Dermapharm Holding SE

ANNUAL REPORT **2022**

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

Dermapharm is a rapidly growing manufacturer of branded pharmaceuticals in selected niche markets. The Group's growth strategy is based on in-house research and development, internationalisation and M&A activities. At the start of 2023, Dermapharm expanded its international presence by acquiring Arkopharma, the market leader for natural and herbal food supplements in France.

Content

Dermapharm Consolidated results at a glance

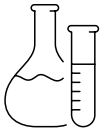
Consolidated results 5-year overview (IFRS)

		2022	2021	2020	2019	2018
Revenue	EUR million	1,024.8	942.9	793.8	700.9	572.4
Adjusted EBITDA	EUR million	359.8	351.1	200.7	177.6	143.4
Adjusted EBITDA margin	%	35.1	37.2	25.3	25.3	25.1
Unadjusted EBITDA	EUR million	331.3	354.4	184.5	168.5	139.6
Unadjusted EBITDA margin	%	32.3	37.6	23.2	24.0	24.4
Operating result	EUR million	243.7	298.5	136.9	119.5	107.5
EBT	EUR million	216.3	293.0	125.3	110.1	104.2
Profit or (loss) for the period	EUR million	132.6	208.9	85.9	77.8	75.2
Earnings per share	EUR	2.49	3.89	1.59	1.43	1.41
Dividend proposal	EUR	1.05	2.17	0.88	0.80	0.77
Total assets	EUR million	1,412.8	1,407.0	1,224.4	1,044.9	704.6
Equity	EUR million	532.5	499.8	324.6	284.5	256.1
Equity ratio	%	37.7	35.5	26.5	27.2	36.3
Cash and cash equivalents	EUR million	151.0	161.4	120.3	115.0	212.5
Net debt	EUR million	367.8	419.7	486.8	465.4	95.2

Dermapharm Facts and Figures

~40 development products

Well-filled development pipeline with four to six new product launches annually



>380 active pharmaceuticals ingredients

The number of active pharmaceutical ingredients used in the production of medicinal products

>1,200 marketing authorisations

Dermapharm currently has over 1,200 marketing authorisations for medicinal products worldwide

2,563 employees worldwide

Average number of employees worldwide as at 30 June 2022

Notice: *For reasons of better readability, we refrain as far as possible from using both male and female forms of language in this report; for example, staff members always refer to both male and female persons.*

Letter to the shareholders

Dr Hans-Georg Feldmeier
Chief Executive Officer, responsible for Product Development and Production

Dear Ladies and Gentlemen,
Dear Shareholders,

Last year was marked in particular by macroeconomic factors. The COVID-19 pandemic and its effects could be felt around the world. In February 2022, Russia launched its barbaric war of aggression against Ukraine, causing life for us in Europe to change once more unexpectedly. Our thoughts are with the people in Ukraine and especially those employed by our subsidiary mibe Ukraine.

Facing down the pandemic and the repercussions of Russia's aggression will require billions in investment in our economies and thus represent a significant challenge. This will also place pressure on the social security system, as the German Act on the Financial Stabilisation of the Statutory Health Insurance System (GKV-Finanzstabilisierungsgesetz) has shown. Our supply chains are under considerable strain, with energy and upstream product costs rising sharply.

For these reasons, we were constantly forced to adapt to rapidly shifting conditions and roll with the punches over this past year. Precisely this is where Dermapharm's strengths lie, and this is what set us apart from the rest once more. Our entrepreneurial spirit and solutions-based approach, combined with our highly motivated workforce, are crucial success factors which have enabled us to navigate these crises safely.

Thus, we generated consolidated revenue of EUR 1,025 million and consolidated EBITDA of EUR 360 million in financial year 2022. We should all be very pleased with these results because they never would have been possible without the incredible dedication and hard work of our employees. And so I would like to thank you all!

Dermapharm's mission is to achieve dynamic growth and our goal is to continue to do so even under increasingly complicated conditions. In 2022, we laid important foundations to do this. Our production facilities in Germany and Europe are more important than ever to ensuring stable supply chains. For this reason, we have continued to invest in them. For instance, we brought powerful production facilities to fill and package vaccines on line, enabling us to expand our partnership with BioNTech. These technologies are adaptable and can be used in the future as well – for instance to ensure pandemic preparedness.

