.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

Assets **EUR thousand**	**Notes**	**31 December 2017**	**31 December 2016**
Non-current assets			
Intangible assets	4.1	133,404	70,025
Goodwill	4.1	24,583	17,033
Property, plant and equipment	4.2	56,036	53,357
Investments measured at equity	4.3	3,513	3,197
Investments	4.4	188	262
Other non-current financial assets	4.5	4,419	10,648
Deferred tax assets	4.17	290	218
Total non-current assets		**222,433**	**154,740**
Current assets			
Inventories	4.6	81,685	84,779
Trade receivables	4.7	24,677	26,302
Other current financial assets	4.8	78,318	39,976
Other current assets	4.8	1,575	1,692
Income tax receivables - current	4.17	329	394
Cash and cash equivalents	4.9	6,286	3,816
Total current assets		**192,870**	**156,959**
Total assets		**415,303**	**311,699**

Equity and liabilities EUR thousand	Notes	31 December 2017	31 December 2016
Equity			
Issued capital	4.10	120	1,342
Capital reserves	4.10	250	250
Retained earnings	4.10	25,669	56,274
Other reserves	4.10	(2,234)	(951)
Contribution in kind not yet registered	4.10	49,880	-
Equity attributable to owners of the company		**73,685**	**56,915**
Non-controlling interests		-	3,891
Total equity		**73,685**	**60,806**
Non-current liabilities			
Defined benefit obligations and other accrued employee benefits	4.11	13,033	13,250
Financial liabilities	4.13	222,483	96,896
Other non-current financial liabilities	4.15	4,476	10,464
Other non-current liabilities	4.15	10,024	11,495
Deferred tax liabilities	4.17	11,026	3,365
Total non-current liabilities		**261,042**	**135,470**
Current liabilities			
Other provisions	4.12	7,017	6,951
Financial liabilities	4.13	32,264	65,883
Trade payables	4.14	23,367	24,526
Other current financial liabilities	4.16	5,592	4,303
Other current liabilities	4.16	9,025	10,983
Income tax liabilities	4.17	3,311	2,777
Total current liabilities		**80,576**	**115,423**
Total equity and liabilities		**415,303**	**311,699**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2017 AND 2016 FINANCIAL YEARS

EUR thousand	Notes	2017	2016
Revenue	5.1	467,117	444,478
Increase/decrease in finished goods and work-in-process	4.6	180	1,006
Own work capitalised	4.1	10,487	8,301
Other operating income	5.2	6,752	9,916
Cost of material	4.6	(256,311)	(252,756)
Personnel expenses	5.3	(64,124)	(58,749)
Depreciation and amortisation	4.1, 4.2	(16,487)	(14,448)
Other operating expenses	5.4	(55,498)	(50,955)
Operating income		**92,116**	**86,793**
Result from investments measured at equity	4.3	1,641	1,464
Financial income	5.5	8,392	7,297
Financial expenses	5.5	(14,119)	(12,689)
Financial result		**(4,086)**	**(3,928)**
Earnings before taxes		**88,030**	**82,865**
Income taxes	4.17	(10,286)	(5,871)
Profit for the period		**77,744**	**76,994**
Profit transfers due to profit transfer agreements		(57,136)	(59,931)
Profit for the period, after profit transfer		**20,608**	**17,063**
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains/losses from remeasurement of defined benefit pension plans	4.11	275	(1,058)
Deferred taxes effect relating to items that will not be reclassified	4.17	(41)	104
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	2.5	(1,517)	(50)
Other comprehensive income/(loss) for the period, net of tax		**(1,283)**	**(1,004)**
Total comprehensive income for the period, after profit transfer		**19,325**	**16,059**

Profit for the period attributable to:			
Owners of the company		77,744	76,755
Non-controlling interests		-	239
		77,744	**76,994**
Total comprehensive income for the period, after profit transfer, attributable to:			
Owners of the company		19,325	15,820
Non-controlling interests		-	239
		19,325	**16,059**
Earnings per Share			
Earnings per share (in EUR)	2.19	**1.56**	**1.54**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2017 AND 2016 FINANCIAL YEARS

EUR thousand	Notes	2017	2016
Profit for the period, before profit transfer		77,744	76,994
Amortisation of intangible assets	4.1	10,804	9,211
Amortisation of intangible assets - impairment	4.1	326	-
Depreciation of property, plant and equipment	4.2	5,057	4,892
Increase/(decrease) in other accrued employee benefits	4.11	58	112
Increase/(decrease) in other current provisions	4.12	64	544
Other non-cash expenses /(income) items		75	22
(Increase)/decrease in inventories	4.6	4,781	(6,078)
(Increase)/decrease in trade receivables	4.7	1,856	(8,737)
(Increase)/decrease in other assets	4.5, 4.8	(12,947)	(14,108)
Increase/(decrease) in trade payables	4.14	(1,155)	5,510
Increase/(decrease) in other liabilities	4.15, 4.16	(9,620)	(180)
Share of profit of equity-accounted investees, net of tax		(1,641)	(1,464)
Net (gain)/loss on disposal of intangible assets	4.1	146	1,563
Net (gain)/loss on disposal of property, plant and equipment	4.2	(22)	(23)
Interest expenses/(income)	5.5	5,401	4,203
Increase/(decrease) in income tax payables and deferred tax liabilities	4.17	7,745	7,727
Income tax (paid)/received	4.17	(1,936)	(3,410)
Net cash flows from operating activities		**86,736**	**76,778**

EUR thousand	Notes	2017	2016
Proceeds from sale of intangible assets	4.1	333	2,426
Proceeds from sale of property, plant and equipment	4.2	175	258
Proceeds from sale of investments	4.4	-	9
Acquisition of subsidiary, net of cash acquired	2.6	(13,715)	(1,420)
(Purchase) of intangible assets	4.1	(70,209)	(12,708)
(Purchase) of property, plant and equipment	4.2	(4,506)	(5,050)
Payments for investment in financial assets	4.4	(35)	(52)
Dividends from equity-accounted investees	4.3	1,325	926
Interest received	5.5	1,772	3,332
Net cash flows used in investing activities		**(84,860)**	**(12,279)**
Payments from the issue of shares	4.10	120	-
Transaction costs related to the issue of new shares		(57)	-
Payment of profit transfers due to profit transfer agreements		(77,587)	(39,480)
Acquisition of non-controlling interests	4.10	(6,559)	(1,850)
Proceeds from financial liabilities	4.13	150,000	6,082
(Repayment) of financial liabilities	4.13	(66,580)	(12,544)
Payment of finance lease liabilities	8.2 a)	(140)	(601)
Interest (paid)	5.5	(7,173)	(7,535)
Net cash flows used in financing activities		**(7,976)**	**(55,928)**
Net increase / (decrease) in cash, cash equivalents and bank overdrafts	4.9, 4.13	**(6,100)**	**8,571**
Cash, cash equivalents and bank overdrafts at 1 January 2017	4.9, 4.13	(1,051)	(9,644)
Change in cash, cash equivalents and bank overdrafts due to foreign exchange differences		(53)	22
Cash, cash equivalents and bank overdrafts at 31 December 2017		**(7,204)**	**(1,051)**
Bank overdrafts at the beginning the period	4.13	(4,867)	(12,435)
Bank overdrafts at the end of the period	4.13	(13,490)	(4,867)
Cash and cash equivalents		**6,286**	**3,816**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2017 AND 2016 FINANCIAL YEARS

		Attributable to owners of the company	
EUR thousand	**Notes**	**Issued capital**	**Capital reserves**
As at 1 January 2016	4.10	**1,342**	**250**
Profit for the period, after profit transfer		-	-
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income for the period, after profit transfer		**-**	**-**
Issue of share capital	4.10	-	-
Reduction of statutory reserves		-	-
Acquisition of subsidiary with non-controlling interests	2.4	-	-
Acquisition of non-controlling interests without change in control	2.4	-	-
Changes resulting from reorganisation	4.10	-	-
Dividends		-	-
As at 31 December 2016	4.10	**1,342**	**250**
As at 1 January 2017	4.10	**1,342**	**250**
Profit for the period, after profit transfer		-	-
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income for the period, after profit transfer		**-**	**-**
Issue of share capital	4.10	120	-
Reduction of statutory reserves		-	-
Acquisition of subsidiary with non-controlling interests	2.4	-	-
Acquisition of non-controlling interests without change in control	2.4	-	-
Changes resulting from reorganisation	4.10	(1,342)	-
Dividends		-	-
As at 31 December 2017	4.10	**120**	**250**

Attributable to owners of the company					
Retained earnings	Other reserves	Contribution in kind not yet registered	Total	Non-controlling interests	Total Equity
39,457	**53**	**-**	**41,102**	**3,340**	**44,442**
16,824	-	-	16,824	239	17,063
-	(1,004)	-	(1,004)	-	(1,004)
16,824	**(1,004)**	**-**	**15,820**	**239**	**16,059**
-	-	-	-	-	-
(7)	-	-	(7)	-	(7)
-	-	-	-	283	283
-	-	-	-	29	29
-	-	-	-	-	-
-	-	-	-	-	-
56,274	**(951)**	**-**	**56,915**	**3,891**	**60,806**
56,274	**(951)**	**-**	**56,915**	**3,891**	**60,806**
20,608	-	-	20,608	-	20,608
-	(1,283)	-	(1,283)	-	(1,283)
20,608	**(1,283)**	**-**	**19,325**	**-**	**19,325**
-	-	-	120	-	120
(7)	-	-	(7)	-	(7)
-	-	-	-	-	-
(2,668)	-	-	(2,668)	(3,891)	(6,559)
(48,538)	-	49,880	-	-	-
-	-	-	-	-	-
25,669	**(2,234)**	**49,880**	**73,685**	**-**	**73,685**

CONSOLIDATED NOTES

CONSOLIDATED NOTES OF DERMAPHARM HOLDING SE

1. Corporate information

Dermapharm Holding SE (hereafter also referred to as the "Company" or "Dermapharm") as the parent company of the Dermapharm Group (hereafter referred to as the "Group") with its registered office at Lil-Dagover-Ring 7, Grünwald, Germany, is a European company (societas Europaea, "SE") with its primary activities in the healthcare and pharmaceuticals business in Germany, Switzerland and Austria, particularly in generics, high-quality dermatological and allergic medical products.

The Company is registered in the commercial register of Munich Local Court under HRB 234575.

The Company is the holding company of the Dermapharm Group, whose subsidiaries operate primarily in Germany. Dermapharm also has subsidiaries in Austria and Switzerland 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 pharmaceutical active ingredients in the healthcare sector, and in particular in the pharmaceutical industry. The core products are generics, branded generics, non-prescription natural remedies, OTC products and parallel-imported original medicines.

Dermapharm is a wholly owned subsidiary of Themis Beteiligungs-AG. Themis Beteiligungs-AG publishes exempting consolidated financial statements in accordance with § 291 German Commercial Code (Handelsgesetzbuch, "HGB"). The exempting HGB consolidated financial statements were not yet published as at the date these consolidated financial statements were approved.

These consolidated financial statements are a continuation of the consolidated financial statements of the former parent company, Dermapharm AG. Effective 31 December 2017, Themis Beteiligungs-AG contributed and transferred all shares of Dermapharm AG to Dermapharm Holding SE. The entry in the commercial register was made on 4 January 2018. This transaction is not a business combination within the scope of IFRS 3, but rather a reorganisation. Accordingly, there was no remeasurement of the assets and liabilities.

The consolidated financial statements were authorised by the Management Board by resolution dated 26 April 2018.

2. Significant accounting policies and changes

2.1 Basis of preparation of financial statements

The Group's consolidated financial statements were prepared in compliance 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 applicable standards and interpretations have been followed. Early application of standards endorsed by the EU is not chosen.

The consolidated financial statements have been prepared on a historical cost basis, except for plan assets due to post-employment benefits, which are measured at fair value in accordance with the requirements of IAS 19 Employee Benefits. Derivatives are also measured at fair value at the reporting date.

To improve the clarity of presentation, various items in the consolidated statement of financial position and consolidated statement of comprehensive income have been summarised. 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 1.56.

The financial statements are presented in EUR (€). Amounts are shown in thousands of euros (EUR thousand) unless otherwise stated. As such, insignificant rounding differences may occur in period-over-period changes and percentages reported throughout.

The financial year corresponds to the calendar year, with the exception of the stub financial year for Dermapharm Holding SE from 12 July 2017 to 31 December 2017. The separate financial statements of the companies included in the scope of consolidation have the same reporting date as the consolidated financial statements.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The management prepared the consolidated financial statements on a going concern basis.

2.2 Effects of new or amended financial standards and interpretations

The Group applied all standards and interpretations (including amendments) as adopted by the EU in its financial statements, which are mandatory for financial years starting on or after 1 January 2017. For the financial year, the Group applied the new and amended standards and interpretations that were endorsed by the EU.

The Group applied the following standards and interpretations, which had been endorsed by the EU, for the first time in the 2017 financial year.

Standard / Interpretation	Issued by the IASB	First-time application	Endorsed by the EU	Name
IAS 7	29 January 2016	1 January 2017	6 November 2017	Amendments to IAS 7 (Disclosure Initiative)
IAS 12	19 January 2016	1 January 2017	6 November 2017	Amendments to IAS 12 (Recognition of Deferred Tax Assets for Unrealised Losses)
DIV	8 December 2016	1 January 2017	7 February 2018	Amendments to IFRS 12: Disclosure of Interests in Other Entities: Annual Improvements to IFRS (2014-2016 cycle)

The impacts of the amendments and improvements on the Group's consolidated financial statements are as follows:

Amendments to IAS 7 — Disclosure Initiative

The amendment improves the information on the change in the Company's debt. The Company makes disclosures on the changes to those financial liabilities whose cash inflows and outflows are presented in the cash flows from financing activities in the statement of cash flows. Matching financial assets are also included in the disclosures (for example, assets from hedging transactions). Disclosures are made on cash changes, changes from the acquisition or the disposal of entities, exchange-rate-induced changes, fair value changes and other changes. The disclosures are presented in the form of a reconciliation statement of the opening and ending balances in the statement of financial position.

Dermapharm presents the changes between the opening and ending balance of the financial liabilities in question in a reconciliation statement. The reconciliation can be found in note 8.1.

Amendments to IAS 12 – Accounting of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting of deferred tax assets for unrealised losses for debt instruments measured at fair value.

The amendments have no impact on the Group's consolidated financial statements.

Annual improvements to IFRS (2014 – 2016 cycle)

The 2014-2016 annual improvements amended three IFRS standards, of which only the following was applicable in 2017:

IFRS 12 clarifies that the disclosures pursuant to IFRS 12 generally also apply to such investments in subsidiaries, joint ventures or associates that are classified as held for sale within the scope of IFRS 5; the disclosures pursuant to IFRS 12.B10-B16 (Financial Information) constitute an exception to this.

The amendment has no material effects on the Group's consolidated financial statements.

Issued standards that are not yet applied:

Standard / Interpretation	Issued by the IASB	First-time application	Endorsed by the EU	Name
IAS 28	12 October 2017	1 January 2019	Pending	Amendments to IAS 28: Investments in Associates and Joint Ventures
IAS 40	8 December 2016	1 January 2018	14 March 2018	Amendments to IAS 40: Transfers of Investment Property
IFRS 2	20 June 2016	1 January 2018	26 February 2018	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
IFRS 4 IFRS 9	12 September 2016	1 January 2018	3 November 2017	Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"
IFRS 9	24 July 2014	1 January 2018	22 November 2016	Financial Instruments
IFRS 9	12 October 2017	1 January 2019	22 March 2018	Amendments to IFRS 9: Financial Assets With a Negative Prepayment Penalty
IAS 28	8 December 2016	1 January 2018	7 February 2018	Amendments to IAS 28: Investments in Associates and Joint Ventures - Annual Improvements to IFRS (2014-2016 cycle)
IFRS 15	28 May 2014	1 January 2018	22 September 2016	Revenue from Contracts with Customers
IFRS 15	12 April 2016	1 January 2018	31 October 2017	Clarifications to IFRS 15: Revenue from Contracts with Customers
IFRS 16	13 January 2016	1 January 2019	31 October 2017	Leases
IFRS 17	18 May 2017	1 January 2021	Pending	Insurance Contracts
IFRIC 22	8 December 2016	1 January 2018	28 March 2018	IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
IFRIC 23	7 June 2017	1 January 2019	Pending	IFRIC Interpretation 23: Uncertainty over Income Tax Treatments
DIV	12 December 2017	1 January 2019	Pending	Annual improvements of IFRS (2015-2017 Cycle)
IAS 19	7 February 2018	1 January 2019	Pending	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
DIV	3 April 2018	1 January 2020	Pending	Changes to references to the Framework in IFRSs

The Group intends to implement these standards when they enter into force in the EU. Only those standards and interpretations which may be relevant for the Group are discussed below:

Estimated impacts from the application of IFRS 15 and of IFRS 9

The Group must apply IFRS 15 "Revenues from Contracts with Customers" and IFRS 9 "Financial Instruments" as of 1 January 2018. The Group has assessed the estimated impacts of first-time application of IFRS 15 and IFRS 9 on the consolidated financial statements. The estimated impacts of the application of these standards on consolidated equity as of 1 January 2018 are based on current assessments and are summarised below. The actual impacts from the application of these standards as of 1 January 2018 could deviate because a detailed analysis of the impact of the new standards on the recently acquired subsidiaries could not be made to date.

In addition, the new accounting methods could be subject to amendments between the date of initial application and the publication of the first consolidated financial statements after that date.

IFRS 15 — Revenue from Contracts with Customers

IFRS 15 lays down a comprehensive framework for determining whether, in what amount, and when revenues are recognised. It replaces existing guidelines for the recognition of revenue, including IAS 18 "Revenues", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs".

