Dermapharm Holding SE

ANNUAL FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT **2023**

Annual financial statements

Annual financial statements

2023 annual financial statements of Dermapharm Holding SE

Balance sheet as at 31 December 2023

Assets		Notes	31 December 2023 in EUR thousand	31 December 2022 in EUR thousand
A.	**Fixed assets**			
I.	Intangible fixed assets	14.		
	Purchased concessions, industrial property rights and similar rights and assets		56	77
II.	Tangible fixed assets			
	Other equipment, plant and office equipment		4	0
III.	Financial assets	15.		
	Shares in affiliated companies		1,321,915	1,261,872
			1,321,975	**1,261,949**
B.	**Current assets**			
I.	Receivables and other assets	16.		
	1. Receivables from affiliated companies thereof from trade receivables EUR 419 thousand (prior year: EUR 907 thousand) thereof from other assets EUR 37,539 thousand (prior year: EUR 17,426 thousand)		37,957	18,333
	2. Other assets		135	1
II.	Cash and cash equivalents	17.	1,404	1,167
			39,497	**19,501**
C.	**Prepaid expenses**		**183**	**210**
	Total assets		**1,361,656**	**1,281,661**

Equity and liabilities		Notes	31 December 2023 in EUR thousand	31 December 2022 in EUR thousand
A.	**Equity**			
I.	Issued capital	18.	53,840	53,840
II.	Capital reserve	19.	1,009,883	1,000,849
III.	Net profit	20.	47,379	56,532
			1,111,103	**1,111,221**
B.	**Provisions**			
	Other provisions	22.	2,882	2,563
			2,882	**2,563**
C.	**Liabilities**	**23.**		
	1. Trade payables		91	10
	2. Liabilities to affiliated companies thereof from trade payables EUR 94 thousand (prior year: EUR 91 thousand) thereof from other liabilities EUR 217,660 thousand (prior year: EUR 153,310 thousand)		217,754	158,401
	3. Other liabilities thereof from taxes EUR 29,827 thousand (prior year: EUR 9,464 thousand)		29,827	9,465
			247,671	**167,876**
	Total equity and liabilities		**1,361,656**	**1,281,661**

Income statement for the period from 1 January to 31 December 2023

	Notes	2023 in EUR thousand	2022 in EUR thousand
1. Sales	24.	5,354	7,099
2. Other operating income		343	185
		5,697	**7,284**
3. Personnel expenses			
a) Wages and salaries		–4,247	–5,493
b) Social security contributions and pensions expenses thereof for pensions: EUR 0 thousand (prior year: EUR 0 thousand)		–57	–70
4. Depreciations and amortisation of intangible fixed assets and tangible fixed assets	25.	–22	–15
5. Other operating expenses	26.	–1,793	–2,070
		–422	**–363**
6. Other interest and similar income thereof from affiliated companies: EUR 0 thousand (prior year: EUR 0 thousand)		4	0
7. Other interest and similar expenses thereof from affiliated companies: EUR 3,208 thousand (prior year: EUR 1,340 thousand)		–3,212	–1,340
8. Earnings after tax		**–3,630**	**–1,703**
9. Other taxes		0	0
10. Net loss for the financial year		**–3,630**	**–1,703**
11. Profit carried forward		0	0
12. Withdrawal from capital reserve		**51,009**	**58,235**
13. Net profit		**47,379**	**56,532**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Basis of presentation

1. Information about the Company

Dermapharm Holding SE, with its registered office in Grünwald (hereinafter also referred to as the "Company" or "DSE"), was established on 4 July 2017 and entered in the commercial register of the Local Court (Amtsgericht) of Munich under number HRB 234575 on 19 July 2017.

2. Description of business activities

The object of the Company is the development, production and sale and distribution of pharmaceuticals, food supplements, cosmetics and related products, the licensing of production and/or the sale and distribution of the aforementioned products, advising other enterprises on the aforementioned or related fields, and holding and managing equity investments.

3. Basis of accounting

In the financial year, the Company was classified as a large corporation in accordance with § 267 (3) sentence 2 of the German Commercial Code (Handelsgesetzbuch, "HGB"). The annual financial statements of Dermapharm Holding SE, Grünwald, were prepared in accordance with Article 61 of Council Regulation (EC) No 2157/2001 (SE Regulation), § 242 et seq. and 264 et seq. HGB and the applicable provisions of the German Stock Corporation Act (Aktiengesetz, "AktG"). The financial year corresponds to the calendar year.

4. Classification of the balance sheet and income statement

The classification methods stipulated by law under § 266 and § 275 HGB are applied, and the option to aggregate figures in accordance with § 265 (7) HGB was not exercised. The income statement is prepared using the nature of expense method (§ 275 (2) HGB). Figures are reported in thousands of euros (EUR '000).

Accounting policies

5. Intangible fixed assets

Purchased intangible fixed assets are recognised at cost less straight-line depreciation or, if impairment is expected to be permanent, less impairment charges. In the year of acquisition and disposal, depreciation is recognised pro rata temporis on the basis of full months. The useful life for computer software is three years and is reduced commensurately in the event of shorter contract terms.

6. Long-term financial assets

Shares in affiliated companies are carried at the lower of cost or fair value if they are expected to be permanently impaired. If they are no longer permanently impaired, the write-down is reversed to fair value, but no more than cost. Shares in affiliated companies are tested for impairment using a discounted cash flow method on the basis of a budget adopted and approved by the Supervisory Board that involves uncertainties in relation to estimates.

7. Receivables and other assets

Receivables and other assets are recognised at their principal amount less specific valuation allowances.

8. Cash-in-hand and bank balances

Bank balances and cash-in-hand are reported at their nominal amounts. Balances denominated in foreign currencies are measured at the middle spot rate as at the balance sheet date.

9. Prepaid expenses and deferred income

Expenses/income prior to the balance sheet date are recognised as prepaid expenses/deferred income if they represent expenses/income for a specific period after that date.

10. Equity

Subscribed capital is recognised at the nominal amount.

11. Provisions

Identifiable risks and uncertain obligations are adequately taken into account when recognising provisions. They are measured at the settlement amount required according to prudent business judgement.

12. Liabilities

Liabilities are recognised at their settlement amount.

13. Sales

Sales are recognised less sales allowances. In accordance with the realisation principle, sales are recognised on an accrual basis.

Notes to the balance sheet

Assets

14. Fixed assets

The changes in fixed assets based on historical cost are presented below:

Changes in fixed assets (gross presentation)

	Acquisition/manufacturing costs					Depreciation				Carrying amounts	
	31 December 2022	Additions	Disposals	Reclassifications	31 December 2023	31 December 2022	Additions	Disposals	31 December 2023	31 December 2023	31 December 2022
I. Intangible fixed assets											
Concessions, industrial property rights and similar rights and assets and licenses in such rights	132	0	0	0	132	55	21	0	76	56	77
	132	**0**	**0**	**0**	**132**	**55**	**21**	**0**	**76**	**56**	**77**
II. Tangible fixed assets											
Other equipment, plant and office equipment	0	5	0	0	5	0	1	0	1	4	0
	0	**5**	**0**	**0**	**5**	**0**	**1**	**0**	**1**	**4**	**0**
III. Financial assets											
Shares in affiliated companies	1,261,872	60,043	0	0	1,321,915	0	0	0	0	1,321,915	1,261,872
	1,261,872	**60,043**	**0**	**0**	**1,321,915**	**0**	**0**	**0**	**0**	**1,321,915**	**1,261,872**
	1,262,004	**60,048**	**0**	**0**	**1,322,052**	**55**	**22**	**0**	**77**	**1,321,975**	**1,261,949**

15. Long-term financial assets

Long-term financial assets include shares in affiliated companies amounting to EUR 1,321,915 thousand (31 December 2022: EUR 1,261,872 thousand).

The changes in long-term financial assets are presented in the statement of changes in fixed assets. The list of shareholdings is presented below:

Name and registered office of the company

Company name, registered office	Share-holding in %	Equity 2023 in EUR thousand	Net income 2023 in EUR thousand
Shares held directly:			
Dermapharm AG, Grünwald	100.00	576,553	54,697
Dermapharm Beteiligungs GmbH, Grünwald	100.00	–19,038	–6,883
Shares held by subsidiaries:			
Aktiebolaget Cernelle, Ängelholm, Sweden	100.00	3,587	689
acis Arzneimittel GmbH, Grünwald [1]	100.00	1,355	0
Allergopharma Verwaltungs GmbH, Reinbek	100.00	5	–0
Allergopharma GmbH & Co. KG, Reinbek	100.00	88,829	27,916
Allergopharma Vertriebsges. mbH, Vienna, Austria	100.00	1,788	481
Allergopharma AG, Therwil, Switzerland	100.00	5,625	3,134
Allergopharma Espana SL, Madrid, Spain	100.00	1,089	–245
Allergopharma (Beijing) Pharmaceutical Technology Co. Ltd., Beijing, China	100.00	4,949	1,674
Anton Hübner GmbH & Co. KG, Ehrenkirchen	100.00	17,024	1,862
Anton Hübner Verwaltungsges. mbH, Ehrenkirchen	100.00	58	3
Apharma Capital S.A.S.U., Carros, France	100.00	219,545	–4,620
Apharma TopCo S.A.S., Carros, France	100.00	102,435	528
Arko Diffusion S.A., Geneva, Switzerland	100.00	237	119
Arkopharma Asia Pvt. Ltd., Hong Kong	100.00	k.A.	k.A.
Arkopharma Belux S.A., Wavre, Belgium	100.00	1,912	414
Arkopharma Hellas SA, Paiania, Greece	55.00	–228	0
Arkopharma Ireland Ltd., Waterford, Ireland	100.00	3	3
Arkopharma Laboratorios S.A., Lisbon, Portugal	100.00	989	153
Arkopharma Laboratorios S.A.U., Madrid, Spain	100.00	11,436	2,499
Arkopharma Nederland B.V., Almere, Netherlands	100.00	1,437	106
Arkopharm Srl., Ventimiglia, Italy	100.00	1,928	419
axicorp ApS, Hellerup, Denmark	100.00	29	–4
axicorp GmbH, Friedrichsdorf [1]	100.00	29,650	0
axicorp Pharma B.V., Amsterdam, Netherlands	100.00	829	10
axicorp Pharma GmbH, Friedrichsdorf [1]	100.00	749	0
Bellavia GmbH i.L., Wiesbaden	100.00	–4,122	0
BLBR GmbH, Grünwald	50.98	–1,901	–2,333
Candoro Ethics AG, Hünenberg, Switzerland	100.00	93	–14
Candoro ethics GmbH, Friedrichsdorf [4]	100.00	30,861	–2,908
Candoro ethics GmbH NM, Neumarkt [1] [5]	100.00	9,428	0
Cl. Lageman GmbH, Alsdorf	100.00	1,154	622
Cipriani Srl., Ventimiglia, Italy	100.00	3,021	–32
Dermapharm AG, Hünenberg, Switzerland	100.00	5,967	3,963
Dermapharm GmbH, Vienna, Austria	100.00	17,077	7,199
Digital Hub mibe GmbH, Grünwald	100.00	14	–11
Euromed S.A., Barcelona, Spain	100.00	82,493	8,755
Euromed USA Inc., Bridgeville, USA	100.00	963	65
Fitvia GmbH i.L., Wiesbaden	100.00	–8,339	0
Hasan Dermapharm Co. Ltd., Binh Duong Province, Vietnam	30.00	15,013	9,053

Company name, registered office	Share-holding in %	Equity 2023 in EUR thousand	Net income 2023 in EUR thousand
Hasan Dermapharm Joint Venture Ltd., Binh Duong Province, Vietnam	5.00	29,581	5,043
Hübner Naturarzneimittel GmbH, Ehrenkirchen [1]	100.00	4,449	0
Laboratoires Arkopharma S.A.S., Carros, France	100.00	129,902	26,017
LHS S.A.S., Carros, France	100.00	4,323	1,643
Melasan Produktions- und Vertriebsges.m.b.H., Neumarkt, Austria	100.00	16,509	2,448
mibe GmbH Arzneimittel, Sandersdorf-Brehna [1]	100.00	60,612	4,047
mibe F & E GmbH & Co. KG, Sandersdorf-Brehna [2]	100.00	10	0
mibe Logistik & Service GmbH & Co. KG, Sandersdorf-Brehna [2]	100.00	272	0
mibe pharma Espana S.L., Madrid, Spanien	100.00	2,096	–626
mibe Pharma Italia Srl., Bolzano, Italy	100.00	–248	–1,271
mibe Pharma UK Ltd., London, United Kingdom	100.00	–3,355	0
mibe Pharmaceuticals d.o.o., Zagreb, Croatia	100.00	–10,842	221
mibe Ukraine LLC., Kyiv, Ukraine	100.00	12,274	3,991
mibe Vertrieb GmbH, Grünwald [1]	100.00	26	0
mibeTec GmbH, Sandersdorf-Brehna	100.00	–41,714	–23,664
mibeTec Japan K.K., Tokyo, Japan	100.00	k.A.	k.A.
mibeTec US, Inc., Austin, USA	100.00	–8,713	–3,007
Nutravis S.R.L., Genua, Italy	100.00	k.A.	k.A.
Nutripharma Ltd., Waterford, Ireland	100.00	2	2
Pharmazeutische Fabrik Montavit Gesellschaft m.b.H., Absam, Austria	53.50	14,215	13,413
ProFem GmbH, Vienna, Austria [3]	15.00	36	–881
Spectrum Therapeutics Austria GmbH, Vienna, Austria	100.00	595	77
Strathmann GmbH & Co. KG, Hamburg [2]	100.00	5,244	0
Strathmann Service GmbH, Hamburg	100.00	48	2
Sun-Farm Sp. z o.o., Lomianki, Polen	100.00	21,739	9,994
THC Pharm GmbH The Health Concept, Frankfurt am Main [1]	100.00	607	0
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria [3]	100.00	233	18
Trommsdorff GmbH & Co.KG, Alsdorf [2]	100.00	4,092	0
Wellster Healthtech Group GmbH, Munich	45.00	27	–7,945

1 Profit and loss transfer agreement
2 Same-period profit recognition
3 Information from 2022
4 Formerly C³-Cannabinoid Compound Company GmbH
5 Formerly Spectrum Therapeutics GmbH

The exemption provided for under § 286 (3) no. 1 HGB was partially exercised.

The shares in the affiliated company Dermapharm AG increased by EUR 60,043 thousand from EUR 1,261,844 thousand to EUR 1,321,887 thousand. As at 31 December 2017, shares in Dermapharm AG amounting to EUR 1,261,844 thousand were transferred to Dermapharm Holding SE. The review of the fair value during the tax audit on 31 December 2017 resulted in a valuation of EUR 1,321,887 thousand, which was also justifiable. The HGB carrying amounts of Dermapharm Holding SE's equity investments were increased accordingly in the current financial year. The increase was recognised directly in equity under capital reserves.

16. Receivables and other assets

There were no receivables with a remaining term of more than one year and no receivables from shareholders.

17. Cash-in-hand and bank balances

Cash comprised primarily bank balances. As at 31 December 2023, cash amounted to EUR 1,404 thousand (31 December 2022: EUR 1,167 thousand).

Equity and liabilities

18. Subscribed capital

As at 31 December 2023, the Company's share capital amounted to EUR 53,840 thousand. It is divided into 53,840,000 no-par value bearer shares. The nominal amount of each no-par value share is EUR 1.00.

The majority (68.48%; previous year: 67.74%) of the no-par value shares continue to be held by Themis Beteiligungs-Aktiengesellschaft, Grünwald. 31.52% (previous year: 32.26%) of the Company's shares were in free float.

19. Capital reserves

As at 31 December 2023, the capital reserves amounted to EUR 1,009,883 thousand (31 December 2022: EUR 1,000,849 thousand). In financial year 2023, EUR 60,043 thousand was allocated to the capital reserves. For more detailed information, please refer to note 15.

In the 2023 reporting year, EUR 51,009 thousand (previous year: EUR 58,235 thousand) was withdrawn from the freely available capital reserves and allocated to net retained profits.

20. Net retained profits

The net retained profits for financial year 2022 were utilised in the reporting year to distribute a dividend of EUR 1.05 per no-par value bearer share carrying dividend rights for a total dividend amounting of EUR 56,532 thousand.

21. Authorised and contingent capital

Pursuant to the resolution of the Annual General Meeting on 14 June 2023, the Board of Management was authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period to 13 June 2028 against cash and/or in-kind contributions by a total of up to EUR 16,152 thousand by issuing new no-par value bearer shares, with the option of excluding the shareholders' subscription rights. The dividend rights may be stipulated in derogation of § 60 (2) AktG.

The subscribed capital is contingently increased by a total of up to EUR 10,768 thousand by issuing a total of up to 10,768,000 new no-par value bearer shares (Contingent Capital 2023). The contingent capital increase serves to grant shares to holders or creditors of convertible bonds and to holders of option rights from warrant-linked bonds which may be issued by the Company or a domestic or foreign entity in which the Company directly or indirectly holds a voting and capital majority in the period until 13 June 2028 (inclusive) on the basis of the authorisation resolved by the Annual General Meeting of 14 June 2023. The contingent capital increase will only be implemented to the extent that conversion or option rights from the aforementioned bonds are actually exercised or conversion obligations from such bonds are fulfilled in the total face value of up to EUR 500,000 thousand and to the extent that no other forms of fulfilment are used to service them.

The Board of Management is authorised, subject to the consent of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase.

To date, the authorised and contingent capital has not been utilised.

22. Provisions

Other provisions comprised the following:

Provisions in EUR thousand	**31 December 2023**	**31 December 2022**
Provisions for personnel	2,644	2,133
Other provisions	238	430
	2,882	**2,563**

23. Liabilities

An overview of the remaining terms of the liabilities recognised in the balance sheet and, if applicable, those secured by liens or similar rights, is presented in the statement of changes in liabilities below:

Statement of changes in liabilities
as at 31 December 2023
(as at 31 December 2022)

		Remaining term				
EUR thousand	**Total**	**up to 1 year**	**1 to 5 years**	**More than five years**	**thereof due to share-holders**	**therof collater-alised**
1. Trade payables	91 *(10)*	91 *(10)*	0 *(0)*	0 *(0)*	0 *(0)*	0 *(0)*
2. Liabilities to affiliated companies	217.754 *(158.401)*	3.754 *(4.021)*	0 *(0)*	214.000 *(154.380)*	0 *(0)*	0 *(0)*
3. Other liabilities	29.827 *(9.465)*	29.827 *(9.465)*	0 *(0)*	0 *(0)*	0 *(0)*	0 *(0)*
	247.671 *(167.876)*	62.870 *(13.496)*	0 *(0)*	214.000 *(154.380)*	0 *(0)*	0 *(0)*

Notes to the income statement

24. Sales

In financial year 2023, sales from services to affiliated companies amounted to EUR 5,354 thousand (previous year: EUR 7,099 thousand).

25. Amortisation of intangible fixed assets and depreciation of tangible fixed assets

Amortisation and depreciation amounted to EUR 22 thousand (previous year: EUR 15 thousand).

26. Other operating expenses

Other operating expenses are composed as follows:

Other operating expenses in EUR thousand	31 December 2023	31 December 2022
Legal and consulting fees	920	1,060
Miscellaneous	873	1,010
	1,793	**2,070**

Other disclosures

27. German Minimum Tax Act (Mindeststeuergesetz)

As a partially-owned parent entity, Dermapharm Holding SE falls within the scope of the OECD Pillar Two Model Rules, which enter into force from 1 January 2024. Any top-up tax will in principle be imposed at the level of Dermapharm Holding SE, for which Themis Beteiligungs-Aktiengesellschaft will be liable as the ultimate parent entity. In accordance with the legislation, a top-up tax must be paid per country in an amount equal to the difference between the GloBE effective tax rate and the minimum rate of 15%. All subsidiaries of Dermapharm Holding SE except the subsidiaries operating in Switzerland are subject to an effective tax rate of more than 15%. Dermapharm is currently assessing the effects of pillar two after the entry into force of the legislation. Given the complexity of applying the legislation and of calculating the GloBE income, the quantitative impact cannot yet be estimated reliably. The effective tax rate in Switzerland amounted to just under 15% in the 2023 reporting period. Any top-up tax amount does not have any material impact on Dermapharm Holding SE at the present time.

28. Employees

In financial year 2023, the Company employed an average of 2 people (previous year: 5).

29. Other financial obligations in accordance with § 285 nos. 3 and 3a HGB

Rent and lease obligations amounted to EUR 76 thousand as at 31 December 2023 (31 December 2022: EUR 128 thousand).

30. Contingent liabilities

The Company is the joint and severally liable borrower and guarantor for a syndicated loan agreement entered into on 15 December 2022 by Dermapharm AG/Dermapharm Holding SE (line of credit: EUR 1,050,000 thousand; amount drawn down: EUR 915,000 thousand). The Company does not expect to be called on as guarantor, as Dermapharm AG will be able to repay the loans from its own funds due to its positive net assets, financial position and results of operations, and the Dermapharm Group will comply with the financial covenants in the loan

agreement. This risk is considered low. The Company is also the guarantor for various promissory note loans of Dermapharm AG (total value as at 31 December 2023: EUR 100,000 thousand). The Company also considers the risk of recourse to the guarantee as low.

The Company is joint and severally liable for a bank loan amounting to EUR 5,750 thousand taken out by mibe GmbH Arzneimittel (affiliated company). In light of past experience and due to the ongoing monitoring of mibe GmbH Arzneimittel's liquidity situation, the Company considers the risk of being called on as guarantor to be extremely low.

The Company guarantees a bank loan amounting to EUR 5,177 thousand taken out by Melasan GmbH (affiliated company). In light of past experience and due to the ongoing monitoring of Melasan GmbH's liquidity situation, the Company considers the risk of recourse to this guarantee as extremely low.

31. Declaration of Conformity with the German Corporate Governance Code

The Board of Management and the Supervisory Board of Dermapharm Holding SE have jointly issued the Declaration of Conformity with the German Corporate Governance Code required under § 161 of the German Stock Corporation Act. The Declaration of Conformity has been made permanently accessible to the public on the Company's homepage (https://ir.dermapharm.de/) (§161 (2) AktG).

32. Auditor's fee

The total fee charged by the auditor for the reporting year within the meaning of § 285 no. 17 HGB is disclosed in the corresponding note to the consolidated financial statements.

33. Dermapharm Holding SE's Board of Management

Name	Member since	Appointed until	Position	Profession
Dr Hans-Georg Feldmeier	Aug 2017	2026	Chief Executive Officer	Pharmacist
Christof Dreibholz	Nov 2022	2025	Chief Financial Officer	Merchant
Dr Andreas Eberhorn	Sept 2022	2025	Chief Marketing Officer	Biologist
Karin Samusch	Aug 2017	2023	Chief Business Development Officer	Merchant

34. Dermapharm Holding SE's Supervisory Board

Name	Member since	Appointed until	Position	Profession
Wilhelm Beier	Aug 2017	2027	Chairman of the Supervisory Board	Merchant
Dr Erwin Kern	Aug 2017	2027	Deputy Chairman of the Supervisory Board	Merchant
Lothar Lanz	Jan 2018	2027	Member of the Supervisory Board	Merchant

35. Appointments of Supervisory Board members on other supervisory boards

Name	Mandates
Wilhelm Beier	Dermapharm AG
Dr Erwin Kern	Dermapharm AG
Lothar Lanz	TAG Immobilien AG Bauwert AG home24 SE Dermapharm AG

36. Remuneration of the members of the Board of Management

The total remuneration for the Board of Management amounted to EUR 3,810 thousand in the financial year (31 December 2022: EUR 4,895 thousand).

37. Remuneration of the members of the Supervisory Board

The remuneration for the members of the Supervisory Board amounted to EUR 240 thousand in financial year 2023 (31 December 2022: EUR 240 thousand).

38. Voting rights notifications

Pursuant to a written notification received by the Board of Management in accordance with § 40 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") on 23 November 2023, Themis Beteiligungs-Aktiengesellschaft increased its voting rights.

The majority (68.48%; 31 December 2022: 67.70%) of the no-par value shares continue to be held by Themis Beteiligungs-Aktiengesellschaft. 31.52% (31 December 2022: 32.30%) of the Company's shares are in free float.

39. Group affiliation

As the parent company, Themis Beteiligungs-Aktiengesellschaft, Grünwald, prepares the consolidated financial statements for the largest group of companies.

As the parent company, Dermapharm Holding SE, Grünwald, prepares the consolidated financial statements for the smallest group of companies in accordance with IFRSs, as adopted by the EU.

The consolidated financial statements of Themis Beteiligungs-Aktiengesellschaft as at 31 December 2023 and the consolidated financial statements of Dermapharm Holding SE as at 31 December 2023 will be published in the Federal Gazette (Bundesanzeiger).

40. Proposed appropriation of net profit

The Company's net retained profits in the 2023 reporting year amount to EUR 47,379 thousand. The proposal to the Annual General Meeting is that the net retained profits be distributed in full to the shareholders (EUR 0.88 per no-par value share carrying dividend rights).

Grünwald, 21 March 2024

Dr Hans-Georg Feldmeier

Chief Executive Officer

Christof Dreibholz

Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn

Chief Marketing Officer

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report, which is combined with the Group management report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Grünwald, 21 March 2024

Dr Hans-Georg Feldmeier

Chief Executive Officer

Christof Dreibholz

Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

Independent Auditor's Report

To Dermapharm Holding SE, Grünwald

Report on the Audit of the Annual Financial Statements and the Combined Management Report

Audit Opinions

We have audited the annual financial statements of Dermapharm Holding SE, Grünwald, which comprise the balance sheet as at 31 December 2023, the statement of profit and loss for the financial year from 1 January 2023 to

31 December 2023 and the notes to the financial statements, including the recognition and measurement policies. In addition, we have audited the combined management report of Dermapharm Holding SE, Grünwald, for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement in accordance with section 289f and section 315d HGB included in section 6.1 of the combined management report, section 3.1 "Main characteristics of the internal control system and risk management system" of the combined management report, and the separate non-financial report pursuant to Section 315b HGB referred to in section 6.2 of the combined management report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement referred to above, section 3.1 "Main characteristics of the internal control system and risk management system" of the combined management report and the non-financial report referred to above.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with section 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 Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

We have determined that there are no key audit matters that should be stated in this auditor's report.