The Strathmann production facility for packaging tablets has been completely overhauled. By decommissioning outbuildings, the newly reorganised operations save energy and are efficiently incorporated into production processes. At Allergopharma, we are in the process of establishing the production of active ingredients for our StroVac® and Gynatren® vaccines, thus sending a clear

"The positive effects on the cost structure can already be felt after only a brief amount of time. Our broadly diversified product portfolio once again proved extremely robust and resilient. Our strong brands form the basis for organic growth."

Dr Hans-Georg Feldmeier, Chief Executive Officer

signal about Europe as a location for active ingredient production. In April 2022, Axicorp inaugurated a new operating building. The positive effects on the cost structure can already be felt after only a brief amount of time.

Our broadly diversified product portfolio once again proved extremely robust and resilient. Our strong brands form the basis for organic growth. New, internally developed products strengthen our market position, particularly in dermatologics.

We are also continuing our systematic efforts to implement the Group's sustainability strategy. In particular, further investment in photovoltaics, rendering old buildings more energy efficient and swapping out energy-hungry technologies offer clear proof of this.

Organisational changes have been made to support the Group's constant process of optimisation. We have decided to relocate the activities of the C³ Group into Axicorp's newly constructed operating building in 2023. Doing so will enable us to achieve greater vertical integration of manufacturing activities and improve efficiency.

We also anticipate new momentum on the market thanks to the merger of the sales force organisations in Germany. This will allow us to market our products in a more focused and efficient manner.

We have laid the groundwork for further growth by implementing the largest acquisition in our history. Arkopharma, founded in 1980 in Carros, a suburb of Nice, specialises in phytotherapy. It has since developed into the market leader for herbal medicines and food supplements in France and generated revenues in excess of EUR 200 million in 2022. At the same time, Arkopharma also had large market share in Spain and operates in Portugal, Italy, Belgium, the Netherlands and Switzerland via subsidiaries.

This acquisition has enabled us to tap into new distribution channels in western and southern Europe, thus significantly expanding our international reach. Similarly to Dermapharm, Arkopharma operates a completely integrated business model. This means that Arkopharma covers the entire value chain from purchasing, through research and development, down to in-house manufacturing capacities, marketing and sales. Arkopharma's portfolio focuses on

Dividend for financial year 2022
€1.05

seven specialist areas featuring strong brands: phytotherapy, hair and beauty, fatigue and energy, sleep and stress, immunity urinary comfort and joints.

It will not be long before we are able to leverage Arkopharma's broad and well-founded European distribution network to market our own medical devices and food supplements. As well as cross-selling effects, we will also benefit from Arkopharma's expertise in developing herbal medicines and food supplements. We would like to welcome the Company's employees to our Group and look forward to working with them in the future. À une bonne collaboration!

Dear shareholders,

Financial year 2022 was a success that matched our expectations. You, our shareholders, should also participate in this success. This is why we intend to propose a dividend of EUR 1,05 at the Annual General Meeting on 14 June 2023.

At the end of 2022, the Company presented its newly configured Board of Management. We are well positioned for 2023 and are eager to tackle the challenges that lie in store for us.

I would like to thank you for your trust and support over this past year. Join us as we take the next steps on our successful and exciting growth path!

Grünwald, March 2022

Sincerely,
Dr Hans-Georg Feldmeier
Chief Executive Officer

NEW **COUNTRIES**
NEW **MARKETS**
NEW **BRANDS**

Quo vadis Dermapharm? Interview with the Board of Management

KARIN SAMUSCH / CBDO
DR. ANDREAS EBERHORN / CMO
CHRISTOF DREIBHOLZ / CFO / CCO

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

Quo vadis Dermapharm?

Interview with members of Dermapharm's Board of Management:
Karin Samusch / Chief Business Development Officer
Dr Andreas Eberhorn / Chief Marketing Officer
Christof Dreibholz / Chief Financial Officer und Chief Compliance Officer

The years 2022 and 2023 will be pivotal for Dermapharm. Particularly the Arkopharma deal and the changes it precipitates will lay the groundwork for the next major phase in the Group's development – with the focus on: New countries. New markets. New brands. At the same time, change is afoot on the Board of Management, whose members we have asked to tell us firsthand what all this means, and what opportunities and prospects it offers.

