Prospectus dated January 26, 2018

Dermapharm Holding SE

Prospectus
for the public offering

of

3,840,000 newly issued bearer shares with no par value (*Stückaktien*)
from a capital increase against contributions in cash to be resolved by
an extraordinary shareholders' meeting of the Company on or about January 26, 2018

and of

7,860,000 existing bearer shares with no par value (*Stückaktien*)
from the holdings of the Selling Shareholder

and of

1,755,000 existing bearer shares with no par value (*Stückaktien*)
from the holdings of the Selling Shareholder in connection with a possible over-allotment

and at the same time for the

admission to trading on the regulated market (*regulierter Markt*)
of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the
sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the
Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

up to 3,840,000 newly issued bearer shares with no par value (*Stückaktien*) from
a capital increase against contributions in cash to be resolved by
an extraordinary shareholders' meeting of the Company on or about January 26, 2018

and

50,000,000 existing bearer shares with no par value (*Stückaktien*) (existing share capital),
each such share with a notional value of €1.00

of

Dermapharm Holding SE
Price Range: €26.00 – €30.00

International Securities Identification Number (ISIN): DE000A2GS5D8
German Securities Code (*Wertpapierkennnummer* (*WKN*)): A2GS5D
Ticker Symbol: DMP

Sole Global Coordinator and Sole Bookrunner

Berenberg

Co-Lead Manager

ODDO BHF

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I. SUMMARY OF THE PROSPECTUS

*Summaries are made up of disclosure requirements known as elements ("**Elements**"). These Elements are numbered in Sections A − E (A.1 − E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In such cases, the summary includes a short description of the Element with the words "not applicable".*

A – Introduction and Warnings

A.1	**Warnings.**	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area ("**EEA Member States**"). Dermapharm Holding SE (the "**Company**" and, together with its direct and indirect consolidated subsidiaries, "**Dermapharm**"), together with Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany ("**Berenberg**"), and ODDO BHF Aktiengesellschaft, Frankfurt am Main, Germany ("**ODDO BHF**" and, together with Berenberg, the "**Offering Banks**"), assume responsibility for the contents of this summary, including any translations thereof, pursuant to Section 5 para. 2b no. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Those persons who are responsible for the summary, including any translations thereof, or for its issuance (*von denen der Erlass ausgeht*), can be held liable, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, all necessary key information.
A.2	**Information regarding the subsequent use of the prospectus.**	Not applicable. Consent by the Company regarding the use of this Prospectus for a subsequent resale or placement of shares has not been granted.

B – Issuer

B.1	**Legal and commercial name of the issuer.**	The Company's legal name is Dermapharm Holding SE. The Company is the holding company of Dermapharm and primarily operates under the commercial name "Dermapharm". Dermapharm also operates under additional commercial names, in particular "mibe", "Hübner" and "axicorp", as well as individual brands for its specific pharmaceuticals and other healthcare products.
B.2	**Domicile, legal form and legislation under which the issuer operates and its country of incorporation.**	The Company has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0) and is registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 234575. The Company is organized under European law as a European company (*Societas Europaea* (*SE*)) and therefore subject to European legislations on such companies, especially to Council Regulation (EC) no. 2157/2001 of October 8, 2001 on the statute for a European company (SE), as amended. As a company registered in Germany, the Company is also subject to German law.

B.3 Operations and principal business activities of the issuer and principal markets in which the issuer competes.

Dermapharm is a leader in branded pharmaceuticals for selected markets in Germany with an expanding international footprint. It applies formulation and development expertise to the development, manufacture and marketing of a broad assortment of branded pharmaceuticals that are no longer patent protected, holding approximately 900 marketing authorizations (*Arzneimittelzulassungen*) for more than 200 active pharmaceutical ingredients ("**APIs**"). Dermapharm also offers a growing portfolio of other healthcare products such as cosmetics, food supplements, dietary products and medical devices. In addition, Dermapharm leverages its direct marketing expertise by importing pharmaceuticals from other EEA Member States for resale in the German market in order to profit from pricing differences between these markets.

Dermapharm operates primarily in Germany, Europe's leading economy and, with aggregate sales of €36.7 billion in the fiscal year ended December 31, 2016 (based on ex-factory prices (*Herstellerabgabepreise*)), also its largest pharmaceuticals market (*source: IQVIA*). The German pharmaceuticals market benefits from certain general trends, including the ageing of the population, chronification of diseases, increasing health awareness and higher spending on non-prescription pharmaceuticals sold over the counter ("**OTC**") and other healthcare products, reflecting increased self-medication. Dermapharm believes that it benefits from these trends and will continue to do so in the future. Dermapharm's sales in Germany accounted for approximately 92.6% of Dermapharm's revenues in the nine-month period ended September 30, 2017. Dermapharm is also active in Austria and Switzerland and sales in these countries accounted for approximately 4.9% of Dermapharm's revenues in the same nine-month period. In the future, Dermapharm plans to introduce selected products from its existing product portfolio as well as new product developments to additional markets.

Pharmaceuticals and Other Healthcare Products

Dermapharm's pharmaceuticals and other healthcare products cover multiple product areas with a broad assortment of products marketed under well-known brands. Dermapharm focuses on the development, manufacture and marketing of pharmaceuticals and other healthcare products for specifically targeted markets, in which Dermapharm generally holds a significant market share and generates attractive margins. Dermapharm is the German market leader in prescription vitamins through its vitamin D preparation Dekristol® 20,000 I.E. (based on number of prescriptions and revenues, excluding hospital sales (*sources: INSIGHT Health; Company information*)). Its broad product assortment has also made Dermapharm the German market leader for prescription dermatologicals and systemic corticoids (in each case based on number of prescriptions and revenues for APIs offered by Dermapharm, excluding hospital sales (*sources: INSIGHT Health; Company information*)). With regard to OTC products, Dermapharm is able to leverage its development and manufacturing know-how with prescription pharmaceuticals to obtain required marketing authorizations quickly and cost-efficiently. Other healthcare products may be sold without marketing authorizations and benefit from Dermapharm's long-standing relationships with pharmacies based on its pharmaceuticals business and well-known brands. In the nine-month period ended September 30, 2017, pharmaceuticals and other healthcare products accounted for 46.8% of Dermapharm's revenues and 93.8% of its earnings before interest, taxes depreciation and amortization ("**EBITDA**").

Parallel Imports

Dermapharm's parallel import business, which operates under the well-known "axicorp" brand, benefits from the statutory requirement that a minimum of 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be imported from other EEA Member States to help reduce healthcare costs. The actual market share of parallel imports in Germany exceeds this quota and amounted to approximately 8.6% in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*). In the same fiscal year, Dermapharm covered approximately 89% of prescription pharmaceuticals available for sale in the German parallel import market and was the fourth largest parallel importer in Germany (*source: INSIGHT Health*). Its strong market expertise and stringent planning, which is continuously driven forward by both sales and sourcing experts, allow Dermapharm to ensure an appropriate product mix and thereby maintain its targeted profit margin. Parallel imports, including certain OTC products marketed by axicorp GmbH and its direct and indirect subsidiaries, accounted for 53.2% of Dermapharm's revenues and 6.1% of its EBITDA in the nine-month period ended September 30, 2017.

In the fiscal year ended December 31, 2016, Dermapharm generated revenues of €444.5 million and EBITDA of €102.7 million. In the nine-month period ended September 30, 2017, Dermapharm's revenues amounted to €349.7 million and its EBITDA totaled €82.9 million.

Dermapharm believes that the development of its business is supported by the following strengths:

- Leading pharmaceuticals manufacturer in attractive, selected product areas with a broad product diversification.
- Strategic focus on selected markets with particularly attractive margins.
- Successful track record of product developments underpinned by operational excellence and "all under one roof" approach.
- Effective sales organization.
- Broad parallel import product offering sourced and marketed by a highly integrated organization.
- Strong profitability with credible cash flow generation and significant dividend capacity.
- Highly experienced and committed management team with a proven track record.

The key elements of Dermapharm's strategy are:

- Dermapharm seeks to expand its product portfolio through the introduction of new products developed in-house.
- Dermapharm plans to increase its international footprint.
- Dermapharm intends to continue its track record of successful acquisitions to further strengthen growth and profitability.
- Dermapharm seeks to increase its sales of OTC and other healthcare products through focused marketing efforts.
- Dermapharm plans to further optimize operations and market analysis for its parallel import business.

B.4a	**Most significant recent trends affecting the issuer and the industries in which it operates.**	The pharmaceuticals market is currently impacted by a number of key trends, which together influence the performance of individual pharmaceuticals manufacturers such as Dermapharm, in particular: **Demographic Developments and Chronification of Diseases** While the global population is growing rapidly, there is a significant disparity between developing countries and the most highly developed countries, including Germany, where birth rates are at best stable. At the same time, the average life span is increasing, leading to a growing share of elderly people. The ageing of the population also increases the prevalence of various age-related diseases and conditions. On average, elderly people are more likely to administer several pharmaceuticals at the same time. In addition, medical advances increase the total number of conditions and diseases that can be addressed with appropriate medication. Dermapharm believes that the ageing of the population and the corresponding trend towards polypharmacy will positively affect demand for its pharmaceuticals and other healthcare products. **Increased Health Awareness and Self-Medication** Increased availability and access to medical information lead to increasing health awareness. The number of people actively utilizing the Internet to gather information on diseases and medical conditions is constantly growing. Through online research, patients can easily access various data on diseases, treatment options, relevant pharmaceuticals, pharmaceuticals manufacturers as well as patient reviews. The increased importance of the Internet also affects roads to market for pharmaceuticals. Increased health awareness drives a general trend towards self-medication (*i.e.*, patients administering OTC and other healthcare products for actual or perceived diseases and conditions, for preventive treatment as well as to increase their general well-being themselves). This trend has resulted in growing demand for such OTC and other healthcare products (*e.g.*, dietary products and food supplements). Dermapharm believes that increased health awareness and a trend towards self-medication will positively affect demand for its OTC and other healthcare products.
B.5	**The group and the issuer's position within the group.**	The Company is the holding company of Dermapharm. Dermapharm's business is conducted by Dermapharm Aktiengesellschaft ("**Dermapharm AG**") and its various subsidiaries. The group of consolidated companies comprising Dermapharm includes all companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and the equity interests of Dermapharm whose financial and business policy can be influenced by the Company to a significant extent. As of the date of this Prospectus, Dermapharm comprises 26 companies, of which twelve are based in Germany.
B.6	**Name of persons who, directly or indirectly, have a notifiable interest in the issuer's capital or voting rights.**	The Company's sole shareholder is Themis Beteiligungs-Aktiengesellschaft (the "**Selling Shareholder**"). The shareholders of the Selling Shareholder are Mr. Wilhelm Beier, who holds 80.00% of the shares of the Selling Shareholder as of the date of this Prospectus, Ms. Elisabeth Beier, who holds 19.26% of the shares of the Selling Shareholder as of the date of this Prospectus, and Mr. Michael Beier, who holds the remaining 0.74% of the shares of the Selling Shareholder as of the date of this Prospectus.
	Different voting rights of major shareholders of the issuer.	Not applicable. All of the Company's shares confer the same voting rights.
	Direct or indirect control.	The Company is directly controlled by the Selling Shareholder due to its ownership of all voting rights in the Company and, as a result, its power to govern the financial and operating policies of the Company. The Selling Shareholder, in turn, is directly controlled by Mr. Wilhelm Beier due to his ownership of the majority of the voting rights in the Selling Shareholder and, as a result, his power to govern the financial and operating policies of the Selling Shareholder.

B.7 Selected historical key financial information.

The financial information contained in the following tables and discussion is taken or derived from the audited consolidated financial statements of Dermapharm AG, the former parent entity of Dermapharm, as of and for the fiscal years ended December 31, 2016, 2015 and 2014, and the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017 as well as the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017. Additional financial information relating to certain operational information is taken or derived from Dermapharm's accounting records or internal reporting system. The audited consolidated financial statements and the audited individual financial statements were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"). The unaudited condensed consolidated interim financial statements were prepared in accordance with IAS 34.

Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Johannstraße 39, 40476 Dusseldorf, Germany, has audited and issued an unqualified audit opinion with respect to Dermapharm AG's consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014 as well as the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017. The aforementioned audited financial statements and the independent audit opinions thereon, and Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 are included in this Prospectus.

Where financial information in the following tables is labelled "audited", this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited consolidated financial statements mentioned above, but was taken either from the unaudited condensed interim consolidated financial statements mentioned above, or Dermapharm's internal reporting system, or has been calculated based on figures from the aforementioned sources.

All of the financial information presented in the text and tables below is shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregate amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals contained in the relevant tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

Selected Consolidated Financial Information of Dermapharm AG

Consolidated Statement of Comprehensive Income

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Revenue	**391.3**	**384.8**	**444.5**	**319.2**	**349.7**
Increase/decrease in finished goods and work-in-process	8.3	2.9	1.0	4.1	0.4
Own work capitalized	8.5	8.0	8.3	5.4	8.0
Other operating income	6.2	9.9	9.9	5.2	4.1
Cost of material	(237.1)	(215.9)	(252.8)	(181.5)	(196.0)
Personnel expenses	(57.7)	(55.7)	(58.7)	(42.0)	(46.5)
Depreciation and amortization	(28.3)	(22.9)	(14.4)	(10.3)	(11.2)
Other operating expenses	(48.0)	(50.3)	(51.0)	(35.1)	(38.1)
Operating income	**43.3**	**60.8**	**86.8**	**65.1**	**70.4**
Result from investments measured at equity	0.9	1.0	1.5	1.1	1.2
Financial income	3.3	9.4	7.3	4.1	3.3
Financial expenses	(12.0)	(15.8)	(12.7)	(8.4)	(7.8)
Earnings before taxes	**35.5**	**55.3**	**82.9**	**61.8**	**67.2**
Income taxes	(2.2)	(2.9)	(5.9)	(6.0)	(4.3)
Profit/loss for the period	**33.2**	**52.4**	**77.0**	**55.9**	**62.9**

Consolidated Statement of Financial Position

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited) (in € million)		(unaudited) (in € million)
Assets				
Intangible assets	71.7	68.0	70.0	129.7
Goodwill	21.6	16.4	17.0	17.0
Property, plant and equipment	56.5	53.4	53.4	52.9
Investments measured at equity	1.6	2.7	3.2	4.4
Investments	0.5	0.2	0.3	0.2
Other non-current financial assets	9.2	13.8	10.6	22.4
Deferred tax assets	1.0	0.0	0.2	1.7
Total non-current assets	**162.1**	**154.6**	**154.7**	**228.3**
Inventories	71.5	77.0	84.8	81.9
Trade accounts receivable	22.8	17.4	26.3	34.7
Other current financial assets	58.8	42.5	40.0	68.7
Other current assets	3.0	1.4	1.7	2.0
Income tax receivables – current	0.7	1.0	0.4	0.4
Cash and cash equivalents	11.6	2.8	3.8	12.6
Total current assets	**168.5**	**142.1**	**157.0**	**200.3**
Total assets	**330.6**	**296.7**	**311.7**	**428.6**

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited) (in € million)		(unaudited) (in € million)
Equity and liabilities				
Issued capital	1.3	1.3	1.3	1.3
Capital reserves	0.3	0.3	0.3	0.3
Retained earnings	28.6	39.5	56.3	70.0
Other reserves	(1.9)	0.1	(1.0)	(2.1)
Non-controlling interests	5.7	3.3	3.9	–
Total equity	**34.0**	**44.4**	**60.8**	**69.5**
Defined benefit obligations and other accrued employee benefits	12.4	12.1	13.3	13.3
Other provisions	0.1	–	–	–
Financial liabilities	161.5	151.1	96.9	235.4
Other non-current financial liabilities	9.9	14.1	10.5	8.1
Other non-current liabilities	15.6	13.3	11.5	10.4
Deferred tax liabilities	–	0.2	3.4	5.8
Total non-current liabilities	**199.6**	**190.7**	**135.5**	**272.9**
Other provisions	6.1	6.4	7.0	6.0
Financial liabilities	20.4	24.9	65.9	43.4
Trade accounts payable	27.4	18.1	24.5	19.3
Other current financial liabilities	30.6	2.4	4.3	2.1
Other current liabilities	11.4	8.2	11.0	11.5
Income tax liabilities	1.0	1.5	2.8	3.9
Total current liabilities	**97.0**	**61.6**	**115.4**	**86.2**
Total equity and liabilities	**330.6**	**296.7**	**311.7**	**428.6**

Consolidated Statement of Cash Flows

	As of and for the fiscal year ended December 31,			As of and for the nine-month period ended September 30,[1]	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Net cash flows from operating activities	54.3	40.4	76.8	47.6	62.6
Net cash flows used in investing activities	(21.9)	(0.9)	(12.3)	(11.7)	(84.9)
Net cash from/used in financing activities	3.0	(55.6)	(55.9)	(47.9)	14.1
Net increase/decrease in cash, cash equivalents and bank overdrafts	**35.3**	**(16.2)**	**8.6**	**(12.0)**	**(8.2)**
Cash, cash equivalents and bank overdrafts[2]	6.5	(9.6)	(1.1)	(21.6)	(9.3)

(1) Due to the termination of the Profit Transfer Agreement with effect from the end of December 31, 2017, Dermapharm AG has changed the composition of its consolidated statement of cash flows, which is already reflected in the financial information in the consolidated statement of cash flows shown in Dermapharm AG's unaudited condensed consolidated interim financial statements for the nine-month period ended September 30, 2017. As a result, certain comparable financial information with respect to the fiscal year ended December 31, 2016 shown in the consolidated statement of cash flows in the consolidated financial statements for the fiscal year ended December 31, 2017 will differ from the financial information shown in the consolidated statement of cash flows in Dermapharm AG's consolidated financial statements for the fiscal years ended December 31, 2016, 2015 and 2014.

(2) As at the end of the relevant period.

Selected Financial Information of the Company

	As of and for the period from July 12 to September 30
	2017
	(audited and in €)
Total assets	119,973.93
Total equity	119,973.93
Net loss	(26.07)
Net change in cash and cash equivalents	89,223.93

Additional Key Performance Indicators

The Company's management board uses EBITDA as a key performance indicator in order to assess the success of Dermapharm's business. In addition, Dermapharm believes that the working capital, leverage ratio and equity will be helpful for investors when assessing the performance and financial position of Dermapharm.

The following table provides additional operating and financial information with respect to Dermapharm for the periods and dates indicated:

	As of and for the fiscal year ended December 31,			As of and for the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited and in € million, unless otherwise specified)		(unaudited) (in € million, unless otherwise specified)	
Revenue	391.3	384.8	444.5	319.2	349.7
Revenue growth (unaudited and in %)[(1)]	–	*(1.7)*	*15.5*	–	*9.6*
EBIT (unaudited)	44.2	61.7	88.3	66.1	71.7
EBIT margin (unaudited and in %)[(2)]	*11.3*	*16.0*	*19.9*	*20.7*	*20.5*
EBITDA (unaudited)	72.5	84.6	102.7	76.4	82.9
EBITDA margin (unaudited and in %)[(3)]	*18.5*	*22.0*	*23.1*	*23.9*	*23.7*
Working capital (unaudited)[(4)]	58.5	69.5	77.3	–	87.8
Leverage ratio (unaudited and in %)[(4)]	*744.9*	*461.6*	*305.4*	–	*397.7*
Equity ratio (unaudited and in %)[(4)]	*8.6*	*13.9*	*18.3*	–	*16.2*

(1) Reflecting the percentage change between the relevant periods.
(2) Defined as the quotient of EBIT divided by revenues.
(3) Defined as the quotient of EBITDA divided by revenues.
(4) As at the end of the relevant period.

Significant changes to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.

The following significant changes in Dermapharm's financial condition and operating results occurred in the nine-month periods ended September 30, 2016 and 2017, in the fiscal years ended December 31, 2014, 2015 and 2016, and in the subsequent period:

Recent Developments

On October 1, 2017, Dermapharm completed the acquisition of all shares in Bio-Diät-Berlin Gesellschaft mit beschränkter Haftung and Kräuter Kühne GmbH.

In November 2017, axicorp Pharma B.V. settled claims brought by private health insurance providers in respect of rebates in an aggregate amount of approximately €1.2 million. Furthermore, it paid €1.9 million, plus interest in an amount of €0.2 million, in respect of rebates to private health insurance providers for which Dermapharm had already received invoices, but which had not yet been claimed by these private health insurance providers in court.

On November 19, 2017, Dermapharm repaid the then outstanding variable tranche in an amount of €6.5 million under the promissory note agreements (*Schuldscheindarlehen*) with Bayerische Landesbank.

On December 6, 2017, the Company's shareholders' meeting resolved to increase the Company's share capital from €120,000.00 by €49,880,000.00 to €50,000,000.00 by issuing 49,880,000 new shares in the Company against contributions in kind in the form of 104,960 shares in Dermapharm AG by the Selling Shareholder (corresponding to 20.0% of the share capital of Dermapharm AG). In addition, the Selling Shareholder contributed the remaining 419,840 shares in Dermapharm AG (corresponding to 80.0% of the share capital of Dermapharm AG) to the Company's free reserves (*freie Rücklagen*) without consideration. The contribution and transfer of all shares in Dermapharm AG were completed with effect from the end of December 31, 2017 and the consummation of the capital increase was registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on January 4, 2018.

On December 20, 2017, Dermapharm acquired all shares in Strathmann GmbH & Co. KG, its sole general partner Strathmann Service GmbH and Biokirch GmbH Pharmaproduktion und Ärzteservice (together, "**Strathmann**"). Strathmann distributes a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. In the fiscal year ended December 31, 2016, Strathmann generated aggregate revenues of €27.9 million and EBITDA of €3.7 million (based on Strathmann's financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* ("**HGB**"))).

The profit transfer agreement between the Selling Shareholder and Dermapharm AG (the "**Profit Transfer Agreement**") was terminated with effect from the end of December 31, 2017 (see C.7).

On January 2, 2018, Dermapharm repaid the final tranche under its profit participation rights in registered form (*auf den Namen lautende Genussrechte*) in an amount of €6.4 million.

On January 23, 2018, Dermapharm acquired all shares in Trommsdorff GmbH & Co. KG and its sole general partner Cl. Lageman Gesellschaft mit beschränkter Haftung (together, "**Trommsdorff**"). Trommsdorff manufactures and markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia. Trommsdorff also serves its former parent group as a toll manufacturer. In the fiscal year ended December 31, 2016, Trommsdorff generated aggregate revenues of €52.0 million and EBITDA of €10.6 million (based on Trommsdorff's financial statements prepared in accordance with HGB.

Nine-Month Periods Ended September 30, 2016 and September 30, 2017

In the nine-month period ended September 30, 2017, Dermapharm's revenues increased from €319.2 million in the nine-month period ended September 30, 2016 by €30.5 million, or 9.6%, to €349.7 million, reflecting the increase in sales for both pharmaceuticals and other healthcare products as well as parallel imports. Dermapharm's operating income also increased in the nine-month period ended September 30, 2017, rising from €65.1 million in the nine-month period ended September 30, 2016 by €5.3 million, or 8.1%, to €70.4 million as a result of the strong performance of Dermapharm's pharmaceuticals and other healthcare products business area. Due to these positive developments, Dermapharm's profit for the period increased by €7.0 million, or 12.5%, in the nine-month period ended September 30, 2017 from a profit of €55.9 million in the nine-month period ended September 30, 2016 to a profit of €62.9 million.

Fiscal Years Ended December 31, 2015 and December 31, 2016

Revenues increased from €384.8 million in the fiscal year ended December 31, 2015 by €59.7 million, or 15.5%, to €444.5 million in the fiscal year ended December 31, 2016, primarily due to rising sales of Dekristol® 20,000 I.E., which rose by 38.2%. Dermapharm's operating income increased from €60.8 million in the fiscal year ended December 31, 2015 by €26.0 million, or 42.8%, to €86.8 million in the fiscal year ended December 31, 2016, primarily due to Dermapharm's ability to increase gross profits and the reduction of personnel expenses. As a result of these positive developments, Dermapharm's profit for the period increased from €52.4 million in the fiscal year ended December 31, 2015 by €24.6 million, or 46.9%, to €77.0 million in the fiscal year ended December 31, 2016.

Fiscal Years Ended December 31, 2014 and December 31, 2015

In the fiscal year ended December 31, 2015, revenues decreased slightly from €391.3 million in the fiscal year ended December 31, 2014 by €6.5 million, or 1.7%, to €384.8 million, as an increase of sales of pharmaceuticals and other healthcare products was more than offset by the decrease in revenues from Dermapharm's parallel import business. Dermapharm's operating income increased from €43.3 million in the fiscal year ended December 31, 2014 by €17.5 million, or 40.4%, to €60.8 million in the fiscal year ended December 31, 2015, reflecting the increase of Dermapharm's gross profits. These positive developments are also reflected in Dermapharm's profit for the period, which increased from €33.2 million in the fiscal year ended December 31, 2014 by €19.2 million, or 57.8%, to €52.4 million in the fiscal year ended December 31, 2015.

B.8	**Selected key pro forma financial information.**	Not applicable. The Company has not prepared any pro forma financial information.
B.9	**Profit forecast or estimate.**	Not applicable. The Company has not prepared a profit forecast or profit estimate.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The audit opinions on the audited historical financial statements included in this Prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer's working capital.**	Not applicable. The Company is of the opinion that Dermapharm is in a position to meet the payment obligations that become due within the next twelve months.

C – Securities

C.1	**Type and class of the securities being offered and admitted to trading.**	This initial public offering (the "**Offering**") relates to the offering of 13,455,000 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00, consisting of: • 3,840,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against contributions in cash (the "**IPO Capital Increase**") to be resolved by an extraordinary shareholders' meeting of the Company on or about January 26, 2018 (the "**New Shares**"); • 7,860,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**"); and • 1,755,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

	Security identification number.	International Securities Identification Number (ISIN):	DE000A2GS5D8
		German Securities Code (*Wertpapierkennnummer* (*WKN*)):	A2GS5D
		Ticker Symbol:	DMP
C.2	**Currency of the securities issue.**	Euro.	
C.3	**Number of shares issued and fully paid and par value per share.**	As of the date of this Prospectus, the share capital of the Company amounts to €50,000,000.00 and is divided into 50,000,000 bearer shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00. The share capital has been fully paid up.	
C.4	**Rights attached to the securities.**	Each share in the Company carries one vote at the Company's shareholders' meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.	
C.5	**Restrictions on the free transferability of the securities.**	Not applicable. The Company's shares are freely transferable in accordance with the legal requirements for bearer shares. Except for the restrictions set forth in E.5, there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.	
C.6	**Application for admission to trading on a regulated market and identity of all the regulated markets where the securities are to be traded.**	The Company expects to apply for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on or about January 29, 2018. The listing approval (admission decision) for the Company's shares is expected to be granted on February 8, 2018. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on February 9, 2018.	
C.7	**Dividend policy.**	With respect to the fiscal year ended December 31, 2017, the Company will not distribute a dividend, since Dermapharm AG is required to transfer its profits for the fiscal year ended December 31, 2017, if any, to the Selling Shareholder under the Profit Transfer Agreement. However, Dermapharm AG has provided the Selling Shareholder with certain shareholder loans. Consequently, the claims of the Selling Shareholder under the Profit Transfer Agreement with respect to the fiscal year ended December 31, 2017 will be offset against Dermapharm AG's claims under these shareholder loans and Dermapharm AG expects that its claims will exceed those of the Selling Shareholder by more than €50 million. Starting with the fiscal year ending December 31, 2018, the Company intends to pay a dividend in the ordinary course of business of 50% to 60% of Dermapharm's profits for the respective fiscal year calculated in accordance with IFRS. The Company aims to have a sustainable dividend policy that focuses on dividend continuity.	

D – Risks

An investment in the Company's shares is subject to risks. Investors should carefully consider the following risks when deciding whether to invest in the Company's shares. The market price of the Company's shares could decline if any of these risks were to materialize, in which case investors could lose some or all of their investment.

The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could have a material adverse effect on the business, financial condition, cash flows, results of operations and prospects of Dermapharm. The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to the business, financial condition, cash flows, results of operations and prospects of Dermapharm. The risks mentioned herein may materialize individually or cumulatively.

D.1 Key risks that are specific to the issuer or its industry.

Market and Business related Risks

- Dermapharm could be adversely affected by developments in the German pharmaceuticals and healthcare markets.
- A significant portion of Dermapharm's revenues and EBITDA are derived from sales of a limited number of key products, in particular Dekristol® 20,000 I.E.
- Dermapharm may not be able to successfully develop and market new products.
- Dermapharm's efforts to expand its business into foreign markets expose Dermapharm to risks associated with operating in unknown jurisdictions.
- Dermapharm may be unable to identify and capitalize on attractive growth opportunities and even if it does engage in acquisitions, joint ventures or other business combinations, such transactions may not develop as originally anticipated.
- Dermapharm faces intense competition in all markets in which it operates.
- Dermapharm depends on its ability to successfully market its prescription pharmaceuticals to doctors who prescribe such pharmaceuticals to their patients.
- Rebate agreements with statutory health insurance providers may adversely affect Dermapharm's business.
- Healthcare reforms and related changes to the framework applicable to the pharmaceuticals industry may adversely affect Dermapharm's business.
- Dermapharm depends on market perceptions, particularly with respect to the safety, effectiveness and quality of its products.
- Dermapharm depends on a limited number of suppliers for the raw materials needed to manufacture its products and third-party manufacturers for its medical devices and interruptions in Dermapharm's supply chain could have a material adverse effect on its business.
- Disruptions of Dermapharm's manufacturing processes and delays when launching new products may adversely affect Dermapharm's business.
- A reduction of parallel import quotas or an establishment of export restrictions or pharmaceutical contingents and similar regulations may adversely affect Dermapharm's parallel import business.
- Dermapharm may not be able to resell pharmaceuticals it has imported as part of its parallel import business at attractive prices or at all.
- Dermapharm may not be able to introduce and source the pharmaceuticals required to maintain its parallel import product offering.

- If third parties were to sell Dermapharm counterfeit or defective pharmaceuticals as part of its parallel import business, Dermapharm could be held liable for distributing such pharmaceuticals.
- Dermapharm's existing financial liabilities could limit the cash flows available for its operations, and any default with respect to Dermapharm's financial liabilities could lead to the Company's insolvency.
- Dermapharm may be unable to raise additional funds on acceptable terms or at all, and an increase in the level of Dermapharm's indebtedness may adversely affect its business.

Regulatory, Legal and Tax Risks

- Dermapharm is required to comply with the extensive regulations that govern its products as well as other aspects of Dermapharm's business, and changes in the regulatory environment may force Dermapharm to incur additional costs.
- Dermapharm's existing compliance structure may not be sufficient and non-compliance with laws and regulations may adversely affect Dermapharm's business.
- Dermapharm may become involved in various legal proceedings, including patent litigation, which may expose Dermapharm to substantial liability or adversely impact its business.
- Dermapharm may face significant product liability claims that are not covered by insurance.
- Dermapharm may be adversely affected by changes to the general tax environment and future tax audits and investigations, all of which may increase Dermapharm's tax burden.

D.3 Key risks specific to the securities.

Risks related to the Company's Shareholder Structure, the Shares and the Offering

- The Company's shares have not previously been publicly traded, and there is no guarantee that an active and liquid market for these shares will develop.
- The Company's share price could fluctuate significantly, and investors could lose part or all of their investment in the Company's shares.
- The Company may not be able to pay dividends in the foreseeable future.
- Following this Offering, the Selling Shareholder will retain a significant interest in the Company and the interests of the Selling Shareholder may conflict with those of the Company and its other shareholders.
- Future offerings of debt or equity securities by the Company could adversely affect the market price of the Company's shares, and future capital measures could lead to a substantial dilution of the Company's shareholders (*i.e.*, a reduction in the value of existing shareholders' interests in the Company).
- Future sales by major shareholders could have a material adverse effect on the price of the Company's shares.

E – Offer

E.1	**Total net proceeds.**	The Company will only receive the proceeds of the Offering resulting from the sale of the New Shares. The Company will not receive any proceeds from the sale of the Existing Shares or the Over-Allotment Shares from the holdings of the Selling Shareholder. Assuming that the maximum number of New Shares (*i.e.*, 3,840,000 shares) is placed, the Company estimates that at the low end, mid-point or high end of the price range for the Offering within which purchase orders may be placed of €26.00 to €30.00 per Offer Share (the "**Price Range**"), gross proceeds attributable to the Company would amount to approximately €99.8 million, €107.5 million or €115.2 million, respectively, and net proceeds would amount to approximately €96.0 million, €103.5 million and €111.0 million, respectively. Assuming a placement of all 7,860,000 Existing Shares and full exercise of the Greenshoe Option (as defined in E.3) totaling 1,755,000 shares, the Company estimates that at the low end, mid-point and high end of the Price Range, gross proceeds attributable to the Selling Shareholder would amount to approximately €250.0 million, €269.2 million and €288.5 million, respectively, and net proceeds would amount to approximately €240.9 million, €259.6 million and €278.4 million, respectively.
	Estimate of the total expenses of the issue/offer.	The costs of the Company and the Selling Shareholder related to the Offering of the Offer Shares and listing of the Company's entire share capital, including underwriting and placement commissions payable to Berenberg and the fixed fee payable to ODDO BHF, are expected to total approximately €13.6 million at the mid-point of the Price Range (assuming placement of all Base Shares, full exercise of the Greenshoe Option (as defined in E.3) and payment of the discretionary fee in full); of the total costs, the Selling Shareholder will bear approximately €9.6 million and the Company will bear the remaining amount of approximately €4.0 million.
	Estimated expenses charged to the investor.	Not applicable. Investors will not be charged expenses by the Company, the Selling Shareholder or the Offering Banks. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.
E.2a	**Reasons for the offering.**	The Company intends to pursue the Offering and list its shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub segment with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to receive the net proceeds from the Offering attributable to the Company and to gain access to the capital markets. The Selling Shareholder intends to pursue the Offering to receive the net proceeds from the Offering attributable to the Selling Shareholder and to diversify its investments.
	Use of proceeds.	The Company currently intends to use the net proceeds attributable to the Company as follows: approximately €35 million are to be spent on in-house developments and an upgrade of Dermapharm's manufacturing facilities in Brehna, Germany, and a new manufacturing facility in Neumarkt am Wallersee, Austria, approximately €20 million for Dermapharm's efforts to increase its international footprint (*e.g.*, for founding new enterprises in additional markets, hiring local sales managers and sales personnel and similar investments) and between approximately €40 million and €50 million on the partial refinancing of a loan provided by Baden-Württembergische Bank to partially finance the acquisition of Trommsdorff. The Company currently intends to spend any remaining net proceeds on general corporate purposes.

	Estimated net amount of the proceeds.	Assuming that the maximum number of New Shares (*i.e.*, 3,840,000 shares) is placed, the Company estimates that at the low end, mid-point and high end of the Price Range, gross proceeds attributable to the Company would amount to approximately €99.8 million, €107.5 million and €115.2 million, respectively, and net proceeds would amount to approximately €96.0 million, €103.5 million and €111.0 million, respectively.
E.3	**Terms and conditions of the offer.**	The Offering consists of initial public offerings in Germany and Luxembourg and private placements in certain jurisdictions outside Germany and Luxembourg. In the United States of America, the Offer Shares will only be offered and sold to qualified institutional buyers as defined in, and in reliance on, Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Outside the United States of America, the Offer Shares will be offered and sold only in offshore transactions in compliance with Regulation S under the Securities Act.
	Offer Period.	The period during which investors may submit purchase orders for the Offer Shares is expected to commence on January 29, 2018, and to expire on February 8, 2018 (the "**Offer Period**").
	Offer Price.	The offer price for this Offering (the "**Offer Price**") and the final number of Offer Shares placed in the Offering will be determined at the end of the bookbuilding process by the Company and the Selling Shareholder after consultation with Berenberg and are expected to be published on or about February 8, 2018. Should the placement volume prove insufficient to satisfy all orders placed at the Offer Price, Berenberg, on behalf of the Offering Banks, reserves the right to reject orders, or to only accept them in part.
	Delivery and Settlement.	Delivery of the Offer Shares against payment of the Offer Price is expected to take place on February 13, 2018. The Offer Shares will be made available to investors as co-ownership interests in the global share certificates.
	Stabilization Measures, Over-Allotments and Greenshoe Option.	In connection with the placement of the Offer Shares, Berenberg will act as the stabilization manager and may, as stabilization manager, make over-allotments and take stabilization measures. As a result of these stabilization measures, investors may, in addition to the Base Shares, be allocated up to 1,755,000 Over-Allotment Shares as part of the allocation of the Offer Shares. For this purpose, Berenberg will be provided with 1,755,000 Over-Allotment Shares from the holdings of the Selling Shareholder in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. The Selling Shareholder will grant Berenberg an option to acquire a number of the Company's shares equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**"). The Greenshoe Option may only be exercised during the stabilization period and will terminate 30 calendar days after the commencement of trading of the Company's shares. Berenberg is entitled to exercise the Greenshoe Option to the extent Over-Allotment Shares were allocated to investors in the Offering. The number of Over-Allotment Shares acquired under the Greenshoe Option is to be reduced by any shares of the Company held by Berenberg when the Greenshoe Option is exercised, if such shares were acquired by Berenberg in the context of stabilization measures.

E.4	**Interests material to the issue/offer.**	Subject to the placement of the Existing Shares and the exercise of the Greenshoe Option, the Selling Shareholder will receive the proceeds from the sale of the Existing Shares and the Over-Allotment Shares (after deduction of fees and commissions). Accordingly, the Selling Shareholder has an interest in the success of the Offering at the best possible terms. In connection with the Offering and the admission to trading of the Company's shares, the Offering Banks have formed a contractual relationship with the Company and the Selling Shareholder. Berenberg is acting for the Company and the Selling Shareholder on the Offering and on coordinating the structuring and execution of the Offering. Upon successful completion of the Offering, Berenberg will receive a commission and the size of this commission depends on the results of the Offering. As a result, Berenberg has a financial interest in the success of the Offering at the best possible terms. ODDO BHF is acting as co-lead manager and will receive a fixed fee for its services in connection with the Offering. As a result, ODDO BHF has a financial interest in the success of the Offering. The Offering Banks or their respective affiliates have, and may from time to time in the future continue to have, business relations with Dermapharm and the Selling Shareholder, including lending activities, or may perform services for Dermapharm or the Selling Shareholder in the ordinary course of business.
	Conflicting interests.	Not applicable. There are no conflicting interests with respect to the Offering or the listing of the Company's shares
E.5	**Name of the person or entity offering to sell the security and lock-up agreements**	The Offer Shares are being offered for sale by the Offering Banks. In the underwriting agreement, entered into between the Company, the Selling Shareholder and the Offering Banks on January 26, 2018, the Company agreed that, during the period commencing on January 26, 2018 and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 9, 2018), to the extent legally permissible, without the prior written consent of Berenberg, which may not be unreasonably withheld, the Company will not: • announce or effect an increase of the share capital of the Company from authorized capital; • propose to its shareholders' meeting an increase of the share capital; or • announce, effect or propose the issuance of securities with conversion or option rights on shares of the Company or economically similar transactions. The foregoing will not apply to any capital increase in connection with the Offering. Furthermore, the Company may (i) issue or sell any shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under management participation plans and (ii) pursue any corporate actions undertaken by the Company for the purpose of entering into any agreement regarding, or resolve upon, the entering into any joint venture or the acquisition of any companies, provided that the parties to the joint venture or acquiring entity to which such shares will be issued agree towards Berenberg to be bound by the same lock-up undertaking as the Selling Shareholder.

In addition, for the period commencing January 26, 2018 and ending twelve months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 9, 2018), the Selling Shareholder has agreed that it will not, without the prior written consent of Berenberg, which may not be unreasonably withheld:

- sell, market, transfer or otherwise dispose of, either directly or indirectly, any shares or other securities in the Company; or
- enter into any transaction economically equivalent to a sale of shares of the Company (*e.g.*, the issuance of options or conversion rights on shares of the Company).

The foregoing shall not apply to (i) transfers to affiliates or legal successors of the Selling Shareholder or to Mr. Wilhelm Beier, his spouse or his children, (ii) future pledges granted to Berenberg or its affiliates having been agreed by Berenberg, and (iii) any transfers of shares to Berenberg or its affiliates pursuant to enforcement of any pledge entered into in accordance with (ii), provided in each case that such transferee(s) agree(s) towards Berenberg to be bound by the same lock-up undertaking.

E.6 Amount and percentage of immediate dilution resulting from the offer.

According to Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017, Dermapharm's net book value (*i.e.*, total assets less total non-current liabilities and total current liabilities) amounted to €69.5 million as of September 30, 2017, and would amount to €1.39 per share of the Company based on 50,000,000 outstanding shares of the Company immediately prior to the Offering. Dermapharm's net book value is shown as total equity in Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017.

The dilutive effect of the Offering is illustrated in the table below, demonstrating the amount by which the Offer Price exceeds the net book value per share after completion of the Offering and assuming the Offering had been completed on September 30, 2017. In this respect, the net book value as of September 30, 2017 is adjusted for the effects of the successful completion of the Offering, assuming (i) the execution of the IPO Capital Increase for the maximum number of New Shares and (ii) an increase in the net book value by €103.5 million (assuming successful placement of all New Shares at the mid-point of the Price Range and not taking into account any tax effects). The adjusted net book value is expressed as a per share figure, assuming 53,840,000 shares of the Company outstanding upon completion of the Offering (this per share figure being referred to as the "**Post-IPO Equity**"):

	As of September 30, 2017 (unaudited) (in €, unless otherwise specified)
Net book value per share as of September 30, 2017[(1)]	1.39
Total net proceeds from the Offering attributable to the Company (in € million)[(2)]	103.5
Post-IPO Equity per share[(3)]	3.21
Amount by which the offer price exceeds the Post-IPO Equity per share (immediate dilution of new shareholders of the Company)	24.79
Percentage by which the Offer Price exceeds the Post-IPO Equity per share (in %)	*771.5*
Amount by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (immediate accretion to the existing shareholders of the Company)	1.82
Percentage by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (in %)	*131.2*

(1) Based on 50,000,000 outstanding shares of the Company immediately prior to the Offering and a net book value of Dermapharm in an amount of €69.5 million as of September 30, 2017. Shown as total equity in Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017.

(2) Assuming successful placement of 3,840,000 New Shares at the mid-point of the Price Range and total costs of the Offering to be borne by the Company in an amount of €4.0 million, including underwriting and placement commissions payable to Berenberg as well as the fixed fee payable to ODDO BHF and assuming payment of the discretionary fee in full.

(3) Based on 53,840,000 shares of the Company outstanding following completion of the Offering.

		Each of the New Shares will have the same voting rights as the Company's existing shares. Prior to the Offering, the Selling Shareholder held 100.0% of the voting rights in the Company. Upon completion of the Offering (assuming full exercise of the Greenshoe Option and issuance of all New Shares), the aggregate voting rights held by the Selling Shareholder would amount to 75.0%.
E.7	**Estimated expenses charged to the investor by the issuer or offeror.**	Not applicable. Investors will not be charged expenses by the Company, the Selling Shareholder or the Offering Banks. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

II. ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus geforderten Angaben, die als Punkte („**Punkte**") bezeichnet werden. Diese Punkte sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art von Wertpapier und Emittentin in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art des Wertpapiers und der Emittentin in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In solchen Fällen enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „Entfällt".*

A – Einleitung und Warnhinweise

A.1 Warnhinweise.	Diese Zusammenfassung sollte als Einführung zu diesem Prospekt (der „**Prospekt**") verstanden werden. Der Anleger sollte jede Entscheidung zur Anlage in die Wertpapiere auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Mitgliedstaaten des Europäischen Wirtschaftsraums („**EWR Mitgliedstaaten**") die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Die Dermapharm Holding SE (die „**Gesellschaft**" und zusammen mit ihren direkten und indirekten, konsolidierten Tochtergesellschaften „**Dermapharm**"), zusammen mit Joh. Berenberg, Gossler & Co. KG, Hamburg, Deutschland („**Berenberg**"), und ODDO BHF Aktiengesellschaft, Frankfurt am Main, Deutschland („**ODDO BHF**" und zusammen mit Berenberg die „**Anbietenden Banken**"), haben nach § 5 Abs. 2b Nr. 4 des Wertpapierprospektgesetzes die Verantwortung für den Inhalt dieser Zusammenfassung, einschließlich etwaiger Übersetzungen hiervon, übernommen. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen hiervon übernommen haben oder von denen der Erlass ausgeht, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2 Angaben über eine spätere Verwendung des Prospekts.	Entfällt. Eine Zustimmung der Gesellschaft zur Verwendung dieses Prospekts für eine spätere Weiterveräußerung oder Platzierung der Aktien wurde nicht erteilt.

B – Emittent

B.1 Gesetzliche und kommerzielle Bezeichnung des Emittenten.	Die juristische Bezeichnung der Gesellschaft lautet Dermapharm Holding SE. Die Gesellschaft ist die Holdinggesellschaft von Dermapharm und betreibt ihr Geschäft unter dem Handelsnamen „Dermapharm". Dermapharm betreibt ihr Geschäft auch unter weiteren Handelsnamen, insbesondere „mibe", „Hübner" und „axicorp" sowie unter individuellen Marken für ihre spezifischen Arzneimittel und anderen Gesundheitsprodukte.
B.2 Sitz und Rechtsform des Emittenten, das für den Emittenten geltende Recht und Land der Gründung der Gesellschaft.	Die Gesellschaft hat ihren satzungsmäßigen Sitz am Lil-Dagover-Ring 7, 82031 Grünwald, Deutschland (Telefon: +49 (0) 89 6 41 86 0), und ist im Handelsregister des Amtsgerichts München, Deutschland, unter HRB 234575 eingetragen. Die Gesellschaft ist eine Europäische Gesellschaft (*Societas Europaea* (*SE*)) und unterliegt daher europäischem Recht, insbesondere Verordnung (EG) Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE) in der jeweils gültigen Fassung. Als eine in Deutschland eingetragene Gesellschaft unterliegt die Gesellschaft auch deutschem Recht.

B.3 Geschäfts-tätigkeit und Haupttätigkeiten des Emittenten samt der hierfür wesentlichen Faktoren.

Dermapharm ist eine führende Herstellerin von Markenarzneimitteln für ausgewählte Märkte in Deutschland mit einer expandierenden internationalen Aufstellung. Sie nutzt ihre Expertise im Hinblick auf Rezepturen und Entwicklungen, um eine breite Palette von Markenarzneimitteln, die nicht mehr patentgeschützt sind, zu entwickeln, herzustellen und zu vermarkten. Dermapharm verfügt über mehr als 900 Arzneimittelzulassungen für mehr als 200 Pharmawirkstoffe (*active pharmaceutical ingredients* („**APIs**")). Dermapharm bietet zudem ein wachsendes Portfolio an anderen Gesundheitsprodukten an, unter anderem Kosmetika, Nahrungsergänzungsmittel, Diätprodukte und Medizinprodukte. Zusätzlich setzt Dermapharm ihre Kompetenz im Direktmarketing wirksam ein, indem sie Arzneimittel aus anderen EWR Mitgliedstaaten zum Weiterverkauf im deutschen Markt importiert, um von Preisdifferenzen zwischen diesen Märkten zu profitieren.

Dermapharm ist primär in Deutschland tätig, das nicht nur Europas führende Volkswirtschaft ist, sondern mit Gesamtumsätzen von €36,7 Milliarden im zum 31. Dezember 2016 endenden Geschäftsjahr (basierend auf Herstellerabgabepreisen) auch der größte Markt für Arzneimittel (*Quelle: IQVIA*). Der deutsche Arzneimittelmarkt profitiert von bestimmten grundlegenden Trends, wie der Alterung der Bevölkerung, der Chronifizierung von Krankheiten, einem zunehmenden Gesundheitsbewusstsein sowie höheren Ausgaben für rezeptfreie Arzneimittel (*over the counter pharmaceuticals* („**OTC**")) und andere Gesundheitsprodukte, was die Zunahme der Selbstmedikation widerspiegelt. Dermapharm geht davon aus, dass sie von diesen Trends profitiert und dass dies auch in Zukunft der Fall sein wird. Die Verkäufe von Dermapharm in Deutschland machten rund 92,6% des Umsatzes von Dermapharm im zum 30. September 2017 endenden Neunmonatszeitraum aus. Dermapharm ist auch in Österreich und der Schweiz tätig. Die Verkäufe in diesen Ländern machten rund 4,9% des Umsatzes von Dermapharm in derselben Neunmonatsperiode aus. Dermapharm plant, ausgewählte Produkte aus dem bestehenden Produktportfolio sowie neu entwickelte Produkte in zusätzlichen Märkten einzuführen.

Arzneimittel und andere Gesundheitsprodukte

Die Arzneimittel und anderen Gesundheitsprodukte von Dermapharm decken durch ein breites Sortiment an Produkten, die unter bekannten Markennamen vertrieben werden, zahlreiche Produktbereiche ab. Dermapharm fokussiert sich auf die Entwicklung, Herstellung und Vermarktung von Arzneimitteln und anderen Gesundheitsprodukten für spezifisch ausgewählte Märkte, in denen Dermapharm im Allgemeinen einen signifikanten Marktanteil hält und attraktive Margen erwirtschaftet. Dermapharm ist durch ihr Vitamin D Präparat Dekristol® 20.000 I.E. die Marktführerin für verschreibungspflichtige Vitamine in Deutschland (basierend auf der Anzahl der Verschreibungen und der Umsätze, ohne Berücksichtigung von Krankenhausumsätzen (*Quellen: INSIGHT Health; Informationen der Gesellschaft*)). Ihr breites Produktsortiment hat Dermapharm zugleich zur Marktführerin für verschreibungspflichtige dermatologische Produkte und systemische Kortikoide gemacht (basierend auf der Anzahl der Verschreibungen und der Umsätze für von Dermapharm angebotene APIs, ohne Berücksichtigung von Krankenhausumsätzen (*Quellen: INSIGHT Health; Informationen der Gesellschaft*)). Für OTC Produkte kann Dermapharm ihre Expertise bei der Entwicklung und Vermarktung von verschreibungspflichtigen Arzneimitteln wirksam nutzen, um die erforderlichen Marktzulassungen rasch und kosteneffizient zu erlangen. Andere Gesundheitsprodukte können ohne Marktzulassungen vertrieben werden und Dermapharm profitiert von ihren langjährigen Geschäftsbeziehungen zu Apotheken auf Basis ihres Pharmageschäfts sowie bekannter Marken. Im zum 30. September 2017 endenden Neunmonatszeitraum entfielen 46,8% des Umsatzes und 93,8% des Ergebnisses vor Zinsen, Steuern und Abschreibungen (*earnings before interest, taxes, depreciation and amortization* („**EBITDA**")) von Dermapharm auf Arzneimittel und andere Gesundheitsprodukte.

Parallelimporte

Das Parallelimportgeschäft von Dermapharm, das unter der bekannten Marke „axicorp" operiert, wird durch die gesetzliche Vorgabe begünstigt, dass mindestens 5% aller verschreibungspflichtigen Arzneimittel, die im Rahmen des gesetzlichen Gesundheitssystems in Deutschland verkauft werden, aus anderen EWR Mitgliedstaaten importiert werden müssen, um zur Senkung der Gesundheitskosten beizutragen. Der tatsächliche Marktanteil von Parallelimporten in Deutschland übersteigt diesen Anteil und belief sich auf rund 8,6% im zum 31. Dezember 2016 endenden Geschäftsjahr (*Quelle: INSIGHT Health*). Im gleichen Geschäftsjahr deckte Dermapharm etwa 89% der verschreibungspflichtigen Arzneimittel, die zum Weiterverkauf auf dem deutschen Parallelimportmarkt zur Verfügung standen, ab und war der viertgrößte Parallelimporteur in Deutschland (*Quelle: INSIGHT Health*). Ihre starke Marktexpertise sowie ihre stringente Planung, die kontinuierlich von Verkaufs- und Beschaffungsexperten weiterentwickelt wird, erlauben es Dermapharm, einen geeigneten Produktmix sicherzustellen und somit ihre angepeilte Gewinnmarge einzuhalten. Auf Parallelimporte, einschließlich bestimmter OTC Produkte, die von der axicorp GmbH und deren direkten und indirekten Tochtergesellschaften vermarktet wurden, entfielen 53,2% des Umsatzes und 6,1% des EBITDA von Dermapharm im zum 30. September 2017 endenden Neunmonatszeitraum.

Im zum 31. Dezember 2016 endenden Geschäftsjahr erzielte Dermapharm einen Umsatz von €444,5 Mio. und ein EBITDA von €102,7 Mio. Im zum 30. September 2017 endenden Neunmonatszeitraum beliefen sich der Umsatz von Dermapharm auf €349,7 Mio. und ihr EBITDA auf €82,9 Mio.

Dermapharm glaubt, dass die Entwicklung ihres Unternehmens durch folgende Stärken unterstützt wird:

- Führende Arzneimittelherstellerin in attraktiven, ausgewählten Produktbereichen mit einer breiten Produktdiversifizierung.
- Strategischer Fokus auf ausgewählte Märkte mit besonders attraktiven Margen.
- Historie von erfolgreichen Produktentwicklungen, unterstützt durch operative Spitzenleistungen und einen „Alles unter einem Dach" Ansatz.
- Effektive Verkaufsorganisation.
- Breites Produktangebot für Parallelimporte, das von einer hochintegrierten Organisation beschafft und vermarktet wird.
- Hohe Profitabilität mit glaubwürdiger Erzielung von Cashflows und signifikanter Dividendenkapazität.
- Höchst erfahrenes und engagiertes Führungsteam mit einer erwiesenen Erfolgsgeschichte.

Die Schlüsselelemente der Strategie von Dermapharm sind:

- Dermapharm strebt danach, ihr Produktportfolio durch die Einführung neuer Produkte, die sie selbst entwickelt, zu erweitern.
- Dermapharm plant, ihre internationale Präsenz zu vergrößern.
- Dermapharm beabsichtigt, ihre Erfolgsgeschichte gelungener Übernahmen fortzusetzen, um ihr Wachstum und ihre Profitabilität weiter zu stärken.
- Dermapharm strebt danach, die Verkaufszahlen von OTC und anderen Gesundheitsprodukten durch zielgerichtete Vermarktungsbemühungen zu steigern.
- Dermapharm plant, die Abläufe und Marktanalysen für ihr Parallelimportgeschäft weiter zu optimieren.

B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.**	Der Arzneimittelmarkt wird derzeit von einer Reihe von wesentlichen Trends beeinflusst, die zusammen Auswirkungen auf die Leistung einzelner Arzneimittelhersteller wie Dermapharm haben. Diese Trends sind insbesondere: **Demographische Entwicklungen und die Chronifizierung von Krankheiten** Während die Weltbevölkerung rasant wächst, herrscht eine signifikante Disparität zwischen Entwicklungsländern und den am höchsten entwickelten Ländern, einschließlich Deutschland, wo die Geburtenraten bestenfalls stabil sind. Gleichzeitig wächst die durchschnittliche Lebensdauer, was zu einem wachsenden Anteil älterer Menschen führt. Die Alterung der Bevölkerung erhöht auch die Häufigkeit verschiedener altersbedingter Krankheiten und Beschwerden. Bei älteren Menschen besteht im Durchschnitt eine höhere Wahrscheinlichkeit, dass diese mehrere Arzneimittel zur gleichen Zeit einnehmen. Zudem führen medizinische Fortschritte dazu, dass eine größere Zahl von Krankheiten und Beschwerden mit entsprechenden Medikamenten behandelt werden kann. Dermapharm geht davon aus, dass sich die Alterung der Bevölkerung und der damit einhergehende Trend zur Multimedikation positiv auf die Nachfrage nach den Arzneimitteln und anderen Gesundheitsprodukten von Dermapharm auswirken werden. **Gestiegenes Gesundheitsbewusstsein und Selbstmedikation** Die erhöhte Verfügbarkeit von sowie der bessere Zugang zu medizinischen Informationen führen zu einem größeren Gesundheitsbewusstsein. Die Anzahl der Menschen, die das Internet aktiv zur Sammlung von Informationen über Krankheiten und Beschwerden nutzen, wächst stetig. Durch online Recherchen können Patienten leicht auf diverse Daten im Hinblick auf Krankheiten, Behandlungsmöglichkeiten, einschlägige Arzneimittel, Arzneimittelhersteller sowie Bewertungen durch andere Patienten zugreifen. Der gestiegene Stellenwert des Internets beeinflusst auch den Marktzugang von Arzneimitteln. Das größere Gesundheitsbewusstsein führt zu einem allgemeinen Trend hin zur Selbstmedikation (d.h. Patienten nehmen eigenständig OTC und andere Gesundheitsprodukte für tatsächliche oder eingebildete Krankheiten und Beschwerden sowie zur Prävention und zur aktiven Verbesserung ihres Wohlbefindens ein). Dieser Trend hat zu einer wachsenden Nachfrage nach solchen OTC und anderen Gesundheitsprodukten geführt (z.B. Diätprodukte und Nahrungsergänzungsmittel). Dermapharm ist der Ansicht, dass sich das größere Gesundheitsbewusstsein und der Trend hin zur Selbstmedikation positiv auf die Nachfrage nach den OTC und anderen Gesundheitsprodukten von Dermapharm auswirken werden.
B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**	Die Gesellschaft ist die Holdinggesellschaft von Dermapharm. Dermapharm betreibt ihr Unternehmen durch die Dermapharm Aktiengesellschaft (die „**Dermapharm AG**") sowie deren diverse Tochtergesellschaften. Die Gruppe der konsolidierten Gesellschaften, aus denen Dermapharm besteht, beinhaltet alle Gesellschaften, deren Finanz- und Geschäftspolitik die Gesellschaft direkt oder indirekt kontrollieren kann sowie jene Beteiligungen von Dermapharm, deren Finanz- und Geschäftspolitik die Gesellschaft in signifikantem Maße beeinflusst werden können. Zum Datum dieses Prospekts umfasst Dermapharm 26 Gesellschaften, von denen zwölf in Deutschland ansässig sind.
B.6	**Name jeder Person, die eine meldepflichtige direkte oder indirekte Beteiligung am Eigenkapital des Emittenten oder einen Teil der Stimmrechte hält.**	Die Alleingesellschafterin der Gesellschaft ist die Themis Beteiligungs-Aktiengesellschaft (die „**Veräußernde Aktionärin**"). Die Aktionäre der Veräußernden Aktionärin sind Herr Wilhelm Beier, der zum Datum dieses Prospekts 80,00% der Aktien der Veräußernden Aktionärin hält, Frau Elisabeth Beier, die zum Datum dieses Prospekts 19,26% der Aktien der Veräußernden Aktionärin hält und Herr Michael Beier, der zum Datum dieses Prospekts die verbleibenden 0,74% der Aktien der Veräußernden Aktionärin hält.

	Unterschiedliche Stimmrechte der Hauptanteils-eigner.	Entfällt. Alle Aktien gewähren die gleichen Stimmrechte.
	Unmittelbare oder mittelbare Beteiligungen oder Beherrschungs-verhältnisse.	Die Gesellschaft wird von der Veräußernden Aktionärin aufgrund deren Haltens sämtlicher Stimmrechte an der Gesellschaft und der daraus resultierenden Möglichkeit, die Finanz- und Geschäftspolitik der Gesellschaft zu bestimmen, direkt beherrscht. Die Veräußernde Aktionärin wiederum wird direkt von Herrn Wilhelm Beier beherrscht da diesem die Mehrheit der Stimmrechte an der Veräußernden Aktionärin gehören und er folglich die Möglichkeit hat, die Finanz- und Geschäftspolitik der Veräußernden Aktionärin zu bestimmen.
B.7	**Ausgewählte wesentliche historische Finanz-informationen.**	Die in den nachfolgenden Tabellen und der Diskussion enthaltenen Finanzinformationen wurden dem geprüften Konzernabschluss der Dermapharm AG, des früheren Mutterunternehmens von Dermapharm, für die zum 31 Dezember 2016, 2015 and 2014 endenden Geschäftsjahre sowie dem ungeprüften verkürzten Konzernzwischenabschluss der Dermapharm AG für den zum 30. September 2017 endenden Neunmonatszeitraum und dem Einzelabschluss der Gesellschaft zum 30. September 2017 sowie für den Zeitraum vom 12. Juli 2017 bis zum 30. September 2017 entnommen oder aus diesen abgeleitet. Zusätzliche Finanzinformationen in Bezug auf bestimmte operative Informationen wurden der Buchführung oder dem internen Berichtswesen von Dermapharm entnommen oder aus diesen abgeleitet. Der geprüfte Konzernabschluss sowie der geprüfte Einzelabschluss wurden in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind („**IFRS**"), erstellt. Der ungeprüfte, verkürzte Konzernzwischenabschluss wurde in Übereinstimmung mit IAS 34 erstellt. Die Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Johannstraße 39, 40476 Düsseldorf, Deutschland, hat den Konzernabschluss der Dermapharm AG für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre sowie den Einzelabschluss der Gesellschaft zum 30. September 2017 sowie für den Zeitraum vom 12. Juli 2017 bis zum 30. September 2017 geprüft und uneingeschränkte Bestätigungsvermerke erteilt Der vorgenannten geprüften Abschlüsse, die dazugehörigen Bestätigungsvermerke des unabhängigen Abschlussprüfers und der ungeprüfte verkürzte Konzernzwischenabschluss der Dermapharm AG für den zum 30. September 2017 endenden Neunmonatszeitraum sind in diesem Prospekt enthalten. Soweit Finanzinformationen in den folgenden Tabellen mit „geprüft" gekennzeichnet sind, bedeutet dies, dass sie dem oben erwähnten geprüften Konzernabschluss entnommen wurden. Mit der Kennzeichnung „ungeprüft" werden in den folgenden Tabellen Finanzinformationen gekennzeichnet, die nicht dem oben erwähnten geprüften Abschluss entnommen wurden, sondern entweder dem oben erwähnten ungeprüften verkürzten Konzernzwischenabschluss oder dem internem Berichtswesen von Dermapharm entnommen oder auf Grundlage von Zahlen aus den zuvor genannten Quellen berechnet wurden.

Die im nachfolgendem Text und den untenstehenden Tabellen aufgeführten Finanzinformationen werden in Millionen Euro (€ Mio.) gezeigt, soweit nicht anders angegeben. Bestimmte Finanzinformationen (einschließlich von Prozentsätzen) in den untenstehenden Tabellen wurden auf eine Dezimalstelle hinter dem Komma kaufmännisch gerundet. Daher entsprechen die Gesamtwerte (Summen oder Zwischensummen oder Differenzen oder Zahlen, die in Bezug zueinander stehen) in den untenstehenden Tabellen möglicherweise nicht in allen Fällen den Gesamtwerten der zugrundeliegenden (ungerundeten) Zahlen, die an anderer Stelle in diesem Prospekt erscheinen. Weiterhin kann die Addition dieser gerundeten Zahlen in jenen Tabellen von den in den Tabellen enthaltenen Summen abweichen. Bei in Klammern angegebenen Finanzinformationen handelt es sich um den negativen Wert der gezeigten Zahlen. In Bezug auf den Ausweis von Finanzinformationen in diesem Prospekt bedeutet ein Gedankenstrich („–"), dass die jeweilige Zahl nicht verfügbar ist, während eine Null („0,0") bedeutet, dass die jeweilige Zahl zwar verfügbar ist, sie aber auf Null gerundet wurde.

Ausgewählte Konzernfinanzinformationen der Dermapharm AG

Konzerngesamtergebnisrechnung

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2014	2015	2016	2016	2017
		(geprüft) (in € Mio.)		(ungeprüft) (in € Mio.)	
Umsatzerlöse	**391,3**	**384,8**	**444,5**	**319,2**	**349,7**
Erhöhung/Verminderung des Bestands an fertigen und unfertigen Erzeugnissen	8,3	2,9	1,0	4,1	0,4
Aktivierte Eigenleistungen	8,5	8,0	8,3	5,4	8,0
Sonstige betriebliche Erträge	6,2	9,9	9,9	5,2	4,1
Materialaufwand	(237,1)	(215,9)	(252,8)	(181,5)	(196,0)
Personalaufwand	(57,7)	(55,7)	(58,7)	(42,0)	(46,5)
Abschreibungen	(28,3)	(22,9)	(14,4)	(10,3)	(11,2)
Sonstige betriebliche Aufwendungen	(48,0)	(50,3)	(51,0)	(35,1)	(38,1)
Operatives Ergebnis	**43,3**	**60,8**	**86,8**	**65,1**	**70,4**
Ergebnis aus der nach der Equity Methode bilanzierten Beteiligungen	0,9	1,0	1,5	1,1	1,2
Finanzerträge	3,3	9,4	7,3	4,1	3,3
Finanzaufwendungen	(12,0)	(15,8)	(12,7)	(8,4)	(7,8)
Ergebnis vor Steuern	**35,5**	**55,3**	**82,9**	**61,8**	**67,2**
Ertragsteuern	(2,2)	(2,9)	(5,9)	(6,0)	(4,3)
Konzernergebnis	**33,2**	**52,4**	**77,0**	**55,9**	**62,9**

Konzernbilanz

	Zum 31. Dezember			Zum 30. September
	2014	2015	2016	2017
		(geprüft) (in € Mio.)		(ungeprüft) (in € Mio.)
Vermögenswerte				
Immaterielle Vermögenswerte	71,7	68,0	70,0	129,7
Geschäfts- oder Firmenwert	21,6	16,4	17,0	17,0
Sachanlagen	56,5	53,4	53,4	52,9
At-Equity bewertete Beteiligungen	1,6	2,7	3,2	4,4
Beteiligungen	0,5	0,2	0,3	0,2
Sonstige langfristige nicht-finanzielle Vermögenswerte	9,2	13,8	10,6	22,4
Aktive latente Steuern	1,0	0,0	0,2	1,7
Summe langfristige Vermögenswerte	**162,1**	**154,6**	**154,7**	**228,3**
Vorräte	71,5	77,0	84,8	81,9
Forderungen aus Lieferungen und Leistungen	22,8	17,4	26,3	34,7
Sonstige kurzfristige finanzielle Vermögenswerte	58,8	42,5	40,0	68,7
Sonstige kurzfristige Vermögenswerte	3,0	1,4	1,7	1,7
Forderungen aus Ertragssteuern – kurzfristig	0,7	1,0	0,4	0,4
Zahlungsmittel und Zahlungsmitteläquivalente	11,6	2,8	3,8	3,8
Summe kurzfristige Vermögenswerte	**168,5**	**142,1**	**157,0**	**200,3**
Bilanzsumme	**330,6**	**296,7**	**311,7**	**428,6**
Eigenkapital und Schulden				
Gezeichnetes Kapital	1,3	1,3	1,3	1,3
Kapitalrücklage	0,3	0,3	0,3	0,3
Gewinnrücklagen	28,6	39,5	56,3	70,0
Sonstige Rücklagen	(1,9)	0,1	(1,0)	(2,1)
Anteile nicht-beherrschender Gesellschafter	5,7	3,3	3,9	–
Summe Eigenkapital	**34,0**	**44,4**	**60,8**	**69,5**
Rückstellungen für Pensionen und ähnliche Verpflichtungen	12,4	12,1	13,3	13,3
Sonstige Rückstellungen	0,1	–	–	–
Finanzverbindlichkeiten	161,5	151,1	96,9	235,4
Sonstige langfristige Finanzverbindlichkeiten	9,9	14,1	10,5	8,1
Sonstige langfristige Verbindlichkeiten	15,6	13,3	11,5	10,4
Passive latente Steuern	–	0,2	3,4	3,4
Summe langfristige Verbindlichkeiten	**199,6**	**190,7**	**135,5**	**272,9**
Sonstige Rückstellungen	6,1	6,4	7,0	6,0
Finanzverbindlichkeiten	20,4	24,9	65,9	43,4
Verbindlichkeiten aus Lieferungen und Leistungen	27,4	18,1	24,5	19,3
Sonstige kurzfristige Finanzverbindlichkeiten	30,6	2,4	4,3	2,1
Sonstige kurzfristige Verbindlichkeiten	11,4	8,2	11,0	11,0
Ertragsteuerverbindlichkeiten	1,0	1,5	2,8	3,9
Summe kurzfristige Verbindlichkeiten	**97,0**	**61,6**	**115,4**	**86,2**
Bilanzsummer	**330,6**	**296,7**	**311,7**	**428,6**

Konzernkapitalflussrechnung

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum[1]	
	2014	2015	2016	2016	2017
		(geprüft) (in € Mio.)		(ungeprüft) (in € Mio.)	
Netto-Cashflows aus laufender Geschäftstätigkeit	54,3	40,4	76,8	47,6	93,9
Netto-Cashflows aus Investitionstätigkeit	(21,9)	(0,9)	(12,3)	(11,7)	(84,9)
Netto-Cashflows aus Finanzierungstätigkeit	3,0	(55,6)	(55,9)	(47,9)	(17,2)
Netto Zunahme/Abnahme von Finanzmitteln	**35,3**	**(16,2)**	**8,6**	**(12,0)**	**(8,2)**
Finanzmittel[2]	6,5	(9,6)	(1,1)	(21,6)	(9,3)

(1) Aufgrund der Beendigung des Gewinnabführungsvertrags mit Wirkung zum Ende des 31. Dezember 2017 hat die Dermapharm AG die Zusammensetzung ihrer Konzernkapitalflussrechnung verändert, was bereits in den Finanzinformationen in der Konzernkapitalflussrechnung, die im ungeprüften verkürzten Konzernzwischenabschluss der Dermapharm AG für den zum 30. September 2017 endenden Neunmonatszeitraum gezeigt wird, reflektiert ist. Daher werden bestimmte Vergleichsfinanzinformationen für das zum 31. Dezember 2016 endende Geschäftsjahr, wie sie in der Konzernkapitalflussrechnung im Konzernabschluss für das zum 31. Dezember 2017 endende Geschäftsjahr gezeigt werden, von den Finanzinformationen in der Konzernkapitalflussrechnung im Konzernabschluss der Dermapharm AG für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre abweichen.

(2) Zum Ende des betreffenden Zeitraums.

Ausgewählte Finanzinformationen der Gesellschaft

	Zum 30. September sowie für den Zeitraum vom 12. Juli bis zum 30. September
	2017
	(geprüft und in €)
Bilanzsumme Aktiva	119.973,93
Bilanzsumme Passiva	119.973,93
Netto Verlust	(26,07)
Netto Veränderung der Zahlungsmittel und Zahlungsmitteläquivalente	89.223,93

Weitere Wesentliche Leistungskennzahlen

Die Geschäftsleitung der Gesellschaft verwendet EBITDA als wesentliche Leistungskennzahl, um den Geschäftserfolg von Dermapharm zu beurteilen. Zudem glaubt Dermapharm, dass das Umlaufvermögen, die Verschuldungsquote und die Eigenkapitalquote für Anleger bei der Beurteilung der Leistung und Finanzlage von Dermapharm hilfreich sind.

Die nachfolgende Tabelle enthält zusätzliche Betriebs- und Finanzinformationen über Dermapharm für die genannten Zeiträume und Zeitpunkte:

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2014	2015	2016	2016	2017
		(geprüft und in € Mio., soweit nicht anders angegeben)		(ungeprüft) (in € Mio., soweit nicht anders angegeben)	
Umsatzerlöse	391,3	384,8	444,5	319,2	349,7
Umsatzwachstum (ungeprüft und in %)[1]	*–*	*(1,7)*	*15,5*	*–*	*9,6*
EBIT (ungeprüft)	44,2	61,7	88,3	66,1	71,7
EBIT-Marge (ungeprüft und in %)[2]	*11,3*	*16,0*	*19,9*	*20,7*	*20,5*
EBITDA (ungeprüft)	72,5	84,6	102,7	76,4	82,9
EBITDA-Marge (ungeprüft und in %)[3]	*18,5*	*22,0*	*23,1*	*23,9*	*23,7*
Umlaufvermögen (ungeprüft)[4]	58,5	69,5	77,3	–	87,8

	Für das zum 31. Dezember endende Geschäftsjahr			Für den zum 30. September endenden Neunmonatszeitraum	
	2014	2015	2016	2016	2017
	(geprüft und in € Mio., soweit nicht anders angegeben)			(ungeprüft) (in € Mio., soweit nicht anders angegeben)	
Verschuldungsquote (ungeprüft und in %)[4]	*744,9*	*461,6*	*305,4*	*–*	*397,7*
Eigenkapitalquote (ungeprüft und in %)[4]	*8,6*	*13,9*	*18,3*	*–*	*16,2*

(1) Reflektiert die prozentuale Veränderung zwischen den betreffenden Zeiträumen.
(2) Definiert als der Quotient aus dem EBIT geteilt durch die Umsatzerlöse.
(3) Definiert als der Quotient aus dem EBITDA geteilt durch die Umsatzerlöse.
(4) Zum Ende des betreffenden Zeitraums.

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten in oder nach dem von den historischen Finanzinformationen abgedeckten Zeitraum.

Die folgenden wesentlichen Änderungen in der Finanzlage und dem Betriebsergebnis von Dermapharm traten in den zum 30. September 2016 und 2017 endenden Neunmonatszeiträumen sowie in den zum 31. Dezember 2014, 2015 und 2016 endenden Geschäftsjahren sowie in dem darauffolgenden Zeitraum auf:

Jüngste Entwicklungen

Am 1. Oktober 2017 hat Dermapharm den Erwerb aller Anteile an der Bio-Diät-Berlin Gesellschaft mit beschränkter Haftung und der Kräuter Kühne GmbH abgeschlossen.

Im November 2017 hat sich die axicorp Pharma B.V. über Klagen von privaten Krankenversicherern im Hinblick auf Rabatte in einer Gesamthöhe von rund €1,2 Mio. verglichen. Zudem hat sie €1,9 Mio. nebst Zinsen in Höhe von €0,2 Mio. an private Krankenversicherer im Hinblick auf Rabatte gezahlt, für die Dermapharm bereits Rechnungen erhalten hatte, die jedoch von diesen privaten Krankenversicherern noch nicht gerichtlich geltend gemacht worden waren.

Am 19. November 2017 hat Dermapharm die zum damaligen Zeitpunkt ausstehende Tranche in Höhe von €6,5 Mio. Unter den Schuldscheindarlehen mit der Bayerischen Landesbank zurückgezahlt.

Am 6. Dezember 2017 hat die Hauptversammlung der Gesellschaft beschlossen, das Grundkapital der Gesellschaft von €120.000,00 um €49.880.000,00 auf €50.000.000,00 durch Ausgabe von 49.880.000 neuen Aktien der Gesellschaft gegen Sacheinlage in Form von 104.960 Aktien der Dermapharm AG seitens der Veräußernden Aktionärin zu erhöhen (dies entspricht 20,0% des Grundkapitals der Dermapharm AG). Zudem hat die Veräußernde Aktionärin die verbleibenden 419.840 Aktien der Dermapharm AG (dies entspricht 80,0% des Grundkapitals der Dermapharm AG) ohne Gegenleistung in die freien Rücklagen der Gesellschaft eingebracht. Die Einbringung und Übertragung aller Aktien der Dermapharm AG wurden mit Wirkung zum Ende des 31. Dezember 2017 vollzogen und die Durchführung der Kapitalerhöhung wurde am 4. Januar 2018 in das Handelsregister des Amtsgerichts München, Deutschland, eingetragen.

Am 20. Dezember 2017 hat Dermapharm alle Anteile an der Strathmann GmbH & Co. KG, deren alleiniger Komplementärin, der Strathmann Service GmbH und der Biokirch GmbH Pharmaproduktion und Ärzteservice (zusammen "**Strathmann**") erworben. Strathmann vertreibt ein breites Produktangebot das überwiegend OTC Produkte umfasst, die das bestehende Produktportfolio von Dermapharm ergänzen, insbesondere in den Produktbereichen Dermatologika, Gynäkologie und Vitamine/Mineralien/Enzyme. Im zum 31. Dezember 2016 endenden Geschäftsjahr hat Strathmann einen Gesamtumsatz in Höhe von €27,9 Mio. und ein EBITDA in Höhe von €3,7 Mio. erwirtschaftet (basierend auf den nach dem Handelsgesetzbuch ("**HGB**") erstellten Abschlüssen von Strathmann).

Der Gewinnabführungsvertrag zwischen der Veräußernden Aktionärin und der Dermapharm AG (der „**Gewinnabführungsvertrag**") wurde mit Wirkung zum 31. Dezember 2017 beendet (siehe C.7).

Am 2. Januar 2018 hat Dermapharm die finale Tranche ihrer auf den Namen lautenden Genussrechte in Höhe von €6,4 Mio. zurückgezahlt.

Am 23. Januar 2018 hat Dermapharm alle Anteilen an der Trommsdorff GmbH & Co. KG und deren alleiniger Komplementärin, der Cl. Lageman Gesellschaft mit beschränkter Haftung (zusammen "**Trommsdorff**") erworben. Trommsdorff produziert und vertreibt 23 verschiedene verschreibungspflichtige Arzneimittel und OTC Produkte, insbesondere Keltican® forte, ein Diätprodukt zur Behandlung von Rückenschmerzen sowie Tromcardin® complex, das bestimmte Mineralien und Vitamine zur Behandlung von Herzrhythmusstörungen kombiniert. Trommsdorff dient ihrem ehemaligen Mutterkonzern zudem als Lohnherstellerin. Im zum 31. Dezember 2016 endenden Geschäftsjahr hat Trommsdorff einen Gesamtumsatz in Höhe von €52,0 Mio. und ein EBITDA in Höhe von €10,6 Mio. erwirtschaftet (basierend auf den nach HGB erstellten Abschlüssen von Trommsdorff).

Zum 30. September 2016 und 30. September 2017 endende Neunmonatszeiträume

Im zum 30. September 2017 endenden Neunmonatszeitraum stiegen die Umsatzerlöse von Dermapharm von €319,2 Mio. im zum 30. September 2016 endenden Neunmonatszeitraum um €30,5 Mio., oder 9,6%, auf €349,7 Mio., was den Anstieg der Verkäufe sowohl von Arzneimitteln und anderen Gesundheitsprodukten als auch Parallelimporten widerspiegelt. Die betrieblichen Erträge von Dermapharm stiegen ebenfalls im zum 30. September 2017 endenden Neunmonatszeitraum von €65,1 Mio. im zum 30. September 2016 endenden Neunmonatszeitraum um €5,3 Mio., oder 8,1%, auf €70,4 Mio., aufgrund der starken Entwicklung im Geschäftsbereich Arzneimittel und andere Gesundheitsprodukte von Dermapharm. Aufgrund dieser positiven Entwicklungen stieg das Konzernergebnis von Dermapharm um €7,0 Mio., oder 12,5%, im zum 30. September 2017 endenden Neunmonatszeitraum von einem Konzernergebnis von €55,9 Mio. im zum 30. September 2016 endenden Neunmonatszeitraum auf €62,9 Mio.

Zum 31. Dezember 2015 und 31. Dezember 2016 endende Geschäftsjahre

Die Umsatzerlöse stiegen von €384,8 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr um €59,7 Mio., oder 15,5% auf €444,5 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr, hauptsächlich aufgrund eines Anstiegs der Verkaufszahlen von Dekristol® 20.000 I.E., die um 38,2% zunahmen. Die betrieblichen Erträge stiegen von €60,8 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr um €26,0 Mio., oder 42,8%, auf €86,8 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr, im Wesentlichen aufgrund der Fähigkeit von Dermapharm, die Bruttoerlöse zu steigern und die Personalkosten zu senken. Diese positiven Entwicklungen hatten zur Folge, dass das Konzernergebnis von Dermapharm von €52,4 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr um €24,6 Mio., oder 46,9%, auf €77,0 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr stieg.

		Zum 31. Dezember 2014 und 31. Dezember 2015 endende Geschäftsjahre Im zum 31. Dezember 2014 endenden Geschäftsjahr sind die Umsatzerlöse von €391,3 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr um €6,5 Mio., oder 1,7%, auf €384,8 Mio. leicht gesunken, da ein Anstieg der Verkäufe von Arzneimitteln und anderen Gesundheitsprodukten durch den Rückgang der Umsätze aus dem Parallelimportgeschäft von Dermapharm mehr als kompensiert wurde. Die betrieblichen Erträge von Dermapharm stiegen von €43,3 Mio. im zum 31. Dezember 2014 endenden Geschäftsjahr um €17,5 Mio., oder 40,4%, auf €60,8 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr, was den Anstieg der Bruttoerlöse von Dermapharm reflektiert. Diese positiven Entwicklungen spiegeln sich auch im Konzernergebnis von Dermapharm, das von €33,2 Mio. im zum 31. Dezember 2014 endenden Geschäftsjahr um €19,2 Mio., oder 57,8%, auf €52,4 Mio. im zum 31. Dezember 2015 endenden Geschäftsjahr stieg.
B.8	**Ausgewählte wesentliche Pro-forma-Finanz-informationen.**	Entfällt. Die Gesellschaft hat keine Pro-forma-Finanzinformationen erstellt.
B.9	**Gewinnprognose oder -schätzung.**	Entfällt. Die Gesellschaft hat keine Gewinnprognose oder -schätzung erstellt.
B.10	**Beschränkungen im Bestätigungs-vermerk zu den historischen Finanzinfor-mationen.**	Entfällt. Die Prüfvermerke für die in diesem Prospekt enthaltenen historischen Finanzinformationen wurden ohne Einschränkungen erteilt.
B.11	**Nicht Ausreichen des Geschäfts-kapitals des Emittenten.**	Entfällt. Die Gesellschaft ist der Ansicht, dass Dermapharm die Zahlungsverpflichtungen erfüllen kann, die in den nächsten zwölf Monaten fällig werden.
C – Wertpapiere		
C.1	**Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere.**	Dieses erstmalige öffentliche Angebot (das „**Angebot**“) bezieht sich auf das Angebot von 13.455.000 auf den Inhaber lautenden Stückaktien der Gesellschaft, jeweils mit einem Nominalwert von €1,00, bestehend aus: • 3.840.000 neu ausgegebenen, auf den Inhaber lautenden Stückaktien aus einer Kapitalerhöhung gegen Bareinlagen (die „**IPO Kapitalerhöhung**“), die in einer außerordentlichen Hauptversammlung der Gesellschaft am oder um den 26. Januar 2018 beschlossen werden soll (die „**Neuen Aktien**“); • 7.860.000 bestehenden, auf den Inhaber lautenden Stückaktien aus dem Bestand der Veräußernden Aktionärin (die „**Bestehenden Aktien**“ und zusammen mit den Neuen Aktien die „**Basisaktien**“); und • 1.755.000 bestehenden, auf den Inhaber lautenden Stückaktien aus dem Bestand der Veräußernden Aktionärin in Verbindung mit einer möglichen Mehrzuteilung (die „**Mehrzuteilungsaktien**“ und zusammen mit den Basisaktien die „**Angebotsaktien**“).
	Wertpapier-kennung.	International Securities Identification Number (ISIN): DE000A2GS5D8 Wertpapierkennnummer (WKN): A2GS5D Ticker Symbol: DMP
C.2	**Währung der Wertpapier-emission.**	Euro.

C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien sowie Nennwert pro Aktie.**	Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft €50.000.000,00 und ist eingeteilt in 50.000.000 auf den Inhaber lautende Stückaktien, jeweils mit einem Nominalwert von €1,00. Das Grundkapital ist vollständig eingezahlt.
C.4	**Mit den Wertpapieren verbundene Rechte.**	Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Alle Aktien der Gesellschaft verleihen dieselben Stimmrechte. Es bestehen keine Stimmrechtsbeschränkungen.
C.5	**Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Entfällt. Die Aktien der Gesellschaft sind in Übereinstimmung mit den gesetzlichen Bestimmungen für auf den Inhaber lautende Stückaktien frei übertragbar. Außer den in E.5 angeführten Beschränkungen bestehen keine Verbote oder Beschränkungen hinsichtlich der Übertragbarkeit der Aktien der Gesellschaft.
C.6	**Antrag für die Zulassung zum Handel an einem geregelten Markt.**	Die Gesellschaft erwartet, dass sie die Zulassung der Aktien der Emittentin zum regulierten Markt mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) an der Frankfurter Wertpapierbörse am oder um den 29. Januar 2018 beantragen wird. Der Zulassungsbeschluss für die Aktien der Gesellschaft wird voraussichtlich am 8. Februar 2018 erteilt werden. Der Handel mit den Aktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 9. Februar 2018 beginnen.
C.7	**Dividenden-politik.**	In Bezug auf das zum 31. Dezember 2017 endende Geschäftsjahr wird die Gesellschaft keine Dividende ausschütten, da die Dermapharm AG verpflichtet ist, einen etwaigen Gewinn für das zum 31. Dezember 2017 endende Geschäftsjahr unter dem Gewinnabführungsvertrag an die Veräußernde Aktionärin abzuführen. Die Dermapharm AG hat der Veräußernden Aktionärin jedoch bestimmte Gesellschafterdarlehen zur Verfügung gestellt. Daher werden die Ansprüche der Veräußernden Aktionärin im Hinblick auf das zum 31. Dezember 2017 endende Geschäftsjahr unter dem Gewinnabführungsvertrag mit den Ansprüchen der Dermapharm AG aus diesen Gesellschafterdarlehen verrechnet werden und die Dermapharm AG erwartet, dass ihre Ansprüche diejenigen der Veräußernden Aktionärin um mehr als €50 Mio. übersteigen werden. Beginnend mit dem zum 31. Dezember 2018 endenden Geschäftsjahr beabsichtigt die Gesellschaft, im ordentlichen Geschäftsgang eine Dividende von 50% bis 60% des nach IFRS berechneten Konzernergebnisses von Dermapharm für das jeweilige Geschäftsjahr zu zahlen. Die Gesellschaft strebt eine nachhaltige Dividendenpolitik mit einem Fokus auf Dividendenkontinuität an.

D – Risiken

Eine Investition in Aktien der Gesellschaft ist mit Risiken verbunden. Anleger sollten vor der Entscheidung über eine Investition in Aktien der Gesellschaft die nachfolgend beschriebenen Risiken sorgfältig bedenken. Der Marktpreis der Aktien der Gesellschaft könnte sinken, wenn sich einzelne oder aller dieser Risiken verwirklichen sollten. In diesem Fall könnten die Anleger ihre Investition ganz oder teilweise verlieren.

Die folgenden Risiken könnten alleine oder zusammen mit weiteren Risiken und Unwägbarkeiten, die der Gesellschaft derzeit nicht bekannt sind oder die die Gesellschaft derzeit als unwesentlich erachtet, das Geschäft, die Finanzlage, die Cashflows, die Erträge und die Aussichten von Dermapharm erheblich beeinträchtigen. Die Reihenfolge, in der die Risiken angeführt sind, stellt weder eine Indikation für die Wahrscheinlichkeit der tatsächlichen Verwirklichung dieser Risiken, noch der Signifikanz oder des Grads der Risiken oder des Ausmaßes des potentiellen Schadens für das Geschäft, die Finanzlage, die Cashflows, die Erträge und die Aussichten von Dermapharm dar. Die Risiken, die hierin erwähnt werden, könnten einzeln oder kumulativ eintreten.

D.1 Zentrale Risiken, die dem Emittenten oder seiner Branche eigen sind.

Markt- und geschäftsbezogene Risiken

- Dermapharm könnte negativ von Entwicklungen in den deutschen Märkten für Arzneimittel- und Gesundheitsprodukte betroffen sein.
- Ein signifikanter Anteil der Umsatzerlöse und des EBITDA von Dermapharm stammt aus den Verkäufen einer beschränkten Anzahl an Schlüsselprodukten, insbesondere Dekristol® 20.000 I.E.
- Dermapharm ist möglicherweise nicht in der Lage, neue Produkte erfolgreich zu entwickeln und zu vermarkten.
- Die Bemühungen von Dermapharm, ihr Geschäft in ausländische Märkte zu expandieren, setzen Dermapharm Risiken aus, die mit dem Betreiben von Geschäft in unbekannten Ländern einhergehen.
- Dermapharm ist möglicherweise nicht in der Lage, attraktive Wachstumsmöglichkeiten zu identifizieren und zu nutzen. Selbst wenn sie sich an Übernahmen, Joint Ventures oder anderen Unternehmenszusammenschlüssen beteiligt, könnten sich solche Transaktionen anders entwickeln als anfänglich erwartet.
- Dermapharm steht in intensivem Wettbewerb in allen Märkten in denen sie tätig ist.
- Dermapharm ist abhängig von ihrer Fähigkeit, ihre verschreibungspflichtigen Arzneimittel erfolgreich an Ärzte, die ihren Patienten solche Arzneimittel verschreiben, zu vermarkten.
- Rabattvereinbarungen mit gesetzlichen Krankenkassen könnten sich nachteilig auf die Geschäftstätigkeit von Dermapharm auswirken.
- Gesundheitsreformen und damit zusammenhängende Änderungen der Rahmenbedingungen, die auf die Arzneimittelindustrie anwendbar sind, könnten sich nachteilig auf die Geschäftstätigkeit von Dermapharm auswirken.
- Dermapharm ist von der Wahrnehmung des Markts abhängig, insbesondere hinsichtlich der Sicherheit, Wirksamkeit und Qualität ihrer Produkte.
- Dermapharm ist für die Rohstoffe, die zur Herstellung ihrer Produkte benötigt werden, von einer begrenzten Anzahl von Lieferanten abhängig sowie von Drittherstellern für ihre Dekristol® 20.000 I.E. Weichkapseln und für ihre Medizinprodukte. Versorgungsausfälle in der Lieferkette könnten zu einer erheblichen Beeinträchtigung der Geschäftstätigkeit von Dermapharm führen.

- Störungen in den Herstellungsprozessen von Dermapharm und Verspätungen bei der Einführung neuer Produkte könnten sich nachteilig auf die Geschäftstätigkeit von Dermapharm auswirken.
- Eine Herabsetzung von Parallelimportquoten oder die Einführung von Exportbeschränkungen oder Arzneimittelkontingenten und ähnliche Regelungen könnten sich nachteilig auf das Parallelimportgeschäft von Dermapharm auswirken.
- Dermapharm ist möglicherweise nicht in der Lage, Arzneimittel, die sie im Rahmen ihres Parallelimportgeschäfts importiert hat, zu attraktiven Preisen weiterzuverkaufen oder überhaupt zu verkaufen.
- Dermapharm ist möglicherweise nicht in der Lage, Arzneimittel, die sie benötigt, um ihr Produktangebot im Bereich Parallelimporte aufrecht zu erhalten, einzuführen und einzukaufen.
- Sollten Dritte Dermapharm im Rahmen ihres Parallelimportgeschäfts gefälschte oder fehlerhafte Arzneimittel verkaufen, könnte Dermapharm für den Vertrieb solcher Arzneimittel haftbar gemacht werden.
- Die bestehenden finanziellen Verbindlichkeiten von Dermapharm könnten die Cashflows, die für ihr operatives Geschäft zur Verfügung stehen, beschränken und jeder Zahlungsausfall im Hinblick auf die finanziellen Verbindlichkeiten von Dermapharm könnte zur Insolvenz der Gesellschaft führen.
- Dermapharm ist möglicherweise nicht in der Lage, zusätzliche Finanzmittel zu akzeptablen Bedingungen zu erhalten oder überhaupt zu erhalten. Eine Erhöhung der Verschuldung von Dermapharm könnte sich nachteilig auf ihre Geschäftstätigkeit auswirken.

Regulatorische, rechtliche und steuerliche Risiken

- Dermapharm muss umfassende Rechtsvorgaben im Hinblick auf ihre Produkte und andere Aspekte ihrer Geschäftstätigkeit einhalten. Änderungen des regulatorischen Umfelds könnten dazu führen, dass Dermapharm zusätzliche Kosten entstehen.
- Die bestehende Compliance Struktur von Dermapharm ist möglicherweise nicht ausreichend und die Nichteinhaltung von Gesetzen und Rechtsvorgaben könnte sich nachteilig auf die Geschäftstätigkeit von Dermapharm auswirken.
- Dermapharm könnte in verschiedene Rechtsstreitigkeiten verwickelt werden, einschließlich von Patentrechtsstreitigkeiten, die Dermapharm einer erheblichen Haftungen aussetzen oder sich nachteilig auf ihre Geschäftstätigkeit auswirken könnten.
- Dermapharm könnte erheblichen Produkthaftungsansprüchen ausgesetzt sein, die nicht durch eine Versicherung abgedeckt sind.
- Dermapharm könnte durch Änderungen des generellen Steuerumfelds sowie zukünftige Steuerprüfungen und –untersuchungen beeinträchtigt werden, die allesamt zu einer Erhöhung der Steuerlast von Dermapharm führen könnten.

D.3 Zentrale Risiken, die den Wertpapieren eigen sind.

Risiken im Zusammenhang mit der Gesellschaftsstruktur der Gesellschaft, den Aktien und dem Angebot

- Die Aktien der Gesellschaft sind bisher nicht an einer Börse gehandelt worden und es ist nicht sicher, dass sich ein aktiver und liquider Markt für diese Aktien entwickeln wird.
- Der Aktienkurs der Gesellschaft könnte erheblich schwanken und Anleger könnten ihre Anlage in Aktien der Gesellschaft ganz oder teilweise verlieren.
- Die Gesellschaft ist möglicherweise nicht in der Lage, in absehbarer Zukunft Dividenden zu zahlen.

- Nach dem Angebot wird die Veräußernde Aktionärin weiterhin eine wesentliche Beteiligung an der Gesellschaft halten und die Interessen der Veräußernden Aktionärin könnten den Interessen der Gesellschaft und denen der anderen Aktionäre widersprechen.
- Zukünftige Angebote von Fremd- oder Eigenkapitalinstrumenten durch die Gesellschaft könnten den Aktienkurs der Gesellschaft beeinträchtigen und zukünftige Kapitalmaßnahmen könnten zu einer erheblichen Verwässerung der Aktionäre der Gesellschaft führen (d.h. den Wert der Beteiligung der bestehenden Aktionäre an der Gesellschaft vermindern).
- Zukünftige Verkäufe durch wesentliche Aktionäre der Gesellschaft könnten einen erheblichen nachteiligen Effekt auf den Aktienkurs der Gesellschaft haben.

E – Angebot

E.1	**Gesamtnettoerlöse.**	Die Gesellschaft erhält nur die Erlöse, die aus der Veräußerung der Neuen Aktien im Rahmen des Angebots erzielt werden. Die Gesellschaft erhält keine Erlöse aus der Veräußerung der Bestehenden Aktien oder der Mehrzuteilungsaktien aus dem Bestand der Veräußernden Aktionärin. Unter der Annahme, dass die maximale Anzahl an Neuen Aktien (d.h. 3.840.000 Aktien) platziert wird, schätzt die Gesellschaft, dass zum Mindest-, Mittel- und Höchstwert der für das Angebot bestimmten Preisspanne, innerhalb derer Kaufangebote von €26,00 bis €30,00 je Angebotsaktien platziert werden können (die „**Preisspanne**"), die der Gesellschaft zufließenden Bruttoerlöse rund €99,8 Mio., €107,5 Mio. bzw. €115,2 Mio. und die Nettoerlöse rund €96,0 Mio., €103,5 Mio. bzw. €111,0 Mio. betragen werden. Unter der Annahme, dass alle 7.860.000 Bestehenden Aktien platziert werden und die Greenshoe Option (wie in E.3 definiert) für insgesamt 1.755.000 Aktien vollständig ausgeübt wird, schätzt die Gesellschaft, dass zum Mindest-, Mittel- und Höchstwert der Preisspanne die Bruttoerlöse, die der Veräußernden Aktionärin zufließen, rund €250,0 Mio., €269,2 Mio. bzw. €288,5 Mio. und die Nettoerlöse rund €240,9 Mio., €259,6 Mio. bzw. €278,4 Mio. betragen werden.
	Geschätzte Gesamtkosten der Emission/des Angebots.	Die der Gesellschaft und der Veräußernden Aktionärin durch das Angebot der Angebotsaktien und die Börsennotierung sämtlicher Aktien der Gesellschaft entstehenden Kosten, inklusive Konsortial- und Platzierungsprovisionen, die an Berenberg zu zahlen sind, sowie der festen Gebühr, die an die ODDO BHF zu zahlen ist, werden sich zum Mittelwert der Preisspanne voraussichtlich auf €13,6 Mio. belaufen (unter der Annahme der Platzierung aller Basisaktien und der vollständigen Ausübung der Greenshoe-Option (wie in E.3 definiert) sowie der vollständigen Zahlung der Ermessensvergütung). Von den Gesamtkosten wird die Veräußernde Aktionärin rund €9,6 Mio. tragen und die Gesellschaft wird den verbleibenden Betrag von rund €4,0 Mio. tragen.
	Geschätzte Kosten, die dem Anleger in Rechnung gestellt werden.	Entfällt. Anlegern werden von der Gesellschaft, der Veräußernden Aktionärin oder den Anbietenden Banken keine Kosten in Rechnung gestellt. Anleger müssen die üblichen Transaktions- und Abwicklungskosten tragen, die ihnen ihre depotführenden Broker oder Finanzinstitute in Rechnung stellen.
E.2a	**Gründe für das Angebot.**	Die Gesellschaft beabsichtigt das Angebot durchzuführen und die Zulassung ihrer Aktien am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (*Prime Standard*) der Frankfurter Wertpapierbörse herbeizuführen, um die der Gesellschaft zufließenden Nettoerlöse aus dem Angebot und Zugang zum Kapitalmarkt zu erhalten. Die Veräußernde Aktionärin beabsichtigt, das Angebot durchzuführen, um die der Veräußernden Aktionärin zufließenden Nettoerlöse aus dem Angebot zu erhalten und um ihre Investitionen zu diversifizieren.

	Zweck-bestimmung der Erlöse.	Die Gesellschaft beabsichtigt derzeit, die auf die Gesellschaft entfallenden Nettoerlöse wie folgt zu verwenden: rund €35 Mio. sollen für interne Entwicklungen und die Verbesserung der Produktionsstätten von Dermapharm in Brehna, Deutschland, sowie dem Neubau einer Produktionsstätte in Neumarkt am Wallersee, Österreich, verwendet werden, rund €20 Mio. sollen für die Bestrebungen zur Ausweitung der internationalen Aufstellung von Dermapharm (z.B. für die Gründung neuer Unternehmen in weiteren Märkten, die Anstellung örtlicher Verkaufsleiter und Verkaufsmitarbeiter sowie ähnliche Investitionen) und zwischen rund €40 Mio. und €50 Mio. für die teilweise Refinanzierung eines von der Baden-Württembergischen Bank zur teilweisen Finanzierung der Akquisition von Trommsdorff gewährten Darlehens ausgegeben werden. Die Gesellschaft beabsichtigt derzeit, etwaige verbleibende Erlöse für allgemeine Unternehmenszwecke zu verwenden.
	Geschätzte Nettoerlöse.	Unter der Annahme, dass die maximale Anzahl an Neuen Aktien (d.h. 3.840.000 Aktien) platziert wird, rechnet die Gesellschaft damit, dass sich die Bruttoerlöse, die der Gesellschaft zufließen, zum Mindest-, Mittel- und Höchstwert der Preisspanne jeweils auf rund €99,8 Mio., €107,5 Mio. und €115,2 Mio. und die Nettoerlöse jeweils auf rund €96,0 Mio., €103,5 Mio. und €111,0 Mio. belaufen werden.
E.3	**Angebots-konditionen.**	Das Angebot besteht aus erstmaligen öffentlichen Angeboten in Deutschland und Luxemburg sowie Privatplatzierungen in bestimmten Rechtsordnungen außerhalb Deutschlands und Luxemburgs. In den Vereinigten Staaten von Amerika werden die Angebotsaktien nur qualifizierten institutionellen Anlegern entsprechend und in Übereinstimmung mit und unter Berufung auf Rule 144A nach dem U.S. Securities Act von 1933 in der jeweils gültigen Fassung (der „**Securities Act**“) oder gemäß einer anderen anwendbaren Ausnahme von den Registrierungsanforderungen des Securities Act bzw. in Transaktionen, die diesen Registrierungsanforderungen nicht unterfallen, angeboten und verkauft. Außerhalb der Vereinigten Staaten von Amerika werden die Angebotsaktien nur im Rahmen von Offshore-Transaktionen in Übereinstimmung mit der Regulation S des Securities Act angeboten und verkauft.
	Angebotsfrist.	Der Zeitraum, in dem Anleger Kaufangebote für die Angebotsaktien abgeben können, beginnt voraussichtlich am 29. Januar 2018 und endet voraussichtlich am 8. Februar 2018 (der „**Angebotszeitraum**“).
	Angebotspreis.	Der Angebotspreis für dieses Angebot (der „**Angebotspreis**“) und die endgültige Anzahl an Angebotsaktien, die im Rahmen des Angebots platziert werden, werden am Ende des Bookbuilding-Verfahrens von der Gesellschaft und der Veräußernden Aktionärin nach Beratung mit Berenberg festgesetzt und es wird erwartet, dass sie am oder um den 8. Februar 2018 veröffentlicht werden. Sollte sich herausstellen, dass das Platzierungsvolumen nicht ausreicht, um alle Aufträge, die zum Angebotspreis platziert wurden, zu befriedigen, behält sich Berenberg namens der Anbietenden Banken das Recht vor, Aufträge abzulehnen oder nur teilweise zu anzunehmen.
	Lieferung und Abwicklung.	Die Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises wird für den 13. Februar 2018 erwartet. Die Angebotsaktien werden den Aktionären als Miteigentumsanteile an den Globalurkunden zur Verfügung gestellt.
	Stabilisierungs-maßnahmen, Mehrzuteilung und Greenshoe Option.	Im Zusammenhang mit der Platzierung der Angebotsaktien wird Berenberg als Stabilisierungsmanager agieren und kann als solcher und in Übereinstimmung mit den rechtlichen Bestimmungen Mehrzuteilungen vornehmen und Stabilisierungsmaßnahmen ergreifen. Aufgrund solcher Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Basisaktien bis zu 1.755.000 Mehrzuteilungsaktien als Teil der Zuteilung der Angebotsaktien zugeteilt werden. Zu diesem Zweck werden Berenberg 1.755.000 Mehrzuteilungsaktien aus dem Bestand der Veräußernden Aktionärin in Form eines Wertpapierdarlehens zur Verfügung gestellt. Die Gesamtzahl der Mehrzuteilungsaktien wird dabei 15% der finalen Anzahl der bei Anlegern platzierten Basisaktien nicht übersteigen. Die Veräußernde Aktionärin wird Berenberg eine Option zum Erwerb einer Anzahl von Aktien der Gesellschaft, die der Anzahl der Mehrzuteilungsaktien entspricht, zum Angebotspreis abzüglich der vereinbarten Provisionen einräumen (die „**Greenshoe-Option**“).

