

Annual Report 2021



PHARMA
SGP



Contents

PharmaSGP	
PharmaSGP at a glance	04
Our milestones	05
PharmaSGP	07
The PharmaSGP platform	08
Our brand families	10
Value enhancement through M&A	13
The highlight of 2021	14
Our international presence	17
Key financial indicators	19
Strong growth of our “Health Brands”	21
To Our Shareholders	
Foreword by the Management Board	24
Report of the Supervisory Board	26
PharmaSGP on the Capital Market	30
Combined Management Report	
Principles of the Group	34
Economic Report	36
Report on Expected Developments	43
Opportunities and Risk Report	44
Internal Controls and Risk Management Systems of the Group Financial Reporting Process	50
Financial Risk Management and Financial Instruments	51
Takeover Related Disclosures pursuant to Secs. 289a and 315a HGB	52
Corporate Governance Statement and Report	53
Dependency Report	57
Subsequent Events	57
Consolidated Financial Statements	
Consolidated Statements of Profit or Loss and Other Comprehensive Income	60
Consolidated Statements of Financial Position	61
Consolidated Statements of Changes in Equity	63
Consolidated Statements of Cash Flows	64
Notes to the Consolidated Financial Statements	65
Other Information	
Responsibility Statement	90
Remuneration Report for the Financial Year 2021	91
Independent Auditor’s Report	95
Imprint	104

PharmaSGP at a glance

65.3

million euros
revenue in 2021

>31%

average adjusted
EBITDA margin (2017-2021)

<10%

fixed costs to revenue
(2019 - 2021)

86

marketing authorizations
existing or filed

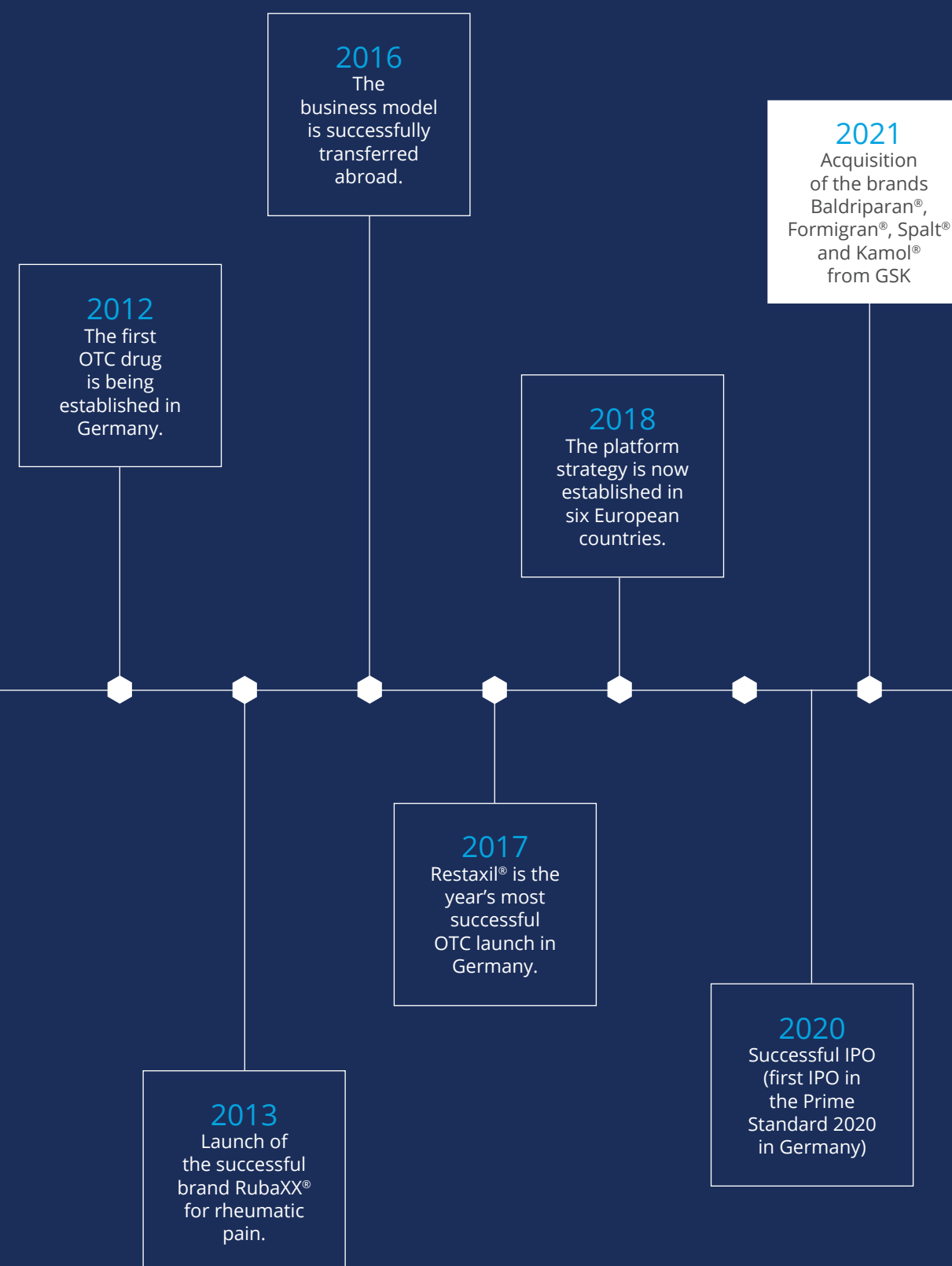
>3m

packs sold
in 2021

>130

million contacts -
target group reach per month

Our milestones





With our natural enthusiasm for improving patients' quality of life, we provide them individual best solutions from our ever-growing product range to treat chronic ailments – everyday!

PharmaSGP

A pan-European platform to build and grow leading OTC brands



We are a leading consumer health company with a diversified portfolio of over-the-counter (OTC) drugs and other healthcare products.

Since the launch of the first product in Germany in 2012, we have expanded our international footprint to eleven more European countries in 2021.

We transform brands into market leaders. The focus of our portfolio is on our core brands in the "Health Brands" category, which offer consumers trusted products for chronic indications such as pain, sleep disorders and other age-related conditions.

The focus here is on pharmaceutical products with predominantly natural active pharmaceutical ingredients and documented efficacy, which are characterised by good tolerability.



PharmaSGP has established a platform which allows the company to successfully build, integrate and grow brands across Europe in all markets. In order to focus on these success drivers, we have created a scalable, asset-light business model, which can also be transferred quickly and efficiently to other target markets.

In order to further expand our competitive position, we use organic and inorganic impulses by identifying untapped market potential and leveraging this potential via our PharmaSGP platform.

The PharmaSGP platform

A highly efficient, scalable business model

We have established a business model with low fixed costs that is demonstrably transferable to other target markets. We focus on our core competencies and have outsourced the entire manufacturing and logistics process. We have standard-

ized our processes so that our business can be rapidly scaled in all our markets. We have built up expert teams for our national and international activities and steer all of our business operating areas from our central company headquarter in Germany.

11
COUNTRIES – ONE BASE

Highly diversified supply chain

We have outsourced the entire manufacturing process for our drugs, dietary supplements and cosmetics to third-party manufacturers. More than 50 different qualified suppliers form a highly diversified pan-European supply chain. Whether it's formula development, laboratory tests, raw material

sourcing or packaging and product manufacturing – in all areas we rely on specialists in their field. The highest quality standards (GMP), standardized processes and long-term business relationships with small or large manufacturers enable efficient scalability at all times.

>50
SUPPLIERS

High regulatory competence

A strong regulatory competence is an important part of our platform strategy. Our experts are responsible for all regulatory matters and approval procedures for the portfolio in Germany and abroad. Likewise, we have extensive experience with regard

to regulatory requirements for cosmetics and food supplements. This enables us to integrate OTC products of different categories at any time. The acquisition of the GSK portfolio brings the total number of marketing authorisations, existing or pending, to 86.

86
DRUG MARKETING
AUTHORIZATIONS

D2C marketing specialists

One of our key success drivers is our proven D2C marketing strategy, which focuses on directly addressing end consumers via print media and TV. We have established a special process in order to precisely analyse and understand consumer needs and uncover untapped market potentials.

This enabled us to already create a number one brand with our first launch in 2012. We now have eight category leading brands in our portfolio and a proven track record of building and growing leading consumer brands.

8
LEADING
BRANDS

TARGET GROUP
REACH
>130
MILLION

Wide reach at low cost

Our D2C marketing strategy is characterized by a wide target group media reach. We achieve an average target group media reach in excess of 130 million contacts per month in our markets. A clearly defined media strategy

and special algorithms for measuring the efficiency of marketing campaigns, in combination with established, long-standing relationships with relevant media companies, enable attractive and efficient media conditions.



Our brand families

PharmaSGP stands for a broad portfolio of trusted brands in many different indications. Our focus: „Health Brands“

We offer consumers OTC drugs with brands they can trust. With our products, which are sold primarily through pharmacies, we focus on older people with chronic conditions. Our drugs are mainly based on natural active pharmaceutical ingredients with documented efficacy and few known side effects. Our largest brand families in-

clude Baldriparan® for sleep disorders and Spalt®, Formigran®, RubaXX® and Restaxil® for different pain conditions. The DESEO® and Neradin® brands are aimed at the men's health market, while TAUMEA® provides relief from vertigo. Our brands in the "Beauty Brands" category include cosmetic anti-ageing preparations.



Health



Health



Health

Beauty



“In 2021, we have reached an important milestone towards our vision of being the leading company in Europe with a strong OTC product portfolio with leading brands in their categories.”

Natalie Weigand, CEO

Value enhancement through M&A

Our growth strategy is aimed at making efficient use of our pan-European platform. As well as further growing our existing “Health Brands”, we will focus on the acquisition and integration of established brands in the future. We have now successfully completed the acquisition of the OTC portfolio with the Baldriparan®, Spalt®, Formigran® and Kamol® brands from the GlaxoSmithKline Group in 2021. With our M&A strategy, we pursue three main goals:



We strengthen our “Health Brands” focus category

The focus of our portfolio is on our core brands in the “Health Brands” category, with which we cover chronic indications, especially pain relief, as well as other age-related conditions.

With the addition of Formigran®, Spalt® and Kamol® we are supplementing the strategically important area of “pain relief”. At the same time, Baldriparan® opens up additional growth options with the new therapeutic area “sleep disorders”. Both areas are among the strongest-selling and continuously growing therapeutic areas in pharmacies.



We enlarge our international footprint

The structural change of the population favours the growth of the entire OTC market throughout Europe. The internationalisation of our brand portfolio is therefore an essential part of our growth strategy.

We have already successfully transferred our business model from Germany to Austria, Italy, Belgium, France and Spain by 2020. Through the acquisition of the GSK brands, we have been able to strengthen our presence in existing markets as well as enter five new markets in Europe in 2021.



We leverage potential for value enhancement via our platform

Thanks to our efficient and scalable pan-European platform, new brands can be integrated rapidly and easily. We create potential for value enhancement by:

- increasing sales through our effective D2C marketing and high target group reach
- achieving earnings improvements thanks to our lean cost structure; and;
- expanding sales and market share of the products in a specifically targeted manner through product innovations.

The highlight of 2021

Integration of four established OTC brands in eleven countries

Expansion of our indication areas to include the therapeutic area sleep disorder

The therapeutic area sleep disorders is one of the largest and fastest growing categories in pharmacies. The burden of the Covid-19 pandemic has amplified this. In Germany alone, 80 % of the population complain about "poor sleep".

With Baldriparan® we have integrated another leading brand into our portfolio. Baldriparan® has been a fixture in German pharmacies for over 67 years and is the No. 1 OTC brand for the herbal treatment of nervous sleep disorders.

In addition, the Baldriparan® brand has been established for years in seven other countries.



Strategic expansion of the pain relief category



With the acquisition of the Spalt®, Formigran® and Kamol® brands we are strengthening the therapeutic area of "pain relief", which is strategically important for us.

In Germany, our portfolio is complemented by another market leader. Today, Formigran® is the top-selling OTC triptan for migraine. The Spalt® brand, on the other hand, is one of the most iconic brands in Germany and has been regarded as the classic pain relief for over 88 years. To this day, the Spalt® pain tablet with 2-fold effect is unique in its combination.

With the Kamol® brand, we are strengthening our French market. Kamol® massage cream has featured as a traditional treatment for over 30 years - with camphor, eucalyptus and menthol, it is traditionally used for stressed muscles.





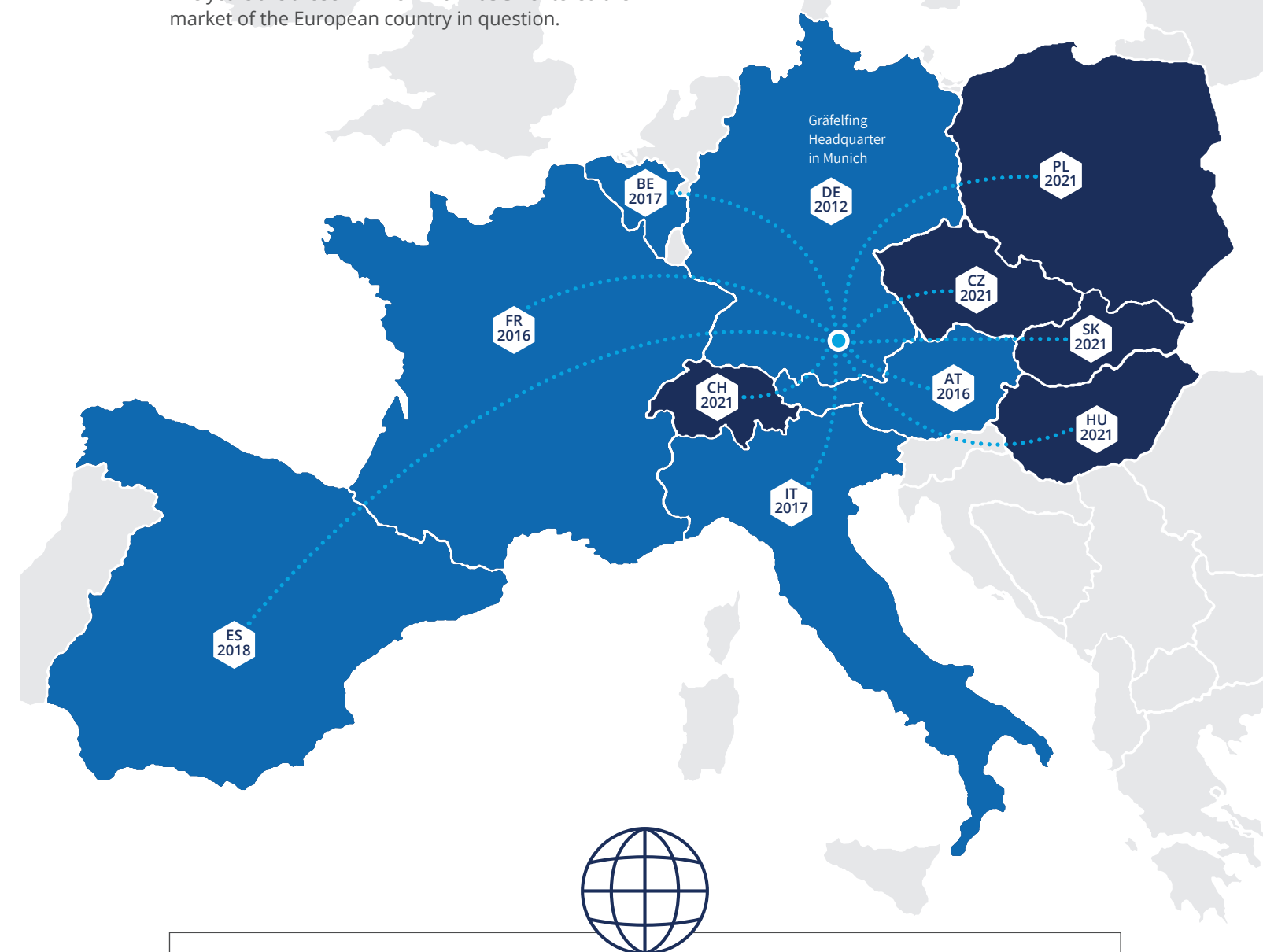
“In a market environment that is benefiting from increasing self-medication throughout Europe, I see good conditions for the successful continuation of the expansion of our international presence.”

Natalie Weigand, CEO

Our international presence

Eleven countries – one base

The years are those in which PharmaSGP entered the market of the European country in question.



Expansion of the international footprint in 2021

With the acquisition of the Baldriparan®, Formigran®, Spalt® and Kamol® brands, we are strengthening our presence in Germany, Austria and France. On the other hand, we are opening up five new European markets and extending our international footprint to a total of eleven countries.

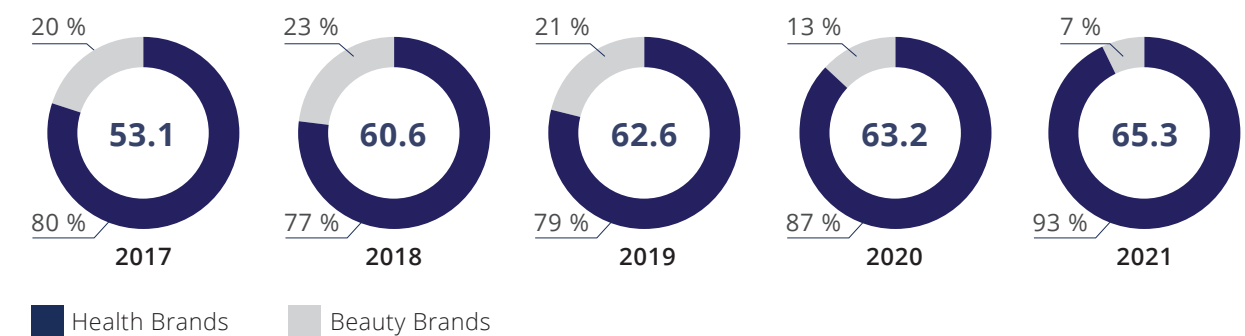


“In 2021, despite the ongoing Corona pandemic, PharmaSGP was able to expand its sales and strengthen its strong financial position.”

Michael Rudolf, CFO

Key financial indicators

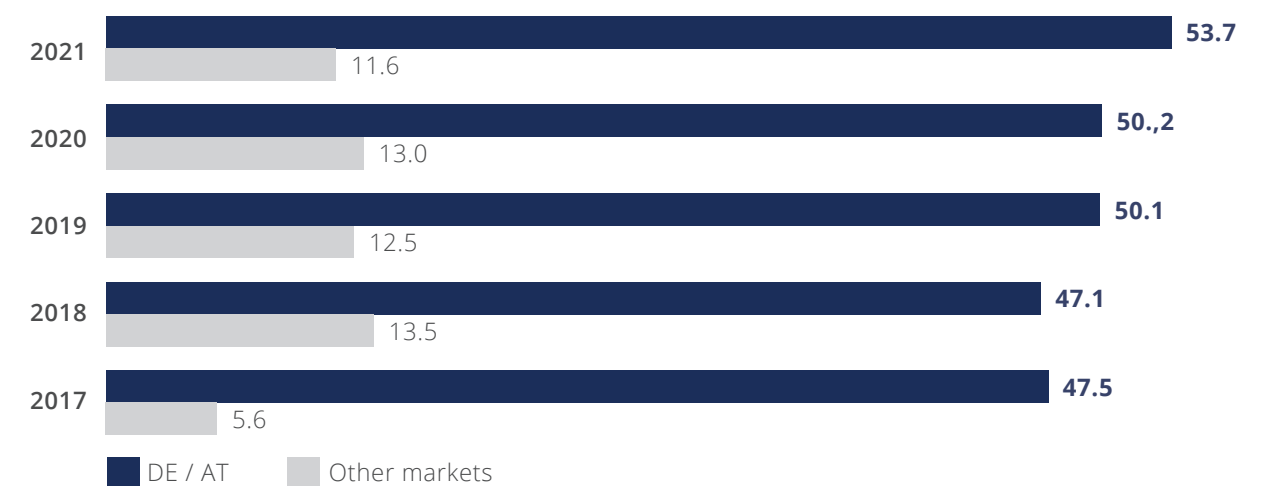
PharmaSGP revenues*



Key figures for the PharmaSGP Group*

	2017	2018	2019	2020	2021
Revenues	53.1	60.6	62.6	63.2	65.3
Adjusted EBITDA	15.7	19.9	22.8	17.0	19.4
Adjusted EBITDA margin	29.7 %	32.9 %	36.5 %	26.9 %	29.7 %
Adjusted EBIT	15.3	19.5	22.4	16.5	15.9
Adjusted EBIT margin	28.9 %	32.3 %	35.8 %	26.1 %	24.3 %
Earnings per share**	0.98	1.23	1.39	0.89	0.89
Operating Cash Flow	14.3	8.4	17.6	15.5	12.2

Geographical breakdown of PharmaSGP revenues*



* all figures in € million, except earnings per share (in €) and margins (in %)

**For the financial years 2017-2021, 12,000,000 shares are the basis for calculating earnings per share.



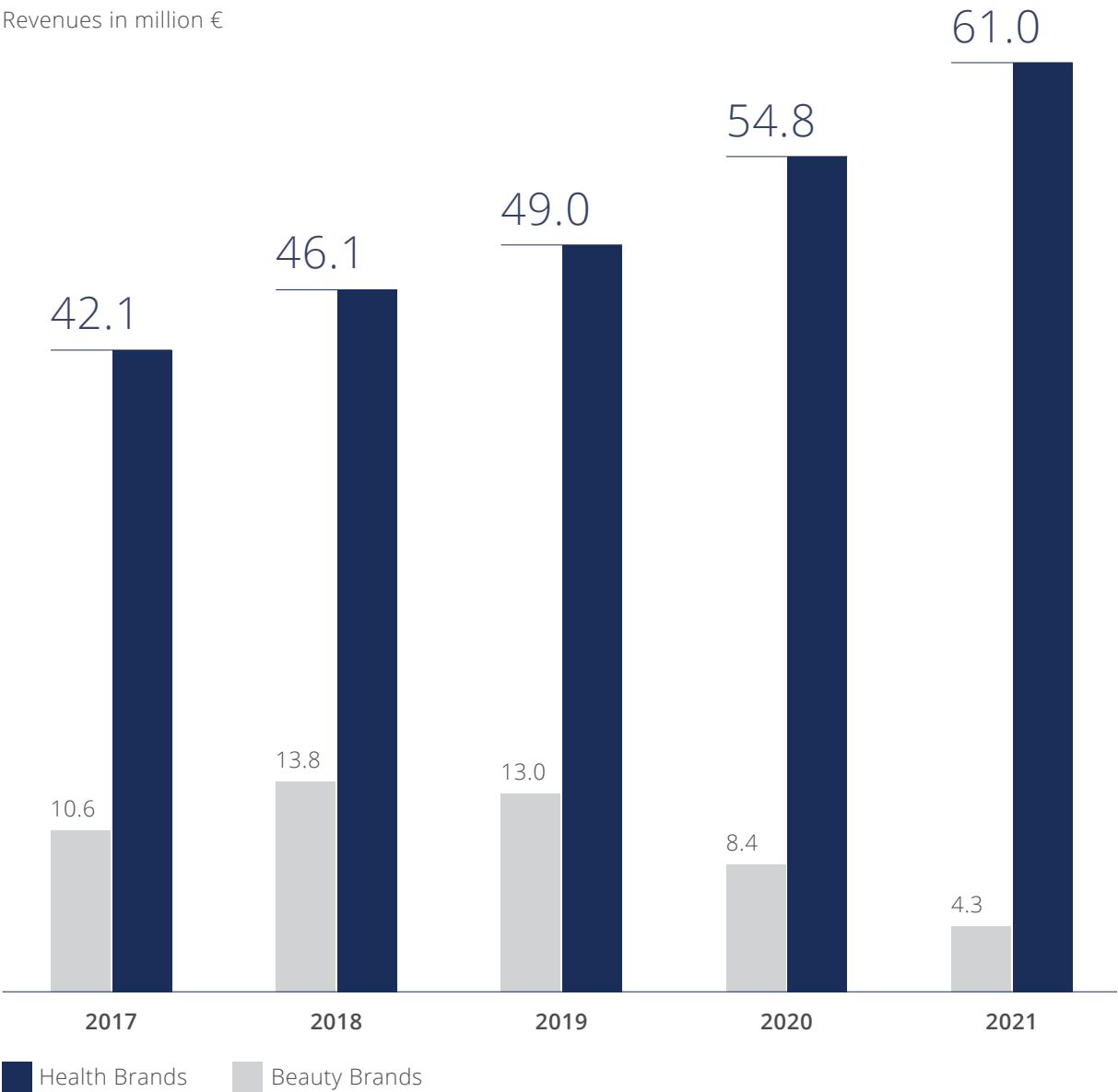
“Our strategy is to analyse untapped market potential, build strong consumer brands and successfully transfer them to other countries. The continuous growth of our “Health Brands” business shows the success of this strategy.”

Natalie Weigand, CEO

Strong growth of our “Health Brands”

Result of our pan-European platform

We always keep an eye on our two most important performance indicators: Increase in turnover with simultaneous growth in profitability. For this reason, we have increasingly focused our investment on the “Health” category in recent years. The continued strong growth of our Health Brands, despite changing market conditions, demonstrates the potential of our pan-European platform.





To Our Shareholders

Foreword by the Management Board	24
Report of the Supervisory Board	26
PharmaSGP on the Capital Market	30



Foreword by the Management Board

Dear Shareholders,
Dear Ladies and Gentlemen,

The dynamics of the 2021 financial year have shown the potential of the PharmaSGP platform like no other year so far. While the first two quarters of the financial year 2021 were still visibly impacted by the Covid-19 pandemic, as in the previous year, we gained significant momentum in the second half of the year and continued our profitable growth path with record sales in 2021. In the third quarter the organic growth of our “Health Brands” ensured the strongest sales quarter in the company’s history, but we also continued our positive development in the fourth quarter of 2021. With the acquisition of the portfolio of four strong OTC brands from the GlaxoSmithKline Group in autumn 2021, we reached a milestone in PharmaSGP’s corporate history and were thus able to report record sales of € 65.3 million for 2021 at the upper end of the issued guidance. In doing so, we were able to grow faster than the OTC market as a whole.