Other Information

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- the corporate governance statement in accordance with section 289f and section 315d HGB
- section 3.1 "Main characteristics of the internal control system and risk management system" of the combined management report
- the non-financial group management report pursuant to section 315b HGB, to which reference is made in the combined management report
- the responsibility statement of the executive directors pursuant to section 264 paragraph 2 sentence 3 and pursuant to section 289 paragraph 1 sentence 5 HGB on the annual financial statements and the combined management report
- but not the annual financial statements or the audited disclosures in the combined management report or our auditor's report pertaining to them.

The executive directors and the supervisory board are responsible for the statement under section 161 of the Stock Corporations Act [Aktiengesetz - AktG], which is part of the corporate governance declaration. Save as aforesaid, the executive directors are responsible for the other information provided.

Our opinions on the annual financial statements and on the combined 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 referred to above, and, in so doing, to consider whether the other information:

- is materially inconsistent with the annual financial statements, the audited information in the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement whether due to fraud (e.g. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 combined 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 combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 audit opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and the combined 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of the 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 Company'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 annual financial statements and in combined management report or, if such disclosures are inadequate, to modify our respective audit 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements in total, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined 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 audit 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 actions taken or safeguards applied to eliminate independence threats 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 annual 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 of Electronic Rendering of the Annual Financial Statements and the Combined Manage-ment Report, Prepared for Publication Purposes in Ac-cordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed an assurance engagement in accordance with section 317 paragraph 3a of the HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the combined management report contained in the electronic file "5299009F0KNZINQQQK37-2023-12-31-de_EA(1).zip" (hereinafter the 'ESEF documents') and prepared for publication purposes complies, in all material respects, with the requirements of section 328 paragraph 1 of the 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 annual financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies, in all material respects, with the requirements of section 328 paragraph 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 above-mentioned electronic file beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 contained in the 'Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report' above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the combined management report contained in the file identified above in accordance with section 317 paragraph 3a HGB and the IDW Assurance Standard "Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB" (IDW AsS 410) (06.2022). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1 "Requirements for Quality Management in the Audit Firm" (IDW QMS 1 (09.2022)).

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 with the electronic rendering of the annual financial statements and the combined management report in accordance with section 328 paragraph 1 sentence 4 no. 1 HGB.

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

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

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable XHTML reproduction whose content is identical to the audited annual financial statements and to the audited combined management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 14 June 2023. We were engaged by the audit committee on 26 September 2023. We have been the group auditor of Dermapharm Holding SE, Grünwald, without interruption since the financial year 2018.

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

Other Matter – Use of the Auditor's Report

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

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Ronald Rulfs.

Düsseldorf, 21 March 2024

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Stephan Mauermeier	Ronald Rulfs
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

[Combined management report]

Combined management report

Combined management report on the situation of the Company and of the Group for financial year 2023

1. Information about the Group

1.1 Business model and strategy

Business model

Dermapharm Holding SE (together with its subsidiaries, associates and equity investments referred to as "Dermapharm" or the "Group") is an innovative and fast-growing manufacturer of branded pharmaceuticals and other healthcare products in Germany and elsewhere in Europe. The Company currently focuses on the three segments "Branded pharmaceuticals", "Other healthcare products" and "Parallel import business". The Group's strategy is to achieve the deepest-possible integration of its business model as well as dynamic growth centred on the development of new products, increasing internationalization and targeted M&A activities across selected segments.

To the extent possible, Dermapharm uses its own resources to develop, manufacture and market its products. The Group leverages the reputations of Germany and other European countries as manufacturing powerhouses and the quality associated with products manufactured there.

Branded pharmaceuticals

By pursuing a targeted acquisition strategy together with in-house product development, the Group has built up a broad product portfolio of branded pharmaceuticals in profitable niche markets. The extensive range of pharmaceuticals comprises more than 400 (previous year: > 380) active pharmaceutical ingredients and more than 1,300 (previous year: > 1,200) national and international marketing authorisations. The majority of these are produced in-house and sold via our distribution organisation.

At the core of our activities, we partner with and advise doctors and pharmacists in the interest of patients – while ensuring compliance at all times. The Group's product portfolio covers a broad spectrum of groups of active ingredients in varying dosage forms and strengths. This allows Dermapharm to offer bespoke therapeutic concepts for the widest variety of medical needs. According to the market research firm INSIGHT Health, the Group is Germany's market leader by sales for prescription dermatologics as well as for prescription vitamins, for instance with the vitamin D compound Dekristol® 20,000 I.U. Dermapharm also has brands in other selected therapeutic areas such as vitamins/minerals/food supplements, dermatology, allergology, pain and inflammation, cardiovascular support and gynaecology and urology. According to INSIGHT Health, Keltican®, Tromcardin® complex and Ketozolin® are leading brands in their respective therapeutic areas.

Dermapharm (in cooperation with BioNTech) also maintains production capacities for vaccine filling at its Sandersdorf-Brehna location in the context of a pandemic preparedness programme in Germany.

Montavit has supplemented Dermapharm's product portfolio since July 2023, in particular in the gynaecology and urology therapeutic area. Montavit has been considered a pioneer in catheter gels since the 1970s, and is the clear market leader in Austria with its "Cathejell" brand products.

Other healthcare products

In addition to herbal extracts, Dermapharm bundles food supplements, herbal pharmaceuticals, cosmetics and medical devices under its "Other healthcare products" segment.

Arkopharma, the market leader for natural OTC products and food supplements in France, has been part of this segment since January 2023. Through Arkopharma, Dermapharm has made its first move into the French market and in doing so is stepping up its internationalisation efforts in western and southern Europe, where Arkopharma has subsidiaries in countries such as Spain, Portugal, Italy, Belgium, the Netherlands and Switzerland.

Through Spanish subsidiary Euromed, Dermapharm also has access to a leading manufacturer of standardised herbal extracts for the production of pharmaceuticals, cosmetics and food supplements. The herbal raw materials are processed at the company's state-of-the-art production facilities in Spain and the USA using procedures that in some cases are patented. A B2B distribution model is used to market the products in some 50 countries.

This segment also includes the Swedish company Cernelle, which the Group acquired in November 2021. Cernelle manufactures the only pollen extract with medical approval to treat benign prostate hyperplasia and chronic prostatitis.

Candoro ethics (formerly C³ Group) is the market leader for dronabinol in Germany and Austria, and it develops, produces and distributes natural and synthetic cannabinoids for this segment. The cannabis compounds are used mainly in pain management and palliative care applications, as well as in the fields of oncology and in neurology, thus covering a broad range of chronic and severe illnesses.

Dermapharm has also been producing and selling food supplements, herbal pharmaceuticals and cosmetics for many years now through Anton Hübner, Hübner Naturarzneimittel and Melasan.

Medical devices such as the hyperthermic products bite away®, Herpotherm® and mibeTec's epiivo® round out the segment.

Parallel import business

Dermapharm operates its parallel import business under the "axicorp" brand. The business model is based on legal regulations under the German Social Security Code (Sozialgesetzbuch), with price differences within the European Union's internal market for prescription originator pharmaceuticals being exploited in favour of Germany's statutory health insurance system.

axicorp has the specialist expertise needed for procuring these originator pharmaceuticals from other EU Member States. The products are then manufactured in the company's own production facilities in Friedrichsdorf in accordance with the requirements of the German market. For sales purposes, the company employs direct marketing activities at its own call centre.

According to INSIGHT Health, axicorp was Germany's sixth-largest parallel importer in terms of gross revenue in financial year 2023 and it covered the majority of the prescription originator pharmaceuticals available on the German parallel import market.

Strategy

Dermapharm intends to continue building on its positive performance of recent years and further expand the strong position of the three segments by systematically leveraging organic and external growth opportunities.

The Group's growth strategy is based on three pillars:

1. expanding the product portfolio by bringing to market new, internally developed products;
2. increasing the Group's international presence;
3. successfully completing further acquisitions of products and businesses.

In order to expand the range of the product portfolio, the Dermapharm Group continually strives to develop additional branded pharmaceuticals and other healthcare products and launch them on the market. Dermapharm's product pipeline currently comprises roughly 49 ongoing development projects involving new products for the defined niche markets. The focal points of the development work are:

- Expanding the portfolio of off-patent branded pharmaceuticals in dermatology
- Further developing allergy therapy product range
- Developing science-based food supplements
- Developing new phytoextracts
- Further developing the range of medical devices

The Group is expanding its international presence both by forming its own start-up subsidiaries abroad and by acquiring new companies with an international presence. Country-specific portfolios are formed and developed based in each case on a detailed analysis of market conditions. That said, compounds developed and manufactured by the Group in particular are receiving marketing authorisation.

Acquiring new products, portfolios and companies has been part of the Group's business strategy ever since the Company was formed in 1991. Dermapharm's particular strength lies not just in its ability to successfully integrate these acquisitions into the Group structure, but also to continually foster their further development.

Most recently, Dermapharm acquired the France-based Arkopharma, a leading supplier of natural OTC products and food supplements in western and southern Europe, and a significant interest in Montavit, an Austrian company specialising in pharmaceuticals and medical devices for the therapeutic areas of urology, gynaecology and allergology as well as herbal pharmaceuticals.

Dermapharm will continue to regularly review growth opportunities and pursue strategic options that fit our corporate strategy.

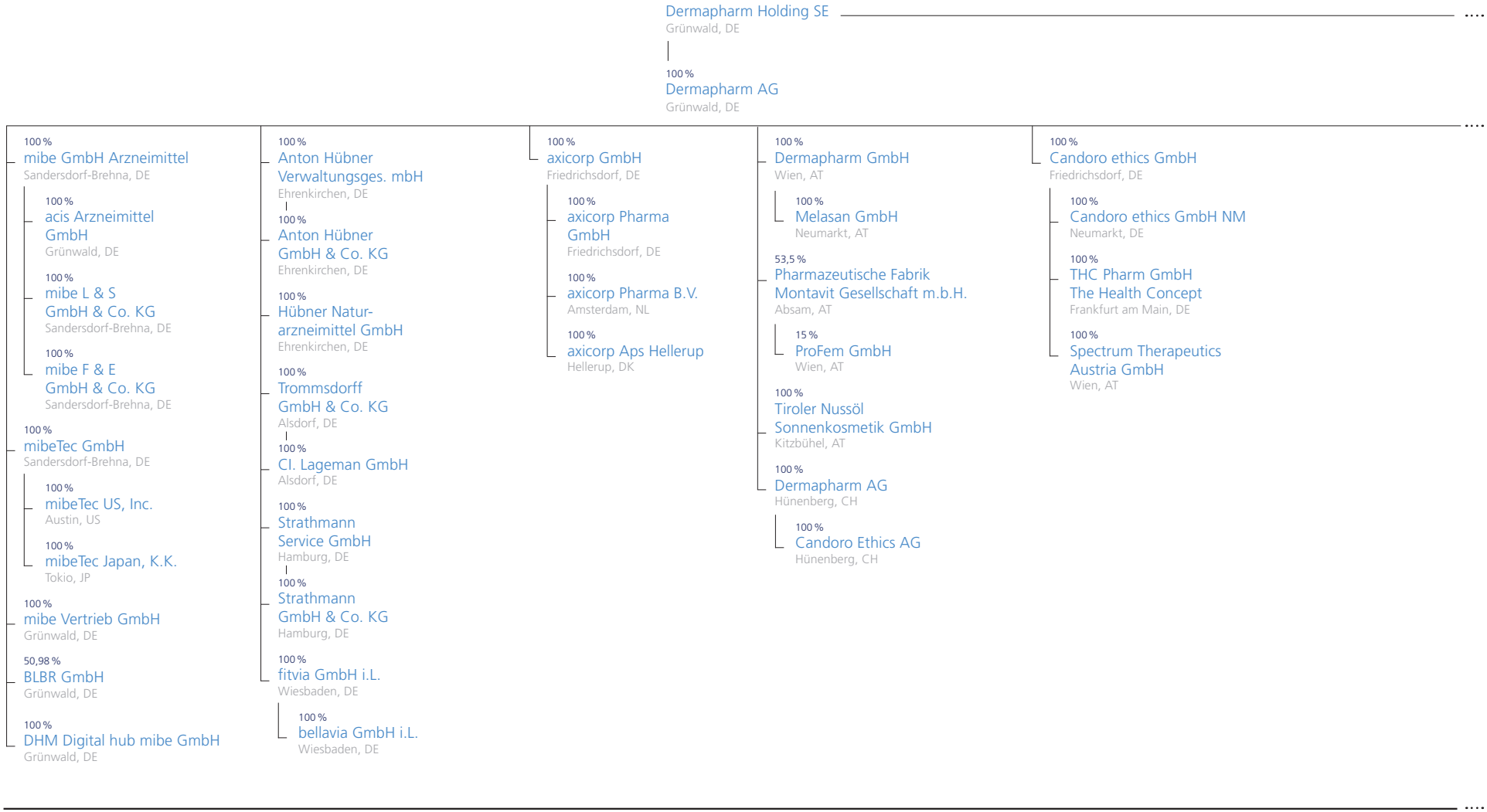
1.2 Group structure and interests

Dermapharm Holding SE holds 100% of the shares in Dermapharm AG and Dermapharm Beteiligungs GmbH, which carry out the Group's operating business alongside various subsidiaries.

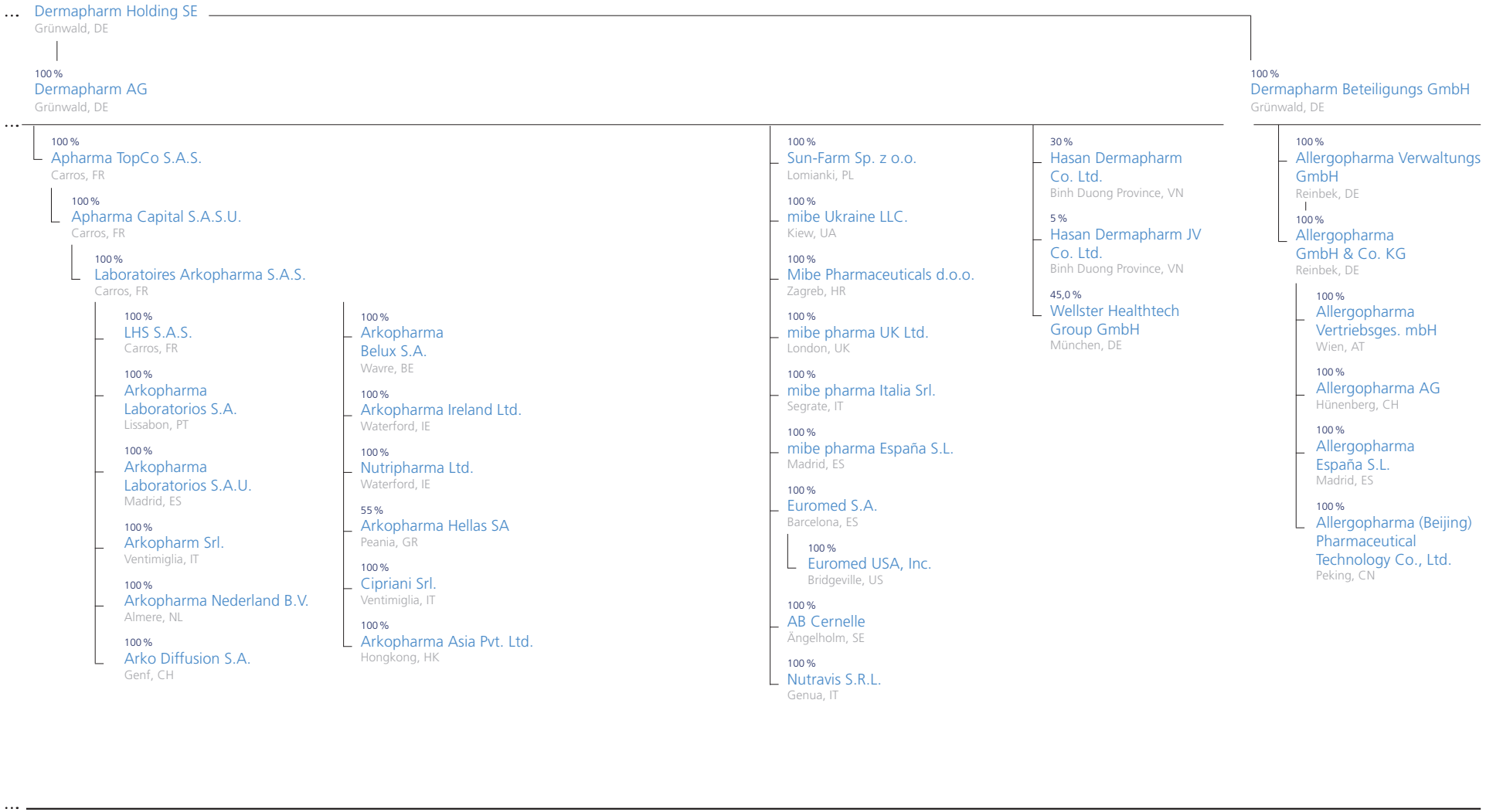
The group of companies consolidated by Dermapharm Holding SE includes all companies whose financial or business policies the Company controls directly or indirectly. In addition, Dermapharm Holding SE owns shares in associates over whose financial and business policies it exerts significant control.

The following Group structure shows the direct and indirect subsidiaries, as well as associates and equity investments as at 31 December 2023.

Dermapharm Holding SE Group organisational chart



Dermapharm Holding SE Group organisational chart (continuation)



1.3 Sites and employees

Dermapharm operates development, production, and distribution sites in Germany – its largest sales market – as well as further sites in Austria, Switzerland, France, Italy, Spain, Portugal, the Netherlands, Belgium, Croatia, Poland, Ukraine, Sweden, the United States and China.

The majority of all compounds from the "Branded pharmaceuticals" segment are manufactured at and dispatched from mibe's central production and logistics centre in Sandersdorf-Brehna. mibe is also responsible for centralised purchasing and for product supply to the domestic subsidiaries. The production facilities of acquired companies have become increasingly important in recent years. These facilities have been modernised – in particular their IT, building technology, equipment and fittings, and integrated into the network centred on the logistics centre in Sandersdorf-Brehna.

The "Parallel import business" segment is headquartered at the Friedrichsdorf site.

Candoro ethics, which is allocated to the "Other healthcare products" segment, relocated from its former sites in Neumarkt in der Oberpfalz and Frankfurt am Main Höchst to Friedrichsdorf as at the end of financial year 2023. Arkopharma, which was acquired in 2023, has its production facility in Carros, which is near Nice in France. Euromed has its own production facilities in Molina de Segura, Murcia, Spain, and Mollet del Vallès, Barcelona, Spain, and operates a drying facility in Okeechobee, Florida, United States. The Swedish company Cernelle manufactures its products in Ängelholm.

In Germany, a sales force with specialist pharmaceutical training visits pharmacies, registered doctors and clinics to promote and distribute branded pharmaceuticals. Candoro ethics also employs a specially trained sales force to market and distribute its products. Depending on the areas of product application, the sales force is deployed specifically according to the defined customer target groups. Euromed's herbal extracts are sold primarily under a B2B business model. Products in the "Parallel import business" segment are distributed primarily through direct sales from a call centre.

Qualified employees are the basis for Dermapharm's long-term commercial success. In the first half of financial year 2023, an average of 3,497 employees worked for the Group (previous year: 2,563 employees).

Dermapharm locations*

AMERICA

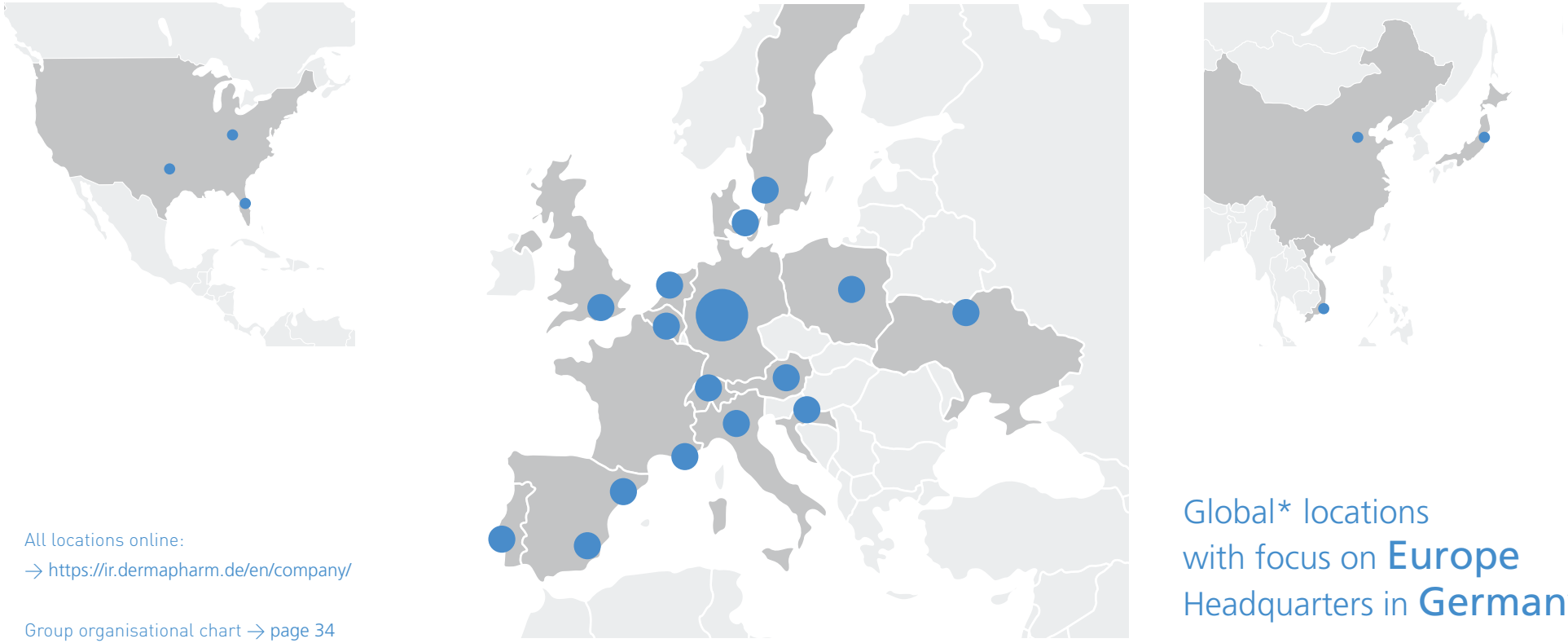
USA

EUROPE

Germany	United Kingdom	Netherlands	Poland
Austria	Italy	Sweden	Ukraine
Switzerland	Spain	Croatia	Denmark
France	Belgium	Portugal	

ASIA

Japan
Vietnam
China



All locations online:
→ https://ir.dermapharm.de/en/company/

Group organisational chart → page 34

Global* locations
with focus on **Europe**
Headquarters in **Germany**

* direct, indirect subsidiaries and associates, equity interests

Dermapharm locations*

AMERICA

USA:

Euromed USA Inc., Bridgeville, PA

mibeTec US, Inc., Austin, TX

Euromed USA Inc. Okeechobee, FL

EUROPE

Germany:

Dermapharm Holding SE, Grünwald

Dermapharm AG, Grünwald

Dermapharm Beteiligungs GmbH, Grünwald

acis Arzneimittel GmbH, Grünwald

mibe GmbH Arzneimittel, Sandersdorf-Brehna

mibe L&S GmbH & Co. KG, Sandersdorf-Brehna

mibe F&E GmbH & Co. KG, Sandersdorf-Brehna

mibe Vertrieb GmbH, Grünwald

mibeTec GmbH, Sandersdorf-Brehna

BLBR GmbH, Grünwald

Digital Hub mibe GmbH, Grünwald

Anton Hübner Verwaltungs. mbH, Ehrenkirchen

Anton Hübner GmbH & Co. KG, Ehrenkirchen

Hübner Naturarzneimittel GmbH, Ehrenkirchen

Trommsdorff GmbH & Co. KG, Alsdorf

CI. Lageman GmbH, Alsdorf

Strathmann Service GmbH, Hamburg

Strathmann GmbH & Co. KG, Hamburg

fitvia GmbH i.L., Wiesbaden

bellavia GmbH i.L., Wiesbaden

axicorp GmbH, Friedrichsdorf

axicorp Pharma GmbH, Friedrichsdorf

Candoro ethics GmbH, Friedrichsdorf

Wellster Healthtech Group GmbH, Munich

Candoro ethics GmbH NM, Neumarkt

THC Pharm GmbH The Health Concept, Frankfurt am Main

Allergopharma Verwaltungs GmbH, Reinbek

Allergopharma GmbH & Co. KG, Reinbek

Austria:

Dermapharm GmbH, Vienna

Melasan GmbH, Neumarkt

Pharmazeutische Fabrik Montavit Gesellschaft m.b.H., Absam

ProFem GmbH, Vienna

Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel

Spectrum Therapeutics Austria GmbH, Vienna

Allergopharma Vertriebsges. mbH, Vienna

Switzerland:

Dermapharm AG, Hünenberg

Allergopharma AG, Hünenberg

Candoro Ethics AG, Hünenberg

Arko Diffusion S.A., Geneva

France:

Apharma TopCo S.A.S., Carros

Apharma Capital S.A.S.U, Carros

Laboratoires Arkopharma S.A.S., Carros

LHS S.A.S., Carros

Spain:

Euromed S.A., Barcelona

Allergopharma España S.L., Madrid

mibe pharma España S.L., Madrid

Arkopharma Laboratorios S.A.U., Madrid

Italy:

mibe pharma Italia Srl, Segrate

Nutravis S.R.L., Genoa

Arkopharma Srl., Ventimiglia

Cipriani Srl., Ventimiglia

Croatia:

mibe Pharmaceuticals d.o.o., Zagreb

Portugal:

Arkopharma Laboratorios S.A., Lisbon

Greece:

Arkopharma Hellas S.A., Paiania

Ukraine:

mibe Ukraine LLC., Kyiv

Poland:

Sun-Farm Sp. z o.o., Łomianki

Belgium:

Arkopharma Belux S.A., Wavre

Netherlands:

axicorp Pharma B.V., The Hague

Arkopharma Nederland B.V., Almere

United Kingdom:

mibe Pharma UK Ltd., London

Ireland:

Arkopharma Ireland Ltd., Waterford

Nutripharma Ltd., Waterford

Denmark:

axicorp Aps Hellerup, Hellerup

Sweden:

AB Cernelle, Ängelholm

ASIA

Japan:

mibeTec Japan K.K., Tokyo

Vietnam:

Hasan Dermapharm Co. Ltd., Binh Duong Province

Hasan Dermapharm JV Co., Ltd, Binh Duong Province

People's Republic of China:

Allergopharma (Beijing) Pharmaceutical Technology Co., Ltd., Beijing

Hong Kong

Arkopharma Asia Pvt. Ltd.