When transitioning to IFRS 15, the Group intends to apply the modified retrospective treatment, under which the cumulative adjustment is recognised in its consolidated financial statements on 1 January 2018. Consequently, the Group will not apply the requirements of IFRS 15 to each comparative period presented.

In accordance with IFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Group has reviewed the impacts of the first-time application of this standard, and after careful analysis of the existing customer contracts has concluded that the application of IFRS 15 has no effects on the equity in the Group's opening statement of financial position on 1 January 2018. Based on the current status of the analysis, the standard has no material impacts on the recognition of the Group's revenue. An analysis of the impacts on entities to be included in the consolidated financial statements for the first time in 2018 is pending.

IFRS 9 — Financial Instruments

IFRS 9 sets forth the requirements for the recognition and measurement of financial assets, financial liabilities as well as some contracts for the purchase or sale of non-financial items. This standard supersedes IAS 39 "Financial Instruments: Recognition and Measurement".

Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets, which reflects the business model in connection with which the assets are held, as well as the characteristics of their cash flows.

IFRS 9 contains three important classification categories for financial assets: measured at amortised cost, measured at the fair value with remeasurement gains or losses in profit or loss (FVTPL), and measured at fair value with remeasurement gains or losses through other comprehensive income (FVOCI). The standard eliminates the existing categories in IAS 39: held-to-maturity, loans and receivables, and available for sale.

Under IFRS 9, derivatives that are embedded in host contracts in which the underlying is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument is assessed in its entirety with regard to its classification.

Based on its assessment, the Group believes that the new classification requirements will not have any material impacts on the accounting of its trade receivables and dividend securities that are recognised based on fair value.

Under IFRS 9, there is generally a new treatment for equity investments that – in accordance with IAS 39 – must be measured at fair value in other comprehensive income as "available for sale". In accordance with IFRS 9 these investments must be classified as "measured at fair value through profit and loss". There is an option for classification as "measured at fair value through other comprehensive income". As described in note 4.4, despite their current classification as "held for sale", these equity investments will not be measured at fair value, but rather at amortised cost due to immateriality. This approach is also considered to be permissible under IFRS 9 due to the immateriality of the equity investments.

Impairments – financial assets and contract assets

IFRS 9 replaces the "incurred loss" model of IAS 39 with a forward-looking expected credit losses model. This requires significant judgements with regard to the question of the extent to which the expected credit losses will be affected by changes in the economic and business factors. This estimate is determined based on weighted probabilities.

The new impairment model must be applied to financial assets that are measured at amortised cost or at FVOCI – with the exception of dividend securities held as financial investments and contract assets.

Trade receivables as well as other receivables, including contract assets

IFRS 9 now provides that an expected loss must be recognised for trade receivables already upon initial recognition. Under IAS 39, a write-down was not recognised until there was an objective indicator of an impairment.

The estimated expected credit losses were calculated based on historical values using actual defaults for the last three years. The Group has determined the calculation of expected credit losses with respect to the ageing structure (days overdue) of the receivables. In light of the extremely small number of defaults in the past, based on the analysis to date no significant increase in recognised write-downs is expected compared to the write-downs recognised under IAS 39. This estimate is also expected to apply to the recent acquisitions, since they have a similar customer structure to that of the Group in its current composition. However, it was not possible to complete a detailed analysis for these newly acquired companies.

Cash and cash equivalents

Cash and cash equivalents are callable on demand. Based on the ratings available for the banks at which there are bank balances, and the related probability of default, no write-downs must be recognised for these assets based on the current level of knowledge.

Classification — financial liabilities

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

However, under IAS 39 all changes that were found in the fair value of liabilities measured at fair value through profit or loss were recognised in profit or loss, whereas under IFRS 9 these changes in fair value will generally be presented as follows:

The change in fair value that is attributable to changes in the credit risk of the liability will be presented in other comprehensive income.

The remaining change in the fair value will be presented in profit or loss.

The Group's assessment showed no material impacts with regard to the classification of financial liabilities as at 1 January 2018.

Hedge accounting

As the Group does not apply any hedge accounting the revised accounting treatment of these relationships will not have any impacts.

Disclosures

IFRS 9 requires extensive new disclosures, in particular on hedge accounting, on credit risk and on expected credit losses.

Transition

Changes in accounting policies due to the application of IFRS 9 will generally be applied retrospectively, except in the following cases:

The Group will exercise the option not to adjust comparative figures for previous periods with respect to the changes in classification and measurement (including of impairments). Differences between the carrying amounts of financial assets and financial liabilities due to the application of IFRS 9 will generally be recognised in retained earnings and other reserves as at 1 January 2018.

The following assessments must be made based on the facts and circumstances existing on the date of first-time application:

- Determination of the business model in connection with which a financial asset will be held.
- Determination and withdrawal of previous determinations with regard to certain financial assets and financial liabilities that will be held as at FVTPL.
- Determination of certain dividend securities held as financial investments, which will not be held for trading, as at FVOCI.

IFRS 16 Leases

The International Accounting Standards Board issued a new standard on the accounting treatment of leases on 13 January 2016.

IFRS 16 replaces the existing guidelines on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The Group acts exclusively as a lessee. The major portion of the Group's leases is attributable to the leasing of real estate and vehicles. IFRS 16, which now amends the accounting for leases, no longer allows the lessee to show certain leases as off-balance sheet items in future. Instead, all non-current leases must be recognised in the form of an asset (for the right-of-use asset) and a financial liability (for the payment obligation). Thus, every lease and tenancy will be reflected in the statement of financial position. Leases or rental agreements with terms of up to twelve months, and agreements with a low value basis are exempted.

The standard is applicable for the first time in reporting periods beginning on or after 1 January 2019. Early application is permissible if IFRS 15 is already being applied. The Group will not apply IFRS 16 early.

In general, it is expected that for lessees, total assets will increase and EBITDA will improve while at the same time the net financial result will worsen and depreciation will increase.

A detailed analysis with regard to the impacts has not yet been completed as of the current date.

2.3 Changes in accounting policies

There were no changes to accounting policies with significant consequences for the presentation of the Group’s net assets, financial position and results of operations in financial year 2017.

2.4 Basis of consolidation

Dermapharm is the holding company of the Group. Group business is conducted by Dermapharm AG and its various subsidiaries. The consolidated financial statements include all material companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and the material equity interests of Dermapharm whose financial and business policy can be influenced by the Company to a significant extent.

At 31 December 2017, Dermapharm Holding SE directly or indirectly holds shares in the following companies. For comparative purposes, the direct and indirect interests held by the former parent Dermapharm AG as at 31 December 2016 are presented below:

	31 December 2017		31 December 2016	
Company name and registered office	**Proportion of shares directly held by parent**	**Proportion of shares directly held by the Group**	**Proportion of shares directly held by parent**	**Proportion of shares directly held by the Group**
Consolidated subsidiary				
Dermapharm AG, Grünwald	100 %	-	-	-
mibe GmbH Arzneimittel, Brehna	-	100 %	100 %	-
Mibe Vertrieb GmbH, Grünwald	-	100 %	100 %	-
axicorp GmbH, Friedrichsdorf	-	100 %	85 %	-
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, Warsaw, Poland	-	100 %	100 %	-
Farmal d.d, Ludbreg, Croatia	-	100 %	100 %	-
Mibe Pharmaceuticals d.o.o Ludbreg, Croatia	-	100 %	100 %	-
acis Arzneimittel GmbH, Grünwald	-	100 %	-	100 %
axicorp Pharma GmbH, Friedrichsdorf	-	100 %	-	100 %
Podolux GmbH, Friedrichsdorf	-	100 %	-	100 %
mibe Logistik & Service GmbH & Co. KG, Brehna	-	100 %	-	-
Kräuter Kühne GmbH, Berlin	-	100 %	-	-
axicorp Pharma B.V, Den Haag, Netherlands	-	100 %	-	100 %
axicorp ApS, Hellerup, Denmark	-	100 %	-	100 %
remedix GmbH, Koblenz	-	100 %	-	75.1 %
Melasan GmbH, Salzburg, Austria	-	100 %	-	100 %
Farmal BH d.o.o, Sarajevo, Bosnia-Herzegovina	-	100 %	-	100 %
Aktival d.o.o, Ludbreg, Croatia	-	100 %	-	100 %
Cancernova GmbH, Grünwald	-	-	100 %	-

Company name and registered office	31 December 2017 Proportion of shares directly held by parent	31 December 2017 Proportion of shares directly held by the Group	31 December 2016 Proportion of shares directly held by parent	31 December 2016 Proportion of shares directly held by the Group
Subsidiary not consolidated				
Anton Hübner Verwaltungsgesellschaft mbH, Ehrenkirchen	-	100 %	100 %	-
DermaTec GmbH, Brehna	-	100 %	-	-
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria	-	100 %	100 %	-
Mibe Ukraine LLC., Kiev, Ukraine	-	100 %	-	100 %
mibe Pharma UK Ltd., London, United Kingdom	-	100 %	-	-
East Pharma AG, Grünwald	-	-	100 %	-
Associated companies	-	-	-	-
Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam	-	30 %	30 %	-
Gynial GmbH, Vienna, Austria	-	25.1 %	-	25.1 %
Gynial AG, Hünenberg, Switzerland	-	40 %	-	40 %
Other investments	-	-	-	-
Hasan Dermapharm Joint Venture Co., Ltd., Binh Duong Province, Vietnam	-	5 %	5 %	-

Changes to the scope of consolidation

Dermapharm Holding SE

Dermapharm Holding SE was founded on 4 July 2017 with its registered office in Grünwald. Dermapharm AG was contributed to Dermapharm Holding SE effective as of 31 December 2017, thus making Dermapharm Holding SE the parent of the Dermapharm Group as of this date. The contribution did not constitute an acquisition but rather a reorganisation. The consolidated financial statements include the financial statements for the stub financial year for Dermapharm Holding SE for the period from 12 July 2017 through 31 December 2017.

Acquisitions of non-controlling interests

axicorp GmbH

On 1 January 2017, the Group acquired the remaining 15 % share of axicorp GmbH, Friedrichsdorf, Germany from DU Vermögensverwaltungs GmbH, Weiden, Germany for consideration of EUR 6,509 thousand. The consideration includes an amount of EUR 5,250 thousand which was paid in January, as well as a payment in the amount of EUR 1,259 thousand for consolidated net profit attributable to the former shareholder, which was paid following approval of the annual financial statements of axicorp GmbH for 2016.

The takeover increases of share in axicorp GmbH from 85 % to 100 %. axicorp GmbH was already consolidated in the previous year as the Group still held an 85 % share. The takeover does not entail any changes in the scope of consolidation or the presentation of the IFRS consolidated financial statements. The carrying amount of the net assets from axicorp GmbH in the Group's financial statements amounted to EUR 25,962 thousand as of the acquisition date. The Group posted a decline in non-controlling interests of EUR 3,852 thousand and a decrease in retained earnings of EUR 2,657 thousand.

remedix GmbH

On 1 March 2017, axicorp GmbH acquired the remaining 24.9 % share in remedix GmbH, Friedrichsdorf, Germany, from a private shareholder in exchange for a payment of EUR 50 thousand. The Group now owns 100 % of the shares of remedix GmbH. The takeover does not entail any changes in the scope of consolidation or the presentation of the IFRS consolidated financial statements. The carrying amount of the net assets from remedix GmbH in the consolidated financial statements amounted to EUR 157 thousand as of the acquisition date. The Group recorded a decline in the non-controlling interest of EUR 39 thousand and a decrease in retained earnings of EUR 11 thousand.

Business combinations

Bio-Diät-Berlin GmbH

Effective as of 1 October 2017 Dermapharm AG acquired all voting shares in Bio-Diät-Berlin GmbH, Germany, together with its wholly owned subsidiary, Kräuter Kühne GmbH. The acquired companies successfully produce and market phytopharmaceuticals (herbal medicines) as well as homoeopathics and natural cosmetics. Kräuter Kühne GmbH operates 16 sales outlets, an online shop and provides related services. With the acquisition, the Group intends to extend its product pipeline. The companies were consolidated as at 31 December 2017. For additional details about this acquisition, please see section 2.6.

New business formations in the reporting period

mibe Logistik & Service GmbH & Co. KG

On 5 July 2017, mibe Logistik & Service GmbH & Co. KG was founded with its registered office in in Sandersdorf-Brehna, Germany. The object of the company is the operation of logistics services and other services. mibe Logistik & Service GmbH & Co. KG is a wholly owned subsidiary of mibe GmbH Arzneimittel. The company was consolidated as at 31 December 2017.

DermaTec GmbH

On 26 October 2017, DermaTec GmbH was founded with its registered office in Sandersdorf-Brehna, Germany. The object of the company is research, development, manufacture and sales of food products, nutritional supplements, body care products, cosmetics and medical products, in particular technical medical products. The company has not been consolidated as at 31 December 2017 because it has not yet launched its business activities.

mibe Pharma UK Ltd.

On 27 October 2017, mibe Pharma UK Ltd. was founded with its registered office in London, United Kingdom. The company has not been consolidated as at 31 December 2017 because it has not yet launched its business activities.

Mergers in the reporting period

Cancernova GmbH

With retrospective effect from 2 January 2017, Cancernova GmbH onkologische Arzneimittel was merged with mibe GmbH Arzneimittel.

East Pharma AG

With retrospective effect from 2 January 2017, East Pharma AG was merged with mibe GmbH Arzneimittel.

Consolidation principles

All material subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities Dermapharm has direct or indirect control of. 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.

Associates are companies over which Dermapharm is able to exercise significant influence, generally through an ownership interest between 20 % and 50 %, and which are not subsidiaries or joint ventures. They are included in the consolidated financial statements using the equity method.

Intercompany expenses and income as well as balances between the Group companies are eliminated. The elimination of unrealised gains on transactions, however, is deemed to be immaterial for giving a true and fair view of the profit or loss of the Group. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group accounting policy. Effects of consolidation on income taxes are accounted for by recognising deferred taxes.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Subsidiaries, whose influence, both individually and as a whole, on the net assets, financial position and results of operations of the Group is immaterial, are not consolidated or accounted for using the equity method.

The financial statements of subsidiaries are prepared using uniform accounting policies.

2.5 Currency translation

The Group's consolidated financial statements are presented in EUR. In the financial statements of companies included in the consolidated financial statements, foreign currency transactions are translated in the functional currency at the respective exchange rate. A company's functional currency is that of the economic environment in which it primarily generates and expends cash.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Monetary items (cash and cash equivalents, receivables and liabilities) denominated in foreign currencies are translated into the functional currency at closing rates. The resulting exchange rate gains and losses are recognised through profit and loss under net foreign exchange gains and losses. They are reported separately.

The financial statements of the consolidated foreign companies whose functional currency is not EUR are translated into Dermapharm's reporting currency, EUR. In accordance with IAS 21, assets, including goodwill, and liabilities are translated at closing rates, and statement of comprehensive income items are translated at the average exchange rates for the reporting period. Differences from currency translation of statements of comprehensive income at average rates and statements of financial position at closing rates are reported outside profit or loss in other comprehensive income. The currency difference resulting from the translation of equity at historical rates is likewise posted to other comprehensive income. Currency differences recognised in other comprehensive income are recycled to profit and loss if the corresponding Group Company is sold.

The exchange rates for significant currencies taken as the basis for the currency translation developed as follows (equivalent value for EUR 1):

Country	Currency	Average rate		Closing rate	
				31 December	31 December
	1 EUR =	2017	2016	2017	2016
Switzerland	CHF	1.1115	1.0902	1.1696	1.0739
Denmark	DKK	7.4386	7.4452	7.4449	7.4344
Croatia	HRK	7.4721	7.5333	7.4677	7.5597
Poland	PLN	4.2607	4.3632	4.1796	4.4103

2.6 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred. Assets, liabilities and contingent liabilities from the business combination are recognised in full, regardless of the amount of the investment, at the respective fair value at the acquisition date. Goodwill that arises is tested for impairment annually. Any gain on a bargain purchase is recognised directly in profit or loss, transaction costs are expensed as incurred.

Acquisition of Bio-Diät-Berlin GmbH

With a closing date of 1 October 2017, Dermapharm AG acquired control over Bio-Diät-Berlin GmbH as well as its wholly owned subsidiary, Kräuter Kühne GmbH.

The preliminary fair values of the identifiable assets and liabilities of Bio-Diät-Berlin GmbH (in accordance with IFRS 3.47) as of the date of acquisition were as follows:

EUR thousand	1 October 2017
Purchase Price	
Consideration in cash	15,285
Total consideration transferred	15,285
Fair values of acquired assets and liabilities	
Intangible assets	4,749
thereof identified during purchase price allocation	4,157
Fixed assets	3,280
thereof identified during purchase price allocation	2,268
Inventories	1,657
thereof identified during purchase price allocation	192
Trade receivables	146
Other current assets	34
Cash and cash equivalents	787
Deferred tax liabilities	(1,997)
thereof identified during purchase price allocation	(1,997)
Trade payables	(6)
Income tax Liabilities	(378)
Other short-term liabilities	(536)
Fair value of acquired net assets for 100 %	7,735
Goodwill arising on acquisition	7,550

Acquired gross contractual amounts receivable amount to EUR 146 thousand, of which none were estimated to be uncollectible as of the acquisition date. The gross amount corresponds to the fair value as the remaining term of the receivables is less than one year.

Comparing the consideration transferred for the shares with the identified fair value of the assets and liabilities (EUR 7,735 thousand) resulted in goodwill of EUR 7,550 thousand. Factors underlying this goodwill arise from expected synergies from the combined business activities and other intangible assets that cannot be reported separately, such as the combined workforce.