Due to our strong operating performance of the past financial year with record sales and above average growth in earnings, our investors should also participate directly in the company’s success in the form of a dividend. As we are forecasting an increasingly positive development for the coming year as well, we are very pleased to be able to propose to the Annual General Meeting the distribution of 50% of the net profit for the year, without at the same time restricting our scope for future investments.

Sales in our strategically important “Health Brands” category increased noticeably by 11.2% year-on-year to € 61.0 million in 2021. As a result of this revenue growth combined with improvements in our cost structure, we achieved a 14.3% year-on-year increase in adjusted EBITDA. The adjusted EBITDA margin also improved significantly to 29.7%.

Through the acquisition of the portfolio of four established OTC brands, we significantly strengthened our business strategically. We expect the acquired portfolio to realize its full potential as early as 2022 and give additional momentum to our growth tra-

jectory. To this end, the integration of the four brands into the established production, marketing and sales processes was fully implemented in the important core markets of Germany, Austria and France within a very short time after the transaction was completed. For the other countries Switzerland, Hungary, Poland, Slovakia and the Czech Republic, the integration processes were completed on schedule by the end of February 2022. Immediately after taking over the portfolio, we began to exploit the previously untapped sales potential of the new brands through our proven D2C marketing strategy. In addition, we successfully expanded the Baldriparan® and Kamol® brand families in the past few months. One example of this is the development of a new sleeping spray containing melatonin and hemp for Baldriparan®, which has already been launched in Germany and Austria. A new CBD gel was also launched under the Kamol® brand at the beginning of the year.

The successfully completed acquisition demonstrates the potential we have created with the PharmaSGP platform and which enables us to successfully integrate and expand brands in Europe.

We intend to continue to consistently exploit the growth potential arising from our platform strategy in 2022 with a targeted focus on M&A activities. We are therefore confident that we will continue to create significant added value for existing and new brands with this approach.

For the financial year 2022, we now expect sales between € 78 million and € 82 million and an adjusted EBITDA margin between 30% and 33%. These expectations are based on the assumption that there will be no negative impact on our target markets in the further course of 2022 due to the changed geopolitical situation in Eastern Europe, and on the assumption that the Covid-19 pandemic will not have any additional negative impact on the overall economy and the OTC market in that year. Furthermore, potential acquisitions are not included in this forecast.

Very special thanks for the successful year 2021 go to our employees, who continue to drive PharmaSGP forward on its growth path together with us with full enthusiasm and commitment. We also thank our shareholders, business partners and customers for their trust and loyalty. Continue to join us on our way to a successful future!

Gräfelfing, April 2022

Natalie Weigand
(CEO)

Michael Rudolf
(CFO)

Report of the Supervisory Board for the Financial Year 2021

Activities of the Supervisory Board in the 2021 financial year; cooperation between the Management Board and the Supervisory Board

In the 2021 financial year, the Company's Supervisory Board conscientiously performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board continuously monitored and advised the Management Board on issues of importance to the Company and the PharmaSGP Group.

The Supervisory Board held seven meetings in the 2021 financial year. The legally mandated rotation of two meetings per calendar half-year was adhered to. Four meetings were held by video conference, in particular so as to take Covid-19-related restrictions into account. Three meetings were held in person. In addition, the Supervisory Board passed several resolutions by circular resolution. All members of the Supervisory Board participated in the meetings of the Supervisory Board during the reporting period.

The Company's Supervisory Board does not form any committees given that – as per the company's Articles of Association – the board consists of only three persons. An increase in work efficiency is therefore not to be expected from the additional formation of committees.

In the 2021 financial year, the Company's Management Board reported regularly, promptly and comprehensively to the Supervisory Board, both in regular meetings and when required outside meetings, on the net assets, financial position and results of operations of the Company and the PharmaSGP Group, as well as on issues relating to risk management. As part of this process, the Management Board informed the Supervisory Board about all relevant issues of corporate policy, strategy, operational planning (and the associated risks and opportunities), the economic development of the Company and all relevant business policy transactions. The content of the reports was intensively discussed in the meetings of the Supervisory Board. The Management Board and the Supervisory Board discussed in detail all significant business transactions and major decisions of the 2021 financial year.

The members of the Supervisory Board were also in regular contact with the members of the Management Board outside of the meetings. With regard to measures that were to be submitted to the Supervisory Board by the Management Board for approval, the necessary information for the decision-making of the Supervisory Board was provided by the Management Board.

It was not necessary to inspect any documents beyond the reports and draft resolutions of the Management Board in the reporting year.

Key advisory topics in the 2021 financial year

The main topics of the Supervisory Board meetings were primarily the fundamental orientation of the corporate strategy, the structure of the Company under company law, measures relating to the OTC product portfolio acquired from GlaxoSmithKline Group (GSK) as of 15 June 2021, the ongoing business development, and the situation of the Company and the PharmaSGP Group.

The Management Board informed the Supervisory Board regularly about the current business situation, strategic issues and the demand situation in the individual markets. Furthermore, the Supervisory Board addressed potential acquisition opportunities, the further development of the product portfolio as well as marketing measures.

In the reporting period, the focus was on the following topics in particular:

- In February 2021, the Supervisory Board approved the establishment of PharmaSGP Vertriebs GmbH rendering marketing and sales services in the pharmaceutical field.
- In April 2021, the Supervisory Board approved a control and profit and loss transfer agreement between the Company and PharmaSGP Vertriebs GmbH.
- In June 2021, the Supervisory Board approved a transaction with GlaxoSmithKline Group on the

acquisition of four OTC product brands by PharmaSGP Group (hereinafter referred to as "GSK transaction") and a shareholder financing of the purchase price of the GSK transaction by means of an unsecured loan from FUTRUE GmbH in the amount of € 85,000 thousand.

- In August 2021, the Supervisory Board dealt with several topics in relation to the refinancing of the above-mentioned shareholder loan by FUTRUE GmbH, and approved the refinancing as suggested.
- Also in August 2021, the Supervisory Board approved a further unsecured shareholder loan from FUTRUE GmbH in the amount of € 12.000 thousand in order to finance VAT payments arising from the completion of the GSK transaction.
- In September 2021, the Half-Year Financial Report was presented to the Supervisory Board and discussed in detail.
- In November 2021, the Supervisory Board dealt with several contracts with entities of FUTRUE Group and agreed to the conclusion of these contracts.

Audit of the annual and consolidated financial statements 2021

The annual financial statements prepared by the Management Board in accordance with the provisions of the German Commercial Code (HGB), as well as the consolidated financial statements prepared in accordance with Section 315e HGB on the basis of the International Financial Reporting Standards (IFRS) and the combined management report for the Company and the PharmaSGP Group for the 2021 financial year were each audited by the Company's auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft Munich, and received an unqualified audit opinion.

The aforementioned documents were made available to all members of the Supervisory Board in a timely manner and were discussed in detail at the meeting of the Supervisory Board on 26 April 2022.

The auditor attended this meeting, reported on the main results of the audit and was available for questions and further information during the discussions. The Supervisory Board concurred with the auditor's findings and determined that no objections were to be raised. Moreover, the Supervisory Board examined the Management Board's proposal for the appropriation of the net profit and concurred with this proposal. The Supervisory Board approved the annual financial statements, the consolidated financial statements of the PharmaSGP Group and the combined management report by resolution of 26 April 2022. The annual financial statements of the Company for the 2021 financial year are thereby adopted.

The auditor also examined the report of the Management Board pursuant to Sec. 312 of the German Stock Corporation Act (AktG) on the Company's relationships with affiliated companies. This audit did not result in any objections. The auditor issued the following unqualified audit opinion:

Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the payments made by the Company in connection with transactions detailed in the report were not unreasonably high,
3. there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the Executive Board.

The report of the Management Board on the relationships of the Company with affiliated companies and the associated audit report of the auditor were made available to the members of the Supervisory Board in a timely manner. The Supervisory Board dealt with this in detail at its meeting on 26 April 2022. The auditor attended this meeting, reported on the main results of the audit and was available for questions and further information during the discussions. The Supervisory Board's review of the report on relation-

ships with affiliated companies did not lead to any objections. The Supervisory Board therefore concurred with the results of the auditor’s review and raised no objections.

Dealing with conflicts of interest

Insofar as legal transactions with companies controlled by the Supervisory Board members Dr. Fischer and / or Ms. Hohlefelder were to be dealt with in the Supervisory Board in the reporting year, the relevant resolutions of the Supervisory Board were passed without the votes of Dr. Fischer and Ms. Hohlefelder.

Composition of the Management Board and Supervisory Board in the 2021 financial year

In the financial year 2021 and the current financial year 2022, there were no personnel changes in the composition of the Management Board and Supervisory Board.

Thanks and recognition

We would like to thank the Management Board and all employees for their personal commitment and the consistently constructive and trust-based cooperation in 2021.

Gräfelfing, April 2022

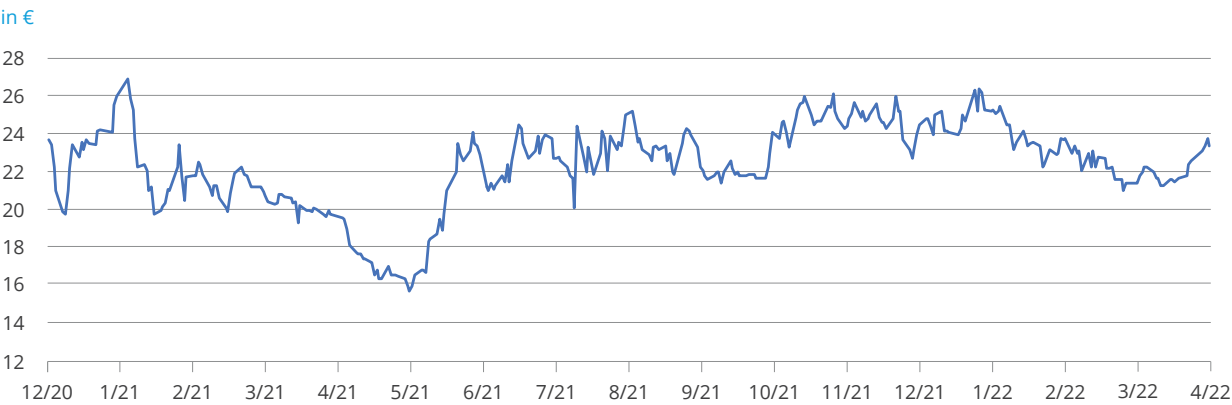
Dr. Clemens Fischer (Chairman)

PharmaSGP on the Capital Market

After the share of PharmaSGP had recorded a strong upward jump at the turn of the year 2020/2021, it started the financial year 2021 at a price of € 26.00. As of 31 December 2021, the share closed at a price of € 24.70, which corresponds to a market capitalization of € 296.4 million and a share price performance of -5.0 % in the financial year 2021. In the first quarter of 2021, the share price was impact-

ed by the market environment burdened by the Covid-19 pandemic. Since the beginning of May 2021, the share has shown a clear upward trend and has since remained at a stable level. In the first quarter of 2022, uncertainties on the stock markets due to the war in Ukraine also impacted the share price of PharmaSGP. The closing price as of 14 April 2022 is € 23.40.

Share Price*



* based on Xetra closing prices of Deutsche Börse AG

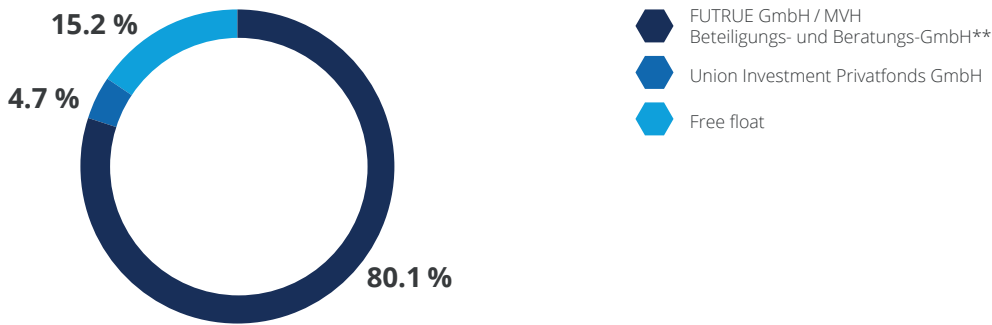
Master Data of the Share*

Security Identification Number (WKN)	A2P4LJ
ISIN	DE000A2P4LJ5
Ticker symbol	PSG
Type of shares	Ordinary bearer shares with no par value (no-par value shares)
Initial listing	19 June 2020
Number of shares	12.0 million
Closing price* (31 December 2021)	€ 24.70
High / Low*	€ 26.95 / € 15.70
Market capitalization (31 December 2021)	€ 296.4 million
Stock exchange / segment	Frankfurt Stock Exchange / Prime Standard
Designated Sponsor	Joh. Berenberg, Gossler & Co. KG

* based on Xetra closing prices of Deutsche Börse AG

Shareholder Structure

Information based on the voting rights notifications received pursuant to the German Securities Trading Act, WpHG (as of April 2022)



**Based on a voting agreement between FUTURE GmbH and MVH Beteiligungs- und Beratungs-GmbH, there is a mutual attribution of voting rights between FUTURE GmbH and MVH Beteiligungs- und Beratungs-GmbH with regard to all shares held by them in Pharma SGP Holding SE.



Combined Management Report

Principles of the Group	34
Economic Report	36
Report on Expected Developments	43
Opportunities and Risk Report	44
Internal Controls and Risk Management Systems of the Group Financial Reporting Process	50
Financial Risk Management and Financial Instruments	51
Takeover Related Disclosures pursuant to Secs. 289a and 315a HGB	52
Corporate Governance Statement and Report	53
Dependency Report	57
Subsequent Events	57

Combined Management Report for the Financial Year 1 January to 31 December 2021

This report combines the management report of PharmaSGP Holding SE (hereafter also referred to as the “Company” or “SGP SE”) and the group management report of PharmaSGP Group (“PharmaSGP” or the “Group”) comprising PharmaSGP Holding SE and its subsidiaries PharmaSGP GmbH, Remitan GmbH, Restaxil GmbH and PharmaSGP Vertriebs GmbH.

The combined management report of PharmaSGP Holding SE was prepared in accordance with Sec. 289, 315 and 315a HGB (German Commercial Code) and German accounting standard DRS 20 (Deutsche Rechnungslegungsstandards).

1. Principles of the Group

1.1 Business Model

PharmaSGP Holding SE (together with its subsidiaries) is a consumer health company with a diversified portfolio of over-the-counter (OTC) pharmaceuticals and other healthcare products that are marketed with the focus on the pharmacy distribution channel.

Over the past nine years, PharmaSGP has created a platform to successfully integrate and grow brands in all its European markets. Five key factors are the basis for the ongoing success:

- A proven, scalable asset-light business model combined with established processes
- A highly diversified European supply chain
- Broad and long-standing regulatory expertise
- A strong and specialized Direct-to-Consumer (D2C) marketing strategy
- A wide target group media reach of more than 130 million contacts per month

In order to focus on its success drivers, PharmaSGP has deliberately established a scalable, asset-light

business model which can also be transferred quickly and efficiently to new target markets. The entire manufacturing process is handled by a diversified network of third-party manufacturers in Europe. In Germany and in foreign markets, individual local logistics providers supply wholesalers and to a lesser extent pharmacies directly. Combined with many years of experience of approval processes for new OTC pharmaceuticals in Germany and abroad, as well as regulatory requirements for other healthcare products, PharmaSGP's platform allows it to quickly and efficiently establish and grow both new and existing brands and to establish its business model in other countries with little investment.

PharmaSGP's OTC products cover highly relevant and chronic indications marketed directly to their target group, especially senior citizens, under well-known pharmaceutical brands via a specialized D2C marketing strategy with a wide target group media reach and efficient commercial media conditions. In a structurally growing market, it has thereby been able to establish market-leading positions in many important areas, such as rheumatic and neuralgic pain or men's health. The product portfolio is expanded through in-house developments as well as acquired marketing approvals, brands and product portfolios.

PharmaSGP's core market is Germany, which accounted for 70 % of total revenues in the financial year 2021. As the European OTC market is also expected to grow in the future due to fundamental trends, the Group also continues its drive towards greater internationalization of its brand portfolio. Since the launch of the first product from the current product portfolio in 2012, PharmaSGP has successfully transferred its business model to Austria, Italy, Belgium, France and Spain. Since September 2021, the Group has expanded its operations to Switzerland and Eastern European EU countries.

1.2 Product Portfolio

As of 31 December 2021, the product portfolio currently marketed by PharmaSGP includes more than

50 OTC pharmaceuticals and other healthcare products. The Group's core brands cover chronic indications, especially pain and sleep disorders, as well as other age-related ailments. The OTC drugs are mostly based on natural active pharmaceutical ingredients with documented efficacy and few known side effects.

In Germany, PharmaSGP is the market leader for chemical-free pain remedies, based on revenues of chemical-free, systemic OTC drugs for nerve and rheumatic pain. The latter are sold under the well-known brand families Restaxil® (nerve pain) and RubaXX® (rheumatic pain). PharmaSGP has also established leading brands in their categories for vertigo (TAUMEA®) and sexual weakness (DESEO®, Neradin®).

The development of existing brand families and the expansion of the brand portfolio through inhouse developments and acquired marketing authorizations, brands and product portfolios are essential components of the growth strategy. With the acquisition of the established OTC brands Baldriparan®, Formigran®, Spalt® and Kamol® (“GSK portfolio”) from GlaxoSmith-Kline Group (“GSK”) in August 2021, PharmaSGP expands its portfolio through further market leaders in their category. In Germany, for example, Baldriparan® is the No. 1 herbal sleep aid in pharmacies, and Formigran® is the leading OTC pharmaceutical against migraine.

1.3 Goals and Strategy

PharmaSGP's goal is to establish a strong portfolio of leading OTC brands in Europe. To achieve this, it has defined a growth strategy focused on the use of its platform in Europe.

In addition to further organic growth and expansion of its existing portfolio, PharmaSGP is focusing also on the acquisition and integration of established brands as part of the growth strategy. Value enhancement potential can be realized by

- increasing revenues through the implementation of the D2C marketing strategy and exploiting the wide target group media reach, and
- increasing profitability through margin optimizations and improvement of the cost structure based on the asset-light business model, among other things.

The Group looks for well-known and established brands with an existing customer base and untapped commercial potential, as well as brands that are un-

der-invested in their current environment which can be further expanded.

The starting point for realizing PharmaSGP's growth potential is the ongoing analysis of its target markets. A fast product launch, a flexible marketing approach and a clear end-consumer focus define the path to sustained market success for PharmaSGP. In addition, further internationalization is a key element of the growth strategy.

1.4 Research and Development

A cost-efficient product development process and a fast integration process for introducing established products to the PharmaSGP platform are key drivers of PharmaSGP's growth. Developing and integrating new products are fundamental to PharmaSGP. Key activities include identifying potentially attractive indications and active pharmaceutical ingredients, developing and perfecting formulations and optimizing and updating existing or acquired marketing authorizations.

PharmaSGP cooperates with specialized contract manufacturers and certified laboratories to create formulation samples. Services such as test productions, analytics or shelf-life studies are bought in as needed with a view to consciously making the development process resource-efficient and cost-efficient. This process keeps PharmaSGP's development costs at a low level and accelerates market access. Acquired authorizations with regards to the specification and manufacturing process are adapted to the relevant requirements of PharmaSGP and to the current catalogue of requirements of regulating authorities.

The Group draws on many years of experience with regard to approval processes for new OTC pharmaceuticals in Germany and abroad. As of 31 December 2021, a total of 86 marketed and non-marketed marketing authorizations (existing or filed) have been granted in Germany and abroad.

Development services are handled exclusively by PharmaSGP GmbH and Restaxil GmbH. The Group's capitalization rate in 2021 was 81 %.

PharmaSGP does not conduct research activities.

1.5 Marketing and Sales

Through its specialized D2C marketing strategy, PharmaSGP has established leading consumer brands in important indication areas, such as rheumatic and neuralgic pain or sexual weakness. It focuses its marketing on a direct-to-consumer approach through print media and TV advertising. By advertising in wide reaching newspapers and magazines and selected TV channels, PharmaSGP currently has an average target group media reach of more than 130 million contacts per month in its target markets.

Besides reliable product quality, the Group's marketing activities create consumer loyalty to PharmaSGP's brands. This is reflected in repeat purchases and in numerous positive testimonials from customers and patients. The fact that its products are available in more than 99 % of German pharmacies also demonstrates PharmaSGP's wide reach.

1.6 Group Structure

The wholly-owned subsidiaries PharmaSGP GmbH, Remitan GmbH, Restaxil GmbH and PharmaSGP Vertriebs GmbH operate under the umbrella of PharmaSGP Holding SE.

PharmaSGP GmbH and Restaxil GmbH distribute the majority of OTC products in the Health Brands category, while Remitan GmbH mainly sells products in the Beauty Brands category.

1.7 Locations and Employees

The registered office of the PharmaSGP companies is in Gräfelfing, Bavaria, Germany. As of 31 December 2021, the Group had a total of 66 employees (full-time equivalents) at this location, thereof 16 employed by SGP SE (31 December 2020: 67 employees, thereof 17 employed by SGP SE).

All relevant departments, including Marketing and Sales, Product Development, Quality Management & Regulatory Affairs, Operations, Controlling & Finance and other supporting functions are located at the Company's offices in Gräfelfing. The production of OTC drugs and healthcare products generally takes place in Germany or in European countries, in cooperation with selected and certified contract manufacturers. To distribute its products, PharmaSGP cooperates with logistics and distribution partners in the respective countries on a long-term basis.

1.8 Management System and Performance Indicators

The business planning and management of the Group is based on targets set by the Management Board. By means of budget planning, the targets are translated into measurable financial targets.

The operating business is managed based on selected financial ratios. The financial performance indicators are continuously monitored and presented to the Management Board in monthly reports. In particular, planned figures are compared with the results of the current business development (comparison of planned and actual figures). Appropriate measures are defined and implemented if there are deviations from the original targets.

The key performance indicators for the Management Board are revenues and – since mid of 2021 – adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) in order to measure the Company's success. In connection with the acquisition of the GSK portfolio, Management decided to replace the former performance indicator "adjusted earnings before interest and taxes (adjusted EBIT)" by adjusted EBITDA. Presentation of current results and prior period results and expected developments were updated accordingly.

2. Economic Report

2.1 General Economic Environment and Industry-Specific Conditions

2.1.1 General Economic Environment

According to the Kiel Institute for the World Economy (IfW), global economic activity recovered from the consequences of the Covid-19-pandemic in the first half of 2021. However, renewed increases in corona infections and supply shortages slowed down the upturn in industrial production and economic activity in many regions in autumn.¹ After a decrease of 3.1 % in the previous year, the global economy grew by 5.7 % in 2021 according to the IfW.²

In Germany, the price-adjusted gross domestic product (GDP) increased by 2.7 % in 2021 according to preliminary calculations by the Federal Statistical Office, after a decrease of 4.6 % in 2020.^{3,4} The 2020 losses caused by Covid-19 have not yet been recovered in 2021.

According to a preliminary estimate by Eurostat, price-adjusted GDP in the Euro zone increased by 5.2 % in 2021.⁵ In the previous year, this had plummeted by 6.4 % according to IfW data.⁶ In other central EU markets such as France, Italy and Spain, price-adjusted GDP showed even stronger decreases by 8.0 %, 9.0 % and 10.8 % respectively in 2020, according to the IfW.⁷

2.1.2 Industry-Specific Conditions

In the long-term perspective, the pharmaceutical and healthcare market relevant to PharmaSGP will be driven by major, fundamental consumer trends. These include demographic developments accompanied by an ongoing aging of society. At the same time, a continuously increasing health awareness as well as trends towards natural pharmaceuticals and increased self-medication in society can be identified. Sales of OTC pharmaceuticals in Europe are estimated to total approx. USD 20.2 billion in 2021, with annual growth rates until 2025 of 3.3 %.⁸

In Germany, the pharmacy market recorded increasing revenues of almost 8 % in the financial year 2021 and unit sales growth of 0.7 %, compared to a weak prior year. Compared to the prior-year first quarter, which was barely affected by the pandemic, the first quarter of 2021 initially saw a significant decline in sales. During the year, however, sales in the pharmacy market recovered and by the end of the year exceeded the sales achieved in 2020 on a full-year basis. Sales also grew again from April onwards, with growth leveling off in the high single-digit percentage range.⁹ In the OTC segment of pharmacies in Germany, which is the key market to PharmaSGP, revenues increased by 1.7 % year-on-year, while the number of sales per unit remained virtually unchanged compared to the prior year (-0.4 %).¹⁰ Compared to 2019, before the Covid-19-pandemic, sales per unit in the OTC sector was 14.5 % lower, and revenues were still 10 % below the corresponding figure for 2019.¹¹

2.2 Course of Business for PharmaSGP

Compared to the prior year, PharmaSGP could increase its revenues in the financial year 2021 by 3.3 % to € 65,344 thousand (2020: € 63,246 thousand) and thus outperforms the growth of the overall OTC market (1.7 %). While sales in the first half year of 2021 were heavily impacted by the Covid-19-pandemic, PharmaSGP significantly increased its revenues in the second half of 2021, both though its existing products as well as the newly acquired products of the GSK portfolio.

