PHARMA SGP

2020 Annual Report

PharmaSGP at a glance

REVENUES IN 2020

63.2

€ MILLION

AVERAGE ADJUSTED EBIT MARGIN

>30%

(2017-2020)

<10%

FIXED COSTS
(OF REVENUES – Ø 2019/2020)

67

MARKETING AUTHORIZATIONS
EXISTING OR FILED

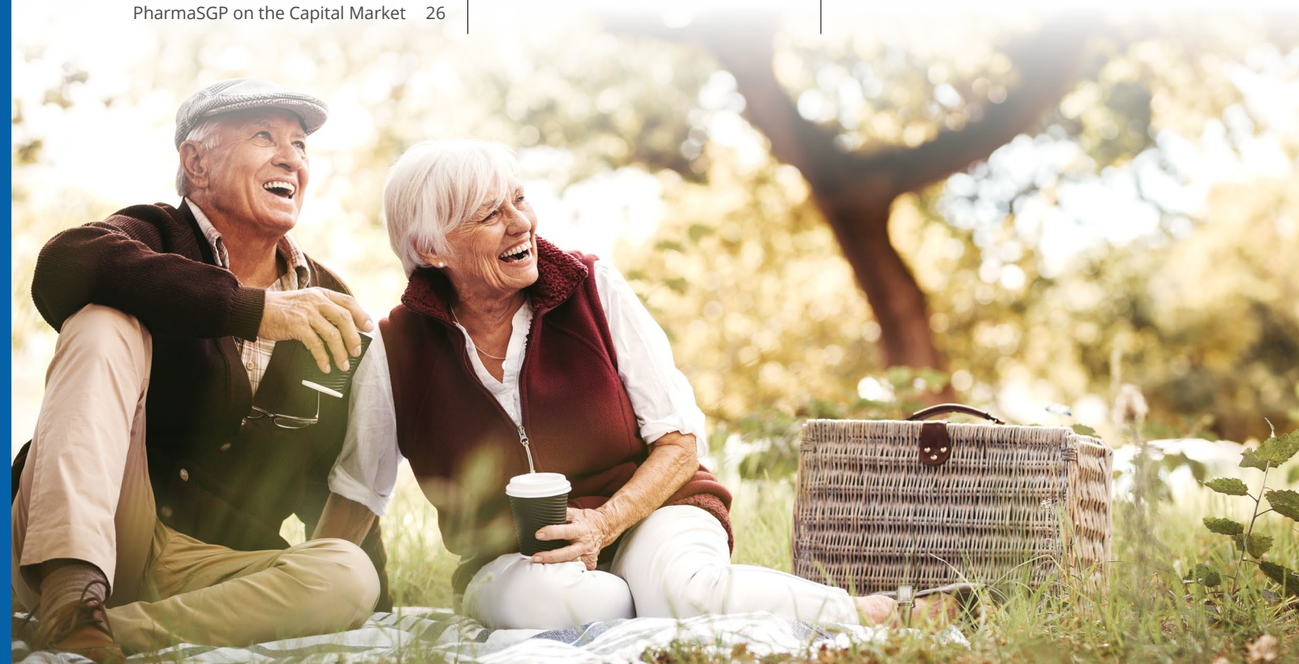
>3 MILLION

PACKS SOLD IN 2020

>100 MILLION

MONTHLY TARGET GROUP MEDIA
REACH (CONTACTS)

Contents



PharmaSGP – a pan-European platform to build and grow leading OTC brands

We...

...turn brands into market leaders

We offer consumers OTC drugs with brands they can trust. With our products, which are sold exclusively through pharmacies, we have built brands for many relevant chronic indications that are leaders in their respective categories. For example, RubaXX® for rheumatic pain and Restaxil® for neuralgic pain (nerve pain) are market leaders among systemic, chemical-free OTC pain relief drugs in Germany.

...are a pan-European platform

PharmaSGP has established a platform which allows it 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 business model with low fixed costs, which can also be transferred quickly and efficiently to other target markets. Since we launched our first product in Germany in 2012, we were able to establish our successful brands in other countries too, such as Austria, Italy, Belgium, Spain and France.

...stand for continuous growth

We think big and act fast. Consequently, we are prepared to take unusual approaches and react rapidly and flexibly to changes. This has allowed us to achieve continuous growth year after year. Also in periods with difficult market environments such as 2020, our “Health Brands” have achieved organic, double-digit growth. Our vision is to become Europe’s leading company with a strong OTC product portfolio with leading brands in their categories.

The PharmaSGP Platform

A highly efficient, scalable business model

We have established a business model with low fixed costs and proven transferability to other target markets. We focus on our core competencies and have outsourced the entire manufacturing and logistics process. We have standardized 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 are steering all of our business operating areas from our central company headquarter in Germany.

A 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. From formula development, laboratory tests and raw material procurement, to 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 and large manufacturers enable efficient scalability at all times.

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 six category-leading brands in our portfolio and a proven track record of building and growing leading consumer brands.

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 100 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.

High regulatory competence

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. Our portfolio now includes 67 marketing authorizations, existing or filed. We also command extensive experience of regulatory requirements for cosmetics and dietary supplements. This enables us to integrate OTC products of different categories at any time.

Our Milestones

2012
The first OTC drug is established in Germany.

2013
Launch of the successful RubaXX® brand for rheumatic pain.

2014
The portfolio already includes three leading brands in their categories.

2016
The business model is successfully transferred abroad.

2017
Restaxil® is the year's most successful OTC launch in Germany.

2018
The platform strategy is now established in six European markets.

2019
The number of packs sold annually exceeds 3 million units.

2020
In June, PharmaSGP goes public (Germany's first Prime Standard IPO of 2020).

Our International Presence

Six countries – one base

The years represent the market entry date of PharmaSGP in the respective European country.

Trends in the market for natural OTC products

An ageing European population:

>32 %

will be over 60 by 2030

Rising demand for natural OTC products:

~6 %

market growth in Germany between 2017 and 2018

Self-medication:

~3 %

growth in continental European markets up to 2024

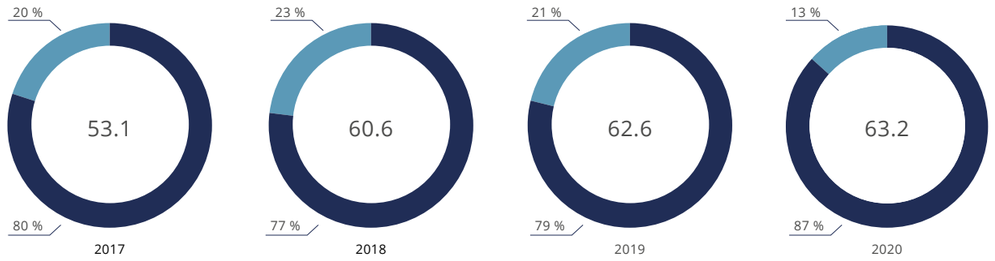
Growing OTC market:

~4 %

expected average growth of OTC drugs until 2024 in Germany

Key Financial Indicators

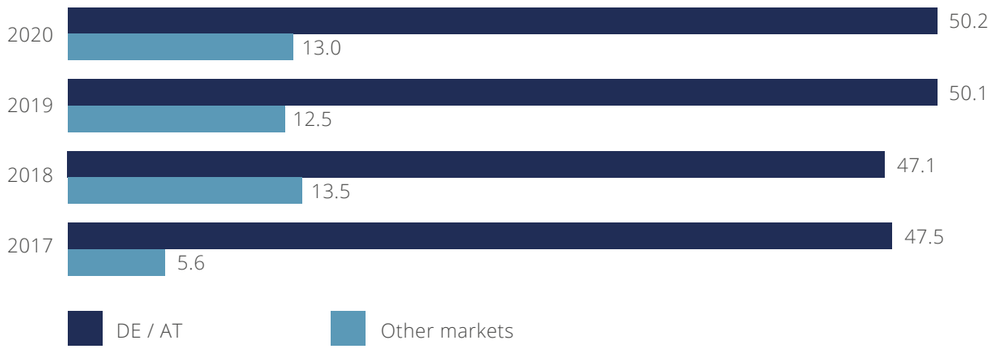
PharmaSGP revenues*



Performance indicators for the PharmaSGP Group*

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

Geographical breakdown of PharmaSGP revenues*



* all figures in € million, except earnings per share (in €) and margins (in %)
**For the financial years 2017-2020, 12,000,000 shares are the basis for calculating earnings per shares.

Our most important Brand Families

Our focus: “Health Brands”

We offer consumers OTC drugs with brands they can trust. With our products, which are sold exclusively through pharmacies, we focus on older people with chronic conditions. Our drugs are based on natural active pharmaceutical ingredients with documented efficacy and few known side effects. Our largest brand families include RubaXX® for rheumatic pain and Restaxil® for neuralgic pain. The DESEO® and Neradin® brands are aimed at the men’s health market. While TAUMEA® provides relief from vertigo, Lindaven® helps with haemorrhoids. Our brands in the “Beauty Brands” category include cosmetic anti-ageing preparations.

PharmaSGP offers a broad portfolio
of trusted brands for many different indications.

Health

Beauty

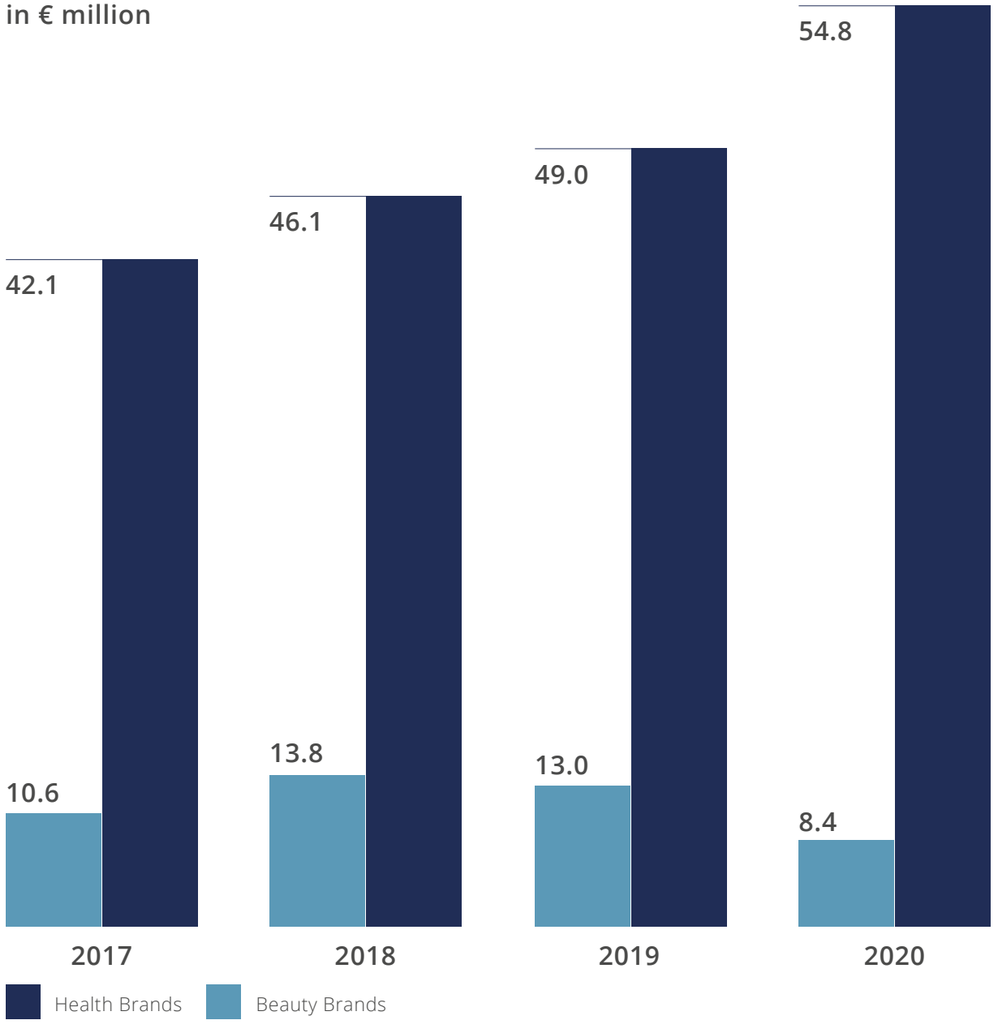
Health

Dynamic Growth of our “Health Brands”

Result of our pan-European platform

Our strategy: analyse untapped market potential, build strong consumer brands and transfer them successfully to other countries. Thanks to our pan-European platform, this can be accomplished simply and cost-efficiently. We always keep our two most important performance factors in mind: increasing our revenues while at the same time growing our profitability. For this reason, we have increasingly focused our investment on the “Health” category in recent years. The continuous growth of our “Health Brands” category confirms this strategy.

in € million



Interview with the Management Board on the **Corporate Strategy**

PharmaSGP's Growth Strategy

About the establishment and expansion of leading OTC brands, planned M&A activities and their financing

For people who are not yet familiar with PharmaSGP: What distinguishes your company and how do you differ from your competitors?

N. Weigand: As a consumer health company, we focus on non-prescription drugs, so-called OTC products, which we advertise directly to consumers and sell exclusively through pharmacies. Over the years, we have created a platform for branded products in order to establish and grow leading OTC brands both nationally and internationally. This opens up enormous growth opportunities for us across Europe.

We have established an asset-light business model that ensures substantial scalability with a highly efficient cost structure. Our years of in-depth regulatory experience enable us to quickly integrate OTC products of diverse categories into our portfolio and launch them onto markets. At the same time, as a D2C specialist, we achieve a wide media reach among our target group with over 100 million contacts per month – and all this under attractive and efficient media conditions.

Drawing on these strengths, we have been generating continuous and profitable growth of our "Health Brands" for many years. At the same time, we benefit from structural trends such as the rising age of the population, increased health awareness and the trend towards natural drugs and self-medication.