		Die Greenshoe-Option darf nur während des Stabilisierungszeitraums ausgeübt werden und wird 30 Kalendertage nach dem Beginn des Handelns mit den Aktien der Gesellschaft enden. Berenberg ist berechtigt, die Greenshoe-Option in dem Umfang auszuüben, in dem Anlegern Mehrzuteilungsaktien im Rahmen des Angebots zugeteilt wurden. Die Anzahl der Mehrzuteilungsaktien, die im Rahmen der Greenshoe-Option erworben werden, ist um die Anzahl der Aktien Gesellschaft zu verringern, die von Berenberg am Tag der Ausübung der Greenshoe-Option gehalten werden, sofern solche Aktien von Berenberg im Rahmen von Stabilisierungsmaßnahmen erworben wurden.
E.4	**Für die Emission/das Angebot wesentliche Beteiligungen.**	Unter der Annahme, dass die Bestehenden Aktien platziert werden und die Greenshoe-Option ausgeübt wird, wird die Veräußernde Aktionärin die Erlöse aus dem Verkauf der Bestehenden Aktien und der Mehrzuteilungsaktien (abzüglich Gebühren und Provisionen) erhalten. Dementsprechend hat die Veräußernde Aktionärin ein Interesse am Erfolg des Angebots. Im Zusammenhang mit dem Angebot und der Börsennotierung der Aktien der Gesellschaft sind die Anbietenden Banken eine vertragliche Beziehung mit der Gesellschaft und der Veräußernden Aktionärin eingegangen. Berenberg handelt bei dem Angebot für die Gesellschaft und die Veräußernde Aktionärin und koordiniert die Strukturierung und die Durchführung des Angebots. Nach erfolgreichem Vollzug des Angebots erhält Berenberg eine Provision, deren Höhe vom Ergebnis des Angebots abhängt. Dementsprechend besteht für Berenberg ein finanzielles Interesse an einem erfolgreichen Angebot zu den bestmöglichen Bedingungen. ODDO BHF agiert als Co-Lead Manager und wird eine feste Gebühr für ihre Dienste im Zusammenhang mit dem Angebot erhalten. Daher hat ODDO BHF ein Interesse am Erfolg des Angebots. Die Anbietenden Banken oder ihre jeweiligen verbundenen Unternehmen haben – und könnten von Zeit zu Zeit in Zukunft erneut – Geschäftsbeziehungen zu Dermapharm und der Veräußernden Aktionärin unterhalten, einschließlich von Finanzierungstätigkeiten, oder könnte Dienstleistungen für Dermapharm oder die Veräußernde Aktionärin im Rahmen des gewöhnlichen Geschäftsbetriebs erbringen.
	Interessen-konflikte.	Entfällt. Es bestehen keine Interessenkonflikte im Hinblick auf das Angebot oder die Börsennotierung der Aktien der Gesellschaft.
E.5	**Name der Person/des Unternehmens, die/das das Wertpapier zum Verkauf anbietet sowie Lock-up-Vereinbarungen**	Die Angebotsaktien werden von den Anbietenden Banken zum Verkauf angeboten. In dem Konsortialvertrag, den die Gesellschaft, die Veräußernde Aktionärin und die Anbietenden Banken am 26. Januar 2018 geschlossen haben, hat die Gesellschaft zugestimmt, ohne die vorherige schriftliche Zustimmung von Berenberg, die nicht unbillig verweigert werden darf, innerhalb eines Zeitraums, der am 26. Januar 2018 beginnt und sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (derzeit für den 9. Februar 2018 erwartet) endet, soweit rechtlich zulässig nicht: • eine Erhöhung des Grundkapitals der Gesellschaft aus genehmigtem Kapital anzukündigen oder zu bewirken; • ihrer Hauptversammlung eine Erhöhung des Grundkapitals vorzuschlagen; oder • eine Ausgabe von Wertpapieren mit Wandel- oder Optionsrechten auf Aktien der Gesellschaft oder Handlungen mit einem vergleichbaren wirtschaftlichen Effekt anzukündigen, zu bewirken oder vorzuschlagen.

Die vorstehenden Bestimmungen finden keine Anwendung auf Kapitalerhöhungen im Zusammenhang mit dem Angebot. Des Weiteren kann die Gesellschaft (i) im Rahmen von Managementbeteiligungsplänen Aktien oder andere Wertpapiere an Angestellte und Mitglieder von Leitungsorganen der Gesellschaft oder ihrer Tochtergesellschaften ausgeben oder verkaufen und (ii) unternehmerische Maßnahme verfolgen, welche die Gesellschaft zum Zwecke des Abschlusses eines Vertrags im Hinblick auf – oder die Beschlussfassung über – das Eingehen eines Joint Ventures oder den Erwerb von Gesellschaften vornimmt, wobei vorausgesetzt wird, dass die Partei des Joint Ventures oder der erworbenen Gesellschaft, an die solche Aktien ausgegeben werden, sich gegenüber Berenberg verpflichtet, an die gleiche Lock-up-Vereinbarung wie die Veräußernde Aktionärin gebunden zu sein.

Für den Zeitraum, der am 26. Januar 2018 beginnt und zwölf Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse endet (derzeit für den 9. Februar 2018 erwartet), hat die Veräußernde Aktionärin zusätzlich zugestimmt, ohne vorherige schriftliche Zustimmung von Berenberg, die nicht unbillig verweigert werden darf, nicht:

- direkt oder indirekt Aktien oder andere Wertpapiere der Gesellschaft zu verkaufen, anzubieten, zu übertragen oder auf andere Weise über Aktien oder andere Wertpapiere der Gesellschaft zu verfügen; oder
- eine Transaktion abzuschließen, die ein wirtschaftliches Äquivalent zum Verkauf von Aktien der Gesellschaft darstellt (z.B. die Ausgabe von Optionen oder Wandlungsrechten für Aktien der Gesellschaft).

Das vorstehenden Bestimmungen finden keine Anwendung auf (i) die Übertragung von Aktien an verbundene Unternehmen oder Rechtsnachfolger der Veräußernden Aktionärin, oder an Herrn Wilhelm Beier, seine Ehefrau oder seine Kinder, (ii) zukünftige Verpfändungen, die zugunsten von Berenberg oder mit ihr verbundenen Unternehmen mit Zustimmung von Berenberg gewährt wurden und (iii) jedwede Übertragung von Aktien an Berenberg oder an mit ihr verbundene Unternehmen im Rahmen der Zwangsvollstreckung aus einer Verpfändung, die in Übereinstimmung mit (ii) gewährt wurde, wobei in jedem Fall vorausgesetzt wird, dass die Begünstigte(n) sich gegenüber Berenberg verpflichtet(n), an die gleiche Lock-up-Verpflichtung gebunden zu sein.

E.6 Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.

Ausweislich des ungeprüften verkürzten Konzernzwischenabschlusses der Dermapharm AG für den zum 30. September 2017 endenden Neunmonatszeitraum betrug der Nettobuchwert von Dermapharm (d.h. gesamte Vermögenswerte abzüglich langfristiger und kurzfristiger Verbindlichkeiten) zum 30. September 2017 €69,5 Mio. und würde, basierend auf 50.000.000 ausstehenden Aktien der Gesellschaft unmittelbar vor dem Angebot, €1,39 je Aktie der Gesellschaft betragen. Der Nettobuchwert von Dermapharm wird im ungeprüften verkürzten Konzernzwischenabschlusses der Dermapharm AG für den zum 30. September 2017 endenden Neunmonatszeitraum als gesamtes Eigenkapital gezeigt.

Der verwässernde Effekt des Angebots ist in der untenstehenden Tabelle veranschaulicht, die den Betrag zeigt, um den der Angebotspreis den Nettobuchwert je Aktie nach Abschluss des Angebots übersteigt und die unter der Annahme steht, das Angebot sei am 30. September 2017 abgeschlossen worden. In dieser Hinsicht wird der Nettobuchwert zum 30. September 2017 um die Effekte des erfolgreichen Vollzugs des Angebots unter der Annahme angepasst, dass (i) die IPO Kapitalerhöhung für die maximale Anzahl von Neuen Aktien durchgeführt wird und (ii) sich der auf die Aktionäre entfallende Nettobuchwert um €103,5 Mio. erhöht (unter der Annahme, dass alle Neuen Aktien zum Mittelwert der Preisspanne erfolgreich platziert werden und ohne Berücksichtigung von Steuereffekten). Der angepasste Nettobuchwert ist als Kennzahl je Aktie, unter der Annahme von 53.840.000 ausstehenden Aktien der Gesellschaft nach Vollzug des Angebots dargestellt (diese Kennzahl je Aktie wird als „**Eigenkapital nach dem IPO**“ bezeichnet):

	Zum 30. September 2017 (ungeprüft) (in € Mio., soweit nicht anders angegeben)
Nettobuchwert je Aktie zum 30. September 2017[(1)]	1,39
Auf die Gesellschaft entfallende Nettoerlöse aus dem Angebot (in € Mio.)[(2)]	103,5
Eigenkapital nach dem IPO je Aktie[(3)]	3,21
Betrag, um den der Angebotspreis das Eigenkapital nach dem IPO je Aktie übersteigt (unmittelbare Verwässerung der neuen Aktionäre der Gesellschaft)	24,79
Prozentsatz, um den der Angebotspreis das Eigenkapital nach dem IPO je Aktie übersteigt (in %)	*771,5*
Betrag, um den das Eigenkapital nach dem IPO je Aktie den Nettobuchwert je Aktie unmittelbar vor dem Angebot übersteigt (unmittelbarer Wertzuwachs der bestehenden Aktionäre der Gesellschaft)	1,82
Prozentsatz, um den das Eigenkapital nach dem IPO je Aktie den Nettobuchwert je Aktie unmittelbar vor dem Angebot übersteigt (in %)	*131,2*

(1) Basierend auf 50.000.000 ausstehenden Aktien der Gesellschaft unmittelbar vor dem Angebot und einem Nettobuchwert von Dermapharm in Höhe von €69,5 Mio. zum 30. September 2017. Im ungeprüften verkürzten Konzernzwischenabschluss der Dermapharm AG für den zum 30. September 2017 endenden Neunmonatszeitraum als gesamtes Eigenkapital ausgewiesen.

(2) Unter der Annahme der erfolgreichen Platzierung von 3.840.000 Neuen Aktien zum Mittelwert der Preisspanne und von der Gesellschaft zu tragender Gesamtkosten des Angebots in Höhe von €4,0 Mio., inklusive Banken- und Platzierungsprovisionen, die an Berenberg zu zahlen sind und der festen Gebühr, die an ODDO BHF zu zahlen ist sowie vollständiger Zahlung der Ermessensvergütung.

(3) Basierend auf 53.840.000 ausstehenden Aktien der Gesellschaft nach Durchführung des Angebots.

Jede Neue Aktie wird die gleichen Stimmrechte wie die bestehenden Aktien der Gesellschaft verleihen. Vor dem Angebot hielt die Veräußernde Aktionärin 100,0% der Stimmrechte der Gesellschaft. Nach Vollzug des Angebots (unter der Annahme der vollständigen Ausübung der Greenshoe-Option und Ausgabe aller Neuen Aktien) würden die von der Veräußernden Aktionärin gehaltenen Stimmrechte insgesamt 75,0% ausmachen.

E.7 Ausgaben, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.

Entfällt. Anlegern werden von der Gesellschaft, der Veräußernden Aktionärin oder den Anbietenden Banken keine Kosten in Rechnung gestellt. Anleger müssen für die üblichen Transaktions- und Bearbeitungsgebühren aufkommen, die von ihren Brokern oder anderen Finanzinstituten, durch die sie ihre Aktien halten, erhoben werden.

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1. RISK FACTORS

*An investment in the shares of Dermapharm Holding SE (the "**Company**" and, together with its direct and indirect consolidated subsidiaries, "**Dermapharm**") is subject to risks. In addition to the other information contained in this prospectus (the "**Prospectus**"), investors should carefully consider the following risks when deciding whether to invest in the Company's shares. The market price of the Company's shares could decline if any of these risks were to materialize, in which case investors could lose some or all of their investment.*

The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could have a material adverse effect on the business, financial condition, cash flows, results of operations and prospects of Dermapharm. The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to the business, financial condition, cash flows, results of operations and prospects of Dermapharm. The risks mentioned herein may materialize individually or cumulatively.

1.1 Market and Business related Risks

1.1.1 Dermapharm could be adversely affected by developments in the German pharmaceuticals and healthcare markets.

Dermapharm develops, manufactures and markets branded pharmaceuticals that are no longer patent protected as well as other healthcare products, primarily in the German market. Dermapharm also imports pharmaceuticals from other member states of the European Economic Area for resale in Germany. In the nine-month period ended September 30, 2017, Dermapharm's revenues amounted to €349.7 million and its German sales, including sales of imported pharmaceuticals, accounted for approximately 92.6% of Dermapharm's revenues during that period. As a result of this geographic focus, Dermapharm may be affected by changes in the German pharmaceuticals and healthcare markets.

The German healthcare system is highly developed and most Germans are covered by statutory health insurance ("**SHI**") providers, which provide full or partial reimbursement for prescription pharmaceuticals. In order to limit healthcare costs, extensive legislation covering pricing for prescription pharmaceuticals has been implemented, including limitations on potential price increases, a price moratorium (*Preismoratorium*) and mandatory rebates as well as the level of reimbursement from SHI providers. Moreover, such SHI providers seek additional price reductions through rebate agreements with individual manufacturers of prescription pharmaceuticals. While Dermapharm attempts to limit the impact of this regulatory framework by targeting direct payers (*i.e.*, patients who bear pharmaceutical costs themselves and sales to whom are not subject to pricing restrictions) with its prescription pharmaceuticals and increasing revenues from non-prescription pharmaceuticals and other healthcare products, all of which are not subject to pricing restrictions, a substantial portion of Dermapharm's revenues and profits continues to be affected by the regulatory framework in Germany.

Although already subject to extensive price restrictions, there can be no assurance that the German pharmaceutical market will not be subject to additional or more onerous regulation in the future. The fact that Germany spends a greater portion of its gross domestic product on healthcare than any other country in the European Union, has the second highest healthcare spending per capita, while also recording the highest share in terms of healthcare spending covered through public funding in the European Union (*source: OECD Germany 2017*), could lead regulators to take further action to curb pharmaceuticals prices. Added pressure to take such action might stem from anticipated demographic developments, such as the ageing of the German population and the chronification of diseases, which increase the burden on the healthcare system while reducing the proportion of the population that contributes to it. Concerns with regards to the long-term solvency of the healthcare system could become particularly acute in the event of a deterioration in the economic environment in Germany, which could increase the likelihood of increased price regulation, higher mandatory rebates, including for patent-free pharmaceuticals, the exclusion of certain pharmaceuticals from reimbursement by SHI providers or a reduction in the level of such reimbursement, all of which could adversely affect Dermapharm's revenues and profits from its prescription pharmaceuticals and parallel import businesses. A deterioration in the economic environment could also adversely affect Dermapharm's revenues from sales of prescription pharmaceuticals to direct payers as well as sales of non-prescription pharmaceuticals and other healthcare products since customers may decide to switch to cheaper, unbranded alternatives and/or reduce their consumption of any pharmaceuticals and other healthcare products deemed not-essential.

Negative developments in the German pharmaceuticals and healthcare markets or the legal framework applicable thereto could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.2 A significant portion of Dermapharm's revenues and EBITDA are derived from sales of a limited number of key products, in particular Dekristol® 20,000 I.E.

In the nine-month period ended September 30, 2017, the pharmaceuticals and other healthcare products business area accounted for 46.8% of Dermapharm's revenues and 93.8% of its earnings before interest, taxes, depreciation and amortization ("**EBITDA**"). Dermapharm derives a substantial portion of revenues and EBITDA in this business area from sales of a limited number of key products, in particular Dermapharm's flagship product Dekristol® 20,000 I.E., a vitamin D preparation. In recent years, sales of Dekristol® 20,000 I.E. have greatly benefited from the wide acceptance of medical studies demonstrating the adverse health consequences of vitamin D deficiency and the increasing recognition of its prevalence among the general population and the fact that there is no competitor in the German market with a marketing authorization (*Arzneimittelzulassung*) for a vitamin D preparation with a similar combination of dosage and packaging size (*Verpackungsgröße*). As a result, revenues from the sale of Dekristol® 20,000 I.E. almost doubled from approximately €17.0 million in the fiscal year ended December 31, 2014 to approximately €32.9 million in the fiscal year ended December 31, 2016, while the number of packages sold increased from approximately 1.9 million packages by approximately 53% to approximately 2.9 million packages in that same period. In the nine-month period ended September 30, 2017, Dekristol® 20,000 I.E. accounted for 7.7% of Dermapharm's revenues and an even larger share of its EBITDA.

There is no guarantee that sales of Dekristol® 20,000 I.E. will continue to grow or be sustainable at their current level. About half of such sales, based on Company estimates, are derived from sales to direct payers, making them particularly susceptible to adverse changes in market conditions and reductions in patient purchasing power, which could lead patients paying for Dekristol® 20,000 I.E.to cutting back their consumption or searching for cheaper alternatives to Dekristol® 20,000 I.E. Furthermore, if vitamin D deficiency is no longer considered a condition requiring treatment or if alternative forms of treatment are developed, this may reduce demand for Dekristol® 20,000 I.E. In addition, if Dermapharm's competitors obtain marketing authorizations to distribute products with the same dosage and packaging as Dekristol® 20,000 I.E., this could adversely affect Dermapharm's revenues, result in pricing pressure or force Dermapharm to invest more heavily in marketing to maintain its market position in the vitamin D market.

Other key products of Dermapharm are Ampho-Moronal®, Dienovel® and Prednisolut®, which together accounted for aggregate revenues of €24.3 million in the fiscal year ended December 31, 2016. Other factors, including the introduction of competing products or alternative forms of treatment, unexpected side effects, recalls, negative publicity as well as regulatory actions, could adversely affect sales of Dekristol® 20,000 I.E. or other key products of Dermapharm, which could also have a material adverse effect on Dermapharm.

Negative developments affecting any of its key products, in particular Dekristol® 20,000 I.E., could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.3 Dermapharm may not be able to successfully develop and market new products.

Dermapharm holds approximately 900 marketing authorizations for more than 200 active pharmaceutical ingredients ("**APIs**") and offers a broad assortment of branded pharmaceuticals, which are no longer patent protected and have often been in the market for many years. Revenues from these pharmaceuticals typically decline over time and consequently, Dermapharm's continued growth depends upon its ability to continue to successfully develop, introduce and commercialize new pharmaceuticals and other healthcare products in a timely manner. As of the date of this Prospectus, Dermapharm's product pipeline comprises more than 40 ongoing development projects with new products for all of Dermapharm's product areas. This pipeline includes 28 pharmaceuticals and other healthcare products, in particular dermatologicals, women's healthcare products and food supplements, which are expected to be marketable by 2023 and target selected markets where the aggregate revenues from existing products marketed by competitors in Germany amounted to approximately €345 million in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*).

However, there is no guarantee that Dermapharm will be able to successfully develop new products, since even the reproduction of established formulas may prove to be more difficult and costly than originally anticipated. While Dermapharm possesses its own development capability, including the know-how to design and sponsor clinical studies required to obtain new marketing authorizations, it relies on contract research organizations and other third parties to assist in managing, monitoring and otherwise carrying out such clinical studies. If these third parties do not successfully carry out the studies as instructed by Dermapharm, if the quality or accuracy of the data they obtain is compromised, or if they otherwise fail to comply with protocols for clinical studies or meet expected deadlines, Dermapharm's clinical studies may not meet regulatory requirements. In addition, after Dermapharm submits an application to obtain a marketing authorization for a new pharmaceutical, the relevant regulatory authority may change standards and/or request that Dermapharm conducts additional studies or evaluation. Therefore, Dermapharm may incur delays as well as higher costs than originally anticipated when developing new products.

Moreover, manufacturers of originator pharmaceuticals for which Dermapharm is developing substitute patent-free pharmaceuticals may take steps to try to prevent the use of such substitutes (*e.g.*, lower prices for their own pharmaceuticals, introduce innovative pharmaceuticals, change dosage forms or dosing regimens, file new patents or patent extensions, initiate lawsuits or spread negative publicity), which may increase Dermapharm's costs and delay or altogether prevent the introduction of new pharmaceuticals by Dermapharm. In addition, manufacturers of originator pharmaceuticals increasingly launch authorized patent-free pharmaceuticals or even non-pharmaceutical versions of their products (*i.e.*, products that may be sold outside pharmacies), which may adversely affect the market share Dermapharm can achieve for its new products. Originator manufacturers do not face any significant barriers to entry into the markets for patent-free pharmaceuticals and other healthcare products.

Even if Dermapharm is successful in developing new products there are various factors determining the success of new product launches, some of which are outside Dermapharm's control (*e.g.*, actions of competitors and customer perception regarding new products). Development of Dermapharm's patent-free pharmaceuticals usually takes about five years and the longer it takes to develop a product, the longer it may take for Dermapharm to recover its development costs and generate profits, if it can do so at all. A product considered promising at the beginning of its development cycle may become less attractive if a competitor manages to reach the market earlier. In addition, Dermapharm may fail to correctly assess the potential market for new products. Given that Dermapharm generally does not target large-volume pharmaceuticals markets, such assessments are particularly difficult since there may be limited data available. In addition, the actual market at the time of launch may be significantly less attractive than at the time development commenced (*e.g.*, if alternative forms of treatment have been discovered or if more-advanced products have been introduced with respect to the same ailments).

Failure to successfully develop and market new products in a timely manner could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.4 Dermapharm's efforts to expand its business into foreign markets expose Dermapharm to risks associated with operating in unfamiliar countries.

Apart from Germany, Dermapharm is also active in Austria and Switzerland and sales in these countries accounted for approximately 4.9% of Dermapharm's revenues in the nine-month period ended September 30, 2017. Dermapharm also has a presence in Eastern Europe (Croatia, Poland and the Ukraine). In the future, Dermapharm plans to introduce selected products from its existing product portfolio as well as new product developments to additional markets. In a first phase, Dermapharm intends to enter adjacent markets in Italy, Spain and the United Kingdom, while in a second phase it plans to also enter markets in the Benelux countries, the Czech Republic and Slovakia. With respect to medical devices bite away® and Herpotherm®, which Dermapharm recently acquired and for which it now holds the worldwide marketing rights, Dermapharm intends to market these devices worldwide. Through all of these expansion efforts, Dermapharm will make opportunistic judgements, targeting those foreign markets it considers particularly attractive at the time. However, there are many reasons why such efforts may fail, including:

- different market environments and distribution channels (*e.g.*, pharmacy chains);
- lack of established marketing organizations and contacts with key customer groups, including doctors and pharmacies;
- lower recognition of Dermapharm's brands and trademarks and hesitance of customers to deal with an unknown pharmaceuticals manufacturer;

- lack of qualified management or adequately trained personnel;
- divergent healthcare systems;
- different buying behavior;
- divergent cultures;
- divergent labor regulations;
- exchange rate fluctuations between the Euro and the British Pound;
- different legal requirements for pharmaceuticals and other healthcare products;
- different regulatory authorities who supervise the approval process for, and marketing of, pharmaceuticals;
- variations in protection of intellectual property and other legal rights; and
- political uncertainties, including the currently unknown long-term effect of the United Kingdom's "Brexit" decision.

In addition, Dermapharm is required to obtain new marketing authorizations before marketing its pharmaceuticals abroad, even when it has already obtained such authorizations in Germany, and may not be able to obtain such marketing authorizations (*e.g.*, if local regulatory authorities impose additional restrictions or require additional information that Dermapharm is unable to provide).

When entering a new and unfamiliar market, Dermapharm is required to deal with, and adapt to, an unknown political and enforcement environment as well as different market practices, in particular when Dermapharm enters markets outside Europe. Foreign companies may be subject to additional scrutiny and enforcement agencies may be stricter in their approach to such companies. In 2012, Dermapharm's Croatian entity Farmal d.d. ("**Farmal**") was subject to an investigation by Croatian governmental authorities with respect to coupons Farmal had offered to doctors when marketing its pharmaceuticals. Farmal subsequently decided to settle this matter by paying a fine. However, the negative publicity and disruption of business relationships resulting from the investigation had a material adverse impact on Dermapharm's business in Croatia (see "*1.2.2 Dermapharm's existing compliance structure may not be sufficient and non-compliance with laws and regulations may adversely affect Dermapharm's business.*").

The materialization of any of the aforementioned risks could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.5 Dermapharm may be unable to identify and capitalize on attractive growth opportunities and even if it does engage in acquisitions, joint ventures or other business combinations, such transactions may not develop as originally anticipated.

Dermapharm continuously reviews the potential acquisition of technologies, pharmaceuticals and other products, intellectual property and complementary businesses. As part of its growth strategy, Dermapharm recently acquired the right to market the medical devices bite away® for the external treatment of bites and stings from insects and Herpotherm® for the treatment of herpes symptoms. In addition, it also acquired Bio-Diät-Berlin Gesellschaft mit beschränkter Haftung and Kräuter Kühne GmbH (together, "**Bio-Diät-Berlin**"). Bio-Diät-Berlin develops, produces and markets non-prescription pharmaceuticals sold over the counter ("**OTC**") and other healthcare products, in particular food supplements for the treatment of respiratory diseases and muscle aches. In December 2017 Dermapharm acquired all shares in Strathmann GmbH & Co. KG, its sole general partner Strathmann Service GmbH and Biokirch GmbH Pharmaproduktion und Ärzteservice (together, "**Strathmann**"). Strathmann distributes a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. Furthermore, in January 2018 Dermapharm acquired all shares in Trommsdorff GmbH & Co. KG and its sole general partner Cl. Lageman Gesellschaft mit beschränkter Haftung (together, "**Trommsdorff**"). Trommsdorff manufactures and markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia.

While Dermapharm has carefully evaluated these acquisition opportunities, there is no guarantee that they will develop as currently envisioned. In particular, Dermapharm plans to market the acquired medical devices in various foreign markets. However, Dermapharm has no previous experience with marketing medical devices in these markets, and entry into such markets is associated with various risks (see "*1.1.4 Dermapharm's efforts to expand its business into foreign markets expose Dermapharm to risks associated with operating in unfamiliar countries.*"). Furthermore, it may prove difficult to integrate the existing businesses of Bio-Diät-Berlin, including the online shop operated by it, Strathmann and Trommsdorff into Dermapharm's existing offering of OTC and other healthcare products.

In addition to its recent acquisitions, Dermapharm plans to further capitalize on attractive growth opportunities through strategic acquisitions of other businesses, products or assets, or through joint ventures, strategic agreements or other arrangements. However, there is no guarantee that Dermapharm will be able to identify suitable acquisition or investment targets or other growth opportunities. Even if Dermapharm does identify what it considers to be attractive growth opportunities, Dermapharm may not be able to capitalize on such opportunities on reasonable terms or at all, in particular due to the intense competition in the pharmaceuticals industry. In addition, Dermapharm may be unable to obtain the necessary regulatory approvals, including approvals from competition authorities.

Even if Dermapharm actually engages in additional acquisitions, joint ventures or other business combinations, such transactions may involve significant integration challenges (*e.g.*, with respect to aligning the personnel, operations and products of the acquired businesses), or involve risks associated with entering markets in which Dermapharm has limited or no prior experience, in particular markets outside of Europe, as well as operational complexities and require Dermapharm to invest substantial resources. They may also disrupt Dermapharm's ongoing business and divert management's attention, all of which may adversely affect Dermapharm's relationships with customers, employees, regulators or suppliers. Furthermore, Dermapharm may be unable to realize synergies or other benefits expected to result from future acquisitions, joint ventures or other business combinations, or to generate additional revenues, which may prevent Dermapharm from achieving a return on such investments. In addition, Dermapharm may be required to expend more resources on the integration of such acquisitions than originally anticipated and may incur unanticipated liabilities. Furthermore, Dermapharm may be unable to retain qualified officers and key employees, and it may be unable to replace such persons with similarly qualified personnel.

Dermapharm may decide to finance future acquisitions or investments of Dermapharm through cash reserves, debt financing, or by issuing additional shares, which could dilute the holdings of the Company's existing shareholders. However, there is no guarantee that Dermapharm will be able to obtain the required financing on acceptable terms or at all.

In addition, certain acquisitions or investments could also result in an increase of the goodwill recorded on the Company's consolidated statement of financial position, which may subsequently result in impairment charges (see „*1.1.24 Goodwill and capitalized development costs are subject to impairment testing, which may result in impairment charges.*").

The materialization of any of the aforementioned risks could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.6 Dermapharm faces intense competition in all markets in which it operates.

With respect to all of its business areas, Dermapharm faces intense competition from various groups of competitors. These include other manufacturers of pharmaceuticals, including manufacturers of originator pharmaceuticals and manufacturers who also market non-prescription versions of their prescription pharmaceuticals, and other importers of pharmaceuticals.

Many of these competitors have longer operating histories and substantially greater resources than Dermapharm and may be able to develop and distribute safer, more effective, more convenient and/or lower-priced products and respond faster to new or emerging market preferences than Dermapharm. If Dermapharm's competitors are more successful than Dermapharm (*e.g.*, due to higher development or marketing capacities or greater market experience), this could adversely affect Dermapharm's market share or force Dermapharm to lower its prices, thereby reducing its profit margins. In the parallel imports market, Dermapharm's largest competitors have been in the market years or even decades before Dermapharm and consequently benefit from long-established customer and supplier relationships. Even where Dermapharm is able to offer more attractive prices, it may not be able to penetrate such existing relationships and consequently a significant share of potential customers and suppliers in the parallel import market may not be accessible to Dermapharm.

In recent years, the pharmaceuticals and healthcare industries have seen increased consolidation, resulting in ever larger competitors and placing further pressure on prices, development activities and customer retention. This competition may increase even further, if new products and competitors enter the market. In particular, the markets for healthcare products and parallel imports of pharmaceuticals have lower barriers to entry compared to the prescription pharmaceuticals market, since the distribution of the relevant products may not require marketing authorizations or the relevant approvals may be easier to obtain. Thus, the intense competition Dermapharm faces could intensify even further.

Intense competition could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.7 Dermapharm depends on its ability to successfully market its prescription pharmaceuticals to doctors who prescribe such pharmaceuticals to their patients.

Doctors represent Dermapharm's most important target group for prescription pharmaceuticals as they directly recommend and prescribe Dermapharm's products to patients. Should such doctors decide to recommend and prescribe competitors' prescription pharmaceuticals instead of Dermapharm's products (*e.g.*, due to more effective marketing measures of Dermapharm's competitors or real or perceived deficiencies of Dermapharm's pharmaceuticals), this could significantly adversely affect Dermapharm's revenues. In addition, doctors may choose alternative therapeutic options instead of prescribing Dermapharm's pharmaceuticals, if doctors perceive such alternatives to be safer, more reliable, more effective, easier to administer or less expensive than treatment with Dermapharm's pharmaceuticals.

As of the date of this Prospectus, Dermapharm employs 60 German sales representatives who regularly visit doctors relevant for Dermapharm's product areas. However, in individual cases doctors have in the past declined to receive visits from Dermapharm's salesforce and they may do so more frequently in the future. In addition, new legislation may further restrict the possibility of direct marketing efforts to doctors. In either such case, Dermapharm may be unable to continue its successful direct marketing efforts, which may adversely affect its business.

If due to new legislation pharmacies are given the final say over which prescription pharmaceuticals to provide to patients, Dermapharm may not be able to achieve similar marketing success with such pharmacies compared to its current success with doctors.

Inability to successfully market its prescription pharmaceuticals to doctors could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.8 Rebate agreements with SHI providers may adversely affect Dermapharm's business.

Large-volume parts of the German market for patent-free pharmaceuticals are characterized by rebate agreements between selected manufacturers and SHI providers. These exclusive or semi-exclusive agreements are generally awarded to the bidder offering the lowest price as part of a tender process, thereby providing for high volumes but only low margins due to the significant rebates involved. As of September 30, 2017, German SHI providers had entered into a total of 27,187 rebate agreements (*source: Pro Generika – Q3 2017*).

While Dermapharm only opportunistically participates in tender processes to win such rebate agreements, inability to win the intended agreements could adversely affect its revenues. Even if Dermapharm does win, it may have miscalculated prices and/or manufacturing costs, thereby offering too large of a rebate and incurring a loss on the sale of prescription pharmaceuticals under the relevant rebate agreements. In addition, Dermapharm may in some cases decide to offer a price that is not cost-covering in order to win strategically important rebate agreements. However, if Dermapharm underestimates demand under such agreements, it may incur a higher loss than originally anticipated.

While many of Dermapharm's markets are generally not subject to rebate agreements due to their limited size and number of competitors, this may change if SHI providers expand the use of rebate agreements or if additional competitors enter the market. In such a case, the combination of rebate agreements and added competition may quickly erode Dermapharm's strong market position in such markets and adversely impact its revenues and profitability.

Furthermore, it is generally difficult for parallel importers of pharmaceuticals such as Dermapharm to participate in tender processes for exclusive or semi-exclusive rebate agreements with respect to the pharmaceuticals they import, since parallel importers cannot ensure that they will be able to provide sufficient quantities of such pharmaceuticals for the duration of the relevant rebate agreement. An increased use of rebate agreements by SHI providers could therefore reduce the demand for prescription pharmaceuticals from parallel imports and adversely affect Dermapharm's parallel import business. In addition, while Dermapharm is able to participate in non-exclusive rebate agreements (so-called open house agreements), these agreements do not provide any particular benefit to Dermapharm while forcing it to grant rebates on the relevant pharmaceuticals. Consequently, an increased use of non-exclusive rebate agreements by SHI providers could adversely affect Dermapharm's parallel import business.

Inability to win tender processes with SHI providers or an expanded use of rebate agreements could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.9 Healthcare reforms and related changes to the framework applicable to the pharmaceuticals industry may adversely affect Dermapharm's business.

The continuing increase in expenditures for pharmaceuticals has been the subject of considerable government attention in Germany. Public scrutiny has increased political efforts to limit prices for pharmaceuticals and led to the introduction of extensive pricing restrictions. 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 SHI providers. All other prescription pharmaceuticals (*i.e.*, those without a reference price) are subject to a mandatory manufacturer rebate, which, in the case of patent-free pharmaceuticals, amounts to 6%, as well as a price moratorium (*Preismoratorium*), which was recently extended until 2022. Under this moratorium, pharmaceuticals manufacturers are required to compensate SHI providers and private health insurance providers for any price increases, limiting the benefits from price increases for prescription pharmaceuticals. In addition, manufacturers of patent-free pharmaceuticals such as Dermapharm are generally required to offer a mandatory rebate of 10% on the ex-factory price (*Herstellerabgabepreis*) of their patent-free prescription pharmaceuticals.

Despite these already stringent regulations on pricing for prescription pharmaceuticals, SHI providers, politicians and other third-party payers continue to seek ways to reduce or contain expenditures for pharmaceuticals. They may decide to adopt additional measures (*e.g.*, reducing or eliminating coverage for certain prescription pharmaceuticals, lowering reimbursement levels, setting fixed prices for pharmaceuticals or increasing the mandatory manufacturer rebate and/or rebate for patent-free pharmaceuticals or introducing additional rebates), which could adversely impact pricing and demand for Dermapharm's pharmaceuticals. In the future, European legal initiatives may also extend to pharmaceuticals pricing and the creation of a unilateral framework for price restrictions through the European Union, which may lead to additional price reductions in high-priced markets such as Germany.

Legislators may introduce regulation that require the prescription of APIs instead of a certain branded pharmaceutical, in which case doctors or pharmacies may prefer to provide patients with unbranded pharmaceuticals instead of Dermapharm's branded prescription pharmaceuticals.

Healthcare reforms could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.10 Delays with respect to the invoicing of SHI providers and private health insurance providers make it difficult for Dermapharm to predict the timing of when it will be required to pay such providers for mandatory rebates and any increases in the level of reimbursements by SHI providers and private health insurance providers to patients could adversely affect Dermapharm's profitability.

The mandatory rebate of 10%, which Dermapharm is required to grant on the ex-factory price of its patent-free prescription pharmaceuticals to SHI providers and private health insurance providers, is not deducted upon sale of the relevant pharmaceuticals, but rather granted in the form of reimbursements to such SHI providers and private health insurance providers once they have submitted corresponding invoices to Dermapharm. The same holds true for the mandatory manufacturer rebate of 6%, which Dermapharm is required to grant on any of its patent-free pharmaceuticals without a reference price. SHI providers and private health insurance providers will often take several months or even over a year to claim reimbursements from Dermapharm in connection with mandatory rebates and there is no statute of limitations with respect to such reimbursement claims.

Dermapharm cannot accurately predict the level of reimbursements which patients receive from SHI providers or private health insurance providers due to the lack of information on whether prescription pharmaceuticals are purchased by direct payers and differences in reimbursement policies between different providers. Therefore, Dermapharm is also unable to accurately predict the share of sales of its prescription pharmaceuticals that is subject to mandatory rebates. Furthermore, SHI providers or private health insurance providers may change their respective reimbursement policies, and such changes may even be enacted retroactively. Should the share of sales of Dermapharm's prescription pharmaceuticals that is subject to rebates increase, this could adversely affect Dermapharm's profitability.

In order to account for mandatory rebates and rebates granted under rebate agreements with SHI providers, Dermapharm's revenues recognized in the Company's consolidated statement of comprehensive income are stated net of estimated amounts for such rebates, which are deducted at the time the sales are recognized. Deductions for rebates are estimated primarily on the basis of historical experience and future expectations of sales development. Adjustments to deductions made in prior periods for accruals of rebates are recognized as a decrease or increase of revenues subsequent periods, as the case may be. Therefore, Dermapharm may be required to reduce its revenues in subsequent periods if it has miscalculated the actual level of rebates with respect to prior periods. Moreover, Dermapharm is required to maintain sufficient funds in order to fulfill reimbursement claims by SHI providers and private health insurance providers even if such claims are asserted long after the sale of the relevant prescription pharmaceuticals, since such sales are not time barred.

Delays with respect to the invoicing of SHI providers and private health insurance providers or changes in the level of reimbursements to patients by such providers could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.11 Dermapharm's revenues may be adversely affected if it is faced with ever larger customers.

Dermapharm generates its revenues from sales of prescription pharmaceuticals to pharmacies and hospitals, which are often supplied through pharmaceutical wholesalers. Its non-prescription pharmaceuticals are also sold in pharmacies, while healthcare products are generally sold in health stores and drugstores, most of whom are also supplied through wholesalers. Some of these customer groups, in particular hospitals and health stores, are undergoing a process of consolidation. As a result of these developments, Dermapharm may be faced with larger customers who exert greater purchasing power. At the same time, a consolidation of Dermapharm's customer base may lead to a concentration of credit risk with respect to such larger customers. In the past, certain customers have already demanded special discounts from Dermapharm, and such demands may intensify in the future.

With respect to pharmacies, Sections 7 and 8 of the German Pharmacy Act (*Apothekengesetz*) impose limits on the ownership of German pharmacies, effectively preventing corporations from creating large pharmacy chains. However, these provisions have been challenged in the past and there have been numerous initiatives pushing for the abolition of restrictions on the ownership of German pharmacies. Should these efforts prove successful, Dermapharm might be faced with larger pharmacy chains in the future, who could demand significant rebates or decide not to offer Dermapharm's pharmaceuticals, which could adversely affect Dermapharm's revenues. Already today, pharmacies are increasingly forming purchasing groups, which may provide them with additional purchasing power, and consequently increase the pricing pressure Dermapharm faces with respect to its pharmaceuticals. In addition, the number of pharmacies in Germany has decreased in recent years, declining from 20,441 licensed pharmacies as of September 31, 2014 to 20,023 licensed pharmacies as of December 31, 2016 (*source: ABDA*).

Furthermore, if any of the aforementioned customer groups of Dermapharm were to shrink (*e.g.*, due to a reduction in the overall number and market size of health stores or a trend towards online marketing of healthcare products), there is no guarantee that Dermapharm will be able to achieve the same success by marketing its products using other distribution channels.

Increased purchasing power of larger customers could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.12 Dermapharm depends on market perceptions, particularly with respect to the safety, effectiveness and quality of its products.

Dermapharm markets its products under well-known brands. Therefore, market perceptions are very important to Dermapharm's business, especially market perceptions with respect to the safety and quality of Dermapharm's products. If any products manufactured or distributed by Dermapharm, including products resold as part of its parallel import business, or similar products that other companies distribute, are subject to market withdrawals or recalls, or prove to be, or accused of being, harmful to customers, this could adversely impact demand for such products. Negative publicity with respect to the quality of Dermapharm's products could have the same effect.

From time to time, there has been significant publicity regarding the pricing of pharmaceuticals and healthcare products in general, including negative publicity resulting from prices charged by competitors for new products as well as price increases by competitors on older products that the public deemed excessive. Any pricing pressure arising from social or political pressure to lower the price of pharmaceuticals or healthcare products could adversely impact Dermapharm's business.

In order to protect its brands and avoid negative publicity, Dermapharm may decide to recall certain products that do not meet its high quality standards, even where there is no danger to customers or legal obligation to recall such products. For example, in 2017 Dermapharm recalled certain batches of its Momecutan® skin cream, since the relevant batches were overly granular, making them unpleasant to apply to the skin. Such voluntary product recalls may involve high costs and draw unwanted attention to such manufacturing issues, thereby damaging Dermapharm's reputation for high product quality.

Negative changes of market perceptions with respect to Dermapharm's products could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.13 Dermapharm may be unable to successfully market its healthcare products, in particular medical devices bite away® and Herpotherm®, through online marketing channels.

Some of Dermapharm's healthcare products are marketed and sold through different online channels. In particular, medical devices bite away® and Herpotherm® are marketed through various online shops, especially the online platform operated by Amazon EU S.à r.l. As of the date of this Prospectus, these medical devices had comparably high average user ratings and in the nine-month period ended September 30, 2017, approximately 288,000 units of bite away® and Herpotherm® were sold through such online shops. These online shops may, however, decide to no longer offer Dermapharm's products or offer them at less attractive terms (*e.g.*, charging additional fees or changing the rankings and/or ratings for Dermapharm's products). There is no guarantee that Dermapharm would be able to achieve a similar marketing success through offline marketing in such case.

In addition, Dermapharm's online marketing benefits from the fact that websites for its healthcare products show up in online searches of major search engines (*e.g.*, the search engine operated by Google LLC). However, changes to the algorithms of these search engines could result in Dermapharm's product websites being ranked lower in, or even excluded from, search results and adversely affect Dermapharm's ability to market the relevant products online.

Inability to successfully market its healthcare products through online marketing channels could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.14 The expansion of social media platforms and new technologies presents risks and challenges for Dermapharm's business and reputation.

While Dermapharm only occasionally uses social media and new technologies to communicate about its business, marketing of its medical devices bite away® and Herpotherm® is more dependent on online marketing and related ratings and reviews (see "*1.1.13 Dermapharm may be unable to successfully market its healthcare products, in particular medical devices bite away® and Herpotherm®, through online marketing channels.*"). However, the increasing use of such media by customers exposes Dermapharm to particular risks. Its customers may use social media and new technologies to comment on the effectiveness of Dermapharm's products and to report alleged side effects. When such matters arise, the nature of evidence-based healthcare and restrictions on what pharmaceutical manufacturers may communicate about their products are not always well suited to allow Dermapharm to rapidly defend its interests in the face of political and market pressures generated by social media and rapid news cycles, and this may result in overly restrictive regulatory actions, otherwise adversely affect Dermapharm's business and cause fluctuations in the Company's share price.

In addition, unauthorized communications, such as press releases or posts on social media, purported to be issued by Dermapharm, may contain information that is false, misleading or otherwise damaging. Negative or inaccurate posts or comments about Dermapharm, its products, business and directors or officers on any social networking website could seriously damage Dermapharm's reputation. In addition, its employees and related parties may use social media and mobile technologies inappropriately, which may give rise to liability, or lead to breaches of data security, loss of trade secrets or other intellectual property or public disclosure of sensitive information (*e.g.*, information about Dermapharm's employees, clinical studies or customers).

Failure to properly address risks and challenges from the increased use of social media and mobile technologies could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.15 The illegal distribution of counterfeit versions of Dermapharm's products or stolen products could have a negative impact on Dermapharm's reputation.

Third parties may illegally distribute and sell counterfeit versions of Dermapharm's products, which do not meet the rigorous manufacturing and testing standards of Dermapharm's proprietary products. Counterfeit pharmaceuticals and healthcare products are frequently unsafe or ineffective, and can be life threatening. Counterfeit products may contain harmful substances, the wrong dose of APIs or no APIs at all. However, to distributors and users, counterfeit products may be virtually indistinguishable from corresponding authentic versions.

Reports of adverse reactions to counterfeit products or increased levels of counterfeiting could materially adversely affect patient confidence in Dermapharm's authentic products and the harm caused by unsafe counterfeit products may mistakenly be attributed to such authentic products. In addition, thefts of Dermapharm's products at warehouses, manufacturing facilities or in transit, could adversely affect Dermapharm's reputation, if the stolen products are sold through unauthorized channels.

Public loss of confidence in the integrity of Dermapharm's products due to counterfeiting or theft of such products could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.16 Dermapharm depends on a limited number of suppliers for the raw materials needed to manufacture its products and third-party manufacturers for its Dekristol® 20,000 I.E. soft capsules and Dermapharm's medical devices. Interruptions in Dermapharm's supply chain could have a material adverse effect on its business.

The raw materials used in the manufacturing of Dermapharm's pharmaceuticals and other healthcare products consist of chemicals in various forms that are generally available from several sources. In some cases, however, the relevant raw materials are available only from a limited number of suppliers or even a single supplier. Therefore, Dermapharm may not always have timely and sufficient access to raw materials or other products.

A significant portion of the raw materials required for Dermapharm's products may only be available from foreign sources, in particular suppliers from China and India, which may be subject to special risks of doing business abroad, including:

- inability of such manufacturers to meet international compliance standards for the manufacture of raw materials in the pharmaceutical industry, which could lead to a suspension or ban of certain suppliers;
- differences in manufacturing standards, which may result in some of the raw materials not meeting Dermapharm's requirements and force Dermapharm to reject shipments of such raw materials;
- greater possibility of disruption due to transportation or communication problems;
- delays in connection with the customs inspection of raw materials;
- import tariffs and taxes levied on imports;
- the relative instability of some foreign governments and economies;
- interim price volatility based on labor unrest, materials or equipment shortages, export duties, restrictions on the transfer of funds, or fluctuations in currency exchange rates;
- international sanctions; and
- uncertainty regarding recourse to a dependable legal system for the enforcement of contracts and other rights.

Many of Dermapharm's third-party suppliers are subject to various governmental regulations and, accordingly, Dermapharm itself is dependent on the regulatory compliance of these third parties. Dermapharm also depends on the strength, enforceability and terms of its contracts with these third-party suppliers. Dermapharm relies on complex shipping arrangements throughout the various stages of its supply chain, which may be affected by factors that are not within its full control or hard to predict.

In addition, Dermapharm's suppliers may decide to increase the prices of raw materials required for the manufacture of Dermapharm's products, either to increase their margins or pass on rising costs. There is no guarantee that Dermapharm will be able to pass on such rising raw materials prices to its customers, and, if Dermapharm choses to increase prices for its products as a response to higher manufacturing costs, this may adversely affect demand for its products.

Furthermore, the soft capsules for Dermapharm's Dekristol® 20,000 I.E. vitamin D preparation, its most significant product, are supplied by two European third-party suppliers. In addition, while Dermapharm owns the worldwide marketing rights for bite away® and Herpotherm®, the actual medical devices are manufactured by Riemser Pharma GmbH. Should these suppliers suffer from disruptions (*e.g.*, due to an inability to obtain the required materials or problems in their manufacturing processes), Dermapharm may not be able to find other suppliers able to manufacture these products in time. In addition, should these third-party suppliers decide to increase prices for their products for Dermapharm, there is no guarantee that Dermapharm will be able to pass on price increases to customers.

Any inability to obtain raw materials and medical devices on a timely basis, or any significant price increases for these items could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.17 Disruptions of Dermapharm's manufacturing processes and delays when launching new products may adversely affect Dermapharm's business.

Based on the number of packages, approximately 90% of Dermapharm's pharmaceuticals and other healthcare products were manufactured in-house in the nine-month period ended September 30, 2017 (including packages made from bulk products manufactured by third parties), with most of these products coming from Dermapharm's main manufacturing facility in Brehna, Saxony-Anhalt, Germany. Many of Dermapharm's products are manufactured using technically complex processes requiring specialized facilities, specific raw materials and other production constraints. Such processes are increasingly reliant on the use of product specific devices for administration, which may result in technical issues. Dermapharm also needs to be able to manufacture sufficient quantities of its products to satisfy demand. Dermapharm may not be able to transform and adapt its existing manufacturing facilities to manufacture new products and to scale up manufacture of products currently under development once they are approved.

Dermapharm's products are subject to the risk of manufacturing stoppages and the risk of inventory losses because of the difficulties inherent in the processing of the raw materials used to manufacture such products and the potential difficulties in accessing adequate amounts of raw materials that meet the required standards. Additionally, specific conditions must be observed by both Dermapharm and its customers and distributors for the storage and distribution of some of Dermapharm's products (*e.g.*, cold storage). Failure to adhere to these requirements may result in inventory losses.

The investigation and remediation of any identified or suspected manufacturing problems may cause delays in Dermapharm's manufacturing processes, product recalls, or loss of revenues and inventories and delay the launch of new products, which could damage Dermapharm's reputation and cause Dermapharm to incur substantial expenses. Should Dermapharm violate any of the laws that it must observe as part of its manufacturing process, competent governmental authorities may shut down Dermapharm's facilities or demand remediation action.

As part of the manufacturing process, Dermapharm also handles certain hazardous materials (*e.g.*, acids or oils), which exposes it to particularly high risks. Mishandling of such hazardous substances could cause personal injury, property damage and environmental contamination, and may result in the shutdown of affected manufacturing facilities, significantly reduce the productivity and profitability of the affected facility and result in the imposition of fines and/or civil damages.

Should any manufacturing disruptions occur, in particular at Dermapharm's Brehna facility, Dermapharm may not have alternative manufacturing capacities. Its ability to use backup facilities or set up new facilities is limited due to the complexity of its manufacturing processes. Even where Dermapharm has backup sources of supply, including by manufacturing backup supplies of its principal APIs, such supplies may not be sufficient to meet Dermapharm's delivery obligations or market demand. In addition, certain rebate agreements with SHI providers and supply agreements with hospitals impose strict delivery obligations on Dermapharm and if manufacturing disruptions were to prevent it from fulfilling these obligations, Dermapharm may be required to pay substantial contractual penalties (*Vertragsstrafen*).

Any disruptions of Dermapharm's manufacturing processes could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.18 Dermapharm may experience disruptions of its logistics systems and distribution processes and existing logistics capacities may prove insufficient.

The operation, management and expansion of Dermapharm's distribution center in Brehna, which serves as Dermapharm's hub and logistical center for its pharmaceuticals and other healthcare products business, are key to Dermapharm's business. The Brehna facility provides for inbound logistics, with a warehouse containing over 2,500 consignment spaces and a storage system with approximately 21,000 pallet places as well as an information technology system that manages reporting and outbound logistics. Dermapharm's entire pharmaceuticals and other healthcare products portfolio is distributed directly from the Brehna facility to national and international consumers. For its parallel import business, Friedrichsdorf, Hesse, Germany, serves as the central logistics facility, where all imported pharmaceuticals are received, repackaged and/or relabeled and then distributed to Dermapharm's customers. Consequently, if Dermapharm fails to operate and optimize these two facilities successfully and efficiently, it could result in excess or insufficient logistical capacity, increase costs or harm Dermapharm's business in other ways.

Any failure or interruption, partial or complete, of Dermapharm's logistics and distribution processes (*e.g.*, as a result of software malfunctions, natural disasters, acts of terrorism, vandalism or sabotage) could impair Dermapharm's ability to timely deliver its products and harm Dermapharm reputation. If Dermapharm continues to add logistics capabilities, new businesses or categories with different logistical requirements, or changes its product mix, Dermapharm's logistics infrastructure will become increasingly complex and challenging to operate. In particular, the integration of recently acquired businesses into Dermapharm's production and logistics structure may prove difficult and disruptive. Operational difficulties could result in shipping delays and customer dissatisfaction or cause Dermapharm's logistics costs to become high and uncompetitive. Any failure to successfully address such challenges in a cost-effective and timely manner could severely disrupt Dermapharm's business and harm its reputation.

Delivery times for Dermapharm's products may vary due to a variety of factors (*e.g.*, the product ordered, the distance to the facility from which the product is shipped, the number of items ordered, the country in which the customer orders the product and the performance of the third-party shipping company carrying out the distribution). There can be no assurance that customers will not expect or demand faster delivery times than Dermapharm can provide, which could lead to loss of revenues from such customers. There is also a risk that Dermapharm's current fulfillment capacity will prove insufficient to support its continued growth. Dermapharm may not be able to locate suitable facilities on commercially acceptable terms in accordance with any future expansion plans. Dermapharm may also need to increase capital expenditures with respect to additional logistics capacities.

The materialization of any of these risks could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.19 A reduction of parallel import quotas or an establishment of export restrictions or pharmaceutical contingents and similar regulations may adversely affect Dermapharm's parallel import business.

Pursuant to the Framework Agreement on Drug Provision according to Section 129 of the Social Code, Book V (*Rahmenvertrag über die Arzneimittelversorgung nach § 129 Abs. 2 Sozialgesetzbuch V*), at least 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be brought into the market through parallel imports from other member states of the European Economic Area. According to Section 129 para. 1 no. 2 of the German Social Code, Book V (*Sozialgesetzbuch Fünftes Buch*), only parallel imports with prices that are at least €15.00 or 15% lower than the price of the German original pharmaceutical, taking into account any mandatory rebates, count towards the 5% import quota. Dermapharm's parallel import business leverages Dermapharm's direct marketing expertise in Germany by importing pharmaceuticals from 25 member states of the European Economic Area for resale in the German market at a discount in order to allow pharmacies to fill their import quota. Economically, Dermapharm benefits from selling the imported pharmaceuticals within Germany at a premium over the price of the respective pharmaceuticals in the sourcing market. In the nine-month period ended September 30, 2017, the parallel import business area accounted for 53.2% of Dermapharm's revenues and 6.1% of its EBITDA.

However, there is no guarantee that the minimum import quota for parallel imports will remain in effect in its current form in the future. Legislative bodies could decide to lower or even abolish this quota (*e.g.*, due to lobbying from manufacturers of originator pharmaceuticals), in which case demand for Dermapharm's imported pharmaceuticals could decline or cease and Dermapharm may be unable to sell any inventories it has already acquired. In addition, the German regulator may increase the price difference required for pharmaceuticals to count towards the import quota, and Dermapharm may incur a loss when reselling imported pharmaceuticals at prices that meet such higher discount requirements.

Furthermore, manufacturers of originator pharmaceuticals which Dermapharm imports as part of its parallel import business may attempt to establish maximum contingents of their pharmaceuticals for certain markets or maximum export quotas in the markets where Dermapharm is currently purchasing such pharmaceuticals. This risk is supplemented by export restrictions for pharmaceuticals, which have already been implemented in certain member states of the European Union (*e.g.*, Poland, which prohibits the export of certain pharmaceuticals, and Portugal, which has introduced a restrictive reporting system with respect to such exports) and are currently under discussion in various other member states. Such efforts, even if their compliance with European laws is questionable, may prevent Dermapharm from obtaining pharmaceuticals for its parallel trade import at acceptable prices and in sufficient amounts, or at all.

Restrictions on Dermapharm's parallel import business could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.20 Dermapharm may not be able to resell pharmaceuticals it has imported as part of its parallel import business at attractive prices or at all.

The success of Dermapharm's parallel import business depends on its ability to resell imported pharmaceuticals to pharmaceutical wholesalers and through direct telephone marketing efforts to pharmacies. Even if Dermapharm has purchased pharmaceuticals abroad at what it considers to be attractive prices, Dermapharm may be unable to resell such pharmaceuticals in the German market at a profit, or at all due to various reasons, including:

- lower demand for Dermapharm's imported pharmaceutical than originally anticipated, in particular in case of delays in delivery or for pharmaceuticals which are subject to significant seasonality;
- failure to successfully continue Dermapharm's direct marketing efforts (*e.g.*, due to new legislation restricting marketing calls to pharmacies or pharmacies requesting that Dermapharm cease to directly contact them);
- competitors, who are able to offer the same pharmaceutical at a lower price or in greater quantities;
- price decreases in the German market for the relevant pharmaceutical, in particular where a new reference price has been introduced between import and resale;
- the expiration of patent protection for an imported pharmaceutical, leading to the introduction of patent-free pharmaceuticals, which may in some cases even occur ahead of the scheduled patent expiration (*e.g.*, in cooperation with the originator manufacturer or if the relevant patent is successfully challenged);
- exchange rate fluctuations; and
- loss in transit, if Dermapharm is still required to pay for the relevant pharmaceutical (*i.e.*, if Dermapharm bears the transportation risk or has made advanced payments) and unable to obtain compensation for its losses from insurance providers.

While Dermapharm has implemented a continuous planning process for the sourcing of its imported pharmaceuticals, several months may elapse between the original planning and the arrival and repackaging of these pharmaceuticals, increasing the risk that the market situation for a certain pharmaceutical changes and Dermapharm is unable to resell imported pharmaceuticals. In addition, the overall parallel import market in Germany has shrunk in recent years, with revenues declining from €4.2 billion in the fiscal year ended December 31, 2014 to €3.9 billion in the fiscal year ended December 31, 2015, and decreasing further to €3.7 billion in the fiscal year ended December 31, 2016 (*sources: B.A.H. 2014; B.A.H. 2015; B.A.H. 2016*). This decline of the overall parallel import market may lead to intensified competition and adversely affect Dermapharm's revenues from its parallel import business area.

Margins for individual pharmaceuticals may vary considerably. In general, demand from customers for high-margin imports is low, while demand for low-margin pharmaceuticals, for which there is only a limited offering from parallel importers, is considerably higher. In order to generate an attractive margin from its parallel import business, Dermapharm tries to ensure that each customer purchases a mixed basket with pharmaceuticals from different product categories (*i.e.*, Dermapharm will offer customers a selection of attractive low-margin pharmaceuticals, while also requiring them to purchase lower-demand pharmaceuticals that generate a considerably higher margin for Dermapharm). However, there is no guarantee, that Dermapharm will be able to convince its customers to accept sufficient quantities of its high-margin imports and consequently Dermapharm faces a high risk that it will be unable to resell these pharmaceuticals.

Inability to resell imported pharmaceuticals at attractive prices or at all could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.21 Dermapharm may not be able to introduce and source the pharmaceuticals required to maintain its parallel import product offering.

The success of Dermapharm's parallel import business depends on its ability to identify sufficient pricing differences in the European pharmaceuticals market in order to source the pharmaceuticals required for Dermapharm's broad parallel import product offering. If prices for pharmaceuticals increase in sourcing markets or decrease in the German pharmaceuticals market, Dermapharm may not be able to identify attractive sourcing opportunities. This risk might be compounded by the upcoming "Brexit", since such exit of the United Kingdom from the common market may eliminate the United Kingdom as a sourcing market. In addition, competitors may be able to identify and acquire attractive pharmaceuticals for parallel imports ahead of Dermapharm.

Furthermore, Dermapharm depends on its ability to maintain a broad mix of high-margin and low-margin pharmaceuticals in order to offer its customers an attractive product basket while still maintaining a sufficient margin. If Dermapharm is not able to source sufficient low-margin pharmaceuticals, which are generally in lower supply and therefore more attractive to Dermapharm's customers, this may adversely affect its revenues.

When introducing new pharmaceuticals to its parallel import product offering, for which there is currently only a German marketing authorization but no centralized European marketing authorization, Dermapharm is required to obtain a corresponding authorization (*Bezugszulassung*). While obtaining such authorization is easier than obtaining a marketing authorization, it will still often take between 8 and 15 months and Dermapharm depends on the cooperation of various governmental authorities in Germany and its sourcing countries. Due to the time required between filing for the corresponding authorization and the decision of the competent governmental authority, supply and demand for the relevant pharmaceutical may have changed significantly and Dermapharm may decide that sourcing such pharmaceutical is no longer attractive. In such case, Dermapharm would lose all costs incurred in connection with the filing process and may miss out on a new introduction that could be crucial for maintaining and improving its product mix.

Inability to introduce and source the pharmaceuticals required to maintain its parallel import product offering could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.22 If third parties were to sell Dermapharm counterfeit or defective pharmaceuticals as part of its parallel import business, Dermapharm could be held liable for distributing such pharmaceuticals.

Dermapharm's parallel import business requires it to purchase and resell pharmaceuticals that have not been manufactured by Dermapharm itself, and instead are manufactured and/or distributed by third parties outside Germany. While Dermapharm has established strict processes to verify the reliability of its suppliers and thereby ensure that its sources are reliable, Dermapharm may not always be able to ascertain whether the pharmaceuticals it purchases are actually original products or counterfeit versions. Counterfeit pharmaceuticals are inherently dangerous (see "*1.1.15 The illegal distribution of counterfeit versions of Dermapharm's products or stolen products could have a negative impact on Dermapharm's reputation.*"). In addition, imported pharmaceuticals may be defective, in particular if the original manufacturer does not maintain the same strict manufacturing standards as Dermapharm.

Dermapharm may be held liable by its customers or patients using Dermapharm's imported pharmaceuticals if it unknowingly sells counterfeit or defective pharmaceuticals. In addition, Dermapharm's reputation may be harmed if it is found to have sold such pharmaceuticals and if Dermapharm still has counterfeit or defective pharmaceuticals in its inventory, it will be required to destroy and write off such inventories. There is no guarantee that Dermapharm will be able to take full recourse against the suppliers who have delivered counterfeit or defective pharmaceuticals (*e.g.*, due to the limited financial capacities of such suppliers or a need to initiate time consuming and expensive litigation), and in many cases Dermapharm will settle such matters.

If Dermapharm were to unknowingly import counterfeit or defective pharmaceuticals from third parties, this could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.23 Dermapharm may discontinue the manufacture and distribution of certain of its existing or future products, which may adversely impact its business.

Dermapharm continuously evaluates the performance of its products, and may determine that it is in Dermapharm's best interest to discontinue the manufacture and distribution of certain of its current or future products. However, the discontinuance of products may cause Dermapharm's revenues to decline faster than related operating expenses, may cause Dermapharm to incur material charges associated with such discontinuances and may entail various other risks (*e.g.*, inability to maintain good relations with customers who previously purchased the discontinued products).

The discontinuance of certain products could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.24 Goodwill and capitalized development costs are subject to impairment testing, which may result in impairment charges.

As of September 30, 2017, the goodwill recorded on Dermapharm AG's consolidated statement of financial position amounted to €17.0 million, or approximately 4.0% of Dermapharm's total assets. In recent years, the amount of goodwill has increased in connection with past acquisitions and may continue to increase if Dermapharm is able to capitalize on future growth opportunities by acquiring additional businesses or making other investments (see "*1.1.5 Dermapharm may be unable to identify and capitalize on attractive growth opportunities and even if it does engage in acquisitions, joint ventures or other business combinations, such transactions may not develop as originally anticipated.*").

Under IAS 38, Dermapharm is generally required to capitalize development costs if certain criteria are met. Such capitalized development costs amounted to €30.2 million on Dermapharm AG's consolidated statement of financial position as of September 30, 2017.

Dermapharm is required to regularly evaluate whether events or circumstances have occurred to indicate that all, or a portion, of Dermapharm's goodwill and/or capitalized development costs are no longer recoverable, in which case impairment charges recorded under other operating expenses would become necessary. Dermapharm incurred impairment charges on goodwill of €5.1 million allocated to Farmal in the fiscal year ended December 31, 2015 and €5.2 million allocated to Cancernova GmbH onkologische Arzneimittel in the fiscal year ended December 31, 2014. In addition, Dermapharm incurred impairment charges on capitalized development costs of €4.7 million in the fiscal year ended December 31, 2014 in connection with the development of a spray for the treatment of asthma and chronic obstructive pulmonary disease, which Dermapharm decided to discontinue.

Impairment charges in connection with goodwill or capitalized development costs recorded on the Company's consolidated statement of financial position could have a material adverse effect on Dermapharm's results of operations.

1.1.25 Dermapharm may be subject to disruptions or failures of its information technology systems that could have a material adverse effect on its business.

Dermapharm relies on the efficient and uninterrupted operation of complex information technology systems to operate its manufacturing processes and other parts of its business, in particular scarabPLUS – PHARMA-ERP-System, Microsoft Dynamics NAV 2013, a marketing information system developed by QuintilesIMS, Dermapharm's proprietary ERP-System for its parallel import business and ADDIS®-CRM. Dermapharm also stores data in its data centers upon which Dermapharm's business depends (*e.g.*, proprietary information and customer details). A disruption, infiltration or failure of Dermapharm's information technology systems or any of its data centers (*e.g.*, due to software or hardware malfunctions, system implementations or upgrades, computer viruses, third party security breaches, including breaches from Dermapharm's providers, employee error, theft or misuse, malfeasance, power disruptions, natural disasters or accidents) could cause breaches of data security, loss of intellectual property or critical data, the release and misappropriation of sensitive information and impair Dermapharm's manufacturing and supply chain processes.

Furthermore, Dermapharm will replace the current information technology systems of Trommsdorff with its own systems in order to fully integrate the acquired business. However, there is no guarantee that replacing such information technology systems will proceed without interruptions and the costs for the transition may exceed Dermapharm's current expectations.

While Dermapharm has implemented a number of protective measures (*e.g.*, duplicate systems at different locations, firewalls, antivirus software, patches, data encryption, log monitors, routine backups with offsite retention of storage media, system audits, data partitioning, routine password modifications and disaster recovery procedures), such measures may not be implemented properly or may prove inadequate to prevent or fully address any of the aforementioned disruptions or failures of Dermapharm's information technology systems.

Any disruptions or failures in Dermapharm's information technology systems could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.26 The continued success of Dermapharm depends on its ability to attract and retain qualified key employees.

Due to the specialized nature of Dermapharm's business, Dermapharm is highly dependent upon its ability to continue to attract and retain the members of its top management as well as qualified scientific, technical and sales personnel. Competition for qualified employees is especially intense in the pharmaceuticals industry and Dermapharm's ability to hire qualified personnel depends on its ability to reward performance, incentivize its employees and pay competitive compensation. Loss of the services of, or failure to recruit, qualified personnel could have a significant adverse effect on Dermapharm's ability to develop and market its products. Due to Dermapharm's comparably small size and limited financial and other resources, it may be difficult for Dermapharm to compete for the services of such qualified key employees.

In addition, shifting demographic trends are expected to result in fewer students, fewer graduates and fewer people entering the workforce in Europe in the future. Moreover, many individuals of younger generations have changing expectations regarding their careers, engagement and the integration of work in their overall lifestyles, all of which may render such individuals less suitable to fill vacancies within Dermapharm.

Any inability to attract and retain qualified personnel could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.27 Dermapharm's existing financial liabilities could limit the cash flows available for its operations, and any default with respect to Dermapharm's financial liabilities could lead to the Company's insolvency.

As of September 30, 2017, Dermapharm's total current and non-current financial liabilities amounted to €278.8 million, including various loan agreements and promissory notes (*Schuldscheindarlehen*). This level of indebtedness could adversely impact Dermapharm in various ways, including:

- increasing Dermapharm's vulnerability to adverse economic and market development;
- limiting its flexibility in planning for, or reacting to, changes in the market environment;
- limiting its ability to obtain additional financing;
- requiring the dedication of a substantial portion of Dermapharm's cash flows to servicing its indebtedness, thereby reducing the funds available for other purposes;
- increasing Dermapharm's vulnerability to interest rate increases, if the relevant financial liabilities bear interest at floating interest rates or in case of a refinancing; and
- placing Dermapharm at a competitive disadvantage to less-leveraged competitors and competitors that have better access to capital resources.

Dermapharm may not be able to maintain sufficient cash reserves or continue to generate cash flows at levels sufficient to make interest payments and other payments on its indebtedness when due. If Dermapharm is unable to generate sufficient cash flows or otherwise obtain the funds required to make such payments when due, or if Dermapharm otherwise fails to comply with the various requirements under its existing financial liabilities, Dermapharm would be in default. Such covenants include negative pledge and *pari passu* clauses, restrictions on substantial changes to the core business, limitations on the disposal of assets, restrictions regarding the payment of dividends of certain entities of Dermapharm and financial covenants relating to the equity ratio and leverage of Dermapharm. A default of Dermapharm would permit the relevant lenders to accelerate the maturity of Dermapharm's financial liabilities, which could cause the relevant debtor entity of Dermapharm to default on such liabilities. Such situation could ultimately lead to the insolvency of any or all Dermapharm entities, including the Company.

Dermapharm's existing financial indebtedness or any default with respect to its financial liabilities could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects, and ultimately lead to an the insolvency of the Company.

1.1.28 Dermapharm may be unable to raise additional funds on acceptable terms or at all, and an increase in the level of Dermapharm's indebtedness may adversely affect its business.

In the future, Dermapharm may attempt to raise funds from additional debt financing to refinance its existing debt or to fund potential acquisitions or investments in the context of its growth strategy (see "*1.1.4 Dermapharm's efforts to expand its business into foreign markets expose Dermapharm to risks associated with operating in unfamiliar countries.*"), or for other purposes. However, there is no guarantee that Dermapharm will be able to obtain the required or desired debt financing on acceptable terms or at all.

Furthermore, an increase of Dermapharm's indebtedness may require Dermapharm to pay higher interest expenses or further restrict available cash flows, which may prevent Dermapharm from developing or enhancing its products, capitalizing on growth opportunities, or responding to competitive pressures or unanticipated customer demands (see „*1.1.27 Dermapharm's existing financial liabilities could limit the cash flows available for its operations, and any default with respect to Dermapharm's financial liabilities could lead to the Company's insolvency.*").

Inability to raise additional funds on acceptable terms or at all or an increase in the level of Dermapharm's indebtedness could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.29 Dermapharm is subject to various risks for which it may not be adequately insured.

While Dermapharm has purchased what it deems to be insurance coverage customary in the pharmaceuticals industry, such insurance does not cover all risks associated with the operation of its business. Accidents and other events could potentially lead to interruptions of Dermapharm's business operations or to Dermapharm incurring significant costs, all of which may not be fully covered by its insurance. In addition, Dermapharm's insurance coverage is subject to various limitations and exclusions, retentions amounts and limits. Furthermore, if any of Dermapharm's insurance providers becomes insolvent, Dermapharm may not be able to successfully claim payment from such insurance provider. In the future, Dermapharm may not be able to obtain coverage at current levels, or at all, and premiums for Dermapharm's insurance may increase significantly.

A lack of adequate insurance coverage could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.30 Exchange rate fluctuations and related hedges may adversely affect Dermapharm's results and the value of some of its assets.

Changes in foreign exchange rates between the Euro, Dermapharm's reporting currency, and other currencies, in particular the U.S. Dollar, the British Pound, the Swiss Franc, the Croatian Kuna and the Norwegian Krone, may result in significant increases or decreases in Dermapharm's reported revenues, costs and earnings as expressed in Euro, and in the reported value of Dermapharm's assets, liabilities and cash flows. Dermapharm's parallel import business may be particularly adversely affected by exchange rate fluctuations, if the Euro decreases, making it harder or impossible for Dermapharm to identify sufficient arbitrage opportunities in countries whose currency is not the Euro. In addition, the timing and extent of such fluctuations may be difficult to predict. Furthermore, depending on the movements of particular exchange rates, Dermapharm may be adversely affected at a time when the same currency movements benefit some of its competitors.

For its parallel import business area, Dermapharm generally hedges 50% of its net exposure over the next six months with respect to expected cash outflows in any one foreign currency that are not offset by corresponding cash inflows in such foreign currency, using derivative financial instruments, and in particular forward exchange contracts. The current market environment is taken into account in the execution of Dermapharm's hedging strategy.

However, the future use of derivative hedging instruments is generally dependent on the availability of adequate credit lines with appropriate financial institutions. As a result, Dermapharm may be unable to use derivative financial instruments in the future, to the extent necessary, and its hedging strategy could therefore ultimately be adversely affected. Furthermore, any hedging transactions executed in the form of derivative financial instruments may adversely affect Dermapharm's profits due to changes in the mark-to-market valuation if hedge accounting is not applied.

Exchange rate fluctuations and hedging against such fluctuations could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.31 The Company may not be able to prepare the required financial statements in accordance with IFRS in time, or at all.

In the future, the Company will be required to prepare annual and quarterly consolidated financial statements under IFRS. Dermapharm has only recently begun to prepare such consolidated financial statements under International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), by preparing the audited consolidated financial statements of Dermapharm AG, the former parent entity of Dermapharm, as of and for the fiscal years ended December 31, 2016, 2015 and 2014. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS. These consolidated financial statements consist of the consolidated statement of financial position, the consolidated statement of comprehensive income, changes in equity and cash flows for the relevant year, a summary of the significant accounting policies and other explanatory information.

The Company is required to collect and consolidate the relevant operating and financial information from Dermapharm's group companies in order to be able to provide the consolidated information, which may prove time-consuming and complicated due to Dermapharm's organizational structure and limitations on available personnel. Therefore, it may be difficult to prepare the required data on a group-wide basis in a timely manner. Given that Dermapharm intends to expand further, these complications may increase. If the Company fails to collect and consolidate the relevant financial information efficiently or implement adequate controls, it may not able to file accurate financial reports in time, or at all.

Inability to prepare the required financial statements in accordance with IFRS in time, or at all, could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.1.32 The Company is a holding company with no cash generating operations of its own and relies on operating subsidiaries to provide the Company with the funds required to meet its financial obligations and make dividend payments.

The Company is a holding company with no material business operations of its own. The principal assets of the Company are its direct and indirect equity interests in the operating subsidiaries of Dermapharm. As a result, the Company is dependent on loans, dividends and other payments from these subsidiaries in order to generate the funds required to meet the Company's financial obligations and make dividend payments, if any.

The ability of the Company's subsidiaries to make distributions and other payments to the Company in turn depends on the subsidiaries' earnings and is subject to contractual and statutory limitations. As a shareholder in its subsidiaries, the Company's right to receive assets upon liquidation or reorganization of such subsidiaries will be effectively subordinated to the claims of their respective creditors. Even if the Company is recognized as a creditor of its subsidiaries, the Company's claims will still be subordinated to any security interests that are senior to the Company's claims.

If the Company does not receive sufficient distributions and other payments from its direct and indirect subsidiaries, it may be unable to meet its financial obligations and make dividend payments.

1.1.33 Some of the market data presented in this Prospectus may be based on Company information and estimates and should be considered with caution.

This Prospectus contains market data or cites sources containing market data relating to the size of the pharmaceuticals industry and the markets for Dermapharm's products, including certain forecasts. Prospective investors are advised to consider such information with caution. The market data presented in this Prospectus may be based on Company information and estimates, and may not be accurate, correct or complete. In addition, the cited sources are based on information and assumptions that may be inaccurate or inappropriate, and their methodology is inherently predictive and speculative. Dermapharm has not independently verified figures, market data or other information and the market data in this Prospectus may therefore be inaccurate and the projected growth of the market may not be realized.

1.2 Regulatory, Legal and Tax Risks

1.2.1 Dermapharm is required to comply with the extensive regulations that govern its products as well as other aspects of Dermapharm's business, and changes in the regulatory environment may force Dermapharm to incur additional costs.

The manufacturing, distribution, processing, formulation, packaging, labeling, promotion and sale of Dermapharm's products is subject to extensive regulation, in particular regulation implemented by Germany and the European Union (*e.g.*, requirements to obtain marketing authorizations, pricing restrictions, provisions on the packaging of Dermapharm's products and restrictions on the distribution of pharmaceuticals and other healthcare products). In the past, compliance with such regulation has resulted in increased expenses for Dermapharm and has imposed greater administrative burdens on its organization. If additional requirements are introduced in the future, they will likely require increased expenditures and may prevent Dermapharm from continuing to conduct its business as presently conducted.

Future legislative measures aimed at limiting or reducing the costs of pharmaceuticals (see "*1.1.9 Healthcare reforms and related changes to the framework applicable to the pharmaceuticals industry may adversely affect Dermapharm's business.*") or other changes to the regulatory framework for the distribution of pharmaceuticals (see "*1.1.19 A reduction of parallel import quotas or an establishment of export restrictions or pharmaceutical contingents and similar regulations may adversely affect Dermapharm's parallel import business.*" and "*1.1.8 Rebate agreements with SHI providers may adversely affect Dermapharm's business.*"), in particular measures aimed at combating rising healthcare costs resulting from demographic developments such as an ageing of the population (see "*1.1.1 Dermapharm could be adversely affected by developments in the German pharmaceuticals and healthcare markets.*"), could adversely affect Dermapharm's business.

With respect to the packaging of Dermapharm's pharmaceuticals, according to the Commission Delegated Regulation (EU) 2016/161 of October 2, 2015 (the "**Packaging Regulation**"), all manufacturers of prescription pharmaceuticals distributed in the European Union are required to place a unique individual identifier complying with certain technical specifications and consisting of a sequence of numeric or alphanumeric characters that is unique to any given pack on the packaging for such pharmaceuticals. The obligations under the Packaging Regulation will apply from February 9, 2019. The new packaging requirements under the Packaging Regulation may require Dermapharm to adapt its packaging processes, likely causing additional costs and increasing the risk that Dermapharm is unable to comply with such packaging requirements. In particular, for its parallel import business Dermapharm is required to verify the unique identifiers for every package of pharmaceuticals sourced from abroad, which significantly affects all processes in connection with the receipt of new inventory and may adversely affect Dermapharm's parallel import business.

In addition, changes to the framework to parallel imports of pharmaceuticals could adversely affect Dermapharm's parallel import business (see "*1.1.19 A reduction of parallel import quotas or an establishment of export restrictions or pharmaceutical contingents and similar regulations may adversely affect Dermapharm's parallel import business.*").

With respect to environmental, safety and health laws and regulations, Dermapharm cannot accurately predict the outcome or timing of future expenditures that it may be required to make in order to comply with such laws as they apply to Dermapharm's business from time to time, in particular if such regulations become stricter over time.

Costs incurred in order to comply with regulations applicable to Dermapharm's business could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.2.2 Dermapharm's existing compliance structure may not be sufficient and non-compliance with laws and regulations may adversely affect Dermapharm's business.

If Dermapharm fails to comply with applicable laws and regulations, it may breach representations made to its customers or governmental authorities, who may take actions against Dermapharm or its products. These persons may require labeling revisions, formulation or manufacturing changes, product modifications, recalls, product seizures, total or partial suspension of manufacturing processes and/or distribution, shutdowns of manufacturing facilities, suspension of the review of Dermapharm's submissions for approval or additional safety data for Dermapharm's new or existing pharmaceuticals or other remedial actions, any of which could have a material adverse impact on Dermapharm's business (*e.g.*, through increased costs for, or delays in, obtaining approvals of new products or an obligation to remove existing products from the market). In addition, violations of the laws and regulations applicable to Dermapharm's business may be punishable by criminal and civil sanctions, including substantial fines and penal sanctions, such as imprisonment.

It is common for enforcement agencies to initiate investigations into sales and marketing practices as well as pricing practices, regardless of merit. Such investigations and any related litigation could have a material adverse impact on Dermapharm's business (*e.g.*, due to high expenditures for legal fees and compliance activities, the imposition of fines and limitations on Dermapharm's operations, the diversion of management resources, harm to Dermapharm's reputation and decreased demand for its products).

For example, Dermapharm's Croatian entity Farmal was the subject of an investigation by Croatian governmental authorities in 2012, who alleged that Farmal had violated applicable laws by offering coupons to doctors to whom it marketed its pharmaceuticals. Farmal subsequently reached a settlement with the Croatian prosecutors, agreeing to pay a fine of approximately €0.3 million. In addition, all employees of Farmal that were implicated in the investigation have also reached settlements, requiring them to pay minor fines and none of the employees were convicted of criminal wrongdoing. As far as Dermapharm is aware, only the investigation against the former director of Farmal, whom Farmal dismissed immediately after the allegations surfaced, is still pending as of the date of this Prospectus.

Dermapharm has taken various steps in order to comply with applicable regulations, including appointing a compliance officer. Its compliance management system comprises, *inter alia*, compliance audits of the relevant entities of Dermapharm, a compliance manual that includes Dermapharm's mandatory compliance policies, regular training courses on relevant compliance risks and measures as well as adequate measures to allow employees to report potential compliance violations. However, there is no guarantee that Dermapharm's compliance management system is sufficient to ensure that Dermapharm's employees, related parties and agents are or will be in compliance with all applicable laws and regulations. Furthermore, the criteria for determining compliance are often complex and subject to change and new interpretation. If Dermapharm's employees, consultants, agents or suppliers engage in corruption, fraud or other criminal or unauthorized behavior, the competent courts and governmental authorities may impose significant fines, require monitoring or self-monitoring, exclude Dermapharm from certain healthcare programs or impose other sanctions, such as the loss of business licenses or permits or other restrictions, and the failure to comply with laws and regulations may harm Dermapharm's reputation. These risks may encourage Dermapharm to enter into settlement agreements and such settlements may involve significant payment obligations and/or the imposition fines as well as admissions of wrongdoing.

In addition, in connection with additional businesses and companies Dermapharm acquired in the past or may acquire in the future, there is no guarantee that it has or will be able to identify cases of non-compliance that may have occurred before Dermapharm completed such acquisitions. In this case, Dermapharm's business may be adversely affected by such past non-compliance, even though it occurred before Dermapharm could exercise control over the relevant acquisition.

A violation of laws and regulations applicable to Dermapharm's business could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.2.3 Dermapharm's business depends on intellectual property and the ability to protect such intellectual property against infringements from third parties.

Protecting its intellectual property is important to Dermapharm's business and its most important protected trademarks are those related to its products, in particular Dekristol® 20,000 I.E., bite away®, Herpotherm®, sikapur®, Ampho-Moronal®, Solacutan®, Ciclocutan®, Minoxicutan®, Prednisolut®, Dienovel®, Lactofem®, Finapil®, Panthenol-Augensalbe JENAPHARM® and Suxilep®. In addition, it holds patents for the medical devices bite away® and Herpotherm®.

Dermapharm's future success will depend on its ability to obtain brands, patents, trademarks and trade secret protection and to protect such intellectual property against infringements from third parties. However, there is no guarantee that any of Dermapharm's future brands, processes or products can be adequately protected through intellectual property. Furthermore, Dermapharm may not have the resources to protect its intellectual property against infringements by third parties (*e.g.*, due to a lack of evidence or the cost of proceedings) and such protection may not always be effective (*e.g.*, if there are inconsistent judgements with respect to the same intellectual property rights). If Dermapharm fails to adequately protect its intellectual property, competitors may manufacture and market products identical or similar to Dermapharm's current or existing products and utilize brands similar to those under which Dermapharm markets its products. In addition, if any of Dermapharm's intellectual property rights are found to be invalid, Dermapharm's customers may claim damages, alleging they have been over-charged or have over-paid for the relevant product.

Dermapharm also seeks to protect its trade secrets, unpatented proprietary know-how, processes and continuing technological innovation related to products and technology through confidentiality and non-disclosure agreements with suppliers, employees, consultants, licensees and other pharmaceutical companies. If these agreements are breached, Dermapharm may not have adequate remedies for such breaches. Disputes may arise concerning the ownership of intellectual property or the applicability of such confidentiality agreements. Furthermore, Dermapharm's sensitive information may otherwise become known to, or be independently developed by, its competitors.

Inability to maintain and defend its intellectual property could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.2.4 Dermapharm may become involved in various legal proceedings, including patent litigation, which may expose Dermapharm to substantial liability or adversely impact its business.

Dermapharm may become involved in litigation in the ordinary course of its business (*e.g.*, with respect to alleged product liability, infringements on intellectual property, employment matters or breach of contract). It may be expensive and time consuming for Dermapharm to bring or defend against such claims, which could result in settlements or damages.

Patent infringement litigation may become particularly relevant to Dermapharm, if manufacturers of originator pharmaceuticals claim that Dermapharm has violated their respective patents. Such litigation involves many complex technical and legal issues and outcomes are often difficult to predict, and the risks involved can be substantial. For manufacturers of patent-free pharmaceuticals such as Dermapharm, an unfavorable outcome in a patent infringement suit may significantly adversely impact such manufacturer's business (*e.g.*, by delaying the launch of new products until expiration of the relevant patent or imposing damages, which may be measured by the profits lost by the manufacturer of the relevant originator pharmaceutical). Consequently, if any patent litigation matters involving Dermapharm's products are resolved unfavorably, Dermapharm may be enjoined from developing, manufacturing, or distributing the relevant product or incur additional expenses. In addition, if Dermapharm were to market and sell products prior to the resolution of related patent litigation, it could be held liable for lost profits if Dermapharm is found to have infringed on a valid patent. Furthermore, such distribution efforts may be blocked by injunctions, in which case Dermapharm may be unable to distribute inventories of products it obtained prior to the respective injunction.

In certain cases, Dermapharm may be required to obtain licenses from the holders of third-party intellectual property that cover aspects of its existing and future products in order to manufacture and/or distribute such products, including in order to terminate or avoid patent litigation. Any payments under these licenses may reduce Dermapharm's profits from such products and Dermapharm may not be able to obtain the required licenses on favorable terms or at all.

Involvement in litigation could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.2.5 Dermapharm may face significant product liability claims that are not covered by insurance.

Product liability is a significant risk for any manufacturer of pharmaceuticals and Dermapharm may face claims for injuries allegedly resulting from the use of its products, in particular claims pursuant to Sections 84 *et seq.* of the German Pharmaceuticals Act (*Arzneimittelgesetz* ("**AMG**")). As Dermapharm expands its portfolio of available products, Dermapharm may experience increases in product liability claims. In addition, Dermapharm may be held liable for defects of pharmaceuticals it has imported and resold as part of its parallel import business. Such claims, regardless of their merits and ultimate success, are costly, divert management's attention, may harm Dermapharm's reputation and impact demand for its products.

With respect to product liability exposure for pharmaceuticals, Dermapharm has taken out insurance coverage as required by Section 94 para. 1 AMG. In addition, it has taken out general product liability insurance covering its other healthcare products. However, product liability coverage for pharmaceutical manufacturers and manufacturers of healthcare products is increasingly expensive and difficult to obtain on reasonable terms. In addition, where claims are made under insurance policies, insurance provider may reserve the right to deny coverage on various grounds. Furthermore, such coverage may not cover claims asserted against Dermapharm outside Germany or the relevant insurance provider may become insolvent.

Product liability claims not covered by product insurance could have a material adverse effect on Dermapharm's business, assets, financial condition, cash flows or results of operations.

1.2.6 Dermapharm may be adversely affected by changes to the general tax environment and future tax audits and investigations, all of which may increase Dermapharm's tax burden.

Dermapharm is dependent on the general tax environment in the countries where it operates, particularly in Germany. Dermapharm's tax burden depends on the application and interpretation of various tax laws. Dermapharm's tax planning and optimization depend on the current and expected tax environment. Amendments to tax laws may take retroactive effect and their application or interpretation by tax authorities or courts may change unexpectedly. These changes may cover matters such as taxable income, tax rates, indirect taxation, transfer pricing, dividend taxation, controlled companies or a restriction of certain forms of tax relief. Furthermore, tax authorities may occasionally limit court decisions to their specific facts by way of non-application decrees, which may further increase Dermapharm's tax burden.

Final and binding tax assessments are only issued once tax audits with respect to previous periods have been completed, which is generally only the case after several years. Future tax audits and other investigations conducted by tax authorities could result in the assessment of additional taxes. This may, in particular, be the case with respect to changes in the Company's shareholder structure, reorganization measures within Dermapharm or impairment on properties, given that tax authorities could determine that they ought to be disregarded for tax purposes. Any tax assessments that deviate from Dermapharm's expectations could lead to an increase in its tax obligations and could also give rise to interest payable on such additional taxes or fines.

Dermapharm may become a party to tax proceedings. The outcome of such tax proceedings may be hard to predict and may prove detrimental to Dermapharm.

The materialization of any of these risks could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.3 Risks Related to the Company's Shareholder Structure, the Shares and the Offering

1.3.1 The Company's shares have not previously been publicly traded, and there is no guarantee that an active and liquid market for these shares will develop.

Prior to this initial public offering (the "**Offering**"), there was no public market for the Company's shares. The offer price for the shares offered in this Offering (the "**Offer Price**") will be determined by way of a bookbuilding process. There is no guarantee that this Offer Price will correspond to the price at which the Company's shares will be traded on the stock exchange after this Offering or that, following the listing, an active and liquid market for the Company's shares will develop and persist. If such liquid market fails to develop, this could adversely affect the market price of the Company's shares and such market price could even decline below the Offer Price.

Consequently, investors may not be in a position to sell their shares in the Company at or above the Offer Price in the foreseeable future, or at all.

1.3.2 The Company's share price could fluctuate significantly, and investors could lose part or all of their investment in the Company's shares.

Following this Offering, the price of the Company's shares will be affected by the supply and demand for the Company's shares, which may be influenced by numerous factors, many of which are beyond the Company's control or can only be partly controlled by the Company, including:

- fluctuations in actual or projected results of operations;
- changes in projected earnings or failure to meet securities analysts' earnings expectations;
- the absence of analyst coverage on Dermapharm;
- negative analyst recommendations;
- changes in trading volumes in the Company's shares;
- changes in the Company's shareholder structure;
- changes in macroeconomic conditions;
- the activities of competitors and suppliers;
- changes in the market valuations of comparable companies;
- changes in investor and analyst perception with respect to Dermapharm or the pharmaceuticals industry in general; and
- changes in the statutory framework applicable to Dermapharm's business.

As a result, the Company's share price may be subject to substantial fluctuations. In addition, general market conditions and fluctuations of share prices and trading volumes could lead to pressure on the Company's shares, even though there may not be a reason for this based on the business performance or earnings outlook of Dermapharm.

If the Company's share price declines as a result of the realization of any of these risks, investors could lose part or all of their investment in the Company's shares.

1.3.3 Dermapharm may fail to comply with the additional requirements, which will be applicable to it following the Offering.

Following the Offering, the Company will for the first time be subject to the legal requirements of a company listed on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Dermapharm's management will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relations issues. Dermapharm's management will have to evaluate the internal control system independently with new thresholds of materiality, and to implement necessary changes to Dermapharm's internal control system. There can be no guarantee that Dermapharm will be able to respond to these additional requirements without difficulties and inefficiencies or compliance violations could cause it to incur significant additional costs and/or could expose it to regulatory or civil litigation or penalties.

Failure to comply with the additional requirements applicable to Dermapharm following the Offering could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.3.4 The Company may not be able to pay dividends in the foreseeable future.

With respect to the fiscal year ended December 31, 2017, the Company will not distribute a dividend, since Dermapharm Aktiengesellschaft, the former parent company of Dermapharm, will be required to transfer its profits for the fiscal year ended December 31, 2017, if any, to the Company's sole existing shareholder, Themis Beteiligungs-Aktiengesellschaft (the "**Selling Shareholder**"), under a profit transfer agreement with the Selling Shareholder.

Starting with the fiscal year ending December 31, 2018, the Company intends to pay a dividend in the ordinary course of business of 50% to 60% of Dermapharm's profits for the respective fiscal year calculated in accordance with IFRS. The Company aims to have a sustainable dividend policy that focuses on dividend continuity. The results of operations set out in Dermapharm AG's audited consolidated financial statements and Dermapharm AG's unaudited consolidated interim financial statements may not be indicative of the Company's future dividend payments.

Dividends may only be distributed from the net retained profit (*Bilanzgewinn*) of the Company. Consequently, it will only be able to make dividend payments in the envisaged amount if sufficient net retained profits are available to the Company. The net retained profit is calculated based on the Company's individual financial statements prepared in accordance with the accounting principles of the German Commercial Code (*Handelsgesetzbuch* ("**HGB**")). Accounting principles set forth in the HGB differ from IFRS in material respects.

In addition, the Company's dividend payments depend on its ability to receive sufficient distributions and other payments from its direct and indirect subsidiaries (see "*1.1.32 The Company is a holding company with no cash generating operations of its own and relies on operating subsidiaries to provide the Company with the funds required to meet its financial obligations and make dividend payments.*"). There is no guarantee that sufficient net retained profits will be available to the Company in the future to pay dividends in the envisaged amount, or at all.

Furthermore, the continued operation and expansion of Dermapharm's business will require substantial funding. Any determination to pay dividends in the future will be at the discretion of the Company's management board and will depend upon the Company's results of operations, financial condition, contractual restrictions, restrictions imposed by applicable laws and other factors management deems relevant. Consequently, the Company may not be able to pay dividends in the foreseeable future or at all.

1.3.5 Following this Offering, the Selling Shareholder will retain a significant interest in the Company and the interests of the Selling Shareholder may conflict with those of the Company and its other shareholders.

Following the successful completion of this Offering, the Selling Shareholder will continue to own 75.0% of the Company's outstanding share capital (assuming placement of all existing shares sold from the holdings of the Existing Shareholder and full exercise of the greenshoe option granted in the course of this Offering) and therefore retain a majority of the votes in the Company's shareholders' meeting. The interests of the Selling Shareholder may deviate from the Company's interests or those of other shareholders. Certain measures and transactions as well as dividend payments may be impossible to implement without the support of the Selling Shareholder.

Conflicts between the interests of the Selling Shareholder and those of the Company or its other shareholders may have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.3.6 The Company may invest or spend the net proceeds from this offering in ways that shareholders may not agree with or in ways that may not yield a return or benefit the price of the Company's shares.

At the mid-point of the price range of €26.00 to €30.00 and assuming that the maximum number of new shares of the Company is successfully placed, the Company will receive net proceeds of approximately €103.5 million from this Offering. The Company currently intends to use these net proceeds for in-house developments and an upgrade of Dermapharm's manufacturing facilities in Brehna and a new manufacturing facility in Neumarkt am Wallersee, Austria, Dermapharm's efforts to increase its international footprint, future acquisitions and the refinancing of existing indebtedness of Dermapharm, with any remainder to be spent on general corporate purposes. However, the Company may decide to use the net proceeds from this Offering differently from its intentions as of the date of this Prospectus. The Company's management will have considerable discretion in the application of such net proceeds, and shareholders may not be able to assess whether the proceeds are being used appropriately.

Any failure to effectively utilize the net proceeds from this Offering could have a material adverse effect on Dermapharm's business, financial condition, cash flows, results of operations and prospects.

1.3.7 Future offerings of debt or equity securities by the Company could adversely affect the market price of the Company's shares, and future capital measures could lead to a substantial dilution of the Company's shareholders (i.e., a reduction in the value of existing shareholders' interests in the Company).

Dermapharm may require additional capital in the future to finance its business operations and growth. The Company may seek to raise such capital through the issuance of additional shares or debt securities with conversion rights (*e.g.*, convertible bonds and option rights). An issuance of additional shares or debt securities with conversion rights could potentially reduce the market price of the Company's shares.

If such offerings of equity or debt securities with conversion rights are made without granting subscription rights to the Company's existing shareholders, these offerings would dilute the economic and voting rights of the Company's existing shareholders. Additionally, such dilution may arise from the acquisition or investments in companies in exchange, fully or in part, for newly issued shares of the Company, as well as from the exercise of stock options by Dermapharm's employees in the context of future stock option programs or the issuance of shares to employees in the context of future employee participation programs.

Any future issuance of shares of the Company could reduce the market price of the Company's shares and dilute the holdings of existing shareholders.

1.3.8 Future sales by major shareholders could have a material adverse effect on the price of the Company's shares.

For various reasons, shareholders may sell all or some of their shares in the Company, including in order to diversify their investments. If one or more of the Company's major shareholders were to sell a substantial number of the Company's shares, or if market participants believe that such sales are about to occur, the market price of the Company's shares could be materially adversely affected.

1.3.9 An investment in the Company's shares by an investor whose principal currency is not the Euro may be affected by exchange rate fluctuations.

The Company's shares are, and any dividends to be paid in respect of them will be, denominated in Euros. An investment in the Company's shares by an investor whose principal currency is not the Euro will expose such investor to exchange rate risks. Any depreciation of the Euro in relation to the principal currency of the respective investor will reduce the value of the investment in the Company's shares or any dividends in relation to such currency.

2. GENERAL INFORMATION

2.1 Responsibility Statement

Dermapharm Holding SE, with its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0), and registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 234575 (the "**Company**" and, together with its direct and indirect consolidated subsidiaries, "**Dermapharm**"), together with Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany ("**Berenberg**" or the "**Sole Bookrunner**" or "**Sole Global Coordinator**"), and ODDO BHF Aktiengesellschaft, Frankfurt am Main, Germany ("**ODDO BHF**" or the "**Co-Lead Manager**" and, together with Berenberg, the "**Offering Banks**"), assume responsibility for the contents of this prospectus (the "**Prospectus**") pursuant to Section 5 para. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz* ("**WpPG**")) and declare that the information contained in this Prospectus is, to best of their knowledge, correct and contains no material omissions.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

The information contained in this Prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of this Prospectus, but before the completion of the public offering or admission of the securities to trading, whichever is later. These updates must be disclosed in a prospectus supplement in accordance with Section 16 para. 1 sentence 1 WpPG.

2.2 Purpose of this Prospectus

This Prospectus relates to the offering of 13,455,000 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00 (the "**Offering**"), consisting of:

- 3,840,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against contributions in cash (the "**IPO Capital Increase**") to be resolved by an extraordinary shareholders' meeting of the Company on or about January 26, 2018 (the "**New Shares**");
- 7,860,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of Themis Beteiligungs-Aktiengesellschaft (the "**Selling Shareholder**") (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**"); and
- 1,755,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

For the purpose of admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), this Prospectus relates to up to 3,840,000 New Shares and 50,000,000 of the Company's existing bearer shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00.

The Offering consists of initial public offerings in the Federal Republic of Germany ("**Germany**") and the Grand Duchy of Luxembourg ("**Luxembourg**") and private placements in certain jurisdictions outside Germany and Luxembourg. In the United States of America (the "**United States**"), the Offer Shares will only be offered and sold to qualified institutional buyers ("**QIBs**") as defined, and in reliance on, in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Outside the United States, the Offer Shares will only be offered and sold in offshore transactions in compliance with Regulation S under the Securities Act ("**Regulation S**").

This Prospectus has been approved solely by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**")). BaFin has approved this Prospectus after having performed an assessment of the coherence and comprehensibility of the information presented in this Prospectus.

2.3 Forward-looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of publication of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on Dermapharm's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which Dermapharm is exposed. Statements made using words such as "predicts", "forecasts", "plans", "intends", "endeavors", "expects" or "targets" may be an indication of forward-looking statements.

The forward-looking statements contained in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause Dermapharm's actual results, including the financial condition and profitability of Dermapharm, to differ materially from, or fail to meet, the expectations expressed or implied in the forward-looking statements. These expressions can be found in different sections of this Prospectus, particularly in the sections titled "*1. Risk Factors*", "*10. Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations*", "*11. Markets and Competition*", "*24. Recent Developments and Outlook*" and wherever information is contained in this Prospectus regarding the Company's intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business prospects, growth, strategy and profitability, as well as the economic and regulatory environment to which Dermapharm is subject.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus might not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this Prospectus, see "*2.4 Sources of Market Data*"). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

- adverse developments of global economic conditions or economic conditions in Germany;
- competition, including pharmaceutical advances achieved and patents attained by competitors as well as new pharmaceuticals or other healthcare products introduced by competitors;
- a shift in consumer preferences or reduced demand for Dermapharm's older pharmaceuticals and other healthcare products in response to advances in technology;
- availability of less expensive pharmaceuticals or other healthcare products;
- challenges inherent in the development of new pharmaceuticals or other healthcare products, including obtaining regulatory approvals;
- changes in laws, regulations and governmental policies, particularly relating to the development of pharmaceuticals (including clinical studies), approval procedures and environmental matters;
- efficiency or safety concerns resulting in recalls or regulatory action;
- environmental liabilities and compliance costs;
- litigation and product liability claims;
- dependence on third-party suppliers and contractors;
- natural disasters, fires or explosions, sabotage or supply shortages;
- increased raw material prices;
- increased regulatory controls;
- trends towards healthcare cost containment, including ongoing pricing pressure;
- reputational risks in connection with the public perception of Dermapharm's products;
- interruptions of Dermapharm's information technology systems;
- fluctuations in interest and exchange rates; and
- an inability to retain key employees of Dermapharm.

Moreover, it should be noted that all forward-looking statements only speak as of the date of this Prospectus and that neither the Company nor the Offering Banks assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments.

See "*1. Risk Factors*" for a further description of some of the factors that could influence the actual outcome of the matters described in the Company's forward-looking statements.

2.4 Sources of Market Data

Unless otherwise specified, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which Dermapharm operates are based on the Company's assessments. These assessments, in turn, are based in part on internal observations of the markets and on various market studies.

The following sources were used in the preparation of this Prospectus:

- Report by ABDA – Bundesvereinigung Deutscher Apothekenverbände e.V., "Die Apotheke – Zahlen, Daten, Fakten 2017 ("**ABDA**");
- Report by Bundesverband der Arzneimittelhersteller e.V., "Der Arzneimittelmarkt in Deutschland – Zahlen und Fakten 2014" ("**B.A.H. 2014**");
- Report by Bundesverband der Arzneimittelhersteller e.V., "Der Arzneimittelmarkt in Deutschland – Zahlen und Fakten 2015" ("**B.A.H. 2015**");
- Report by Bundesverband der Arzneimittelhersteller e.V., "Der Arzneimittelmarkt in Deutschland – Zahlen und Fakten 2016" ("**B.A.H. 2016**");
- Report by Robert Koch-Institut, "Medication of adults in Germany – Results of the German Health Interview and Examination Suvey for Adults (DEGS1) ("**DEGS**");
- Data base by the Federal Statistical Office (*Statistisches Bundesamt*), last accessed January 24, 2018 ("**Destatis**");
- Report by Evaluate Ltd. dated July 2016, "Pharmaceutical Innovation in Europe – New pharmaceutical breakthroughs approeaching – is the system set up to fund them all?" ("**Evaluate – Europe**");
- Report by Evaluate Ltd. dated June 2017, "World Preview 2017, Outlook to 2022" ("**Evaluate – Global**");
- International Monetary Fund, "World Economic Outlook October 2017" ("**IMF – World Economic Outlook**");
- Data base "IQVIA Midas" by IQVIA Commercial GmbH & Co. OHG, data inventory as of Q4 2016 ("**IQVIA**");
- Data base by INSIGHT Health GmbH & Co. KG, last accessed January 24, 2018 ("**INSIGHT Health**");
- Press release from INSIGHT Health GmbH & Co. KG dated February 2, 2017 "*Substanzen im Wert von 617 Millionen Euro werden in 2017 für den generischen Markt frei*" ("**INSIGHT Health – Patent Expirations**");
- Report by Interpharma, "*Pharma-Markt Schweiz 2017*" ("I**nterpharma**");
- Report by the Organization for Economic Co-operation and Development ("**OECD**"), "Health at a Glance 2017: OECD Indicators – How does Austria Compare" ("**OECD Austria 2017**");
- Report by the OECD, "State of Health in the EU – Germany – Country Health Profile 2017" ("**OECD Germany 2017**");
- Report by the OECD, "Health at a Glance 2017 – OECD Indicators" ("**OECD – Health at a Glance 2017**");
- Report by Pro Generika e.V., "Marktdaten Pro Generika 2014" ("**Pro Generika – 2014**");
- Report by Pro Generika e.V., "Marktdaten Pro Generika 12/2016" ("**Pro Generika – 2016**");

- Report by Pro Generika e.V., "Marktdaten Pro Generika 09/2017" ("**Pro Generika – Q3 2017**"); and
- Report by Verband Forschender Arzneimittelhersteller e.V., "kompakt – Die Arzneimittelindustrie in Deutschland" ("**vfa**").