= Administrative offices

= Production facilities

* direct, indirect subsidiaries and associates, equity interests

1.4 Management system and performance indicators

At the Group level, Dermapharm has three segments: "Branded pharmaceuticals", "Other healthcare products" and "Parallel import business". The Board of Management approves objectives for use in the business planning and management of the segments. Budgetary plans which are prepared annually for a period of three years translate these objectives into specific, measurable targets.

Regular reports to the Board of Management provide details on the performance of the three segments so that any potential unfavourable trends can be countered in a timely manner. In this way, the management system plays a role in ensuring that the Group continues to grow profitably.

The Group manages its operations using selected financial performance indicators that are monitored continuously and integrated into the monthly reporting to the Board of Management. The defined segments continually review the specified plan figures and compare them with the current business performance. Based on this plan to actual comparison, corresponding measures are derived from any deviations from the original revenue and EBITDA targets.

The key management metrics used by the Board of Management to measure the success of business activities are revenue and earnings before interest, taxes, depreciation, amortisation, write-downs and reversals of write-downs (EBITDA).

The following shows a reconciliation of EBITDA to Group earnings as presented in the income statement:

	Profit or loss for the period
+	Income tax expenses
=	Earnings before taxes (EBT)
+	Financial expenses
-	Financial income
+	Depreciation, amortisation, and reversals of write-downs
=	**EBITDA**

1.5 Research and development

Dermapharm is convinced that a growth strategy cannot succeed without investing in research and development. New products "Made by Dermapharm" are the key to driving forward the Group's internationalisation and organic growth.

Dermapharm consequently targets its efforts on developing compounds in its core therapeutic areas using active pharmaceutical ingredients that are generally no longer subject to intellectual property rights. However, Dermapharm is also investing in new patented therapies in the field of hyperthermic products. One example of this is the development of a medical device to treat itchy skin.

In total, the Group operates five development centres: mibe F&E GmbH & Co. KG in Sandersdorf-Brehna focuses on pharmaceutical and analytical development and marketing authorisation for pharmaceuticals and cosmetics. mibe serves as the primary location for the manufacture of investigational medicinal products. Allergopharma's research and development centre in Reinbek focuses on further developing allergen immunotherapies. The focus of its efforts is on improving the existing product range, including clinical indications and application plans. Anton Hübner GmbH & Co. KG ("Anton Hübner") in Ehrenkirchen specialises in the development of medical science-based food supplements, substance-based medical devices and cosmetics. These also use herbal ingredients – giving rise to synergies with Euromed. The latter company operates a laboratory and innovation centre in Mollet de Vallès, Spain, that focuses on development and the scientific marketing of herbal extracts. As a supplier of medicinally active extracts, Euromed has to ensure that its products keep pace with current developments in science and technology at all times. Furthermore, Euromed concentrates on expanding its portfolio to include the development of new extracts and indications. Arkopharma operates its own research and development activities in Carros (near Nice), France, to manufacture OTC herbal products and food supplements.

In financial year 2023, an average of 335 employees worked in product development at the Group (previous year: 219 employees).

Dermapharm's more than 30 years' experience provides it with expertise in developing off-patent pharmaceuticals as well as a powerful network of development partners. Moreover, the Group has the necessary regulatory expertise in house in order to be able to carry out the authorisation process itself in Germany as well as in the EU. These broad capabilities mean that new developments can be launched and marketed in Germany and at the subsidiaries outside Germany.

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

Macroeconomic environment

The International Monetary Fund (IMF) in its January 2024 World Economic Outlook anticipated weaker global economic growth of 3.1% for 2023, thereby exceeding its growth forecast of 3.0% published in autumn 2023.

The European economy also saw growth weaken in 2023. European Commission data shows that the EU economy expanded by 0.5% (as at February 2024). According to the European Commission, this was due to high inflation and costs of living, the tightening of monetary policy and weak foreign demand (as at November 2023).

According to the German Federal Statistical Office (Destatis), Germany's economy contracted by 0.3% in 2023 (as at January 2024). This was due to high prices at all levels which deflated the economy, unfavourable financing terms due to rising interest rates, and lower domestic and foreign demand.

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

Sector-specific environment

The factors driving growth on the pharmaceutical and healthcare markets include in particular demographic trends such as an increasingly ageing society, global population growth, rising health awareness and self-medication as well as advances in the medical field. Accordingly, the European pharmaceuticals market has grown continuously in recent years. The current geopolitical crises continued to have no adverse effect the pharmaceuticals and healthcare market in 2023. According to information from the consultancy firm IQVIA (source: OTC VALUE), the entire European pharmaceuticals market generated annual revenue of EUR 315.8 billion by the end of the third quarter of 2023, meaning that the market volume increased by 4.2% compared to the same period in the previous year (MAT Q3 2022: EUR 303.1 billion). Of that amount, EUR 278.7 billion was attributable to prescription pharmaceuticals (MAT Q3 2022: EUR 265.8 billion) and EUR 37.1 billion to OTC pharmaceuticals (MAT Q3 2022: EUR 37.3 billion).

Dermapharm's primary market, Germany, has a highly developed healthcare system with 110,114 registered physicians (as of December 2022), 17,830 public pharmacies (June 2023 figures) and 1,893 hospitals (in 2022). Germany, which has the highest per capita healthcare spending (as of 2023), spends a larger share of its gross domestic product on healthcare than any other country in the European Union (as of 2023). According to IQVIA, the growth trend in the German pharmaceuticals market continued in the previous year as well. At the end of the third quarter of 2023, annual revenue in the German pharmaceuticals market increased by 5.7% to EUR 58.9 billion (Q3 2022: EUR 55.7 billion). Of that amount, EUR 52.7 billion was attributable to prescription pharmaceuticals (MAT Q3 2022: EUR 49.8 billion) and EUR 6.2 billion to OTC pharmaceuticals (MAT Q3 2022: EUR 5.8 billion). In 2023, revenue from off-patent pharmaceuticals without savings from discount agreements and less mandatory manufacturer discounts in the statutory health insurance providers' market increased by 4.7% to EUR 11.2 billion (basis: manufacturer selling price) following EUR 10.7 billion in the prior-year period (including biosimilars in each case). However, volume gains are often neutralised due to government intervention in pricing. As a result, this market continues to be characterised by state-imposed mandatory discounts and steep discounts to health insurance organisations due to statutory discount agreement options between manufacturers and health insurance organisations.

According to INSIGHT Health, in financial year 2023, revenue in the parallel imports market amounted to EUR 3.4 billion compared to EUR 3.0 billion in the previous year (basis: Apofusion Sell-Out). Thus, in 2023, revenue in the market suitable for imports increased by 13.3%. The share of total revenue on the German pharmaceutical market that is generated with parallel-imported products increased from 5.9% in the previous year to 7.3% in 2023.

Regulatory environment

Reference pricing for pharmaceuticals

Reference pricing refers to maximum amounts for reimbursement of pharmaceutical prices by the statutory health insurance organisations. These amounts are set for groups of comparable pharmaceuticals. If doctors nonetheless prescribe a medication priced at a level above this reference amount, the patient must pay the difference in addition to the statutory supplementary payment.

Groups of comparable pharmaceuticals can be created according to various criteria. Therefore, there are three levels of comparability: level 1 reference pricing groups comprise pharmaceuticals with the same active ingredients. Level 2 reference pricing groups comprise pharmaceuticals with active ingredients which are comparable in terms of pharmacology, particularly chemically, and which at the same time have comparable therapeutic effects. Level 3 reference pricing groups comprise pharmaceuticals, particularly from combinations, which have different active ingredients but which have comparable therapeutic effects. Manufacturers and health insurance organisations can negotiate special discount agreements under which pharmaceuticals priced above the relevant reference prices are available to patients at no extra cost.

Manufacturer discount

In Germany, pharmaceuticals companies are generally free to set their prices for pharmaceuticals. However, pharmaceuticals companies must grant manufacturer discounts on reimbursable pharmaceuticals to the statutory health insurance providers and to private health insurance providers. Following the adoption of the German Act on the Financial Stabilisation of the Statutory Health Insurance System (GKV-Finanzstabilisierungsgesetz, "GKV-FinStG") in 2022, a 12% manufacturer's discount is applied to the selling price (excl. VAT) of reimbursable pharmaceuticals with no reference price for the period from 1 January 2023 to 31 December 2023. The manufacturer's discount was reduced back to 7% from 1 January 2024. If the product is an off-patent pharmaceutical with an identical active ingredient, this discount is 6% of the manufacturer selling price (excl. VAT). An additional 10% discount on the manufacturer selling price (excl. VAT) is also applied to off-patent pharmaceuticals with identical active ingredients (generics). Manufacturers can offset price reductions against the discount as long as they maintain the lower price for at least three years. For price reductions of 10% or higher, the discount no longer applies.

Price moratorium

The price moratorium took effect in August 2010. Under the moratorium, statutory and private health insurance providers receive price discounts when pharmaceuticals manufacturers increase their selling price for reimbursable pharmaceuticals over the price level of 1 August 2009. This regulation does not apply to pharmaceuticals subject to reference pricing. For pharmaceuticals introduced after 1 August 2010, the price at their market introduction or the reference price for a pharmaceuticals product previously introduced by the manufacturer with the same active ingredient is applicable. Legislators extended the price moratorium until the end of 2026. A reference price adjustment equivalent to the rate of inflation was introduced in July 2018.

Supplementary charge

Patients are generally required to pay a supplementary charge when prescription pharmaceuticals are prescribed. The supplementary charge for each pharmaceutical product is generally 10%, with a minimum amount of EUR 5 and a maximum of EUR 10, not to exceed the cost of the pharmaceutical. However, there is an option to exempt certain compounds from this mandatory supplementary charge. This applies when doctors and the patient together choose a particularly inexpensive pharmaceutical product with a price of at least 30% below the reference price. A further option to reduce the supplementary charge by half or in full arises if the prescribed pharmaceutical is the object of a discount agreement entered into between the health insurance organisation and the pharmaceuticals manufacturer. Health insurance organisations can use this provision to pass along some or all of the savings from discount agreements to the patient.

Discount agreements with statutory and private health insurance providers

Since 2003, the laws have permitted health insurance organisations to enter into individual discount agreements for pharmaceuticals with manufacturers. Furthermore, for pharmaceuticals priced above the reference price, they can also negotiate amounts under discount agreements in order to continue to provide the patients with their usual therapy without incurring additional costs.

Since 2007, pharmacies have also been required to issue the precise pharmaceutical compound with identical, interchangeable active ingredients for which the patient's health insurance organisation has entered into a discount agreement. This applies unless the doctor indicates otherwise by adding the note "aut idem" (or identical) to the prescription. The advantage for patients is that the supplementary charge may be reduced by half or waived entirely. In the context of the provision of pharmaceuticals, the Pharmaceuticals Market Restructuring Act

(Arzneimittelmarktneuordnungsgesetz, "AMNOG") also permits the reimbursement of costs in individual cases. This means that patients can now choose a pharmaceutical compound other than the one covered in the discount agreement with their health insurance organisation or one of the three least expensive pharmaceuticals. If they do so, the health insurance organisation reimburses the costs only up to the amount which the health insurance organisation would have incurred for providing standard therapy. In other words, the patient bears any additional costs incurred due to the selection of another pharmaceutical.

International pharmaceuticals markets

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

Regulations for the parallel import business

The German Act for More Safety in the Supply of Pharmaceuticals (Gesetz für mehr Sicherheit in der Arzneimittelversorgung, "GSAV") went into force in August 2019 and amended the affordability clause under § 129 (1) sentence 2 SGB V, eliminating "or at least EUR 15.00". Instead, "affordability" is now met only given a price differential to the price of the reference pharmaceutical of at least 15% for a selling price of EUR 100, at least EUR 15 for a selling price from EUR 100 to EUR 300, and at least 5% for a selling price of more than EUR 300. Furthermore, effective 1 July 2019, the Master Agreement on the Supply of Pharmaceuticals (Rahmenvertrag über die Arzneimittelversorgung) in accordance with § 129 (2) SGB V stipulated a new savings target that is to be achieved by selling affordable imported pharmaceuticals. It is the difference between expenditure for the affordable imported pharmaceuticals sold and the expenditure for the respective reference pharmaceutical taking into consideration the statutory discounts and amount to 2% of the imputed total cost. In addition, in the case of generic active ingredients not covered by discount agreements, the master agreement stipulates that the pharmacist is obligated to sell one of the four most affordable pharmaceutical registration numbers (Pharmazentralnummer, "PZN").

2.2 Course of business

Financial year 2023 proved satisfactory for Dermapharm despite price rises and disruptions in supply chains for raw materials and further increases in energy and sales costs.

Despite a decline in vaccine production in cooperation with BioNTech SE following the end of the pandemic, the key growth driver was the "Branded pharmaceuticals" segment with significant organic growth in the existing portfolio. The segment's broadly diversified product portfolio once again proved its resilience. Of particular note are the products Ampho-Moronal®, Ketozolin®, Volon®, Kenacort®, Myopridin®/Myditin® and Tromcardin®, and the two Strathmann vaccines StroVac® and Gynatren®. Growth in the "Other healthcare products" segment was driven primarily by the contributions to revenue from the newly acquired Arkopharma Group. The segment's existing portfolio also benefited from a rebound in global demand in this area. With its significant growth, Euromed in particular made a positive contribution to the course of business in the "Other healthcare products" segment. Declining revenue is expected in the "Parallel import business" segment in financial year 2023 due to portfolio adjustments. The temporary increase in the manufacturer's rebate from 7% to 12% also had an adverse effect. However, this decline is far less pronounced than forecast in the previous year.

Targeted investments are an important component of Dermapharm's business strategy. For example, the Trommsdorff production facility in Alsdorf was extensively modernised, and major investments were made in Friedrichsdorf in the context of relocating the operations of Candoro ethics GmbH NM to that site. As in the previous year, a number of companies additionally had solar and photovoltaic equipment installed in financial year 2023. In 2023, Dermapharm's growth trajectory was further fuelled by the launch of new products developed in-house and by the introduction of established branded products at our international subsidiaries in line with our internationalisation strategy. Alongside in-house development and internationalisation, our third growth pillar is to invest in promising businesses. We describe the equity investments we made in 2023 below.

Acquisitions

Arkopharma (closing 5 January 2023)

With the deal closing on 5 January 2023, Dermapharm acquired Apharma TopCo S.A.S., the holding company of the Arkopharma Group ("Arkopharma"), the market leader for natural OTC products and food supplements in France. Arkopharma's headquarters and production facilities are located in Carros (near Nice), France. The acquisition of the Arkopharma Group marks a step forward in Dermapharm's internationalisation strategy. Arkopharma employed an average of 912 staff in financial year 2023 (previous year: approximately 920) and generated revenue of EUR 217 million.

Montavit (closing 28 June 2023)

The deal to acquire a material equity interest in Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. in Absam, Austria, closed on 28 June 2023. Montavit develops and produces pharmaceuticals and medical devices in accordance with European standards and focuses on the therapeutic areas of urology, gynaecology, allergy therapy and herbal pharmaceuticals. Its core specialisation is the manufacture of sterile catheter gels. The investment in Montavit, which exports to more than 80 countries, is another move to drive forward Dermapharm's internationalisation strategy. Montavit generated EUR 16 million in revenue for the period from 1 July 2023 to 31 December 2023.

Comparison to outlook in 2022

In the report on expected developments in the 2022 combined management report, the Board of Management forecast positive overall business performance for financial year 2023. The expectations were for consolidated revenue to increase to between EUR 1,080 million and EUR 1,110 million, and for consolidated EBITDA to amount to between EUR 300 million and EUR 310 million. These projections were based primarily on the revenue and earnings contributions from recently acquired majority interests, higher volumes in the existing portfolio and the successful launch of internally generated products – factors which in terms of revenue fully offset and in terms of earnings partly offset the significant scaling back of COVID-19 vaccine production in cooperation with BioNTech SE due to the end of the pandemic.

As a result, the forecasts made in the 2022 management report were exceeded in terms of consolidated revenue and met in terms of adjusted consolidated EBITDA.

The financial performance indicators for Dermapharm developed as follows in financial year 2023 (excluding segment reconciliation/Group holding company):

Financial performance indicators in EUR million	2023	2022	+/–
Consolidated revenue	**1,135.4**	**1,024.8**	**10.8%**
Branded pharmaceuticals	532.8	626.9	–15.0%
Other healthcare products	371.7	154.2	141.1%
Parallel import business	230.8	243.7	–5.3%
Adjusted EBITDA	**310.2**	**359.8**	**–13.8%**
Branded pharmaceuticals	240.0	336.4	–28.7%
Other healthcare products	76.7	25.0	206.8%
Parallel import business	–0.8	4.5	–117.8%
Adjusted EBITDA margin	**27.3%**	**35.1%**	**-7,8 Pp**
Branded pharmaceuticals	45.0%	53.7%	-8,7 Pp
Other healthcare products	20.6%	16.2%	4,4 Pp
Parallel import business	–0.3%	1.8%	-2,1 Pp
Unadjusted EBITDA	**280.3**	**331.3**	**–15.4%**
Branded pharmaceuticals	229.0	314.9	–27.3%
Other healthcare products	57.8	19.3	199.5%
Parallel import business	–0.8	4.5	–117.8%
Unadjusted EBITDA margin	**24.7%**	**32.3%**	**-7,6 Pp**
Branded pharmaceuticals	43.0%	50.2%	-7,2 Pp
Other healthcare products	15.6%	12.5%	3,1 Pp
Parallel import business	–0.3%	1.8%	-2,1 Pp

* EBITDA 2023 was adjusted for non-recurring expenses amounting to EUR 29,9 million, incl. EBITDA of the Group holding company in the amount of EUR -5,6 million.
EBITDA 2022 was adjusted for non-recurring expenses amounting to EUR 28,4 million, incl. adjusted EBITDA of the Group holding company in the amount of EUR -6,2 million.

Composition of adjusted non-recurring items

The adjusted positive and negative non-recurring items of EUR 29.9 million in financial year 2023 included:

- Non-recurring expenses of EUR 8.7 million relating to acquisitions and share purchases, M&A deals not completed, reversed deals and M&A advising fees;
- Adjustments of EUR 17.6 million as part of purchase price allocations (IFRS 3), in particular due to the acquisition of the Arkopharma Group. These effects resulted primarily from the carrying amount "step-up" for inventories in the context of fair value measurement and the resulting decrease in earnings as part of realising these hidden reserves;
- Restructuring expenses in relation to fitvia and Candoro ethics NM amounting to EUR 0.8 million;
- EUR 6.6 million impairment on the CORAT equity investment;
- Deconsolidation effects (fitiva, bellavia, mibe UK, CORAT and Gynial) of EUR 2.0 million;
- Income from negative goodwill (Montavit) of EUR 5.8 million.

The non-recurring items which were eliminated in the calculation for adjusted EBITDA amounted to EUR 28.4 million and comprised the following in financial year 2022:

- Non-recurring expenses of EUR 5.9 million relating to acquisitions and share purchases, M&A deals not completed and M&A advising fees;
- Restructuring expenses of EUR 2.5 million in relation to fitvia and Spectrum;
- Board of Management severance packages of EUR 1.2 million;
- CORAT impairment amounting to EUR 14.6 million;
- EUR 4.1 million in effects from the purchase price allocation.

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

2.3 Financial position, financial performance and cash flows

2.3.1 Financial performance of the Group

Income statement

EUR thousand	2023	2022
Revenue	1,135,351	1,024,776
Change in inventories	3,767	–5,971
Own work capitalised	14,966	15,527
Other operating income	43,538	20,142
Cost of materials	–434,924	–373,499
Personnel expenses	–264,480	–184,141
Depreciation, amortisation and reversal of impairment	–104,587	–101,180
Other operating expenses	–210,737	–151,967
Operating result	**182,894**	**243,687**
Share of profit/loss of companies accounted for using the equity method, after tax	–7,163	–13,543
Financial income	3,226	696
Financial expenses	–72,960	–14,543
Financial result	**–76,897**	**–27,390**
Earnings before taxes	**105,997**	**216,297**
Income tax expenses	–45,462	–83,680
Profit or loss for the period	**60,534**	**132,617**

Revenue and earnings performance of the Groups

In financial year 2023, Dermapharm increased its **consolidated revenue** by 10.8% compared to the previous year to EUR 1,135.4 million (previous year: EUR 1,024.8 million).

This also included contributions from Arkopharma (acquired in January 2023) and Montavit (acquired in June 2023).

The increase in revenue is due primarily to the additional revenue contributions from Arkopharma, which amounted to EUR 216.7 million in financial year 2023. The Group's existing portfolio also recorded solid growth. There was an offsetting effect due to the sharp decline in vaccine production following the end of the pandemic, the extent and amount of which had been anticipated.

As in previous years, various development projects were approved by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities in financial year 2023. As a result, further new compounds were successfully introduced in various indication groups, and the range was expanded by adding individual dosage forms.

Development costs recognised under **other own work capitalised** amounted to EUR 15.0 million in financial year 2023 (previous year: EUR 15.5 million). The ratio of development costs to revenue amounted to 1.3% and was thus slightly below the 1.5% reported in the previous year. Development costs of EUR 15.8 million (previous year: EUR 19.3 million) were capitalised for new products in financial year 2023.

Other operating income rose to EUR 43.5 million in financial year 2023 (previous year: EUR 20.1 million). This was due to factors including a rise in currency translation gains by EUR 8.8 million to EUR 18.2 million (previous year: EUR 9.3 million). In 2023, this item also included income from the negative goodwill arising on the acquisition of Montavit (EUR 5.8 million) and income from the deconsolidation of associates (EUR 5.2 million; previous year: EUR 0.0 million).

In financial year 2023, the **cost of materials** increased to EUR 434.9 million (previous year: EUR 373.5 million) in line with rising revenue. The cost of materials ratio, taking into account the change in inventories, (cost of materials and change in inventories in the numerator) rose slightly to 38.3% (previous year: 37.0%). One major reason for this was the reduction in vaccine production, which had a cost of materials ratio significantly below the average for the Group.

Personnel expenses increased to EUR 264.5 million in financial year 2023 (previous year: EUR 184.1 million). The increase in personnel expenses was primarily attributable to the higher average headcount and the associated costs. This was due in particular to the Arkopharma Group and Montavit acquisitions. The ratio of personnel expenses to revenue rose to 23.3% (previous year: 18.0%).

Depreciation, amortisation and reversals of write-downs increased to EUR 104.6 million in financial year 2023 (previous year: EUR 101.2 million). This was due firstly to an impairment charge recognised on development costs for mibeTec's "bite away" product (EUR 15.0 million) and write-downs of EUR 24.6 million on items of property, plant and equipment, the product portfolio and customer orders as part of the purchase price allocation in relation to the Arkopharma Group, which was subject to first-time consolidation. By contrast, increased write-downs were recognised in the previous year in the context of goodwill impairment at Candoro ethics GmbH (formerly C³ Group) and in connection with discontinuing the operating activities of the fitvia Group in the total amount of EUR 36.4 million. The ratio of depreciation, amortisation and reversals of write-downs to revenue decreased by 0.7 percentage points to 9.2% (previous year: 9.9%).

Other operating expenses amounted to EUR 210.7 million in financial year 2023 (previous year: EUR 152.0 million). The increase is attributable firstly to the new acquisitions of the Arkopharma Group (EUR 54.4 million) and Montavit (EUR 3.5 million), and secondly to the expenses incurred deconsolidating fitvia, bellavia and mibe Pharma UK (EUR 2.0 million). By contrast, items including development expenses decreased. This is due primarily to the fact that the share of development projects in each phase fluctuates year on year and the phases generate different levels of costs. These development costs are neutralised through the item own work capitalised in the statement of comprehensive income. The ratio of other operating expenses to revenue stood at 18.6% (previous year: 14.8%).

Adjusted EBITDA decreased by 13.8% to EUR 310.2 million in financial year 2023 (previous year: EUR 359.8 million). Overall, the adjustments totalled EUR 29.9 million (previous year: EUR 28.4 million). For information on the individual adjustments, please refer to the section entitled "Composition of adjusted non-recurring items". In financial year 2023, Dermapharm Group's adjusted EBITDA margin decreased to 27.3% (previous year: 35.1%).

Prior to adjustment, EBITDA amounted to EUR 280.3 million in financial year 2023 (previous year: EUR 331.3 million). Prior to adjustment, the **EBITDA margin** fell by 7.6 percentage points to 24.7% in the reporting year (previous year: 32.3%).