„Our growth strategy is aimed at making efficient use of our pan-European platform."

Natalie Weigand, CEO

What distinguishes PharmaSGP's growth strategy?

N. Weigand: Our growth strategy is aimed at making efficient use of our pan-European platform. On the one hand, we are constantly expanding the number of indications covered by our product range, while on the other, we are pushing our expansion within Europe.

Apart from the further organic growth of our existing "Health Brands", we will focus on the acquisition and integration of established brands in the future.

M. Rudolf: When it comes to acquiring established brands, the value creation potential is clearly the main consideration. Through our PharmaSGP platform, we have the opportunity to make the most of a product's potential. Firstly by increasing revenues through our effective D2C marketing. Secondly, we are able to achieve cost optimizations through the integration into our efficient business model. In this way, we are creating additional value for PharmaSGP and its owners by increasing sales and optimizing margins.

What criteria are important for you when looking for targets?

M. Rudolf: We have very clear investment criteria. We are interested in brands or product portfolios that are established in the market and have a revenue potential that is relevant to us. We are currently considering products in all European markets. In the

„When it comes to acquiring established brands, the value-added potential is clearly the main consideration.“

Michael Rudolf, CFO

medium to long term, countries outside Europe could also be added. But beyond that, and most importantly, the takeover candidates must fit into our strategy. This means that our focus is on chronic indications, whereby we either expand our existing areas of indication or gain new ones.

How do you find the right targets and how will you finance M&A activities?

N. Weigand: We have a project team set up specifically for this purpose that continuously analyses the markets. This is done within the framework of a clearly structured process subject to the most stringent management attention. Naturally, we also make use to the experience of third parties. We have built up a network of investment banks and pharmaceutical consultancies throughout Europe to support us in this work. But we also benefit from our reputation as one of the most dynamic consumer health companies in the industry. As a result, we regularly receive offers via our company network.

M. Rudolf: The advantage of our business model is that we have a very strong internal financing capability from our operating business. The combination of continuously very high cash conversion rates with a lean and extremely healthy capital structure provides an excellent basis for external financing options, especially on the debt side. At the end of 2020, we had an equity ratio of 46 % and a markedly positive net cash position. Our clearly defined goal is to complete one or more acquisitions this year – we have the financial leeway to do so and are determined to use it.

To Our Shareholders

Foreword by the Management Board

Dear Shareholders,
Dear Ladies and Gentlemen,

PharmaSGP looks back on an extraordinary 2020 financial year. On the one hand, the Covid-19 pandemic has substantially hit global economic activities and continues to have a massive impact. Our most relevant OTC markets in Europe have also experienced a significant downturn. On the other hand, we successfully obtained our listing on the Prime Standard of the Frankfurt Stock Exchange in June 2020 – which also marked the first admission to the index in 2020. Our employees have contributed significantly to this milestone with their commitment – for which we would like to express our sincere thanks.

Overall, PharmaSGP continued its positive development in an extremely challenging environment in 2020. While we also had to adjust our targets during the year, all in all, we were able to hold our ground well and generate a slight increase in revenues, while the overall market for OTC pharmaceuticals in Europe is still suffering from the consequences to this day.

This development was enabled by the consistent implementation of our growth strategy based on our Europe-wide platform. International sales trended upwards by 18.6 % to € 19.8 million and revenues in our strategically important „Health Brands" category rose by 11.8 % to € 54.8 million. The anticipated sales decline in the „Beauty Brands" category was additionally reinforced by the Covid-19 pandemic. All in all, Group revenues in the 2020 financial year advanced by 1.1 % to € 63.2 million.

Within the context of rapidly rising infection figures as well as nationwide, hard lockdowns in the fourth quarter of 2020, we had to accept significant impacts on our result. Already booked advertising spaces for new product launches could not be reduced at short notice, and these costs were confronted with an unexpected shortfall in revenues. Consequently, with regard to the full year 2020, EBIT – adjusted for one-off costs and special effects – was reduced to € 16.5 million. The adjusted EBIT margin as percentage of revenues stood at 26.1 %.

Although the development of revenue and results in 2020 ran a different course than originally expected due to the Covid-19 pandemic, we see our strategy confirmed in view of the significant growth achieved outside of Germany, and in the „Health Brands" category.

Regardless of the Covid-19 pandemic, we see very good opportunities in our target markets, which we will be exploiting through the expansion of our portfolio as well as through regional expansion. With PharmaSGP, we have created a platform in Europe enabling us to successfully integrate and expand brands. Our aim is to seize the growth potential arising from our platform strategy even more consistently in the future, placing a dedicated focus on M&A activities and thereby advancing to Europe's leading OTC company with a strong portfolio of leading OTC brands in their categories.

The further course of the Covid-19 pandemic, however, will continue to rank as a key factor for business development in the current year 2021. Based on the continued lockdown situations and the ongoing strong third wave of infection, we do not expect an overall economic recovery in the first two quarters of 2021. With a look to the relevant European OTC markets, we expect year-on-year growth in the second half of the year at the earliest. Against this backdrop, we are forecasting revenues of between € 56 million and € 60 million for 2021, with stable to slightly positive development of the „Health Brands" category and declining „Beauty" business, as anticipated. We expect the adjusted EBIT margin to rise to 27 % to 30 %.

These expectations are based on the assumption that there will not be a renewed nationwide lockdown in our target markets in the second half of 2021. Moreover, possible acquisitions are not included in this forecast. Thanks to our intensive project activities, we are well prepared to consistently exploit the growth opportunities that present themselves both on national and international levels. We are convinced that we will be able to conclude successful transactions this year.

We would like to take this opportunity to thank our customers, all our business partners and you, our dear shareholders, for your trust and support in these challenging times. We look forward to charting new growth paths together with you and our employees in 2021. Join PharmaSGP on this successful path!

Gräfelfing, April 2021

Natalie Weigand
(CEO)

Michael Rudolf
(CFO)

Report of the Supervisory Board for the Financial Year 2020

Activities of the Supervisory Board in the 2020 financial year; cooperation between the Management Board and the Supervisory Board

In the 2020 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 five meetings in the 2020 financial year. The legally mandated rotation of two meetings per calendar half-year was adhered to. Three meetings were held by telephone conference, in particular so as to take Covid-19-related restrictions into account. Two 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 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 2020 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 2020 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 2020 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 in the context of the IPO of the Company in June 2020, 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 year under review, the following topics took center stage:

- The personnel changes that occurred in 2020 in the composition of the Management Board and related topics, in particular the remuneration of the Management Board members, were discussed in detail by the Supervisory Board and the necessary resolutions were passed.

- The Supervisory Board dealt in detail with the contribution of the shares in PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH to the Company (as part of a capital increase through contributions in kind) and prepared a post-formation report on this, which was submitted to the Annual General Meeting.

- In May 2020, the Supervisory Board approved the conclusion of domination and profit transfer agreements between the Company and various subsidiaries of the PharmaSGP Group.

- In May and June 2020, the Supervisory Board addressed various topics related to the Company's upcoming IPO, in particular on corporate governance and setting the framework conditions for the IPO.

- Moreover, the Supervisory Board dealt with the conclusion of various service agreements as well as purchase and assignment agreements with the FUTRUE Group.

- In September 2020, the 2020 half-year financial report was presented to the Supervisory Board and discussed in detail.

- In November 2020, the Supervisory Board also discussed and approved the agreement of an operating line of credit by the Company.

Audit of the annual and consolidated financial statements 2020

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 2020 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 19 April 2021.

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 19 April 2021. These financial statements of the Company for the 2020 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 19 April 2021. 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 relationships 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. Furthermore, Dr Fischer and Ms Hohlefelder also abstained from voting on the resolution of the Supervisory Board regarding the waiver of their remuneration as members of the Supervisory Board by Dr. Clemens Fischer and Ms Madlena Hohlefelder.

Personnel changes in the Management Board and Supervisory Board

Board of Directors

With effect from 4 March 2020, the Management Board member Andreas Koglin resigned from his office with effect from the end of 4 March 2020. By resolution of the Supervisory Board on the same day, Ms. Natalie Weigand (CEO) and Mr. Michael Rudolf (CFO) were appointed as new members of the Management Board of the Company with effect from the end of 4 March 2020.

On 28 May 2020, both Ms. Natalie Weigand and Mr Michael Rudolf were reappointed as members of the Company's Management Board until 31 December 2022.

On 16 September 2020, Maria-Johanna Schaecher became a member of the Management Board as Chief Business Development Officer (CBDO). Ms Schaecher resigned from the Management Board again by mutual agreement with the Supervisory Board on 30 November 2020.

Supervisory Board

Until the end of 4 March 2020, Ms. Doina Roman (Chairperson), Ms. Sandra Gründler and Ms. Ann-Catherine Siepmann were members of the Supervisory Board.

With effect from the end of 4 March 2020, Dr. Clemens Fischer, Ms. Madlena Hohlefelder and Mr. Christian Westebbe were appointed as members of the Supervisory Board of the Company. On 9 March 2020, the Supervisory Board elected Dr. Clemens Fischer as Chairman of the Supervisory Board and Ms. Madlena Hohlefelder as Deputy Chairman.

Mr. Christian Westebbe resigned as a member of the Supervisory Board with immediate effect on 28 April 2020. Dr. Axel Rebien was elected to succeed Mr. Christian Westebbe with effect from 1 June 2020.

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 2020.

Gräfelfing, April 2021

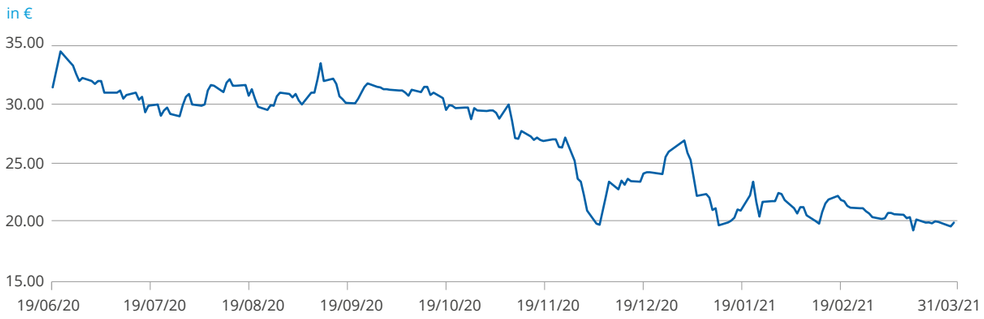
Dr. Clemens Fischer (Chairman)

PharmaSGP on the Capital Market

IPO 2020

On 19 June 2020, a new phase in the history of PharmaSGP Holding SE was ushered in with the company's successful IPO. In spite of the difficult conditions for IPOs due to the Covid-19 pandemic, PharmaSGP Holding SE featured as the first company to be admitted to the Prime Standard of the Frankfurt Stock Exchange in 2020. At an issue price of € 31.50, 3.5 million shares from existing shareholders were placed, in addition to 525,000 shares from the over-allotment. Based on the offer price, this resulted in market capitalisation of € 378 million at the start of trading. The first trading price stood at € 32.00 (XETRA) and the first closing price was recorded at € 34.50 (XETRA), which is 9.5% above the issue price. The admission to the Regulated Market was accompanied by Joh. Berenberg, Gossler & Co KG.

Share Price*



* Based on the opening price of the first trading day on June 19, 2020, closing prices of the Xetra trading system of Deutsche Börse AG until March 31, 2021.

In the market environment characterised by Covid-19, the share was able to move stably in a corridor between € 34.00 and € 28.00 in the course of the first months. With the emergence of the second Covid-19 wave and the rapidly rising infection figures, as well as comprehensive lockdowns in the target markets, PharmaSGP was forced to adjust the forecast for the 2020 financial year on 27 November 2020. On 18 March 2021, the share price reached the low point of the period under review at € 19.32 and closed at € 19.98 on 31 March 2021.

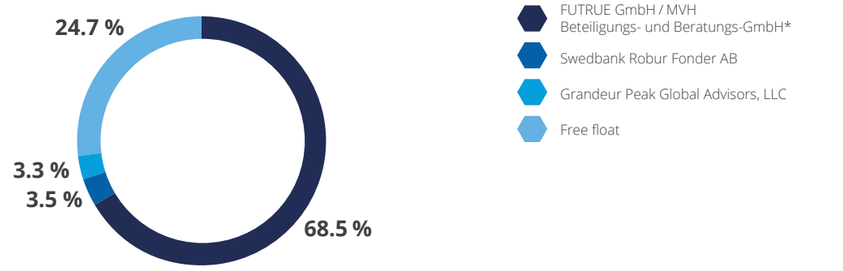
Master Data of the Share

Security identification number (WKN)	A2P4LJ
ISIN	DE000A2P4LJ5
Stock exchange symbol	PSG
Type of shares	Ordinary bearer shares without par value (no-par value shares)
Initial listing	19 June 2020
Number of shares	12.0 m
Closing price (31 March 2021)*	€ 19,98
Highest price / Lowest price*	€ 34.50 / € 19.32
Price performance	-37,6 %
Market capitalisation (31 March 2021)	€ 239.76 million
Stock exchange / segment	Frankfurt Stock Exchange / Prime Standard
Designated Sponsor	Joh. Berenberg, Gossler & Co. KG

* Closing prices of the Xetra trading system of Deutsche Börse AG in each case

Shareholder Structure

Information based on the voting rights notifications received pursuant to the German Securities Trading Act, WpHG (as of March 2021).



* 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

Combined Management Report for the Financial Year 1 January to 31 December 2020

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 and Restaxil 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 standards DRS 17 and 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 sold exclusively through pharmacies.