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

	Customer relationship whole sale	Customer relationship pharmacy	Trademark China-Oel	Buildings	Land	Property, plant and equipment	Inventories
Fair Value	2,668	258	1,222	1,893	369	1,610	1,657
Method of Valuation	Multi-period excess earnings	Multi-period excess earnings	Relief from royalty method	Depreciated replacement costs	Replacement costs	Depreciated replacement costs	Replacement costs
Useful Life	11 years	6 years	9 years	30 years	indefinite	5 years	n/a
Cost of Capital	5.75 %	5.04 %	5.52 %	-	-	-	n/a

The former shareholder of Bio-Diät-Berlin GmbH was a private investor.

Bio-Diät-Berlin GmbH contributed revenue of EUR 2,650 thousand to consolidated revenue for the period from 1 October 2017 to 31 December 2017; in addition, the profit for same period increased by a total of EUR 209 thousand. If the business combination had taken place at the beginning of the year, Bio-Diät-Berlin GmbH would have contributed EUR 9,945 thousand, to consolidated revenue and EUR 1,166 thousand to profit for the period, net of tax.

2.7 Intangible assets

In line with the Group's business model, the Group companies do not conduct any fundamental pharmaceutical research. Instead, the focus is on the development of compounds using pharmaceutical ingredients which as a rule are no longer patent-protected. The Group's intangible assets primarily comprise drug approvals.

The drug approvals were partly acquired from third parties and partly submitted by the Group itself following a development phase.

In accordance with IAS 38.72, the Group can choose between the cost method and the revaluation method for each group of intangible assets.

Under the acquisition cost method (IAS 38.74), intangible assets are recognised at their acquisition or production cost after initial recognition, less any amortisation and impairment losses. The revaluation method can only be applied if the fair value can be derived from an active market. The revaluation method is not applied. The Group applies the acquisition cost method.

Software, licenses, patents and similar rights

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

Capitalised development costs

Development costs that are capitalised relate to the costs incurred to maintain and expand our technical position by continually enhancing embedded products. The capitalised development costs are mainly recognised for development projects that create new pharmaceutical products. In addition, costs are capitalised that are incurred from the expansion of approvals to new countries accrue. Development costs of a single project are capitalised as an intangible asset if the following criteria pursuant to IAS 38 have been met:

- Newly developed products are identifiable assets.
- Completing the intangible asset is technically feasible so that it will be available for use.
- Management intends to complete and use the product.
- It is probable that the product will generate future economic benefits.
- Adequate technical, financial, and other resources are available so that the development can be completed and the product can be used.
- The expenditure during development can be reliably measured.

The previously mentioned criteria are assessed and analysed on a project by project basis as well as reviewed and approved by Management. Once the project is approved in accordance with the criteria in IAS 38, the costs are capitalised. Those costs directly attributable to the development project – including 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 – are used.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

Intangible assets acquired in business combination or separately

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

The Group has capitalised customer relationships as well as a brand name ("China-Oel"), which were identified during the purchase price allocation of Bio-Diät-Berlin GmbH (further information on the acquisition of Bio-Diät-Berlin GmbH can be found in note 2.6).

In the course of the acquisition of the assets of the hyperthermic medical devises division of Riemser Pharma GmbH, the Group capitalised the trademark "bite away" as well as two technologies ("bite away" and "Herpotherm"). Additional information about the acquisition as well as information on additional intangible assets that are material for the Group can be found in note 4.1.

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. Recognised goodwill is subjected to an impairment test.

Amortisation and impairment of intangible assets

Amortisation and impairment losses related to revenue generating intangible assets are recognised in the consolidated statement of comprehensive income as amortisation. The carrying amounts, economic useful lives and amortisation methods are verified at each reporting date and prospectively adjusted where appropriate. If the recoverable amount of an intangible asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount in accordance with IAS 36. If there is an indication that a previously recorded impairment loss may no longer exist, the carrying amount of the intangible asset is increased. Impairment losses related to capitalised development costs, which are not revenue generating, are recognised as other operating expenses in the consolidated statement of comprehensive income. The reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Amortisation is primarily based on the following useful lives:

Intangible assets	Years	Description
Software, licenses, patents and similar rights	3-15	Acquired approvals, trademarks
Capitalised development costs	15	Amortisation from date of approval
Goodwill	Indefinite useful life	

In accordance with IAS 38.88, a distinction between intangible assets with definite and indefinite useful lives has to be made. The assessment of the management of the Group is that the approvals generate profit for the Company only for a limited period of time. The market for medicinal products subject to authorisation is subject to frequent changes. Therefore, the Group assumes a life cycle of drug approvals and licenses of 15 years. Amortisation is calculated using the straight-line method to allocate the cost of licenses, patents and similar rights over their estimated useful lives.

Capitalised development costs for development projects are also amortised on a straight-line basis over the period of expected future benefit (generally 15 years). Amortisation of capitalised development costs that are revenue generating begins as soon as the development work is completed and the asset can be used. This is normally the release of the developed product for mass production.

Recognised development costs are also tested for impairment in accordance with IAS 36. At each reporting date, the outstanding approvals are tested for impairment in accordance with IAS 36. Information on this can be found in note 4.1.

The trademarks as well as the two customer relationships that were identified during the purchase price allocation of Bio-Diät-Berlin GmbH are amortised on a straight-line basis over their expected useful lives. A useful life of nine years from acquisition is estimated for the "China-Oel" trademark. An expected useful life of eleven years was identified for the "Wholesale sales" customer relationship. The "Pharmacies" customer relationship will be amortised over an expected useful life of six years.

The "bite away" trademark, as well as the two technologies ("bite away" and "Herpotherm"), which were identified during the course of the acquisition of the assets of the hyperthermic medical devises division of Riemser Pharma GmbH, are being amortised on a straight-line basis over their expected useful lives. The expected useful life of the "bite away" trademark is eight years. The fair value was determined using the relief from royalty method. The "bite away" technology is expected to be used over 21 years, while a useful life of seven years is expected for the "Herpotherm" technology. The fair value of the technologies was determined based on the multi-period excess earnings method.

The table below shows the remaining useful lives of the intangible assets material for the Group as at 31 December 2017.

31 December 2017	Carrying amount (EUR thousand)	Remaining useful life	Asset origin
Trademark (bite away)	2,509	7.75 years	Acquired Hyperthermia assets Riemser Pharma GmbH
Technology (bite away)	50,605	20.75 years	Acquired Hyperthermia assets Riemser Pharma GmbH
Technology (Herpotherm)	4,632	6.75 years	Acquired Hyperthermia assets Riemser Pharma GmbH
Trademark (China-Oel)	1,189	8.75 years	Business combination Bio-Diät-Berlin GmbH
Customer relationship whole sale	2,607	10.75 years	Business combination Bio-Diät-Berlin GmbH
Customer relationship pharmacy	247	5.75 years	Business combination Bio-Diät-Berlin GmbH
Customer relationship remedix	1,688	5.2 years	Business combination remedix GmbH
Trademark (LactoStop)	7,907	5.4 years	Acquired assets LactoStop GmbH

The Group's material intangible assets had the following remaining useful lives as at 31 December 2016.

31 December 2017	Carrying amount (EUR thousand)	Remaining useful life	Asset origin
Customer relationship remedix	2,015	6.2 years	Business combination remedix GmbH
Trademark (LactoStop)	9,366	6.4 years	Acquired assets LactoStop GmbH

A detailed description of assets identified during the purchase price allocation of Bio-Diät-Berlin GmbH can be found in note 2.6. More detailed information on the intangible assets acquired during the financial year and on the related carrying amounts as at the reporting date can be found in note 4.1.

2.8 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, 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 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 and are recognised on a net basis within other operating income or other operating expenses in profit or loss.

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 the Group 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 each part 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.

The estimated useful lives for the current and comparative periods are as follows:

Property, plant and equipment	Years	Note
Land and Buildings including buildings on third party land	10 - 60	Building plots, buildings, outdoor installations
Technical equipment and machinery	5 - 20	Tools/Aids/Machinery production and filling, air conditioning, ventilation
Other fixed assets and office equipment	3 - 23	IT, (office/production) equipment and business equipment, video surveillance, telephone system, small value assets
Advance payments	n/a	

2.9 Financial assets

IAS 39 requires financial assets to be classified in one of the following categories:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments

Those categories are used to determine how a particular financial asset is recognised and measured in the financial statements.

Initial recognition and measurement

Financial assets are classified into categories as defined in IAS 39, with their classification depending on the purpose for which the financial assets have been acquired. In line with that classification, the Group's financial assets consist of loans, receivables and positive fair values of derivatives.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed in an active market. They are classified as current assets provided that their maturities do not exceed twelve months following the reporting date. Otherwise, they are presented as non-current assets. Loans and receivables of the Group are classified in the statement of financial position as "trade receivables" and "other current financial assets". Trade receivables include receivables falling due resulting from the sale of goods in the course of normal business activities. Loans and receivables are measured at amortised cost in accordance with IAS 39.46(a).

Financial assets are measured using the fair value at the trade date on initial recognition, adjusted for transaction costs. This does not apply to financial assets measured at fair value through profit and loss.

In accordance with IAS 39.9, a derivative is classified as "at fair value through profit or loss". Derivatives are measured at their fair value (excluding transaction costs) upon initial recognition in accordance with IAS 39.43.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Equity investments not included in the consolidated financial statements are measured at cost less any impairment charges as their fair value cannot currently be estimated reliably. All other available-for-sale financial assets are measured at fair value.

Subsequent measurement

Loans and receivables, after initial measurement, are subsequently measured at amortised cost using the effective interest rate method, less impairment, if any. 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 income in the statement of comprehensive income. The losses arising from impairment are recognised in profit or loss.

The amortised cost of trade receivables, due to their short term maturity, in general matches the fair values, taking into account any impairment losses.

In accordance with IAS 39.55, gains or losses from derivatives measured at fair value through profit or loss are recognised in profit or loss in the income statement.

Changes in the fair value of available-for-sale financial assets are recognised directly in equity, through the statement of changes in equity, except for interest on these assets (which is recognised in income on an effective yield basis), impairment losses and foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised.

Derecognition of financial assets

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 classified as uncollectable. If a derecognised receivable is later reclassified as collectable on the basis of an event that has occurred after it was derecognised, then the corresponding amount is recorded directly in other operating income.

Derivatives are derecognised at the end of the contractual obligation.

2.10 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 in acquiring the inventories, production costs and other costs incurred in bringing 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 assigned individually or based on the FIFO method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash contributions and are intended for meeting current payment obligations. Cash and cash equivalents are reported in accordance with their definition as financial resources in IAS 7.

2.12 Financial liabilities

Recognition and measurement

Financial liabilities lead to a contractual obligation to deliver cash, cash equivalents or another financial asset and are classified pursuant to IAS 39.

The Group's financial liabilities consist of financial liabilities measured at amortised cost and derivatives measured at fair value through profit or loss.

Financial liabilities measured at amortised cost include trade payables, financial liabilities and other financial liabilities not held for trading purposes. Trade payables are payment obligations for goods and services acquired in the course of normal business activities. Financial liabilities are recognised as current liabilities if the payment obligation is due within one year. Otherwise they will be classified as non-current liabilities. The Group's financial liabilities measured at amortised cost are recognised as "trade payables" and "other financial liabilities".

Management defines the classification of financial liabilities at initial recognition.

All financial liabilities are measured at fair value upon initial recognition.

Subsequent measurement

To simplify subsequent measurement, trade payables and other current financial liabilities, with the exception of derivatives, are measured at their settlement amount. Non-current financial liabilities classified as "financial liabilities measured at amortised cost" are measured at amortised cost in accordance with the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. 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.

Gains or losses from derivatives measured at fair value through profit or loss are recognised in profit or loss in the income statement.

Derecognition

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

When an existing financial liability is replaced through the same lender by another financial liability with substantially different contractual terms, or the terms of an existing liability are materially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

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 a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial guarantees

Financial guarantees are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Obligations from financial guarantees are determined upon acquisition at their fair value and, if not measured at fair value through profit or loss, are valued subsequently at the higher amount resulting from the value calculated pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets for the contractual obligation and resulting from the originally calculated amount less the cumulated amortisation.

2.13 Government grants

mibe GmbH Arzneimittel received government grants for the construction and extension of the production facility in Brehna, Germany. Government grants are accounted for as deferred income in accordance with IAS 20.24. The grants are systematically recognised as income over the period necessary to match them with the related costs they are intended to compensate. Government grants are reported under other non-current liabilities. The parts of the grants which will be reversed within the next twelve months are reported under other current liabilities.

As at the reporting date, there were no unfulfilled conditions and contingencies attached to the recognised grants.

2.14 Provisions for employee benefits

Provisions for pensions are recognised for obligations relating to vested benefits and current benefit payments to eligible active and former employees of the Group and their surviving dependants. Provisions for pensions are recognised only for companies from Germany and are generally based on the employees' remuneration and years of service. Pension plans are generally either defined contribution plans or defined benefit plans.

In the case of defined contribution plans, the Company makes compulsory contributions. Once the contributions have been paid, the Company has no further payment obligations. Contributions are recognised as personnel expenses in the year in which they are paid.

In the case of defined benefit plans, the Company agrees to pay the benefits promised to active and former employees, whereby a distinction is made between systems that are financed by provisions and those financed through pension funds.

The present value of provisions of defined benefit plans and the resulting expense are calculated in accordance with IAS 19 using the projected unit credit (PUC) method. In addition to vested pensions and entitlements, the calculation also includes future salary and pension increases. Provisions for pensions are calculated based on the biometric accounting principles of the Heubeck 2005 G mortality tables. The discount rates used are calculated from the yields of high-quality corporate bond portfolios in specific currencies with cash flows approximately equivalent to the expected disbursements from the pension plans. The uniform discount rate derived from this interest-rate structure is thus based on the yields, at the closing date, of a portfolio of high-quality corporate bonds.

For provisions 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. The obligations and plan assets are valued at regular intervals. Comprehensive actuarial valuations for all plans are performed annually as of 31 December. Plan assets in excess of the benefit obligation are reported under other receivables, subject to the asset ceiling specified in IAS 19.

IAS 19 only permits actuarial gains and losses to be recognised with no effect on income. It differentiates between gains and losses due to changes in demographic assumptions, changes in financial assumptions and experience-based adjustments. They are recognised directly in equity with no effect on income in the period in which they occur (other comprehensive income). The relevant amounts are reported separately in the consolidated statement of comprehensive income. In accordance with IAS 19, the discount rate underlying the obligation is used to calculate the interest income on plan assets recognised through profit or loss. The remainder of the actual income from plan assets must be recognised directly in other comprehensive income with no effect on profit or loss. The current service cost is recognised as personnel expenses. All past service cost that arises in the financial year shall be recognised immediately through profit or loss.

2.15 Other provisions

Provisions are recognised pursuant to IAS 37, provided the following conditions have been cumulatively met:

- The Group has a present legal or constructive obligation.
- This obligation is the result of a past event.
- It is more likely than not that the settling of this obligation will lead to an outflow of resources.
- The provision amount can be reliably measured.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by the Group considering the obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.16 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.

2.17 Income taxes

Income taxes

The current income taxes for the current period are measured 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 to equity are not recognised in the statement of comprehensive income, but instead in equity.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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 would have 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.

2.18 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. An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue. However, exchanges for dissimilar items are regarded as generating revenue. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

Dermapharm sells a broad range of patent-free branded pharmaceuticals, healthcare products such as cosmetics, food supplements, dietary products and imported pharmaceuticals from other EEA Member states for resale in the German market in order to profit from pricing differences between the different markets.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership (the transfer of risk per Incoterms agreed with the buyer) of the goods have passed to the buyer. This is generally the date of delivery of the goods and merchandise because in most case the agreed delivery terms are "ex works". Revenue is presented net of discounts, rebates and returns.

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, which is why such increases are economically unattractive for products with a low share of self-payers. 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.

Rendering of services:

The Group does not provide or render any material services.

Other operating income / expenses:

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. Other operating income is recognised when the economic benefits flow to the entity.

Interest income:

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, which is the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.19 Earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit for the period to which the shareholders of the parent are entitled by the weighted average number of ordinary shares outstanding. IAS 33.64 was applied retrospectively to the calculation of the weighted average of the number of ordinary shares outstanding. At Dermapharm the calculation of the diluted earnings per share corresponds to the calculation of the 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.

2.20 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for payment the right to use an asset for an agreed period of time. The Group does not act as a lessor.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding lease obligations, net of finance charges, are reported under either current or non-current financial liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Rental and lease payments made by the Group under operating leases are recognised in other operating expenses as they incur. All relevant details are reported in note 8.2b).

2.21 Derivatives

The Group uses derivatives to mitigate the risk of changes in exchange rates or interest rates. The instruments used include forward exchange contracts, interest-rate swaps and interest rate floors. 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". The Group does not apply hedge accounting.