EBITDA can be reconciled to Group earnings as follows:

EUR thousand	2023	2022
EBITDA	**280,318**	**331,324**
of which share of profit or loss of companies accounted for using the equity method, after tax	*–7,163*	*–13,543*
Depreciation, amortisation and reversal of impairment	–104,587	–101,180
Financial income	3,226	696
Financial expenses	–72,960	–14,543
Earnings before taxes (EBT)	**105,997**	**216,297**
Income tax expenses	–45,462	–83,680
Profit or loss for the period	**60,534**	**132,617**

Financial income rose to EUR 3.2 million in financial year 2023 (previous year: EUR 0.7 million). The rise in interest income was due to changes in the interest rate environment.

At the same time, **financial expenses** increased to EUR 73.0 million in financial year 2023 (previous year: EUR 14.5 million). This was due in particular to the syndicated loan agreement entered into to finance the Arkopharma Group acquisition and the associated interest expense.

Earnings before taxes (EBT) amounted to EUR 106.0 million in financial year 2023 (previous year: EUR 216.3 million). The corresponding margin declined despite the positive contribution made by the acquired Arkopharma and Montavit companies. This was primarily due to the decline in earnings components from the vaccine cooperation with BioNTech and the significant rise in financial expenses to 9.3% in the reporting period (previous year: 21.1%).

Income tax expenses decreased to EUR 45.5 million in the 2023 reporting period (previous year: EUR 83.7 million).

Prior to adjustment, **profit for the period** amounted to EUR 60.5 million in financial year 2023 (previous year: EUR 132.6 million).

Segment reporting

Internally, the Board of Management manages the Company through its segments "Branded pharmaceuticals", "Other healthcare products" and "Parallel import business".

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

Any transactions entered into for the provision of goods and services within the segments are reported on a consolidated basis.

Revenue and (adjusted) EBITDA are the key indicators for assessing and managing the segments' financial performance.

Overview of segment reporting by segment

The following tables show the changes in the performance indicators reported internally to Dermapharm's Board of Management by segments.

	Branded pharmaceuticals		Other healthcare products		Parallel import business		Reconciliation/Group holding company		Group	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue	537,444	629,685	402,327	180,674	235,490	244,939	–39,910	–30,522	1,135,351	1,024,776
of which intersegment revenue	*4,621*	*2,787*	*30,624*	*26,502*	*4,665*	*1,232*	*–39,910*	*–30,522*	-	-
Revenue from external customers	532,823	626,898	371,703	154,172	230,825	243,707	-	-	1,135,351	1,024,776
Revenue growth	–15%	5%	141%	23%	–5%	11%	-	-	11%	9%
EBITDA (unadjusted)	228,990	314,908	57,801	19,301	–846	4,512	–5,627	–7,398	280,318	331,324
of which earnings from investments accounted for using the equity method	*–7,163*	*–13,543*	-	-	-	-	-	-	*–7,163*	*–13,543*
EBIDAT-Marge (unadjusted)	43%	50%	16%	13%	–0%	2%	-	-	25%	32%

* As from 1 July 2023 with Montavit; as from 1 November 2022 with Wellster Healthtech Group GmbH.

** As from 5 January 2023 with Arkopharma Group; as from 1 February 2022 with Candoro ethics (formerly C³ Group).

Revenue and earnings performance of the "Branded pharmaceuticals" segment

The revenue reported in the "Branded pharmaceuticals" segment declined by 15.0% to EUR 532.8 million in financial year 2023 (previous year: EUR 626.9 million). The revenue contributions from Montavit, which was acquired in June 2023, are a new addition here. The key reason for the decline was the anticipated significant reduction in the vaccine business in cooperation with BioNTech SE due to the end of the pandemic. This was partially offset by strong organic growth, particularly in products in the pain and inflammation, dermatology, and gynaecology and urology therapeutic areas.

Dermapharm's German companies were able to renew a selected number of strategically important discount agreements with well-known statutory health insurance organisations or enter into new agreements. In addition, the division contains a high proportion of high-margin products paid for by end consumers themselves, as well as a large share of prescription products.

As in previous years, various development projects were approved by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities in financial year 2023, and the products were successfully brought to market. Of note here are the additions to the portfolio of dermatologics, such as Imikeraderm® to treat actinic keratosis, men's health product Testomed® to treat testosterone deficiency, and Dekristolvit® gummies to expand our successful vitamin D3 product group.

In line with the segment's revenue development, adjusted EBITDA decreased by 28.7% to EUR 240.0 million in financial year 2023 (previous year: EUR 336.4 million). Here, too, a key driver was the anticipated sharp decline in the profitable vaccine business in cooperation with BioNTech SE. Adjustments totalling EUR 11.0 million were allocated to this segment in connection with the expenses from acquisitions, the income from the negative goodwill arising on acquisition of the shares in Montavit, the deconsolidation of fitvia, bellavia, mibe UK, CORAT and Gynial, and the adjustment of the impairment loss on the CORAT investment. The segment's adjusted EBITDA margin decreased to 45.0% (previous year: 53.7%).

Unadjusted EBITDA decreased analogously by 27.3% to EUR 229.0 million in financial year 2023 (previous year: EUR 314.9 million). The segment's unadjusted EBITDA margin declined to 43.0% (previous year: 50.2%).

Revenue and earnings performance of the "Other healthcare products" segment

The revenue reported in the "Other healthcare products" segment amounted to EUR 371.7 million in financial year 2023 (previous year: EUR 154.2 million), and was thus up significantly year on year. The increase in revenue was due primarily to the acquisition in 2023 of the Arkopharma Group, which generated revenue of EUR 216.7 million in financial year 2023.

Adjusted EBITDA in the "Other healthcare products" segment amounted to EUR 76.7 million in financial year 2023 (previous year: EUR 25.0 million). This increase likewise resulted primarily from the contribution to earnings of the Arkopharma Group, which was subject to first-time consolidation in 2023. In financial year 2023, EUR 18.9 million in adjustments were allocated to this segment in connection with the purchase price allocation (IFRS 3) of the Arkopharma Group and restructuring costs in relation to Candoro ethics NM. Accordingly, the adjusted EBITDA margin was 20.6% (previous year: 16.2%).

The segment's unadjusted EBITDA rose to EUR 57.8 million (previous year: EUR 19.3 million). Thus, the unadjusted EBITDA margin was 15.6% (previous year: 12.5%).

Revenue and earnings performance of the "Parallel import business" segment

The revenue reported in the "Parallel import business" segment declined by 5.3% to EUR 230.8 million in financial year 2023 (previous year: EUR 243.7 million). The decline in revenue was due primarily to the higher manufacturers' rebate, which increased by 5 percentage points to 12%, and reduced product availability in the parallel import market. The EBITDA reported in the "Parallel import business" segment fell by 117.8% to EUR -0.8 million in financial year 2023 (previous year: EUR 4.5 million). This reduction was primarily caused by unfavourable shifts in the product mix due to limited product availability. The segment's EBITDA margin declined to -0.3% in the financial year (previous year: 1.8%).

2.3.2 Financial position of the Group

Consolidated statement of financial position as at 31 December 2023

Assets EUR thousand	31 December 2023	31 December 2022
Non-current assets		
Intangible assets	544,860	305,044
Goodwill	578,521	271,319
Property, plant and equipment	330,770	225,673
Investments accounted for using the equity method	22,498	34,920
Equity investments	1,116	441
Other non-current financial assets	52,410	41,493
Total non-current assets	**1,530,176**	**878,890**
Current assets		
Inventories	320,758	255,721
Trade receivables	90,935	96,715
Other current financial assets	3,752	14,656
Other current assets	56,179	15,790
Tax assets	148	43
Cash and cash equivalents	158,724	151,021
Total current assets	**630,496**	**533,947**
Total assets	**2,160,673**	**1,412,836**

Equity and liabilities EUR thousand	31 December 2023	31 December 2022
Equity		
Issued capital	53,840	53,840
Capital reserves	100,790	100,790
Retained earnings	367,223	355,357
Other reserves	17,354	21,604
Equity attributable to owners of parent	**539,207**	**531,592**
Non-controlling interests	5,841	900
Total equity	**545,048**	**532,491**
Non-current liabilities		
Provisions for employee benefits	117,222	89,277
Non-current financial liabilities	963,958	511,560
Other non-current financial liabilities	13,231	0
Other non-current liabilities	14,340	11,198
Deferred tax liabilities	112,385	50,518
Total non-current liabilities	**1,221,136**	**662,553**
Current liabilities		
Other provisions	27,300	24,925
Current financial liabilities	116,430	4,887
Trade payables	86,641	56,100
Other current financial liabilities	1,736	2,369
Other current liabilities	80,564	33,157
Tax liabilities	81,818	96,354
Total current liabilities	**394,489**	**217,792**
Total equity and liabilities	**2,160,673**	**1,412,836**

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

Net debt (non-current and current financial liabilities as well as other non-current and current financial liabilities less cash and cash equivalents) increased to EUR 936.6 million as at 31 December 2023 (31 December 2022: EUR 367.8 million). The increase was attributable primarily to the EUR 650 million drawdown of Facility A under the syndicated loan agreement to finance the acquisition of the Arkopharma Group.

Accordingly, the ratio of net debt to adjusted EBITDA (leverage) rose to 3.0 as at 31 December 2023 (previous year: 1.0). Based on unadjusted EBITDA, the leverage amounted to 3.3 (previous year: 1.1).

At 31 December 2023, the equity ratio amounted to 25.2% (31 December 2022: 37.7%). Unlike in the previous year, the equity ratio was primarily influenced by the debt incurred to acquire the Arkopharma Group.

The financial position developed as follows in financial year 2023:

Total assets rose to EUR 2,160.7 million as at 31 December 2023 (31 December 2022: EUR 1,412.8 million).

On the asset side of the statement of financial position, **intangible assets** increased to EUR 544.9 million as at 31 December 2023 (31 December 2022: EUR 305.0 million). This was due in particular to the acquisition of the Arkopharma Group and the intangible assets identified as part of the purchase price allocation.

Recognised goodwill increased to EUR 578.5 million as at 31 December 2023 (31 December 2022: EUR 271.3 million). The increase was due to the acquisition of the Arkopharma Group. Development costs of EUR 15.8 million (previous year: EUR 19.3 million) were capitalised as internally generated intangible assets in financial year 2023.

Property, plant and equipment increased to EUR 330.8 million as at 31 December 2023 (31 December 2022: EUR 225.7 million). The increase was primarily due to the acquisitions of the Arkopharma Group and Montavit. Investments were also made in technical equipment and machinery and in right-of-use assets (IFRS 16) for technical equipment and machinery, other equipment and office equipment.

Financial investments accounted for in accordance with the equity method decreased to EUR 22.5 million as at 31 December 2023 (31 December 2022: EUR 34.9 million). The decrease was primarily due to the sale of shares in Gynial GmbH and in CORAT Therapeutics GmbH. Consequently, as at the end of the reporting period, two associates (31 December 2022: four) were accounted for in the consolidated financial statements using the equity method.

- Hasan Dermapharm Co. Ltd, Saigon, Vietnam: In financial year 2007, Dermapharm AG invested in Hasan Dermapharm Co. Ltd. Currently, Dermapharm holds 30% of the company. Vietnam is characterised by an open market with the highest growth rate in southeast Asia. Hasan Pharma operates a WHO-GMP certified production plant capable of producing nearly all pharmaceuticals sold on the Vietnamese market. Dermapharm's contribution is the delivery of dossiers, which will be adjusted to Vietnamese standards and submitted to the local regulatory authority. Once the relevant approvals have been granted, the pharmaceuticals are produced for the local market. However, preparations that have been produced under license are distributed at higher prices than products produced only locally. The carrying amount of the equity investment amounted to EUR 4.0 million as at 31 December 2023 (31 December 2022: EUR 4.0 million).

- Wellster Healthtech Group GmbH: Dermapharm AG and Wellster Healthtech Group GmbH entered into an agreement on 27 October 2022 concerning the purchase of an additional 15.18% of shares in Wellster. Due to a preceding purchase of 29.82% of shares in 2021, Dermapharm thus now holds a 45.00% equity interest in Wellster. Wellster is a German provider of all-in-one platforms in the field of digital health and combines telemedicine, medicinal therapies and digital therapies. Dermapharm's purchase of Wellster shares has enabled it to gain a foothold in the market for telemedicine. The carrying amount of the equity investment amounted to EUR 18.5 million as at 31 December 2023 (31 December 2022: EUR 22.2 million).

Equity investments increased to EUR 1.1 million as at 31 December 2023 (31 December 2022: EUR 0.4 million). This increase was due to the 15% interest in ProFem GmbH, Vienna, Austria, which was acquired indirectly as part of the acquisition of Montavit GmbH.

Other non-current financial assets increased to EUR 52.4 million as at 31 December 2023 (31 December 2022: EUR 41.4 million). This resulted from the reclassification of the share reported in other current financial assets in the previous year of the EUR 10 million settlement claim arising from the agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH

and WR Investment GmbH (former sellers) and Themis Beteiligungs-AG to repurchase the 20% equity investment in FYTA Company B.V., FYTA Tech B.V., FYTA Company GmbH and FYTA Vermögensverwaltung GmbH.

Inventories increased to EUR 320.8 million as at 31 December 2023 (31 December 2022: EUR 255.7 million). This increase was due primarily to the acquisitions of the Arkopharma Group (EUR 51.8 million) and Montavit GmbH (EUR 7.8 million), and to a lesser extent to the safety stock built up due to the strained procurement situation. Measured by revenue (excluding income from the cooperation with BioNTech SE), days in inventory declined slightly by 3 days from 109 to 106 days in 2023.

Trade receivables decreased to EUR 90.9 million as at 31 December 2023 (31 December 2022: EUR 96.7 million). This was due primarily to the decline in receivables from wholesalers and pharmacies in Germany. In Germany, the Group companies have a base of solvent customers with good credit ratings. Defaults are the exception in the "Branded pharmaceuticals" segment. Therefore, no commercial credit insurance policies have been taken out. The credit quality of the customers in the "Other healthcare products" and "Parallel import business" segments is similar, and there were no significant defaults on payment in the past financial year. The same applies to receivables in other countries. To minimise default risk, the Group has adequate debtor management policies in place. In addition, Dermapharm always obtains information on the credit quality of its customers before entering into new business transactions.

Although consumer behaviour changed to a certain extent due to the war in Ukraine, Dermapharm did not register a significant change in the credit quality of its customers.

Other current financial assets decreased to EUR 3.8 million as at 31 December 2023 (31 December 2022: EUR 14.7 million). The decline was due primarily to the reclassification to other non-current financial assets of the current portion of Dermapharm AG's settlement claim against FYTA Group arising from the agreement with the former sellers HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH to repurchase the 20% equity investment in FYTA Company B.V., FYTA Tech B.V., FYTA Company GmbH and FYTA Vermögensverwaltung GmbH.

Other current assets increased by EUR 40.4 million to EUR 56.2 million as at 31 December 2023 (31 December 2022: EUR 15.8 million). This was due primarily to the rise in VAT prepayments at axicorp GmbH (EUR 24.8 million) and the acquisition of the Arkopharma Group.

Cash and cash equivalents, including cash and demand deposits as well as current financial investments, increased to EUR 158.7 million as at 31 December 2023 (31 December 2022: EUR 151.0 million). This change is due to the effects described in the notes to the consolidated statement of cash flows (see 2.3.3).

Equity increased to EUR 545.0 million as at 31 December 2023 (31 December 2022: EUR 532.5 million). The change was due mainly to the increase in retained earnings by EUR 11.8 million to EUR 367.2 million (31 December 2022: EUR 355.4 million). This resulted primarily from the consolidated net profit for financial year 2023 less the dividend paid for the preceding financial year. In addition, EUR 6 million of the net profit was transferred to retained earnings as part of the deconsolidation of fitvia GmbH i.L. Capital reserves remained unchanged year on year, amounting to EUR 100.8 million (31 December 2022: EUR 100.8 million). In addition, other reserves decreased to EUR 17.4 million (31 December 2022: EUR 21.6 million) due in particular to the changes in the measurement parameters for payments in connection with pension obligations. Non-controlling interests rose by EUR 4.9 million year on year to EUR 5.8 million. This increase was due to the acquisition of the equity investment in Montavit GmbH (53.5%).

Provisions for employee benefits increased to EUR 117.2 million as at 31 December 2023 (31 December 2022: EUR 89.3 million). The increase mainly resulted from the acquisition of the Arkopharma Group (EUR 17.2 million).

As at 31 December 2023, the Group's **current and non-current financial liabilities** amounted to EUR 116.4 million and EUR 964.0 million, respectively (31 December 2022: EUR 4.9 million and EUR 511.6 million, respectively). In December 2022, Dermapharm Holding SE and Dermapharm AG entered into a syndicated loan agreement with leading German and European banks for EUR 1,050 million with a basic term of five years. At 31 December 2023, EUR 915.0 million of the loan had been drawn down. The syndicated loan agreement comprises a bullet tranche of EUR 650 million (Facility A), a repayment tranche of EUR 200 million (Facility B) and a revolving tranche of EUR 200 million (Facility C), of which only EUR 65.0 million had been drawn down as at the reporting date. At the same time, the loan agreement provided the option to extend an additional tranche of up to EUR 200 million, which had not been committed as of the reporting date.

Other non-current financial liabilities increased to EUR 13.2 million as at 31 December 2023 (31 December 2022: EUR 0.0 million). The increase was due primarily to an interest rate hedge to address interest rate risk from the syndicated loan.

Other non-current liabilities increased to EUR 14.3 million (31 December 2022: EUR 11.2 million), due primarily to higher subsidies and grants received.

Other current financial liabilities and other current liabilities increased to EUR 82.3 million as at 31 December 2023 (31 December 2022: EUR 35.5 million). The increase in other current liabilities was due primarily to higher liabilities for wages, salaries and social security, as well as current VAT obligations.

Other provisions increased by EUR 2.4 million to EUR 27.3 million as at 31 December 2023 (31 December 2022: EUR 24.9 million). These mainly comprise provisions for health insurance organisation discount payments by the German companies. The increase in other provisions resulted mainly from the first-time presentation of provisions for litigation at Arkopharma, which are already being reduced.

Trade payables amounted to EUR 86.6 million as at 31 December 2023 (31 December 2022: EUR 56.1 million). They have remaining terms of up to one year, do not bear interest and generally become due for payment within 0 to 60 days. For the most part, the increase was caused by the expansion of the group of consolidated companies, effects related to the reporting date and the cash flows deriving from those effects.

Tax liabilities decreased to EUR 81.8 million in financial year 2023 (31 December 2022: EUR 96.4 million). The reduction was due primarily to lower corporate income tax and trade tax liabilities due to the decline in earnings in 2023.

Deferred tax liabilities increased to EUR 112.4 million in financial year 2023 (31 December 2022: EUR 50.5 million). The increase was attributable primarily to the purchase price allocation in connection with the acquisition of the Arkopharma Group and the resulting deferred tax liabilities.

2.3.3 Cash flows of the Group

Stable cash flows

Dermapharm's cash flows remained stable in the reporting period. Accordingly, adequate liquidity for the Group was guaranteed at all times in financial year 2023.

The main sources of liquidity were cash inflows from ongoing business activities. In addition to the existing sources of debt financing such as loans, syndicated lending and various promissory note loans, Dermapharm also has access to a cash liquidity reserve in the form of cash and cash equivalents. The latter amounted to EUR 151.0 million as at 31 December 2023 (total lines of credit of EUR 216.0 million).

Financial management: principles and objectives

The implementation of the financing strategy is centred on securing and financing the Company's strategic development over the short, medium and long term as well as optimising capital costs. The Group utilises various financing instruments in order to ensure its financial flexibility.

Dermapharm's capital structure is essentially optimal if the financial covenant agreed with the creditors can be maintained. In accordance with the financial covenant, Dermapharm measures its capital structure based on the ratio between net debt and adjusted EBITDA. Further focus is placed on reducing capital costs, optimising the maturity profile, diversifying the lender structure and actively managing net working assets.

In addition to the existing financial instruments, the Group covers its financing requirements primarily through cash flows from operating activities.

In financial year 2023, Dermapharm Aktiengesellschaft as the Group's key financing entity implemented a cash pooling arrangement with the material Group companies in Germany and Austria. This involves pooling the existing credit balances of cash pool participants with Dermapharm Aktiengesellschaft, and offsetting these against debit balances. The aim of cash pooling is to ensure sufficient liquidity at all times and to strike an optimal balance between income and expenditure when managing Group financing and liquidity.

Overview of the structure of financial liabilities in the Group

Current remaining terms of the financial liabilities as at 31 December 2023:

EUR thousand	< 1 Year	1–5 Years	> 5 year	Total
Promissory note loan III	38,467	45,366	16,000	99,833
Promissory note loans	72,967	876,414	12,925	962,306
Lease liabilities	4,996	8,062	5,191	18,249
Total	**116,430**	**929,842**	**34,116**	**1,080,388**

At 31 December 2023, financial liabilities amounted to EUR 1,080.4 million (31 December 2022: EUR 516.4 million). Issued promissory note loans remained unchanged at EUR 99.8 million (31 December 2022: EUR 99.8 million); liabilities to banks rose to EUR 962.3 million (31 December 2022: EUR 403.8 million). In addition, lease liabilities of EUR 18.2 million were reported (31 December 2022: EUR 12.7 million).

Material new funding in the reporting period

Pharmazeutische Fabrik Montavit Gesellschaft m.b.H., which was subject to first-time consolidation in July 2023, holds loans granted by multiple banks with top credit ratings. The volume outstanding under these loan agreements amounted to approximately EUR 19.7 million as at 31 December 2023. The loans feature varying terms (between 31 March 2031 and 31 December 2035), interest rates (fixed/floating) and repayment conditions (repayable in instalments/at maturity).

Material existing funding

In December 2022, Dermapharm Holding SE and Dermapharm AG entered into a syndicated loan agreement with leading German and European banks for EUR 1,050 million with a basic term of 5 years. As of the reporting date, EUR 915.0 million of the loan had been drawn down. The syndicated loan agreement comprises a bullet tranche of EUR 650.0 million (Facility A), a repayment tranche of EUR 200.0 million (Facility B) and a revolving tranche of EUR 200.0 million (Facility C), of which only EUR 65.0 million had been drawn down as at the reporting date. At the same time, the loan agreement provides the option to extend an additional tranche of up to EUR 200.0 million, which had not been committed as at the reporting date.

The financing bears a floating rate of interest (Facility A and Facility B: 6-month EURIBOR plus a margin; Facility C: 1-month, 3-month or 6-month EURIBOR plus a margin), is subject to a leverage covenant, and has a maximum term of five years. The interest on the syndicated loan is primarily dependent on movements in the EURIBOR (reference rate). A further increase in the reference rate over the course of 2024 is considered unlikely.

In order to address the interest rate risks arising from the syndicated loan agreement, Dermapharm entered into two interest rate hedges with a core bank in March 2023 to cover the majority of the financing volume. These artificially eliminate the risk of fluctuations in the reference rate for this volume until the interest rate swaps reach maturity.

In 2019, Dermapharm issued promissory note loans with floating and fixed rates of interest with a total nominal amount of EUR 100.0 million and with terms of 5, 7 and 10 years. None of these promissory note loans fell due in 2023, whereas EUR 38.5 million will fall due for repayment under the promissory note loans in 2024. The syndicated loan and promissory note loan agreements stipulated a right of the respective lenders and investors to call in the loans in the event of a change of control or (for the syndicated loan) a failure to adhere to the financial covenant. If the financial covenant is not maintained, the investors in the promissory note loan receive a margin step-up.

Cash flow analysis

Cash flow statement (abridged)

EUR thousand	2023	2022
Net cash flows from operating activities	219,422	288,533
Cash flows from investing activities	–415,432	–99,008
Free cash flow	**–196,010**	**189,525**
Cash flows from financing activities	**204,538**	**–199,768**
Cash flow	**8,528**	**–10,243**
Cash, cash equivalents and bank overdrafts	158,715	151,019

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

The net cash flow from operating activities decreased by EUR 69.1 million to EUR 219.4 million in the 2023 financial year (previous year: EUR 288.5 million). This was due mainly to the EUR 110.3 million decline in earnings before taxes in financial year 2023.

Cash flow from investing activities, which reflects the cash outflows for investments less the inflows from disposals, amounted to EUR -415.4 million in financial year 2023 (previous year: EUR -99.0 million).

Cash flows from investing activities were impacted primarily by payments for business combinations less cash amounting to EUR 389.4 million (previous year: EUR 69.8 million). This was due mainly to the acquisitions of the Arkopharma Group and Montavit. Cash flows from investing activities also reflect payments for investments in intangible assets and property, plant and equipment amounting to EUR 41.5 million (previous year: EUR 39.0 million).

Free cash flow, i.e., cash flow from operating activities plus cash flow from investing activities, amounted to EUR -196.0 million in financial year 2023 (previous year: EUR 189.5 million).

Cash flow from financing activities amounted to EUR 204.5 million in the financial year (previous year: EUR -199.8 million).

This was influenced significantly by proceeds from borrowings in the amount of EUR 715.0 million (previous year: EUR 470.0 million) and cash used to repay EUR -414.2 million (previous year: EUR -536.9 million) in financial liabilities.

Cash flow from financing activities was also influenced by the distribution of a dividend for financial year 2022 amounting to EUR 56.5 million in June 2023 (previous year: EUR 116.8 million) in accordance with the resolution of the Annual General Meeting dated 14 June 2023. The AGM followed the Board of Management's recommendation to distribute a dividend of EUR 1.05 per share carrying dividend rights.

Cash flow: The net balance of the cash flow from operating activities plus the cash flow from investing activities and plus the cash flow from financing activities amounted to EUR 8.5 million in 2023 (previous year: EUR -10.2 million).

Investments

The Group's investment volume rose to EUR 430.9 million in financial year 2023 (previous year: EUR 114.8 million). Of this amount, EUR 389.9 million was attributable to the acquisition of the Arkopharma Group.