Over the past eight years, PharmaSGP has created a platform to successfully integrate and grow brands in all its European markets. Five key factors ensure 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 100 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 other 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 indication areas, such as rheumatic and neuralgic pain or sexual weakness. 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 68.6 % of total revenues in financial year 2020. As the European OTC market is also expected to significantly grow in the future due to fundamental trends, the Group 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.

1.2 Product portfolio

As of 31 December 2020, the product portfolio currently marketed by PharmaSGP includes more than 40 OTC pharmaceuticals and other healthcare products. The Group's core brands cover chronic indications, especially pain, as well as other age-related ailments. The OTC drugs are based on natural active pharmaceutical ingredients with documented efficacy and are characterized by good tolerability.

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.[1] 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 in-house developments and acquired marketing authorizations, brands and product portfolios are essential components of the growth strategy. In the financial year 2020, PharmaSGP further expanded the existing portfolio in this way.

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 on the acquisition and integration of established brands. Value enhancement potential can be realized by

- increasing revenues through the establishment and 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 under-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

Cost-efficient development capabilities, a fast product development process and a rapid 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 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 2020, a total of 67 marketed and non-marketed marketing authorizations (existing or filed) have been granted in Germany and abroad.

Development services are handled exclusively by PharmaSGP GmbH, Remitan GmbH and Restaxil GmbH. The Group's capitalization rate in 2020 was 65 %.

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 a target group media reach of more than 100 million contacts per month in its target markets.

[1] Insight Health MAT 12 / 2020.

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 up to 94 % of German pharmacies also demonstrates PharmaSGP's wide reach. Further marketing activities in 2020 included addressing doctors and pharmacists via specialized trade media.

1.6 Group structure

The wholly-owned subsidiaries PharmaSGP GmbH, Remitan GmbH and Restaxil 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, such as the collagen drink Fulminan®.

This structure was created in preparation for the IPO on 19 June 2020 through a capital increase against contribution in kind and contribution of the companies. PharmaSGP has existed in the described Group structure since its registration in the commercial register on 8 May 2020.

1.7 Locations and employees

The registered office of the PharmaSGP companies is in Gräfelfing, Bavaria, Germany. As of 31 December 2020, the Group had a total of 67 employees (full-time equivalents) at this location, 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 a few cases 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 current business development (comparison of planned and actual figures).

The key performance indicators for the Management Board are revenues and adjusted earnings before interest and taxes (adjusted EBIT) in order to measure the Company's success. Appropriate measures are defined and implemented if there are deviations from the original revenues and EBIT targets.

2. Economic report

2.1 General economic environment and industry-specific conditions

2.1.1 General economic environment

In 2020, global economic activities were severely impacted by the Covid-19 pandemic. According to the Kiel Institute for the World Economy (IfW), a worldwide slump in economic activity in March and April was initially followed by catch-up effects as the pandemic situation eased and conditions relaxed.[2] However, as the pandemic entered a second wave in autumn, countries around the world including Germany adopted numerous measures in November and December, which again had a clearly negative impact on economic performance in Q4 2020.[3] In December 2020, the IfW estimated the full year contraction in the global economy at 3.8 %, after growth of 3.0 % in the prior year.[4] However, the European economy as a whole recorded an even sharper decline in economic output of 6.7 % following growth of 1.2 % in the prior year.[5] In the major European economies of France, Italy and Spain, gross domestic product (GDP) declined by as much as 9.0 % to 11.0 %.[6]

[2] Kiel Institute for the World Economy (IfW), Kiel Economic Outlook No. 74 (2020|Q4) "German Economy in Winter 2020", p.2

[3] Ibid., p.3

[4] Kiel Institute for the World Economy (IfW), Kiel Economic Outlook No. 73 (2020|Q4) "German Economy in Winter 2020", p.8

[5] Ibid., p.9

[6] Ibid., p.11

The German economy also suffered heavily from the restrictions resulting from the Covid-19 pandemic, so that economic output declined by 5.0 % in 2020, according to the Federal Statistical Office, after an increase of 0.5 % in the prior year. As the year progressed, the German economy rallied temporarily over the summer after a historic 9.7 % slump in GDP in Q2 2020. In Q4 2020, this recovery was significantly slowed down by a second wave of infections and a renewed lockdown at year-end. Private consumption was hit especially hard.[7]

In view of the still high rate of Covid-19 infections, the risk of more contagious viral mutations and the resulting prolonged restrictions, KfW expects German GDP to decline by 1.5 to 3.0 % in Q1 2021.[8] Provided that the distribution of vaccines leads to an easing of the measures imposed by policy-makers and no new far-reaching restrictions have to be imposed due to the pandemic, KfW expects a recovery in spring and a growth spurt in summer.[9] For the full year, KfW expects Germany's price-adjusted GDP to increase by 3.3 %. According to this estimate, the pre-crisis level will probably not be reached again until Q4 2021.[10] The Eurozone's price-adjusted GDP is expected to grow by 4.6 % in 2021, after the significant slump in 2020. However, the Eurozone will still fall short of the pre-crisis level in 2021.[11] All in all, the future performance of the economy greatly depends on the success of the containment measures taken. A sustainable economic recovery is only achievable once the virus and its spreading mutations have been brought under control.[12]

2.1.2 General conditions in the industry

The pharmaceutical and healthcare market relevant to PharmaSGP is driven by significant, fundamental consumer trends. These include demographic development, which is characterized by a continuously ageing society. At the same time, steadily increasing health awareness and trends towards natural pharmaceuticals and increased self-medication are apparent in society.

According to consultants IQVIA, spending on pharmaceuticals grew in almost all European countries between 2015 and 2020, especially in the largest European markets.[13] In the five largest European countries, Germany, the United Kingdom, Italy, France and Spain, branded products accounted for around 63 % of spendings in 2020. This growth trend in the pharmaceutical industry is expected to continue in the future. In the segment of OTC drugs, sales in Europe are expected to total around € 24 billion in 2021, with annual growth of 3.4 % forecast to 2025.[14]

In Germany the pharmacy market, which is central to PharmaSGP, recorded an overall decline in sales of 4.5 % in 2020. Sales spiked in March due to stockpiling during the first wave of infections, but remained well below the prior year's level in the months that followed. The decline in volume since April is due to the impact of the Covid-19 lockdown and other effects of the pandemic.[15]

On a detailed analysis of the sales figures, it appears that OTC drugs in particular suffered in the wake of Covid-19. While the market segment of prescription pharmaceuticals in Germany stagnated just below zero in volume terms (declining by 0.6 %), sales of OTC medicines fell by 7.9 % year on year.[16] The consistently negative trend observed in the market as a whole since April 2020 was even more pronounced in this segment, with sales falling by more than 20 % in the months of April, May and November.[17] In terms of revenues, the market for OTC drugs declined by 5.0 %. Unlike the first lockdown in March 2020, the two-stage lockdown since early November did not lead to additional stockpiling by consumers. Including non-pharmaceuticals, the market for non-prescription and over-the-counter medicines in Germany fell by 4.3 % in volume and 1.1 % in terms of revenues.[18]

Looking at the sales channels, a shift is taking place away from high street pharmacies towards online retailing. Sales of OTC products via mail-order pharmacies rose by around 14 % in unit terms in 2020 due to the pandemic. Through the second Covid-19 wave, Sempora consultancy also identified a further intensification of category trends throughout the Covid year of 2020.[20]

[7] https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_040_811.html.

[8] KfW Konjunkturkompass 24.02.2021: https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-KfW-Konjunkturkompass/KfW-Konjunkturkompass-Februar-2021.pdf, p.1.

[9] Ibid., p.1

[10] Ibid., p.1

[11] Ibid., p.1

[12] https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/Wirtschaftliche-Lage/2021/20210215-die-wirtschaftliche-lage-in-deutschland-im-februar-2021.html.

[13] https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/global-medicines-use-in-2020.

[14] https://de.statista.com/outlook/cmo/otc-pharma/europa.

[15] https://www.iqvia.com/-/media/iqvia/pdfs/germany/library/publications/iqvia-pharma-marktbericht-classic-jahr-2020.pdf?la=de-de&hash=A08BED3917F798152F4CD01D43F17F3C&_=1614350409492.

[16] https://www.iqvia.com/-/media/iqvia/pdfs/germany/library/publications/iqvia-pharma-marktbericht-classic-jahr-2020.pdf?la=de-de&hash=A08BED3917F798152F4CD01D43F17F3C&_=1614350409492.

[17] Ibid.

[18] IMS Consumer Report Apotheke; Rezeptfreie Arznei-und Nichtarzneimittel, OTCGMS (Gruppen 1-19+97).

[19] https://www.iqvia.com/-/media/iqvia/pdfs/germany/library/publications/iqvia-pharma-marktbericht-classic-jahr-2020.pdf?la=de-de&hash=A08BED3917F798152F4CD01D43F17F3C&_=1614350409492.

[20] https://www.sempora.com/files/pdf/SEMPORA%20Corona %20Update%20OTC-Markt%20Nr.%206.pdf.

In particular, all cough & cold indications such as flu medicines (e. g. Grippostad) or expectorants without anti-infectives (e. g. Sinupret) showed a clear negative trend with declining sales. Products intended to prevent infections and strengthen the immune system (vitamins, minerals) showed positive momentum. In a generally declining OTC market, antirheumatics and analgesics also recorded a slight uptick in sales volume during this phase.

2.2 Course of business for PharmaSGP

PharmaSGP's revenues increased slightly by 1.1 % in 2020 compared to the prior year. Despite the negative impact of the Covid-19 pandemic on PharmaSGP's target markets, revenues in the "Health Brands" category increased by 11.8 % year-on-year. The Company therefore clearly outperformed the market as a whole in this product category, which is key to PharmaSGP's strategy. The "Beauty Brands" category declined by 35.2 % compared to the prior year. The Management Board believes that both categories would have performed significantly better without the impact of the Covid-19 pandemic.

In line with the strategy, the company continued to expand its international presence. Revenues in the international markets increased by 18.6 % compared to the prior year.

The product portfolio was further expanded both in Germany and abroad in 2020. The successful ongoing development of the product range included, for example, the launch of RubaXX® Cannabis CBD Gel in Germany, Austria and Belgium. The new launch of RubaXX® pain gel in Germany and RubaXX® Plus drops in Austria also further reinforced the RubaXX® brand. The Restaxil® (Mavosten®) brand was further successfully expanded with the launch of Restaxil® nerve pain gel in the Austrian market and the nervous system health supplement Mavosten® Forte in Italy. The portfolio in the Italian market was also successfully expanded with the launch of the men's health supplement Neradin®.

PharmaSGP believes that the lack of sales success for a significant portion of the new product launches in the third and fourth quarters is largely due to the negative impact of the Covid-19 pandemic on the Group's target markets. Infection figures rose rapidly in the fourth quarter, at rates well above those seen in spring. As a result, restrictions on public life in target markets such as Italy, France and Austria have again been significantly extended, in some cases to the point of hard and comprehensive lockdowns. Advertising space that had already been booked and could not be curtailed at short notice coincided with inadequate revenues. This is the main reason for the year-on-year decline in the adjusted EBIT margin to 26.1 % (prior year: 35.8 %).

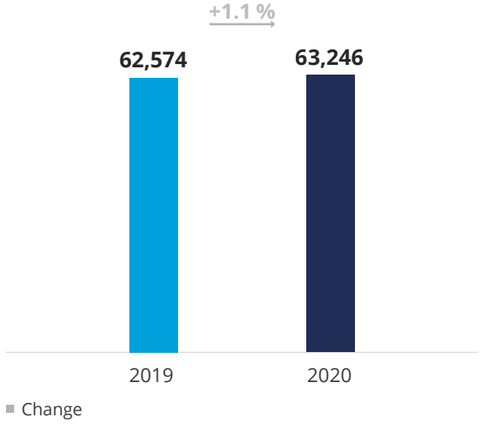
In the half-year financial report 2020, PharmaSGP had forecast a positive performance for the full year 2020. It also expected to be able to increase the revenues growth rate and increase the adjusted EBIT margin compared to the first half of 2020, provided there were no further significant restrictions due to the Covid-19 pandemic in the second half of the year. The forecast revenues growth and margin improvement could not be met due to the further intensification of the Covid-19 pandemic. Given the difficult market conditions, especially in the fourth quarter, the Management Board nevertheless looks back on an overall successful business year.

2.3 Earnings, assets and financial position of PharmaSGP

2.3.1 Earnings position of the Group

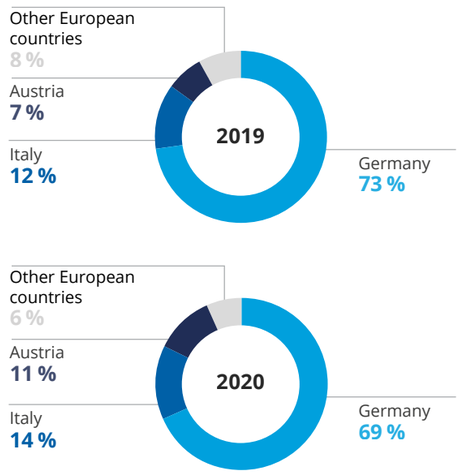
Group revenues development: slight revenue growth despite negative market trend overall

Revenues in € thousand



In 2020, PharmaSGP increased its revenues by 1.1 % to € 63,246 thousand (prior year: € 62,574 thousand), thus recording growth in contrast to the German OTC market as a whole (PharmaSGP's home market) during this period. Disregarding revenues from recharges to FUTRUE GmbH and its subsidiaries (hereafter the "FUTRUE Group"), revenue growth compared to the prior year was 2.0 %. As a consequence of the Covid-19 pandemic and the resulting curfew and contact restrictions, OTC revenues in the German market as a whole declined by around 1.1 % compared to the prior year. Despite this difficult market situation, PharmaSGP was able to increase its revenues mainly due to the positive development of the strategically important brand families in the "Health Brands" category plus growth in foreign markets.