Particularly in its marketing spendings, PharmaSGP could exploit cost reduction potentials and optimize the efficiency of its marketing investments. In addition, expenses for legal, consulting and third-party fees could be significantly reduced, compared to the prior year. Overall, these increases in efficiency, the maintaining of the asset-light business model and the increased levels of revenues result in an improvement in profitability. The adjusted EBITDA as key performance indicator as increased from 26.9 % in the prior year to 29.7 % in the financial year 2021. Due to the improved earnings and profitability position, also the financial position has further improved. Compared to the prior year, cash and cash equivalents have more than doubled and amount to € 20,824 thousand as of 31 December 2021 (31 December 2020: € 8,001 thousand).

Acquisition of four OTC product brands

From a management perspective, the acquisition of four OTC product brands from GSK in the third quarter of 2021 at a total purchase price of € 81,400 thousand plus incidental acquisition costs of € 1,628 thousand represent a major milestone for the future business success of PharmaSGP. In addition, the corresponding inventories were taken over against payment. The respective Asset Purchase Agreement was signed on 15 June 2021, the transaction was formally completed on 31 August 2021.

The purchase price was fully paid in cash on 31 August 2021. Financing was provided by means of a shareholder loan agreement in the amount of € 85,000 thousand with FUTRUE GmbH ("FUTRUE") signed on 15 June 2021, which was refinanced by bank loans on 25 August 2021. The bank financing has a volume of € 85,000 thousand, it was unsecured

¹ Kiel Institute for the World Economy (2021), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2021, p. 2

² Ibid., p. 8

³ Federal Statistical Office (2022), Bruttoinlandsprodukt im Jahr 2021 um 2,7 % gestiegen

⁴ Kiel Institute for the World Economy (2021), Kieler Konjunkturberichte, Deutsche Wirtschaft im Winter 2021, p. 2

⁵ Eurostat (2022), GDP and employment flash estimates for the fourth quarter of 2021

⁶ Kiel Institute for the World Economy (2021), Kieler Konjunkturberichte, Weltwirtschaft im Winter 2021, p. 9

⁷ Ibid., p. 9

⁸ <https://lb-aps-frontend.statista.com/outlook/cmo/otc-pharmaceuticals/eu-27>

⁹ <https://www.iqvia.com/-/media/iqvia/pdfs/germany/library/publications/iqvia-marktbericht-classic-entwicklung-des-deutschen-pharmamarktes-im-kalenderjahr-2021.pdf>; p. 4

¹⁰ <https://www.iqvia.com/-/media/iqvia/pdfs/germany/library/publications/iqvia-marktbericht-classic-entwicklung-des-deutschen-pharmamarktes-im-kalenderjahr-2021.pdf>; p. 19

¹¹ <https://www.apotheke-adhoc.de/nachrichten/detail/apotheken-praxis/2021-16-prozent-weniger-kunden-als-vor-corona/>

as of the signing day and matures on 15 September 2022. Currently, PharmaSGP is working on a transfer of the bank financing into a syndicate funding with maturities of up to five years. The aspired syndicate funding is the foundation for the future acquisitory growth strategy of PharmaSGP.

The GSK portfolio comprises the OTC brands Baldri-paran®, Spalt®, Formigran® and Kamol®. In 2021, it was distributed in Germany, Austria, Switzerland, France, Hungary, Poland, Czech Republic and Slova-kia. Since 1 September 2021, the portfolio was inte-grated into PharmaSGP's pan-European platform, and thus contributes to PharmaSGP's sales and profit development. For Switzerland and the Eastern Euro-pean EU markets, a Transitional Services Agreement (TSA) between GSK and PharmaSGP was concluded for a period of six months.

In addition, a Manufacture and Supply Agreement (MSA) was signed, giving PharmaSGP access to cer-tain production facilities of GSK for a period of up to 36 months. PharmaSGP uses this transition period for the establishment of alternative manufacturing structures.

Since September 2021, the new portfolio has been integrated into PharmaSGP structures:

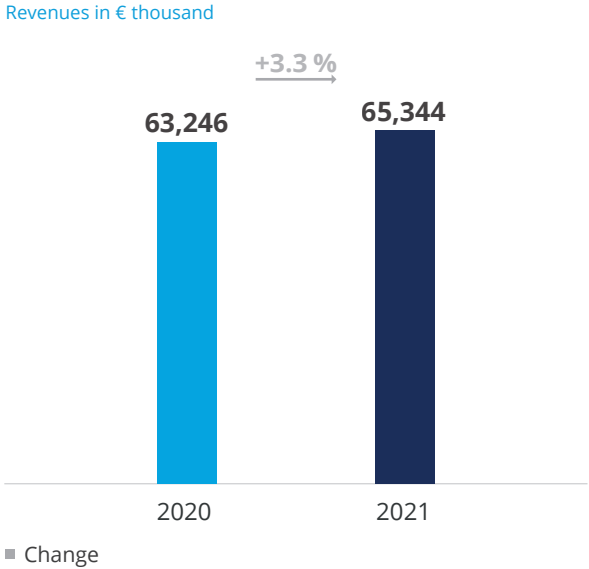
- The regulatory transfer of marketing authoriza-tions and other intangible assets is fully com-pleted.
- Production planning and order management were integrated into PharmaSGP processes.
- The media strategy has been defined and imple-mented.
- Line extensions are under development and market launch.
- Set up of new distribution structures for TSA countries is in progress as planned.

The integration of the GSK portfolio into the pan-Eu-ropean platform shall leverage potential for value enhancement. Thus, PharmaSGP's portfolio was ex-panded by established brands, the number of indi-cations increased and the internationalization of the Group further expanded.

2.3 Earnings, Assets and Financial Position of PharmaSGP

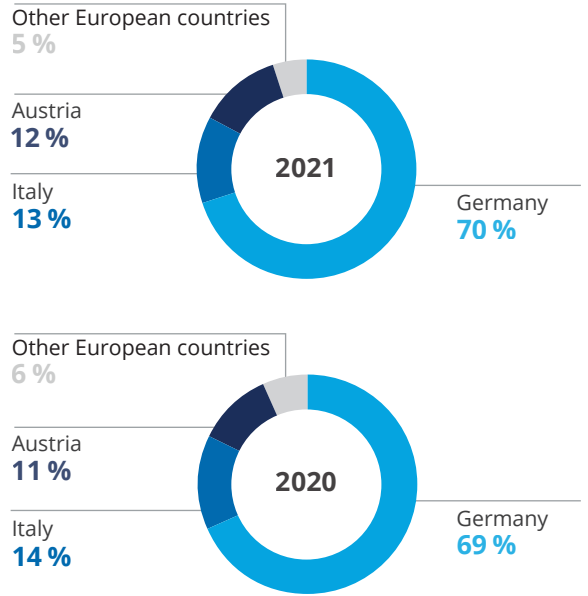
2.3.1 Earnings Position

Revenue development: Growth rates despite continuing Covid-19-restrictions



Compared to the prior year, PharmaSGP increased its revenues in the financial year 2021 by 3.3 % to € 65,344 thousand (2020: € 63,246 thousand). While sales in the first half year of 2021 were heavily im-pacted by the Covid-19-pandemic, PharmaSGP could significantly increase its revenues in the second half of 2021, both though its existing products as well as the newly acquired products of the GSK portfolio.

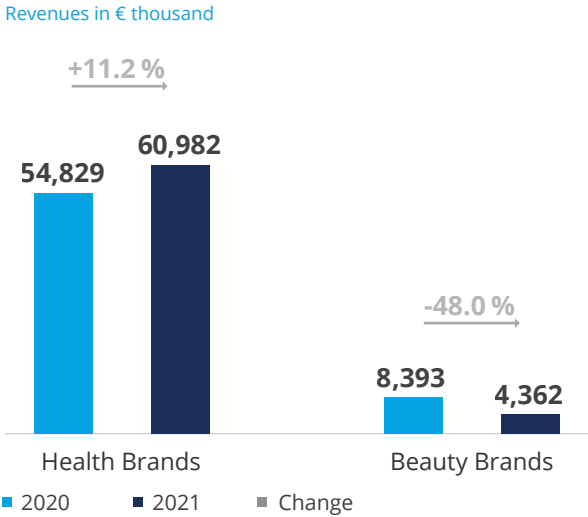
Revenues by region: Internationalization, Germany remains key market



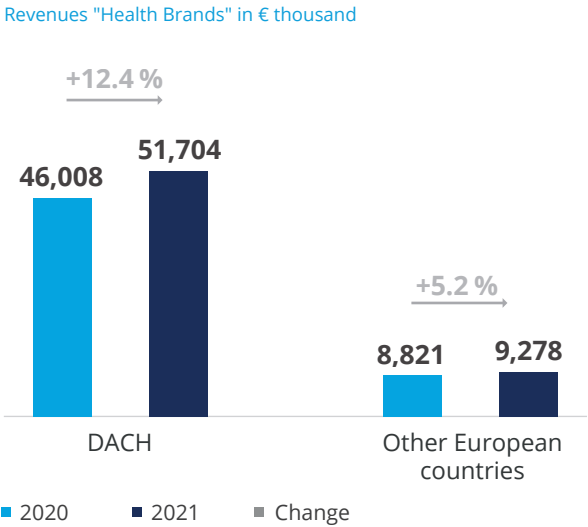
In Germany, revenues in the financial year 2021 in-creased by 6.0 % to now € 45,957 thousand (2020: € 43,370 thousand). The corresponds to a revenue share of 70 % (2020: 69 %). Although the existing portfolio could recorded growth rates in foreign markets and the number of European markets grew from the acquisition of the GSK portfolio, Germany remains the key market.

In the foreign markets, especially Austria could in-crease its revenues by 13.2 %, they total to € 7,806 thousand (2020: € 6,893 thousand). Thus, also the Austrian share in total revenues increases to 12 %.

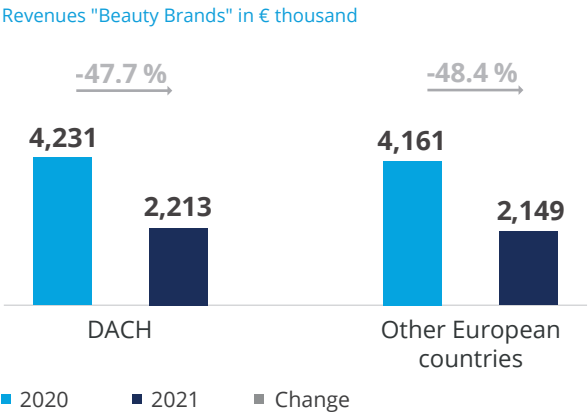
Revenues by category: Health Brands major growth contributor



In the financial year 2021, the Health Brands category grew by 11.2 % to € 60,982 thousand (2020: € 54,829 thousand) and outperformed the market. This cate-gory is the strategic focal point of PharmaSGP. This is also reflected by the total revenue share of 93.3 % (2020: 86.7 %).



Revenues in the Health Brands category have in-creased in both German-speaking markets (Germa-ny, Austria, Switzerland – DACH) as well as in other European countries. This development is also driv-en by the acquisition of the GSK portfolio that solely comprised products of the Health Brands category. With the new products, market presence in foreign markets increases and thus the internationalization of PharmaSGP Group. From a unit sales perspective, Germany is the key sales market for the products of the GSK portfolio.



Compared to the prior year, revenues in the Beauty Brands Category have decreased by 48.0 % to € 4,362 thousand (2020: € 8,393 thousand). As expected, this de-velopment is taking place in all markets due to market influences and significantly reduced marketing expens-es for this category.

Other operating income has decreased in the financial year 2021 by € 1,440 thousand or 88.1 % to € 194 thousand (2020: € 1,634 thousand), which is mainly caused by one-time effects in the prior year. In the financial year 2020, other operating income mainly relates to consulting and other services in connection with the preparation of the IPO that were recharged to FUTRUE and MVH Beteiligungs- und Beratungs-GmbH („MVH“). In the financial year 2021, there was no comparable transaction.

Expenses for raw materials, consumables and finished goods have increased by € 282 thousand or 4.5 % and amount to € 6,488 thousand in the financial year 2021 (2020: € 6,206 thousand). The increase corresponds to the revenue development. The costs of materials in relation to revenues amounts to 9.9 % (2020: 9.8 %). This equals a gross margin of 90.1 % in the financial year 2021, which is almost unchanged compared to the prior year (2020: 90.2 %).

Personnel expenses have increased in the financial year 2021 by € 916 thousand to € 4,689 thousand (2020: € 3,773 thousand). This results from the transfer of 26 employees from FUTRUE Group in 2020, whose expenses are thus not recognized for the full calendar year 2020 in the books of PharmaSGP. The increase in personnel expenses of 24.3 % corresponds to the increase in the average number of employees from 60 in the financial year 2020 to 75 in the financial year 2021.

Significant increases in efficiency have led to a reduction in **other operating expenses** that have decreased by € 4,297 thousand or 10.7 % to € 35,869 thousand (2020: € 40,166 thousand). In the marketing area, cost-cutting potential was exploited and the efficiency of media investments was optimized, which has led to a total decrease in marketing expenses by € 803 thousand. The marketing savings in combination with the increase in revenues lead to a reduction of the marketing quota in relation to revenues to 47.2 % in the financial year 2021 (2020: 50.0 %).

Additionally, expenses for IPO consulting services and other IPO related costs amounting to € 1,508 thousand and one-time costs related to the establishment of the new corporate structure of the Group amounting to € 1,251 thousand were incurred in the financial year 2020. In the financial year 2021, there were no comparable transactions.

Earnings before interest, taxes, depreciation and amortization (EBITDA): significant increase in profitability

As a result of the improved cost structure – as described above – in combination with an increase in revenues, unadjusted EBITDA could be increased by € 3,757 thousand or 25.5 %.

in € thousand	2021	2020
Adjusted EBITDA	19,431	17,005
Adjusted EBITDA margin	29.7 %	26.9 %
Expenses for corporate and organizational structuring of the Group	-	1,251
Expenses for legal and consulting costs in connection with acquisitions	883	643
Expenses for adjustment of the sales strategy	-	157
Expenses in connection with the long-term compensation of the Management Board	56	51
Other expenses	-	167
Unadjusted EBITDA	18,492	14,735
Unadjusted EBITDA margin	28.3 %	23.3 %

The key performance indicator to PharmaSGP is EBITDA adjusted by one-time costs and special effects. In the financial year 2021, these one-time costs and special effects relate to acquisitions and the long-term compensation of the Management Board. In the prior year, one-time costs for the corporate and organizational structuring of the Group and the adjustment of the sales strategy have been incurred. Considering these adjustment positions, adjusted EBITDA has increased in the financial year 2021 by € 2,426 thousand or 14.3 %. The adjusted EBITDA margin came at 29.7 % in 2021 and is thus 2.8 percentage points above the prior year margin of 26.9 %.

The increase in **depreciation and amortization** from € 486 thousand in the financial year 2020 to € 3,573 thousand in 2021 mainly results from the capitalization of the brands and marketing authorizations acquired from GSK. In this context, also the **finance expenses** have increased, they contain in 2021 for the first time interest on loans in the amount of € 592 thousand from the financing of the acquisition of the GSK portfolio.

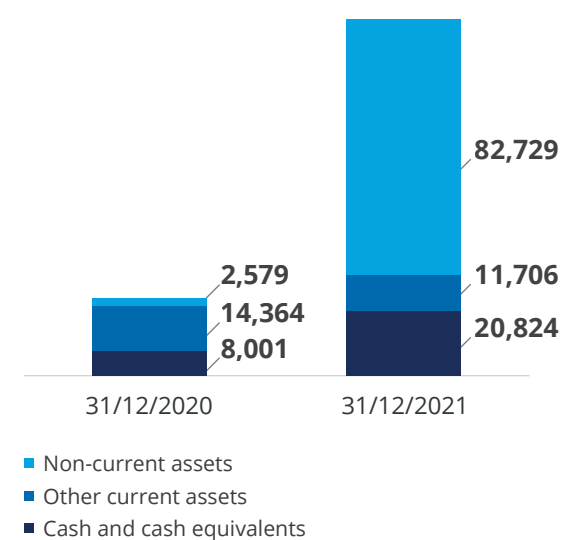
The **income tax expense** in the financial year 2021 is € 3,516 thousand (2020: € 3,509 thousand). The **profit for the period** 2021 is € 10,690 thousand (2020: € 10,640 thousand). The Management Board proposes a distribution of € 0.45 per share to the share-

holders. This corresponds to a total distribution of € 5,400 thousand or 50.5 % of the Group's profit for the period. The Annual General Meeting will decide on the final profit distribution.

2.3.2 Asset Position

As a result of the acquisition of the GSK portfolio, total assets as of 31 December 2021 have more than quadrupled compared to the prior year balance sheet date and amount to € 115,259 thousand (31 December 2020: € 24,944 thousand).

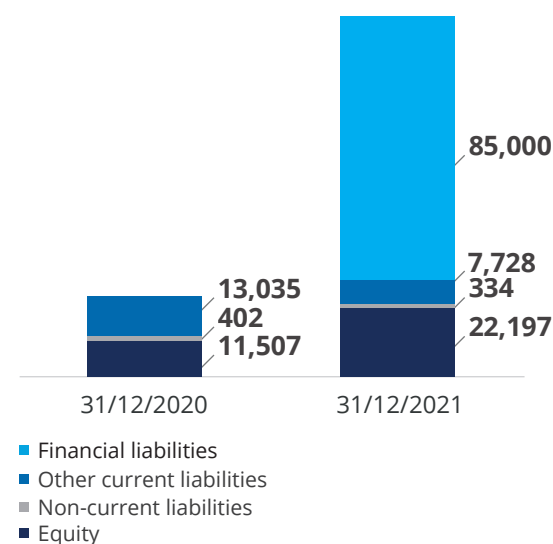
Assets in € thousand



This increase in total assets is mainly reflected in the increase in **non-current assets**, in particular in intangible assets that have significantly increased compared to the prior year. The carrying amount for the brand names and marketing authorization of the brands Baldriparan®, Formigran®, Spalt® and Kamol® amounts to € 80,260 thousand as of 31 December 2021.

Also **current assets** have notably increased compared to the prior year balance sheet date. The main change results from the increase in cash and cash equivalents that – due to the positive results of operations – have more than doubled compared to the prior year balance sheet date and amount to € 20,824 thousand as of 31 December 2021 (31 December 2020: € 8,001 thousand).

Equity and liabilities in € thousand



The Group's **equity** amounts to € 22,197 thousand as of 31 December 2021, the increase by € 10,690 thousand compared to the prior year balance sheet date results from the positive result of the period. In the financial year 2021, no dividends were distributed, and there were no other equity transactions.

The decrease in **non-current liabilities** mainly relates to the redemption of lease liabilities.

The main change in **current liabilities** results from the proceeds of financial liabilities from banks in the amount of € 85,000 thousand. Other current liabilities could be reduced by € 5,307 thousand, mainly from the decrease in trade payables.

2.3.3 Financial Position

in € thousand	2021	2020
Net cash flows from operating activities	12,240	15,458
Net cash flows used in investing activities	-83,459	-898
Net cash flows from / (used in) financing activities	84,042	-95,035
Net increase / (decrease) in cash and cash equivalents	12,823	-80,475
Cash and cash equivalents as of 1 January	8,001	88,476
Cash and cash equivalents as of 31 December	20,824	8,001

In the financial year 2021, **net cash flows from operating activities** of € 12,240 thousand could be generated. The decrease compared to the prior year period (2020: € 15,458 thousand) results from a re-

duction in trade payables which leads to an overall increase in working capital.

The increase in **net cash flows used in investing activities** in 2021 (€ 83,459 thousand, 2020: € 898 thousand) is almost solely related to the acquisition of the GSK portfolio.

In the financial year 2021, **net cash flows from financing activities** comprise proceeds from financial liabilities (€ 85,000) and the corresponding interest payments (€ 643). The prior year position contains dividend payments from retained earnings of prior periods to FUTRUE and MVH in the amount of € 94,833 thousand.

2.4 Earnings, Assets and Financial Position of PharmaSGP Holding SE

Business activity

PharmaSGP Holding SE with registered office at Lochhamer Schlag 21, 82166 Gräfelfing, Germany is a European Company (Societas Europaea, "SE") under European and German law. The Company is entered in the commercial register of the Munich Local Court under HRB 255684. SGP SE did not carry out any business activities until 30 April 2020. Therefore, the results of the financial year 2021 are only comparable to the prior year to a limited extent.

Since 30 April 2020, SGP SE is the holding company of the Group. It does not generate any revenues from third parties, however, it performs administrative tasks for its operating subsidiaries PharmaSGP GmbH, Remitan GmbH, Restaxil GmbH and PharmaSGP Vertriebs GmbH.

In its function as holding company of the Group, the main opportunities and risks of the operating subsidiaries directly impact the main opportunities and risks of PharmaSGP Holding SE. Effective 1 July 2020, domination and profit and loss transfer agreements were concluded between SGP SE and the operating companies PharmaSGP GmbH, Remitan and Restaxil GmbH. Since 22 April 2021, a domination and profit and loss transfer agreement is in place between SGP SE and its newly founded subsidiary PharmaSGP Vertriebs GmbH. The outlook on the business development provided in the "Report on expected development" also impacts the results of SGP SE and the outlook provided for PharmaSGP Group is applicable for SGP SE.

Earnings position

In the financial year 2021, SGP SE generated revenues of € 1,768 thousand from rendering services to

its subsidiaries (2020: € 933 thousand). Third-party services are recharged to subsidiaries according to the source of the costs. Income from those recharges are recognized as other operating income (€ 1,903 thousand).

Personnel expenses of € 1,694 thousand (2020: € 909 thousand result from remuneration for the Management Board as well as for the Human Resources, Legal and Finance departments and other administrative departments of the Group. Depreciation of € 129 thousand (2020: € 59 thousand) was mainly incurred for the office furniture and equipment acquired in 2020. Other operating expenses of € 3,611 thousand (2020: € 2,383 thousand) mainly include legal and consulting costs relating to the acquisition of the GSK portfolio. All incurred in that transaction were recharged to PharmaSGP GmbH.

Based on the profit and loss transfer agreements, the annual net profits or losses of the subsidiaries for the financial year 2021 under commercial law of € 15,974 thousand (2020: € 5,943 thousand) were transferred to SGP SE.

Income taxes comprise current income taxes of € 3,471 thousand (2020: € 907 thousand) and deferred income taxes of € 62 thousand (2020: € 200 thousand). The financial year 2021 was concluded with an annual profit of € 10.712 thousand (2020: € 2,681 thousand).

Net assets

The total assets of SGP SE have increased in the past financial year from € 57,665 thousand as of 31 December 2020 to € 158,944 thousand as of 31 December 2021. This relates mainly to the acquisition of the GSK portfolio through the subsidiary PharmaSGP GmbH. In order to finance the transaction, SGP SE granted its subsidiary a short-term interest-bearing loan in the amount of € 97,000 thousand, recognized within other assets. Since 25 August 2021, there is a short-term bank financing in the amount of € 85,000 thousand; it matures on 15 September 2022 and was unsecured as of the closing date. As of the preparation date of this financial statement, SGP SE is in the process of transferring the bank financing into a syndicate funding with a runtime of up to five years.

The financial investments of € 50,097 thousand include the carrying amounts of the investments in the four subsidiaries PharmaSGP GmbH, Remitan GmbH, Restaxil GmbH and PharmaSGP Vertriebs GmbH. Receivables from affiliated companies mainly result from unpaid profit transfers for the year 2021.

As a result of the positive annual result, equity has increased to € 62,899 thousand as of 31 December 2021. In the financial year 2021, no dividends were distributed, and there were no other equity transactions.

The prior year's short-term loans to affiliated companies in the amount of € 3,750 thousand were fully redeemed in 2021. As of 31 December 2021, liabilities to affiliated companies result mainly from VAT refunds received by SGP SE as the highest member of the fiscal unit for VAT purposes, but not yet transferred to its subsidiaries.

Financial position

As of 31 December 2021, SGP SE holds liquid funds in the amount of € 5,957 thousand (31 December 2020: € 911 thousand). The main source of liquidity were cash inflows from the recharge of services to the subsidiaries and inflows from profit transfers of the prior year and prepaid profit transfers for the current financial year.

2.5 Overall Statement

Overall, PharmaSGP is looking back on a very positive financial year. While sales in the first half year of 2021 were heavily impacted by the Covid-19-pandemic, PharmaSGP could increase its revenues in the second half of 2021 and outperforms the market in a full-year perspective. Additionally, various efficiency improvements were achieved which, in combination with the higher sales level, contributed to significantly improved profitability.

With the acquisition of the GSK portfolio in the third quarter of 2021, PharmaSGP has accomplished a milestone in its growth strategy. Through the integration of the four acquired OTC product bands, PharmaSGP could strategically expand the brand portfolio, increase the number of indications and further enhance its internationalization.

In connection with the GSK transaction, management has published an updated outlook. For the financial year 2021, revenues between € 60 and € 65 million were forecasted with an adjusted EBITDA margin between 27 % and 31 %. The actual revenues came at € 65,344 thousand, the financial year was closed with an adjusted EBITDA margin of 29.7 % and thus notably meet the forecasted expectations. Also without the GSK transaction, PharmaSGP would have fully achieved the outlook published in the prior year – both relating to the revenue forecast and the forecasted adjusted EBIT margin.

3. Report on Expected Developments

This combined management report contains forward-looking statements based on management's current forecast of PharmaSGP's future development. The forecast report is based on estimates made by PharmaSGP that factor in all the information available at the time this combined management report was completed. Moreover, these statements are also subject to risks and uncertainties that are beyond the Company's ability to control. Should the assumptions underlying the outlook prove incorrect or the risks or opportunities described materialize, actual results and developments (both negative and positive) may differ materially from the statements made in this report on expected developments.