2.22 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	Interrelationship between significant unobservable inputs and fair value measurement
Available for sale Investments (n/a)	Due to a lack of information and immateriality of available for sale investments, the fair value of those investments is assumed to be equal to the carrying amount. The Group does not intend to dispose of these financial instruments.	n/a	n/a
Interest rate swaps (Level 2)	Swap Models: Fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value measurement is subject to a credit/debit valuation adjustment that reflects the credit risk of the Group and the counterparty, which is calculated based on credit spreads.	n/a	n/a
Floors (Level 3)	Floor Pricing: Fair value is calculated as the present value of the estimated future cash flows based on an adjusted Black 76 model for interest rate derivatives. In order to take the negative interest rate environment into consideration, the standard Black 76 model is enhanced by a shifting parameter for the floor and forward rates. Input data include the relevant observable reference rate curves and the observable forward rates as well as the unobservable parameter, namely the expected volatility which is based on an expert estimate. The fair value measurement is subject to a credit/debit valuation adjustment that reflects the credit risk of the Group which is calculated based on credit spreads.	Volatility 31 December 2017: 25 % 31 December 2016: n/a	A decrease in volatility would result in a decrease of the (negative) Fair Values of the Floors. An increase in volatility would result in increased negative Fair Values of the Floors.
Currency-related swaps (Level 2)	Option Pricing: Fair value is calculated as the present value of the estimated future cash flows based on a Black 76 model for foreign exchange derivatives. The fair values are determined using an option pricing model using only observable input data including the relevant reference rate curve, the forward rates as well as quoted foreign exchange spot and forward rates. The fair value measurement is subject to a credit/debit valuation adjustment that reflects the credit risk of the Group and the counterparty, which is calculated based on credit spreads.	n/a	n/a
Foreign Exchange Forwards (Level 2)	Forward pricing: The fair values are determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies. The fair value measurement is subject to a credit/debit valuation adjustment that reflects the credit risk of the Group and the counterparty, which is calculated based on credit spreads.	n/a	n/a

Financial instruments not measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Bank loans and leasing 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 for the balance sheet date corresponds to the value of the benchmark- yield curve on that date. Discount rates for future due dates correspond to the values of the term-equivalent benchmark- yield curve.	n/a	n/a

As at 31 December 2017 (31 December 2016: n/a), volatility of 25 % was assumed for the measurement of the floors. Neither a decrease in volatility of ten percentage points nor an increase in volatility of five percentage points would have had any material impact on the amount of the fair value recognised for financial instruments measured at Level 3 of the fair value hierarchy.

The fair values of the financial instruments measured using Level 3 techniques developed as follows:

EUR thousand	Financial liabilities measured at fair value
Balance at 1 January 2017	**-**
Reclassification from level 2	-
Additions	632
Transfer out of level 3	-
Change in fair value realised in profit or loss	(94)
Balance at 31 December 2017	**538**

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.

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

Significant judgement was necessary to decide whether the criteria pursuant to IAS 38 for capitalising development costs have been met. Other judgements relate to the decision of whether a lease contract is to be classified as a finance or an operating lease and whether triggering events for impairment testing existed.

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 acquisition of Bio-Diät-Berlin GmbH are presented in note 2.6.

Goodwill impairment test

The Group tests capitalised goodwill for impairment at least once a year. The necessary assumptions and estimates are presented in detail in note 4.1. For the carrying amounts of goodwill as at the reporting date, 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.

Especially 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 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 are met. Planning calculations are necessary to determine the future economic benefits; such forecasts 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 corresponding 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 pursuant to IFRS and their accounting in accordance with tax law are each to be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed values, this has a corresponding effect on current and deferred taxes and thus on the net assets, financial position and results of operations of the Group in the respective period. For more detailed information on the income taxes and deferred taxes, please refer to note 4.17.

Fair value of financial assets and liabilities

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

Trade and other receivables, cash and cash equivalents, trade and other payables, current liabilities to banks, current leasing liabilities and other current financial liabilities generally have a short maturity. The carrying amounts less allowances, where applicable, approximate the fair values.

Pensions and other post-employment benefits

The carrying amounts of defined benefit pension plans and other post-employment benefits are based on actuarial valuations. The actuarial valuations involved making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 4.11.

Other provisions

Other provisions are recognised when it is considered probable that economical, legal, ecological and decommissioning obligations will result in future outflows of economic benefits, when the costs can be estimated reliably and the measures in question are not expected to result in future inflows of economic benefits. 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 experiences in similar cases, the conclusions of expert opinions commissioned by the Group, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on the future results of the Group. The carrying amounts as at the reporting dates are shown in note 4.12.

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				
At 1 January 2017	**38,248**	**129,366**	**31,896**	**199,510**
Exchange differences	-	(184)	-	**(184)**
Additions through business combinations	7,550	4,749	-	**12,299**
Additions	-	59,688	10,521	**70,209**
Disposals	-	(4,410)	(88)	**(4,498)**
Transfers	-	67	(67)	**-**
At 31 December 2017	**45,798**	**189,276**	**42,262**	**277,336**
Amortisation and impairment				
At 1 January 2017	**21,215**	**85,216**	**6,021**	**112,452**
Exchange differences	-	(214)	-	**(214)**
Additions	-	10,317	487	**10,804**
Additions (impairment)	-	-	326	**326**
Disposals	-	(3,931)	(88)	**(4,019)**
Transfers	-	-	-	**-**
At 31 December 2017	**21,215**	**91,388**	**6,746**	**119,349**
Carrying amount				
At 31 December 2016	**17,033**	**44,150**	**25,875**	**87,058**
At 31 December 2017	**24,583**	**97,888**	**35,516**	**157,987**

EUR thousand	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
Cost				
At 1 January 2016	**37,659**	**130,091**	**22,992**	**190,742**
Exchange differences	-	58	-	**58**
Additions through business combinations	589	2,533	-	**3,122**
Additions	-	2,675	8,914	**11,589**
Disposals	-	(5,991)	(10)	**(6,001)**
Transfers	-	-	-	**-**
At 31 December 2016	**38,248**	**129,366**	**31,896**	**199,510**
Amortisation and impairment				
At 1 January 2016	**21,215**	**79,352**	**5,765**	**106,332**
Exchange differences	-	40	-	**40**
Additions	-	8,945	266	**9,211**
Additions (impairment)	-	-	-	**-**
Disposals	-	(3,121)	(10)	**(3,131)**
Transfers	-	-	-	**-**
At 31 December 2016	**21,215**	**85,216**	**6,021**	**112,452**
Carrying amount				
At 31 December 2015	**16,444**	**50,739**	**17,227**	**84,410**
At 31 December 2016	**17,033**	**44,150**	**25,875**	**87,058**

To improve the meaningfulness of the statement of changes in intangible assets, the presentation of capitalised development costs which have already resulted in a product approval has been changed as compared to the previous year.

On 20 September 2017, the Group acquired the Medical Business unit of Riemser Pharma GmbH. This transaction resulted in an increase of EUR 58,607 thousand in intangible assets for software, licenses, patents and rights.

In addition, the Group acquired 100 % of the shares of Bio-Diät-Berlin GmbH during financial year 2017. This transaction resulted in an increase of EUR 4,749 thousand in intangible assets for software, licenses, patents and rights and an increase of EUR 7,550 thousand in goodwill. More detailed information on the acquisition may be found in note 2.6.

Intangible assets include goodwill, customer relationships, orders on hand, trademarks and capitalised development costs for development projects. Goodwill, customer relationships, orders on hand, and trademarks represent acquired intangible assets while development costs stem from internal developments. The recognised goodwill, customer relationships and orders on hand were presented under "Additions through business combinations". The trademarks comprise the "LactoStop" trademark acquired in 2014 and the "China-Oel" and "bite away" trademarks acquired in 2017.

Amortisation of intangible assets, excluding impairment charges, presented in financial year 2017 totalled EUR 10,804 thousand (2016: EUR 9,211 thousand).

The amortisation recorded on capitalised development costs during the financial year in the amount of EUR 487 thousand (2016: EUR 266 thousand) relates to the portion of capitalised development costs that already resulted in an approval and will thus be amortised over 15 years. Of the carrying amount of EUR 35,516 thousand for capitalised development costs as at 31 December 2017 (31 December 2016: EUR 25,875 thousand), development projects with a carrying amount of EUR 7,268 thousand (31 December 2016: EUR 3,792 thousand) are already in use and the approval has been received.

An impairment charge of EUR 326 thousand on capitalised development costs was recognised in profit or loss in the reporting period ended 31 December 2017 (31 December 2016: EUR 0 thousand).

Development costs of EUR 10,521 thousand were capitalised during the financial year 2017 (31 December 2016: EUR 8,914 thousand).

At 31 December 2017, intangible assets (primarily medical licenses) with a carrying amount of EUR 2,009 thousand (31 December 2016: EUR 2,242 thousand) were pledged to various banks as security for loans.

There were no changes to the useful lives of internally generated intangible assets in financial year 2017.

The recoverable amount of internally generated intangible assets is determined based on a value-in-use calculation using cash flow projections. Please refer to the section "Impairment testing: capitalised development projects" in this section for a detailed overview of the performance of capitalised development cost impairment test.

In financial year 2017, the "bite away" trademark acquired through the acquisition of the Medical Business unit of Riemser Pharma GmbH, was capitalised at a value of EUR 2,590 thousand. The trademark has a useful life of eight years resulting in annual amortisation of EUR 324 thousand (partial amortisation in financial year 2017: EUR 81 thousand). At 31 December 2017, the carrying amount was EUR 2,509 thousand. The "bite away" and "Herpotherm" technologies were also identified during the acquisition. The technologies were measured at EUR 51,215 thousand and EUR 4,803 thousand, respectively. The "bite away" technology has a useful life of 21 years resulting in annual amortisation of EUR 2,439 thousand (partial amortisation in financial year: EUR 610 thousand). At 31 December 2017, the carrying amount is EUR 50,605 thousand. The "Herpotherm" technology has a useful life of 7 years resulting in annual amortisation of EUR 686 thousand (partial amortisation in financial year 2017: EUR 172 thousand). At 31 December 2017, the carrying amount is EUR 4,632 thousand.

The acquisition of Bio-Diät-Berlin GmbH resulted in the recognition of the "China-Oel" trademark, which was measured at EUR 1,222 thousand. The trademark has a useful life of nine years resulting in an annual amortisation of EUR 136 thousand (partial amortisation in 2017: EUR 34 thousand). At 31 December 2017, the carrying amount is EUR 1,189 thousand. Also during the acquisition, customer relationships for wholesale sales were recognised at EUR 2,668 thousand and for pharmacies at EUR 258 thousand. The "Wholesale sales" customer relationship will be amortised over eleven years (partial amortisation during financial year 2017: EUR 60 thousand). At 31 December 2017, the carrying amount was EUR 2,607 thousand. The "Pharmacies" customer relationship will be amortised over six years (partial amortisation during financial year 2017: EUR 11 thousand). At 31 December 2017, the carrying amount was EUR 247 thousand.

Disclosure on annual impairment tests

The Group tests the goodwill and the capitalised development costs for impairment annually due to their indefinite useful lives.

Impairment testing: capitalised development projects

Capitalised development projects that are still in the development phase are not amortised, but instead subjected to an annual 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 value in use calculation were derived based on management inputs of key parameters for each project which comprised the total market size, the target market share, the expected go-to-market year, the duration of the ramp-up period, the total lifetime, expected EBIT margins as well as the percentage of completion as per the measurement date. As a result, each development project was measured based on a distinct business plan with cash flow projections and its own useful life.

The discount rate applied in each case corresponded to the discount rate of mibe GmbH Arzneimittel after taxes and amounted to 6.54 % as at 31 December 2017 and 6.38 % as at 31 December 2016.

Sensitivity analyses

The results of the test are based mainly on the management assumptions presented. 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 in 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 589 thousand.

Goodwill impairment tests

The Management Board monitors and manages the Group's goodwill at the level of the various legal entities. The Group defines all legal entities as cash generating units (CGUs) which are tested for impairment. For this reason, five CGUs with material goodwill were subjected to impairment tests as per 31 October 2017.

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 Management Board and the Supervisory Board.

As the management plans show that not all the CGUs have yet reached a sustainable state as of the measurement date, in particular with respect to revenue growth, the reconciliation to the achievement of equilibrium was planned within a three-year transition period. The first year of the transition period is characterised by lower growth rates, while the EBITDA margins remain constant in order to transfer the business plans to a sustainable state until the terminal value phase. The remaining two transition periods were already planned with terminal value assumptions, i.e. with a growth rate of 1.00 % 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 1.00 %.

The respective carrying amounts and goodwill as well as the key assumptions for the calculation of values in use for each CGU were as follows. The budgeted EBITDA margins and budgeted EBITDA growth rates presented reflect average values over the four planning years:

31 October 2017	mibe GmbH Arzneimittel	acis Arzneimittel GmbH	axicorp GmbH	Melasan GmbH	Sun-Farm Sp. z o.o.
Budgeted EBITDA margin	24.11 %	18.72 %	3.62 %	24.10 %	27.12 %
Budgeted EBITDA growth	(6.98 %)	2.71 %	5.21 %	4.14 %	16.76 %
Discount rate	8.85 %	8.40 %	8.89 %	9.22 %	9.37 %
Goodwill in EUR thousand	1,700	47	12,766	673	1,848
Value in use in EUR thousand	885,597	44,323	108,617	29,789	43,626
Carrying amount in EUR thousand	124,487	(449)	42,499	3,777	5,305

31. Dezember 2016	mibe GmbH Arzneimittel	acis Arzneimittel GmbH	axicorp GmbH	Melasan GmbH	Sun-Farm Sp. z o.o.
Budgeted EBITDA margin	30.87 %	24.96 %	3.84 %	23.51 %	27.86 %
Budgeted EBITDA growth	5.08 %	2.93 %	3.35 %	11.50 %	52.31 %
Discount rate	8.48 %	8.08 %	8.53 %	8.91 %	9.63 %
Goodwill in EUR thousand	1,700	47	12,766	673	1,848
Value in use in EUR thousand	980,608	39,060	116,198	21,997	48,015
Carrying amount in EUR thousand	106,327	(615)	47,697	3,242	5,317

The budgeted EBITDA margins are average EBITDA margins between the first and the last detailed planning year.

The decline in the budgeted EBITDA margin or in the negative budgeted EBITDA growth rate at mibe GmbH Arzneimittel result from the allocation of intragroup expenses at mibe GmbH Arzneimittel made in the planning.

Sensitivity analyses

The results of the test are based mainly on the management assumptions presented. To validate these results, the assumptions made were subjected to sensitivity analyses where the impact of a change in parameters on the values was calculated. The assumptions tested for sensitivity involved the pre-tax interest rates and EBITDA margins applied in the terminal value.

A 1.00 % increase in the pre-tax interest rates in the sensitivity analysis did not result in the need for any impairment charges for the CGUs.

Likewise, the sensitivity analysis of the expected EBITDA margin showed that the CGUs do not require an impairment charge in the case of a 3.00 % reduction.

4.2 Property, plant and equipment

Property, plant and equipment changed as follows:

EUR thousand	Land and Buildings including buildings on third party land	Technical equipment and machinery	Other fixed assets and office equipment	Total
Cost				
At 1 January 2017	**49,234**	**32,500**	**17,660**	**99,394**
Exchange differences	10	24	4	**38**
Additions through business combinations	2,263	579	439	**3,281**
Additions	460	2,824	1,222	**4,506**
Disposals	-	(225)	(314)	**(539)**
Transfers	534	(789)	255	**-**
At 31 December 2017	**52,501**	**34,913**	**19,266**	**106,680**
Depreciation and impairment				
At 1 January 2017	**13,912**	**20,364**	**11,761**	**46,037**
Exchange differences	(72)	18	(10)	**(64)**
Additions	1,519	1,922	1,616	**5,057**
Additions (impairment)	-	-	-	**-**
Disposals	-	(88)	(298)	**(386)**
Transfers	-	-	-	**-**
At 31 December 2017	**15,359**	**22,216**	**13,069**	**50,644**
Carrying amount				
At 31 December 2016	**35,322**	**12,136**	**5,899**	**53,357**
At 31 December 2017	**37,142**	**12,697**	**6,197**	**56,036**

EUR thousand	Land and Buildings including buildings on third party land	Technical equipment and machinery	Other fixed assets and office equipment	Total
Cost				
At 1 January 2016	**48,523**	**29,988**	**17,395**	**95,906**
Exchange differences	21	(8)	(4)	**9**
Additions through business combinations	-	-	37	**37**
Additions	90	3,428	1,532	**5,050**
Disposals	(4)	(330)	(1,274)	**(1,608)**
Transfers	604	(578)	(26)	**-**
At 31 December 2016	**49,234**	**32,500**	**17,660**	**99,394**
Depreciation and impairment				
At 1 January 2016	**12,359**	**18,841**	**11,300**	**42,500**
Exchange differences	19	(4)	3	**18**
Additions	1,537	1,730	1,625	**4,892**
Additions (impairment)	-	-	-	**-**
Disposals	(3)	(203)	(1,167)	**(1,373)**
Transfers	-	-	-	**-**
At 31 December 2016	**13,912**	**20,364**	**11,761**	**46,037**
Carrying amount				
At 31 December 2015	**36,164**	**11,147**	**6,095**	**53,406**
At 31 December 2016	**35,322**	**12,136**	**5,899**	**53,357**

Property, plant and equipment comprises land, rights equivalent to land and buildings, technical equipment and machinery as well as other fixed assets and office equipment.

The Group acquired a 100 % share in Bio-Diät-Berlin GmbH in the financial year 2017. Further details on this are given in note 2.6. This transaction resulted in an increase of EUR 2,263 thousand in the cumulative cost of land and buildings. Technical equipment and machinery increased by EUR 579 thousand. Other fixed assets and office equipment rose as a result of the initial consolidation by EUR 439 thousand.

Indications of impairment pursuant to IAS 36 were not present at the date of these financial statements.

During the reporting period ended 31 December 2017, depreciation in the amount of EUR 5,057 thousand was recognised in the statement of comprehensive income (31 December 2016: EUR 4,892 thousand).

The assets from finance lease, included in "Other fixed assets and office equipment", remained constant at EUR 280 thousand (31 December 2016: EUR 279 thousand).

For further details regarding obligations from finance leases, please refer to note 8.2a).

Due to an immaterial adjustment with respect to prior period information, both the cumulative cost and accumulated depreciation and impairment for technical equipment and machinery as at 31 December 2016 had to be increased by EUR 131 thousand (1 January 2016: EUR 131 thousand). In the same manner, the cumulative cost and accumulated depreciation and impairment for other fixed assets and office equipment as at 31 December 2016 had to be increased by EUR 854 thousand (1 January 2016: EUR 854 thousand). As the adjustments to the cumulative cost and accumulated depreciation and impairment were in the same amount, there is no effect on the carrying amounts as at 31 December 2016 and 1 January 2016.