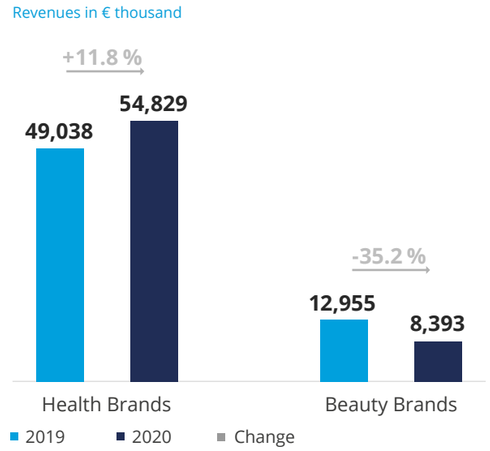
Revenues share by region: increasing foreign share



In Germany, revenues decreased by 5.3 % year on year to € 43,370 thousand (prior year: € 45,820 thousand). This corresponds to a 68.6 % share of revenues (prior year: 73.2 %). In Italy, on the other hand, PharmaSGP significantly increased its revenues by 19.8 % to € 8,833 thousand (prior year: € 7,375 thousand). This corresponds to a 14.0 % share of revenues (prior year: 11.8 %). PharmaSGP achieved the strongest growth in Austria, where revenues increased by 62.6 % to € 6,893 thousand (prior year: € 4,240 thousand). The share of revenues achieved in Austria thus rose from 6.8 % in the prior year to 10.9 %.

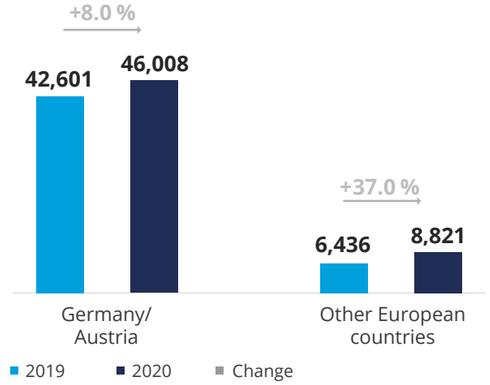
Revenues by category: "Health Brands" the main growth driver

Revenues in € thousand



In 2020, the "Health Brands" category grew by 11.8 % to € 54,829 thousand (prior year: € 49,038 thousand). This category is the strategic focus of PharmaSGP. This is also reflected in the share of total revenues amounting to 86. 7 % (prior year: 78.4 %).

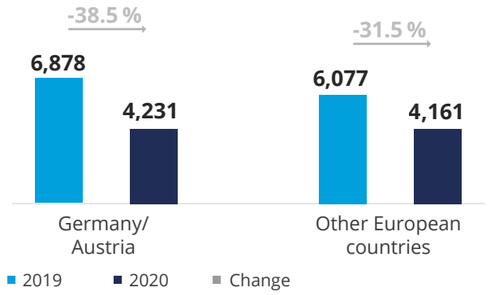
Revenues "Health Brands" in € thousand



In the German-speaking markets of Germany and Austria, a revenues increase of 8.0 % was achieved. Growth rates in the other European markets were even higher at 37.0 %.

Growth in this category is based in particular on the positive performance of existing products, especially under the Restaxil® brand, as well as the further expansion of the product portfolio in Germany and abroad, including the RubaXX® brand. The effects of the Covid-19 pandemic also slowed down the revenues growth of the existing portfolio and of the new products in the "Health Brands" category launched in 2020. PharmaSGP believes that the "Health Brands" category could have recorded even stronger growth in a normal market environment.

Revenues "Beauty Brands" in € thousand



As expected, the "Beauty Brands" category reported a weaker performance, with revenue declining by 35.2 % in 2020. This reduced the share of total revenue from 20.7 % in the prior year to 13.3 %. Revenues in the German-speaking countries decreased by 38.5 %. Revenues in the other European markets fell by 31.5 %. Due to the expected increase in competition within this category, the focus in the financial year 2020 was on optimizing the return on products assigned to the "Beauty Brands" category. As expected, this led to a corresponding decline in revenues. The Management Board believes that Covid-19 has exacerbated the decline in revenues.

The Group's **other operating income** increased to € 1,635 thousand (prior year: € 182 thousand), mainly due to reimbursement claims for consulting and other services in connection with preparations for the IPO. PharmaSGP was entitled to a refund of those amounts from FUTRUE and MVH Beteiligungs- und Beratungs GmbH (hereafter "MVH"). The expenses in connection with the preparation of the IPO are included in other operating expenses in the same amount (see also the comments on "Other operating expenses").

The cost of **raw materials, consumables and finished goods** increased by 5.8 % to € 6,206 thousand (prior year: € 5,868 thousand), in line with revenues growth. The cost of materials as a percentage of revenues increased slightly to 9.8 % (prior year: 9.4 %). This corresponds to a gross margin of 90.2 % (prior year: 90.6 %). The reason for the slight increase in the cost of materials as a percentage of revenues is a changed product mix and increased write-downs on inventories.

Personnel expenses increased to € 3,773 thousand (prior year: € 2,043 thousand) against the background of expected growth and the agreed transfer of 26 employees from FUTRUE Group. The company had 67 employees (full-time equivalents) as of 31 December 2020 (prior year: 30). The ratio of personnel expenses to revenues was 6.0 % (prior year: 3.3 %).

Other operating expenses increased to € 40,166 thousand (prior year: € 32,029 thousand). The increase was due to, among other things, expenses for consulting and other services in the amount of € 1,508 thousand in connection with preparation of the IPO. There is a corresponding reimbursement claim against FUTRUE and MVH for these expenses (see also the comments on "Other operating income"). In addition, costs of € 1,251 thousand were incurred for the corporate and organizational structuring of the Group, plus legal and consulting costs of € 643 thousand in connection with planned acquisitions. Marketing expenses increased by 13.7 % to € 31,646 thousand (prior year: € 27,824 thousand), mainly due to increased marketing activities related to new products introduced in 2020. As a percentage of revenues, marketing costs amounted to 50.0 % (prior year: 44.5 %). The increase is mainly due to the fact that sales did not develop as planned due to the hard lockdowns in target markets in the wake of increased Covid-19 infections, especially in Q4 2020. At the same time, advertising space already booked in print and TV could no longer be reduced to the necessary extent, so that marketing costs as a percentage of revenues for the financial year 2020 increased accordingly.

Earnings development: growth of adjusted EBIT slowed by the effects of Covid-19

in € thousand	2020	2019
Adjusted EBIT	**16,518**	**22,419**
Adjusted EBIT margin	26.1 %	35.8 %
Expenses for corporate and organizational structuring of the Group	1,251	-
Expenses for legal and consulting costs in connection with planned acquisitions	643	-
Expenses for adjustment of the sales strategy	157	-
Expenses in connection with the long-term compensation of the Management Board	51	-
Other expenses[21]	167	-
Unadjusted EBIT	**14,248**	**22,419**
Unadjusted EBIT margin	22.5 %	35.8 %

Due to the effects of the Covid-19 pandemic, **earnings before interest and taxes adjusted for one-off costs and special effects (adjusted EBIT)** fell by 26.3 % in 2020 to € 16,518 thousand (prior year: € 22,419 thousand), This corresponds to an adjusted EBIT margin measured against revenue of 26.1 % (prior year: 35.8 %). The one-off costs and special effects totaled € 2,270 thousand and are divided into expenses for the corporate and organizational structuring of the Group of € 1,251 thousand, expenses for legal and consulting costs in connection with planned acquisitions of € 643 thousand, one-off expenses for the adjustment of the sales strategy of € 157 thousand, expenses in connection with the long-term compensation of the Management Board of € 51 thousand and other expenses € 167 thousand. Unadjusted EBIT amounted to € 14,248 thousand, which corresponds to an unadjusted EBIT margin of 22.5 %. The EBIT development in 2020 is mainly attributable to the effects of the hard lockdowns in target markets in the context of the Covid-19 pandemic. These severely inhibited PharmaSGP's sales growth, especially in the fourth quarter, that could not cover comparatively high marketing expenses. This had a negative impact on PharmaSGP's business, especially in the fourth quarter, which is reflected accordingly in the EBIT performance.

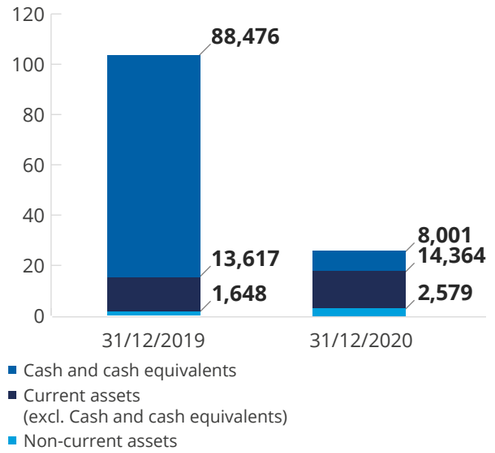
Income tax expense amounted to € 3,509 (prior year: € 5,557 thousand). The profit for the period in the financial year 2020 was € 10,640 thousand (prior year: € 16,706 thousand).

[21] Other adjustments contain expenses from the appointment and early contract termination of a further Management Board member in Q3 and Q4 2020

2.3.2 Asset position

Compared to the prior year's reporting date, PharmaSGP's **total assets** decreased to € 24,944 thousand (31 December 2019: € 103,741 thousand). This is mainly due to the payment of a dividend of € 94,833 thousand in the first half of the year to FUTRUE and MVH from retained prior-year profits of the operating companies PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH and a corresponding reduction in cash and cash equivalents.

Assets in € thousand

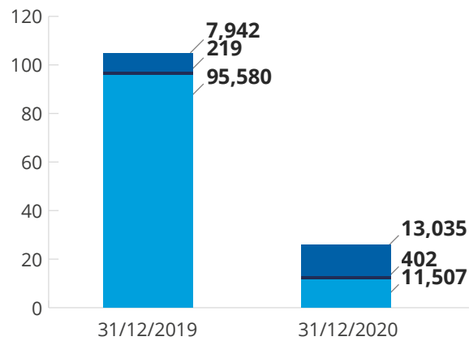


Non-current assets increased in the financial year by € 931 thousand to € 2,579 thousand as of 31 December 2020, mainly due to the occupation of new office premises from 1 April 2020 and investments in the product portfolio. In connection with the occupation of new office premises, right-of-use assets, leasehold improvements and a corresponding rent deposit were capitalized; in addition office furniture and IT equipment were purchased. Total investments in property, plant and equipment amounted to € 420 thousand in 2020. Investments in the product portfolio include internally generated or acquired marketing authorizations and brand names. Investments in intangible assets totaled € 559 thousand in 2020.

Excluding the change in cash and cash equivalents, **current assets** increased by € 747 thousand in 2020. Inventories increased within the usual range due to new product launches and associated safety stocks. While trade receivables remained almost constant compared to the prior year, other receivables – mainly comprising refund claims – decreased by

€ 1,639 thousand. Due to a contract amendment, refund claims were significantly reduced in 2020 and were deducted from marketing fees invoiced during the year. Income tax assets increased by € 1,086 thousand compared to the prior year due to advance tax payments made in Q4 2020. A refund or offset is expected in the financial year 2021.

Equity and liabilities in € thousand



PharmaSGP's **equity** amounted to € 11,507 thousand as of 31 December 2020 (31 December 2019: € 95,580 thousand). The change is mainly due to a dividend payment to FUTRUE and MVH in the first half of 2020.

PharmaSGP's **non-current liabilities** increased to € 402 thousand as of 31 December 2020 compared to € 219 thousand as of 31 December 2019. The increase is mainly due to the new office lease and the long-term variable compensation granted to the Management Board. For detailed information on Management Board compensation, please refer to the remuneration report in note 10. The deferred taxes reported under non-current liabilities were based on valuation differences in respect of rights of return, intangible assets, non-current provisions, lease liabilities and right-of-use assets.

Current liabilities increased compared to the prior year's reporting date by € 5,093 thousand to € 13,035 thousand. The change is mainly due to an increase in trade payables based on renegotiated payment terms and increased marketing activities in Q4 2020. Another significant part of the increase is due to other financial liabilities; these exclusively concern expected refund obligations arising from customer contracts, which increased in connection with possible return risks from new product launches. Income tax liabilities declined, on the other hand. Since 1 July 2020, PharmaSGP Holding SE and its subsidiaries have formed a fiscal unit for taxation purposes (ertragsteuerliche Organschaft). As of 31 December 2020, the fiscal unit has a tax receivable due to advance tax payments made in Q4 2020.

2.3.3 Financial position

in € thousand	2020	2019
Net cash flows from operating activities	15,458	17,631
Net cash flows used in investing activities	-898	-324
Net cash flows used in financing activities	-95,035	-5,839
Net increase / (decrease) in cash and cash equivalents	**-80,475**	**11,468**
Cash and cash equivalents as of 1 January	88,476	77,008
Cash and cash equivalents as of 31 December	**8,001**	**88,476**

During the reporting period, **net cash flows from operating activities** of € 15,458 thousand were generated, which, although lower than in the same period of the prior year (€ 17,631 thousand), significantly exceed the profit for the 2020 period. This results mainly from renegotiated payment terms with service providers, leading to an increase in trade payables and an overall reduction in net working capital. Furthermore, income tax payments of € 8,321 thousand were made, both for prior years and as advance payments for the financial year 2020.

The **net cash flows used in investing activities** amounted to € 898 thousand in 2020 (2019: € 324 thousand) and result mainly from the occupation of new office premises from 1 April 2020 and investments in the product portfolio. In connection with the occupation of new office premises, investments were made in leasehold improvements, office furniture and IT equipment. Investments in the product portfolio include internally generated or acquired marketing authorizations and brand names.