Investments in intangible assets amounted to EUR 18.9 million (previous year: 21.8 million) and primarily comprised expenses for products being developed in house. Investments in property, plant and equipment amounted to EUR 22.6 million (previous year: EUR 19.8 million). Accordingly, the ratio of investments in property, plant and equipment to consolidated revenue amounted to 2.0% (previous year: 1.9%).

2.4 Financial position, financial performance and cash flows of Dermapharm Holding SE (HGB)

2.4.1 Business activities

The Company was established as a European company, or Societas Europaea (SE), in accordance with European and German laws. It is entered in the commercial register of the Local Court (Amtsgericht) of Munich under the number HRB 234575 and has its registered office at Lil-Dagover-Ring 7, 82031 Grünwald, Germany.

Dermapharm Holding SE essentially functions as a strategic holding company. In this function, it only generates income from charges allocated within the Group, and not revenue from third parties. It holds, directly and indirectly, shares in companies belonging to the Dermapharm Group.

Services from Dermapharm Holding SE's role as a holding and parent company of the Dermapharm Group significantly influence the Company's earnings. These strategic services are compensated by the Group companies using these services and reported as revenue by Dermapharm Holding SE.

Please refer to the description of the Dermapharm Group included in this combined management report for further information on the business activities of Dermapharm Holding SE, particularly on the topics of Strategy, Research and Development, Employees, Macroeconomic and Sector-Specific Environment, Opportunities and Risks and Information relevant to acquisitions.

2.4.2 Management system and performance indicators

The key management metric used by the Board of Management to measure the success of business activities is earnings before interest, taxes, depreciation and amortisation (EBITDA).

This financial performance indicator is monitored continuously and is integrated into the monthly reporting to the Board of Management. The specified plan figures are reviewed on an ongoing basis and compared with the current business performance (plan to actual comparison). Based on this review, corresponding measures are derived from any variances to the original EBITDA targets.

The Board of Management approves objectives for use in the business planning and management of the segments. Budgetary plans which are prepared annually for a period of three years translate these objectives into specific, measurable targets.

The table below presents a reconciliation of EBITDA to earnings as presented in the income statement:

	Unappropriated net earnings
–	Withdrawal from capital reserves
+	Loss carried forward from the previous year
=	Net loss for the financial year
+	Other taxes
=	Earnings after tax
+	Interest and similar expenses
-	Other interest and similar income
+	Amortisation of intangible fixed assets and depreciation of property, plant and equipment
=	**EBITDA**

Comparison to outlook in 2022

In its report on expected developments for 2023 in the 2022 combined management report, the Board of Management did not expect any material changes in EBITDA as compared to 2022. EBITDA remained virtually unchanged at EUR -0.4 million in financial year 2023 (previous year: EUR -0.3 million). Thus, the targets forecast in the outlook were achieved.

2.4.3 Financial performance of Dermapharm Holding SE

Income statement

EUR thousand	2023	2022
Revenue	5,354	7,099
Other operating income	343	185
Personnel expenses	–4,304	–5,563
Amortisation of intangible fixed assets and depreciation of tangible fixed assets	–22	–15
Other operating expenses	–1,793	–2,070
Other interest and similar income	4	0
Interest and similar expenses	–3,212	–1,340
Earnings after tax	**–3,630**	**–1,703**
Other taxes	0	0
Net loss for the financial year	**–3,630**	**–1,703**
Loss carried forward from the previous year		
Withdrawal from capital reserves	51,009	58,235
Unappropriated net earnings	**47,379**	**56,532**

The **revenue** in financial year 2023 amounted to EUR 5.4 million (previous year: EUR 7.1 million) and comprised solely amounts charged for services rendered to companies of the Group.

Personnel expenses declined year on year to EUR 4.3 million (previous year: EUR 5.6 million). It includes the Business Development department as well as the Company's Board of Management. The decline is primarily due to the fact that the Company's Board of Management currently comprises just three members (previous year: four).

Other operating expenses decreased to EUR 1.8 million in financial year 2023 (previous year: EUR 2.1 million). The slight decline resulted mainly from lower legal and advisory costs as well as lower incidental monetary transaction costs.

EBITDA amounted to EUR -0.4 million in financial year 2023 (previous year: EUR -0.3 million).

Interest expenses amounted to EUR -3.2 million in financial year 2023 (previous year: EUR -1.3 million). These relate to intercompany interest expenses charged to Dermapharm AG.

In financial year 2023, **earnings after tax** amounted to EUR -3.6 million (previous year: EUR -1.7 million).

The **net loss for the year** widened to EUR 3.6 million in financial year 2023 (previous year: net loss of EUR 1.7 million).

The **unappropriated net earnings** for financial year 2023 will be used in full (EUR 47.4 million; previous year: EUR 56.5 million) to distribute the dividend proposed by the Board of Management.

2.4.4 Financial position of Dermapharm Holding SE

The financial position of Dermapharm Holding SE developed as shown below in financial year 2023:

Assets **EUR thousand**	**31 December 2023**	**31 December 2022**
Fixed assets		
Intangible fixed assets	56	77
Property, plant and equipment	4	-
Shares in affiliated companies	1,321,915	1,261,872
Total fixed assets	**1,321,975**	**1,261,949**
Current assets		
Receivables from affiliated companies	37,957	18,333
Other assets	135	1
Total current assets	**38,093**	**18,334**
Bank balances	**1,404**	**1,167**
Prepaid expenses	**183**	**210**
Total assets	**1,361,656**	**1,281,661**

Equity and liabilities **EUR thousand**	**31 December 2023**	**31 December 2022**
Equity	**1,111,103**	**1,111,221**
Provisions		
Other provisions	2,882	2,563
Total provisions	**2,882**	**2,563**
Liabilities		
Trade payables	91	10
Liabilities to affiliated companies	217,754	158,401
Other liabilities	29,827	9,465
Total liabilities	**247,671**	**167,876**
Total equity and liabilities	**1,361,656**	**1,281,661**

Total assets increased to EUR 1,361.7 million as at 31 December 2023 (previous year: EUR 1,282 million).

Shares in affiliated companies increased to EUR 1,321.9 million as at 31 December 2023 (previous year: EUR 1,261.9 million) and include the interest in Dermapharm AG and Dermapharm Beteiligungs GmbH. The increase resulted from the adjustment of the carrying amount of the equity investment in Dermapharm AG as at 31 December 2017 in the context of a tax audit.

Receivables and other assets increased to EUR 38.1 million (previous year: EUR 18.3 million). This increase was due mainly to the EUR 20.1 million increase in receivables from companies of the consolidated VAT group.

Bank balances increased to EUR 1.4 million as at 31 December 2023 (previous year: EUR 1.2 million).

Equity decreased slightly to EUR 1,111.1 million as at 31 December 2023 (previous year: EUR 1,111.2 million).

Other provisions rose to EUR 2.9 million as at 31 December 2023 (previous year: EUR 2.6 million), in particular due to the decrease in provisions for personnel.

Other liabilities increased to EUR 29.8 million as at 31 December 2023 (previous year: EUR 9.5 million). These comprised primarily VAT liabilities. Since 1 January 2018, Dermapharm Holding SE has been the consolidated tax group parent of a consolidated VAT group.

2.4.5 Cash flows of Dermapharm Holding SE

Dermapharm Holding SE's financial position and cash flows remained stable in the reporting period. Accordingly, the Company's liquidity was guaranteed at all times in financial year 2023.

The main sources of liquidity were cash inflows from charging for services rendered to the companies of the Group.

In December 2022, Dermapharm Holding SE and Dermapharm Aktiengesellschaft entered into a syndicated loan agreement with leading German and European banks for EUR 1,050 million with a basic term of 5 years. EUR 915.0 million of the loan had been drawn down as at 31 December 2023. The syndicated loan agreement comprises a bullet tranche of EUR 650 million, a payment tranche of EUR 200 million and a revolving tranche of EUR 200 million. At the same time, the loan agreement provided the option to extend an additional tranche of up to EUR 200 million, which had not been committed as of the reporting date. In addition, Dermapharm Holding SE is jointly and severally liable for the promissory note loan taken out by Dermapharm Aktiengesellschaft. The risk of recourse to joint and several liability is assessed as low.

Please refer to Section 2.3.3. of this combined management report for information on the structure of these financing instruments.

The unappropriated net earnings reported for financial year 2023 is expected to be used in full in financial year 2024 to pay the dividend proposed by the Board of Management.

2.5 Overall assertion on the economic situation

Overall assertions on the Group

Financial year 2023 was highly challenging due to macroeconomic factors. The repercussions from the war in Ukraine and other geopolitical crises continued to cause uncertainty on the energy and commodity markets in the past year. While there was some let-up in energy prices, the situation on the commodity markets remained tough. Dermapharm has adapted to the new conditions by adjusting its procurement and ordering practices. The anticipated sharp decline in revenue and earnings contributions from the vaccine production in cooperation with BioNTech was almost fully offset by organic growth in the existing business and the new contributions made by the Arkopharma Group and Montavit. Revenue exceeded the guidance published in March 2023, while EBITDA developed as forecast.

Revenue increased by 10.8% to EUR 1,135.4 million (previous year: EUR 1,024.8 million).

The segments reported the following changes in revenue:

- "Branded pharmaceuticals" segment: -15.0%
- "Other healthcare products" segment: +141.1%
- "Parallel import business" segment: -5.3%

Adjusted for non-recurring items amounting to EUR 29.9 million, EBITDA declined by 13.8% to EUR 310.2 million (previous year: EUR 359.8 million).

The segments reported the following changes in **adjusted EBITDA:**

- "Branded pharmaceuticals" segment: -28.7%
- "Other healthcare products" segment: +206.8%
- "Parallel import business" segment: -117.8%

Prior to adjustment, **EBITDA** decreased by 15.4% to EUR 280.3 million (previous year: EUR 331.3 million).

The segments reported the following changes in unadjusted EBITDA:

- "Branded pharmaceuticals" segment: -27.3%
- "Other healthcare products" segment: +199.5%
- "Parallel import business" segment: -117.8%

Overall assertion on Dermapharm Holding SE

In financial year 2023, Dermapharm Holding SE, in its role as a strategic holding company, provided extensive services to the Group companies, thereby contributing to the Group's positive performance.

3. Report on risks and opportunities

Because Dermapharm operates within a complex and global ecosystem, a number of external and internal factors influence its business. Every decision is fraught with opportunities and risks, which need to be taken into account. Dermapharm has therefore established tools and processes that enable it to identify risks early and take appropriate action to counter them. At Dermapharm, opportunity management is an integral part of internal decision-making processes and business planning during the year.

The geopolitical situation remains tense due to Russia's war of aggression in Ukraine, which has been ongoing since February 2022, and the conflict in the Middle East that started in October 2023. The associated challenges, such as rising raw materials and energy prices and supply shortages, are taken into consideration in Dermapharm's operating business. In that respect, there are currently no further material events identifiable with impact on Dermapharm's business situation for the 2024 observation period.

Regulatory changes such as the adoption of the new National Pharma Strategy on 13 December 2023 and the setting into force of the German Act to Combat Supply Shortages and Improve the Supply of Medicines (Arzneimittel-Lieferengpassbekämpfungs- und Versorgungsverbesserungsgesetz, "ALBVVG") on 27 July 2023 open up new opportunities for Dermapharm and Germany as a pharmaceuticals hub.

In sections 3.1–3.4 below, we present the Group-wide risk management system (RMS), internal control system (ICS) and Dermapharm's compliance management system (CMS).

The 25 risk categories described in the risk report (section 3.5) are subsumed under the following four risk types:

- Market and strategy-related risks (7)
- Operating risks (8)
- Financial risks (4)
- Compliance and legal risks (6)

At the Group level, the risk rating for the categories "political risks", "interest-rate risks" and "risks in relation to changes in the legal and regulatory environment" have been downgraded from medium in the previous year to low. By contrast, "IT risks" have been reclassified from low to medium.

With regard to the methodology used to identify risks, the risk category "violation of environmental, health and occupational safety provisions, or human rights" was renamed "human rights and environmental risks in own operations" in 2023. In the past financial year, no changes were made compared the previous year in the methodology used to identify risks.

3.1 Main characteristics of the internal control and risk management system

For Dermapharm's Board of Management and Supervisory Board, the internal control system and the risk management system represent elements of fundamental importance to business management. The manner in which business risks are managed is crucial to the Group's economic success as well as to sustainable corporate development and governance.

The objective of the internal control system is to universally implement the strategic and operational directives of Dermapharm's Board of Management, to achieve the operating efficiency targets and to guarantee that compliance requirements are met.

The goal of the Group's risk management system is to identify potential risks that could jeopardise the Group's performance early and to introduce suitable measures to actively counter them. The fundamental components of the RMS are the Group's risk culture, the RMS organisation, and the identification, assessment and management of risks.

The internal control system is process-oriented and entails the identification of risks as well as the definition of mitigating preventing and detecting controls and their implementation into the relevant processes. The internal control system consists of centralised and decentralised elements. In selected areas, Group-wide control policies are implemented both centrally and locally.

Risk analysis, continuous monitoring and evolving legal and economic conditions form the basis for the continued development of the internal control system and the risk management system. This includes the definition and implementation of risk-mitigating measures, the revision of control design and implementation and modifications to system-supported process automation.

The ICS and RMS also cover environmental, social and governance (ESG) topics. This includes identifying and assessing risks and defined processes and controls used to capture, validate, process and document sustainability-relevant data (including figures relating to energy consumption and the employee structure).

In addition, the second line of defence (the Governance, Risk & Compliance (GRC) department) and the third line of defence (Internal Audit) regularly assess the appropriateness and effectiveness of the internal control and risk management system.

The Board of Management has received no information indicating that the internal control and risk management system was not appropriate or effective in financial year 2023.

3.2 Risk management system

Dermapharm's Group-wide risk management system (RMS) covers Dermapharm Holding SE, Dermapharm AG, Dermapharm Beteiligungs GmbH and all subsidiaries in which a controlling interest is held (> 50%), whether directly or indirectly. The basic elements of Dermapharm's risk management system are described below:

Risk culture

The key prerequisite for successful risk management is a healthy risk and compliance culture within the Company. To set the right tone from the top, management promotes open risk communication across all subsidiaries, segments and hierarchy levels. Group employees are encouraged to think about potential risks, openly address risks that have been identified, and suggest immediate action to minimise risk. Training on the Group-wide RMS methodology in all relevant segments in Germany and abroad has made it possible to develop a common "risk language" throughout the Group. This ensures that the results of risk analysis are comparable across international borders and at the same time allows insights to be shared between the individual subsidiaries and/or segments.

Objective of the RMS

The goal of the Group's risk management system is to identify potential risks that could jeopardise the Group's performance early and to introduce suitable measures to actively counter them. It also serves to calculate the Group's risk-bearing capacity. This refers to the maximum possible loss from the occurrence of potential risks that can just be covered by the available liquidity reserves and available credit lines without jeopardising the Dermapharm Group's ability to function as a going concern.

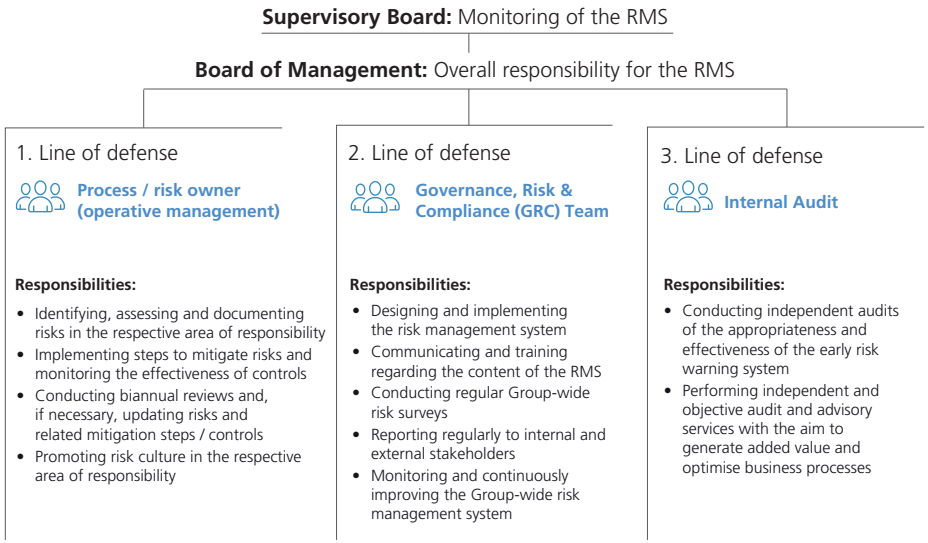
Another goal of the risk management system is to ensure that the annual and consolidated financial statements and the combined management report are prepared in compliance with regulations by identifying, assessing and managing the risks of financial reporting. The identified risks also serve as the basis for the risk-oriented definition of principles, procedures and controls under the accounting-related internal control system, which are intended to ensure that the system in place for preparing the financial statements complies with regulations.

Dermapharm is exposed to risks resulting from external factors as well as its business activities. These risks can prevent it from achieving its targets and have a detrimental effect on performance. While risks cannot be avoided altogether, our stated target is to mitigate them to the furthest extent possible. When balancing opportunities and risk, risks that are in line with the anticipated benefit of the corresponding business activity are deliberately assumed.

RMS organisation

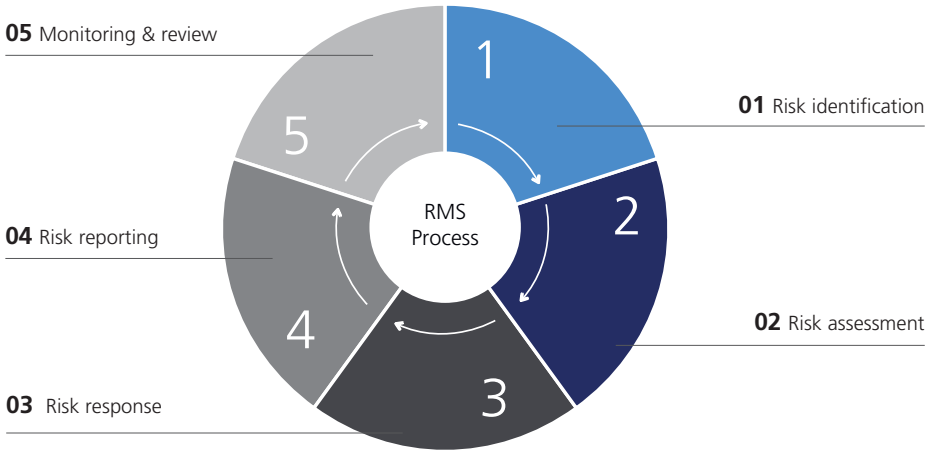
The risk management system is managed centrally by Governance, Risk & Compliance. It is tested for appropriateness and effectiveness on a regular basis and is entirely the responsibility of the Board of Management. By contrast, risks are monitored and managed at the local level: Depending on the risk category and risk scope, this is the responsibility of the segment managers and managing directors of the subsidiaries. Regular risk surveys are used to identify and document potential risks in all relevant segments and companies in which a majority interest is held. The risk officers assess Dermapharm's standard catalogue of risks every six months. GRC then centrally consolidates and assesses the results of these risk surveys. If necessary, new measures are introduced or previously adopted measures are modified.

Organisation of the risk management system:



Risk management process

A defined group of risk owners are responsible for regularly identifying, analysing and assessing risks using an established set of risk categories and a defined assessment methodology. The potential impact and likelihood of the respective risks are assessed taking into account the organisational and procedural structures in place to minimise risk. A full report with a comprehensive assessment of the risk situation is provided to the Board of Management and the Supervisory Board of Dermapharm Holding SE at regular intervals. The appropriateness and effectiveness of the RMS is continually monitored by GRC and regularly reviewed by the independent Internal Audit unit.



Risk identification

Identification and handling of risks is firmly anchored in the corporate principles and is the responsibility of all Group employees.

Dermapharm differentiates between the following risk categories on the basis of the internationally recognised ERM framework (2014, COSO II) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO):

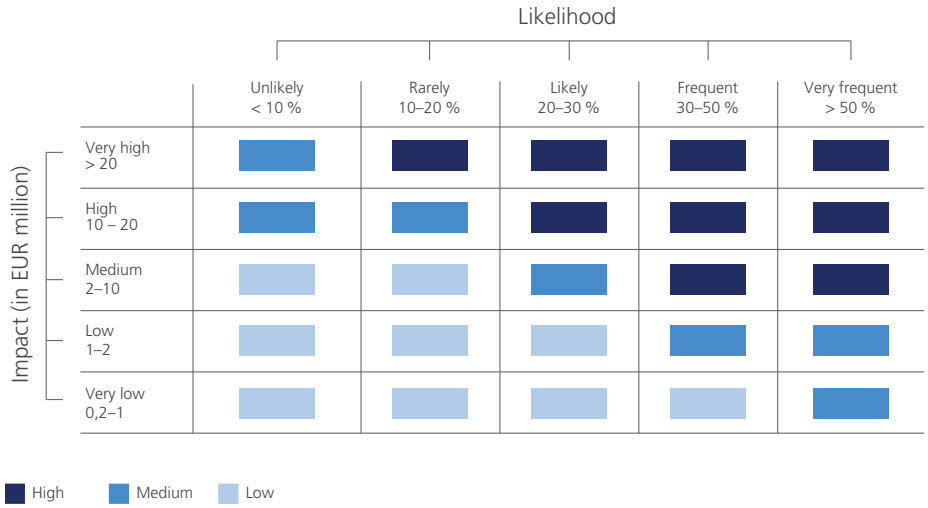
Market and strategy	Operational	Financial	Compliance
Threat of (new) competitors/manufacturers of originator preparations	Risks in developing new compounds/ products	Funding and liquidity risks	Risks in relation to changes in the legal and regulatory environment
Dependence on key products	Purchasing risks	Interest rate risks	Corruption risks
Dependence on suppliers/business partners	Risks in relation to manufacturing products	Currency risks	Antitrust risks
Dependence on customers	Quality risks/ product liability	Tax risks	Data protection violations
Risks arising from M&A activity	Risks in relation to marketing and sales		Human rights and environmental risks in own operations
Political risks	IT risks		Other compliance risks
Other market-related or strategic risks	HR risks		
	Other operational risks		

Risks are identified by continuously monitoring the general economic trend, the market environment in the pharmaceuticals sector and internal processes. The planning process also serves to recognise risks in the Company at an early stage and to align business management practices accordingly. The budget plan covers a planning horizon of three years. The objective of developing and using planning scenarios is ultimately to continually and sustainably increase enterprise value, to achieve the medium-term financial targets and to secure the continued existence of the Company in the long term.

Risk assessment and management

As part of regular risk surveys, the risk owners assess the identified risks based on two dimensions: impact and likelihood. This takes into consideration countermeasures already implemented and controls already put in place (net risk assessment), and where possible is based on objective criteria and/or historical experience. The assessment relates to the subsequent 12-month period (assessment horizon = 1 year).

Dermapharm uses a 5x5 assessment scale as illustrated in the following risk matrix. The risk classification is a combination of the assessed likelihood and impact.



The likelihood is assessed by answering the following question: how likely is it that the risk will materialise in the next 12 months?

In addition to likelihood, the potential impact arising on occurrence is assessed in monetary terms as a negative impact on the operating result (EBIT). The potential losses are allocated to ranges given in euros.

The risk is classified as low, medium or high based on a combination of the assessed likelihood and impact. This makes it possible to prioritise the steps required to mitigate risk.

Depending on the respective risk strategy (accept, avoid, mitigate or transfer), the risk/action owner takes the appropriate action and/or implements/modifies the controls inherent in the process. In the case of risk acceptance, there is no (further) action taken/control implemented.

Risk reporting and continual monitoring of the RMS

A full report with a comprehensive assessment of the risk situation is provided to the Board of Management and the Supervisory Board at regular intervals. Ad hoc reporting is used to notify the Board of Management and where necessary the Supervisory Board of newly identified significant risks.

The Governance, Risk & Compliance department at Dermapharm continually monitors the appropriateness and effectiveness of the risk management system and makes any requisite recommendations for improvement. Approval is obtained from the Board of Management for material changes to the RMS.

Internal Audit conducts regular independent audits of the appropriateness and effectiveness of the risk management system.

In particular, the process of identifying and assessing the Company's internal risk factors involves regularly reviewing business processes, projects, acquisitions, HR and compliance issues. In this area, the internal control system at Dermapharm helps minimise and eliminate manageable risks within the business processes.

3.3 Accounting-related internal control system

The objective of the internal control system (ICS) is to universally implement the strategic and operational directives of Dermapharm's Board of Management, to achieve the operating efficiency targets and to guarantee that compliance requirements are met.

The Group's accounting-related internal control system comprises all procedures and measures to ensure proper and reliable accounting and compliance with the relevant statutory provisions and the articles of association. There are clear rules governing the responsibility for implementing the internal control system within the accounting process, and it lies with the Board of Management, the responsible managers, the financial accounting department and the managerial accounting department. The system is being continually improved and its appropriateness and effectiveness are tested on a regular basis in order to ensure that the accounting and the processes for preparing the annual and consolidated financial statements are accurate and complete at all times.

A variety of controls are integrated into the accounting processes and the process for preparing the annual and consolidated financial statements and the combined management report. These processes are implemented to the greatest possible extent using standardised IT systems, which include comprehensive system-based controls to help ensure that transactions are recorded correctly and completely. An IT security concept has been widely implemented to ensure the availability of systems used within the Company. Further controls include implementation of the principal of dual control, which is employed for material business processes, a clear division of responsibilities and roles and a wide range of manual checks that are documented and monitored accordingly.

In addition, the Supervisory Board monitors the appropriateness and effectiveness of the internal control system as part of its oversight of the Board of Management.