It should be noted, in particular, that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the aforementioned sources. The Company has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Offering Banks (see "*2.1 Responsibility Statement*"), neither the Company nor the Offering Banks has independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Offering Banks make no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. Prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

2.5 Documents Available for Inspection

For the period during which this Prospectus remains valid, the following documents will be available for inspection during regular business hours at the Company's offices at Dermapharm Holding SE, Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0):

- the Company's articles of association (the "**Articles of Association**");
- the unaudited condensed consolidated interim financial statements of Dermapharm Aktiengesellschaft ("**Dermapharm AG**") prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), on interim financial reporting (IAS 34) as of and for the nine-month period ended September 30, 2017;
- the audited consolidated financial statements of Dermapharm AG prepared in accordance with IFRS as of and for the fiscal years ended December 31, 2016, 2015 and 2014; and
- the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017 prepared in accordance with IFRS.

The aforementioned documents and this Prospectus are also available on the Company's website at www.dermapharm.de under the "Investor Relations" section. The Company's future consolidated financial statements, individual financial statements and condensed interim consolidated financial statements will be available from the Company on its website and the paying agent designated in this Prospectus (see "*15.8 Announcements and Paying* Agent"). The Company's consolidated and individual financial statements will also be published in the German Federal Gazette (*Bundesanzeiger*).

Information on the Company's website www.dermapharm.de and information accessible via this website is neither part of, nor incorporated by reference into, this Prospectus.

2.6 Currency Presentation and Presentation of Financial Information

In this Prospectus, "**Euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany.

Where financial information in this Prospectus is labelled "audited", this means that it has been taken from the audited financial statements mentioned above in "*2.5 Documents Available for Inspection*". The label "unaudited" is used in this Prospectus to indicate financial information that has not been taken from the audited financial statements mentioned above but was taken either from Dermapharm AG's unaudited condensed consolidated interim financial statements or Dermapharm's internal reporting system, or is based on calculations of figures from the sources mentioned before.

All of the financial information presented in the text and tables below is shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregate amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals contained in the relevant tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

2.7 Time Specifications

References to "**CET**" in this Prospectus refer to Central European Time or Central European Summertime, as the case may be. References to time in this Prospectus refer to CET, unless stated otherwise.

3. THE OFFERING

3.1 Subject Matter of the Offering

This Prospectus relates to the Offering of 13,455,000 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00, consisting of:

- 3,840,000 New Shares;
- 7,860,000 Existing Shares; and
- 1,755,000 Over-Allotment Shares.

The Offering consists of initial public offerings in Germany and Luxembourg and private placements in certain jurisdictions outside Germany and Luxembourg. In the United States, the Offer Shares will only be offered and sold to QIBs as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Outside the United States, the Offer Shares will be offered and sold only in offshore transactions in compliance with Regulation S.

Immediately prior to the Offering, 100% of the Company's share capital was held by the Selling Shareholder. Following completion of the Offering and assuming full placement of the Offer Shares and full exercise of the Greenshoe Option (see "*3.8 Stabilization Measures, Over-Allotments and Greenshoe Option*"), the Selling Shareholder will hold 75.0% of the Company's share capital. Subject to the exercise of the Greenshoe Option, the Selling Shareholder will receive the proceeds from the sale of the Existing Shares and the Over-Allotment Shares (after deduction of fees and commissions). The Company will only receive the proceeds from the sale of the New Shares (after deduction of fees and commissions), but will not receive any proceeds from the sale of the Existing Shares or the Over-Allotment Shares from the holdings of the Selling Shareholder.

Berenberg is acting as Sole Global Coordinator and Sole Bookrunner, while ODDO BHF is acting as Co-Lead Manager.

3.2 Price Range, Offer Period, Offer Price and Allotment

The price range for the Offering within which purchase orders may be placed is €26.00 to €30.00 per Offer Share (the "**Price Range**").

The period during which investors may submit purchase orders for the Offer Shares is expected to commence on January 29, 2018, and to expire on February 8, 2018 (the "**Offer Period**"). Offers to purchase Offer Shares may be submitted (i) until 12:00 p.m. (noon) CET by private investors and (ii) until 2:00 p.m. (CET) by institutional investors on the last day of the Offer Period. Multiple purchase orders are permitted.

Subject to the publication of a supplement to this Prospectus, if required, the Company, the Selling Shareholder and the Sole Bookrunner, on behalf of the Offering Banks, reserve the right to reduce the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period.

Reductions in the number of Offer Shares, changes to the Price Range or an extension or shortening of the Offer Period will not invalidate any offers to purchase Offer Shares that have already been submitted. If such changes require the publication of a supplement to this Prospectus, investors who submitted purchase orders prior to the publication of the supplement have the right to withdraw these offers to purchase within two business days following the publication of the supplement (Section 16 para. 3 WpPG). Instead of withdrawing their offers to purchase placed prior to the publication of the supplement, investors may change their orders or place new limited or unlimited offers to purchase within two business days following the publication of the supplement.

Any changes to the terms of the Offering will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by the German Securities Trading Act (*Wertpapierhandelsgesetz* ("**WpHG**")), the WpPG or Regulation (EU) no. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended ("**MAR**"), as an ad-hoc release via an electronic information dissemination system, on the Company's website www.dermapharm.de under the "Investor Relations" section and as a supplement to this Prospectus. Investors who have submitted offers to purchase will not be notified individually. Under certain conditions, the Sole Bookrunner may terminate the underwriting agreement, entered into between the Company, the Selling Shareholder and the Offering Banks on January 26, 2018 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (see "*19.5 Termination; Indemnification*").

The offer price for the Offering (the "**Offer Price**") and the final number of Offer Shares placed in the Offering will be determined at the end of the bookbuilding process by the Company and the Selling Shareholder after consultation with the Sole Bookrunner. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of Offer Shares that will be placed at the Offer Price is, in principle, aimed at maximizing proceeds. Consideration will also be given to whether the Offer Price and the number of Offer Shares to be placed allow for the reasonable expectation that the share price will demonstrate a steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors interested in purchasing shares at a particular price, but also to the composition of the Company's shareholder structure that would result at a given price, and expected investor behavior. The Company and the Selling Shareholder will not specifically charge any expenses and taxes related to the Offering to investors.

The Offer Price and the final number of Offer Shares placed in the Offering (*i.e.*, the results of the Offering) are expected to be set on February 8, 2018. After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the purchase offers then available. The Offer Price and the final number of Offer Shares (*i.e.*, the results of the Offering) are expected to be published on or about February 8, 2018, by means of an ad-hoc release on an electronic information dissemination system and on the Company's website www.dermapharm.de under the "Investor Relations" section. Investors who have placed orders to purchase Offer Shares with the Sole Bookrunner can obtain information from the Sole Bookrunner about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price. As commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to take place on the business day following the setting of the Offer Price, investors may not have obtained information about the number of Offer Shares allotted to them when trading commences. Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place two business days after commencement of trading. Should the placement volume prove insufficient to satisfy all orders placed at the Offer Price, Sole Bookrunner reserves the right to reject orders, or to only accept them in part.

3.3 Expected Timetable for the Offering

The following is the expected timetable of the Offering, which may be extended or shortened:

January 26, 2018	Approval of the Prospectus by BaFin
	Publication of the approved Prospectus on the Company's website www.dermapharm.de under the "Investor Relations" section
	Notification of the approved Prospectus to the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier* ("**CSSF**"))
January 29, 2018	Commencement of the Offer Period
	Application for admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
February 8, 2018	Expiration of the Offer Period
	Determination of the Offer Price and final number of shares to be allocated
	Publication of the Offer Price in the form of an ad-hoc release on an electronic information dissemination system and on the Company's website www.dermapharm.de under the "Investor Relations" section
	Registration of the consummation of the IPO Capital Increase in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, and creation of the New Shares to be delivered at closing
February 9, 2018	Commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
February 13, 2018	Book-entry delivery of the Offer Shares against payment of the Offer Price (closing)

This Prospectus will be published on the Company's website at www.dermapharm.de under the "Investor Relations" section. Printed copies of this Prospectus are available from the Company free of charge during normal business hours at the following address: Dermapharm Holding SE, Lil-Dagover-Ring 7, 82031 Grünwald, Germany.

3.4 Information on the Shares

3.4.1 Voting Rights

Each share in the Company carries one vote at the Company's shareholders' meeting. All of the Company's shares confer the same voting rights. There are no restrictions on voting rights.

3.4.2 Dividend and Liquidation Rights

Each share in the Company carries full dividend rights since the Company's formation. However, the Company will not pay a dividend with respect to the fiscal year ended December 31, 2017 (see "*6.2 Dividend Policy and Earnings per Share*").

In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

3.4.3 Form, Certification of the Shares and Currency of the Securities Issue

As of the date of this Prospectus, all of the Company's shares are bearer shares with no par value (*Stückaktien*). The Company's shares will be represented by one or more global share certificates, which will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**"). The global share certificate for the New Shares is expected to be delivered to Clearstream on February 8, 2018.

Section 5 para. 3 of the Articles of Association excludes the shareholders' right to receive individual share certificates to the extent permitted by law and unless mandated by the rules of a stock exchange to which the shares are admitted. The Company's management board (*Vorstand* (the "**Management Board**")) determines the form of the share certificates pursuant to Section 5 para. 3 of the Articles of Association. All shares of the Company provide holders thereof with the same rights and no shares provide any additional rights or advantages.

The Company's shares are denominated in Euros.

3.4.4 Delivery and Settlement

Delivery of the Offer Shares against payment of the Offer Price is expected to take place on February 13, 2018. The Offer Shares will be made available to investors as co-ownership interests in the global share certificates.

At the investor's option, the Offer Shares purchased in the Offering will be credited either to a securities deposit account maintained by a German bank with Clearstream or to a securities account of a participant in Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**"), as the operator of the Euroclear system, or to Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg.

3.4.5 ISIN/WKN/Ticker Symbol

International Securities Identification Number (ISIN)	DE000A2GS5D8
German Securities Code (*Wertpapierkennnummer* (*WKN*))	A2GS5D
Ticker Symbol	DMP

3.4.6 Identification of Target Market

Solely for the purpose of fulfilling the requirements of Article 24 para. 2 of Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, the following criteria characterizing the target market for shares in the Company have been identified: (i) target clients include retail clients, professional clients and eligible counterparties, (ii) should be able and willing to carry losses of up to the total amounts invested, (iii) have a mid-term or long-term investment horizon, (iv) an investment strategy focused on the overall accumulation of wealth and optimization of wealth, (v) possess basic knowledge and experience with respect to financial instruments; and (vi) a sale strategy that includes execution only, non-advisory services and investment advisory services. For the avoidance of doubt, this assessment does not constitute an assessment of the suitability or appropriateness of an investment in shares of the Company, or a recommendation to any investor to purchase, sell, or take any other action with respect to the Company's shares.

3.5 Transferability of the Shares; Lock-up

The Company's shares are freely transferable in accordance with the legal requirements for bearer shares. Except for the restrictions set forth in "*3.9 Lock-up Agreements and Limitations on* Disposal", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

3.6 Selling Shareholder

Immediately prior to the Offering, Themis Beteiligungs-Aktiengesellschaft holds 100.0% of the Company's outstanding share capital. For a discussion of the ownership structure of the Selling Shareholder, see "*14. Information on the Selling Shareholder*".

3.7 Allotment Criteria

The allotment of Offer Shares to private investors and institutional investors will be decided by the Company and the Selling Shareholder after consultation with the Sole Bookrunner. The decision ultimately rests with the Company. Allotments will be made on the basis of the quality of individual investors (*e.g.*, the expected investment horizon and trading behavior) as well as individual orders and other important allotment criteria to be determined by the Company after consultation with the Sole Bookrunner.

3.8 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, the Sole Bookrunner will act as the stabilization manager and may, as stabilization manager, make over-allotments and take stabilization measures in accordance with Article 5 paras. 4 and 5 MAR in conjunction with Articles 5 through 8 of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016, to provide support for the market price of the Company's shares, thus alleviating sales pressure generated by short-term investors and maintaining an orderly market in the Company's shares.

The Sole Bookrunner is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may start from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must end no later than 30 calendar days thereafter (*i.e.*, March 11, 2018 (the "**Stabilization Period**")).

Stabilization measures are intended to provide support for the price of the Company's shares during the Stabilization Period. These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

As a result of these stabilization measures, investors may, in addition to the Base Shares, be allocated up to 1,755,000 Over-Allotment Shares as part of the allocation of the Offer Shares ("**Over-Allotment**"). For the purpose of such potential Over-Allotment, the Sole Bookrunner will be provided with 1,755,000 Over-Allotment Shares from the holdings of the Selling Shareholder in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. The Selling Shareholder will grant the Sole Bookrunner an option to acquire the Over-Allotment Shares at the Offer Price, less agreed commissions (the "**Greenshoe Option**"). The Greenshoe Option may only be exercised during the Stabilization Period and will terminate 30 calendar days after the commencement of trading of the Company's shares.

The Sole Bookrunner is entitled to exercise the Greenshoe Option to the extent Over-Allotment Shares were allocated to investors in the Offering. The number of Over-Allotment Shares acquired under the Greenshoe Option is to be reduced by any shares of the Company held by the Sole Bookrunner when the Greenshoe Option is exercised, if such shares were acquired by the Sole Bookrunner in the context of stabilization measures.

Public announcements regarding stabilization measures will be made (i) prior to the start of the Offering, (ii) by the end of the seventh daily market session following the date any stabilization were taken, and (iii) within one week after the end of the Stabilization Period.

Within one week of the end of the Stabilization Period, the Sole Bookrunner will ensure adequate public disclosure as to whether stabilization measures were taken, the date on which stabilization started and last occurred, and the price range within which stabilization measures were carried out, for each of the dates during which stabilization measures were carried out and the trading venue(s) on which the stabilization measures were carried out, where applicable.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including in particular the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8 (f) of the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016.

3.9 Lock-up Agreements and Limitations on Disposal

In the Underwriting Agreement, the Company agreed with the Offering Banks that, during the period commencing on January 26, 2018 and ending six months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 9, 2018), to the extent legally permissible, without the prior written consent of the Sole Bookrunner, which may not be unreasonably withheld, the Company will not:

- announce or effect an increase of the share capital of the Company from authorized capital;
- propose to its shareholders' meeting an increase of the share capital; or
- announce, effect or propose the issuance of securities with conversion or option rights on shares of the Company or economically similar transactions.

The foregoing will not apply to any capital increase in connection with the Offering. Furthermore, the Company may (i) issue or sell any shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under management participation plans and (ii) pursue any corporate actions undertaken by the Company for the purpose of entering into any agreement regarding, or resolve upon, the entering into any joint venture or the acquisition of any companies, provided that the parties to the joint venture or acquiring entity to which such shares will be issued agree towards the Sole Bookrunner to be bound by the same lock-up undertaking as the Selling Shareholder.

In addition, for the period commencing on January 26, 2018 and ending twelve months after the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on February 9, 2018), the Selling Shareholder has agreed that it will not, without the prior written consent of the Sole Bookrunner, which may not be unreasonably withheld:

- sell, market, transfer or otherwise dispose of, either directly or indirectly, any shares or other securities in the Company; or
- enter into any transaction economically equivalent to a sale of shares of the Company (*e.g.*, the issuance of options or conversion rights on shares of the Company).

The foregoing shall not apply to (i) transfers to affiliates or legal successors of the Selling Shareholder or to Mr. Wilhelm Beier, his spouse or his children, (ii) future pledges granted to the Sole Bookrunner or its affiliates having been agreed by the Sole Bookrunner, and (iii) any transfers of shares to the Sole Bookrunner or its affiliates pursuant to enforcement of any pledge entered into in accordance with (ii), provided in each case that such transferee(s) agree(s) towards the Sole Bookrunner to be bound by the same lock-up undertaking.

3.10 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company expects to apply for the admission of its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on or about January 29, 2018. The listing approval (admission decision) for the Company's shares is expected to be granted on February 8, 2018. Trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on February 9, 2018.

3.11 Designated Sponsors

Berenberg and ODDO BHF have been mandated as designated sponsors of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement expected to be concluded between the designated sponsors and the Company, the designated sponsors will, *inter alia*, place limited buy and sell orders for the Company's shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company's shares.

3.12 Interests of Parties Participating in the Offering

Subject to the placement of the Existing Shares and the exercise of the Greenshoe Option, the Selling Shareholder will receive the proceeds from the sale of the Existing Shares and the Over-Allotment Shares (after deduction of fees and commissions). Accordingly, the Selling Shareholder has an interest in the success of the Offering at the best possible terms.

In connection with the Offering and the admission to trading of the Company's shares, the Offering Banks have formed a contractual relationship with the Company and the Selling Shareholder.

Berenberg is acting for the Company and the Selling Shareholder on the Offering and on coordinating the structuring and execution of the Offering. Upon successful completion of the Offering, Berenberg will receive a commission and the size of this commission depends on the results of the Offering. As a result, Berenberg has a financial interest in the success of the Offering at the best possible terms.

ODDO BHF is acting as Co-Lead Manager and will receive a fixed fee for its services in connection with the Offering. As a result, ODDO BHF has a financial interest in the success of the Offering.

The Offering Banks or their respective affiliates have, and may from time to time in the future continue to have, business relations with Dermapharm and the Selling Shareholder, including lending activities, or may perform services for Dermapharm or the Selling Shareholder in the ordinary course of business.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering or the listing of the Company's shares.

4. PROCEEDS AND COSTS OF THE OFFERING AND LISTING

The Company will only receive the proceeds of the Offering resulting from the sale of the New Shares. The Company will not receive any proceeds from the sale of the Existing Shares or the Over-Allotment Shares from the holdings of the Selling Shareholder.

Assuming that the maximum number of New Shares (*i.e.*, 3,840,000 shares) is placed, the Company estimates that at the low end, mid-point and high end of the Price Range, gross proceeds attributable to the Company would amount to approximately €99.8 million, €107.5 million or €115.2 million, respectively, and net proceeds would amount to approximately €96.0 million, €103.5 million and €111.0 million, respectively.

Assuming a placement of all 7,860,000 Existing Shares and full exercise of the Greenshoe Option totaling 1,755,000 shares, the Company estimates that at the low end, mid-point and high end of the Price Range, gross proceeds attributable to the Selling Shareholder would amount to approximately €250.0 million, €269.2 million and €288.5 million, respectively, and net proceeds would amount to approximately €240.9 million, €259.6 million and €278.4 million, respectively.

The costs of the Company and the Selling Shareholder related to the Offering of the Offer Shares and listing of the Company's entire share capital, including underwriting and placement commissions payable to the Sole Bookrunner and the fixed fee payable to the Co-Lead Manager, are expected to total approximately €13.6 million at the mid-point of the Price Range (assuming placement of all Base Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full); of the total costs, the Selling Shareholder will bear approximately €9.6 million and the Company will bear the remaining amount of approximately €4.0 million.

Assuming an Offer Price at the low end, mid-point and high end of the Price Range and that the maximum number of Offer Shares is placed (*i.e.*, the Greenshoe Option has been fully exercised) and assuming further payment in full of the discretionary fee of up to €3.5 million, €3.8 million and €4.0 million, at the low end, mid-point and high end of the Price Range, respectively; the commission payable to the Sole Bookrunner would amount to €9.4 million, €10.2 million and €10.9 million, respectively. Thereof, €2.7 million, €2.9 million and €3.1 million, respectively, are attributable to the placement of the New Shares and will be borne by the Company; €6.7 million, €7.3 million and €7.8 million, respectively, are attributable to the placement of the Existing Shares and the Over-Allotment Shares and will be borne by the Selling Shareholder (assuming in each case placement of all Base Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full).

Investors will not be charged expenses by the Company, the Selling Shareholder or the Offering Banks. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

5. REASONS FOR THE OFFERING AND LISTING AND USE OF PROCEEDS

The Company intends to pursue the Offering and list its shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub segment with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to receive the net proceeds from the Offering attributable to the Company and to gain access to the capital markets.

The Selling Shareholder intends to pursue the Offering to receive the net proceeds from the Offering attributable to the Selling Shareholder and to diversify its investments.

The Company currently intends to use the net proceeds attributable to the Company as follows: approximately €35 million are to be spent on in-house developments and an upgrade of Dermapharm's manufacturing facilities in Brehna, Germany, and a new manufacturing facility in Neumarkt am Wallersee, Austria, approximately €20 million for Dermapharm's efforts to increase its international footprint (*e.g.*, for founding new enterprises in additional markets, hiring local sales managers and sales personnel and similar investments) and between approximately €40 million and €50 million on the partial refinancing of a loan provided by Baden-Württembergische Bank to partially finance the acquisition of all shares in Trommsdorff GmbH & Co. KG and its sole general partner Cl. Lageman Gesellschaft mit beschränkter Haftung (together, "**Trommsdorff**"). The Company currently intends to spend any remaining net proceeds on general corporate purposes.

6. DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE; USE OF PROFITS

6.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a European company (*Societas Europaea* (*SE*)) with a two-tier management and control system under European and German law such as the Company, the distribution of dividends for any given fiscal year and the amount and payment date thereof, are resolved by the Company's shareholders' meeting (*Hauptversammlung*) of the subsequent fiscal year, based upon either a joint proposal by the Management Board and the Company's supervisory board (*Aufsichtsrat* (the "**Supervisory Board**")) or upon the Management Board's or the Supervisory Board's proposal. The shareholders' meeting must be held within the first six months of each fiscal year.

Dividends may only be distributed from the net retained profit (*Bilanzgewinn*) of the Company. The net retained profit is calculated based on the Company's individual financial statements prepared in accordance with generally accepted accounting principles of the German Commercial Code (*Handelsgesetzbuch* ("**HGB**")). Accounting principles set forth in the HGB differ from IFRS in material respects.

When determining the net retained profit, the net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for retained profit/loss carryforwards (*Gewinn-/Verlustvorträge*) from the prior fiscal year and withdrawals from, or appropriations, to reserves (retained earnings). Certain reserves are required to be set up by law and must be deducted when calculating the net retained profit available for distribution.

The Management Board must prepare individual financial statements (statement of financial position, statement of comprehensive income and notes to the individual financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's net retained profit pursuant to Article 61 of the Council Regulation (EC) no. 2157/2001 of October 8, 2001 on the statute for a European company (SE), as amended (the "**SE Regulation**") in conjunction with Section 170 para. 2 of the German Stock Corporation Act (*Aktiengesetz* ("**AktG**")). According to Article 61 of the SE Regulation in conjunction with Section 171 AktG, the Supervisory Board must review the individual financial statements, the Management Board's management report and the proposal for the allocation of the net retained profit and report to the shareholders' meeting in writing on the results of such review.

The shareholders' meeting's resolution on the allocation of the net retained profit requires a simple majority of votes cast to be passed. Pursuant to Section 22 para. 2 of the Articles of Association, the shareholders' meeting may also resolve that the dividends be distributed partially or entirely in kind (*e.g.*, as a distribution of treasury shares if such shares are held by the Company at that time). Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) without undue delay after the shareholders' meeting.

Dividends resolved by the shareholders' meeting are due and payable in compliance with the rules of the respective clearing system on the third business day following the relevant shareholders' meeting, unless a later due date is specified in the dividend resolution or the Articles of Association. Since all of the Company's dividend entitlements will be evidenced by one or more global share certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under an obligation to distribute these funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank about the terms and conditions applicable in their case. To the extent dividends can be distributed by the Company in accordance with the HGB and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends, see "*20.2.1 Taxation of Dividend Income*" and "*21.2 Taxation of Dividend Income*".

Any dividends not claimed within three years become time-barred. Once the statute of limitations applies, the right to receive the relevant dividend payments passes to the Company.

6.2 Dividend Policy and Earnings per Share

The Company was founded on July 4, 2017 and did not conduct any business activities prior to the contribution of Dermapharm AG on December 31, 2017. Therefore, the Company has not paid any dividends or made any other distributions up to and including the date of this Prospectus.

The Company's ability and intention to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment options and other factors that the Management Board and the Supervisory Board deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will require the approval of Company's the shareholders' meeting. The principal sources of funding for the payment of dividends by the Company will be dividends and other distributions received from the Company's current and future subsidiaries. Such subsidiaries may only pay dividends accordance with applicable laws and articles of association.

On April 13, 2016, Dermapharm AG and the Selling Shareholder entered into a profit transfer agreement (*Gewinnabführungsvertrag* (the "**Profit Transfer Agreement**")), pursuant to which Dermapharm AG was required to transfer its entire profits, if any, to the Selling Shareholder, who in turn is required to assume Dermapharm AG's losses in any given fiscal year, if any (in each case, as determined by Dermapharm AG's individual annual financial statements prepared in accordance with HGB). The Profit Transfer Agreement was terminated with effect from the end of December 31, 2017. Therefore, Dermapharm AG is required to transfer its profits for the fiscal year ended December 31, 2017, if any, to the Selling Shareholder. However, Dermapharm AG has provided the Selling Shareholder with certain shareholder loans. Consequently, the claims of the Selling Shareholder under the Profit Transfer Agreement with respect to the fiscal year ended December 31, 2017 will be offset against Dermapharm AG's claims under these shareholder loans and Dermapharm AG expects that its claims will exceed those of the Selling Shareholder by more than €50 million.

Given that Dermapharm AG is required to transfer its profits for the fiscal year ended December 31, 2017 to the Selling Shareholder, the Company will not make any dividend payments with respect to the fiscal year ended December 31, 2017.

Starting with the fiscal year ending December 31, 2018, the Company intends to pay a dividend in the ordinary course of business of 50% to 60% of Dermapharm's profits for the respective fiscal year calculated in accordance with IFRS. The Company aims to have a sustainable dividend policy that focuses on dividend continuity. However, the Company's ability to pay dividends in the future will depend on the amount of net retained profits available to the Company. There is no guarantee that sufficient net retained profits will be available to the Company in the future to pay dividends in the envisaged amount, or at all. The results of operations set out in Dermapharm AG's audited consolidated financial statements and Dermapharm AG's unaudited consolidated interim financial statements may not be indicative of the Company's future dividend payments.

In the fiscal years ended December 31, 2014, 2015 and 2016, Dermapharm AG made profit transfers under the Profit Transfer Agreement to the Selling Shareholder in an amount of €33.0 million, €39.5 million and €59.9 million, respectively, as shown in the consolidated statement of comprehensive income in Dermapharm AG's audited consolidated financial statements. In the nine-month period ended September 30, 2017, Dermapharm AG made a profit transfer under the Profit Transfer Agreement in an amount of €46.4 million to the Selling Shareholder, as shown in the consolidated statement of comprehensive income in Dermapharm AG's unaudited consolidated financial statements.

7. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables show Dermapharm AG's consolidated capitalization and indebtedness as of October 31, 2017 as adjusted for the contribution of Dermapharm AG and the completion of the Offering, assuming net proceeds of €103.5 million (i.e., assuming full placement of all New Shares at the mid-point of the Price Range and payment of the discretionary fee in full), not taking into account any tax effects. Investors should read these tables in conjunction with "9. Selected Consolidated Financial Information", "10. Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations", Dermapharm AG's consolidated financial statements, including the related notes thereto, contained in this Prospectus, and additional financial information contained elsewhere in this Prospectus.

7.1 Capitalization

	As of October 31, 2017	Effects of the contribution of Dermapharm AG	Effects of the Offering[(1)]	Total
		(unaudited) (in € million)		
Total current debt[(2)]	**83.6**	–	–	**83.6**
Thereof guaranteed	4.1	–	–	4.1
Thereof secured	1.3	–	–	1.3
Thereof unguaranteed/unsecured	78.2	–	–	78.2
Total non-current debt[(3)]	**271.8**	–	–	**271.8**
Thereof guaranteed	154.4	–	–	154.4
Thereof secured	60.9	–	–	60.9
Thereof unguaranteed/unsecured	56.5	–	–	56.5
Total shareholder's equity	**71.2**	–	**103.5**	**174.7**
Share capital[(4)]	1.3	48.7	3.8	53.8
Legal reserve[(5)]	0.3	–	99.7	100.0
Other reserves[(6)]	69.6	(48.7)	–	20.9
Total[(7)]	**426.6**	–	**103.5**	**530.1**

(1) The adjustment reflects the expected gross proceeds from this Offering of €107.5 million (based on the issuance of 3,840,000 New Shares at a subscription price of €28.00 (*i.e.*, assuming full placement of all New Shares at the mid-point of the Price Range) and costs of the Offering relating to the placement of such New Shares of approximately €4.0 million (assuming payment of the discretionary fee relating to the placement of the New Shares in full)). If the consummation of the Contribution Capital Increase (see "*18.1.3 Contribution of all Shares in Dermapharm AG*") had occurred on October 31, 2017, this would not have affected Dermapharm AG's assets, liabilities and total shareholder's equity.

(2) Referred to as total current liabilities in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(3) Referred to as total non-current liabilities in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(4) Referred to as issued capital in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(5) Referred to as capital reserves in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(6) Referred to as retained earnings and other reserves in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(7) Equals the sum of total equity, total current liabilities and total non-current liabilities, less non-controlling interests, in each case as referred to in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

7.2 Indebtedness

		As of October 31, 2017	Effects of the contribution of Dermapharm AG	Effects of the Offering[1]	Total
		(unaudited) (in € million)			
A.	Cash[2]	13.0	–	103.5	116.5
B.	Cash equivalents	–	–	–	–
C.	Trading securities	–	–	–	–
D.	**Liquidity (A)+(B)+(C)**	**13.0**	–	**103.5**	**116.5**
E.	**Current financial receivables[3]**	**100.0**	–	–	**100.0**
F.	Current bank debt[4]	13.3	–	–	13.3
G.	Current portion of non-current debt[5]	21.6	–	–	21.6
H.	Other current financial debt[6]	25.7	–	–	25.7
I.	**Current Financial Debt (F)+(G)+(H)**	**60.6**	–	–	**60.6**
J.	**Net current financial indebtedness (I)-(E)-(D)**	**(52.4)**	–	**(103.5)**	**(155.9)**
K.	Non-current bank loans[7]	235.3	–	–	235.3
L.	Bonds issued	–	–	–	–
M.	Other non-current loans[8]	5.2	–	–	5.2
N.	**Non-current financial liabilities (K)+(L)+(M)**	**240.5**	–	–	**240.5**
O.	**Net financial indebtedness (J)+(N)**	**188.1**	–	**(103.5)**	**84.6**

(1) The adjustment reflects the expected gross proceeds from this Offering of €107.5 million (based on the issuance of 3,840,000 New Shares at a subscription price of €28.00 (*i.e.*, assuming full placement of all New Shares at the mid-point of the Price Range) and costs of the Offering relating to the placement of such New Shares of approximately €4.0 million (assuming payment of the discretionary fee relating to the placement of the New Shares in full)). If the consummation of the Contribution Capital Increase (see "*18.1.3 Contribution of all Shares in Dermapharm AG*") had occurred on October 31, 2017, this would not have affected Dermapharm AG's assets, liabilities and total shareholder's equity.

(2) Referred to as cash and cash equivalents in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(3) Referred to as trade receivables and other current financial assets in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017

(4) Comprises bank loans in an amount of €13.3 million. Referred to as current financial liabilities in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(5) Comprises bank loans in an amount of €12.7 million, participation rights in an amount of €7.0 million and promissory note loans in an amount of €1.8 million. Referred to as current financial liabilities in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(6) Referred to as other current financial liabilities and trade accounts payable in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(7) Referred to as non-current financial liabilities in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

(8) Referred to as other non-current financial liabilities in the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017.

As of September 30, 2017, Dermapharm recorded purchase commitments in connection with inventories in an amount of €40.6 million. Other than that, there were no contingent or indirect liabilities of Dermapharm as of that date.

7.3 Statement on Working Capital

The Company is of the opinion that Dermapharm is in a position to meet the payment obligations that become due within the next twelve months from the date of this Prospectus.

8. DILUTION

According to Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017, Dermapharm's net book value (*i.e.*, total assets less total non-current liabilities and total current liabilities) amounted to €69.5 million as of September 30, 2017, and would amount to €1.39 per share of the Company based on 50,000,000 outstanding shares of the Company immediately prior to the Offering. Dermapharm's net book value is shown as total equity in Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017.

The dilutive effect of the Offering is illustrated in the table below, demonstrating the amount by which the Offer Price exceeds the net book value per share after completion of the Offering and assuming the Offering had been completed on September 30, 2017. In this respect, the net book value as of September 30, 2017 is adjusted for the effects of the successful completion of the Offering, assuming (i) the execution of the IPO Capital Increase for the maximum number of New Shares and (ii) an increase in the net book value by €103.5 million (assuming successful placement of all New Shares at the mid-point of the Price Range and not taking into account any tax effects). The adjusted net book value is expressed as a per share figure, assuming 53,840,000 shares of the Company outstanding upon completion of the Offering (this per share figure being referred to as the "**Post-IPO Equity**").

	As of September 30, 2017 (unaudited) (in €, unless otherwise specified)
Net book value per share as of September 30, 2017[(1)]	1.39
Gross proceeds from the Offering attributable to the Company (in € million)[(2)]	107.5
Estimated total costs of the Offering to be borne by the Company (in € million)[(2)(3)]	4.0
Total net proceeds from the Offering attributable to the Company (in € million)[(2)]	103.5
Post-IPO Equity per share[(4)]	3.21
Amount by which the offer price exceeds the Post-IPO Equity per share (immediate dilution of new shareholders of the Company)	24.79
Percentage by which the offer price exceeds the Post-IPO Equity per share (in %)	*771.5*
Amount by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (immediate accretion to the existing shareholders of the Company)	1.82
Percentage by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (in %)	*131.2*

(1) Based on 50,000,000 outstanding shares of the Company immediately prior to the Offering and a net book value of Dermapharm in an amount of €69.5 million as of September 30, 2017. Shown as total equity in Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017.

(2) Assuming successful placement of 3,840,000 New Shares at the mid-point of the Price Range.

(3) Including underwriting and placement commissions payable to the Sole Bookrunner as well as the fixed fee payable to the Co-Lead Manager and assuming payment of the discretionary fee in full.

(4) Based on 53,840,000 shares of the Company outstanding following completion of the Offering.

Each of the New Shares will have the same voting rights as the Company's existing shares.

Prior to the Offering, the Selling Shareholder held 100.0% of the voting rights in the Company. Upon completion of the Offering (assuming full exercise of the Greenshoe Option and issuance of all New Shares), the aggregate voting rights held by the Selling Shareholder would amount to 75.0%.

9. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information contained in the following tables is taken or derived from the audited consolidated financial statements of Dermapharm AG, the former parent entity of Dermapharm, as of and for the fiscal years ended December 31, 2016, 2015 and 2014, and the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017 as well as the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017. Additional financial information relating to certain operational information is taken or derived from Dermapharm's accounting records or internal reporting system. The audited consolidated financial statements and the audited individual financial statements were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements were prepared in accordance with IAS 34.

*Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Johannstraße 39, 40476 Dusseldorf, Germany ("***Warth & Klein Grant Thornton***"), has audited and issued an unqualified audit opinion with respect to Dermapharm AG's consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014 as well as the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017. The aforementioned audited financial statements and the independent audit opinions thereon, and Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 are included in this Prospectus.*

Where financial information in the following tables is labelled "audited", this means that it has been taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited consolidated financial statements mentioned above, but was taken either from the unaudited condensed interim consolidated financial statements mentioned above, or Dermapharm's internal reporting system, or has been calculated based on figures from the aforementioned sources.

All of the financial information presented in the text and tables below is shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregate amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals contained in the relevant tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

The following selected consolidated financial information should be read together with the section "10. Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations", the consolidated financial statements, including the related notes contained in this Prospectus, and additional financial information contained elsewhere in this Prospectus.

9.1 Consolidated Statement of Comprehensive Income

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Revenue	**391.3**	**384.8**	**444.5**	**319.2**	**349.7**
Increase/decrease in finished goods and work-in-process	8.3	2.9	1.0	4.1	0.4
Own work capitalized	8.5	8.0	8.3	5.4	8.0
Other operating income	6.2	9.9	9.9	5.2	4.1
Cost of material	(237.1)	(215.9)	(252.8)	(181.5)	(196.0)
Personnel expenses	(57.7)	(55.7)	(58.7)	(42.0)	(46.5)
Depreciation and amortization	(28.3)	(22.9)	(14.4)	(10.3)	(11.2)
Other operating expenses	(48.0)	(50.3)	(51.0)	(35.1)	(38.1)
Operating income	**43.3**	**60.8**	**86.8**	**65.1**	**70.4**
Result from investments measured at equity	0.9	1.0	1.5	1.1	1.2
Financial income	3.3	9.4	7.3	4.1	3.3
Financial expenses	(12.0)	(15.8)	(12.7)	(8.4)	(7.8)
Earnings before taxes	**35.5**	**55.3**	**82.9**	**61.8**	**67.2**
Income taxes	(2.2)	(2.9)	(5.9)	(6.0)	(4.3)
Profit/loss for the period	**33.2**	**52.4**	**77.0**	**55.9**	**62.9**

9.2 Consolidated Statement of Financial Position

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited) (in € million)		(unaudited) (in € million)
Assets				
Intangible assets	71.7	68.0	70.0	129.7
Goodwill	21.6	16.4	17.0	17.0
Property, plant and equipment	56.5	53.4	53.4	52.9
Investments measured at equity	1.6	2.7	3.2	4.4
Investments	0.5	0.2	0.3	0.2
Other non-current financial assets	9.2	13.8	10.6	22.4
Deferred tax assets	1.0	0.0	0.2	1.7
Total non-current assets	**162.1**	**154.6**	**154.7**	**228.3**
Inventories	71.5	77.0	84.8	81.9
Trade accounts receivable	22.8	17.4	26.3	34.7
Other current financial assets	58.8	42.5	40.0	68.7
Other current assets	3.0	1.4	1.7	2.0
Income tax receivables – current	0.7	1.0	0.4	0.4
Cash and cash equivalents	11.6	2.8	3.8	12.6
Total current assets	**168.5**	**142.1**	**157.0**	**200.3**
Total assets	**330.6**	**296.7**	**311.7**	**428.6**
Equity and liabilities				
Issued capital	1.3	1.3	1.3	1.3
Capital reserves	0.3	0.3	0.3	0.3
Retained earnings	28.6	39.5	56.3	70.0
Other reserves	(1.9)	0.1	(1.0)	(2.1)
Non-controlling interests	5.7	3.3	3.9	–
Total equity	**34.0**	**44.4**	**60.8**	**69.5**

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited) (in € million)		(unaudited) (in € million)
Defined benefit obligations and other accrued employee benefits	12.4	12.1	13.3	13.3
Other provisions	0.1	–	–	–
Financial liabilities	161.5	151.1	96.9	235.4
Other non-current financial liabilities	9.9	14.1	10.5	8.1
Other non-current liabilities	15.6	13.3	11.5	10.4
Deferred tax liabilities	–	0.2	3.4	5.8
Total non-current liabilities	**199.6**	**190.7**	**135.5**	**272.9**
Other provisions	6.1	6.4	7.0	6.0
Financial liabilities	20.4	24.9	65.9	43.4
Trade accounts payable	27.4	18.1	24.5	19.3
Other current financial liabilities	30.6	2.4	4.3	2.1
Other current liabilities	11.4	8.2	11.0	11.5
Income tax liabilities	1.0	1.5	2.8	3.9
Total current liabilities	**97.0**	**61.6**	**115.4**	**86.2**
Total equity and liabilities	**330.6**	**296.7**	**311.7**	**428.6**

9.3 Consolidated Statement of Cash Flows

	As of and for the fiscal year ended December 31,			As of and for the nine-month period ended September 30,[1]	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Net cash flows from operating activities	54.3	40.4	76.8	47.6	62.6
Net cash flows used in investing activities	(21.9)	(0.9)	(12.3)	(11.7)	(84.9)
Net cash from/used in financing activities	3.0	(55.6)	(55.9)	(47.9)	14.1
Net increase/decrease in cash, cash equivalents and bank overdrafts	**35.3**	**(16.2)**	**8.6**	**(12.0)**	**(8.2)**
Cash, cash equivalents and bank overdrafts[2]	6.5	(9.6)	(1.1)	(21.6)	(9.3)

(1) Due to the termination of the Profit Transfer Agreement with effect from the end of December 31, 2017, Dermapharm AG has changed the composition of its consolidated statement of cash flows, which is already reflected in the financial information in the consolidated statement of cash flows shown in Dermapharm AG's unaudited condensed consolidated interim financial statements for the nine-month period ended September 30, 2017. As a result, certain comparable financial information with respect to the fiscal year ended December 31, 2016 shown in the consolidated statement of cash flows in the consolidated financial statements for the fiscal year ended December 31, 2017 will differ from the financial information shown in the consolidated statement of cash flows in Dermapharm AG's consolidated financial statements for the fiscal years ended December 31, 2016, 2015 and 2014.

(2) As at the end of the relevant period.

9.4 Selected Financial Information of the Company

	As of and for the period from July 12 to September 30
	2017
	(audited and in €)
Total assets	119,973.93
Total equity	119,973.93
Net loss	(26.07)
Net change in cash and cash equivalents	89,223.93

9.5 Other Operating Data and Financial Data

The Management Board uses EBITDA as a key performance indicator in order to assess the success of Dermapharm's business. In addition, Dermapharm believes that the working capital, leverage ratio and equity will be helpful for investors when assessing the performance and financial position of Dermapharm.

The following table provides additional operating and financial information with respect to Dermapharm for the periods and dates indicated:

	As of and for the fiscal year ended December 31,			As of and for the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited and in € million, unless otherwise specified)		(unaudited) (in € million, unless otherwise specified)	
Revenue	391.3	384.8	444.5	319.2	349.7
Revenue growth (unaudited and in %)[(1)]	–	*(1.7)*	*15.5*	–	*9.6*
EBIT (unaudited)	44.2	61.7	88.3	66.1	71.7
EBIT margin (unaudited and in %)[(2)]	*11.3*	*16.0*	*19.9*	*20.7*	*20.5*
EBITDA (unaudited)	72.5	84.6	102.7	76.4	82.9
EBITDA margin (unaudited and in %)[(3)]	*18.5*	*22.0*	*23.1*	*23.9*	*23.7*
Working capital (unaudited)[(4)]	58.5	69.5	77.3	–	87.8
Leverage ratio (unaudited and in %)[(4)]	*744.9*	*461.6*	*305.4*	–	*397.7*
Equity ratio (unaudited and in %)[(4)]	*8.6*	*13.9*	*18.3*	–	*16.2*

(1) Reflecting the percentage change between the relevant periods.
(2) Defined as the quotient of EBIT divided by revenues.
(3) Defined as the quotient of EBITDA divided by revenues.
(4) As at the end of the relevant period.

9.5.1 Performance Indicators and Working Capital

9.5.1.1 *EBITDA*

Dermapharm defines earnings before interest, taxes depreciation and amortization ("**EBITDA**") as (i) earnings before taxes, minus (ii) financial income, plus (iii) financial expenses, and plus (iv) depreciation and amortization. EBITDA is not a performance indicator recognized under IFRS. The EBITDA reported by Dermapharm is not necessarily comparable to performance figures published by other companies as EBITDA or the like.

The following table presents Dermapharm's EBITDA for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)	
Earnings before taxes	**35.5**	**55.3**	**82.9**	**61.8**	**67.2**
Financial income	(3.3)	(9.4)	(7.3)	(4.1)	(3.3)
Financial expenses	12.0	15.8	12.7	8.4	7.8
EBIT (unaudited)	**44.2**	**61.7**	**88.3**	**66.1**	**71.7**
Depreciation and amortization	28.3	22.9	14.4	10.3	11.2
EBITDA (unaudited)	**72.5**	**84.6**	**102.7**	**76.4**	**82.9**

9.5.1.2 *Working Capital*

Dermapharm defines working capital as (i) inventories, plus (ii) trade accounts receivable, plus (iii) other current assets, minus (iv) trade accounts payable, and minus (v) other current liabilities.

The following table presents Dermapharm's working capital for the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)
Inventories	71.5	77.0	84.8	81.9
Trade accounts receivable	22.8	17.4	26.3	34.7
Other current assets	3.0	1.4	1.7	2.0
Trade accounts payable	(27.4)	(18.1)	(24.5)	(19.3)
Other current liabilities	(11.4)	(8.2)	(11.0)	(11.5)
Working Capital (unaudited)	**58.5**	**69.5**	**77.3**	**87.8**

9.5.2 Financial Indicators

9.5.2.1 *Leverage Ratio*

The following table presents Dermapharm's leverage ratio (*i.e.*, the ratio of Dermapharm's net debt divided by its equity attributable to owners of the company) for the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited and in € million unless otherwise specified)		(unaudited) (in € million, unless otherwise specified)
Non-current financial liabilities	161.5	151.1	96.9	235.4
Other non-current financial liabilities	9.9	14.1	10.5	8.1
Current financial liabilities	20.4	24.9	65.9	43.4
Other current financial liabilities	30.6	2.4	4.3	2.1
Cash and cash equivalents	(11.6)	(2.8)	(3.8)	(12.6)
Net debt	**210.8**	**189.7**	**173.8**	**276.4**
Total equity	34.0	44.4	60.8	69.5
Non-controlling interests	(5.7)	(3.3)	(3.9)	–
Equity attributable to owners of the company	**28.3**	**41.1**	**56.9**	**69.5**
Leverage ratio (unaudited and in %)	***744.9***	***461.6***	***305.4***	***397.7***

9.5.2.2 *Equity Ratio*

The following table presents Dermapharm's equity ratio (*i.e.*, the ratio of Dermapharm's equity attributable to owners of the company divided by its total assets) for the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited and in € million unless otherwise specified)		(unaudited) (in € million, unless otherwise specified)
Total equity	34.0	44.4	60.8	69.5
Non-controlling interests	(5.7)	(3.3)	(3.9)	–
Equity attributable to owners of the company	**28.3**	**41.1**	**56.9**	**69.5**
Total assets	**330.6**	**296.7**	**311.7**	**428.6**
Equity ratio (unaudited and in %)	***8.6***	***13.9***	***18.3***	***16.2***

10. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following tables and discussion is taken or derived from the audited consolidated financial statements of Dermapharm AG, the former parent entity of Dermapharm, as of and for the fiscal years ended December 31, 2016, 2015 and 2014, and the unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017. Additional financial information relating to certain operational information is taken or derived from Dermapharm's accounting records or internal reporting system. The audited consolidated financial statements were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements were prepared in accordance with IAS 34. Additional financial information included in this discussion and analysis is taken or derived from the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017, which were prepared in accordance with IFRS.

Warth & Klein Grant Thornton has audited and issued unqualified audit opinions with respect to Dermapharm AG's consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014 as well as the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017. The aforementioned audited financial statements and as well as the independent audit opinions thereon, and Dermapharm AG's unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2017 are included in this Prospectus.

Where financial information in the following tables is labelled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the audited financial statements mentioned above, but was taken either from the unaudited condensed interim consolidated financial statements mentioned above, or Dermapharm's internal reporting system, or has been calculated based on figures from the aforementioned sources.

All of the financial information presented in the text and tables below is shown in millions of Euro (in € million), except as otherwise stated. Certain financial information (including percentages) in the following tables has been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) in the following tables may not correspond in all cases to the aggregate amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, these rounded figures may not add up exactly to the totals contained in the relevant tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

The following discussion and analysis should be read together with Dermapharm AG's consolidated financial statements, including the related notes, the Company's individual financial statements, and additional financial information contained elsewhere in this Prospectus, in particular in the section "9. Selected Consolidated Financial Information".

10.1 Overview

Dermapharm is a leader in branded pharmaceuticals for selected markets in Germany with an expanding international footprint. It applies formulation and development expertise to the development, manufacture and marketing of a broad assortment of branded pharmaceuticals that are no longer patent protected, holding approximately 900 marketing authorizations (*Arzneimittelzulassungen*) for more than 200 active pharmaceutical ingredients ("**APIs**"). Dermapharm also offers a growing portfolio of other healthcare products such as cosmetics, food supplements, dietary products and medical devices. In addition, Dermapharm leverages its direct marketing expertise by importing pharmaceuticals from other member states of the EEA ("**EEA Member States**") for resale in the German market in order to profit from pricing differences between these markets.

Dermapharm operates primarily in Germany, Europe's leading economy and, with aggregate sales of €36.7 billion in the fiscal year ended December 31, 2016 (based on ex-factory prices (*Herstellerabgabepreise*)), also its largest pharmaceuticals market (*source: IQVIA*). Its German sales accounted for approximately 92.6% of Dermapharm's revenues in the nine-month period ended September 30, 2017. Dermapharm is also active in Austria and Switzerland and sales in these countries accounted for approximately 4.9% of Dermapharm's revenues in the same nine-month period. In the future, Dermapharm plans to introduce selected products from its existing product portfolio as well as new product developments to additional markets.

Dermapharm also intends to continue its track record of successful acquisitions to further strengthen growth. Most recently, Dermapharm acquired the worldwide marketing rights for the medical devices bite away® and Herpotherm® as well as all shares in Bio-Diät-Berlin Gesellschaft mit beschränkter Haftung and Kräuter Kühne GmbH (together, "**Bio-Diät-Berlin**"). In December 2017 and January 2018, respectively, Dermapharm furthermore acquired all shares in Strathmann GmbH & Co. KG, its sole general partner Strathmann Service GmbH and Biokirch GmbH Pharmaproduktion und Ärzteservice (together, "**Strathmann**") and Trommsdorff.

Dermapharm operates in the following business areas:

- **Pharmaceuticals and Other Healthcare Products**: Dermapharm's pharmaceuticals and other healthcare products cover multiple product areas with a broad assortment of products marketed under well-known brands. Dermapharm focuses on the development, manufacture and marketing of pharmaceuticals and other healthcare products for specifically targeted markets, in which Dermapharm generally holds a significant market share and generates attractive margins. In the nine-month period ended September 30, 2017, pharmaceuticals and other healthcare products accounted for 46.8% of Dermapharm's revenues and 93.8% of its EBITDA.
- **Parallel Imports**: Dermapharm's parallel import business, which operates under the well-known "axicorp" brand, benefits from the statutory requirement that a minimum of 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be imported from other EEA Member States to help reduce healthcare costs. Dermapharm covers the vast majority of prescription pharmaceuticals available for sale in the German parallel import market and has become the fourth largest parallel importer in Germany (*source: INSIGHT Health*). Parallel imports, including certain non-prescription pharmaceuticals sold over the counter ("**OTC**") marketed by axicorp, accounted for 53.2% of Dermapharm's revenues and 6.1% of its EBITDA in the nine-month period ended September 30, 2017.

While Dermapharm has not reported any segments in Dermapharm AG's consolidated financial statements in the past, it expects that going forward the Company will be required to report its pharmaceuticals and other healthcare products and parallel import business areas as segments in its consolidated financial statements pursuant to IFRS 8. The details of such segment reporting may deviate from the information provided in this Prospectus on the historical performance of Dermapharm's business areas.

In the fiscal year ended December 31, 2016, Dermapharm generated revenues of €444.5 million and EBITDA of €102.7 million. In the nine-month period ended September 30, 2017, Dermapharm's revenues amounted to €349.7 million and its EBITDA totaled €82.9 million.

10.2 Key Factors Affecting Dermapharm's Business

The key factors discussed below have significantly affected Dermapharm's results of operations, financial condition and cash flows during the periods for which financial information is included in this Prospectus and Dermapharm believes that these factors will continue to affect it in the future:

10.2.1 Factors Affecting the Pharmaceuticals and Other Healthcare Products Business Area

10.2.1.1 *Price Restrictions for Prescription Pharmaceuticals*

The German pharmaceuticals market is highly regulated, in particular with respect to prices for prescription pharmaceuticals (*i.e.*, pharmaceuticals that require a doctor's prescription for distribution). Certain prescription pharmaceuticals 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 are subject to a mandatory manufacturer rebate, which, in the case of patent-free pharmaceuticals, amounts to 6%. In addition, manufacturers of patent-free pharmaceuticals such as Dermapharm are generally required to offer a mandatory rebate of 10% on the ex-factory price of their prescription pharmaceuticals. Furthermore, a price moratorium (*Preismoratorium*) is applicable to all prescription pharmaceuticals without a reference price, limiting the benefits from price increases for such pharmaceuticals. In the nine-month period ended September 30, 2017, pharmaceuticals manufacturers reimbursed German SHI providers for mandatory rebates in an amount of €1.2 billion (*source: Pro Generika – Q3 2017*).

In addition, SHI providers seek to further reduce prices for most high-volume patent-free pharmaceuticals by entering into individual rebate agreements with manufacturers. Given that Dermapharm's selected markets are generally limited in terms of size and number of competitors and therefore oftentimes not suitable for rebate agreements, Dermapharm only selectively enters into such agreements. As a result, the share of revenues for Dermapharm's pharmaceuticals and other healthcare products that are subject to rebate agreements fell from 15% in the fiscal year ended December 31, 2014 to 12% in the nine-month period ended September 30, 2017.

Overall, approximately 47% of Dermapharm's revenues from pharmaceuticals and other healthcare products were subject to pricing restrictions or rebate agreements in the nine-month period ended September 30, 2017 (*sources: INSIGHT Health; Company information*). Dermapharm accounts for mandatory rebates and rebate agreements as deductions from revenues in the consolidated statement of comprehensive income (*i.e.*, revenues are stated net of discounts, rebates and returns. Adjustments to deductions made in prior periods for accruals of rebates are recognized as a decrease or increase of revenues subsequent periods, as the case may be.

10.2.1.2 *Sales to Direct Payers and Sales of OTC and other Healthcare Products*

Revenues from sales to direct payers and/or hospitals are generally not affected by the pricing restrictions (*i.e.*, reference prices, mandatory rebates and/or the price moratorium) that apply to sales of prescription pharmaceuticals covered by SHI providers and private health insurance providers. The same holds true for sales of OTC and other healthcare products. Due to the absence of pricing restrictions, Dermapharm is able to generate higher margins from the sale of prescription pharmaceuticals to direct payers and hospitals and from the sale of OTC and other healthcare products.

Dermapharm seeks to actively increase the share of sales of its prescription pharmaceuticals to direct payers through its careful selection of attractive markets and by focussing on products, for which such direct payers form a significant customer group. In addition, Dermapharm has intensified its marketing efforts with respect to OTC and other healthcare products, employing specialized sales representatives as well as direct marketing efforts through its call center. As a result of this focus, the share of sales of prescription pharmaceuticals to direct payers and hospitals as well as sales of OTC and other healthcare products has increased during the periods for which financial information is included in this Prospectus, starting from 37% of Dermapharm's revenues from pharmaceuticals and other healthcare products in the fiscal year ended December 31, 2014 and increasing to 43% in the nine-month period ended September 30, 2017, thereby reducing the effects of pricing pressure from SHI providers on Dermapharm's revenues and margins.

10.2.1.3 *Demand for Dermapharm's Key Products*

Dermapharm derives a substantial portion of its revenues and operating income from sales of a limited number of key products, in particular Dermapharm's flagship product Dekristol® 20,000 I.E., a vitamin D preparation. In recent years, sales of Dekristol® 20,000 I.E. have greatly benefited from the wide acceptance of medical studies demonstrating the adverse health consequences of vitamin D deficiency and the increasing recognition of its prevalence among the general population. Dekristol® 20,000 I.E. has benefited from this development and also attracted a significant number of direct payers, who account, based on Company estimates, for almost half of Dermapharm's Dekristol® 20,000 I.E. sales. As a result, revenues from the sale of Dekristol® 20,000 I.E. almost doubled from approximately €17.0 million in the fiscal year ended December 31, 2014 to approximately €32.9 million in the fiscal year ended December 31, 2016, while the number of packages sold increased from approximately 1.9 million packages by approximately 53% to approximately 2.9 million packages in that same period. This makes Dekristol® 20,000 I.E. Dermapharm's product with the highest revenues and it accounted for 7.7% of Dermapharm's revenues and an even larger share of its EBITDA in the nine-month period ended September 30, 2017.

Other key products of Dermapharm include Ampho-Moronal®, Dienovel® and Prednisolut®, which form part of Dermapharm's product offering for its key product areas dermatologicals, systemic corticoids and women's healthcare products. While revenues of these products have not grown as strongly as revenues of Dekristol® 20,000 I.E., Ampho-Moronal®, Dienovel® and Prednisolut® have steadily provided a substantial portion of Dermapharm's revenues during the periods for which financial information is included in this Prospectus. Revenues from Ampho-Moronal®, Dienovel® and Prednisolut® amounted to €23.4 million in the fiscal year ended December 31, 2014 and increased 3.8% to €24.3 million in the fiscal year ended December 31, 2016. Dermapharm expects that sales of Dekristol® 20,000 I.E., Ampho-Moronal®, Dienovel® and Prednisolut®, which together accounted for 27.8% of Dermapharm's revenues from pharmaceuticals and other healthcare products in the nine-month period ended September 30, 2017, will continue to boost Dermapharm's revenues and operating income.

10.2.1.4 *Development of Additional Pharmaceuticals and Other Healthcare Products*

Pharmaceuticals in Dermapharm's broad product offering are no longer patent protected and have often been in the market for many years. Revenues from such patent-free pharmaceuticals typically decline over time, which has become an increasing issue for manufacturers of high-volume generics. While Dermapharm's key product areas (*i.e.*, vitamins/minerals/enzymes, dermatologicals, systemic corticoids, women's healthcare products and ophthalmologicals) are less affected by such developments due to the limited size of the relevant markets, Dermapharm seeks to develop and introduce additional patent-free pharmaceuticals and other healthcare products to offset such declining revenues for older products, grow its overall revenues and further diversify its product portfolio. In the fiscal year ended December 31, 2016, Dermapharm spent €4.8 million (€4.6 million in the fiscal year ended December 31, 2015) on development activities, employing an average of 58 employees in its development department (in the fiscal year ended December 31, 2015: 52 employees).

The time required for the development of new pharmaceuticals and other healthcare products strongly depends on the type of product: for new pharmaceuticals, development usually takes about five years in total, while Dermapharm has been able to flexibly introduce healthcare products with oftentimes less than a year elapsing between the start of development and the market introduction of such products. If Dermapharm is able to successfully develop additional pharmaceuticals and other healthcare products and to obtain the marketing authorizations, which are required in case of pharmaceuticals, such new product introductions will generally help increase Dermapharm's revenues and operating income.

Under IAS 38, Dermapharm is generally required to capitalize development costs for its pharmaceuticals and other healthcare products as intangible assets, if the following criteria are 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 relevant 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; and
- the expenditure during development can be reliably measured.

Once a project meets the criteria of IAS 38, the relevant costs are capitalized. Only 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 the criteria of IAS 38 are recognized as an expense as incurred. Capitalized development costs as recorded on Dermapharm AG's consolidated statement of financial position amounted to €7.8 million, €15.2 million, €22.4 million and €30.2 million as of December 31, 2014, 2015 and 2016 and September 30, 2017, respectively.

Intangible assets from capitalized development costs are amortized on a straight-line basis over the period of expected future benefit, generally 15 years. Amortization begins when development is complete and the asset is available for use, which is normally the release of the developed product to mass production. In addition, Dermapharm is required to regularly test intangible assets from capitalized development costs for impairments in accordance with IAS 36 (IAS 38.111) at each balance sheet date. If such assets are no longer recoverable, the intangible asset is reduced accordingly and impairment charges are recorded on the consolidated statement of comprehensive income. As a result of the required impairment testing, Dermapharm incurred impairment charges on capitalized development costs in an amount of €4.7 million in the fiscal year ended December 31, 2014 in connection with the development of a spray for the treatment of asthma and chronic obstructive pulmonary disease, which Dermapharm decided to discontinue.

10.2.1.5 *Fluctuations of Raw Material Prices*

The raw materials used in the manufacturing of Dermapharm's products consist of chemicals in various forms, which Dermapharm purchases from various sources, in particular from suppliers in China and India. In the nine-month period ended September 30, 2017, Dermapharm purchased approximately one third of its APIs directly from the relevant producers, thereby avoiding intermediaries and agents. Fluctuations of raw material prices affect Dermapharm's cost of material and may adversely affect its operating margin, in particular since pricing restrictions for prescription pharmaceuticals may limit Dermapharm's ability to pass on rising raw material prices. At the same time, Dermapharm benefits from rising sales of products with comparably low raw material costs, in particular Dekristol® 20,000 I.E., which have allowed Dermapharm to reduce its cost of material for the manufacture of Dermapharm's pharmaceuticals and other healthcare products from €45.7 million in the fiscal year ended December 31, 2014 by 8.8% to €41.7 million in the fiscal year ended December 31, 2016, while revenues from pharmaceuticals and other healthcare products increased by 12.7% in that same period.

10.2.2 Factors Affecting the Parallel Import Business Area

10.2.2.1 *Composition of Dermapharm's Product Offering*

While Dermapharm's parallel import business is a low-margin, high-volume business overall, margins for individual pharmaceuticals may vary considerably. In general, demand from customers for high-margin imports is low, while demand for low-margin pharmaceuticals, for which there is only a limited offering from parallel importers, is considerably higher. In order to generate an attractive margin from its parallel import business, Dermapharm tries to ensure that each customer purchases a mixed basket of products (*i.e.*, Dermapharm will offer customers a selection of attractive low-margin pharmaceuticals, while also requiring them to purchase lower-demand pharmaceuticals that generate a considerably higher margin for Dermapharm).

Fluctuations in the product mix for Dermapharm's parallel import business affect the margins Dermapharm can achieve in this business area and consequently its operating income. While it may temporarily decide to accept a decline of its EBITDA margin (*i.e.*, the ratio of EBITDA to revenues) in order to boost its market share, Dermapharm generally seeks to maintain a stable margin from the sale of its imported pharmaceuticals. These efforts were successful during the periods for which financial information is included in this Prospectus, with the EBITDA margin for Dermapharm's parallel import business almost doubling from 1.7% in the fiscal year ended December 31, 2014 to 2.8% in the nine-month period ended September 30, 2017.

10.2.2.2 *Patent Expirations*

Many of the pharmaceuticals imported as part of Dermapharm's parallel import business are originator pharmaceuticals that still enjoy patent protection. However, the duration of this protection is limited and generally expires after 15 years. In the fiscal year ended December 31, 2017, patent protection is expected to expire for 31 originator pharmaceuticals with aggregate revenues of approximately €617 million in the fiscal year ended December 31, 2016 (*source*: *INSIGHT Health – Patent Expirations*). Following such expiration, manufacturers often introduce competing patent-free versions of the originator product, leading to pricing pressure and loss of market share for the originator pharmaceutical. In some cases, however, prices for the originator pharmaceutical may be slow to decline following the expiration of patent protection, in particular where no competing patent-free pharmaceuticals have been introduced.

Dermapharm closely monitors patent expirations and the expected impact on prices and demand for its imported pharmaceuticals, seeking to market the relevant pharmaceutical for as long as possible. Should it decide to cease sourcing a certain pharmaceutical, this will reduce the revenues and operating income it can generate from sales of this pharmaceutical. At the same time, should Dermapharm misjudge the effects of the expiration of patent protection for a certain pharmaceutical, there may not be sufficient demand for such pharmaceutical and Dermapharm may be required to incur operating losses from the sale of the relevant pharmaceutical or write down the relevant inventories, resulting in impairment charges, which are generally recorded as an increase of cost of material.

10.2.2.3 *New Product Introductions*

Dermapharm constantly reviews the European pharmaceuticals market in order to identify attractive pharmaceuticals that would complement and expand its parallel import product offering. In the nine-month period ended September 30, 2017, Dermapharm was able to successfully introduce 194 new pharmaceuticals to its parallel import product offering. Dermapharm generally seeks to be either the first or second parallel importer when it comes to introducing a new pharmaceutical to the German market. Such introductions lead to additional sales of imported pharmaceuticals and help increase Dermapharm's revenues and operating income, in particular if the relevant pharmaceutical is a high-margin import.

10.2.2.4 *Fluctuations in the Costs of Imported Pharmaceuticals*

While pricing restrictions generally limit the fluctuations of pharmaceutical prices in Germany, many of the 25 EEA Member States from which Dermapharm sources its pharmaceuticals for parallel imports are not subject to similar pricing restrictions or any pricing restrictions at all. As a result, prices for pharmaceuticals in these EEA Member States may be subject to stronger fluctuations than in Germany, which may increase or decrease the margin Dermapharm can generate from sales of its parallel imports. Costs of material for parallel imports, which primarily comprise the purchase price paid by Dermapharm for imported pharmaceuticals, increased from €190.3 million in the fiscal year ended December 31, 2014 by 10.9% to €211.1 million in the fiscal year ended December 31, 2016, while revenues from parallel imports increased by 14.3% in that same period.

10.2.3 Other Factors affecting Dermapharm

10.2.3.1 *External Growth through Acquisitions*

Following its foundation in 1991, Dermapharm has continuously expanded its product offering through successful acquisitions, in particular several entities operating under the "Hübner" brand in 2010, which contributed substantially to Dermapharm's other healthcare product offering, and axicorp GmbH in 2012, which enabled Dermapharm to enter the parallel import business. In the fiscal years ended December 31, 2014, 2015 and 2016, Dermapharm made a number of smaller acquisitions, including:

- Naturwohl Vertriebs GmbH, which holds the right to market the OTC product LactoStop®;
- Remedix GmbH;
- the remaining 15%-stake in axicorp GmbH; and
- the remaining 25%-stake in Austrian-based Melasan Produktions & Vertriebsgesellschaft m.b.H.

In the nine-month period ended September 30, 2017, Dermapharm completed two key acquisitions: On September 4, 2017, Dermapharm entered into an agreement for the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH. On September 21, 2017, Dermapharm entered into an agreement for the acquisition of all shares in Bio-Diät. The acquisitions were completed on September 20, 2017 and October 1, 2017, respectively. The acquired businesses include medical devices, including bite away®, a device selectively targeting mosquito and insect stings, and Herpotherm®, which is used for the treatment of herpes blisters as well as phytopharmaceuticals (herbal medicines), homoeopathics and natural cosmetics.

Dermapharm seeks to continue to grow through future acquisitions and to this end constantly screens selective growth opportunities, including acquisitions of new marketing authorizations, products and businesses. To this end, it acquired all shares in Strathmann in December 2017, which distributes a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. Furthermore, in January 2018 Dermapharm acquired all shares in Trommsdorff, which manufactures and markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia. Trommsdorff also serves its former parent group as a toll manufacturer.

Historically, Dermapharm's acquisitions have been immediately accretive to its operating income, although transaction costs have increased Dermapharm's other operating expenses during the periods in which the acquisitions occurred. Dermapharm's past acquisitions were generally financed through cash flows from operations. However, in connection with the acquisitions completed in the nine-month period ended September 30, 2017, Dermapharm obtained various loans to fund these acquisitions. In the future, Dermapharm plans to continue to finance acquisitions through cash flows from operations, but may also decide to take on additional debt financing, which would increase its financial liabilities accordingly.

In addition, acquisitions of businesses may lead to the recognition of goodwill. Goodwill represents the excess of the consideration transferred over Dermapharm's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a newly acquired business. If the consideration is lower (negative goodwill), it is recognized in profit or loss. As of September 30, 2017, goodwill recorded on Dermapharm AG's consolidated statement of financial position amounted to €17.0 million. Capitalized goodwill is not subject to amortization. It is, however, assessed annually for impairment and can be assessed more frequently if there is any indication for impairments during the year (impairment-only approach) Dermapharm incurred impairment charges on goodwill of €5.1 million allocated to Farmal d.d. ("**Farmal**") in the fiscal year ended December 31, 2015 and €5.2 million allocated to Cancernova GmbH onkologische Arzneimittel in the fiscal year ended December 31, 2014.

10.2.3.2 *Exchange Rate Fluctuations*

Dermapharm conducts its business in various countries, including countries from which it sources pharmaceuticals for its parallel import business. The exchange rates between these currencies and the Euro, Dermapharm's reporting currency, remain volatile and changes in these exchange rates affect Dermapharm's reported revenues, costs and earnings as expressed in Euro, and in the reported value of Dermapharm's assets, liabilities and cash flows. The most important foreign currencies for Dermapharm are the U.S. Dollar, the British Pound, the Swiss Franc, the Croatian Kuna and the Norwegian Krone.

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 (*i.e.*, 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 recognized through profit and loss under net foreign exchange gains and losses.

To the extent that cash outflows in any one foreign currency are not offset by cash inflows resulting from operational business in such currency, the remaining net foreign currency exposure is generally hedged in line with the existing hedging strategy for the net exposure of the next twelve months, using derivative financial instruments, in particular forward exchange contracts and interest-rate swaps. Depending on whether the market value of the derivatives is positive or negative, they are recognized as other financial assets or other financial liabilities. Dermapharm does not apply hedge accounting.

In the future, Dermapharm may be adversely affected by exchange rate fluctuations and hedging against such fluctuations (see "*1.1.30 Exchange rate fluctuations and related hedges may adversely affect Dermapharm's results and the value of some of its assets.*").

In addition, Dermapharm AG entered into certain currency related swap transactions with UniCredit Bank AG ("**UniCredit**") between 2006 and 2010, with the relevant reference currency being the Swiss Franc. Due to the adverse development of the value of these currency related swap transactions, Dermapharm accounts for future payment obligations due to these swaps as a financial liability, which as of September 30, 2017 amounted to €7.4 million. However, Dermapharm AG has also entered into the Indemnification Agreement with the Selling Shareholder (see "*18.1.2 Indemnification Agreement with respect to UniCredit Litigation*"), pursuant to which the Selling Shareholder has agreed to indemnify Dermapharm for certain claims in connection with these swap transactions. Therefore, Dermapharm recorded a corresponding €7.4 million financial asset, reflecting its future indemnification claims against the Selling Shareholder. Future fluctuations of the Swiss Franc would affect both Dermapharm's financial liabilities in connection with the currency swap transactions with UniCredit as well as its financial assets in connection with the Indemnification Agreement. As a result, the Company does not expect any effects from the currency related swap transactions with UniCredit with respect to its consolidated statement of comprehensive income.

In December 2011, Dermapharm AG filed a lawsuit against UniCredit, demanding the rescission of the currency related swap transactions between Dermapharm and UniCredit (see "*12.12 Litigation*"). Under the Indemnification Agreement, Dermapharm has assigned any claims against UniCredit to the Selling Shareholder. Should Dermapharm's lawsuit be successful, UniCredit's potential claims as well as Dermapharm's potential indemnification claims against the Selling Shareholder would no longer be recorded in the Company's consolidated statement of financial position.

10.2.3.3 *Changes in Tax Rates*

Dermapharm operates in various countries and is required to pay income taxes in each relevant tax jurisdiction. In order to calculate Dermapharm's income tax provisions and the deferred tax liabilities, the expected income tax as well as the temporary differences resulting from the different treatment of certain balance sheet items pursuant to IFRS and their accounting in accordance with applicable tax laws must 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 consequently on Dermapharm's net assets, financial position and results of operations in the respective period.

The effective income tax rates amounted to 6.32%, 5.28% and 7.08%, for the fiscal years ended December 31, 2014, 2015 and 2016, respectively. These comparably low effective income tax rates resulted from the tax group formed with the Selling Shareholder, which was the taxpaying entity of the tax group. Following the termination of the Profit Transfer Agreement on December 31, 2017 (see "*18.1.1 Profit Transfer Agreement*"), Dermapharm expects that its effective income tax rate will increase significantly.

10.3 Results of Operations

The following table presents Dermapharm's results of operations for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Revenue	**391.3**	**384.8**	**444.5**	**319.2**	**349.7**
Increase/decrease in finished goods and work-in-process	8.3	2.9	1.0	4.1	0.4
Own work capitalized	8.5	8.0	8.3	5.4	8.0
Other operating income	6.2	9.9	9.9	5.2	4.1
Cost of material	(237.1)	(215.9)	(252.8)	(181.5)	(196.0)
Personnel expenses	(57.7)	(55.7)	(58.7)	(42.0)	(46.5)
Depreciation and amortization	(28.3)	(22.9)	(14.4)	(10.3)	(11.2)
Other operating expenses	(48.0)	(50.3)	(51.0)	(35.1)	(38.1)
Operating income	**43.3**	**60.8**	**86.8**	**65.1**	**70.4**
Result from investments measured at equity	0.9	1.0	1.5	1.1	1.2
Financial income	3.3	9.4	7.3	4.1	3.3
Financial expenses	(12.0)	(15.8)	(12.7)	(8.4)	(7.8)
Earnings before taxes	**35.5**	**55.3**	**82.9**	**61.8**	**67.2**
Income taxes	(2.2)	(2.9)	(5.9)	(6.0)	(4.3)
Profit/loss for the period	**33.2**	**52.4**	**77.0**	**55.9**	**62.9**

10.3.1 Revenues

Revenues from Dermapharm's pharmaceuticals and other healthcare products business area comprise revenues from the sale of prescription pharmaceuticals as well as OTC and other healthcare products. Revenues from Dermapharm's parallel import business area comprise revenues from the sale of prescription pharmaceuticals imported and resold in Germany as well as revenues from certain OTC products marketed by axicorp.

The following table provides an overview of Dermapharm's revenues from its two business areas for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)	
Prescription pharmaceuticals (unaudited)	119.2	126.6	135.3	97.9	106.1
OTC and other healthcare products (unaudited)	50.6	53.6	56.5	42.6	43.3
SLG[(1)]	6.0	–	–	–	–
Balance (unaudited)[(2)]	9.2	9.7	16.7	13.9	14.2
Pharmaceuticals and other healthcare products (unaudited)[(2)]	**185.0**	**189.9**	**208.5**	**154.4**	**163.6**
Parallel imports (unaudited)[(3)]	**206.3**	**195.0**	**235.9**	**164.8**	**186.1**
Total revenue	**391.3**	**384.8**	**444.5**	**319.2**	**349.7**

(1) Comprises sales by SLG Service Logistik Günthersdorf GmbH ("**SLG**"), which was divested on December 31, 2015.
(2) Comprises sales by Melasan GmbH, Melasan Produktions & Vertriebsgesellschaft m.b.H., Sun-Farm Sp.z o.o., Farmal and Mibe Pharmaceuticals d.o.o. as well as other income, the effects of discounts and certain rebates, all of which cannot be allocated to prescription pharmaceuticals and OTC and other healthcare products, respectively, for accounting reasons.
(2) Excludes certain OTC products marketed by axicorp.
(3) Includes certain OTC products marketed by axicorp.

The following table provides an overview of Dermapharm's revenues by region for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Germany	370.8	360.9	413.1	295.7	323.8
Austria and Switzerland	13.9	18.8	20.1	15.2	17.0
Other	6.6	5.1	11.3	8.3	8.9
Total revenue	**391.3**	**384.8**	**444.5**	**319.2**	**349.7**

10.3.1.1 *Comparison of the Nine-month Periods ended September 30, 2016 and 2017*

In the nine-month period ended September 30, 2017, revenues increased from €319.2 million in the nine-month period ended September 30, 2016 by €30.5 million, or 9.6%, to €349.7 million, reflecting the increase in sales for both pharmaceuticals and other healthcare products as well as parallel imports.

Revenues from pharmaceuticals and other healthcare products increased by €9.2 million, or 6.0%, in the nine-month period ended September 30, 2017, driven by successful new product introductions, in particular in the dermatologicals and vitamins/minerals/enzymes product areas. Revenues from prescription pharmaceuticals strongly contributed to this development, increasing by 8.3% during that same period as a result of a strong increase of sales for Solacutan®, Fusicutan®, an ointment for the treatment of bacterial skin infections, and Dekristol® 20,000 I.E. By comparison, revenues from OTC and other healthcare products rose at a more modest 1.6% in the nine-month period ended September 30, 2017, driven by rising sales of Dekristolvit® and the introduction of VITA aktiv B_{12}, an OTC vitamin B_{12} direct stick for self-medication of vitamin B_{12} deficiency.

For Dermapharm's parallel import business area, revenues increased by €21.3 million, or 12.9%, aided by a growing overall parallel imports market. However, Dermapharm was able to actually surpass this market growth through the continued optimization of its product mix as well as the success of its direct marketing efforts.

10.3.1.2 *Comparison of the Fiscal Years ended December 31, 2015 and 2016*

Revenues increased from €384.8 million in the fiscal year ended December 31, 2015 by €59.7 million, or 15.5%, to €444.5 million in the fiscal year ended December 31, 2016, due to rising sales of both pharmaceuticals and other healthcare products as well as parallel imports.

For Dermapharm's pharmaceuticals and other healthcare products business area, revenues increased by €18.6 million, or 9.8%, in the fiscal year ended December 31, 2016, reflecting the introduction of additional products complementing Dermapharm's product offering, for which Dermapharm was able to obtain 28 new marketing authorizations. Revenues from prescription pharmaceuticals, which increased by 6.9%, strongly contributed to the positive developments in the fiscal year ended December 31, 2016, in particular sales of Dekristol® 20,000 I.E., which rose by 38.2% and due in part to Dermapharm's decision to implement a price increase for Dekristol® 20,000 I.E. in the fiscal year ended December 31, 2016. Revenues from OTC and other healthcare products also increased, albeit at a more modest 5.4%, such growth being primarily driven by the introduction of additional healthcare products, primarily vitamin D preparations, sikapur® and silicea products.

For its parallel import business area, Dermapharm was able to increase revenues by €40.9 million, or 21.0%, through the careful optimization of its product portfolio, even as the overall parallel imports market decreased by 1.9% (*source: INSIGHT Health*). In particular, Dermapharm introduced 306 new products to its parallel import offering in the fiscal year ended December 31, 2016. The parallel import business also benefited from the acquisition of a 75.1%-stake in Remedix GmbH, which closed on February 29, 2016, and contributed €5.7 million to Dermapharm's revenues in the fiscal year ended December 31, 2016.

10.3.1.3 *Comparison of the Fiscal Years ended December 31, 2014 and 2015*

In the fiscal year ended December 31, 2015, revenues decreased slightly from €391.3 million in the fiscal year ended December 31, 2014 by €6.5 million, or 1.7%, to €384.8 million, as an increase of sales of pharmaceuticals and other healthcare products was more than offset by the decrease in revenues from Dermapharm's parallel import business. In addition, the disposal of SLG, which had contributed revenues of €6.0 million in the fiscal year ended December 31, 2014, adversely affected Dermapharm's revenues in the fiscal year ended December 31, 2015.

Revenues from pharmaceuticals and other healthcare products rose by €4.9 million, or 2.6%, in the fiscal year ended December 31, 2015 due to an expansion of Dermapharm's product portfolio, where Dermapharm obtained 21 new marketing authorizations. Revenues from prescription pharmaceuticals increased by 6.2% due to growing sales across Dermapharm's broad product offering. In addition, revenues from OTC and other healthcare products, which increased by 5.9%, benefited from increased sales of vitamin D preparations, Ketozolin® 2% shampoo and Amorocutan® nail polish.

The overall decrease in revenues was the result of decreasing revenues for Dermapharm's parallel import business area, which fell by €11.3 million, or 5.5%, in the fiscal year ended December 31, 2015 due to a careful optimization of Dermapharm's parallel import portfolio, during the course of which Dermapharm decided to discontinue the import of certain low-margin pharmaceuticals in favor of pharmaceuticals with higher margins.

10.3.2 Increase/Decrease in Finished Goods and Work-in-process

Increase/decrease in finished goods and work-in-process reflects the increase/decrease of the value of Dermapharm's inventories during the respective period as accounted for under the total cost method (*Gesamtkostenverfahren*).

In the nine-month period ended September 30, 2017, increase/decrease in finished goods and work-in-process decreased significantly by €3.7 million, or 90.2%, from €4.1 million in the nine-month period ended September 30, 2016 to €0.4 million as a result of the strong increase in sales of parallel imports.

Increase/decrease in finished goods and work-in-process decreased from €2.9 million in the fiscal year ended December 31, 2015 by €1.9 million, or 65.5%, to €1.0 million in the fiscal year ended December 31, 2016, reflecting the increase of Dermapharm's inventories as well as valuation gains on existing inventories.

In the fiscal year ended December 31, 2015, increase/decrease in finished goods and work-in-process saw a strong decrease by €5.4 million, or 65.1%, from €8.3 million in the fiscal year ended December 31, 2014 to €2.9 million caused by the increase of Dermapharm's inventories in connection with rising demand for its pharmaceuticals and other healthcare products as well as valuation gains.

10.3.3 Own Work Capitalized

Own work capitalized comprises the capitalized development costs resulting from Dermapharm's development activities during the respective period as accounted for under the total cost method.

In the nine-month period ended September 30, 2017, own work capitalized increased from €5.4 million in the nine-month period ended September 30, 2016 by €2.6 million, or 48.1%, to €8.0 million due to additional spending on clinical studies during that period.

Own work capitalized increased from €8.0 million in the fiscal year ended December 31, 2015 by €0.3 million, or 3.8%, to €8.3 million in the fiscal year ended December 31, 2016 as a result of Dermapharm's increased development activities, in particular additional spending on clinical studies.

In the fiscal year ended December 31, 2015, own work capitalized decreased from €8.5 million in the fiscal year ended December 31, 2014 by €0.5 million, or 5.9%, to €8.0 million due to slightly reduced spending on development efforts, in particular reflecting the fact that Dermapharm was engaged in development efforts which required less spending on clinical studies in the fiscal year ended December 31, 2015.

10.3.4 Other Operating Income

Other operating income comprises income from government grants, insurance refunds and damage compensation, reversal of provisions, including provisions on impairment of trade receivables, income from disposals, foreign exchange gains and miscellaneous other operating income.

The following table provides a breakdown of Dermapharm's other operating income for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Government grants	2.4	3.4	2.2	1.7	1.3
Insurance refunds and damage compensation	0.1	0.1	1.7	1.7	0.1
Reversal of provisions, including provisions on impairment of trade receivables	0.3	0.7	0.7	0.6	0.5
Income from disposals	0.2	0.6	0.4	0.2	0.1
Foreign exchange gains	0.8	0.5	0.2	0.1	1.1
Miscellaneous	2.4	4.7	4.7	0.9	1.0
Total other operating income	**6.2**	**9.9**	**9.9**	**5.2**	**4.1**

10.3.4.1 *Comparison of the Nine-month Periods ended September 30, 2016 and 2017*

In the nine-month period ended September 30, 2017, other operating income decreased from €5.2 million in the nine-month period ended September 30, 2016 by €1.1 million, or 21.1%, to €4.1 million, reflecting the fact that Dermapharm received €1.6 million less insurance refunds and damage compensation as a result of fewer insurance events settled during that period. This development was partially offset by an increase of foreign exchange gains by €1.0 million in the nine-month period ended September 30, 2017, reflecting favorable developments of foreign currencies, in particular the Swiss Franc.

10.3.4.2 *Comparison of the Fiscal Years ended December 31, 2015 and 2016*

Other operating income remained unchanged at €9.9 million in the fiscal year ended December 31, 2016. An increase of insurance refunds and damage compensation by €1.6 million in the fiscal year ended December 31, 2016, of which €1.0 million was attributable to damages awarded to Mibe GmbH Arzneimittel ("**Mibe**") as part of a settlement with a competitor, more than offset the reduction of income from the reversal of government grants in connection with Dermapharm's Brehna facility, which was €1.2 million lower compared to the fiscal year ended December 31, 2015.

10.3.4.3 *Comparison of the Fiscal Years ended December 31, 2014 and 2015*

In the fiscal year ended December 31, 2015, other operating income increased from €6.2 million in the fiscal year ended December 31, 2014 by €3.7 million, or 59.7%, to €9.9 million, primarily driven by an increase of miscellaneous other operating income by €2.3 million, which comprised various smaller items. Higher government grants in connection with Dermapharm's Brehna facility contributed €1.0 million to the increase in other operating income in the fiscal year ended December 31, 2015.

10.3.5 Cost of Material

Cost of material comprises (i) the costs of raw materials required for Dermapharm's pharmaceuticals and other healthcare products business area and (ii) the costs of imported pharmaceuticals as part of Dermapharm's parallel import business.

In the nine-month period ended September 30, 2017, cost of material increased from €181.5 million in the nine-month period ended September 30, 2016 by €14.5 million, or 8.0%, to €196.0 million, primarily reflecting rising sales in Dermapharm's parallel import business area, where costs of material, which primarily comprise the purchase price paid by Dermapharm for imported pharmaceuticals, are considerably higher than for Dermapharm's pharmaceuticals and other healthcare products business area. Dermapharm's gross profit (*i.e.*, the difference between revenues and cost of material) increased by €16.0 million, or 11.6%, from €137.7 million in the nine-month period ended September 30, 2016 to €153.7 million in the nine-month period ended September 30, 2017.

Cost of material increased from €215.9 million in the fiscal year ended December 31, 2015 by €36.9 million, or 17.1%, to €252.8 million in the fiscal year ended December 31, 2016, primarily due to the strong increase of revenues from Dermapharm's parallel import business area with comparably higher costs of material. Gross profit (*i.e.*, the difference between revenues and cost of material) increased by €22.8 million, or 13.5%, from €168.9 million in the fiscal year ended December 31, 2015 to €191.7 million in the fiscal year ended December 31, 2016.

In the fiscal year ended December 31, 2015, cost of material decreased from €237.1 million in the fiscal year ended December 31, 2014 by €21.2 million, or 8.9%, to €215.9 million, primarily due to the portfolio optimization for Dermapharm's parallel import business area, where Dermapharm decided to discontinue the import of certain low-margin pharmaceuticals. Dermapharm's efforts to centralize production at its facility in Brehna and its investments in specialized production capacities, which improved the utilization rate for Dermapharm's operations and led to a reduction in material usage, also contributed to the decrease of cost of material. In addition, Dermapharm was able to centralize purchasing for its pharmaceuticals and other healthcare products business area, which led to additional savings of material costs. Gross profit (*i.e.*, the difference between revenues and cost of material) increased by €14.7 million, or 9.5%, from €154.2 million in the fiscal year ended December 31, 2014 to €168.9 million in the fiscal year ended December 31, 2015.

10.3.6 Personnel Expenses

Personnel expenses comprise wages and salaries, social security expenses and termination benefits.

The following table provides a breakdown of Dermapharm's personnel expenses for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Wages and salaries	48.5	46.7	49.8	36.0	39.8
Social security expenses	9.1	9.0	8.8	5.9	6.5
Termination benefits	0.1	0.0	0.2	0.1	0.2
Total personnel expenses	**57.7**	**55.7**	**58.7**	**42.0**	**46.5**

The following table provides a breakdown of Dermapharm's average number of full-time employees by function for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(unaudited)		(unaudited)	
Sales & Marketing	267	265	258	256	257
Production	432	407	398	388	398
Administration	248	255	287	289	302
Development	42	52	58	56	59
Logistics	118	115	111	108	108
Total employees	**1,107**	**1,094**	**1,112**	**1,097**	**1,124**

In addition, Dermapharm also employed an average of 78 part-time employees in the fiscal year ended December 31, 2016 (fiscal year ended December 31, 2015: 63; fiscal year ended December 31, 2014: 109). In the nine-month period ended September 30, 2017, Dermapharm employed an average of 95 part-time employees.

10.3.6.1 *Comparison of the Nine-month Periods ended September 30, 2016 and 2017*

In the nine-month period ended September 30, 2017, personnel expenses increased from €42.0 million in the nine-month period ended September 30, 2016 by €4.5 million, or 10.7%, to €46.5 million, driven by an increase in wages and salaries by €3.8 million, which was primarily due to the addition of administrative personnel, where Dermapharm hired 13 average of full-time employees in the nine-month period ended September 30, 2017.

10.3.6.2 *Comparison of the Fiscal Years ended December 31, 2015 and 2016*

Personnel expenses slightly increased from €55.7 million in the fiscal year ended December 31, 2015 by €3.0 million, or 5.4%, to €58.7 million in the fiscal year ended December 31, 2016. Higher personnel expenses correspond to the increase in the average number of full-time employees by 18 employees. At the same time, the average number of part-time employees increased by 15 employees The increase in the workforce reflects Dermapharm's expansion of its development and administration capacities, while Dermapharm was able to reduce the number of production as well as sales and marketing personnel required. The share of personnel expenses compared to revenues continued to decrease, falling from 14.5% in the fiscal year ended December 31, 2015 to 13.2% in the fiscal year ended December 31, 2016.

10.3.6.3 *Comparison of the Fiscal Years ended December 31, 2014 and 2015*

In the fiscal year ended December 31, 2015, personnel expenses decreased from €57.7 million in the fiscal year ended December 31, 2014 by €2.0 million, or 3.5%, to €55.7 million. This decrease reflects the reduced average number of full-time employees of Dermapharm, which decreased by 13 employees, and the lower number of part-time employees, which decreased by 46 employees. The reduction of the workforce was the primarily result of a lower number of employees needed in Dermapharm's production functions. At the same time, Dermapharm's commitment to continuous development was evidenced by an increase of its development personnel. The share of personnel expenses compared to revenues decreased from 14.7% in the fiscal year ended December 31, 2014 to 14.5% in the fiscal year ended December 31, 2015.

10.3.7 Depreciation and Amortization

Depreciation and amortization comprises depreciation on property, plant and equipment as well as amortization and impairment write-offs of revenue generating assets.

In the nine-month period ended September 30, 2017, depreciation and amortization increased from €10.3 million in the nine-month period ended September 30, 2016 by €0.9 million, or 8.7%, to €11.2 million, primarily due to impairment charges in connection with the termination of certain concessions.

Depreciation and amortization decreased from €22.9 million in the fiscal year ended December 31, 2015 by €8.5 million, or 37.1%, to €14.4 million in the fiscal year ended December 31, 2016, given that Dermapharm did not incur any impairment charges, compared to impairment charges of €5.1 million and impairment of inventories of €2.8 million in the fiscal year ended December 31, 2015.

In the fiscal year ended December 31, 2015, depreciation and amortization decreased from €28.3 million in the fiscal year ended December 31, 2014 by €5.4 million, or 19.1%, to €22.9 million. While Dermapharm incurred impairment charges of €5.1 million and impairment of inventories of €2.8 million in the fiscal year ended December 31, 2015, impairment charges were considerably higher in the fiscal year ended December 31, 2014, amounting to €9.9 million during that period.

10.3.8 Other Operating Expenses

Other operating expenses comprise marketing and advertising expenses, research and development costs, contributions, fees and charges, warehousing and freight expenses, rent, building, land and fixtures maintenance expenses, maintenance expenses, legal, consulting and audit fees, selling costs, third-party services expenses, losses from disposals, bank charges, foreign exchange losses, expenses from write-downs and miscellaneous other operating expenses.

The following table provides a breakdown of Dermapharm's other operating expenses for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Marketing and advertising	7.1	7.3	7.3	5.6	5.1
Research and development	7.3	4.6	4.8	2.8	5.2
Contributions, fees and charges	3.9	3.8	4.7	3.3	3.3
Warehousing and freight	5.5	3.8	4.6	3.3	3.5
Rent, building, land and fixtures maintenance	3.8	4.0	4.6	3.6	3.2
Maintenance expenses	2.9	3.2	3.3	2.6	3.0
Legal, consulting and audit fees	3.0	3.5	3.2	2.4	3.7
Selling costs	2.3	2.7	2.9	3.2	2.3
Third-party services	0.6	0.8	1.2	0.9	0.8
Losses from disposals	0.4	3.6	0.8	0.3	0.5
Bank charges	0.1	0.3	0.3	0.2	0.2
Foreign exchange losses	0.8	1.8	0.2	0.2	0.1
Expenses from write-downs	0.8	2.5	0.2	0.1	0.0
Miscellaneous	9.4	8.6	12.7	6.6	7.2
Total other operating expenses	**48.0**	**50.3**	**51.0**	**35.1**	**38.1**

10.3.8.1 *Comparison of the Nine-month Periods ended September 30, 2016 and 2017*

In the nine-month period ended September 30, 2017, other operating expenses increased from €35.1 million in the nine-month period ended September 30, 2016 by €3.0 million, or 8.5%, to €38.1 million, primarily due to an increase of research and development expenses by €2.4 million, reflecting increased development efforts of Dermapharm in that period. In addition, legal, consulting and audit fees increased by €1.3 million in the nine-month period ended September 30, 2017, driven by additional costs incurred by Dermapharm in connection with the preparation of this Offering. These developments were only partly offset by a decrease of selling costs by €1.1 million in the nine-month period ended September 30, 2017, due to changes to how intra-group selling costs were accounted for.

10.3.8.2 *Comparison of the Fiscal Years ended December 31, 2015 and 2016*

Other operating expenses increased from €50.3 million in the fiscal year ended December 31, 2015 by €0.7 million, or 1.4%, to €51.0 million in the fiscal year ended December 31, 2016, driven by various factors: Warehousing and freight expenses rose by €1.2 million due to increased sales, while contributions, fees and charges increased by €0.9 million, resulting from higher fees for the renewal of marketing authorizations for Dermapharm's parallel import product offering. In addition, expenses on rent, building, land and fixtures maintenance increased by €0.6 million, reflecting increased spending on Dermapharm's growing operations.

10.3.8.3 *Comparison of the Fiscal Years ended December 31, 2014 and 2015*

In the fiscal year ended December 31, 2015, other operating expenses increased from €48.0 million in the fiscal year ended December 31, 2014 by €2.3 million, or 4.8%, to €50.3 million, primarily resulting from the realized loss in the course of the sale of a 75.1%-stake in Centuere Beteiligungs-Aktiengesellschaft i.L. ("**Centuere**") and realized losses from the disposal of certain drug licenses held by Mibe, which amounted to €1.7 million in aggregate and were recorded under losses from disposals. In addition, expenses from write-downs, which primarily include losses on bad debts, contributed €1.7 million to other operating expenses. Due to adverse developments of exchange rates, Dermapharm also incurred an additional €1.0 million of foreign exchange losses. These additional other operating expenses were partially offset by lower research and development expenses, which decreased by €2.7 million in the fiscal year ended December 31, 2015, reflecting ordinary fluctuations with respect to the duration of clinical studies conducted in the respective periods. In addition, warehousing and freight expenses decreased by €1.7 million, primarily due to the disposal of SLG.

10.3.9 Operating Income

In the nine-month period ended September 30, 2017, Dermapharm's operating income increased from €65.1 million in the nine-month period ended September 30, 2016 by €5.3 million, or 8.1%, to €70.4 million. Dermapharm's pharmaceuticals and other healthcare products business area, where operating income increased from €60.7 million in the nine-month period ended September 30, 2016 by €5.6 million, or 9.2%, to €66.3 million in the nine-month period ended September 30, 2017 as a result of rising sales, was primarily responsible for this increase. By comparison, operating income from Dermapharm's parallel import business area increased, from €4.4 million in the nine-month period ended September 30, 2017 by €0.2 million, or 4.5%, to €4.2 million the nine-month period ended September 30, 2016, resulting from the greater focus on gaining market share by Dermapharm's parallel import business area.

Dermapharm's operating income increased from €60.8 million in the fiscal year ended December 31, 2015 by €26.0 million, or 42.8%, to €86.8 million in the fiscal year ended December 31, 2016. For its pharmaceuticals and other healthcare products business area, Dermapharm saw a slightly lower increase of operating income, which rose from €58.7 million in the fiscal year ended December 31, 2015 by €23.2 million, or 39.5%, to €81.9 million in the fiscal year ended December 31, 2016, mainly as a result of high-margin sales of Dekristol® 20,000 I.E., and Dermapharm's ability to increase the share of sales that were not subject to pricing restrictions or rebate agreements. In addition, the successful integration of past acquisitions added to a reduction of operating expenses. Due an improvement of the product mix for Dermapharm's parallel import product offering and the increase in revenues resulting therefrom, operating income from Dermapharm's parallel import business area, increased even stronger from €2.8 million in the fiscal year ended December 31, 2015 by €2.1 million, or 72.4%, to €4.8 million in the fiscal year ended December 31, 2016, nevertheless still generating far lower margins than the pharmaceuticals and other healthcare products business area.

In the fiscal year ended December 31, 2015, Dermapharm's operating income increased from €43.3 million in the fiscal year ended December 31, 2014 by €17.5 million, or 40.4%, to €60.8 million, reflecting the increase of Dermapharm's gross profits. This increase was fueled by sales of Dermapharm's pharmaceuticals and other healthcare products and operating income in this business area rose from €40.3 million in the fiscal year ended December 31, 2014 by €18.4 million, or 45.7%, to €58.7 million in the fiscal year ended December 31, 2015, primarily due to a growing share of sales that were not subject to pricing restrictions or rebate agreements. Furthermore, Dermapharm was able to continue the integration of past acquisitions into its existing operations, thereby further improving overall profitability. By comparison, operating income from Dermapharm's parallel import business area decreased from €3.0 million in the fiscal year ended December 31, 2014 by €0.9 million, or 30.0%, to €2.1 million in the fiscal year ended December 31, 2015, reflecting the reduction in revenues in connection with the optimization of Dermapharm's parallel import product offering as well as costs for the restructuring of the sourcing systems.

10.3.10 Financial Result

Financial result is the difference between financial income and result from investments measured at equity on the one hand, and financial expenses on the other hand. Result from investments measured at equity reflects Dermapharm's share in the profits or losses of entities accounted for under the equity method. The material group entities of Dermapharm accounted for under the equity method in the fiscal years ended December 31, 2014, 2015 and 2016 as well as the nine-month period ended September 30, 2017 were Hasan Dermapharm Co. Ltd., in which Dermapharm holds a 30.0%-stake, and Gynial GmbH, in which Dermapharm holds a 25.1%-stake.

The following table provides a breakdown of Dermapharm's financial results for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Result from investments measured at equity	0.9	1.0	1.5	1.1	1.2
Financial income	3.3	9.4	7.3	4.1	3.3
Financial expenses	(12.0)	(15.8)	(12.7)	(8.4)	(7.8)
Financial result	**(7.8)**	**(5.4)**	**(3.9)**	**(3.2)**	**(3.3)**

10.3.10.1 *Comparison of the Nine-month Periods ended September 30, 2016 and 2017*

In the nine-month period ended September 30, 2017, Dermapharm's financial result remained almost unchanged, deteriorating by €0.1 million, or 3.1%, from a net financial expense of €3.2 million in the nine-month period ended September 30, 2016 to a net financial expense of €3.3 million. While Dermapharm financial expenses decreased by €0.6 million due to lower payments in connection with currency swap transactions entered into with UniCredit in the nine-month period ended September 30, 2017, Dermapharm's financial income also decreased from €4.1 million in the nine-month period ended September 30, 2016 to €3.3 million the nine-month period ended September 30, 2017, reflecting lower payments by the Selling Shareholder under the Indemnification Agreement (see "*10.2.3.2 Exchange Rate Fluctuations*").

10.3.10.2 *Comparison of the Fiscal Years ended December 31, 2015 and 2016*

Dermapharm's financial result improved from a net financial expense of €5.4 million in the fiscal year ended December 31, 2015 by €1.5 million, or 27.8%, to a net financial expense of €3.9 million in the fiscal year ended December 31, 2016, despite a decrease of interest and other expenses, reflecting successful refinancings by Dermapharm through loans with variable interest rates, allowing Dermapharm to benefit from the positive market interest rates.

10.3.10.3 *Comparison of the Fiscal Years ended December 31, 2014 and 2015*

In the fiscal year ended December 31, 2015, Dermapharm's financial result improved from a net financial expense of €7.8 million in the fiscal year ended December 31, 2014 by €2.4 million, or 30.8%, to a net financial expense of €5.4 million. Expenses from fair value measurements increased due to the currency swap transactions entered into with UniCredit, yet due to the Indemnification Agreement with the Selling Shareholder, this led to a corresponding increase of income from fair value measurements (see "*10.2.3.2 Exchange Rate Fluctuations*").

10.3.11 Income Taxes

Income taxes comprise current income taxes as well as deferred taxes from temporary differences and from tax losses carried forward.

The following table provides a breakdown of Dermapharm's income taxes for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Current income taxes	2.4	1.9	3.4	3.7	3.3
Deferred taxes from temporary differences	(0.2)	1.0	2.0	2.3	1.0
Deferred taxes from tax losses carried forward	–	–	0.4	–	–
Total income taxes	**2.2**	**2.9**	**5.9**	**6.0**	**4.3**

10.3.11.1 *Comparison of the Nine-month Periods ended September 30, 2016 and 2017*

In the nine-month period ended September 30, 2017, income taxes decreased by €1.7 million, or 28.3%, from a tax charge of €6.0 million in the nine-month period ended September 30, 2016 to a tax charge of €4.3 million, reflecting the decrease of deferred taxes from temporary differences by €1.3 million and the decrease of current income taxes by €0.4 million due to a reduction of the effective income tax rate.

10.3.11.2 *Comparison of the Fiscal Years ended December 31, 2015 and 2016*

Income taxes more than doubled, with the tax charge of €2.9 million in the fiscal year ended December 31, 2015 increasing by €3.0 million, or 103.4%, to a tax charge of €5.9 million in the fiscal year ended December 31, 2016, primarily due to the increase of current income taxes resulting from Dermapharm's rising sales as well as an increase of the effective income tax rate from 5.28% in the fiscal year ended December 31, 2015 to 7.08% in the fiscal year ended December 31, 2016. These comparably low effective income tax rates resulted from the tax group formed with the Selling Shareholder, which was the taxpaying entity of the tax group, and are expected to increase following the termination of the Profit Transfer Agreement (see "*10.2.3.3 Changes in Tax Rates*").

10.3.11.3 *Comparison of the Fiscal Years ended December 31, 2014 and 2015*

In the fiscal year ended December 31, 2015, Dermapharm's income taxes increased from a tax charge of €2.2 million in the fiscal year ended December 31, 2014 by €0.7 million, or 31.8%, to a tax charge of €2.9 million, primarily caused by the increase of deferred taxes from temporary differences, which mainly arose from capitalized development costs. At the same time, the effective income tax rate of Dermapharm decreased from 6.32% in the fiscal year ended December 31, 2015 to 5.28% in the fiscal year ended December 31, 2016.