Macroeconomic and sectoral development

Following a modest economic recovery in Germany and the Euro zone in 2021, the situation for 2022 remains fraught with uncertainty both for Germany and for the Euro zone as a whole. According to the IfW Kiel, the main risk to the further economic recovery in Germany is the war in Ukraine, which is associated with rising prices on energy and raw materials and thus decreasing purchasing power, supply bottlenecks and reduced sales opportunities.¹² For these reasons, the German Council of Economic Experts has adjusted its economic forecast for German GDP in 2022 from growth of 4.6 % (as of November 2021) to 1.8 %.¹³ For the Euro zone, the IfW expects GDP to grow by only 2.8 % in 2022.¹⁴ According to the economic researchers, the shock caused by the Ukraine war is being countered by a general recovery from the Covid-19-crisis.¹⁵

The key, fundamental trends for the pharmaceutical and healthcare market, such as demographic developments associated with a progressively aging society, continuously increasing health awareness, and the trends towards natural pharmaceuticals and increased self-medication in society, will continue to be fundamental growth drivers - despite the current macroeconomic uncertainties.

¹² IfW Kiel, Kieler Konjunkturberichte: Deutsche Wirtschaft im Frühjahr 2022, p. 3

¹³ Die Zeit Online, 30.03.2022 <https://www.zeit.de/news/2022-03/30/wirtschaftsweisen-senken-konjunkturprognose-deutlich> (retrieved on 4 April 2022)

¹⁴ IfW Kiel (2022), Kieler Konjunkturberichte. Euroraum im Frühjahr 2022, p. 3

¹⁵ IfW Kiel (2022), Kieler Konjunkturberichte: Deutsche Wirtschaft im Frühjahr 2022, p. 4

PharmaSGP Group outlook for 2022

The Management Board expects a notably positive development in revenue and profitability in 2022 for the Group. For the financial year 2022, revenues in a range between € 78 and € 82 million are expected.

Furthermore, the Management Board expects a further increase in profitability in 2022, with an adjusted EBITDA margin of between 30 and 33 %. These expectations are based on the assumption that there will be no significant negative impact on our target markets in the further course of 2022 due to the changed geopolitical situation in Eastern Europe, as well as the assumption that the Covid-19-pandemic will not have any additional negative impact on the overall economy and the OTC market. Potential acquisitions are not included in the forecast.

4. Opportunities and Risk Report

PharmaSGP is active in markets with long-term growth potential as a consumer health company with a diversified portfolio of OTC pharmaceuticals and other healthcare products. Its business model is subject to corresponding challenges and risks, for example as the result of intensive competition or changes in consumer acceptance of its products. Effective coordinated management systems for corporate governance are necessary in order to detect risks at an early stage and manage them, ensure reliable financial reporting and comply with internal and external regulations and laws. The main features of the individual corporate governance elements (risk management system, internal control system and compliance management) are described below.

4.1 Risk Management System

The aim of the implemented risk management system is to detect changes at an early stage that could have a negative effect on the planned operational and strategic objectives of the Group and to make use of possible opportunities for growth. An assessment of identified risks and opportunities is used to evaluate the extent of their impact on company success and to minimize or even entirely avoid the impact of negative events with suitable countermeasures. The PharmaSGP risk management system covers SGP SE and all its subsidiaries.

Organization and responsibilities

The Management Board of PharmaSGP has set up an early risk identification system in line with Sec.

91 (2) of the German Stock Corporation Act (AktG). It makes decisions on the risk strategy of the Group and approves the corresponding risk management structures and processes. The Management Board defines the Company-wide risk policy. This is used as a guideline for handling risks and opportunities within the Company, forming the framework for risk management. Alongside information about the individual steps in the risk management process, the guideline also contains details about risk management responsibilities and tasks. Given the dynamic environment, the contents of the guideline are reviewed regularly and modified by the risk management committee if necessary, in order to ensure it remains up to date. The Supervisory Board ensures the effectiveness of the implemented risk management system within the framework of monitoring by the Management Board.

Each relevant organizational unit of the Company appoints a selected manager as a member of the risk management committee. The committee is responsible for the modification and further development of the risk management system in cooperation with the Management Board. The members of the risk management committee are responsible for identifying and assessing the risks and opportunities in their company divisions. As a matter of principle, each PharmaSGP employee is obliged to notify their respective manager of potential risks. The appointed risk management officer uses the reported risks and opportunities to prepare a risk portfolio at regular intervals, which is then made available to the risk management committee and the Management Board. The risk management officer also handles central coordination of the risk management process and supports the company divisions in risk assessments.

Risk management process

Regular identification, assessment, management and monitoring of risks and opportunities is carried out in all the relevant organizational units of the Group.

A risk is defined as a negative deviation from the planned operational and strategic objectives of the Group that could put the achievement of the set objectives at risk if it occurred. An opportunity is a positive deviation from the planned operational and strategic objectives. PharmaSGP provides its employees with a catalogue of various potential risks and a standardized report file in order to be able to identify risks as comprehensively and completely as possible. To ensure consistent recording and assessment of the individual risks and opportunities, a standardized reporting file is used. Furthermore, corresponding

countermeasures that can help reduce the individual risks are defined in that standardized reporting. Risks and opportunities are reviewed at regular intervals to check that the existing risks and opportunities are up to date and newly identified risks and opportunities are added.

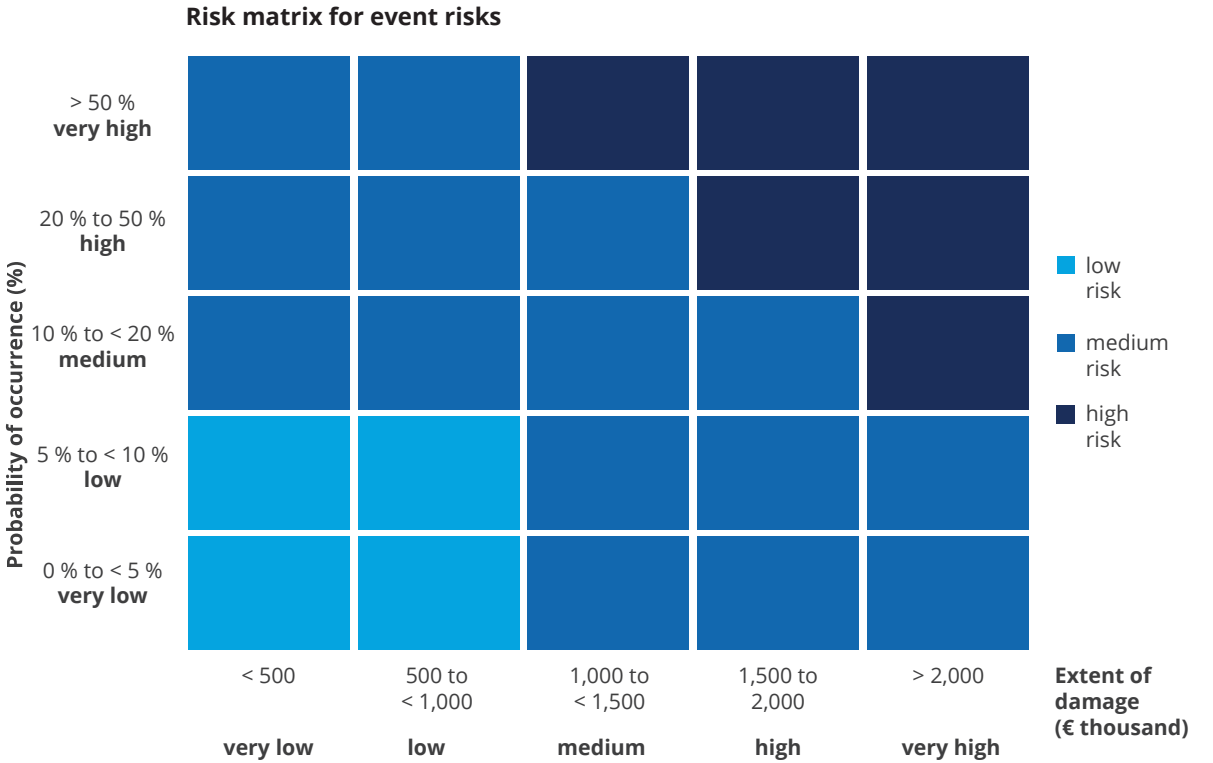
The identified risks are quantified in an assessment on a rolling basis over the 36 months following the date they are first assessed, with the respective period for review used for estimating the extent of damage and the probability of occurrence being twelve months each time. Gross and net assessments are carried out for each risk. Net assessment is based on the gross risk with all due consideration of all countermeasures already implemented that reduce the extent of damage and the probability of occurrence of the gross risk.

PharmaSGP differentiates between event and planning risks in order to record and assess risks appropriately. Event risks are usually one-off events with

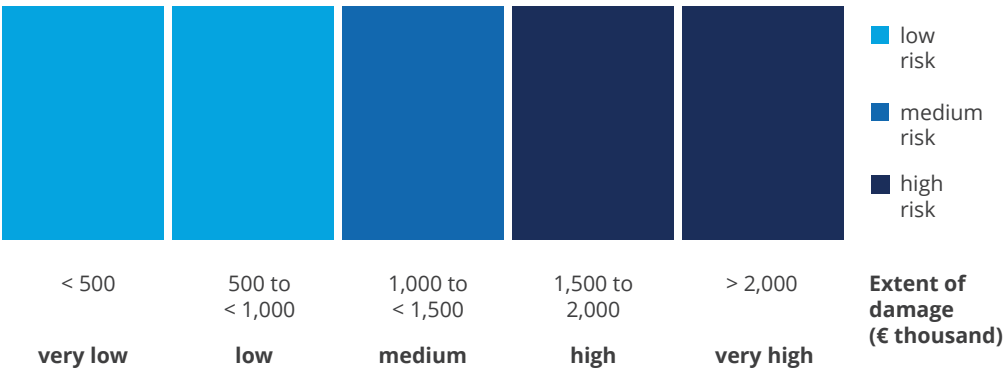
a low probability of occurrence and high extent of damage. The assessment specified both the probability of occurrence and the extent of damage. Planning risks arise from highly volatile items in corporate planning and are characterized by a high probability of occurrence. This is why only the extent of damage is assessed for this risk type. However, this high volatility can also lead to positive deviations from corporate planning and therefore represent an opportunity for the Group.

While the probability of occurrence only has to be specified for the assessment of event risks, the extent of damage must be specified for both risk types, in order to assess the financial impact on earnings before interest and taxes (EBIT). The financial impact on the annual net profit is assessed for financial and tax risks.

The following risk matrices are defined for planning and event risks, showing the aggregated risks based on net assessment:



Risk matrix for planning risks



The identified and assessed risks are grouped into the following categories for the risk report:

- Market-related and strategic risks
- Risks associated with the product portfolio
- Regulatory risks
- Procurement, production and logistics risks
- Personnel risks
- IT risks
- Legal risks
- Financial risks

The internal risk report is presented by the risk management officer during the risk management committee meeting and the current risk position is subsequently reported to the Management Board. However, new risks that exceed the defined extent of damage are reported directly to the Management Board as immediate risk reports. On a regular basis, the Supervisory Board is provided a report summarizing the risk assessment. Main focus is placed on risks classified as medium or high.

Since 2021, a systematic reconciliation of the aggregated risks with the risk-bearing capacity of PharmaSGP has been performed annually in order to meet the requirements of the revised Auditing Standard 340 of the Institute of Public Auditors in Germany (IDW PS 340). The result of this reconciliation is included in the overall assessment of PharmaSGP's risk and opportunity position.

4.2 Overview of Risks and Opportunities

Market-related and strategic risks and opportunities

PharmaSGP develops and distributes OTC drugs and other healthcare products such as dietary supplements and skin care products. The Group focuses its drugs on indications with chronic conditions and mainly on natural active ingredients with documented efficacy.

Should demand for these products decline as the result of negative development in their target markets, this could have a negative impact on the Group's business development. In the financial year 2021, in particular the Covid-19-pandemic continued having a negative impact on demand in the PharmaSGP target markets. This is driven, for example, by reduced customer frequency in pharmacies. PharmaSGP monitors such changes by continuously monitoring and analyzing the market situation and takes corresponding measures to optimize earnings if product revenues do not develop as planned. The risk is classified as medium with all due consideration of the probability of occurrence and the extent of damage.

Furthermore, competitive pressure in the PharmaSGP target markets could increase, which could similarly have a negative impact on the Group's business. PharmaSGP counters this risk by continuously monitoring the competitive situation in the product-related submarkets and the economic development of the individual products and brands. Also the brands acquired from GSK in 2021 are exposed to those risks. To mitigate the risk, comprehensive due diligence activities were carried out during the acquisition. The impact of the risk on business results is classified as medium with all due consideration of the extent of damage.

Despite the Covid-19 pandemic, PharmaSGP perceives good growth opportunities in all its target markets in the medium and long term. Demand for PharmaSGP products benefits above all from social trends towards natural drugs and increased self-medication, as well as the increasing age of the population and continuously increasing health awareness. Furthermore, the Group has a business model in place that allows the Company to react quickly to structural and demand-related market changes. An integral part of the PharmaSGP growth strategy is the substantial expansion of brands and products established through M&A activities via the PharmaSGP platform, significantly accelerating the pace of growth for PharmaSGP. PharmaSGP may have to deploy unscheduled resources to identify and successfully integrate attractive target portfolios or target companies. The integration of acquired portfolios or companies might be realized only at higher cost. In addition, it may not be possible to exploit expected synergy potential to the desired extent. In order to mitigate these risks, PharmaSGP conducts detailed due diligence reviews in acquisition processes involving relevant business units and experienced external consultants. Integration processes are overseen by experienced project teams from all relevant specialist departments. The potential impact of the risk on the business performance is classified as medium, taking into account the extent of the damage.

In principle, however, expansion by means of the PharmaSGP platform provides the opportunity to create considerable value enhancement potential beyond organic development.

Risks and opportunities associated with the product portfolio

PharmaSGP regularly adds new products to its product portfolio. The success of new additions, however, depends on various factors over which the Group has no influence. If market acceptance of the new products or the acquired GSK portfolio is low or non-existent or there are delays in market launch, this could have a negative impact on PharmaSGP's revenues and earnings. A product that is considered promising at the beginning of its development cycle could become less attractive as the result of changes in the market. Furthermore, PharmaSGP may not properly assess the potential market for new products. In addition, it is possible that the development of new European markets will not achieve the planned sales potential. In order to prevent this, the development of the OTC market and the market segments relevant for PharmaSGP is monitored continuously. Regular trend analyses help the Company to recognize and make use of opportunities for growth more quickly.

The potential impact of the risk on PharmaSGP's business results is classified as medium with all due consideration of the extent of damage.

PharmaSGP's business depends on brand strength and consumer awareness. If consumers distrust PharmaSGP's brands or OTC products with natural active ingredients in general, or see an increased risk in a potential occurrence of undesirable effects when taking chemical-synthetic medicines, this may have a negative impact on the Group's business results. A product recall as the result of a quality defect could also have a negative impact on brand image. PharmaSGP counters this with a comprehensive quality management system and close monitoring of the market. The risk is classified as medium with all due consideration of the probability of occurrence and the extent of damage.

PharmaSGP invests heavily in direct marketing with potential customers in order to promote brand strength and awareness. The Group's revenues development depends on the efficiency and effectiveness of its marketing measures. If advertising spaces cannot be booked at all or not by the scheduled publication date, this could have a negative impact on business results and the further establishment of the brand among end customers. These risks are countered by established booking processes, close monitoring of existing bookings and regular reviews of the effectiveness of marketing measures. Advertising for OTC products can be subject to comprehensive regulation requirements in the PharmaSGP target markets. In some instances, product advertising is even dependent on prior approval by the relevant government authorities. A violation of or failure to comply with applicable statutory provisions could result in contractual penalties or fines. Advertisements and advertising spaces are therefore checked before publication and released by the product marketing and legal departments. The potential impact of the aforementioned risks on PharmaSGP's business results is classified as low with all due consideration of the probability of occurrence and the extent of damage.

PharmaSGP buys slots for advertising spaces, print advertisements and advertising services in online marketing via a marketing agency. A change in purchasing conditions could lead to a rise in marketing costs and therefore reduction of business results. Monthly strategy meetings with the service provider allow for cost planning and control and a prompt change in strategy. The potential impact of the risk on PharmaSGP's business results is classified as low with all due consideration of the extent of damage.

Growth for PharmaSGP in Germany and abroad is driven by

- the expansion of established brand families through the addition of new products and dosage forms, and the development of new brand families. This involves the use of marketing authorizations or formulation developments for healthcare products that are already in existence, newly acquired or under development.
- The expansion of acquired brands and portfolios that already have a relevant revenues volume on the market, which can be further increased through integration into the PharmaSGP platform.

The main strength of PharmaSGP lies in its marketing and sales competence. Products may exceed planned expectations as a result of extensive market acceptance and an effective marketing strategy. Successful use of the PharmaSGP platform can thus generate further positive contributions to business results beyond planning and enable the development of new European markets with established Group brands. If PharmaSGP also increases its media volume, this may favor obtaining more advantageous purchasing conditions for advertising services.

Regulatory risks

PharmaSGP is required to comply with many different laws and regulations in its markets, including those relating to the development, manufacture, distribution, marketing and supervision of OTC pharmaceuticals and other healthcare products.

Before PharmaSGP is allowed to introduce a new drug, for example, a marketing authorization must be granted by the competent state authority. Even after this has been granted, the safety, efficacy and manufacture of PharmaSGP products, among other things, are regulated and thoroughly tested by national authorities. It may be necessary to submit safety and other post-marketing information and reports to ensure compliance with regulatory requirements. PharmaSGP is also required to report side effects, quality and production problems. The discovery of defects or non-compliance with legal requirements may lead to marketing or distribution restrictions, product recalls or other sanctions. In addition, there is a risk that contract partners will not comply with standards for the manufacturing process and that PharmaSGP products will not be manufactured in accordance with PharmaSGP's specifications and applicable laws and regulations. An adequate safety stock for active ingredients and finished goods re-

duces this risk. PharmaSGP counters all regulatory risks with a quality management system implemented throughout the entire Group. This is supervised by the "Quality Assurance" department, continuously developed and checked for compliance.

The impact of the regulatory risks on PharmaSGP's business results is classified as medium with all due consideration of the probability of occurrence and the extent of damage.

Procurement, production and logistics risks

For PharmaSGP, there is a risk that the purchase prices for raw materials and provisions may increase as the result of market or demand changes on the purchasing side. Rising production costs or quality issues relating to the contract manufacturer's products could also have a negative impact on business results. Furthermore, there is a risk that projects to expand the contract manufacturer portfolio will require more resources and exceed expected costs. Unforeseen impairments of inventories can have a negative impact on business results.

PharmaSGP is dependent on third parties for the supply of raw materials and other goods, as well as for the production of its OTC and other healthcare products. External factors such as the availability of raw materials and packaging or disruptions in the production process that are out of the control of PharmaSGP could have a negative impact on the availability of finished goods, meaning that deliveries could be delayed and it might not be possible to fully cover existing demand. In particular, this applies to the GSK portfolio during its ramp-up phase with stock building and qualifying contract manufacturers and third-party suppliers. PharmaSGP has a safety stock for active ingredients and finished goods, meaning that short-term price fluctuations, potential quality issues, shortages of raw materials, disruptions in the production process and other risks from external factors can be offset. Inventories are regularly reviewed by the responsible company divisions and price developments are analyzed. Through its diversified portfolio of contract manufacturers, PharmaSGP is able to switch to an alternative partner. To qualify as a PharmaSGP partner, all third-party manufacturers and suppliers are carefully selected and must undergo a thorough auditing process.

The potential impact on PharmaSGP's business performance from risks from price fluctuations, quality issues, project cost overruns and impairments is classified as medium, taking into account the extent of damage. The potential impact of risks from raw material shortages, disruptions in the production

process and other external factors on the business performance of PharmaSGP is classified as low, taking into account the probability of occurrence and the extent of damage.

After manufacturing, the products are stored by and distributed through one logistics provider per target region. PharmaSGP is therefore dependent on these external logistics providers for the timely delivery of products to wholesalers and pharmacies in order to meet the pharmacies' demand. Any disruption in the logistics chain due to the failure of these providers to fulfill their contractual obligations may result in delays, increased costs and lost revenues for PharmaSGP. In addition, increasing warehousing and shipping costs may be passed on directly to PharmaSGP, which may adversely affect PharmaSGP's profitability. PharmaSGP counters this risk by regularly auditing existing partners and maintaining long-term and strong business relationships. The potential impact of the described logistics risk on PharmaSGP's business performance is classified as medium, taking into account the probability of occurrence and the extent of damage.

IT risks

PharmaSGP considers the efficient and uninterrupted operation of its IT infrastructure to be essential in order to ensure its continuous business operations. The risk of suffering a loss of digital information may arise, for example, from a lack of or insufficient data backups or malicious attacks by external parties. Among other things, PharmaSGP counters these risks with an appropriate authorization concept, sufficient IT security systems (e. g. central anti-virus programs), regular software and hardware maintenance and routine backups of company-critical data. The potential impact of IT risks on the Group's business results is therefore classified as low with all due consideration of the probability of occurrence and the extent of damage.

Personnel risks

The further expansion of PharmaSGP's business depends heavily on the motivation and qualification of its employees. Regular training sessions are carried out and documented accordingly in order to ensure the continuous further development of existing employees while also complying with the relevant regulatory requirements (e. g. relating to pharmacovigilance, drug safety, occupational health and safety etc.).

PharmaSGP also has important key employees in some company divisions who are not easy to replace. If one of these employees leaves the Company, this could lead to short-term process delays or obstruc-

tions and may also lead to a loss of knowledge. PharmaSGP counters this with a rapid and transparent recruiting process and corresponding personnel development measures. In addition, a representative is appointed for each key position so that the transfer of know-how and the maintenance of processes is guaranteed.

The impact of the personnel risks on the Group's business results is classified as low with all due consideration of the probability of occurrence and the extent of damage.

Legal risks

As a listed company, PharmaSGP is subject to capital market laws and regulations. If it does not comply with legal requirements, PharmaSGP could be threatened with fines or legal action. The loss of personal data and other GDPR violations could also result in high fines. In order to avoid violations of capital market law, all employees undergo regular training about this subject area. Internal coordination and control processes also ensure compliance with statutory regulations and provisions. This means the impact of the legal risks on PharmaSGP's business results is classified as low with all due consideration of the probability of occurrence and the extent of damage.

Financial risks

PharmaSGP distributes its products via a range of logistics partners. Among other things, these partners handle payment processing with wholesalers and pharmacies. If such payments are not made, bad debts may arise for PharmaSGP. The Group is also subject to general national tax legislation. Incorrect handling of tax issues, particularly in terms of input and output VAT, could lead to objections by the tax authorities and may also lead to high arrears payments. The risk is significantly reduced through the implementation of internal audit processes and regular reporting by the logistics partners. Tax issues are also examined with all due care by an external tax advisor. The impact of the financial risks on the Group's business results is classified as low with all due consideration of the probability of occurrence and the extent of damage.

For the acquisition of the GSK portfolio, PharmaSGP has entered into a bank financing. The corresponding risks relating to financial instruments are outlined in note 6 "Financial Risk Management and Financial Instruments".

4.3 Overall Situation

There are currently no risks that could endanger the future business development of PharmaSGP as a going concern.

The Group considers there to be particular risks that could have a negative impact on business results in the short term through unexpected negative market developments, low market acceptance of new products, non-compliance with regulatory requirements internally or by third-party manufacturers and impairment of distribution processes. A special situation continues to be the Covid-19-pandemic, the further course of which and the associated restrictions on public life may have a negative impact on the development of demand in PharmaSGP's target markets. All the risks described are constantly monitored in the risk management process and mitigated with appropriate countermeasures.

The Group sees opportunities for its future development in the establishment and expansion of established brand families and, in particular, in the integration of established, acquired brands and portfolios that can achieve further growth through the PharmaSGP platform. The development of new European markets also represents an opportunity for the Group to further increase sales growth.

The current geopolitical events in the context of the Ukraine conflict lead to macroeconomic uncertainties with potentially negative effects on industries and companies. PharmaSGP does not pursue marketing and sales activities in Ukraine or Russia. The planned share of sales in Eastern European countries for the financial year 2022 is immaterial. Nevertheless, war events in Ukraine and economic sanctions against Russia may potentially impact PharmaSGP's operations. Rising energy prices may result in higher costs for production and logistics. PharmaSGP sources a very small proportion of its active ingredients from Eastern European EU countries. It is assumed that the current Ukraine conflict will not significantly affect the availability of these active ingredients. There is also the possibility that there may be production restrictions or interruptions in the supply chain at an Eastern European contract manufacturer. Higher costs of living could have a negative impact on demand for over-the-counter pharmaceuticals and other health-care products among end consumers. Due to the currently unclear war situation, it is not yet possible to make a conclusive assessment of potentially negative influences. However, the Management Board does not currently see any risks to the continued existence of PharmaSGP as a result of the Ukraine conflict.

5. Internal Controls and Risk Management Systems of the Group Financial Reporting Process

The objective of the PharmaSGP risk management system with regard to the accounting and reporting process is to identify and assess risks that could conflict with the compliance of the consolidated financial statements. The Chief Financial Officer bears overall responsibility for the Internal Control and Risk Management System with regard to the accounting and reporting process. All companies included in the consolidated financial statements are integrated via a clearly defined management and reporting organization. The separate financial statements of SGP SE and its subsidiaries are prepared in accordance with the provisions of the German Commercial Code (HGB) and reconciled into financial statements in accordance with IFRS.

The purpose of the Group accounting guidelines and Group accounting is to ensure uniform accounting and valuation based on the regulations applicable to SGP SE. The monthly consolidation process is based on the SAP ERP environment and supported by special consolidation software. There are uniform reporting structures, a standardized group chart of accounts and binding reporting calendars to ensure completeness and comparability. The elimination of intercompany income and expenses as well as intercompany liabilities are performed automatically. Automatic plausibility checks are carried out during data entry to ensure data consistency. Control activities also include the analysis and, if necessary, correction of the separate financial statements submitted by the subsidiaries. Other key elements of risk control in the accounting process are the separation of functions between input, review and approval and a clear assignment of responsibilities in the divisions. Furthermore, the dual control principle must be applied at all process levels.