3.4 Compliance management system

Trust and integrity are among the most important values in the corporate culture and are prerequisites for Dermapharm's business success. The compliance guidelines serve to ensure that the Company, the managers and the employees act responsibly and in an ethically correct manner. Possible violations should be recognised in advance and systematically prevented.

The Chief Compliance Officer (CCO) is responsible for managing and monitoring the necessary activities at the Group level, and is supported by GRC and the compliance officers at the individual subsidiaries.

The corporate principles and rules of conduct derived from them are laid down in Dermapharm Holding SE's Code of Conduct, which is binding on all employees throughout the Group. Among other things, we expect all employees of the Dermapharm Group to treat each other fairly and with respect. We do not tolerate discrimination or harassment based on age, origin, gender, appearance, ideology, religion, sexual orientation or other individual characteristics. The Code of Conduct also lays down binding rules governing sustainability and environmental protection, corruption, money laundering and terrorist financing, unfair competition, insider trading, market manipulation, data protection and conflicts of interest.

Suspicious transaction reports can also be filed at the Dermapharm Group in connection with the activities of the organisation and its business partners. Potential violations of the law can be reported to the internal reporting unit via Dermapharm Group's digital whistleblower system, including anonymously. Furthermore, the compliance officers of the individual companies can consult GRC and the Chief Compliance Officer on compliance-related topics.

Any reported violations will be investigated according to professional standards and applicable policies and, depending on the individual case, may lead to disciplinary action under employment or contract law or to criminal prosecution by investigative authorities and as well as judicial authorities. GRC submits a quarterly report to the Board of Management about any compliance incidents and inquiries from within the Group and any action that must be taken as a result.

3.5 Risk report

The assessments for the monitored risk categories at Group level are presented below. The individual risk categories and the relevant background information are then discussed in greater detail.

Market and strategy	Operational	Financial	Compliance
Threat of (new) competitors/manufacturers of originator preparations	Risks in developing new compounds/ products	Funding and liquidity risks	Risks in relation to changes in the legal and regulatory environment
Dependence on key products	Purchasing risks	Interest rate risks	Corruption risks
Dependence on suppliers/business partners	Risks in relation to manufacturing products	Currency risks	Antitrust risks
Dependence on customers	Quality risks/product liability	Tax risks	Data protection violations
Risks arising from M&A activity	Risks in relation to marketing and sales		Human rights and environmental risks in own operations
Political risks	IT risks		Other compliance risks
Other market-related or strategic risks	HR risks		
	Other operational risks		

High Medium Low

Market and strategy

Threat of (new) competitors/manufacturers of originator preparations

Dermapharm could be adversely affected by developments in the international markets for pharmaceuticals and healthcare products. In particular, increased competition can have a detrimental impact on the Group's business. In 2023, competing new products were launched on the German vitamin D market, which is a relevant market for Dermapharm. It cannot be ruled out that competitors may launch further products in 2024, including vitamin D compounds.

The emergence of new competitors can have an unfavourable impact on market conditions. Furthermore, some competitors – due to their financial and/or organisational resources, production capacities, and selling and/or market power – may impact market conditions in a way that has a negative outcome for Dermapharm. Competitors' increasingly frequent participation in tenders by statutory health insurers increases the price pressure on prescription pharmaceuticals.

Dermapharm monitors the market continuously in order to minimise the above described risks as far as possible. This involves the preparation of relevant market analyses and monitoring competitors' offerings. Appropriate adjustments to the strategy are also made, if necessary.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Dependence on key products

A significant portion of Dermapharm's revenue and EBITDA is generated through the sale of particularly strong brands, such as Dekristol® (active ingredient: vitamin D). Under the aforementioned brand, Dermapharm has a very extensive portfolio of different high-dosage vitamin D compounds and food supplements that can be used prophylactically or to treat vitamin D deficiency. Other key products offered by the Group include Allergovit®, Arkogelules®, Tromcardin® complex, Keltican® forte and the herbal extract from saw palmetto. There is in principle the risk of declining revenue from these products. This can be caused by factors such as unfavourable changes in market conditions, aggressive price competition, the establishment of alternative forms of treatment and regulatory measures.

Dermapharm manages these risks by developing new high-margin products and acquiring growth companies and/or products in order to keep diversifying its own product portfolio. In addition, Dermapharm continues to monitor the relevant markets and considers alternative courses of action where necessary.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Dependence on suppliers/business partners

Dermapharm requires raw materials, which it purchases from suppliers and third-party manufacturers, to manufacture its products. Supply chain interruptions may thus reduce their availability on the market. However, thanks to our extensive product range and thus the large number of suppliers, this is not expected to adversely affect the Group's performance.

Dermapharm protects itself from potential supplier bottlenecks, due for instance to the loss of a supplier, by employing an appropriate inventory strategy, alternative sources and supplier audits.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Dependence on customers

The Group's success depends in part on the successful marketing of prescription and pharmacy-only drugs. Demand for Dermapharm's products comes primarily from doctors and pharmacists, with wholesale playing a purely logistical role. The extremely large number of doctors and pharmacists we serve considerably reduces our dependence on individual customers.

Dermapharm continues to keep a close eye on market events, the relevant players and significant market structures in the interest of actively minimising its risks. Alternative courses of action are identified whenever warranted by the conditions observed. Furthermore, the Group is in close, regular contact with customers. Other sales channels are reviewed as required in the interest of diversification.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Risks arising from M&A activity

Dermapharm's corporate strategy is based on in-house product development, internationalisation and M&A activities. M&A activities in particular are associated with the risk that products, product portfolios or businesses acquired in the past or to be acquired in the future can only be integrated at a higher cost or the expected synergies cannot be realized as intended. Moreover, the acquired products or businesses may not generate the expected results on the market if the markets and therapeutic areas comprising Dermapharm's strategic focus may develop differently than expected.

The expansion of the business into foreign markets furthermore exposes Dermapharm to risks associated with conducting business in countries that are unfamiliar to Dermapharm. Established consumer habits, legal conditions and existing market and distribution structures may adversely affect the Company's performance. Against this backdrop, there is the risk that Dermapharm may fail to identify and leverage attractive growth opportunities.

Dermapharm employs a comprehensive range of measures to manage the potential risks. These include conducting due diligence reviews of potential acquisitions together with relevant internal departments, such as business development and finance, and experienced external advisors, where necessary. In recent years, the Group has established various processes designed to help integrate acquired companies into the existing structures of the Group, including within Group Accounting, Controlling and IT. As part of the integration effort, Group policies, standards and programmes are communicated.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Political risks

As an international group, Dermapharm navigates a variety of national and supranational (healthcare) systems. Changing conditions can adversely affect the business of the Company and its subsidiaries – including, for example, the introduction of tariffs, the prohibition of exports of active ingredients in supplier countries, changes in pricing policies (e.g., the rates paid by health insurers), and new legislation and restrictive regulations by national healthcare systems in particular. The effects can also be indirect, for instance minimum wages being introduced or amended, or higher income and/ or transfer taxes.

The statutory manufacturer discount was reduced back to 7% at the beginning of 2024 following the expiry of the temporary 5-percentage-point increase pursuant to the German Act on the Financial Stabilisation of the Statutory Health Insurance System (GKV-Finanzstabilisierungsgesetz, "GKV-FinStG").

Russia's war of aggression in Ukraine and the conflict in the Gaza Strip represent macroeconomic and political risks which are under close observation. The associated challenges, such as rising raw materials and energy prices and supply shortages, are taken into consideration in Dermapharm's operating business (see purchasing risks).

Dermapharm manages the risks listed to above by continually monitoring the relevant political developments, communicating and working with pharmaceuticals associations and taking appropriate action when necessary.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Other market-related or strategic risks

New scientific discoveries could adversely affect Dermapharm's business operations. Unfavourable research/study outcomes, for example relating to an active ingredient or excipient, can result in the failure to introduce a new product or cause revenue from existing products to decline. Other market risks can result from low-quality imitations or the sale of Dermapharm's products on the grey market.

Dermapharm manages these risks by continuously refining existing preparations, by avoiding critical substances and excipients and by actively monitoring the market and adapting its product strategy as necessary.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Operational risks

Risks in developing new compounds/products

Dermapharm generates the majority of its revenue from off-patent branded pharmaceuticals. The development of new products is one of the three key pillars of the Group's corporate strategy. Accordingly, Dermapharm invests continually in order to continually and successfully develop and bring to market new products. Despite the extensive expertise Dermapharm owns, there is no guarantee that it can successfully launch every single new product development on the market. In any development project, unexpected technical challenges, regulatory changes or official requirements can lead to unanticipated delays, cost increases or even the cancellation of the project itself. Even the outcome of meticulously prepared clinical trials cannot be predicted. As a result, a marketing authorisation may not be granted. Furthermore, projects that were initially considered economically viable may prove unprofitable in the course of development.

Even in instances where a new product is successfully developed, a variety of other factors are crucial to the success of product introduction. Certain aspects of this process lie outside Dermapharm's control. Dermapharm generally requires five to seven years to develop and obtain authorisations for off-patent pharmaceuticals The longer it takes to develop a product, the longer it can potentially take for the Company to cover its development costs and generate profits. A product that is considered to be promising in the early stages of its development cycle can become less attractive if a competitor succeeds in occupying the market earlier than expected. Moreover, the market may become less attractive over the course of the product development process (e.g., if alternative treatment forms have been discovered or new therapies have been introduced for the same ailments).

Dermapharm actively minimises risks by regularly monitoring the achievement of relevant development milestones by its competitors. For instance, market research is once again conducted prior to the start of cost-intensive clinical trials. Marketing authorisation databases are checked to see what projects competitors are working on. The Board of Management monitors the progress and costs of projects during development meetings. This enables the company to identify default risks early on and minimise these to the furthest extent possible. In addition, regular employee training is offered on all relevant statutory requirements and responsibilities for products are clearly assigned.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Purchasing risks

Russia's war of aggression in Ukraine and the conflict in the Gaza Strip continued to result in supply shortages in some areas in 2023. Manufacturing costs increased due to the rising prices for raw materials and energy on the back of both the conflicts and higher consumer prices. Reference pricing arrangements meant that the higher manufacturing costs could not always be passed on to customers/patients. These procurement challenges are likely to impact 2024 as well.

However, thanks to Dermapharm's inventory and purchasing policies, these supply bottlenecks had minimal to no impact on production activities and thus on its ability to deliver. Significant portions of the raw materials supply are covered by long-term supply agreements and price escalation clauses in the supplier agreements. Furthermore, the Group is always on the lookout for alternative procurement sources and partners.

There are further risks for the procurement of reimported pharmaceuticals by Dermapharm or the axicorp Group. Since the parallel import business is subject to statutory regulations, lowering the parallel import quotas, introducing export restrictions or pharmaceutical quotas and similar regulations could have an adverse effect on Dermapharm's parallel import business.

Dermapharm manages these risks by continually monitoring the relevant market situation and by introducing countermeasures as appropriate. These include, in particular, the early preparation and evaluation of case scenarios.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Risks in relation to manufacturing products

Disruptions in manufacturing processes can adversely affect Dermapharm's business. These disruptions include a lack of availability of production facilities and disruptions in workplace and process safety, which can result in production targets not being achieved and demand not being adequately met, leading to a loss of contribution margins. Many of Dermapharm's products are manufactured in technically complex processes that require special equipment and facilities and raw materials as well as special production conditions. Increasingly, such processes depend on the use of product-specific devices for implementation, which can result in technical bottlenecks.

Dermapharm's top priority is to maintain its production operations. In addition, the largest production facilities in Germany were classified as critical national infrastructure (KRITIS) in accordance with § 6 of the Federal Office for Informational Security's Critical Infrastructure Regulation (BSI-Kritisverordnung) and therefore maintain production operations at all times, even in times of crisis.

The additional steps taken to minimise risks and secure production capabilities include proactive equipment maintenance, risk assessments, safety stock at various manufacturing stages and regular employee training courses. In addition, Dermapharm continually optimises and modernises all production equipment and facilities in order to guarantee optimal production conditions along the entire value chain.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Quality risks/product liability

Drug safety and product quality are of great significance for the Dermapharm Group. If products manufactured or sold by Dermapharm are subject to market withdrawals or recalls or are demonstrated to be harmful to customers, this would have a negative effect on customer demand. A negative public perception of the quality of Dermapharm's products could have the same effect.

New scientific findings can result in a less favourable risk/reward analysis with the consequence being that the compound must be partially or entirely withdrawn from the market. Such a suspension of sales may be due to legal or regulatory measures or may be implemented voluntarily by the Company at its due discretion. Additionally, court proceedings and associated claims for damages resulting from such findings could have an adverse effect on the Company's operating result.

Dermapharm actively minimises risks through quality assurance and pharmacovigilance systems prescribed in the German Medicinal Products Act (Arzneimittelgesetz). These systems consist of internal standard operating procedures (SOPs). Employees receive training on these SOPs and their implementation is regularly reviewed by way of internal audits and external inspections by the authorities. A Group-wide pharmaceuticals product liability insurance policy is also in place.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as low at Group level.

Risks in relation to marketing and sales

When marketing and selling each and every product, it is crucial to observe the applicable rules and regulations, in particular the German Act on the Advertising of Medicinal Products (Heilmittelwerbegesetz). If individual legal requirements are not complied with, this can result in delays in the sale and distribution of a new product or the sale and distribution may be prevented due to legal actions by competitors. If Dermapharm has sold products under the assumption that there were no legal basis preventing it from doing so and it is established through the courts that this assumption was erroneous, there is the risk that products must be removed from the market, written off and destroyed, all at considerable cost.

A large number of the products sold by Dermapharm are branded pharmaceuticals for which a strong, protected brand is a key success factor. Another risk factor is therefore insufficient trademark protection for the product sold.

The use of dubious advertising materials (e.g., incorrect or incomplete references, imitating competitors' advertising, advertising not compliant with the marketing authorisation) may result in cease-and-desist letters from competitors and even legal proceedings.

Dermapharm manages these risks by continually monitoring the relevant market situation and, where necessary, modifying its product strategy as appropriate. Meticulous research is conducted before a product is assigned a brand name. Marketing and sales employees also receive specific training on regulatory issues (e.g., the German Act against Unfair Competition (Gesetz gegen den unlauteren Wettbewerb, "UWG"), the German Act on the Advertising of Medicinal Products (Heilmittelwerbegesetz, "HWG"), trademark law). Our information officers are tasked with checking and approving all advertising materials before they are made public.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

IT risks

Because of the increased use of IT systems and programs, there is a risk of losing digital information. This risk can arise as a result of lacking or insufficient data security and malicious attacks by external parties. In addition, software solutions require regular maintenance and updates in order to meet the continually growing security and functionality requirements. Moreover, the integration of the IT infrastructure of acquired companies and the potential outage of IT systems (i.e., in production) give rise to further risks.

Based on experience, in times of global crises there is a greater likelihood of hacker attacks, phishing e-mails and attempts to exploit IT vulnerabilities.

To manage these risks, Dermapharm has developed an appropriate IT security and authorisation concept and adequate IT security systems (e.g., redundant data processing centres and Group-wide anti-virus programs), and it performs regular software and hardware maintenance and makes routine back-ups of business-critical data, among other things. In addition, a system to detect attacks is currently being set up. Furthermore, as an operator of critical national infrastructure, Dermapharm's systems are subject to external cyber security audits. The assessments and audits are conducted every other year and also serve as a quality assurance tool for minimising risks.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

HR risks

The Dermapharm Group's success is highly dependent on the motivation and skills of its employees, who among other things develop promising products, manufacture them in observance of quality and safety, and sell them effectively in various international markets.

Due to the Group's growth, another critical success factor is Dermapharm's ability to attract and retain skilled employees going forward. Some German regions have almost full employment. The resulting lack of skilled workers, which could be further exacerbated by demographic factors going forward, may adversely affect Dermapharm's operating result.

Furthermore, high staff turnover, in particular in key roles, may adversely affect remaining employees' commitment, result in negative employer branding and cause process delays and a loss of expertise.

To counter the risks described above, appropriate measures to recruit and develop employees are developed on the basis of the annual HR planning. In order to ensure the continuing development of existing staff and comply with the relevant regulatory requirements (for example in terms of pharmacovigilance, drug safety, and occupational health and safety), almost all segments conduct regular training that is documented accordingly.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **medium** at Group level.

Other operational risks

Dermapharm bears further general business risks in the respective market regions such as the risk of unexpected disruption of the infrastructure, strikes, sabotage, natural disasters, criminal activities, terrorism and other unforeseeable material adverse effects.

Dermapharm has taken extensive steps and technical precautions in order to prevent and minimise damage to company property (buildings/machinery/inventories) – including the installation of sprinkler systems and fire alarms, conducting regular fire safety inspections, developing contingency plans describing what to do in the event of fire, water damage, earthquakes, etc., and storing finished goods separately at several of its warehouses. Where possible and economically viable, Dermapharm insures itself against the aforementioned risks by taking out the appropriate insurance cover (Group-wide business interruption insurance and property insurance). However, it cannot be ruled out that the insurance policies may not provide adequate coverage in individual cases.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Financial risks

Funding and liquidity risks

Dermapharm pursues a sustainable financing strategy that is capable of absorbing risk. The overriding principles are to ensure that all Group companies remain solvent at all times and to safeguard the Group's financial flexibility by holding sufficient liquidity reserves and available lines of credit. Group Treasury is responsible for liquidity management and minimising liquidity risks. Cash inflows and outflows are constantly monitored and managed to ensure sufficient liquidity at all times. To the extent economically and legally appropriate and feasible, Dermapharm maintains automated cash pools for this purpose.

Risks may nevertheless arise from a potential impairment of the Group's liquidity position due to defaults on receivables from counterparties, a lack of access to funding markets or significant volatility in the operating business, in particular the termination of existing financing instruments. The syndicated loan agreement entered into in December 2022 includes a financial covenant. If this financial covenant is not complied with, the lending banks have the right to fundamentally reassess the agreement.

Compliance with the financial covenant is monitored on an ongoing basis by means of a rolling covenant outlook. This is aimed at discussing any issues with the lending banks early on in an effort to find a mutual solution. Changes in liquidity are also monitored in the context of detailed financial planning, which includes a rolling 13-week liquidity forecast.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Interest rate risks

Interest rate risks include potential losses caused by changes in market rates of interest. Interest rate risks from financial instruments can arise within the Group mainly in connection with interest-bearing financial liabilities.

The syndicated loan agreement entered into in December 2022 is subject to variable interest, i.e., the interest rate primarily depends on the development of a reference rate (1-month, 3-month and/or 6-month EURIBOR). In order to minimise the interest rate risks arising from the syndicated loan agreement, two interest rate hedges were entered into with a core bank in March 2023 to cover the majority of the financing volume. These artificially eliminate the risk of a change in the reference rate for this volume until the interest rate swaps reach maturity. An increase in the reference rate over the course of 2024 is considered unlikely at present.

Dermapharm generally manages its interest rate risks by borrowing funds largely at matching maturities and, as necessary, through the use of interest rate derivatives. They are concluded exclusively with commercial banks with solid credit ratings.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Currency risks

The Dermapharm Group prepares its accounts with the euro as its Group currency. Since the Group's business is international in nature, it is exposed to risks arising from exchange rate volatility. In particular receivables and liabilities denominated in other currencies are subject to the risk of an adverse change in value. Additionally, accounting risks can arise from exchange rate fluctuations affecting the consolidated financial statements as well as from the translation of items of the statement of financial position and items of income and expense for foreign subsidiaries with a local currency other than the euro. In this connection, any appreciation (depreciation) of the euro against other currencies could have a negative (positive) effect.

Where necessary, Dermapharm considers on a case-by-case basis currency hedges linked to an underlying to minimise risks (for example, currency forwards). They are concluded exclusively with commercial banks with solid credit ratings.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Tax risks

Tax planning and optimisation at Dermapharm depends on the current and expected tax environment. However, tax matters are generally subject to a degree of uncertainty with respect to the judgement of domestic and foreign tax authorities. Even though Dermapharm has established processes and structures to ensure that taxes are accounted for correctly in keeping with the law, it is not possible to rule out the risk that the actual tax burden will be greater than originally estimated. Changes in the general tax environment can also have an adverse effect on Dermapharm's future tax burden.

The Dermapharm Group counters tax risks by carefully reviewing and processing all tax matters.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Compliance risks

Risks in relation to changes in the legal and regulatory environment

The pharmaceuticals and healthcare market is highly regulated. Lifting or amending regulations or passing new regulations, for example as part of healthcare reform, could have significant economic and strategic effects on Dermapharm's business activities and could adversely affect its performance. Regulations at the national or supranational level are highly significant if they affect the market structure, pricing and/or product approvals in the public healthcare sector. In principle, for all products in the healthcare market, but especially for pharmaceutical products, there is the risk that they will no longer be covered or the reimbursement rates will be lowered due to regulatory interventions in the respective national social security systems. Off-patent pharmaceuticals are also exposed to significant price pressure due to the discount agreements with statutory health insurers for various products.

All of this can result may reduce the profitability of individual products and, in some cases, may mean that bringing a product to market is unprofitable. Dermapharm minimises these risks in part through its active association work. Bills, regulations and directives are communicated in their draft stage, enabling Dermapharm to be involved in the drafting process and/or react to changing conditions early on.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Corruption risks

Potential corruption risks can arise both in the procurement (bribery by suppliers to secure orders) and sales processes (for instance, by offering physicians inducements in order to unfairly influence which drugs they prescribe). Even suspected (and no identified) cases of corruption can lead to criminal prosecution and investigations by the relevant authorities as well as high reputational damage. Court proceedings and severe penalties can be expected if these suspicions are substantiated.

Therefore, the Dermapharm Group Code of Conduct sets out binding rules for all employees on how to avoid corruption. To report suspected violations, a whistleblower system was set up in 2023 in accordance with the German Whistleblower Protection Act (Hinweisgeberschutzgesetz, "HinSchG"). Furthermore, the Chief Compliance Officer, GRC department and local compliance officers are always available to answer any questions. As a member of Arzneimittel und Kooperation im Gesundheitswesen e.V. (AKG), a leading association dedicated to promoting compliance in the pharmaceuticals industry, Dermapharm also complies with the AKG Code of Conduct.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Antitrust risks

Antitrust laws proscribe predatory business practices such as price fixing, bid rigging, market allocation, and monopolies (e.g., treating customers and suppliers differently for no objective reason). Any violations of the applicable laws may lead to criminal prosecution and investigations by the relevant authorities, reputational damage, court proceedings and severe penalties.

Therefore, the Dermapharm Group Code of Conduct sets out binding rules for all employees on how to avoid unfair competition. Here, too, the Chief Compliance Officer, GRC department and local compliance officers are always available to answer any questions. As a member of Arzneimittel und Kooperation im Gesundheitswesen e.V. (AKG), a leading association dedicated to promoting compliance in the pharmaceuticals industry, Dermapharm also complies with the corresponding AKG Code of Conduct.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Data protection (GDPR) violations

The European Union's General Data Protection Regulation (GDPR) went into force on 25 May 2018 and governs the processing of personal data. To ensure that personal data is protected, it must not be stored, processed, altered, destroyed, disclosed or transferred to third parties without a legal basis/consent. The consequences of non-compliance with the GDPR may include investigations by the relevant authorities, reputational damage, court proceedings and severe penalties.

Dermapharm appointed a Group Data Protection Officer (DPO) in 2018 in order to comply with the legal requirements. Dermapharm's DPO works with the relevant departments to prepare the documentation required under the GDPR (e.g., contractual arrangements with business partners (data processing agreements), records of processing activities, data protection guidelines and privacy policies). The DPO is also available to answer any questions related to data protection. In 2023, the Data Protection Officer organised a range of training sessions aimed at specific target groups.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Human rights and environmental risks in own operations

Dermapharm places the utmost priority on protecting the environment and the health and safety of its employees in their day-to-day work.

Non-compliance with legal requirements or internal policies may lead to personal injury or damage to property and/or the environment, cause operational disruption and result in the obligation to pay damages.

Dermapharm's regular occupational safety briefings and internal standards guarantee safety in the Group's production and operating facilities and protection against other health hazards. The Dermapharm Group manufactures the majority of its products in Germany and meets high environmental and human rights standards. Therefore, Dermapharm's Compliance Manual sets out binding rules for all employees on how to treat each other fairly and with respect. Any (suspected) violations can be reported via the whistleblower system or to the Chief Compliance Officer, GRC department and local compliance officers.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

Other compliance risks

Violations of other internal or external requirements, e.g., concerning money laundering and terrorist financing, insider trading, market manipulation, embezzlement, misappropriation, theft or violations of industrial property rights, can give rise to further compliance risks. Any violations of the applicable laws may lead to criminal prosecution and investigations by the various authorities, reputational damage, court proceedings and severe penalties.

All Dermapharm Group employees are required to follow the rules defined in the Code of Conduct, without exception. Nevertheless, compliance failures may occur due to human error. In such cases action is taken under labour law and, if necessary, criminal law.

The likelihood of compliance violations is reduced by means of regular communication and advice from the GRC department and the Compliance Officer and providing relevant training, and the controls implemented in business processes.

Taking into account the likelihood and impact, the potential effects of the risks described on the assets, liabilities, financial position and profit or loss are classified as **low** at Group level.

3.6 Report on opportunities

Although many illnesses remain untreatable, medical and pharmaceutical progress creates incentives to innovate and develop new products. Rising life expectancies and the desire on the part of most consumers to improve their quality of life lead to increased demand for healthcare services and products.

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

Dermapharm continues to push ahead with its strategy for continued development. The corporate strategy is based on three pillars: (1) in-house product development; (2) internationalisation; and (3) M&A activities. Dermapharm intends to actively leverage the growth opportunities arising from this strategy going forward.

Dermapharm's product pipeline currently covers approximately 50 ongoing development projects for selected therapeutic areas. The "Branded pharmaceuticals" segment's products in the core therapeutic areas are distinguished by a limited number of competitors and a large degree of independence from tenders by the statutory health insurers. By staking out a position in niche markets, Dermapharm remains competitive and thus on a growth trajectory.