The **net cash flows used in financing activities** in 2020 amounted to € 95,035 thousand (2019: € 5,839 thousand) and mainly reflect the outflow of funds for dividend payments from retained earnings of prior periods to FUTRUE and MVH in the amount of € 94,833 thousand as of 2 June 2020.

As of 31 December 2020, **cash and cash equivalents** amounted to € 8,001 thousand compared to € 88,476 thousand as of 31 December 2019. As of 31 December 2020, a commitment is in place for a borrowing facility in the amount of € 20,000 thousand, which, however, has not been utilized.

2.4 Earnings, assets and financial position of PharmaSGP Holding SE

Business activity

PharmaSGP Holding SE with registered office at Lochhamer Schlag 21, 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.

PharmaSGP Holding SE did not carry out any business activities until 30 April 2020. On 30 April 2020, the Company's shareholders' meeting resolved to increase the Company's share capital by way of a capital increase against contributions in kind from € 120 thousand by € 11,880 thousand to € 12,000 thousand. All new shares were subscribed by FUTRUE GmbH, Gräfelfing ("FUTRUE") and MVH Beteiligungs- und Beratungs-GmbH, Gräfelfing ("MVH"). In return, FUTRUE and MVH each contributed their entire shareholdings in PharmaSGP GmbH, Remitan GmbH and Restaxil GmbH as a contribution in kind, which was recognized with a total investment value of € 50,000 thousand, pursuant to principles applying to contributions in kind and valuation options. The contribution in kind was reviewed for impairment based on market capitalization and industry benchmarks.

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 and Restaxil GmbH. In this context, it acquired office furniture and equipment for the company headquarters at Lochhamer Schlag 21, 82166 Gräfelfing, in 2020.

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. 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

Personnel expenses of € 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 € 59 thousand was mainly incurred for the office furniture and equipment acquired in 2020. Other operating expenses of € 2,383 thousand mainly include legal and consulting costs, closing and audit fees, insurance expenses and other costs in connection with the preparation of the IPO. The expenses incurred in connection with the preparation of the IPO were recharged to FUTRUE and MVH; a sum of € 346 thousand was accordingly recognized as other operating income. Expenses borne by SGP SE on behalf of its subsidiaries were recharged to the subsidiaries. A sum of € 933 thousand was accordingly recognized as revenues.

Based on the profit and loss transfer agreements, the annual net profits of the subsidiaries for the second half of 2020 under commercial law of € 5,943 thousand were transferred to SGP SE. Income taxes comprise current income taxes of € 907 thousand and deferred income taxes of € 200 thousand.

Net assets

Fixed assets mainly include office furniture, business equipment and IT software purchased for the move to the new company headquarters in 2020. The financial investments of € 50,000 thousand include the carrying amounts of the investments in the three subsidiaries PharmaSGP GmbH, Remitan GmbH and Restaxil GmbH. Receivables from affiliated companies mainly result from the profit and loss transfer agreements. Due to advance tax payments in the fourth quarter, tax receivables of € 1,620 thousand were recognized within other assets as of 31 December 2020.

Equity increased significantly as a result of the above-mentioned contribution of the three subsidiaries, with € 11,800 thousand recognized as an addition to subscribed capital and a further € 37,506 thousand as capital reserves.

Liabilities to affiliated companies include short-term loans of € 3,750 thousand, other liabilities of € 296 thousand and trade payables of € 16 thousand.

Financial position

As of 31 December 2020, SGP SE held liquidity funds of € 911 thousand (31 December 2019: € 30 thousand). The main sources of liquidity were cash inflows from the recharge of services to the subsidiaries, the recharge of IPO-related costs to FUTRUE and MVH, and short-term loans obtained from the subsidiaries.

2.5 Overall statement

Business performance in the financial year 2020 was significantly affected by the Covid-19 pandemic, which had a particularly negative impact on new product launches.

The key performance indicators are revenues and adjusted EBIT. Revenues increased by 1.1 % to € 63,246 thousand (prior year: € 62,574 thousand), with the "Health Brands" category recording growth of 11.8 % and the "Beauty Brands" category declining by 35.2 %.

Adjusted EBIT, i. e. the operating result adjusted for expenses for the corporate and organizational structuring of the Group, for planned acquisitions, for the adjustment of the sales strategy, expenses in connection with the long-term compensation of the Management Board and other expenses, decreased to € 16,518 thousand in 2020 (prior year: € 22,419 thousand) or 26.1 % of revenues (prior year: 35.8 %). Unadjusted EBIT decreased to € 14,248 thousand (prior year: € 22,419 thousand) or 22.5 % of revenues.

Despite the severe restrictions caused by Covid-19, the Management Board looks back on a successful financial year 2020, to which the positive business performance achieved in the first three quarters made a significant contribution. PharmaSGP continued to successfully implement its strategy– albeit with restrictions – and expand its product portfolio. In addition, the IPO was carried out successfully in 2020.

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 the substantial economic plunge in 2020 following on from the Covid-19 pandemic, a marked economic recovery is expected in 2021 for both Germany and the Eurozone. There is still a high degree of uncertainty regarding the further course of the Covid-19 pandemic and its impact on the development of the global economy and the European economic markets. The greatest risk for the German economy is perceived in the third wave of infection and the resulting significant restrictions of the industries.[22] At present, the duration and the actual extent of this third wave is still unclear.[23]

The essential, fundamental trends for the pharmaceutical and healthcare market such as demographic developments, which are accompanied by a progressive ageing of society, continuously increasing health awareness as well as the trends towards natural medicines and increased self-medication in society will continue to act as fundamental growth drivers. The OTC markets relevant to PharmaSGP, however, will continue to be significantly impacted by the Covid-19 pandemic in 2021. For example, the OTC market in Germany was down by 16.6 % year-on-year in the first quarter of 2021 in terms of revenues. Due to the continuation of the lock-down situation, no consistent trend reversal can be expected in the second quarter for the time being.

PharmaSGP Group outlook for 2021

In view of the ongoing challenges the Covid-19 pandemic is presenting and the resulting exceptionally high level of uncertainty regarding the future outlook for business development, our ability to forecast is significantly impaired.

[23] https://www.tagesschau.de/wirtschaft/konjunktur/bip-konjunktur-prognose-wirtschaftsweise-sachverstaendigenrat-101.html

[24] https://www.handelsblatt.com/politik/deutschland/corona-pandemie-rki-chef-wieler-die-dritte-welle-ist-die-schlimmste/27044488.html?ticket=ST-3805745-bUd43LEwysr17CpFnf4W-ap3

The further course of the Covid-19 pandemic is a key factor for the development of the PharmaSGP in 2021. In view of the continued lockdown in many European countries, new virus variants and a third wave of infection, PharmaSGP does not expect an overall economic recovery in the first two quarters of 2021. With a look to the relevant European OTC markets, PharmaSGP anticipates year-on-year growth in the second half of the year at the earliest, assuming there is no renewed negative impact on PharmaSGP's relevant OTC markets in Europe in the second half of 2021.

With regard to the financial year 2021, the Management Board expects PharmaSGP to generate revenues of between € 56 million and € 60 million due to the ongoing market weakness, with a stable to slightly positive development of the "Health Brands" category and declining "Beauty" business as expected. The adjusted EBIT margin is expected to increase to between 27 % and 30 %, compared to the financial year 2020. The forecast does not factor in potential acquisitions.

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 sold exclusively through pharmacies. 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 system 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. On this basis, corresponding countermeasures that can help reduce the individual

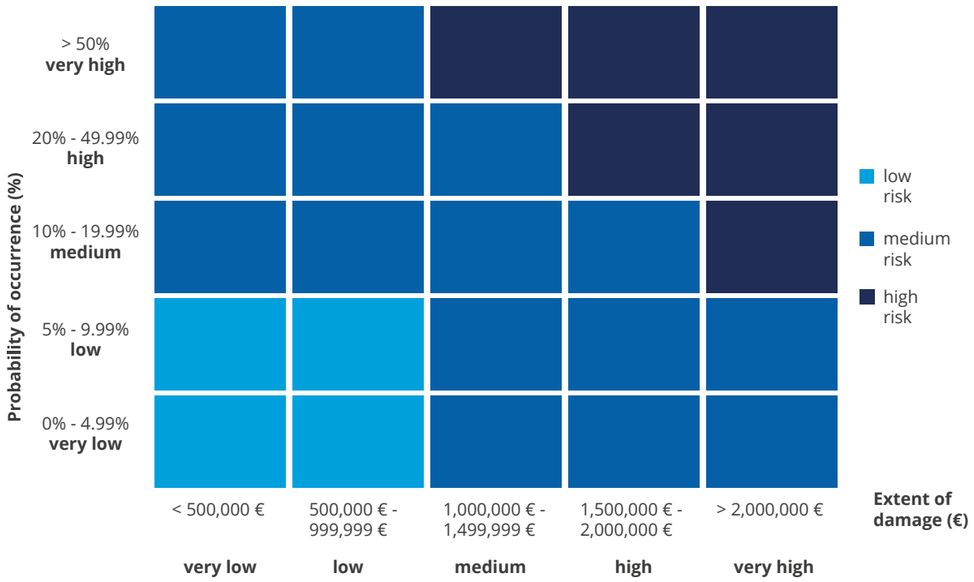
risks are defined. Risks and opportunities are reviewed at regular intervals to check that the existing risks and opportunities are up to date and newly identified risks and opportunities are added.

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.

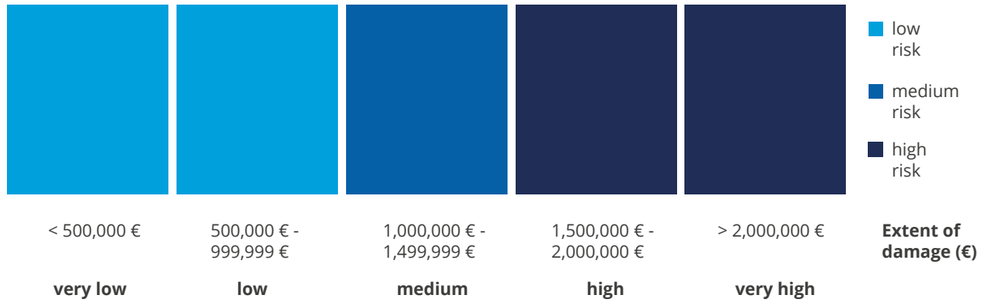
PharmaSGP differentiates between event and planning risks in order to record and assess risks appropriately. Event risks are usually one-off events with a low probability of occurrence and high extent of damage. The assessment specified both the probability of occurrence and the extent of damage. Planning 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 event risks



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.

4.2 Overview of risks and opportunities

Market-related and strategic risks and opportunities

PharmaSGP develops and distributes OTC drugs and other healthcare products exclusively sold through pharmacies such as dietary supplements and skin care products. The Group focuses its drugs on indications with chronic conditions and 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 particular, the Covid-19 pandemic is currently having a negative impact on demand in the PharmaSGP target markets. This is driven, for example, by reduced customer frequency. 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. 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. There is no

guarantee that PharmaSGP will be able to identify and successfully integrate attractive target portfolios or companies. However, this strategy basically offers an opportunity to realize major value enhancement potential above and beyond organizational 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 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 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 brands or natural OTC products in general, this could 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 two 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 therefore generate positive contributions to business results that extend beyond the original plans.

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 reduces 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 or limited availabilities. Rising production costs could also have a negative impact on business results. PharmaSGP has a safety stock for active ingredients and finished goods, meaning that short-term price fluctuations can be offset. Furthermore, as PharmaSGP has a broad and diversified portfolio of contract manufacturers, it is able to switch to an alternative partner if production costs rise. Unforeseen impairment of Group inventories can have a negative impact on business results. In order to reduce the risks associated with inventories, these are regularly reviewed by the responsible company divisions and price developments are analyzed. The potential impact of the aforementioned procurement and production risks on PharmaSGP's business results is classified as medium with all due consideration of the extent of damage.

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. The Group counters this risk with an appropriate safety stock of raw materials and finished goods and also ensures that there are alternative third-party manufacturers in place for the products in the PharmaSGP portfolio. Basically, all third-party manufacturers and suppliers are subjected to a strict auditing process in order to qualify as PharmaSGP partners. The potential impact of the aforementioned procurement and production risks on PharmaSGP's business results is classified as low with all due consideration of the probability of occurrence and the extent of damage.

After they are produced, the products are stored by one logistics company per target region and distributed by this company. PharmaSGP is therefore dependent on these external logistics service providers for the timely delivery of its products to wholesalers and pharmacies to meet pharmacies' demand. Any interruption of the logistics chain due to the non-fulfilment of contractual obligations by these suppliers could lead to delays, increased costs and loss of revenues for PharmaSGP. In addition, rising storage and shipping costs could be passed on directly to PharmaSGP, which could have a negative impact on PharmaSGP's profitability. PharmaSGP counters this risk by regularly auditing its current partners and maintaining strong, long-term business relationships. The impact of the aforementioned logistics risks on PharmaSGP's business results is classified as medium with all due consideration of 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 obstructions and may also lead to a loss of knowledge. PharmaSGP counters this with a rapid and transparent recruiting process and corresponding personnel development measures.

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 tax and 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.

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. The Covid-19 pandemic represents a special situation. The further development and accompanying restrictions of public life associated with this situation could have a negative impact on the development of demand in the PharmaSGP target markets or supply chains, for instance. IT risks and personnel risks are new risk fields that were included in the risk management process for the first time, they are, however, considered as low risks. All the aforementioned risks are monitored continuously in the risk management process and mitigated with corresponding countermeasures.

The Group perceives opportunities for future development in building up and expanding established brand families and, in particular, in the integration of established acquired brands and portfolios that could achieve further growth via the PharmaSGP platform.

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 risks, liquidity risks and credit risks.