A Group-wide risk management system that corresponds to the legal requirements was implemented in the course of the initial public offering in 2020, and since then is reviewed on an ongoing basis in terms of its functionality and adapted to current developments if necessary.

The structures, processes and features of the internal control and risk management system described above ensure that the PharmaSGP accounting guidelines are consistently applied and comply with the legal requirements, the relevant principles of proper accounting, international accounting standards and internal guidelines.

6. Financial Risk Management and Financial Instruments

Establishment and oversight over the Group's financial risk management is the responsibility of the Management Board who prescribes principles for the cross-functional risk management. Relating to financial instruments, the Group may be exposed to market price risks, liquidity risks and credit risks.

Market price risk

Market risks result from changes in market prices for financial instruments, such as foreign exchange rates or interest rates, and are thus categorized as currency risks and interest rate risks.

Currency risks arise from transactions that are not denominated in PharmaSGP's functional currency (€). Since the Group mainly operates in Euro countries, and all entities have the same functional currency, the Group is not significantly exposed to exchange rates fluctuations with respect to its transactions.

Interest rate risks result from fluctuations in interest expenses for financial debts and cash at banks (negative interest). Financial assets are subject to the risk of fluctuating interest or price gains.

As of 31 December 2021, financial assets consist of a highly liquid money market fund, that is exposed to only minimal changes in value. In case of decreasing interest rates, negative interest on bank deposits may result in higher interest expenses. PharmaSGP encounters these risks by closely monitoring interest rate development and by taking appropriate diversification measures in the investment of liquidity funds.

Since 25 August 2021, a bank financing in the amount of € 85,000 thousand is in place which matures on 15 September 2022 and bears interest at a margin of 1.65 percentage points above the 1-month-EURIBOR. Thus, the bank financing is subject to the risk of interest rate fluctuations that may impact the Group's future development.

Overall, considering the potential extent of damage, impacts of changing interest rates are assumed as medium.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. This mainly comprises financial debts owed to bank, trade payables and lease liabilities.

In order to finance the acquisition of the GSK portfolio, PharmaSGP entered into short-term bank loans that are structured as a short-term bridge financing that matures on 15 September 2022 for reasons of flexibility and costs. As a consequence, a follow-up financing will become necessary in 2022. Generally, the terms and conditions of a follow-up financing are subject to certain risks. As of the preparation date of these financial statements, SGP SE is in the process of transferring the bank loans into a syndicate funding with a targeted term of up to five years. The syndicate funding will be the financial basis for the further acquisitive growth strategy. Overseen by the Management team and external advisors, the closing of the current negotiations with selected lenders is targeted for end of June 2022 at latest. Main criteria for a successful refinancing are

- constantly positive operating cash flows of the PharmaSGP Group due to high profitability and positive growth rates from the past and in future as indicated in the report of expected developments in note 3,
- a balanced and strong financial profile with positive creditworthiness and rating classification, as well as
- a viable business model for the acquired and financed assets in order to meet the interest and redemption requirements of an external financing.

Based on the fulfillment of these criteria and the current project status, management does not see any material uncertainties in the implementation of the follow-up financing and considers the closing of the follow-up financing as highly probable.

Credit risk

Credit risks arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk comprises both the immediate default risk and the danger of a decline in the customer's creditworthiness. Compared to all other financial assets, trade receivables mainly carry the risk of default which historically has been virtually zero. To maintain the low credit default risk based on past experience, the Group assesses the risk for new customers with a significant order volume and regularly performs a monitoring process to track and manage open balances.

Further quantitative disclosures on the financial risk management are provided on note 7.3 in the notes to the consolidated financial statements.

7. Takeover Related Disclosures pursuant to Secs. 289a and 315a HGB

7.1 Share Capital

The Company's capital stock came to € 12,000 thousand as of 31 December 2021. The capital stock is divided into 12,000,000 no-par value bearer shares with an imputed share in the capital stock of € 1.00 per share. The shares are fully paid in. All shares have the same rights and duties attached. Every share has one vote.

7.2 Capital Participations Exceeding 10 % of the Voting Rights

As of 31 December 2021, Futrue GmbH, Gräfelfing, Germany, held a direct participation in the capital of SGP SE that exceeded the threshold of 10 % of the voting rights. There were no indirect participations in the capital of PharmaSGP Holding SE that exceeded the threshold of 10 % of the voting rights.

7.3 Statutory Regulations and Provisions of the Articles of Association concerning the Appointment and Removal from Office of Management Board Members, and concerning Modifications to the Articles of Association

The Supervisory Board appoints the members of the Management Board on the basis of Art. 9 (1), 39 (2) and Art. 46 of the SE-Regulation (SE-Verordnung), Secs. 84 and 85 AktG and Art. 7 (2) of the articles of association for a term of office of a maximum of six years. Reappointments are permissible. In accordance with Art. 6 (1) of the articles of association, the Management Board comprises one or more persons. The Supervisory Board determines the number of members of the Management Board.

The Annual General Meeting adopts resolutions on changes to the articles of association. Amendments to the articles of association are made pursuant to Secs. 179 and 133 AktG. According to Art. 15 of the articles of association, the Supervisory Board is entitled to make changes that only relate to the wording of the articles of association.

7.4 Authority of the Management Board to issue Shares or acquire Treasury Shares

Repurchase of treasury shares

The Management Board is authorized, subject to the approval of the Supervisory Board, to acquire treasury shares of the Company up until 27 May 2025 in an amount of up to 10 % of the Company's share capital existing at the time of the grant of the authorization or – if this value is lower – at the time of its exercise. Under certain conditions, treasury shares may be acquired with the use of derivatives.

Authorized Capital 2020

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's capital stock in one or several tranches up until 27 May 2025 by up to a total of € 6,000 thousand by issuing new no-par value bearer shares in return for cash and / or non-cash contributions. Stockholders are to be granted a subscription right, whereas the Management Board, subject to the approval of the Supervisory Board, is entitled to fully or partially preclude the stockholders' subscription rights under certain conditions and within defined limits. In the German commercial register, this Authorized Capital is named Authorized Capital 2020/I.

Conditional Capital 2020

Through the conditional capital, the capital stock may be increased contingently by up to € 6,000 thousand by the issue of up to 6,000,000 no-par value bearer shares. The conditional capital increase is designated for shares granted to holders or creditors of convertible bonds and holders of option rights guaranteed in the form of option bonds, whose issuance until 27 May 2025 by the Company or an enterprise in which the Company holds a majority interest, was approved by the Annual General Meeting held on 28 May 2020. In the German commercial register, this Conditional Capital is named Conditional Capital 2020/I.

7.5 Significant Agreements of the Company that are subject to a Change of Control

The conditions of the current bank financing are subject to the control of FUTRUE GmbH over SGP SE and may be renegotiated or terminated in case of a change of control.

8. Corporate Governance Statement and Report

8.1 Corporate Governance Declaration pursuant to Sec. 289f and Sec. 315d HGB

As a company listed on the Frankfurt Stock Exchange (Prime Standard), PharmaSGP Holding SE issues the following corporate governance declaration relating to PharmaSGP Holding SE and its subsidiaries PharmaSGP GmbH, Restaxil GmbH Remitan GmbH and PharmaSGP Vertriebs GmbH in line with Sec. 289f and Sec. 315d HGB for the financial year 2021.

Furthermore, the Management Board and Supervisory Board of PharmaSGP Holding SE report as follows on the use of corporate governance at PharmaSGP Holding SE in line with Sec. 3.10 of the German Corporate Governance Code ("DCGK").

8.2 Declaration of Compliance pursuant to Sec. 161 AktG (updated December 2021)

The Management Board and Supervisory Board of PharmaSGP Holding SE have issued the following declaration of compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 16 December 2019, in line with Sec. 161 AktG, in December 2021:

DCGK recommendations D.2 to D.5, D.8 and D.11 – Supervisory Board committees

As the Company's Supervisory Board consists of three members according to the articles of association, the Supervisory Board has decided not to form any committees. A committee would only be quorate if it consisted of at least two members, which also corresponds to the quorum for the Supervisory Board as a whole. The Company therefore believes that forming Supervisory Board committees would not help improve the efficiency of the Supervisory Board's work.

DCGK recommendation G.10 sentence 2 – availability of long-term variable remuneration components

In relation to the first annual instalment of long-term variable remuneration components granted to Management Board members for the financial year ending on 31 December 2020, the Supervisory Board has decided that the time period for measuring targets

and gradually vesting such components shall only be three years. As a result, the first annual instalment of long-term variable remuneration components will be accessible to Management Board members before the four-year period expires. In contrast, the respective time periods for measuring targets and vesting components for the following annual instalments of long-term variable remuneration components will be four years and payment will therefore only be made after the four-year period expires in each case. As the first term of office for Management Board members ends on 31 December 2022, the Supervisory Board believes that there would be a significant suitable incentive effect for the current Management Board members if the time period used for measuring targets and vesting components for the first instalment of their long-term variable remuneration was set in such a way that the first instalment could be earned in full during that first term.

DCGK recommendation G.7 sentence 1 – timing of performance criteria as part of variable remuneration components

The Supervisory Board determines the annual performance criteria as part of the Management Board's variable compensation at the beginning of the financial year, latest within the first four months of the respective financial year, but not before its commencement, which is a deviation of DCGK's recommendation G.7 sentence 1. The Supervisory Board believes that a reasonable decision on the annual target criteria can only be made on the basis of preliminary financial numbers of the previous year.

DCGK recommendation F.2 – reporting

Deviating from recommendation F.2, the Company has decided that the consolidated financial statements and group management report for the financial years 2020 to 2022 and the interim reports required by general or stock exchange law for those financial years shall be published within the time limits specified in general and / or stock exchange law. The Company believes that publication within such time limits is sufficient for the information interests of the investors, creditors and other stakeholders, as well as the general public. However, the Company intends to publish the financial information for the financial year ending on 31 December 2023 and the following financial years within the time limits specified in DCGK recommendation F.2.

8.3 Information about Corporate Governance Practices above and beyond Statutory Requirements

PharmaSGP Holding SE is committed to carrying out its business ethically and in a legally sound manner. In order to fulfil the Company's social responsibility as a manufacturer of pharmaceuticals, the Management Board and Supervisory Board have implemented responsible, transparent and value-oriented corporate governance. For PharmaSGP Holding SE, this does not just mean compliance with statutory and regulatory provisions, but also the implementation of an ethically justifiable corporate philosophy reflected, among other things, in the "Code of Ethics".

The PharmaSGP Holding SE compliance team, which includes the CFO as Chief Compliance Officer as well as a Compliance Officer, has set up a compliance management system that will help to ensure that employees act lawfully. It is designed to identify potential violations in advance and systematically prevent their occurrence and is monitored by the PharmaSGP Holding SE compliance team. This compliance system includes the "Code of Ethics" as a fundamental set of rules for compliance structure, compliance audits, regular training on relevant compliance risks and measures and adequate structures and processes to enable employees to report possible compliance violations.

Thanks to its internal risk management system, PharmaSGP Holding SE is able to detect any business and financial risks at an early stage in order to take corresponding countermeasures. Regular risk monitoring is carried out. For more details about the opportunities and risks for PharmaSGP Holding SE, please see the "Opportunities and Risk Report".

The declaration including disclosures on corporate governance practices is available on the Company's website <https://ir.pharmasgp.com/en/>.

8.4 Composition and Description of the Working Methods of the Management Board and Supervisory Board and the Working Methods of their Committees

The Company is a limited liability Company established under European law (Societas Europaea) and is subject in particular to the provisions of the German Stock Corporation Act, also used as the basis for the DCGK. The dual management system with a Management Board and Supervisory Board as its bodies represents a fundamental principle of German stock

corporation law. The Management Board manages the Company, while the Supervisory Board advises and supervises the Management Board. Concurrent membership of both bodies is excluded. The Company's Management Board and Supervisory Board engage in trust-based cooperation with the aim of sustainably increasing the value of the Company for its shareholders.

8.4.1 Management Board

Management Board tasks

The Management Board is responsible for managing the Company in its own best interests with the aim of sustainable value creation. This includes consideration of the interests of the shareholders, employees and other groups associated with the Company (stakeholders). The members of the Management Board are jointly accountable for managing the Company. The Management Board conducts company business in line with statutory provisions, the articles of association, the rules of procedure and the schedule of responsibilities.

Composition and responsibilities of the Management Board

In the financial year 2021, the Management Board consisted of two people. Ms. Natalie Weigand (Chief Executive Officer, CEO) and Mr. Michael Rudolf (Chief Financial Officer, CFO) were appointed to the Management Board as of 4 March 2020.

Working methods of the Management Board

Each member of the Management Board is independently responsible for managing their own area of responsibility as indicated in the respective valid schedule of responsibilities, within the framework of the rules of procedure and Management Board resolutions.

Irrespective of the distribution of responsibilities in the schedule of responsibilities, the Management Board members are jointly accountable for managing the Company. They are obliged to work together in a spirit of collegial cooperation, keeping one another informed of the major events in their division and any intended measures that might affect the area of responsibility of another Management Board member.

The entire Management Board passes resolutions on all matters where the law, the articles of association or the rules of procedure require the adoption of resolutions by the Management Board. Furthermore, each Management Board member is entitled to submit a decision from a department to the entire Management Board for the adoption of a resolution.

Any member of the Management Board can convene a Management Board meeting. The respective Management Board member convening the meeting will specify the dates and the invitation and will also chair the meeting. A Management Board meeting may be convened immediately if urgently necessary or upon request by two Management Board members.

The Management Board is quorate if at least half its members are present or otherwise participating in the adoption of resolutions. Where agreed, resolutions shall be adopted with a simple majority of votes cast.

When adopting resolutions, the Chair of the meeting has the casting vote in the event of a tie; however, this does not apply if the Management Board consists of fewer than three people. The Deputy Chair is not entitled to the casting vote if the Chair is unable to attend or otherwise indisposed.

The Management Board may also adopt resolutions outside meetings (or through combined methods of adoption) using verbal voting, voting on the phone, voting in text form (Sec. 126 of the German Civil Code BGB) and / or other telecommunication methods or electronic media if this has been arranged by the CEO at least two days in advance; in urgent cases, this period can be reduced appropriately.

The Management Board cooperates with the Supervisory Board to the benefit of the Company. It coordinates the strategic orientation of the Company with the Supervisory Board and discusses the status of strategy implementation with the latter at regular intervals. Upon request, the Management Board shall provide the Supervisory Board with any information necessary for the Supervisory Board to exercise control.

Management Board remuneration

The basic principles of the remuneration system for members of the Management Board can be downloaded at <https://ir.pharmasgp.com>. Disclosures on the individual remuneration of the Management Board members are provided in the remuneration report.

8.4.2 Supervisory Board

Tasks and responsibilities of the Supervisory Board

The Supervisory Board appoints the members of the Management Board for a period of up to six years. It also advises and supervises the Management Board

in relation to the strategic orientation of business. The Management Board notifies the Supervisory Board regularly about business development, strategy, corporate planning, the risk situation, risk management and the internal control system.

It agrees on budget planning and approves the annual financial statements for PharmaSGP Holding SE and the consolidated financial statements for the PharmaSGP Group.

As of 4 March 2020, the members of the Supervisory Board were Dr. Clemens Fischer (Head of the Supervisory Board), Ms. Madlena Hohlefeldler (Deputy head of the Supervisory Board). Dr. Axel Rebien has been a member of the Supervisory Board since 1 June 2020.

Working methods of the Supervisory Board

Supervisory Board meetings are convened by the Chair in text form (Sec. 126 (b) BGB) with a notice period of ten (10) calendar days; the Chair determines the meeting location. The day on which the invitation is sent and the day of the meeting are not included in the calculation of the notice period; invitation dispatch is sufficient evidence of compliance with the notice period. The Chair can reduce the notice period appropriately in urgent cases and can also convene the meeting verbally or remotely.

The invitation should include the meeting location and time and the agenda. Unless an urgent case justifies later notification, additions to the agenda must be submitted three calendar days before the meeting at the latest.

Resolutions may only be adopted in meetings that have not been properly convened or for agenda items that were not properly announced if this is not opposed by any Supervisory Board members. In such cases, absent Supervisory Board members should be given the opportunity to object to the resolution or subsequently cast their vote within an appropriate time period to be specified by the Chair. The resolution will only take effect if the absent members have not objected (or agreed) to it within the set time period or have subsequently cast their vote.

The Head of the Supervisory Board shall chair the Supervisory Board meetings and determine the order in which agenda items are addressed, as well as the method and order of voting.

Supervisory Board resolutions are usually adopted in meetings. Absent Supervisory Board members can also participate in the adoption of resolutions

by having written absentee votes delivered pursuant to Sec. 108 (3) AktG. Where arranged by the Chair of the Supervisory Board before the adoption of resolutions, absent Supervisory Board members can also cast their votes – subsequently within a time period set by the Chair if necessary – by telephone, in text form (Sec. 126 (b) BGB) or using other telecommunication methods or electronic media.

If arranged by the Head of the Supervisory Board, the Supervisory Board may also adopt resolutions outside meetings (or through combined methods of adoption) using verbal voting, voting on the phone, voting in text form (Sec. 126 (b) BGB) and / or other telecommunication methods or electronic media. The Supervisory Board members are not entitled to object to this form of resolution adoption. The aforementioned conditions apply accordingly to the form and deadline for arrangements.

The adoption of a resolution is also permitted without (prompt) arrangement if this is not opposed by any Supervisory Board members. In such cases, absent and / or non-participating Supervisory Board members should be given the opportunity to object to the resolution or subsequently cast their vote within an appropriate time period to be specified by the Head of the Supervisory Board. The resolution will only take effect if the absent and / or nonparticipating members have not objected (or agreed) to it within the set time period or have subsequently cast their vote.

The Supervisory Board is quorate if at least half of its total members participate in the adoption of the resolution. Abstention counts as participation in the adoption of the resolution, but not as a vote.

The Supervisory Board adopts resolutions with a simple majority of votes cast, unless otherwise specified by law. In the event of a tie, the Chair of the Supervisory Board has the casting vote; this also applies to elections. If no Chair is appointed or the Chair abstains, an application is considered to be rejected in the event of a tie. The Deputy Chair is not entitled to the casting vote if the Chair is unable to attend or otherwise indisposed.

According to DCGK recommendation D.13, the Supervisory Board performs a self-assessment on a regular basis. This self-assessment is going to be performed in the financial year 2022, the second year after the Company's stock exchange listing. Key topics are the Supervisory Board's self-image, the organization of its activities and the handling of potential conflicts of interests.

Supervisory Board remuneration

The basic principles of the remuneration system for members of the Supervisory Board can be downloaded at <https://ir.pharmasgp.com>. Disclosures on the individual remuneration of the Supervisory Board members are provided in the remuneration report.

8.5. Transparent Corporate Governance

In order to ensure the greatest possible transparency, the media and interested general public are informed regularly and promptly about the Company's status and any major changes. The Company mainly uses the Internet to provide comprehensive, equal and prompt information. The following are used to report on the status and results of PharmaSGP Holding SE:

- Interim reports,
- Annual report,
- Annual General Meetings,
- Press releases,
- Conference calls, and
- Events with financial analysts in Germany and abroad

The regular financial reporting dates are summarized in the financial calendar. If any facts arise outside the regular reporting dates for PharmaSGP Holding SE that could have a major impact on the market price of PharmaSGP Holding SE shares, these will be disclosed in ad-hoc news.

The financial calendar and ad-hoc news are available on the Internet at <https://ir.pharmasgp.com>.

8.6 Stipulations to promote the Participation of men and women in Leadership Positions pursuant to Sec. 76 (4) and Sec. 111 (5) AktG

Report on the stipulation and achievement of target values for the percentage of women sitting on the Supervisory Board

The Supervisory Board has stipulated that at least one woman should sit on the Supervisory Board. The deadline for achieving this target value was set as 30 April 2025.

There was one female member on the Supervisory Board in 2021, meaning that the target value has been achieved.

Report on the stipulation and achievement of target values for the percentage of women sitting on the Management Board

The Supervisory Board has stipulated that at least one female member should sit on the Management Board. The deadline for achieving this target value was set as 30 April 2025.

There was one female member on the Management Board in 2021, meaning that the target value has been achieved.

Report on the stipulation and achievement of target values for the percentage of women in management levels

The Management Board has stipulated a target value of minimum 30 % as a percentage of women in the first management level below the Management Board. Due to the Company's size, there is no dedicated second management level below the Management Board, therefore, no target value was stipulated. The deadline for achieving this target was set as 30 April 2025.

As of 31 December 2021, the percentage of women in the first management level was 64 %, thus over-achieving the target amount.

9. Dependency Report

In 2021, PharmaSGP Holding SE was a dependent company of FUTRUE GmbH with registered offices Am Haag 14, 82166 Gräfelfing, Germany, as defined under Sec. 312 AktG. FUTRUE controls FUTRUE Group, whose group entities qualify as affiliated companies. Therefore, the Management Board of the Company has prepared a report on relations with affiliated companies (dependency report), which contains the following final declaration:

"We declare that the Company received an appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies in the financial year 2021 under the circumstances known to us at the time the transactions were made or the measures taken or not taken. The Company did not suffer any detriment because of taking or refraining from measures."

10. Subsequent Events

Between the balance sheet closing date and the date of preparation of the combined management report, no transactions or events of particular significance have occurred.

Gräfelfing, 26 April 2022

Natalie Weigand
(CEO)

Michael Rudolf
(CFO)



Consolidated Financial Statements

Consolidated Statements of Profit or Loss and Other Comprehensive Income	60
Consolidated Statements of Financial Position	61
Consolidated Statements of Changes in Equity	63
Consolidated Statements of Cash Flows	64
Notes to the Consolidated Financial Statements	65

Consolidated Financial Statements as of 31 December 2021

Consolidated Statements of Profit or Loss and Other Comprehensive Income

in € thousand	Notes	2021	2020
Revenues	6.1	65,344	63,246
Other operating income	6.2	194	1,634
Raw materials, consumables and finished goods		-6,488	-6,206
Personnel expenses	6.3	-4,689	-3,773
Other operating expenses	6.4	-35,869	-40,166
Earnings before interest, taxes, depreciation and amortization (EBITDA)		18,492	14,735
Depreciation and amortization	5.1 - 5.3	-3,573	-486
Earnings before interest and taxes (EBIT)		14,919	14,248
Finance income	6.5	-	5
Finance expenses	6.5	-713	-104
Profit before taxes		14,206	14,149
Income tax expense	5.13	-3,516	-3,509
Profit for the period		10,690	10,640
of which attributable to shareholders of PharmaSGP Holding SE		10,690	10,640
Other comprehensive income		-	-
Total comprehensive income		10,690	10,640
of which attributable to shareholders of PharmaSGP Holding SE		10,690	10,640
Basic and diluted earnings per share (€)	6.6	0.89	0.89

Consolidated Statements of Financial Position

in € thousand	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Intangible assets	5.1	82,188	1,766
Property, plant and equipment (PPE)	5.2	350	369
Right-of-use assets	5.3	191	384
Other non-current financial assets		-	60
Total non-current assets		82,729	2,579
Current assets			
Inventories	5.4	4,185	3,036
Trade and other receivables	5.5	6,579	9,468
Other assets	5.6	291	240
Income tax assets	5.13	651	1,620
Cash and cash equivalents	5.7	20,824	8,001
Total current assets		32,530	22,365
Total assets		115,259	24,944

Consolidated Statements of Financial Position

in € thousand	Notes	31 December 2021	31 December 2020
Shareholders' equity and liabilities			
Shareholders' equity	5.8		
Share capital		12,000	12,000
Capital reserve		38,120	38,120
Retained earnings		-27,923	-38,613
Total shareholders' equity		22,197	11,507
Non-current liabilities			
Provisions	5.9	62	42
Lease liabilities	5.3	1	145
Deferred tax liabilities	5.13	271	215
Total non-current liabilities		334	402
Current liabilities			
Provisions	5.9	1,008	764
Financial liabilities	5.10	85,000	-
Trade payables	5.11	4,519	9,790
Other liabilities	5.12	1,098	815
Other financial liabilities	6.1	724	1,230
Lease liabilities	5.3	193	239
Income tax liabilities	5.13	186	197
Total current liabilities		92,728	13,035
Total shareholders' equity and liabilities		115,259	24,944

Consolidated Statements of Changes in Equity

in € thousand	Share capital	Capital reserve	Retained earnings	Net assets attributable to share- holders ¹⁾	Total shareholders' equity
As of 1 January 2020	-	-	-	95,580	95,580
Dividends	-	-	-	-94,833	-94,833
Shareholder contributions	120	-	-	-	120
Allocation of net assets based on the legal structure	11,880	38,120	-49,253	-747	-
Profit for the period	-	-	10,640	-	10,640
As of 31 December 2020	12,000	38,120	-38,613	-	11,507
Profit for the period	-	-	10,690	-	10,690
As of 31 December 2021	12,000	38,120	-27,923	-	22,197

1) As of 31 December 2019, PharmaSGP was not a legally separable subgroup for which consolidated financial statements had to be prepared according to IFRS 10. Therefore, as of 31 December 2019, combined financial statements were prepared in which net assets attributable to shareholders were presented.