The Group's international sales organisation is structured so that the brand-name pharmaceutical products from the Group's portfolio can be modified to meet the various regulatory and competitive conditions and be sold in individual national market regions. One example are the products offered by the Arkopharma Group in France (deal closed in early January 2023), which will be launched in various countries going forward. Dermapharm is also seeking synergies in production as well as sales and distribution. For instance, relocating production capacities for capsules, tablets and powders to France may result in enhanced capacity utilisation and efficiency – and a direct improvement in earnings from operations.

In 2023, the acquisition of a controlling interest in the long-established Austrian firm Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. marked a step forward in the Dermapharm Group's internationalisation strategy. Montavit manufactures pharmaceuticals and medical devices for the therapeutic areas of urology, gynaecology, allergy therapy and herbal pharmaceuticals in accordance with European standards, and exports its products to over 60 countries.

The ongoing efforts to combine the business activities of Dermapharm subsidiaries Candoro ethics GmbH, Candoro ethics GmbH NM (formerly Spectrum Therapeutics GmbH) and THC Pharm GmbH will on the one hand bundle the Group's expertise in medical cannabis under the new name Candoro ethics, and on the other generate synergies. In addition, the first half of 2024 will see the production operations of Candoro ethics GmbH NM relocated from Neumarkt in der Oberpfalz to the headquarters of axicorp GmbH in Friedrichsdorf near Frankfurt am Main. This relocation of production activities will unlock synergies in areas including logistics, sales and administration.

Regulatory changes such as the adoption of the new National Pharma Strategy on 13 December 2023 and the entry into force of the German Act to Combat Supply Shortages and Improve the Supply of Medicines (Arzneimittel-Lieferengpassbekämpfungs- und Versorgungsverbesserungsgesetz, "ALBVVG") on 27 July 2023 open up new opportunities for Dermapharm and Germany as a pharmaceutical hub. In order to bolster supply security for pharmaceuticals in the short and long term, structural measures are being taken in relation to reference pricing, discount agreements and the manufacturing of medicines. Among other things, the ALBVVG removes reference pricing and discount agreements for paediatric medicines, reduces the price pressure exerted by rules on exemptions from co-payment, and simplifies the rules governing substitution by pharmacies. If there are too few entities offering supply-critical medicines, the reference price or price moratorium can be raised by 50% on a one-off basis. Dermapharm is currently reviewing the potential this entails, including in the area of pricing.

Greater awareness of the need for action to avoid health emergencies at the national and EU level, such as pandemics, could give rise to further opportunities for the business activities of Dermapharm.

The focus will remain on efficient cost management, with an eye on profitability. Dermapharm aims to optimise the manufacturing process for its products while cutting the associated manufacturing costs. By reducing its manufacturing costs through in-house production and sharing market risk with suppliers of raw materials, consumables and supplies, the Company intends to leverage the corresponding opportunities to cut costs.

Going forward, Dermapharm will also confront market competition with experience, new product approvals, confidence and high quality. The Group's high standard of quality is implemented with the assistance of an effective quality management system all locations. For instance, all of Dermapharm's products are made in accordance with the international Good Manufacturing Practice (GMP) standards.

3.7 Overall assertion – assessment and summary

Dermapharm believes that there are opportunities for future development in particular in the pharmaceuticals market's general independence from economic cycles, the as-yet unexhausted growth potential in the area of off-patent pharmaceuticals, the achievement of synergies – in particular on acquisitions, international sales and distribution, and efficient cost management. In addition, its conscious decision to manufacture its products in Germany and Europe guarantees high product standards. Dermapharm intends to continue to systematically leverage these growth opportunities going forward by continuing to pursue its successful growth strategy comprising in-house product development, internationalisation and M&A activity.

Dermapharm sees risks to future development primarily in connection with a potential increase in competition in individual market segments, a potential dependency on individual key products, the uncertainties associated with the integration of acquired companies, the rise in

raw materials and energy prices and supply bottlenecks, the exploitation of IT vulnerabilities, and the recruitment and retention of skilled staff.

We will continue to closely monitor the general economic trend and political situation, particularly when it comes to Russia's war of aggression in Ukraine and the conflict in the Middle East, so that we can implement further measures as needed.

The Group's risk-bearing capacity was ascertained and compared against the aggregate risks. On the basis of this analysis, there are no risks which could jeopardise Dermapharm's assets, liabilities, financial position and profit or loss or its ability to function as a going concern from today's perspective. Given Dermapharm's financial stability, it is in a good position from which to manage the risks described in the risk report should they materialise.

By publishing this report on risks and opportunities, the Board of Management of Dermapharm Holding SE has fulfilled its duty to provide information on the Group's risks and opportunities to the Supervisory Board and the shareholders. This comprehensive report represents a core element of the Dermapharm Group's corporate governance in practice.

4. Report on expected developments

4.1 Outlook

In the report on expected developments, Dermapharm discusses, to the extent possible, the market environment expected in financial year 2024 and the expected future development of its own business activities.

Expected development of the market environment

Following the global economy's sluggish expansion in 2023, the OECD expects growth to continue weakening to 2.9% in 2024 due to the tight financing conditions and subdued global trade. The OECD also expects economic growth in the eurozone to be very muted, at 0.6% in 2024 (both growth rates as at February 2024).

According to its 2024 annual economic report, the German federal government expects German economic growth this year to be weak at 0.2% (as of February 2024) due to the overall conditions, which remain difficult. The German government attributes this marginal growth to adverse factors such as the geopolitical crises and tightening monetary policy, but also growth in nominal wages, declining inflation and the solid development of the labour market. The assumption is that the rise in nominal wages in combination with declining inflation will increase real purchasing power, which should have a positive knock-on effect on economic growth in the single market.

However, these forecasts are currently subject to uncertainties. According to the German government, this relates to both largely unforeseeable developments in the geopolitical crises, as well as the timing and extent of the recovery staged by key trading partners (correct as at February 2024).

In its "World Preview 2022, Outlook to 2028: Patent and Pricing", Evaluate Ltd. expects the global market for prescription pharmaceuticals to grow at an average annual rate of 6% to reach USD 1.6 trillion by 2028. Likewise, market research firm IMARC Group expects the market for off-patent/generic pharmaceuticals to grow at an average annual rate of 6% between 2024 and 2032.

Expected development of the Group

As previously, Dermapharm's business model will continue to focus on the healthcare market, particularly in the pharmaceuticals segment. Dermapharm will continue to focus on selected niche markets to remain as independent as possible from blockbuster products and areas of heavy regulation. Thus, the Group continues to operate in a sector that continues to grow and has excellent prospects for the future.

On the whole, the Board of Management expects that the successful the three pillar strategy comprising in-house product development, internationalisation into selected markets and targeted M&A activities will continue to generate growth going forward. However, changing regulatory, competitive and economic conditions might also adversely influence the Group's revenue and earnings trend. The report on risks and opportunities provides further details on the resulting risks as well as the opportunities for the Company.

Thanks to its successful product development activities and well-filled development pipeline, products with organic growth potential as well as its progressive integration of recent acquisitions, Dermapharm strives to continually expand the Group's portfolio in the "Branded pharmaceuticals" segment in financial year 2024 and increase its revenue and earnings contribution. The cooperation that the Group entered into with BioNTech SE in 2020 to produce the COVID-19 vaccine Comirnaty® will remain in effect in financial year 2024. It should be noted that 2023 constituted a transition phase away from large-scale vaccine production to control the pandemic towards readying manufacturing capacities in the context of national and European pandemic preparedness programmes from 2024 onwards, and saw production greatly scaled back to meet the basic needs of the population. Against this background, the current assumption is that the revenue and earnings contributions from vaccine production will continue to decline in financial year 2024. For this market segment, the Board of Management consequently expects robust revenue growth and a decline in segment earnings.

The key growth driver in the "Other healthcare products" segment in financial year 2023 was the integration of the Arkopharma Group. Despite noticeable effects stemming from developments in the macroeconomic environment, the existing business posted moderate growth in 2023. Exchange rate movements meant that continuing strong growth in the US dollar zone only had a limited effect on earnings. For 2024, Dermapharm expects growth in all of the segment's markets, coupled with additional growth contributions and synergies from the ongoing integration of Arkopharma into the Group. The Board of Management therefore

assumes strong growth in revenue and earnings contributions in this segment and expects that its contribution to earnings will more than offset the earnings decline in the "Branded pharmaceuticals" segment.

In the "Parallel import business" segment, the Board of Management expects that the business environment will recover in financial year 2024. The temporary increase in the statutory manufacturer rebate from 7% to 12% will remain limited to 2023. The return to 7% in 2024 will have positive effects on revenue and earnings. Furthermore, numerous new products will be available for the parallel import business in 2024. Finally, the continuing relocation of Group companies to the new corporate premises at the axicorp location will create efficiency gains and enhance earnings. The Board of Management consequently expects strong growth in this segment's revenue and earnings contributions.

Ukraine crisis

Russia's war in Ukraine will also have an impact on the current financial year. However, thanks to its integrated business model and broadly diversified product portfolio, Dermapharm is well equipped to weather times of crisis. Moreover, with few exceptions, the production activities within Dermapharm's portfolio are not excessively energy-intensive, meaning that the rising energy prices themselves in connection with rising prices for raw materials do not have any material impact on earnings. In addition, the rise in energy prices is capped by the supply agreements, some of which are long-term in nature. Given the above, as things currently stand (March 2024), no material adverse economic effects resulting from Russia's war against Ukraine are foreseeable that could impact Dermapharm's financials.

Dermapharm's operating subsidiary mibe Ukraine LLC, which has its registered office in Kyiv, continued operations in spring 2022 following a brief interruption at the beginning of the war.

Although the revenue and earnings contributions from mibe Ukraine LLC were down in 2023 as compared to 2022, further growth is expected for financial year 2024, driven by rising demand for vitamin D products and newly introduced products from the Group's portfolio.

Effects of developments in climate policy

Dermapharm monitors climate-related risks on an ongoing basis and constantly analyses the impact of climate change on its own business operations. At present, the Board of Management does not expect any material impact in relation to Dermapharm's business activities.

Fundamental assumptions underlying the Group's forecast

The forecast for financial year 2024 was prepared taking into account known events which had taken place at the time this combined management report was prepared. In addition, the macroeconomic and industry-specific outlook were also factored into the forecast.

The outlook is based on the following assumptions in particular:

- Largely stable regulatory, legal and tax conditions in the markets and countries of relevance to us; recent changes in the manufacturers' rebate and the price moratorium have been taken into account
- Current group of consolidated companies to remain constant
- Optimisation of manufacturing costs by making more products in house, where economically feasible
- Successful market launch of preparations from own development pipeline
- Successful integration of companies acquired in 2023 and systematic utilisation of created synergies
- No noteworthy effects on Dermapharm's business by a renewed spread of the coronavirus
- No significant adverse effect on Dermapharm's business due to Russia's war in Ukraine

Dermapharm Holding SE's expected performance

The Board of Management does not expect any material change in the Company's business activities.

Fundamental assumptions underlying Dermapharm Holding SE's forecast

The forecast for financial year 2024 was prepared taking into account known events which had taken place at the time this combined management report was prepared.

Furthermore, our forecast is based on the following assumptions:

- Maintaining the terms of the agreement in place with the subsidiaries on the charging on of costs
- No change in ownership structure
- Largely stable legal and tax conditions

4.2 Overall assertion on future development

Dermapharm's business model is geared towards markets which offer generally sustainable growth potential due to general and industry-specific growth mechanisms in the pharmaceuticals and healthcare market, as well as to growth forecasts by independent institutions. However, this also entails operating challenges and risks, which are determined to a large extent by changing or additional state regulatory measures, such as general cost-reduction measures in the healthcare sector to the detriment of pharmaceuticals companies and more cumbersome requirements for pharmaceuticals authorisations. This means that the Group's revenue and profitability trend going forward will be affected by conditions that stimulate as well as hinder growth. In addition, the Board of Management does not expect the effects of Russia's war in Ukraine to have a material adverse effect on the Group's business model.

However, in light of our strategic alignment in the "Branded pharmaceuticals" segment and our consistent implementation of the three-pillar strategy, we believe that the outlook for the future remains positive on balance. However, this positive development will temporarily be overshadowed by a further decline in contributions from the high-margin vaccine production in cooperation with BioNTech SE. For that reason, this segment is expected to generate a higher contribution to revenue but a lower contribution to earnings.

The "Other healthcare products" segment is expected to make a material contribution to the Group's growth in the next few years. For 2024, Dermapharm expects a further recovery in Europe and a continuation of the positive trend in the non-European markets. Progress with the integration of recently acquired companies of the Arkopharma Group is expected to translate to further growth.

The revenue and earnings contribution in the "Parallel import business" segment in 2023 was adversely affected by factors including the temporary changes in mandatory discounts. The Board of Management currently expects further growth in the parallel imports market. As such, rising revenue and earnings contributions are expected in this segment on the back of declining manufacturer discounts, good product availability and an expansion of the portfolio of pharmaceuticals eligible for import.

In summary, the Board of Management expects the Group to experience year-on-year growth in financial year 2024.

Based on a mix of:

- increasing sales of existing products;
- the successful introduction of additional new, internally developed products;
- revenue and earnings contributions from recently acquired parts of companies; and
- a continuation of the cooperation with BioNTech SE to produce its COVID-19 vaccine, with a focus on the provision of production capacities in the context of national and European pandemic preparedness programmes from 2024 onwards, and a low level of production to meet the basic needs of the population

the Board of Management expects consolidated revenue to grow to between EUR 1,170 million and EUR 1,210 million. Adjusted EBITDA is expected to fall within a range of EUR 305 million and EUR 315 million.

Compared to financial year 2023, we do not expect there to be a material change in Dermapharm Holding SE's revenue and EBITDA..

5. Information relevant to acquisitions in accordance with § 289a and § 315a of the German Commercial Code (Handelsgesetzbuch, HGB)

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

Since 31 December 2018, the share capital has remained unchanged at EUR 53,840,000.00 divided into 53,840,000 no-par value bearer shares. Each no-par value share carries one vote.

New shares will also be issued as bearer shares, unless otherwise agreed upon issuance. There are no shares conferring special rights which grant powers of control over the Company.

In the event of a capital increase, dividend rights attaching to new shares may be stipulated in derogation of § 60 (2) German Stock Corporation Act (Aktiengesetz, "AktG").

The Board of Management stipulates the form and content of share certificates and any dividend and renewal coupons. Specifically, the Company may also combine several no-par value shares in a single share certificate (global certificates). Shareholders are not entitled to receive definitive share certificates for their respective shareholdings.

5.2 Restrictions applicable to voting rights or the transfer of shares

The Board of Management of Dermapharm Holding SE is not aware of any restrictions applicable to voting rights or the transfer of shares.

5.3 Direct or indirect interests in the Company's capital that exceed 10% of voting rights

On the basis of notifications of significant voting rights received in accordance with §§ 21 and 22 of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") or in accordance with §§ 33 and 34 WpHG as well as notifications of managers' transactions in accordance with Article 19 of the EU Market Abuse Regulation, the Board of Management is aware of the following direct or indirect interests in the Company's capital that exceed 10% of the voting rights:

Themis Beteiligungs-Aktiengesellschaft, Lil-Dagover-Ring 7, 82031 Grünwald, Germany – 68.5% of voting rights.

We published notifications of corresponding transactions from 9 February 2018 on our website at https://ir.dermapharm.de/.

5.4 Shares conferring special rights granting powers of control

There are no shares conferring special rights which grant powers of control over the Company.

5.5 Type of voting rights control if employees hold an interest in the capital and do not exercise their control rights directly

Employees holding an interest in the capital of Dermapharm Holding SE can directly exercise the control rights to which the stocks entitle them in accordance with the provisions of the Articles of Association and the law.

5.6 Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

§§ 84 and 85 AktG govern the appointment and dismissal of members of the Board of Management. Under these provisions, the Supervisory Board appoints members of the Board of Management for a maximum term of five years. Members may be reappointed or their appointments may be renewed for maximum terms of five years in each case. Members are appointed to and dismissed from the Board of Management exclusively in accordance with the statutory provisions (§§ 84, 85 AktG).

Article 7 of the Articles of Association contains no special regulations on the appointment or dismissal of individual or all members of the Board of Management. The Supervisory Board is solely responsible for appointments and dismissals. It appoints members of the Board of Management

for maximum terms of five years in each case. Reappointments are possible. The Board of Management comprises one or more persons. The Supervisory Board sets the number of members of the Board of Management. The Supervisory Board can appoint a chairperson of the Board of Management. Furthermore, it can appoint a deputy chairperson. For Board of Management resolutions, in derogation of Article 50 (2) of the SE Regulation, the chairman of the Board of Management has no right to cast a tie-breaking vote in the event of a tie.

Rules governing amendment of the Articles of Association are set forth in §§ 133 et seq. and 179 et seq. AktG. As a rule, this requires a resolution adopted by the Annual General Meeting. Resolution by the Annual General Meeting requires a majority of at least three-quarters of the share capital represented at the time the resolution is adopted. The Articles of Association can stipulate another capital majority, however only a larger capital majority for amending the object of the Company.

In accordance with Article 16 of the Articles of Association, the Supervisory Board is however authorised to resolve amendments to the Articles of Association that are merely editorial in nature.

5.7 Board of Management's authority to issue or repurchase shares

The Board of Management is authorised, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period until 13 June 2028 (inclusive) against cash and/or in-kind contributions by a total of up to EUR 16,152,000.00 by issuing new no-par value bearer shares (Authorised Capital 2023). The Board of Management is authorised, subject to the consent of the Supervisory Board, to stipulate the further details concerning the rights attaching to the shares and the terms of their issue. The dividend rights attaching to the new shares may be stipulated in derogation of § 60 (2) AktG. Specifically, the new shares may also carry dividend rights from beginning of the financial year preceding the year in which the shares were issued if at the date of issuance of the new shares no resolution has been passed by the Annual General Meeting in relation to the appropriation of net profits for that financial year.

Shareholders must generally be granted the statutory right to subscribe the new shares. The subscription right may also be structured in whole or in part as an indirect subscription right within the meaning of § 186 (5) sentence 1 AktG.

However, the Board of Management is authorised, subject to the consent of the Supervisory Board, to exclude in whole or in part the shareholders' subscription right in accordance with the following provisions:

a. The Board of Management is authorised, subject to the consent of the Supervisory Board, to exclude fractional amounts from shareholders' subscription rights and to exclude shareholders' subscription rights to the extent that this is necessary in order to grant the holders or creditors of conversion or option rights from convertible or warrant-linked bonds or convertible participation rights issued or to be issued by the Company or a domestic or foreign entity in which the Company directly or indirectly holds a voting and capital majority, or to grant subscription rights to those obligated in the case of an own conversion right of the Company to the extent to which they would be entitled after exercising their conversion or option rights or after fulfilling a conversion or option obligation.
b. The Board of Management is furthermore authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights pursuant to § 186 (3) sentence 4 AktG in the event of capital increases against cash contributions if the issue price of the new shares is not significantly lower than the stock exchange price of the existing shares and the shares issued by exercising this authorisation to exclude subscription rights do not exceed a total of 10% of the share capital, either at the time this authorisation becomes effective or at the time it is exercised.
   New and existing shares of the Company that are issued or sold during the term of this authorisation on the basis of a further authorisation pursuant to or in accordance with § 186 (3) sentence 4 AktG with the exclusion of subscription rights shall be counted towards this 10% limit; in addition, shares of the Company that are issued or sold to service conversion or option rights or to meet conversion or option obligations arising from convertible or warrant-linked bonds or convertible participation rights, provided that the bonds or participation rights are issued during the term of this authorisation by analogous application of § 186 (3) sentence 4 AktG on the basis of another authorisation excluding subscription rights, shall be counted towards this limit.

c. The Board of Management is furthermore authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights if the new shares are to be issued against cash and/or in-kind contributions in the context of equity compensation programmes and/or in the context of share-based payment, and no other authorisation to exclude subscription rights is exercised for this purpose. The shares may only be issued to persons who participate in the equity compensation programme as a member of the Company's Board of Management, as a member of the management of one of its dependent companies or as an employee of the Company or one of its dependent companies, or to whom the share-based payment is or was granted as a member of the Company's Board of Management, as a member of the management of one of its dependent companies or as an employee of the Company or one of its dependent companies, or to third parties that transfer the economic ownership and/or the economic benefits of the shares to these persons and/or in which such persons are the sole (indirect or direct) shareholder. The new shares can in particular also be issued on preferential terms (including issue at the lowest issue price within the meaning of § 9 (1) AktG) and/or against contribution of remuneration claims. The new shares may also be issued using a bank or an entity operating in accordance with § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz, "KWG") as an intermediary, which underwrites the shares with the obligation to offer them to the aforementioned persons. The shares issued by exercising this authorisation to exclude subscription rights may not exceed a total of 10% of the share capital, either at the date on which such authorisation enters into effect or at the date on which this authorisation is exercised. The nominal amount of the Company's conditional capital resolved for the purposes of § 192 (2) no. 3 AktG is counted towards this 10% limit. To the extent shares within the scope of this authorisation are to be granted to members of the Company's Board of Management, the Supervisory Board of the Company shall decide on the allocation of those shares in accordance with the allocation of responsibilities under German stock corporation law.

d. The Board of Management is lastly authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights in the event of capital increases against in-kind contributions, specifically for the purpose of acquiring companies, parts of companies or equity interests in companies, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables.

The issued capital is contingently increased by a total of up to EUR 10,768,000.00 by issuing a total of up to 10,768,000 new no-par value bearer shares (Contingent Capital 2023). The contingent capital increase serves to grant shares to holders or creditors of convertible bonds and to holders of option rights from warrant-linked bonds which may be issued by the Company or a domestic or foreign entity in which the Company directly or indirectly holds a voting and capital majority in the period until 13 June 2028 (inclusive) on the basis of the authorisation resolved by the Annual General Meeting of 14 June 2023. The contingent capital increase will only be implemented to the extent that conversion or option rights from the aforementioned bonds are actually exercised or conversion obligations from such bonds are fulfilled and to the extent that no other forms of fulfilment are used to service them. The new shares will be issued at the option or conversion price to be determined in accordance with the aforementioned authorisation resolution by the Annual General Meeting of 14 June 2023. The new shares carry dividend rights from the beginning of the financial year in which they are created by the exercise of conversion or option rights or the fulfilment of conversion obligations. They shall carry dividend rights as of the beginning of the financial year preceding the year in which the shares were issued if at the date of issuance of the new shares no resolution has been passed by the Annual General Meeting in relation to the appropriation of net profits for that financial year. The Board of Management is authorised, subject to the consent of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase.

Pursuant to the resolution of the Annual General Meeting dated 14 June 2023, the Board of Management is furthermore authorised in the period to 13 June 2028, subject to the consent of the Supervisory Board, to acquire and use own shares in accordance with § 71 (1) no. 8 AktG, with the option to exclude subscription rights. The Annual General Meeting has also authorised the Board of Management to use derivatives in the context of acquiring own shares, with exclusion of shareholders' subscription rights and rights of tender.

5.8 Significant agreements of the Company which are conditional upon a change of control following a takeover bid

Financing agreements

As borrower, Dermapharm AG is party to promissory note loans entered into in 2019, with terms maturing in 2024, 2026 and 2029. The provisions of the financing agreements stipulate that, if a change of control occurs, the lender – each individually or in aggregate – is authorized to terminate the loan at face value (in each case plus interest accrued by the date of repayment) in the amount of the lender's respective participation in the total face value of the loan by means of written notification to the loan participants and observing a 30-day notice period. A change of control is deemed to have occurred if Mr Wilhelm Beier alone or together with Ms Elisabeth Beier and/or Mr Michael Beier no longer directly or indirectly hold more than 50% of the capital shares and/or voting rights in Dermapharm Holding SE and has/have the ability to nominate the management of Dermapharm Holding SE.

In 2019, Dermapharm entered into an agreement with an Austrian bank for a term loan facility to secure long-term financing for the construction of a new production and administrative facility for Melasan Produktions- und Vertriebsgesellschaft m.b.H. in Austria. The provisions of the financing agreement stipulate that, if a change of control occurs at the borrower, the lender is authorised to call in the loan with immediate effect. Control means that a person or a group of persons acting in concert directly or indirectly holds over 50% of the borrower's shares and/or voting rights.

In order to secure long-term funding for the Group's strategic development, Dermapharm entered into a syndicated loan agreement in December 2022 for principal and revolving tranches totalling EUR 1,050,000,000.00. The funds under this agreement were used both to refinance outstanding amounts drawn down under the existing EUR 500,000,000.00 syndicated loan dated 19 June 2019, as well as to finance the acquisition of the Arkopharma Group. Pursuant to the conditions of the financing agreement, in the event of a change of control, the principal amount of the loan under the syndicated loan agreement is called and payable within 10 bank business days (in each case plus any interest accrued by the repayment date and any other amounts outstanding under the loan agreement). A change of control is deemed to have occurred if Mr Wilhelm Beier alone or together with Ms Elisabeth Beier and Mr Michael Beier no longer directly or indirectly hold more than 50% of the capital shares or voting rights in Dermapharm Holding SE and has/have the ability to nominate the management of Dermapharm Holding SE.

The exercise of these termination rights could have an adverse effect on the financing of the Group's ongoing operations, at least temporarily, unless it is possible to secure refinancing for the financing agreements affected by the change of control.

Distribution agreements

As is customary in conducting business transactions, Dermapharm has entered into an insignificant amount of exclusive distribution agreements and distribution agreements which provide for unilateral or bilateral termination options in the event of a change of control. Change of control means that a person or group of persons acting in concert sells a significant amount of the distribution partner's shares and/or voting rights.

Exercising these termination rights could have a minimal adverse effect on the financing of Dermapharm's ongoing distribution operations, at least temporarily.

