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Dermapharm Holding SE plans initial public offering

- » A leading manufacturer of patent-free branded pharmaceuticals for selected therapeutic areas in Germany plans listing on the regulated market (Prime Standard) of the Frankfurt Stock Exchange
- » To fund its growth strategy, Dermapharm plans a capital increase with gross proceeds of approx. EUR 100 million
- » In addition to the planned primary offering, a planned secondary offering of shares from the holdings of the company's sole shareholder should allow for a free float of approx. 25% (post execution of market standard greenshoe option). Family-owned Themis Beteiligungs-Aktiengesellschaft will remain the majority shareholder following the IPO
- » Dermapharm benefits from multiple growth trends and grew its revenues between 2014 and 2016 mostly organically at a CAGR of 6.6%. The group realized an EBITDA margin of 23.1% in 2016

Grünwald, January 15, 2018 – Dermapharm Holding SE, a leading manufacturer of patent-free branded pharmaceuticals for selected therapeutic areas in Germany with an expanding international footprint, is preparing for an IPO and the listing of its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange in the first half of 2018.

Dermapharm 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 runs a parallel import business, which operates under the well-known "axicorp" brand and leverages its direct sales expertise in Germany by importing pharmaceuticals from other EEA Member States for resale to pharmaceutical wholesalers and pharmacies in the German market.

Dermapharm operates primarily in Germany, Europe's largest pharmaceutical market in terms of aggregate sales in 2016. Thereby the company benefits from structural market trends, including the aging of the population, chronification of diseases, increasing health awareness and demand for pharmaceuticals sold over the counter ("OTC") and other healthcare products, reflecting increased self-medication. Dermapharm is also active in Austria and Switzerland. In the future, Dermapharm plans to introduce selected products from its existing product portfolio, as well as new product developments to additional European markets.

In order to further expand its leading market position in selected therapeutic areas and to increase its international footprint, the company plans to pursue additional options for its future development by going public.



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Leading pharmaceuticals manufacturer in attractive, selected product areas

"Our product portfolio with well-known brands predominantly covers selected and relatively small markets that also contain limited competition with high barriers to entry. As a result, we hold a significant market share in the vast majority of our markets", says CEO Dr. Hans-Georg Feldmeier. "In addition, we believe that our product offering is sufficiently diversified with a mix of high-growth products and products which provide for stable revenues." Dermapharm's portfolio of pharmaceuticals and other healthcare products covers, *inter alia*, the product areas vitamins/minerals/enzymes, dermatologicals, systemic corticoids, women's healthcare and ophthalmologicals.

Dermapharm's ability to offer more than 200 APIs in a broad variety of strengths and dosage forms enables the company to provide doctors and pharmacies with solutions to varying medical needs and made the company the German market leader in multiple areas. Through its vitamin D preparation Dekristol® 20,000 I.E. Dermapharm is market leader in prescription vitamins. Due to Dermapharm's ability to offer the only high dosage vitamin D prescription pharmaceutical as capsule or tablet in Germany and an increasing demand for vitamin D supplements in general, revenues from the sale of Dekristol® 20,000 I.E. almost doubled from 2014 to 2016. In addition, Dermapharm is also the market leader for prescription dermatologicals and systemic corticoids in Germany. Dermapharm's prescription dermatologicals and systemic corticoids include well-known brands like Ampho Moronal® and Prednisolut®.

Dermapharm's strong market positions and broad product offering in these key therapeutic areas, as well as its attractive offering in other selected markets, enable Dermapharm to generate high margins as well as stable returns. 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.

Due to a 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. This increases Dermapharm's resilience towards rebate agreements and regulatory initiatives. The same applies for selling prescription pharmaceuticals to hospitals and the sales of Dermapharm's OTC and other healthcare products in general. Therefore, unlike other manufacturers of patent-free pharmaceuticals, Dermapharm does not depend on high-volume and low-margin rebate agreements with SHI providers. Dermapharm's 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 on September 30, 2017.

Successful track record of product developments and effective sales organization

Dermapharm's operational excellence "Made in Germany" with its main facility in Brehna, Germany, and the "all under one roof" approach have led to a strong track record in developing and introducing new pharmaceuticals and other healthcare products. Since January 1, 2012, 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.

Dermapharm constantly screens the product areas covered by its product offering. Once the company has identified a potentially attractive pharmaceutical that fits into its portfolio, the company is able to handle the key stages of the development and approval process in-house, including the designing and sponsoring of clinical studies required for the market introduction of new patent-free pharmaceuticals and the manufacture of clinical batches. Thereby, the company can draw on the particular expertise of its research experts, some of whom have more than 25 years of experience in developing patent-free



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pharmaceuticals. By controlling and operating its own centralized manufacturing facility in Brehna, Dermapharm is in the possession of the necessary flexibility and free capacity to produce these newly launched products completely in-house. This allows Dermapharm to avoid transition problems from product development and actual production and allows the company to introduce new pharmaceuticals very quickly with comparatively limited cost. In the first nine months 2017 approximately 90% of packages for Dermapharm's pharmaceuticals and other healthcare products were manufactured in house (including packages made from bulk products manufactured by third parties) and marketed as "Made in Germany".