Market risk

Market risks result from changes in market prices, 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) and fluctuations in interest income on financial assets. Currently, the Group holds no financial debts or financial assets. Interest rate risks on cash and cash equivalents are classified as low risks. In case of third-party borrowings in the future, however, interest rate fluctuations may impact the Group's future development.

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 trade payables and lease liabilities. Due to the positive cash balance as of the reporting date and constant positive net cash inflows, the Group is not exposed to liquidity risks.

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. The Group's exposure to credit risk corresponds to trade receivables, other receivables and cash and cash equivalents. Trade receivables, compared to all other financial assets, 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 2020. 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 2020, 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 an unused borrowing facility are subject to the control of FUTRUE GmbH over SGP SE and may be renegotiated in case of a change of control.

8. Corporate governance statement and report

8.1 Corporate governance declaration pursuant to Sec. 289 (f) and Sec. 315 (d) 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 and Remitan GmbH in line with Sec. 289 (f) and Sec. 315 (d) HGB for the financial year 2020.

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 April 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 April 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 DCGK – reporting

Deviating from recommendation F.2, the Company has decided that the consolidated financial statements and group management report for the financial year ending on 31 December 2020 and 2021 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 2022 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 "Opportunity 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 2020, the Management Board mainly consisted of two people. Mr Andreas Koglin was the sole member of the Management Board until 4 March 2020. 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.

In the interim (from 16 September 2020 to 30 November 2020), Ms. Maria-Johanna Schaecher acted as a third Management Board member for the Company (Chief Business Development Officer, CBDO).

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 remuneration report contains the main features of the remuneration system for the Management Board of PharmaSGP Holding SE and the overall details of the salaries of the Management Board members.

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.

Until 4 March 2020, the members of the Supervisory Board were Ms. Doina Roman (Head of the Supervisory Board), Ms. Sandra Gründler and Ms. Ann-Catherine Siepmann.

As of 4 March 2020, the members of the Supervisory Board were Dr. Clemens Fischer (Head of the Supervisory Board), Ms. Madlena Hohlefelder (Deputy head of the Supervisory Board) and Mr. Christian Westebbe (who stepped down on 28 April 2020). 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 non-participating 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.

Supervisory Board remuneration

The remuneration report contains the main features of the remuneration system for the Supervisory Board of PharmaSGP Holding SE and the overall details of the salaries of the Supervisory Board members.

8.4.3 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.

8.5 Stipulations to promote the participation of men and women in leadership positions pursuant to Sec. 76 (4) and Sec. 111 (5) AkG

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 2020, 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 at least one female member on the Supervisory Board in 2020 (sometimes two), 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 2020, the percentage of women in the first management level was 70 %, thus overachieving the target amount.

9. Dependency report

In 2020, PharmaSGP Holding SE was from 6 March to 31 December 2020 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 2020 for the period from 6 March to 31 December 2020, 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. Remuneration report

10.1 Remuneration of the Supervisory Board

Each member of the Supervisory Board receives a fixed remuneration of € 50 thousand for every full financial year where they are a member of the Supervisory Board. For the Head of the Supervisory Board, such fixed remuneration amounts to € 90 thousand, while for the Deputy head of the Supervisory Board, such fixed remuneration amounts to € 70 thousand. Persons who are members of the Supervisory Board for part of a financial year receive a pro rata share of the respective fixed remuneration. The fixed remuneration is payable in four annual instalments following the end of each quarter.

In addition to their fixed remuneration, members of the Supervisory Board are entitled to reimbursements for their out of pocket expenses incurred in connection with the performance of their duties. The Company also reimburses the members of the Supervisory Board for any value added taxes due on their remuneration and their out-of-pocket expenses. Furthermore, the members of the Supervisory Board are covered by PharmaSGP's D&O insurance.

The Head of the Supervisory Board, Dr. Clemens Fischer, and the Deputy head of the Supervisory Board, Madlena Hohlefelder, have waived their remuneration claims until further notice. The previous Supervisory Board member Christian Westebbe did not receive a remuneration.

10.2 Remuneration of the Management Board

Outline of the Management Board remuneration

The remuneration system for the members of the Management Board reflects the long term strategic objectives of PharmaSGP and the responsibilities of the members of the Management Board as well as the scope of their roles, taking into account each member's level of experience. The remuneration of the members of the Management Board comprises fixed, short term variable and long term variable components, with all payouts made in gross amounts. Furthermore, the members of the Management Board are covered by PharmaSGP's D&O insurance.

Fixed compensation

The members of the Management Board receive a fixed base compensation in cash which is paid in twelve equal instalments as a monthly salary. Benefits in kind received by one Management Board member comprises the use of a company car.

Short-term variable compensation

The short term variable compensation (bonus) is based on PharmaSGP's performance in the respective financial year, taking into account both financial and non financial performance targets. The financial performance targets for the financial year ending 31 December 2020 relate to PharmaSGP's revenues and EBITDA. The non financial performance targets are aimed at improving the sustainability of PharmaSGP's business. The relevant performance targets are determined individually for each member of the Management Board by the Supervisory Board at the beginning of the respective financial year. For the financial year 2020, members of the Management Board did not receive a short-term variable compensation.

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 four years. The number of PSUs to be granted to each member of the Management Board per year corresponds to the quotient of (i) the target value of € 260 thousand, divided by (ii) the volume weighted average share price of the Company in Xetra trading during the last 30 trading days before the start of the respective performance period.

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 forfeited. 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 200 % 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.

For the long-term variable compensation granted in the financial year 2020, the Supervisory Board has resolved certain modifications. It has increased the target value to € 275 thousand per member of the Management Board and set the performance and vesting period to three years, with two thirds of the tranche vesting after two years and the last third vesting after three years.

The expense recognized from this long-term variable compensation is € 42 thousand in 2020, thereof € 21 thousand for Natalie Weigand and € 21 thousand for Michael Rudolf.

Summary of the Management Board remuneration

The total Management Board compensation pursuant to Sec. 314 (6a) HGB was € 569 thousand in 2020 and € 281 thousand in 2019 and breaks down to the individual Management Board members as follows:

	Natalie Weigand		Michael Rudolf	
in € thousand	**2020**	**2019**	**2020**	**2019**
Non-performance related compensation	258	141	207	140
Long-term performance related compensation	21	-	21	-
	279	**141**	**228**	**140**

During her employment with SGP SE, Maria-Johanna Schaecher received a pro rata compensation including fixed salary, benefits in kind and social security contributions totaling € 62 thousand. For the successful IPO, Ms. Weigand and Mr. Rudolf received a one-time gratification of € 400 thousand and € 250 thousand from FUTRUE GmbH and MVH Beteiligungs- und Beratungs-GmbH, the gratification was granted in shares.

11. Subsequent events

For details on events after the reporting date, please refer to note 12 in the notes to the consolidated financial statements.

Gräfelfing, 19 April 2021

Natalie Weigand	Michael Rudolf
(CEO)	(CFO)

Consolidated Financial Statements

Consolidated Financial Statements as of 31 December 2020

Consolidated Statements of Profit or Loss and Other Comprehensive Income

in € thousand	Notes	2020	2019
Revenues	6.1	63,246	62,574
Other operating income	6.2	1,634	182
Raw materials, consumables and finished goods		-6,206	-5,868
Personnel expenses	6.3	-3,773	-2,043
Depreciation and amortization	5.1 - 5.3	-486	-397
Other operating expenses	6.4	-40,166	-32,029
EBIT		**14,248**	**22,419**
Finance income	6.5	5	20
Finance expenses	6.5	-104	-176
Profit before taxes		**14,149**	**22,263**
Income tax expense	5.13	-3,509	-5,557
Profit for the period		**10,640**	**16,706**
of which attributable to shareholders of PharmaSGP Holding SE		10,640	16,706
Other comprehensive income		-	-
Total comprehensive income		**10,640**	**16,706**
of which attributable to shareholders of PharmaSGP Holding SE		10,640	16,706
Basic and diluted earnings per share (€)	6.6	0.89	1.39

Consolidated Statements of Financial Position / Assets

in € thousand	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Intangible assets	5.1	1,766	1,394
Property, plant and equipment (PPE)	5.2	369	-
Right-of-use assets	5.3	384	254
Other non-current financial assets		60	-
Total non-current assets		**2,579**	**1,648**
Current assets			
Inventories	5.4	3,036	2,096
Trade and other receivables	5.5	9,468	10,885
Other assets	5.6	240	102
Income tax assets	5.13	1,620	534
Cash and cash equivalents	5.7	8,001	88,476
Total current assets		**22,365**	**102,093**
Total assets		**24,944**	**103,741**

Consolidated Statements of Financial Position / Equity and Liabilities

in € thousand	Notes	31 December 2020	31 December 2019
Shareholders' equity and liabilities			
Shareholders' equity	5.8		
Share capital		12,000	-
Capital reserve		38,120	-
Retained earnings		-38,613	-
Net assets attributable to shareholders[1)]		-	95,580
Total shareholders' equity		**11,507**	**95,580**
Non-current liabilities			
Non-current provisions	5.9	42	-
Non-current lease liabilities	5.3	145	-
Deferred tax liabilities	5.13	215	219
Total non-current liabilities		**402**	**219**
Current liabilities			
Provisions	5.9	764	738
Trade payables	5.10	9,790	811
Other liabilities	5.11	815	1,780
Other financial liabilities	5.12	1,230	441
Lease liabilities	5.3	239	254
Income tax liabilities	5.13	197	3,918
Total current liabilities		**13,035**	**7,942**
Total shareholders' equity and liabilities		**24,944**	**103,741**

[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. See notes 1 "Basis of preparation" and 5.8 "Shareholders' equity".

Consolidated Statements of Changes in Equity

in € thousand	Share capital	Capital reserve	Retained earnings	Net assets attributable to shareholders[1)]	Total equity
As of 1 January 2019	**-**	**-**	**-**	**84,374**	**84,374**
Dividends	-	-	-	-5,500	-5,500
Profit for the period	-	-	-	16,706	16,706
As of 31 December 2019	**-**	**-**	**-**	**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**

Consolidated Statements of Cash Flows

in € thousand	Notes	2020	2019
Profit for the period		10,640	16,706
Depreciation and amortization of intangible assets, PPE and right-of-use assets	5.1 - 5.3	486	397
(Increase) / decrease in inventories	5.4	-940	1,172
(Increase) / decrease in trade and other receivables	5.5	1,417	-3,111
(Increase) / decrease in other assets	5.6	-197	32
Increase / (decrease) in trade payables	5.10	8,897	-617
Increase / (decrease) in other (financial) liabilities	5.11 - 5.12	-123	-56
Increase / (decrease) in provisions	5.9	68	-552
(Gain) / loss on disposal of non-current assets		-	-36
Interest (income) and expense	6.5	89	156
Income tax expense	5.13	3,509	5,557
Income tax payments		-8,321	-2,018
Interest paid		-91	-
Interest received		24	-
Net cash flows from operating activities		**15,458**	**17,631**
Proceeds from the disposal of PPE		-	109
Payments for investments in intangible assets		-478	-433
Payments for investments in PPE		-420	-
Net cash flows used in investing activities		**-898**	**-324**
Dividends paid	5.8	-94,833	-5,500
Repayment of lease liabilities	5.3	-247	-264
Payment from shareholders	5.8	120	-
Interest paid		-75	-75
Net cash flows used in financing activities		**-95,035**	**-5,839**
Net increase / (decrease) in cash and cash equivalents		**-80,475**	**11,468**
Cash and cash equivalents as of 1 January		88,476	77,008
Cash and cash equivalents as of 31 December		**8,001**	**88,476**

Notes to the Consolidated Financial Statements

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 and Restaxil GmbH (hereafter including SGP SE also referred to as the "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 exclusively available in pharmacies. Its core brands cover chronic indications, including pain and other age-related ailments. The Group's OTC products are based on natural active pharmaceutical ingredients ("APIs").

SGP SE was founded on 21 November 2019 and in preparation of the Initial Public Offering (IPO) acquired by FUTRUE GmbH, Gräfelfing ("FUTRUE") and MVH Beteiligungs- und Beratungs-GmbH, Gräfelfing ("MVH") on 6 March 2020. On 30 April 2020, the Company's shareholders' meeting resolved to increase the Company's share capital by way of a capital increase against contributions in kind from € 120 thousand by € 11,880 thousand to € 12,000 thousand by issuing 11,880,000 new bearer shares. All new shares were subscribed for by FUTRUE and MVH. In turn, FUTRUE and MVH contributed their entire shareholdings in each of PharmaSGP GmbH, Remitan GmbH and Restaxil GmbH as contribution in kind. FUTRUE is the majority shareholder of SGP SE. Thus, SGP SE and its subsidiaries are included the FUTURE's consolidated financial statements.

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

First time adoption of IFRS

The Group prepared combined financial statements in accordance with IFRS as adopted by the EU as of and for financial years ended on 31 December 2019, 31 December 2018, and 31 December 2017 (hereafter also referred to as the "annual combined financial statements"). The Group's date of transition to International Financial Reporting Standards (IFRS) is 1 January 2017.

The annual combined financial statements together with the condensed combined interim financial statements as of and for the three months that ended on 31 March 2020 (hereafter also referred to as the "interim combined financial statements") were published in the context of the IPO of PharmaSGP Holding SE in a listing prospectus, which is available on SGP SE's website. The annual combined financial statements consisted of the three companies PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH. In addition, SGP SE was incorporated into the interim combined financial statements as of 31 March 2020.

Consolidated financial statements and scope of consolidation

Subsequent to the signing of the contribution and transfer agreement dated 30 April 2020, the Group prepares consolidated financial statements in accordance with 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 comparative information presented in the consolidated financial statements is derived from the presentation in the combined financial statements.

SGP SE is the holding company of the Group. The Group's business is conducted by PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH. The consolidated financial statements include all companies controlled by the Company, either directly or indirectly, as defined by IFRS 10.