4.3 Investments accounted for using the equity method

Two associates (31 December 2016: 2) were recognised in the consolidated financial statements using the equity method.

Company name	Place of business	Share in capital (%)
31 December 2017		
Hasan Dermapharm Co., Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
31 December 2016		
Hasan Dermapharm Co., Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1

Gynial GmbH, Vienna, Austria:

In 2015, Dermapharm GmbH, Vienna, acquired a 25.1 % interest in Gynial GmbH, Vienna. Gynial focuses on the physical health and the well-being of women with an emphasis on prophylactic measures. Due to its long-standing activities for Schering AG, Gynial's management team has extensive expertise in this sector. Gynial is purely a sales company and has no production facility. Its strategic objective is to increasingly shift existing job order productions with third party suppliers gradually to mibe GmbH Arzneimittel, which already has a manufacturing area for contraceptives, thus expanding value creation to production. Furthermore, Gynial GmbH can benefit from future developments of the Group within the women's healthcare sector.

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

EUR thousand	31 December 2017	31 December 2016
Percentage ownership interest (%)	25.1	25.1
Non-current assets	341	319
Current assets	1,357	1,016
Non-current liabilities	-	-
Current liabilities	744	738
Net assets (100 %)	954	597
Carrying amount of interest in associate	**1,253**	**1,163**
Revenue	4,854	4,231
Profit/Loss after tax (100 %)	457	269
Group's share of total comprehensive income	**115**	**67**

Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam:

In financial year 2007, Dermapharm AG acquired an interest in Hasan Dermapharm Co. Ltd, in which the Group currently holds a 30 % interest. Vietnam is characterised by an open market with the highest growth rate in southeast Asia. Hasan Pharma operates a WHO-GMP certified production plant capable of producing nearly all drugs sold on the Vietnamese market. The cooperation with Hasan Pharma should serve as a platform for entering the Asian market. Initially, the focus will be on Vietnam itself, but subsequently the focus would be expanded to countries like Singapore, Malaysia and Cambodia. Dermapharm's contribution is the delivery of dossiers, which will be adjusted to Vietnamese standards and submitted to the local regulatory authority. Following approval, local production will start; however, preparations that have been produced under license are distributed at higher prices than products produced only locally.

The table below summarises Hasan Dermapharm Co., Ltd.'s financial information as presented in its own financial statements:

EUR thousand	31 December 2017	31 December 2016
Percentage ownership interest %	30.0	30.0
Non-current assets	4,320	4,307
Current assets	7,931	6,181
Non-current liabilities	-	-
Current liabilities	1,099	504
Net assets (100 %)	11,152	9,984
Carrying amount of interest in associate	**2,261**	**2,034**
Revenue	16,480	13,698
Profit/Loss after tax (100 %)	5,088	3,977
Group's share of total comprehensive income	**1,526**	**1,193**
Closing rate EUR / VND	27,284	29,340

4.4 Investments

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

As at 31 December 2017, the Group held 100 % of the shares in Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria, 100 % of shares in Mibe Ukraine LLC., Kiev, Ukraine, and 40 % of shares in Gynial AG, Hünenberg, Switzerland. The interests are deemed immaterial and thus their not being consolidated results in a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. In addition, the interest includes the 100 % equity interest in DermaTec GmbH, Brehna, which was newly-founded during the 2017 financial year. This company had not yet launched its business activities as of the reporting date. The Group holds further immaterial equity interests, which are reported in note 2.4. As at 31 December 2017, the shares in unconsolidated subsidiaries and associates, which are not accounted for using the equity method, had a carrying amount of EUR 188 thousand (31 December 2016: EUR 262 thousand). The decline is essentially attributable to the merger of East Pharma AG, Grünwald, into mibe GmbH Arzneimittel. The investments qualify as available-for-sale financial assets under IAS 39. They therefore must be measured at fair value in the statement of financial position. Due to of their immateriality, they are measured at cost, less impairment losses. The Group does not intend to dispose of these shares.

4.5 Other non-current financial assets

Other non-current financial assets include positive fair values of derivatives and capitalised life insurance contracts by Anton Hübner GmbH & Co. KG.

The positive fair values of derivatives recognised mainly result from a claim that Dermapharm AG has against Themis Beteiligungs-AG to compensate for all future payments pertaining to two currency-related swaps which Dermapharm AG concluded with Unicredit Bank in 2008 and 2010. The swaps will expire in 2018 and 2020, respectively.

The positive fair value of the derivatives was EUR 3,896 thousand as at 31 December 2017 (31 December 2016: EUR 10,125 thousand). The corresponding negative fair value of the derivative is recognised in other non-current financial liabilities. In connection with the currency-related swaps, Dermapharm AG has filed a lawsuit against Unicredit Bank. For further information, please refer to note 8.2c).

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 424 thousand as at 31 December 2017 (31 December 2016: EUR 424 thousand) derives from an expert opinion.

4.6 Inventories

Inventories break down as follows:

EUR thousand	31 December 2017	31 December 2016
Raw materials, consumables and supplies	26,673	30,775
Work in progress	8,674	6,807
Finished products and merchandise	45,759	47,000
Prepayments	579	197
Inventories	**81,685**	**84,779**

Materials expenses and changes in inventories developed as follows:

EUR thousand	2017	2016
Cost of material	(256,311)	(252,755)
Net Increase in finished goods and work in progress	180	1,008
Expenses of the period	**(256,131)**	**(251,747)**

In the financial years 2017 and 2016, write-downs of inventories had to be recognised for the destruction of expired finished goods, destruction due to quality shortcomings in raw materials and other defects.

EUR thousand	2017	2016
Raw materials, consumables and supplies	1,123	732
Finished Products and merchandise and work in progress	2,631	2,233
Write-downs of the period	**3,754**	**2,965**

No inventories were pledged as securities for liabilities at the end of financial years 2017 and 2016.

4.7 Trade receivables

All trade receivables are due within one year and do not bear interest. Trade receivables are generally due within a payment period of between 30 and 120 days. There are no limitations of any kind on rights of disposal.

The net balance of trade receivables was as follows:

EUR thousand	31 December 2017	31 December 2016
Trade receivables	24,953	26,541
Less: provision for impairment of trade receivables	(276)	(239)
Trade receivables net	**24,677**	**26,302**

As at 31 December 2017, trade receivables in the amount of EUR 22,338 thousand (31 December 2016: EUR 22,913 thousand) were fully recoverable.

In addition, as at 31 December 2017 there were trade receivables of EUR 2,282 thousand (31 December 2016: EUR 3,378 thousand) that, while past due, were still not impaired. These relate to a number of customers for whom there is no recent history of default.

The maturity structure of past due receivables is as follows:

EUR thousand	31 December 2017	31 December 2016
Up to 1 month	1,032	1,780
1 to 2 Months	821	331
2 to 3 months	71	247
Over 3 Months	357	1,020
Total	**2,282**	**3,378**

The corporate group in Germany has solvent customers with high credit ratings, and defaults among them are extremely rare. For the overdue receivables, instalments have been agreed upon normally, which were paid regularly.

Accordingly, as of the reporting date, a small amount of past due and impaired trade receivables was the result.

These consisted of the following:

EUR thousand	31 December 2017	31 December 2016
Up to 1 month	-	-
1 to 2 Months	-	-
2 to 3 months	-	-
Over 3 Months	333	250
Total	**333**	**250**

The overdue and impaired receivables presented above have not all been written down in full.

Only those receivables are impaired where the customer is already insolvent or where the customer has filed for insolvency.

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

EUR thousand	31 December 2017	31 December 2016
EUR	21,887	22,915
CHF	144	188
HRK	1,463	2,112
PLN	1,459	1,326

The allowance account developed as follows:

EUR thousand	2017	2016
At 1 January	(239)	(242)
Provision for receivables impairment	(37)	-
Receivables written off during the year as uncollectible	-	3
At 31 December	(276)	(239)

4.8 Other current financial assets and other current assets

The other current assets consisted of the following:

EUR thousand	31 December 2017	31 December 2016
Receivables from related parties	77,882	39,809
Deposits	30	30
Derivatives	6	7
Other	400	130
Other current financial assets	**78,318**	**39,976**
Prepaid expenses	1,060	1,022
VAT receivables	150	139
Receivables from personnel	50	46
Refund claims	44	138
Receivables from social security	2	22
Other	269	325
Other current assets	**1,575**	**1,692**

Prepaid expenses encompass payments for services that will not be provided until after the reporting date.

In addition, costs relating to new shares that were incurred in financial year 2017 in connection with the initial public offering planned for 2018 are recognised under prepaid expenses. Costs in the amount of EUR 79 thousand have been recognised. These costs will be eliminated against the capital reserve following the initial public offering in February 2018. For additional information on the initial public offering, please see note 12.

Other current financial assets comprise the fair values of foreign exchange forwards entered into by axicorp GmbH, which will be settled within one year.

For detailed information regarding the receivables from related parties, please refer to note 9.

4.9 Cash and cash equivalents

EUR thousand	31 December 2017	31 December 2016
Cash at banks and cash equivalents	6,240	3,806
Cash on hand	46	10
Cash and cash equivalents	**6,286**	**3,816**

The Group maintains credit facilities with various German and international banks. For information about the utilisation of these credit facilities at the respective reporting date, please refer to note 7.1c).

4.10 Equity

The issued capital of Dermapharm Holding SE, formed on 4 July 2017, is EUR 120 thousand, divided into 120,000 registered common shares. All of these shares were fully paid in on the reporting date and are held directly by Themis Beteiligungs-AG as the sole shareholder.

On 6 December 2017, the Annual General Meeting of the Company resolved to implement an in-kind capital increase to increase the issued capital by EUR 49,880 thousand from EUR 120 thousand to EUR 50,000 thousand. The in-kind capital increase took place in the form of a contribution of 104,960 shares in Dermapharm AG (corresponding to 20 % of Dermapharm AG's share capital) as an in-kind contribution in exchange for the issuance of 49,880,000 new no-par value bearer shares in the Company, with each such share representing a notional interest in the share capital of EUR 1.00.

The remaining 419,840 shares of Dermapharm AG (80 % of the share capital of Dermapharm AG) were contributed without separate consideration from Themis Beteiligungs-AG to Dermapharm Holding SE and transferred to the Company.

The contribution and transfer of all shares of Dermapharm AG was made effective at the end of 31 December 2017; the capital increase was entered in the commercial register of the Munich Local Court (Amtsgericht) on 4 January 2018.

The contribution in kind of EUR 49,880 thousand is presented within equity of the Group in the item "Unregistered contributions in kind" as at 31 December 2017. To offset the contribution EUR 48,538 thousand was deducted from retained earnings and EUR 1,342 thousand from subscribed capital in financial year 2017. This reorganisation thus had no effect on the Group total equity.

The capital reserve includes the premium from the issuing of shares.

Retained earnings are the result of profits and losses carried forward from the previous reporting periods and the profit from the financial year 2017, less profit transfers due to profit and loss transfer agreements.

Other reserves contain EUR 285 thousand in currency translation differences as at 31 December 2017 (31 December 2016: EUR 1,802 thousand) and EUR -2,829 thousand in accumulated actuarial gains/losses from the remeasurement of defined benefit pension plans (31 December 2016: EUR -3,104 thousand). In addition, as at 31 December 2017 deferred taxes of EUR 310 thousand were recognised in other reserves (31 December 2016: EUR 351 thousand); of which EUR 310 thousand were attributable to actuarial gains/losses from the remeasurement of defined benefit pension plans (31 December 2016: EUR 351 thousand).

In financial year 2017, the Group acquired the non-controlling interests in axicorp GmbH as well as remedix GmbH. For further information please refer to note 2.4.

For information on the change in equity, please refer to the consolidated statement of changes in equity.

4.11 Provisions for employee benefits

The amount of the provisions for pensions with plan assets recognised as of the reporting date for the Group is as follows:

EUR thousand	31 December 2017	31 December 2016
Defined benefit obligation	819	799
Fair value of plan assets	538	495
Total	**281**	**304**

The amount of the provisions for pensions without plan assets recognised as of the reporting date for the Group is as follows:

EUR thousand	31 December 2017	31 December 2016
Defined benefit liability	12,753	12,946
Total	**12,753**	**12,946**

Expenses for defined benefit plans break down as follows:

EUR thousand	31 December 2017	31 December 2016
Current service cost	163	159
Net interest	238	283
Total	**401**	**442**

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	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
As of 1 January 2017	**13,745**	**495**	**13,250**
Profit or loss			
Current service cost	163	-	163
Interest expense	247	-	247
Interest income	-	9	(9)
Remeasurement			
Actuarial Gain (-)/Loss (+)			
thereof due to changes in financial assumptions	(197)	-	(197)
thereof due to experience adjustments	(12)	-	(12)
Return on plan assets excluding amounts recognized as interest income	-	66	(66)
Others			
Employer contributions	-	7	(7)
Employee contributions	-	11	(11)
Retirement benefits	(375)	(50)	(325)
As of 31 December 2017	**13,571**	**538**	**13,033**

EUR thousand	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
As of 1 January 2016	**12,636**	**556**	**12,080**
Profit or loss			
Current service cost	159	-	159
Interest expense	296	-	296
Interest income	-	13	(13)
Remeasurement			
Actuarial Gain (-)/Loss (+)			
thereof due to changes in financial assumptions	1,185	-	1,185
thereof due to experience adjustments	(194)	-	(194)
Return on plan assets excluding amounts recognized as interest income	-	(66)	66
Others			
Employer contributions	-	9	(9)
Employee contributions	-	10	(10)
Retirement benefits	(338)	(28)	(310)
As of 31 December 2016	**13,744**	**494**	**13,250**

There were no exchange differences because all provisions for pensions were realised within German entities.

Plan assets consist of the following:

EUR thousand	31 December 2017	31 December 2016
Security funds	538	495
Total	**538**	**495**

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 surviving dependents, pensions, longer claim periods or 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 were below the return anticipated on the basis of the discount rate, the net defined benefit liability would increase, assuming there were no changes in other parameters. This could happen as a result of a drop in share prices, increases in market rates of interest, default of individual debtors or the purchase of low-risk but low-interest bonds, for example.

Interest-rate risks:

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

%	31 December 2017	31 December 2016
Discount rate	1.8	1.7
Salary trend	0.7	0.7
Pension trend	2.2	2.3

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

Defined benefit obligation	Changes in actuarial assumptions	Impact 31 December 2017		Impact 31 December 2016	
EUR thousand		DBO	Change	DBO	Change
Discount rate	1,00 % increase	11,613	(1,958)	11,702	(2,043)
	1,00 % decrease	16,079	2,508	16,378	2,633
Salary trend	0,50 % increase	13,464	33	13,632	38
	0,50 % decrease	13,399	(32)	13,558	(36)
Pension trend	0,50 % increase	14,255	825	14,440	846
	0,50 % decrease	12,675	(756)	12,820	(774)
Life expectancy	1 year increase	13,677	106	13,852	107
	1 year decrease	12,675	(78)	12,866	(80)

As at 31 December 2017, the weighted duration of the pension obligations was 14 years (31 December 2016: 14 years).

The above sensitivity analysis is based on the change in one assumption, with all other factors remaining constant. Changes in several assumptions can be correlated. The same method was used to calculate the sensitivity of defined benefit obligations to actuarial assumptions as was used to calculate the provisions for pensions in the statement of financial position.

In order to comply with future obligations, Anton Hübner GmbH & Co. KG has taken out life insurance policies, which do not qualify as plan assets in accordance with IAS 19 and cannot be netted with future pension obligations. Further information on this can be found in note 4.5.

4.12 Other provisions

EUR thousand	Discounts to health insurance	Litigation	Onerous contracts	Total
At 1 January 2017	**6,418**	**533**	**-**	**6,951**
Additions	6,185	242	20	6,447
Release	(519)	(188)	-	(707)
Utilisation	(5,489)	(185)	-	(5,674)
Exchange differences	-	-	-	-
At 31 December 2017	**6,595**	**402**	**20**	**7,017**

EUR thousand	Discounts to health insurance	Litigation	Onerous contracts	Total
At 1 January 2016	**5,950**	**455**	**-**	**6,405**
Additions	6,418	534	-	6,952
Release	-	-	-	-
Utilisation	(5,950)	(458)	-	(6,408)
Exchange differences	-	2	-	2
At 31 December 2016	**6,418**	**533**	**-**	**6,951**

As a consequence of regulatory state interventions on the pharmaceuticals market in Germany, the Group companies are obliged to negotiate discount agreements with health insurance organisations.

Expenses from the creation of these provisions are recognised in revenue and charged against income. For this purpose, expenses are estimated based on the relevant underlying two-year discount agreement and information gathered from a database, which tracks the historical volumes of drugs reimbursed by each insurance company. Actual expenses for these discounts may differ from the estimate and revenue would accordingly be higher or lower. Billing of the discounts and thus utilisation of provisions for discounts to health insurance is generally expected within the next twelve months.

The provision for litigation essentially consists of a provision for litigation in connection with manufacturer rebates in the parallel import business.

4.13 Financial liabilities

The principle sources of liquidity were cash inflows from on-going business operations as well as short- and long-term loans.

Non-current financial liabilities:

EUR thousand	31 December 2017	31 December 2016
Bank loans	141,059	2,713
Promissory note loans	81,287	87,680
Leasing liabilities	137	143
Participation rights	-	6,360
Non-current financial liabilities	**222,483**	**96,896**

Current financial liabilities:

EUR thousand	31 December 2017	31 December 2016
Bank loans	10,943	14,660
Promissory note loans	570	40,413
Leasing liabilities	134	112
Participation rights	7,127	5,831
Bank overdrafts	13,490	4,867
Current financial liabilities	**32,264**	**65,883**

Material new financing:

In September 2017 the Group took out new bank loans at four different banks in the total amount of EUR 150,000 thousand to finance the acquisition of Bio-Diät-Berlin GmbH and the acquisition of the assets of the hyperthermic medical devices division of Riemser Pharma GmbH.