Dermapharm also employs an effective sales organization for its pharmaceuticals and other healthcare products business. "As of today, 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. Members of Dermapharm's salesforce receive special training with respect to the product areas that Dermapharm covers", states Chief Marketing Officer Stefan Grieving. "We profit from longstanding relationships and regular contact with our customers. In 2016, our German general sales representatives paid approximately 23,000 visits to dermatologists, 26,000 visits to gynecologists, and 40,000 visits to German pharmacies." Thereby Dermapharm covered approximately 40% of all licensed dermatologists, approximately 35% of all licensed gynecologists, and approximately 40% of the licensed pharmacies in Germany during that period.

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 the company 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.

Strong profitability and cash flow generation with significant dividend capacity

Between 2014 and 2016, Dermapharm's revenues grew at a CAGR of 6.6% while EBITDA grew at a CAGR of 19.1%. In 2016, its revenues amounted to EUR 444.5 million, the EBITDA amounted to EUR 102.7 million, corresponding to an EBITDA margin of 23.1%. Dermapharm's profitability increased even further in the first nine months of 2017, with its EBITDA margin increasing to 23.7%. This high profitability has also contributed to the strong operating cash flow of EUR 76.8 million in 2016 and EUR 62.6 million in the first nine months of 2017. In particular, Dermapharm's highly profitable pharmaceuticals and other healthcare products business area, which accounted for EUR 208.5 million in sales in 2016 with an EBITDA margin of 46.2% in 2016 and 47.5% in the first nine months of 2017, contributed to Dermapharm's overall profitability.

Chief Financial Officer Stefan Hümer elaborates: "We believe that Dermapharm's strong profitability and cash flow provide significant dividend capacity. That's why we intend to pay a dividend of 50 to 60% of Dermapharm's profits in accordance with IFRS with respect to the fiscal year ending December 31, 2018 and onwards in the ordinary course of business."

Credible growth strategy: product development, internationalization and acquisitions

To continue its profitable growth in the future, Dermapharm's strategy relies on three pillars: expanding the product portfolio through the introduction of new products developed in-house, an increasing international footprint as well as further successful acquisitions.

In order to expand its product portfolio, Dermapharm constantly seeks to develop and introduce additional pharmaceuticals and other healthcare products. Currently, Dermapharm's product pipeline



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comprises of 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. 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.

With respect to its international footprint, Dermapharm plans to introduce selected products from its existing product portfolio as well as new product developments to additional markets in Italy, Spain, the United Kingdom, the Benelux countries, the Czech Republic and Slovakia. To support its expansion efforts, Dermapharm has already obtained marketing authorizations for some of its existing and recently developed pharmaceuticals in these markets. 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. Furthermore, Dermapharm has recently established subsidiaries in Italy and the United Kingdom and hired sales managers.

The acquisition of new marketing authorizations, products and businesses has always been part of Dermapharm's business strategy. "Since its foundation in 1991, Dermapharm has continuously expanded its product offering through successful acquisitions. Be it the inclusion of axicorp GmbH in 2012, which enabled Dermapharm to enter the parallel imports market, the acquisition of the medical devices bite away® and Herpotherm® in September 2017, or our latest acquisition Trommsdorff, which markets 23 different prescription pharmaceuticals and OTC products, and Strathmann – Dermapharm will continue to constantly screen and seek to capitalize on selective growth opportunities in the future," elaborates Karin Samusch, Chief Business Development Officer at Dermapharm. In December 2017 Dermapharm entered into sale and purchase agreements for the acquisition of all shares in Trommsdorff and Strathmann. 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 2018.

Overview of the planned IPO and listing

In connection with the IPO, Dermapharm intends to generate gross proceeds from the primary component of approx. EUR 100 million. The offering is also expected to include a placement of existing shares from the holdings of Themis Beteiligungs-Aktiengesellschaft as part of the base offering as well as a secondary greenshoe option in an amount of approx. 15% of the base offering in order to enable a free float of approx. 25%. Wilhelm Beier founded Dermapharm in 1991 and since then the company has been family-owned via Themis Beteiligungs-Aktiengesellschaft, which holds 100% of the share capital of the company and will remain its majority shareholder after the IPO. Furthermore, the lock-up period in connection with the IPO is scheduled to last twelve months for the existing shareholder and six months for the company.

Dermapharm plans to use the expected gross proceeds of approx. EUR 100 million from the primary offering for in-house developments and the improvement of Dermapharm's production facilities in Brehna and a new manufacturing facility Neumarkt am Wallersee near Salzburg, Austria, to increase its international footprint, to partially finance the acquisition of Trommsdorff and for the refinancing of existing liabilities.

Starting with the fiscal year ending December 31, 2018, Dermapharm intends to pay a dividend the ordinary course of business of 50 to 60% of Dermapharm's profits for the respective fiscal year calculated in accordance with IFRS in.

Berenberg is acting as Sole Global Coordinator and Sole Bookrunner and ODDO BHF as Co-Lead Manager for the offering.



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In connection with the placement of the offer shares Joh. Berenberg, Gossler & Co. KG will act as the stabilization manager (the "Stabilization Manager") and may, as Stabilization Manager, and acting in accordance with legal requirements (Article 5 para. 4 and 5 of the Market Abuse Regulation (EU) No 596/2014 in conjunction with Articles 5 through 8 of the Commission Delegated Regulation (EU) 2016/1052), make over-allotments and take stabilization measures to support the market price of the Company's shares and thereby counteract any selling pressure.

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, stabilization may not necessarily occur and may cease at any time. Such measures may be taken on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) from the date when trading in the shares of the Company is commenced on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and must be terminated no later than 30 calendar days after this date (the "Stabilization Period"). Stabilization transactions aim at supporting the market 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.