Name	Share of Equity	Equity[2)] in € thousand as of 31 December 2020	Principal activities
PharmaSGP GmbH Gräfelfing, Germany	100 %	5,476	Development and distribution of OTC pharmaceuticals and other pharmacy-exclusive healthcare products, and distribution services of pharmaceuticals
Restaxil GmbH Gräfelfing, Germany	100 %	2,399	Development and distribution of pharmacy-exclusive healthcare products
Remitan GmbH Gräfelfing, Germany	100 %	870	Development and distribution of pharmacy-exclusive healthcare products

[2)] pursuant to German commercial law (HGB)

The Management Board prepared the consolidated financial statements on 19 April 2021, 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.

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

To increase the transparency in the statements of cash flows compared to the combined financial statements, PharmaSGP has changed the presentation of its cash flow statements, whereas previously cumulated positions are now presented on a detailed basis. The change in presentation does not qualify as a change in accounting policy. The change in presentation has no impact on the presentation of cash flows from operating, investing and financing activities. The consolidated statements of financial position as well as the consolidated statements of profit and loss and comprehensive income remain unchanged.

The changes in presentation in the consolidated statements of cash flows were as follows:

The previous position "increase / decrease in trade and other receivables, inventories and other assets" is broken down into following positions:

- Increase / decrease in inventories,
- Increase / decrease in trade and other receivables, and
- Increase / decrease in other assets.

The previous position "Increase / decrease in trade payables and other (financial) liabilities" is broken down into following positions:

- Increase / decrease in trade payables, and
- Increase / decrease in other (financial) liabilities.

The previous position "Proceeds from disposal of intangible assets and PPE" is broken down into following positions:

- Proceeds from disposal of intangible assets, and
- Proceeds from disposal of PPE.

The previous position "Payments for investments in intangible assets and PPE" is broken down into following positions:

- Payments for investments in intangible assets, and
- Payments for investments in PPE.

For materiality reasons, the previous positions "Interest expense" and "interest income" are subsumed into the position "Interest income and expense".

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 annual combined financial statements.

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

The following standards and interpretations were adopted in the financial year 2020:

Standard	Effective date	Impact on the Group's net assets, financial position and earnings position
Amendments to references to the conceptual framework in IFRS standards	1 January 2020	none
Amendments to IFRS 3 Business combinations	1 January 2020	none
Amendments to IAS 1 and IAS 8: Definition of materiality	1 January 2020	none

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*	Endorsement
Amendments to IFRS 16: Covid-19-related rent concessions	1 June 2020	9 October 2020
Annual improvements to IFRSs (2018-2020 cycle)	1 January 2022	not yet endorsed**
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023	not yet endorsed**
Amendments to IAS 1: Disclosure off accounting policies	1 January 2023	not yet endorsed**
Amendments to IAS 8: Definition of accounting estimates	1 January 2023	not yet endorsed**
IFRS 17 Insurance contracts	1 January 2023	not yet endorsed**

* for financial years beginning on or after that date
** as of the preparation date of consolidated financial statements

The adoption of the above-mentioned changes or new standards and interpretations is not expected to materially impact net assets, financial position or results of operations 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 that are exclusively sold through pharmacies. 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 these 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 e.g. 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. 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 external costs incurred for the drug approval process or acquired marketing authorizations.

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 starts 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 on 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 two 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 underlying 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 short-term 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 also tested for impairment.

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 raw materials and consumables 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 and bank deposits 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 at their amortized cost. 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 level 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 (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 PharmaSGP's share price development.

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, assuming the same number of shares for both the reporting period and the comparable period.

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 taxes on income 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, 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 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 de-recognition 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.

Generally, the launch of new products is associated with an increased risk of return ("launch risk"). The assessment of warranty provisions and refund liabilities takes into account the increased risk of return on a product-specific basis. The measurement of the launch risk is generally based on historic data that is derived from overall successful product launches. Since – due to the impact of the Covid-19-pandemic – a majority of the product launches of the second half year 2020 have not succeeded as planned, the Group made the accounting judgment to increase the launch risk compared to the prior year, which is an imputing factor for the refund liability.

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 Group recognizes intangible assets for 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 and taxes ("adjusted EBIT") as key performance indicators to assess the success of the Group's business. Segment assets are presented in the consolidated statement of financial position. For segment profit, please refer to the Group management report, note 2.3.1 "Earnings position of the Group".

Geographical information

Revenues in € thousand	2020	2019
Germany	43,370	45,820
Italy	8,833	7,375
Austria	6,893	4,240
Other European countries[3)]	4,150	5,139
	63,246	**62,574**

[3)] comprises: France, Belgium and Spain

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	2020	2019
Logistics partner A	41,114	42,615
Logistics partner B	8,833	7,375
Logistics partner C	6,893	4,240
Other logistics partners and customers	6,406	8,344
	63,246	**62,574**

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 and other acquired 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 ended 31 December 2020 and 2019:

in € thousand	Developed marketing authorizations	Acquired marketing authorizations and other acquired intangible assets	Development and authorization proceedings	Total
Acquisition and production costs				
1 January 2019	**226**	**713**	**744**	**1,683**
Additions	116	176	141	433
Disposals	-	-1	-	-1
Reclassifications	233	22	-256	-1
31 December 2019	**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**
Accumulated amortization and impairment				
1 January 2019	**27**	**302**	**273**	**602**
Additions	26	92	-	118
Disposals	-	-	-	-
31 December 2019	**53**	**394**	**273**	**720**
Additions	74	113	-	187
Disposals	-2	-	-	-2
31 December 2020	**125**	**507**	**273**	**905**
Carrying amount as of 1 January 2019	**199**	**411**	**471**	**1,081**
Carrying amount as of 31 December 2019	**522**	**516**	**356**	**1,394**
Carrying amount as of 31 December 2020	**645**	**705**	**416**	**1,766**

In the financial years 2020 and 2019, development expenditures of € 140 thousand and € 67 thousand were recognized as expenses in the consolidated statements of profit or loss and other comprehensive.

5.2 Property, plant and equipment

Property, plant and equipment have developed as follows:

in € thousand	Total
Acquisition and production costs	
1 January 2019	**162**
Additions	-
Disposals	-124
31 December 2019	**38**
Additions	420
Disposals	-35
31 December 2020	**423**
Accumulated depreciation and impairment	
1 January 2019	**75**
Additions	15
Disposals	-52
31 December 2019	**38**
Additions	52
Disposals	-36
31 December 2020	**54**
Carrying amount as of 1 January 2019	**87**
Carrying amount as of 31 December 2019	**-**
Carrying amount as of 31 December 2020	**369**

Additions in the financial year 2020 relate mainly to new office spaces and were incurred for IT equipment (€ 170 thousand), office equipment (€ 162 thousand) and leasehold improvements (€ 88 thousand). As of 31 December 2020 and 31 December 2019, 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 2019	**17**	**489**	**506**
Additions	12	-	12
Disposal	-	-	-
Depreciation expense	-19	-245	-264
31 December 2019	**10**	**244**	**254**
Additions	40	521	561
Disposals	-	-184	-184
Depreciation expense	-19	-228	-247
31 December 2020	**31**	**353**	**384**

The corresponding lease liabilities have developed as follows:

in € thousand	2020	2019
As of 1 January	**254**	**506**
Additions	561	12
Derecognitions	-184	-
Payments	-247	-264
As of 31 December	**384**	**254**
thereof current	239	254
thereof non-current	145	-

Effective 31 March 2020, the existing real estate lease contract between FUTRUE and the Group companies was terminated and as a consequence the corresponding right-of-use asset and lease liability have been derecognized. Starting as of 1 April 2020, the Group entered into a new lease agreement for the next two years and four months with a third-party lessor, which resulted in additions to capitalized right-of-use assets of € 521 thousand.

In the financial years 2020 and 2019, interest expenses from lease agreements were immaterial. There were no expenses relating to short-term leases or low value leases.

5.4 Inventories

Inventories consist of raw materials, consumables and finished goods.

in € thousand	31 December 2020	31 December 2019
Raw materials and consumables	416	562
Finished goods	2,620	1,534
Inventories	**3,036**	**2,096**

Write-down on inventories included in consolidated statements of profit or loss and other comprehensive income amount to € 920 thousand in 2020 (2019: € 274 thousand). As of 31 December 2020, finished goods include right of return assets relating to existing return rights from customers in the amount of € 62 thousand (31 December 2019: € 22 thousand).

5.5 Trade and other receivables

Trade and other receivables break down as follows:

in € thousand	31 December 2020	31 December 2019
Trade receivables	9,410	9,188
Other receivables	58	1,697
Trade and other receivables	**9,468**	**10,885**

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. As of 31 December 2019, other receivables mainly include receivables for marketing reimbursements. Due to a contract amendment, refund claims were significantly reduced in 2020 and were deducted from marketing fees invoiced during the year.

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

5.6 Other assets

Other assets mainly consist of VAT receivables and deferred expenses.

5.7 Cash and cash equivalents

Cash and cash equivalents represent cash at hand and cash balances at different banks. As of 31 December 2020 and 2019, 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 Statement 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 positive cash flows from operating activities are attributable to the profit of the period adjusted for non-cash effects. The main non-cash effects in 2020 are amortization and depreciation of intangible assets, property, plant and equipment and right-of-use assets of € 486 thousand in total.

Cash outflows from investing activities are primarily attributable to investments in property, plant and equipment as well as intangible assets.

Cash outflows from financing activities result mainly from the payment of dividends in the amount of € 94,833 thousand. Please refer to note 5.8 "Shareholders' equity".

5.8 Shareholders' equity

SGP SE was founded as a shell company on 21 November 2019 and in preparation of the IPO was acquired by FUTRUE and MVH on 6 March 2020. The statements of financial position as of 6 March 2020 includes mainly cash (€ 120 thousand) and fully paid in equity (€ 120 thousand).

Dividends

On 28 April 2020, the shareholders' meeting of PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH resolved to distribute a total amount of € 94,833 thousand as dividend to FUTRUE and MVH. The dividend was fully paid on 2 June 2020, prior to the IPO.

Contribution and transfer agreement

On 30 April 2020, the shareholders' meeting resolved to increase the Company's share capital by way of a capital increase against contributions in kind from € 120 thousand by € 11,880 thousand to € 12,000 thousand by issuing 11,880,000 new bearer shares with no par value (Stückaktien), each such share representing a notional value of € 1.00. All new shares were subscribed for by FUTRUE and MVH, with FUTRUE subscribing for 90 % of the newly issued shares and MVH subscribing for the remaining 10 % of the newly issued shares. In turn, FUTRUE and MVH contributed their entire shareholdings in each of PharmaSGP GmbH, Remitan GmbH and Restaxil GmbH as contribution in kind. The capital increase was registered in the commercial register (Handelsregister) of the local court (Amtsgericht) of Munich, Germany, on 8 May 2020. Pursuant to principles applying to contributions in kind and valuation options, the contribution in kind was measured at a value of € 50,000. The surplus amount of € 38,120 thousand is recognized as capital reserve. A balancing item was recognized within retained earnings, accordingly.

Initial Public Offering (IPO)

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 Regulated Market sub-segment (Prime Standard) 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. On 18 June 2020, the final offer price was set at € 31.50 per share, which corresponds to a market capitalization of € 378,000 thousand. In total, 4,025,000 shares were sold to new shareholders from FUTRUE and MVH in a base deal, including 525,000 shares for over-allotments ("Greenshoe option").

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

As of 31 December 2020, 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 2020, 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 2020, 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 2020, 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.

Domination and profit and loss transfer agreements

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.

5.9 Provisions

Provisions have developed as follows:

	Current provisions			
in € thousand	Warranty	Others	Non-current provisions	Total
1 January 2020	**441**	**297**	**-**	**738**
Additions	382	172	42	596
Utilization	-327	-161	-	-488
Release of unused amounts	-	-40	-	-40
31 December 2020	**496**	**268**	**42**	**806**

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 outstanding charges for development and authorization proceedings, employee related and legal costs. Non-current provisions are recognized for the long-term variable Management Board compensation (see note 9).

Other financial obligations and financial commitments

As of 31 December 2020, the Group had purchase commitments totaling € 1,687 thousand in respect to suppliers. As of 31 December 2020 and 2019, no guarantees have been provided to third parties, and there were no contingent liabilities.

5.10 Trade payables

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

The increase compared to the prior year is mainly related to extended payment terms and increased marketing activities in Q4 2020.

5.11 Other liabilities

Other liabilities break down as follows:

in € thousand	31 December 2020	31 December 2019
VAT and social security	74	1,412
Accrued outstanding invoices	306	262
Other	434	106
Other liabilities	**815**	**1,780**

The increase in accrued outstanding invoices mainly results from unbilled fees for legal and consulting services. Positions presented in line "other" comprise liabilities to employees and accrued liabilities for closing and audit fees.

5.12 Other financial liabilities

Other financial liabilities solely comprise expected refund liabilities from customer contracts. The increase in refund liabilities of € 789 thousand compared to the prior year balance mainly results from higher launch risks, as described in note 3.

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	2020	2019
Current income taxes	3,513	5,447
Deferred income taxes	-4	110
Income tax epxpense	**3,509**	**5,557**

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 2020 and 2019 is as follows:

in € thousand	2020	2019
Profit before taxes	**14,149**	**22,262**
Group's domestic tax rate	24.6 %	24.6 %
Expected tax expense	**3,477**	**5,471**
Non-deductable expenses	28	18
Current taxes related to other periods	-2	214
Deferred taxes related to other periods	5	-85
Others	1	-61
Effective income tax expense	**3,509**	**5,557**
Effective income tax rate	24.8 %	25.0 %

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

in € thousand	31 December 2020	31 December 2019
Lease liabilities	94	62
Non-current provisions	10	-
Other financial liabilities	55	
Deferred tax assets	**159**	**62**
Intangible assets	265	219
Right-of-use assets	94	62
Inventories	15	-
Deferred tax liabilities	**374**	**281**
After netting:		
Deferred tax assets	**-**	**-**
Deferred tax liabilities	**215**	**219**

Changes in deferred tax assets and deferred tax liabilities were recognized entirely as income in the financial years 2020 and 2019.