10.3.12 Profit/loss for the Period

In the nine-month period ended September 30, 2017, Dermapharm's profit for the period increased by €7.0 million, or 12.5%, from a profit of €55.9 million in the nine-month period ended September 30, 2016 to a profit of €62.9 million, due to the strong increase of profitable sales for both business areas. As a result, Dermapharm's net profit margin increased from 17.5% in the nine-month period ended September 30, 2016 to 18.0% in the nine-month period ended September 30, 2017.

Dermapharm's profit for the period increased from €52.4 million in the fiscal year ended December 31, 2015 by €24.6 million, or 46.9%, to €77.0 million in the fiscal year ended December 31, 2016, primarily due to the significant increase in Dermapharm's operating income. Consequently, Dermapharm's net profit margin increased from 13.6% in the fiscal year ended December 31, 2015 to 17.3% in the fiscal year ended December 31, 2016.

In the fiscal year ended December 31, 2015, Dermapharm's profit for the period increased from €33.2 million in the fiscal year ended December 31, 2014 by €19.2 million, or 57.8%, to €52.4 million, driven by Dermapharm's strong operating performance. Dermapharm's net profit margin also increased strongly from 8.5% in the fiscal year ended December 31, 2014 to 13.6% in the fiscal year ended December 31, 2015.

10.4 Assets, Equity and Liabilities

10.4.1 Assets

The following table provides an overview of Dermapharm's assets as of the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited) (in € million)		(unaudited) (in € million)
Intangible assets	71.7	68.0	70.0	129.7
Goodwill	21.6	16.4	17.0	17.0
Property, plant and equipment	56.5	53.4	53.4	52.9
Investments measured at equity	1.6	2.7	3.2	4.4
Investments	0.5	0.2	0.3	0.2
Other non-current financial assets	9.2	13.8	10.6	22.4
Deferred tax assets	1.0	0.0	0.2	1.7
Total non-current assets	**162.1**	**154.6**	**154.7**	**228.3**
Inventories	71.5	77.0	84.8	81.9
Trade accounts receivable	22.8	17.4	26.3	34.7
Other current financial assets	58.8	42.5	40.0	68.7
Other current assets	3.0	1.4	1.7	2.0
Income tax receivables – current	0.7	1.0	0.4	0.4
Cash and cash equivalents	11.6	2.8	3.8	12.6
Total current assets	**168.5**	**142.1**	**157.0**	**200.3**
Total assets	**330.6**	**296.7**	**311.7**	**428.6**

10.4.1.1 *Comparison of December 31, 2016 and September 30, 2017*

In the nine-month period ended September 30, 2017, Dermapharm's total assets increased from €311.7 million as of December 31, 2016 by €116.9 million, or 37.5%, to €428.6 million as of September 30, 2017. Intangible assets increased by €59.7 million in the nine-month period ended September 30, 2017, primarily due to the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH (see "*12.13.3.1 Asset Purchase Agreement for bite away® and Herpotherm®*"). In addition, other non-current financial assets increased by €11.8 million during that same period, reflecting prepayments on the acquisition of Bio-Diät-Berlin in an amount of €14.5 million, which were only partly offset by a reduction of future claims against the Selling Shareholder in connection with the Indemnification Agreement. Furthermore, other current financial assets rose by €28.7 in the nine-month period ended September 30, 2017 due to loans provided by Dermapharm to the Selling Shareholder.

10.4.1.2 *Comparison of December 31, 2015 and December 31, 2016*

Dermapharm's total assets increased from €296.7 million as of December 31, 2015 by €15.0 million, or 5.1%, to €311.7 million as of December 31, 2016 in the fiscal year ended December 31, 2016. This increase was primarily caused by higher trade accounts receivable, which increased by €8.9 million, reflecting the strong increase of Dermapharm's revenues. In addition, inventories increased by €7.8 million, which reflects the need to hold additional raw materials and finished products in stock to ensure that Dermapharm can continue to avoid delivery shortages despite constantly increasing demand for its pharmaceuticals and other healthcare products as well as Dermapharm's parallel imports. As of December 31 2016, intangible assets, primarily consisting of medical licenses, with a carrying amount of €2.2 million were pledged to different banks in order to provide collateral for bank loans (as of December 31, 2015: €2.5 million).

10.4.1.3 *Comparison of December 31, 2014 and December 31, 2015*

In the fiscal year ended December 31, 2015, Dermapharm's total assets decreased from €330.6 million as of December 31, 2014 by €33.9 million, or 10.3%, to €296.7 million due to a reduction of intangible assets and goodwill in an aggregate amount of €8.9 million, caused by amortization and an impairment loss of €5.1 million on the goodwill allocated to Farmal due to provisions for an indictment filed against the company. By comparison, inventories increased by €5.5 million in the fiscal year ended December 31, 2015, since Dermapharm increased its stock to ensure delivery reliability. As of December 31 2015, intangible assets, primarily consisting of medical licenses, with a carrying amount of €2.5 million were pledged to different banks in order to provide collateral for bank loans (as of December 31, 2014: €2.4 million).

10.4.2 Equity

The following table provides an overview of Dermapharm's equity as of the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
		(audited) (in € million)		(unaudited) (in € million)
Issued capital	1.3	1.3	1.3	1.3
Capital reserves	0.3	0.3	0.3	0.3
Retained earnings	28.6	39.5	56.3	70.0
Other reserves	(1.9)	0.1	(1.0)	(2.1)
Non-controlling interests	5.7	3.3	3.9	–
Total equity	**34.0**	**44.4**	**60.8**	**69.5**

10.4.2.1 *Comparison of December 31, 2016 and September 30, 2017*

In the nine-month period ended September 30, 2017, Dermapharm's total equity increased from €60.8 million as of December 31, 2016 by €8.7 million, or 14.3%, to €69.5 million as of September 30, 2017. This increase was driven by the increase of retained earnings resulting from Dermapharm's strong operating performance and profits in the nine-month period ended September 30, 2017. The decrease in non-controlling interests to zero reflects the acquisition of the remaining 15%-stake in axicorp GmbH and the remaining 24.9%-stake in Remedix GmbH, making these two entities wholly owned subsidiaries of Dermapharm.

10.4.2.2 *Comparison of December 31, 2015 and December 31, 2016*

In the fiscal year ended December 31, 2016, Dermapharm's total equity increased from €44.4 million as of December 31, 2015 by €16.4 million, or 36.9%, to €60.8 million as of December 31, 2016, primarily due to the increase in retained earnings, which reflects Dermapharm's strong profits. The increase of non-controlling interests primarily reflects the outside shareholders of Remedix GmbH, in which Dermapharm acquired a 75.1%-stake.

10.4.2.3 *Comparison of December 31, 2014 and December 31, 2015*

In the fiscal year ended December 31, 2015, Dermapharm's total equity increased from €34.0 million as of December 31, 2015 by €10.4 million, or 30.6%, to €44.4 million as of December 31, 2016, with the main contribution coming from Dermapharm's profits for the fiscal year ended December 31, 2015. By comparison, non-controlling interests decreased by €2.4 million due to the acquisition of the remaining 25.0%-stake in Melasan Produktions & Vertriebsgesellschaft m.b.H. and the remaining 2.9% in Farmal.

10.4.3 Liabilities

The following table provides an overview of Dermapharm's liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)
Defined benefit obligations and other accrued employee benefits	12.4	12.1	13.3	13.3
Other provisions	0.1	–	–	–
Financial liabilities	161.5	151.1	96.9	235.4
Other non-current financial liabilities	9.9	14.1	10.5	8.1
Other non-current liabilities	15.6	13.3	11.5	10.4
Deferred tax liabilities	–	0.2	3.4	5.8
Total non-current liabilities	**199.6**	**190.7**	**135.5**	**272.9**
Other provisions	6.1	6.4	7.0	6.0
Financial liabilities	20.4	24.9	65.9	43.4
Trade accounts payable	27.4	18.1	24.5	19.3
Other current financial liabilities	30.6	2.4	4.3	2.1
Other current liabilities	11.4	8.2	11.0	11.5
Income tax liabilities	1.0	1.5	2.8	3.9
Total current liabilities	**97.0**	**61.6**	**115.4**	**86.2**
Total liabilities (unaudited)	**296.6**	**252.3**	**250.9**	**359.1**

10.4.3.1 *Comparison of December 31, 2016 and September 30, 2017*

In the nine-month period ended September 30, 2017, Dermapharm's total liabilities increased from €250.9 million as of December 31, 2016 by €108.2 million, or 43.1%, to €359.1 million as of September 30, 2017, driven by an increase of financial liabilities by €116.0 million, primarily due to the acquisition financing required for the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH (see "*12.13.3.1 Asset Purchase Agreement for bite away® and Herpotherm®*") and all shares in Bio-Diät-Berlin (see "*12.13.3.2 Share Purchase Agreement for Bio-Diät-Berlin*"). Overall, Dermapharm was able to enter into various new loan agreements (see "*12.13.2.2 Loan Agreements of Dermapharm AG*"), including for the refinancing of existing loans, resulting in a shift from current financial liabilities to non-current financial liabilities in the nine-month period ended September 30, 2017. The increase in financial liabilities was partly offset by a decrease of trade accounts payable by €5.2 million during that same period, reflecting fluctuations in Dermapharm's working capital in the ordinary course of business.

10.4.3.2 *Comparison of December 31, 2015 and December 31, 2016*

Dermapharm's total liabilities decreased in the fiscal year ended December 31, 2016, from €252.3 million as of December 31, 2015 by €1.4 million, or 0.6%, to €250.9 million as of December 31, 2016, driven by a strong reduction of financial liabilities by €13.2 million, reflecting the repayment of some of Dermapharm's bank loans and a portion of its promissory note loans. However, the maturity of Dermapharm's financial liabilities decreased as loan agreements matured, resulting in a shift from non-current to current financial liabilities. Trade accounts payable increased by 35.4%, thereby almost twice as fast as Dermapharm's revenues as a result of increased market introductions of new originator pharmaceuticals, which Dermapharm included in its parallel import product offering and for which it had to build up additional inventories.

10.4.3.3 *Comparison of December 31, 2014 and December 31, 2015*

In the fiscal year ended December 31, 2015, Dermapharm's total liabilities decreased from €296.6 million as of December 31, 2014 by €44.3 million, or 14.9%, to €252.3 million as of December 31, 2015, aided by a reduction of trade accounts payable by €9.3 million resulting from fluctuations of Dermapharm's working capital in the ordinary course of business. At the same time, there was a slight shift from current to non-current financial liabilities, in particular due to the strong reduction of Dermapharm's other current financial liabilities by €28.2 million, primarily as a result of the disposal of SLG, which had been provided with a loan in an amount of €23.8 million by the Selling Shareholder that no longer had to be recorded on Dermapharm's consolidated statement of financial position following the disposal. Overall, financial liabilities decreased by €5.9 million, as Dermapharm made payments under its bank loans.

10.5 Liquidity and Capital Resources

10.5.1 Cash Flows

The following table provides a breakdown of Dermapharm's cash flows for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,[1]	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Profit or loss for the period	0.2	12.9	17.1	55.9	62.9
Amortization of intangible assets	13.5	9.9	9.2	6.7	7.2
Amortization of intangible assets – impairment charges	9.9	5.1	–	–	–
Depreciation of property, plant and equipment	4.9	5.2	4.9	3.6	3.7
Increase/decrease in other accrued employee benefits	0.2	0.1	0.1	0.0	0.0
Increase/decrease in other non-current provisions	0.0	(0.1)	–	–	–
Increase/decrease in other current provisions	0.6	0.3	0.5	(0.7)	(1.0)
Other non-cash expenses/income items	40.4	33.7	39.5	(5.3)	0.1
Increase/decrease in inventories	(3.3)	(5.4)	(6.1)	(10.7)	2.8
Increase/decrease in trade receivables	(0.4)	5.4	(8.7)	(11.8)	(8.4)
Increase/decrease in other assets	24.9	(19.0)	6.3	1.8	1.3
Increase/decrease in trade payables	2.1	(9.1)	5.5	4.7	(5.2)
Increase/decrease in other liabilities	(46.8)	(7.1)	(0.2)	(2.7)	(5.3)
Share of profit of equity-accounted investees, net of tax	(0.9)	(1.0)	(1.5)	(1.1)	(1.2)
Net gain/loss on disposal of intangible assets	2.4	2.6	1.6	0.1	0.3
Net gain/loss on disposal of property, plant and equipment	0.1	0.0	(0.0)	(0.0)	0.0
Net gain/loss on sale of investments	–	0.1	–	–	–
Interest expenses/income	6.5	5.4	4.2	2.9	3.2
Increase/decrease in income tax payables and deferred tax liabilities	2.4	3.1	4.3	5.0	3.3
Income tax paid/received	(2.4)	(1.8)	(0.0)	(0.8)	(1.2)
Net cash flows from operating activities	**54.3**	**40.4**	**76.8**	**47.6**	**62.6**

	For the fiscal year ended December 31,			For the nine-month period ended September 30,[1]	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Proceeds from sale of intangible assets	0.2	3.1	2.4	2.4	0.2
Proceeds from sale of property, plant and equipment	2.0	0.4	0.3	0.1	0.2
Proceeds from sale of investments	–	6.8	0.0	–	–
Acquisition of subsidiary, net of cash acquired	–	–	(1.4)	(1.4)	–
Purchase of intangible assets	(22.2)	(11.7)	(12.7)	(8.7)	(67.4)
Purchase of property, plant and equipment	(6.3)	(3.2)	(5.1)	(4.2)	(3.4)
Payments for investment in financial assets	–	(1.1)	(0.1)	(0.1)	(14.5)
Dividends from equity-accounted investees	2.0	1.0	0.9	–	–
Interest received	2.3	3.8	3.3	0.1	0.0
Net cash flows used in investing activities	**(21.9)**	**(0.9)**	**(12.3)**	**(11.7)**	**(84.9)**
Payment/prepayment of profit transfers due to profit transfer agreements	(39.9)	(33.0)	(39.5)	(39.5)	(66.9)
Acquisition of non-controlling interests	(0.0)	(0.1)	(1.9)	(1.9)	(6.6)
Dividends paid	(5.6)	(0.1)	–	–	–
Payments for financial receivables	–	–	–	–	(8.2)
Proceeds from financial liabilities	74.3	9.8	6.1	2.8	151.8
Repayment of financial liabilities	(16.7)	(22.6)	(12.5)	(6.2)	(52.8)
Payment of finance lease liabilities	(0.3)	(0.4)	(0.6)	(0.2)	(0.1)
Interest paid	(8.8)	(9.2)	(7.5)	(3.0)	(3.2)
Net cash flows from/used in financing activities	**3.0**	**(55.6)**	**(55.9)**	**(47.9)**	**14.1**
Net increase in cash, cash equivalents and bank overdrafts	**35.3**	**(16.2)**	**8.6**	**(12.0)**	**(8.2)**

(1) Due to the termination of the Profit Transfer Agreement with effect from the end of December 31, 2017, Dermapharm AG has changed the composition of its consolidated statement of cash flows, which is already reflected in the financial information in the consolidated statement of cash flows shown in Dermapharm AG's unaudited condensed consolidated interim financial statements for the nine-month period ended September 30, 2017. As a result, certain comparable financial information with respect to the fiscal year ended December 31, 2016 shown in the consolidated statement of cash flows in the consolidated financial statements for the fiscal year ended December 31, 2017 will differ from the financial information shown in the consolidated statement of cash flows in Dermapharm AG's consolidated financial statements for the fiscal years ended December 31, 2016, 2015 and 2014. The change in composition of the consolidated statement of cash flows affects the line items profit or loss for the period, other non-cash expenses/income items, increase/decrease in other assets, payment/prepayment of profit transfers due to profit transfer agreements and payments for financial receivables.

10.5.1.1 *Net Cash Flows from Operating Activities*

10.5.1.1.1 Comparison of the Nine-month Periods ended September 30, 2016 and 2017

In the nine-month period ended September 30, 2017, net cash flows from operating activities improved from €47.6 million in the nine-month period ended September 30, 2016 by €15.0 million, or 31.5%, to €62.6 million, particularly due to the decrease in inventories caused by fluctuations of Dermapharm's working capital in the ordinary course of business, which led to a cash inflow of €2.8 million in the nine-month period ended September 30, 2017, compared to a cash outflow of €10.7 million in the nine-month period ended September 30, 2016 caused by the increase in inventories required to secure Dermapharm's delivery reliability. In addition, there were lower adjustments for non-cash items in the nine-month period ended September 30, 2017. These developments were partly offset by the decrease of trade payables, which resulted in a cash outflow of €5.2 million in the nine-month period ended September 30, 2017, compared to a cash inflow of €4.7 million due to an increase of trade payables in the nine-month period ended September 30, 2016. The change in trade payables was predominantly caused by the different timing of payments to suppliers in different periods.

10.5.1.1.2 Comparison of the Fiscal Years ended December 31, 2015 and 2016

Dermapharm's net cash flow from operating activities improved from €40.4 million in the fiscal year ended December 31, 2015 by €36.4 million, or 90.1%, to €76.8 million in the fiscal year ended December 31, 2016, primarily driven by lower cash outflows from changes in working capital. An increase in trade payables generated a cash inflow of €5.5 million compared to the cash outflow of €9.1 million from a decrease of trade payables in the fiscal year ended December 31, 2015. This development was only partly offset by the increase in trade receivables that resulted in a cash outflow of €8.7 million in the fiscal year ended December 31, 2016, compared to a cash inflow of €5.4 million caused by the decrease in trade receivables in the fiscal year ended December 31, 2015. These changes in trade payables and trade receivables were predominantly caused by the different timing of payments to suppliers and payments by customers, respectively, in different periods. With respect to decreases and increases of other assets and other liabilities, these primarily reflect the adjustments for non-cash effective changes in the value of currency related swaps with UniCredit and the corresponding receivable against the Selling Shareholder (see "*10.2.3.2 Exchange Rate Fluctuations*").

10.5.1.1.3 Comparison of the Fiscal Years ended December 31, 2014 and 2015

In the fiscal year ended December 31, 2015, Dermapharm's net cash flow from operating activities decreased from €54.3 million in the fiscal year ended December 31, 2014 by €13.9 million, or 25.6%, to €40.4 million, mainly due to higher cash outflows from changes in working capital. A decrease in trade payables led to a cash outflow of €9.1 million in the fiscal year ended December 31, 2015, compared to a cash inflow of €2.1 million from the increase of trade payables in the fiscal year ended December 31, 2014. This development was only partly offset by a decrease in trade receivables. The changes in trade payables and trade receivables were predominantly caused by the different timing of payments to suppliers and payments by customers, respectively, in different periods. With respect to decreases and increases of other assets and other liabilities, these primarily reflect the adjustments for non-cash effective changes in the value of currency related swaps with UniCredit and the corresponding receivable against the Selling Shareholder (see "*10.2.3.2 Exchange Rate Fluctuations*").

10.5.1.2 *Net Cash Flows used in Investing Activities*

10.5.1.2.1 Comparison of the Nine-month Periods ended September 30, 2016 and 2017

In the nine-month period ended September 30, 2017, net cash flows used in investing activities increased significantly from a cash outflow of €11.7 million in the nine-month period ended September 30, 2016 to a cash outflow of €84.9 million, primarily driven by increasing cash outflows for purchases of intangible assets of €67.4 million in the nine-month period ended September 30, 2017, *inter alia*, reflecting the funds invested for the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH (see "*12.13.3.1 Asset Purchase Agreement for bite away® and Herpotherm®*"). In addition, investments in financial assets in connection with a prepayment for the acquisition of Bio-Diät-Berlin (see "*12.13.3.2 Share Purchase Agreement for Bio-Diät-Berlin*") led to a cash outflow of €14.5 million in the nine-month period ended September 30, 2017.

10.5.1.2.2 Comparison of the Fiscal Years ended December 31, 2015 and 2016

Dermapharm's net cash flows used in investing activities increased from a cash outflow of €0.9 million in the fiscal year ended December 31, 2015 by €11.4 million to a cash outflow of €12.3 million in the fiscal year ended December 31, 2016. Purchases of intangible assets of €12.7 million were the most significant cause of cash outflows, in particular reflecting Dermapharm's spending on capitalized development projects as part of its development efforts as well as on the acquisition of licenses, patents and similar rights. In addition, the acquisition of a 75.1%-stake in Remedix GmbH contributed to a cash outflow of €1.4 million recorded under acquisitions of subsidiaries, net of cash acquired.

10.5.1.2.3 Comparison of the Fiscal Years ended December 31, 2014 and 2015

In the fiscal year ended December 31, 2015, Dermapharm's net cash flows used in investing activities decreased strongly from a cash outflow of €21.9 million in the fiscal year ended December 31, 2014 by €21.0 million to a cash outflow of €0.9 million, reflecting the fact that Dermapharm significantly reduced its purchases of intangible assets, while at the same time generating proceeds from the sale of investments of €6.8 million, primarily from the sale of Centuere.

10.5.1.3 *Net Cash Flows from/used in Financing Activities*

10.5.1.3.1 Comparison of the Nine-month Periods ended September 30, 2016 and 2017

In the nine-month period ended September 30, 2017, Dermapharm's net cash flows from financing activities improved from a cash outflow of €47.9 million in the nine-month period ended September 30, 2016 to a cash inflow of €14.1 million, driven by cash inflows due to proceeds from financial liabilities in an amount of €151.8 million resulting from new loans taken out by Dermapharm in the nine-month period ended September 30, 2017 (see "*12.13.2.2 Loan Agreements of Dermapharm AG*"). However, parts of these proceeds were used to refinance existing loans, resulting in cash outflows in connection with the repayment of financial liabilities in an amount of €52.8 million in the nine-month period ended September 30, 2017. In addition, Dermapharm recorded cash outflows of €66.9 million due to payments to the Selling Shareholder under the Profit Transfer Agreement in that amount.

10.5.1.3.2 Comparison of the Fiscal Years ended December 31, 2015 and 2016

Dermapharm's net cash flows used in financing activities increased only slightly from a cash outflow of €55.6 million in the fiscal year ended December 31, 2015 by €0.3 million, or 0.5%, to a cash outflow of €55.9 million in the fiscal year ended December 31, 2016. Payments under the Profit Transfer Agreement in an amount of €39.5 million were responsible for the most significant cash outflows. In addition, Dermapharm made repayments in order to further reduce its financial liabilities, in particular promissory loan notes, leading to payments of principal in an amount of €12.5 million and interest of €7.5 million. At the same time, Dermapharm recorded cash inflows of €6.1 million from new bank loans.

10.5.1.3.3 Comparison of the Fiscal Years ended December 31, 2014 and 2015

In the fiscal year ended December 31, 2015, Dermapharm's net cash flows used in financing activities deteriorated from a cash inflow of €3.0 million in the fiscal year ended December 31, 2014 by €58.6 million to a cash outflow of €55.6 million, Payments under the Profit Transfer Agreement in an amount of €33.0 million were responsible for the most significant cash outflows. By refinancing bank loans through the issuance of promissory note loans, Dermapharm was able to generate cash inflows of €9.8 million, while spending €22.6 million on the repayment of financial liabilities.

10.5.2 Cash, Cash Equivalents and Bank Overdrafts

The following table provides an overview of Dermapharm's cash, cash equivalents and bank overdrafts as of the dates indicated:

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
		(audited) (in € million)		(unaudited) (in € million)	
Cash and cash equivalents	11.6	2.8	3.8	4.2	12.6
Bank overdrafts	(5.2)	(12.4)	(4.9)	(25.8)	(21.9)
Cash, cash equivalents and bank overdrafts	**6.5**	**(9.6)**	**(1.1)**	**(21.6)**	**(9.3)**

10.5.3 Capital Expenditures

The following table presents Dermapharm's capital expenditures for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)	
Acquisition of subsidiaries, net of cash acquired	–	–	1.4	1.4	–
Purchase of intangible assets	22.2	11.7	12.7	8.7	67.4
Purchase of property, plant and equipment	6.3	3.2	5.1	4.2	3.4
Payments for investments in financial assets	–	1.1	0.1	0.1	14.5
Total capital expenditures (unaudited)	**28.5**	**16.0**	**19.2**	**14.3**	**85.3**

10.5.3.1 *Future and Planned Principal Capital Expenditures*

As of the date of this Prospectus, the Management Board has made commitments on several future capital expenditures in an aggregate amount of approximately €60.0 million for the fiscal years ending December 31, 2018, 2019 and 2020. These capital expenditures include:

- the construction of a new logistics center with approximately 6,000 new pallet places as well as an expansion of manufacturing capacities in Brehna, with the total investment volume amounting to approximately €8.0 million;
- the construction of a new manufacturing facility in Neumarkt am Wallersee for Austrian-based Melasan Produktions & Vertriebsgesellschaft m.b.H., with the total investment volume amounting to approximately €7.0 million;
- capital expenditures on future pharmaceuticals and other healthcare product developments in an amount of €11.0 million *per annum* in the fiscal years ending December 31, 2018, 2019 and 2020; and
- acquisitions of product portfolios, marketing rights and similar expansions in an aggregate amount of €12.0 million.

10.5.3.2 *Principal Capital Expenditures since December 31, 2016 and Principal Ongoing Capital Expenditures*

In the nine-month period ended September 30, 2017, Dermapharm's capital expenditures amounted to €85.3 million, primarily consisting of payments for the acquisition of the remaining 15%-stake in axicorp GmbH, the purchase of the marketing rights for medical devices bite away® and Herpotherm® as well as the acquisition of all shares in Bio-Diät-Berlin.

Between September 30, 2017 and the date of this Prospectus, Dermapharm's capital expenditures amounted to €114.1 million, comprising the costs and purchase prices for the acquisitions of Strathmann and Trommsdorff as well as development costs in connection with Dermapharm's ongoing development efforts.

Dermapharm's capital expenditures between December 31, 2016 and the date of this Prospectus were financed from Dermapharm's net cash flows from operating activities as well as a loan from COMMERZBANK Aktiengesellschaft in an amount of €50.0 million (see "*12.13.2.2.2 Loan Agreement with COMMERZBANK Aktiengesellschaft*") and a loan from Baden-Württembergische Bank in an amount of €80.0 million (see "12.13.2.2.5 Loan Agreement with Baden-Württembergische Bank").

10.5.3.3 *Principal Capital Expenditures in the Fiscal Years ended December 31, 2014, 2015 and 2016*

In the fiscal year ended December 31, 2016 Dermapharm's capital expenditures amounted to €19.2 million, which primarily consisted of investments in the expansion and optimization of Dermapharm's production capacities for its prescription pharmaceuticals and other healthcare products business area as well as funds for the acquisition of a 75.1%-stake in Remedix GmbH.

In the fiscal year ended December 31, 2015 Dermapharm's capital expenditures amounted to €16.0 million, comprising the acquisition of the remaining 25%-stake in Austrian-based Melasan Produktions & Vertriebsgesellschaft m.b.H. as well as investments in the expansion of Dermapharm's product portfolio for pharmaceuticals and other healthcare products.

In the fiscal year ended December 31, 2014 Dermapharm's capital expenditures amounted to €28.5 million, comprising funds spent to acquire Naturwohl Vertriebs GmbH, which holds the right to market the OTC product LactoStop®, as well as investments in the expansion of Dermapharm's production capacities and machinery for its Brehna facility.

All of Dermapharm's investments in the fiscal years ended December 31, 2014, 2015 and 2016, respectively, were financed from Dermapharm's net cash flows from operating activities as well as the 2014 Promissory Notes (see "*12.13.2.1.1 2014 Promissory Notes*").

10.5.4 Financial Liabilities

The following table provides an overview of Dermapharm's financial liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)
Bank loans	22.2	12.5	2.7	147.5
Promissory note loans	128.0	127.5	87.7	87.7
Leasing liabilities	0.3	0.1	0.1	0.2
Participation rights	11.0	11.0	6.4	–
Non-current financial liabilities	**161.5**	**151.1**	**96.9**	**235.4**
Bank loans	13.1	10.0	14.7	12.9
Promissory note loans	0.6	0.9	40.4	1.5
Leasing liabilities	0.2	0.2	0.1	0.1
Participation rights	1.3	1.3	5.8	6.9
Bank overdrafts	5.2	12.4	4.9	21.9
Current financial liabilities	**20.4**	**24.9**	**65.9**	**43.4**
Other non-current financial liabilities	**9.9**	**14.1**	**10.5**	**10.4**
Other current financial liabilities	**30.6**	**2.4**	**4.3**	**2.1**
Total financial liabilities (unaudited)	**222.4**	**192.5**	**177.6**	**291.3**

For further information on Dermapharm's liabilities, see "*10.7.3 Liquidity Risks*" and "*12.13.2 Financing Agreements*".

10.5.5 Maturity Profile

The following table shows Dermapharm's financial liabilities according to class of maturity, based on the remaining maturity as of the dates indicated and related 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 of the relevant date:

	As of December 31, 2016 (audited) (in € million)		
	Due within one year	Due between one and five years	Due after five years
Interest	8.1	5.4	–
Repayment	65.1	96.1	0.0
Expected cash flows from trade payables	24.5	–	–
Expected cash flows from other liabilities	4.3	–	–

As of the date indicated, proceeds and payments from derivatives were expected as follows:

	As of December 31, 2016 (audited) (in € million)		
	Due within one year	Due between one and five years	Due after five years
Interest	3.3	6.9	–
Repayment	(3.7)	(7.0)	–

10.5.6 Other Financial Obligations and Contingent Liabilities

There were no material guarantees or contingent liabilities with respect to Dermapharm as of December 31, 2016, 2015 and 2014.

As of December 31, 2016, Dermapharm's purchase commitments for inventories, which comprised outstanding orders of pharmaceuticals for Dermapharm's parallel import business area, amounted to €73.0 million (as of December 31, 2015: €89.0 million; as of December 31, 2014: €65.4 million).

10.6 Additional Information from the Individual Financial Statements of the Company

The Company was formed as a as a European company (*Societas Europaea* (*SE*)) under European law by articles of association dated July 4, 2017. The Company has prepared audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017 in accordance with IFRS.

The Company has prepared the audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017 on a voluntary basis for purposes of this Prospectus. With respect to the fiscal year ended December 31, 2017, the Company will prepare individual financial statements in accordance with generally accepted accounting principles of the HGB for the short fiscal year ended December 31, 2017. Accounting principles set forth in the HGB differ from IFRS in material respects.

According to the Company's audited statement of comprehensive income for the period from July 12, 2017 to September 30, 2017, the Company incurred other operating expenses of €26.07 and a corresponding net loss in that period.

According to the Company's audited statement of financial position as of September 30, 2017, the Company's issued capital amounted to €120,000.00 as of that date. As of September 30, 2017, the Company recorded cash and cash equivalents in an amount of €119,973.93 and a net loss of €26.07.

For further information on the Company's audited individual financial statements prepared in accordance with IFRS, see pages F-92 *et seq.* of this Prospectus.

10.7 Qualitative Disclosure on Financial Risks

Dermapharm is exposed to a number of financial risks arising from the ordinary course of business, including market risks, credit risks and liquidity risks.

10.7.1 Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect Dermapharm'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 optimizing the return.

10.7.1.1 *Currency Risks*

Currency risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The foreign exchange risk can be split into two types: 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 Dermapharm's presentation currency, the Euro. The changes caused by currency fluctuations when translating statement of financial position line items were recognized in equity. Dermapharm is currently exposed to currency risks with 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. Dermapharm operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to Euros.

Dermapharm does not account for any fixed rate financial assets or liabilities at fair value through profit or loss, and it does not designate derivatives (interest swap rates) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date does not affect Dermapharm's profits or losses.

The following table shows the effects of an appreciation or depreciation of the Euro by 10%:

	For the fiscal year ended December 31, 2016 (audited) (in € million)	
	€ appreciates by 10%	**€ depreciates by 10%**
Total Changes in Fair Value	(0.2)	0.1
Profit/Loss	**(0.2)**	**0.1**

To reflect market risks, IFRS 7 requires sensitivity analyses that demonstrate the effects of hypothetical changes of relevant risk variables on the profit for the period as well as equity. The following observation is one-dimensional and does not take into account the effect of taxes. The table shows the positive and negative effects had the Euro depreciated or appreciated by 5% in comparison to Swiss Francs and Polish Zloty, provided that all other variables had remained constant. Here, currency gains and losses from foreign currency denominated financial assets and financial liabilities equally impact Dermapharm's profits and equity. Apart from changes to Dermapharm's profits, there are no other effects on equity resulting from changes in exchange rates.

The following table shows the effects of an appreciation or depreciation of the Euro against the Swiss Franc and Polish Zloty, assuming that all other variables, in particular interest rates, remain constant and not taking into account any impact of forecast sales and purchases:

	As of and for the fiscal year ended December 31, 2016 (audited) (in € million)		
	Balance	**Impact on profit/loss € appreciates by 5%**	**Impact on profit/loss € depreciates by 5%**
Swiss Franc	15.5	(0.7)	0.8
Polish Zloty	(0.3)	(0.0)	0.0

10.7.1.2 *Interest Rate Risks*

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

The following table shows Dermapharm's expenses from interest rate swaps, assuming a decrease and increase, respectively, of the Euro Interbank Offered Rate ("**EURIBOR**") by 50 basis points:

	As of and for the fiscal year ended December 31, 2016
	(audited)
	(in € million)
EURIBOR decreases by 50 basis points.....	(0.4)
Current swap expense.....	(0.3)
EURIBOR increases by 50 basis points	(0.3)

The following table shows Dermapharm's interest expenses for variable rate loans, assuming a decrease and increase, respectively, of the EURIBOR by 50 basis point:

	As of and for the fiscal year ended December 31, 2016
	(audited)
	(in € million)
EURIBOR decreases by 50 basis points.....	0.3
Current interest expense	0.5
EURIBOR increases by 50 basis points	0.6

10.7.2 Credit Risks

Credit risk is the risk of financial loss arising from a counterparty's inability to repay or service debt in accordance with the contractual terms. Credit risk includes both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risk.

Credit risk is managed at the group level, except for credit risk relating to accounts receivable balances. Each local entity of Dermapharm is responsible for managing and analyzing 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 Dermapharm corresponds to the sum of trade receivables, other financial assets and cash or cash equivalents. The maximum credit risk in case of a counterparty defaulting corresponds for all classes of financial assets to the book value on the balance sheet date in each case. No significant concentration risks for Dermapharm existed as of September 30, 2017 or for previous periods.

Risks of default mainly arise from trade receivables from customers. Credit risks from financial transactions are managed centrally by Dermapharm's finance department. To minimize risks, financial transactions are only conducted within short defined terms of payments and with banks and other partners that preferably have investment-grade ratings. In the past, no major impairments of trade receivables were necessary.

In addition, there exists a risk of default for cash and cash equivalents if financial institutions can no longer fulfil their obligations. Dermapharm limits this risk by investing only with various banking institutions with good ratings.

10.7.3 Liquidity Risks

Liquidity risk includes the risk that Dermapharm is unable to settle its assumed financial liabilities upon maturity. This is why a significant aim of the liquidity management is to ensure that payment is possible at all times. Dermapharm's management constantly monitors the risk of liquidity shortfalls by using the liquidity planning capabilities of its ERP-System, which takes account of payments in and out of the financial assets and financial liabilities as well as expected cash flows from business activities.

Dermapharm seeks 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.

As of the date indicated, Dermapharm had access to the following lines of credit as of the dates indicated:

	As of December 31,		
	2014	2015	2016
		(audited) (in € million)	
Aggregate line of credit	72.8	76.5	75.5
Available line of credit	67.6	64.1	70.6
Number of banks	17	17	16

10.8 Critical Accounting Policies and Use of Estimates and Assumptions

The preparation of consolidated financial statements under IFRS requires assumptions and estimates that have an impact on the recognition of assets and liabilities on the consolidated statement of financial position, on income and expenses in the consolidated statement of comprehensive income and on disclosures concerning the existence of contingent liabilities. Actual results may differ from Dermapharm's estimates. Dermapharm has identified the accounting policies discussed below as critical to its business and results of operations.

The following accounting policies are important to the amounts of expenses, assets and liabilities reported and to the disclosure of contingent liabilities at the reporting date and require the most subjective or complex judgments and the use of assumptions from Dermapharm's management, often as a result of the need to estimate the effects of matters that are inherently uncertain and susceptible to change. Management bases its estimates and assumptions on historical experience, where applicable, and other factors believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of assets or liabilities affected in the future. Dermapharm's management cannot offer any assurance that the actual results will be consistent with these estimates and assumptions, and these critical accounting estimates or assumptions could change from period to period, or could involve estimates where management could have reasonably used another estimate in the relevant accounting period. The most critical accounting policies, which reflect significant management estimates and judgment are as follows:

10.8.1 Business Combinations

Various valuation methods are used in the context of purchase price allocations in business combinations that are primarily based on estimates and assumptions.

10.8.2 Goodwill Impairment Test

The Company tests any capitalized goodwill for impairment at least once a year.

10.8.3 Impairment of other assets

For items of property, plant and equipment and intangible assets, the expected useful lives and associated amortization or depreciation expenses are determined on the basis of management expectations and assessments. Dermapharm assesses whether there are any indications of impairment for all non-financial assets at each reporting date. In particular, with respect to impairment tests for yet unused approvals, the growth rates applied for the test as well as the price and cost development of active pharmaceutical ingredients are based on best possible estimates.

10.8.4 Development Costs

Development costs are capitalized based on the assessment of whether the capitalization requirements of IAS 38 are met. Planning calculations are necessary to determine the future economic benefit, which are by nature subject to estimates and may therefore deviate from actual results in the future.

10.8.5 Taxation

Dermapharm operates in various countries and is required to pay the respective income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred tax liabilities of Dermapharm, the expected income tax as well as the temporary differences resulting from the different treatment of certain balance sheet items pursuant to IFRS and their accounting in accordance with tax laws must each 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 Dermapharm in the respective period.

10.8.6 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 the yield curve applicable on the reporting date.

Trade receivables and other receivables, cash and cash equivalents, trade payables 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, if any, approximate the fair values.

10.8.7 Pension 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.

10.8.8 Other Provisions

Other provisions are recognized when it is considered probable that economical, legal, ecological and decommissioning obligations will result in future cash outflows, when the costs can be estimated reliably and the measures in question are not expected to result in future cash inflows. The estimate of future costs is subject to many uncertainties, including legal uncertainties based on the applicable laws and regulations and with uncertainties regarding 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 Dermapharm, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on Dermapharm's future results.

11. MARKETS AND COMPETITION

11.1 Markets

Dermapharm develops, manufactures and markets branded pharmaceuticals that are no longer patent protected for selected markets primarily in Germany. It also offers a growing portfolio of other healthcare products such as cosmetics, food supplements, dietary products and medical devices. In addition, Dermapharm imports pharmaceuticals from other EEA Member States for resale in the German market.

11.1.1 European Pharmaceuticals Market

The European pharmaceuticals market is steadily growing. In the fiscal year ended December 31, 2015, the total European pharmaceuticals market accounted for revenues of €169 billion, up by approximately 5.3% compared to the fiscal year ended December 31, 2014. For the fiscal year ending December 31, 2022, the market size of the European pharmaceuticals market is projected to increase to €206 billion, up by approximately 21.9% compared to the fiscal year ended December 31, 2015. This growth corresponds to a compound annual growth rate ("**CAGR**") of approximately 3.1% between 2016 and 2020 (*source: Evaluate – Europe*).

11.1.2 German Pharmaceuticals Market

Germany, Dermapharm's primary market, is Europe's leading economy with a population of approximately 82.8 million as of December 31, 2016 and a gross domestic product of €3,144.1 billion in the fiscal year ended December 31, 2016 (*source: Destatis*). Germany has a highly developed healthcare system, with 152,000 registered physicians and 20,023 licensed pharmacies (*source*: *ABDA*) and 1,951 hospitals as of December 31, 2016 (*source: Destatis*), and spending a greater portion of its gross domestic product on healthcare than any other country in the European Union, having the second highest healthcare spending per capita, while also recording the highest share in terms of healthcare spending covered through public funding in the European Union (*source: OECD Germany 2017*).

In recent years, revenues in the German pharmaceuticals market have increased by 8.3%, from €33.9 billion in the fiscal year ended December 31, 2014 to €36.7 billion in the fiscal year ended December 31, 2016 (based on ex-factory prices (*Herstellerabgabepreise*)) (*source: IQVIA*). In the nine-month period ended September 30, 2017, revenues in the German pharmaceuticals market, excluding rebates under rebate agreements, amounted to €29.2 billion (*source: Pro Generika – Q3 2017*).

Patent-free pharmaceuticals, including patent-free originator products, accounted for 41.3% of all revenues in the German pharmaceuticals market in the fiscal year ended December 31, 2016, a decrease compared to a share of 44.1% in the fiscal year ended December 31, 2014 (based on pharmacy retail prices (*Apothekenverkaufspreise*)). This share remained relatively unchanged at 41.1% in the nine-month period ended September 30, 2017 (*sources: Pro Generika – 2014; Pro Generika – 2016; Pro Generika – Q3 2017*). The high share of patent-free pharmaceuticals makes Germany one of the countries with the highest share of generics in Europe (*source: OECD Germany 2017*).

The German healthcare system is funded by a statutory contribution system, which ensures free healthcare via SHI providers. The German SHI scheme is the oldest nationwide healthcare scheme in the world. Participation in the SHI system is generally compulsory. However, citizens with a monthly gross income of at least €4,462.50 may decide to opt out of the SHI system and obtain coverage from private health insurance providers instead, or stay within the SHI system and obtain additional coverage from such private health insurance providers. In 2017, 88% of the German population was covered by SHI providers, which financed approximately 58% the total healthcare expenditures in Germany. Together with coverage from private health insurance providers, Germany has achieved near universal levels of coverage (*source: OECD Germany 2017*).

11.1.2.1 *Key Trends*

The German pharmaceuticals market is currently impacted by a number of key trends, which together influence the performance of individual pharmaceuticals manufacturers, in particular:

11.1.2.1.1 Demographic Developments and Chronification of Diseases

While the global population is growing rapidly, there is a significant disparity between developing countries and the most highly developed countries, including Germany, where birth rates are at best stable. At the same time, the average life span is increasing, leading to a growing share of elderly people. In 2015, the German population was already significantly older than the average of OECD countries, with 21% of the population being 65 years and older, while 6% were 80 years and older. Until 2050, the share of elderly people in Germany is expected to increase even further, with more than 30% expected to be 65 years and older, while almost 15% are expected to be 80 years and older (*source: OECD – Health at a Glance 2017*).

The ageing of the population also increases the prevalence of various age-related diseases and conditions. On average, elderly people are more likely to administer several pharmaceuticals at the same time, with the likelihood increasing at a growing age (*source: DEGS*). Only 47% of the German population does not administer any pharmaceuticals, while 23% administer three or more pharmaceuticals simultaneously (*source: ABDA*).

In addition, medical advances increase the total number of conditions and diseases that can be addressed with appropriate medication, with originator manufacturers introducing 30 pharmaceuticals with new APIs in the fiscal year ended December 31, 2016 (*source: vfa*). Dermapharm believes that the ageing of the population and the corresponding trend towards polypharmacy will positively affect demand for its pharmaceuticals and other healthcare products.

11.1.2.1.2 Increased Health Awareness and Self-Medication

Increased availability and access to medical information lead to increasing health awareness. The number of people actively utilizing the Internet to gather information on diseases and medical conditions is constantly growing. Through online research, patients can easily access various data on diseases, treatment options, relevant pharmaceuticals, pharmaceuticals manufacturers as well as patient reviews. The increased importance of the Internet also affects roads to market for pharmaceuticals. While mail-order pharmacies accounted for less than 2% of revenues for prescription pharmaceuticals in the fiscal year ended December 31, 2016, the share of these pharmacies already accounted for almost 13% of revenues of OTC products (*source: ABDA*). In addition, growth rates of mail-order pharmacies for sales of OTC and other healthcare products far exceeded revenue growth of stationary pharmacies in the fiscal years ended December 31, 2014, 2015 and 2016 (*sources: B.A.H. 2014; B.A.H. 2015; B.A.H. 2016*).

Increased health awareness drives a general trend towards self-medication (*i.e.*, patients administering OTC and other healthcare products for actual or perceived diseases and conditions, for preventive treatment as well as to increase their general well-being themselves). This trend has resulted in growing demand for such OTC and other healthcare products (*e.g.*, dietary products and food supplements), with revenues increasing from €7.9 billion in the fiscal year ended December 31, 2014 to €9.5 billion in the fiscal year ended December 31, 2016, corresponding to a CAGR of 10.1% (*sources: B.A.H. 2014; B.A.H. 2016*). Dermapharm believes that increased health awareness and a trend towards self-medication will positively affect demand for its OTC and other healthcare products.

11.1.2.2 *Pharmaceuticals and Other Healthcare Products*

Given that specific pharmaceuticals and other healthcare products are used for the treatment of individual conditions and diseases, the relevant markets for Dermapharm's products depend on the APIs used for the treatment of such conditions and diseases. Therefore, Dermapharm defines the relevant markets for its key product areas based on the APIs offered by Dermapharm for such product areas.

11.1.2.2.1 Vitamins, Minerals and Enzymes

Between 2011 and 2016, the market for vitamins, minerals and enzymes containing APIs offered by Dermapharm grew from €371 million in the fiscal year ended December 31, 2011 by €112 million, or 30.2%, to €483 million in the fiscal year ended December 31, 2016, corresponding to a CAGR of 5.4%. By comparison, Dermapharm's revenues grew at a far higher CAGR of 28.3% in that same time period (*sources: INSIGHT Health; Company information*).

11.1.2.2.2 Dermatologicals

Between 2011 and 2016, the market for dermatologicals containing APIs offered by Dermapharm grew from €358 million in the fiscal year ended December 31, 2011 by €8 million, or 2.2%, to €366 million in the fiscal year ended December 31, 2016, corresponding to a CAGR of 0.5%. By comparison, Dermapharm's revenues grew at a CAGR of 4.8% in that same time period (*sources: INSIGHT Health; Company information*).

11.1.2.2.3 Systemic Corticoids

Between 2011 and 2016, the market for systemic corticoids containing APIs offered by Dermapharm grew from €95 million in the fiscal year ended December 31, 2011 by €7 million, or 7.4%, to €102 million in the fiscal year ended December 31, 2016, corresponding to a CAGR of 1.5%. By comparison, Dermapharm's revenues grew at a CAGR of 2.2% in that same time period (*sources: INSIGHT Health; Company information*).

11.1.2.2.4 Women's Healthcare

Between 2011 and 2016, the market for women's healthcare products containing APIs offered by Dermapharm shrunk from €357 million in the fiscal year ended December 31, 2011 by €111 million, or 31.1%, to €246 million in the fiscal year ended December 31, 2016, corresponding to a CAGR of minus 7.2%. By comparison, Dermapharm's revenues increased at a CAGR of 48.6% in that same time period (*sources: INSIGHT Health; Company information*).

11.1.2.2.5 Ophthalmologicals

Between 2011 and 2016, the market for ophthalmologicals containing APIs offered by Dermapharm grew from €128 million in the fiscal year ended December 31, 2011 by €16 million, or 12.5%, to €144 million in the fiscal year ended December 31, 2016, corresponding to a CAGR of 2.3%. Dermapharm's revenues increased even faster at a CAGR of 8.0% in that same time period (*sources: INSIGHT Health; Company information*).

11.1.2.3 *Parallel Import Market*

While statutory requirements provide that a minimum of 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be imported from other EEA Member States (see "*13.1.9 Parallel Imports*"), parallel imports accounted for more than this share of the German pharmaceuticals market in the fiscal years ended December 31, 2014, 2015 and 2016. However, revenues in the parallel import market have constantly declined over this period, from €4.2 billion in the fiscal year ended December 31, 2014 to €3.9 billion in the fiscal year ended December 31, 2015, decreasing further to €3.7 billion in the fiscal year ended December 31, 2016 (*sources: B.A.H. 2014; B.A.H. 2015; B.A.H. 2016*).

11.1.3 Austrian and Swiss Pharmaceuticals Markets

11.1.3.1 *Austrian Pharmaceuticals Market*

Austria has a well-developed healthcare system, having the second highest number of hospital beds and fifth highest number of doctors relative to its population amongst all OECD countries (*source: OECD Austria 2017*). In recent years, revenues in the Austrian pharmaceuticals market increased from €3.4 billion in the fiscal year ended December 31, 2014 to €3.7 billion in the fiscal year ended December 31, 2016, corresponding to a CAGR of 4.4% (*source: IQVIA*).

11.1.3.2 *Swiss Pharmaceuticals Market*

In the fiscal year ended December 31, 2016, revenues in the Swiss pharmaceuticals market amounted to approximately CHF 5.6 billion, up by 4.6% compared to the fiscal year ended December 31, 2015 (based on ex-factory prices). Approximately CHF 4.7 billion in revenues were attributable to prescription pharmaceuticals in the fiscal year ended December 31, 2016, with the remaining CHF 0.8 billion being attributable to OTC products. With respect to patent-free pharmaceuticals, such pharmaceuticals generated revenues amounting to approximately CHF 0.7 billion or 12.5% of the overall market in the fiscal year ended December 31, 2016 (*source: Interpharma*).

11.2 Competition

11.2.1 Pharmaceuticals and Other Healthcare Products

For its pharmaceuticals and other healthcare products business area, Dermapharm competes with various competitors for each of its key product areas:

11.2.1.1 *Vitamins, Minerals and Enzymes*

In the field of vitamins, minerals and enzymes, Dermapharm‘s main competitors (in alphabetic order) are Merck Serono GmbH, Pfizer Deutschland GmbH, Protina Pharmazeutische GmbH and Verla-Pharm Arzneimittel GmbH & Co. KG.

11.2.1.2 *Dermatologicals*

In the field of dermatologicals, Dermapharm‘s main competitors (in alphabetic order) are Almirall S.A., Bayer AG, Galderma S.A., GALENpharma GmbH, LEO Pharma A/S and Zentiva Group, a.s.

11.2.1.3 *Systemic Corticoids*

In the field of systemic corticoids, Dermapharm‘s main competitors (in alphabetic order) are GALENpharma GmbH, Merck Serono GmbH, Shire plc and Zentiva Group, a.s.

11.2.1.4 *Women’s Health*

In the field of women’s health, Dermapharm‘s main competitors (in alphabetic order) are Aristo Pharma GmbH, Exeltis Germany GmbH, Gedeon Richter Pharma GmbH, Hexal AG and Jenapharm GmbH & Co. KG.

11.2.1.5 *Ophthalmologicals*

In the field of ophthalmologicals, Dermapharm‘s main competitors (in alphabetic order) are Bayer AG, MAAN Pharmaceuticals Ltd., Pfizer Deutschland GmbH, Pharm-Allergan GmbH and Théa Pharma GmbH.

11.2.2 Parallel Imports

Dermapharm's parallel import business area competes in a fragmented market. The following table provides an overview of Dermapharm's ten largest parallel import competitors based on gross revenues generated in the fiscal year ended December 31, 2016:

Competitor	**Gross revenues in the fiscal year ended December 31, 2016 (in € million)**
kohlpharma GmbH	655
EMRAmed Arzneimittel GmbH	415
EurimPharm Arzneimittel GmbH	332
Orifarm GmbH	243
cc pharma gmbh	173
ABACUS MEDICINE Berlin GmbH	99
ACA Müller ADAG Pharma AG	96
HAEMATO AG	84
BERAGENA Arzneimittel GmbH	65
Pharma Gerke Arzneimittelvertriebs GmbH	41

Source: INSIGHT Health.

12. BUSINESS DESCRIPTION

12.1 Overview

Dermapharm is a leader in branded pharmaceuticals for selected markets in Germany with an expanding international footprint. It applies formulation and development expertise to the development, manufacture and marketing of a broad assortment of branded pharmaceuticals that are no longer patent protected, holding approximately 900 marketing authorizations (*Arzneimittelzulassungen*) for more than 200 APIs. Dermapharm also offers a growing portfolio of other healthcare products such as cosmetics, food supplements, dietary products and medical devices. In addition, Dermapharm leverages its direct marketing expertise by importing pharmaceuticals from other EEA Member States for resale in the German market in order to profit from pricing differences between these markets.

Dermapharm operates primarily in Germany, Europe's leading economy and, with aggregate sales of €36.7 billion in the fiscal year ended December 31, 2016 (based on ex-factory prices (*Herstellerabgabepreise*)), also its largest pharmaceuticals market (*source: IQVIA*). The German pharmaceuticals market benefits from certain general trends, including the ageing of the population, chronification of diseases, increasing health awareness and higher spending on OTC and other healthcare products, reflecting increased self-medication. Dermapharm believes that it benefits from these trends and will continue to do so in the future. Dermapharm's sales in Germany accounted for approximately 92.6% of Dermapharm's revenues in the nine-month period ended September 30, 2017. Dermapharm is also active in Austria and Switzerland and sales in these countries accounted for approximately 4.9% of Dermapharm's revenues in the same nine-month period. In the future, Dermapharm plans to introduce selected products from its existing product portfolio as well as new product developments to additional markets.

Dermapharm operates in the following business areas:

- **Pharmaceuticals and Other Healthcare Products**: Dermapharm's pharmaceuticals and other healthcare products cover multiple product areas with a broad assortment of products marketed under well-known brands. Dermapharm focuses on the development, manufacture and marketing of pharmaceuticals and other healthcare products for specifically targeted markets, in which Dermapharm generally holds a significant market share and generates attractive margins. Dermapharm is the German market leader in prescription vitamins through its vitamin D preparation Dekristol® 20,000 I.E. (based on number of prescriptions and revenues, excluding hospital sales (*sources: INSIGHT Health; Company information*)). Its broad product assortment has also made Dermapharm the German market leader for prescription dermatologicals and systemic corticoids (in each case based on number of prescriptions and revenues for APIs offered by Dermapharm, excluding hospital sales (*sources: INSIGHT Health; Company information*)). With regard to OTC products, Dermapharm is able to leverage its development and manufacturing know-how with prescription pharmaceuticals to obtain required marketing authorizations quickly and cost-efficiently. Other healthcare products may be sold without marketing authorizations and benefit from Dermapharm's long-standing relationships with pharmacies based on its pharmaceuticals business and well-known brands. In the nine-month period ended September 30, 2017, pharmaceuticals and other healthcare products accounted for 46.8% of Dermapharm's revenues and 93.8% of its EBITDA.

- **Parallel Imports**: Dermapharm's parallel import business, which operates under the well-known "axicorp" brand, benefits from the statutory requirement that a minimum of 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be imported from other EEA Member States to help reduce healthcare costs. The actual market share of parallel imports in Germany exceeds this quota and amounted to approximately 8.6% in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*). In the same fiscal year, Dermapharm covered approximately 89% of prescription pharmaceuticals available for sale in the German parallel import market and was the fourth largest parallel importer in Germany (*source: INSIGHT Health*). Its strong market expertise and stringent planning, which is continuously driven forward by both sales and sourcing experts, allow Dermapharm to ensure an appropriate product mix and thereby maintain its targeted profit margin. Parallel imports, including certain OTC products marketed by axicorp, accounted for 53.2% of Dermapharm's revenues and 6.1% of its EBITDA in the nine-month period ended September 30, 2017.

The German pharmaceuticals market is highly regulated, requiring manufacturers to obtain marketing authorizations before introducing a new product for sale. While manufacturers of patent-free pharmaceuticals such as Dermapharm do not engage in expensive basic research, they still require considerable expertise to obtain such marketing authorizations, as they are required to prove bioequivalence to already authorized pharmaceuticals and in many cases even have to conduct additional clinical studies. Dermapharm believes that its positioning in selected markets with a limited size affords it significant protection from competing pharmaceuticals manufacturers since competitors are unlikely to introduce competing pharmaceuticals in light of the costs and know-how required to obtain the relevant marketing authorizations and the relatively low revenue potential.

Extensive regulation also affects prices for prescription pharmaceuticals (*i.e.*, pharmaceuticals that require a doctor's prescription for distribution) 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 SHI providers. All other prescription pharmaceuticals (*i.e.*, those without a reference price) are subject to a mandatory manufacturer rebate, which, in the case of patent-free pharmaceuticals, amounts to 6%, as well as a price moratorium (*Preismoratorium*), which was recently extended until 2022. Under this moratorium, pharmaceuticals manufacturers are required to compensate SHI providers and private health insurance providers for any price increases, limiting the benefits from price increases for prescription pharmaceuticals. In addition, manufacturers of patent-free pharmaceuticals such as Dermapharm are generally required to offer a mandatory rebate of 10% on the ex-factory price of their prescription pharmaceuticals. For most high-volume patent-free pharmaceuticals, SHI providers seek to further reduce prices by entering into individual rebate agreements with manufacturers, which are awarded through public tenders, generally to the manufacturer offering the largest rebate. Under these agreements, patients insured by the relevant SHI provider only receive reimbursement for the pharmaceutical manufactured by the winner of the public tender, who thus sacrifices higher margins to lock in higher sales volumes.

Dermapharm seeks to limit the impact of these pricing restrictions by focusing on prescription pharmaceuticals for selected markets, which meet the following market criteria: limited competition and the opportunity for Dermapharm to achieve a strong market position, absence of rebate agreements and reference prices, with a substantial share of sales that can be generated from direct payers (*i.e.*, patients who bear pharmaceutical costs themselves) and/or hospitals. Sales of prescription pharmaceuticals to such direct payers and hospitals are generally not affected by the aforementioned pricing restrictions. In addition, Dermapharm intends to increase its revenues from OTC and other healthcare products, making Dermapharm even more independent from restrictions applicable to prescription pharmaceuticals. In the nine-month period ended September 30, 2017, sales to direct payers and patients receiving reimbursements from private health insurance providers, hospital sales and sales of OTC and other healthcare products together accounted for approximately 53% of Dermapharm's revenues from pharmaceuticals and other healthcare products (*sources: INSIGHT Health; Company information*).

Dermapharm uses a broad range of distribution channels and employs a large salesforce to maintain and further expand its strong market position. Doctors represent Dermapharm's most important target group for pharmaceuticals as they directly recommend and prescribe Dermapharm's pharmaceuticals to patients. Distribution of such pharmaceuticals takes place via pharmaceutical wholesalers or directly to pharmacies, while hospitals also represent an important distribution channel. Dermapharm's other healthcare products are sold in pharmacies, health stores and drugstores, many of whom purchase such products through wholesalers. With respect to its parallel import business, Dermapharm resells the imported products to pharmaceutical wholesalers and directly to pharmacies.

Dermapharm's business operations cover the entire value chain for its pharmaceuticals and other healthcare products, starting with the development of new products, including designing and sponsoring any clinical studies required for Dermapharm's pharmaceuticals. Based on the number of packages, approximately 90% of Dermapharm's pharmaceuticals and other healthcare products were manufactured in-house in the nine-month period ended September 30, 2017 (including packages made from bulk products manufactured by third parties), using Dermapharm's state-of-the-art equipment. This enables Dermapharm to manufacture at the good manufacturing practice ("**GMP**") standard, a standard widely recognized in the pharmaceuticals industry, and makes it less dependent on third-party service providers. Following manufacture, Dermapharm distributes its products directly from its logistics centers to its various customers. To achieve this level of control over the whole value chain, Dermapharm operates a highly integrated development, manufacturing and distribution facility in Brehna, Saxony-Anhalt, Germany.

Dermapharm's business, which was established in 1991, initially focused on prescription pharmaceuticals for the dermatology market, and Dermapharm continues to benefit from its long-standing experience in this product area. Over the years, Dermapharm expanded its business through various acquisitions: Dermapharm's first expansions focussed on the dermatology market, including the acquisition of key dermatology products from Bristol-Myers Squibb in 2002. Beginning in 2003, Dermapharm broadened its product range to encompass additional product areas, including through the acquisition of Jenapharm GmbH & Co. KG's therapeutic drugs division, which owned the marketing authorization for Dermapharm's current flagship product Dekristol® 20,000 I.E. Since 2009, Dermapharm has increasingly focused on other healthcare products, in particular acquiring several entities operating under the "Hübner" brand in 2010, which manufacture supplements, dietary products and organic pharmaceuticals. In 2012, Dermapharm entered the parallel import business to complement its other business areas by acquiring axicorp GmbH (together with its direct and indirect subsidiaries, "**axicorp**"). In September 2017, Dermapharm further expanded its product offering by acquiring the right to market medical devices bite away® for the external treatment of bites and stings from insects and Herpotherm® for the treatment of herpes symptoms as well as Bio-Diät-Berlin, which develops, produces and markets OTC and other healthcare products, in particular food supplements for the treatment of respiratory diseases and muscle aches. In December 2017 and January 2018, respectively, Dermapharm furthermore acquired all shares in Strathmann and Trommsdorff.

In the fiscal year ended December 31, 2016, Dermapharm generated revenues of €444.5 million and EBITDA of €102.7 million. In the nine-month period ended September 30, 2017, Dermapharm's revenues amounted to €349.7 million and its EBITDA totaled €82.9 million.

12.2 Strengths

Dermapharm believes that the development of its business is supported by the following strengths:

12.2.1 Leading pharmaceuticals manufacturer in attractive, selected product areas with a broad product diversification

Dermapharm's pharmaceuticals predominantly cover selected markets, which Dermapharm targets by marketing its products under well-known brands. Although these markets are relatively small when compared to other pharmaceuticals markets, they also contain limited competition with high barriers to entry for further competition due to the costs and complexity of obtaining the required marketing approvals as well as the manufacturing expertise required to successfully introduce new pharmaceuticals to these markets. As a result, Dermapharm holds a significant market share in the vast majority of its selected markets. In addition, Dermapharm believes that its product offering is sufficiently diversified with a mix of high-growth products and products which provide for stable revenues. In the nine-month period ended September 30, 2017, no product area accounted for more than 30.3% of Dermapharm's revenues from pharmaceuticals and other healthcare products.

Dermapharm is the German market leader in prescription vitamins through its vitamin D preparation Dekristol® 20,000 I.E. (based on number of prescriptions and revenues, excluding hospital sales (*sources: INSIGHT Health; Company information*)). In recent years, sales of Dekristol® 20,000 I.E. have greatly benefited from the wide acceptance of medical studies demonstrating the adverse health consequences of vitamin D deficiency and the increasing recognition of its prevalence among the general population. As the only high-dosage vitamin D prescription pharmaceutical with a marketing authorization for this particular combination of dosage and packaging size (*Verpackungsgröße*) in Germany, Dekristol® 20,000 I.E. has actually outperformed the growing vitamin D market. In addition, Dekristol® 20,000 I.E. has attracted a significant number of direct payers, who account for almost half of Dermapharm's Dekristol® 20,000 I.E. sales, based on Company estimates. As a result of these developments, revenues from the sale of Dekristol® 20,000 I.E. almost doubled from approximately €17.0 million in the fiscal year ended December 31, 2014 to approximately €32.9 million in the fiscal year ended December 31, 2016, while the number of packages sold increased from approximately 1.9 million packages by approximately 53% to approximately 2.9 million packages in that same period.

Dermapharm is also the market leader for prescription dermatologicals and systemic corticoids in Germany (in each case based on number of prescriptions and revenues for APIs offered by Dermapharm, excluding hospital sales (*sources: INSIGHT Health; Company information*)). In these product areas, Dermapharm's market leadership is based on its broad assortment of branded pharmaceuticals and its ability to develop and manufacture multiple strengths and dosage forms. Dermapharm's prescription dermatologicals include Ampho-Moronal®, one of Dermapharm's best-selling antifungals, which is used for the treatment of diseases in the mouth and throat area as well as gastrointestinal diseases. In addition, Prednisolut®, a systemic corticoid, is one of only two such prescription pharmaceuticals for which a marketing authorization has been approved in Germany. Dermapharm's ability to offer over 200 APIs in a broad variety of strengths and dosage forms enables it to provide doctors and pharmacies with solutions to varying medical needs.

Dermapharm's strong market positions and broad product offering in its vitamins/minerals/enzymes, dermatologicals and systemic corticoids product areas, which together accounted for approximately 90% of Dermapharm's revenues from pharmaceuticals and other healthcare products in the fiscal year ended December 31, 2016, as well as its attractive offering in other selected markets enable Dermapharm to generate high margins as well as stable returns. This product portfolio has been very stable. While Dermapharm continuously reviews its pharmaceuticals and other healthcare product offering for any products which can no longer be marketed profitably, it has rarely identified such products. Dermapharm believes that this evidences the success of its strategic decision to focus on particularly attractive products in selected product areas.

12.2.2 Strategic focus on selected markets with particularly attractive margins

Dermapharm offers a broad product assortment of branded pharmaceuticals with approximately 900 marketing authorizations for more than 200 APIs. Due to Dermapharm's careful selection of attractive markets, a growing share of Dermapharm's revenues for prescription pharmaceuticals is derived from direct payers, sales to whom are not subject to regulatory pricing restrictions, which increases Dermapharm's resilience to rebate agreements and regulatory initiatives. In addition, sales of prescription pharmaceuticals to hospitals are also not subject to pricing restrictions. Furthermore, sales of Dermapharm's OTC and other healthcare products are not subject to any form of pricing restrictions. In the nine-month period ended September 30, 2017, the share of Dermapharm's revenues from pharmaceuticals and other healthcare products that was subject to pricing restrictions amounted to approximately 47% and the Company believes that this is significantly lower than the industry average (*sources: INSIGHT Health; Company information*).

Unlike other manufacturers of patent-free pharmaceuticals Dermapharm does not depend on high-volume and low-margin rebate agreements with SHI providers, as Dermapharm's high quality products in selected markets are generally not subject to tender processes. Revenues derived from exclusive or semi-exclusive rebate agreements only accounted for 12% of Dermapharm's revenues from pharmaceuticals and other healthcare products in the nine-month period ended September 30, 2017 (*sources: INSIGHT Health; Company information*), compared to more than 50% for the generics market in Germany overall during that period (*source: Pro Generika – Q3 2017*). While Dermapharm may selectively choose to participate in such tender processes in the future (*e.g.*, when it believes that winning the respective rebate agreement will lead to follow-on sales to direct payers), a growing degree of independence from SHI providers ensures that Dermapharm's attractive margins enjoy a high degree of protection against pricing pressure.

12.2.3 Successful track record of product developments underpinned by operational excellence and "all under one roof" approach

Dermapharm has a strong track record in developing and introducing new pharmaceuticals and other healthcare products. Between January 1, 2012, and the date of this Prospectus, Dermapharm has obtained marketing authorizations for over 200 pharmaceuticals developed by its highly educated and experienced development personnel, including marketing authorizations for markets outside Germany. For example, Dermapharm recently introduced Solacutan®, a prescription pharmaceutical which includes diclofenac sodium and is applied to the face or scalp to treat mild to moderate cornification disorders of the skin, including actinic keratosis, which, if left untreated, may become cancerous. Dermapharm believes that it is the first manufacturer to receive a marketing authorization for a patent-free pharmaceutical for this formula in Europe.

Dermapharm constantly screens the product areas covered by its product offering. Once it has identified a potentially attractive pharmaceutical, Dermapharm is able to handle the key stages of the approval process in-house, including the designing and sponsoring of clinical studies required for the market introduction of new patent-free pharmaceuticals (*e.g.*, setting criteria for patient selection, determining the relevant dosage regime and analyzing data obtained in clinical studies) and the manufacture of clinical batches. While Dermapharm contracts third-party service providers to conduct the actual clinical studies, Dermapharm believes that its deep know-how and control over key stages of the development process make it less dependent on such third-party service providers compared to most of its competitors and ensure stringent cost control when conducting clinical studies. In addition, Dermapharm has the necessary regulatory expertise to conduct the filing process for marketing authorizations. In doing so, it can draw on the particular expertise of its research experts, some of whom have more than 25 years of experience in developing patent-free pharmaceuticals.

Once Dermapharm has successfully completed the development process, Dermapharm benefits from controlling and operating its own manufacturing facility in Brehna, which provides the necessary flexibility and free capacity to manufacture newly launched products in-house. As a result, Dermapharm has regularly been able to avoid problems in the transition from product development to actual manufacture, which provides Dermapharm with a key advantage when trying to introduce new pharmaceuticals as soon as possible and at comparatively limited cost. Dermapharm's decision to centralize operations in Brehna, together with the expertise required to manufacture almost all relevant dosage forms at this facility, allowed for approximately 90% of packages for Dermapharm's pharmaceuticals and other healthcare products to be manufactured in-house and marketed as "Made in Germany" in the nine-month period ended September 30, 2017 (including packages made from bulk products manufactured by third parties). At the same time, Dermapharm has been able to limit the number of product defects to a level which Dermapharm considers very low compared to its competitors through use of state-of-the-art equipment.

The Brehna facility also houses Dermapharm's procurement division and main logistics center. Dermapharm's integrated approach enables it to fully control its supply chain, thereby limiting the risk of inventory shortages and manufacturing issues, while at the same time enabling Dermapharm to optimize margins by reducing manufacturing costs. In addition, Dermapharm's integrated approach to logistics includes capacity backup solutions, has effectively prevented any delivery shortages in recent years and allows for a 24-hour delivery service to pharmacies and hospitals. Dermapharm believes that its deep understanding of Dermapharm's different product areas, combined with its ability to cover all steps of the value chain, provide it with the flexibility to quickly react to market changes and new opportunities.

12.2.4 Effective sales organization

Dermapharm considers its sales and marketing capabilities to be particularly strong. As of the date of this Prospectus, Dermapharm's German salesforce comprises 72 general sales representatives responsible for Dermapharm's most important customers, doctors and pharmacies, as well as seven hospital sales representatives, whose performance is constantly monitored at Dermapharm's headquarters. Members of Dermapharm's salesforce are specially trained with respect to the product areas that Dermapharm covers and Dermapharm believes that the low level of fluctuation of sales representatives is proof of their strong commitment and identification with Dermapharm's high-quality products. Dermapharm believes that the recent acquisition of Trommsdorff, which employs its own sales organization comprising around 60 sales representatives, will further boost its marketing capacities for pharmaceuticals and other healthcare products.

Dermapharm's sales representatives engage with Dermapharm's customers on a regular basis, and have done so for many years, drawing on longstanding relationships and the deep trust that Dermapharm has built with doctors, pharmacists and other key customer groups, which also helps Dermapharm to better understand and anticipate their demands. In the twelve-month period ended November 30, 2017, Dermapharm's German general sales representatives paid approximately 29,000 visits to dermatologists, approximately 22,000 visits to gynecologists and approximately 35,000 visits to German pharmacies. Dermapharm believes that this efficient and highly-qualified sales organization will ensure that its products are successfully placed with its customers and further enhance its reputation.

12.2.5 Broad parallel import product offering sourced and marketed by a highly integrated organization

Dermapharm's parallel import business offers a broad product assortment of pharmaceuticals with over 1,500 product codes (*Artikelnummern*) imported from other EEA Member States (as of September 30, 2017). Dermapharm constantly reviews the European pharmaceuticals market in order to identify attractive pharmaceuticals that would complement and expand its parallel import product offering. In doing so, it can leverage its extensive database which comprises both public market sources as well as feedback from suppliers, giving Dermapharm deep insight into developments and opportunities in the European pharmaceuticals market. In addition, Dermapharm's sales department provides feedback from customers to ensure that Dermapharm can identify areas with unsatisfied market demand. In the nine-month period ended September 30, 2017, Dermapharm has been able to successfully introduce 194 new pharmaceuticals to its parallel import product offering.

Dermapharm believes that the close cooperation and communication between its sales and purchasing departments are key factors for its continued growth and success in the parallel import market. The extensive market knowledge and strong business relationships with suppliers enable Dermapharm's purchasing experts to source more than 98% of the volume agreed with the sales department in the final purchasing schedule (based on sourcing volumes). This close cooperation also ensures that almost all pharmaceuticals imported by Dermapharm are successfully resold by the sales department. Dermapharm's sales operations benefit from well-established relationships with pharmaceutical wholesalers and a separate salesforce comprising 18 sales representatives. In the fiscal year ended December 31, 2016, Dermapharm's salesforce conducted approximately 183,000 phone calls to pharmacies, covering approximately 95% of the 20,023 licensed pharmacies in Germany as of December 31, 2016 (*source*: *ABDA*). Its highly qualified and motivated salesforce has helped Dermapharm to become the second largest player in the German market for the direct resale of parallel imports to pharmacies (*source: INSIGHT Health*).

12.2.6 Strong profitability with credible cash flow generation and significant dividend capacity

In the fiscal year ended December 31, 2016, Dermapharm's EBITDA amounted to €102.7 million, corresponding to an EBITDA margin of 23.1%. Dermapharm's profitability has increased even further in the nine-month period ended September 30, 2017, with its EBITDA margin increasing by 33 basis points to 23.7%. This high profitability has also contributed to strong net cash flows from operating activities of €76.8 million in the fiscal year ended December 31, 2016 and €62.6 million in the nine-month period ended September 30, 2017. While the Company will not pay a dividend with respect to the fiscal year ended December 31, 2017 (see "*6.2 Dividend Policy and Earnings per Share*"), the Company believes that its strong profitability and free cash flow provide significant dividend capacity and it intends to pay a dividend in the ordinary course of business of 50% to 60% of Dermapharm's profits for the respective fiscal year calculated in accordance with IFRS starting with the fiscal year ending December 31, 2018.

12.2.7 Highly experienced and committed management team with a proven track record

The four members of the Management Board, Dr. Hans-Georg Feldmeier, Stefan Hümer, Stefan Grieving and Karin Samusch have 30 years, 20 years, 26 years and 29 years, respectively, of experience in the pharmaceuticals industry.

Dermapharm's Chief Executive Officer Dr. Feldmeier, who joined Dermapharm in 2003, started his career with VEB Berlin Chemie in the former German Democratic Republic as a junior scientist in 1987. Since then, he obtained extensive experience in modernizing and restructuring pharmaceutical manufacturing facilities and also served as Head of Supply Center with Schering Aktiengesellschaft, Berlin, in 2002. Dermapharm's Chief Financial Officer Mr. Hümer started his career with Hexal Aktiengesellschaft as a participation controller (*Beteiligungscontroller*) in 2001. Following the merger between Hexal Aktiengesellschaft and Sandoz Group in October 2005, Mr. Hümer joined Sandoz where he became International Head of Controlling in the research and development department. In June 2006, Mr. Hümer joined Dermapharm as Head of Controlling and Finance. Dermapharm's Chief Marketing Officer Mr. Grieving joined Dermapharm in 2010. He started his career with Pharmacia as a medical representative. Since then, Mr. Grieving worked in various sales functions in the pharmaceuticals industry, including as Head of Marketing & Sales and later General Manager OTC and Generics Germany for STADA Arzneimittel Aktiengesellschaft and Head of Marketing & Sales and later General Manager for TAD Pharma (KRKA group). Dermapharm's Chief Business Development Officer Ms. Samusch has been with Dermapharm since 1991 and since then held responsibility for business development, international affairs as well as regulatory affairs and pharmacovigilance.

For more information, see "*17.2.1 Members of the Management Board*".

12.3 Strategy

Dermapharm believes that its strong position in both the German pharmaceuticals and parallel imports markets will allow to further expand its business. Dermapharm seeks to capitalize on both organic and external growth opportunities to become the leading European pharmaceuticals manufacturer in its selected markets as well as a key player in the German parallel imports industry. To achieve this aim, Dermapharm has identified the following key elements of its strategy:

12.3.1 Expand product portfolio through the introduction of new products developed in-house

Dermapharm constantly seeks to develop and introduce additional pharmaceuticals and other healthcare products. In the fiscal year ended December 31, 2016, it spent €4.8 million on such development efforts. As of the date of this Prospectus, Dermapharm's product pipeline comprises more than 40 ongoing development projects with new products for all of Dermapharm's product areas, including six vitamins/minerals/enzymes, 20 dermatologicals, one systemic corticoid, two women's healthcare products and two ophthalmologicals. This pipeline includes 28 pharmaceuticals and other healthcare products, in particular dermatologicals, women's healthcare products and food supplements, which are expected to be marketable by 2023 and target markets where the aggregate revenues from existing products marketed by competitors in Germany amounted to approximately €345 million in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*). Dermapharm plans to leverage its existing development, manufacturing and marketing capabilities to introduce new products, which will be marketed through Dermapharm's established sales organization.

For the development of new pharmaceuticals, Dermapharm harnesses its longstanding experience in developing such pharmaceuticals and completing the required approval processes in-house. Where feasible, Dermapharm seeks to introduce value-added variations of existing originator pharmaceuticals (*e.g.*, new dosage forms). For the development of other healthcare products, in particular food supplements and dietary products, Dermapharm expects to benefit from the fact that such products do not require any approvals, further reducing the time between development and market introduction. As a result, Dermapharm has been able to flexibly introduce healthcare products such as supplements and cosmetics, usually requiring less than a year for the development of such products. In addition, the successful introduction of new products is aided by Dermapharm's well-established marketing and distribution channels. Dermapharm believes that its constant search for new development opportunities as well as its proven development expertise will enable it to introduce new pharmaceuticals and other healthcare products that capture significant market shares from existing products in attractive markets.

12.3.2 Increase Dermapharm's international footprint

In the future, Dermapharm plans to introduce selected products from its existing product portfolio as well as new product developments to additional markets. In a first phase, Dermapharm intends to enter attractive adjacent markets in Italy, Spain and the United Kingdom due to the large addressable markets for Dermapharm's product areas in these countries. In the fiscal year ended December 31, 2016, the overall size of the pharmaceuticals markets in Italy, Spain and the United Kingdom amounted to €25.9 billion, €18.9 billion and €21.5 billion, respectively (*source:* IQVIA).

In a second phase, Dermapharm intends to also enter markets in the Benelux countries, the Czech Republic and Slovakia, as it believes it will be able to compete in these markets with only limited additional investments in Dermapharm's existing platform. With respect to medical devices bite away® and Herpotherm®, for which Dermapharm recently acquired the worldwide marketing rights, Dermapharm intends to market these devices globally. Through all of these expansion efforts, Dermapharm will make opportunistic judgements, targeting those foreign markets it considers particularly attractive at the time.

To support its expansion efforts, Dermapharm has already obtained marketing authorizations for some of its recently developed pharmaceuticals in these markets (*e.g.*, for Solacutan®). With respect to new product launches, Dermapharm plans to obtain marketing authorizations for several target markets faster and more cost efficient by conducting one combined approval process for several countries.

In order to establish a functioning sales infrastructure in the adjacent regional markets targeted by Dermapharm, it will opportunistically decide whether to hire new management personnel and sales representatives and/or acquire existing businesses in these markets. Dermapharm expects that it will take between eight and twelve weeks after completion of the relevant market research and analysis by local personnel to establish its initial operations and commence distribution in new markets. When entering these new markets, Dermapharm can rely on its extensive expertise with the establishment of strong sales capacities and the successful integration of acquisitions, helping to ensure that Dermapharm will be able to quickly integrate operations in foreign markets into its overall business. For example, Dermapharm has recently established subsidiaries in Italy and the United Kingdom and hired sales managers, who are tasked with establishing salesforces and introducing relevant pharmaceuticals and other healthcare products from Dermapharm's product offering to these markets, which Dermapharm considers particularly attractive.

12.3.3 Continue track record of successful acquisitions to further strengthen growth and profitability

Dermapharm constantly screens and seeks to capitalize on selective growth opportunities, including acquisitions of new marketing authorizations, products and businesses. In doing so, Dermapharm particularly seeks opportunities that meet its existing or complementary business areas, with a potential for additional organic growth following acquisition (including growth through cross-selling of Dermapharm's existing product portfolio), an acquisition price that fits Dermapharm's generally conservative approach to external growth and the potential of a swift integration into Dermapharm's existing operations structure. If it can identify suitable targets, Dermapharm may selectively rely on acquisitions to increase its international footprint.

For external growth, Dermapharm relies on its long-term market experience and track-record of successful acquisition and integration of new businesses. Following its foundation in 1991, Dermapharm has continuously expanded its product offering through successful acquisitions, in particular several entities operating under the "Hübner" brand in 2010, which contributed substantially to Dermapharm's other healthcare product offering, and axicorp GmbH in 2012, which enabled Dermapharm to enter the parallel import business. In September 2017, Dermapharm acquired the marketing rights for medical devices bite away® for the external treatment of bites and stings from insects and Herpotherm® for the treatment of herpes symptoms. Furthermore, Dermapharm acquired Bio-Diät-Berlin in September 2017, which, *inter alia*, manufactures and markets well-known OTC products, in particular China-Oel oils, capsules and lozenges. In December 2017, Dermapharm further expanded its product offering by acquiring all shares in Strathmann, which distributes a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. In addition, Strathmann recently obtained a marketing authorization for a prescription pharmaceutical for the treatment of muscle spasms and muscle aches and Dermapharm believes that this new product offers significant market potential. Furthermore, in January 2018 Dermapharm acquired all shares in Trommsdorff, which manufactures and markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia.

Following closing of past acquisitions, Dermapharm has consistently managed to utilize its manufacturing, distribution and administrative platform to improve cost efficiency and increase revenues as well as margins in connection with the integration of the acquired products and companies. For example entities operating under the "Hübner" brand in 2010, the logistics operations of these entities were transferred to Dermapharm's Brehna facilities. In addition, Dermapharm was able to create synergies by transferring the manufacturing of ointments and capsules for certain healthcare products to Brehna. Dermapharm expects to have a similar success with respect to Trommsdorff, which operates a manufacturing facility in Alsdorf, Hamburg, Germany. Dermapharm plans to transfer the manufacturing of ibutop®, which is currently manufactured by third parties, to the Alsdorf facility, thereby increasing the share of products manufactured under Dermapharm's direct control. At the same time, the current logistics operations of Strathmann and Trommsdorff will be transferred to Dermapharm's central logistics hub in Brehna, helping to optimize logistics processes and the integration of these businesses. In the future, Dermapharm plans to further expand its product range and geographic reach through selective value-adding acquisitions.

12.3.4 Increase sales of OTC and other healthcare products through focused marketing efforts

In order to grow its revenues from OTC and other healthcare products, Dermapharm plans to focus on the marketing efforts with respect to these products, aiming to exploit sales channels that Dermapharm considers underutilized by its competitors. To this end, 13 of Dermapharm's 72 German general sales representatives primarily focus on directly marketing OTC and other healthcare products through visits with pharmacies and health stores which Dermapharm has identified as particularly relevant for such products. Dermapharm believes that this salesforce will help it to better market its OTC and other healthcare products, further decreasing the portion of revenues that is subject to pricing restrictions.

With respect to certain high-volume, low-margin OTC products, Dermapharm plans to utilize axicorp's direct marketing and call center expertise by employing direct calls to pharmacies in order to better market such products. To this end, axicorp has built a salesforce of five call center employees, and Dermapharm has handed the marketing of the relevant low-margin OTC products, in particular ibutop®, a pain-relieving medication administered in the form of gels or tablets, and Cetirizin-dihydrochlorid axicorp®, which helps to alleviate allergies and related symptoms, to axicorp. Dermapharm's call center salesforce specifically targets pharmacies Dermapharm considers underserved by major manufacturers of OTC products and other competitors in order to somewhat avoid pricing pressure for the relevant high-volume, low-margin OTC products. Dermapharm expects that by the end of December 31, 2018, it will successfully have transferred the marketing of three additional OTC products to axicorp and that this will positively affect future revenues from these products.

12.3.5 Further optimize operations and market analysis for Dermapharm's parallel import business

Dermapharm's clearly defined approach to analyzing the European pharmaceuticals market and ability to identify attractive opportunities have made Dermapharm the fastest growing player amongst the five largest parallel importers in the German pharmaceuticals import market with a market share of 10.8% in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*). Dermapharm seeks to further optimize its data gathering and analysis processes by reducing the amount of manual input required to maintain Dermapharm's extensive database. In addition, it intends to increase connectivity between different information technology systems and its database, allowing its purchasing and sales departments faster access to even more extensive and better-prepared data. Dermapharm believes that these improvements to its data gathering and analysis processes will help it to further grow its parallel import business by identifying attractive pharmaceuticals ahead of competitors and at the same time support Dermapharm's margins from parallel imports by lowering its operating costs.

12.4 Business Areas

Dermapharm is a leading independent developer, manufacturer and distributor of branded pharmaceuticals that are no longer patent protected as well as other healthcare products in the German market. Through its parallel import business, Dermapharm also leverages its direct marketing expertise in Germany by importing pharmaceuticals from other member states of the European Union for resale in Germany.

The following table provides additional information on Dermapharm's two business areas for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(unaudited) (in € million)		(unaudited) (in € million)	
Pharmaceuticals and other healthcare products					
Revenues	185.0	189.9	208.5	154.4	163.6
EBITDA	68.8	80.6	96.4	71.4	77.7
EBITDA margin	*37.2*	*42.4*	*46.2*	*46.2*	*47.5*
Parallel imports[(1)]					
Revenues	206.3	195.0	235.9	164.8	186.1
EBITDA	3.6	4.1	6.3	5.1	5.2
EBITDA margin	*1.7*	*2.1*	*2.7*	*3.1*	*2.8*

(1) Includes certain OTC products marketed by axicorp.

12.4.1 Pharmaceuticals and Other Healthcare Products

Pharmaceuticals comprise prescription pharmaceuticals (*i.e.*, pharmaceuticals that may only be obtained by patients if prescribed by a doctor) and OTC products. All pharmaceuticals may only be distributed after obtaining a marketing authorization with respect to each combination of dosage form and packaging, and Dermapharm develops, manufactures and sells branded pharmaceuticals in a variety of dosage forms, including tablets, capsules, injectables, drops, liquids, sprays, ointments and creams. Dermapharm's other healthcare products such as cosmetics, food supplements and dietary products may be sold without a marketing authorization.

The following table provides a breakdown of Dermapharm's revenues from prescription pharmaceuticals as well as OTC and other healthcare products for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(unaudited) (in € million)		(unaudited) (in € million)	
Prescription pharmaceuticals	119.2	126.6	135.3	97.9	106.1
OTC and other healthcare products[(2)]	50.6	53.6	56.5	42.6	43.3
SLG[(1)]	6.0	–	–	–	–
Balance[(3)]	9.2	9.7	16.7	13.9	14.2
Total[(2)]	**185.0**	**189.9**	**208.5**	**154.4**	**163.6**

(1) Comprises sales by SLG, which was divested on December 31, 2015.
(2) Excludes certain OTC products marketed by axicorp.
(3) Comprises sales by Melasan GmbH, Melasan Produktions & Vertriebsgesellschaft m.b.H., Sun-Farm Sp.z o.o., Farmal and Mibe Pharmaceuticals d.o.o. as well as other income, the effects of discounts and certain rebates, all of which cannot be allocated to prescription pharmaceuticals and OTC and other healthcare products, respectively, for accounting reasons.

12.4.1.1 *Product Areas*

Dermapharm's portfolio of pharmaceuticals and other healthcare products covers the following product areas: (i) vitamins/minerals/enzymes, (ii) dermatologicals, (iii) systemic corticoids, (iv) women's healthcare and (v) ophthalmologicals.

The following table provides a breakdown of Dermapharm's revenues from pharmaceuticals and other healthcare products by product areas for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(unaudited) (in € million)		(unaudited) (in € million)	
Vitamins/minerals/enzymes	41.8	50.4	60.3	42.0	47.7
Dermatologicals	54.5	58.1	60.2	45.4	49.5
Systemic corticoids	25.6	28.4	27.2	20.4	20.5
Women's healthcare	6.2	9.0	10.9	8.0	8.7
Ophthalmologicals	3.4	3.9	4.9	3.6	4.2
Others[(1)]	38.3	30.5	28.2	21.0	18.7
Subtotal	**169.8**	**180.3**	**191.7**	**140.5**	**149.4**
SLG[(2)]	6.0	–	–	–	–
Balance[(3)]	9.2	9.7	16.7	13.9	14.2
Total[(1)]	**185.0**	**189.9**	**208.5**	**154.4**	**163.6**

(1) Excludes certain OTC products marketed by axicorp.
(2) Comprises sales by SLG, which was divested on December 31, 2015.
(3) Comprises sales by Melasan GmbH, Melasan Produktions & Vertriebsgesellschaft m.b.H., Sun-Farm Sp.z o.o., Farmal and Mibe Pharmaceuticals d.o.o. as well as other income, the effects of discounts and certain rebates, all of which cannot be allocated to prescription pharmaceuticals and OTC and other healthcare products, respectively, for accounting reasons.

12.4.1.1.1 Vitamins/Minerals/Enzymes

Dermapharm's vitamins/minerals/enzymes product area comprises products with 25 APIs offered in 251 different articles (each as of September 30, 2017). These products are used to treat a variety of diseases from bone ailments to nutrition deficits. The vitamins/minerals/enzymes product area includes Dermapharm's flagship product Dekristol® 20,000 I.E., a unique high-dosage vitamin D preparation and the product of Dermapharm with the highest annual revenues. Vitamin D improves the absorption and use of calcium, which positively affects calcium levels in the blood, improves dental and bone health and benefits muscular functions as well as the overall immune system. Dekristol® 20,000 I.E. is used to treat or prevent many conditions caused by a lack of vitamin D, especially conditions of the skin or bones.

In addition, Dermapharm markets vitamin D drops as well as various silicea healthcare products under its "Hübner" brand, including food supplement sikapur®, a mineral silicon in gel form, which helps strengthen the skin, hair and nails.

12.4.1.1.2 Dermatologicals

In its dermatologicals product area, Dermapharm markets a broad range of products with 63 APIs offered in 595 different articles (each as of September 30, 2017) for the treatment of skin diseases (*e.g.*, fungal infections and diseases, rash, itchiness or reddening and other skin diseases as well as hair loss). Dermapharm considers itself the pharmaceuticals manufacturer in the German market with the broadest assortment of topical corticoids. Its longstanding expertise with dermatologicals has made Dermapharm the market leader for prescription dermatologicals in Germany (based on number of prescriptions and revenues for APIs offered by Dermapharm, excluding hospital sales (*sources: INSIGHT Health; Company information*)).

Dermapharm's dermatologicals include Ampho-Moronal®, a specialty pharmaceutical and one of Dermapharm's best-selling prescription antifungals, which is used for the treatment of diseases in the mouth and throat area as well as gastrointestinal diseases. In addition, Dermapharm recently introduced Solacutan®, a prescription pharmaceutical which includes diclofenac sodium and is applied to the face or scalp to treat mild to moderate cornification disorders of the skin, including actinic keratosis, which, if left untreated, may become cancerous. Dermapharm considers itself the first manufacturer to receive a marketing authorization for a patent-free pharmaceutical for this formula in Europe. In addition, Dermapharm markets a nail varnish under the Ciclocutan® trademark, which reduces nail fungus. In 2017, Dermapharm introduced Minoxicutan®, an OTC product in the form of a dissolution that is applied to the skin in order to combat hereditary hair loss in men or women.

In September 2017, Dermapharm further expanded its dermatologicals offering by acquiring the worldwide marketing rights for medical devices bite away® for the external treatment of bites and stings from insects and Herpotherm® for the treatment of herpes symptoms.

12.4.1.1.3 Systemic Corticoids

In its systemic corticoids product area, Dermapharm markets products with seven APIs offered in 224 different articles (each as of September 30, 2017) for the treatment of allergic reactions, skin diseases, inflammations and other skin disorders (*e.g.*, eczema, vesicles and crusts). All of these products are prescription pharmaceuticals and include Prednisolut®, which, depending on the respective dosage, is used as a standard therapy to treat a wide range of adverse physical reactions ranging from seasonal allergic reactions to anaphylactic shocks and other acute symptoms. To the Company's knowledge, Prednisolut® is one of only two such prescription corticoids for which a marketing authorization has been approved in Germany. Its broad product offering has made Dermapharm the German market leader for prescription pharmaceuticals in the German systemic corticoids market (based on number of prescriptions and revenues for APIs offered by Dermapharm, excluding hospital sales (*sources: INSIGHT Health; Company information*)).

12.4.1.1.4 Women's healthcare

Dermapharm's women's healthcare product area markets a broad range of contraceptives and other women's healthcare products with 13 APIs offered in 103 different articles (each as of September 30, 2017). One of the most successful prescription contraceptives is Dienovel®, a hormonal oral contraceptive for the prevention of pregnancy as well as the treatment of acne. In addition, women's healthcare product Lactofem® is applied in the form of suppositories and gels and used for the maintenance and restoration of natural pH levels in the vagina by acidification with lactic acid.

12.4.1.1.5 Ophthalmologicals

Dermapharm's ophthalmologicals products area markets products with eleven APIs offered in 30 different articles (each as of September 30, 2017) for the treatment of various disorders and diseases of the eye. These products include Panthenol-Augensalbe JENAPHARM®, an OTC product in the form of an eye ointment used for the treatment of acute or chronic bacterial infections of the anterior eye segment, caused by conjunctivitis, blepharitis or corneal ulcers as complications of keratitis resulting from corrosive injuries or burns. Dermapharm believes that Panthenol-Augensalbe JENAPHARM® is the only product currently competing in this particular market in Germany alongside well-known originator product Bepanthen®.

12.4.1.1.6 Others

In addition to the aforementioned product areas, Dermapharm markets a broad range of other pharmaceuticals and healthcare products with 102 APIs offered in 469 different articles (each as of September 30, 2017), including bone metabolism regulators and pharmaceuticals for the treatment of cardiovascular diseases or diseases of the central nervous system. For example, Suxilep® is a prescription anti-epileptic pharmaceutical used to treat absence seizures. Furthermore, Dermapharm markets Temagin® pac, an OTC painkiller in tablet form with the same APIs and dosage as well-known originator product Thomapyrin®.

12.4.1.2 *Sales and Distribution Channels*

12.4.1.2.1 Doctors

Doctors in private practice are Dermapharm's most important target group for prescription pharmaceuticals. Prescription pharmaceuticals may only be obtained by patients if prescribed by a doctor. If the prescription notes a specific product and expressly excludes any substitution thereof, pharmacies are legally required to dispense only the specifically prescribed pharmaceutical. Consequently, doctors have a strong influence over the market penetration of prescription pharmaceuticals in their respective practice area. As of the date of this Prospectus, Dermapharm employs 60 German sales representatives who regularly visit doctors relevant for Dermapharm's product areas. Dermapharm believes that the recent acquisition of Trommsdorff, which employs its own sales organization comprising around 60 sales representatives, will further boost its marketing capacities for pharmaceuticals and other healthcare products.

In the twelve-month period ended November 30, 2017, Dermapharm's German general sales representatives paid approximately 29,000 visits to dermatologists and approximately 22,000 visits to gynecologists. These efforts have led to considerable success, particularly in the field of dermatology, in which Dermapharm already ranked first in dermatological prescriptions in Germany in the fiscal year ended December 31, 2016 as dermatologists issued 1.4 million prescriptions noting pharmaceuticals marketed under Dermapharm's various brands (*sources: INSIGHT Health; Company information*).

12.4.1.2.2 Pharmacies and Pharmaceutical Wholesalers

Pharmacies, including online pharmacies, are an important distribution channel for Dermapharm's pharmaceuticals, as they directly distribute these pharmaceuticals to patients. In addition, a large number of Dermapharm's other healthcare products are also offered by pharmacies. Pharmacies purchase Dermapharm's pharmaceuticals and other healthcare products primarily through pharmaceutical wholesalers, but may also purchase such products directly from Dermapharm. In the fiscal year ended December 31, 2016, 80% of Dermapharm's revenues from pharmaceuticals and other healthcare products were derived from sales to pharmaceutical wholesalers, while 20% of such revenues were derived from direct sales to pharmacies.

If an exchange with a similar pharmaceutical is not expressly excluded in the relevant prescription and there is no existing rebate agreement between the patient's SHI provider for such product, the pharmacy is required to distribute one of the three cheapest comparable pharmaceuticals. If the prescribed pharmaceutical is amongst the three cheapest pharmaceuticals on offer, the pharmacy may not distribute a higher priced pharmaceutical. In addition, if the doctor has only prescribed certain APIs and there is no existing rebate agreement between the patient's SHI provider for such product, the pharmacy is required to distribute one of three cheapest pharmaceuticals containing the relevant APIs.

Therefore, pharmacies not only purchase Dermapharm's pharmaceuticals, but also have significant influence on Dermapharm's success by determining the composition and pricing of their product assortment and choosing Dermapharm's products over those of its competitors. Dermapharm regularly enters into annual rebate and sales agreements with its pharmacies (but not with wholesalers). In the twelve-month period ended November 30, 2017, Dermapharm's German general sales representatives paid approximately 35,000 visits to German pharmacies.

As of the date of this Prospectus, Dermapharm employs 14 German sales representatives who primarily focus on directly marketing Dermapharm's OTC and other healthcare products through visits with pharmacies and health stores which Dermapharm has identified as particularly relevant for such products. With respect to certain high-volume, low-margin OTC products, Dermapharm plans to utilize axicorp's direct marketing and call center expertise by employing direct calls to pharmacies in order to better market such products. To this end, axicorp has built a salesforce of five call center employees, and Dermapharm has handed the marketing of the relevant low-margin OTC products, in particular ibutop®, a pain-relieving medication administered in the form of gels or tablets, and Cetirizin-dihydrochlorid axicorp®, which helps to alleviate allergies and related symptoms, to axicorp. Dermapharm's call center salesforce specifically targets pharmacies Dermapharm considers underserved by major manufacturers of OTC products and other competitors in order to somewhat avoid pricing pressure for the relevant high-volume, low-margin OTC products. Dermapharm expects that by the end of December 31, 2018, it will successfully have transferred the marketing of three additional OTC products to axicorp and that this will positively affect future revenues from these products.

12.4.1.2.3 SHI Providers

SHI providers often initiate tender processes for specific types of prescription pharmaceuticals, in which manufacturers of the relevant pharmaceutical compete for exclusive or semi-exclusive rebate agreements with the relevant provider. Such contracts are generally awarded to the manufacturer offering the lowest price and may include significant discounts to market prices. In the case of an existing rebate agreement with the relevant patient's SHI provider relating to the pharmaceutical prescribed by the doctor, pharmacies are required to distribute the specific product referenced in the rebate agreement rather than the prescribed pharmaceutical, so long as the specific product is equivalent to the prescribed drug with respect to the APIs, amount and form of dosage, unless such exchange is expressly excluded on the prescription. Furthermore, a patient may choose to obtain a different pharmaceutical than the one provided by the rebate agreement, if such patient covers the price difference himself.

Such rebate agreements remain an important distribution channel for Dermapharm's pharmaceuticals, accounting for approximately 12% of Dermapharm's revenues from pharmaceuticals and other healthcare products in the nine-month period ended September 30, 2017 (*sources: INSIGHT Health; Company information*). However, due to the decrease in margins and strong competition in tender offers for rebate agreements with SHI providers, which are typically decided in favor of the lowest offered price, Dermapharm seeks to further its independence from the tender business by focusing on attractive markets and products that are not covered, or only partially covered, by SHI providers or where such SHI providers do not initiate tender processes.

12.4.1.2.4 Hospitals

Dermapharm also sells its pharmaceuticals directly to hospitals, which constitute a completely independent distribution channel and accounted for 11% of Dermapharm's revenues from pharmaceuticals and other healthcare products in the nine-month period ended September 30, 2017. Statutory pricing restrictions and rebate agreements with SHI providers do not apply to pharmaceuticals that are distributed to patients at hospitals. Dermapharm has entered into various types of purchase co-operations with large hospital operators such as Helios, Sana and the Pharmaceutical Benefit Management Group, a cooperation for hospitals. Dermapharm considers regular personal contacts with relevant hospitals and service as key elements to generate revenues in the hospital market. Dermapharm employs seven hospital sales representatives in Germany, who are in close contact with key accounts at major hospital chains and large hospitals.

12.4.1.2.5 Health Stores, Drug Stores and Healthcare Wholesalers

In addition to pharmacies, Dermapharm's other healthcare products are sold in health stores and drugstores, many of whom purchase such products through wholesalers. Dermapharm considers a strong customer focus, regular personal contact and excellent brand recognition, in particular with respect to its "Hübner" brand, as key drivers for the sale of such healthcare products.

12.4.1.2.6 Distribution Partners

Dermapharm's healthcare products marketed under the "Hübner" brand are also distributed through 34 third-party distribution partners, who purchase these products from Dermapharm for resale in 31 countries outside of Germany.

12.4.1.2.7 Online Shops

Dermapharm's medical devices bite away® and Herpotherm® are marketed through various online shops, in particular the online platform operated by Amazon EU S.à r.l. As of the date of this Prospectus, these medical devices had comparably high average user ratings and in the nine-month period ended September 30, 2017, approximately 288,000 units of bite away® and Herpotherm® were sold through such online shops.

12.4.1.3 *Development*

In the fiscal year ended December 31, 2016, Dermapharm spent €4.8 million (€4.6 million in the fiscal year ended December 31, 2015) on development activities, employing an average of 58 employees in its development department (in the fiscal year ended December 31, 2015: 52 employees). Given its exclusive focus on pharmaceuticals that are no longer patent protected and for which it has the required know-how to develop all relevant dosage forms, Dermapharm does not conduct any basic medical research (*Grundlagenforschung*). As a result, Dermapharm's development costs are comparably low, with average development costs of between €330,000 and €1.5 million for new pharmaceuticals.

Dermapharm's development efforts relate to all of Dermapharm's product areas and if it were to expand into additional product areas in the future, Dermapharm would likely seek to develop new pharmaceuticals and other healthcare products to complement its offering in these product areas as well. Dermapharm constantly screens the product areas covered by its product offering in order to identify attractive development opportunities meeting the following criteria: they are part of a product area covered by Dermapharm's portfolio, in case of prescription pharmaceuticals, there is limited pricing pressure from SHI providers or a high share of direct payers for the relevant product and competition for the relevant customers is expected to be limited, the relevant product can be developed by primarily utilizing Dermapharm's existing development expertise and manufacture will be possible at existing manufacturing facilities.

Once Dermapharm has identified a suitable candidate, the duration of development strongly depends on the type of product: for new pharmaceuticals, development usually takes about five years in total, with between one and two years required to develop new formulations, followed by between six months and two years to conduct the relevant clinical studies and between six months and 18 months in order to obtain the required marketing authorization and prepare the market introduction of the new pharmaceutical. By comparison, Dermapharm has been able to flexibly introduce healthcare products with oftentimes less than a year elapsing between the start of development and the market introduction of such products. For food supplements, Dermapharm has even been able to introduce new products within just four months after the start of the development process.

Dermapharm is able to handle the key stages of the approval process in-house, including the designing and sponsoring of clinical studies (*i.e.*, usually Phase I and Phase III studies) required for the market introduction of new patent-free pharmaceuticals (*e.g.*, setting criteria for patient selection, determining the relevant dosage regime and analyzing data obtained in clinical studies) and the manufacture of clinical batches. Dermapharm's development department is fully integrated with the other corporate functions material for the development of new products (*e.g.*, sourcing and purchasing, quality control, packaging and design). The department intensively cooperates with the regulatory affairs department and is supervised by quarterly management meetings. Additionally, the development department has the required know-how to conduct the application process for new marketing authorizations in-house. While Dermapharm's development department is able to design and sponsor clinical studies itself, it outsources the conduct of such studies to third-party service providers. Between January 1, 2012 and September 30, 2017, Dermapharm conducted a total of 26 clinical studies, including five clinical studies still pending as of the date of this Prospectus. Dermapharm considers the areas of complex microbiological investigations, clinical dermatology, the development of low dosage formulations, complex disperse systems and differentiated in-vitro testing as the core competencies of its development department. In addition, Dermapharm occasionally enters into development cooperation agreements with selected third-party research institutions (*e.g.*, Proinnovera Gesellschaft für Beratung, Planung und Durchführung zur Entwicklung neuer pharmazeutischer Produkte mbH and CCDRD Cooperative Clinical Drug Research and Development Aktiengesellschaft).