All four bank loans bear variable interest rates and are due in September 2022.

The Group recognised new derivative financial instruments in relation to the interest rate risk of the loans in connection with the new bank loans. For additional information on the derivatives, please see note 4.15.

Material repayments:

The first tranche of the participation rights granted in 2010 was repaid on time in the amount of EUR 4,496 thousand. The second tranche of the participation rights in the amount of EUR 6,360 thousand was also repaid on time in January 2018. In addition, the interest of EUR 767 thousand accrued as of the reporting date for these participation rights was repaid in full.

Furthermore, in September 2017 the first tranche of a promissory note loan taken out in 2012 in the amount of EUR 40,000 thousand was repaid on time.

In November 2017 the variable part of the promissory note loan taken out in 2014 in the amount of EUR 6,500 thousand was returned early in order to avoid contractual adjustments that would have become necessary by the Group's restructuring. Of the amount repaid early, EUR 4,500 thousand would have been due in November 2019 and EUR 2,000 thousand in November 2021.

4.14 Trade payables

Trade payables become due within one year and do not bear interest. The item also includes all trade payables not invoiced as of the reporting date. They generally become due for payment within 0 to 60 days.

4.15 Other non-current financial liabilities and other non-current liabilities

Other non-current financial liabilities mainly comprise the fair values of held-for-trading derivatives. As mentioned in note 4.5, the Group recognises the negative fair value of two currency swaps within other non-current financial liabilities. Moreover, other non-current financial liabilities include the negative fair values of the interest rate swaps and floors.

The Group concluded a new interest rate swap to hedge the interest rate risk in connection with the new bank loans taken out in September 2017. Furthermore, derivatives in the form of interest rate floors were embedded in each of the new loans. The derivatives were separated from the hedged item and measured at fair value. The negative fair value of an embedded floor was set off against the positive fair value of a separately concluded, opposing derivative. The fair value of these derivatives was EUR 77 thousand as at 31 December 2017.

As at 31 December 2017, the negative fair value of the derivatives totalled EUR 4,476 thousand (31 December 2016: EUR 10,464 thousand).

The other non-current liabilities mainly comprise government grants. In accordance with IAS 20.24, the government grants for assets are recognised as deferred income and have a carrying amount of EUR 10,024 thousand as at 31 December 2017 (31 December 2016: EUR 11,495 thousand).

4.16 Other current financial liabilities and other current liabilities

The other current financial liabilities and the other current liabilities were composed as follows:

EUR thousand	31 December 2017	31 December 2016
Liabilities to related parties	4,687	4,278
Purchase price liability	785	-
Derivatives	120	18
Other	-	7
Other current financial liabilities	**5,592**	**4,303**
Other personnel-related liabilities	3,832	3,128
VAT payables	2,634	5,073
Government grants	1,489	1,737
Prepayments received	241	340
Prepaid income	83	86
Other	746	619
Other current liabilities	**9,025**	**10,983**

Other current liabilities have a maturity of up to one year and do not bear interest. For further information concerning the liabilities to related parties, please refer to note 9.

Derivatives comprise the negative fair values of foreign exchange forwards and options entered into by axicorp GmbH to hedge the risk from exchange rate fluctuations.

Government grants which are reported under other current liabilities comprise the portion of government grants which will be reversed in the course of the next 12 months.

Prepaid income relates to payments that have been received, for which the corresponding services have not been rendered.

Personnel-related liabilities comprise holiday accruals, income and church taxes due, liabilities for bonuses and company pensions and other levies related to personnel.

4.17 Income taxes

Income taxes include taxes on income and earnings paid or owed in the individual countries, with the exception of such taxes imposed on companies which are included in the consolidated income tax group with Themis Beteiligungs-AG, as well as deferred tax assets or liabilities.

Termination of profit and loss transfer agreement:

In light of the termination of the profit and loss transfer agreement between Themis Beteiligungs-AG and Dermapharm AG on 1 January 2018, the consolidated tax group also ceased to apply to Themis Beteiligungs-AG from that date.

A consolidated tax group remains in place between Dermapharm AG and its subsidiaries mibe GmbH Arzneimittel, Mibe Vertrieb GmbH, Hübner Naturarzneimittel GmbH and acis Arzneimittel GmbH.

Effects on current tax expense:

The termination of the consolidated tax group with Themis Beteiligungs-AG as at 1 January 2018 did not have any impact on the past financial year. In 2017 as in the previous years, current income tax expenses were recognised by Themis Beteiligungs-AG on the basis of the consolidated tax group. Starting in financial year 2018, current income taxes for the companies included in the consolidated tax group will be recognised by Dermapharm AG.

Effects on deferred taxes:

Since deferred tax liabilities and assets are not expected to be realised until a later date, deferred taxes were calculated as at 31 December 2017 subject to the assumption that the consolidated tax group with Themis Beteiligungs-AG would be eliminated.

The key components of income tax expenses for the 2017 and 2016 financial years were composed as follows:

EUR thousand	2017	2016
Current income taxes		
Current income taxes	4,735	3,412
Subtotal	**4,735**	**3,412**
Deferred taxes		
From temporary differences	5,046	2,040
From tax loss carried forward	505	419
Subtotal	**5,551**	**2,459**
Total income taxes	**10,286**	**5,871**

For the calculation of the current taxes as well as deferred tax assets and liabilities for the foreign subsidiaries, tax rates of between 13% and 31 % were applied. In calculating deferred tax assets and liabilities, the tax rates valid at the time the asset is realised or the liability is repaid were applied.

Deferred tax assets and liabilities were calculated using the tax rate that is expected to be applicable as at the realisation or settlement date.

Deferred taxes are calculated for the companies included in the consolidated tax group using a mixed income tax rate of 26.59 % as at 31 December 2017.

The following overview explains how the effective income tax expense reported in the income statement was derived from the expected income tax expense. The expected income tax expense is calculated by applying the nominal tax rate of a corporation headquartered in Grünwald to earnings before taxes.

Reconciliation of effective tax rate:

EUR thousand	2017	2017	2016	2016
Earnings before taxes		88,030		82,865
Expected income tax expense	**24.23 %**	**21,325**	**24.23 %**	**20,074**
Utilisation of tax loss carried forward	0.00 %	-	-1.55 %	(1,284)
Non-deductible operating expenses	0.72 %	635	0.25 %	211
Tax-exempt income	-0.03 %	(25)	-0.33 %	(276)
Taxes for previous years	0.33 %	287	0.00 %	-
Consideration of tax group	-13.72 %	(12,078)	-15.20 %	(12,599)
Difference to Group tax rate	2.84 %	2,497	1.13 %	938
Other deviations	-0.07 %	(62)	0.08 %	67
Adjustment of annual profit §60 (2) EStDV	-2.54 %	(2,232)	-1.52 %	(1,256)
Interest barrier § 4h EStG	-0.08 %	(66)	-0.01 %	(6)
Non utilization of tax loss carryforwards	0.01 %	5	0.00 %	-
Actual income tax expense	**11.69 %**	**10,286**	**7.08 %**	**5,871**

The low effective income tax rates result from the consolidated tax group with Themis Beteiligungs-AG, whereby Themis Beteiligungs-AG was the consolidated tax group parent until 31 December 2017. With effect from 1 January 2018, Dermapharm AG became the consolidated tax group parent.

Deferred taxes as at the reporting date were as follows:

EUR thousand	31 December 2017	31 December 2016
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	2,344	1,507
Deferred tax assets to be recovered within 12 months	513	218
Total deferred tax assets	**2,857**	**1,725**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(13,370)	(4,872)
Deferred tax liabilities to be recovered within 12 months	(223)	-
Total deferred tax liabilities	**(13,593)**	**(4,872)**
Thereof recognised as deferred tax assets	**290**	**218**
Thereof recognised as deferred tax liabilities	**(11,026)**	**(3,365)**

The change in deferred taxes in the statements of financial position as at 31 December 2017 and 31 December 2016 was as follows:

EUR thousand	1 January 2017	P&L	OCI	Acquired through business combination	31 December 2017	Def. tax assets	Def. tax liabilities
Intangible assets	(4,776)	(6,288)	-	(1,997)	(13,061)	383	(13,444)
Finance leases	(3)	3	-	-	-	-	-
Investments	(38)	38	-	-	-	-	-
Financial instruments	-	78	-	-	78	157	(79)
Other current financial assets	(35)	1	-	-	(34)	18	(52)
IPO-Expenses	-	(19)	-	-	(19)	-	(19)
Defined benefit obligations and other accrued employee benefits	1,131	153	(41)	-	1,242	1,242	-
Other provisions	28	(19)	-	-	8	8	-
Intra-group result	129	(3)	-	-	126	126	-
Deferred taxes on tax loss carried forward	419	505	-	-	924	924	-
Tax assets / liabilities	**(3,147)**	**(5,551)**	**(41)**	**(1,997)**	**(10,736)**	**2,857**	**(13,593)**

EUR thousand	1 January 2016	P&L	Sonstiges Ergebnis	Acquired through business combination	31 December 2016	Def. tax assets	Def. tax liabilities
Intangible assets	(1,869)	(2,279)	-	(629)	(4,776)	4	(4,780)
Finance leases	(3)	-	-	-	(3)	-	(3)
Investments	653	(691)	-	-	(38)	-	(38)
Other current financial assets	(23)	(12)	-	-	(35)	18	(53)
Defined benefit obligations and other accrued employee benefits	1,051	(25)	104	-	1,131	1,127	3
Other provisions	18	10	-	-	28	28	-
Intra-group result	10	119	-	-	129	129	-
Deferred taxes on tax loss carried forward	-	419	-	-	419	419	-
Tax assets / liabilities	**(163)**	**(2,459)**	**104**	**(629)**	**(3,147)**	**1,725**	**(4,872)**

The majority of deferred taxes resulted from capitalised development costs, which are recognised under intangible assets, amounting to EUR 8,204 thousand as at 31 December 2017 (31 December 2016: EUR 4,203 thousand).

In addition, deferred tax liabilities from the acquisition of Bio-Diät-Berlin GmbH amounting to EUR 1,997 thousand were recognised in the past financial year. Of that amount, EUR 100 thousand was amortised in 2017, and the balance as at 31 December 2017 was EUR 1,897 thousand.

At 31 December 2017, the Group carried EUR 924 thousand in tax losses forward (31 December 2016: EUR 419 thousand) resulting from remedix GmbH, Dermapharm Holding SE and Farmal d.d.

Shares in subsidiaries, branches and associates (outside-basis differences) were not recognised since the parent is able to control the dividend policies of its subsidiaries.

Tax assets

Tax assets amounted to EUR 329 thousand as at 31 December 2017 (31 December 2016: EUR 394 thousand). They were recognised primarily in relation to tax prepayments by Anton Hübner GmbH & Co. KG and axicorp GmbH.

Tax liabilities

Tax liabilities amounted to EUR 3,311 thousand as at 31 December 2017 (31 December 2016: EUR 2,777 thousand) resulting from provisions for taxes recognised primarily by axicorp GmbH, Dermapharm AG Switzerland and Bio-Diät-Berlin GmbH.

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue

The Group generates its revenue primarily through the supply of products.

Revenue and EBITDA are the two performance indicators which the Management Board of Dermapharm Holding SE uses as the basis for steering the Group. Information on the development of revenue during the reporting period is contained in the Segment Information section contained in note 6.

5.2 Other operating income

Other operating income is composed as follows:

EUR thousand	2017	2016
Foreign exchange gains	1,831	197
Government grants	1,722	2,238
Reversal of provisions and income from derecognition of liabilities	1,110	741
Income from disposals	346	417
Insurance refunds and damage compensation	168	1,661
Miscellaneous	1,575	4,662
Total other operating income	**6,752**	**9,916**

5.3 Personnel expenses and number of employees

Personnel expenses comprise the following:

EUR thousand	2017	2016
Wages and salaries	54,083	49,766
Social security expenses	9,694	8,794
Termination benefits	347	189
Personnel expenses	**64,124**	**58,749**

In financial year 2017, expenses for company pension schemes in the amount of EUR 144 thousand (2016: EUR 404 thousand) were reported under personnel expenses and included in social security expenses in the table above.

The table below provides an overview of the Group's average number of employees for the years ended 31 December 2017 and 2016:

Functional area	2017	2016
Sales & Marketing	277	273
Production	455	412
Administration	322	323
Product development	66	60
Logistics	120	114
Average number of employees	**1,240**	**1,182**

The primary reasons for the increase in personnel included the positive business development which resulted in new hires, and the acquisition of Bio-Diät-Berlin GmbH.

5.4 Other operating expenses

Other operating expenses are composed as follows:

EUR thousand	2017	2016
Marketing and advertising	8,054	7,347
Legal, consulting and audit fees	6,928	3,246
Development	6,640	4,821
Contributions, fees and charges	4,630	4,654
Rental expenses	4,540	4,590
Warehousing and freight	4,407	4,604
Maintenance expenses	4,251	3,318
Selling costs	2,325	2,879
Third party services	715	1,221
Losses from disposals	469	838
Bank charges	348	334
Foreign exchange losses	227	238
Miscellaneous	11,964	12,865
Total other operating expenses	**55,498**	**50,955**

5.5 Financial result

EUR thousand	2017	2016
Income from fair value measurement	6,570	3,659
Interest and other income	1,772	3,332
Foreign exchange gains	-	236
Income from divestiture	-	15
Miscellaneous	50	55
Financial income	**8,392**	**7,297**
Interest and other expenses	(7,173)	(9,316)
Expenses from fair value measurement	(6,913)	(3,211)
Foreign exchange losses	-	(114)
Finance leases	(9)	(14)
Impairment of financial assets	-	(5)
Miscellaneous	(24)	(29)
Financial expenses	**(14,119)**	**(12,689)**
Result from investments measured at equity, after tax	**1,641**	**1,464**
Financial result	**(4,086)**	**(3,928)**

The increase in gains from fair value measurement in financial year 2017 compared to financial year 2016 resulted from the development of the currency-related swaps entered into by Dermapharm in 2008 and 2010 respectively.

Since Dermapharm has a claim against Themis Beteiligungs-AG for compensation of all expenses resulting from the currency-related swap, the gains from fair value measurement increase by the same amount.

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	2017	2016
Profit (Loss) for the year – attributable to Dermapharm Holding SE shareholders	77,744	76,755
Weighted average number of shares outstanding (shares in thousand units)	49,937	49,880
Earnings per share	**1.56**	**1.54**

Weighted average number of ordinary shares

Shares in thousand units	2017	2016
Number of ordinary shares outstanding at the beginning of the period	49,880	49,880
Number of ordinary shares outstanding at the end of the period	50,000	49,880
Weighted average number of shares outstanding	49,937	49,880
Number of potentially dilutive ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**49,937**	**49,880**

On 6 December 2017, the Annual General Meeting of the Company resolved to implement an in-kind capital increase to increase the issued capital by EUR 49,880 thousand from EUR 120 thousand to EUR 50,000 thousand. The EUR 49,880 thousand in-kind capital increase, which was resolved on 6 December 2017 and registered on 4 January 2018, took place in the form of a contribution of 104,960 shares in Dermapharm AG (corresponding to 20 % of Dermapharm AG's share capital) as an in-kind contribution in exchange for the issuance of 49,880,000 new no-par value bearer shares in the Company, with each such share representing a notional interest in the share capital of EUR 1.00. The remainder of the shares in Dermapharm AG were contributed subject to no separate consideration. In order to ensure comparability of earnings per share figures across the different periods, the number of shares was retrospectively adjusted in accordance with IAS 33.64. Based on the contribution as described, 524,800 shares in Dermapharm AG, each such share representing a notional interest in the share capital of EUR 2.56 (actual number of shares outstanding as at 1 January 2017 and 1 January 2016) correspond to 49,880,000 shares, each such Dermapharm AG share representing a notional interest in the share capital of EUR 1.00.

6. Segment information

6.1 Disclosure on operating segments

In the segment reporting, the Group's activities are broken down by division and region in accordance with the provisions of IFRS 8 (Operating Segments). This breakdown reflects internal management structures as well as the varying risk and profit profiles of the individual divisions.

The Group's Management Board oversees the internal management of the "Branded pharmaceuticals and other healthcare products" and "Parallel import business" divisions.

The Group's "Branded pharmaceuticals and other healthcare products" division covers a variety of product areas through a broad range of products which are sold under recognised brand names. The Group focuses on the development, manufacturing and marketing of Branded pharmaceuticals and other healthcare products for specifically selected markets in which the Group generally holds a significant market share and is able to generate attractive margins.

The Group's Parallel import business, which operates under the recognised brand name "axicorp", 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 EEA member states in order to help decrease healthcare costs. The actual market share of parallel imports in Germany is greater than 5 %.

The segment reporting presents KPIs for the individual segments of the Group. There is trade between the two individual segments only to a limited extent; this is presented in the "intersegment revenue" line item. The Reconciliation/Group Holding column shows Dermapharm's expenses incurred as the Group parent, which renders services to both reporting segments and does not carry out any operating activities itself.

The trade relationships between the segments are reported on a consolidated basis. The exchange of services between the segments is reported at prices which are agreed on an arm's length basis.

Revenue and EBITDA are the core KPIs used to assess and manage the segments' financial performance.

The segment assets and liabilities for each segment are not regularly reported to the Management Board and are therefore not presented in the segment reporting.