Consolidated Statements of Cash Flows

in € thousand	Notes	2021	2020
Profit for the period		10,690	10,640
Depreciation and amortization of intangible assets, PPE and right-of-use assets	5.1 - 5.3	3,573	486
(Increase) / decrease in inventories	5.4	-1,149	-940
(Increase) / decrease in trade and other receivables	5.5	2,889	1,417
(Increase) / decrease in other assets	5.6	9	-197
Increase / (decrease) in trade payables	5.11	-5,470	8,897
Increase / (decrease) in other (financial) liabilities	5.12, 6.1	-223	-123
Increase / (decrease) in provisions	5.9	265	68
Interest (income) and expense	6.5	642	89
Income tax expense	5.13	3,516	3,509
Income tax payments		-2,502	-8,321
Interest paid		-	-91
Interest received		-	24
Net cash flows from operating activities		12,240	15,458
Payments for investments in intangible assets	5.1	-83,365	-478
Payments for investments in PPE	5.2	-94	-420
Net cash flows used in investing activities		-83,459	-898
Dividends paid		-	-94,833
Proceeds from financial liabilities	5.7, 5.10	85,000	-
Repayment of lease liabilities	5.3	-315	-247
Payment from shareholders		-	120
Interest paid		-643	-75
Net cash flows from / (used in) financing activities		84,042	-95,035
Net increase / (decrease) in cash and cash equivalents		12,823	-80,475
Cash and cash equivalents as of 1 January		8,001	88,476
Cash and cash equivalents as of 31 December		20,824	8,001

Notes to the Consolidated Financial Statements for the Financial Year 1 January to 31 December 2021

1. Basis of preparation

1.1 Background and general information

PharmaSGP Holding SE (hereafter also referred to as the “Company” or “SGP SE”) with its registered office at Lochhamer Schlag 21, 82166 Gräfelfing, Germany, is a European Company (Societas Europaea, “SE”) with its primary activities in the healthcare business in Germany and other European countries. The Company is registered in the commercial register of the Munich Local Court under HRB 255684.

Since May 2020, the Company has been the holding company of a group of companies operating in the healthcare industry. Its operating subsidiaries are PharmaSGP GmbH, Remitan GmbH, Restaxil GmbH and PharmaSGP Vertriebs GmbH (hereafter including SGP SE also referred to as “PharmaSGP” or the “Group”).

The Group is a consumer health company with a diverse portfolio of non-prescription pharmaceuticals (over the counter; “OTC”) and other healthcare products that are marketed with the focus on the pharmacy distribution channel. Its core brands cover chronic indications, including pain and other age-related ailments. The Group’s OTC products are mostly based on natural active pharmaceutical ingredients (“APIs”).

On 8 June 2020, SGP SE filed an application for admission of securities to trading on the Regulated Market of the Frankfurt Stock Exchange. SGP SE’s shares are listed on the Regulated Market and the sub-segment Prime Standard of the Regulated Market of the Frankfurt Stock Exchange under German Securities Code (WKN) A2P4LJ, International

Securities Identification Number (ISIN) DE000A2P4LJ5 and ticker symbol PSG. First day of trading was on 19 June 2020.

1.2 Consolidated financial statements and compliance with IFRS

The consolidated financial statements for the financial year 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as the supplementary provisions of Sec. 315e (1) HGB (German commercial code).

The Management Board prepared the consolidated financial statements on 26 April 2022, and thus approved them for publication as defined by IAS 10. The consolidated financial statements and the combined management report are submitted to and published in the Bundesanzeiger (German Federal Gazette). The financial statements of SGP SE’s subsidiaries are exempt from publication in the Bundesanzeiger as the requirements of Sec. 264 (3) HGB are met.

Scope of consolidation

SGP SE is the holding company of the Group. The Group’s business is conducted by PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH. On 2 March 2021, an additional company – PharmaSGP Vertriebs GmbH – was founded as a fully owned subsidiary of SGP SE. The registration in the commercial register was completed on 16 March 2021.

The consolidated financial statements include all of the below mentioned subsidiaries that are controlled by the Company, either directly or indirectly, as defined by IFRS 10:

Name	Share of equity	Equity in € thousand ²⁾	Principal activities
PharmaSGP GmbH Gräfelfing, Germany	100 %	5,476	Development and distribution of OTC pharmaceuticals and other healthcare products, and distribution services of pharmaceuticals
Restaxil GmbH Gräfelfing, Germany	100 %	2,399	Development and distribution of healthcare products
Remitan GmbH Gräfelfing, Germany	100 %	870	Development and distribution of cosmetic and healthcare products
PharmaSGP Vertriebs GmbH Gräfelfing, Germany	100 %	13	Marketing and sales services in the pharmaceutical and medical field

²⁾ as of 31 December 2021, pursuant to German commercial law (HGB)

Basis of presentation

The consolidated financial statements are generally prepared on the basis of accounting for assets and liabilities at amortized cost, with certain financial assets and financial liabilities measured at fair value through profit or loss. Assets and liabilities are accounted for using the disclosure and measurement rules in the relevant IAS or IFRS, which are explained in detail in note 2 “Summary of significant accounting policies”.

The consolidated statements of comprehensive income were prepared using the nature of expense method. The consolidated statements of profit and loss and statements of other comprehensive income are presented in a combined statement. The statements of financial position are classified based on the maturities of assets and liabilities.

The consolidated financial statements are presented in Euro (€), which is the functional currency of all companies in the Group. Unless otherwise indicated, amounts are shown in thousands of Euros. Due to the rounding of figures, it is possible that individual items and percentages do not add up to the totals indicated. The financial year of SGP SE corresponds to a calendar year.

1.3 Changes in presentation

In connection with the acquisition of a product portfolio from GlaxoSmithKline Group (“GSK portfolio”, see note 5.1), management of PharmaSGP has defined a new key performance indicator “Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA)”. For reconciliation purposes, a further subtotal line “Earnings before interest, taxes, depreciation and amortization (EBITDA)” was added to the consolidated statements of profit or loss, both in the current and the comparative period. All other financial statement items remain unchanged.

2. Summary of significant accounting policies

Pursuant to Regulation (EC) No. 1606/2002, the financial reporting standards issued by the IASB and endorsed by the European Commission for adoption in the European Union are the basis for IFRS accounting. The new or revised IFRSs published by the IASB are subject to mandatory application in the EU only after a corresponding decision has been made by the Commission in the endorsement procedure.

Except for new or amended financial standards and interpretations issued by the IASB, the same accounting policies were applied in these consolidated financial statements as in the Group’s consolidated financial statements as of 31 December 2020.

2.1 Effects of new or amended standards and interpretations Issued by the IASB

In the consolidated financial statements as of 31 December 2021, the amendments to IFRS 16 “Covid-19-related rent concessions” – as endorsed by the EU on 9 October 2020 – were adopted. There were no business transactions falling under this amendment in the financial year 2021.

The following standards and interpretations issued by the IASB have not yet been adopted because they have not yet been endorsed by the EU and / or are not yet subject to mandatory application:

Standard	Effective date ³⁾	Endorsement
Amendments to IFRS 16: Covid-19-related rent concessions	1 April 2021	30 August 2021
Annual improvements to IFRSs (2018-2020 cycle)	1 January 2022	28 June 2021
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023	not yet endorsed ⁴⁾
Amendments to IAS 1: Disclosure of accounting policies	1 January 2023	2 March 2022
Amendments to IAS 8: Definition of accounting estimates	1 January 2023	2 March 2022
IFRS 17 Insurance contracts	1 January 2023	19 November 2021
Amendments to IAS 12: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction	1 January 2023	not yet endorsed ⁴⁾

³⁾ for financial years beginning on or after that date

⁴⁾ as of the preparation date of the consolidated financial statements

The adoption of the above-mentioned amendments or new standards and interpretations is not expected to materially impact net assets, financial position or earnings position of the Group.

2.2 Current versus non-current classification

Assets and liabilities are presented in the consolidated statements of financial position based on a current / non-current classification.

Assets are classified as current in the consolidated statements of financial position when they are expected to be sold, consumed or realized during the normal business cycle of the legal entities included in the Group or if they mature within one year of the reporting period. All other assets are classified as non-current.

Liabilities are current if they are expected to be settled in the normal business cycle or within one year of the reporting period. All other liabilities are classified as non-current.

Inventories are consistently presented as current. Deferred tax assets and liabilities are classified as non-current in accordance with IAS 1.

2.3 Revenue from contracts with customers

The Group’s primary business is the sale of over-the-counter (OTC) pharmaceuticals and other healthcare products. Goods are sourced from contract manufacturers. In many cases, those manufacturers also handle the sourcing of the required raw materials. Finished products are shipped directly from the location of those manufacturers to the logistics center of a third-party logistics provider in each country. These providers store PharmaSGP’s products in their warehouses and distribute to wholesalers as well as pharmacies on account of PharmaSGP or on their own account. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Transfer of control is usually completed upon delivery.

All revenues of the Group are generated from contracts with customers and fall in the scope of IFRS 15.

The Group considers whether there are other commitments in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group assesses all promised goods and services and identifies performance obligations at contract inception. Generally, contracts with customers include a single performance obligation, i. e. the sale of pharmaceuticals and other healthcare products. In determining the transaction price for the sale of pharmaceutical and other healthcare products, the Group considers the effects of variable consideration and the existence of consideration payable to the customer (if any).

No element of financing is deemed present since the time between recognition of revenue and cash receipt does not exceed one year, which is consistent with market practice.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers for specific products with a right to return

the goods within a specified period, generally up to six months. The rights of return give rise to variable consideration.

Assets and liabilities arising from rights of return

Right of return assets – An asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset in case of revisions to the expected level of returns or any additional decreases in the value of the returned products.

Refund liabilities – A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 Foreign currency

The consolidated financial statements are presented in Euros, which is the functional currency. Transactions that are denominated or required to be settled in a currency other than the functional currency are initially recorded at the functional currency applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period all monetary items denominated in a foreign currency will be translated to Euros using the closing rate. Foreign currency differences are recognized in profit or loss.

2.5 Intangible assets

Intangible assets acquired are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use (incidental acquisition cost). Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

In line with the business model of the Group, one focus of the Group is the development of products using active pharmaceutical ingredients which, as a

rule, are not patent-protected. When a new pharmaceutical product seems technically and economically feasible, marketing authorizations (Arzneimittelzulassungen) have to be obtained, either by internal development or external acquisition. Development costs for pharmaceutical products are capitalized if they are part of the development phase and fulfill the criteria in IAS 38.65. The Group's intangible assets primarily comprise costs for acquired brand names and marketing authorizations, and external costs incurred for the drug approval process.

The Group's intangible assets do not comprise material intangible assets with indefinite useful lives. Development and authorization proceedings qualify as intangible asset not yet ready for use and are tested for impairment on an annual basis.

Intangible assets with definite useful lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization of intangible assets begins when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. For brand names, amortization begins with the marketing of the respective products. For marketing authorizations, amortization begins when the development and authorization proceedings are finalized. The amortization period is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the consolidated statements of profit or loss and other comprehensive income.

Amortization of intangible assets is primarily based on their useful lives of two to ten years. Amortization amounts are calculated on a straight-line basis.

Impairment testing is carried out by comparing the carrying amount of an asset to its recoverable amount which is the higher of an asset's fair value less costs to disposal and the value in use. An impairment is recognized through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. If the reasons for the impairment do no longer exist, the impairment is reversed. The increased carrying amount of an asset shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized

for the asset in prior years. In cases where it is no longer probable that a marketing authorization can be obtained for a certain product, the recoverable amount of the asset is deemed to be zero and it is impaired in full.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognized.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes any expenditures that are directly attributable to the acquisition of the asset, including costs incurred to prepare the asset for its intended use.

Property, plant and equipment are depreciated over each asset's expected useful life. Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if appropriate. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which is typically between three and ten years.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognized.

The Group tests property, plant and equipment for impairment whenever there is an indication of potential impairment.

2.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is the case, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes lease liabilities and right-of-use assets representing the right to use the under-

lying assets for all leases except for leases with an original lease term of twelve months or less (short-term leases) and leases of assets of low value. The lease payments associated with those leases are recognized as an expense on a systematic basis over the lease term.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i. e. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized.

After the commencement date, the Group measures right-of-use assets at cost less accumulated depreciation, any accumulated impairment losses and adjusted for any remeasurement of lease liabilities. Scheduled depreciation of right-of-use assets is made on a straight-line basis over the anticipated useful life or the shorter contract term. The right-of-use assets are tested for impairment, if there are indications that the assets may be impaired.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. To determine the present value, the Group discounts the remaining lease payments with the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group's incremental borrowing rate is applied.

The lease term comprises the non-cancellable period of the lease together with periods covered by an extension option if the lessee is reasonably certain to exercise the option and periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, and with a similar certainty, the funds necessary to obtain an asset of a similar value to the right-of-use asset as the underlying lease agreement in a similar economic environment.

Lease payments are allocated between principal and finance expenses. The finance expense is recognized in profit or loss.

2.8 Inventories

Inventories include raw materials, consumables and finished goods.

Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories. Costs for all inventories are valued using the moving average method. Net realizable value for finished goods is based on the market value which is mainly driven by the expiration date.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other investments held with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are measured either at their amortized cost or at fair value. Negative interest for the existing bank balances is included in finance expense.

2.10 Provisions

Provisions are recognized 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 and the amount can be reliably measured.

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

The Group is exposed to product liability claims, regulatory action and litigation which could result in a legally required recall of affected products or individual returns of e. g. damaged products. To reflect this risk, warranty provisions are recognized taking into account past experience, current sales levels and other current information available (such as developments in the regulatory environment). Provisions related to those risks are assurance-type warranties and recognized when the product is sold. It is expected that the costs will be incurred in the next financial year. The estimate of the related costs is revised on a regular basis.

Significant judgement is involved in the determination of warranty provisions (see note 3).

2.11 Employee benefits

Wages, salaries and social security charges are recognized in the profit and loss account according to the terms of employment, to the extent they are due to either employees or the tax authorities. Unused vacation liabilities accrued in the consolidated financial statements represents estimated total provision for potential liabilities related to employees' unused vacation days as of the reporting date. Bonus liabilities are calculated in general based on the Group's performance for the financial year and each individual's personal bonus agreements from the beginning of the year and accrued in the consolidated financial statements for the respective year.

Management Board members of the Group receive long-term variable compensation in the form of virtual performance share units ("PSU") that are expected to be settled in cash. PSUs are granted on the basis of strategic and profitability targets. In addition, the PSUs granted are also driven by the share price development of PharmaSGP Holding SE.

For the fair value of each PSU, a liability is recognized in the Group's statement of financial position. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a Monte Carlo simulation.

2.12 Earnings per share

Basic earnings per share are computed by dividing profit for the period attributable to the ordinary shareholders of SGP SE by the weighted average number of outstanding shares of SGP SE. Since there are no dilution effects, diluted earnings per share equal basic earnings per share.

Earnings per share are also reported for the comparable period, whereas the same number of shares for both the reporting period and the comparable period is used as basis of calculation.

2.13 Current taxes and deferred taxes

The Group establishes tax liabilities on the basis of expected tax payments. Liabilities for trade taxes, corporate taxes and similar income taxes are determined based on the taxable income of the combined

entities less any prepayments made. All legal entities within PharmaSGP form a fiscal unit for taxation purposes (ertragsteuerliche Organschaft). Calculation of tax liabilities is based on the recent tax rates applicable in the tax jurisdiction of the Group.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate. In case of uncertainties related to income taxes, they are accounted for in accordance with IFRIC 23 and IAS 12.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, and any carry forward of unused tax losses to the extent it is probable that sufficient taxable profit will be available in future years.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.14 Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. During the periods presented the Group held only non-derivative financial instruments.

Non-derivative financial instruments are recognized when the Group becomes party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of financial assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date, i. e. the date that the Group commits to purchase or sell the asset.

Classification and subsequent measurement of financial assets

Subsequent measurement depends on the category to which each financial instrument has to be assigned on initial recognition.

Financial assets have to be classified into the following categories according to IFRS 9:

- Debt instruments at amortized cost
- Debt instruments at fair value through OCI with recycling of cumulative gains and losses
- Equity instruments designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Financial assets are classified as measured at amortized cost only when they are held exclusively to collect the contractual cash flows and when their contractual terms comprise cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets of the Group fulfil these requirements and are therefore classified at amortized cost.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents (except for investments measured at fair value), trade receivables, and other current and non-current receivables or financial assets.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for its financial assets measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables, the simplified approach has to be applied in calculating ECLs. Under this approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group in general considers a financial asset in default when contractual payments are significantly past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group or vice versa (no impairment even if the financial asset is significantly overdue in case of contrary indications). A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment losses, including reversals of impairment losses or impairment gains, are presented as other expense in the consolidated statements of profit or loss and other comprehensive income.

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortized cost (FLAC) or fair value through profit or loss (FVPL). A financial liability is classified as at FVPL if it is classified as held-for-trading, a derivative or designated as such on initial recognition (fair value option); the Group does not use the fair value option for financial liabilities.

The Group's financial liabilities include bank loans, trade payables and other (financial) liabilities, which are all classified as measured at amortized cost. These financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any

gain or loss on derecognition is also recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are only offset and presented net in the consolidated statements of financial position when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group might also enter into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from these assets expired or the Group has transferred substantially all the risks and rewards or has neither transferred nor retained substantially all the risks and rewards but transferred the control of the assets. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize transferred assets to the extent of its continuing involvement. An associated liability is also recognized in that case. The measurement of the transferred assets and the associated liability has to reflect the rights and obligations that the Group has retained.

A financial liability is derecognized when the contractual obligations under the liability are discharged, cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Based on the input parameters used for valuation the fair values have to be assigned to one of the following levels of the fair value hierarchy:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

3. Significant accounting judgments and estimates

Judgments, estimates and assumptions are continuously 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 recognized prospectively.

The Group makes judgments, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that could result in outcomes requiring a material adjustment to the carrying amounts of assets and liabilities within the future financial years are addressed below.

Provisions for warranties

The Group offers assurance-type warranties, that need to be accounted for in accordance with IAS 37. Assurance-type related take-back obligations exist basically in case of deficiencies of the product (wrong product delivery, transportation damages, expiration of marketing authorization etc.). Therefore, the Group is liable for claims of third parties arising from product liability (warranty claims). Accordingly, a provision is recognized in the amount of the best estimate of the obligation resulting from the return. To estimate the amount on the warranty provision the quantity of outstanding products in the market is estimated based on external available data. To reflect the risk of return the Group defines percentages per return category which are applied on the value of outstanding products in the market. The percentages are reviewed regularly to reflect current developments.

In a case of unexpected changes in market conditions, warranty provision estimations are subject to change as they are calculated based on the estimation and assumptions of the Group. Estimates are based on management's current knowledge and expectations.

Refund liability

The Group offers its customers rights to return products which are accounted for as a sale with a right to return under IFRS 15. Some of these rights arise from newly launched products which may be returned within a contractually agreed period. Refund may also arise from regulatory, competitive or market related developments which could result in customers returning affected products. In those cases, a refund liability is recognized for the obligation to refund some or all of the consideration received from a customer at the amount the Group ultimately expects it will have to return to the customer. To estimate the amount of the refund liability the number of outstanding products in the market is estimated based on external available data. To reflect the risk of return the Group defines percentages per return category which are applied on the quantity of outstanding products in the market. The percentages are reviewed regularly to reflect current developments, e.g. resulting from ongoing regulatory changes or changes in the competitive environment.

In a case of unexpected changes in market conditions, refund liability estimations are subject to change as they are calculated based on the estimation and assumptions of the Group. The refund liabilities are estimated based on management's current knowledge and expectations.

Intangible assets

The useful lives of the acquired assets of the GSK portfolio (see note 5.1) are based on estimates on their economic usability. For the purchase price allocation, the Group has applied valuation methods that are based on estimates and assumptions. Also the regular assessment whether the acquired assets may be impaired or not, is based on expectations on the future business development.

The Group recognizes intangible assets for the costs of pharmaceutical products subject to regulatory approval. To assess if the criteria in IAS 38 for recognition is met, judgment is needed with regard to the probability if the regulatory approval will be achieved. The estimations are reviewed regularly to reflect changes also having an impact on already recognized development and authorization proceedings. Once the authorization of an already capitalized

development and authorization proceeding is no longer probable, it is impaired in full.

Long-term variable compensation

The Group measures the cost of PSUs granted to members of the Management Board by reference to the fair value of the PSU on each reporting date. Determination of fair value requires estimates on the achievement of profitability and strategic targets as well as estimates on the share price development.

4. Segment information

General information

The Group has one operating segment including all products of the Group companies. This assessment is based on information reported to the Group’s Chief Operating Decision Maker (CODM) for the purpose of assessing segmental performance and resource allocation. The Management Board is the CODM and monitors the entity’s performance. Performance is measured using revenues and for one-time effects adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”) as key performance indicators to assess the success of the Group’s business. Segment assets are presented in the consolidated statements of financial position. For segment profit, please refer to the Combined Management Report, note 2.3.1 “Earnings Position”.

Geographical information

Revenues in € thousand	2021	2020
Germany	45,957	43,370
Italy	8,548	8,833
Austria	7,806	6,893
Other European countries ⁵⁾	3,033	4,150
	65,344	63,246

⁵⁾ comprises France, Belgium, Spain, Switzerland, Poland, Czech Republic, Slovakia, Hungary

Basis for the revenues number is the country where the customer is located. All non-current assets of the Group are located in Germany.

Major customers

PharmaSGP maintains business relationships with major logistics partners per country. The following table includes all revenues from transactions with a single external logistics partner with a share of 10 % or more of the Group’s revenues:

Revenues in € thousand	2021	2020
Logistics partner A	43,708	41,114
Logistics partner B	8,548	8,833
Logistics partner C	7,806	6,893
Other logistics partners and customers	5,282	6,406
	65,344	63,246

Commercial and other risks like risk of impairment of trade receivables is not necessarily depending on logistics partners, as the logistics partners act partly on account of PharmaSGP and partly on their own account. The concentration on a small number of logistics partners is customary to the industry and corresponding wholesalers and pharmacies diversify potential cluster risks for PharmaSGP.

5. Notes to the consolidated statements of financial position

5.1 Intangible assets

The Group has intangible assets with a finite useful life, consisting of development and authorization proceedings, developed as well as acquired marketing authorizations, brand names and other intangible assets. Amortization expense of the intangible assets is entirely classified within depreciation and amortization in the consolidated statements of profit or loss and other comprehensive income.

The following table presents the changes in the Group’s intangible assets during the financial years 2020 and 2021:

in € thousand	Developed marketing authorizations	Acquired marketing authorizations, brand names and other intangible assets	Development and authorization proceedings	Total
Acquisition and production costs				
1 January 2020	575	910	629	2,114
Additions	147	302	110	559
Disposals	-2	-	-	-2
Reclassifications	50	-	-50	-
31 December 2020	770	1,212	689	2,671
Additions	234	83,326	5	83,565
Disposals	-	-5	-	-5
Reclassifications	-	-	-	-
31 December 2021	1,004	84,533	694	86,231
Accumulated amortization and impairment				
1 January 2020	53	394	273	720
Additions	74	113	-	187
Disposals	-2	-	-	-2
31 December 2020	125	507	273	905
Additions	94	2,944	105	3,143
Disposals	-	-5	-	-5
31 December 2021	219	3,446	378	4,043
Carrying amount as of 1 January 2020	522	516	356	1,394
Carrying amount as of 31 December 2020	645	705	416	1,766
Carrying amount as of 31 December 2021	785	81,087	316	82,188

In the financial years 2021 and 2020, development expenditures of € 56 thousand and € 140 thousand were recognized as expenses in the consolidated statements of profit or loss and other comprehensive income.

Notes on the acquisition of four OTC product brands

In the financial year 2021, PharmaSGP acquired four OTC product brands (“GSK portfolio”) from GlaxoSmithKline Group (“GSK”) at a total purchase price of € 81,400 thousand. Incidental acquisition costs amounted to € 1,628 thousand. In addition, the corresponding product inventories were taken over against payment. The respective Asset Purchase Agreement was signed on 15 June 2021, the transaction was formally completed on 31 August 2021. The GSK portfolio comprises the OTC brands Baldriparan®, Spalt®, Formigran® and Kamol®. As of the ac-

quisition date, it was distributed in Germany, Austria, Switzerland, France, Poland, Czech Republic, Slovakia and Hungary. Since 1 September 2021, the portfolio was integrated into PharmaSGP’s pan-European platform, and thus contributes to PharmaSGP’s sales and profit development.

The purchase price was fully paid in cash on 31 August 2021.

The acquisition of the product portfolio is structured as an asset deal, that comprises the sole acquisition of assets. There was no change in scope of consolidation and no transfer of GSK employees. According to IFRS 3, the transaction does not qualify as a purchase of a business, but the purchase of single assets which are mainly accounted for pursuant to IAS 38. Accordingly, there is no recognition of goodwill. Among others, the acquired assets comprise:

- country-specific marketing authorizations,
- brand names,
- internet domains, and
- product intellectual property rights.

The carrying amount of the GSK portfolio is € 80,260 thousand as of 31 December 2021. The acquired intangible assets are amortized over a remaining useful life of 9.7 years.

Notes on the impairment test

Development and authorization proceedings contain marketing authorizations in the approval process, which are therefore not yet subject to scheduled amortization and must be reviewed for impairment on an annual basis. For this review, the recoverable amount of each project is determined through its value in use. As a result of this impairment review, 13 projects were fully or partially impaired at a total amount of € 105 thousand.

For marketing authorizations (acquired or developed), brand names (including the acquired GSK portfolio) and other intangible assets, there were no indications that these assets might be impaired as of 31 December 2021.

5.2 Property, plant and equipment

Property, plant and equipment have developed as follows:

in € thousand	2021	2020
Acquisition and production costs		
1 January	423	38
Additions	94	420
Disposals	-2	-35
31 December	515	423
Accumulated depreciation and impairment		
1 January	54	38
Additions	112	52
Disposals	-1	-36
31 December	165	54
Carrying amount as of 1 January	369	-
Carrying amount as of 31 December	350	369

As of 31 December 2021 and 31 December 2020, there were no indications for impairment.