Dermapharm's most important development center is located in Brehna and uses state-of-the-art equipment providing full GMP-compliance, while also holding an authorization for research on hormone preparations. The analytical and pharmaceutical development facilities include a laboratory explicitly designed for analytical development with a total size of 550 square meters ("**sqm**"), a microbiological laboratory, a laboratory and pilot scale for pharmaceutical development with a total size of 750 sqm and eleven pharmaceutical climate chambers with a total usable area of 150 sqm. Additionally, the pharmaceutical development division has bulk manufacturing expertise. Together, Dermapharm's development, clinical research and regulatory affairs departments are able to quickly and cost-efficiently develop new pharmaceuticals and other healthcare products.

Dermapharm also conducts a special part of its development activities for healthcare products at its facilities in Ehrenkirchen. These efforts focus on searching for new trends in the healthcare market, renewing Dermapharm's existing portfolio of such products marketed under the "Hübner" brand, improving silicea competence, and developing capsules, sticks, liquids and semi-solids.

Dermapharm's most recent acquisition Strathmann operates its own development department with a particular expertise for OTC products and Dermapharm believes that these capacities will complement and enhance its existing development operations.

12.4.1.4 *Manufacture and Logistics*

Dermapharm pursues an "all under one roof" approach with respect to manufacture and logistics, focusing on integration of its manufacturing sites, a flexible plant organization with flexible production lines, lean supply chains and state-of-the-art equipment. Based on the number of packages, approximately 90% of Dermapharm's pharmaceuticals and other healthcare products were manufactured in-house in the nine-month period ended September 30, 2017 (including packages made from bulk products manufactured by third parties). Dermapharm operates five manufacturing facilities, with three of these facilities being located in Germany and the other two located in Poland and Austria, respectively.

The raw materials used in the manufacturing of Dermapharm's pharmaceuticals and other healthcare products consist of chemicals in various forms that are generally available from several sources. Dermapharm has established a global sourcing strategy, including by employing its own representatives in China and India, Dermapharm's most important sourcing countries with respect to raw materials for its pharmaceuticals and other healthcare products. Dermapharm has long-established direct contacts with many of its key suppliers and agents. This also makes it easier for Dermapharm to monitor compliance with relevant quality standards. Dermapharm places a high focus on quality control and vigilance, reviewing each shipment of raw materials received at its main manufacturing facility in Brehna. Dermapharm favors a just in time investigation approach with respect to bulk materials and state-of-the-art processes to ensure that relevant raw materials comply with the standards laid down in pharmacopeias. In addition, Dermapharm benefits from utilizing its various laboratories in Brehna when investigating special substances.

The majority of Dermapharm's pharmaceuticals, including almost all application forms (*e.g.*, ointments and creams, liquids and nasal sprays, powders and eye ointments/drops, capsules, freeze drying products, tablets and coated tablets, syringes fillings and ampules and vials), are manufactured and packaged at Dermapharm's main manufacturing facility located in Brehna. In the fiscal year ended December 31, 2016, 36 million packages of pharmaceuticals were manufactured in Brehna. However, the soft capsules for Dermapharm's Dekristol® 20,000 I.E. vitamin D preparation, its most significant product, are supplied by two European third-party suppliers and merely repackaged by Dermapharm. In addition medical devices bite away® and Herpotherm® are manufactured by Riemser Pharma GmbH.

Dermapharm's Brehna facilities also serve as Dermapharm's hub and logistical center. These facilities provide for inbound logistics, with a warehouse containing over 2,500 consignment spaces and a storage system with approximately 21,000 pallet places as well as an information technology system that manages sourcing, reporting and outbound logistics. Dermapharm's entire domestic product portfolio is distributed directly from the Brehna facilities through third-party logistics providers to national and international consumers, allowing for a worldwide distribution scope. In January 2017, Dermapharm initiated a program to review and further streamline its integrated operations and processes in Brehna. This program is aimed at implementing operating standards for each step of the manufacturing process for every single one of Dermapharm's products. When implementing these standards, Dermapharm particularly focusses on the potential for cost reductions.

Dermapharm's second German manufacturing site is located in Ehrenkirchen, Baden-Wuerttemberg, Germany, and focuses on natural healthcare products in liquid and gel form marketed under the "Hübner" brand. Most of these products are sold in pharmacies, health stores as well as drugstores in Germany, while approximately one third was sold to international third-party distribution partners in the fiscal year ended December 31, 2016. Such distribution partners resell Dermapharm's products marketed under the "Hübner" brand in 31 countries outside Germany. In addition, the facility in Ehrenkirchen includes a silicea production line, a liquid production line (preservative free filling) as well as sachets filling and sealing machinery for liquid products. In the fiscal year ended December 31, 2016, the Ehrenkirchen facility manufactured 1.4 million units of silicea products and 1.2 million units of liquids.

Dermapharm's most recent acquisition Strathmann operates the third German manufacturing facility in Seevetal, Lower-Saxony, Germany, which manufactures products for Strathmann's broad product offering primarily comprising OTC products, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. In the fiscal year ended December 31, 2016, the Seevetal facility manufactured approximately 6.1 million units. Dermapharm plans to transfer the logistics operations of Strathmann to its central logistics hub in Brehna, helping to optimize logistics processes and the integration of Strathmann.

In addition, Dermapharm's Polish manufacturing site, located near Warsaw, is dedicated to Sun-Farm Sp. z o.o., a small-sized manufacturer with a local work force, specializing in food supplements. The plant also serves as a manual packaging site for Dermapharm.

Dermapharm's Austrian manufacturing site, located in Eugendorf near Salzburg, is dedicated to the Austrian Dermapharm entity Melasan GmbH, a company specialized in the development and manufacturing of food supplements, in particular capsules, which are customized for Austrian pharmacies. Melasan GmbH's operations are increasingly utilized to achieve synergies in combination with Dermapharm's other entities. Dermapharm has already made plans to replace the manufacturing facility in Eugendorf with a new facility in Neumarkt am Wallersee. The total investment volume for the new facility is expected to amount to approximately €7.0 million. The construction is expect to be completed by the end of the fiscal year ending December 31, 2019.

With respect to Trommsdorff, which operates a manufacturing facility in Alsdorf, Dermapharm plans to transfer the manufacturing of ibutop®, which is currently manufactured by third parties, to the Alsdorf facility, thereby increasing the share of products manufactured under Dermapharm's direct control. At the same time, the current logistics operations of Trommsdorff will be transferred to Dermapharm's central logistics hub in Brehna, helping to optimize logistics processes and the integration of Trommsdorff.

Dermapharm works strategically with its supplier base in order to meet cost, supply certainty and quality targets on a sustainable basis in keeping with its procurement organization. A significant portion of the raw materials required for the manufacture of Dermapharm's pharmaceuticals and other healthcare products is purchased outside Europe, in particular in China and India.

12.4.2 Parallel Imports

Dermapharm's parallel import business operates under the "axicorp" brand and leverages Dermapharm's direct sales expertise in Germany by importing pharmaceuticals from other EEA Member States for resale to pharmaceutical wholesalers and pharmacies in the German market, including reimports of pharmaceuticals previously exported from Germany. Economically, Dermapharm benefits from selling the imported pharmaceuticals in Germany at a premium over the price of the respective pharmaceutical in the sourcing market. As of September 30, 2017, Dermapharm listed pharmaceuticals with over 1,500 product codes (*Artikelnummern*) in its parallel import product portfolio.

In the fiscal year ended December 31, 2016, Dermapharm covered approximately 89% of prescription pharmaceuticals available for sale in the German parallel import market and was the fourth largest parallel importer in Germany with a market share of 10.8% (*source: INSIGHT Health*). Moreover, Dermapharm's clearly defined approach to analyzing the European pharmaceuticals market and its ability to identify attractive opportunities have also made Dermapharm the fastest growing player amongst the five largest parallel importers in the German pharmaceuticals import market in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*).

The following table provides additional information on Dermapharm's parallel import business for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,	
	2014	2015	2016	2016	2017
		(unaudited) (in €million, unless otherwise specified)		(unaudited) (in €million, unless otherwise specified)	
Revenues[(1)]	206.3	195.0	235.9	164.8	186.1
Market share (in %)[(2)]	7.4	7.9	9.2	8.4	9.3

(1) Includes certain OTC products marketed by axicorp.
(2) S*ource: INSIGHT Health.*

12.4.2.1 *Sales and Relevant Customers*

Pursuant to the Framework Agreement on Drug Provision according to Section 129 of the German Social Code, Book V (*Rahmenvertrag über die Arzneimittelversorgung nach § 129 Abs. 2 Sozialgesetzbuch V* (the "**Framework Agreement**")), at least 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be brought into the market through parallel imports from other EEA Member States. According to Section 129 para. 1 no. 2 of the German Social Code, Book V (*Sozialgesetzbuch Fünftes Buch* (the "**Social Code V**")), only parallel imports with prices that are at least €15.00 or 15% lower than the price of the German original pharmaceutical, taking into account any mandatory rebates, count towards the 5% import quota. The actual market share of parallel imports in Germany exceeds this quota and amounted to approximately 8.6% in the fiscal year ended December 31, 2016 (*source: INSIGHT Health*).

While the parallel import business is a low-margin, high-volume business overall, margins for individual pharmaceuticals may vary considerably. In general, demand from customers for high-margin imports is low, while demand for low-margin pharmaceuticals, for which there is only a limited offering from parallel importers, is considerably higher. Dermapharm has divided its product offering into five product categories based on the expected margin of each individual pharmaceutical. In order to generate an attractive margin from its parallel import business, Dermapharm tries to ensure that each customer purchases a mixed basket with pharmaceuticals from different product categories (*i.e.*, Dermapharm will offer customers a selection of attractive low-margin pharmaceuticals, while also requiring them to purchase lower-demand pharmaceuticals that generate a considerably higher margin for Dermapharm).

In addition, Dermapharm constantly reviews its product offering in order to identify new pharmaceuticals that it can introduce to its parallel import product offering (see "*12.4.2.3 New Introductions of Parallel Imports*") or products that are no longer relevant for its offering. In this context, Dermapharm benefits from the close cooperation between the sourcing and sales departments for its parallel import business area (see "*12.4.2.2 Sourcing and Logistics*").

12.4.2.1.1 Pharmaceutical Wholesalers

Pharmaceutical wholesalers are key customers for Dermapharm's parallel import business and sales to 11 different wholesalers accounted for approximately 70% of the revenues from parallel import in the fiscal year ended December 31, 2016. Dermapharm employs three sales representatives who are constantly in personal contact with these key customers and together plan the prospective demand of these customers for extended periods of time. While pharmaceutical wholesalers will purchase a large part of Dermapharm's broad parallel import product offering, Dermapharm's salesforce focusses on ensuring that each individual wholesaler purchases a mixed basket of pharmaceuticals from its five margin-related product categories.

Due to the large number of pharmaceutical wholesalers with whom it has established close business relationships, Dermapharm is not overly dependent on any one customer. At the same time, Dermapharm is open to further intensifying such relationships and to this end entered into an agreement with PHOENIX Pharma-Einkauf GmbH, a member of the largest pharmaceutical wholesaler group in Germany, in July 2017, pursuant to which PHOENIX Pharma-Einkauf GmbH will give preferential treatment to the distribution of Dermapharm's parallel imports for certain of PHOENIX Pharma-Einkauf GmbH's customers, receiving a commission with respect to these pharmaceuticals. Dermapharm believes that this agreement evidences the strong market position obtained by its parallel import business and will help secure stable demand for its parallel import business.

12.4.2.1.2 Pharmacies

Dermapharm also sells its imported pharmaceuticals directly to pharmacies, including online pharmacies, and such sales accounted for approximately 30% of Dermapharm's revenues from its parallel import business in the fiscal year ended December 31, 2016. Sales to pharmacies are handled by a separate salesforce comprising 18 sales representatives, who operate from a call center in Friedrichsdorf, Hesse, Germany. In the fiscal year ended December 31, 2016, Dermapharm's salesforce conducted approximately 183,000 phone calls to pharmacies, covering approximately 95% of the 20,023 licensed pharmacies in Germany as of December 31, 2016 (*source: ABDA*). This has helped Dermapharm to become the second largest player in the German market for the direct resale of parallel imports to pharmacies (*source: INSIGHT Health*).

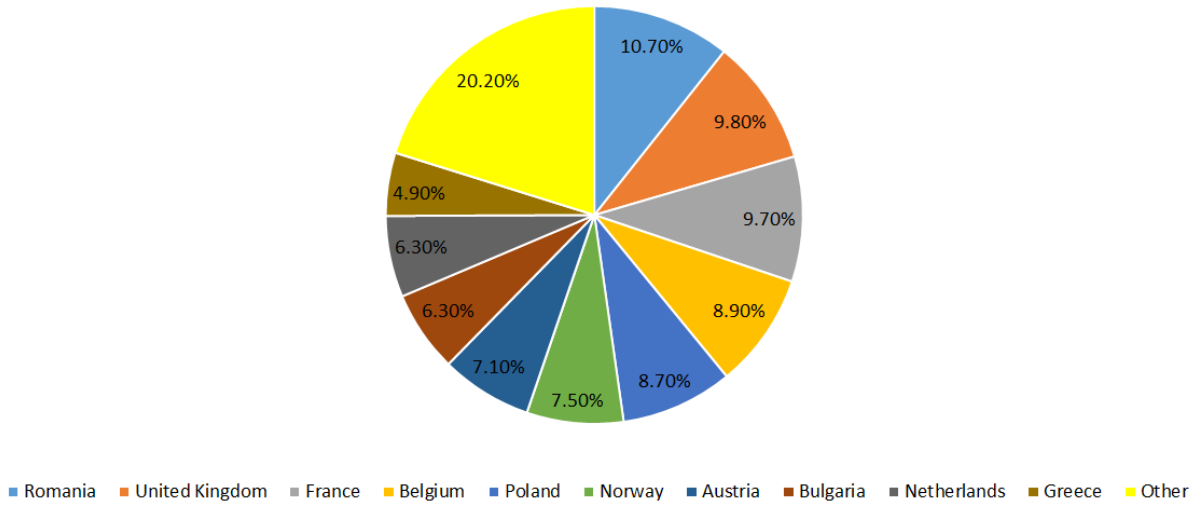
Dermapharm has allocated each sales representative an individual distribution area with between 300 and 500 pharmacies and incentivizes its sales representatives to ensure that their sales comply with the basket mix required to achieve the envisaged overall margin for Dermapharm's parallel import business. Due to the low fluctuation of its salesforce, Dermapharm benefits from long-established customer relationships of its individual sales representatives, who also generate a significant share of inbound calls (*i.e.*, requests from pharmacies with respect to specific pharmaceuticals they want to purchase from Dermapharm). In order to retain the most attractive pharmacy customers, Dermapharm has introduced a partnership program with several partnership levels, offering such customers various benefits (*e.g.*, billing simplifications, free delivery and a more generous policy with respect to returns).

In the fiscal year ended December 31, 2016, Dermapharm's parallel import business had approximately 5,000 pharmacies as regular customers, thereby covering approximately 25% of the 20,023 licensed pharmacies in Germany as of December 31, 2016 (*source*: *ABDA*).

12.4.2.2 *Sourcing and Logistics*

Dermapharm sources its imported pharmaceuticals from 25 EEA Member States, with the importance of any of these national markets constantly fluctuating (*e.g.*, due to pricing changes and changes in the available volume of attractive pharmaceuticals). Due to its ability to target all relevant sourcing markets, Dermapharm is capable of ensuring that its sourcing is not overly dependent on any one of these countries. The sourcing itself is handled by five purchasing representatives, each of whom is responsible for certain sourcing countries.

The following chart provides an overview of the split of sourcing volume with respect to relevant sourcing countries for Dermapharm's parallel import business in the nine-month period ended September 30, 2017:



Dermapharm believes that the close cooperation and communication between its sales and purchasing departments are key factors for its continued growth and success in the parallel import market. This cooperation is, in particular, reflected in the planning for Dermapharm's parallel import business, which is renewed every month for the upcoming three-month period. Initially, the sales department draws up a schedule of pharmaceuticals that it deems attractive and likely marketable to customers. This list is reviewed, taking into account the relevant volumes likely to be available and risks associated with individual pharmaceuticals. For this analysis, Dermapharm relies on a broad product database on its 25 sourcing markets, which includes information obtained through public market sources as well as offers and feedback from local suppliers.

Once a purchasing schedule has been agreed upon, product contingents are allocated to individual purchasing representatives based on the likely availability of the relevant pharmaceuticals in different countries. Dermapharm's purchasing department proceeds to contact selected local suppliers, with whom it has established strong business relationships, enabling Dermapharm's purchasing experts to source more than 98% of the volume agreed in the final purchasing schedule (based on sourcing volumes). In the nine-month period ended September 30, 2017, Dermapharm purchased pharmaceuticals for its parallel import business from 159 different local suppliers. The close cooperation between the sales and purchasing departments, combined with Dermapharm's extensive market knowledge on a multitude of sourcing countries, enable the sales department to successfully resell almost all imported pharmaceuticals within a relatively short period of time. For the fiscal year ended December 31, 2016, Dermapharm achieved an average inventory turnover duration of approximately 1.5 months per package.

Imported pharmaceuticals arrive at the logistics and storage center for Dermapharm's parallel import business located in Friedrichsdorf, where these pharmaceuticals are repackaged. Dermapharm is specialized on the repackaging of smaller lot sizes (*i.e.*, lots with 100 packs per lot), which allows for the introduction of lower volume pharmaceuticals and provides Dermapharm with additional flexibility. To ensure delivery reliability, Dermapharm only offers pharmaceuticals for resale once the relevant imports have arrived at its logistics facility. Dermapharm is often able to offer imported pharmaceuticals in a packaging form that is almost identical to the original product, increasing the appeal of such pharmaceuticals to patients. The location of Friedrichsdorf near Frankfurt am Main places Dermapharm's parallel import business at the heart of Europe, reducing shipping costs and times when sourcing and redistributing imported pharmaceuticals.

12.4.2.3 *New Introductions of Parallel Imports*

Dermapharm constantly reviews the European pharmaceuticals market in order to identify attractive pharmaceuticals that would complement and expand its parallel import product offering. In doing so, it can leverage its extensive database, which comprises both public market sources as well as feedback from suppliers, giving Dermapharm deep insight into developments and opportunities in the European pharmaceuticals market. In addition, Dermapharm's sales department provides feedback from customers to ensure that Dermapharm can identify areas with unsatisfied market demand. Dermapharm generally seeks to be either the first or second parallel importer when it comes to introducing a new pharmaceutical to the German market.

When making a decision on whether to include new pharmaceuticals in its parallel import product offering, Dermapharm focuses on those products with the highest expected margin and will only chose low-margin pharmaceuticals with a high strategic benefit (*i.e.*, if Dermapharm expects that these pharmaceuticals will add to the attractiveness of Dermapharm's product baskets and allow it to better market other, high-margin pharmaceuticals). In the fiscal year ended December 31, 2016, Dermapharm was able to successfully introduce 306 new pharmaceuticals to its parallel import product offering, with an additional 194 new pharmaceuticals having been introduced in the nine-month period ended September 30, 2017.

Once Dermapharm has identified an attractive pharmaceutical and decided to introduce it to its product portfolio, it applies for the relevant authorizations allowing marketing in Germany. Pharmaceuticals that are subject to a centralized European marketing authorization only require Dermapharm to notify the European Medicines Agency ("**EMA**") by means of an EMA Parallel Import Notification. This allows Dermapharm to introduce the relevant pharmaceutical almost immediately. If the imported pharmaceutical is only distributed based on a German marketing authorization, Dermapharm requires a corresponding authorization (*Bezugszulassung*). Obtaining a corresponding authorization is less expensive and requires limited documentation compared to a marketing authorization, in particular since no additional clinical studies are needed. The process may, however, take between eight and 15 months, at the end of which Dermapharm again reviews whether the relevant pharmaceutical is still sufficiently attractive to warrant introduction into its parallel import product offering.

12.5 Information Technology

The information technology employed by Dermapharm's pharmaceuticals and other healthcare products business is managed centrally at its main facility in Brehna, which also serves as the maintenance center for Dermapharm's information technology infrastructure. Information technology is an important part of these operations in order to optimize Dermapharm's processed and thereby increase productivity. Dermapharm employs scarabPLUS – PHARMA-ERP-System, a software specialized on pharmaceutical merchandise and production management, which covers business processes (*e.g.*, material and supply chain management), the planning and execution of manufacturing and quality control processes, sales, distribution and logistics as well as maintenance. In addition, Dermapharm relies on specialized software for different aspects of its operations (*e.g.*, a marketing information system developed by QuintilesIMS, which supports Dermapharm's customer relationship management and salesforce management). Dermapharm mainly uses products of Microsoft Corporation for basic business applications and Microsoft Dynamics NAV 2013 for its accounting system.

For Dermapharm's parallel import business, the relevant information technology is managed centrally in Friedrichsdorf. Dermapharm uses a proprietary and customized ERP-System to store and analyze the relevant market data. In addition, it utilizes ADDIS®-CRM developed by IDV GmbH, which provides Dermapharm with detailed information on German pharmacies and their individual pharmaceutical demand. Dermapharm mainly uses products of Microsoft Corporation for basic business applications

To ensure data safety and protection from outages, Dermapharm has implemented a number of protective measures, including duplicate systems at different locations, firewalls, antivirus software, patches, data encryption, log monitors, routine backups with offsite retention of storage media, system audits, data partitioning, routine password modifications and disaster recovery procedures.

12.6 Intellectual Property

As of the date of this Prospectus, Dermapharm's portfolio of trademarks consists of more than 1,800 registered word marks, figurative marks and word-figurative marks and applications, and Dermapharm believes it is one of the most active trademark holders in Germany.

Most of its trademarks are German registrations, international and European trademarks, as the vast majority of trademarks is attributable to Dermapharm's German entities. To the extent these trademarks are also held by Dermapharm's foreign entities, such trademarks are also registered in the respective national trademark registers. Dermapharm's most important protected trademarks are those related to its products, in particular Dekristol® 20,000 I.E., bite away®, Herpotherm®, sikapur®, Ampho-Moronal®, Solacutan®, Ciclocutan®, Minoxicutan®, Prednisolut®, Dienovel®, Lactofem®, Finapil®, Panthenol-Augensalbe JENAPHARM® and Suxilep®.

Dermapharm has various registered domain names, mostly with respect to its different group entities, in particular dermapharm.de, axicorp.de, mibe.de, acis.de, huebner-vital.de and huebner-naturarzneimittel.de.

In addition, it holds patents for the medical devices bite away® and Herpotherm® as well as two German utility models.

Dermapharm constantly monitors its intellectual property to ensure that all material rights remain in full force and effect. In addition, it has engaged a third-party service provider with alerting Dermapharm to any potential violations of its intellectual property. Where such violations are identified, Dermapharm hires specialized counsel in order to effectively assert Dermapharm's rights with respect to any infringements.

12.7 Real Property

Dermapharm uses offices, manufacturing facilities and logistic facilities in all geographic areas where it operates, which are either owned or leased by Dermapharm. Dermapharm's headquarters are located in Grünwald, Bavaria, Germany. Its manufacturing facilities are located in Brehna, Germany, Ehrenkirchen, Germany, Seevetal, Germany, Eugendorf, Austria, and Warsaw, Poland.

The following table provides an overview of all real estate leased or owned by Dermapharm in order of the size of the relevant property:

Location	Size of property	Size of effective area
	(unaudited) (in sqm)	
Brehna, Germany[(1)]	80,000	38,000
Alsdorf, Germany[(1)]	39,849	12,106
Ehrenkirchen, Germany[(1)]	6,900	7,300
Friedrichsdorf, Germany[(2)]	N/A	6,097
Seevetal, Germany[(1)]	14,530	7,998
Grünwald, Germany[(3)]	4,862	5,200
Warsaw, Poland[(1)]	6,512	3,383
Ludbreg, Croatia[(1)]	11,878	3,114
Berlin, Germany[(1)]	2,044	2,679
Eugendorf, Austria[(2)]	N/A	2,000
Hünenburg, Switzerland[(2)]	N/A	876
Vienna, Austria[(2)]	N/A	303
Zagreb, Croatia[(2)]	N/A	216
Kiev, Ukraine[(2)]	N/A	180

(1) Wholly owned by Dermapharm.
(2) Leased by Dermapharm.
(3) Dermapharm holds a heritable building right with a term extending until 2073.

As of the date of this Prospectus, Dermapharm has granted a land charge over its property in Brehna, securing an amount of €12.9 million. Besides this land charge, no other property owned by Dermapharm is encumbered with land charges or other encumbrances (*dingliche Belastungen*).

12.8 Employees

As of the date of this Prospectus, Dermapharm employs a total of 1,269 employees.

The following table provides an overview of Dermapharm's average number of full-time employees by functions for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,
	2014[(1)]	2015[(1)]	2016[(1)]	2017[(1)]
		(unaudited)		(unaudited)
Sales & Marketing	267	265	258	257
Production	432	407	398	398
Administration	248	255	287	302
Development	42	52	58	59
Logistics	118	115	111	108
Total	**1,107**	**1,094**	**1,112**	**1,124**

In addition, Dermapharm also employed an average of 78 part-time employees in the fiscal year ended December 31, 2016 (fiscal year ended December 31, 2015: 63; fiscal year ended December 31, 2014: 109). In the nine-month period ended September 30, 2017, Dermapharm employed an average of 95 part-time employees.

Nearly all of Dermapharm's employees either have SHI or can obtain health insurance through Dermapharm.

12.9 Sustainability, Safety and the Environment

Dermapharm pursues a strict safety policy in relation to its products. In 2003, the Regional Administrative Department (*Landesverwaltungsamt*) of the state of Saxony-Anhalt first awarded Dermapharm's main manufacturing site in Brehna the Certificate of Good Manufacturing Practice (GMP) following an inspection in accordance with Article 111 para. 5 of Directive 2001/83/EC of the European Parliament and of the Council of November 6, 2001 on the community code relating to medicinal products for human use (the "**Medicinal Products Directive**") in conjunction with Article 15 of Directive 2001/20/EC of the European Parliament and of the Council of April 4, 2001 on the approximation of the laws, regulations and administrative provisions of the member states relating to the implementation of good clinical practice in the conduct of clinical studies on medicinal products for human use. This certificate has been periodically renewed over the years.

In relation to its products, Dermapharm assures full GMP conformity, kosher/halal certification and compliance with applicable medical regulations and industry standards (*e.g.*, hazard analysis and critical control points ("**HACCP**") standards).

In order to ensure a high safety standard, Dermapharm runs its own quality control laboratories which are also located at its Brehna facility. All materials used in the manufacturing processes are previously investigated, using state-of-the-art processes to ensure that relevant raw materials confirm to, and comply with, the standards laid down in pharmacopeias. For finished products, every single batch is carefully reviewed before release and all of Dermapharm's pharmaceuticals and other healthcare products are subject to permanent quality monitoring in order to avoid any product defects.

Dermapharm pays particular attention to fulfilling its commitment to environmentally friendly manufacture. Dermapharm conducts the development and manufacturing of products as well as the construction and utilization of the required facilities in strict compliance with applicable environmental regulations. Furthermore, Dermapharm cooperates with local authorities in monitoring the sewage water around its manufacturing sites. Any disposals are subject to full documentation and any other sources of possible ground and water contamination are continuously controlled. Dermapharm believes that its manufacturing facilities are not exposed to particular risks compared to other facilities in the pharmaceuticals and healthcare industries.

12.10 Compliance Management

Dermapharm has established a compliance management system aimed at ensuring lawful and ethical conduct by its employees. It is designed to identify potential violations in advance and systematically prevent their occurrence. The compliance management system is supervised by Dermapharm's compliance officers and contributes significantly to the integration of compliance into Dermapharm's operations and processes. It comprises, *inter alia*, compliance audits of the relevant entities of Dermapharm, a compliance manual that includes Dermapharm's mandatory compliance policies, regular training courses on relevant compliance risks and measures as well as adequate measures to allow employees to report potential compliance violations.

With respect to the advertising of its pharmaceuticals, Dermapharm has adopted the code of conduct of the members of the Pharmaceuticals and Cooperation in the Healthcare System Association (*Arzneimittel und Kooperation im Gesundheitswesen e.V.* ("**AKG**")), as amended. The code of conduct promulgated by the AKG aims to ensure that all measures used in the conveyance of information and in collaboration with healthcare professionals are carried out within the limits of applicable laws. This code was recognized as rules of competition by the German Federal Cartel Office (*Bundeskartellamt*) on September 25, 2014.

12.11 Insurance

Dermapharm has taken out insurance policies it considers customary and necessary in the pharmaceutical industry, including pharmaceuticals product liability insurance as required by Section 94 para. 1 of the German Pharmaceuticals Act (*Arzneimittelgesetz* ("**AMG**")), general product liability insurance, property insurance combined with business interruption and loss of revenue insurance, transport insurance, environmental insurance and casualty insurance. These insurance policies are usually entered into by Dermapharm AG, but also cover various other entities of Dermapharm, though usually not all German or foreign subsidiaries. Various foreign entities of Dermapharm have taken out individual insurance policies.

Dermapharm's insurance policies contain market-standard exclusions and deductibles. Dermapharm regularly reviews the adequacy of its insurance coverage. Dermapharm believes that its insurance coverage is in line with market standards in the industry. There is, however, no guarantee that it will not suffer any losses for which no insurance coverage is available or that the losses will not exceed the amount of insurance coverage under existing insurance policies.

Dermapharm has also taken out a directors and officers ("**D&O**") insurance policy that covers the current and future members of the Management Board and Supervisory Board as well as equivalent bodies of other entities of Dermapharm, with a total coverage of up to €40.0 million in total per year and various sublimits depending on the specific nature of claims. The D&O insurance provides for a deductible for all of the members of the Management Board in line with the AktG.

12.12 Litigation

In the course of its business activities, Dermapharm is regularly exposed to numerous legal risks, particularly in the areas of product liability, competition, intellectual property disputes and tax matters (see "*1.2.4 Dermapharm may become involved in various legal proceedings, including patent litigation, which may expose Dermapharm to substantial liability or adversely impact its business.*").

The following legal disputes are the only proceedings with a value exceeding €1.0 million that Dermapharm is currently involved in or was involved in during the past twelve months:

- In 2009, Israel-based SuperMedic (MediLight) Ltd. and various related parties (together "**SuperMedic**") asserted claims for damages and infringement of intellectual property in an aggregate amount of approximately €9.7 million against Anton Hübner GmbH & Co. KG relating to the termination of a distribution agreement between the parties concerning certain products and an alleged trademark infringement concerning the "Tannenblut" trademark in Israel. At the time, Anton Hübner GmbH & Co. KG was owned by Nordzucker AG and filed a counterclaim against SuperMedic for infringement of this trademark, seeking to cancel SuperMedic's registration as owner of the "Tannenblut" trademark in Israel before the Israeli Trademark Office. According to the share purchase agreement between Dermapharm AG and Nordzucker AG dated December 8, 2010, Nordzucker AG was required to bear all financial risks arising from SuperMedic's lawsuit. In May 2017, Anton Hübner GmbH & Co. KG and SuperMedic settled the dispute. SuperMedic agreed to pay compensation in an amount of 100,000 Israeli Shekel (approximately €24,000.00) and to recognize the trademarks asserted by Anton Hübner GmbH & Co. KG, in particular the "Tannenblut" trademark.
- In February 2015, several private health insurance providers filed a class action lawsuit against AxiCorp Pharma GmbH and axicorp Pharma B.V., suing the defendants for payment of the mandatory manufacturer rebate. Like other major importers of pharmaceuticals, Dermapharm disputes the position of private health insurance providers that Dermapharm should offer this manufacturer rebate on its imported pharmaceuticals, since it considers this a violation of the German constitution. In December 2016, AxiCorp Pharma GmbH settled the claims brought against it by paying an aggregate amount of approximately €1.7 million (including interest payments) to the relevant private health insurance providers after a parallel case had been ruled in favor of the private health insurance providers. In November 2017, axicorp Pharma B.V. also settled claims brought against it in respect of rebates in an aggregate amount of approximately €1.2 million. Furthermore, it paid €1.9 million, plus interest in an amount of €0.2 million, in respect of rebates to private health insurance providers for which Dermapharm had already received invoices, but which had not yet been claimed by these private health insurance providers in court. Both AxiCorp Pharma GmbH and axicorp Pharma B.V. have expressly reserved the right to reclaim the amounts paid by them, should the German Federal Supreme Court (*Bundesgerichtshof*) rule in favor of pharmaceutical importers. The plaintiff in the case against axicorp Pharma B.V. has, however, refused to accept such reservation. In its attempt to reclaim its payments, axicorp Pharma B.V. already has an appeal against denial of leave to appeal (*Nichtzulassungsbeschwerde*) pending with the German Federal Supreme Court (*Bundesgerichtshof*) with respect to a case, which Dermapharm believes may serve as a relevant precedent.

- In December 2011, Dermapharm AG filed a lawsuit against UniCredit with the regional court (*Landgericht*) of Munich. Dermapharm demands the rescission of certain currency related swap transactions entered into between Dermapharm AG and UniCredit between 2006 and 2010 as well as compensation for all damages incurred in connection with these swaps. The relevant reference currency for these swaps is the Swiss Franc. Dermapharm is of the opinion that UniCredit has violated its obligation to properly advise Dermapharm on the risks associated with these transactions. As of September 30, 2017, the negative value of swap transactions with UniCredit (*i.e.*, Dermapharm's assumed future payment obligations as of that date) amounted to €7.4 million and was recorded under other financial liabilities on Dermapharm AG's consolidated statement of financial position. The lawsuit was dismissed in the first two instances. Dermapharm has filed an appeal against denial of leave to appeal (*Nichtzulassungsbeschwerde*) with the German Federal Supreme Court (*Bundesgerichtshof*) and currently expects that a ruling on this appeal will be announced during the first quarter of the fiscal year ending December 31, 2018. On December 21, 2015, Dermapharm AG and the Selling Shareholder entered into the Indemnification Agreement, pursuant to which Dermapharm assigned its claims against UniCredit to the Selling Shareholder. In turn, the Selling Shareholder has agreed to assume any payments required from Dermapharm to UniCredit under the currency related swap transactions as well as attorneys' fees in connection with the proceedings at the regional court of Munich, unless Dermapharm AG has set up a provision for such costs in its consolidated statement of financial position as of December 31, 2015 (see "*18.1.2 Indemnification Agreement with respect to UniCredit Litigation*").

Apart from the proceedings described above, Dermapharm is not aware of any governmental, legal or arbitration proceedings (whether pending or threatened) which may have, or have had, a significant effect on Dermapharm's financial position or profitability during the past twelve months.

12.13 Material Agreements

12.13.1 Enterprise Agreements

Various entities of Dermapharm have entered into profit transfer agreements (*Gewinnabführungsverträge*) to create fiscal units for tax purposes. Dermapharm AG as the controlling entity has entered into profit transfer agreements with the following subsidiaries:

- Mibe;
- Mibe Vertrieb GmbH; and
- Hübner Naturarzneimittel GmbH.

In addition, the following other entities of Dermapharm have entered into profit transfer agreements:

- Mibe (as parent company) and acis Arzneimittel GmbH;
- axicorp GmbH (as parent company) and AxiCorp Pharma GmbH; and
- axicorp GmbH (as parent company) and Podolux GmbH.

Under the aforementioned profit transfer agreements, the respective subsidiary is required to transfer its entire profits, if any, to the respective parent company, which in turn is required to assume the subsidiary's losses in any given fiscal year, if any (in each case, as determined by the respective subsidiary's individual annual financial statements prepared in accordance with HGB).

All of the aforementioned profit transfer agreements have a minimum term of five years and may generally be terminated with a six-month notice period and with effect from the end of the respective fiscal year, except for the profit transfer agreement between Dermapharm AG and Hübner Naturarzneimittel GmbH, which provides for a three-month notice period. The right of the respective parties to terminate the relevant profit transfer agreement for due cause without prior notice remains unaffected.

12.13.2 Financing Agreements

Dermapharm has entered into various loan agreements, with the largest loans having been entered into by Dermapharm AG as the borrower. Material loans were also granted to Mibe. In addition to the loan agreements described in detail below, Dermapharm has entered into various other loan agreements and overdraft facilities for smaller amounts.

Many of Dermapharm's loan agreements provide for a joint liability of either Dermapharm AG or the Selling Shareholder or as contractual co-debtors or guarantors. Therefore, generally no further *in rem* security rights are required. However, in relation to a loan granted to Dermapharm in 2008, a land charge was registered on the heritable building right Dermapharm owns with respect to its headquarters in Grünwald. As of September 30, 2017, the outstanding amounts under this loan amounted to €0.6 million.

12.13.2.1 *Promissory Notes of Dermapharm AG*

12.13.2.1.1 2014 Promissory Notes

On November 20, 2014, Dermapharm AG, as borrower, and Bayerische Landesbank, as lender and arranger, entered into promissory note agreements (*Schuldscheindarlehen*), of which an aggregate amount of €71.5 million is still outstanding as of the date of this Prospectus (the "**2014 Promissory Notes**"). The amounts borrowed under the 2014 Promissory Notes were applied towards a refinancing of Dermapharm and general corporate purposes.

The terms of the 2014 Promissory Notes were amended by an amendment agreement dated October 4, 2017, entered into between Dermapharm AG as borrower, Bayerische Landesbank as original lender and agent, the investors holding commitments under the 2014 Promissory Notes, the Selling Shareholder as original guarantor and the Company as new guarantor. The amendments, *inter alia*, relate, to financial covenants and the replacement of the Selling Shareholder as guarantor by the Company. In addition, the investors declared their consent to the termination of the Profit Transfer Agreement.

An amount of €43.5 million under the 2014 Promissory Notes will expire on November 20, 2019, while the remaining €28.0 million will expire on November 20, 2021. The amounts borrowed under the 2014 Promissory Notes must be repaid on the respective due dates in full. Early repayments or a prior termination of the 2014 Promissory Notes is generally not permissible.

2014 Promissory Notes in an amount of €43.5 million bear a fixed interest rate of 177 basis points ("**BPs**") *per annum*, while 2014 Promissory Notes in an amount of €28.0 million bear a fixed interest rate of 220 BPs *per annum*. Depending on Dermapharm's equity ratio, the interest rate for the 2014 Promissory Notes may increase by 50 BPs. Interest is payable on an annual basis on November 20 of each calendar year.

All sums payable under the 2014 Promissory Notes are guaranteed by the Company. No further securities are required under the 2014 Promissory Notes.

The 2014 Promissory Notes entitle Bayerische Landesbank to transfer its rights and obligations to credit institutions, pension funds or insurance companies in partial amounts of €500,000.00 or a multiple thereof, without any further consultations with Dermapharm. This also applies to any new lender who acquired rights and obligations under the 2014 Promissory Notes pursuant to these stipulations.

The 2014 Promissory Notes contain a number of covenants with regards to Dermapharm AG and certain of its subsidiaries, including a negative pledge and *pari passu* clause, restrictions on substantial changes to the core business, a limitation on the disposal of assets and financial covenants relating to the leverage of Dermapharm.

Upon the occurrence of a change-of-control, Bayerische Landesbank is entitled to terminate each 2014 Promissory Note. A change-of-control under the 2014 Promissory Notes occurs if any person or any group of persons acting in concert pursuant to Section 22 para. 2 WpHG acquires at any point in time, directly or indirectly, the majority of the voting rights in the share capital of Dermapharm AG.

Furthermore, the 2014 Promissory Notes provide for customary events of default, including the non-payment of debts or default under any other financial indebtedness by Dermapharm AG or certain of its subsidiaries (cross-default).

12.13.2.1.2 2012 Promissory Notes

On September 19, 2012, Dermapharm AG, as borrower, and Bayerische Landesbank, as lender and arranger, entered into promissory note agreements (*Schuldscheindarlehen*), of which an aggregate amount of €10.0 million is still outstanding as of the date of this Prospectus (the "**2012 Promissory Notes**").

The terms of the 2012 Promissory Notes were amended by an amendment agreement dated October 4, 2017, entered into between Dermapharm AG as borrower, Bayerische Landesbank as original lender and agent, Oberbank Aktiengesellschaft as the sole investor holding 2012 Promissory Notes, the Selling Shareholder as original guarantor and the Company as new guarantor. The terms of the amendment agreement are similar to those of the amendment agreement with respect to the 2014 Promissory Notes.

The 2012 Promissory Notes will expire on September 19, 2019. The 2012 Promissory Notes bear a fixed interest rate of 284 BPs *per annum*. Depending on Dermapharm's equity ratio, the interest rate for the 2014 Promissory Notes may increase by 50 BPs. Interest is payable on an annual basis on September 19 of each calendar year. The remaining terms of the 2012 Promissory Notes are essentially similar to those of the 2014 Promissory Notes.

12.13.2.2 *Loan Agreements of Dermapharm AG*

12.13.2.2.1 Loan Agreement with Bayerische Landesbank

On September 8, 2017, Dermapharm AG, as borrower, and Bayerische Landesbank, as lender, entered into a €60.0 million loan agreement. The funds were utilized to finance the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH (see "*12.13.3.1 Asset Purchase Agreement for bite away® and Herpotherm®*"). The loan expires on September 8, 2022.

The loan is to be repaid in quarterly instalments of €0.95 million, beginning on December 31, 2017, plus one final instalment for any outstanding amounts at the end of the term. The loan bears interest at the aggregate of the EURIBOR on a three-month or six-month basis (depending on the relevant interest period), but at least 0.0%, plus a margin of 130 BPs *per annum* on any outstanding amounts. Interest becomes due and payable at the end of the relevant interest period, which may be either three months or six months.

The loan agreement provides for joint liability of the Company, Mibe and axicorp with respect to all claims and liabilities arising from the loan. In addition, Dermapharm AG is required to ensure that any of its subsidiaries that are regarded material subsidiaries as defined in the loan agreement accede to the loan agreement as co-debtors. Furthermore, the loan agreement provides for the assignment of all claims Dermapharm AG may have under the agreement for the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH in order to secure the claims of Bayerische Landesbank under the loan.

Upon a change-of-control, any outstanding amounts under the loan immediately become due and payable. A change-of-control occurs if any person, other than the Selling Shareholder, directly or indirectly holds 50% or more of the share capital or voting rights in Dermapharm AG.

The loan agreement contains a number of covenants, including negative pledges, a maximum leverage of Dermapharm and an obligation not to terminate the profit transfer agreement between Dermapharm AG and Mibe.

12.13.2.2.2 Loan Agreement with COMMERZBANK Aktiengesellschaft

On September 14, 2017, Dermapharm AG, as borrower, and COMMERZBANK Aktiengesellschaft, as lender, entered into a €50.0 million loan agreement. The funds were utilized to finance the acquisition of Bio-Diät-Berlin (see "*12.13.3.2 Share Purchase Agreement for Bio-Diät-Berlin*"). The loan expires on September 30, 2022.

The loan is to be repaid in quarterly instalments of €625,000.00, beginning on December 30, 2017, plus one final instalment for any outstanding amounts at the end of the term. The loan bears interest at the aggregate of the EURIBOR on a three-month basis, but at least 0.0%, plus a margin of 120 BPs *per annum* on the outstanding amounts. Depending on Dermapharm's equity ratio, the margin may increase by 50 BPs *per annum*. Interest becomes due and payable at the end of each three-month period.

The loan agreement provides for joint liability of the Company with respect to all claims and liabilities arising from the loan.

Upon a change-of-control, COMMERZBANK Aktiengesellschaft may terminate the loan immediately and without observing any notice period, in which case any outstanding amounts become due and payable. A change-of-control occurs if any person, other than the Selling Shareholder, holds 50% or more of the voting rights in the Company.

The loan agreement contains a number of covenants, including negative pledges, a maximum leverage of Dermapharm and an obligation not to terminate any of the existing profit transfer agreements between Dermapharm AG and its subsidiaries.

12.13.2.2.3 Loan Agreement with Raiffeisen Landesbank Oberösterreich

On September 14, 2017, Dermapharm AG, as borrower, and Raiffeisen Landesbank Oberösterreich, as lender, entered into a €20.0 million loan agreement. Dermapharm AG utilized the funds to refinance a portion of its promissory notes issued in 2011, which became due and payable on September 19, 2017. The loan expires on September 30, 2022.

The loan is to be repaid in quarterly instalments of €250,000.00, beginning on December 31, 2017, plus one final instalment for any outstanding amounts at the end of the term. The loan bears interest at the aggregate of the EURIBOR on a three-month basis, but at least 0.0%, plus a margin of 140 BPs *per annum* on any outstanding amounts. Depending on Dermapharm's equity ratio, the margin may increase by 50 BPs *per annum*. Interest becomes due and payable at the end of each three-month period.

The Company has acceded to the loan agreement as a co-debtor.

Upon a change-of-control, Raiffeisen Landesbank Oberösterreich may terminate the loan immediately and without observing any notice period, in which case any outstanding amounts become due and payable. A change-of-control occurs if any person or any group of persons acting in concert acquire(s), directly or indirectly, the majority of the share capital and/or voting rights in Dermapharm AG.

The loan agreement contains a number of covenants, including negative pledges and a maximum leverage of Dermapharm.

12.13.2.2.4 Loan Agreement with Deutsche Postbank AG

On September 14, 2017, Dermapharm AG, as borrower, and Deutsche Postbank AG, as lender, entered into a €20.0 million loan agreement. Dermapharm AG utilized the funds to refinance a portion of its promissory notes issued in 2011, which became due and payable on September 19, 2017. The loan expires on September 19, 2022.

Any amounts outstanding under the loan agreement must be repaid in full on September 19, 2022. In general, early repayments are not permitted. The loan bears interest at the aggregate of the EURIBOR on a six-month basis, but at least 0.0%, plus a margin of 85 BPs *per annum* on any outstanding amounts. Depending on Dermapharm's equity ratio, the margin may increase by 50 BPs *per annum*. Interest becomes due and payable at the end of each six-month period.

The loan agreement provides for a joint liability of the Selling Shareholder.

Upon a change-of-control, Deutsche Postbank AG may terminate the loan immediately and without observing any notice period, in which case any outstanding amounts become due and payable. A change-of-control occurs if any person, other than the Selling Shareholder, holds 50% or more of the voting rights in Dermapharm AG.

The loan agreement contains a number of covenants, including negative pledges and a maximum leverage of Dermapharm.

12.13.2.2.5 Loan Agreement with Baden-Württembergische Bank

On December 4, 2017, Dermapharm AG, as borrower, and Baden-Württembergische Bank, as lender, entered into a €80.0 million loan agreement. Dermapharm AG will utilize the funds from the loan agreement as bridge financing to partially finance its future capital expenditures, in particular the acquisition of Trommsdorff (see "*10.5.3.2 Principal Capital Expenditures since December 31, 2016 and Principal Ongoing Capital Expenditures*"). As of the date of this Prospectus, loan by Baden-Württembergische Bank is fully drawn.

Any amounts drawn under the loan agreement must be repaid by November 30, 2018 and will bear interest an interest rate which is the aggregate of the EURIBOR on a three-month basis, but no less than 0.0%, and a margin of 75 BPs *per annum*.

The loan agreement provides for a joint liability of the Company.

Upon a change-of-control, any amounts outstanding under the loan agreement immediately become due and payable. A change-of-control occurs if any person, other than the Selling Shareholder or the Company, directly or indirectly holds 50% or more of the share capital or voting rights in Dermapharm AG.

The loan agreement with Baden-Württembergische Bank contains a number of covenants, including a negative pledge and a maximum leverage covenant of Dermapharm. Baden-Württembergische Bank is entitled to terminate the loan agreement in case of an event of default, including if Dermapharm AG defaults under its other financial obligations (cross-default), unless such financial indebtedness does not amount to more than €5.0 million.

12.13.2.3 *Loan Agreements of Mibe*

12.13.2.3.1 Loan Agreement with Bayerische Landesbank

Pursuant to a loan agreement dated December 11, 2006, Bayerische Landesbank, acting as lender, granted Mibe, acting as borrower, a loan in an aggregate amount of €10.0 million, which was paid out to Mibe in four tranches of €2.5 million each between June 6, 2007, and June 30, 2008. The loan amount was applied towards expansion investments regarding Dermapharm's facilities in Brehna.

The loan amount must be repaid in two annual instalments of €0.5 million each beginning on December 30, 2008 and ending on June 29, 2018. As of the date of this Prospectus, an amount of €1.0 million remains outstanding under the loan with Bayerische Landesbank. The loan bears an interest rate which is the aggregate of the EURIBOR on a one-month, two-month or three-month basis (depending on the interest period chosen by Mibe) and a margin of 150 BPs *per annum*.

Mibe has granted Bayerische Landesbank a land charge over its property in Brehna securing an amount of €12.9 million. In addition, Dermapharm AG issued a comfort letter for the benefit of Bayerische Landesbank.

The loan with Bayerische Landesbank contains a number of covenants, including a negative pledge and *pari passu* clause, a limitation on the disposal of assets, restrictions regarding the payment of dividends and financial covenants relating to the equity ratio and leverage of Dermapharm.

12.13.2.3.2 Loan Agreement with IKB Deutsche Industriebank

On December 14, 2006, Mibe, acting as borrower, and IKB Deutsche Industriebank, acting as lender, entered into a loan agreement over an amount of €10.0 million, which provides for a joint liability of Dermapharm AG with respect to all outstanding amounts thereunder. Apart from the joint liability, as to its purpose, term, interest rates, *in rem* transaction securities and covenants, the loan with IKB Deutsche Industriebank is essentially similar to the stipulations provided by the loan with Bayerische Landesbank. With regards to the *in rem* transaction securities IKB Deutsche Industriebank and Bayerische Landesbank entered into a collateral pooling agreement. As of the date of this Prospectus, an amount of €1.0 million is outstanding under the loan agreement with IKB Deutsche Industriebank.

12.13.3 Purchase Agreements

12.13.3.1 *Asset Purchase Agreement for bite away® and Herpotherm®*

On September 4, 2017, Dermapharm entered into an agreement for the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH. The acquisition was completed on September 20, 2017. The acquired division has an innovative portfolio of medical devices, including bite away®, a device selectively targeting mosquito and insect stings, and Herpotherm®, which is used for the treatment of herpes blisters. In addition, Dermapharm acquired a development project for the medical device Pruritherm®, which is used to treat dermatitis and its accompanying symptoms. The acquired assets include the intellectual property rights, the technical know-how of the division, the commercial know-how, required regulatory approvals as well as relevant inventories. Moreover, the employment relationships of some employees of Riemser Pharma GmbH were transferred to Dermapharm at the closing date.

12.13.3.2 *Share Purchase Agreement for Bio-Diät-Berlin Gesellschaft mit beschränkter Haftung*

On September 21, 2017, Dermapharm entered into an agreement for the acquisition of all shares in Bio-Diät-Berlin. The acquisition was completed on October 1, 2017. The acquired companies are manufacturing and marketing phytopharmaceuticals (herbal medicines) as well as homoeopathics and natural cosmetics. Kräuter Kühne GmbH operates 16 sales outlets, an online shop and related services.

12.13.3.3 *Share Purchase Agreement for Trommsdorff*

On December 12, 2017, Dermapharm entered into a sale and purchase agreement for the acquisition of all shares in Trommsdorff. The acquisition was completed on January 23, 2018. Trommsdorff manufactures and markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia. Trommsdorff also serves its former parent group as a toll manufacturer. In the fiscal year ended December 31, 2016, Trommsdorff generated aggregate revenues of €52.0 million and EBITDA of €10.6 million (based on Trommsdorff's financial statements prepared in accordance with HGB).

12.13.3.4 *Share Purchase Agreement for Strathmann*

On December 20, 2017, Dermapharm entered into a purchase agreement for the acquisition and transfer of all shares in Strathmann, which distributes a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. In addition, Strathmann recently obtained a marketing authorization for a prescription pharmaceutical for the treatment of muscle spasms and muscle aches and Dermapharm believes that this new product offers significant market potential. In the fiscal year ended December 31, 2016, Strathmann generated aggregate revenues of €27.9 million and EBITDA of €3.7 million (based on Strathmann's financial statements prepared in accordance with HGB).

12.13.4 Rebate Agreements with SHI Providers

Pursuant to Section 130a para. 8 Social Code V, SHI providers may enter into rebate agreements with pharmaceuticals manufacturers in relation to a specific pharmaceutical, a group of pharmaceuticals containing the same APIs or specific dosage forms of APIs. Before entering into such rebate agreements, SHI providers will generally initiate a tender process in order to identify and select the manufacturer who is willing to grant the highest rebate on its pharmaceuticals. Therefore, SHI providers may be able to offer their insured persons a pharmaceutical well below the official selling price. Tender processes may also be initiated by several SHI providers acting jointly through a common representative.

Rebate agreements may offer the relevant pharmaceutical manufacturer(s) different degrees of exclusivity. Often, the agreement is not awarded to a single manufacturer, but to the three offering the most attractive rebates (semi-exclusive agreements). Rebate agreements may also provide for comprehensive exclusivity (*i.e.*, the relevant SHI provider may not enter into any other rebate agreements with respect to the same pharmaceutical during the term of the agreement). Furthermore, a rebate agreement may expressly state that the SHI provider is free to enter into an unlimited number of additional rebate agreements or open-house agreements).

As of the date of this Prospectus, Dermapharm has entered into 1,120 rebate agreements with 113 different SHI providers, covering 37 different pharmaceuticals (753 exclusive rebate agreements, 204 semi-exclusive agreements and 163 open-house agreements).

The relevant SHI provider will usually prepare a quarterly invoice based on the volume of the relevant pharmaceutical dispensed in order to obtain the agreed rebate. Rebate agreements generally provide for comprehensive adjustment clauses (*e.g.*, in the event of an increase or reduction of the ex-factory price for the relevant pharmaceutical). Such clauses may also provide termination rights for the benefit of the relevant pharmaceutical manufacturer if such rebate adjustments make the agreement economically unviable. Furthermore, rebate agreements often also provide for an automatic termination or a termination right for the benefit of the relevant SHI provider if the ex-factory price exceeds the reference price and the pharmaceutical manufacturer refuses to provide an additional rebate.

Rebate agreements generally have a term of two years, notwithstanding terminations without notice for cause. The pharmaceutical manufacturer is required to guarantee that it can supply wholesalers and pharmacies with the relevant pharmaceuticals during the duration of the agreement. In case of a breach of this guarantee, many rebate agreements provide for contractual penalties (*Vertragsstrafen*) to be borne by the pharmaceutical manufacturer. Such penalties are usually calculated on a daily or weekly basis, taking into account the volume of pharmaceuticals dispensed during the relevant period.

13. REGULATORY AND LEGAL ENVIRONMENT

Dermapharm's business is subject to numerous laws and regulations including provisions on the development, manufacturing, approval process, labelling, distribution, pricing and/or marketing of Dermapharm's pharmaceuticals and other healthcare products.

While the relevant laws and regulations are typically of a national scope, within the European Union, a considerable degree of regulatory harmonization exists in a number of areas relevant to Dermapharm's business, such as in the approval process of pharmaceuticals. The European Union has created a common regulatory framework that applies not only on Dermapharm's most important market Germany but in all member states of the European Union and comprises directives and regulations. Directives only become effective once they are enacted in a member state of the European Union and the implementation of directives may vary between member states. Regulations, however, do not require implementation into national law and apply directly and uniformly in all member states of the European Union. In addition, EEA Member States (e.g., Switzerland) have enacted national regulatory frameworks that are somewhat similar to the framework applicable in the European Union.

13.1 Pharmaceuticals

Dermapharm's activities as a manufacturer and importer of pharmaceuticals (*Arzneimittel*) in the German pharmaceuticals market are subject to laws and regulations on the level of the European level as well as on a national level in Germany. These laws and regulations generally apply to prescription pharmaceuticals and OTC products and contain, *inter alia*, provisions on the testing, safety, efficacy, approval, manufacturing, labeling (including warnings), promotion, marketing and post-marketing surveillance of pharmaceuticals.

13.1.1 Definition of Pharmaceuticals

According to the harmonized European definition of pharmaceuticals set forth in Article 1 of the Medicinal Products Directive, which is also reflected in Section 2 para. 1 AMG, pharmaceuticals for human use are substances or preparations made from substances which (i) are intended for use on or in the human body, and as remedies with properties for curing, alleviating or preventing human diseases or disease symptoms, or (ii) can be used in or on the human body or can be administered to a human being either to restore, correct or influence the physiological functions through a pharmacological, immunological or metabolic effect, or to make a medical diagnosis. Products categorized as foodstuffs, food supplements or cosmetics are never pharmaceuticals and subject to specific laws (see "*13.3 Healthcare Products*"). The oftentimes difficult distinction is based on an extensive body of case law.

13.1.2 Market Introduction of Pharmaceuticals

As a manufacturer of patent-free pharmaceuticals, Dermapharm does not conduct any basic medical research (*Grundlagenforschung*) and its pharmaceuticals are based on existing APIs. However, pursuant to Section 21 para. 1 AMG, pharmaceuticals may generally only be marketed in Germany for a specific medical indication after receipt of a marketing authorization from the competent governmental authority. Therefore, Dermapharm is required to obtain such marketing authorizations before introducing additional pharmaceuticals to its product portfolio.

13.1.2.1 *Application Process for Patent-free Pharmaceuticals with Sufficient Data on the Originator Pharmaceutical*

The approval process for patent-free pharmaceuticals typically does not require pre-clinical and clinical studies, instead relying on the previously conducted clinical studies which established the safety and efficacy of the originator pharmaceutical and allowing Dermapharm to reference this pharmaceutical in its application documentation. The marketing authorization may be obtained in a centralized procedure through the EMA and the European Commission, if the reference pharmaceutical has obtained its marketing authorization through a centralized European procedure, or in a national procedure through the competent regulatory authority of the relevant member state (see "*13.1.2.3 Marketing Authorizations for Pharmaceuticals*").

Pursuant to Section 24b para. 1 AMG, Dermapharm is free to refer to the clinical and non-clinical part of the documentation submitted in a previous application relating to an originator pharmaceutical regardless of the previous applicant's approval, provided that the marketing authorization for the originator pharmaceutical has been issued for at least eight years in Germany or another member state of the European Union. Therefore, Dermapharm is only required to prove the bioequivalence of its patent-free pharmaceutical to the originator pharmaceutical that serves as a reference pharmaceutical in Dermapharm's application.

Dermapharm must submit data to the relevant governmental authorities and prove with bioavailability studies that its patent-free pharmaceutical is bioequivalent to the originator pharmaceutical. Such studies compare the bioavailability between pharmaceuticals and, when established, indicate whether the rate and extent of absorption of a patent-free pharmaceutical in the body are substantially equivalent to the originator pharmaceutical. Two pharmaceuticals are therapeutically equivalent if they are pharmaceutically equivalent (patent-free pharmaceuticals must contain the same APIs as the originator pharmaceuticals) and if after administration in the same molar dose, their effects with respect to both efficacy and safety are essentially the same as those derived from applicable studies (*e.g.*, bioequivalence, pharmacodynamics, clinical or *in vitro* studies). Patent-free pharmaceuticals are considered essentially similar to the originator pharmaceutical in terms of dosage, strength, route of administration, safety, efficacy and intended use.

The most common process to assess bioequivalence is an analysis of the plasma concentration time-profile data from a bioequivalence study typically involving 12 to 40 volunteers. However, this analysis is not suitable for certain complex pharmaceuticals and other bioequivalence studies must be performed. In some cases, pharmacodynamics studies can establish equivalence. In other instances, this type of study cannot be performed due to a lack of meaningful measurable pharmacodynamics parameters, and a comparative clinical study is required in order to demonstrate equivalence between two formulations. Clinical studies which are undertaken to prove equivalence are subject to the same statistical principles applying to other clinical studies (see "*13.1.2.2 Application Process for Patent-free Pharmaceuticals without Sufficient Data on the Originator* Pharmaceutical"). The number of patients to be included in an equivalence study will depend on the variability of the target parameters and the acceptance range, and is usually much higher than the number of patients in the other studies.

13.1.2.2 *Application Process for Patent-free Pharmaceuticals without Sufficient Data on the Originator Pharmaceutical*

If Dermapharm is unable to refer to sufficient data from a previous application when applying for a marketing authorization, it must conduct original clinical studies to obtain the required data. Such clinical studies are subject to strict requirements of good clinical practice, promulgated by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use ("**ICH**"), and adopted into European and national law through Regulation (EU) no. 536/2014 of the European Parliament and of the Council of April 16, 2014 on clinical studies on medicinal products for human use and the complementary national laws in individual member states of the European Union (*e.g.*, the AMG in Germany).

In Germany, clinical studies may only commence if a competent ethics committee has issued a favorable opinion and the clinical study has been authorized by the competent federal authority, which in most cases is the Federal Institute for Drugs and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*). The specific requirements to be met in order to receive the authorization are set forth in Sections 40 through 42 AMG. Reasons for denying or repealing the authorization include (i) the incompleteness of the submitted documents, (ii) the non-compliance of the submitted documents (*e.g.*, the protocol, the investigator's brochure, and the modalities for selecting subjects) with the current state of scientific knowledge or a lack of proof of safety or efficacy of the pharmaceutical, and (iii) findings which indicate that the testing facility is not suitable to conduct the clinical study. The results of confirmatory clinical studies must be submitted to the competent regulatory authority for entry into a database-supported information system within six months after the pharmaceutical received its marketing authorization. Data from the information system is to be transmitted to relevant national authorities and the EMA. If a clinical study is conducted without reference to an existing pharmaceutical, Dermapharm has to make the results of its study available within one year of completion thereof.

Clinical studies are generally conducted sequentially in four phases, although there may be overlap or omissions (in particular, Dermapharm generally only conducts Phase I and Phase III studies, see ("*12.4.1.3 Development*")):

- In Phase I, clinical studies are initially conducted in a limited clinical study population to evaluate the safety profile of a pharmaceutical candidate and the range of doses that can be administered, including the maximum tolerated dose that can be administered. The APIs are usually tested on healthy volunteers to determine tolerability and to study the effects of APIs at their tissue sites of action (*i.e.*, pharmacodynamic effects) as well as the absorption, distribution, metabolism and excretion of APIs in the body (*i.e.*, pharmacokinetic effects). Bioequivalence studies are also considered Phase I clinical studies.

- In Phase II, testing takes place on between 50 and 500 voluntary patients. The results in this phase allow the evaluation of the efficacy of the pharmaceutical candidate for specific indications, the determination of the candidate's optimal dosage and further collection of data to describe the candidate's safety profile. This phase also aims to determine pharmacokinetic differences between healthy and ill persons.

- Phase III is the most important phase to the development of new pharmaceuticals. The pharmaceutical candidate is tested in randomized studies comparing it to an approved form of therapy in an expanded and well-defined patient population, usually recruited from a large number of hospitals and medical practices. When no alternative comparison is available, pharmaceutical candidates may be tested against a placebo. Stringent criteria of statistical significance apply to Phase III studies, which are sometimes referred to as registration or pivotal studies and are usually undertaken once Phase II clinical studies suggest that the pharmaceutical candidate is effective and has an acceptable safety profile, and an effective dosage has been identified. The goal of Phase III studies is to demonstrate evidence of a clinical benefit, usually expressed as a positive benefit-risk assessment for the pharmaceutical candidate in the relevant patient population.

- Phase IV studies close the study sequence after the marketing authorization has been granted and consist of post-marketing surveillance. They aim to ensure safety for patients based on ongoing and long-term monitoring (*e.g.*, to identify rare side effects or side effects attributable to previously unknown outside influences). Phase IV studies may be required by competent regulatory authorities. In addition, Dermapharm may decide to initiate such studies voluntarily (*e.g.*, to identify a new market for its pharmaceuticals).

13.1.2.3 *Marketing Authorizations for Pharmaceuticals*

If Dermapharm is able to meet the documentation requirements for the approval process, the competent regulatory authority will grant the desired marketing authorization. The authorization process usually takes more than a year and may even last several years, depending on the nature and proposed use of the pharmaceutical under review, the quality of the submitted data collected during the development process, and the efficiency of the relevant competent regulatory authority. In the European Union, approval and manufacturing is comprehensively regulated at both the European level and the national level in each member state. The European legal framework for approval and manufacturing has been developed and amended on numerous occasions in recent decades, with an increasing tendency to shift decision-making and proceedings from the national to the European level.

There are four registration procedures with different regional coverages available to Dermapharm:

- The European centralized procedure is set forth in Regulation (EC) 726/2004 of the European Parliament and of the Council of March 31, 2004 laying down community procedures for the authorization and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency (the "**EMA Regulation**"). When the required documentation is submitted to the EMA, the Committee for Medicinal Products for Human Use ("**CHMP**") carries out a scientific evaluation. The CHMP opinion is then transmitted to the European Commission for its separate opinion, which, if also favorable, results in a marketing authorization which is valid in all member states of the European Union. The centralized procedure is mandatory for certain pharmaceuticals listed in the EMA Regulation. For all other pharmaceuticals, Dermapharm may choose to submit a voluntary application for a centralized marketing authorization if the reference pharmaceutical has obtained a centralized marketing authorization or certain other requirements are met. However, Dermapharm has so far never used this centralized European procedure.

- Dermapharm may also use the mutual recognition procedure, if it intends to sell a pharmaceutical in more than one member state, but not necessarily throughout the entire European Union. This procedure is set forth in the Medicinal Products Directive and implemented into German law through the AMG. If a marketing authorization for a pharmaceutical has already been granted in one member state, other member states will normally grant additional marketing authorizations in a facilitated procedure based on the European principle of mutual recognition. Such authorizations are granted on the basis of an assessment report transmitted by the relevant member state in which the original marketing authorization was granted, unless there is reason to believe that the relevant pharmaceutical would represent a serious risk to public health. Dermapharm may use the aforementioned procedure in order to introduce its existing products to new markets in the European Union.
- If no marketing authorization has been granted in any member state of the European Union yet, Dermapharm must submit the application documentation to all competent authorities in the respective member states where Dermapharm seeks approval and select a reference member state. Dermapharm usually selects Germany or Austria for this purpose. The chosen member state must then produce an assessment report, a summary of the characteristics of the relevant pharmaceutical, the labelling and leaflet, and transmit these documents to the authorities in the other member states where Dermapharm is seeking approval. These other member states will then mutually recognize the decision of the regulatory authority of the chosen member state. This procedure is also set forth in the Medicinal Products Directive and implemented into German law through the AMG. The aforementioned procedure is the preferred procedure for Dermapharm's product introductions with respect to both new and existing products.
- Finally, Dermapharm can obtain a national marketing authorization under German law, which mostly reflects the requirements of the Medicinal Products Directive. The Federal Institute for Drugs and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*) is the competent regulatory authority to grant such marketing authorization. The required documentation is set forth in Sections 22 through 24b AMG. Pursuant to Sections 25 and 30 AMG, the application may be rejected for various reasons (*e.g.*, incompleteness of the submitted documentation, insufficient testing, non-compliance of the manufacture process with recognized pharmaceutical rules or appropriate quality standards, lack of therapeutic efficacy, or an unfavorable benefit/risk profile). The marketing authorization expires after five years, unless renewed, or if the pharmaceutical has not been placed on the market within three years after the marketing authorization was granted, or is removed from the market for at least three successive years. If a marketing authorization was received for a patent-free pharmaceutical through reference to the authorization documentation of the existing pharmaceutical, such patent-free pharmaceutical may only be placed on the market after ten years have elapsed since the first marketing authorization was granted for the reference pharmaceutical. Under certain circumstances, this period is extended to 11 years. Dermapharm will only rarely seek an isolated national marketing authorization.

13.1.3 Manufacturing

According to Section 13 AMG, commercial pharmaceuticals manufacturers based in Germany generally require a manufacturing authorization granted by the competent governmental authority of the relevant federal state. The AMG defines manufacturing as producing, preparing, formulating, treating or processing, filling as well as decanting, packaging, labelling and releasing pharmaceuticals. To obtain the relevant authorization, a manufacturer must have at least one person that has expert knowledge and is able to ensure that each batch of a pharmaceutical is manufactured and tested in accordance with the applicable regulations. Such expert knowledge is proven either through a license to practice as a pharmacist or a diploma in pharmacy, chemistry, biology or human medicine attained upon completion of university studies. In addition, a period of at least two years of practical experience in the field of the qualitative and quantitative analysis and other quality testing of pharmaceuticals is required. Special knowledge is, *inter alia*, required for the manufacturing and testing of blood preparations, human plasma, allergens, test plasma and test antigens.

The Ordinance on the Application of Good Manufacturing Practice in the Manufacture of Pharmaceuticals and Active Pharmaceutical Ingredients and on the Good Professional Practice in the Manufacture of Products of Human Origin (*Verordnung über die Anwendung der guten Herstellungspraxis bei der Herstellung von Arzneimitteln und Wirkstoffen und über die Anwendung der guten fachlichen Praxis bei der Herstellung von Produkten menschlicher Herkunft*) provides specific requirements as to the overall quality management systems personnel, premises and facilities, hygiene, documentation, labelling, and storage in relation to the manufacturing systems. This ordinance largely reflects and refers to the requirement of GMP as set forth in the European Guidelines on Good Manufacturing Practice for Medicinal Products for Human and Veterinary Use, which are published pursuant to Article 47 para. 2 of the Medicinal Products Directive and specify GMP as prescribed by Commission Directive 2003/94/EC of October 8, 2003 laying down the principles and guidelines of good manufacturing practice in respect of medicinal products for human use and investigational medicinal products for human use.

13.1.4 Labelling

In Germany, the labelling of pharmaceuticals is governed by Sections 10 and 11 AMG, largely reflecting the requirements set forth in Title V of the Medicinal Products Directive. These provisions determine the information that has to be displayed on the container and, if used, on the outer packaging of pharmaceuticals as well as the information to be contained in the leaflet.

The information on the container and, if used, on the outer packaging of finished pharmaceuticals must be displayed in the German-language and easily comprehensible and, *inter alia*, include the name and address of the pharmaceutical manufacturer, the name of the pharmaceutical, information stating whether the pharmaceutical is intended for administration to babies, children or adults, the marketing authorization number, the batch number, the strength, dosage form and method of administration, the APIs, the content by weight, volume or number of items, the expiry date and, if applicable, a note that the relevant pharmaceutical requires a prescription and can only be obtained through a pharmacy.

Pharmaceuticals may only be marketed with a package leaflet bearing the heading instructions for use (*Gebrauchsinformation*) and containing, in the prescribed order, information such as the name of the pharmaceutical, the APIs or indication group or the mode of administration, the therapeutic indications, information to be read before using the pharmaceutical (*e.g.*, contra-indications), precautions and interactions with other pharmaceuticals, instructions for normal use, information on potential adverse effects and a directions on where to inspect the expiry date. Such information must be easily legible and comprehensible and is to be provided in the German language.

From February 9, 2019 on, Commission Delegated Regulation (EU) 2016/161 of October 2, 2015 supplementing the Directive 2001/83/EC will apply to the packaging of most pharmaceuticals and require certain information to be contained in a unique identifier in the form of a two-dimensional barcode that must be placed on the packaging of the relevant pharmaceutical. The unique identifier must consist of the following data elements: a code allowing for the identification of at least the name, the common name, the pharmaceutical form, the strength, the package size and the package type of the pharmaceutical, a serial number consisting of a numeric or alphanumeric sequence of no more than 20 characters, generated by a deterministic or a non-deterministic randomization algorithm, a national reimbursement number or other national number identifying the pharmaceutical, if required by the member state where the pharmaceutical is intended to be placed on the market, the batch number and the expiration date. In addition, an anti-tampering device must be added to the packaging, allowing the verification of whether the packaging of the relevant pharmaceutical has been tampered with. While OTC and other healthcare products are generally exempt from these requirements, some OTC products are specifically included in the scope of this regulation.

13.1.5 Promotion and Improper Benefits

The promotion of pharmaceuticals in Germany is regulated by the German Drug Advertisement Act (*Heilmittelwerbegesetz* ("**HWG**")). Prescription pharmaceuticals may only be advertised among expert circles (*i.e.*, healthcare professionals, healthcare facilities and other persons authorized to trade pharmaceuticals). Such advertisements may not be misleading, must disclose specific information and may not refer to certain sources (*e.g.*, recommendations of scientists, patient histories and thank-you letters, letters of appreciation and letters of recommendation by third parties).

Providing benefits for the promotion of pharmaceuticals is generally prohibited. Violations of the HWG may constitute criminal or administrative offenses (*Straftaten oder Ordnungswidrigkeiten*). Pursuant to Section 299b of the German Criminal Code (*Strafgesetzbuch*), any person offering promising or providing benefits to a healthcare professional to entice such professional to favor that person when prescribing, sourcing or administering pharmaceutical or medical devices (*Medizinprodukte*), faces a prison term of up to three years or a fine.

13.1.6 Distribution

13.1.6.1 *Distribution to Patients*

In Germany, the AMG provides that pharmaceuticals may generally only be sold to end consumers in pharmacies. There are statutory exemptions for, *inter alia*, natural curative waters as well as their salts, therapeutic clays, moor muds for baths and other peloids, soaps for external use, plants and parts of plants, distillates made from plants, juices pressed from fresh plants if they are prepared without the use of solvents other than water, plasters and disinfectants intended exclusively or mainly for external use as well as disinfectants for the mouth and throat area. In addition, the German Ordinance on Pharmacy-Only and Free Market Pharmaceuticals (*Verordnung über apothekenpflichtige und freiverkäufliche Arzneimittel*) provides the same exemption for certain pharmaceuticals containing specific substances. However, the ordinance also requires that certain pharmaceuticals exempt under the AMG may nevertheless only be sold in pharmacies.

German law further distinguishes between prescription pharmaceuticals (*i.e.*, pharmaceuticals which may only be provided to patients based on a prescription issued by a doctor) and non-prescription pharmaceuticals that may be sold to patients at pharmacies without a prescription (OTC products). The Ordinance on the Mandatory Prescription of Pharmaceuticals (*Verordnung über die Verschreibungspflicht von Arzneimitteln* (the "**Prescription Ordinance**")) lists specific substances and any pharmaceuticals containing these substances are prescription pharmaceuticals, while all other pharmaceuticals are OTC products.

Pharmaceuticals may also be distributed to patients via mail order. However, a distributor residing in Germany requires specific licenses according to the German Act on Pharmacies (*Gesetz über das Apothekenwesen* ("**ApoG**")). In addition, distributors require a specific authorization for the distribution of pharmaceuticals via mail order pursuant to Sections 43 para. 1 AMG and Section 11a ApoG. In general, distribution via mail order may include prescription pharmaceuticals as well as OTC products. According to the Ordinance on the German Operation of Pharmacies (*Apothekenbetriebsordnung*), however, distribution via mail order is not permitted if the safe application of the pharmaceutical requires a personal consultation, or if the pharmaceutical contains certain substances. According to Section 73 para. 1 no. 1a AMG, the distribution of pharmaceuticals to patients in Germany via mail order by pharmacies residing in another member state of the EEA ("**EEA Member State**") is permitted if a marketing authorization for the relevant pharmaceutical has been granted in Germany and the EEA Member State in which the pharmacy resides provides comparable safety standards in relation to the operation of pharmacies. The German Federal Ministry of Health (*Bundesministerium für Gesundheit*) compiles a list of countries of EEA Member States that have established comparable safety standards, which is published in, and periodically updated, in the German Federal Gazette (*Bundesanzeiger*).

13.1.6.2 *Distribution to Pharmaceutical Wholesalers, Pharmacies, Doctors and Hospitals*

The distribution of pharmaceuticals to pharmaceutical wholesalers and pharmacies is unrestricted, although they require a specific license to operate their businesses. By comparison, the distribution of pharmaceuticals to doctors, hospitals and certain other facilities is highly restricted and only certain pharmaceuticals listed in Section 47 AMG may be distributed to these costumer groups.

13.1.7 Monitoring and Supervision

Even after obtaining a marketing authorization, a pharmaceutical and its manufacturer remain subject to monitoring. The competent regulatory authority may have granted the relevant marketing authorization under the condition that additional analytical and pharmaceutical-toxicological tests or clinical studies are carried out. Such additional studies may also be conducted on a voluntary basis. Pursuant to Commission Regulation (EC) no. 1234/2008 of November 24, 2008 concerning the examination of variations to the terms of marketing authorizations for medicinal products for human use and veterinary medicinal products, as amended, the competent regulatory authority must be notified of certain changes after the marketing authorization has been granted (*e.g.*, changes to the summary of the pharmaceutical's characteristics and any conditions, obligations, or restrictions affecting the marketing authorization, or changes to the labelling or the packaging leaflet connected with changes to the summary of the pharmaceutical's characteristics). Changes to the marketing authorization may even require approval by the competent governmental authority or obtaining a new marketing authorization.

In addition, the holder of a marketing authorization has to comply with the comprehensive framework on pharmacovigilance laid down in the Medicinal Products Directive, Directive 2010/84/EU of the European Parliament and of the Council of December 15, 2010 and Regulation (EU) 1235/2010 of the European Parliament and of the Council of December 15, 2010 (the "**Pharmacovigilance Regulation**"), as well as national legislation implementing the Pharmacovigilance Regulation (*e.g.*, Sections 62 through 63j AMG in Germany). The Pharmacovigilance Regulation, *inter* alia, requires the holder of a marketing authorization to have a qualified person responsible for pharmacovigilance, maintain and make available a pharmacovigilance system master file, operate a risk management system for each pharmaceutical and record all suspected adverse reactions which are brought to his attention and make these reports accessible. In addition, such holder must submit periodic safety update reports to the EMA. However, holders of marketing authorizations are generally exempt from the requirement to provide such safety update reports, unless the relevant pharmaceutical contains APIs for which the EMA requires such safety update reports. The Pharmacovigilance Regulation provides for specific labelling requirements with respect to certain pharmaceuticals which are on a list of medicinal products subject to additional monitoring. Such pharmaceuticals must bear on their packaging and the leaflet the disclaimer "This medicinal product is subject to additional monitoring", together with a black triangle.

Facilities where pharmaceuticals are manufactured, tested, stored, packaged or placed on the market, or in which any other form of trade with pharmaceuticals takes place, are subject to supervision by the competent governmental authority, which will, *inter alia*, monitor compliance with the rules on the trade in pharmaceuticals, on active substances and other substances intended for use in the manufacture of pharmaceuticals, and on advertising of pharmaceuticals. The competent governmental authorities may conduct unannounced inspections where necessary and stipulate effective follow-up measures (*e.g.*, testing of pharmaceutical samples, marketing restrictions and recalls).

13.1.8 Pricing and Reimbursements

Regulations with respect to pricing of, and reimbursement for, pharmaceuticals are not harmonized in the European Union and are therefore subject to the exclusive jurisdiction of the member states. Consequently, reimbursement mechanisms by SHI providers and private health insurance providers vary from country to country. While the margins of pharmacies and wholesalers in relation to prescription pharmaceuticals are regulated in Germany by the German Drug Price Ordinance (*Arzneimittelpreisverordnung*) in order to provide for a uniform price level for such prescription pharmaceuticals, pharmaceutical manufacturers are generally free to set their own prices (*i.e.*, set an ex-factory price (*Herstellerabgabepreis*)). However, given that in 2017, 88% of the population in Germany benefited from reimbursements by SHI providers with respect to prescription pharmaceuticals (*source: OECD Germany 2017*), pricing decisions are often influenced by the legal framework for the public healthcare system, which depends on the overall economic situation in Germany (see "*1.1.1 Dermapharm could be adversely affected by developments in the German pharmaceuticals and healthcare markets.*") and consequently is subject to changes (see "*1.1.9 Healthcare reforms and related changes to the framework applicable to the pharmaceuticals industry may adversely affect Dermapharm's business.*").

The provisions of the Social Code V as well as the Guidelines of the Federal Joint Committee (*gemeinsamer Bundesausschuss*) (the "**Guidelines**") indicate whether patients receive reimbursement from SHI providers for a certain pharmaceutical. Certain pharmaceuticals are statutorily excluded from reimbursements and, therefore, must be paid for by patients. This generally includes OTC products, unless such OTC products are deemed to be the therapeutic standard in case of a serious medical condition and a prescription is issued for such products. The exclusion of OTC products is not applicable to minors up to 12 years of age with an SHI plan or minors up to 18 years of age suffering from a developmental disability. Costs for prescription contraceptives are only reimbursed if the insured person is less than 21 years of age. Certain other pharmaceuticals listed in Section 34 Social Code V are excluded from reimbursements for insured persons older than 18 years of age (*e.g.*, pharmaceuticals for use against cold symptoms and flu infections, purgatives, and mouth and throat therapeutics except in case of fungal infections). Furthermore, pharmaceuticals are excluded from reimbursements if their primary focus is to increase the quality of life or if they are considered uneconomic (*i.e.*, if such pharmaceuticals (i) contain APIs which are not required for the therapeutic objective or for the reduction of risks, (ii) their effect cannot be determined with a sufficient degree of certainty because of the multiplicity of APIs, or (iii) their therapeutic benefit has not been proven).

13.1.8.1 *Reference Prices and Reimbursements*

The maximum price for prescription pharmaceuticals covered by a SHI providers is either determined by a fixed reference price set by the German Federal Central Association of the Statutory Health Insurance Funds (*Spitzenverband Bund der Krankenkassen* (the "**Federal Association**")) or by direct negotiations between the pharmaceuticals manufacturer and the Federal Association.

Pursuant to Section 35 paras. 1 and 3 Social Code V, the Guidelines set forth groups of pharmaceuticals for which a reference price may be set by the Federal Association. The reference price is the maximum price that is reimbursed by SHI providers. Any amounts exceeding the reference price must be borne by the relevant patient. The groups of pharmaceuticals subject to reference prices consist of pharmaceuticals with the same APIs, or with comparable pharmacological-therapeutic APIs, or with a comparable therapeutic effect. Pharmaceuticals containing patent-protected APIs, the mode of action of which is considered to be new or which are regarded as a therapeutic improvement, may not be included in groups based on comparable pharmacological-therapeutic APIs or a comparable therapeutic effect.

In relation to pharmaceuticals with new APIs, a reimbursement price (*Erstattungsbetrag*) (*i.e.*, the maximum price reimbursed by SHI providers and private health insurance providers) is negotiated between the manufacturer and the Federal Association as well as private health insurance providers pursuant to Section 130b Social Code V. Key parameters to be considered in the course of such decision are (i) the effects of new APIs, (ii) the costs of a comparative therapy and (iii) the price for the relevant pharmaceutical in other member states of the European Union. The parties have discretion to determine whether pricing restrictions apply to the reimbursement price, except with respect to the mandatory rebate for patent-free pharmaceuticals pursuant to Section 130a para. 3b Social Code V and the price moratorium pursuant to Section 130a para. 3a Social Code V, which are not up for negotiation. The reimbursement price comes into effect from the thirteenth month after the relevant pharmaceutical has been placed on the market and is binding for all subsequent pharmaceuticals containing the same APIs.

13.1.8.2 *Mandatory Rebates*

Section 130a para. 3b Social Code V imposes a mandatory rebate of 10% of the ex-factory price, less value added tax ("**VAT**"), on all patent-free pharmaceuticals. This rebate is effectively borne by pharmaceuticals manufacturers, since pharmacies and pharmaceutical wholesalers are entitled to claim reimbursement of the price difference resulting from such rebate from the respective manufacturer. However, subsequent price reductions can be deducted from this rebate. Thus, a price reduction of 10% would release the pharmaceutical manufacturer from the mandatory rebate requirement for patent-free pharmaceuticals.

A second statutory rebate applies to prescription pharmaceuticals and OTC products reimbursed by SHI providers for which no reference price has been set. Section 130a para. 1 Social Code V imposes a rebate of 7% of the selling price, less VAT, for originator pharmaceuticals and 6% of the selling price, less VAT, for patent-free pharmaceuticals. This rebate is also effectively borne by pharmaceuticals manufacturers.

13.1.8.3 *Price Moratorium*

Section 130a para. 3a Social Code V contains the so-called price moratorium (*Preismoratorium*) in case of price increases for prescription pharmaceuticals and OTC products reimbursed by SHI providers, irrespective of VAT. SHI providers reimbursing patients for the relevant pharmaceuticals receive a rebate, borne by the pharmaceutical manufacturer, on the new ex-factory price, which is equal to the difference between the new price and the ex-factory price in pharmacies on August 1, 2009. This rule also applies to pharmaceuticals introduced after such date, with the rebate being calculated based on the ex-factory price at market launch. Beginning on July 1, 2018, rising inflation will be taken into account and the original ex-factory price providing the basis for calculating rebates under the price moratorium will be increased on July 1 each year in line with general price increases as stated in the German consumer price index (*Verbraucherpreisindex*).

While the price moratorium is not applicable to pharmaceuticals with an established reference price, pharmaceuticals may be subject to both the price moratorium and mandatory rebates. The price moratorium was recently extended until 2022.

13.1.8.4 *Rebate Agreements with SHI Providers*

Pursuant to Section 130a para. 8 Social Code V, SHI providers may enter into rebate agreements with pharmaceuticals manufacturers in relation to a certain pharmaceutical, a group of pharmaceuticals containing the same APIs or specific dosage forms of APIs. Before entering into such rebate agreements, SHI providers will generally initiate a tender process in order to identify and typically select the manufacturer who is willing to grant the highest rebate on its pharmaceuticals. Therefore, SHI providers may be able to offer their insured persons a pharmaceutical well below the official selling price. As of September 30, 2017, German SHI providers had entered into a total of 27,187 rebate agreements (*source: Pro Generika – Q3 2017*).

13.1.8.5 *Aut-idem-rule*

Section 129 Social Code V contains provisions on which prescription pharmaceuticals are distributed to patients in pharmacies. In general, this is determined by the relevant prescription. If the doctor has prescribed a specific pharmaceutical and excluded the *aut-idem*-rule on the prescription (*i.e.*, the general rule that the pharmacy may exchange the prescribed pharmaceutical for comparable pharmaceuticals with the same strength, package size and dosage form), the pharmacy is required to dispense the prescribed pharmaceutical.

If, however, the doctor has not excluded the *aut-idem*-rule, the pharmacy is required to dispense one of the three cheapest comparable pharmaceuticals or an equivalent imported pharmaceutical which fulfills the requirements for parallel imports (see "*13.1.9 Parallel Imports*") pursuant to Section 129 para. 1 no. 1 Social Code V in conjunction with the Framework Agreement. If the prescribed pharmaceutical is amongst the three cheapest pharmaceuticals, the price for the pharmaceutical actually dispensed by the pharmaceutical may not exceed the price of the prescribed pharmaceutical. If the doctor has merely prescribed certain APIs, the pharmacy is required to dispense one of the three cheapest pharmaceuticals containing the relevant APIs pursuant to Section 129 para. 1 no. 1 Social Code V in conjunction with the Framework Agreement.

The aforementioned rules do, however, not apply if the patient's SHI provider has entered into a rebate agreement with respect to the relevant pharmaceutical. To the extent the *aut-idem*-rule is not excluded, pharmacies are then required to dispense to the patient the equivalent pharmaceutical from the manufacturer who has entered into a rebate agreement with the patient's SHI provider. Notwithstanding any rebate agreements, patients are free to request a pharmaceutical from a different manufacturer so long as the substitute pharmaceutical is equivalent to the prescribed pharmaceutical. However, in such a case, the patient is required to pay the entire purchase price and will only be reimbursed by his SHI provider after the relevant purchase and the reimbursement will exclude any additional costs of the selected pharmaceutical over the price agreed in the rebate agreement.

13.1.8.6 *Co-payments*

Despite coverage by SHI providers, consumers are generally required to make statutory co-payments. Pursuant to Section 61 Social Code V, such co-payments amount to 10% of the selling price, with a minimum co-payment of €5.00 and a maximum co-payment of €10.00. Furthermore, the Federal Association may exclude certain pharmaceuticals from co-payment requirements if such pharmaceuticals are offered at least 30% below the relevant reference price.

13.1.9 Parallel Imports

13.1.9.1 *Parallel Import Quota*

In order to reduce healthcare costs, the German legislator has decided to enact a regulatory framework that facilitates parallel imports of prescription pharmaceuticals from other EEA Member States where prices for such pharmaceuticals may be significantly lower compared to prices in the German market. Pursuant to the Framework Agreement, at least 5% of all prescription pharmaceuticals sold within the statutory healthcare system in Germany must be brought into the market through parallel imports. According to Section 129 para. 1 no. 2 Social Code V, only parallel imports with prices that are at least €15.00 or 15% lower than the price of the German original pharmaceutical, taking into account any mandatory rebates, count towards the 5% import quota. This quota is reduced for individual pharmacies in several steps if only a low percentage of such pharmacy's quarterly revenues generated with a particular SHI provider is attributable to prescription pharmaceuticals suitable for parallel imports.

13.1.9.2 *Corresponding Authorizations*

In Germany, pharmaceuticals may generally only be imported by a pharmaceutical entrepreneur, wholesaler, pharmacist or hospital operator. If a centralized European marketing authorization was granted for any particular pharmaceutical, Dermapharm does not require any additional approvals for marketing the relevant pharmaceutical in Germany. Dermapharm is, however, required to notify the EMA and the competent governmental authorities in all member states to which it intends to import such pharmaceuticals. In this notification, Dermapharm is required to inform the relevant authorities of its intent to source, repackage and distribute the relevant pharmaceutical from one or more member states to one or more other member states, and submit all relevant forms and documentation (*e.g.*, intended packaging). The EMA will review whether the notification complies with the relevant centralized European marketing authorization and the Medicinal Products Directive. If compliance is confirmed, the EMA will issue a parallel distribution notice allowing the intended parallel import. Even after obtaining a parallel distribution notice, Dermapharm is required to notify the EMA of changes (*e.g.*, the introduction of additional sourcing states).

If no centralized European marketing authorization for the relevant pharmaceutical was granted, Dermapharm is required to obtain a corresponding authorization (*Bezugszulassung*) in order to market such pharmaceutical in Germany, which is, however, easier to obtain than a marketing authorization. Dermapharm only has to prove that the imported pharmaceutical is pharmaceutically identical to the corresponding pharmaceutical (*i.e.*, equal with respect to APIs, dosage, and therapeutic effects, while auxiliary APIs may differ) for which a German market authorization was granted already. No clinical studies are required to provide that a product is pharmaceutically identical. However, a corresponding authorization is required even where the imported pharmaceutical is identical to the corresponding pharmaceutical in Germany.

13.1.9.3 *Repackaging and Monitoring*

The distribution of imported pharmaceuticals in Germany requires compliance with German labelling provisions. Therefore, Dermapharm is required to relabel the relevant pharmaceuticals and will often have to observe specific repackaging requirements tailored to the German destination market. Both the relabeling and the repackaging require Dermapharm to hold a valid pharmaceutical manufacturing authorization in accordance with the AMG. Importers of pharmaceuticals are considered pharmaceutical manufacturers and subject to supervision by the relevant regulatory authorities.

As holder of a corresponding authorization, Dermapharm is subject to the various requirements with respect to pharmacovigilance (see "*13.1.7 Monitoring and Supervision*").

13.1.9.4 *Trademark Protection*

While originator pharmaceuticals oftentimes enjoy trademark protection (see "*13.4 Trademarks*"), this does not prohibit the parallel import of such pharmaceuticals. The European Court of Justice has ruled that the owner of a trademark must tolerate the repackaging of branded goods and even the replacement of its trademark with a trademark used in the destination state if the following conditions are met: (i) the repackaging does not adversely affect the original condition of the product, (ii) the new packaging identifies both the manufacturer and the entity that repackaged the product, (iii) the presentation of the repackaged product is not likely to damage the reputation of the trademark or its owner, and (iv) the proprietor of the trademark receives prior notice before the repackaged product is offered.

13.1.10 Product Liability

The AMG provides specific product liability rules for persons who market pharmaceuticals in Germany set forth in Sections 84 through 94a AMG. Such persons are subject to liability irrespective of fault (*Gefährdungshaftung*), if, as a result of distributing pharmaceuticals to consumers a person is killed or a person's health is substantially impaired, provided that (i) the relevant pharmaceutical is harmful when administered and such harm exceed the limits considered tolerable in the light of current scientific knowledge, or (ii) the damage has occurred as a result of labelling, expert information or instructions for use which do not comply with current scientific knowledge. However, the AMG also provides for the following liability limits:

- maximum damages of €600,000.00 or a maximum annual pension of €36,000.00 for each individual case; and
- maximum damages of €120 million or a maximum annual pension of €7.2 million in case several persons are killed or substantially injured.

In addition to these specific provisions on product liability, the general rules of German tort law may apply in case of a distribution of defective pharmaceuticals.

13.2 Medical Devices

Dermapharm's product portfolio also includes medical devices, in particular bite away® for the external treatment of bites and stings from insects and Herpotherm® for the treatment of herpes symptoms. Regulation (EU) 2017/745 of the European Parliament and of the Council of April 5, 2017 on medical devices sets forth the general regulatory framework for the handling of medical devices. On the German level, medical devices are regulated by the German Act on Medical Devices (*Gesetz über Medizinprodukte* ("**MPG**")) and several related ordinances. Where a product is a combination of a medical device and a pharmaceutical, the regulatory framework for pharmaceuticals applies to the pharmaceutical component (see "*13.1 Pharmaceuticals*").

Medical devices may only be marketed if they meet certain essential requirements, in particular with respect to product safety and reliability. In addition, comprehensive provisions regarding the labelling of, and consumer information with respect to, medical devices must be complied with. The manufacturer of the medical device is responsible for the marketing of such devices and his name and address must be included on the label or in the instructions for use and the manufacturer is usually the addressee of any measures ordered by the competent regulatory authorities. Clinical studies that may be necessary before marketing medical devices are regulated by Sections 19 through 24 MPG. Such studies require the issuance of a favorable opinion by a competent ethics commission and the authorization by the competent regulatory authority designated in the MPG. However, the marketing of medical devices in the European Union does not require a marketing authorization.

Every facility where medical devices are manufactured, tested, marketed or applied is subject to supervision by the competent regulatory authorities. In case of non-compliance or suspicion of non-compliance, such authorities are entitled to order appropriate sanctions (*e.g.*, prohibiting the marketing and ordering recalls). Furthermore, non-compliance with applicable regulations may result in criminal or administrative offenses (*Straftaten oder Ordnungswidrigkeiten*) and civil lawsuits.

In Germany, the distribution of medical devices to consumers is regulated by the German Ordinance on the Dispensing of Medical Devices (*Verordnung zur Regelung der Abgabe von Medizinprodukten*), pursuant to which certain medical devices may only be distributed to consumers in pharmacies and require prescriptions. The same holds true for medical devices containing APIs which qualify for prescription and/or pharmacy-only substances pursuant to the German Ordinance on Pharmacy-Only and Free Market Pharmaceuticals (*Verordnung über apothekenpflichtige und freiverkäufliche Arzneimittel*).

13.3 Healthcare Products

Dermapharm also offers a wide range of other healthcare products, which are sold as foodstuffs, food supplements or cosmetics. These products are subject to the comprehensive food and cosmetics regulations set by European and German law. Non-compliance with such regulations generally constitutes either a criminal or an administrative offense (*Straftat oder Ordnungswidrigkeit*) and may result in civil lawsuits. Unlike pharmaceuticals and medical devices, other healthcare products are generally not subject to pricing restrictions.

13.3.1 Foodstuffs

On a national level, the German Code on Foodstuffs, Consumer Goods and Fodder (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch* ("**LFGB**")), which is complemented by various ordinances, establishes the regulatory framework for foodstuffs (*Lebensmittel*). However, such foodstuffs are also highly regulated on the European level. The European legislation places a strong focus on the safety of foodstuffs and consumer information as evidenced by various regulations that apply directly in all member states of the European Union.

Regulation (EC) 178/2002 of the European Parliament and of the Council of January 28, 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (the "**Food Regulation**") defines foodstuffs as any substance or product, whether processed, partially processed or unprocessed, intended or reasonably expected to be ingested by humans. The LFGB has adopted the same definition.

The marketing of foodstuffs in Germany does not require an authorization from, or a notification to, any governmental authority. However, Article 6 of Regulation (EC) No 852/2004 of the European Parliament and of the Council of April 29, 2004 on the hygiene of foodstuffs (the "**Hygiene Regulation**"), in conjunction with the German General Administrative Regulations on the Administrative Performance of Checks to Verify the Compliance with Hygiene Provisions and on the Procedure of Reviewing Guidelines on Good Practice (*Allgemeine Verwaltungsvorschrift über die Durchführung der amtlichen Überwachung der Einhaltung von Hygienevorschriften für Lebensmittel und zum Verfahren zur Prüfung von Leitlinien für eine gute Verfahrenspraxis*), require every operator for a food business within the scope of the Food Regulation (*i.e.*, anyone that controls any activity related to any stage of production, processing and distribution of food) to maintain all of his establishments within the terms of the Hygiene Regulation (*i.e.*, any unit of a food business) registered with and approved by the competent German authorities. The Food Regulation and the LFGB prohibit the production and marketing of unsafe foodstuffs (*i.e.*, foodstuffs harmful to humans or unfit for human consumption). These general rules are complemented by multiple regulations on the European and German level, in particular with respect to authorized additives, hygiene, as well as contamination and exposure to radiation.

In addition to so-called vertical regulations (*i.e.*, regulations which are applicable to foodstuffs in general), there are so-called horizontal regimes which are only applicable to certain groups of foodstuffs. Of particular relevance for Dermapharm are the regulations concerning food supplements and dietary products.

13.3.1.1 *Authorized Food Additives*

Regulation (EC) 1333/2008 and of the Council of December 16, 2008 as well as a number of related regulations set forth provisions on food additives food colors, sweeteners, or preservatives and their conditions of use, special labelling requirements with respect to foodstuffs containing certain food colors as well as rules regarding food enzymes and their conditions of use. The use of flavorings and substances permitted for such flavorings is governed by Regulation (EC) 1334/2008 of the European Parliament and of the Council of December 16, 2008 on flavorings and certain food ingredients with flavoring properties for use in and on foods. The European regulations are complemented by the German Additives Ordinance (*Zusatzstoffzulassungs-Verordnung*) and the German Flavoring Ordinance (*Aromenverordnung*).

13.3.1.2 *Hygiene*

Food business operators must comply with various provisions of the Hygiene Regulation, including requirements relating to the condition of premises, facilities, containers and equipment used at any stage of their food business. Pursuant to Article 5 of the Hygiene Regulation, food business operator are required to establish a permanent procedure based on HACCP standards. They must perform testing when validating or verifying the correct functioning of their procedures based on HACCP principles and the guidelines on good hygiene practice established in the respective member state of the European Union in accordance with the Hygiene Regulation. If such tests are unsatisfactory, the respective product or batch of foodstuffs must be recalled. In addition, Commission Regulation (EC) no. 2073/2005 of November 15, 2005 on microbiological criteria for foodstuffs requires food business operators to ensure that their foodstuffs comply with certain microbiological criteria. The German Food Hygiene Ordinance (*Lebensmittelhygiene-Verordnung* ("**LMHV**")) sets forth hygiene requirements on the German level and establishes a general obligation for food business operators to produce, process and distribute foodstuffs in a way that prevents them from being exposed to any adverse effects. In addition, the LMHV provides for specific provisions with respect to traditional foodstuffs and perishable food.

13.3.1.3 *Contamination and Radiation*

The European and German legislators have enacted various rules and regulation with respect to the contamination and radiation of foodstuffs which, *inter alia*, provide for limits with respect to certain substances in foodstuffs, the treatment of certain foodstuffs with specific radiation, a ban on offering foodstuffs which do not comply with these provisions, special labelling requirements and criminal and administrative offenses (*Straftaten oder Ordnungswidrigkeiten*) in cases of non-compliance.

13.3.1.4 *Monitoring and Supervision*

The monitoring of foodstuffs and food businesses and the supervision of their compliance with European and national food safety laws is conducted by the competent governmental authorities. Pursuant to Regulation (EC) No 882/2004 of the European Parliament and of the Council of April 29, 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules and the LFGB, the competent governmental authorities may conduct official controls of food businesses. In case of non-compliance or suspicion of non-compliance, they authorities may take appropriate measures (*e.g.*, ordering recalls and informing the public of the respective product and the responsible food business operator).

13.3.1.5 *Labelling*

Regulation (EU) 1169/2011 of the European Parliament and of the Council of October 25, 2011 on the provision of food information to consumers sets forth in detail the information to be displayed on the packaging of foodstuffs for consumers (*e.g.*, the relevant foodstuff, the list of ingredients, the minimum durability and a nutrition declaration). This regulation is complemented by Regulation (EC) 1924/2006 of the European Parliament and of the Council of December 20, 2006 on nutrition health claims made on foods, which governs claims made on the labelling of foodstuffs with respect to certain beneficiary effects of such foodstuffs. On a national level, the German Lot Identification Ordinance (*Los-Kennzeichnungs-Verordnung*) generally requires food packages to be labelled with a certain combination of letters or numbers to enable identification of the relevant foodstuffs.

13.3.2 Food Supplements

Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the member states relating to food supplements (the "**Supplements Directive**") and the German Ordinance on Food Supplements (*Verordnung über Nahrungsergänzungsmittel*), which is based on the LFGB and implements the Supplements Directive, provide the specific regulatory framework applicable to food supplements. These regulations define food supplements as concentrated foodstuffs with the specific purpose of supplementing the normal diet and are marketed in dose form or other similar forms. Only nutrients listed in Annex I of the Supplements Directive may be used for the production of food supplements. Food supplements may only be marketed as prepackaged products labelled as food supplements (*Nahrungsergänzungsmittel*). In addition, the regulatory framework on foodstuffs also applies to food supplements (see "*13.3.1 Foodstuffs*").

13.3.3 Dietary Foodstuffs

Regulation (EU) no. 609/2013 of the European Parliament and of the Council of June 12, 2013 on food intended for infants and young children, food for special medical purposes, and total diet replacement for weight control establishes a specific regulatory framework applicable to, *inter alia*, the total diet replacement for weight control (*i.e.*, food especially formulated for use in energy restricted diets for weight reduction which, when used as instructed by the food business operator, replaces the whole daily diet). In particular, such dietary foodstuffs must be appropriate for satisfying the nutritional requirements of, and suitable for, the persons for whom they are intended, in accordance with generally accepted scientific data, and may not contain any substance in such quantity as to endanger the health of these persons. In addition, the regulatory framework on foodstuffs also applies to dietary foodstuffs (see "*13.3.1 Foodstuffs*").