As is customary in the industry, the Group maintains business relationships with Germany's major pharmaceuticals wholesalers. Overall, roughly two-thirds of consolidated revenue is generated with five pharmaceuticals wholesalers. The revenue generated by the Group from those five customers in the 2017 and 2016 financial years was as below:

	2017		2016	
EUR thousand	Revenue	Share of group revenue [%]	Revenue	Share of group revenue [%]
Wholesaler A	78,458	17 %	72,532	16 %
Wholesaler B	68,623	15 %	61,604	13 %
Wholesaler C	55,076	12 %	52,839	11 %
Wholesaler D	50,951	11 %	51,484	11 %
Wholesaler E	48,298	10 %	45,309	10 %

Despite the fact that revenue is concentrated on a small number of customers, the Group is not dependent on these customers. The amount of the Group's revenue depends on the demand of the large number of end customers at the pharmacies. If one wholesaler were to be eliminated, another would immediately absorb the demand covered by it. Furthermore, the wholesalers' credit risk – which is already insignificant due to the high frequency of small-volume orders – represents a much less significant risk for the Group.

6.2 Operating Segments

The tables below show the changes in the KPIs reported internally to Dermapharm's Management Board, broken down by segment.

2017	Branded pharmaceuticals and other healthcare products	Parallel import business	Reconciliation / Group Holding	Group
Revenue	225,616	242,988	-	468,604
Thereof intersegment revenue	*1,487*	-	-	*1,487*
Revenue with external customers	224,129	242,988	-	467,117
Revenue growth	7 %	3 %	-	5 %
EBITDA	104,561	7,085	(1,402)	110,244
Thereof result from investments measured at equity	*1,641*	-	-	*1,641*
EBITDA Margin	47 %	3 %	-	24 %

2016	Branded pharmaceuticals and other healthcare products	Parallel import business	Reconciliation / Group Holding	Group
Revenue	209,592	235,946	-	445,538
Thereof intersegment revenue	*1,061*	-	-	*1,061*
Revenue with external customers	208,531	235,946	-	444,478
Revenue growth	10 %	21 %	-	15 %
EBITDA	96,564	6,141	-	102,705
Thereof result from investments measured at equity	*1,464*	-	-	*1,464*
EBITDA Margin	46 %	3 %	-	23 %

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

EUR thousand	2017	2016
EBITDA	**110,244**	**102,705**
Depreciation and amortisation	(16,487)	(14,448)
Financial income	8,392	7,297
Financial expenses	(14,119)	(12,689)
Earnings before taxes (EBT)	**88,030**	**82,865**
Income taxes	(10,286)	(5,871)
Profit for the period	**77,744**	**76,994**
Profit transfers due to profit transfer agreements	(57,136)	(59,931)
Profit for the period, after profit transfer	**20,608**	**17,063**
Profit attributable to owners of the company	77,744	76,755
Earnings per Share	**1.56**	**1.54**

6.3 Segment reporting by region

The primary focus of the Group's business lies on the German market. In addition, Dermapharm also generates revenue in Austria, Switzerland and eastern Europe, largely via the distribution and production companies domiciled in the relevant countries.

With consolidated revenue amounting to EUR 433,457 thousand (2016: EUR 413,074 thousand), the Group generates the majority (93 %; 2016: 93 %) of its revenue in Germany. Revenue generated in Austria and Switzerland, representing approximately 5 % (2016: 5 %) of consolidated revenue overall, amounted to EUR 22,308 thousand (2016: EUR 20,084 thousand). A less significant portion of the Group's revenue (EUR 11,351 thousand; 2016: EUR 11,320 thousand) is generated in eastern Europe, primarily in Poland and Croatia.

EUR 159,584 thousand of the intangible assets, property, plant and equipment and investments accounted for in accordance with the equity method reported as at 31 December 2017 was held in Germany, and EUR 33,368 thousand was held abroad (31 December 2016: EUR 100,101 thousand in Germany, EUR 26,478 thousand abroad).

7. Financial risk management and financial instruments

7.1 Financial risk factors

The Dermapharm Group is exposed to current risks to future development due to the difficult, government-regulated competitive environment, volatile raw materials prices and stagnating price levels resulting from 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.

Financial risk factors

Due to its business activities, the Group is exposed to various financial risks (market risk including currency and interest risks as well as default and liquidity risks).

The Group's risk management is focused on the unpredictability of financial markets and aims to minimise potentially negative effects on the financial position of the Group.

The central finance department carries out risk management in accordance with the Management's guidelines. The risk management system covers all subsidiaries. The Group's finance department identifies and assesses financial risks in close co-operation with the Group's operating units. Management sets out both the principles for cross-divisional risk management and guidelines for specific risks, such as exposure to foreign currency, interest and credit risks, the use of derivative and non-derivative financial instruments and investments of liquidity surpluses.

The significant financial liabilities include interest-bearing financial liabilities, trade payables and other liabilities. The primary purpose of these financial liabilities is to finance the Group's business activities and to ensure that these activities are able to continue. The Group reports trade and other receivables and cash and cash equivalents which result directly from its business activities.

The Group uses derivative financial instruments to hedge certain risks.

The following statements discuss the Group's exposure to identified 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 manage and control 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. The foreign exchange risk can be split into translation risk and transaction risk:

The translation risk describes the risk from changes to the statement of financial position and statement of comprehensive income items of a subsidiary due to changes to the exchange rates when converting local individual financial statements into the Group's presentation currency. The changes caused by currency fluctuations when translating items of the statement of financial position were recognised in equity. The Group is currently exposed to such a risk through six subsidiaries, though this risk is minimal due to the size of these companies.

Transaction risk is the risk that the value of future foreign currency payments may change due to exchange rate fluctuations. The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to euros.

Sensitivity analysis

EUR thousand		31 December 2017
Assumed change in currency	EUR appreciates by 10 %	EUR depreciates by 10 %
Fair value changes		
FX FWD	326	(475)
Total changes in fair value	**326**	**(475)**
Profit and loss effects	-	-
Profit (+) / Loss (-)	**440**	**(361)**

EUR thousand		31 December 2016
Assumed change in currency	EUR appreciates by 10 %	EUR depreciates by 10 %
Fair value changes FX FWD	(174)	123
Total changes in fair value	**(174)**	**123**
Profit and loss effects	-	-
Profit (+) / Loss (-)	**(163)**	**134**

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 (CHF, PLN and HRK), 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 the Group 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 2017	Balance in foreign currency	Balance in EUR thousand	+5 % Impact on profit or loss	-5 % Impact on profit or loss
CHF	21,381	18,280	(870)	962
PLN	(4,866)	(1,164)	55	(61)
HRK	(115,539)	(15,472)	737	(814)

31. Dezember 2016	Balance in foreign currency	Balance in EUR thousand	+5 % Impact on profit or loss	-5 % Impact on profit or loss
CHF	15,803	14,716	(701)	775
PLN	(1,323)	(300)	14	(16)

The Group's risk from exchange rate fluctuations for all other currencies not presented here was immaterial.

Interest rate risk

The interest rate risk includes the effect of positive and negative changes to interest rates on profit, equity, or cash flows in the current or a future reporting period. Interest rate risks from financial instruments can arise within the Group mainly in connection with financial liabilities.

The table below depicts the change in income or expenses from interest rate swaps and floors, which would result from a decrease or increase of the EURIBOR by 50 basis points:

EUR thousand	31 December 2017	31. Dezember 2016
Assumed change in interest rates		
-50 basis points	(2,536)	(390)
Current swap expense	(580)	(340)
+ 50 basis points	307	(289)

The table below depicts changes in interest expenses for variable-interest loans, which would result from a decrease or increase of the EURIBOR by 50 basis points:

EUR thousand	31 December 2017	31 December 2016
Assumed change in interest rates		
-50 basis points	898	327
Current interest expense	1,825	477
+ 50 basis points	2,753	635

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 – with the exception of credit risk resulting from trade receivables – is managed at Group level. 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 this credit risk for the Group corresponds to the sum of trade receivables, other financial assets and cash and cash equivalents. The maximum credit risk in the event of a counterparty defaulting corresponds for all classes of financial assets to the respective carrying amount as at the reporting date. No significant concentration risks for the Group existed at the reporting date or in prior periods.

Credit risks arise mainly from trade receivables from customers. 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 the past, there was no need to recognise any major valuation allowances in respect of trade receivables.

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 the Group 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.

Dermapharm's aim is to maintain a balance between continuously covering the required financial resources and ensuring flexibility by using bank credit facilities. Any remaining short-term liquidity requirement peaks are balanced out by using those credit facilities.

Dermapharm has access to the following lines of credit:

EUR thousand	31 December 2017	31 December 2016
Aggregate line of credit	85,916	75,501
Available line of credit	72,426	70,634
Number of banks	17	16

The table below shows the Group's financial liabilities according to maturity, based on the remaining maturity at the respective reporting dates and in relation to the contractually agreed, non-discounted cash flows. Financial liabilities payable at any time are allocated to the earliest possible time of payment. Variable interest payments from the financial instruments, where applicable, were calculated on the basis of respective forward rates as at the reporting date.

EUR thousand	Due within one year	Due between 1 and 5 years	Due after 5 years
31 December 2017 **Expected cash flows from financial liabilities**			
Interest	3,691	11,189	-
Repayment	28,755	222,710	1
Expected cash flows from trade payables	23,367	-	-
Expected cash flows from other financial liabilities	5,592	-	-
31 December 2016 **Expected cash flows from financial liabilities**			
Interest	8,088	5,409	-
Repayment	65,139	96,075	32
Expected cash flows from trade payables	24,526	-	-
Expected cash flows from other financial liabilities	4,285	-	-

Proceeds and payments from derivatives were expected as follows:

EUR thousand	Due within one year	Due between 1 and 5 years	Due after 5 years
31 December 2017 **Expected cash flows from derivatives**			
Derivative contracts - receipts	1,952	2,233	-
Derivative contracts - payments	(2,198)	(2,139)	-
31 December 2016 **Expected cash flows from derivatives**			
Derivative contracts - receipts	3,338	6,949	-
Derivative contracts - payments	(3,667)	(6,971)	-

7.2 Disclosures on capital management

The Group'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. The Group'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, the Group manages its capital structure based on the KPIs net indebtedness, the ratio between net indebtedness and EBITDA and based on the equity ratio (as a percentage). Where necessary, the Group makes adjustments, taking into account changes in the general economic environment.

Net indebtedness is defined as the total of non-current and current financial liabilities and other non-current and current financial liabilities less cash and cash equivalents. Net indebtedness as at 31 December 2017 was EUR 258,529 thousand (31 December 2016: EUR 173,730 thousand). EBITDA is defined as operating income plus depreciation and amortisation and result from investments measured at equity.

At 31 December 2017, the net indebtedness to EBITDA ratio was 2.35 (31 December 2016: 1.69).

The equity ratio developed as follows:

EUR thousand	31 December 2017	31 December 2016
Equity attributable to owners of the company	73,685	56,915
Total equity and liabilities	415,303	311,699
Equity ratio in %	**17.7 %**	**18.3 %**

In financial years 2016 and 2017, the Group met 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 statements 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 IAS 39.

Moreover, the table depicts the fair values of the financial instruments and the IFRS 13 fair value hierarchy level applied to obtain the value. Further information on fair value measurement is contained in note 2.22.

31 December 2017			Measurement acc. to IAS 39				
EUR thousand	Category acc. to IAS 39	Book value 31 December 2017	At cost	Fair value (through p&l)	Measure-ments acc. to IAS 17	Fair value 31 December 2017	Fair value level
Assets							
Other non-current financial assets	LaR/HfT	4,419	523	3,896	-	4,419	2
Investments	AfS	188	188	-	-	188	
Trade receivables	LaR	24,677	24,677	-	-	24,677	
Other current financial assets	LaR/HfT	78,318	78,312	6	-	78,318	2
Cash and cash equivalents	LaR	6,286	6,286	-	-	6,286	
Liabilities							
Financial liabilities - non-current							
of which bank loans	FLAC	141,059	141,059	-	-	146,213	2
of which promissory note loans	FLAC	81,287	81,287	-	-	83,684	2
of which participation rights	FLAC	-	-	-	-	-	2
of which leasing liabilities	n/a	137	-	-	137	137	
Other non-current financial liabilities	HfT	4,476	-	4,476	-	4,476	2/3
Financial liabilities - current							
of which bank loans	FLAC	10,944	10,944	-	-	10,159	2
of which promissory note loans	FLAC	570	570	-	-	1,564	2
of which participation rights	FLAC	7,127	7,127	-	-	7,127	2
of which bank overdrafts	FLAC	13,489	13,489	-	-	13,489	
of which leasing liabilities	n/a	134	-	-	134	134	
Trade payables	FLAC	23,367	23,367	-	-	23,367	
Other current financial liabilities	FLAC/HfT	5,592	5,472	120	-	5,592	2
Totals per category acc. to IAS 39							
Available for sale (AfS)	AfS	188	188	-	-	188	
Financial assets Held for Trading (HfT)	HfT	3,902	-	3,902	-	3,902	
Loans and Receivables (LaR)	LaR	109,798	109,798	-	-	109,798	
Financial liabilities Held for Trading (HfT)	HfT	4,596	-	4,596	-	4,596	
Financial liabilities measured at amortised cost (FLAC)	FLAC	283,315	283,315	-	-	291,075	

31. Dezember 2016			Measurement acc. to IAS 39				
EUR thousand	Category acc. to IAS 39	Book value 31 December 2016	At cost	Fair value (through p&l)	Measure-ments acc. to IAS 17	Fair value 31 December 2016	Fair value level
Assets							
Other non-current financial assets	LaR/HfT	10,648	523	10,125	-	10,648	2
Investments	AfS	262	262	-	-	262	
Trade receivables	LaR	26,302	26,302	-	-	26,302	
Other current financial assets	LaR/HfT	39,976	39,969	7	-	39,976	2
Cash and cash equivalents	LaR	3,816	3,816	-	-	3,816	
Liabilities							
Financial liabilities - non-current							
of which bank loans	FLAC	2,713	2,713	-	-	1,586	2
of which promissory note loans	FLAC	87,680	87,680	-	-	91,450	2
of which participation rights	FLAC	6,360	6,360	-	-	6,415	2
of which leasing liabilities	n/a.	143		-	143	143	
Other non-current financial liabilities	HfT	10,464	-	10,464	-	10,464	2
Financial liabilities - current							
of which bank loans	FLAC	14,660	14,660	-	-	13,693	2
of which promissory note loans	FLAC	40,413	40,413	-	-	42,532	2
of which participation rights	FLAC	5,831	5,831	-	-	5,344	2
of which bank overdrafts	FLAC	4,867	4,867	-	-	4,867	
of which leasing liabilities	n/a.	112	-	-	112	112	
Trade payables	FLAC	24,526	24,526	-	-	24,526	
Other current financial liabilities	FLAC/HfT	4,303	4,285	18	-	4,303	2
Totals per category acc. to IAS 39							
Available for sale (AfS)	AfS	262	262	-	-	262	
Financial assets Held for Trading (HfT)	HfT	10,132	-	10,132	-	10,132	
Loans and Receivables (LaR)	HfT	70,610	70,610	-	-	70,610	
Financial liabilities Held for Trading (HfT)	LaR	10,482	-	10,482	-	10,482	
Financial liabilities measured at amortised cost (FLAC)	FLAC	191,335	191,335	-	-	194,698	

All financial assets and liabilities classified as held for trading were reported at their fair values in the consolidated financial statements.

Due to the short maturity of the cash and cash equivalents, trade receivables and payables as well as current financial liabilities, 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 investments qualify as available-for-sale financial assets under IAS 39. They must therefore be measured at fair value in the statement of financial position. However, in light of the immateriality of the investments, they are measured at amortised cost.

The table below depicts the net result from financial instruments for the periods ended 31 December 2017 and 31 December 2016.

Net result from financial instruments **EUR thousand**	**2017**	**2016**
Interest income	**1,772**	**3,857**
- Loans and Receivables	113	677
- Held for Trading derivatives	1,659	3,180
Interest expenses	**(7,173)**	**(9,316)**
- Financial liabilities measured at amortised cost	(5,285)	(5,700)
- Held for Trading derivatives	(1,888)	(3,616)
Write down of receivables (LaR)	**(9)**	**(158)**
Impairment of financial assets (AfS)	**-**	**(5)**
Net result from subsequent measurement (HfT) through P&L	**(343)**	**448**
- Income from subsequent measurement (HfT) through P&L	6,570	3,659
- Expenses from subsequent measurement (HfT) through P&L	(6,913)	(3,211)
Foreign exchange gains	**1,831**	**433**
- Foreign exchange gains from LaR	1,395	5
- Foreign exchange gains from FLAC	436	428
Foreign exchange losses	**(227)**	**(499)**
- Foreign exchange losses from LaR	(6)	(3)
- Foreign exchange losses from FLAC	(221)	(496)
Net result from financial instruments	**(4,149)**	**(5,240)**

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 to acquire subsidiaries amounting to EUR 13,715 thousand, which are presented under cash flows from investing activities, resulted from the acquisition of Bio-Diät-Berlin GmbH; see also note 2.6. Of the EUR 15,285 thousand purchase price for this acquisition, EUR 14,500 thousand was paid in financial year 2017. Thus, purchase price liabilities amounting to EUR 785 thousand remained as at 31 December 2017; see also note 4.16. In financial year 2017, this transaction resulted in an outflow of EUR 13,715 thousand, not taking into account the EUR 785 thousand in cash acquired.