5.3 Leases

Right-of-use assets have developed as follows:

in € thousand	Cars	Office space	Total
1 January 2020	10	244	254
Additions	40	521	561
Disposal	-	-184	-184
Depreciation expense	-19	-228	-247
31 December 2020	31	353	384
Additions	-	125	125
Disposal	-	-	-
Depreciation expense	-16	-302	-318
31 December 2021	15	176	191

The corresponding lease liabilities have developed as follows:

in € thousand	2021	2020
As of 1 January	384	254
Additions	125	561
Derecognitions	-	-184
Payments	-315	-247
As of 31 December	194	384
thereof current	193	239
thereof non-current	1	145

In the financial years 2021 and 2020, interest expenses from lease agreements were immaterial. Expenses relating to short-term leases or low value leases amount to € 1 thousand in 2021 (2020: no expenses).

5.4 Inventories

Inventories consist of raw materials, consumables and finished goods.

in € thousand	31 December 2021	31 December 2020
Raw materials and consumables	568	416
Finished goods	3,617	2,620
Inventories	4,185	3,036

In the financial year 2021, write-downs on inventories of € 719 thousand (2020: € 920 thousand) as well as reversals of write-downs of € 33 thousand (2020: none) were recognized in the consolidated statements of profit or loss and other comprehensive income. As of 31 December 2021, finished goods include right of return assets relating to existing return rights from customers in the amount of € 36 thousand (31 December 2020: € 62 thousand).

5.5 Trade and other receivables

Trade and other receivables break down as follows:

in € thousand	31 December 2021	31 December 2020
Trade receivables	6,486	9,410
Other receivables	93	58
Trade and other receivables	6,579	9,468

Trade receivables are in general due within a payment period between 8 and 75 days and bear no interest. There are no limitations of any kind on rights of disposal. All trade receivables are expected to be fully recovered, no provisions for impairments were recognized.

Disclosures on credit risks of trade and other receivables can be found in note 7.

5.6 Other assets

Other assets mainly comprise VAT receivables and deferred expenses.

5.7 Cash and cash equivalents

Cash and cash equivalents represent cash at hand, cash balances at different banks and highly liquid money market funds. As of 31 December 2021 and 2020, there were no term deposits, bank overdrafts and no restricted cash.

Notes on the statements of cash flows

The consolidated statements of cash flows were prepared in accordance with IAS 7 "Statements of Cash Flows" and show how the Group's cash and cash equivalents have changed over the reporting period as a result of cash received and paid.

In accordance with IAS 7, cash flows from operating, investing and financing activities are separated

according to their origin and utilization. The cash inflows and outflows from operating activities are derived indirectly on the basis of the Group's profit for the period. Cash inflows and outflows from investing and financing activities are derived directly. The amount of cash in the statements of cash flows is equal to the value of cash and cash equivalents reported in the statements of financial position.

The **cash flows from operating activities** are attributable to the profit of the period adjusted for non-cash effects. The main non-cash effects in 2021 are amortization and depreciation of intangible assets, property, plant and equipment and right-of-use assets of € 3,573 thousand in total (2020: € 486 thousand).

Cash flows from investing activities are primarily attributable to investments in property, plant and equipment as well as intangible assets. The major investment in the financial year 2021 was the acquisition of the GSK portfolio, as described in note 5.1.

Cash flows from financing activities in 2021 result mainly from proceeds from bank loans (see note 5.10). In the prior year, cash outflows from financing activities mainly result from the payment of dividends. Changes in liabilities arising from financing activities reconcile to cash flows from financing activities as follows:

in € thousand	Financial liabilities	Lease liabilities
1 January 2020	-	254
Non-cash changes	-	377
Cash flows	-	-247
31 December 2020	-	384
Non-cash changes	-	125
Cash flows	85,000	-315
31 December 2021	85,000	194

In August 2021, PharmaSGP received a shareholder loan from its majority shareholder FUTRUE GmbH ("FUTRUE") in the amount of € 85,000 thousand; the loan was only used for a few days and replaced by bank loans in August 2021. In addition, PharmaSGP received a short-term financing in August 2021 from FUTRUE, that was redeemed in October 2021. Cash inflows and outflows received from and repaid to FUTRUE during the year are offset in the statements of cash flows. Disclosures on transactions with FUTRUE are provided in note 9.

5.8 Shareholders' equity

In the financial year 2021, no equity transactions were carried out; share capital and capital reserve amount to € 12,000 thousand and € 38,120 thousand and are unchanged to the prior year. Retained earnings result from earnings carried forward from prior periods and the result for the current reporting period.

Dividends

As per resolution of the Annual General Meeting held on 24 June 2021, no dividend payments were made in 2021. For the financial year 2021, the Management Board proposes a distribution of € 0.45 per share to the shareholders. This corresponds to a total distribution of € 5,400 thousand or 50.5 % of the Group's profit for the period. The Annual General Meeting will decide on the final profit distribution.

Authorized capital, conditional capital and authorization of purchasing and selling treasury shares

As of 31 December 2021, PharmaSGP Holding SE does not hold any of its own shares, nor does a third party hold any shares of PharmaSGP Holding SE on behalf of, or for the account of, PharmaSGP Holding SE. As of 31 December 2021, the Management Board is authorized to acquire treasury shares of PharmaSGP Holding SE on or prior to 27 May 2025 in an amount of up to 10 % of the share capital of PharmaSGP Holding SE existing at the time of the granting the authorization (28 May 2020) or – if this value is lower – at the time of its exercise.

As of 31 December 2021, total authorized capital of PharmaSGP Holding SE is € 6,000 thousand, issuable on one or more occasions until 27 May 2025 by issuing new bearer shares with no par value against contributions in cash and / or in kind. In addition, as of 31 December 2021, PharmaSGP Holding SE's conditional capital is € 6,000 thousand or 6,000,000 new bearer shares. It can be used for serving bearer and / or registered convertible bonds and / or option bonds.

5.9 Provisions

Provisions have developed as follows:

in € thousand	Current provisions		Non-current provisions	Total
	Warranty	Others		
1 January 2021	496	268	42	806
Additions	306	274	20	600
Utilization	-132	-129	-	-261
Release of unused amounts	-	-75	-	-75
31 December 2021	670	338	62	1,070

The Group is exposed to product liability claims, regulatory action and litigation which could result in a legally required recall of affected products or individual returns of defected products. To reflect this, provisions of warranties are recognized. Other current provisions mainly include expenses for the annual general meeting, outstanding charges for development and authorization proceedings and legal costs. Non-current provisions are recognized for the long-term variable Management Board compensation.

Legal disputes

Since 23 December 2021, a lawsuit between PharmaSGP as defendant and a former advertising co-operation partner as plaintiff is pending before the Munich I Regional Court. The plaintiff is suing for payment of a low single-digit million amount and is basing the claim on an agreement on remunerated advertising services provided in 2015. PharmaSGP management assesses the success prospects of the lawsuit as low, but not entirely unlikely, it is therefore to be classified as a contingent liability. In the rather unlikely event of a claim, there is a guarantee from a third party to fully indemnify PharmaSGP against a payment claim in this case.

Apart from the aforementioned litigation, PharmaSGP is not aware of any legal disputes that have a material effect on the Company's financial position or results of operations.

Other financial obligations and financial commitments

As of 31 December 2021, the Group had purchase commitments totaling € 5,608 thousand in respect to suppliers (31 December 2020: € 1,687 thousand). As of 31 December 2021 and 2020, no guarantees have been provided to third parties.

5.10 Financial liabilities

Financial liabilities arise from bank loans and were incurred to finance the purchase price of the acquisition of the GSK portfolio (see note 5.1). The bank financing has a volume of € 85,000 thousand, it was unsecured as of the signing day and matures on 15 September 2022. The complete loan amount falls due on the maturity date and bears interest at a margin of 1.65 percentage points above 1-month-EURIBOR. Risks from financial liabilities are outlined in note 7.3.

5.11 Trade payables

Trade payables are recognized for unpaid liabilities for goods and services provided to the Group prior to the end of the reporting period. Trade payables are unsecured, do not bear interest and fall generally due between 0 and 60 days.

5.12 Other liabilities

Other liabilities break down as follows:

in € thousand	31 December 2021	31 December 2020
VAT and social security	440	74
Accrued out-standing invoices	267	306
Other	391	434
Other liabilities	1,098	815

5.13 Income taxes and deferred taxes

The Company's taxable income, whether distributed or retained, is generally subject to German corporate income tax at a uniform rate of 15.0 % for corporate tax and 8.8 % for trade tax plus the solidarity surcharge of 0.8 % thereon, resulting in a total tax rate of 24.6 %. All legal entities within PharmaSGP form a fiscal unit for taxation purposes (ertragsteuerliche Organschaft).

in € thousand	2021	2020
Current income taxes	3,460	3,513
Deferred income taxes	56	-4
Income tax expense	3,516	3,509

Tax liabilities result from current income taxes. A reconciliation of income tax expense and the result of multiplying the profit of the period with the domestic tax rate of the Group for the financial years 2021 and 2020 is as follows:

in € thousand	2021	2020
Profit before taxes	14,206	14,149
Expected tax rate	24.6 %	24.6 %
Expected tax expense	3,491	3,477
Non-deductible expenses and financing components	17	28
Current and deferred taxes related to other periods	-5	3
Other	13	1
Effective income tax expense	3,516	3,509
Effective tax rate	24.8 %	24.8 %

Deferred taxes break down as follows as of the reporting date:

in € thousand	31 December 2021	31 December 2020
Lease liabilities	48	94
Non-current provisions	15	10
Other financial liabilities	-	55
Deferred tax assets	63	159
Intangible assets	278	265
Right-of-use assets	47	94
Inventories	9	15
Deferred tax liabilities	334	374
After netting:		
Deferred tax assets	-	-
Deferred tax liabilities	271	215

Changes in deferred tax assets and deferred tax liabilities were recognized entirely as income in the financial years 2021 and 2020.

As of 31 December 2021, no deferred tax liabilities were recognized on temporary differences associated with investments in subsidiaries. If recognized, deferred tax liabilities would have amounted to € 614 thousand (31 December 2020: € 614 thousand).

6. Notes to the consolidated statements of profit or loss and other comprehensive income

6.1 Revenues

Revenues are almost exclusively generated from the sale of over-the-counter (OTC) pharmaceuticals and other healthcare products. Disclosures on markets and major customers are made in note 4.

Contract assets as conditional right to consideration for the transfer of goods do not exist. As of 31 December 2021 and 2020, there are no unsatisfied performance obligations or contract liabilities. Refund liabilities from customer contracts are recognized within other current financial liabilities and amount to € 724 thousand as of 31 December 2021 (31 December 2020: € 1,230 thousand).

6.2 Other operating income

In the financial year 2020, other operating income is mainly related to IPO consulting services and other IPO related costs charged to FUTRUE and MVH Beteiligungs- und Beratungs-GmbH ("MVH"). A corresponding amount has been accounted for in other operating expenses. In the financial year 2021, there was no comparable transaction.

6.3 Personnel expenses

In 2021, the Group had an average of 75 employees (2020: 60). Personnel expenses in the financial years 2021 and 2020 were as follows:

in € thousand	2021	2020
Wages and salaries	3,950	3,227
Social security contributions	739	546
thereof from defined contribution plans	334	252
Personnel expenses	4,689	3,773

Disclosures on share-based compensation expenses are made in note 10.

6.4 Other operating expenses

in € thousand	2021	2020
Marketing	30,843	31,646
Legal and consulting fees	942	2,947
External services	573	1,825
Miscellaneous	3,511	3,748
Other operating expenses	35,869	40,166

In the marketing area, cost-cutting potential was exploited and the efficiency of media investments was optimized. Overall, these measures led to nominally lower marketing expenses in 2021. External services include services from related parties and other selling related expenses. Miscellaneous other operating expenses relate to expenses incurred from quality control, audit and financial closing, expenses for returns from warranties, travel expenses, product development and diverse other expenses.

Additionally, expenses for IPO consulting services and other IPO related costs amounting to € 1,508 thousand and one-time costs related to the establishment of the new corporate structure of the Group amounting to € 1,251 thousand were incurred in the financial year 2020. In the financial year 2021, there were no comparable transactions.

6.5 Finance income and expenses

Using the effective interest method, interest is recognized as income or expense in the period in which it is incurred.

in € thousand	2021	2020
Other interest and finance income	-	5
Finance income	-	5
Interest expenses from financial instruments	643	75
Other interest and finance expenses	70	29
Finance expenses	713	104

Other interest income mainly comprises interest on tax overpayments. Interest expenses from financial instruments result from financial liabilities and negative interest on cash balances. Other interest and finance expenses mainly comprise interest on income tax payables and incidental costs in connection with the sourcing of financial liabilities.

6.6 Earnings per share

Basic earnings per share are computed by dividing profit for the period attributable to the ordinary shareholders of SGP SE by the number of weighted average outstanding shares of SGP SE. For the financial year 2020, 12,000,000 shares are the basis for calculating earnings per shares.

	2021	2020
Profit for the period (in € thousand)	10,690	10,640
Number of shares	12,000,000	12,000,000
Basic and diluted earnings per share (in €)	0.89	0.89

There are no effects from dilution.

7. Financial instruments and financial risk management

7.1 Disclosures on financial instruments

The following table shows the carrying amounts and fair values of the financial assets (except for cash and cash equivalents measured at amortized cost) and financial liabilities (except for lease liabilities) and the allocation of financial statement positions to the measurement categories:

	31 December 2021		31 December 2020	
in € thousand	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value through profit or loss:				
Cash and cash equivalents (money market funds)	2,083	2,083	-	-
Financial assets measured at amortized cost (debt instruments):				
Trade and other receivables	6,579	6,579	9,468	9,468
Other non-current financial assets	-	-	60	60
Total	8,662	8,662	9,528	9,528
thereof current	8,662	8,662	9,468	9,468
thereof non-current	-	-	60	60
Financial liabilities measured at amortized cost:				
Financial liabilities	85,000	85,000	-	-
Trade payables	4,519	4,519	9,790	9,790
Other liabilities	655	655	734	734
Other financial liabilities	724	724	1,230	1,230
Total	90,898	90,898	11,754	11,754
thereof current	90,898	90,898	11,754	11,754
thereof non-current	-	-	-	-

Relating to financial liabilities, there are no financial liabilities measured at fair value as of 31 December 2021 and 2020.

Due to their short-term nature, the carrying amounts of all current financial assets and liabilities approximate their fair value. Non-current financial assets represent mainly lease deposits. The carrying amounts also approximate the fair value of these assets.

Gains and losses from financial instruments are recognized as finance income or finance expenses (see note 6.5).

7.2 Capital management

In the mid-term perspective, PharmaSGP's capital management aims at financing the Company's growth strategy and thus to ensure the long-term ability to distribute dividends to shareholders and the continued existence of the Company. Further focal points are the follow-up financing of the current bank loans, the financing of potential acquisitions in line with the growth strategy, the general reduction of financing costs and the optimization of capital-intensive net working capital.

The Group's equity has further increased as a result of the positive earnings in the financial year 2021. Due to the new bank financing agreements entered into in August 2021, the Group's equity ratio has decreased from 46.1 % as of 31 December 2020 to 19.3 % as of 31 December 2021. PharmaSGP is not subject to any financial covenant restrictions. Due to the short-term maturity, the follow-up financing is the major current capital management objective.

PharmaSGP defines working capital as the sum of inventories, trade and other receivables as well as other assets, less trade payables and other liabilities. For the purpose of actively managing its working capital, PharmaSGP uses detailed rolling forecasts for optimal stock levels. The Group aims at balanced payment terms towards suppliers and customers.

7.3 Financial risk management

Establishment and oversight over the Group's financial risk management is the responsibility of the Management Board who prescribes principles for the cross-functional risk management. Since the financial year 2020, the Group has had a Risk Coordi-

nator who identifies and assesses financial risks in close cooperation with the Group's operating units.

Appropriate policies to identify and analyze the risks the Group faces and controls to monitor those risks have been established. The risk management policies are reviewed regularly to incorporate changes to the Group's activities and in market conditions aiming at maintaining a working control environment where everyone understands their role and responsibilities.

Relating to financial instruments, the Group may be exposed to market price risks, liquidity risks and credit risks.

Market price risk

Changes in market prices, such as foreign exchange rates or interest rates can affect the Group's net income or the value of financial instruments held by the Group, and are summarized as market price risk. These risks are managed on a centralized basis in order to control exposure to market price risks within acceptable parameters and while optimizing returns.

Since the Group's exposure to market price risks is limited as of 31 December 2021, no hedging is applied.

Foreign currency risk

Currency risk is one major market risk factor when transactions are not denominated in the functional currency, because of potentially unfavorable currency exchange rates. Since the Group mainly operates in Euro countries, and all entities have the same functional currency, the Group is not significantly exposed to exchange rates fluctuations with respect to its transactions.

Interest rate risk

Interest rate risk is a risk factor associated with interest-bearing financial instruments and includes the effect of positive or negative interest rate changes on profit, cash flows or equity.

As in the prior year, the Group's cash at banks is subject to variable interest rates. Due to negative interest rates, the Group recognized interest expenses in the amount of € 45 thousand in 2021 (2020: € 75 thousand).

In connection with the raising of floating-rate financial liabilities from a bank financing, interest rate risks from financial liabilities exist for the first time as of 31 December 2021. Interest expenses from financial liabilities subject to variable interest rates amount to € 477 thousand in 2021.

In the reporting period, the 1-month-EURIBOR came at negative rates. Had the EURIBOR been 50 basis points higher, there would have been no effect on the interest expense on financial liabilities bearing variable interest. If the applicable interest rate on the follow-up financing would be 100 basis points higher, interest expenses for a 12-months period would increase by € 862 thousand compared to the current levels of interest (sensitivity analysis).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Financial liabilities exposed to liquidity risks include mainly bank loans, trade payables as well as lease liabilities.

In order to finance the acquisition of the GSK portfolio, PharmaSGP entered into short-term bank loans that are structured as a short-term bridge financing that matures on 15 September 2022 for reasons of flexibility and costs. As a consequence, a follow-up financing will become necessary in 2022. Generally, the terms and conditions of a follow-up financing are

subject to certain risks. As of the preparation date of these financial statements, SGP SE is in the process of transferring the bank loans into a syndicate funding with a targeted term of up to five years. The syndicate funding will be the financial basis for the further acquisitive growth strategy. Overseen by the Management team and external advisors, the closing of the current negotiations with selected lenders is targeted for end of June 2022 at latest. Main criteria for a successful refinancing are

- constantly positive operating cash flows of the PharmaSGP Group due to high profitability and positive growth rates from the past and in future as indicated in the report of expected developments,
- a balanced and strong financial profile with positive creditworthiness and rating classification, as well as
- a viable business model for the acquired and financed assets in order to meet the interest and redemption requirements of an external financing.

Based on the fulfillment of these criteria and the current project status, management does not see any material uncertainties in the implementation of the follow-up financing and considers the closing of the follow-up financing as highly probable.

The following table shows undiscounted contractually agreed future cash outflows from financial liabilities (maturity analysis) as of 31 December 2021:

in € thousand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years
Financial liabilities	-	85,000	-	-
Lease liabilities	80	113	1	-
Trade payables	4,519	-	-	-
Other financial liabilities	181	543	-	-
Other liabilities	267	388	-	-
	5,047	86,044	1	-

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk comprises both the immediate default risk and the danger of a decline in the customer's creditworthiness. The Group's exposure to credit risk corresponds to trade receivables, other receivables and cash and cash equivalents.

Compared with the other financial assets, default risks are most likely to exist for trade receivables, which, however, were almost zero in the past. To maintain the low credit default risk based on historical evidence, the Group assesses the default risk for new customers with a significant order volume. For all customers, a regular monitoring process has been established to track and manage open balances.

Credit risks arising from cash and cash-equivalents are monitored directly on Group level. Counterparties for cash and cash-equivalent transactions are limited to financial institutions with strong credit ratings. The creditworthiness of these financial institutions is monitored on a regular basis. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Default risks from other financial instruments are also immaterial. Therefore, no loss allowance was recognized for other financial instruments.

in € thousand	Trade receivables	
	as of 31 December 2021	as of 31 December 2020
Not overdue	6,391	9,046
Overdue		
< 30 days	58	350
30-90 Tage	8	-
More than 90 days	29	14

8. Fair value measurement

Money market funds are recognized within cash and cash equivalents and are measured at fair value based on market prices for identical assets on accessible markets. The measurement corresponds to level 1 in the fair value hierarchy.

There were no reclassifications within the respective levels in the reporting period.

9. Related party disclosures

Related parties in accordance with IAS 24 “Related Party Disclosures” are those legal entities, other than entities that are already included in the consolidated financial statements, and natural persons which can be materially influenced by or are able to influence the Group.

Pursuant to the principles in IAS 24, key management personnel are able to materially influence the Group and therefore qualify as related parties. In addition, FUTRUE and MVH are shareholders of SGP SE and thus have a significant influence on the Group. FUTRUE and MVH are controlled by the Supervisory Board members Dr. Clemens Fischer and Madlena Hohlefelder.

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of PharmaSGP. PharmaSGP identified the members of the Management Board and Supervisory Board of SGP SE as key management personnel thus as related parties. The composition and remuneration of the corporate boards are outlined in note 10.

Except for the remuneration of the Management Board and Supervisory Board, there were no other transactions with key management personnel or their close family members in 2021. No loans, guarantees or collaterals were provided.

Transactions with FUTRUE and MVH

In the financial year 2021, the Group received media services, IT services, M&A consulting services and other services based on the existing service agreements between the PharmaSGP and FUTURE Group. No selling and research services were requested.

On June 15, 2021, a loan agreement between FUTRUE as lender and SGP SE as borrower was signed, with a total amount of € 85,000 thousand in order to finance the acquisition of the GSK portfolio (see information in note 5.1). The loan amount was drawn for few days and then replaced through bank loans.

Between 26 August and 18 October 2021, SGP SE received an additional short-term financing of € 12,000 thousand from FUTRUE in order to finance the VAT charges on the purchase price of the GSK portfolio.

As of 31 December 2021, there are no loan liabilities owed to FUTRUE. From the drawing of the loan amounts, interest expenses of € 114 thousand have been incurred.

The summarized transactions and balances with MVH, FUTRUE and other entities of the FUTRUE Group are as follows:

in € thousand	2021	2020
Sales of goods and services to		
FUTRUE	-	8
FUTRUE Group	-	13
	-	21
Reimbursement of cost incurred with the IPO to		
FUTRUE	-	1,365
MVH	-	143
	-	1,508
Purchase of fixed assets and services from		
FUTRUE	404	1,364
FUTRUE Group	30,649	32,091
MVH	-	37
	31,053	33,493
Interest expense on loans received from		
FUTRUE	114	-
	114	-

in € thousand	31 December 2021	31 December 2020
Amounts owed to		
FUTRUE	374	283
FUTRUE Group	2,005	8,052
	2,379	8,336

As of 31 December 2021, there were no amounts owed by FUTRUE or other entities of FUTRUE Group. In the financial year 2021, there were no transactions with MVH.

Transactions between SGP SE and its subsidiaries SGP SE is the holding company of the Group. Effective 1 July 2020, domination and profit and loss transfer agreements were entered into between SGP SE and the operating companies PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH.

On 22 April 2021, SGP SE and its newly founded subsidiary PharmaSGP Vertriebs GmbH concluded on a domination and profit and loss transfer agreement. Thus, PharmaSGP Vertriebs GmbH has become part

of the fiscal unit for income tax and VAT purposes (ertragsteuerliche und umsatzsteuerliche Organschaft) that comprises SGP SE and its other subsidiaries.

In 2021, intragroup profits or losses of € 15,974 thousand were transferred from those contracts (2020: € 5,943 thousand).

Furthermore, SGP SE granted its subsidiary PharmaSGP GmbH a loan in the amount of € 97,000 thousand as of 26 August 2021. From this loan, intragroup interest of € 592 thousand were incurred in 2021.

10. Corporate boards and remuneration

Management Board

Name	Responsibilities
Natalie Weigand Chief Executive Officer (CEO)	Marketing, sales & distribution, procurement, quality management & regulatory affairs
Michael Rudolf Chief Financial Officer (CFO)	Finance, controlling, business development, operations, legal & compliance, human resources and information technology

Ms. Weigand and Mr. Rudolf do not have other mandates as members of supervisory boards or other controlling bodies pursuant to Sec. 125 AktG (German Stock Corporation Law).

Supervisory Board

Name	Responsibilities
Dr. Clemens Fischer Head of the Supervisory Board	Chief Executive Officer (CEO) at FUTRUE Group
Madlena Hohlefelder Deputy head of the Supervisory Board	Chief Strategy Officer (CSO) at FUTRUE Group
Dr. Axel Rebien	Chief Executive Officer (CEO) at Unzer Group (until 31 December 2021), Chief Financial Officer (CFO) at Serrala Group (since 1 January 2022)

The members of the Supervisory Board do not have other mandates as members of supervisory boards or other controlling bodies pursuant to Sec. 125 AktG (German Stock Corporation Law).

Remuneration

The basic principles of the remuneration system for members of the Management Board and Supervisory Board can be downloaded at <https://ir.pharmasgp.com>.

In the financial year 2021, expenses for Supervisory Board remuneration of € 50 thousand were incurred

(2020: € 29 thousand). The total Management Board compensation pursuant to Sec. 314 (6a) HGB was € 529 thousand in 2021 and € 569 thousand in 2020 and breaks down as follows:

in € thousand	2021	2020
Non-performance related remuneration	508	527
Long-term performance related remuneration	21	42
	529	569

Disclosures on long-term variable compensation

To align the interests of the members of the Management Board with those of other stakeholders of the Company, the long term variable compensation is granted in the form of virtual performance shares units ("PSUs"), which are awarded to each member of the Management Board.