13.3.4 Cosmetics

Regulation (EC) 1223/2009 of the European Parliament and of the Council of November 30, 2009 on cosmetic products (the "**Cosmetics Regulation**") establishes the regulatory framework for cosmetics on the European level, which is complemented by the LFGB and the German Ordinance on Cosmetics (*Verordnung über kosmetische Mittel*) on the German level. The Cosmetics Regulation and the LFGB define as cosmetics any substance or mixture intended for external use, or for use on the teeth and the mucous membranes of the oral cavity, for the primary or exclusive purpose of cleaning, perfuming, changing appearance, protecting, preserving, or deodorizing.

Pursuant to the Cosmetics Regulation, cosmetics may only be placed on the market if they are not harmful to humans when used under normal or reasonably foreseeable conditions. A legal or natural person residing within the European Union must be designated as a responsible person for such cosmetics, taking responsibility for monitoring and ensuring the manufacturer's compliance with the Cosmetics Regulation, while the manufacturer is responsible for complying with GMP standards adopted by the Cosmetics Regulation. Prior to marketing cosmetics, the responsible person must ensure that such cosmetics have undergone a safety assessment in accordance with Annex I of the Cosmetics Regulation. The Cosmetic Regulation contains a list of prohibited substances which may not be contained in cosmetics as well as a list of restricted substances which may only be used in the manufacturing process if certain conditions are met. Additional provisions of the Cosmetics Regulation and applicable German laws deal with the use of nanomaterials, animal testing, and labelling requirements as well as obligations for distributors.

To monitor compliance with the Cosmetics Regulation, competent authorities may perform appropriate checks of cosmetics and the relevant business operators (*e.g.*, manufacturers or retailers). In addition, these Authorities may take appropriate measures to ensure compliance with the Cosmetics Regulation (*e.g.*, prohibiting the marketing of cosmetics or ordering recalls and obligating the responsible person to take corrective measures).

13.3.5 Import and export

Article 12 of the Food Regulation and Sections 53 through 57 LFGB govern the import and export of foodstuffs and cosmetics into and out of Germany. Foodstuffs and cosmetics that were lawfully manufactured or placed on the market in any EEA Member State may be imported into Germany without restrictions. Foodstuffs and cosmetics from countries outside the EEA may only be imported if they comply with the laws applicable to such products in Europe and Germany (*i.e.*, directives are not taken into account). Any foodstuffs and cosmetics from Germany may be exported to another member state of the European Union if the respective product complies with the German rules on such products or the European regulations that apply directly in all member states. Foodstuffs intended for export to states outside the European Union must comply with the laws of the respective destination state, unless otherwise provided for in the laws of such state or in bilateral agreements.

13.4 Trademarks

The registration and protection of trademarks is regulated by international, European and national legislation:

- On an international level, trademark registration and protection are, *inter alia*, governed by the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as last amended on September 28, 1979 (the "**MMA**"), the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as last amended on November 12, 2007 (the "**PMMA**"), and the Paris Convention for the Protection of Industrial Property of March 20, 1883, as last amended on September 28, 1979.
- On the European level, trademarks are governed by Directive 2008/95/EC of the European Parliament and of the Council of October 22, 2008 on the approximation of the laws of the member states relating to trademarks and, with respect to the creation of a union-wide trademark registration and protection regime, by Council Regulation (EC) 207/2009 of February 26, 2009 on the on the community trademark. In March 23, 2016, Regulation (EC) 207/2009 was amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of December 16, 2015, which provides for different trademark fees, technical changes as well as institutional changes to the European Union Intellectual Property Office (the "**EUIPO**"). As part of a legislative package to reform the European trademark regime, the Directive 2008/95/EC will be replaced by Directive (EU) 2015/2436 of the European Parliament and of the Council of December 16, 2015 to approximate the laws of the member states relating to trademarks, which will become effective on January 15, 2019.
- In Germany, trademarks are governed by the German Federal Trademark Act (*Markengesetz*).

Trademarks may be registered with the respective national trademark authority (*e.g.*, the German Patent and Trade Mark Office (*Deutsches Patent- und Markenamt*)), as well as with EUIPO for union-wide registration, and, following either national or union-wide registration, via the World Intellectual Property Organization in countries which are parties to the MMA or PMMA for 10-year periods. Such registrations may be renewed repeatedly. Upon receiving an application, the EUIPO will examine whether there are grounds for refusal of granting the trademark registration (*e.g.*, due to earlier, identical or similar trademarks registered in a member state of the European Union or a lack of distinctive character of the relevant trademark). Furthermore, proprietors of earlier trademarks may oppose the application for registration within three months of the publication of the application (*e.g.*, if the new trademark and the products or services sold thereunder are identical or similar to their trademark and the products or services sold thereunder). Upon registration of a European trademark, the proprietor is entitled to prohibit any third party from using such trademark commercially without his prior consent. In addition, national trademark laws of the member states of the European Union stipulate that the proprietor of a European trademark is entitled to, *inter alia*, receive compensation for damages arising from the illegal use his trademark.

14. INFORMATION ON THE SELLING SHAREHOLDER

The Company's sole shareholder is Themis Beteiligungs-Aktiengesellschaft, with its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany, and registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 212223.

The following table sets forth the shareholding of the Selling Shareholder immediately prior to the Offering, and its expected shareholding, together with the expected shareholding of the public float, upon completion of the Offering:

	Actual (direct) Ownership		
	Immediately prior to the Offering	Upon completion of the Offering (assuming no exercise of the Greenshoe Option and issuance of all New Shares)	Upon completion of the Offering (assuming full exercise of the Greenshoe Option and issuance of all New Shares)
		(in %)	
Themis Beteiligungs-Aktiengesellschaft	100.0	78.3	75.0
Public float	0.0	21.7	25.0

The following table sets forth the shareholders of the Selling Shareholder as of the Date of this Prospectus:

	Actual (direct) Ownership
	(in %)
Mr. Wilhelm Beier	80.00
Ms. Elisabeth Beier	19.26
Mr. Michael Beier	0.74
Total	**100.00**

The Company is directly controlled by the Selling Shareholder due to its ownership of all voting rights in the Company and, as a result, its power to govern the financial and operating policies of the Company. The Selling Shareholder, in turn, is directly controlled by Mr. Wilhelm Beier due to his ownership of the majority of the voting rights in the Selling Shareholder and, as a result, his power to govern the financial and operating policies of the Selling Shareholder.

15. GENERAL INFORMATION ON THE COMPANY AND DERMAPHARM

15.1 Formation, Incorporation, Commercial Name and Registered Office

The Company was formed as a as a European company (*Societas Europaea* (*SE*)) under European and German law by articles of association dated July 4, 2017. Its legal name was "Blitz 17-663 SE" with its registered office in Munich, Germany, and registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 234575. The Company's founder was Blitzstart Gruendungs Ltd., London, United Kingdom. The Company commenced its business on July 12, 2017, the day the remaining share capital at the time was fully paid in.

On August 11, 2017, the Selling Shareholder acquired all shares in the Company through a share purchase and assignment agreement. On that same day, the Company's shareholders' meeting resolved to change the Company's legal name to Dermapharm Holding SE and to transfer its registered office to Grünwald, Germany. The change in legal name and the transfer of the registered office were registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on September 6, 2017.

The Company is organized under European law as a European company (*Societas Europaea* (*SE*)) and therefore subject to European legislations on such companies, especially to the SE Regulation. As a company registered in Germany, the Company is also subject to German law. If any matter is not covered or only partially covered by the SE Regulation, the provisions of German law that apply to a German stock corporation (*Aktiengesellschaft*) are also applicable to the Company. Therefore, the Company is generally governed by German law, subject to the provisions of the SE Regulation. Thus, the AktG as well as other laws applicable to German stock corporations (in particular the German Transformation Act (*Umwandlungsgesetz* ("**UmwG**")), the HGB, the WpHG and the German Securities and Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* ("**WpÜG**")) may apply to the Company. In particular, German law (in particular the AktG) applies to capital measures of the Company (*e.g.*, capital increases and reductions), the Company's shareholders' meetings and the Company's accounting.

The Company's legal name is Dermapharm Holding SE. The Company is the holding company of Dermapharm and primarily operates under the commercial name "Dermapharm". Dermapharm also operates under additional commercial names, in particular "mibe", "Hübner" and "axicorp", as well as individual brands for its specific pharmaceuticals and other healthcare products.

The Company has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0) and is registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 234575.

15.2 Fiscal Year and Duration

The Company's fiscal year is the calendar year. The Company has been established for an unlimited period.

15.3 History of Dermapharm

Dermapharm's business, which was established in 1991, initially focused on prescription pharmaceuticals for the dermatology market, and Dermapharm continues to benefit from its long-standing experience in this product area. Over the years, Dermapharm expanded its business through various acquisitions: Dermapharm's first expansions focussed on the dermatology market, including the acquisition of key dermatology products from Bristol-Myers Squibb in 2002. Beginning in 2003, Dermapharm broadened its product range to encompass additional product areas, including through the acquisition of Jenapharm GmbH & Co. KG's therapeutic drugs division, which owned the marketing authorization for Dermapharm's current flagship product Dekristol® 20,000 I.E. Since 2009, Dermapharm has increasingly focused on other healthcare products, in particular acquiring several entities operating under the "Hübner" brand in 2010, which produce supplements, dietary products and organic pharmaceuticals. In 2012, Dermapharm entered the parallel import business to complement its other business areas by acquiring axicorp GmbH. In September 2017, Dermapharm further expanded its product offering by acquiring the right to market medical devices bite away® for the external treatment of bites and stings from insects and Herpotherm® for the treatment of herpes symptoms as well as Bio-Diät-Berlin, which develops, produces and markets OTC and other healthcare products, in particular food supplements for the treatment of respiratory diseases and muscle aches. In December 2017 and January 2018, respectively, Dermapharm furthermore acquired all shares in Strathmann and Trommsdorff.

15.4 Corporate Purpose

Section 2 of the Articles of Association defines the Company's corporate purpose as follows:

1. The Company's corporate purpose is the development, production and distribution of pharmaceuticals, food supplements, cosmetics and related products, the licensing of the production and/or the distribution of the aforementioned products as well as the consultation of other enterprises in the aforementioned and related areas. Furthermore, the Company's corporate purpose is the holding and administrating of shareholdings.
2. The Company may engage in any dealings and take any action connected to the aforementioned areas of business or otherwise suited to directly or indirectly serve the corporate purpose.
3. The Company may set up branch offices and permanent establishments in and outside Germany as well as establish, acquire, invest in or manage other entities in and outside Germany. The corporate purpose of such subsidiaries or associated companies may include businesses outside the scope set forth in no. 1 above.
4. The Company may limit its activities to one or several of the businesses set forth in no. 1 above. The Company may also fully or partially conduct its business through subsidiaries, associated companies or joint ventures. In particular, the Company may fully or partially leave its business to controlled enterprises and/or outsource such business to controlled enterprises. The Company may also limit its activities to functioning as a holding company and/or to administrating its own assets.

15.5 Group Structure

The Company is the holding company of Dermapharm. Dermapharm's business is conducted by Dermapharm AG and its various subsidiaries. The group of consolidated companies comprising Dermapharm includes all companies whose financial and business policy can be controlled by the Company, either directly or indirectly, and the equity interests of Dermapharm whose financial and business policy can be influenced by the Company to a significant extent. As of the date of this Prospectus, Dermapharm comprises 26 companies, of which twelve are based in Germany.

15.6 Significant Subsidiaries

The following table presents an overview of the Company's significant direct and indirect subsidiaries:

As of the date of this Prospectus		As of and for the fiscal year ended December 31, 2016				
Legal name and country of incorporation	**Company's share of capital**	**Issued capital**	**Capital reserves**	**Net income/loss**	**Payables to Dermapharm AG**	**Receivables from Dermapharm AG**
	(in %)			**(in € million)**		
acis Arzneimittel GmbH, Germany.....	100.0	0.0	0.0	0.0	0.0	0.2
Anton Hübner GmbH & Co. KG, Germany.....	100.0[2]	7.2	9.9	1.5	0.0	2.0
axicorp GmbH, Germany[1].....	100.0	0.2	7.2	–	0.0	0.0
axicorp Pharma B.V., Netherlands[1]	100.0	0.0	0.2	–	0.0	0.0
AxiCorp Pharma GmbH, Germany[1].....	100.0	0.0	0.0	–	0.0	0.0
Dermapharm AG, Germany	100.0	0.3	0.3	3.8	–	–
Dermapharm AG, Switzerland	100.0	0.1	0.0	2.3	0.0	14.7
Dermapharm GmbH, Austria.....	100.0	0.0	0.5	2.3	0.1	3.1
Hübner Naturarzneimittel GmbH, Germany.....	100.0	0.1	0.8	0.7	5.7	0.0

As of the date of this Prospectus		As of and for the fiscal year ended December 31, 2016				
Legal name and country of incorporation	**Company's share of capital**	**Issued capital**	**Capital reserves**	**Net income/loss**	**Payables to Dermapharm AG**	**Receivables from Dermapharm AG**
	(in %)			**(in € million)**		
Mibe GmbH Arzneimittel, Germany.....	100.0	2.5	0.0	5.6	75.7	3.8

(1) These entities did not prepare individual financial statements for the fiscal year ended December 31, 2016, but were included in the subgroup accounts of axicorp prepared in accordance with IFRS. For the fiscal year ended December 31, 2016, the consolidated net income of axicorp amounted to €3.2 million.

(2) Dermapharm holds all limited partner's shares in Anton Hübner GmbH & Co. KG as well as all shares in Anton Hübner Verwaltungsgesellschaft mbH, the sole general partner of Anton Hübner GmbH & Co. KG.

15.7 Auditor

Warth & Klein Grant Thornton was appointed as auditor for the audited consolidated financial statements of Dermapharm AG for the fiscal years ended December 31, 2016, 2015 and 2014 prepared in accordance with IFRS, as well as the Company's audited individual financial statements as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017 prepared in accordance with IFRS, and issued in each case an unqualified audit opinion (*uneingeschränkter Bestätigungsvermerk*).

Warth & Klein Grant Thornton is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

15.8 Announcements and Paying Agent

Pursuant to the Articles of Association, the Company's announcements are published in the German Federal Gazette (*Bundesanzeiger*), unless provided otherwise by mandatory law.

Pursuant to Section 14 para. 2 WpPG, this Prospectus, as well as any supplements thereto, will be published on the Company's website www.dermapharm.de under the section "Investor Relations". Printed copies of this Prospectus are available from the Company free of charge during normal business hours at the following address: Dermapharm Holding SE, Lil-Dagover-Ring 7, 82031 Grünwald, Germany.

The paying agent is Bankhaus Neelmeyer Aktiengesellschaft, Bremen, Germany.

16. DESCRIPTION OF THE COMPANY'S SHARE CAPITAL AND APPLICABLE REGULATIONS

16.1 Current Share Capital; Shares

As of the date of this Prospectus, the share capital of the Company amounts to €50,000,000.00 and is divided into 50,000,000 bearer shares with no par value (*Stückaktien*), each such share representing a notional value of €1.00. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany.

All existing shares of the Company are held by the Selling Shareholder.

16.2 Development of the Share Capital

The Company's share capital has developed as follows:

- On July 4, 2017, the Company, which was incorporated as a European company (*Societas Europaea* (*SE*)) on that date, had a share capital of €120,000.00.
- On December 6, 2017, the Company's shareholders' meeting resolved to increase the Company's share capital from €120,000.00 by €49,880,000.00 to €50,000,000.00 against contributions in kind in the form of 104,960 shares in Dermapharm AG by the Selling Shareholder (corresponding to 20.0% of the share capital of Dermapharm AG) as part of the Contribution Capital Increase (for further information, see "*18.1.3 Contribution of all Shares in Dermapharm AG*"). The contribution and transfer of all shares in Dermapharm AG were completed with effect from the end of December 31, 2017 and the consummation of the Contribution Capital Increase was registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on January 4, 2018.
- Upon registration of the IPO Capital Increase, the Company's share capital will be increased from €50,000,000.00 by up to €3,840,000.00 to up to €53,840,000.00. The consummation of the IPO Capital Increase is expected to be registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on or about February 8, 2018.

16.3 Authorized Capital

Pursuant to Section 4 para. 3 of the Articles of Association, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company prior to or on January 1, 2023 by up to €16,100,000.00, by issuing, through a single offering or several offerings, up to 16,100,000 new bearer shares with no par value (*Stückaktien*) against contributions in cash and/or in kind. The Company expects that the amount of the authorized capital will equal approximately 30% of the Company's share capital following the consummation of the IPO Capital Increase.

The Company's shareholders are to be granted subscription rights. However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders for one or more capital increases from the authorized capital in the event of any of the following conditions:

- to exclude fractional amounts from subscription rights of the shareholders;
- to grant subscription rights to holders or creditors, respectively, of conversion or option rights attached to convertible and/or option bonds that are or were issued by the Company or a national or foreign subsidiary in which the Company, either directly or indirectly, holds a majority of the voting rights and capital, or, in case of an own conversion right of the Company, to holders or creditors, respectively, being obligated thereby, preemptive rights to the extent they would be entitled to after exercising the conversion or option rights or after fulfilling a conversion or option obligation, respectively;

- to increase the share capital against cash contributions pursuant to Section 186 para. 3 sentence 4 AktG, if the issue price of the new shares is not significantly lower than the market price of the shares already listed on a stock exchange and the portion of the share capital attributable to the new shares issued with an exclusion of subscription rights does not exceed a *pro rata* amount of 10% of the share capital, both at the time when the authorization takes effect and at the time when the authorized share capital is utilized, provided that this 10% limit shall also include the *pro rata* amount of the share capital attributable to: (i) new and existing shares sold or issued during the term of the authorized capital on the basis of another authorization while excluding subscription rights pursuant to, or in analogous application of, Section 186 para. 3 sentence 4 AktG; or (ii) shares issued or issuable to satisfy convertible bonds or option bonds or bonds with a conversion or option obligation, to the extent that these bonds were issued during the term of the authorized capital on the basis of another authorization while excluding subscription rights of the shareholders in analogous application of Section 186 para. 3 sentence 4 AktG;
- to increase the share capital against contributions in kind for the issuance of shares especially for, but not limited to, the purpose of acquiring enterprises, parts of enterprises, participations in enterprises, and/or other assets in connection with a planned acquisition (including rights and receivables); or
- to issue shares as part of a participation program and/or as stock based compensation to persons, who are employed by the Company (or dependent companies or companies in which the Company, directly or indirectly, holds a majority interest) to the members of the Management Board and/or members of the management of dependent companies or companies in which the Company, directly or indirectly, holds a majority interest (or a third party who transfer the economic ownership of their shares or the benefits therefrom to such persons), provided that portion of the share capital attributable to the new shares issued with an exclusion of subscription rights does not exceed a *pro rata* amount of 5% of the share capital, both at the time when the authorization takes effect and at the time when the authorized share capital is utilized; the new shares may also be issued to a credit institution or a company acting in the areas described in Section 53 para. 1 sentence 1 of the German Banking Act (*Kreditwesengesetz*) or Section 53b paras. 1 or 7 of the German Banking Act (*Kreditwesengesetz*), if they assume the shares under an obligation of offering them to the aforementioned persons.

16.4 Conditional Capital

The Company intends to create a conditional capital in an amount of €10,700,000.00 and expects that such amount will equal approximately 20% of the Company's share capital following the consummation of the IPO Capital Increase. The required resolutions are expected to be adopted by an extraordinary shareholders' meeting expected to be held on or about January 26, 2018 in connection with the IPO Capital Increase. The conditional capital will become effective upon registration in the commercial register. The Company expects that the conditional capital will be registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on, or prior to, February 8, 2018.

Under the conditional capital, the share capital of the Company is expected to be conditionally increased by up to €10,700,000.00 through the issuance of up to 10,700,000 new bearer shares with no par value (*Stückaktien*). The conditional capital increase will only be effected insofar as the holders or creditors, as the case may be, of convertible bonds or option bonds or bonds with a conversion obligation, or a combination thereof, which have been issued by the Company or a company, in which the Company directly or indirectly holds a majority of the voting rights and capital, on the basis of the authorization by the Company's extraordinary shareholders' meeting to be held on or about January 26, 2018, exercise their conversion rights or options or fulfill their conversion obligations and to the extent no other forms of fulfillment are used.

The Management Board is expected to be authorized, with the consent of the Supervisory Board, to issue convertible bonds, or bonds with warrants or profit-sharing rights or bonds with conversion rights or warrants up to a total nominal value of €450.0 million and with conversion rights or warrants for up to 10,700,000 shares of the Company.

16.5 Authorization to Purchase and Sell Treasury Shares

As of the date of this Prospectus, the Company does not hold any of its own shares, nor does a third party hold any shares of the Company on behalf or for the account of the Company.

The Company's extraordinary shareholders' meeting expected to be held on or about January 26, 2018 will authorize the Management Board to purchase shares of the Company up to a total of 10% of the Company's share capital (including share capital already held or attributable pursuant to law) prior to, or on, January 25, 2023, provided the Management Board complies with the legal requirement of equal treatment. The Management Board may utilize this authorization immediately following the commencement of trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The shares may be purchased:

- on the stock exchange;
- by a public offer to all shareholders of the Company;
- by a public invitation to the shareholders of the Company to submit offers for sale;
- through derivatives; or
- through a combination of the aforementioned options.

The authorization may be used of for all legally permissible purposes, in particular, for one or several of the purposes listed below. However, an acquisition of shares by the Company for trading on the market is not permitted. The Management Board is authorized, with the consent of the Supervisory Board, to:

- sell the purchased shares by any means other than through an offer to all shareholders or on the stock exchange, provided that (i) the shares are sold for a cash consideration which does not significantly fall short of the market price at the time of the sale and (ii) such shares do not exceed 10% of the share capital of the Company, both on the effective date and at the time of the execution of this authorization (this limit includes (i) other shares sold or issued during the term of this authorization on the basis of another authorization while excluding subscription rights pursuant to, or in analogous application of, Section 186 para. 3 sentence 4 AktG; and (ii) shares issued or to be issued to satisfy convertible bonds or option bonds or bonds with a conversion obligation and/or convertible profit-sharing rights, to the extent such bonds and profit-sharing rights, respectively, were issued during the term of this authorization on the basis of another authorization while excluding subscription rights of shareholders in analogous application of Section 186 para. 3 sentence 4 AktG);
- transfer the purchased shares by any means other than through an offer to all shareholders or on the stock exchange as consideration in kind, especially for the purpose of acquiring enterprises, parts of enterprises, participations in enterprises, and/or other assets in connection with a planned acquisition, including rights and receivables;
- use the purchased shares to satisfy convertible bonds or option bonds or bonds with a conversion or option obligation and/or convertible profit-sharing rights issued by the Company, or by dependent companies or companies in which the Company holds a majority interest;
- transfer the purchased shares to holders and creditors respectively, of convertible bonds or option bonds or bonds with a conversion or option obligation and/or convertible profit-sharing rights issued by the Company, or by dependent companies or companies in which the Company holds a majority interest, to the extent they would be entitled to after exercising their conversion or option rights or after fulfilling a conversion or option obligation; and
- offer, transfer and/or agree to such transfer of the purchased shares as part of a participation program to persons who are employed by the Company, or dependent companies or companies in which the Company holds a majority interest, to the members of the Management Board and/or members of the management of dependent companies or companies in which the Company holds a majority interest, or a third party who transfers the economic ownership of their shares or the benefits therefrom to such persons; this includes an authorization to transfer the shares free of charge or at preferential price.

To the extent the purchased shares are used for one or several purposes listed above with the consent of the Supervisory Board, the subscription rights of the shareholders are excluded, if not otherwise determined by the Management Board and the Supervisory Board.

16.6 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may only be liquidated with a vote of 75% or more of the share capital represented at the vote. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registry court about a material defect in the Articles of Association could lead to a cancellation of the Company. In the event of the Company's liquidation, Article 63 of the SE Regulation in conjunction with the AktG provide that any assets remaining once all of the Company's liabilities have been settled shall be distributed amongst the Company's shareholders in proportion to their shareholdings. The AktG provides certain protections for creditors in the event of a liquidation of the Company.

16.7 General Provisions Governing a Change in the Share Capital

Pursuant to Articles 5, 57 and 59 of the SE Regulation in conjunction with the AktG, a resolution of the shareholders' meeting passed by a majority of at least 75% of the share capital represented at the vote is required to increase the share capital of a European company (*Societas Europaea* (*SE*)) and change the articles of association accordingly. However, the articles of association may provide that, instead of the 75% majority, a simple majority of the share capital represented at the vote suffices to increase the Company's share capital, provided that at least 50% of the Company's share capital is represented at the vote. Section 20 para. 3 of the Articles of Association has made use of this option, and consequently capital increases may be resolved by the Company's shareholders' meeting with a simple majority of the share capital represented at the vote, if at least 50% of the Company's share capital is represented at the vote.

The shareholders' meeting may also create authorized capital. This requires a resolution passed by a majority of at least 75% of the share capital represented at the vote, authorizing the Management Board to issue a specific number of shares within a period of no more than five years. The aggregate nominal amount of the new shares may not exceed 50% of the share capital existing at the time the authorization is granted (*i.e.*, at the time the authorized capital is registered in the commercial register).

In addition, the shareholders' meeting can create conditional capital through a resolution passed with a majority of at least 75% of the share capital represented at the vote, for the purposes of (i) granting exchange or subscription rights to holders of convertible bonds or other securities granting a right to subscribe for shares; (ii) preparing for a merger with other companies; or (iii) granting subscription rights to managers and employees of the Company or an affiliated company by way of an approval resolution or authorization resolution. The nominal amount of conditional capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to grant subscription rights to managers and employees, and may not exceed 50% in all other cases.

Resolutions to reduce the Company's share capital require a majority of at least 75% of the share capital represented at the vote.

16.8 General Provisions Governing Subscription Rights

Article 5 of the SE Regulation in conjunction with Section 186 AktG generally grants all shareholders the right to subscribe for new shares of the Company issued in case of a capital increase. The same applies to convertible bonds, bonds with warrants, profit participation rights and participating bonds. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have the right to demand admission to trading for subscription rights. The Company's shareholders' meeting may resolve to exclude shareholders' subscription rights with a vote of 75% or more of the share capital represented at the vote. Exclusion of shareholders' subscription rights, wholly or in part, also requires a report from the Management Board that justifies the exclusion to the shareholders' meeting and demonstrates that the Company's interest in excluding subscription rights outweighs the interests of the shareholders to be granted subscription rights. An exclusion of shareholders' subscription rights is, in particular, permissible if:

- the Company increases its share capital against cash contributions;

- the amount of the capital increase of the issued shares with no subscription rights does not exceed 10% of the share capital at issue, both at the time when the authorization takes effect and at the time when it is authorized; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price of the Company's shares.

16.9 Exclusion of Minority Shareholders

16.9.1 Squeeze-Out under Stock Corporation Law

Under Articles 5, 57 and 59 of the SE Regulation in conjunction with Sections 327a *et seq.* AktG, which govern the so-called "squeeze-out under stock corporation law", upon request of a shareholder holding 95% or more of the Company's share capital, the Company's shareholders' meeting may resolve to transfer the shares of minority shareholders to such majority shareholder against payment of an adequate compensation in cash. The amount of the cash payment offered to minority shareholders must to reflect "the circumstances of the Company" at the time the shareholders' meeting passes the resolution. The amount of the cash payment is based on the full value of the Company, which is generally determined using the capitalized earnings method. Minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), wherein the court will review the fairness (*Angemessenheit*) of the cash payment.

16.9.2 Squeeze-Out and Tender Rights under Takeover Law

Under Sections 39a and 39b WpÜG, in case of a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of a target company (as defined in the WpÜG) following a takeover bid or mandatory offer, may, within three months of the expiration of the deadline for acceptance of the offer, petition the regional court (*Landgericht*) of Frankfurt am Main, Germany, to order the transfer of the remaining voting shares to such offeror against payment of an adequate compensation. Such transfer does not require a resolution of the shareholders' meeting. The consideration paid in connection with the takeover or mandatory bid is considered adequate if the offeror has obtained at least 90% of the share capital that was subject to the offer. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer, while at all times a cash compensation must also be offered.

In addition, following a takeover bid or mandatory offer, the shareholders in a target company who have not accepted the offer may do so up to three months after the acceptance period has expired (Section 39c WpÜG), provided the offeror is entitled to petition for the transfer of the outstanding voting shares in accordance with Section 39a WpÜG.

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

16.9.3 Squeeze-Out under Reorganization Law

Pursuant to Section 62 para. 5 sentence 1 UmwG, a majority shareholder holding at least 90% of the Company's share capital may require the Company's shareholders' meeting to resolve to transfer the shares of the minority shareholders to such majority shareholder against payment of an adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation (*Aktiengesellschaft* (*AG*)), a partnership limited by shares (*Kommanditgesellschaft auf Aktien* (*KGaA*)), or a European company (*Societas Europaea* (*SE*)) having its seat in Germany; and (ii) the squeeze-out is performed to facilitate a merger under the UmwG between the majority shareholder and the Company. The shareholders' meeting held to approve the squeeze-out must take place within three months of the conclusion of the merger agreement.

The procedure for a squeeze-out under the UmwG is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to judicial review of the appropriateness of the cash compensation.

16.9.4 Integration

Under Article 9 para. 1 lit. c) (ii) of the SE Regulation in conjunction with Section 319 *et seq.* AktG, the Company's shareholders' meeting may vote for an integration (*Eingliederung*) into another stock corporation that has its registered office in Germany, provided the prospective parent company holds at least 95% of the shares of the Company. The former shareholders of the Company are entitled to adequate compensation, which generally must be provided in the form of shares in the parent company. In such case, pursuant to Section 305 para. 3 sentence 1 AktG, shares must be issued based on the appropriate valuation in case a merger had taken place between the two companies. Fractional amounts may be paid out in cash.

16.10 Shareholder Notification Requirements; Mandatory Takeover Bids; Directors' Dealings

Once the Company's shares are admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to WpHG provisions governing, *inter alia*, disclosure requirements for significant shareholdings, the WpÜG provisions governing takeover bids and mandatory offers, as well as the MAR provisions governing, *inter alia*, directors' obligations to disclose transactions in the Company's shares, debt instruments, related derivatives or other related financial instruments.

16.10.1 Notification Requirements of Shareholders

16.10.1.1 *Notification Thresholds and Attribution Rules*

Pursuant to Section 33 para. 1 WpHG, anyone who acquires or whose shareholding in any other way reaches or exceeds 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, is required to concurrently notify both the Company and BaFin of such occurrence. Subsequent notifications are required if such person sells or in any other way falls below the aforementioned thresholds.

All such Notifications must be submitted without undue delay, and no later than within four trading days. The four-day notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances should have had knowledge of, his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or entity subject to the notification requirement has knowledge at the latest two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares. If a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Furthermore, any coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting-in-concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (*e.g.*, fundamental changes to Dermapharm's business model or a sale of a substantial part of Dermapharm's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting-in-concert. Coordination in individual cases, however, is not considered as acting in concert.

Except for the 3%-threshold, similar notification requirements towards the Company and BaFin exist, if the aforementioned thresholds are reached, exceeded or undercut, because the shareholder holds financial instruments that (i) confer to him (a) the unconditional right to acquire already issued shares of the Company to which voting rights are attached when due or (b) discretion to exercise his right to acquire such shares, or (ii) relate to such shares and have a similar economic effect as the aforementioned instruments, whether or not conferring a right to a physical settlement. Thus, the latter mentioned notification requirements also apply, for example, to share swaps against cash consideration and contracts for difference. In addition, a person or entity is subject to a notification requirement towards the Company and BaFin if the sum of the voting rights from shares and (financial) instruments held or attributed to such person or entity reaches, exceeds or falls below the aforementioned thresholds, again excepting the 3% threshold.

16.10.1.2 *Exceptions to Notification Requirements*

There are certain exceptions to the notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to Section 37 para. 1 WpHG. If the Company's parent company is itself a subsidiary, then the relevant company is exempt from notification obligations if its parent's parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the European Union or in an EEA Member State are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company's trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

16.10.1.3 *Fulfilment of Notification Requirements*

If any notification obligation is triggered, the notifying person or entity is required to fully complete the notification form set forth as an annex to the German Securities Trading and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). The notice may be submitted either in German or English, in writing or via fax. Irrespective of the event triggering the notification, the notice must include (i) the number and proportion of voting rights, (ii) the number and proportion of instruments and (iii) the aggregate number and proportion of voting rights and instruments held by, or attributed to, the notifying person or entity. In addition, the notice must include certain attribution details (*e.g.*, the first name, surname and date of birth of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and whether voting rights or instruments are attributed).

As a domestic issuer, the Company is required to publish such notices without undue delay, but no later than three trading days after receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the entire European Union and in all EEA Member States. Such publications shall only be made in the English-language. The Company is also required to transmit these publications to BaFin, specifying the time of publication and the media used and to the German Company Register (*Unternehmensregister*) for storage.

16.10.1.4 *Consequences of Violations of Notification Requirements*

Rights of shares held by shareholders, or from which voting rights are attributed to shareholders, do not exist for as long as the notification requirements are not fulfilled or not fulfilled appropriately. This temporary nullification of rights applies, in particular, to dividend, voting and subscription rights. However, it does not apply to entitlements to dividend and liquidation gains if the notifications were not omitted willfully and have since been submitted. If the shareholder willfully or grossly negligently fails to disclose the correct proportion of voting rights held, then the rights attached to shares held by or attributed to such shareholder cease to exist for a period of six months after such shareholder has correctly filed the necessary notification, except if the variation was less than 10% of the actual voting right proportion and no notification with respect to reaching, exceeding or falling below the aforementioned thresholds, including the 3% threshold, was omitted. In addition, a fine may be imposed for failure to comply with notification obligations.

16.10.1.5 *Special Notification Requirements for more than 10% of the Voting Rights*

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10%-threshold has been reached, the aforementioned attribution rules apply.

16.10.2 Mandatory Offers

Pursuant to the WpÜG, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company is required to publish this fact, including the percentage of its voting rights, within seven calendar days of crossing this threshold. Such publication must be furnished on the Internet and by means of an electronically operated system for disseminating financial information. The WpÜG contains a series of provisions intended to ensure the attribution of shareholdings to the person who actually controls the voting rights attached to such shares.

Once the share of voting rights exceeds 30% of the voting rights of the Company, such shareholder is required to make a mandatory tender offer to all shareholders of the Company. Under certain conditions, BaFin may grant an exemption from this rule. If the relevant shareholder fails to give notice of reaching or exceeding the 30%-threshold or fails to submit the mandatory tender offer, such shareholder is barred from exercising the rights associated with these shares (including voting rights and, in case of willful failure to send the notice and failure to subsequently send the notice in a timely manner, the right to dividends) for the duration of the delinquency. A fine may also be imposed in such cases.

16.10.3 Managers' Transactions

A person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 25 MAR (*i.e.*, the members of the Management Board and the Supervisory Board), must notify the Company and BaFin of transactions undertaken for their own account relating to the Company's shares or to financial instruments based on the Company's shares (subject to a €5,000.00 *de-minimis* exception per calendar year for all such transactions). This also applies to persons closely associated with a person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 26 MAR. Such notifications shall be made promptly and no later than three Business Days after the date of the relevant transaction. The Company shall ensure that such notifications are made public promptly and no later than three Business Days after the relevant transaction.

16.11 Short Selling Regulation (Ban on Naked Short-Selling)

Pursuant to Regulation (EU) no. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**Short Selling Regulation**"), the European Commission's delegated regulation for the purposes of detailing the Short Selling Regulation, and the German EU Short Selling Implementation Act (*EU-Leerverkaufs-Ausführungsgesetz*) of November 15, 2012, the short-selling of the Company's shares is only permitted under certain conditions. Additionally, under the provisions of the Short Selling Regulation, significant net-short selling positions in the Company's shares must be reported to BaFin and published if they exceed a specific percentage. The reporting and publication process is detailed in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012. The net short-selling positions are calculated by offsetting the short positions of a natural person or legal entity in the Company's shares with its long positions in such shares. The details are regulated in the Short Selling Regulation and the other regulations the European Commission enacted on short-selling. In certain situations described in the Short Selling Regulation, BaFin may restrict short-selling and comparable transactions.

17. DESCRIPTION OF THE GOVERNING BODIES OF THE COMPANY

17.1 Overview

The Company's governing bodies are the Management Board, the Supervisory Board and the shareholders' meeting. The Company is a (*Societas Europaea* (*SE*)) and has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The responsibilities and powers of these governing bodies are determined by the SE Regulation, the German Act on the SE-Implementation (*SE-Ausführungsgesetz* ("**SEAG**")), the AktG, the Articles of Association and the rules of procedure of both the Supervisory Board and the Management Board.

The members of the Management Board are appointed by the Supervisory Board and the Supervisory Board is entitled to remove any member of the Management Board under certain circumstances. Simultaneous membership in the Supervisory Board and the Management Board is not permitted under the SE Regulation, as the Supervisory Board's is tasked with supervising the management of the Company by the Management Board. However, in exceptional cases and for an interim period, a member of the Supervisory Board may take a vacant seat on the Management Board. During this period, such individual may not perform any duties pertaining to his position on the Supervisory Board. Additionally, the duration of such stand-in arrangements may not exceed one year.

The Management Board is responsible for managing the Company in accordance with applicable European and German law, the Articles of Association and its rules of procedure, including the schedule of responsibilities. The Management Board represents the Company in dealings with third parties. As set out in Article 40 of the SE Regulation in conjunction with the AktG, the Supervisory Board advises and oversees the Management Board's administration of the Company, but is not itself authorized to manage the Company. The Supervisory Board may amend the Articles of Association if such amendments are purely semantic.

The Articles of Association may designate types of transactions that may only be conducted with the prior approval of the Supervisory Board. In addition, the Supervisory Board may itself determine that certain types of transactions are subject to its prior approval. Matters subject to the prior approval of the Supervisory Board or of a committee of the Supervisory Board pursuant to the Articles of Association or the rules of procedure of the Management Board currently include:

- acquisitions and disposals of enterprises, participations in enterprises and parts of enterprises, if the consideration exceeds certain value thresholds determined by the Supervisory Board (except for acquisitions and disposals within the group); and
- the consummation of enterprise agreements on behalf of the company.

The Management Board is also required to obtain the prior approval of the Supervisory Board to certain transactions concluded by subsidiaries of the Company if such transactions require approval of the Supervisory Board had they been undertaken by the Company.

In addition to the aforementioned transactions and measures, the Supervisory Board may make other types of transactions and measures subject to its prior approval by amending the rules of procedure of the Management Board or the Supervisory Board or through a resolution of the Supervisory Board. The Supervisory Board may also grant revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

Each member of the Management Board and Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. In discharging these duties, each member of these bodies must consider a broad spectrum of interests, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must also take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for any damages the Company has incurred.

Under German law, shareholders generally have no right to directly assert claims against members of the Management Board or Supervisory Board if they believe that such members have violated their duties to the Company (*i.e.*, only the Company has the right to enforce such claims against the members of the Management Board or Supervisory Board). With respect to claims against members of the Management Board, the Company is represented by the Supervisory Board, and with respect to claims against members of the Supervisory Board, the Company is represented by the Management Board. The German Federal Supreme Court (*Bundesgerichtshof*) has ruled that the Supervisory Board is generally required to assert claims against members of the Management Board if it is likely that such claims can be pursued and enforced successfully, unless significant interests of the Company conflict with the pursuit of such claims and outweigh the interests of the Company asserting such claims against members of the Management Board.

If either the Supervisory Board or the Management Board decides not to pursue claims of the Company against members of the respective other governing body for violations of their duties, such claims must nevertheless be asserted if the shareholders' meeting adopts a resolution to this effect with a simple majority of the votes validly cast. The shareholders' meeting may also appoint a special representative (*besonderer Vertreter*) to assert such claims. Shareholders whose aggregate shareholdings amount to 10% of the Company's share capital or a *pro rata* share of €1 million in the Company's share capital may also motion for the competent court to appoint such a special representative. If there are facts that justify the suspicion that the Company was harmed by dishonesty or a gross violation of laws or the Articles of Association, shareholders whose aggregate shareholdings amount to 1% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital may under certain conditions assert claims of the Company against members of the Management Board or Supervisory Board in their own names. However, such claims become inadmissible once the Company itself files a suit to assert such claims.

In addition, the Company's shareholders' meeting may appoint special auditors (*Sonderprüfer*) to audit transactions, particularly management transactions, with a simple majority of the votes validly cast. If the shareholders' meeting rejects a motion to appoint special auditors, the competent court shall appoint such special auditors upon a motion by shareholders whose aggregate shareholdings amount to 1% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital, if there are facts that justify the suspicion that the relevant occurrence involved acts of dishonesty or gross violations of the law or the Articles of Association. If the shareholders' meeting has resolved to appoint special auditors, the competent court shall appoint different special auditors upon a motion by shareholders whose aggregate shareholdings amount to 1% of the Company's share capital or a *pro rata* share of €100,000.00 of the Company's share capital, if such appointment appears necessary due to reasons concerning the original special auditors.

Shareholders and shareholder associations may solicit via the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*), other shareholders to file a motion, jointly or by proxy, for the appointment of special auditors, for the appointment of a special representative, the convention of a shareholders' meeting, or the exercise of voting rights in a shareholders' meeting.

The Company may only waive or settle claims for damages against members of the Management Board or Supervisory Board if at least three years have elapsed since such claims arose and if the shareholders' meeting has consented to such waiver or settlement by a simple majority vote, provided that a minority of the shareholders whose aggregate shareholdings amount to at least 10% of the Company's share capital does not object to such resolution in the minutes of the shareholders' meeting.

Under German law, neither individual shareholders nor other persons may use their influence on the Company to cause a member of the Management Board or the Supervisory Board to act in a manner that would be detrimental to the Company. Any person who uses his or her influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorized representative (*Prokurist*) or an authorized agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders may be liable to compensate the Company and the affected shareholders for the resulting losses. Moreover, in this context, the members of the Management Board and Supervisory Board are jointly and severally liable in addition to the person using his influence if such members acted in breach of their duty of care towards the Company.

17.2 Management Board

Under the Articles of Association, the Management Board consists of one or more members. The Supervisory Board determines the exact number of the members of the Management Board. The Supervisory Board may appoint members of the Management Board for a maximum term of up to five years. Reappointments or extensions, each for a maximum term of up to five years, are permissible.

The Supervisory Board may revoke for good cause (*e.g.*, a gross breach of fiduciary duties, inability to properly manage the Company or if the Company' shareholders' meeting has passed a vote of no-confidence with respect to such member, unless the vote of no-confidence was clearly passed for arbitrary reasons) the appointment of a member of the Management Board prior to the expiration of the relevant member's term.

The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court *vis-à-vis* the members of the Management Board.

Pursuant to Article 9 para. 1 lit. c) (ii) of the SE Regulation in conjunction with Section 84 para. 2 AktG, the Supervisory Board may appoint any member of the Management Board as chairperson of the Management Board and any other member as deputy chairperson.

If the Management Board consists of only two members, it has a quorum if both members participate in the vote. If the Management Board consists of three or more members, it has a quorum if at least half of its members take part in the vote. Members of the Management Board who abstain from voting are also counted for purposes of calculating the quorum. Resolutions of the Management Board may also be adopted outside of meetings through votes cast in writing, orally, by telefax, by email or any other customary (including electronic) means of communication or in a combination of the aforementioned forms, including by way of circular resolutions, as well as by combining a meeting with adopting resolutions outside of meetings. Resolutions are passed with a simple majority of the votes cast by the participating members of the Management Board, unless other majorities are required by compulsory law, the Articles of Association or the rules of procedure of the Management Board. The chairperson of the Management Board does not have a deciding vote.

The Company is represented *vis-à-vis* third parties and in court proceedings by two members of the Management Board or a member of the Management Board jointly with any authorized representative (*Prokurist*), if the Management Board consists of several members. If only a single member of the Management Board is appointed or if the Supervisory Board has authorized a single member of the Management Board to represent the Company alone, such member may solely represent the Company *vis-à-vis* third parties.

The rules of procedure of the Management Board require that the delegation of responsibilities to individual members of the Management Board is established on the basis of the business allocation plan (*Geschäftsverteilungsplan*). The business allocation plan is an annex to the rules of procedure of the Management Board and may only be amended by resolution of the Supervisory Board.

Additional provisions regarding, *inter alia*, the composition of the Management Board, the duties of its members, the overall responsibility of the Management Board, the allocation of responsibilities for particular functions and the Management Board's internal organization are set forth in the rules of procedure of the Management Board, which were adopted by the Supervisory Board on January 10, 2018.

17.2.1 Members of the Management Board

The following table sets forth the current members of the Management Board, their respective age and position, and the duration of their respective current term:

Name	Age	Member since	Appointed until	Position
Dr. Hans-Georg Feldmeier	55	2017[(1)]	2020	Chief Executive Officer
Stefan Hümer	53	2017	2020	Chief Financial Officer
Stefan Grieving	52	2017[(2)]	2020	Chief Marketing Officer
Karin Samusch	52	2017[(3)]	2020	Chief Business Development Officer

(1) Dr. Feldmeier was appointed as a member of the management board of Dermapharm AG, the former parent company of Dermapharm, in April 2009.

(2) Mr. Grieving was appointed as a member of the management board of Dermapharm AG, the former parent company of Dermapharm, in February 2011.

(3) Ms. Samusch was appointed as a member of the management board of Dermapharm AG, the former parent company of Dermapharm, in September 2013.

Dr. Hans-Georg Feldmeier was born in Rostock, Germany, on May 7, 1962.

In 1987, Dr. Feldmeier graduated from the University of Greifswald in Pharmaceutical Sciences, Germany, and obtained a degree as a pharmacist (*Diplom-Pharmazeut*). In 1990, he also obtained his doctoral degree at the Humboldt University in Berlin. Dr. Feldmeier initially joined VEB Berlin-Chemie in the former German Democratic Republic as a junior scientist. Following political changes in eastern Germany, he became Manager of Production & Technical Services. Dr. Feldmeier's main challenge was to reorganize and refurbish the manufacturing facilities in order to meet West European market standards and legal requirements, which took until 2001 to complete. Following a short stint as Head of Supply Center with Schering Aktiengesellschaft, Berlin, in 2002, Dr. Feldmeier joined Dermapharm on January 1, 2003, as the project leader overseeing the construction of Dermapharm's Brehna facilities. Since 2009, he has been Head of Operations of Dermapharm. In August 2017, Dr. Feldmeier was appointed Chief Executive Officer of Dermapharm.

Alongside his office as a member of the Management Board, Dr. Feldmeier is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside Dermapharm:

- L.B. Bohle Maschinen und Verfahren Gesellschaft mit beschränkter Haftung (member of the advisory board); and
- O.E.M. GmbH Schneid- und Verschleißtechnik (managing director).

Other than listed above, Dr. Feldmeier has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

Stefan Hümer was born in Munich, Germany, on February 29, 1964.

Mr. Hümer started his career with CYANAMID GmbH and its subsidiary Durachemie GmbH & Co. as head of sales processing and salesforce controlling in 1989. In 2001, he completed his professional training with a diploma from the Munich Chamber of Industry and Commerce (*Industrie- und Handelskammer*) in business administration and operations. Upon completion of such diploma, Mr. Hümer joined Hexal Aktiengesellschaft as a participation controller (*Beteiligungscontroller*). Following the merger between Hexal Aktiengesellschaft and Sandoz Group in October 2005, Mr. Hümer joined Sandoz Group, where he became International Head of Controlling in the research and development department. In June 2006, Mr. Hümer joined Dermapharm as Head of Controlling and Finance. Since August 2017, Mr. Hümer has been CFO and a member of the Management Board.

Alongside his office as a member of the Management Board, Mr. Hümer is a member of the management board of Channel 21 Holding AG. Other than that, Mr. Hümer has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

Stefan Grieving was born in Krefeld, Germany, on March 4, 1965.

In 1991, Mr. Grieving graduated from the University of Applied Sciences Niederrhein in Mönchengladbach, Germany. He holds a degree in Business Administration (*Diplom als Betriebswirt*). Following his graduation, Mr. Grieving joined Pharmacia as a medical representative. In 1995, he joined pharmaceutical company Krewel-Meuselbach GmbH near Cologne as a Product Manager in the area of prescription branded generics. From 1998 until 2004, Mr. Grieving held the position of Head of Marketing & Sales and later General Manager OTC and Generics Germany for STADA Arzneimittel Aktiengesellschaft in Bad Vilbel, Germany. Before joining Dermapharm, Mr. Grieving spent six years at TAD Pharma (KRKA group) as Head of Marketing & Sales and later General Manager. In September 2010, Mr. Grieving joined Dermapharm as Head of Marketing & Sales Germany (now Chief Marketing Officer). In addition, Mr. Grieving also heads Dermapharm's operations in Austria and Switzerland.

Alongside his office as a member of the Management Board, Mr. Grieving has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

Karin Samusch was born in Wolfratshausen, Germany, on October 1, 1965.

In 1989, Ms. Samusch began her career with seal producer Feodor Burgmann GmbH & Co. KG in Wolfratshausen, where she was ultimately responsible for the export of mechanical seals. In that same year, Ms. Samusch joined pharmaceutical company Dorsch GmbH, where she worked in business development, human resources and trademarks. Ms. Samusch then joined Dermapharm in 1991, where she assumed responsibility for business development, international affairs as well as regulatory affairs and pharmacovigilance. In 2000, Ms. Samusch completed her professional training with a diploma from the Munich Chamber of Commerce (Industrie- and Handelskammer München) in marketing management. In addition, Ms. Samusch attended the University of St. Gallen, Switzerland, to study chance and innovation management and obtained a certificate of advanced studies in September 2017. In 2013, Ms. Samusch was appointed Dermapharm's Chief Business Development Officer.

Alongside her office as a member of the Management Board, Ms. Samusch has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

The members of the Management Board may be reached at the Company's office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0).

17.2.2 Management Service Agreements

In January 2018, the members of the Management Board entered into management service agreements with the Company. These service agreements provide for employment until July 31, 2020.

17.2.3 Remuneration and Other Benefits of the Members of the Management Board

The compensation of the members of the Management Board under the new management service agreements was approved by the Supervisory Board, taking into account general market practice, legal requirements in accordance with Section 87 AktG and additional recommendations of the Code. On December 6, 2017, the Company's shareholders' meeting resolved that the individual compensation of members of the Management Board will not be disclosed in accordance with Sections 285 no. 9 letter a) sentences 5 through 8, 314 para. 1 no. 6 letter a) sentences 5 through 8 and 315e para. 1 HGB, as amended.

The compensation of the members of the Management Board consists of a fixed component and a variable component.

Under the management service agreements, the members of the Management Board are entitled to fixed cash compensation in an aggregate amount of approximately €1.0 million annually. Such fixed compensation is payable in twelve monthly installments over the course of the respective fiscal year.

In addition, the management service agreements provide for variable remuneration in an aggregate amount of up to €3.6 million annually (the "**Variable Remuneration**"). At the beginning of a given fiscal year, the Supervisory Board determines a target EBITDA of Dermapharm for each of the upcoming three fiscal years, which will be derived from Dermapharm's then current mid-term planning as approved by the Supervisory Board. The Variable Remuneration, if any, is payable in three tranches following the adoption of the Company's consolidated financial statements for the respective fiscal year, depending on the extent to which Dermapharm's actual EBITDA corresponds to the target EBITDA for the respective fiscal year.

Furthermore, members of the Management Board are reimbursed for their out-of-pocket expenses incurred in connection with the performance of their duties. Furthermore, the members of the Management Board are covered by Dermapharm's D&O insurance, the terms of which Dermapharm believes are in line with market practice and which provides for a deductible in line with the AktG (see "*12.11 Insurance*").

For information on the historical compensation of the members of the management board of Dermapharm AG, see "*18.2.1 Remuneration of the Members of the Management Board*".

17.3 Supervisory Board

In accordance with Article 9 para. 1 lit. c) (i) and 40 para. 3 of the SE Regulation in conjunction with Sections 95 and 96 AktG and Section 10 para. 1 of the Articles of Association, the Supervisory Board consists of three members. All of the members are appointed by the Company's shareholders' meeting and represent the shareholders. Pursuant to Article 9 para 1 lit. c) (ii) of the SE Regulation in conjunction with Section 100 para. 5 AktG, the members of the Supervisory Board as a whole shall be familiar with the industry in which the Company conducts its business.

According to the Articles of Association, members of the Supervisory Board may be elected for a maximum term lasting until the end of the shareholders' meeting which resolves on the discharge (*Entlastung*) of the relevant members of the Supervisory Board for the fourth fiscal year after the commencement of the term of office. The fiscal year in which the term of office commenced is not counted towards the aforementioned number of four years. For members of the Supervisory Board who leave office before the end of their term, a successor shall be elected for the remaining term of the leaving member, unless the Company's shareholders' meeting specifies a different term for such successor. The same applies if a reelection becomes necessary due to a challenge of a previous election. Reelection of members of the Supervisory Board is permissible.

When electing members of the Supervisory Board, the shareholders' meeting may also appoint substitute members who shall replace any members of the Supervisory Board leaving their office before the end of their term or whose election has been successfully contested. The term of office of such substitute members shall terminate at the end of the Company's shareholders' meeting in which a successor is elected and, at the latest, at the end of the term of office of the leaving member of the Supervisory Board. If the relevant substitute member whose term of office was terminated due to the election of a successor was appointed as substitute member for several members of the Supervisory Board, its position as substitute member shall revive.

The Supervisory Board shall elect a chairperson and a deputy chairperson from among its members to serve for the duration of those members' terms, unless a shorter period is determined at the time of their respective election. If the chairperson or his deputy leaves office before the end of his term, the Supervisory Board shall hold a new election without undue delay.

Each member of the Supervisory Board and each substitute member may resign from office with or without good cause, giving written notice one month in advance to the Management Board and the Management Board shall inform the chairperson of the Supervisory Board or, in case of a resignation by the chairperson, to his deputy. The chairperson of the Supervisory Board, or – in case of a resignation by the chairperson – his deputy, may consent to shorten or waive such one month notice periods.

The Supervisory Board shall hold at least two meetings in each calendar half-year. Meetings of the Supervisory Board are usually called at least ten calendar days in advance by the chairperson of the Supervisory Board, not including the day on which the invitation is sent and the day of the meeting itself. Notice of meetings may be given in writing, by telefax, by email or any other customary means of communication (including electronic communication). In urgent cases, the chairperson may shorten this period and may call the meeting orally or by telephone.

The Articles of Association and the rules of procedure of the Supervisory Board provide that resolutions of the Supervisory Board shall generally be passed in meetings. At the order of the chairperson or with the consent of all members of the Supervisory Board, the meetings of the Supervisory Board may also be held in the form of a telephone conference or by other electronic means of communication (*e.g.*, by video conference). Individual members of the Supervisory Board may be connected to the meetings via telephone or by other electronic means of communication (*e.g.*, by video conference). In such cases, resolutions may also be passed by way of telephone conference or by other electronic means of communication (*e.g.*, by video conference).

Absent members of the Supervisory Board, or members who do not participate in, or are not connected to, the telephone or video conference, may also participate in the voting by submitting their votes in writing through another Supervisory Board member. In addition, such absent members may also cast their vote in oral form, by telephone, by telefax, by email or any other customary means of communication (including electronic means of communication) prior to or during the meeting or following the meeting within a reasonable period as determined by the chairperson of the Supervisory Board.

Resolutions may also be adopted outside of meetings in writing, orally, by telephone, by telefax or by email or any other comparable means of communication, whereas the aforementioned forms may also be combined, including by way of a circular resolution, or in combination with adopting resolutions in a meeting at the order of the chairperson of the Supervisory Board, if preceded by reasonable notice or if all members of the Supervisory Board participate in the vote. Objections to the form of voting determined by the chairperson are not permitted.

The Articles of Association and the rules of procedure for the Supervisory Board provide that the Supervisory Board has a quorum if at least half of its members participate in the vote. Absent members of the Supervisory Board who cast their vote in writing or in any other way permitted by the Articles of Association or the rules of procedure of the Supervisory Board as well as any members who abstain from voting are considered present for purposes of calculating the quorum. If one or more seats on the Supervisory Board remain unoccupied for more than two months, the Supervisory Board, no quorum is required for a vote of the Supervisory Board until all empty seats on the Supervisory Board have been filled.

Unless otherwise provided for by mandatory law, resolutions of the Supervisory Board are passed with a simple majority of the votes cast. If a vote by the Supervisory Board results in a tie, the chairperson shall have a deciding vote.

The Supervisory Board may adopt rules of procedure and form committees in accordance with the law and the Articles of Association. The Supervisory Board shall determine the composition, competences and procedures of such committees, if any. To the extent permitted by law and by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to the chairperson, to any of the Supervisory Board member(s) or to any committee(s) established from amongst its members. The current version of the Supervisory Board's rules of procedure was adopted by resolution of the Supervisory Board on January 10, 2018.

17.3.1 Members of the Supervisory Board

The following table sets forth the current members of the Supervisory Board, their respective age and position, and the duration of their respective current term:

Name	Age	Member since	Appointed until	Position
Wilhelm Beier	61	2017	2022[(1)]	Chairman of the Supervisory Board
Dr. Erwin Kern	57	2017	2022[(1)]	Deputy Chairman of the Supervisory Board
Lothar Lanz	69	2018	2022[(1)]	Member of the Supervisory Board

(1) The current term of the members of the Supervisory Board expires by the end of the Company's annual shareholders' meeting to be held in the fiscal year ending December 31, 2022.

Wilhelm Beier was born in Eicherscheid (Bad Münstereifel), Germany, on April 21, 1956.

Mr. Beier studied business administration. Starting his career in 1981, he held various positions in the pharmaceuticals industry, including as a managing director of the German subsidiaries of an international pharmaceuticals manufacturer. After founding Dermapharm in 1991, Mr. Beier served as Chief Executive Officer of Dermapharm AG. In 2017, he was appointed as head of the Supervisory Board.

Alongside his office as a member of the Supervisory Board, Mr. Beier is currently a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Dermapharm:

- Themis Beteiligungs-Aktiengesellschaft (member of the management board);
- Wilhelm Beier 1. Beteiligungsgesellschaft mbH (managing director); and
- WB Medienbeteiligungsgesellschaft mbH (managing director).

Other than listed above, Mr. Beier has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

Dr. Erwin Kern was born in Karlsruhe, Germany, on July 6, 1960.

In 1986, Dr. Kern graduated from the Ludwig-Maximilian-University of Munich, obtaining a degree in business administrations. He also obtained a doctoral degree in economics from the University of Paderborn in 1989. Dr. Kern started his professional career as a manager of the HBK-Handel und Beteiligungen Kern GmbH & Co. KG in 1986. From 1991 onward, he was a member of the management board of Kies und Beton Baden-Baden GmbH & Co. Holding KG and Kies und Beton Aktiengesellschaft Baden-Baden. In 2007, Dr. Kern became chairman of the management boards of these companies, offices he held until 2016. Alongside his operative management activities, Dr. Kern has been engaged in various associations, predominantly in the concrete industry. He currently serves as a member of the executive committee of the board of the European Ready-Mixed Concrete Organization (ERMCO) and he was the chairman (from 2008 until 2011) and senior vice-chairman (from 2011 until 2013) of the Council of European Producers of Materials for Construction (CEPMC) (*Vereinigung europäischer Baustoffhersteller*). In 2017, Dr. Kern was appointed as a member of Dermapharm's Supervisory Board and has been a member of the Supervisory Board since then.

Alongside his office as a member of the Supervisory Board, Dr. Kern is, or was within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Dermapharm:

Currently:

- Baden-Württembergische Bank (member of the advisory board);
- Beton & Graviere Service EURL (member of the management board);
- Beton- und Kies-Logistik Verwaltungs GmbH (member of the management board);
- BKG Transportbeton Verwaltungs-GmbH (member of the management board);
- Bundesverband Baustoffe – Steine und Erden e.V. (vice-president of the board);
- Bundesverband der Deutschen Transportbetonindustrie e.V. (president);
- Deupo Kies und Beton Vertriebs GmbH Verwaltungsgesellschaft (member of the management board);
- Forschungsgemeinschaft Transportbeton e.V. (FTB) (president);
- Gewerbepark Iffezheim-Nordwest GmbH, Verwaltungsgesellschaft (member of the management board);
- Heinz Mitteldorf Verwaltungs GmbH (member of the management board);
- IKE Iffezheimer Kies- und Edelsplittwerk Verwaltungs GmbH (member of the management board);
- Industrieverband Steine und Erden Baden-Württemberg e.V. (ISTE) (chairman of the advisory board Transportbeton);
- in puncto Transportbeton GmbH (managing director);
- Institut der deutschen Wirtschaft Köln e.V. (member of the board);
- Kern Verwaltungsgesellschaft mbH (member of the management board);
- Kern Gesellschaft für Beteiligungen in der Bauzuliefererindustrie mbH, Verwaltungsgesellschaft (member of the management board);
- Kies und Beton Aktiengesellschaft Baden-Baden (chairman of the management board);
- Kieswerk Greffern Verwaltungs-GmbH (member of the management board);
- Kieswerk Leiberstung Verwaltungs-GmbH (member of the management board);
- Kieswerk Stürmlinger Verwaltungs-GmbH (member of the management board);
- MAK Mineralabbau Kelsterbach Verwaltungs GmbH (member of the management board);
- MRG Heinz Mitteldorf Recycling u. Baustoff-Verwertung, Verwaltungs-GmbH (member of the management board);

- Quarzwerke Lauter Verwaltungs GmbH (member of the management board);
- Riedbeton GmbH (member of the management board);
- Schuler Service GmbH & Co. KG (member of the advisory board);
- SPORT-ZENTRUM-MEHLISKOPF GmbH (member of the management board); and
- Société des Gravières de Lauterbourg S.A.S. (member of the management board).

Previously:

- Ebert HERA Esser Holding GmbH (member of the supervisory board);
- Münchner Kies Union GmbH & Co. Sand- und Kieswerke KG (chairman of the advisory board); and
- Volksbank Baden-Baden Rastatt eG (member of the supervisory board).

Other than listed above, Dr. Kern has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

Lothar Lanz, was born in Bihlafingen, Germany, on October 1, 1948.

From 1969 to 1974, Mr. Lanz studied at the universities in Stuttgart and Berlin, and holds a degree in Business Administration (*Diplom Betriebswirt*). Mr. Lanz started his professional career as an audit assistant to an auditor and tax advisor in Berlin. In 1977, Mr. Lanz joined Bayerische Hypotheken- und Wechselbank Aktiengesellschaft, where he worked as a branch manager from 1983 until 1990. In 1991, Mr. Lanz became a member of the managing board of H S B. HYPO Service-Bank Aktiengesellschaft, Munich. In 1996, he transferred to Nassauische Sparkasse, Wiesbaden, where he also became a member of the management board. In the same year, Mr. Lanz joined former ProSieben Media Aktiengesellschaft (now ProSiebenSat.1 Media AG) as Chief Financial Officer, an office he held until 2008. From 2009 until 2014, Mr. Lanz was a member of the managing board of Axel Springer Aktiengesellschaft (now Axel Springer SE), serving as Chief Financial and Operating Officer.

Alongside his office as member of the Supervisory Board, Mr. Lanz is a member of the administrative, management or supervisory bodies of and/or a partner in the following companies or partnerships outside Dermapharm:

- Axel Springer SE (member of the supervisory board);
- BAUWERT Aktiengesellschaft (member of the supervisory board);
- Home24 AG (chairman of the supervisory board);
- Kinnevik AB (member of the board of directors);
- TAG Immobilien AG (deputy chairman of the supervisory board); and
- Zalando SE (chairman of the supervisory board).

Other than listed above, Mr. Lanz has not been a member of any administrative, management or supervisory body of any other company or partnership outside Dermapharm within the last five years.

The members of the Supervisory Board may be reached at the Company's office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0).

17.3.2 Remuneration and Other Benefits of the Members of the Supervisory Board

Section 15 of the Articles of Association governs the remuneration of the members of the Supervisory Board. Each member receives a fixed remuneration of €70,000.00 for every full fiscal year where such person is a member of the Supervisory Board. Persons who are members of the Supervisory Board for part of a fiscal year receive a *pro rata* share of this fixed remuneration. The fixed remuneration is payable in four annual installments following the end of each quarter and will be paid for the first time with respect to the fiscal year ending December 31, 2018.

In addition, members of the Supervisory Board are reimbursed for their out-of-pocket expenses incurred in connection with the performance of their duties. The Company also reimburses the members of the Supervisory Board for any VAT due on their remuneration and reimbursement for out-of-pocket expenses. Furthermore, the members of the Supervisory Board are covered by Dermapharm's D&O insurance, the terms of which Dermapharm believes are in line with market practice (see "*12.11 Insurance*").

For information on the historical compensation of the members of the supervisory board of Dermapharm AG, see "*18.2.2 Remuneration of the Members of the Supervisory Board*".

17.4 Shareholdings of the Members of the Management Board and the Supervisory Board

As of the date of this Prospectus, neither the members of the Management Board nor the members of the Supervisory Board hold any shares of the Company. However, Mr. Beier, the chairman of the Supervisory Board, holds the majority of the shares of the Selling Shareholder, who in turn is the sole shareholder of the Company as of the date of this Prospectus (see "*14. Information on the Selling Shareholder*").

17.5 Certain Information Regarding the Members of the Management Board and the Supervisory Board

In the last five years, no member of the Management Board or the Supervisory Board has been:

- convicted of fraudulent offences; or
- associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body.

In the last five years, no official public incriminations and/or sanctions have been pending or imposed by statutory or legal authorities (including designated professional bodies) against the members of the Management Board or Supervisory Board.

No court has ever disqualified any of the members of the Management Board or the Supervisory Board from acting as a member of the administrative, management, or supervisory body of an issuer.

No court has ever disqualified any of the members of the Management Board or the Supervisory Board from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are no conflicts of interest or potential conflicts of interest between the members of the Management Board and Supervisory Board with respect to their duties to the Company on the one hand and their private interests, membership in governing bodies of companies, or other obligations on the other hand.

None of the members of the Management Board or the Supervisory Board has entered into a service agreement with a company of Dermapharm that provides for benefits upon termination of employment or office.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the respective other body.

17.6 Shareholders' Meeting

17.6.1 Convening of Shareholders' Meetings

Pursuant to Article 54 para. 1 of the SE Regulation, the annual shareholders' meeting of the Company is held within the first six months of each fiscal year. At the choice of the body convening the shareholders' meeting, the meeting is held either at the registered seat of the Company or in a German city within a radius of 50 kilometers of the Company's seat or in a German city with a stock exchange. The Company's shareholders' meeting is generally convened by the Management Board. Notice must be issued in the German Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the shareholders' meeting. The day of the meeting and the day of the receipt of the notice are disregarded when calculating this 30-day period. This period is extended for the period for registration by the shareholders (see "*17.6.2 Shareholders' Right to participate in Shareholders' Meetings*").

A shareholders' meeting may also be convened by the Supervisory Board. In addition, shareholders whose aggregate shareholdings amount to 5% of the Company's share capital may request that a shareholders' meeting be held. Shareholders or shareholder associations may solicit other shareholders to submit such request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request submitted by shareholders whose aggregate shareholdings amount to 5% of the Company's share capital, a shareholders' meeting of the Company is not held in a timely manner, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested such meeting or their representatives to convene a shareholders' meeting of the Company.

17.6.2 Shareholders' Right to participate in Shareholders' Meetings

Pursuant to the Articles of Association, all shareholders of the Company who have duly submitted notification of attendance as well as evidence of their shareholdings are entitled to participate in the shareholders' meeting and to exercise their voting rights. The registration for participation must be received by the Company by the end of the sixth day prior to the date on which the shareholders' meeting is held, unless a shorter period of time was set forth in the convocation for the shareholders' meeting. When calculating this period, the day of the meeting and the day of the receipt of the notice are disregarded.

The shareholder's registration shall be submitted in the German- or English-language in writing (*Textform*) or by way of other electronic means as specified by the Company in greater detail. The evidence of shareholdings shall be submitted in the form of an account record by a depository institution in the German- or English-language and in writing (*Textform*). Such evidence shall refer to the start of the 21st day prior to the shareholders' meeting (record date) and be received by the Company at least six days prior to the meeting, unless a shorter period of time was set forth in the convocation notice for the shareholders' meeting. When calculating such period, the day of the meeting and the day of the receipt of the notice shall be disregarded.

Voting rights may be exercised by proxy. The granting of the proxy, its revocation and the evidence of power of representation to be provided to the Company shall be submitted in writing (*Textform*), unless the convening notice for the shareholders' meeting provides for a less restrictive form. The Management Board is authorized to allow audio-visual transmissions of the shareholders' meeting and to allow shareholders to cast their votes in writing or by means of electronic communication without attending the shareholders' meeting (absentee vote). The Management Board is further authorized to allow shareholders to participate in the shareholders' meeting without being present in person or represented at the shareholders' meeting by exercising all or specific shareholder rights in total or in part by electronic communication (online participation).

17.6.3 Conduct of Shareholders' Meetings

The shareholders' meeting is chaired by the chairperson of the Supervisory Board. The shareholders' meeting may also be chaired by any other member of the Supervisory Board or a third party who has been designated in advance by the chairperson of the Supervisory Board. If the chairperson of the Supervisory Board does not take the chair and neither another Supervisory Board member nor a third party has been designated to chair the shareholders' meeting or such designee is unable to attend, the chairperson of the meeting shall be elected by the members of the Supervisory Board present at such shareholders' meeting. If no member of the Supervisory Board is present at the shareholders' meeting and neither another Supervisory Board member nor a third party has been designated to chair the shareholders' meeting or such designee is unable to attend, the shareholders' meeting itself shall elect the chairperson of the shareholders' meeting, which vote shall be chaired by the shareholder, or his representative, with the highest number of shares present at the meeting.

The chairperson of the shareholders' meeting chairs the proceedings of the meeting and directs the course of the proceedings. In particular, the chairperson may exercise rules of order and make use of assistants. The chairperson shall determine the sequence of speakers and the consideration of the items on the agenda as well as the form, procedure and further details of voting. The chairperson may also, to the extent permitted by law, decide on the bundling of factually related items into a single resolution. The chairperson is further authorized to impose a reasonable time limit on the right to ask questions and to speak. In particular, the chairperson may establish a limit on the time allowed to speak or ask questions or on the combined time to speak and ask questions at any time during the shareholders' meeting. The chairperson may also determine an appropriate time frame for the course of the entire shareholders' meeting, for individual items on the agenda or individual speakers. If necessary, the chairperson may order the end of the debate in the shareholders' meeting.

17.6.4 Resolutions of the Shareholders' Meeting

Pursuant to Section 20 para. 2 of the Articles of Association, resolutions of the shareholders' meeting may generally be passed with a simple majority of the votes validly cast. If a majority of the share capital is required by law, a simple majority of the registered share capital represented at the vote shall be sufficient, unless mandatory law or the Articles of Association stipulate a higher majority. Amendments of the Articles of Association may be passed with a simple majority of the votes, provided that at least half of the Company's share capital is represented and unless provided otherwise by mandatory law or the Articles of Association.

According to Articles 5, 57 and 59 of the SE Regulation, and Section 51 of the SEAG in conjunction with the AktG, resolutions of fundamental importance (*grundlegende Bedeutung*) require a majority of at least 75% of the share capital represented at the vote. Resolutions of fundamental importance include:

- the approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*);
- the creation of conditional or authorized capital;
- the issuance of, or authorization to issue, convertible and profit-sharing certificates and other profit-sharing rights;
- an exclusion of subscription rights as part of a capital increase by the shareholders' meeting;
- an authorization on the use of treasury shares;
- capital reductions;
- a liquidation of the Company or a subsequent continuation of the liquidated Company;
- the approval of contracts within the meaning of Section 179a AktG (transfer of the entire assets of the Company) and management actions of special significance that require the approval of the shareholders' meeting in compliance with legal precedents;
- an integration of the Company into another corporation or a squeeze-out of the Company's minority shareholders; and
- any actions within the meaning of the UmwG.

Neither German law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

17.7 Corporate Governance

The German Corporate Governance Code, as amended on February 7, 2017 (the "**Code**"), contains recommendations and suggestions for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to increase the transparency of the German system of corporate governance and supervision for investors. The Code includes recommendations and suggestions for management and supervision with regards to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, pursuant to Section 161 para. 1 AktG, the Management Board and the Supervisory Board are required to declare that Dermapharm has either complied or will comply with the recommendations of the Code, or which recommendations have not or will not be complied with, and explain why the Management Board and the Supervisory Board do not or will not comply with certain recommendations. This declaration must be submitted annually and must be made permanently accessible to the shareholders. There is no requirement to disclose any deviations from the suggestions of the Code.

As of the date of this Prospectus, the Company complies with all recommendations of the Code, apart from the following:

- No. 3.8 of the Code: According to the Code's recommendations, the Company's D&O insurance should include a deductible of at least 10% of the relevant losses, up to at least an amount of 1.5 times the fixed annual compensation of members of the Supervisory Board. The Company's D&O insurance does not provide for a deductible with respect to coverage for members of the Supervisory Board, given that the Company does not believe that such deductible would increase the motivation and responsibility of the members of the Supervisory Board.
- No. 4.2.5 of the Code: According to the Code's recommendations, the individual compensation of the members of the Management Board should be disclosed, using the model tables provided for in the Code. On December 6, 2017, the Company's shareholders' meeting resolved that the individual compensation of members of the Management Board will not be disclosed in accordance with Sections 285 no. 9 letter a) sentences 5 through 8, 314 para. 1 no. 6 letter a) sentences 5 through 8 and 315e para. 1 HGB, as amended. Therefore, the Company will not disclose such individual compensation and will not use the model tables provided for by the Code.
- No. 5.3 of the Code: According to the Code's recommendations, the Supervisory Board shall form committees of members with relevant expertise. In particular, the Supervisory Board shall form an audit committee that addresses the monitoring of the accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit and compliance. The chair of such audit committee shall have specific knowledge and experience in applying accounting principles and internal control procedures. In addition, the Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for its recommendations to the General Meeting. The Supervisory Board has not formed any committees, given that the Supervisory Board is comprised of just three members and can therefore efficiently fulfil its functions without the help of any committees.
- No. 5.4.6 of the Code: According to the Code's recommendations, the compensation of individual members of the Supervisory Board should take into account their status as chairman or deputy chairman of the Supervisory Board, if applicable, as well as any membership in committees of the Supervisory Board. Given that the Supervisory Board comprises just three members, the Company believes that there is no need to provide for additional remuneration for the chairman or deputy chairman of the Supervisory Board. In addition, due to the fact that the Supervisory Board has not formed any committees, there is no need to provide for additional remuneration for membership in any committees.

- No. 7.1.2 of the Code: According to the Code's recommendations, the Company's consolidated financial statements and the respective management report for a given fiscal year should be published within 90 days from the end of such fiscal year, and its consolidated interim financial statements and the respective management report should be published within 45 days from the end of the respective reporting period. The Company will publish its consolidated financial statements and the respective management reports in accordance with applicable regulations and may therefore not comply with the shorter periods provided for by the Code. The Company does not believe that an accelerated publication of its consolidated financial statements would serve the interests of investors, creditors, employees or the general public.

18. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below in is a summary of such transactions with related parties for the fiscal years ended December 31, 2014, 2015 and 2016, the nine-month period ended September 30, 2017 and up to and including the date of this Prospectus. Further information, including quantitative amounts, of related-party transactions are contained in the notes to Dermapharm AG's audited consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014, and the unaudited interim condensed consolidated financial statements as of and for the nine-month period ended September 30, 2017, which are all included in the Section "22. Financial Information" on pages F-16 et seq. and F-84 et seq. of this Prospectus. Business relationships between companies of Dermapharm are not included.

18.1 Relationships and Transactions with Related Parties

18.1.1 Profit Transfer Agreement

On April 13, 2016, Dermapharm AG and the Selling Shareholder entered into the Profit Transfer Agreement to create fiscal units for tax purposes with retroactive effect from January 1, 2016. The Profit Transfer Agreement replaced an existing profit transfer agreement dated December 13, 2015, which was terminated by Dermapharm and the Selling Shareholder with effect from December 31, 2015. Under the Profit Transfer Agreement, Dermapharm AG was required to transfer its entire profits, if any, to the Selling Shareholder, who in turn was required to assume Dermapharm AG's losses in any given fiscal year, if any (in each case, as determined by Dermapharm AG's individual annual financial statements prepared in accordance with HGB).

The Profit Transfer Agreement was terminated with effect from the end of December 31, 2017. Dermapharm AG is required to transfer its profits for the fiscal year ended December 31, 2017, if any, to the Selling Shareholder. However, Dermapharm AG has provided the Selling Shareholder with certain shareholder loans. Consequently, the claims of the Selling Shareholder under the Profit Transfer Agreement with respect to the fiscal year ended December 31, 2017 will be offset against Dermapharm AG's claims under these shareholder loans and Dermapharm AG expects that its claims will exceed those of the Selling Shareholder by more than €50 million.

18.1.2 Indemnification Agreement with respect to UniCredit Litigation

Dermapharm is currently involved in litigation with UniCredit, whereby Dermapharm demands the rescission of certain currency related swap transactions entered into with UniCredit between 2006 and 2010 as well as compensation for all damages incurred in connection with these swaps (see "*12.12 Litigation*"). On December 21, 2015, Dermapharm AG and the Selling Shareholder entered into an indemnification agreement (the "**Indemnification Agreement**"), pursuant to which Dermapharm assigned its claims against UniCredit to the Selling Shareholder. In turn, the Selling Shareholder has agreed to assume any payments required from Dermapharm to UniCredit under the currency related swap transactions as well as attorneys' fees in connection with the proceedings at the regional court (*Landgericht*) of Munich, unless Dermapharm AG has set up a provision for such costs in its consolidated statement of financial position as of December 31, 2015. As a result of the Indemnification Agreement, the Selling Shareholder has effectively assumed the majority of the outstanding risks and payment obligations associated with the currency related swap transactions with UniCredit.

18.1.3 Contribution of all Shares in Dermapharm AG

On December 6, 2017, the Company's shareholders' meeting resolved to increase the Company's share capital from €120,000.00 by €49,880,000.00 to €50,000,000.00 by issuing 49,880,000 new shares in the Company against contributions in kind in the form of 104,960 shares in Dermapharm AG (the "**Contribution Capital Increase**") by the Selling Shareholder (corresponding to 20.0% of the share capital of Dermapharm AG). In addition, the Selling Shareholder contributed the remaining 419,840 shares in Dermapharm AG (corresponding to 80.0% of the share capital of Dermapharm AG) to the Company's free reserves (*freie Rücklagen*) without consideration.

The contribution and transfer of all shares in Dermapharm AG were completed with effect from the end of December 31, 2017 and the consummation of the Contribution Capital Increase was registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on January 4, 2018. Warth & Klein Grant Thornton acted as auditor with respect to the Contribution Capital Increase pursuant to Section 183 para. 3 AktG.

18.1.4 Cost Sharing and Indemnity Agreement

On January 25, 2017, the Selling Shareholder and the Company entered into an agreement regarding their cooperation relating to the preparation of the Offering. As required by law, the Selling Shareholder has agreed that it will reimburse the Company for all external costs incurred in connection with the preparation and the execution of the Offering (except for costs relating to certain corporate measures such as the IPO Capital Increase) on a *pro rata* basis calculated in accordance with the ratio of (i) the gross proceeds from the Existing Shares placed in the Offering to (ii) the sum of the gross proceeds from the Existing Shares and the New Shares placed in the Offering. The costs for which the Selling Shareholder will reimburse the Company include legal, auditor and other advisors' fees as well as expenses, for which the Company has agreed to reimburse the Sole Bookrunner. With respect to commissions to be paid to the Sole Bookrunner in connection with the Offering, see "*19.3 Commission*".

The obligations of the Selling Shareholder to reimburse the Company remain unaffected if the Offering is postponed or terminated. As required by law, the Selling Shareholder has also agreed to indemnify the Company from any potential liability in connection with the Offering on a *pro rata* basis in accordance with the aforementioned ratio, including for the *pro rata* share of any reasonable legal costs and expenses. Furthermore, the Company has agreed that upon indemnification by the Selling Shareholder and to the extent legally permissible, it will assign certain claims the Company may have against members of the Management Board or the Supervisory Board or third parties to the Selling Shareholder.

18.1.5 Sale of Centuere Beteiligungs-Aktiengesellschaft i.L.

On December 31, 2015, Dermapharm sold and transferred a 75.1%-stake in Centuere to the Selling Shareholder for a consideration of €6.5 million. The sale of Centuere helped end marginal activities not relating to Dermapharm's pharma business and thereby focus on the core business. A negative result in an amount of €0.7 million was recognized in other operating expenses in the consolidated statement of comprehensive income of Dermapharm AG in connection with the sale of Centuere.

18.1.6 Sale of SLG Service Logistik Günthersdorf GmbH

On December 31, 2015, Dermapharm sold and transferred its shares in SLG to the Selling Shareholder for a consideration of €25,000.00. The sale of SLG helped end marginal activities not relating to Dermapharm's pharma business and thereby focus on the core business. A positive result in an amount of €0.6 million was recognized in other operating income in the consolidated statement of comprehensive income of Dermapharm AG in connection with the sale of SLG Service Logistik Günthersdorf GmbH.

18.1.7 Other Relations with the Selling Shareholder

The following table shows the payments made by Dermapharm to the Selling Shareholder for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,
	2014	2015	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)
Profit transfer agreement	11.2	25.9	24.4	66.9
Financial instruments	0.6	1.6	15.3	–
Purchase of goods	–	–	–	0.3
Indirect taxes from tax group	4.2	–	3.8	9.3
Interest	1.2	–	1.6	–
Consultancy services	0.2	0.4	0.6	0.7
Other services	0.6	–	0.9	0.4
Loans	23.9	2.2	–	–
Sale of companies	–	7.2	–	–
Total (unaudited)	**41.9**	**37.3**	**46.6**	**77.6**

The following table shows the payments received by Dermapharm from the Selling Shareholder and its affiliates for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,
	2014	2015	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)
Consultancy services	1.3	1.2	1.3	0.8
Compensation from Dermapharm AG, Switzerland	0.1	0.1	0.1	0.1
Total (unaudited)	**1.4**	**1.3**	**1.4**	**0.9**

18.2 Relationships with Members of the Management Board and Supervisory Board

18.2.1 Remuneration of the Members of the Management Board

The following table shows the remuneration paid to members of the management board of Dermapharm AG for the periods indicated:

	For the fiscal year ended December 31,			For the nine-month period ended September 30,
	2014	2015	2016	2017
	(audited, unless otherwise specified) (in € million)			(unaudited) (in € million)
Short-term employee benefits	1.5	1.7	2.2	0.8
Long-term employee benefits	0.0	0.0	0.0	0.0
Total remuneration	**1.6**	**1.8**	**2.2**	**0.9**

18.2.2 Remuneration of the Members of the Supervisory Board

In the fiscal years ended December 31, 2014, 2015, 2016 and 2017, the members of the supervisory board of Dermapharm AG received an aggregate compensation of €45,000.00, €51,000.00, €60,000.00 and €60,000.00, respectively, from Dermapharm AG. In the nine-month period ended September 30, 2017, the members of the supervisory board of Dermapharm AG did not receive any remuneration, given that such remuneration is paid at the end of a given fiscal year in full.

18.2.3 Pensions

As of September 30, 2017, Dermapharm had not made any pension commitments to members of the Management Board or the Supervisory Board.

19. UNDERWRITING

19.1 General

On January 26, 2018, the Company, the Selling Shareholder and the Offering Banks entered into the Underwriting Agreement relating to the offer and sale of the Offer Shares in connection with the Offering.

Under the terms of the Underwriting Agreement and subject to certain conditions, including the execution of the pricing agreement, the Sole Bookrunner Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany, is required to acquire such number of Offer Shares at the Offer Price as will be specified in the pricing agreement.

In connection with the Offering, the Sole Bookrunner and any of its affiliates, acting as an investor for its own account, may subscribe for Offer Shares in the Offering and in that capacity may retain, purchase or sell such Offer Shares or related investments for its own account and may offer or sell such Offer Shares or other investments outside the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be construed as including any offering or placement of Offer Shares to the Sole Bookrunner or any of its affiliates acting in such capacity. The Sole Bookrunner does not intend to disclose the extent of any such investments or transactions other than in accordance with any legal or regulatory obligation to do so. In addition, the Sole Bookrunner or its affiliates may enter into financing arrangements, including swaps with investors, due to which the Sole Bookrunner or its affiliates may, from time to time, acquire, hold or dispose of Offer Shares.

19.2 Underwriting Agreement

In the Underwriting Agreement, the Sole Bookrunner, subject to certain conditions, including the execution of a pricing agreement to determine the Offer Price, agreed to underwrite and purchase the Offer Shares with a view to offering them to investors in this Offering. The Sole Bookrunner agreed to remit to the Company the Offer Price from the sale of the New Shares (less agreed commissions and expenses), at the time the Company's shares are delivered to investors, which is expected to be three banking days after admission to trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

In the Underwriting Agreement, the Sole Bookrunner, subject to certain conditions, including the execution of a pricing agreement to determine the Offer Price, further agreed to acquire the Existing Shares from the holdings of the Selling Shareholder and to sell such Existing Shares as part of the Offering. The Sole Bookrunner agreed to remit the purchase price from the sale of the Existing Shares (less agreed upon commissions and expenses) to the Selling Shareholder at the time the Existing Shares are delivered to investors, which is expected to occur on February 13, 2018. For the purpose of a potential Over-Allotment, the Sole Bookrunner will be provided with 1,755,000 Over-Allotment Shares from the holdings of the Selling Shareholder in the form of a securities loan. The total number of Over-Allotment Shares will not exceed 15% of the final number of Base Shares placed with investors. The Selling Shareholder granted the Sole Bookrunner an option to acquire a number of the Company's shares equal to the number of Over-Allotment Shares at the Offer Price, less agreed commissions.

The obligations of the Offering Banks under the Underwriting Agreement are subject to various conditions, including (i) the agreement of the Sole Bookrunner, the Company and the Selling Shareholder on the Offer Price and the final number of Base Shares to be purchased by the Sole Bookrunner, (ii) the absence of a material event (*e.g.*, a reasonably likely material adverse change in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity, or results of operations of Dermapharm, or a suspension or material limitation in trading in securities in general on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)), (iii) receipt of customary officers' certificates, legal opinions and comfort letters, and (iv) the admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The Offering Banks have provided, and may in the future provide, services to Dermapharm in the ordinary course of business and may extend credit to, and have regular business dealings with Dermapharm in their capacity as financial institutions. For a more detailed description of the interests of the Offering Banks in the Offering, see "*3.12 Interests of Parties Participating in the Offering*".

19.3 Commissions

The Offering Banks will offer the Offer Shares at the Offer Price. In return, the Sole Bookrunner will receive a fixed underwriting commission calculated as a percentage of the gross proceeds from the Offering. In addition, the Company and the Selling Shareholder, respectively, may in their sole discretion decide to pay the Sole Bookrunner a discretionary fee, which is also calculated as a percentage of the gross proceeds from the Offering.

The Company will bear any fees in connection with the sale of the New Shares, while the Selling Shareholder will bear any fees in connection with the sale of the Existing Shares and the Over-Allotment Shares. Assuming a placement of all Base Shares, full exercise of the Greenshoe Option and payment of the discretionary fee in full, the Company estimates that at the mid-point of the Price Range, the Sole Bookrunner would receive commissions in an amount of approximately €10.2 million in connection with the Offering.

The Sole Bookrunner will withhold the respective base fees and the fixed fee of the Co-Lead Manager from the proceeds from the sale of the New Shares, the Existing Shares and the Over-Allotment Shares, respectively. The Company and the Selling Shareholder, respectively, will decide whether to grant the respective discretionary fees, if any, within five banking days after the expiration of the Stabilization Period. The Company has also agreed to reimburse the Sole Bookrunner for certain expenses incurred in connection with the Offering.

In addition to the commissions payable to the Sole Bookrunner, the Co-Lead Manager will receive a fixed fee for its role as a Co-Lead Manager in connection with the Offering.

19.4 Greenshoe Option and Securities Loan

To cover potential Over-Allotments, the Selling Shareholder has provided the Sole Bookrunner with 1,755,000 Over-Allotment Shares free of charge in the form of a securities loan. The Sole Bookrunner is entitled to exercise the Greenshoe Option to the extent Over-Allotments were initially made. The number of shares of the Company that can be acquired under the Greenshoe Option is reduced by the number of shares held by the Sole Bookrunner on the date when the Greenshoe Option is exercised and that were acquired by the Sole Bookrunner in the context of stabilization measures, if any. The Greenshoe Option will terminate 30 calendar days after commencement of stock exchange trading of the Company's shares (*i.e.*, March 11, 2018).

19.5 Termination; Indemnification

The Sole Bookrunner, on behalf of the Offering Banks, may, under certain circumstances, terminate the Underwriting Agreement, including after the Offer Shares have been allocated and admitted to trading, up to closing of the Offering, in particular, if any of the following has occurred:

- Dermapharm has sustained a loss or interference with respect to its business from fire, explosion, flood or other calamity (whether or not covered by insurance), or from any labor dispute or court or governmental;
- any material change or development reasonably likely to result in a material change to the share capital of the Company;
- any material change or development reasonably likely to result in a material change in the long-term debt of the Company or Dermapharm;
- any material adverse change, or any development involving a reasonably likely prospective material adverse change, in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Company or Dermapharm;
- any material adverse change that would prevent the Company from performing any of its obligations under the Underwriting Agreement;
- the Company or Dermapharm has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business; or
- a suspension in trading on the stock exchanges in Frankfurt am Main, Germany, London, United Kingdom, or New York, United States;

- a general moratorium on banking activities is imposed in Frankfurt am Main, London, or New York by the relevant authorities;
- a material adverse change in national or international financial, political, or economic conditions or currency exchange rates or currency controls which could have a material adverse impact on the financial markets in the Federal Republic of Germany, the United Kingdom or the United States;
- an outbreak or escalation of hostilities or the declaration of a national emergency or war which have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States; or
- any acts of terrorism or any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or currency control which have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allocations already made to investors will be invalidated and investors will have no claim for delivery of Offer Shares. Claims with respect to purchase fees already paid and costs incurred by an investor in connection with the purchase will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

In the Underwriting Agreement, the Company and the Selling Shareholder have agreed to indemnify the Offering Banks against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

19.6 Selling Restrictions

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder or the Offering Banks to permit a public offering of the Offer Shares anywhere other than in Germany and Luxembourg or the transmission or distribution of this Prospectus into any other jurisdiction, where action for that purpose may be required.

Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than in Germany and Luxembourg, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company does not intend to register either the Offering or any portion of the Offering in the United States, or to conduct a public offering of shares in the United States. The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with securities regulators of individual states of the United States. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States, except pursuant to an exemption from the registration and reporting requirements of the United States securities laws and in compliance with all other applicable United States legal requirements. The Offer Shares may only be sold in or into the United States to persons who are QIBs as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or transactions not subject to, the registration requirements of the Securities Act, and outside the United States in accordance with Rule 903 of Regulation S and in compliance with other United States legal requirements, and no (i) "direct selling efforts" as defined in Regulation S or (ii) "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Offer Shares may take place. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker dealers who are registered as such under the Securities Act. Terms used above shall have the meanings ascribed to them by Regulation S and Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act, if such offer or sale is does not comply with Rule 144A or another exemption from registration under the Securities Act.

In the United Kingdom, this Prospectus is only addressed and directed to Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or (ii) who are high net worth entities falling within Article 49 para. 2 lit. a) through d) of the Order, and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire Offer Shares in the United Kingdom will only be engaged in with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

No offer to the public of any Offer Shares which are the subject of this Offering has been and will be made in any EEA Member State, other than the offers contemplated in this Prospectus in Germany and Luxembourg (once the Prospectus has been approved by BaFin, notified to the CSSF and published in accordance with Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as last amended on July 20, 2017 (the "**Prospectus Directive**"), except that offers to the public of Offer Shares in any EEA Member State are permitted in accordance with the following exceptions under the Prospectus Directive:

- to legal entities which are qualified investors as defined in Article 2 para. 1 lit. e) of the Prospectus Directive;
- to fewer than 150 natural or legal persons per EEA Member State (other than qualified investors as defined in Article 2 para. 1 lit. e) of the Prospectus Directive), subject to obtaining the prior consent of the Sole Bookrunner for any such offer; or
- in any other circumstances falling within Article 3 para. 2 of the Prospectus Directive.

For the purposes of this Prospectus, the expression "offer to the public" in relation to any Offer Shares in any EEA Member State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the Offering and the Offer Shares, so as to enable an investor to decide to purchase or subscribe to Offer Shares, including any placing of Offer Shares through financial intermediaries.

19.7 Other Interests of the Sole Bookrunner in the Offering

In connection with the Offering and the admission to trading of the Company's shares, the Offering Banks have formed a contractual relationship with the Company and the Selling Shareholder.

Berenberg is acting for the Company and the Selling Shareholder on the Offering and on coordinating the structuring and execution of the Offering. Upon successful completion of the Offering, Berenberg will receive a commission and the size of this commission depends on the results of the Offering. As a result, Berenberg has a financial interest in the success of the Offering at the best possible terms.

ODDO BHF is acting as Co-Lead Manager and will receive a fixed fee for its services in connection with the Offering. As a result, ODDO BHF has a financial interest in the success of the Offering.

The Offering Banks or their respective affiliates have, and may from time to time in the future continue to have, business relations with Dermapharm and the Selling Shareholder, including lending activities, or may perform services for Dermapharm or the Selling Shareholder in the ordinary course of business.

20. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section outlines certain key German tax principles that may be relevant with respect to the acquisition, holding or transfer of shares in the Company. It is important to note that the legal situation may change, possibly with retroactive effect. This summary is not and does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be relevant to shareholders of the Company. In particular, this summary does not cover tax considerations that may be relevant to a shareholder that is a tax resident of a jurisdiction other than Germany. This presentation is based upon domestic German tax laws in effect as of the date of this Prospectus and the provisions of double taxation treaties currently in force between Germany and other countries.

This section does not replace the need for individual shareholders of the Company to seek personal tax advice. It is therefore recommended that shareholders consult their own tax advisors regarding the tax implications of acquiring, holding or transferring shares of the Company and what procedures are necessary to secure the repayment of German withholding tax (Kapitalertragsteuer), if possible. Only qualified tax advisors are in a position to adequately consider the particular tax situation of individual shareholders.

20.1 Taxation of the Company

The Company's taxable income, whether distributed or retained, is generally subject to German corporate income tax at a uniform rate of 15% plus the solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 15.825%.

Dividends and other shares in profits which the Company receives from domestic and foreign corporations are generally not subject to corporate income tax; however, 5% of this type of income are deemed to be a non-deductible business expense and are thus taxable. The same generally applies to profits earned by the Company from the sale of shares in another domestic or foreign corporation. Losses incurred from the sale of such shares are not deductible for tax purposes, regardless of the percentage of shares held. Different rules apply to free-floating dividends (*i.e.*, dividends earned on direct shareholdings in a distributing corporation equal to less than 10% of its share capital at the start of the respective calendar year ("**Portfolio Dividends**")). Portfolio Dividends are fully taxed at the corporate income tax rate (plus solidarity surcharge thereon). The acquisition of a shareholding of at least 10% is deemed to have occurred at the beginning of the calendar year. Capital gains arising from the disposal of shares held by the Company are effectively 95% tax exempt.

Participations in the share capital of other corporations which the Company holds through partnerships, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to the Company only on a *pro rata* basis at the ratio of the interest share of the Company in the assets of relevant partnership.

In addition, the Company is subject to trade tax with respect to its taxable trade profits from its permanent establishments in Germany. The trade tax rate depends on the local municipality/municipalities in which the Company maintains its permanent establishment(s). For the Company, the trade tax burden currently amounts to 8.4% of the taxable trade profit.

For trade tax purposes, dividends received from domestic and foreign corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner as for corporate income tax purposes. However, shares in profits received from domestic and foreign corporations are effectively 95% exempt from trade tax only if, *inter alia*, the company that is receiving the dividends has held or holds a stake of at least 15% in the share capital of the company making the distribution at the beginning or – in the case of foreign corporations – since the beginning of the assessment period. In the case of distributing companies domiciled in another member state of the European Union, a stake of 10% at the beginning of the assessment period is sufficient. Additional limitations apply with respect to shares in profits received from foreign corporations domiciled outside the European Union.

The provisions of the interest barrier (*Zinsschranke*) restrict the extent to which interest expenses are tax deductible. Under these rules, net interest expenses (interest expenses minus interest income in any given fiscal year) are generally only deductible up to 30% of the taxable EBITDA (taxable earnings adjusted for, in particular, interest expenses, interest income, and certain depreciation and amortization), although there are certain exceptions to this rule. The interest barrier rules do not apply in any given fiscal year (i) if the annual net interest expense is less than €3.0 million, (ii) if the respective entity is not or only partially part of a consolidated group, or (iii) if the respective entity is part of a consolidated group but its equity ratio is no more than two percentage points below the equity ratio of the consolidated group. For the eligibility of exemption (ii), the entity must prove that it did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in the entity of more than 25% or to an associated person. For the eligibility of exemption (iii), the entity must prove that the entity itself and any other company of the consolidated group did not pay more than 10% of the net interest expense to shareholders with a (direct or indirect) shareholding in a group company of more than 25% or to an associated person. Interest expense that is not deductible in any given fiscal year may be carried forward to subsequent fiscal years of the Company (interest carryforward) and will increase the interest expense in those subsequent years. Under certain conditions, non-offsettable EBITDA may also be carried forward to subsequent fiscal years (EBITDA carryforward). For the purpose of trade tax, however, the deductibility of interest expenses is further restricted to the extent that the sum of certain trade taxable add back items exceeds €100,000.00. In such cases 25% of the interest expenses, to the extent they were deducted for corporate income tax purposes, are added back for purposes of the trade tax base; consequently, in these cases the deductibility is limited to 75% of the interest expenses.

Losses of the Company can be carried forward to subsequent fiscal years and used to fully offset taxable income for corporate income tax and trade tax purposes only up to an amount of €1.0 million. If the taxable income for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60% of the amount exceeding the threshold may be offset by tax loss carryforwards. The remaining 40% are subject to taxation (minimum taxation). The rules also provide for a tax loss carryback in an amount of up to €1.0 million to the previous year with regards to corporate income tax. Unused tax loss carryforwards may generally be carried forward for an unlimited period of time.

If more than 50% of the subscribed capital or voting rights of the Company are directly or indirectly transferred to an acquirer (including parties related to the acquirer) within five years or comparable circumstances occur, all tax loss carryforwards and interest carryforwards are forfeited. A group of acquirers with aligned interests is also considered to be an acquirer for these purposes. In addition, any current annual losses incurred prior to the acquisition will not be deductible. If more than 25% up to and including 50% of the subscribed capital or voting rights of the Company are transferred to an acquirer (including parties related to the acquirer) or comparable circumstances occur, a proportional amount of tax loss carryforwards, unused current losses and interest carryforwards are forfeited. While the Federal Constitutional Court (*Bundesverfassungsgericht*) on March 29, 2017 ruled that the relevant provision of the German Corporate Tax Act (*Körperschaftsteuergesetz*) on this pro-rata forfeiture is unconstitutional, such decision only covers the time period up to and including December 31, 2015. Therefore, the Federal Constitutional Court (*Bundesverfassungsgericht*) ruled that a retroactive implementation of a new provision substituting the unconstitutional legislation will only be required for the period from January 1, 2008 up to and including December 31, 2015.

The rules on the forfeiture of tax loss carryforwards, unused current losses and interest carryforwards do not apply to share transfers where (i) the acquirer directly or indirectly holds a participation of 100% in the transferring entity, (ii) the vendor directly or indirectly holds a participation of 100% in the receiving entity, or (iii) the same natural or legal person or commercial partnership directly or indirectly holds a participation of 100% in the transferring and the receiving entity. Furthermore, tax loss carryforwards, unused current losses and interest carryforwards taxable in Germany will not expire to the extent that they are covered by built in gains taxable in Germany at the time of such acquisition.

In accordance with legislation enacted on December 23, 2016, a new rule was introduced to the German Corporate Tax Act (*Körperschaftsteuergesetz*) with retroactive effect from January 1, 2016. Based upon this legislation and assuming that the required application has been filed, any share transfer that would otherwise be subject to the aforementioned rules does not result in a forfeiture of tax loss carryforwards resulting from current business operations (*Geschäftsbetrieb*) of the Company, if, in addition to other requirements, the current business operations of the Company remained the same (i) from the time of its establishment; or (ii) during the last three business years prior to the share transfer and such business operations are maintained after the transfer. The determination of whether the business operations have been maintained is assessed on the basis of qualitative factors (*e.g.*, produced goods and services, target markets, client and supplier bases). However, the relevant retained tax loss carryforwards will be subject to a special regime, providing, *inter alia*, that they will be forfeited in any event if, after the share transfer, the business operations of the Company become dormant or are amended, the Company becomes a partner in an operating partnership (*Mitunternehmerschaft*), the Company becomes a fiscal unity parent, or assets are transferred from the Company and recognized at a value lower than the fair market value. Whether any of the aforementioned detrimental circumstances occur is monitored until the retained tax loss carryforwards have been fully utilized.

20.2 Taxation of Shareholders

Shareholders are taxed in particular in connection with the holding of shares (taxation of dividend income), upon the sale of shares (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

20.2.1 Taxation of Dividend Income

In the future, the Company may pay dividends out of a tax recognized contribution account (*steuerliches Einlagekonto*). To the extent that the Company pays dividends from the tax-recognized contribution account (*steuerliches Einlagekonto*), the dividends are not subject to withholding tax, personal income tax (including the solidarity surcharge and church tax, if any) or corporate income tax, as the case may be. However, dividends paid out of a tax-recognized contribution account lower the acquisition costs of the shares, which may result in a higher amount of taxable capital gains upon the shareholder's sale of the shares. Special rules apply to the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of the shares (the details are outlined below).

20.2.2 Withholding Tax

Dividends distributed by the Company that are not paid out of the tax-recognized contribution account (*steuerliches Einlagekonto*) are subject to a deduction at source (withholding tax) at a 25% rate plus a solidarity surcharge of 5.5% on the amount of withholding tax (amounting in total to a rate of 26.375%) and church tax (*Kirchensteuer*), if applicable. The basis for determining the dividend withholding tax is the dividend approved for distribution by the Company's shareholders' meeting.

In general, dividend withholding tax is withheld regardless of whether and, if so, to what extent the shareholder must report the dividend for tax purposes and regardless of whether the shareholder is a resident of Germany or of a foreign country.