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 2017 financial year:

EUR thousand	
Financial liabilities as at 1 January 2017	**162,779**
Changes from cash flows used in financing activities	
Proceeds from financial liabilities	150,000
(Repayment) of financial liabilities	(66,580)
(Payment) of finance lease liabilities	(140)
Interest (paid)	(7,173)
Total changes from cash flows used in financing activities	**76,107**
Effects of the acquisition of subsidiaries	-
Effects of changes in foreign currency	65
Changes in Fair Value	-
Other changes related to liabilities	**15,796**
Changes in bank overdrafts	8,623
Interest paid	7,173
Financial liabilities as at 31 December 2017	**254,747**

8.2 Other financial obligations and contingent liabilities

a) Obligations from finance leases

The Group has entered into a number of lease agreements for various vehicles and technical equipment. The structure of these lease agreements requires that they be recognised as finance leases. The agreements do not contain escalation clauses.

Future minimum lease payments under finance leases and lease-purchase contracts together with the present value of the net minimum lease payments are as follows:

	31 December 2017		31 December 2016	
EUR thousand	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
With a remaining term of up to one year	142	134	235	223
With a remaining term of between one and five years	141	136	157	151
With a remaining term of more than five years	1	1	5	5
Total	**284**	**271**	**397**	**379**
Less financing costs	(13)	-	(18)	-
Present value of minimum lease payments	**271**	**271**	**379**	**379**
Of which current liabilities	-	134	-	223
Of which non-current liabilities	-	137	-	156

b) Obligations from operating leases

The Group has concluded lease agreements for office and warehouse spaces, various vehicles and office equipment. Some of the lease agreements renew automatically if they are not terminated within a certain notice period. The Group is not subject to any limitations by the leasing agreements.

At 31 December the following future minimum leasing obligations from non-callable operating leases existed:

EUR thousand	**31 December 2017**	**31 December 2016**
Up to 1 year	2,157	1,695
Above 1 year and up to 5 years	1,730	2,111
Above 5 years	5,067	5,167
Total	**8,954**	**8,973**

In financial year 2017, expenses from operating leases amounted to EUR 2,273 thousand (2016: EUR 2,118 thousand).

c) Other financial obligations

Litigation

In the course of its business activities, the Group is regularly exposed to numerous legal risks, particularly in connection with litigation relating to the areas of product liability, competition, intellectual property disputes and tax matters. The following legal dispute represents the only material proceedings in which the Group currently is or was involved during the past twelve months:

On 27 December 2011, the Group filed an action against UniCredit Bank AG ("UniCredit") before the Regional Court (Landgericht) of Munich, seeking rescission of certain currency-related swap transactions entered into with UniCredit between 2008 and 2010, as well as payments in an aggregate amount of approximately EUR 20,093 thousand. The Group had entered into these transactions as part of its interest rate hedging and optimisation strategy and is of the opinion that UniCredit breached its obligation to properly advise the Group on the risks associated with these transactions. Given that the Group is acting as claimant, this action generally only provides upside to the Group. The action was dismissed in the first two instances on 6 July 2016. The Group filed an appeal against denial of leave to appeal with the German Federal Court of Justice (Bundesgerichtshof, "BGH") and currently assumes that there will be a ruling on this appeal in the second half of the financial year ending on 31 December 2018. On 21 December 2015, Dermapharm AG and Themis Beteiligungs-AG concluded an indemnity agreement pursuant to which the Group assigned its claims against UniCredit to Themis Beteiligungs-AG. In return, Themis Beteiligungs-AG has undertaken to assume payments from the Group to UniCredit in the context of the currency swap transactions as well as legal fees in connection with the Munich Regional Court, unless Dermapharm AG has recognised provisions in this respect. Accordingly, these contracts are not expected to result in any expenses. In financial year 2017, all claims made by UniCredit vis-à-vis Dermapharm AG were on-charged to Themis Beteiligungs-AG.

In addition to the aforementioned litigation, the Group is involved in other court proceedings. However, none of these proceedings have a material effect on the Group's financial position and each of them are within the scope of the Group's ordinary activities.

Apart from the proceedings described above, the Group is not aware of any administrative, court or arbitration proceedings (whether pending or threatened) which may have, or have had, a material effect on the Group's financial position or profitability.

Guarantees

There were no material guarantees as at 31 December 2017 or 31 December 2016.

Contingent liabilities

There were no material contingent liabilities as at 31 December 2017 or 31 December 2016.

Purchase commitments

At 31 December 2017, the Group had purchase commitments relating to inventories of EUR 40,388 thousand (31 December 2016: EUR 72,985 thousand).

8.3 Collateral

At 31 December 2017, intangible assets (primarily drug approvals) with a carrying amount totalling EUR 2,009 thousand (31 December 2016: EUR 2,242 thousand) were pledged to various banks as collateral for bank loans.

The Group did not provide any further collateral as at 31 December 2017 or 31 December 2016.

9. Related party disclosures

In accordance with IAS 24 Related Party Disclosures, persons or companies, other than entities which are already included in the consolidated financial statements, which can be influenced by the Group or are able to influence the Group must be disclosed.

In principle, all transactions are settled with related parties at market conditions and all outstanding balances with related parties are priced on an arm's length basis. Key management personnel include members of the Management Board and the Supervisory Board. Significant shareholders are those who own or are the beneficial owners of more than 10 % of Dermapharm's voting shares.

Transactions with related parties for the financial years ended 31 December 2017 and 31 December 2016 between the Group and significant shareholders and other related parties are summarised below.

a) Material transactions

Transactions with significant related persons

EUR thousand	2017	2016
Marketing and advertising	1,148	1,314
Compensation Dermapharm AG, Hünenberg, Switzerland	111	113
Total	**1,259**	**1,427**

Mr. Wilhelm Beier receives remuneration for his activities as managing director of Dermapharm AG, Hünenberg, Switzerland.

Transactions with related companies

EUR thousand	2017	2016
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	89,528	49,818
Associated companies	1,300	926
Ongoing payment transactions and other	**90,828**	**50,744**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	9,333	3,848
Tax group	**9,333**	**3,848**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	-	1,611
Associated companies	2	103
Interest	**2**	**1,714**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	420	591
Non-consolidated companies	561	577
Consultancy services	**981**	**1,168**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	77	944
Non-consolidated companies	73	68
Other services	**150**	**1,012**
Associated companies	407	214
Non-consolidated companies	102	-
Transfer of goods	**509**	**214**
Associated companies	90	145
Loans	**90**	**145**
Total	**101,893**	**58,845**

Related party transactions arise primarily from the profit and loss transfer agreement and consolidated tax group with Themis Beteiligungs-AG.

Related party transactions from the "Other i.p. financial instruments" line item result primarily from the currency-related swap with the UniCredit Bank AG. For further information, please refer to note 8.2c).

For further information on the sale of companies please refer to note 2.4.

b) Year-end balances with significant related parties

Liabilities to related parties

EUR thousand	31 December 2017	31 December 2016
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	3,945	3,848
Payables from tax group	**3,945**	**3,848**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	420	420
Payables from consultancy services	**420**	**420**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	268	-
Payables from IPO	**268**	**-**
Non-consolidated companies	50	-
Payables from transfer of goods	**50**	**-**
Non-consolidated companies	4	-
Payables from other services	**4**	**-**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	-	10
Payables from loans	**-**	**10**
Total	**4,687**	**4,278**

Liabilities to related parties related primarily to the consolidated tax group with the parent Themis Beteiligungs-AG.

Receivables from related parties

EUR thousand	31 December 2017	31 December 2016
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	71,286	49,818
Receivables from ongoing payment transactions and other	**71,286**	**49,818**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	9,333	-
Receivables from tax group	**9,333**	**-**
Parent company (Themis Beteiligungs-AG) of Dermapharm SE	1,048	-
Non-consolidated companies	5	20
Receivables from other services	**1,053**	**20**
Associated companies	3	-
Receivables from interest	**3**	**-**
Non-consolidated companies	13	-
Receivables from transfer of goods	**13**	**-**
Non-consolidated companies	-	6
Associated companies	90	90
Receivables from loans	**90**	**96**
Total	**81,778**	**49,934**

Receivables from related parties consist of receivables from current settlements and other receivables. These receivables were settled in Q1 2018 by Themis Beteiligungs-AG in the amount of EUR 41,325 thousand. Other receivables resulted from, among other things, the sale of shares in Centuere AG and Channel 21 Holding in 2015 with Themis Beteiligungs-AG.

The receivables from the consolidated tax group resulted from VAT receivables which arose due to the acquisition of assets relating to the hyperthermic medical devises division of Riemser Pharma GmbH.

c) Remuneration of key management personnel

The total remuneration paid to the Management Board and the Supervisory Board is described in detail in the Group management report, including additional disclosures relating to the remuneration system.

The remuneration of members of the key management is presented as follows in accordance with IAS 24:

EUR thousand	2017	2016
Short-term employee benefits	1,791	2,177
Long-term employee benefits	50	43
Total remuneration	**1,841**	**2,220**

The members of key management receive remuneration solely due to their function as a person in a key position.

10. Disclosures on the Management Board and the Supervisory Board

The Company's corporate boards are composed as follows:

Members of the Management Board of Dermapharm:

Name	Member since	Appointed until	Position	Occupation
Dr. Hans-Georg Feldmeier	Aug 17	2020	Chief Executive Officer	Pharmacist
Nicole Lotz*	Jul 17	Aug 17	Chief Executive Officer	Merchant
Stefan Hümer	Aug 17	2020	Chief Financial Officer	Merchant
Stefan Grieving	Aug 17	2020	Chief Marketing Officer	Merchant
Karin Samusch	Aug 17	2020	Chief Business Development Officer	Merchant

* Member of Management Board of former shelf company Blitz 17-663 SE

Members of the Supervisory Board of Dermapharm:

Name	Member since	Appointed until	Position	Occupation
Wilhelm Beier	Aug 17	2022	Chairman of the Supervisory Board	Merchant
Dr. Erwin Kern	Aug 17	2022	Deputy Chairman of the Supervisory Board	Merchant
Michael Beier	Aug 17	Dec 17	Member of the Supervisory Board	Merchant
Lothar Lanz	Jan 18	2022	Member of the Supervisory Board	Merchant
Gabriele Roskothen*	Jul 17	Aug 17	Chairman of the Supervisory Board	Music teacher
Randi Mette Selnes*	Jul 17	Aug 17	Deputy Chairman of the Supervisory Board	Merchant
Katja Gogalla*	Jul 17	Aug 17	Member of the Supervisory Board	Merchant

* Member of Supervisory Board of former shelf company Blitz 17-663 SE

The members who left the Management Board and the Supervisory Board in August 2017 were appointed to serve as members of the Management Board or the Supervisory Board of the shelf company Blitz 17-663 SE. Blitz 17-663 SE was renamed Dermapharm Holding SE following the entry into the commercial register on 6 September 2017.

On 6 December 2017, the Supervisory Board announced that Mr Michael Beier had been removed from the Company's Supervisory Board with effect from 31 December 2017.

Mr Lothar Lanz was appointed to succeed him as member of the Supervisory Board with effect from 1 January 2018. He was elected to serve out the remainder of the term of office of the departing member of the Supervisory Board, i.e., for the period ending at the close of the Annual General Meeting of the Company resolving to ratify the actions of the members of the Supervisory Board of the Company for the financial year 2021, such term not to exceed six years.

In the financial years presented, there were no pension obligations due to members of key management or former members of key management. However, the Supervisory Board members are covered by a Group D&O insurance policy.

11. Auditor's fees and services

Warth & Klein Grant Thornton was appointed as auditor for the audited consolidated financial statements of Dermapharm for the financial year ended 31 December 2017, prepared in accordance with IFRSs, with comparative audited information for the financial year ended 31 December 2016.

EUR thousand	2017	2016
Audit services	491	75
Confirmation services	-	-
Other services	-	4
Tax consultancy services	-	-
Total external auditors' fees	**491**	**79**

12. Events after the reporting period

Events after the reporting date with a material or potentially material effect on the Group's financial position and results of operations:

- In order to secure bridge financing for intended acquisitions, the Group entered into a credit facility agreement with a German bank on 4 December 2017 with a maximum limit of EUR 80 million. The full amount was drawn down in January 2018.
- On 20 December 2017 the Group entered into a purchase agreement with the seller Dr. Detlef Strathmann Verwaltungs GmbH & Co. KG to acquire the shares and limited partners' interests in Strathmann Service GmbH in Hamburg, Strathmann GmbH & Co. KG in Hamburg, and Biokirch GmbH in Seevetal. The transfer of the shares and limited partners' interests was subject to conditions precedent, which were satisfied in early 2018. The transaction constituted a business combination as defined under IFRS 3. A purchase price allocation as required in accordance with IFRS 3 as a result of the acquisition will be necessary in 2018 in order to satisfy the conditions set out in the purchase agreement. The agreed purchase price was EUR 25,000 thousand, including further escalation clauses. The acquisition of the companies essentially provided Dermapharm with access to further OTC and prescription pharmaceutical compounds, along with approvals and brands, as well as access to various customers. In addition, the companies own land and buildings. Given that the purchase price allocation was not yet complete as at the date on which these consolidated financial statements were approved for publication, it is not possible to quantify the fair values of acquired assets and liabilities.
- On 23 January 2018, Dermapharm acquired all the interests in Trommsdorff GmbH & Co. KG and its sole general partner, Cl. Lageman Gesellschaft mit beschränkter Haftung (jointly referred to as "Trommsdorff"). Trommsdorff produces and distributes 23 different prescription medications and OTC products, specifically Keltican® forte, a dietary product used to treat back pain and Tromcardin® complex, which combines certain minerals and vitamins to treat cardiac arrhythmia. Trommsdorff also serves its former parent group as a toll manufacturer. The transaction constituted a business combination as defined under IFRS 3. A purchase price allocation as required in accordance with IFRS 3 as a result of the acquisition will be necessary in 2018 in order to satisfy the conditions set out in the purchase agreement. The agreed purchase price was EUR 111,800 thousand, including further escalation clauses. Given that the purchase price allocation was not yet complete as at the date on which these consolidated financial statements were approved for publication, it is not possible to quantify the fair values of acquired assets and liabilities.
- As part of the Group's internationalisation strategy, mibe pharma Italia Srl with its registered office in Bolzano, Italy, was formed on 28 February 2018. Certain product approvals have already been granted, while others are currently in the approval process. The company is expected to generate initial revenue in financial year 2018.

- On 29 January 2018, Dermapharm filed an application for admission of securities to trading on the Regulated Market of the Frankfurt Stock Exchange.

- Dermapharm Holding SE'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. Prior to that date, on 8 February 2018, the offer price for Dermapharm Holding SE's IPO (together with its consolidated subsidiaries "Dermapharm") was set at EUR 28.00 per share. A total of 13,455,000 shares in Dermapharm Holding SE were offered. Of that number, 3,840,000 newly issued shares resulted from a capital increase and 9,615,000 shares stemmed from the holdings of the selling shareholder, including 1,755,000 shares for over-allotments ("Greenshoe option"). Assuming that the Greenshoe option will be exercised in full, the free float amounts to approximately 25%, corresponding to a free float market capitalisation of approximately EUR 377 million. The gross proceeds from the capital increase amounting to approximately EUR 108 million is attributable to Dermapharm. The option granted to the stabilisation manager by Dermapharm Holding SE to acquire up to 1,755,000 additional shares in Dermapharm Holding SE at the placement price to the extent that shares from a securities loan were placed by way of over-allotment ("Greenshoe option"), was exercised by Joh. Berenberg, Gossler & Co. KG on 9 March 2018 in the amount of 1,155,000 shares. 40,985,000 shares continue to be held by the majority shareholder Themis Beteiligungs-Aktiengesellschaft.

Furthermore, a key amendment to the Articles of Association was adopted as at 4 January 2018

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

- At 4 January 2018, the share capital amounted to EUR 50,000,000.00, divided into 50,000,000 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 (AktG).

- The Management Board 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.

Management Board's authority to issue or repurchase shares:

- The Management Board 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 5 December 2022 (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 2017). The Management Board 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 Management Board 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:

- The Management Board 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.

- The Management Board 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 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.

- The Management Board 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.

- Finally, the Management Board 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 Management Board 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 credit institution or an entity operating in accordance with § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act (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 are to be granted to members of the Company's Management Board within the scope of this authorisation, 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 Supervisory Board is authorised to resolve amendments to the Articles of Association that are merely editorial in nature. Amendments to the Articles of Association require a simple majority of the votes cast, provided that at least 50% the share capital is represented and no statutory provisions or provisions contained in the Articles of Association stipulate otherwise.

Key amendment as at 7 February 2018:

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

- At 7 February 2018, the share capital amounted to EUR 53,840,000.00, divided into 53,840,000 no-par value bearer shares. Each no-par value share carries one vote.

Management Board's authority to issue or repurchase shares:

- The Management Board 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 share capital is contingently increased by a total of up to EUR 10,700,000 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 Management Board is authorised, subject to the consent of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase.

Grünwald, 26 April 2018

the Management Board

Dr. Hans-Georg Feldmeier	Stefan Hümer	Karin Samusch	Stefan Grieving
Chief Executive Officer	Chief Financial Officer	Chief Business Development Officer	Chief Marketing Officer

DECLARATION OF THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable accounting standards, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations, and the group management report 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, 26 April 2018

Dr. Hans-Georg Feldmeier	Stefan Hümer	Karin Samusch	Stefan Grieving
Chief Executive Officer	Chief Financial Officer	Chief Business Development Officer	Chief Marketing Officer

The following auditor's report is a translation of the German language auditor's opinion.

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement as well as the notes to the consolidated financial statements – and the group management report of Dermapharm Holding SE, Grünwald, for the financial year from 1 January 2017 to 31 December 2017. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German commercial law pursuant to section 315e paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. Within the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are verified primarily on a sample basis. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Dermapharm Holding SE for the financial year from 1 January 2017 to 31 December 2017 comply with IFRS, as adopted by the EU, and the additional requirements of the German commercial law pursuant to section 315e paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 26 April 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Niclas Rauscher	Prof. Dr. Thomas Senger
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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