The long term variable compensation is granted in annual tranches for a performance period of three or four years. The number of PSUs to be granted to each member of the Management Board per annum corresponds to the quotient of (i) a target value, divided by (ii) the volume weighted average share price of the Company in Xetra trading during the last 30 trading days before the commencement of the respective performance period.

- The target value for the PSUs granted in the financial year 2020 amounts to € 275 thousand per Management Board member. The performance period is three years, with two thirds of the tranche vesting after two years and the last third vesting after three years.
- The target values for the PSUs granted in the financial year 2021 amount to € 55 thousand and € 260 thousand, depending on the Management Board position. The performance period is four years. 25 % of each tranche of PSUs vests for each year over the four year performance period.

Such PSUs are subject to customary good leaver and bad leaver provisions, which may result in PSUs being forfeit. The final number of vested PSUs depends on the achievement of three performance targets, comprising targets on profitability, share price development and acquisition targets.

To determine the final long-term variable compensation claims of the members of the Management Board at the end of each performance period, the number

of vested PSUs after such period is multiplied by the volume weighted average share price of the Company in Xetra trading during the last 30 trading days before the end of the relevant performance period, plus any dividends paid during such period. For purposes of calculating the compensation claims, this share price adjusted for dividends is capped at 150 % of the share price used to calculate the number of PSUs at the beginning of the respective performance period. Once these compensation claims have been determined, the Company can elect whether it will settle these claims in cash or by providing treasury shares, with such shares being valued at the volume weighted average share price of the Company in Xetra trading during the last 30 trading days before the end of the relevant performance period. Currently, PharmaSGP expects a cash settlement.

The liability for the vested PSUs is measured at the end of each reporting period until settled, at the fair value of the PSUs, by applying a Monte Carlo simulation, taking into account the terms and conditions on which the PSUs were granted, and the extent to which the members of the Management Board have succeeded to date. The following inputs were applied for the fair value determination as of 31 December 2021:

- Accomplished performance targets and expected future target fulfilments
- Risk-free interest rate: -0.74 % to -0.65 %
- Expected average dividend yield: 2.3 % to 2.5 %
- Expected volatility: 27.3 %

The total expense from the long-term variable compensation is recognized ratably over the performance period, under consideration of the above-mentioned input data. The carrying amount of the liability relating to PSUs at 31 December 2021

was € 62 thousand (31 December 2020: € 42 thousand). The expense recognized in the financial year 2021 is € 21 thousand (2020: € 42 thousand.)

11. Audit fees

The table below shows the auditor's fee charged by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Munich:

in € thousand	2021	2020
Audit services	200	261
Other assurance services	-	207
Tax advisory services	-	-
Other services	-	-
Total fee	200	468

The major portion the audit service fees in the financial years 2020 and 2021 relates to the audit of the consolidated financial statements of SGP SE and the audit of financial statements of German Group entities, and additionally in 2020 to the review of SGP SE's half-year financial report.

Other assurance services in the financial year 2020 were mainly provided in relation to the IPO and the preparation of SGP SE's capital market capability.

12. Corporate governance declaration

PharmaSGP Holding SE has submitted the declaration of compliance with the German Corporate Governance Code required by Sec. 161 AktG and made it available to its shareholders on the website <https://ir.pharmasgp.com/en/>.

13. Events after the reporting date

Between the balance sheet closing date and the date of preparation of these consolidated financial statements, no transactions or events of particular significance have occurred.

Gräfelfing, 26 April 2022

Natalie Weigand
(CEO)

Michael Rudolf
(CFO)



Other Information

Responsibility Statement	90
Remuneration Report for the Financial Year 2021	91
Independent auditor's report	95
Imprint	104

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the material op-

portunities and risks associated with the expected development of the Company and the Group.

Gräfelfing, 26 April 2022

Natalie Weigand
(CEO)

Michael Rudolf
(CFO)

Remuneration Report for the Financial Year 2021

The following remuneration report has been prepared in accordance with the requirements of Sec. 162 German Stock Corporation Act (AktG) and presents the remuneration granted or owed to the members of the Management Board and the Supervisory Board of PharmaSGP Holding SE for the respective financial year. The term “granted” and “owed” remuneration comprises the remuneration for which the underlying activity has been fully performed as of the end of the financial year 2021.

The remuneration report was formally audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in accordance with Sec. 162 (3) AktG. The remuneration report and the audit opinion are published on PharmaSGP Holding SE’s website (<https://ir.pharmasgp.com>).

1. Outline of the remuneration system

The remuneration system for the members of the Management Board was approved by the Annual General Meeting on 24 June 2021. Also the remuneration for members of the Supervisory Board was approved by the Annual General Meeting on 24 June 2021. Descriptions of the remuneration systems can be downloaded at <https://ir.pharmasgp.com>.

2. Remuneration of the Supervisory Board

The members of the Supervisory Board of PharmaSGP Holding SE receive a fixed remuneration of € 50 thousand for each full financial year of their membership in the Supervisory Board. For the head of the Supervisory Board, the fixed remuneration amounts to € 90 thousand and for the deputy head of the Supervisory Board to € 70 thousand.

In addition to their fixed compensation, Supervisory Board members are entitled to reimbursement of expenses incurred in connection with the performance of their Supervisory Board duties. The Company also reimburses the members of the Supervisory Board for value-added tax on their remuneration and ex-

penses. PharmaSGP Holding SE also grants a D&O insurance to the members of the Supervisory Board.

The head of the Supervisory Board, Dr. Clemens Fischer, and the deputy head, Madlena Hohlefelder, have waived their remuneration until further notice.

The remuneration granted to Supervisory Board member Dr. Axel Rebien in the financial year 2021 amounts to € 50 thousand.

3. Remuneration of the Management Board

Non-performance-related compensation

The members of the Management Board receive a fixed compensation paid in twelve equal installments as a monthly salary. Fringe benefits include social security contributions, benefits in kind and compensation for unused vacation days. The members of the Management Board have not been granted any company-funded commitments for a company pension.

Performance-related remuneration

The performance-related remuneration of PharmaSGP Holding SE consists of a short-term variable remuneration (annual bonus) and a long-term variable remuneration (Performance Share Plan). When defining the target values, the Supervisory Board ensures that the variable remuneration is designed for the sustainable and long-term development of the company and that the predominant multi-year nature of the variable remuneration required by the German Stock Corporation Act and the German Corporate Governance Code is fulfilled.

Short-term variable remuneration

The short-term variable remuneration 2021 is structured as an annual bonus and corresponds to the remuneration system approved by the Annual General Meeting of PharmaSGP Holding SE.

The short-term variable remuneration depends on the development of the financial year of PharmaSGP Holding SE and its subsidiaries and comprises both

financial and non-financial target criteria. The respective target criteria are defined individually for each member of the Management Board by the Supervisory Board at the beginning of the fiscal year.

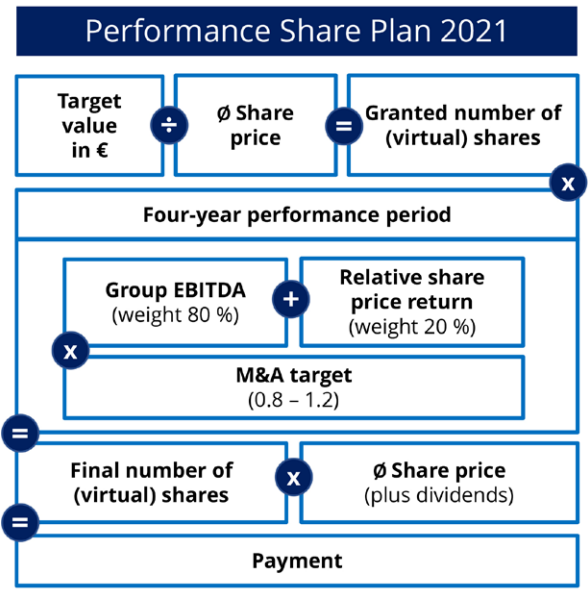
For the financial year 2021, the Supervisory Board has defined Group EBITDA¹ and Group revenues of the PharmaSGP Group as financial success parameters. The strengthening of the second management level in the area of ESG was defined as a non-financial success parameter.

Group EBITDA is a key earnings indicator of the PharmaSGP Group, which can be used to show the operating development – also on an internationally comparable basis. The target value for Group EBITDA for the financial year 2021 was € 21.4 million. Group revenues are the key indicator for measuring the Group's business volume. The target value for the Group's consolidated revenue was € 69.8 million for the financial year 2021.

In the financial year 2021, these target criteria were not achieved and accordingly no short-term variable compensation was granted.

Long-term variable compensation

In order to align the interests of the members of the Management Board with those of the shareholders of the Company, the members of the Management Board were granted long-term variable compensation (Performance Share Plan) in the form of virtual performance share units ("PSUs"), which corresponds to the compensation system approved by the Annual General Meeting of PharmaSGP Holding SE and is outlined as follows:



The long-term variable compensation is granted in annual tranches for a performance period of four years. In this context, 25 % of each tranche of PSUs is earned per year of the performance period (vesting). The annual number of PSUs granted to Management Board members is equal to the quotient of (i) a target value divided by (ii) the weighted average Xetra share price of the Company in the last 30 trading days before the start of the respective performance period.

The PSUs are subject to the usual good leaver and bad leaver provisions, which may lead to a forfeiture of the PSUs. The final number of vested PSUs depends on the achievement of three target criteria, which include profitability targets, share price targets and M&A targets, each with a limitation (cap). The targets for the 2021 tranche are: Group EBITDA, an M&A target and relative share price return compared to the STOXX Europe Total Market Pharmaceuticals.

For Group EBITDA, the Supervisory Board defines an annual target within the first four months of the respective financial year. The overall target achievement is then calculated as the average of the annual target achievement levels during the four-year performance period.

For the M&A target, there is a predetermined target of a certain total number of business acquisitions within the performance period, each of which must meet requirements set by the Supervisory Board.

The relative share price return is measured by comparing the percentage change in the Company's share price during the performance period with the percentage change in the benchmark index. Dividends paid during the performance period are included in the calculation of the share price or index level at the end of the performance period. Target achievement is deemed to be 100 % if the percentage change in the share price corresponds to the percentage change in the benchmark index.

To determine the Management Board members' final long-term variable compensation entitlement at the end of the performance period, the number of PSUs earned after the end of the period is multiplied by the weighted average Xetra share price of the Company in the last 30 trading days before the end of the respective performance period, plus any dividends paid in this period. For the calculation of the compensation entitlement, the share price adjusted

¹ For the determination of the Group EBITDA, the Supervisory Board usually applies the externally reported adjusted EBITA as a basis.

for dividends is limited to a maximum of 150 % of the share price on the basis of which the number of PSUs granted to the Management Board members was determined at the beginning of the performance period. After the determination of the compensation entitlements, the Company has the option to settle the entitlements in cash or with treasury shares, which in turn are valued at the weighted average Xetra share price of the Company during the last 30 trading days prior to the end of the relevant performance period. Currently, PharmaSGP Holding SE assumes a settlement in cash.

For the financial year 2021, no long-term variable compensation was granted under a plan allocated at an earlier date. The target achievement of the tranche of the performance share plan allocated for 2021 will be reported after the end of the performance period.

Target compensation for the financial year 2021

The target compensation planned for financial year 2021 for members of the Management Board of PharmaSGP Holding SE is as follows:

Member since	Natalie Weigand		Michael Rudolf	
	4 March 2020		4 March 2020	
	in € thousand	in %	in € thousand	in %
Non-performance-related compensation				
Fixed compensation	250		200	
Fringe benefits	22		16	
Total non-performance-related compensation	272	72 %	216	41 %
Performance-related compensation				
Annual bonus 2021	50		50	
Performance Share Plan (2021-2024)	55		260	
Total performance-related compensation	105	28 %	310	59 %
Total compensation	377	100 %	526	100 %

Granted and owed compensation

The granted and owed compensation to members of the Management Board of PharmaSGP Holding SE or its subsidiaries in the financial year 2021 breaks down as follows:

Member since	Natalie Weigand		Michael Rudolf	
	4 March 2020		4 March 2020	
	in € thousand	in %	in € thousand	in %
Non-performance-related compensation				
Fixed compensation	250		200	
Fringe benefits	22		36	
Total non-performance-related compensation	272	100 %	236	100 %
Performance-related compensation				
Annual bonus 2021	-		-	
Performance Share Plan ²⁾	-		-	
Total performance-related compensation	-	-	-	-
Total compensation	272	100 %	236	100 %

²⁾ For the financial year 2021, no long-term variable compensation was granted under a plan allocated at an earlier date

Third-party compensation

In the financial year 2021, the members of the Management Board were not granted any compensation from third parties.

4. Other disclosures

Deviations from the compensation system

The Supervisory Board is authorized to deviate temporarily from the compensation system if this is necessary in the interest of the long-term performance of the Company. No deviation was made with regard to the compensation granted for the financial year 2021.

Maximum compensation

To ensure compliance with the maximum compensation provided for in the compensation system approved by the Annual General Meeting, all variable compensation components include a contractually

fixed maximum amount. The compensation components are regularly reviewed by the Supervisory Board.

The total amount of compensation paid out for the financial year 2021 cannot be determined until the Performance Share Plan 2021-2024 has expired. However, it can already be ruled out that the maximum compensation under Art. 87 par. 1 sentence 2 no. 1 will be exceeded, as even if the Performance Share Plan pays out 256 % of the target amount (cap) the total of all compensation components would be below the maximum compensation.

Malus/clawback

The Supervisory Board saw no reason to reclaim or reduce variable compensation components in the financial year 2021.

5. Comparative presentation

The comparative presentation of the annual change in the compensation granted and owed to the Management Board and the Supervisory Board, the development of the Company's earnings and the average compensation of employees on a full-time equivalent basis required by Section 162 (1) sentence 2 no. 2 is as follows:

Change compared to the prior year in %	2021 vs. 2020
Total compensation of current Management Board members	
Natalie Weigand	+6 %
Michael Rudolf	+14 %
Total compensation of current Supervisory Board members	
Dr. Axel Rebien ³⁾	+/-0 %
Earnings development of the Company	
Annual profit of PharmaSGP Holding SE (HGB; German Commercial Law)	+300 %
Adjusted EBITDA of PharmaSGP Group ⁴⁾	+14 %
Employee compensation	
Average employee compensation ⁵⁾	+2 %

3) In 2020, Dr. Axel Rebien received a pro-rata Supervisory Board compensation for seven months. In the financial year 2021, the compensation on an annual basis is unchanged.

4) PharmaSGP Group consists of PharmaSGP Holding SE and its subsidiaries PharmaSGP GmbH, Remitan GmbH, Restaxil GmbH and PharmaSGP Vertriebs GmbH. The calculation of adjusted EBITDA is based on the IFRS consolidated financial statements of PharmaSGP Group and is outlined in the combined management report.

5) These disclosures relate to all employees of PharmaSGP Group.

The following copy of the auditor's report also includes a "Report on the Assurance in Accordance with § 317 (3a) HGB on the Electronic Reproduction of the Financial Statements and the Management Report Prepared for Publication Purposes" ("sepa-

rate report on ESEF compliance"). The subject matter (ESEF documents) to which the separate report on ESEF compliance relates is not attached. The assured ESEF documents can be inspected in, or retrieved from, the Federal Gazette.

Independent Auditor's Report

To PharmaSGP Holding SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of PharmaSGP Holding SE, Gräfelfing, and its subsidiaries (the Group), which comprise the consolidated statements of profit or loss and the consolidated statements of comprehensive income for the fiscal year from 1 January 2021 to 31 December 2021, the consolidated statements of financial position as at 31 December 2021, the consolidated statements of changes in equity and the consolidated statements of cash flows for the fiscal year from 1 January 2021 to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of PharmaSGP Holding SE, which is combined with the management report of the Company, for the fiscal year from 1 January 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report specified in the appendix to the auditor's report and the company information stated therein that is provided outside of the annual report and is referenced in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) of the HGB ["Handelsgesetz-

buch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the reporting year from 1 January 2021 to 31 December 2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the parts of the group management report referred to in the appendix to the auditor's report.

Pursuant to Sec. 322 (3) Sentence 1 HGB we declare that our audit and our examination have not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accor-

dance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Accounting treatment of the acquisition of product brands

Reasons why the matter was determined to be a key audit matter:

On 31 August 2021, the PharmaSGP Group concluded the acquisition of a product portfolio from GlaxoSmithKline Group (GSK portfolio) in an asset deal. The product portfolio comprises the four OTC product brands Baldriparan, Formigran, Spalt and Kamol and as of the acquisition date it was distributed in Germany, Austria, Switzerland, France, Poland, Czech Republic, Slovakia and Hungary.

The purchase price for the acquisition of this product portfolio amounted to EUR 81.4m plus incidental acquisition costs of EUR 1.6m. The acquisition was accounted for on the basis of a purchase price allocation in accordance with IAS 38 Intangible assets. The assets acquired were identified and their fair value was determined in accordance with IDW Standard 5 "Principles for the Valuation of Intangible Assets" and IFRS 13 "Fair Value Measurement".

The accounting treatment of the acquisition was a key audit matter due to the estimation uncertainties and judgment involved regarding the purchase price allocation (in particular with reference to the measurement of acquired intangible assets) and the determination of the underlying useful lives as well as the overall material effects in terms of amount on the assets, liabilities, financial position and financial performance of the Group and the associated significant risk of material misstatement.

Auditor's response:

In addition to the evaluation of the purchase price paid, our audit procedures in relation to the acquisition of the GSK portfolio comprised the assessment of the methodology applied by the external expert consulted by the executive directors to identify and measure the acquired assets with regard to the requirements of IFRSs. Among other things, we assessed the suitability of the external appraisal as audit evidence by interviewing the executive directors and the external expert. With the assistance of our internal valuation specialists, we also analyzed the assumptions and estimates subject to judgment made to determine the fair values of the acquired, identifiable assets, whether they correspond to general and industry-specific market expectations. In addition, we checked the clerical accuracy of the valuation models and reconciled the estimated future cash flows used for valuation purposes with the internal business plans, among other things.

Furthermore, we assessed the appropriateness of the defined useful lives and verified the estimate that the acquisition does not qualify as a business combination pursuant to IFRS 3.

As part of our audit procedures, we also verified the effects on earnings from the subsequent accounting of the acquired assets in fiscal year 2021, particularly taking into consideration the useful lives applied for acquired assets.

In addition, we assessed the information in the notes to the consolidated financial statements about the acquisition of the GSK portfolio with regard to the IFRS requirements.

Our audit procedures did not lead to any reservations relating to the accounting treatment of the acquisition of the product brands.

Reference to related disclosures:

The accounting policies applied for the accounting treatment of the acquisition as well as an explanation of the transaction are disclosed in section 5.1 "Intangible assets" of the notes to the consolidated financial statements.

Recognition of revenue from the sale of goods

Reasons why the matter was determined to be a key audit matter:

The companies of the PharmaSGP Holding SE Group mainly generate revenue from the sale of over-the-counter (OTC) pharmaceuticals and other healthcare products. The majority of the goods are sold via logistics service providers in the respective countries that also handle the storage of the products and the distribution to wholesalers and pharmacies on account of group companies and on their own account. Revenue from the sale of goods less discounts is recognized in the consolidated financial statements of PharmaSGP Holding SE when control of the goods has been transferred to the customer (usually on the date of delivery). Expected returns are taken into account as revenue reduction. There is a risk of error or fraud with regard to revenue recognition due to performance targets and forecasts that could be an incentive for recognizing revenue without being based on a respective delivery of goods. We determined this to be a key audit matter due to the materiality of revenue for the consolidated financial statements and in connection with the fact that revenue is a key financial performance indicator for the corporate management and forecast for the PharmaSGP Holding Group.

Auditor's response:

As part of our audit procedures, we analyzed the accounting policies applied by PharmaSGP Holding SE in the consolidated financial statements for revenue recognition from the sale of goods based on the criteria defined in IFRS 15. We verified the contractually agreed terms including the relevant regulations for the transfer of control with the various customers based on our understanding of the business and processes. Against this background, we assessed the processes for revenue recognition and accrual basis accounting established by the executive directors. In connection with revenue for fiscal year 2021, we examined the correlation with the associated trade receivables and corresponding payments in order to

identify irregularities in the development of revenue. In addition, we examined the correlation between revenue and cost of materials and analyzed deviations from the gross margin generated from the expectation of the gross margin based on historical data during the fiscal year. Furthermore, individual revenue transactions were compared with the delivery notes and payments received on a sample basis. In addition, our audit procedures included reviewing significant contracts, obtaining external confirmations from customers and reviewing credits issued after the reporting date. Our audit procedures did not lead to any reservations regarding revenue recognition from the sale of goods.

Reference to related disclosures:

The Company's disclosures in the notes to the consolidated financial statements on the principles of revenue recognition are contained in section 2. "Summary of significant accounting policies" (2.3. "Revenue from contracts with customers").

Recognition and measurement of provisions for warranties and refund liabilities

Reasons why the matter was determined to be a key audit matter:

Provisions for warranties are recognized for statutory and contractual warranty obligations and for assurance-type warranties pursuant to the regulations in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. They constitute a significant share of other provisions of the consolidated financial statements of PharmaSGP Holding SE. In addition, the group companies grant their customers return rights under certain circumstances for which refund liabilities are recognized pursuant to IFRS 15 Revenue from Contracts with Customers, which represent the significant part of other financial liabilities.

The measurement of the provision for warranty obligations and the refund liabilities is based on the calculation of expected return rates classified by product, which also includes actual return rates and historical data as well as additional risk factors and assumptions, mainly for product-related, regulatory, market-related risks and risks related to competition law as well as the risk in connection with the products newly launched on the market (launch-related risk).

The overall risk derived is allocated accordingly to the volume per product in circulation as of the re-

porting date. The provision for warranty obligations and the refund liabilities are calculated based on the classification of the aforementioned risk factors to warranty claims or refund claims.

There is a high degree of judgment for the assumptions and estimates regarding the volume of potential returns in connection with the recognition of these provisions and liabilities. Due to these facts, we consider that the recognition and measurement of provisions for warranty obligations and refund liabilities constitutes a significant risk of material misstatement and was therefore was determined to be a key audit matter.

Auditor's response:

During our audit, we examined the process implemented by the executive directors to determine whether and how it ensures the complete recognition of the relevant warranty and refund matters. In this context, we verified whether the underlying data basis of revenue of the PharmaSGP Holding SE Group and the volume of goods in circulation, which is estimated on the basis of external market data, has been prepared in a complete and verifiable manner. Furthermore, we obtained an understanding of the grounds for and amount of risks (product-related, regulatory, market-related, related to competition law and launch-related) incorporated in the calculation. We verified the clerical accuracy of the calculation of the provisions recognized for statutory and contractual warranty obligations as well as refund liabilities. We discussed with the executive directors the assumptions regarding the estimated returns, including additional uncertainties in connection with the ongoing COVID-19 pandemic, and assessed them based on past experience. We performed analytical audit procedures by comparing the development of revenue with the development of warranty provisions and refund liabilities and discussed the deviations from our expectations with the executive directors.

Our audit procedures did not lead to any reservations relating to the recognition and measurement of provisions for warranty obligations and refund liabilities.

Reference to related disclosures:

The Company's disclosures regarding the recognition and measurement of provisions for warranty obligations and refund liabilities are contained in sections 2. "Summary of significant accounting policies" (2.10 "Provisions") and "3. Significant accounting judg-

ments and estimates" of the notes to the consolidated financial statements.

Other information

The supervisory board is responsible for the Report of the Supervisory Board in the 2021 Annual Report. The executive directors and the supervisory board are responsible for the declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report mentioned in the appendix to the auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit

Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may

reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file "PharmaSGP_SE_KA_KLB_ESEF-2021-12-31 (SHA 256 check sum 12625b3781a922c398a68d-105c2511983784313c254349c83cc33d64a8655c53)" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2021 to 31 Decem-

ber 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 24 June 2021. We were engaged by the supervisory board on 9 March 2022. We have been the group auditor of PharmaSGP Holding SE since the fiscal year 2020.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor’s report

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Josef Christ.

Appendix to the auditor’s report:

1. Parts of the group management report whose content is unaudited

We have not audited the content of the following parts of the group management report:

- Corporate governance statement and Corporate Governance Report

2. Further other information

The other information also comprises additional parts to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, in particular the sections:

- PharmaSGP
- To our shareholders
- Other information

but not the consolidated financial statements, nor the disclosures in the group management report included in our audit or our associated auditor's report.

3. Company information outside of the annual report referenced in the group management report

The management report contains cross-references to the websites of the Group. We have not audited the content of information to which the cross-references refer.

Munich, 26 April 2022

Ernst & Young GmbH,
Wirtschaftsprüfungsgesellschaft

Christ	Esche
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Imprint

Publisher

PharmaSGP Holding SE
Lochhamer Schlag 21
82166 Gräfelfing
Germany

Telephone: +49 89 85 89 639 – 150
Telefax: +49 89 85 89 639 – 201

Email: info@pharmasgp.com
www.pharmasgp.com

Investor Relations and Corporate Communications

PharmaSGP Holding SE

Samantha Mohr
Telephone: +49 89 85 89 639 – 177

Email: ir@pharmasgp.com
(Investor Relations)

Email: presse@pharmasgp.com
(Corporate Communications)

Concept, Layout and Design

PharmaSGP Holding SE

k13design GbR - Werbeagentur
www.k13design.de

Picture Credits – Shutterstock

Disclaimer

The Annual Report is also available in German and can be downloaded in both languages from the Internet at <https://ir.pharmasgp.com>. In the event of deviations, the German version takes precedence over the English translation.

PharmaSGP Holding SE

Lochhamer Schlag 21
82166 Gräfelfing
Germany

Telephone: +49 89 85 89 639 – 150
Telefax: +49 89 85 89 639 – 201

Email: info@pharmasgp.com
www.pharmasgp.com