As of 31 December 2020, 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.

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 that are solely sold through pharmacies. 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 2020 and 2019, there are no unsatisfied performance obligations or contract liabilities. Refund liabilities from customer contracts are recognized within other current financial liabilities and amount to € 1,230 thousand as of 31 December 2020 (31 December 2019: € 441 thousand).

6.2 Other operating income

Other operating income comprises following components:

in € thousand	2020	2019
Recharge of IPO-related expenses	1,508	-
Gain from sale of property, plant and equipment and intangible assets	-	55
Others	126	127
Other operating income	**1,634**	**182**

In 2020, incurred expenses related to IPO consulting services and other IPO related costs were recharged to the related parties FUTRUE and MVH. The corresponding expenses are recognized in other operating expenses.

6.3 Personnel expenses

In 2020, the Group had an average of 60 employees (2019: 30) Personnel expense in the financial years 2020 and 2019 were as follows:

in € thousand	2020	2019
Wages and salaries	3,227	1,724
Social security contributions	546	319
thereof from defined contribution plans	*252*	*142*
Personnel expenses	**3,773**	**2,043**

Disclosures on share-based compensation expenses are made in note 9.

6.4 Other operating expenses

in € thousand	2020	2019
Marketing	31,646	27,824
Legal and consulting fees	2,947	303
External services	1,825	2,119
Miscellaneous	3,748	1,783
Other operating expenses	**40,166**	**32,029**

Marketing expenses increased compared to the prior year in line with the revenue development and new product launch activities. 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 2020. These one-time expenses materially contribute to the increase in the position legal and consulting fees.

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	2020	2019
Other interest and finance income	5	20
Finance income	**5**	**20**
Interest expenses from financial instruments	75	75
Other interest and finance expenses	29	101
Finance expenses	**104**	**176**

Other interest income mainly comprises interest on tax overpayments. Interest expenses from financial instruments result from negative interest on cash balances. Other interest expenses mainly comprise interest on income tax payables.

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 years 2020 and 2019, 12,000,000 shares are the basis for calculating earnings per shares. 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) and financial liabilities (except for lease liabilities) and the allocation of financial statement positions to the measurement categories:

	31 December 2020		31 December 2019	
in € thousand	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets measured at amortized cost (debt instruments):				
Trade and other receivables	9,468	9,468	10,885	10,885
Other non-current financial assets	60	60	-	-
Total	**9,528**	**9,528**	**10,885**	**10,885**
thereof current	9,468	9,468	10,885	10,885
thereof non-current	60	60	-	-
Financial liabilities measured at amortized cost:				
Trade payables	9,790	9,790	811	811
Other liabilities	734	734	368	368
Other financial liabilities	1,230	1,230	411	411
Total	**11,754**	**11,754**	**1,590**	**1,590**
thereof current	11,754	11,754	1,590	1,590
thereof non-current	-	-	-	-

Relating to financial assets, there are no debt instruments, equity instrument or other financial assets measured at fair value as of 31 December 2020 and 2019. Relating to financial liabilities, there are not financial liabilities measured at fair value as of 31 December 2020 and 2019.

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

PharmaSGP's long-term capital management aims to ensure the continued existence of the Company and to sustain its ability to distribute dividends to shareholders. We are also focusing on the funding of the Group's growth strategy, the reduction of capital costs and the active management of capital-intensive net working capital.

In 2020, the Group's equity decreased by € 94,833 thousand as a result of the dividend payout; at the same time new equity was generated from the Group's 2020 profits.

Except for lease liabilities, there are no financial liabilities and no financial covenant restrictions as of 31 December 2020.

PharmaSGP defines working capital as the sum of inventories, trade and other receivable 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 Coordinator 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 risks, liquidity risks and credit risks.

Market 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 risk. These risks are managed on a centralized basis in order to control exposure to market risks within acceptable parameters and while optimizing returns.

Since the Group's exposure to market risks is very limited as of 31 December 2020, 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. Typically, those risks arise from financial liabilities and increased interest expenses resulting from fluctuations in interest rates. As the Group does not hold any financial liabilities with variable interest rates, there is no interest rate risk related to financial liabilities. On the other hand, 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 € 75 thousand in 2020 (2019: € 75 thousand).

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 trade payables as well as lease liabilities.

The following table shows undiscounted contractually agreed future cash outflows from financial liabilities (maturity analysis) as of 31 December 2020:

in € thousand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**
Lease liabilities	60	180	145	-
Trade payables	9,790	-	-	-
Other financial liabilities	308	923	-	-
Other liabilities	313	421	-	-
	10,471	**1,524**	**145**	**-**

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.

		Overdue		
in € thousand	Not overdue	< 30 days	30-90 days	More than 90 days
Trade receivables as of 31 December 2019	8,693	459	21	15
Trade receivables as of 31 December 2020	9,046	350	-	14

8. 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 9.

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 2020. No loans, guarantees or collaterals were provided.

Transactions between SGP SE and its subsidiaries

SGP SE is the holding company of the Group. The Group's operating business is conducted by PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH. Effective 1 July 2020, domination and profit and loss transfer agreements were entered into between SGP SE and the operating companies. In 2020, intragroup profits of € 5,943 thousand were transferred from those contracts.

Transactions with FUTRUE and MVH

The main transactions with FUTRUE and MVH in the financial year 2020 were the contribution and transfer agreement and the IPO. Both transactions are described in note 5.8.

Further related party transactions between the Group and FUTRUE mostly consist of recurring transactions based on service agreements and transactions related to a cost sharing agreement in conjunction with the IPO of the Group.

Service agreements between the Group and FUTRUE and its subsidiaries mostly cover media services, IT services and to a minor extent selling and research as well as other services.

Based on a cost sharing agreement, IPO consulting services and other IPO related costs in the amount of € 1,508 thousand thousand have been charged to FUTRUE. In addition, costs related to the establishment of the new corporate structure of the Group amounting to € 268 thousand were passed on from FUTRUE to SGP SE in 2020.

In 2020, business and office equipment were sold by FUTRUE to the Group in the amount of € 351 thousand. Effective 31 March 2020, a real estate lease contract between FUTRUE and the Group for office space was terminated.

On 28 April 2020, the shareholders' meeting of PharmaSGP GmbH, Restaxil GmbH and Remitan GmbH resolved to distribute a dividend in the total amount of € 94,833 thousand to FUTRUE and MVH. The dividend was fully paid on 2 June 2020, before the IPO. Please refer to note 5.8.

Transactions and balances with MVH, FUTRUE and FUTRUE Group are as follows:

in € thousand	2020	2019
Sales of goods and services to		
FUTRUE GmbH	8	92
FUTRUE Group companies	13	575
	21	**667**
Reimbursement of cost incurred with the IPO to		
FUTRUE GmbH	1,365	-
MVH Beteiligungs- und Beratungs- GmbH	143	-
	1,508	-
Purchase of fixed assets, goods and services from		
FUTRUE GmbH	1,364	744
FUTRUE Group companies	32,091	28,764
MVH	37	147
	33,493	**29,655**

in € thousand	31 December 2020	31 December 2019
Amounts owed by		
FUTRUE GmbH	-	220
FUTRUE Group companies	-	1,532
MVH	-	25
	-	**1,777**
Amounts owed to		
FUTRUE GmbH	283	1,799
FUTRUE Group companies	8,052	41
MVH	-	2
	8,336	**1,842**

9. Corporate boards and remuneration

Management Board

Name	Responsibilities
Natalie Weigand Chief Executive Officer (CEO)	Marketing, distribution, sales, 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).

From 16 September to 30 November 2020, Maria-Johanna Schaecher assumed the role of Chief Business Development Officer (CBDO).

Supervisory Board

Name	Occupation
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 (previously heidelpay)

The Supervisory Board member Christian Westebbe resigned from his position on 28 April 2020. On 1 June 2020, Dr. Axel Rebien was elected as successor. As of the preparation date of this Annual Report, Dr. Rebien was Chief Executive Officer (CEO) at Unzer Group, as of the closing date 31 December 2020, Dr. Rebien was Chief Financial Officer (CFO) at Unzer Group.

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.

Remuneration

The basic principles of the remuneration of the Supervisory Board and Management Board including additional explanations on the remuneration system are described in the remuneration report. Please refer to note 10 in the combined management report.

In the financial year 2020, expenses for Supervisory Board remuneration of € 29 thousand were incurred (2019: none).

The total Management Board compensation pursuant to Sec. 314 (6a) HGB was € 569 thousand in 2020 and € 281 thousand in 2019 and breaks down to the individual Management Board members as follows:

	Natalie Weigand		Michael Rudolf	
in € thousand	**2020**	**2019**	**2020**	**2019**
Non-performance related compensation	258	141	207	140
Long-term performance related compensation	21	-	21	-
	279	**141**	**228**	**140**

During her employment with PharmaSGP, Maria-Johanna Schaecher received a pro rata compensation including fixed salary, benefits in kind and social security contributions of € 62 thousand.

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 four years. The number of PSUs to be granted to each member of the Management Board per annum corresponds to the quotient of (i) the target value of € 260 thousand, 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.

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 200 % 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.

For the long term variable compensation granted in the financial year 2020, the Supervisory Board has resolved on certain modifications. It has increased the target value to € 275 thousand per member of the Management Board and set the performance and vesting period to three years, with two thirds of the tranche vesting after two years and the last third vesting after three years.

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 2020:

- Accomplished performance targets and expected future target fulfilments
- Risk-free interest rate: -0.74 %
- Expected average dividend yield: 2.4 %
- Expected volatility: 34.8 %

The total expense from the long-term variable compensation is recognized ratably over the four-year performance period, under consideration of the above-mentioned input data. The carrying amount of the liability relating to PSUs at 31 December 2020 was € 42 thousand. The expense recognized in the financial year 2020 is € 42 thousand.

10. Audit fees

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

in € thousand	2020	2019
Audit services	261	104
Other assurance services	207	-
Tax advisory services	-	-
Other services	-	-
Total fee	**468**	**104**

The major portion the auditor's fees in the financial year 2020 relates to the audit of the consolidated financial statements of SGP SE, the audit of financial statements of German Group entities, and the review of SGP SE's half-year financial report. Other assurance services were mainly provided in relation to the IPO and the preparation of SGP SE's capital market capability.

11. 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/.

12. Events after the reporting date

Since 1 January 2021, SGP SE has leased a new office lease space at the Company's registered office at Lochhamer Schlag 21, 82166 Gräfelfing. The lease agreement has a runtime of 19 months and comprises offices, common areal units and parking spaces. The lease agreement is accounted for pursuant to IFRS 16 and leads to a capitalization of right-of-use assets of € 130 thousand.

On 2 March 2021, PharmaSGP Vertriebs GmbH was founded as a fully owned subsidiary of PharmaSGP Holding SE. The legal entity will provide marketing and sales services. The registration in the commercial register was completed on 16 March 2021.

Gräfelfing, 19 April 2021

Natalie Weigand (CEO)

Michael Rudolf (CFO)

Other Information

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

Gräfelfing, 19 April 2021

Natalie Weigand
(CEO)

Michael Rudolf
(CFO)

The following copy of the auditor's report also includes a "Report on the Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Financial Statements and the Management Report Prepared for Publication Purposes" ("separate 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, Gräfelfing

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 income statement and statement of comprehensive income for the fiscal year from January 1, 2020 to December 31, 2020, the consolidated balance sheet as of December 31, 2020, the consolidated statements of changes in equity and cash flows for the fiscal year from January 1, 2020 to December 31, 2020, 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 January 1, 2020 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the parts of the group management report mentioned in the appendix to the auditor's report and the Company information listed there outside the annual report, which is referred to 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 ["Handelsgesetzbuch": 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 December 31, 2020 and of its financial performance for the reporting year from January 1, 2020 to December 31, 2020, 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 components 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

consolidated management report" section of our auditor's report. We are independent of the group entities in accordance 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 January 1, 2020 to December 31, 2020. 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:

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 2020, 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 reporting 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 database 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 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 judgments 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 2020 Annual Report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the declaration on corporate governance. In all other respects, the executive directors are responsible for other information. The other information comprises the components of the Annual Report mentioned in the appendix to the auditor's report.

Our opinions on the consolidated financial statements and on the consolidated 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 Sec. 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 consolidated 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 in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes.

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file "SGP_SE_KA_KLB_ESEF-2020-12-31.zip" 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 only extends 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 in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from January 1, 2020 to December 31, 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" [Requirements for Quality Control in the Practice of Public Auditors] (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 reproduction 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.

Furthermore, the Company's executive directors are responsible for such internal controls as they determine necessary to enable the creation of ESEF documents that are free from material infringements of the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's executive directors are also responsible for submitting the ESEF documents – together with the auditor's report and the attached audited consolidated financial statements and group management report – as well as other documents to be disclosed to the Bundesanzeiger [German Federal Gazette].

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

Responsibilities of the group auditor for the audit of ESEF documents

Our objectives are to obtain reasonable assurance about whether the ESEF documents are free from material infringements of the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform audit 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 electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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

We were elected as auditor of the consolidated financial statements by the Annual General Meeting on 28 May 2020. We were engaged by the Supervisory Board on 26 January 2021. 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).

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 report

2. Further other information

The other information further comprises the prescribed components of the Annual Report, which were provided to us prior to us issuing this auditor's report, including, but not limited to the following sections:

- 1 PharmaSGP
- 2 To our shareholders
- 5 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 the annual report, which has been referred to in the group management report

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

Munich, April 19, 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

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

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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 of the annual report takes precedence over the English translation.

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