Agreements with members of the Board of Management

The Company has not entered into any agreements with members of the Board of Management which are conditional upon a change of control following a takeover bid.

5.9 Company agreements entered into with members of the Board of Management or employees regarding indemnity in the event of a takeover bid

The Company has not entered into any agreements with members of the Board of Management or employees regarding indemnity in the event of a takeover bid.

6. Corporate Governance Report

6.1 Corporate governance statement in accordance with § 289f and § 315d HGB

As a company listed in Frankfurt, Dermapharm Holding SE hereby issues the following corporate governance statement for the 2023 financial year on behalf of Dermapharm Holding SE and the Dermapharm Group in accordance with §§ 289f and 315d of the German Commercial Code (Handelsgesetzbuch, "HGB").

The Board of Management and the Supervisory Board of Dermapharm Holding SE furthermore issue the following report on corporate governance at Dermapharm Holding SE in accordance with Principle 23 of the German Corporate Governance Code (2022).

6.1.1 Declaration of conformity in accordance with § 161 AktG (updated February 2024)

The Board of Management and Supervisory Board of Dermapharm Holding SE hereby declare that the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code", published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) in the currently valid version dated 28 April 2022 (the Code) since issuing the last declaration of conformity in February 2023 and that it will continue to do so, with the following exceptions:

- In deviation from recommendation C.2 of the Code, no definitive age limit has been specified for members of the Supervisory Board so as to avoid restricting the selection of suitably qualified candidates.
- In accordance with the Company's Articles of Association, the Supervisory Board comprises only three members. Consequently, no committees are formed because each separate committee would have exactly the same members as the full Supervisory Board. In light of this, the Recommendations D.2, D.4, D.12 and G.17 of the Code were not complied with. In accordance with § 107 (4) sentence 2 AktG, the full Supervisory Board counts as an audit committee. Pursuant to the resolution by the Supervisory Board, in performing the duties of an audit committee, Supervisory Board member Lothar Lanz will assume the function of the audit committee chairperson. Based on this provision and the composition of the Supervisory Board, the remaining recommendations of the Code concerning an audit committee were complied with.
- The consolidated financial statements and Group management report, as well as financial information made public throughout the year are published within the respective applicable statutory deadlines and the deadlines prescribed by stock exchange regulations. In the opinion of the Company, compliance with the shorter publication deadlines stipulated in Recommendation F.2 of the Code is not more conducive to the information interests of investors, creditors, employees and the public.
- The variable remuneration paid to the Board of Management consists of a rolling bonus that is granted each financial year and determined using a three-year calculation basis. Within the first four months of the financial year for which the bonus is granted, but not before the beginning of that year, the Supervisory Board determined the targets for this and the following two financial years (deviation from Recommendation G.7 of the Code). As the targets are set here simultaneously for a total of three consecutive financial years and thus well before the start of the second and third years, this approach also ensures that the relevant calculation basis still extends far into the future when the targets are set.
- The long-term variable remuneration of the members of the Board of Management is granted neither in shares of the Company nor on a share-based basis; the members of the Board of Management can also dispose of the long-term variable remuneration before the end of four years (deviation from Recommendation G.10 of the Code). By linking variable remuneration to the achievement of earnings targets which are set up to three years in advance in each case, the remuneration system is consistently oriented to a sustainable increase in the value of the Company. The Supervisory Board therefore does not consider it necessary to additionally link remuneration to share price performance. In the view of the Supervisory Board, the rolling allocation of variable remuneration in annual tranches, each consisting of three components to be paid out after one, two and three financial years respectively, also ensures a sufficiently long-term incentive effect.
- The Board of Management members' contracts of service do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements (deviation from Recommendation G.11 sentence 2 of the Code). The Supervisory Board is of the opinion that the statutory provisions, in particular the statutory provisions according to which members of the Board of Management are required

to compensate the Company for damages in the event of breaches of duty and to surrender benefits received without entitlement, are sufficient and that additional intervention in remuneration is therefore not necessary for the time being.

- The remuneration system for the members of the Board of Management approved by the Annual General Meeting provides that at the end of the contract, outstanding components of the variable remuneration whose targets relate to financial years that do not begin until after the expiry of the contract or have not yet expired as at the end of the contract can be replaced by a discounted upfront payment compared with the target amount (deviation from Recommendation G.12 of the Code). The Supervisory Board is of the opinion that an unchanged performance-based payment of variable compensation is not generally necessary for financial years in which the departing member of the Board of Management was not, or was no longer, a member of the Board of Management; it therefore reserves the right to avail itself of the option provided in the remuneration system for such a lump-sum advance payment of variable remuneration components to departing members of the Board of Management.
- In deviation from recommendation G.17 of the Code, all members of the Supervisory Board receive remuneration in the same amount. Because the Supervisory Board consists of only three members and no committees are formed, the Company does not consider it necessary to differentiate between the members of the Supervisory Board with regard to the amount of remuneration.

Grünwald, February 2024

Dermapharm Holding SE

The Board of Management The Supervisory Board

This Declaration of conformity has also been made permanently accessible to the public on the Company's website at "https://ir.dermapharm.de/", under >> Investor Relations >> Corporate Governance >> Declaration of conformity. All published declarations of conformity are available for download on the website.

6.1.2 Information on corporate governance practices implemented above and beyond the statutory requirements

Dermapharm Holding SE is committed to ethical and legal conduct in all its business operations. In recognition of the social responsibility that comes with being a brand-name pharmaceuticals manufacturer, the Board of Management and the Supervisory Board take a responsible, transparent and value-driven approach to corporate governance. For Dermapharm this means compliance not only with the statutory and regulatory requirements but also an ethically sound corporate policy, which is reflected in the Code of Conduct (https://ir.dermapharm.de/fileadmin/Dermapharm-se/Images/PDF-EN/Corporate_Governance/Compliance/2023_01_05_Code_of_Conduct.pdf).

The Code of Conduct (https://ir.dermapharm.de/fileadmin/Dermapharm-se/Images/PDF-EN/Corporate_Governance/Compliance/2023_01_05_Code_of_Conduct.pdf) provides a vital framework for the Group's compliance structure. It applies not only to Dermapharm's employees, managers and senior executives, but also to the business partners, from whom the Group proactively requires compliance with minimum standards. The values, principles and practices laid down in the Code of Business Ethics and Compliance are intended to prevent the Company from suffering potential harm and to guard against actions being taken that are inconsistent with the Group's corporate principles and ethics.

In addition to the compliance measures, a responsible approach to dealing with business risks is another element of good corporate governance. The aim is to enable the Board of Management to identify risks and market trends at an early stage and to respond promptly to any potentially changed risk profile. To this end, risks are identified and assessed on a regular basis. The findings of these risk assessments are then incorporated directly into business management practices. For further information on the risks to which the Group is exposed, see the "Report on risks and opportunities" contained in the combined management report to this Annual Report.

6.1.3 Composition and description of the working practices of the Board of Management and Supervisory Board and the working practices of committees

Dermapharm Holding SE is organised as a European Company (Societas Europaea, "SE") and is subject in particular to the provisions of the German Stock Corporation Act on the basis of which the German Corporate Governance Code was likewise developed. A fundamental principle of German stock corporation law is that of a two-tier corporate governance system consisting of a management board and a supervisory board. The Board of Management is responsible for managing the Company while the Supervisory Board advises and supervises the Board of Management. No person may be a member of both boards at the same time. Dermapharm Holding SE's Supervisory Board and Board of Management work together in close cooperation and a spirit of trust with the aim of increasing the value of the enterprise for shareholders over the long-term.

Board of Management

Responsibilities of the Board of Management

The Board of Management manages the Company's business under its own responsibility and in the Company's interest with the aim of increasing value over the long term. This includes taking into account the interests of shareholders, employees and other groups associated with the Company (stakeholders). The members of the Board of Management are collectively responsible for managing the Company. The Board of Management manages the Company's business in accordance with the law, the Articles of Association, the rules of procedure and the schedule of responsibilities.

Composition and competences of the Board of Management

As at the end of financial year 2023, the Board of Management comprised three members with the following areas of responsibility:

- Dr Hans-Georg Feldmeier, Chairman of the Board of Management, is responsible for Product Development, Clinical Research, Marketing Authorisation, Production and Business Development, and HR.
- Christof Dreibholz, Member of the Board of Management, is responsible for Tax, Accounting, Controlling, Finance/Treasury, Governance, Risk & Compliance, Business Development and Investor Relations & Corporate Communications, and HR.
- Dr Andreas Eberhorn, Member of the Management Board, is responsible for Marketing, Sales, Internationalisation and Business Development, Brand Management, and HR.
- Karin Samusch, member of the Board of Management (until 31 July 2023), was responsible for Business Development, Marketing Authorisation, Clinical Research, HR, Legal, and Investor Relations & Corporate Communications.

All members of the Board of Management are responsible for business development and HR.

Working practices of the Board of Management

Within the scope of the rules of procedure and the resolutions of the Board of Management, the members of the Board of Management are independently responsible for the functions assigned to them under the applicable schedule of responsibilities. Notwithstanding their assigned functions under the schedule of responsibilities, the members of the Board of Management as a whole share accountability for management. All members of the Board of Management must keep themselves informed of material transactions within the various areas of the business.

The Board of Management decides by resolution on all matters with respect to which the adoption of a resolution is required by law, the Articles of Association or the rules of procedure. Members of the Board of Management may submit a matter from their respective department to the Board of Management for resolution.

Meetings of the Board of Management are convened by the Chairman of the Board of Management. The dates and the notice of meeting are set by the Chairman of the Board of Management who also chairs the Board of Management meeting. In urgent cases or if two members of the Board of Management so move, a Board of Management meeting will be convened without undue delay.

The Board of Management has quorum if at least half of its members are present or otherwise participate in the adoption of the resolution. Votes are decided by simply majority of the votes cast. In the event of a tie, the motion is denied.

Resolutions of the Board of Management may also be adopted outside the context of meetings (or by way of combined resolutions) by oral or telephone voting, voting in text form (§126 of the German Civil Code (Bürgerliches Gesetzbuch, "BGB")) and/or using other modes of telecommunication or electronic media, if so ordered by the Chairman of the Board of Management at least two days in advance. In urgent cases, the period may be shortened appropriately.

The Board of Management works together with the Supervisory Board in the Company's interest. It coordinates the strategic direction of the Company with the Supervisory Board and discusses the progress made in implementing the corporate strategy with the Supervisory Board on a regular basis. The Board of Management must provide the Supervisory Board with any and all information it requires for exercising its supervisory duties.

At least once every three months, the Board of Management reports to the Supervisory Board on the course of business of the Company and the Group and its expected performance. The Board of Management furthermore keeps the Supervisory Board fully and regularly informed about all issues of relevance to the business as pertains to strategy, planning, business performance, the risk situation, risk management and compliance.

For certain transactions set out in the rules of procedure for the Board of Management, the Board of Management must obtain the prior approval of the Supervisory Board.

Dermapharm's Board of Management has not established any committees.

Supervisory Board

Responsibilities and competences of the Supervisory Board

The Supervisory Board appoints the members of the Board of Management. It also supervises and advises the Board of Management with respect to the strategic direction of the business. Through regular dialogue with the Board of Management, the Supervisory Board is kept informed about business development, strategy, corporate planning, the risk situation, risk management, compliance and sustainability.

It approves the budget planning and the annual financial statements of Dermapharm Holding SE and the consolidated financial statements of the Group.

Composition of the Supervisory Board

In financial year 2023, the Company's Supervisory Board consisted of three members.

The following persons were members of the Supervisory Board:

- Chairman of the Supervisory Board: Wilhelm Beier
- Deputy Chairman of the Supervisory Board: Dr Erwin Kern
- Member of the Supervisory Board: Lothar Lanz

Supervisory Board committees – Audit Committee

Because the Supervisory Board consists of only three members, the Supervisory Board simultaneously performs the tasks of an audit committee.

The three-member Audit Committee is primarily tasked with reviewing the accounting, monitoring the accounting process and the effectiveness of the internal control system and the internal audit system, and overseeing the audit of the financial statements and compliance. The accounting covers in particular the consolidated financial statements and the combined management report covers CSR reporting (non-financial report), interim financial information and the Company's annual financial statements under German GAAP (HGB).

The Audit Committee monitors the independence of the statutory auditor and furthermore addresses the additional services provided by the auditor, issues the audit engagement, determines the focal points of the audit and sets the audit fee. The Audit Committee reviews the quality of the audit at regular intervals.

His many years' experience as CFO (1996-2008 CFO ProSieben Media AG, today ProSiebenSat.1 Media SE, 2009-2014 CFO/COO Axel Springer AG, today Axel Springer SE), the Chairman of the Audit Committee, Mr Lothar Lanz, possesses specific knowledge and experience in applying accounting principles and internal control procedures and with regard to audits, in accordance with §§ 107 (4) in conjunction with 100 (5) AktG and Recommendation D.4 of the 2020 Code. Mr Lanz also has proven risk management expertise.

Another expert member of the Audit Committee in accordance with § 100 (5) AktG is Mr Wilhelm Beier, who founded Dermapharm in 1991 and has transformed it into today's Dermapharm Group. His many years' experience within the Dermapharm Group have provided him with the necessary insight into auditing matters.

Supervisory Board skills profile

The Supervisory Board has set itself specific targets for its collaboration, drawn up a competence profile for the entire body and recorded it in a qualification matrix.

Qualification matrix	Wilhelm Beier	Lothar Lanz	Dr Erwin Kern
Length of tenure			
Member since	August 2017	January 2018	August 2017
Personal aptitude			
Independence1[1)]		•	•
No overboarding[1)]	•	•	•
Educational background	Merchant	Merchant	Merchant
Diversity			
Date of birth	21 April 1956	1 October 1948	6 July 1960
Gender	male	male	male
Nationality	German	German	German
Professional aptitude			
Corporate management and control	•	•	•
International experience	•	•	•
IT/digitalisation			
Sustainability	•	•	•
Transformation	•	•	•
Procurement/production/sales/R&D	•	•	•
Finance and capital markets	•	•	•
Financial expert[2)]	•	•	•
Risk management		•	
Legal/Compliance		•	
HR	•	•	•
Familiarity with line of business/sector	•	•	•

1) as defined in the German Corporate Governance Code 2022

2) as defined in § 100 (5) AktG and Recommendation D.3 of the German Corporate Governance Code 2022

• Criterion satisfied according to self-assessment by the Supervisory Board. One point signifies "a sound understanding" at a minimum and thus the ability to grasp the relevant issues and make informed decisions based on: existing qualifications; the knowledge and experience acquired through their work as Supervisory Board members; or the training measures regularly attended by all Supervisory Board members.

Working practices of the Supervisory Board

Meetings of the Supervisory Board are convened by the Chairman in text form (§ 126b BGB) subject to a notice period of ten (10) calendar days; the place of the meeting shall be determined by the Chairman. For the purpose of calculating the 10-day period, the date on which the notice of meeting is sent and the date of the meeting do not count; it is sufficient if the notice of meeting is sent within the time. In urgent cases, the Chairman may reasonably shorten the notice period and may also call the meeting orally or by telephone. The rules of procedure for the Supervisory Board may provide for a shorter period than the period specified in sentence 1 either generally or in specific cases.

The place and time of the meeting and the agenda are to be included in the notice of meeting. Amendments to the agenda must be communicated at least three days prior to the meeting, unless the urgency of the case justifies a shorter notice period.

Resolutions may only be adopted at improperly convened meetings, or on agenda items that were not properly notified in advance, if none of the members of the Supervisory Board object. In such cases, absent Supervisory Board members are to be given the opportunity to object to the resolution or cast their vote afterwards within a reasonable period to be stipulated by the Chairman. The resolution shall only become valid if the absent members do not object to the resolution (or they consent to it) within that period, or have subsequently cast their vote.

The Chairman chairs the meetings of the Supervisory Board and determines the order in which matters will be discussed and the nature and order of voting.

Resolutions of the Supervisory Board are generally adopted in the context of meetings. Absent Supervisory Board members may also vote on the resolution by arranging for written votes to be submitted in accordance with § 108 (3) AktG. Where prescribed by the Supervisory Board Chairman prior to voting, absent Supervisory Board members may also cast their votes by telephone, in text form (§ 126b BGB) or using other modes of telecommunication or electronic media, including subsequently within a period set by the Chairman, if applicable.

Resolutions of the Supervisory Board may also be adopted outside meetings (or by way of combined resolutions) by oral or telephone voting, voting in text form (§126b BGB) and/or using other modes of telecommunication or electronic media, if so ordered by the Chairman of the Supervisory Board. Members of the Supervisory Board have no right to object to this form of adopting resolutions. The above provisions (paragraphs 1 and 2) apply mutatis mutandis in relation to the notice and form of the Chairman's order.

Even if the order is not issued properly (on time), a resolution will still be valid if no member of the Supervisory Board objects. In such cases, absent or non-participating Supervisory Board members are to be given the opportunity to object to the resolution or cast their vote afterwards within a reasonable period to be stipulated by the Chairman. The resolution shall only become valid if the absent or non-participating members do not object to the resolution (or they consent to it) within that period, or have subsequently cast their vote.

The Supervisory Board has quorum if at least half the number of members it is required to have participate in the adoption of the resolution. However, if the Supervisory Board does not have its full complement of members for a period of more than two months, the Supervisory Board will be deemed not to have quorum from the expiry of this period until such time as it has its full complement of members, regardless of the number of remaining members.

For the purposes of the provisions regarding these types of resolutions, a member of the Supervisory Board will be deemed to have participated in the adoption of the resolution if he or she abstains from voting.

Unless a different majority is prescribed by law, the Supervisory Board adopts resolutions by a simple majority of the votes cast. If voting is tied, the Chairman of the Supervisory Board has the casting vote; this also applies in the case of elections. If no Chairman has been appointed or the Chairman abstains, a motion is deemed defeated in the event of a tie. If the Chairman is unable to vote, the Deputy Chairman is not entitled to the casting vote.

The Chairman is authorised to implement the resolutions of the Supervisory Board and to give and take receipt of the declarations of intent necessary for this purpose.

Transparent corporate governance

Transparent corporate governance is very important to the Board of Management and the Supervisory Board of Dermapharm Holding SE. The shareholders, financial analysts, shareholder associations, all capital market participants and the media are regularly updated about the state of the business and all material changes to the business. The Group primarily uses the internet as a medium to provide comprehensive and timely information to all parties alike. We report on the situation and results of Dermapharm Holding SE by way of:

- interim reports;
- the annual report;
- general meetings;
- press releases;
- conference calls; and
- special events with analysts and investors in Germany and abroad.

The financial calendar lists the routine reporting dates. Ad hoc notices are published if circumstances arise at Dermapharm Holding SE outside the routine reporting dates, and such circumstances would be likely to materially influence the price of Dermapharm Holding SE shares.

The financial calendar and ad hoc notices are published online at https://ir.dermapharm.de.

Remuneration of the Board of Management and the Supervisory Board

The remuneration report of Dermapharm Holding SE, which is included in the 2023 Annual Report as a self-contained section, presents the main features of the remuneration scheme for Dermapharm's Board of Management as well as overall disclosures of the remuneration of the members of the Board of Management and overall disclosures of the remuneration of the members of the Supervisory Board. The Board of Management remuneration scheme creates incentives to successfully implement the corporate strategy and secure lasting business development, and is also geared towards creating long-term value appreciation for shareholders. The remuneration for the members of the Supervisory Board is governed by Article 15 of Dermapharm Holding SE's Articles of Association. Under the remuneration scheme, the members of the Supervisory Board receive a fixed annual salary. The remuneration report can also be downloaded from the Company's website at https://ir.dermapharm.de#CORPORATE-GOVERNANCE.

6.1.4 Stipulation of targets to promote participation by women and men in managerial positions in accordance with § 76 (4) and § 111 (5) AktG

In accordance with § 111 (5) AktG, the Supervisory Board set targets in 2022 for female representation on the Supervisory Board and the Board of Management as well as periods for achieving such targets. The periods are no longer than five years.

Report on the target set for female representation on the Supervisory Board and target achievement

At the time the target was set on 10 January 2018, the Supervisory Board of Dermapharm Holding SE had a total of three members. At the Annual General Meeting on 1 June 2022, each Supervisory Board member was re-elected for a further term of office. The term of office commenced with effect from the end of the present Annual General Meeting, for the period until the end of the Annual General Meeting which resolves on the ratification of the actions of the members of the Supervisory Board for the fifth financial year after commencement of the term of office, not counting the financial year in which the term of office commences, and not to exceed six years. There are no plans to change the composition of the Supervisory Board during the current term of office.

The Supervisory Board set the target for female representation on the Supervisory Board at 0% with a deadline for implementation of 30 June 2027. The targets will therefore be revised in 2027 at the latest. With regard to the composition of the Supervisory Board, the Supervisory Board focuses on the individual professional and personal aptitude of potential candidates, taking into account the specific situation of the Company; gender is therefore not a priority factor in decisions in this context. When nominations are made for the election of Supervisory Board members, emphasis is placed solely on particular competence and qualifications. Other characteristics such as gender, age, origin, nationality, educational and professional background were and are of no significance for these decisions. The Supervisory Board intends to adhere to this principle in the future. At the same time, it aims to continuously evolve the Supervisory Board's composition and thus its competencies and experience, thereby maintaining a balance between continuity and renewal. The Supervisory Board as a whole must possess the knowledge, skills and professional experience required to properly perform its duties.

The Supervisory Board was reappointed in 2022 until the end of the Annual General Meeting in 2027. Currently, the Supervisory Board of Dermapharm Holding SE has no female members (actual quota: 0%). Since the Supervisory Board does not wish to commit itself in advance to a general gender balance for its composition with regard to the aforementioned relevance of qualifications and the company-specific situation, it has refrained in its resolution in 2022 from setting a target figure deviating from the status quo for the share of women on the Supervisory Board, which it intends to achieve by 30 June 2027 (i.e., the target quota remains 0%).

Report on the target set for female representation on the Board of Management and target achievement

At the time the target was set on 10 January 2018, the Board of Management of Dermapharm Holding SE had a total of four members, one of whom was a woman. Prior to 31 July 2023, one member of the Board of Management was female. Following the departure of Karin Samusch from the Board of Management, there is now no female member of the Board of Management, meaning that the 25% target has not been achieved.

The Supervisory Board of Dermapharm Holding SE decided that the target for female representation on the Board of Management should, until further notice, be 25%. 30 June 2027 was set as the date by which the above targets are to be achieved. The targets will therefore be revised in 2027 at the latest.

Report on the target set for female representation in the two levels of management below the Board of Management and target achievement

In accordance with § 76 (4) AktG, the Board of Management set targets in 2018 for female representation in the two levels of management below the Board of Management as well as periods for achieving such targets. The periods are no longer than five years.

The Board of Management of Dermapharm Holding SE set the following targets for female representation in the two levels of management below the Board of Management:

The target set for female representation:

a. in the first level of management below the Board of Management is 35% until further notice; and

b. in the second level of management below the Board of Management is 35% until further notice.

The level of female representation in the two levels of management below the Board of Management at the time of determination on 10 January 2018 was:

- First level of management: 40%
- Second level of management: 49%

The existing target for female representation in both levels of management is to be retained for the period until 30 June 2027. The targets will therefore be revised in 2027 at the latest.

Female representation in the first level of management was 48% as at 31 December 2023, thus above the target.

Female representation in the second level of management was 45% as at 31 December 2023, thus falling short of the defined target.

Dermapharm seeks to achieve a balanced gender ratio when filling vacancies. The Group also places importance on reasonable female representation when re-filling managerial positions so as to further increase the ratio of women.

Generally speaking, however, the personal suitability and professional qualifications of candidates are the most important factors, not gender.

6.1.5 Succession planning

Dermapharm's success depends to a large extent on the qualifications, expertise, commitment and skills of its employees. Approximately 3,500 people worldwide contribute to this success every day. With their professional skills, commitment and creativity, they are important driving forces for improvement and innovation in their respective areas of responsibility.

Dermapharm's long-term sustainable HR work is grounded in systematic management development and succession planning. The identification and promotion of qualified employees is a crucial factor for the long-term success of the Company. All personnel policy decisions are rooted in Dermapharm's corporate and management culture.

Dermapharm's focus lies on promoting a working environment in which employees are optimally deployed and developed in line with their skills and potential. Since managers are expected to motivate their employees to perform at their best, we take appropriate care to establish excellent leadership skills in management. This increases employee retention and enhances our attractiveness as an employer.

This system is intended to provide the Supervisory Board and Board of Management with a joint decision-making basis for long-term succession planning. The Supervisory Board evaluates candidates for Board of Management positions on the basis of their professional qualifications, relevant leadership skills, and prior performance and achievements. The Supervisory Board has set an age limit of 67 for members.

6.2 Notes to the non-financial Group report pursuant to § 315b HGB

Employees, quality policy, environmental concerns and Dermapharm's mission statement

Dermapharm Holding SE has disclosed the Group's sustainability-related activities in a Group non-financial report. In accordance with the German Act Implementing the CSR Directive (CSR-Richtlinie-Umsetzungsgesetz), the report provides information within the meaning of §§ 315b et seq. HGB about the Group's sustainability strategy and its sustainable actions as far as environmental, employee and social concerns, human rights and anti-corruption are concerned. The Group non-financial report is available for download on the Company's website https://ir.dermapharm.de/en/sustainability/ under Sustainability.

7. Concluding declaration to the dependent company report

Concluding declaration to the report on relationships with affiliated companies (dependent company report), § 312 (3) sentence 3 AktG

The Board of Management declares that, with regard to the legal transactions and measures cited in the report on relationships with affiliated companies in the reporting period from 1 January 2023 to 31 December 2023 and based on the circumstances known to the board at the time when the legal transactions or measures were undertaken or omitted, the Company received appropriate consideration for each legal transaction and the Company was not adversely affected by the fact that measures were undertaken or omitted.

Grünwald, 21 March 2024

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

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