As the Company's shares are admitted to be held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, the Company is not responsible for withholding the withholding tax. Instead, one of the following entities in Germany is responsible and authorized to collect withholding tax and to remit it to the relevant tax authority for the account of the relevant shareholder: (i) a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks or financial service institutes) that holds the shares in custody or that manages such shares and that pays out or credits the shareholder's investment income or that pays the investment income to a foreign entity, or (ii) the central securities depository (*Wertpapiersammelbank*) holding the collective deposit shares in custody if it pays the investment income to a foreign entity, or (iii) the Company itself if and to the extent shares held in collective safe custody (*girosammelverwahrt*) by the central securities depository (*Wertpapiersammelbank*) are treated as stock being held separately (*abgesetzte Bestände*).

The Company assumes responsibility for the withholding of taxes on distributions at source, in accordance with statutory provisions. This means that the Company is released from liability for the violation of its legal obligation to withhold and transfer the taxes at source if it provides evidence that it has not breached its duties intentionally or grossly negligently.

Where dividends are distributed to a company resident in another member state of the European Union within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended (the "**Parent-Subsidiary Directive**"), withholding of the dividend withholding tax may not be required, upon application, provided that additional requirements are met (withholding tax exemption). This also applies to dividends distributed to a permanent establishment located in another member state of the European Union of such parent company or of a parent company that is tax resident in Germany, if the interest in the dividend-paying subsidiary is part of the respective permanent establishment's business assets. An important prerequisite for the exemption from withholding at the source under the Parent-Subsidiary Directive is that the shareholder has directly held at least 10% of the Company's registered share capital continuously for one year and that the German Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered office in An der Küppe 1, 53225 Bonn, Germany, has certified to the creditor of the dividends, based upon an application filed by such creditor on the officially prescribed form, that the prerequisites for exemption have been met.

The dividend withholding tax rate for dividends paid to shareholders without a tax residence in Germany will be reduced in accordance with any applicable double taxation treaty between Germany and the relevant shareholder's country of residence, provided that the shares are neither held as part of the business assets of a permanent establishment or a fixed base in Germany nor as part of the business assets for which a permanent representative in Germany has been appointed. The reduction in the dividend withholding tax is generally obtained by applying to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), with its registered office in An der Küppe 1, 53225 Bonn, Germany, for a refund of the difference between the dividend withholding tax withheld, including the solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty, which usually amounts to between 5% and 15%. Depending on the applicable double taxation treaty, a reduced withholding tax rate may be applicable, if the shareholder has applied for an exemption from the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*). The applicable double taxation treaty may also provide for a full exemption from the German dividend withholding tax, if the relevant shareholder has directly held at least 10% of the Company's registered share capital and if further prerequisites are met. Forms for the refund and exemption procedure may be obtained from the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*), as well as German embassies and consulates.

Corporations that are not tax residents in Germany will upon application receive a refund of two fifths of the dividend withholding tax that was withheld and remitted to the tax authorities subject to certain requirements. This applies regardless of any further reduction or exemption provided for under the Parent-Subsidiary Directive or a double taxation treaty.

Foreign corporations will generally have to meet certain stringent substance criteria defined by statute in order to receive an exemption from, or (partial) refund of, German dividend withholding tax.

Pursuant to a special rule on the restriction of withholding tax credit, the aforementioned relief in accordance with applicable double taxation treaties as well as the credit of withholding tax described for shares held as private and as business assets (see "*20.3 Taxation of Dividends of Shareholders with a Tax Residence in Germany*") is subject to the following three cumulative prerequisites: (i) the relevant shareholder must qualify as beneficial owner of the shares in the Company for a minimum holding period of 45 consecutive days occurring within a period of 45 days prior and 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the shares in the Company during the minimum holding period without being directly or indirectly hedged, and (iii) the shareholder is not required to fully or largely, directly or indirectly, transfer the dividends to third parties.

Should any of the three prerequisites not be met, the following applies:

- As regards the taxation of dividends of shareholders with a tax residence in Germany, three fifths of the withholding tax imposed on the dividends may not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant assessment period. A shareholder that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit has to notify the competent local tax office accordingly and has to make a payment in the amount of the withholding tax deduction which was omitted. The special rule on the restriction of withholding tax credit does not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000.00 or who has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends.
- As regards the taxation of dividends of shareholders without a tax residence in Germany who have applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. This restriction does not apply to a shareholder (i) that directly holds at least 10% of the shares in the Company and that is subject to (corporate) income tax in the country of its tax residence without any exemptions, or (ii) that has been the beneficial owner of the shares in the Company for at least one uninterrupted year upon receipt of the dividends, or (iii) if the applicable tax rate pursuant to the applicable double taxation treaty is at least 15%.
- In addition to the aforementioned statutory provisions, the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) recently published a decree, which outlines the treatment of transactions where the credit of withholding tax will be denied even when the statutory minimum tests as described above are met, in order to prevent abuse. Shareholders of the Company should seek their own professional tax advice on the possibility of obtaining a tax credit or refund of withholding tax on dividends.

20.3 Taxation of Dividends of Shareholders with a Tax Residence in Germany

20.3.1 Individuals who hold the Shares as Private Assets

For individuals who are tax resident in Germany (generally, individuals whose domicile or usual residence is located in Germany) and who hold their shares in the Company as private assets, the withholding tax of 25% plus solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if any) will generally serve as a final tax (*i.e.*, once such tax has been deducted, the shareholder's income tax liability on the dividends will be settled, and he or she will no longer have to declare them on his or her annual tax return (the "**Flat Tax**")).

The purpose of the Flat Tax is to provide for separate and final taxation of capital investment income earned (*i.e.*, taxation that is irrespective of the individual's personal income tax rate). Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden. In this case, the base for taxation would be the gross dividend income less the savers' allowance of €801.00 (€1,602.00 for jointly filing individuals). Any tax and solidarity surcharge already withheld would be credited against the income tax and solidarity surcharge so determined, and any overpayment refunded. Income-related expenses cannot be deducted from capital gains in either case. The only possible deduction is the savers' allowance of €801.00 (€1,602.00 for jointly filing individuals) on all private capital income. Furthermore, dividend income can only be offset by losses from capital income, except for losses generated by the disposal of shares.

If the individual owns (i) at least 1% of the shares in the Company and is able to exercise a significant entrepreneurial influence on the business activity of the Company by virtue of his professional activity (*berufliche Tätigkeit*) for the Company, or (ii) at least 25% of the shares in the Company, the tax authorities may upon application allow for the dividends to be taxed under the partial-income method (see "*20.3.2.2 Sole Proprietors (Individuals)*").

Entities required to collect withholding taxes on capital investment income are required to likewise withhold the church tax on payments to shareholders who are subject to church tax, unless the shareholder objects in writing to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his or her private information regarding his affiliation with a religious denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, the church tax on the dividends is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense. However, 26.375% of the church tax withheld on the dividends is deducted from the withholding tax (including the solidarity surcharge) withheld. If no church taxes are withheld along with the withholding of the withholding tax, the shareholder who owes church tax is required to report his dividends in his income tax return. The church tax on the dividends will then be imposed during the assessment.

Contrary to the above, dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and are paid to shareholders who are tax resident in Germany whose shares are held as private assets, do not form part of the shareholder's taxable income. If the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the shareholder's acquisition costs, the German tax authorities take the view that negative acquisition costs will arise, which may result in a higher capital gain in case of a disposal of the shares. This will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the disposal directly or indirectly held at least 1% of the share capital of the Company (a "**Qualified Participation**") and (ii) the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In case of a Qualified Participation, a dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) is considered a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceeds the acquisition costs of the shares. In this case the taxation corresponds to the taxation of capital gains of shareholders maintaining a Qualified Participation (see "*20.5 Taxation of Capital Gains*").

20.3.2 Shares Held as Business Assets

The Flat Tax does not apply to dividends from shares of the Company held as business assets of shareholders who are tax resident in Germany. In this case, the taxation is based on whether the shareholder is a corporation, an individual or a partnership. The withholding tax withheld and paid to the tax authorities, including the solidarity surcharge, is credited against the income or corporate income tax and the solidarity surcharge of the shareholder, and any overpayment will be refunded.

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) and paid to shareholders who are tax resident in Germany and whose shares are held as business assets are generally fully tax-exempt in the hands of such shareholders. At the same time, such dividend payments lead to a corresponding reduction of the acquisition costs/book value for the relevant shares. To the extent the dividend payments funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) exceed the acquisition costs/book value of the shares, a taxable capital gain should occur. The taxation of such gain corresponds to the taxation of shareholders whose shares are held as business assets (see "*20.5 Taxation of Capital Gains*"). However, as regards the application of the 95% exemption in case of a corporation, this is not undisputed.

20.3.2.1 *Corporations*

Dividends received by corporations that are tax resident in Germany are generally exempt from corporate income tax and solidarity surcharge. However, 5% of the dividends are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge) with a total tax rate of 15.825%.

Portfolio Dividends are fully taxed at the corporate income tax rate (plus solidarity surcharge thereon). The acquisition of a shareholding of at least 10% during a calendar year is deemed to have occurred at the beginning of the respective calendar year. Participations which a shareholder holds through a commercial partnership are only attributable to such shareholder on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Business expenses actually incurred and with a direct business relationship to the dividends may be fully deducted.

Any dividends (after deducting business expenses related to the dividends) are fully subject to trade tax, unless the corporation held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, entitling it to an intercorporate privilege for trade tax purposes. In such case, the aforementioned exemption of 95% of the dividend income applies analogously for trade tax purposes.

20.3.2.2 *Sole Proprietors (Individuals)*

If the shares in the Company are held as part of the business assets of a sole proprietor (individual) with his or her tax residence in Germany, 40% of any dividend is tax exempt (so-called partial income method). Only 60% of the expenses economically related to the dividends are tax deductible. The partial income method also applies when individuals hold the shares indirectly through a partnership (with the exception of individual investors who hold their shares through partnerships that are neither commercial partnerships nor deemed to be commercial partnerships). However, the partial-income method does not apply with respect to church tax (if applicable). If the shares are held as business assets of a domestic commercial permanent establishment, the full amount of the dividend income (after deducting business expenses that are economically related to the dividends) is also subject to trade tax, unless the taxpayer held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the net dividends (after deducting directly related expenses) are exempt from trade tax. However, trade tax is generally credited, in full or in part, as a lump sum against the relevant shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

20.3.2.3 *Partnerships*

If a shareholder is a partnership, the personal income tax or corporate income tax, as the case may be, and the solidarity surcharge are levied at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the partner is a corporation or an individual. If the partner is a corporation, dividends are generally 95% tax exempt. However, dividends from an indirect shareholding representing less than 10% of the share capital for the relevant partner are fully subject to taxation (see "*20.3.2.1 Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, only 60% of the dividend income is subject to income tax. In this case, the partial-income method does not apply with respect to church tax, if applicable (see "*20.3.2.2 Sole Proprietors (Individuals)*").

Additionally, if the shares are held as business assets of a domestic permanent establishment of an actual or presumed commercial partnership, the full amount of dividend income is generally also subject to trade tax at the level of the partnership. In the case of partners who are individuals, the trade tax that the partnership pays on the relevant partner's portion of the partnership's income is generally credited as a lump sum – fully or in part – against the individual's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder. If the partnership held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends (after deduction of business expenses economically related thereto) should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5% of the dividends to the extent they are attributable to the profit share of such corporate partners to whom at least 10% of the shares in the Company are attributable on a look-through basis, since this portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only portfolio participations are attributable) should not be subject to trade tax.

20.3.2.4 *Financial and Insurance Sector*

Special rules apply to companies operating in the financial and insurance sector, as well as pension funds (see "*20.6 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.4 Taxation of Dividends of Shareholders without a Tax Residence in Germany

Dividends paid to shareholders of the Company (individuals and corporations) without a tax residence in Germany are taxed in Germany, provided that the shares are held as part of the business assets of a permanent establishment or a fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax or corporate income tax liability, and any overpayment will be refunded. The same applies to the solidarity surcharge. These shareholders are essentially subject to the same rules applicable to tax resident shareholders, as discussed above.

In all other cases, the withholding of the dividend withholding tax discharges any tax liability of the shareholder in Germany. A refund or exemption is granted only as discussed with respect to dividend withholding tax (see "*20.2.2 Withholding Tax*").

Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) are generally not taxable in Germany.

20.5 Taxation of Capital Gains

20.5.1 Taxation of Capital Gains of Shareholders with a Tax Residence in Germany

20.5.1.1 *Shares Held as Private Assets*

Gains on the sale of shares of the Company that are held as private assets by shareholders with a tax residence in Germany and which were acquired after December 31, 2008, are generally taxable regardless of the length of time held. The tax rate is generally a uniform 25% plus the 5.5% solidarity surcharge thereon (resulting in an aggregate tax rate of 26.375%) as well as any church tax, if applicable.

The taxable capital gains are the difference between (i) the proceeds from the disposal of the shares after deducting the direct sales costs and (ii) the acquisition costs of the shares. Under certain conditions, prior payments from the tax-recognized contribution account (*steuerliches Einlagekonto*) may lead to reduced acquisition costs of the shares held as private assets and, as a consequence, increase the taxable sales gain. Losses on the sale of shares can only be used to offset gains made on the sale of shares during the same year or in subsequent years.

If the shares are held in custody or administered by a domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutes), or if such entity or branch sells the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), such Domestic Paying Agent withholds a withholding tax of 25% plus 5.5% solidarity surcharge thereon and any church tax, if applicable, and remits such taxes to the tax authority. In such a case, the tax on the capital gain will generally be discharged. If the shares were only held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of taxes withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire such shares. However, the withholding tax rate of 25% plus the 5.5% solidarity surcharge thereon and any church tax, if applicable, will be applied to 30% of the gross sales proceeds, if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds required to, verify the original costs of the shares in his annual tax return.

Entities required to collect withholding taxes on capital investment income are also required to withhold the church tax for shareholders who are subject to church tax, unless the shareholder objects in writing to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*) against the sharing of his private information regarding his affiliation with a denomination (*Sperrvermerk*). If church tax is withheld and remitted to the tax authority as part of the withholding tax deduction, then the church tax on the capital gain is also deemed to be discharged when it is deducted. The withheld church tax cannot be deducted in the tax assessment as a special expense. However, 26.375% of the church tax withheld on the capital gain is deducted from the withholding tax (including the solidarity surcharge) withheld.

A shareholder may request that all of his items of capital investment income, along with his other taxable income, are subject to the progressive income tax rate instead of the uniform tax rate for private capital investment income if this lowers his tax burden. In such case, the base for taxation would be the gross income less the savers' allowance of €801.00 (€1,602.00 for jointly filing individuals). The prohibition on deducting income-related costs and the restrictions on offsetting losses also apply to tax assessments based on the progressive income tax rate. Any tax already withheld would be credited against the income tax so determined, and any overpayment refunded.

One exception to this rule is that a shareholder's capital gains are subject to the partial income method and not the Flat Tax. Consequently, 60% of the proceeds from the sale of shares are subject to the individual income tax rate, if the shareholder, or his legal predecessor in case of acquisition without consideration, has directly or indirectly held shares equal to at least 1% of the Company's share capital at any time during the previous five years. 60% of the expenses economically related to the proceeds from the sale of shares are tax-deductible.

In the case of a Qualified Participation, withholding tax (including the solidarity surcharge) is also withheld by the Domestic Paying Agent. The tax withheld, however, is not treated as a final tax. Hence, the shareholder is required to declare the gains from the sale in his income tax return. The withholding tax (including solidarity surcharge) withheld and remitted to the German tax authorities is credited against the respective shareholder's personal income tax liability, and any overpayment will be refunded.

20.5.1.2 *Shares Held as Business Assets*

The Flat Tax does not apply to proceeds from the sale of shares held as business assets by shareholders tax resident in Germany. If the shares form part of a shareholder's business assets, taxation of the capital gains realized will then depend upon whether the shareholder is a corporation, sole proprietor or partnership. Dividend payments that are funded from the Company's tax-recognized contribution account (*steuerliches Einlagekonto*) reduce the original acquisition costs/book value. This may give rise to a higher taxable capital gain in case of a sale of shares. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain may arise.

1. **Corporations:** In general, capital gains earned from the sale of shares by corporations domiciled in Germany are exempt from corporate income tax (including the solidarity surcharge) and trade tax, irrespective of the stake represented by the shares and the length of time the shares are held. However, 5% of the capital gains are treated as a non-deductible business expenses and, as such, are subject to corporate income tax (plus the solidarity surcharge thereon) and to trade tax.

2. **Sole proprietors (individuals):** If the shares of the Company were acquired after December 31, 2008 and form part of the business assets of a sole proprietor (individual) who is tax resident in Germany, 60% of the capital gains on their sale are subject to the individual's personal tax rate plus the solidarity surcharge thereon (partial income method). Correspondingly, only 60% of losses from such sales and 60% of expenses economically related to such sales are deductible. For church tax, if applicable, the partial income method does not apply. If the shares are held as business assets of a commercial permanent establishment located in Germany, 60% of the capital gains are also subject to trade tax. The trade tax is fully or partially credited as a lump sum against the shareholder's personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of such shareholder.

3. **Commercial partnerships:** If the shareholder is a partnership, personal income tax or corporate income tax, as the case may be, is assessed at the level of each partner rather than at the level of the partnership. The taxation of each partner depends upon whether the respective partner is a corporation or an individual. If the partner is a corporation, the tax principles applying to capital gains which are outlined in subsection 1 apply. If the partner is an individual, the tax principles applying to capital gains that are outlined in subsection 2 apply. Upon application and provided that additional prerequisites are met, an individual who is a partner may obtain a reduction of his personal income tax rate for profits not withdrawn from the partnership. In addition, capital gains from the sale of shares attributable to a permanent establishment maintained in Germany by an actual or presumed commercial partnership are subject to trade tax at the level of the partnership. In such case, generally only 60% of the gains are subject to trade tax to the extent the partners in the partnership are individuals, while 5% are subject to trade tax to the extent the partners are corporations and shares are sold. Under the principles discussed above, losses on sales and other reductions in profit related to the shares sold are generally not deductible or only partially

deductible, if the partner is a corporation. If the partner is an individual, the trade tax the partnership pays on his share of the partnership's income is generally credited as a lump sum – fully or in part – against his personal income tax liability, depending on the tax rate imposed by the local municipality and certain individual tax-relevant circumstances of the taxpayer.

Special rules apply to capital gains realized by companies operating in the financial and insurance sectors, as well as pension funds (see "*20.6 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

If a Domestic Paying Agent is involved, the proceeds from the sale of shares of the Company held as business assets are generally subject to the same withholding tax rate as those of shareholders whose shares are held as private assets (see "*20.5.1.1 Shares Held as Private Assets*"). However, the Domestic Paying Agent may refrain from withholding the withholding tax if (i) the shareholder is a corporation, association or estate with its tax residence in Germany, or (ii) the shares form part of the shareholder's domestic business assets, and the shareholder informs the Domestic Paying Agent of this on the officially prescribed form and meets certain additional prerequisites. If the Domestic Paying Agent nevertheless withholds taxes, the withholding tax withheld and remitted (including the solidarity surcharge and church tax, if applicable) will be credited against the relevant shareholder's income tax or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) and any excess amount will be refunded.

20.5.2 Taxation of Capital Gains of Shareholders without a Tax Residence in Germany

Capital gains realized by a shareholder without a tax residence in Germany are only subject to German income tax if the selling shareholder holds a Qualified Participation or if the shares form part of the business assets of a permanent establishment in Germany or of business assets for which a permanent representative is appointed.

Most double taxation treaties provide for an exemption from German taxes and assign the right of taxation to the shareholder's country of tax residence in the former case.

20.6 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

As an exception to the aforementioned rules, dividends paid to, and capital gains realized by, certain companies in the financial and insurance sector are fully taxable. This applies to dividends received on, as well as gains from the disposal of, shares in a trading portfolio within the meaning of Section 340e para. 3 HGB of credit institutions and financial services institutions, and shares that are, upon acquisition of the shares, allocable to the current assets of a financial enterprise within the meaning of the German Banking Act (*Kreditwesengesetz*) that is directly or indirectly held by a credit institution or financial services institution to more than 50%. The same applies to shares of the Company held as investments by life insurance providers, health insurance providers and pension funds. If the shareholding at the beginning of the relevant assessment period is 15% or higher, the dividends may, subject to certain conditions, be fully exempted from trade tax. However, an exemption to the foregoing (*i.e.*, a 95% effective tax exemption) applies to dividends obtained by the aforementioned companies, if such companies fall within the scope of the Parent-Subsidiary Directive.

20.7 Inheritance and Gift Tax

The transfer of shares to another person by inheritance or gift is generally only subject to German inheritance or gift tax if:

1. the decedent, donor, heir, beneficiary or other transferee maintained his domicile or habitual abode in Germany, or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years (this term is extended to ten years for German expatriates with residence in the United States) prior to the transfer outside Germany without maintaining a residence in Germany (special rules apply to certain former German citizens who neither maintain their domicile nor have their habitual abode in Germany); or
2. the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed; or

3. the decedent or donor, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's registered share capital at the time of the inheritance or gift.

The few German double taxation treaties relating to inheritance tax and gift tax currently in force usually provide that the German inheritance tax or gift tax can only be levied in the cases of (1.) above, and also with certain restrictions in case of (2.) above. Special provisions apply to certain German nationals living outside Germany and former German nationals.

The fair value of the shares represents the tax assessment base, which generally corresponds to the stock exchange price of the Company's shares. Depending on the degree of relationship between decedent or donor and recipient, different tax-free allowances and tax rates apply.

20.8 The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate. The Commission's Proposal is currently under review and it is unclear if and to what extent it will be implemented, if ever.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Company's shares (including secondary market transactions) in certain circumstances. The issuance and subscription of shares should, however, be exempt.

Under the Commission's Proposal the financial transaction tax could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Company's shares where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, established in a Participating Member State in a broad range of circumstances (*e.g.*, by transacting with a person established in a Participating Member State or where the financial instrument which is subject to the dealings is issued in a Participating Member State).

However, the Commission's Proposal remains subject to negotiations between Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional member states of the European Union may decide to participate.

Prospective holders are advised to seek their own professional advice in relation to the Commission's Proposal to introduce a financial transaction tax.

20.9 Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of shares of the Company. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax is currently not imposed in Germany.

21. TAXATION IN THE GRAND DUCHY OF LUXEMBOURG

The following information is of a general nature only and is based on the laws in force in Luxembourg as of the date of this Prospectus and is subject to any change in law that may take effect after such date. It does not purport to be a comprehensive description of all tax considerations that might be relevant to an investment decision. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the listing and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to shareholders. Prospective shareholders should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject, and as to their tax position.

Please be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in this section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. In addition, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Corporate Shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax, the solidarity surcharge and the net wealth tax invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

21.1 Withholding Taxes

Dividend payments made to shareholders by a non-resident company, such as the Company, as well as liquidation proceeds and capital gains derived therefrom, are not subject to a withholding tax in Luxembourg. Therefore, the Company does not assume liability for withholding Luxembourg taxes at the source.

21.2 Taxation of Dividend Income

Under certain conditions, a corresponding tax credit may be granted to the shareholders of the Company for foreign withholding taxes against Luxembourg income tax due on these dividends, without exceeding in any case Luxembourg tax on such income.

21.2.1 Luxembourg Resident Shareholders

Dividends and other payments derived from the shares of the Company held by resident individual shareholders, who act in the course of the management of either their private wealth or their professional/business activity, are subject to income tax at the ordinary progressive rates with a current top effective marginal tax rate of 42% (45.78% including the maximum 9% solidarity surcharge), depending on the annual level of income of the shareholders.

Furthermore, actual income related expenses (*e.g.*, bank fees) are deducted, provided that they are supported by documents or a lump-sum deduction of €25.00 applies (doubled for individual taxpayers who are jointly taxable).

Under current Luxembourg tax laws, 50% of the gross amount of dividends received by resident individuals from the Company may however be exempt from income tax, since the Company is a company based in the European Union and covered by Article 2 of the Parent-Subsidiary Directive. In addition, a total lump-sum exemption of €1,500 (doubled for individual taxpayers who are jointly taxable) applies to the total investment income (dividends and interest) received during the tax year.

Dividends derived from the shares of the Company by fully taxable Luxembourg resident companies are subject to income taxes, unless the conditions of the participation exemption regime are satisfied.

Subject to the anti-abuse provisions of Article 166 of the Luxembourg Income Tax Law, the participation exemption regime provides that dividends derived from the shares of the Company may be exempt from income tax at the level of the shareholder if cumulatively:

- the Shareholder receiving the dividends is either (i) a fully taxable Luxembourg resident company, or (ii) a domestic permanent establishment of a company resident in the European Union falling under Article 2 of the Parent-Subsidiary Directive, or (iii) a domestic permanent establishment of a joint-stock company limited by shares (*société de capitaux*) that is resident in a state with which Luxembourg has concluded a double taxation treaty, or (iv) a domestic permanent establishment of a joint-stock company limited by shares (*société de capitaux*) or of a cooperative company which is a resident of an EEA Member State (other than a member state of the European Union) (each an "**Eligible Parent**");
- the Company is (i) a Luxembourg resident fully-taxable joint-stock company limited by shares (*société de capitaux*), or (ii) a company covered by Article 2 of the Parent-Subsidiary Directive, or (iii) a non-resident joint-stock company limited by shares (*société de capitaux*) liable to a tax corresponding to Luxembourg corporate income tax at a rate of a minimum of 9.5% (and 9.0% from January 1, 2018) ("**Qualified Subsidiary**"); and
- at the date on which the relevant income is made available, the shareholder of the Company directly holds or commits to hold for an uninterrupted period of at least twelve months a shareholding representing a direct participation of at least 10% in the share capital of the Qualified Subsidiary or a direct participation in the Qualified Subsidiary of an acquisition price of at least €1.2 million, or an equivalent amount in another currency ("**Qualified Shareholding**").

Liquidation proceeds are assimilated to a dividend received and may be exempt under the same conditions. Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity. To the extent that business expenses incurred during the year of receipt of the dividend are in an economic relation with the participation in the Company, these expenses will not be deductible up to the amount of exempt dividends and/or liquidation proceeds derived from the shareholding in the Company (during the year of receipt of the dividend).

If the participation exemption does not apply, dividends may benefit from the 50% exemption under the relevant conditions set out above.

Any shareholder of the Company which is a Luxembourg resident entity governed by the Luxembourg Law of December 17, 2010 on undertakings for collective investment, as amended, by the Luxembourg Law of February 13, 2007 on specialized investment funds, as amended, by the Luxembourg Law of May 11, 2007 on the family wealth management company, as amended, or by the Luxembourg Law of July 23, 2016 on reserved alternative investment funds (without having opted for the application of the venture capital regime), is exempt from Luxembourg income taxes, and profits derived from the shares in the Company are therefore not subject to Luxembourg income taxes.

21.2.2 Non-Resident Shareholders

Shareholders of the Company who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed place of business or a permanent representative in Luxembourg to which the shares are attributable are not liable to any Luxembourg income tax on dividends received from the Company.

Subject to the provisions of double taxation treaties, dividends on the shares received by non-resident shareholders holding the shares through a Luxembourg permanent establishment or through a Luxembourg permanent representative to which or whom the shares are attributable are subject to income tax at ordinary rates unless the conditions of the participation exemption as described above apply. If the conditions of the participation exemption are not fulfilled, 50% of the gross dividends of the Company received by a Luxembourg permanent establishment or permanent representative may, however, be exempt from Luxembourg income taxes, given that the Company is a company based in the European Union and covered by Article 2 of the Parent-Subsidiary Directive.

21.3 Taxation of Capital Gains

21.3.1 Luxembourg Resident Shareholders

Capital gains realized on the disposal of shares of the Company by individual shareholders resident in Luxembourg, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation ("**Substantial Participation**"). Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the shares.

A participation is deemed to be substantial where a resident individual shareholder holds, either alone or together with his spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. A shareholder is also deemed to transfer a Substantial Participation if within the five years preceding the transfer he acquired free of charge a participation that constituted a Substantial Participation in the hands of the transferor (or the transferors in case of successive transfers free of charge within the same five-year period). Capital gains realized on a Substantial Participation more than six months after the acquisition thereof are subject to Luxembourg income tax according to the half-global rate method (*i.e.*, the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on a Substantial Participation) and may benefit from an allowance of up to €50,000.00 granted for a ten-year period (doubled for individual taxpayers who are jointly taxable).

Capital gains realized on the disposal of shares of the Company by individual shareholders resident in Luxembourg, who act in the course of their professional/business activity, are subject to income tax at ordinary rates.

Capital gains realized on the shares of the Company by (i) a fully taxable Luxembourg resident company or (ii) the Luxembourg permanent establishment or permanent representative of a non-resident foreign company to which the shares are attributable, are subject to Luxembourg income tax at the maximum global rate of 26.01% (in Luxembourg-City in 2018), unless the conditions of the participation exemption regime, as described below, are satisfied, provided that the acquisition price must amount to at least €6.0 million for capital gain exemption purposes. Shares held through a tax transparent entity are considered as a direct participation holding proportionally to the percentage held in the assets of the transparent entity. To the extent that expenses related to the (exempt) shareholding or write-downs deducted in relation to the participation have reduced the relevant shareholder's taxable profits (during the year of the sale or in prior years), the exempt amount of the capital gain will be reduced by the sum of the excess expenses and capital write-downs which are in direct economic connection with the participation and were deducted over current and previous years.

Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value. Any expenses in excess of the capital gains remain fully tax deductible.

Any shareholder of the Company which is a Luxembourg resident entity governed by the Luxembourg Law of December 17, 2010 on undertakings for collective investment, as amended, by the Luxembourg Law of February 13, 2007 on specialized investment funds, as amended, by the Luxembourg Law of May 11, 2007 on the family estate management company, as amended, or by the Luxembourg Law of July 23, 2016 on reserved alternative investment funds (without having opted for the application of the venture capital regime), is not subject to any Luxembourg income taxes in respect of capital gains realized upon disposal of its shares.

21.3.2 Non-Resident Shareholders

Non-resident shareholders who have neither a permanent establishment nor a permanent representative in Luxembourg to which the shares in the Company are attributable, are not liable for any Luxembourg income tax on capital gains upon disposal of shares in the Company, except with respect to capital gains realized on a Substantial Participation prior to the acquisition or within the first six months of the acquisition thereof, in which case capital gains are subject to income tax in Luxembourg at ordinary rates (subject to the provisions of a relevant double taxation treaty).

Under Luxembourg tax laws and subject to the provisions of double taxation treaties, capital gains realized on the disposal of shares in the Company by a non-resident shareholder holding the shares through a Luxembourg permanent establishment or through a Luxembourg permanent representative to which or whom the shares are attributable are subject to income tax at ordinary rates unless the conditions of the participation exemption as described above are satisfied. Taxable gains are determined as being the difference between the price for which the shares have been disposed of and the lower of their cost or book value.

21.4 Net Wealth Tax

Luxembourg resident shareholders of the Company, as well as non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which or whom the shares are attributable, are subject to Luxembourg net wealth tax on its net assets as determined for net wealth tax purposes on the net wealth tax assessment date (January 1 of each year), except if the relevant shareholder is (i) a resident or non-resident individual, (ii) governed by the Luxembourg Law of May 11, 2007 on family estate management companies, as amended, (iii) governed by the Luxembourg Law of December 17, 2010 on undertakings for collective investment, as amended, (iv) governed by the Luxembourg Law of February 13, 2007 on specialized investment funds, as amended, (v) a securitization company governed by the Luxembourg Law of March 22, 2004 on securitization, as amended, (vi) a venture capital company governed by the Luxembourg Law of June 15, 2004 on venture capital vehicles, as amended, (vii) a professional pension institution governed by the Luxembourg Law of July 13, 2005, as amended, or (viii) a reserved alternative investment fund vehicle governed by the Luxembourg Law of July 23, 2016.

Please note, however, that securitization companies governed by the Luxembourg Law of March, 22, 2004 on securitization, as amended, venture capital companies governed by the Luxembourg Law of June 15, 2004 on venture capital vehicles, as amended, professional pension institutions governed by the Luxembourg Law of July 13, 2005, as amended, or reserved alternative investment funds (opting to be treated as a venture capital vehicle for Luxembourg tax purposes) governed by the Luxembourg Law of July 23, 2016 on reserved alternative investment funds may, under certain conditions, remain subject to minimum net wealth tax.

Furthermore, shares in the Company held by any shareholder who is an Eligible Parent may be exempt from net wealth tax for any given year, if at the net wealth tax assessment date, the shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least €1.2 million. However, if the relevant shareholder is a vehicle not listed under the exceptions (i) to (v) listed above or is not a reserved alternative investment fund vehicle governed by the Luxembourg Law of July 23, 2016 on reserved alternative investment funds (without having opted for the application of the venture capital regime), as from January 1, 2017, it might be subject to a minimum net wealth tax of €4,815.00 if it holds assets (*e.g.*, fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash) in a proportion that exceeds 90% of its total balance sheet value and if the total balance sheet value exceeds €350,000.00, or to a minimum net wealth tax between €535.00 and €32,100.00 based on the total amount of its assets.

21.5 Value Added Tax

There is no Luxembourg VAT payable in respect of payments in consideration for the subscription of the Company's shares or in respect of the payment of dividends or the transfer of the shares.

21.6 Other Taxes

Under current Luxembourg tax laws, no registration tax or similar tax is in principle payable by shareholders upon the acquisition, holding or disposal of shares in the Company. However, a fixed registration duty of €12.00 may be due upon registration of the shares in Luxembourg on a voluntary basis.

A fixed registration duty of €75.00 is due upon incorporation of and any subsequent increase in the capital of a Luxembourg company.

Under current Luxembourg tax law, where an individual shareholder of the Company is a resident of Luxembourg for inheritance tax purposes at the time of his death, the shares are included in his taxable basis for inheritance tax purposes.

Gift tax may be due on a gift or donation of the shares if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

22. FINANCIAL INFORMATION

Unaudited condensed consolidated interim financial statements of Dermapharm AG as of and for the nine-month period ended September 30, 2017 prepared in accordance with IFRS

Condensed consolidated statement of financial position at 30 September 2017 and 31 December 2016

Assets in kEUR	30 September 2017	31 December 2016
NON-CURRENT ASSETS		
Intangible assets	129,682	70,025
Goodwill	17,033	17,033
Property, plant and equipment	52,920	53,357
Investments measured at equity	4,441	3,197
Investments	166	262
Other non-current financial assets	22,426	10,648
Deferred tax assets	1,659	218
Total non-current assets	**228,327**	**154,740**
CURRENT ASSETS		
Inventories	81,938	84,779
Trade accounts receivable	34,675	26,302
Other current financial assets	68,658	39,976
Other current assets	2,042	1,692
Income tax receivables—current	429	394
Cash and cash equivalents	12,578	3,816
Total current assets	**200,320**	**156,959**
TOTAL ASSETS	**428,647**	**311,699**

Equity and liabilities in kEUR	30 September 2017	31 December 2016
EQUITY		
Issued capital	1,342	1,342
Capital reserves	250	250
Retained earnings	70,037	56,274
Other reserves	(2,141)	(951)
Equity attributable to owners of the company	**69,488**	**56,915**
Non-controlling interests	—	3,891
Total equity	**69,488**	**60,806**
NON-CURRENT LIABILITIES		
Defined benefit obligations and other accrued employee benefits	13,251	13,250
Financial liabilities	235,397	96,896
Other non-current financial liabilities	8,093	10,464
Other non-current liabilities	10,381	11,495
Deferred tax liabilities	5,806	3,365
Total non-current liabilities	**272,928**	**135,470**
CURRENT LIABILITIES		
Other provisions	6,002	6,951
Financial liabilities	43,422	65,883
Trade accounts payable	19,273	24,526
Other current financial liabilities	2,120	4,303
Other current liabilities	11,485	10,983
Income tax liabilities	3,929	2,777
Total current liabilities	**86,231**	**115,423**
TOTAL EQUITY AND LIABILITIES	**428,647**	**311,699**

Condensed consolidated statement of comprehensive income
for the nine month ended 30 September 2017 and 30 September 2016

in kEUR	9 months ended 30 September 2017	9 months ended 30 September 2016
Revenue	349,690	319,221
Increase/decrease in finished goods and work-in-process	418	4,087
Own work capitalised	7,999	5,436
Other operating income	4,141	5,226
Cost of material	(195,968)	(181,540)
Personnel expenses	(46,535)	(42,024)
Depreciation and amortisation	(11,175)	(10,287)
Other operating expenses	(38,127)	(35,063)
Operating income	**70,443**	**65,056**
Result from investments measured at equity	1,245	1,092
Financial income	3,277	4,094
Financial expenses	(7,812)	(8,414)
Financial result	**(3,290)**	**(3,228)**
Earnings before taxes	**67,153**	**61,828**
Income taxes	(4,300)	(5,968)
Profit or (loss) for the period	**62,853**	**55,860**
Profit transfers due to profit transfer agreements	(46,422)	(44,792)
Profit or (loss) for the period after profit distribution	**16,431**	**11,068**
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	—	—
Deferred taxes effect relating to items that will not be reclassified	—	6
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,190)	(309)
Deferred taxes effect relating to items that may be reclassified	—	—
Other comprehensive income/(loss) for the period, net of tax	**(1,190)**	**(303)**
Total comprehensive income for the period, net of tax	**15,241**	**10,765**
Profit attributable to:		
Owners of the company	16,431	10,800
Non-controlling interests	—	268
	16,431	**11,068**
Total comprehensive income attributable to:		
Owners of the company	15,241	10,497
Non-controlling interests	—	268
	15,241	**10,765**

Condensed consolidated statement of cash flows
for the nine month ended 30 September 2017 and 30 September 2016

in kEUR	9 months ended 30 September 2017	9 months ended 30 September 2016
Profit or loss for the period	62,853	55,860
Amortisation of intangible assets	7,166	6,718
Depreciation of property, plant and equipment	3,709	3,569
Increase /(decrease) in other accrued employee benefits	1	33
Increase /(decrease) in other current provisions	(950)	(741)
Other non-cash items	70	(5,293)
(Increase) /decrease in inventories	2,830	(10,669)
(Increase) /decrease in trade receivables	(8,353)	(11,840)
(Increase) /decrease in other assets	1,267	1,816
Increase /(decrease) in trade payables	(5,209)	4,743
Increase /(decrease) in other liabilities	(5,292)	(2,685)
Share of profit of equity-accounted investees, net of tax	(1,245)	(1,092)
Net (gain) /loss on disposal of intangible assets	341	142
Net (gain) /loss on disposal of property, plant and equipment	15	(10)
Interest expenses /(income)	3,240	2,902
Increase /(decrease) in income tax payables and deferred tax liabilities	3,338	4,960
Income tax (paid) /received	(1,201)	(838)
Net cash flows from operating activities	**62,580**	**47,575**
Proceeds from sale of intangible assets	194	2,438
Proceeds from sale of property, plant and equipment	157	127
Acquisition of subsidiary, net of cash acquired	—	(1,420)
(Purchase) of intangible assets	(67,358)	(8,705)
(Purchase) of property, plant and equipment	(3,378)	(4,187)
Payments for investment in financial assets	(14,510)	(50)
Dividends from equity-accounted investees	—	—
Interest received	7	96
Net cash flows used in investing activities	**(84,888)**	**(11,701)**
Payment of profit transfers due to profit transfer agreements	(66,854)	(39,480)
Acquisition of non-controlling interests	(6,559)	(1,850)
Payments for financial receivables	(8,180)	—
Proceeds from financial liabilities	151,824	2,819
(Repayment) of financial liabilities	(52,756)	(6,202)
Payment of finance lease liabilities	(107)	(151)
Interest (paid)	(3,247)	(2,998)
Net cash flows from / used in financing activities	**14,121**	**(47,862)**
Net increase in cash, cash equivalents and bank overdrafts	**(8,187)**	**(11,988)**
Cash, cash equivalents and bank overdrafts at the beginning of the period	(1,051)	(9,644)
Change in cash, cash equivalents and bank overdrafts due to foreign exchange differences	(84)	9
Cash, cash equivalents and bank overdrafts at the end of the period	**(9,322)**	**(21,623)**
Bank overdrafts at the beginning the period	(4,867)	(12,435)
Bank overdrafts at the end of the period	(21,900)	(25,828)
Cash and cash equivalents at the end of the period	**12,578**	**4,205**

Condensed consolidated statement of changes in equity at 30 September 2017 and 31 December 2016

	Attributable to owners of the company						
in kEUR	**Issued capital**	**Capital reserves**	**Retained earnings**	**Other reserves**	**Total**	**Non-controlling interests**	**Total Equity**
As at 1 January 2016	**1,342**	**250**	**39,457**	**53**	**41,102**	**3,340**	**44,442**
Profit for the period	—	—	10,800	—	10,800	268	11,068
Other comprehensive income/(loss) for the period	—	—	—	(303)	(303)	—	(303)
Total comprehensive income for the period	—	—	10,800	(303)	10,497	268	10,765
Issue of share capital	—	—	—	—	—	—	—
Reduction of statutory reserves	—	—	—	—	—	—	—
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	283	283
Acquisition of non-controlling interests	—	—	—	—	—	29	29
Dividends	—	—	—	—	—	—	—
As at 30 September 2016	**1,342**	**250**	**50,257**	**(250)**	**51,599**	**3,920**	**55,519**
As at 1 January 2017	**1,342**	**250**	**56,274**	**(951)**	**56,915**	**3,891**	**60,806**
Profit for the period	—	—	16,431	—	16,431	—	16,431
Other comprehensive income/(loss) for the period	—	—	—	(1,190)	(1,190)	—	(1,190)
Total comprehensive income for the period	—	—	16,431	(1,190)	15,241	—	15,241
Issue of share capital	—	—	—	—	—	—	—
Divestiture of subsidiary	—	—	—	—	—	—	—
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	—
Acquisition of non-controlling interests without change in control	—	—	(2,668)	—	(2,668)	(3,891)	(6,559)
Dividends	—	—	—	—	—	—	—
As at 30 September 2017	**1,342**	**250**	**70,037**	**(2,141)**	**69,488**	**—**	**69,488**

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Notes to the condensed consolidated interim financial statements of Dermapharm AG

1. General

1.1 Corporate Information

Dermapharm AG (hereafter referred to as the "Company" or "Dermapharm") as the parent company of the Dermapharm Group (hereafter referred to as "Group") based at Lil-Dagover-Ring 7, Grünwald, Germany, is an international corporation mainly active in the healthcare and pharmaceuticals business in the GSA region, especially in generics, high-quality dermatological and allergic medical products. The company is registered in the commercial register of Munich local court under HRB 124373.

Dermapharm is a leading independent specialty pharmaceuticals company in the German market that applies formulation and development expertise to the development, manufacture and marketing of a broad assortment of patent free branded pharmaceuticals in niche markets, holding approximately 900 marketing authorisations for more than 200 active ingredients. Dermapharm also offers a growing portfolio of other healthcare products such as cosmetics, food supplements and dietary products. The company operates primarily in Germany, has subsidiaries in Austria and Switzerland and has presences in eastern Europe (Croatia, Poland and Ukraine).

The company and the domestic and international subsidiaries concentrate on the development, licensing, manufacture and sale of products using off-patent pharmaceutical active ingredients in the healthcare and in particular the pharmaceutical industry. The core products are generics, branded generics, non-prescription natural remedies, OTC products and parallel-imported original medicines.

Dermapharm AG is a wholly owned subsidiary of Themis Beteiligungs-AG. Themis Beteiligungs-AG publishes exempting condensed consolidated interim financial statements in accordance with § 291 HGB. Consequently, these financial statements were voluntarily prepared in accordance with IFRS as adopted by the EU.

The condensed consolidated interim financial statements were authorised by the Management Board by resolution dated 13 December 2017.

2. Accounting policies

The condensed consolidated interim financial statements as of 30 September 2017 were prepared pursuant to IAS 34 'Interim Financial Reporting'. They do not contain all of the necessary disclosures pursuant to IFRSs for the preparation of year-end consolidated financial statements and should be read in conjunction with the consolidated financial statements for Dermapharm AG as of 31 December 2016.

The condensed consolidated interim financial statements have been prepared in euros (EUR). All values are rounded to the nearest thousand euros (kEUR) unless otherwise stated. Differences can result from the use of rounded amounts and percentages.

The preparation of condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain accounting estimates. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements for the year ended 31 December 2016.

2.1 Changes in accounting policies

In these condensed consolidated interim financial statements the same accounting policies and methods of valuation are applied as in the consolidated financial statements for financial year 2016. With regard to the principles and methods used in the context of Group Accounting, we generally refer to the notes to the consolidated financial statements of the Annual Report 2016.

2.2 Effects of new or amended financial standards and interpretations

Dermapharm Group observed and applied the amendments to IAS 7 and IAS 12 which were first applicable as of 1 January 2017. The changes had no or no significant effect on the presentation of the Group's business, financial, or earnings situation or cash flows.

As compared to the previous financial statements, the following additions were made to the Standards issued but not yet in effect: The Group intends to adopt these standards, if applicable, when they take effect.

Standard/ Interpretation	Issued by IASB	Effective Date	Endorsement EU	Name
IFRS 9	October 17	January 19	Pending	Amendments to IFRS 9: Prepayment Features with Negative Compensation
IAS 28	October 17	January 19	Pending	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

2.3 Basis of consolidation

The condensed consolidated interim financial statements of the Dermapharm Group have been prepared for Dermapharm AG as the parent company.

Acquisitions of non-controlling interests:

On 1 January 2017, the Group acquired the remaining 15% stake in axicorp GmbH, Friedrichsdorf, Germany, from DU Vermögensverwaltungs GmbH, Weiden, Germany for a cash consideration of kEUR 6,509 in total. The consideration comprises an amount of kEUR 5,250 which was paid in January 2017 and another payment of kEUR 1,259 of profit attributable to the former shareholder which was made after the approval of the 2016 annual financial statements of axicorp GmbH.

The acquisition increases the stake in axicorp GmbH from 85% to 100%. axicorp GmbH had already been fully consolidated in the prior year when Dermapharm held an 85% stake in the company. There is no change in the basis of consolidation or presentation in the IFRS consolidated financial statements. The carrying amount of axicorp GmbH's net assets in the Group's consolidated financial statements on the date of acquisition was kEUR 25,962. The Group recognised a decrease in non-controlling interest (NCI) of kEUR 3,851 and a decrease in retained earnings of kEUR 2,658.

The Group company axicorp GmbH acquired the remaining 24.9% stake in Remedix GmbH, Friedrichsdorf, Germany, from a private stakeholder on 1 March 2017 for a cash consideration of kEUR 50. The Group now owns 100% of the shares in Remedix GmbH. There is no change in the basis of consolidation or presentation in the IFRS consolidated financial statements. The carrying amount of Remedix GmbH's net assets in the Group's consolidated financial statements on the date of acquisition was kEUR 157. The Group recognised a decrease in NCI of kEUR 39 and a decrease in retained earnings of kEUR 11.

Merger of Cancernova GmbH onkologische Arzneimittel:

With effect from 18 August 2017, Cancernova GmbH onkologische Arzneimittel was merged with mibe GmbH Arzneimittel.

3. Notes to the condensed consolidated statement of financial position

3.1 Intangible assets

On 20 September 2017, the Group acquired the assets pertaining to the hyperthermic medical devices of Riemser Pharma GmbH, Greifswald-Insel Riems.

The acquired group of assets has a highly innovative medical applications portfolio selectively targeting mosquito and insect stitches (bite away), herpes blisters (Herpotherm) as well as a development project focusing on dermatitis and its accompanying symptoms. However, the latter is not yet being produced, marketed or sold.

The acquired assets include the intellectual property rights, the purchased regulatory approvals, as well as the inventories. The acquisition does not qualify as a business combination as defined by IFRS 3. No material processes were acquired.

In connection with the acquisition, intangible assets amounting to kEUR 58,602 were acquired.

The assets are amortised on a straight-line basis over the expected useful life.

The following table depicts the carrying amounts and remaining useful lives of these assets as at 30 September 2017.

30 September 2017	Carrying Amount	Remaining useful life	Asset origin
Trademark (bite away)	kEUR 2,590	8 years	Acquired
Technology (bite away)	kEUR 51,209	21 years	Acquired
Technology (Herpotherm)	kEUR 4,803	7 years	Acquired

3.2 Other non-current financial assets

The increase in other non-current financial assets relates to one prepayment on investments.

Under the purchase agreement dated 21 September 2017, the Group acquired all of the shares and voting interests in Bio-Diät-Berlin GmbH, Berlin, along with its wholly owned distribution subsidiary Kräuter Kühne GmbH, Berlin, from the former shareholder.

The transaction closed on 1 October 2017. Therefore, Bio-Diät-Berlin was not consolidated as at 30 September 2017.

3.3 Other current financial assets

The increase in other current financial assets by kEUR 28,682 is due to an increase in receivables from the parent company Themis Beteiligungs AG. For further information on the receivables from related parties, please refer to 7.2.

3.4 Cash and cash equivalents

The cash and cash equivalents changed as follows:

kEUR	30 September 2017	31 December 2016
Cash at banks and cash equivalents	12,561	3,806
Cash on hand	17	10
Cash and cash equivalents	**12,578**	**3,816**

Additional information for the increase as at 30 September 2017 is depicted in the condensed consolidated statement of cash flows.

3.5 Financial liabilities

In order to finance the expansion of the Group, Dermapharm took out new bank loans with nominal values totalling kEUR 150,000 from four different banks in September 2017.

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

In connection with the new bank loans, Dermapharm raised new derivative financial instruments related to the interest rate risk. These derivatives are described under 3.7.

In the first nine month of financial year 2017, the following material repayments were made:

- Participation right issued in 2010 with amount of kEUR 4,496 was repaid in January 2017.
- Promissory note loan issued in 2012 with amount of kEUR 40,000 was repaid In September 2017.

As at 30 September 2017, the financial liabilities of the Group were as follows:

kEUR	30 September 2017	31 December 2016
Bank loans	147,493	2,713
Promissory note loans	87,747	87,680
Leasing liabilities	157	143
Participation rights	—	6,360
Non-current financial liabilities	**235,397**	**96,896**

kEUR	30 September 2017	31 December 2016
Bank loans	12,927	14,660
Promissory note loans	1,546	40,413
Leasing liabilities	101	112
Participation rights	6,948	5,831
Bank overdrafts	21,900	4,867
Current financial liabilities	**43,422**	**65,883**

3.6 Fair value measurement

The fair value hierarchy level to which the financial asset or financial liability is classified is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The following tables 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 30 September 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.

Type	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
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

As at 30 September 2017 (31 December 2016: n/a), a volatility of 25% is assumed. A decrease in volatility of 10 percentage points or an increase in volatility of 5 percentage points would not have a material impact on the fair values of the financial instruments measured at fair value level 3.

The fair values of the level 3 financial liabilities changed as follows:

	Financial liabilities measured at Fair Value
Balance at 1 January 2017	—
Reclassification from level 2	—
Additions	632
Transfer out of level 3	—
Result realised in Profit or Loss	—
Balance at 30 September 2017	**632**

3.7 Other non-current financial liabilities

In connection with the new bank loans taken out by the Group in September 2017, Dermapharm has entered into a new interest rate swap in order to hedge the interest rate risk associated with a variable interest loan. Moreover, several floors were embedded in the recently signed loan agreements. These derivatives were separated from the host contract and measured at their fair values.

In this context, the negative fair value of an embedded derivative was set off with the positive fair value of a separately concluded derivative. The fair value of the financial asset and the financial liability amounted to kEUR 82.

3.8 Current and deferred income tax

Themis Beteiligungs-AG and Dermapharm AG plan to rescind their profit-and-loss transfer agreement in the near future. Due to this fact the existing tax group between Themis Beteiligungs-AG and the Dermapharm Group will expire. The deferred taxes presented in the Dermapharm Group's financial statements as at 30 September 2017 were reported under the assumption that the profit and loss transfer agreement had already been rescinded. The Company is operating under the assumption that no material deferred taxes will be recognised between 30 September 2017 and the date on which the profit and loss transfer agreement is rescinded.

The Dermapharm Group estimated year-end tax rate for 2017 is 22.36% (2016: 22.95%).

4. Notes to the condensed consolidated statement of comprehensive income

4.1 Revenue

Revenue at Dermapharm Group resulted solely from the sale of products.

In the nine months ended on 30 September 2017, consolidated revenue of kEUR 323,784 was recognised in Germany (30 September 2016: kEUR 295,683). The revenue realised in Germany made up for 92.6% of total revenue (30 September 2016: 92.6%).

The Austrian and Swiss subsidiaries (central Europe region) realised third party revenues amounting to kEUR 16,970 in the first nine months of financial year 2017 (30 September 2016: kEUR 15,196).

The Dermapharm Group companies that are operating in eastern Europe contributed kEUR 8,937 to consolidated revenue in the nine-month period ended 30 September 2017 (30 September 2016: kEUR 8,342).

5. Other disclosures on financial instruments

The following tables show the carrying amounts of all financial instruments reported in the condensed 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 presents the fair values of the financial instruments and the fair value hierarchy level applied to obtain the value.

30 September 2017

kEUR	Category acc. to IAS 39	Book value 30 September 2017	Measurement acc. to IAS 39			Fair value 30 September 2017	Fair value level
			At cost	Fair value (through p&l)	Measurement acc. to IAS 17		
Assets							
Other non-current financial assets	LaR / HfT	22,426	15,034	7,392	—	22,426	2
Investments	AfS	166	166	—	—	166	
Trade receivables	LaR	34,675	34,675	—	—	34,675	
Other current financial assets	LaR / HfT	68,658	68,646	12	—	68,658	2
Cash and cash equivalents	LaR	12,578	12,578	—	—	12,578	
Liabilities							
Financial liabilities—non-current							
of which bank loans	FLAC	147,493	147,493	—	—	148,092	2
of which promissory note loans	FLAC	87,747	87,747	—	—	90,698	2
of which participation rights	FLAC	—	—	—	—	—	2
of which leasing liabilities	n.a.	157	—	—	157	157	
Other non-current financial liabilities	HfT	8,093	—	8,093	—	8,093	2/3
Financial liabilities—current							
of which bank loans	FLAC	12,927	12,927	—	—	15,488	2
of which promissory note loans	FLAC	1,546	1,546	—	—	1,640	2
of which participation rights	FLAC	6,948	6,948	—	—	6,611	2
of which bank overdrafts	FLAC	21,900	21,900	—	—	21,900	
of which leasing liabilities	n.a.	101	—	—	101	101	
Trade payables	FLAC	19,273	19,273	—	—	19,273	
Other current financial liabilities	FLAC / HfT	2,120	2,093	27	—	2,120	2
Totals per category acc. to IAS 39							
Available for sale (AfS)	AfS	166	166	—	—	166	
Financial Asset Held for Trading (HfT)	HfT	7,404	—	7,404	—	7,404	
Financial Liabilities Held for Trading (HfT)	HfT	8,120	—	8,120	—	8,120	
Loans and receivables (LaR)	LaR	130,933	130,933	—	—	130,933	
Financial liabilities measured at amortised cost (FLAC)	FLAC	299,927	299,927	—	—	305,795	

31 December 2016

kEUR	Category acc. to IAS 39	Book value 31 December 2016	Measurement acc. to IAS 39			Fair value 31 December 2016	Fair value level
			At cost	Fair value (through p&l)	Measurement acc. to IAS 17		
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 Asset Held for Trading (HfT)	HfT	10,132	—	10,132	—	10,132	
Loans and receivables (LaR)	LaR	70,610	70,610	—	—	70,610	
Financial Liabilities Held for Trading (HfT)	HfT	10,482	—	10,482	—	10,482	
Financial liabilities measured at amortised cost (FLAC)	FLAC	191,335	191,335	—	—	194,698	

Other non-current financial liabilities comprise the negative fair values of derivatives measured at fair value through profit or loss amounting to kEUR 632 as at 30 September 2017.

6. Other financial obligations and contingent liabilities

With regards to other financial obligations, please refer to the notes to the financial statement for the period ended 31 December 2016. There were no changes regarding litigations, guarantees or contingent liabilities.

Purchase commitments:

At 30 September 2017, the Group has purchase commitments relating to inventories of kEUR 40,645 (31 December 2016: kEUR 72,985).

7. Related party disclosures

Related parties as defined in IAS 24 Related Party Disclosures are those legal entities and natural persons that are able to exert influence on Dermapharm and its subsidiaries or over which the company or its subsidiaries exercise control or joint control or have a significant influence. Key Management Personnel includes members of the Management Board and the Supervisory Board. Significant Shareholders are those who own or are the beneficial owners of more than ten percent of the Dermapharm's voting shares.

Transactions with related parties for the condensed consolidated financial statements at 30 September 2017 and 31 December 2016 between the Dermapharm Group and significant shareholders and other related parties are summarised below.

7.1 Significant transactions

Significant shareholder transactions:

kEUR	2017	2016
Consultancy services	835	837
Compensation from Dermapharm CH	85	85
Total	**920**	**922**

The consultancy services consist of marketing and advertising costs and related activities rendered by significant shareholders.

Significant related party transactions:

kEUR	2017	2016
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	66,854	44,842
Profit and loss transfer agreement	66,854	44,842
Non-consolidated subsidiaries	331	158
Purchase of goods	331	158
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	9,333	3,486
Indirect taxes from tax group	9,333	3,486
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	315	293
Non-consolidated subsidiaries	382	422
Consultancy services	697	715
Non-consolidated subsidiaries	—	99
Loans	—	99
Non-consolidated subsidiaries	—	93
Interest	—	93
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	1,746	1,611
Financial instruments	1,746	1,611
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	354	1,020
Non-consolidated subsidiaries	52	45
Other services	406	1,065
Total	**79,367**	**52,069**

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

7.2 Open balances of significant related parties

kEUR	30 September 2017	31 December 2016
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	42,601	24,423
Receivables from profit and loss transfer agreement	42,601	24,423
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	9,333	—
Receivables from Indirect taxes from tax group	9,333	—
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	11	—
Receivables from purchase of goods	11	—
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	2,480	—
Associated companies	—	90
Non-consolidated subsidiaries	—	6
Receivables from loans	2,480	96
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	20,556	15,270
Receivables from financial instruments	20,556	15,270
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	1,022	—
Non-consolidated subsidiaries	5	20
Receivables from other services	1,027	20
Total	**76,008**	**39,809**

Receivables from indirect taxes from the tax group relate to the acquisition of Riemser Pharma GmbH, Greifswald-Insel Riems.

kEUR	30 September 2017	31 December 2016
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	1,842	3,848
Payables from Indirect taxes from tax group	1,842	3,848
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	—	420
Payables from consultancy services	—	420
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	—	10
Payables from loans	—	10
Parent company (Themis Beteiligungs-AG) of Dermapharm AG	302	—
Non-consolidated subsidiaries	—	—
Payables from other services	302	—
Total	**2,144**	**4,278**

8. 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 AG:

Name	Appointed until	Position	Occupation
Wilhelm Beier	2020	Chief Executive Officer	Merchant
Dr. Hans-Georg Feldmeier	2019	Chief Operating Officer	Pharmacist
Stefan Hümer	2020	Chief Financial Officer	Merchant
Stefan Grieving	2019	Head of Marketing & Sales	Merchant
Karin Samusch	2019	Head of Business Development	Merchant

Members of the Supervisory Board of Dermapharm AG:

Name	Appointed until	Position	Occupation
Elisabeth Beier	2018	Chairwoman of the Supervisory Board	Merchant
Dr. Erwin Kern	2018	Member of the Supervisory Board	Merchant
Michael Beier	2018	Member of the Supervisory Board	Merchant

At the beginning of the third quarter of 2017, changes were made to the Management Board. Dermapharm Group appointed Mr. Stefan Hümer as a member of the Management Board as Chief Financial Officer.

9. Events after the reporting period

On 21 September 2017, the Group acquired all of the shares and voting interests in Bio-Diät-Berlin GmbH, Berlin, along with its wholly owned distribution subsidiary Kräuter Kühne GmbH, Berlin, from the former shareholder. The transaction closed on 1 October 2017.

The acquired companies are successfully producing and marketing phytopharmaceuticals (herbal medicines) as well as homoeopathics and natural cosmetics. Kräuter Kühne GmbH, Berlin, operates 16 sales outlets, an online shop and related services. With the acquisition, the Group intends to extend its product pipeline. For information on the purchase price, please refer to the condensed consolidated statement of cash flows.

Due to the timing of the transaction, it was not yet possible to provide any information about the fair value of the acquired assets and liabilities because the purchase price allocation is not yet finalised.

Grünwald, 13 December 2017, the Management Board

Stefan Hümer	Karin Samusch
Chief Financial Officer	Head of Business Development

Audited consolidated financial statements of Dermapharm AG
as of and for the fiscal years ended December 31, 2016, 2015 and 2014 prepared in accordance with IFRS

Consolidated statement of financial position at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014

Assets in kEUR	Notes	31 December 2016	31 December 2015	31 December 2014	1 January 2014
NON-CURRENT ASSETS					
Intangible assets	4.1	70,025	67,966	71,713	70,315
Goodwill	4.1	17,033	16,444	21,553	26,743
Property, plant and equipment	4.2	53,357	53,406	56,547	57,352
Investments measured at equity	4.3	3,197	2,659	1,628	2,755
Investments	4.4	262	218	461	797
Other non-current financial assets	4.5	10,648	13,841	9,205	9,641
Deferred tax assets	4.17	218	28	952	472
Total non-current assets		**154,740**	**154,562**	**162,059**	**168,075**
CURRENT ASSETS					
Inventories	4.6	84,779	76,957	71,516	68,242
Trade accounts receivable	4.7	26,302	17,423	22,791	22,388
Other current financial assets	4.8	39,976	42,499	58,810	83,309
Other current assets	4.8	1,692	1,445	3,043	2,932
Income tax receivables–current	4.17	394	989	733	366
Cash and cash equivalents	4.9	3,816	2,791	11,645	4,665
Total current assets		**156,959**	**142,104**	**168,538**	**181,902**
TOTAL ASSETS		**311,699**	**296,666**	**330,597**	**349,977**

Equity and liabilities in kEUR	Notes	31 December 2016	31 December 2015	31 December 2014	1 January 2014
EQUITY					
Issued capital	4.10	1,342	1,342	1,342	1,342
Capital reserves	4.10	250	250	250	250
Retained earnings	4.10	56,274	39,457	28,616	33,911
Other reserves	4.10	(951)	53	(1,932)	—
Equity attributable to owners of the company		**56,915**	**41,102**	**28,276**	**35,503**
Non-controlling interests		3,891	3,340	5,734	5,858
Total equity		**60,806**	**44,442**	**34,010**	**41,361**
NON-CURRENT LIABILITIES					
Defined benefit obligations and other accrued employee benefits	4.11	13,250	12,080	12,445	9,744
Other provisions	4.12	—	—	78	64
Financial liabilities	4.13	96,896	151,073	161,530	100,831
Other non-current financial liabilities	4.15	10,464	14,050	9,946	10,491
Other non-current liabilities	4.15	11,495	13,257	15,551	18,826
Deferred tax liabilities	4.17	3,365	191	—	—
Total non-current liabilities		**135,470**	**190,651**	**199,550**	**139,956**
CURRENT LIABILITIES					
Other provisions	4.12	6,951	6,405	6,118	5,569
Financial liabilities	4.13	65,883	24,906	20,382	52,118
Trade accounts payable	4.14	24,526	18,139	27,449	25,378
Other current financial liabilities	4.16	4,303	2,389	30,605	77,596
Other current liabilities	4.16	10,983	8,221	11,443	7,525
Income tax liabilities	4.17	2,777	1,513	1,040	474
Total current liabilities		**115,423**	**61,573**	**97,037**	**168,660**
TOTAL EQUITY AND LIABILITIES		**311,699**	**296,666**	**330,597**	**349,977**

Consolidated statement of comprehensive income for the years ended 2016, 2015 and 2014

in kEUR	Notes	2016	2015	2014
Revenue	5.1	444,478	384,843	391,340
Increase/decrease in finished goods and work-in-process	4.6	1,007	2,887	8,300
Own work capitalised	4.1	8,301	7,983	8,465
Other operating income	5.2	9,916	9,944	6,221
Cost of material	4.6	(252,756)	(215,912)	(237,077)
Personnel expenses	5.3	(58,749)	(55,739)	(57,676)
Depreciation and amortisation	4.1, 4.2	(14,448)	(22,921)	(28,289)
Other operating expenses	5.4	(50,955)	(50,322)	(48,029)
Operating income		**86,794**	**60,763**	**43,255**
Result from investments measured at equity	4.3	1,464	985	863
Financial income	5.5	7,297	9,365	3,325
Financial expenses	5.5	(12,689)	(15,814)	(11,956)
Financial result		**(3,928)**	**(5,464)**	**(7,768)**
Earnings before taxes		**82,866**	**55,299**	**35,487**
Income taxes	4.17	(5,871)	(2,920)	(2,244)
Profit or (loss) for the period		**76,995**	**52,379**	**33,243**
Profit transfers due to profit transfer agreements		(59,931)	(39,480)	(33,006)
Profit or (loss) for the period after profit distribution		**17,064**	**12,899**	**237**
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	(1,058)	481	(2,527)
Deferred taxes effect relating to items that will not be reclassified	4.17	104	(36)	283
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	2.5	(51)	1,539	313
Deferred taxes effect relating to items that may be reclassified		—	—	—
Other comprehensive income/(loss) for the period, net of tax		**(1,005)**	**1,984**	**(1,931)**
Total comprehensive income for the period, net of tax		**16,059**	**14,883**	**(1,694)**
Profit attributable to:				
Owners of the company		16,824	12,701	(61)
Non-controlling interests		240	198	298
		17,064	**12,899**	**237**
Total comprehensive income attributable to:				
Owners of the company		15,819	14,685	(1,992)
Non-controlling interests		240	198	298
		16,059	**14,883**	**(1,694)**

Consolidated statement of cash flows for the years ended 2016, 2015 and 2014

in kEUR	Notes	2016	2015	2014
Profit or loss for the period		17,064	12,899	237
Amortisation of intangible assets	4.1	9,211	9,886	13,499
Amortisation of intangible assets–impairment charges	4.1	—	5,109	9,863
Depreciation of property, plant and equipment	4.2	4,892	5,173	4,927
Increase /(decrease) in other accrued employee benefits	4.11	112	116	174
Increase /(decrease) in other non-current provisions	4.12	—	(78)	14
Increase /(decrease) in other current provisions	4.12	544	284	551
Other non-cash expenses /(income) items		39,501	33,735	40,357
(Increase) /decrease in inventories	4.6	(6,078)	(5,354)	(3,291)
(Increase) /decrease in trade receivables	4.7	(8,737)	5,423	(434)
(Increase) /decrease in other assets	4.5, 4.8	6,343	(19,003)	24,944
Increase /(decrease) in trade payables	4.14	5,510	(9,086)	2,079
Increase /(decrease) in other liabilities	4.15, 4.16	(180)	(7,141)	(46,806)
Share of profit of equity-accounted investees, net of tax	4.3	(1,464)	(985)	(863)
Net (gain) /loss on disposal of intangible assets	4.1	1,563	2,574	2,369
Net (gain) /loss on disposal of property, plant and equipment	4.2	(23)	30	111
Net (gain) /loss on sale of investments	2.4	—	100	—
Interest expenses /(income)	5.5	4,203	5,403	6,528
Increase /(decrease) in income tax payables and deferred tax liabilities	4.17	4,320	3,132	2,440
Income tax (paid) /received	4.17	(3)	(1,840)	(2,443)
Net cash flows from operating activities		**76,778**	**40,377**	**54,256**
Proceeds from sale of intangible assets	4.1	2,426	3,088	210
Proceeds from sale of property, plant and equipment	4.2	258	394	1,992
Proceeds from sale of investments	2.4	9	6,837	—
Acquisition of subsidiary, net of cash acquired	2.4	(1,420)	—	—
(Purchase) of intangible assets	4.1	(12,708)	(11,740)	(22,157)
(Purchase) of property, plant and equipment	4.2	(5,050)	(3,193)	(6,267)
Payments for investment in financial assets	2.4	(52)	(1,069)	—
Dividends from equity-accounted investees	4.3	926	963	1,990
Interest received	5.5	3,332	3,799	2,310
Net cash flows used in investing activities		**(12,279)**	**(921)**	**(21,922)**
Payment of profit transfers due to profit transfer agreements		(39,480)	(33,006)	(39,859)
Acquisition of non-controlling interests	2.4	(1,850)	(93)	(25)
Dividends (paid)	4.10	—	(90)	(5,633)
Proceeds from financial liabilities	4.13	6,082	9,787	74,328
(Repayment) of financial liabilities	4.13	(12,544)	(22,591)	(16,696)
Payment of finance lease liabilities	4.13	(601)	(418)	(273)
Interest (paid)	5.5	(7,535)	(9,202)	(8,838)
Net cash flows from / used in financing activities		**(55,928)**	**(55,613)**	**3,005**
Net increase in cash, cash equivalents and bank overdrafts	4.9, 6.1c	**8,571**	**(16,157)**	**35,339**
Cash, cash equivalents and bank overdrafts at the beginning of the period	4.9	(9,644)	6,483	(28,859)
Change in cash, cash equivalents and bank overdrafts due to foreign exchange differences		22	30	3
Cash, cash equivalents and bank overdrafts at the end of the period		**(1,051)**	**(9,644)**	**6,483**
Bank overdrafts at the beginning the period	4.13	(12,435)	(5,162)	(33,524)
Bank overdrafts at the end of the period	4.13	(4,867)	(12,435)	(5,162)
Cash and cash equivalents at the end of the period		**3,816**	**2,791**	**11,645**

Consolidated statement of changes in equity
at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014

Attributable to owners of the company

in kEUR	Notes	Issued capital	Capital reserves	Retained earnings	Other reserves	Total	Non-controlling interests	Total Equity
As at 1 January 2014	4.10	**1,342**	**250**	**33,911**	**—**	**35,503**	**5,858**	**41,361**
Profit for the period		—	—	(61)	—	(61)	298	237
Other comprehensive income/(loss) for the period		—	—	—	(1,931)	(1,931)	—	(1,931)
Total comprehensive income for the period		—	—	(61)	(1,931)	(1,992)	298	(1,694)
Issue of share capital		—	—	—	—	—	—	—
Reduction of statutory reserves		—	—	(24)	—	(24)	—	(24)
Acquisition of subsidiary with non-controlling interests		—	—	—	—	—	—	—
Acquisition of non-controlling interests		—	—	—	—	—	—	—
Dividends	4.10	—	—	(5,210)	—	(5,210)	(423)	(5,633)
As at 31 December 2014	4.10	**1,342**	**250**	**28,616**	**(1,931)**	**28,277**	**5,733**	**34,010**
As at 1 January 2015	4.10	**1,342**	**250**	**28,616**	**(1,931)**	**28,277**	**5,733**	**34,010**
Profit for the period		—	—	12,701	—	12,701	198	12,899
Other comprehensive income/(loss) for the period		—	—	—	1,984	1,984	—	1,984
Total comprehensive income for the period		—	—	12,701	1,984	14,685	198	14,883
Issue of share capital		—	—	—	—	—	—	—
Divestiture of subsidiary	2.4	—	—	—	—	—	(2,409)	(2,409)
Acquisition of subsidiary with non-controlling interests		—	—	—	—	—	—	—
Acquisition of non-controlling interests without change in control	2.4	—	—	(1,770)	—	(1,770)	(182)	(1,952)
Dividends	4.10	—	—	(90)	—	(90)	—	(90)
As at 31 December 2015	4.10	**1,342**	**250**	**39,457**	**53**	**41,102**	**3,340**	**44,442**
As at 1 January 2016	4.10	**1,342**	**250**	**39,457**	**53**	**41,102**	**3,340**	**44,442**
Profit for the period		—	—	16,824	—	16,824	240	17,064
Other comprehensive income/(loss) for the period		—	—	—	(1,005)	(1,005)	—	(1,005)
Total comprehensive income for the period		—	—	16,824	(1,005)	15,819	240	16,059
Issue of share capital		—	—	—	—	—	—	—
Reduction of statutory reserves		—	—	(7)	—	(7)	—	(7)
Acquisition of subsidiary with non-controlling interests	2.4	—	—	—	—	—	283	283
Acquisition of non-controlling interests without change in control	2.4	—	—	—	—	—	29	29
Dividends		—	—	—	—	—	—	—
As at 31 December 2016	4.10	**1,342**	**250**	**56,274**	**(952)**	**56,914**	**3,892**	**60,806**

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Notes to the consolidated financial statements of Dermapharm AG

1. General

1.1 Corporate information

Dermapharm AG (hereafter referred to as the "Company" or "Dermapharm") as the parent company of the Dermapharm Group (hereafter referred to as "Group") based at Lil-Dagover-Ring 7, Grünwald, Germany, is an international corporation mainly active in the healthcare and pharmaceuticals business in the GSA region, especially in generics, high-quality dermatological and allergic medical products.

Dermapharm is a leading independent specialty pharmaceuticals company in the German market that applies formulation and development expertise to the development, manufacture and marketing of a broad assortment of patent-free branded pharmaceuticals in niche markets, holding approximately 900 marketing authorisations for more than 200 active ingredients. Dermapharm also offers a growing portfolio of other healthcare products such as cosmetics, food supplements and dietary products. The company operates primarily in Germany, has subsidiaries in Austria and Switzerland and has presences in eastern Europe (Croatia, Poland and Ukraine).

The company and the domestic and international subsidiaries concentrate on the development, licensing, manufacture and sale of products using off-patent pharmaceutical active ingredients in the healthcare and in particular the pharmaceutical industry. The core products are generics, branded generics, non-prescription natural remedies, OTC products and parallel-imported original medicines.

Dermapharm AG is a wholly owned subsidiary of Themis Beteiligungs AG. Themis Beteiligungs AG publishes exempting consolidated financial statements in accordance with § 291 HGB. Consequently, these financial statements were voluntarily prepared in accordance with IFRS.

The consolidated financial statements were authorised by the Management Board by resolution dated 29 December 2017.

1.2 First Time Adoption of IFRS

These financial statements for the year ended 31 December 2016 are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with the German Commercial Code (HGB).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2016, together with the comparative period data for the years ended 31 December 2015 and 31 December 2014, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its local GAAP financial statements, including the statement of financial position as at 1 January 2014 and the financial statements for the years ended 31 December 2014, 2015 and 2016. IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2014. Use of this exemption means that the local GAAP carrying amount of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the local GAAP carrying amount of goodwill must be reported in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2014.

- The Group has not applied IAS 21, the Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur. Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2014.
- The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated borrowing costs capitalised under local GAAP for qualifying assets prior to the date of transition to IFRS.

Estimates

The estimates at 1 January 2014 and at 31 December 2014, 2015 and 2016 are consistent with those made for the same dates in accordance with local GAAP (after adjustments to reflect any differences in accounting policies) apart from the following item:

Pensions and other post-employment benefits

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions as at 1 January 2014, the date of transition to IFRS, and as at 31 December 2014, 2015 and 2016.

The following reconciliation depicts the effect of the transition to IFRS on total equity as at 1 January 2014 and 31 December 2016.

kEUR	as at 1 January 2014	as at 31 December 2016
Total equity according to German GAAP (HGB)	**45,933**	**79,873**
Goodwill	—	3,725
Other intangible assets	—	(3,771)
Acquisition of subsidiary	—	215
Investments measured at equity	1,845	1,278
Change in group structure	2,741	—
Inventories	4,902	—
Trade receivables	83	17
Participation rights	(10,981)	(10,856)
Defined benefit obligations	(2,393)	(4,394)
Acquisition of non-controlling interests	—	(1,751)
Financial liabilities and derivatives	(1,230)	(448)
Finance Leases	(10)	26
Deferred taxes	472	(3,114)
Other	(1)	6
Total equity according to IFRS	**41,361**	**60,806**

The following reconciliation depicts the effect of the transition to IFRS on profit for the period ended at 31 December 2016.

kEUR	Period ended at 31 December 2016
Profit for the period according to German GAAP (HGB)	**21,167**
Goodwill	3,215
Other intangible assets	(1,460)
Acquisition of subsidiary	(197)
Investments measured at equity	538
Defined benefit obligations	(206)
Financial liabilities and derivatives	440
Finance Leases	9
Trade receivables	(53)
Deferred taxes	(6,419)
Other	30
Profit for the period according to IFRS	**17,064**
Actuarial gains/losses from remeasurement of defined benefit pension plans	(1,058)
Deferred taxes effect relating to items that will not be reclassified	104
Exchange differences on translation of foreign operations	(51)
Total comprehensive income for the period according to IFRS	**16,059**

Goodwill Impairment

Goodwill was amortised on a straight-line basis under local GAAP. In line with the IFRS "impairment-only-approach", scheduled amortisation of goodwill is suspended as at 1 January 2014. Instead, goodwill is tested for impairment at each reporting date and whenever there are triggering events for impairment testing. The suspension of goodwill amortisation does not have an impact on retained earnings as at 1 January 2014. The effect on income for the years ended 31 December 2014, 2015 and 2016 is recognised in profit for the year under IFRS. For further information on goodwill impairment testing, please refer to 4.1.

Change in Group Structure

The 75.1% interest in Centuere Beteiligungs AG i.L., Hanover, which was measured at cost under local GAAP meets the criteria for inclusion in the consolidated financial statements under IFRS 10. The inclusion of Centuere Beteiligungs AG i.L. results in an increase in equity as at the date of transition to IFRS. The company was sold in financial year 2015. For further information, please refer to 2.4.

Other intangible assets

The 2014 acquisition of Naturwohl Vertriebs GmbH by Hübner Naturarzneimittel GmbH classifies as a business combination under local GAAP. In the absence of "processes", however, Naturwohl Vertriebs GmbH does not qualify as a "business" under IFRS 3. Accordingly, the acquisition cannot be classified as a business combination under IFRS. In the course of the transaction, Hübner Naturarzneimittel GmbH acquired the brand name "LactoStop". As a consequence, no goodwill is recognised under IFRS. Instead, an intangible asset (brand) is capitalised and depreciated over its useful life. Moreover, a customer relationship identified in the course of the purchase price allocation of Remedix GmbH was capitalised. This results in a decrease in equity as at 31 December 2016 of kEUR (3,771) in total.

Acquisition of subsidiary

In 2016, Axicorp GmbH obtained control over Remedix GmbH. IFRS 3 Business Combinations has been applied to the acquisition. The purchase price allocation conducted in accordance with IFRS differs from the approach chosen under local GAAP. The total effect on equity as at 31 December 2016 amounts to an increase of kEUR 215.

Investments measured at equity

Dermapharm holds 25.1% of shares in Gynial GmbH in Austria and 30% in Hasan Pharma Ltd, Saigon, Vietnam. These interests are classified as investments under local GAAP and measured at cost. Under IFRS, Gynial and Hasan qualify as associate companies of Dermapharm and thus have to be accounted for as at-equity investments. The change in accounting for these interests results in an increase in equity of kEUR 1,278 in 2016.

Inventories

In the light of the transition to IFRS, the measurement of inventories as at 1 January 2014 increased by kEUR 4,902 in order to account for the overhead not taken into account as at the opening balance. The adjustment does not have an impact on the total change in equity as at 31 December 2016.

Trade receivables

Provisions for impairment of receivables under local GAAP consist of both a specific allowance for impairments and a lump-sum allowance for expected future losses. IFRS does not permit recognition of impairment for expected future losses and this amount has been eliminated against retained earnings at 1 January 2014. The effect on earnings for the years ended 31 December 2014, 2015 and 2016 is also recognised in profit for the year under IFRS.

Participation Rights

Participation rights issued by Dermapharm are recognised as equity under local GAAP. The issued participation rights, however, do not meet the criteria for being classified as equity instruments under IFRS but are classified as financial liabilities. The reclassification of participation rights does not have an effect on profit for the period ended 31 December 2016.

Defined benefit obligation

The assumptions used for measuring defined benefit obligations under local GAAP differ from the assumptions used under IFRS.

Non-Controlling Interest

The acquisition of shares after the transfer of control resulted in the recognition of goodwill under local GAAP.

Under IFRS, when there is a change in a parent's ownership interest in a subsidiary, but the parent does not cease to have control, this is accounted for as an equity transaction and no further goodwill is recognised.

The derecognition of goodwill from the acquisition of non-controlling interests in Farmal (financial years 2013 and 2014) and Melasan (financial year 2015) results in a reduction of equity of kEUR (1,751) as at 31 December 2016.

Financial liabilities and derivatives

The fair value of forward foreign exchange contracts is recognised under IFRS, and was not recognised under local GAAP. The contracts, which were designated as hedging instruments under local GAAP, have not been designated as hedging instruments as at the date of transition to IFRS.

The fair values of interest rate swaps and one currency-related swap are recognised under IFRS, and were not recognised under local GAAP. The effect on earnings at 1 January 2014 has been recognised in retained earnings. For the years ended 31 December 2014, 2015 and 2016, the effect is recognised in profit for the respective year under IFRS.

Moreover, effects on equity arise from the recognition of loans at amortised cost using the effective interest method to account for transaction costs for financial liabilities measured at amortised cost.

Deferred tax

The transitional adjustments lead to temporary differences in case they are recorded at the separate financial statement level of an entity which is not part of the Themis Beteiligungs AG tax group. According to the accounting policies in 2.18, the Group has to account for such differences. Deferred tax adjustments are recognised in connection with the underlying transaction either in retained earnings or the other comprehensive income.

Finance Leases

Several lease contracts which were classified as operating leases under local GAAP, need to be classified as finance leases under IFRS. The respective lease assets and liabilities have been capitalised in accordance with IAS 17. The effect on earnings at the date of transition has been recognised in retained earnings. The effect on earnings for the years ended 31 December 2014, 2015 and 2016 is also recognised in profit for the year under IFRS.

Statement of cash flows

The transition from local GAAP to IFRS has no material impact on the statement of cash flows.

2. Significant accounting policies and changes

2.1 Basis of preparation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRIC) as adopted in the European Union (EU).

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 measured at fair value at the balance sheet 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 (kEUR) unless otherwise stated. As such, insignificant rounding differences could occur in period-over-period changes and percentages reported throughout.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section 3.1 of the Notes.

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 2016. For the financial year, the Group applied the following new and amended standards and interpretations that were endorsed by the EU:

Standard/ Interpretation	Issued by IASB	Effective Date	Endorsement EU	Name
IAS 1	14 May	16 January	15 December	Amendments to IAS 1: Disclosure Initiative
IAS 16 IAS 38	14 May	16 January	15 December	Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 IAS 41	14 June	16 January	15 November	Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
IAS 27	14 August	16 January	15 December	Amendments to IAS 27: Equity Method in Separate Financial Statements
IFRS 10 IFRS 12 IAS 28	14 December	16 January	16 September	Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
IAS 19	13 November	15 February	14 December	Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
IFRS 11	14 May	16 January	15 November	Amendments to IFRS 11: Accounting Acquisitions of Interests in Joint Operations
DIV	13 December	15 February	14 December	Annual Improvements to IFRS—2010–2012 cycle
DIV	14 September	16 January	15 December	Annual Improvements to IFRS—2012–2014 cycle

The amendments and improvements do not have a material impact on the Group's consolidated financial statements.

Standards and interpretations issued but not yet applied by the group:

The Group intends to adopt these standards, if applicable, when they take effect. Only those standards and interpretations which may be relevant for the Group are discussed below:

Standard/ Interpretation	Issued by IASB	Effective Date	Endorsement EU	Name
IAS 7	16 January	17 January	17 November	Amendments to IAS 7: Disclosure Initiative
IAS 12	16 January	17 January	17 November	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
IAS 28	17 December	19 January	Pending	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
IAS 40	16 December	18 January	Pending	Amendments to IAS 40: Transfers of Investment Property
IFRS 2	16 June	18 January	Pending	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
IFRS 4 IFRS 9	16 September	18 January	17 November	Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	14 July	18 January	16 November	Financial Instruments
IFRS 9	17 December	19 January	Pending	Amendments to IFRS 9: Prepayment Features with Negative Compensation
IFRS 10 IAS 28	14 September	Postponed indefinitely	Pending	Sale or contribution of assets between an investor and its associate or joint venture
IFRS 15	14 May	18 January	16 September	Revenue from Contracts with Customers
IFRS 15	16 June	18 January	17 October	Clarifications to IFRS 15: Revenue from Contracts with Customers
IFRS 16	16 January	19 January	17 October	Leases
IFRS 17	17 May	21 January	Pending	Insurance contracts—IFRS 17 will replace IFRS 4
IFRIC 22	16 December	18 January	Pending	IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
IFRIC 23	17 June	19 January	Pending	IFRIC Interpretation 23: Uncertainty over Income tax treatments
DIV	16 December	18 January	Pending	Annual Improvements to IFRS—2014–2016 cycle
DIV	17 December	19 January	Pending	Annual Improvements to IFRS—2015–2017 cycle

- **IFRS 9 Financial Instruments** addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income (OCI) without recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one Management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has yet to assess the full impact of IFRS 9.

- **IFRS 15 Revenue from Contracts with Customers** deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. 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 standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- **IFRS 16 Leases** was released on 13 January 2016. In accordance with this new standard, the lessee must recognise the leased asset and the lease liability for most types of leases. The new standard on leases applies to all reporting periods beginning on or after 1 January 2019 and replaces IAS 17. The Group is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group financial statements. Early adoption of the above-mentioned publications is currently not planned.

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 or cash flows in financial year 2016.

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.

As of 2016, Dermapharm directly or indirectly holds shares in the following companies:

Company name and registered office	Proportion of shares directly held by parent	Proportion of shares directly held by the Group
consolidated subsidiary		
Mibe GmbH Arzneimittel, Brehna	100%	
Mibe Vertrieb GmbH, Grünwald	100%	
Cancernova GmbH, Grünwald	100%	
axicorp GmbH, Friedrichsdorf	85%	
Anton Hübner GmbH & Co. KG, Ehrenkirchen	100%	
Hübner Naturarzneimittel GmbH, Ehrenkirchen	100%	
Dermapharm GmbH, Vienna, Austria	100%	
Dermapharm AG, Hünenberg, Switzerland	100%	
Sun-Farm Sp. z o.o, Warsaw, Poland	100%	
Farmal d.d, Ludbreg, Croatia	100%	
Mibe Pharmaceuticals d.o.o Ludbreg, Croatia	100%	
acis Arzneimittel GmbH, Grünwald		100%
axicorp Pharma GmbH, Friedrichsdorf		100%
Podolux GmbH, Friedrichsdorf		100%
axicorp Pharma B.V, The Hague, Netherlands		100%
axicorp ApS, Hellerup, Denmark		100%
remedix GmbH, Koblenz		75%
Melasan GmbH, Salzburg, Austria		100%
Farmal BH d.o.o, Sarajevo, Bosnia-Herzegovina		100%
Aktival d.o.o, Ludbreg, Croatia		100%
subsidiary not consolidated		
Anton Hübner Verwaltungs GmbH, Ehrenkirchen	100%	
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria	100%	
East Pharma AG, Grünwald	100%	
Mibe Ukraine LLC, Kiev, Ukraine		100%
Pragopharm Research, Prague, Czech Republic		100%
Pragopharm Production, Prague, Czech Republic		100%
associated companies		
Hasan Pharma Ltd, Saigon, Vietnam	30%	
Gynial GmbH, Vienna, Austria		25%
Gynial AG, Hünenberg, Switzerland		40%
other investments		
Hasan Dermapharm Joint Venture Ltd, Saigon, Vietnam	5%	

Changes in the scope of consolidation:

Changes in the scope of consolidation in the reporting period from 1 January 2014 to 31 December 2016 stem from a number of acquisitions, sales of companies and one merger. On 21 December 2015, Axicorp GmbH, in which Dermapharm holds an interest of 85%, entered into a contract to acquire a 75.1% interest in Remedix GmbH (please refer to 2.7 for more information on the acquisition of Remedix GmbH).

Merger of Naturwohl Vertriebs GmbH:

Naturwohl Vertriebs GmbH, Gräfelfing, was merged with Huebner Naturarzneimittel GmbH, Grünwald, in financial year 2015. For further information, please refer to 4.1.

Investment in Gynial GmbH, Vienna, Austria:

Dermapharm GmbH, Vienna, acquired a 25.1% interest of the Gynial GmbH, Vienna, in 2015. The investment is accounted for using the equity method; please refer to section 4.3 for further details.

Acquisitions of non-controlling interests:

In 2015, Dermapharm GmbH, Vienna, Austria, increased its stake in Melasan GmbH, Salzburg, Austria, by 25% to 100% for a cash consideration of kEUR 1,850, which was paid in financial year 2016. Melasan GmbH had already been fully consolidated in the prior year when Dermapharm held a 75% stake in the company. There is no change in the basis of consolidation or presentation in the IFRS consolidated financial statements. The carrying amount of Melasan GmbH's net assets in the Group's consolidated financial statements on the date of acquisition was kEUR 1,930. The Group recognised a decrease in NCI of kEUR 483 and a decrease in retained earnings of kEUR 1,367.

The Group also acquired an additional stake of 2.9% in Farmal d.d., Ludberg, Croatia, in 2015 and increased its stake to 100% for a cash consideration of kEUR 93. Farmal d.d. had already been fully consolidated in the prior year when the Group held a 97.1% stake in the company. There is no change in the basis of consolidation or presentation in the IFRS consolidated financial statements. The carrying amount of Farmal d.d.'s net assets in the Group's consolidated financial statements on the date of acquisition was kEUR-10,369. The Group recognised an increase in NCI of kEUR 301 and a decrease in retained earnings of kEUR 403.

Divestments:

In 2015, the Group sold the Dermapharm Verwaltungs GmbH, Grünwald (100%), Dermapharm Beteiligungsgesellschaft mbH & Co. KG, Grünwald (100%), SLG Service Logistik Güntherdorf GmbH, Leuna (100%), the 26.3% stake in HMO AG, Oberhaching, and its 75.1% stake in the Centuere Beteiligungs AG i.L., Hanover.

At the end of 2014 a decision was made to close down the subsidiary Farmal d.o.o., Belgrade. The liquidation process was finalised in December 2016.

SLG Service Logistik Günthersdorf GmbH, Leuna, as well as Centuere Beteiligungs AG i.L., Hanover, have been deconsolidated.

The sale of Centuere Beteiligungs AG i.L., Hanover, to Themis Beteiligungs AG for kEUR 6,534 was completed on 17 December 2015. The sale was concluded in order to adjust the portfolio with respect to marginal activities not relating to the pharma business. The decision to sell the subsidiary was made at short notice in 2015 and Centuere was therefore not classified as a held-for-sale investment in accordance with IFRS 5 as at 31 December 2014. The negative result from the divestiture of kEUR 731 has been recognised in other operating expenses.

Result from the deconsolidation of Centuere Beteiligungs AG i.L.:

Deconsolidation of Centuere Beteiligungs AG

kEUR	31 December 2015
Consideration (total received in cash)	6,534
Divested Assets	(7,581)
Divested Liabilities	316
Result from divestiture	**(731)**

With effect from 31 December 2015, the sale of SLG Service Logistik, Leuna, to Themis Beteiligungs AG for kEUR 25 was completed. The sale was concluded in order to adjust the portfolio with respect to marginal activities not relating to the pharma business. The decision to sell the subsidiary was made at short notice in 2015 and SLG was therefore not classified as a held-for-sale investment in accordance with IFRS 5 as at 31 December 2014. The positive result from the divestiture of kEUR 612 has been recognised in other operating income.

Result from the deconsolidation of SLG Service Logistik:

Deconsolidation of SLG Service Logistik

kEUR	31 December 2015
Consideration (total received in cash)	25
Divested Assets	(31,549)
Divested Liabilities	32,136
Result from divestiture	**612**

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 Group 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 if they are material.

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):

	Currency	Average rate				Closing rate			
Country	1 EUR =	31 December 2016	31 December 2015	31 December 2014	1 January 2014	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Switzerland	CHF	1.0902	1.0679	1.2146	1.2311	1.0739	1.0835	1.2024	1.2276
Denmark . .	DKK	7.4452	7.4587	7.4548	7.4579	7.4344	7.4626	7.4453	7.4593
Croatia . . .	HRK	7.5333	7.6137	7.6344	7.5786	7.5597	7.638	7.658	7.6265
Poland	PLN	4.3632	4.1841	4.1843	4.1975	4.4103	4.2639	4.2732	4.1543

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 for Remedix GmbH, regardless of the amount of the investment with the respective fair value at the acquisition date. Goodwill that arises is tested for impairment annually. Any gain on a bargain purchase is recognised in profit or loss immediately, transaction costs are expensed as incurred.

Acquisition of Remedix GmbH, Koblenz, Germany:

At 21 December 2015, Axicorp GmbH, in which Dermapharm holds an 85% interest, entered into a contract to acquire 75.1% of Remedix GmbH, an importer and distributor of narcotic drugs and psychotropics in the EU. With the acquisition, the Group intends to extend its product pipeline and access the re-import business.

The last condition precedent to the purchase agreement was met on 29 February 2016, when cash payment was transferred to the former shareholder. With the transfer of 75.1% of the voting rights, Axicorp GmbH acquired initial control over the legal entity.

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

kEUR	Fair value as of 29 February 2016
Purchase Price	
Cash	1,442
Total consideration transferred	**1,442**
Fair values of acquired assets and liabilities	
Intangible assets	**2,533**
thereof identified *during purchase price allocation*	2,287
Fixed assets	*37*
Inventories	1,755
Trade receivables	172
Other current assets	663
Cash and cash equivalents	22
Accruals	61
Liabilities to banks	(1,409)
Liabilities to related parties	(890)
Other non-interest bearing provisions	(116)
Deferred tax liabilities	(629)
Trade payables	(878)
Other short-term liabilities	(184)
Fair value of acquired net assets for 100%	1,136
Fair value of acquired net assets for 75.1%	**853**
Goodwill arising on acquisition	**589**

Acquired gross contractual amounts receivable amount to kEUR 172, 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.

The right to acquire the minority shares was granted within the share purchase agreement. The option was assessed to be immaterial. The consideration transferred for the transferred 75.1% of the shares amounted to kEUR 1,442.

Comparing the consideration transferred for 75.1% of the shares to the identified fair values of assets and liabilities for 75.1% of the shares (kEUR 853) results in goodwill of kEUR 589. 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.

Customer relationships in the amount of kEUR 2,287 were identified as an intangible asset during the purchase price allocation. The key assumptions of the valuation of the customer relationship are as follows:

	Customer relationship
Valuation method used	Multi-period excess earnings
Useful life	7 years
Cost of capital (indefinite maturity)	5.6%

The former shareholders of Remedix GmbH were propharmed GmbH (70%) and Mrs Nicole Broockmann (30%).

No transaction costs had to be recognised as an administrative expense in connection with the acquisition of Remedix GmbH.

Remedix GmbH contributed total revenue of kEUR 5,735 to consolidated revenue for the period from 29 February 2016 to 31 December 2016 and decreased the profit for the period by a total of kEUR –1,397 over the same period. If the combination had taken place at the beginning of the year, Remedix GmbH would have contributed kEUR 6,549 to consolidated revenue and kEUR –1,734 to profit for the period, net of tax.

2.7 Intangible assets

Software, licenses, patents and similar rights

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

The drug approvals are partly acquired from third parties and partly developed by Dermapharm Group itself.

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 its 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. There is no active market for drug approvals. Therefore, the revaluation method is not applied. Dermapharm Group applies the acquisition cost method.

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 our embedded products. The capitalised development costs have mainly been recognised for development projects that create new pharmaceutical products. Development costs of a single project are only 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, 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 Dermapharm Group does not conduct any fundamental pharmaceutical research no research costs are incurred.

Intangible assets acquired in business combinations 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 a customer relationship which was identified in the context of the purchase price allocation of Remedix GmbH (please refer to 2.7 for more information on the acquisition of Remedix GmbH).

In the course of the acquisition of the trademark "LactoStop" in financial year 2014, Dermapharm capitalised a trademark. For further information, please refer to 2.4.

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. Capitalised goodwill is not subject to amortisation. It is assessed annually for impairment and can be assessed more frequently, if there is any indication for impairment during the year (impairment-only approach).

Amortisation and impairment of intangible assets

Amortisation and impairment write-offs of revenue generating assets are recorded in the consolidated statement of comprehensive income as amortisation and are shown as amortisation of intangible assets in the consolidated statement of cash flows. The carrying amounts, economic useful lives and amortisation methods are verified at each balance sheet date and prospectively adjusted where appropriate. If the recoverable amount of an 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 asset is increased. Impairment write-offs related to capitalised development costs, which are not revenue generating, are charged to "other operating expenses" in the consolidated statement of comprehensive income and are reported under "Amortisation of intangible assets—impairment charges" in the consolidated statement of cash flows. 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	Note
Software, licenses, patents and similar rights	3–15	Approvals, trademarks and software
Goodwill	n/a	
Advance payments	n/a	

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 when development is complete and the asset is available for use, which is normally the release of the developed product to mass production.

Recognised development costs are also tested for impairment in accordance with IAS 36 (IAS 38.111). At each balance sheet date, the approvals are tested for impairment in accordance with IAS 36. There was no need for impairment as at the presented balance sheet dates.

The customer relationship, which was identified in the context of the purchase price allocation of Remedix GmbH, is amortised on a straight-line basis over the expected useful life of seven years.

The trademark "LactoStop", which was acquired in financial year 2014, is amortised on a straight-line basis over the expected useful life of nine years. The following table depicts the remaining useful lives of these assets as at 31 December 2016.

31 December 2016	Remaining useful life	Asset origin
Customer relationship	6.2 years	Acquired
Trademark	6.4 years	Acquired

For a detailed description of the acquired customer relationship and the recognised carrying amount, please refer to 2.7. For more detailed information on the acquired trademark and the respective carrying amount as at the balance sheet date, please refer to in 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 balance sheet date. The latter 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 initially at fair value adjusted for transaction costs, except for those carried 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 are measured at cost less any impairment charges, as its 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 (EIR) 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 EIR. The EIR 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 their 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.

Fair value changes for 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

Inventories include raw materials and supplies, semi-finished goods and finished goods.

Inventories are measured at the lower of cost or 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 deposits. 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 regularly lead to a contractual obligation to deliver cash 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

In order to simplify subsequent measurement, current trade payables as well as other current financial liabilities are measured using their settlement amount. Non-current financial liabilities as well as bank liabilities are carried 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 (EIR) 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 EIR. The EIR amortisation is included as 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 plant 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 current liabilities.

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

2.14 Provisions for pensions

Provisions for pensions are recognised for obligations relating to vested benefits and current benefit payments to eligible active and former employees of the Group companies and their surviving dependants. Provisions for pensions are only recognised 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 contributes to publicly or privately administered pension plans on a mandatory or contractual basis. 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 render 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 bond.

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 considering the class of 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 shall be 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 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The Company's taxable income, whether distributed or retained, is generally subject to German corporate income tax at a uniform rate of 15% plus the solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 15.825%.

Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred tax liabilities are created for temporary differences between the tax base of the assets or liabilities and their valuation rate in the IFRS financial statements as well as for tax loss carryforwards in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that a taxable profit will result against which the temporary difference can be utilised. Deferred tax liabilities are recognised for temporary differences taxable in the future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are considered non-current.

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 assortment 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 title per incoterms agreed with the buyer) of the goods have passed to the buyer. This is generally the case upon delivery of the goods and merchandise. 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. Extensive regulation also affects prices for prescription pharmaceuticals (i.e., pharmaceuticals that require a doctor's prescription for distribution) 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 of 6% as well as a price moratorium, which was recently extended until 2022. Under this moratorium, pharmaceuticals manufacturers are required to compensate SHI providers and private health insurance companies for any price increases, making such increases economically unattractive. 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 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 flow 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 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 companies do not act as lessors.

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 7.2.

2.20 Derivatives

The Group uses derivatives to mitigate the risk of changes in exchange rates or interest rates. The instruments used include forward exchange contracts and interest-rate swaps. Derivatives are recognised at the trade date.

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

2.21 Fair value measurement

The following tables 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.	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
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

Type	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
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

3. Estimates and judgements

Estimates and judgments 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.

3.1 Critical accounting estimates and assumptions

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

Various valuation methods are used in the context of purchase price allocations in business combinations that are primarily based on estimates and assumptions. The employed methods and carrying amounts identified in the acquisition of Remedix GmbH are presented in 2.7.

Goodwill Impairment Test

Dermapharm AG tests any capitalised goodwill for impairment at least once a year. The necessary assumptions and estimates are presented in detail in 4.1. For the carrying amounts of goodwill as at the balance sheet date, please refer to 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 the context of impairment tests for yet unused approvals, the growth rates applied for the test as well as the price and cost development of active pharmaceutical ingredients are based on best possible estimates. The carrying amounts of the items of property, plant and equipment and intangible assets as well as the respective amortisation, depreciation and impairment expenses are shown in the tables in 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 benefit, which 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 balance sheet date, please refer to 4.1.

Taxation

Dermapharm Group operates in various countries and is obliged to pay respective 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 balance sheet 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 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 6.3.

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.

Pension 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 4.17.

Other provisions

Such 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 balance sheet dates are shown in 4.12.

4. Notes to the consolidated statement of financial position

4.1 Intangible assets

Intangible assets changed as follows:

kEUR Cost	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
At 1 January 2016	**37,659**	**133,216**	**19,867**	**190,742**
Exchange differences	—	58	—	**58**
Additions through business combinations	589	2,533	—	**3,122**
Additions	—	4,389	8,319	**12,708**
Disposals	—	(6,001)	(1,119)	**(7,120)**
Transfers	—	—	—	—
At 31 December 2016	**38,248**	**134,195**	**27,067**	**199,510**
Amortisation and impairment				
At 1 January 2016	**21,215**	**80,442**	**4,675**	**106,332**
Exchange differences	—	40	—	**40**
Additions	—	9,187	24	**9,211**
Additions (impairment)	—	—	—	—
Disposals	—	(3,131)	—	**(3,131)**
Transfers	—	—	—	—
At 31 December 2016	**21,215**	**86,538**	**4,699**	**112,452**
Carrying amount				
At 31 December 2015	**16,444**	**52,774**	**15,192**	**84,410**
At 31 December 2016	**17,033**	**47,657**	**22,368**	**87,058**

kEUR Cost	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
At 1 January 2015	**37,659**	**149,057**	**12,499**	**199,215**
Exchange differences	—	289	—	**289**
Additions through business combinations	—	—	—	—
Additions	—	3,659	8,081	**11,740**
Disposals	—	(19,789)	(713)	**(20,502)**
Transfers	—	—	—	—
At 31 December 2015	**37,659**	**133,216**	**19,867**	**190,742**
Amortisation and impairment				
At 1 January 2015	**16,106**	**85,170**	**4,673**	**105,949**
Exchange differences	—	228	—	**228**
Additions	—	9,884	2	**9,886**
Additions (impairment)	5,109	—	—	**5,109**
Disposals	—	(14,840)	—	**(14,840)**
Transfers	—	—	—	—
At 31 December 2015	**21,215**	**80,442**	**4,675**	**106,332**
Carrying amount				
At 31 December 2014	**21,553**	**63,887**	**7,826**	**93,266**
At 31 December 2015	**16,444**	**52,774**	**15,192**	**84,410**

kEUR Cost	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
At 1 January 2014	**37,659**	**134,184**	**8,452**	**180,295**
Exchange differences	—	36	—	**36**
Additions through business combinations	—	—	—	**—**
Additions	—	14,812	7,345	**22,157**
Disposals	—	(911)	(2,362)	**(3,273)**
Transfers	—	936	(936)	**—**
At 31 December 2014	**37,659**	**149,057**	**12,499**	**199,215**
Amortisation and impairment				
At 1 January 2014	**10,916**	**72,321**	**—**	**83,237**
Exchange differences	—	44	—	**44**
Additions	—	13,499	—	**13,499**
Additions (impairment)	5,190	—	4,673	**9,863**
Disposals	—	(694)	—	**(694)**
Transfers	—	—	—	**—**
At 31 December 2014	**16,106**	**85,170**	**4,673**	**105,949**
Carrying amount				**—**
At 1 January 2014	**26,743**	**61,863**	**8,452**	**97,058**
At 31 December 2014	**21,553**	**63,887**	**7,826**	**93,266**

In financial year 2016, the Group acquired a 75% stake in Remedix GmbH; for further details please refer to section 2.7. This transaction resulted in an increase in the accumulated cost of software, licenses, patents and rights of kEUR 2,533 and goodwill in the amount of kEUR 589.

Intangible assets include goodwill, customer relationships, trademarks and capitalised development costs for development projects. Goodwill, customer relationships and trademarks represent acquired intangible assets while development costs stem from internal developments. The recognised goodwill and customer relationships were reported under acquisitions through business combinations. The trademarks relate to the "LactoStop" brand which was acquired in 2014.

Amortisation of intangible assets, excluding impairment charges, with a total value of kEUR 9,211 (2015: kEUR 9,886; 2014: kEUR 13,499) were recorded in 2016.

During the period ended 31 December 2016, no impairment charges on capitalised development costs were recorded in profit or loss (31 December 2015: kEUR 0; 31 December 2014: kEUR 4,673). The value in use of the impaired capitalised development costs in 2014 was nil.

In the financial year 2016, kEUR 8,319 of development costs were capitalised (31 December 2015: kEUR 8,081; 31 December 2014: kEUR 7,345).

At 31 December 2016, intangible assets (mainly medical licences) with a carrying amount of kEUR 2,242 (31 December 2015: kEUR 2,462; 31 December 2014: kEUR 2,363; 1 January 2014: kEUR 2,575) were pledged to different banks in order to provide security for bank loans.

In financial year 2016, no changes were made to the useful lives of internally generated intangible assets (31 December 2015: 0 assets; 31 December 2014: 0 assets).

The impairments relate to specific projects where the revised business expectations indicated that the capitalised amounts were no longer recoverable. 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 chapter for a detailed overview of the performance of capitalised development cost impairment test.

In the financial year 2014, Hübner Arzneimittel GmbH, a wholly owned subsidiary of Dermapharm, acquired the trademark "LactoStop", which was valued with kEUR 13,138. The trademark has a useful life of nine years resulting in an annual amortisation of kEUR 1,460 (partial amortisation in 2014: kEUR 852). At 31 December 2016, the carrying amount is kEUR 9,366 (31 December 2015: kEUR 10,826; 31 December 2014: kEUR 12,286).

In the financial year 2016, the acquisition of Remedix GmbH resulted in an identified customer relationship of kEUR 2,533 which is amortised over its useful life of seven years (partial amortisation in December 2016: kEUR 273). At 31 December 2016, the carrying amount is kEUR 2,015.

Impairment of goodwill in the amount of kEUR 5,190 as of 31 December 2014 relates to goodwill that was allocated to Cancernova GmbH. After declining revenues in financial year 2014, caused by general market uncertainty as a consequence of re-import forgery, goodwill impairment tests led to a partial impairment of allocated goodwill.

As of 31 December 2015, the company realised an impairment loss of kEUR 5,109. This represents a write-off of the goodwill allocated to Farmal d.d. due to provisions for an indictment filed against the company. As a result of the purchase price allocation conducted for the acquisition of Remedix GmbH through Axicorp GmbH, in which Dermapharm AG holds an 85% interest, Dermapharm recognised additional goodwill of kEUR 589 in 2016 (please refer to 2.7 for more information on the acquisition of Remedix GmbH).

Notes on the annual impairment tests

Goodwill and capitalised development cost were tested for impairment by the Group on an annual basis.

Impairment testing: capitalised development projects

Capitalised development costs which are not yet complete are not amortised but is subject to impairment testing as described below.

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 valuation date. As a result, each development project was valued based on a distinct business plan with cash flow projections and a specific lifetime.

The respective applied discount rate matches the discount rate of Mibe Arzneimittel GmbH and amounts to 7.47% as per 31 December 2014, 6.87% as per 31 December 2015 and 6.38% as per 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 values was calculated. Modified assumptions involved pre-tax interest rates and EBIT margins applied in the terminal value.

A 1% increase in the pre-tax interest rates as part of the sensitivity analysis did not result in the need for any impairment charges for the development projects.

Likewise, the sensitivity analysis of the expected EBIT margin showed that the projects do not require an impairment charge in the case of a 2% reduction.

Goodwill impairment tests

The Management Board monitors and manages Group performance based on the different legal entities. The Group defines all legal entities as CGUs which are tested for impairment. As a result, nine CGUs were tested as per 1 January 2014. Of the nine CGUs, two have only negligible goodwill as at the date of transition to IFRS. In the following, detailed information is only presented for the CGUs which have material goodwill as at the reported balance sheet dates.

The recoverable amount of the individual CGUs was determined by calculating the value in use, which is based on the projected cash flows of the individual entities. The cash flow projections underlying the value in use calculation stem from the financial plans for a period of four years as of the respective valuation date as approved by the Management Board and the Supervisory Board.

As the management plans show that the CGUs have not yet reached their steady state as of the end of the period, the reconciliation to the steady state was planned using a three-year transition period. The first year of the transition period is characterised by decreasing growth rates while EBITDA margins were kept constant, in order to transfer the business plans to a steady state status. The remaining two transition periods were already planned with terminal value assumptions, i.e. a growth rate of 1% and constant EBITDA margins. Due discounting effects, recognising the two additional transition periods does not significantly impact the valuations. This state was extrapolated using a perpetual growth rate of 1%.

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:

1 January 2014	Mibe Arzneimittel GmbH	Acis Arzneimittel GmbH	Cancernova GmbH	axicorp GmbH	Melasan GmbH	Sun-Farm sp Z.o.o.	Farmal d.d.
Budgeted EBITDA margin	37.90%	33.37%	8.71%	4.13%	22.59%	22.82%	26.50%
Budgeted EBITDA growth	5.00%	20.33%	20.41%	17.69%	14.63%	37.78%	72.67%
Discount rate	9.62%	9.26%	9.35%	9.74%	9.26%	11.01%	14.55%
Goodwill in kEUR	1,700	47	5,190	12,177	673	1,848	5,109
Value in Use in kEUR	425,609	82,880	15,369	116,538	13,134	18,330	23,994
Carrying amount in kEUR	102,900	(2)	8,110	39,666	2,440	4,778	14,386

31 December 2014	Mibe Arzneimittel GmbH	Acis Arzneimittel GmbH	Cancernova GmbH	axicorp GmbH	Melasan GmbH	Sun-Farm sp Z.o.o.	Farmal d.d.
Budgeted EBITDA margin	17.65%	84.05%	3.50%	3.91%	26.99%	20.18%	23.60%
Budgeted EBITDA growth	6.47%	8.87%	25.81%	17.27%	18.98%	43.33%	41.97%
Discount rate	10.55%	9.98%	n/a1	10.52%	10.03%	11.84%	15.01%
Goodwill in kEUR	1,700	47	5,190	12,177	673	1,848	5,109
Value in Use in kEUR	352,263	66,027	4,862	121,951	25,087	15,901	18,767
Carrying amount in kEUR	91,520	(513)	7,633	34,456	2,737	4,803	14,430

31 December 2015	Mibe Arzneimittel GmbH	Acis Arzneimittel GmbH	axicorp GmbH	Melasan GmbH	Sun-Farm sp Z.o.o.	Farmal d.d.
Budgeted EBITDA margin	29.08%	81.36%	3.76%	25.53%	33.11%	5.99%
Budgeted EBITDA growth	9.39%	9.06%	24.66%	12.28%	67.30%	65.40%
Discount rate	9.99%	9.45%	9.92%	9.54%	11.02%	n/a[1]
Goodwill in kEUR	1,700	47	12,177	673	1,848	5,109
Value in Use in kEUR	640,886	63,379	134,398	22,321	46,562	(645)
Carrying amount in kEUR	97,123	(6)	37,334	2,765	4,998	11,874

31 December 2016	Mibe Arzneimittel GmbH	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 kEUR	1,700	47	12,766	673	1,848
Value in Use in kEUR	980,608	39,060	116,198	21,997	48,015
Carrying amount in kEUR	107,078	(615)	47,697	3,242	5,317

(1) Since the goodwill for both CGUs is fully impaired due to a negative value in use in the respective year no pre-tax discount rate is available.

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. Modified assumptions involved pre-tax interest rates and EBITDA margins applied at the terminal value.

A 1% 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% reduction.

4.2 Property, plant and equipment

Property, plant and equipment changed as follows:

kEUR	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**	**29,857**	**16,541**	**94,921**
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**	**32,369**	**16,806**	**98,409**
Depreciation and impairment				
At 1 January 2016	**12,359**	**18,710**	**10,446**	**41,515**
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**	**20,233**	**10,907**	**45,052**
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**

kEUR	Land and Buildings including buildings on third party land	Technical equipment and machinery	Other fixed assets and office equipment	Total
Cost				
At 1 January 2015	**48,460**	**32,181**	**16,132**	**96,773**
Exchange differences	117	2	39	**158**
Additions through business combinations	—	—	—	**—**
Additions	18	2,275	900	**3,193**
Disposals	(537)	(1,276)	(3,390)	**(5,203)**
Transfers	465	(3,325)	2,860	**—**
At 31 December 2015	**48,523**	**29,857**	**16,541**	**94,921**
Depreciation and impairment				
At 1 January 2015	**11,560**	**18,946**	**9,720**	**40,226**
Exchange differences	107	2	33	**142**
Additions	1,462	2,040	1,671	**5,173**
Additions (impairment)	—	—	—	**—**
Disposals	(258)	(1,061)	(2,707)	**(4,026)**
Transfers	(512)	(1,217)	1,729	**—**
At 31 December 2015	**12,359**	**18,710**	**10,446**	**41,515**
Carrying amount				
At 31 December 2014	**36,900**	**13,235**	**6,412**	**56,547**
At 31 December 2015	**36,164**	**11,147**	**6,095**	**53,406**

kEUR	Land and Buildings including buildings on third party land	Technical equipment and machinery	Other fixed assets and office equipment	Total
Cost				
At 1 January 2014	**48,674**	**31,961**	**15,921**	**96,556**
Exchange differences	—	(29)	—	**(29)**
Additions through business combinations	—	—	—	**—**
Additions	1,054	3,832	1,381	**6,267**
Disposals	(1,798)	(2,787)	(1,436)	**(6,021)**
Transfers	530	(796)	266	**—**
At 31 December 2014	**48,460**	**32,181**	**16,132**	**96,773**
Depreciation and impairment				
At 1 January 2014	**10,950**	**18,473**	**9,781**	**39,204**
Exchange differences	27	(11)	(3)	**13**
Additions	1,541	2,063	1,323	**4,927**
Additions (impairment)	—	—	—	**—**
Disposals	(958)	(1,579)	(1,381)	**(3,918)**
Transfers	—	—	—	**—**
At 31 December 2014	**11,560**	**18,946**	**9,720**	**40,226**
Carrying amount				**—**
At 1 January 2014	**37,724**	**13,488**	**6,140**	**57,352**
At 31 December 2014	**36,900**	**13,235**	**6,412**	**56,547**

In financial year 2016, the Group acquired a 75% stake in Remedix GmbH; for further details please refer to 2.7. This transaction resulted in an increase in the accumulated cost of other fixed assets and office equipment of kEUR 37.

Property, plant and equipment comprises land and buildings, technical equipment and machinery and other fixed assets and office equipment.

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

During the period ended 31 December 2016, depreciation in the amount of kEUR 4,892 was recorded in profit or loss (31 December 2015: kEUR 5,173; 31 December 2014: kEUR 4,927).

Finance lease assets changed as follows:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Technical equipment and machinery	—	143	250	356
Other equipment, factory and office equipment	279	246	237	109
Net carrying amount of leased assets	**279**	**389**	**487**	**465**

For further details regarding obligations from finance leases, please refer to section 7.2a).

4.3 Investments measured at equity

Two associates (31 December 2015: 2; 31 December 2014: 1; 1 January 2014: 1) were accounted for in the consolidated financial statements using the equity method.

Company Name	Place of Business	Share in capital (%)
31 December 2016		
Hasan Dermapharm Co.Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
31 December 2015		
Hasan Dermapharm Co.Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
31 December 2014		
Hasan Dermapharm Co.Ltd.	Binh Duong Province, Vietnam	30.0
1 January 2014		
Hasan Dermapharm Co.Ltd.	Binh Duong Province, Vietnam	30.0

Gynial GmbH, Vienna, Austria:

Dermapharm GmbH, Vienna, acquired 25.1% of Gynial GmbH, Vienna, in 2015. 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 Shering 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 shift existing job order productions with third party suppliers gradually to mibe GmbH, 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 health sector.

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

kEUR	31 December 2016	31 December 2015
Percentage ownership interest (%)	25.1	25.1
Non-current assets	319	286
Current assets	1,016	951
Non-current liabilities	0	100
Current liabilities	738	809
Net assets (100%)	597	328
Carrying amount of interest in associate	**1,163**	**1,095**
Revenue	4,231	3,693
Profit / Loss after Tax (100%)	269	345
Group's share of total comprehensive income	**67**	**86**

Hasan Dermapharm Co. Ltd, Saigon, Vietnam:

In 2007, Dermapharm 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. 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 following table summarises Hasan Dermapharm Co. Ltd.'s financial information as presented in its own financial statements:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Percentage ownership interest (%)	30	30	30	30
Non-current assets	4,307	4,707	4,956	3,979
Current assets	6,181	5,286	5,826	6,657
Non-current liabilities	0	0	0	0
Current liabilities	504	641	566	1,453
Net assets (100%)	9,984	9,352	10,217	9,183
Carrying amount of interest in associate	**2,034**	**1,563**	**1,628**	**2,755**
Revenue	13,698	12,476	12,724	10,915
Profit / Loss after Tax (100%)	3,977	2,794	3,294	3,421
Group's share of total comprehensive income	**1,193**	**838**	**988**	**1,026**
Exchange rate	29,340	26,354	24,844	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 2016, the Group held 100% of the shares in Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria, 40% of shares in Gynial AG, Hünenberg, Switzerland, and 100% of shares in East Pharma AG, Grünwald. 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. As at 31 December 2016, interests in non-consolidated subsidiaries and associates, which are not accounted for using the equity method, have a carrying amount of kEUR 262 (31 December 2015: kEUR 218; 31 December 2014: kEUR 461; 1 January 2014: kEUR 797). The investments qualify as available-for-sale financial assets under IAS 39. They thus have to be measured at fair value in the statement of financial position. However, since the fair value of these investments could not be measured reliably, they are measured at cost less impairment charges. Dermapharm has no intention to dispose these investments.

4.5 Other non-current financial assets

Other non-current financial assets includes 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 2010. The swaps will expire in 2018 and 2020, respectively.

The positive fair values of held-for-trading derivatives recognised amounted to kEUR 10,125 as of 31 December 2016 (31 December 2015: kEUR 13,314; 31 December 2014: kEUR 8,779; 1 January 2014: kEUR 9,242). 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 7.2c).

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 kEUR 523 as at 31 December 2016 (31 December 2015: kEUR: 527; 31 December 2014: kEUR 426; 1 January 2014: kEUR 399) is taken from an expert opinion.

Furthermore, other non-current financial assets comprise deposits amounting to kEUR 10,648 as at 31 December 2016 (31 December 2015: kEUR 13,841; 31 December 2014: kEUR 9,205; 1 January 2014: kEUR 9,641).

4.6 Inventories

Inventories consist of the following:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Raw materials	30,775	24,519	22,394	27,591
Work in progress	6,807	5,650	3,087	3,100
Finished products and merchandise	47,000	46,743	45,665	36,825
Prepayments	197	45	370	726
Inventories	**84,779**	**76,957**	**71,516**	**68,242**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated sales price less all estimated costs to complete and selling and marketing costs.

The costs recognised as an expense for raw materials and consumables, labour costs and other costs together with the amount of the net change in inventories changed as follows:

kEUR	2016	2015	2014
Cost of material	(252,755)	(215,911)	(237,076)
Net Increase in finished goods and work in progress	1,008	2,888	8,301
Expenses of the period	**(251,747)**	**(213,023)**	**(228,775)**

In the financial years 2016, 2015 and 2014, write-downs of inventories had be to recognised for the destruction of expired finished goods, destruction due to quality shortcomings in raw materials and other defects.

kEUR	2016	2015	2014
Raw Materials	732	447	767
Finished Products and merchandise and work in progress	2,233	4,782	1,506
Write-downs of the period	**2,965**	**5,229**	**2,273**

The write-downs of inventories are recognised as decrease in finished goods and work in progress.

No inventories were pledged as securities for liabilities at the end of financial years 2016, 2015 and 2014.

4.7 Trade accounts receivable

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

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Trade receivables	26,541	17,665	23,032	22,666
Less: provision for impairment of trade receivables	(239)	(242)	(241)	(278)
Trade receivables net	**26,302**	**17,423**	**22,791**	**22,388**

As of 31 December 2016, trade receivables of kEUR 22,913 (31 December 2015: kEUR 14,480; 31 December 2014: kEUR 18,708; 1 January 2014: kEUR 18,893) were fully performing.

As of 31 December 2016, trade receivables of kEUR 3,378 (31 December 2015: kEUR 2,929; 31 December 2014: kEUR 4,069; 1 January 2014: kEUR 3,454) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The maturity analysis of these trade receivables is as follows:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Up to 1 month	1,780	1,290	1,683	2,048
1 to 2 months	331	272	492	306
2 to 3 months	247	(30)	1,001	209
Over 3 months	1,020	1,397	893	891
Total	**3,378**	**2,929**	**4,069**	**3,454**

The Group companies in Germany have a solvent customer base with high credit ratings, and defaults among them are extremely rare. For all of the overdue receivables, instalments have been agreed upon, which were/will all be paid.

As of the balance sheet date, there were some debtors which were not able to meet their payment obligations.

Past due and impaired trade receivables consisted of the following:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Up to 1 month	—	—	—	—
1 to 2 months	—	—	—	—
2 to 3 months	—	—	—	—
Over 3 months	250	256	255	319
Total	**250**	**256**	**255**	**319**

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:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
EUR	22,915	15,038	18,558	17,352
CHF	188	309	360	456
HRK	2,112	1,209	3,191	4,096
PLN	1,326	1,109	923	762

The Group's provision for impairment of trade receivables changed as follows:

kEUR	2016	2015	2014
At 1 January	(242)	(241)	(278)
Provision for receivables impairment	—	(1)	—
Receivables written off during the year as uncollectible	3	—	37
Unused amounts reversed	—	—	—
At 31 December	**(239)**	**(242)**	**(241)**

4.8 Other current assets and other current financial assets

The other current assets consisted of the following:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Receivables from related parties	39,809	42,400	58,638	82,589
Suppliers with debit balances	130	66	—	418
Deposits	30	29	120	120
Derivatives	7	4	52	182
Other current financial assets	**39,976**	**42,499**	**58,810**	**83,309**
Prepaid expenses	1,022	638	698	772
VAT receivables	139	485	770	889
Refund Claims	138	168	323	632
Receivables from personnel	46	63	52	63
Receivables from social security	22	22	15	25
Government grants	—	—	228	251
Other	325	69	957	300
Other current assets	**1,692**	**1,445**	**3,043**	**2,932**

Prepaid expenses consist of payments made for services not rendered until after the balance sheet date.

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

As at 31 December 2015, receivables from related parties amounting to kEUR 42,400 were recognised, whereof receivables from the sale of companies amounting to kEUR 6,534 were past due but not impaired. The receivable results from the sale of shares between Centuere AG and Channel 21 Holding. All other receivables from related parties were fully performing. For detailed information regarding the receivables from related parties, please refer to 8.

The receivables from government grants recognised in other current assets as at 31 December 2014 (kEUR 228) and 31 December 2013 (kEUR 251) relate to an assured but not yet received grant.

4.9 Cash and cash equivalents

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Cash at banks and cash equivalents	3,806	2,774	11,627	4,125
Cash on hand	10	17	18	540
Cash and cash equivalents	**3,816**	**2,791**	**11,645**	**4,665**

The Group maintains credit facilities with various German and international banks. For information about the utilisation of these credit facilities at the respective balance sheet date, please refer to 6.1c).

4.10 Equity

The issued capital of the parent company consists of 524,800 registered shares with restricted transferability and a par value of EUR 2.56, with one share representing one voting right. Preference shares or different classes of shares do not exist. The issued capital is fully paid in.

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 for the 2016 period. Effects from the first time adoption of IFRS were also included in retained earnings.

Other reserves contain kEUR 1,801 in currency translation differences as at 31 December 2016 (31 December 2015: kEUR 1,852; 31 December 2014: kEUR 313; 1 January 2014: kEUR 0) and kEUR –3,104 in cumulated actuarial gains/losses from the remeasurement of defined benefit pension plans (31 December 2015: kEUR –2,046; 31 December 2014: kEUR –2,527; 1 January 2014: kEUR 0). Moreover, as at 31 December 2016, deferred taxes of kEUR 352 were recognised in other comprehensive income in the amount of kEUR 351 for actuarial gains/losses from the remeasurement of defined benefit pension plans (31 December 2015: kEUR 247; 31 December 2014: kEUR 283; 1 January 2014: kEUR 0).

In 2015, Dermapharm GmbH, Vienna, Austria, increased its stake in Melasan GmbH, Salzburg, Austria, by 25% to 100% for kEUR 1,850 in cash, which was paid in financial year 2016. Melasan GmbH had already been fully consolidated in the prior year when Dermapharm held a 75% stake in the company. There is no change in the basis of consolidation or presentation in the IFRS consolidated financial statements. The carrying amount of Melasan GmbH's net assets in the Group's consolidated financial statements on the date of acquisition was kEUR 1,930. The Group recognised a decrease in NCI of kEUR 483 and a decrease in retained earnings of kEUR 1,367.

The Group also acquired an additional stake of 2.9% in Farmal d.d., Ludberg, Croatia, in 2015 and increased its stake to 100% for kEUR 93 in cash. Farmal d.d. had already been fully consolidated in the prior year when the Group held a 97.1% stake in the company. There is no change in the basis of consolidation or presentation in the IFRS consolidated financial statements. The carrying amount of Farmal d.d.'s net assets in the Group's consolidated financial statements on the date of acquisition was kEUR –10,369. The Group recognised an increase in NCI of kEUR 301 and a decrease in retained earnings of kEUR 403.

In February 2016, the Group acquired 75.1% of Remedix GmbH. As a result of this transaction, the Group recognised an increase in NCI of kEUR 283. Please also refer to section 2.7 for further details.

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

4.11 Provisions for pensions

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

Net defined benefit liability with plan assets:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Defined benefit obligation	799	713	751	556
Fair Value of plan assets	495	556	575	544
Limit on a defined benefit asset	—	—	—	—
Total	**304**	**157**	**176**	**12**

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

Net defined benefit liability without plan assets:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Defined benefit obligation	12,946	11,924	12,269	9,732
Total	**12,946**	**11,924**	**12,269**	**9,732**

Expenses for defined benefit plans were as follows:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Current service cost	159	170	133	—
Past service cost	—	—	—	—
Net interest	283	267	345	—
Administration cost	—	—	—	—

The following table shows the reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

kEUR	Defined Benefit Obligation	Fair Value of plan assets	Net defined benefit liability
As of 1 January 2014	**10,289**	**544**	**9,744**
Profit or Loss			
Current service cost	133	—	133
Past service cost	—	—	—
Gains (–) / losses from settlements	—	—	—
Interest expense	364	—	364
Interest income	—	19	(19)
Remeasurement			
Actuarial Gain (–) / Loss (+)			
thereof due to changes in financial assumptions	2,626	—	2,626
thereof due to changes in demographic assumptions	—	—	—
thereof due to experience adjustments	(97)	—	(97)
Return on plan assets excluding amounts recognised as interest income	—	2	(2)
Remeasurement of asset ceiling	—	—	—
Others			
Transfers	—	—	—
Acquisitions / Divestments (–)	—	—	—
Employer contributions	—	13	(13)
Employee contributions	—	15	(15)
Plan assets administration cost	—	—	—
Taxes and duties	—	—	—
Settlement service	—	—	—
Retirement benefits	(294)	(19)	(275)
As of 31 December 2014	**13,020**	**575**	**12,445**

kEUR	Defined Benefit Obligation	Fair Value of plan assets	Net defined benefit liability
As of 1 January 2015	**13,020**	**575**	**12,445**
Profit or Loss			
Current service cost	170	—	170
Past service cost	—	—	—
Gains (–) / losses from settlements	—	—	—
Interest expense	279	—	279
Interest income	—	12	(12)
Remeasurement			
Actuarial Gain (–) / Loss (+)			
thereof due to changes in financial assumptions	(423)	—	(423)
thereof due to changes in demographic assumptions	—	—	—
thereof due to experience adjustments	(33)	—	(33)
Return on plan assets excluding amounts recognised as interest income	—	23	(23)
Remeasurement of asset ceiling	—	—	—
Others			
Transfers	—	—	—
Acquisitions / Divestments (–)	—	—	—
Employer contributions	—	12	(12)
Employee contributions	—	15	(15)
Plan assets administration cost	—	—	—
Taxes and duties	—	—	—
Settlement service	—	—	—
Retirement benefits	(376)	(82)	(294)
As of 31 December 2015	**12,636**	**556**	**12,080**

kEUR	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
Past service cost	—	—	—
Gains (–) / losses from settlements	—	—	—
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 changes in demographic assumptions	—	—	—
thereof due to experience adjustments	(194)	—	(194)
Return on plan assets excluding amounts recognised as interest income	—	(66)	66
Remeasurement of asset ceiling	—	—	—
Others			
Transfers	—	—	—
Acquisitions / Divestments (–)	—	—	—
Employer contributions	—	9	(9)
Employee contributions	—	10	(10)
Plan assets administration cost	—	—	—
Taxes and duties	—	—	—
Settlement service	—	—	—
Retirement benefits	(338)	(28)	(310)
As of 31 December 2016	**13,745**	**495**	**13,250**

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

Composition of plan assets:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Security funds	495	556	575	544
Total	**495**	**556**	**575**	**544**

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:

A decline in capital market interest rates, especially for high-quality corporate bonds, would increase the defined benefit obligation. This effect would be at least partially offset by the ensuing increase in the market values of the debt instruments held.

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

in %	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Discount rate	1.7	2.2	2.0	3.4
Salary trend	0.7	0.7	0.7	0.7
Pension trend	2.3	2.3	2.3	2.3

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

Defined Benefit Obligation kEUR	Changes in Actuarial assumptions	Impact 31 December 2016		Impact 31 December 2015		Impact 31 December 2014		Impact 1 January 2014	
		DBO	Change	DBO	Change	DBO	Change	DBO	Change
Discount rate	1,00% increase	11,702	(2,043)	10,806	(1,830)	11,056	(1,964)	8,400	(1,332)
	1,00% decrease	16,378	2,633	14,985	2,348	15,560	2,540	11,423	1,691
Salary trend	0,50% increase	13,632	38	12,514	36	12,890	41	9,592	30
	0,50% decrease	13,558	(36)	12,444	(34)	12,809	(39)	9,535	(28)
Pension trend	0,50% increase	14,440	846	13,226	748	13,632	783	10,087	5,239
	0,50% decrease	12,820	(774)	11,792	(686)	12,130	(718)	9,080	(483)
Life expectancy	1 year increase	13,852	107	12,729	93	13,119	98	9,786	53
	1 year decrease	12,866	(80)	11,853	(71)	12,195	(75)	9,678	(54)

As of 31 December 2016, the weighted duration of the pension obligations amounts to 14 years (31 December 2015: 14 years; 31 December 2014: 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.

4.12 Other provisions

	Current		Non-current	
kEUR	discounts to health insurance	Litigations	Onerous Contracts	Total
At 1 January 2014	**4,875**	**694**	**64**	**5,633**
Additions	5,482	640	78	**6,200**
Release	—	—	—	**0**
Utilisation	(4,875)	(693)	(64)	**(5,632)**
Exchange differences	—	(5)	—	(5)
At 31 December 2014	**5,482**	**636**	**78**	**6,196**
At 1 January 2015	**5,482**	**636**	**78**	**6,196**
Additions	5,950	456	—	**6,406**
Release	—	—	—	**0**
Utilisation	(5,482)	(642)	(78)	**(6,202)**
Exchange differences	—	5	—	**5**
At 31 December 2015	**5,950**	**455**	**—**	**6,405**
At 1 January 2016	**5,950**	**455**	**—**	**6,405**
Additions	6,418	534	—	**6,952**
Release	—	—	—	**0**
Utilisation	(5,950)	(458)	—	**(6,408)**
Exchange differences	—	2	—	**2**
At 31 December 2016	**6,418**	**533**	**—**	**6,951**

Other provisions include provisions for discounts to health insurances, provisions for litigations and provisions for onerous contracts.

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

Expenses from the creation of these provisions are considered in sales 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 sales 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.

Provisions for litigations mainly refer to the estimated financial outcome due to an indictment filed by the Croatian governmental agency "USKOK" against Farmal d.d. regarding criminal activities involving bribery in 2012. In 2015, Farmal d.d. was ordered to pay a fine which resulted in the full utilisation of the provision in the following years. Furthermore, another provision for litigation is recognised for a compensation claim of a former employee of Farmal d.d.

Provisions for onerous contracts were recognised for vacancy costs for a building rented by Axicorp ApS in Denmark.

4.13 Financial liabilities

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

Non-current financial liabilities:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Bank loans	2,713	12,466	22,228	38,531
Promissory note loans	87,680	127,514	127,984	50,995
Leasing liabilities	143	137	337	324
Participation rights	6,360	10,956	10,981	10,981
Non-current financial liabilities	**96,896**	**151,073**	**161,530**	**100,831**

Current financial liabilities:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Bank loans	14,660	9,997	13,113	16,525
Promissory note loans	40,413	916	600	600
Leasing liabilities	112	235	189	151
Participation rights	5,831	1,323	1,318	1,318
Bank overdrafts	4,867	12,435	5,162	33,524
Current financial liabilities	**65,883**	**24,906**	**20,382**	**52,118**

For the long-term financing of the Group, Dermapharm took out a promissory note loan in 2012 and another one in 2014, for nominal values amounting to kEUR 50,000 and kEUR 78,000, respectively. The notes mature in 2017, 2019 and 2021. This enables the Group to secure the current extremely low interest rates for the coming years as well.

Dermapharm has also issued participation rights, which mature in 2017 and 2018. Throughout their term, participation certificate holders receive constant guaranteed remuneration as well as a potential profit share of 2% of the nominal amount, while also participating in any losses up to the nominal amount.

4.14 Trade accounts payable

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

4.15 Other non-current liabilities

Other non-current financial liabilities mainly comprise the fair values of held-for-trading derivatives. As mentioned in 4.4, Dermapharm AG recognises the negative fair value of two currency-related swaps within other non-current financial liabilities. Moreover, other non-current financial liabilities include the negative fair values of interest rate swaps. The negative fair value of derivatives amounted to kEUR 10,464 as at 31 December 2016 (31 December 2015: kEUR 14,050; 31 December 2014: kEUR 9,946; 1 January 2014: kEUR 10,491).

Other non-current liabilities mainly comprise government grants. The government grants relating to assets are presented as deferred income in accordance with IAS 20.24 and had a carrying amount of kEUR 11,495 as of 31 December 2016 (31 December 2015: kEUR 13,232; 31 December 2014: kEUR 15,469; 1 January 2014: kEUR 18,826).

4.16 Other current liabilities and other current financial liabilities

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

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Liabilities to related parties	4,278	470	28,448	77,555
Derivatives	18	67	157	41
Purchase price liability	—	1,850	—	—
Earn out liabilities	—	—	2,000	—
Other	7	2	—	—
Other current financial liabilities	**4,303**	**2,389**	**30,605**	**77,596**
VAT payables	5,073	2,295	4,394	1,057
Other personnel-related liabilities	3,128	2,487	2,385	2,107
Government grants	1,737	2,238	3,357	2,323
Prepayments received	340	332	46	91
Prepaid income	86	164	208	110
Other	619	705	1,053	1,837
Other current liabilities	**10,983**	**8,221**	**11,443**	**7,525**

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 8.

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. The earn-out liability of kEUR 2,000 as at 31 December 2014 was recognised in the course of the acquisition of Naturwohl Vertriebs GmbH (LactoStop). The prerequisites for the payment were fulfilled in financial year 2015 and the payment was made to the former shareholder in the same year.

Current government grants 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, 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.

4.17 Income taxes and deferred taxes

Income taxes include taxes on income and earnings paid or owed in the individual countries as well as deferred tax assets or liabilities.

The significant components of income tax expenses for the financial years 2016, 2015 and 2014 were composed as follows:

kEUR	2016	2015	2014
Current income taxes			
Current income taxes	3,409	1,878	2,395
Subtotal	3,409	1,878	2,395
Deferred taxes			
From temporary differences	2,043	1,042	(151)
From tax loss carried forward	419	—	—
Subtotal	2,462	1,042	(151)
Total income taxes	**5,871**	**2,920**	**2,244**

For the calculation of the current taxes as well as deferred tax assets and liabilities for the foreign subsidiaries, tax rates of between 12% and 29% were applied. In calculating deferred tax assets and liabilities, the tax rates valid at the time of realising the asset or repaying the liability were applied. The Group's deferred tax assets and liabilities were measured on the basis of Dermapharm AG's total tax rate of 24.23% for all financial years presented.

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.

Deferred income taxes in the financial years 2016, 2015 and 2014 were as follows:

kEUR	2016	2015	2014
Earnings before taxes	82,866	55,299	35,487
Expected income tax expense	**19,018**	**12,481**	**8,190**
Utilisation of tax loss carried forward	(1,283)	(42)	(25)
Non-deductible operating expenses	211	343	174
Tax-exempt income	(276)	(65)	(387)
Taxes for previous years	—	29	—
Consideration of tax group	(12,599)	(11,701)	(5,756)
Difference to Group tax rate	1,994	2,099	1,326
Other deviations	67	(342)	(172)
Adjustment of annual profit §60 (2) EStDV	(1,256)	(830)	(1,804)
Non-utilisation of tax loss carried forwards	—	—	624
Interest barrier	(6)	(9)	75
Non-utilisation of deferred taxes	—	959	—
Accounting deferred taxes HGB	—	—	—
Effective income tax expense	**5,871**	**2,920**	**2,244**
Expected income tax rate (in %)	22.95	22.57	23.08
Effective income tax rate (in %)	7.08	5.28	6.32

The expected income tax expense is the tax calculated at domestic tax rates applicable to profits in the respective countries. The expected Group tax rate for a given year is determined by averaging out the individual tax rates to which all the companies included in the consolidated financial statements are subjected. The tax rate was 22.95% in 31 December 2016 (31 December 2015: 22.57%; 31 December 2014: 23.08%).

The low effective income tax rates result from the tax group with Themis Beteiligungs AG, where Themis Beteiligungs AG is the taxpaying entity.

Deferred income tax at the balance sheet dates was as follows:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	1,508	2,049	957	514
Deferred tax asset to be recovered within 12 months	218	28	124	—
Total deferred tax assets	**1,725**	**2,077**	**1,081**	**514**
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	(4,872)	(2,240)	(129)	(42)
Deferred tax liability to be recovered within 12 months	—	—	—	—
Total deferred tax assets	**(4,872)**	**(2,240)**	**(129)**	**(42)**
thereof recognised as deferred tax assets	**218**	**28**	**952**	**472**
thereof recognised as deferred tax liabilities	**(3,365)**	**(191)**	**—**	**—**

Reconciliation of tax expense and the accounting loss for the periods ended 31 December 2016, 2015 and 2014:

kEUR	1 January 2014	P&L	OCI	31 December 2014	Def. tax assets	Def. tax liabilities
Intangible assets	—	(87)	—	(87)	—	(87)
Finance Lease	(3)	—	—	(3)		(3)
Other current financial assets	(39)	66	—	27	69	(42)
Defined benefit obligations and other accrued employee benefits	514	94	283	891	888	3
Other provisions	—	6	—	6	6	—
Interim result	—	118	—	118	118	—
Tax assets/liabilities	**472**	**198**	**283**	**952**	**1,081**	**(129)**

kEUR	1 January 2015	P&L	OCI	31 December 2015	Def. tax assets	Def. tax liabilities
Intangible assets	(87)	(1,782)	—	(1,869)	296	(2,165)
Finance Lease	(3)	—	—	(3)	—	(3)
Investments	—	675	—	675	675	—
Investments measured at equity	—	(22)	—	(22)	—	(22)
Other current financial assets	27	(50)	—	(23)	29	(53)
Defined benefit obligations and other accrued employee benefits	891	198	(38)	1,051	1,048	3
Other provisions	6	12	—	18	18	—
Interim result	118	(108)	—	10	10	
Tax assets/liabilities	**952**	**(1,077)**	**(39)**	**(163)**	**2,077**	**(2,240)**

kEUR	1 January 2016	P&L	OCI	31 December 2016	Def. tax assets	Def. tax liabilities
Intangible assets	(1,869)	(2,908)	—	(4,776)	4	(4,781)
Finance Lease	(3)	—	—	(3)	—	(3)
Investments	675	(675)	—	—	—	—
Investments measured at equity	(22)	(17)	—	(38)	—	(38)
Other current financial assets	(23)	(12)	—	(35)	18	(53)
Defined benefit obligations and other accrued employee benefits	1,051	(25)	105	1,131	1,128	3
Other provisions	18	10	—	28	28	—
Interim result	10	118	—	129	129	—
Deferred taxes on tax loss carried forward	—	419	—	419	419	—
Tax assets/liabilities	**(163)**	**(3,089)**	**105**	**(3,147)**	**1,725**	**(4,872)**

The deferred taxes mainly arise from capitalised development costs. This effect of kEUR 4,203 in 2016 (2015: kEUR 2.167; 2014 kEUR 87) can be traced back to mibe GmbH. The subsidiary is in a tax group with Dermapharm, but the respective tax effect cannot be transferred to Themis Beteiligungs AG through Dermapharm since German tax law prohibits the distribution of effects resulting from capitalised development costs.

As of 31 December 2016, the Group carried forward tax losses in Germany of kEUR 419. These tax losses arose from Remedix GmbH in 2016 after acquisition of this entity.

In financial years 2014 and 2016, Dermapharm is the parent company of a tax group with a variety of German subsidiaries. Simultaneously, Dermapharm has a profit-and-loss transfer agreement and a tax group with its parent company Themis Beteiligungs AG. In the respective financial years 2014 and 2016, the substantial portion of tax expenses is transferred to Themis Beteiligungs AG.

In financial year 2015, the profit-and-loss transfer agreement between Dermapharm and the parent company, Themis Beteiligungs AG, was terminated. Due to this fact, the tax group with Themis dissolved for 2015 and deferred taxes had to be recognised. As of 1 January 2016, a new profit-and-loss transfer agreement with the same subsidiaries as in the previous agreement was concluded. The tax group was reinstated. As a result, deferred taxes amounting to kEUR 1,055 were recognised in 2015 and were reversed in 2016.

No deferred tax liabilities were recognised on temporary differences in connection with interests in subsidiaries. A deferred tax asset on the tax loss carryforwards of Remedix GmbH, which was acquired in 2016, was recognised.

For the subsidiary Farmal d.d. no deferred taxes on tax loss carryforwards were recognised since it is unlikely that these differences will be reversed in the near future. For 2016, the total tax loss carried forward amounts to kEUR 12,317(2015: kEUR 10,933; 2014 kEUR 7,606).

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue

Revenue at Dermapharm Group resulted solely from the supply of products.

In the period ended 31 December 2016, consolidated revenue of kEUR 413,099 was recognised in Germany (2015: kEUR 360,895; 2014: kEUR 370,775). The revenues realised in Germany made up for 93% of total revenue.

The Austrian and Swiss subsidiaries (central Europe region) realised third party revenues amounting to kEUR 20,083 in 2016 (2015: kEUR 18,817; 2014: kEUR 13,929).

The Dermapharm Group companies that are operating in eastern Europe contributed kEUR 11,295 in 2016 (2015: kEUR 5,134; 2014: kEUR 6,635) to consolidated revenue.

5.2 Other operating income

kEUR	2016	2015	2014
Government grants	2,238	3,357	2,399
Insurance refunds and damage compensation	1,661	113	148
Reversal of provisions, including provisions on impairment of trade receivables	741	706	293
Income from disposals	417	621	217
Foreign exchange gains	197	494	797
Miscellaneous	4,662	4,653	2,367
Total other operating income	**9,916**	**9,944**	**6,221**

The increase in insurance refunds and damage compensation in 2016 can mainly be traced back to a damage compensation awarded by court to Mibe GmbH amounting to kEUR 1,003.

5.3 Personnel expenses and numbers of employees

Personnel expenses comprise of the following:

kEUR	2016	2015	2014
Wages and salaries	49,766	46,722	48,505
Social security expenses	8,794	8,981	9,087
Termination benefits	189	36	84
Personnel expenses	**58,749**	**55,739**	**57,676**

In financial year 2016, expenses for pension schemes in the amount of kEUR 404 (2015: kEUR 335; 2014: kEUR 586) were recorded in personnel expenses and included in social security expenses in the table above.

In 2016, a total of kEUR 185 (2015: kEUR 231; 2014: kEUR 252) was spent on employer contributions to defined contribution plans.

5.4 Other operating expenses

kEUR	2016	2015	2014
Marketing and advertising	7,347	7,258	7,102
Research and development	4,821	4,621	7,340
Contributions, fees and charges	4,654	3,798	3,897
Warehousing and freight	4,604	3,778	5,548
Rent, building, land and fixtures maintenance	4,590	3,992	3,840
Maintenance expenses	3,318	3,221	2,906
Legal, consulting and audit fees	3,246	3,464	3,041
Selling costs	2,879	2,659	2,301
Third party services	1,221	799	548
Losses from disposals	838	3,556	351
Bank charges	334	269	139
Foreign exchange losses	238	1,826	832
Expenses from write-downs	168	2,455	806
Miscellaneous	12,697	8,626	9,378
Total operating expenses	**50,955**	**50,322**	**48,029**

Selling costs include expenses for sales fairs, samples and third party sales service providers. The increase in selling costs is attributable to an increase in sales volume.

The increase in losses from disposals in the period ended 31 December 2015 mainly results from the realised loss in the course of the deconsolidation of Centuere and realised losses from the disposal of drug licenses. Expenses from write-downs include bad debt losses.

5.5 Financial result

kEUR	2016	2015	2014
Income from fair value measurement	3,659	5,128	913
Interest and other income	3,332	3,799	2,310
Foreign Exchange Gains	236	110	51
Income from divestiture	15	285	—
Miscellaneous	55	43	51
Financial income	**7,297**	**9,365**	**3,325**
Interest and other expenses	(9,316)	(11,067)	(10,389)
Expenses from fair value measurement	(3,211)	(4,654)	(1,077)
Foreign Exchange Losses	(114)	(40)	(274)
Finance leases	(14)	(22)	(32)
Impairment of financial assets	(5)	(4)	(151)
Miscellaneous	(29)	(27)	(33)
Financial expenses	**(12,689)**	**(15,814)**	**(11,956)**
Financial result	**(5,392)**	**(6,449)**	**(8,631)**

The increase in expenses from fair value measurement in financial year 2015 compared to financial year 2014 results from the increased negative fair value of the currency-related swap entered into by Dermapharm in 2010 as a result of the euro's depreciation against the Swiss franc.

Since Dermapharm has a claim against Themis Beteiligungs AG to compensate for all expenses resulting from the currency-related swap, the income from fair value measurement increases in the same amount.

6. Financial risk management and financial instruments

6.1 Financial risk factors

Dermapharm Group's management sees on-going risks to future development due to the difficult, government-regulated competitive environment, volatile raw material prices and stagnating price levels resulting from the government-initiated price freeze.

However, given its financial stability, the Group is well prepared 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 resulting from currency, interest, credit 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 provides 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 incorporate interest-bearing financial liabilities, trade accounts payable 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 retained. The Group has access to trade accounts receivable and other receivables, as well as 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 indicated.

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 two types: 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 statement of financial position items were recognised in equity. The Group is currently exposed to such a risk with 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.

The Group does not account for any fixed-rate financial assets or liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest swap rates) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis:

kEUR Assumed change in currency	31 December 2016 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**

kEUR Assumed change in currency	31 December 2015 EUR appreciates by 10%	 EUR depreciates by 10%
Fair Value Changes		
FX FWD	252	(322)
Total Changes in Fair Value	**252**	**(322)**
Profit- and Loss Effects		
Profit (+) / Loss (–)	**316**	**(259)**

kEUR Assumed change in currency	31 December 2014 EUR appreciates by 10%	 EUR depreciates by 10%
Fair Value Changes		
FX FWD	433	(597)
Total Changes in Fair Value	**433**	**(597)**
Profit- and Loss Effects		
Profit (+) / Loss (–)	**566**	**(464)**

kEUR Assumed change in currency	1 January 2014 EUR appreciates by 10%	 EUR depreciates by 10%
Fair Value Changes		
FX FWD	1,412	(881)
Total Changes in Fair Value	**1,412**	**(881)**
Profit- and Loss Effects		
Profit (+) / Loss (–)	**1,262**	**(1,031)**

To reflect market risks, IFRS 7 requires sensitivity analyses that demonstrate the effects of hypothetical changes of relevant risk variables on the profit for the period as well as equity. The following observation is one-dimensional and does not take into account the effect of taxes. The table shows the positive and negative effects had the euro depreciated or appreciated by 5% (CHF, PLN) in comparison to the displayed currencies, provided all other variables had remained constant. Here, currency gains and losses from foreign currency denominated financial assets and financial liabilities equally impact the Group's profit and equity. Apart from the Group's profit, there exist no other effects on equity resulting from changes in exchange rates.

A reasonable potential strengthening (weakening) of the euro against material currencies used by Group companies 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, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

31 December 2016	Balance in foreign currency	Balance in kEUR	+5% Impact on profit or loss	–5% Impact on profit or loss
CHF	15,803	15,490	(713)	789
PLN	(1,323)	(316)	(20)	22

31 December 2015	Balance in foreign currency	Balance in kEUR	+5% Impact on profit or loss	–5% Impact on profit or loss
CHF	13,587	13,200	(598)	661
PLN	(1,886)	(466)	(27)	29

31 December 2014	Balance in foreign currency	Balance in kEUR	+5% Impact on profit or loss	–5% Impact on profit or loss
CHF	14,985	13,118	(603)	667
PLN	(1,607)	(396)	(19)	22

1 January 2014	Balance in foreign currency	Balance in kEUR	+5% Impact on profit or loss	–5% Impact on profit or loss
CHF	—	—	—	—
PLN	(1,727)	(438)	(20)	22

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

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Assumed change in interest rates				
–50 Basis Points	(390)	(888)	(1,448)	(1,682)
Current Swap expense	(340)	(735)	(1,167)	(1,249)
+ 50 Basis Points	(289)	(580)	(893)	(848)

The following table shows the change in interest expenses for variable rate loans, which would result from a decrease or increase of the EURIBOR by 50 basis points:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Assumed change in interest rates				
–50 Basis Points	327	484	634	725
Current interest expense	477	691	864	946
+ 50 Basis Points	635	899	1,094	1,166

Credit risk

Credit risk is the risk of financial loss arising from a counterparty's inability to repay or service debt in accordance with the contractual terms. Credit risk includes both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risk.

Credit risk is managed at Group level, except for credit risk relating to accounts receivable balances. 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 or cash equivalents. The maximum credit risk in case of a counterparty defaulting corresponds for all classes of financial assets to the book value on the balance sheet date in each case. No significant concentration risks for the Group exist at the balance sheet date or prior periods.

Risks of default arise mainly from trade receivables from customers. Credit risks from financial transactions are managed centrally in the Finance department. To minimise risks, financial transactions are only conducted within short defined terms of payments and with banks and other partners that preferably have investment-grade ratings. In the past, no major impairments of trade receivables were necessary.

In addition, there exists a risk of default for cash and cash equivalents to the effect that financial institutions can no longer fulfil their obligations. This risk of default is limited by investing only with various banking institutions with good ratings.

Liquidity risk

Liquidity risk includes the risk that the Group is not in the position to settle its assumed financial liabilities upon maturity. This is why a significant aim of the liquidity management is to ensure that payment is possible at all times. Management constantly monitors the risk of liquidity shortfalls by using the liquidity planning capabilities of its ERP system. This takes account of payments in and out of the financial assets and financial liabilities as well as expected cash flows from business activities.

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

The Group had access to the following lines of credit:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Aggregate line of credit	75,501	76,517	72,751	47,723
Available line of credit	70,634	64,082	67,589	14,199
Number of banks	16	17	17	17

The following table shows the Group's financial liabilities according to class of maturity, based on the remaining maturity at the balance sheet dates in each case and related 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 at the balance sheet date in each case.

kEUR 1 January 2014	Due within one year	Due between 1 and 5 years	Due after 5 years
Expected Cashflows from Financial Liabilities			
Interest	5,716	11,142	338
Repayment	52,649	86,014	10,126
Expected Cashflows from Trade Payables	25,378	—	—
Expected Cashflows from Other Financial Liabilities	77,555	—	—
31 December 2014			
Expected Cashflows from Financial Liabilities			
Interest	5,311	12,687	1,264
Repayment	22,051	131,444	30,095
Expected Cashflows from Trade Payables	27,449	—	—
Expected Cashflows from Other Financial Liabilities	30,448	—	—
31 December 2015			
Expected Cashflows from Financial Liabilities			
Interest	5,077	8,732	598
Repayment	24,034	121,612	30,084
Expected Cashflows from Trade Payables	18,139	—	—
Expected Cashflows from Other Financial Liabilities	2,322	—	—
31 December 2016			
Expected Cashflows from Financial Liabilities			
Interest	8,088	5,409	—
Repayment	65,139	96,075	32
Expected Cashflows from Trade Payables	24,526	—	—
Expected Cashflows from Other Financial Liabilities	4,285	—	—

Proceeds and payments from derivatives were expected as follows:

kEUR	Due within one year	Due between 1 and 5 years	Due after 5 years
1 January 2014			
Expected Cashflows from Derivatives			
Derivative contracts—receipts	1,469	6,551	2,216
Derivative contracts—payments	(1,964)	(7,186)	(2,216)
31 December 2014			
Expected Cashflows from Derivatives			
Derivative contracts—receipts	1,643	6,670	754
Derivative contracts—payments	(2,287)	(7,310)	(754)
31 December 2015			
Expected Cashflows from Derivatives			
Derivative contracts—receipts	3,207	10,407	—
Derivative contracts—payments	(3,699)	(10,719)	—
31 December 2016			
Expected Cashflows from Derivatives			
Derivative contracts—receipts	3,338	6,949	—
Derivative contracts—payments	(3,667)	(6,971)	—

6.2 Risk management, derivative financial instruments and 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. Here, particular focus is placed on the reduction of capital costs, the generation of liquid funds and the active management of the net working assets.

The Group manages its capital structure on the basis of various figures, such as the equity ratio, and makes adjustments where appropriate, taking into account changes to the general state of the economy.

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Equity	60,806	44,442	34,010	41,361
Total Equity and Liabilities	311,699	296,666	330,597	349,977
Equity ratio in %	**19.5%**	**15.0%**	**10.3%**	**11.8%**

6.3 Additional disclosures on financial instruments

The following table shows the carrying amounts of all financial instruments recorded 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 fair value hierarchy level applied to obtain the value.

31 December 2016

kEUR	Category acc. to IAS 39	Book value 31 December 2016	Measurement acc. to IAS 39			Fair value 31 December 2016	Fair value level
			At cost	Fair value (through p&l)	Measurement acc. to IAS 17		
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 Asset Held for Trading (HfT)	HfT	10,132	—	10,132	—	10,132	
Loans and receivables (LaR)	LaR	70,610	70,610	—	—	70,610	
Financial Liabilities Held for Trading (HfT)	HfT	10,482	—	10,482	—	10,482	
Financial liabilities measured at amortised cost (FLAC)	FLAC	191,335	191,335	—	—	194,698	

31 December 2015

kEUR	Category acc. to IAS 39	Book value 31 December 2015	Measurement acc. to IAS 39			Fair value 31 December 2015	Fair value level
			At cost	Fair value (through p&l)	Measurement acc. to IAS 17		
Assets							
Other non-current financial assets	LaR / HfT	13,841	527	13,314	—	13,841	2
Investments	AfS	218	218	—	—	218	
Trade receivables	LaR	17,423	17,423	—	—	17,423	
Other current financial assets	LaR / HfT	42,499	42,495	4	—	42,499	2
Cash and cash equivalents	LaR	2,791	2,791	—	—	2,791	
Liabilities							
Financial liabilities—non-current							
of which bank loans	FLAC	12,466	12,466	—	—	10,200	2
of which promissory note loans	FLAC	127,514	127,514	—	—	132,181	2
of which participation rights	FLAC	10,956	10,956	—	—	11,748	2
of which leasing liabilities	n.a.	137	—	—	137	137	
Other non-current financial liabilities	HfT	14,050	—	14,050	—	14,050	2
Financial liabilities—current							
of which bank loans	FLAC	9,997	9,997	—	—	12,270	2
of which promissory note loans	FLAC	916	916	—	—	3,289	2
of which participation rights	FLAC	1,323	1,323	—	—	1,325	2
of which bank overdrafts	FLAC	12,435	12,435	—	—	12,435	
of which leasing liabilities	n.a.	235	—	—	235	235	
Trade payables	FLAC	18,139	18,139	—	—	18,139	
Other current financial liabilities	FLAC / HfT	2,389	2,322	67	—	2,389	2
Totals per category acc. to IAS 39							
Available for sale (AfS)	AfS	218	218	—	—	218	
Financial Asset Held for Trading (HfT)	HfT	13,318	—	13,318	—	13,318	
Financial Liabilities Held for Trading (HfT)	HfT	—	—	14,117	—	14,117	
Loans and receivables (LaR)	LaR	63,236	63,236	—	—	63,236	
Financial liabilities measured at amortised cost (FLAC)	FLAC	196,068	196,068	—	—	203,909	

31 December 2014

kEUR	Category acc. to IAS 39	Book value 31 December 2014	Measurement acc. to IAS 39			Fair value 31 December 2014	Fair value level
			At cost	Fair value (through p&l)	Measurement acc. to IAS 17		
Assets							
Other non-current financial assets	LaR / HfT	9,205	426	8,779	—	9,205	2
Investments	AfS	461	461	—	—	461	
Trade receivables	LaR	22,791	22,791	—	—	22,791	
Other current financial assets	LaR / HfT	58,810	58,803	7	—	58,810	2
Cash and cash equivalents	LaR	11,645	11,645	—	—	11,645	
Liabilities							
Financial liabilities—non-current							
of which bank loans	FLAC	22,228	22,228	—	—	18,822	2
of which promissory note loans	FLAC	127,984	127,984	—	—	133,958	2
of which participation rights	FLAC	10,981	10,981	—	—	13,034	2
of which leasing liabilities	n.a.	337	—	—	337	337	
Other non-current financial liabilities	HfT	9,946	—	9,946	—	9,946	2
Financial liabilities—current							
of which bank loans	FLAC	13,113	13,113	—	—	17,076	2
of which promissory note loans	FLAC	600	600	—	—	3,377	2
of which participation rights	FLAC	1,318	1,318	—	—	1,321	2
of which bank overdrafts	FLAC	5,162	5,162	—	—	5,162	
of which leasing liabilities	n.a.	189	—	—	189	189	
Trade payables	FLAC	27,449	27,449	—	—	27,449	
Other current financial liabilities	FLAC / HfT	30,605	30,448	157	—	30,605	2
Totals per category acc. to IAS 39							
Available for sale (AfS)	AfS	461	461	—	—	461	
Financial Asset Held for Trading (HfT)	HfT	8,786	—	8,786	—	8,786	
Financial Liabilities Held for Trading (HfT)	HfT	—	—	10,103	—	10,103	
Loans and receivables (LaR)	LaR	93,665	93,665	—	—	93,665	
Financial liabilities measured at amortised cost (FLAC)	FLAC	239,283	239,283	—	—	250,647	

1 January 2014

kEUR	Category acc. to IAS 39	Book value 1 January 2014	Measurement acc. to IAS 39			Fair value 1 January 2014	Fair value level
			At cost	Fair value (through p&l)	Measurement acc. to IAS 17		
Assets							
Other non-current financial assets	LaR / HfT	9,641	399	9,242	—	9,641	2
Investments	AfS	797	797	—	—	797	
Trade receivables	LaR	22,388	22,388	—	—	22,388	
Other current financial assets	LaR / HfT	83,309	83,127	182	—	83,309	2
Cash and cash equivalents	LaR	4,665	4,665	—	—	4,665	
Liabilities							
Financial liabilities—non-current							
of which bank loans	FLAC	38,531	38,531	—	—	32,923	2
of which promissory note loans	FLAC	50,995	50,995	—	—	52,043	2
of which participation rights	FLAC	10,981	10,981	—	—	—	2
of which leasing liabilities	n.a.	324	—	—	324	324	
Other non-current financial liabilities	HfT	10,491	—	10,491	—	10,491	2
Financial liabilities—current							
of which bank loans	FLAC	16,525	16,525	—	—	20,831	2
of which promissory note loans	FLAC	600	600	—	—	1,950	2
of which participation rights	FLAC	1,318	1,318	—	—	1,321	2
of which bank overdrafts	FLAC	33,524	33,524	—	—	33,524	
of which leasing liabilities	n.a.	151	—	—	151	151	
Trade payables	FLAC	25,378	25,378	—	—	25,378	
Other current financial liabilities	FLAC / HfT	77,596	77,554	42	—	77,596	2
Totals per category acc. to IAS 39							
Available for sale (AfS)	AfS	797	797	—	—	797	
Financial Asset Held for Trading (HfT)	HfT	9,424	—	9,424	—	9,424	
Financial Liabilities Held for Trading (HfT)	HfT	—	—	10,533	—	10,533	
Loans and receivables (LaR)	LaR	110,579	110,579	—	—	110,579	
Financial liabilities measured at amortised cost (FLAC)	FLAC	255,406	255,406	—	—	245,525	

All financial assets and liabilities classified as held for trading were recorded at their fair values in the financial statement.

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 thus have to be measured at fair value in the statement of financial position. However, due to the immateriality of the investments and because the fair value could not be measured reliably, they are measured at cost less impairment charges.

The following table depicts the net result from financial instruments for the periods ended 31 December 2016, 31 December 2015 and 31 December 2014.

Net result from financial instruments

kEUR	2016	2015	2014
Interest income on:			
Loans and Receivables	677	196	(596)
Held-for-trading Derivatives	3,180	3,542	1,509
Finance income	**3,857**	**3,738**	**913**
Interest expense on:			
Financial liabilities measured at amortised cost	(5,700)	(6,882)	(8,545)
Held-for-trading Derivatives	(3,616)	(4,185)	(1,844)
Finance expense	**(9,316)**	**(11,067)**	**(10,389)**
Write down of receivables (LaR)	(158)	(27)	(123)
Impairment of financial assets (AfS)	(5)	(4)	(151)
Net result from subsequent measurement (HfT) through P&L	448	474	(164)
Income from subsequent measurement (HfT) through P&L	3,659	5,128	913
Expenses from subsequent measurement (HfT) through P&L	**(3,211)**	**(4,654)**	**(1,077)**
Net foreign exchange loss	(399)	(1,533)	(398)
Foreign Exchange Gains	433	602	847
Foreign Exchange Gains from LaR	5	2	6
Foreign Exchange Gains from FLAC	428	600	842
Foreign Exchange Losses	(832)	(2,135)	(1,245)
Foreign Exchange Losses from LaR	(3)	(3)	(2)
Foreign Exchange Losses from FLAC	(496)	(705)	(1,103)
Net result from financial instruments	**(5,573)**	**(8,419)**	**(10,312)**

The increase of the Group's net result from financial instruments in 2016 compared to financial year 2015 is attributable to foreign exchange effects and the decline in interest expenses.

The impairment of available-for-sale financial assets in 2014 relates to write downs of stakes in companies which are not included in the Group's consolidated financial statements.

7. Other disclosures

7.1 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 use between the operating sector and the cash flows from the investment and financing activities. The cash inflows and outflows from operating activities are derived indirectly 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.

7.2 Other financial obligations and contingent liabilities

Obligations from finance leases

The Group has entered into various lease agreements for various vehicles and technical equipment; the structure of those lease agreements requires them to 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 2016		31 December 2015		31 December 2014		1 January 2014	
kEUR	Min. lease pymts.	PV min lease pymts.	Min. lease pymts.	PV min lease pymts.	Min. lease pymts.	PV min lease pymts.	Min. lease pymts.	PV min lease pymts.
With a remaining term of up to one year	235	223	259	239	260	231	290	258
With a remaining term of between one and five years	157	151	290	277	412	387	500	462
With a remaining term of more than five years	5	5	13	12	—	—	—	—
Total	**397**	**379**	**562**	**528**	**672**	**618**	**790**	**720**
Less financing costs	(18)	—	(33)	—	(52)	—	(70)	—
Present value of minimum lease payments	**379**	**379**	**529**	**528**	**620**	**618**	**720**	**720**
Of which current liabilities	—	223	—	239	—	231	—	258
Of which non-current liabilities	—	156	—	289	—	387	—	462

Obligations from operating leases

The Group has concluded lease agreements for office and warehouse spaces, various vehicles and office equipment. These leases have an average term of between one and five years. 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-cancellable operating leases existed:

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Up to 1 year	1,695	1,781	1,677	1,721
Above 1 year and up to 5 years	2,111	2,844	2,889	2,093
Above 5 years	5,167	5,267	5,367	5,467
Total	**8,973**	**9,892**	**9,933**	**9,281**

In the financial year 2016, expenses from operating leases amounted to kEUR 2,118 (2015: kEUR 1,952; 2014: kEUR 1,988).

Other financial obligations

Litigation

In the course of its business activities, Dermapharm is regularly exposed to numerous legal risks, particularly in the areas of product liability, competition, intellectual property disputes and tax matters. The following legal disputes are the only material proceedings that Dermapharm is currently involved in or was involved in during the past twelve months:

- In 2009, Israel-based SuperMedic (MediLight) Ltd. and various related parties (together "SuperMedic") asserted claims for damages and infringement of intellectual property in an aggregate amount of approximately kEUR 9,700 against Anton Hübner GmbH & Co. KG relating to the termination of a distribution agreement between the parties concerning certain products and an alleged trademark infringement concerning the "Tannenblut" trademark in Israel. At the time, Anton Hübner GmbH & Co. KG was owned by Nordzucker AG and filed a counterclaim against SuperMedic for infringement of this trademark, seeking to cancel SuperMedic's registration as owner of the "Tannenblut" trademark in Israel before the Israeli Trademark Office. In accordance with the share purchase agreement between Dermapharm AG and Nordzucker AG dated 8 December 2010, Nordzucker AG was required to bear all financial risks arising from SuperMedic's lawsuit. In May 2017, Anton Hübner GmbH & Co. KG and SuperMedic settled the dispute. SuperMedic agreed to pay compensation in an amount of 100,000 Israeli shekels (approximately kEUR 24) and to recognise the trademarks asserted by Anton Hübner GmbH & Co. KG, in particular the "Tannenblut" trademark.
- In addition, Dermapharm filed a lawsuit against UniCredit Bank AG ("UniCredit") before the regional court of Munich in December 2011. Dermapharm demands the rescission of certain currency-related swap transactions entered into with UniCredit between 2006 and 2010, as well as payments in an aggregate amount of approximately kEUR 20,093. Dermapharm 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 Dermapharm on the risks associated with these transactions. Given that Dermapharm is acting as claimant, this lawsuit generally only provides upside to Dermapharm. The lawsuit was dismissed in the first two instances. Dermapharm has filed an appeal against denial of leave to appeal with the German Federal Supreme Court and expects that a decision will be made shortly. Although the company has lost in the first two instances, there a several precedents which gave justice to the claimants. Dermapharm did not recognise a provision for this legal claim, since the parent company of the Dermapharm AG, Themis Beteiligungs AG, will cover all losses and all legal costs. An agreement to this effect was signed on 20 December 2013.

In addition to the above-mentioned legal disputes, the Group is involved in other legal proceedings; however, none of these are material to the Group's financial position and are within the scope of normal business.

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

Guarantees

There were no material guarantees as at 31 December 2016 or as at the 31 December 2015, 31 December 2014 or 1 January 2014 balance sheet dates.

Contingent liabilities

There were no material contingent liabilities as at 31 December 2016 or as at the 31 December 2015, 31 December 2014 or 1 January 2014 balance sheet dates.

Purchase commitments

At 31 December 2016, the Group has purchase commitments relating to inventories of kEUR 72,985 (31 December 2015: kEUR 88,969; 31 December 2014: kEUR 65,401; 1 January 2014: kEUR 65,174).

7.3 Collateral

At 31 December 2016, intangible assets (mainly medical licences) with a carrying amount of kEUR 2,242 (31 December 2015: kEUR 2,462; 31 December 2014: kEUR 2,363; 1 January 2014: kEUR 2,575) were pledged to different banks in order to provide collateral for bank loans.

In 2013, Dermapharm, as seller, entered into two sale purchase agreements relating to all of its shares in Profarma sha and Galaxy shpk. The parties agreed that shares reflecting 51% of the share capital of Profarma and Galaxy shall be retained by Dermapharm until the purchase price is fully paid to Dermapharm. The outstanding purchase price was paid in 2016.

The Group did not hold any further collateral as at 31 December 2016 or as at the 31 December 2015 and 31 December 2014 balance sheet dates.

8. Related party disclosures

Related parties as defined in IAS 24 Related Party Disclosures are those legal entities and natural persons that are able to exert influence on Dermapharm and its subsidiaries or over which the company or its subsidiaries exercise control or joint control or have a significant influence. In the scope of the ordinary course of business, Dermapharm and its subsidiaries or over which the company or its subsidiaries exercise control or joint control or have a significant influence have entered into related party transactions. In principle, all trades are settled with related companies and natural persons at market-rate conditions and all outstanding balances with related parties are priced on an arm's length basis. Key Management Personnel includes members of the Management Board and the Supervisory Board. Significant Shareholders are those who own or are the beneficial owners of more than ten percent of the Dermapharm's voting shares.

Transactions with related parties for the financial years ended 31 December 2014, 2015 and 2016 between the Group and Significant Shareholders and other related parties are summarised below.

Significant transactions

Significant related shareholder transactions:

kEUR	2016	2015	2014
Consultancy services	1,314	1,216	1,337
Compensation from Dermapharm CH	113	116	102
Total	**1,427**	**1,332**	**1,439**

The consultancy services consist of marketing and advertising costs and related activities rendered by significant shareholders.

Compensation from Dermapharm CH results from salary payments to Wilhelm Beier.

Significant related party transactions

kEUR	2016	2015	2014
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	24,423	25,853	11,191
Non-consolidated subsidiaries	—	597	—
Associated companies	926	963	1,990
Profit and loss transfer agreement	25,350	27,414	13,182
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	15,270	1,561	572
Financial instruments	15,270	1,561	572
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	3,848	—	4,242
Indirect taxes from tax group	3,848	—	4,242
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	1,611	—	1,229
Non-consolidated subsidiaries	103	229	654
Interest	1,714	229	1,883
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	591	420	210
Non-consolidated subsidiaries	577	558	840
Consultancy services	1,168	978	1,050
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	944	—	554
Non-consolidated subsidiaries	68	48	213
Other services	1,012	49	767
Non-consolidated subsidiaries	—	—	1,179
Associated companies	214	17	—
Purchase of goods	214	17	1,179
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	2,223	23,878
Non-consolidated subsidiaries	—	4,971	35,971
Associated companies	145	91	—
Loans	145	7,285	59,848
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	7,152	—
Non-consolidated subsidiaries	—	—	8,932
Sale of companies	—	7,152	8,932
Total	**48,720**	**44,685**	**91,655**

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

Related party transactions from financial instruments result from the currency-related swap with the UniCredit Bank AG. For further information please refer to 7.2c) Litigations.

Loans in 2014 mainly comprise loans from Themis Beteiligungs AG, Grünwald, and SLG Service Logistik, Leuna, to Channel 21, Grünwald.

For further information on the sale of companies please refer to section 2.4. Basis of consolidation.

Year-end balances of significant related parties

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	—	—	73,393
Payables from profit and loss transfer agreement	—	—	—	73,393
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	3,848	—	3,821	3,627
Payables from Indirect taxes from tax group	3,848	—	3,821	3,627
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	420	420	210	420
Payables from consultancy services	420	420	210	420
Non-consolidated subsidiaries	—	—	31	—
Payables from other services	—	—	31	—
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	10	50	24,386	115
Payables from loans	10	50	24,386	115
Total	**4,278**	**470**	**28,448**	**77,555**

kEUR	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	24,423	25,853	11,191	—
Non-consolidated subsidiaries	—	597	—	—
Receivables from profit and loss transfer agreement	24,423	26,451	11,191	—
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	15,270	1,561	572	—
Receivables from financial instruments	15,270	1,561	572	—
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	—	976	495
Receivables from Indirect taxes from tax group	—	—	976	495
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	—	—	—
Non-consolidated subsidiaries	20	1	59	622
Receivables from other services	20	1	59	622
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	—	—	—
Non-consolidated subsidiaries	—	—	179	—
Receivables from purchase of goods	—	—	179	—
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	2,223	—	—
Non-consolidated subsidiaries	6	5,013	36,729	56,881
Associated companies	90	—	—	—
Receivables from loans	96	7,236	36,729	56,881
Parent company (Themis Beteiligungsgesellschaft AG) of Dermapharm AG	—	7,152	—	—
Non-consolidated subsidiaries	—	—	8,932	24,590
Receivables from sale of companies	—	7,152	8,932	24,590
Total	**39,809**	**42,400**	**58,638**	**82,589**

Receivables from the sale of companies amounting to kEUR 6,534 were past due and not impaired. The receivables result from the sale of shares between Centuere AG and Channel 21 Holding. All other receivables from related parties are fully performing. For further information on the sale of companies please refer to section 2.4. Basis of consolidation.

Key Management personnel compensation

The members of the Key Management were remunerated as follows:

kEUR	2016	2015	2014
Short-term employee benefits	2,177	1,720	1,510
Long-term employee benefits	43	44	44
Total remuneration	**2,220**	**1,764**	**1,554**

The members of Key Management are only compensated due to their function as a person in a key position.

9. 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 AG:

Name	Position
Wilhelm Beier	Chief Executive Officer
Dr. Hans-Georg Feldmeier	Chief Operating Officer
Stefan Grieving	Head of Marketing & Sales
Karin Samusch	Head of Business Development

Members of the Supervisory Board of Dermapharm AG:

Name	Position
Elisabeth Beier	Chairman of the Supervisory Board
Dr. Erwin Kern	Member of the Supervisory Board
Michael Beier	Member of the Supervisory Board
Eckhard Strohscheer	Member of the Supervisory Board

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.

10. Events after the reporting period

Events after the reporting date with a significant or possibly significant impact on the net assets, financial positions and results of operations of the Group:

- On 1 January 2017, the Group acquired the remaining 15% stake in axicorp GmbH, Friedrichsdorf, Germany, from DU Vermögensverwaltungs GmbH, Weiden, Germany. The acquisition increases the stake in axicorp GmbH from 85% to 100%.
- The Group company axicorp GmbH acquired the remaining 24.9% stake in Remedix GmbH, Friedrichsdorf, Germany, from a private stakeholder on 1 March 2017. The Group now owns all of the shares in Remedix GmbH.
- On 5 July 2017, mibe Logistik & Services GmbH & Co. KG, headquartered in Sandersdorf-Brehna, Germany, was founded. The object of the company is the operation of logistic services and other various services. mibe Logisitik & Services GmbH & Co. KG is a wholly owned subsidiary of mibe GmbH.
- With effect from 1 September 2017, Stefan Hümer took over as Chief Financial Officer of the Group.
- With effect from 18 August 2017, Cancernova GmbH onkologische Arzneimittel was merged with Mibe GmbH Arzneimittel.
- On 20 September 2017 (Closing Date), the group acquired the assets pertaining to the hyperthermic medical devises division of Riemser Pharma GmbH, Greifswald-Insel Riems. The acquired division has a highly innovative medical applications portfolio selectively targeting mosquito and insect stitches (bite away), herpes blisters (Herpotherm) as well as a development project focusing on dermatitis and its accompanying symptoms. The acquisition provides further growth potential for the Group. 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 division were transferred to Dermapharm at the closing date. At the time these financial statements were approved for publication, the assessment of the applicable accounting requirements is ongoing.

- On 21 September 2017, the Group acquired all of the shares and voting interests in Bio-Diät-Berlin GmbH, Berlin, along with its wholly owned distribution subsidiary Kräuter Kühne GmbH, Berlin, from the former shareholder. The transaction closed on 1 October 2017.
- The acquired companies are successfully producing and marketing phytopharmaceuticals (herbal medicines) as well as homoeopathics and natural cosmetics. Kräuter Kühne GmbH, Berlin, operates 16 sales outlets, an online shop and related services. With the acquisition, the Group intends to extend its product pipeline. The purchase price amounts to kEUR 14,500.
- Due to the timing of the transaction, it was not yet possible to provide any information about the fair value of the acquired assets and liabilities because the purchase price allocation is not yet finalised.
- On December 12, 2017, Dermapharm entered into a sale and purchase agreement for the acquisition of all shares in Trommsdorff GmbH & Co. KG and Cl. Lageman Gesellschaft mit beschränkter Haftung (together, "Trommsdorff"). Trommsdorff markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia. Trommsdorff also serves its former parent group as a toll manufacturer. The acquisition of Trommsdorff is subject to approval by the German Federal Cartel Office (*Bundeskartellamt*) and is expected to close in the first quarter of the fiscal year ending December 31, 2018. The parties agreed to keep the purchase price confidential. Due to the timing of the Transaction, it was not yet possible to provide any information about the fair value of the transaction.
- On December 20, 2017, Dermapharm acquired all shares in Strathmann GmbH & Co. KG, Strathmann Service GmbH and Biokirch GmbH Pharmaproduktion und Ärzteservice (together, "Strathmann"). Strathmann manufactures a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. The parties agreed to keep the purchase price confidential. Due to the timing of the Transaction, it was not yet possible to provide any information about the fair value of the transaction.
- In order to finance the acquisition of "Trommsdorff", Dermapharm entered in a new bank loan agreement with Baden-Württembergische Bank. The payment of the loan will made after the approval by the German Federal Cartel Office (*Bundeskartellamt*).

Grünwald, 29 December 2017, the Management Board

Stefan Hümer	Karin Samusch
Chief Financial Officer	Head of Business Development

AUDITOR'S OPINION

Independent Auditor's Report

To Dermapharm AG

Opinion

We have audited the consolidated financial statements of Dermapharm AG, Grünwald, and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2016, 31 December 2015 and 31 December 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 31 December 2015 and 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 15 January 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger	André Prengel
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Audited individual financial statements of Dermapharm Holding SE as of September 30, 2017 and for the period from July 12, 2017 to September 30, 2017 prepared in accordance with IFRS

Dermapharm Holding SE
Grünwald
(former Blitz 17-663 SE, Munich)

Statement of financial position
at 30 September 2017 and 12 July 2017

Assets

in EUR	Notes	30 September 2017	12 July 2017
CURRENT ASSETS			
Cash and cash equivalents	4.1	119,973.93	30,750.00
Total current assets		**119,973.93**	**30,750.00**
TOTAL ASSETS		**119,973.93**	**30,750.00**

Equity and liabilities

in EUR	Notes	30 September 2017	12 July 2017
EQUITY			
Issued capital	4.2	120,000.00	30.750
Retained earnings	4.2	(26.07)	—
TOTAL EQUITY		**119,973.93**	**30,750.00**

Dermapharm Holding SE
Grünwald
(former Blitz 17-663 SE, Munich)

Statement of comprehensive income for the period ended 30 September 2017

in EUR	Notes	12 July - 30 September 2017
Other operating expenses	5	(26.07)
Net loss		**(26.07)**

Dermapharm Holding SE
Grünwald
(former Blitz 17-663 SE, Munich)

Statement of cash flows for the period ended 30 September 2017

in EUR	Notes	12 July - 30 September 2017
Net loss for the period	5	(26.07)
Net cash from operating activities		**(26.07)**
Contributions to the issued capital	4.2	89,250.00
Net cash from financing activities		**89,250.00**
Net increase in cash and cash equivalents		**89,223.93**
Cash and cash equivalents at 12 July 2017	4.1	(30,750.00)
Cash and cash equivalents at 30 September 2017	4.1	119,973.93
Net change in cash and cash equivalents		**89,223.93**

Dermapharm Holding SE
Grünwald
(former Blitz 17-663 SE, Munich)

Statement of changes in equity at
30 September 2017 and 12 July 2017

in EUR	Notes	Issued capital	Retained Earnings	Total
As at 12 July 2017	4.2	**30,750.00**	**—**	**30,750.00**
Contributions to the issued capital	4.2	89,250.00	—	89,250.00
Net loss	5.	—	(26.07)	(26.07)
As at 30 September 2017	4.2	**120,000.00**	**(26.07)**	**119,973.93**

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Dermapharm Holding SE
(former Blitz 17-663 SE, Munich)

NOTES
To the interim financial statements
as of September 30, 2017

1. General

1.1 Corporate information

The Company has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany.

Dermapharm Holding SE was founded on 4 July 2017 with the intention of establishing the holding company of the Dermapharm Group. Dermapharm Holding SE does not yet engage in any commercial activity.

Dermapharm Holding SE is a wholly owned subsidiary of Themis Beteiligungs AG.

These financial statements were voluntarily prepared in accordance with IFRS as adopted by the EU.

These interim financial statements were authorised by the Management Board by resolution dated 25 January 2018.

1.2 First Time Adoption of IFRS

These interim financial statements for the period ended 30 September 2017 are the first Dermapharm Holding SE has prepared in accordance with IFRS. The company did not present financial statements for previous periods. Retrospective application of IFRS is therefore not necessary and consequently there are no effects of the transition to IFRS on total equity or on the profit or loss for the period.

2. Significant accounting policies and changes

2.1 Basis of preparation of financial statements

The interim financial statements of Dermapharm Holding SE have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRIC) as adopted in the European Union (EU).

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

As a rule, Dermapharm Holding SE 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 interim financial statements are presented in EUR. Amounts are shown in euros (EUR) unless otherwise stated. As such, insignificant rounding differences could occur in period-over-period changes and percentages reported throughout.

The financial year corresponds to the calendar year.

The management prepared the interim financial statements on a going concern basis. Other than that, the preparation of these interim financial statements in conformity with IFRS did not require the use of any critical accounting estimates or judgement.

2.2 Effects of new or amended financial standards and interpretations

Dermapharm Holding SE applied all standards and interpretations (including amendments) as adopted by the EU in its interim financial statements, which are mandatory for financial years starting on or after 1 January 2017. For the period ending on 30 September 2017, there were no new or amended standards and interpretations that were endorsed by the EU Dermapharm Holding SE had to apply.

There are no IFRSs or IFRIC interpretations that are issued but not yet effective that would be expected to have a material impact on Dermapharm Holding SE financial statements as of 30 September 2017. Early adoption of any of the publications is not planned.

2.3 Changes in accounting policies

There were no changes to accounting policies with significant consequences for the presentation of Dermapharm Holding SE's net assets, financial position and results of operations or cash flows in the period ended 30 September 2017.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash deposits. Cash and cash equivalents are reported in accordance with their definition as financial resources in IAS 7.

2.5 Recognition of income and expenses

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.

3. Estimates and judgements

Estimates and judgments 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.

4. Notes to the statement of financial position

4.1 Cash and cash equivalents

The cash amounting to EUR 119,974 as at the reporting date (12 July 2017: EUR 30,750) is the total of balances on account with one German bank.

4.2 Equity

The issued capital of EUR 120,000 consists of 120,000 bearer shares with no par value. Preference shares or different classes of shares do not exist. As at the reporting date, the contributions to the issued capital were paid in full. As at 12 July 2017: EUR 89,250 of contributions were outstanding and not requested.

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

5. Notes to the statement of comprehensive income

Other operating expenses relate to banking fees.

6. Risk management

As at the reporting date, Dermapharm Holding SE is not exposed to any specific market, credit or liquidity risk.

Dermapharm Holding SE's capital management objectives are primarily to maintain and ensure an optimum capital structure to continue financing the growth plan and to manage the company's value over the long term. Dermapharm Holding SE manages its capital structure on the basis of various figures, such as the equity ratio, and makes adjustments where appropriate, taking into account changes to the general state of the economy.

7. Other disclosures

7.1 Notes to the statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7 Statement of Cash Flows and shows the changes in Dermapharm Holding SE'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 use between the operating sector and the cash flows from the investment and financing activities. The cash inflows and outflows from operating activities are derived directly from Dermapharm Holding SE's profit or loss for the year. Cash inflows and outflows from investing and financing activities are derived directly. The funds in the statement of cash flows correspond to the value of cash and cash equivalents in the statement of financial position. Cash and cash equivalents include the freely available cash deposits and deposits with financial institutions.

7.2 Other financial obligations

Guarantees

Dermapharm Holding SE has assumed joint liability with respect to all claims and liabilities arising from a loan agreement entered into by Dermapharm AG with Commerzbank AG. On 14 September 2017, Dermapharm AG, as borrower, and Commerzbank AG, as lender, entered into a EUR 50,000,000 loan agreement. The funds were utilized to finance two acquisitions of Dermapharm AG. The loan expires on 30 September 2022.

Dermapharm Holding SE has acceded to a loan agreement between Dermapharm AG and Raiffeisen Landesbank Oberösterreich as a co-debtor. On 14 September 2017, Dermapharm AG, as borrower, and Raiffeisen Landesbank Oberösterreich, as lender, entered into a EUR 20,000,000 loan agreement. Dermapharm AG utilized the funds to refinance a portion of its promissory notes issued in 2011, which became due and payable on 19 September 2017. The loan expires on 30 September 2022.

8. Related party disclosures

Related parties as defined in IAS 24 Related Party Disclosures are those legal entities and natural persons that are able to exert influence on Dermapharm Holding SE company exercises control or joint control or has a significant influence. Dermapharm Holding SE has not entered into any related party transactions in the reporting period.

The members of the management board did not receive any compensation until 30 September 2017.

9. 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 Holding SE:

Name	Member since	Appointed until	Position	Occupation
Nicole Lotz	July 2017	August 2017	Chief Executive Officer	Merchant
Dr. Hans-Georg Feldmeier	August 2017	2020	Chief Executive Officer	Pharmacist
Stefan Hümer	August 2017	2020	Chief Financial Officer	Merchant
Stefan Grieving	August 2017	2020	Chief Marketing Officer	Merchant
Karin Samusch	August 2017	2020	Chief Business Development Officer	Merchant

Members of the Supervisory Board of Dermapharm Holding SE:

Name	Member since	Appointed until	Position	Occupation
Gabriele Roskothen	July 2017	August 2017	Chairman of the Supervisory Board	Music teacher
Randi Mette Selnes	July 2017	August 2017	Deputy Chairman of the Supervisory Board	Merchant
Katja Gogalla	July 2017	August 2017	Member of the Supervisory Board	Merchant
Wilhelm Beier	August 2017	2022	Chairman of the Supervisory Board	Merchant
Dr. Erwin Kern	August 2017	2022	Deputy Chairman of the Supervisory Board	Merchant
Michael Beier	August 2017	December 2017	Member of the Supervisory Board	Merchant
Lothar Lanz	January 2018	2022	Member of the Supervisory Board	Merchant

10. Events after the reporting period

Events after the reporting date with a significant or possibly significant impact on the net assets, financial positions and results of operations of Dermapharm Holding SE:

On 6 December 2017, the Company's shareholders' meeting resolved to increase the Company's share capital from EUR 120,000.00 by EUR 49,880,000 to EUR 50,000,000 by issuing 49,880,000 new shares in the Company against contributions kind in the form of 104,960 shares in Dermapharm AG by Themis Beteiligungs AG (corresponding to 20.0% of the share capital of Dermapharm AG).

In addition, Themis Beteiligungs AG contributed the remaining 419,840 shares in Dermapharm AG (corresponding to 80.0% of the share capital of Dermapharm AG) to the Company's free reserves without consideration. The contribution and transfer of all shares in Dermapharm AG were completed with effect from the end of 31 December 2017 and the consummation of the capital increase was registered in the commercial register of the local court of Munich, Germany, on 4 January 2018

In connection with the capital contribution, Dermapharm Holding SE has assumed joint liability with respect to all claims and liabilities arising from the following loans entered into by Dermapharm AG:

- Loan agreement with Bayerische Landesbank: On 8 September 2017, Dermapharm AG, as borrower, and Bayerische Landesbank, as lender, entered into a EUR 60,000,000 loan agreement. The funds were utilized to finance the acquisition of the assets pertaining to the hyperthermic medical devices division of Riemser Pharma GmbH. The loan expires on 8 September 2022.
- Loan agreement with Deutsche Postbank AG: On 14 September 2017, Dermapharm AG, as borrower, and Deutsche Postbank AG, as lender, entered into a EUR 20,000,000 loan agreement. Dermapharm AG utilized the funds to refinance a portion of its promissory notes issued in 2011, which became due and payable on 19 September 2017. The loan expires on 19 September 2022.
- 2014 Promissory notes: The terms of the Promissory notes taken out by Dermapharm AG in 2014 were amended by an agreement dated 4 October 2017, entered into between Dermapharm AG as borrower, Bayerische Landesbank as original lender and agent, the investors holding commitments under the 2014 Promissory notes, Themis Beteiligungs AG as original guarantor and the Company as new guarantor. All sums payable under the 2014 Promissory Notes are guaranteed by the Company.
- 2012 Promissory notes: The terms of the Promissory notes taken out by Dermapharm AG in 2012 were amended by an agreement dated 4 October 2017, entered into between Dermapharm AG as borrower, Bayerische Landesbank as original lender and agent, Oberbank Aktiengesellschaft as the sole investor holding 2012 Promissory Notes, Themis Beteiligungs AG as original guarantor and the Company as new guarantor. All sums payable under the 2012 Promissory Notes are guaranteed by the Company.

- Loan agreement with Baden Württembergische Bank: On 4 December 2017, Dermapharm AG, as borrower, and Baden Württembergische Bank, as lender, entered into a EUR 80,000,000 loan agreement. Dermapharm AG will utilize the funds from the loan agreement as bridge financing to partially finance its future capital expenditures.

On 6 December 2017, the profit transfer agreement between Themis Beteiligungs AG and Dermapharm AG was terminated with effect from the end of 31 December 2017.

Dermapharm Holding SE seeks to list its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The proceeds from the issuance of new shares will be used to finance further growth of the Dermapharm Group. The company announced the intention to float on 15 January 2018.

Grünwald, 25 January 2018, the Management Board

Stefan Hümer
Chief Financial Officer

Karin Samusch
Chief Business Development Officer

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

Auditor's Opinion

To Dermapharm Holding SE:

We have audited the interim financial statements prepared on a voluntary basis—comprising the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the interim financial statements—together with the bookkeeping system of Dermapharm Holding SE, Grünwald, for the reporting period from 12 July 2017 to 30 September 2017. The maintenance of the books and records and the preparation of the interim financial statements in accordance with IFRS as adopted by the EU are the responsibility of the company's management. Our responsibility is to express an opinion on the interim financial statements, together with the accounting system, based on our audit.

We conducted our audit of the interim financial statements prepared on a voluntary basis in accordance with section 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 interim financial statements prepared on a voluntary basis in accordance with IFRS as adopted by the EU are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the interim financial statements prepared on a voluntary basis are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the interim financial statements. 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 interim financial statements of Dermapharm Holding SE for the reporting period from 12 July 2017 to 30 September 2017 comply with IFRS as adopted by the EU and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with these requirements.

Düsseldorf, 25. Januar 2018

Warth&Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

André Prengel	Dr. Thomas Senger
Wirtschaftsprüfer	Wirtschaftsprüfer

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23. GLOSSARY

€	The single European currency adopted by certain participating member states of the European Union, including Germany.
2012 Promissory Notes	Promissory note agreements (*Schuldscheindarlehen*) entered into by Dermapharm AG, as borrower, and Bayerische Landesbank, as lender and arranger on September 19, 2012, of which an aggregate amount of €10.0 million is still outstanding as of the date of this Prospectus.
2014 Promissory Notes	Promissory note agreements (*Schuldscheindarlehen*), entered into between Dermapharm AG, as borrower, and Bayerische Landesbank, as lender on November 20, 2014, of which an aggregate amount of €71.5 million is still outstanding as of the date of this Prospectus.
AKG	Pharmaceuticals and Cooperation in the Healthcare System Association (*Arzneimittel und Kooperation im Gesundheitswesen e.V.*).
AktG	The German Stock Corporation Act (*Aktiengesetz*).
AMG	The German Pharmaceuticals Act (*Arzneimittelgesetz*).
APIs	Active pharmaceutical ingredients.
ApoG	The German Act on Pharmacies (*Gesetz über das Apothekenwesen*).
Articles of Association	The Company's articles of association.
axicorp	axicorp GmbH, together with its direct and indirect subsidiaries.
BaFin	The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
Base Shares	The New Shares and the Existing Shares.
Berenberg	Joh. Berenberg, Gossler & Co. KG, Hamburg, Germany.
Bio-Diät-Berlin	Bio-Diät-Berlin Gesellschaft mit beschränkter Haftung and Kräuter Kühne GmbH.
BPs	Basis points.
CAGR	Compound annual growth rate.
Centuere	Centuere Beteiligungs-Aktiengesellschaft i.L.
CET	Central European Time or Central European Summertime, as the case may be.
CHMP	The Committee for Medicinal Products for Human Use.
Clearstream	Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.
Co-Lead Manager	ODDO BHF.
Commission's Proposal	The proposal published by the European Commission on February 14, 2013.
Company	Dermapharm Holding SE, with its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany (telephone: +49 (0) 89 6 41 86 0), and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, under docket number HRB 234575.
Contribution Capital Increase	The capital increase resolved by the Company's shareholders' meeting on December 6, 2017 for the increase of the Company's share capital from €120,000.00 by €49,880,000.00 to €50,000,000.00 through the issuance of 49,880,000 new shares in the Company against contributions in kind in the form of 104,960 shares in Dermapharm AG by the Selling Shareholder (corresponding to 20.0% of the share capital of Dermapharm AG).

Cosmetics Regulation	Regulation (EC) 1223/2009 of the European Parliament and of the Council of November 30, 2009 on cosmetic products.
CSSF	The Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*).
D&O	Directors and officers.
Dermapharm	The Company, together with its direct and indirect consolidated subsidiaries.
Dermapharm AG	Dermapharm Aktiengesellschaft.
Domestic Paying Agent	A domestic bank or financial service institute, a domestic securities trading company or a domestic securities trading bank (including the domestic branches of foreign banks and financial service institutes).
EBITDA	Earnings before interest, taxes depreciation and amortization.
EEA	European Economic Area
EEA Member State	A member state of the EEA.
EMA	The European Medicines Agency.
EMA Regulation	Regulation (EC) 726/2004 of the European Parliament and of the Council of March 31, 2004 laying down community procedures for the authorization and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency.
EUIPO	The European Union Intellectual Property Office.
EURIBOR	Euro Interbank Offered Rate.
Euro	The single European currency adopted by certain participating member states of the European Union, including Germany.
Euroclear	Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium.
Existing Shares	7,860,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Existing Shareholder.
Farmal	Farmal d.d.
Federal Association	The Federal Central Association of the Statutory Health Insurance Funds (*Spitzenverband Bund der Krankenkassen*).
Food Regulation	Regulation (EC) 178/2002 of the European Parliament and of the Council of January 28, 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety.
Framework Agreement	The Framework Agreement on Drug Provision according to Section 129 of the Social Code, Book V (*Rahmenvertrag über die Arzneimittelversorgung nach § 129 Abs. 2 Sozialgesetzbuch V*).
Germany	The Federal Republic of Germany.
GMP	Good manufacturing practice.
Greenshoe Option	The option to acquire the Over-Allotment Shares at the Offer Price, less agreed commissions, which the Selling Shareholder will grant the Sole Bookrunner.
Guidelines	The Guidelines of the Federal Joint Committee (*gemeinsamer Bundesausschuss*).
HACCP	Hazard analysis and critical control points.
HGB	The German Commercial Code (*Handelsgesetzbuch*).

HWG	The German Drug Advertisement Act (*Heilmittelwerbegesetz*).
Hygiene Regulation	Regulation (EC) No 852/2004 of the European Parliament and of the Council of April 29, 2004 on the hygiene of foodstuffs.
ICH	The International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
Indemnification Agreement	The indemnification agreement entered into between Dermapharm AG and the Selling Shareholder on December 21, 2015.
IPO Capital Increase	A capital increase against contributions in cash to be resolved by an extraordinary shareholders' meeting of the Company on or about January 26, 2018.
LFGB	The German Code on Foodstuffs, Consumer Goods and Fodder (*Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch*).
LMHV	The German Food Hygiene Ordinance (*Lebensmittelhygiene-Verordnung*).
Luxembourg	The Grand Duchy of Luxembourg.
Management Board	The Company's management board (*Vorstand*).
MAR	Regulation (EU) no. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended
Medicinal Products Directive	Directive 2001/83/EC of the European Parliament and of the Council of November 6, 2001 on the community code relating to medicinal products for human use.
Mibe	Mibe GmbH Arzneimittel.
MMA	The Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as last amended on September 28, 1979.
MPG	The German Act on Medical Devices (*Gesetz über Medizinprodukte*).
New Shares	3,840,000 newly issued bearer shares with no par value (*Stückaktien*) from a capital increase against contributions in cash from the IPO Capital Increase.
ODDO BHF	ODDO BHF Aktiengesellschaft, Frankfurt am Main, Germany.
OECD	Organization for Economic Co-operation and Development.
Offering Banks	Berenberg and ODDO BHF.
Offer Period	The period during which investors may submit purchase orders for the Offer Shares, which is expected to commence on January 29, 2018, and to expire on February 8, 2018.
Offer Price	The offer price for the Offering.
Offer Shares	The Base Shares and the Over-Allotment Shares.
Offering	The offering of 13,455,000 bearer shares of the Company with no par value (*Stückaktien*), each such share representing a notional value of €1.00.
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
OTC	Non-prescription pharmaceuticals sold over the counter.
Over-Allotment	The allocation of up to 1,755,000 Over-Allotment Shares as part of the allocation of the Offer Shares.
Over-Allotment Shares	1,755,000 existing bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholder.

Parent-Subsidiary Directive	Council Directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states, as amended.
Participating Member States	Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.
Pharmacovigilance Regulation	Regulation (EU) 1235/2010 of the European Parliament and of the Council of December 15, 2010.
PMMA	The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 27, 1989, as last amended on November 12, 2007.
Portfolio Dividends	Free-floating dividends (*i.e.*, dividends earned on direct shareholdings in a distributing corporation equal to less than 10% of its share capital at the start of the respective calendar year).
Prescription Ordinance	The Ordinance on the Mandatory Prescription of Pharmaceuticals (*Verordnung über die Verschreibungspflicht von Arzneimitteln*).
Price Range	The price range for the Offering within which purchase orders may be placed is €26.00 to €30.00 per Offer Share.
Profit Transfer Agreement	The profit transfer agreement (*Gewinnabführungsvertrag*) entered into between Dermapharm AG and the Selling Shareholder on April 13, 2016.
Prospectus	This prospectus.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as last amended on July 20, 2017.
QIBs	Qualified institutional buyers as defined in Rule 144A.
Qualified Participation	At least 1% of the share capital of the Company.
Regulation S	Regulation S under the Securities Act.
Rule 144A	Rule 144A under the Securities Act.
SE Regulation	Council Regulation (EC) no. 2157/2001 of October 8, 2001 on the statue for a European company (SE).
SEAG	The German Act on the SE-Implementation (*SE-Ausführungsgesetz*).
Securities Act	The United States Securities Act of 1933, as amended.
Selling Shareholder	Themis Beteiligungs-Aktiengesellschaft.
SHI	Statutory health insurance.
Short Selling Regulation	Regulation (EU) no. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps.
SLG	SLG Service Logistik Günthersdorf GmbH.
Social Code V	The German Social Code, Book V (*Sozialgesetzbuch Fünftes Buch*).
Sole Bookrunner	Berenberg.
Sole Global Coordinator	Berenberg.
Stabilization Period	The period which starts from the date the Company's shares commence trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must end no later than 30 calendar days thereafter (*i.e.*, March 11, 2018).
Strathmann	Strathmann GmbH & Co. KG, its sole general partner Strathmann Service GmbH and Biokirch GmbH Pharmaproduktion und Ärzteservice.

SuperMedic	SuperMedic (MediLight) Ltd. and various related parties.
Supervisory Board	The Company's supervisory board (*Aufsichtsrat*).
Supplements Directive	Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the member states relating to food supplements.
Trommsdorff	Trommsdorff GmbH & Co. KG and its sole general partner Cl. Lageman Gesellschaft mit beschränkter Haftung.
UmwG	The German Transformation Act (*Umwandlungsgesetz*).
Underwriting Agreement	The underwriting agreement, entered into between the Company, the Selling Shareholder and the Offering Banks on January 26, 2018.
UniCredit	UniCredit Bank AG.
United States	The United States of America.
VAT	Value added tax.
Warth & Klein Grant Thornton	Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Johannstraße 39, 40476 Dusseldorf, Germany.
WpHG	The German Securities Trading Act (*Wertpapierhandelsgesetz*).
WpPG	The German Securities Prospectus Act (*Wertpapierprospektgesetz*).
WpÜG	The German Securities and Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

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24. RECENT DEVELOPMENTS AND OUTLOOK

24.1 Recent Developments

On October 1, 2017, Dermapharm completed the acquisition of all shares in Bio-Diät-Berlin.

In November 2017, axicorp Pharma B.V. settled claims brought by private health insurance providers in respect of rebates in an aggregate amount of approximately €1.2 million. Furthermore, it paid €1.9 million, plus interest in an amount of €0.2 million, in respect of rebates to private health insurance providers for which Dermapharm had already received invoices, but which had not yet been claimed by these private health insurance providers in court. For further information, see "*12.12 Litigation*".

On November 19, 2017, Dermapharm repaid the then outstanding variable tranche in an amount of €6.5 million under the 2014 Promissory Notes.

On December 6, 2017, the Company's shareholders' meeting resolved on the Contribution Capital Increase. In addition, the Selling Shareholder contributed any remaining shares in Dermapharm AG to the Company's free reserves (*freie Rücklagen*) without consideration. The contribution and transfer of all shares in Dermapharm AG were completed with effect from the end of December 31, 2017 and the consummation of the Contribution Capital Increase was registered in the commercial register of the local court (*Amtsgericht*) of Munich, Germany, on January 4, 2018.

On December 20, 2017, Dermapharm acquired all shares in Strathmann, which distributes a broad product offering primarily comprising OTC products, which complement Dermapharm's existing product portfolio, in particular with respect to the dermatologicals, women's healthcare and vitamins/minerals/enzymes product areas. In the fiscal year ended December 31, 2016, Strathmann generated aggregate revenues of €27.9 million and EBITDA of €3.7 million (based on Strathmann's financial statements prepared in accordance with HGB).

The Profit Transfer Agreement was terminated with effect from the end of December 31, 2017, meaning that Dermapharm AG is required to transfer its profits for the fiscal year ended December 31, 2017, if any, to the Selling Shareholder. However, Dermapharm AG has provided the Selling Shareholder with certain shareholder loans. Consequently, the claims of the Selling Shareholder under the Profit Transfer Agreement with respect to the fiscal year ended December 31, 2017 will be offset against Dermapharm AG's claims under these shareholder loans and Dermapharm AG expects that its claims will exceed those of the Selling Shareholder by more than €50 million.

On January 2, 2018, Dermapharm repaid the final tranche under its profit participation rights in registered form (*auf den Namen lautende Genussrechte*) in an amount of €6.4 million.

On January 23, 2018, Dermapharm acquired all shares in Trommsdorff, which manufactures and markets 23 different prescription pharmaceuticals and OTC products, in particular Keltican® forte, a dietary product for the treatment of back pain, and Tromcardin® complex, which combines certain minerals and vitamins for the treatment of cardiac arrhythmia. Trommsdorff also serves its former parent group as a toll manufacturer. In the fiscal year ended December 31, 2016, Trommsdorff generated aggregate revenues of €52.0 million and EBITDA of €10.6 million (based on Trommsdorff's financial statements prepared in accordance with HGB).

Except as described above, there have been no significant changes to Dermapharm's financial position, financial performance, cash flows or trading position between September 30, 2017 and the date of this Prospectus.

The Management Board estimates that in the three-month period ended December 31, 2017, Dermapharm's business and revenues developed in line with Dermapharm's performance in the nine-month period ended September 30, 2017.

24.2 Outlook

In its most recent world economic outlook, the International Monetary Fund forecasts that the global economy will grow by 3.2% in the fiscal year ended December 31, 2017 and 3.6% in the fiscal year ending December 31, 2018. Germany's real gross domestic product is forecast to grow at a slower pace, with increases of 2.1% and 1.9% forecasted for the fiscal year ended December 31, 2017 and the fiscal year ending December 31, 2018, respectively (*source: IMF – World Economic Outlook*).

With respect to prescription pharmaceuticals, the global prescription pharmaceuticals market is expected to grow at a CAGR of 6.5% through 2022. Expected growth is even more pronounced for generics, leading to an increase of the market share of generics of 10.6% of all prescription pharmaceuticals in the fiscal year ending December 31, 2022 (*source: Evaluate – Global*).

In Europe, the market size of the European pharmaceuticals market is projected to increase to €206 billion in the fiscal year ending December 31, 2022, up by approximately 21.9% compared to the fiscal year ended December 31, 2015. This growth corresponds to a CAGR of approximately 3.1% through 2020 (*source: Evaluate – Europe*).