We begin with the Chief Business Development Officer, Karin Samusch, who is heading up Arkopharma's integration.

Ms Samusch, how has the big acquisition been for you?

Karin Samusch: M&A is a major strategic pillar at Dermapharm – for a good reason. Targeted acquisitions enable us to keep pushing forward with our internationalisation strategy, tapping into new markets. We saw an obvious opening in France which we are now moving to fill. But we are also keen to expand into western and southern Europe. We have seen that the smarter way to do this is to acquire established companies abroad and leverage the synergies from their existing sales and distribution networks. Arkopharma was an ideal candidate from the very outset.

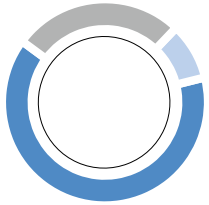
But the journey from ideal to real was long and arduous, albeit successful in the end. For that, I'd like to thank everyone on the team who made this happen, including the sellers and the banks.

"From the very outset" – how do you mean?

Karin Samusch: Of course we're constantly looking at potential fits, and throughout its long history of M&A activity, Dermapharm has time and again – If I may speak for the team – shown remarkable skill in integrating new companies into the Group. Our primary focus is on candidates that represent the optimal complement to, or even expansion of, our product portfolio. The goal is to increase efficiency and margins overall by making minimal adjustments to their and our processes.

KARIN SAMUSCH / Chief Business Development Officer, responsible for Business Development, Market Authorisation, Clinical Research, HR, Legal, Investor Relations and Corporate Communications

Dermapharm at a glance



- Branded pharmaceuticals and other healthcare products
- Parallel import business
- Herbal extracts

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

Arkopharma

LABORATORIOS

Arkopharma is the market leader for herbal medicines and food supplements used in phytotherapy in France*

Arkopharma's portfolio focuses on seven specialist areas featuring strong brands: phytotherapy, hair and beauty, fatigue and energy, sleep and stress, immunity, urinary comfort and joints.

"Arkopharma represents a significant prospect for organic growth in the market for food supplements and medical devices."

Karin Samusch,
Chief Business Development Officer

My team has been working on Arkopharma since about 2019. For one thing, because their product range represents a clever addition, and for another because their integrated business model – featuring in-house development, solid production processes and an internal sales force – is an excellent fit for us. And not least because the numbers add up: with more than EUR 200 million in revenue in 2022, an EBITDA margin above 20%, 53 employees in development and sales, it is a market leader for food supplements in France, a top player in Spain and Portugal, and offers us access to the Benelux market. That piqued our curiosity.

Is the purchase price justified?

Karin Samusch: Of course EUR 450 million is a big investment for us, which has to be considered carefully and financed prudently. But we are all confident that the Arkopharma deal is not merely an acquisition of know-how and revenue, it represents a significant prospect for organic growth in the market for food supplements and medical devices – in German-speaking countries and the rest of Europe, and even around the world.

What about Made in Germany?

Karin Samusch: That will still be the case – and then some: the major German production sites in Brehna, Reinbek, Alsdorf and Ehrenkirchen will be joined by Euromed's locations in Mollet de Vallès and Murcia as well as Arkopharma's manufacturing operations in Carros, just outside of Nice. Made in Germany will gradually morph into a cleverly diversified "Made in Europe". That will go a long way towards ensuring stability of supply in Europe.

*Source: GERS – SOG Early France – Pharmacy channel – Family health and Dermo-cosmetics market defined by Arkopharma Laboratories –Health food supplements category. Data MAT June 2022 in value (VAT tax included).

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

I'd like to circle back to the topic of "food supplements" and get the new CMO Dr Andreas Eberhorn's take: are we witnessing a paradigm shift? Is Dermapharm turning its back on branded pharmaceuticals?

Dr Andreas Eberhorn: No – not at all. Branded pharmaceuticals are and will remain at the heart of Dermapharm's business – this was also the case during the global pandemic, when the capital markets often wrongly perceived us as a pure vaccine manufacturer.

The fact of the matter is this: we have an excellent track record with branded pharmaceuticals. Lucrative niche markets, established products and active ingredients, strong, independent brands, the utmost efficiency in every process, from manufacturing through to sales and of course outstanding margins. That's our core business.

DR ANDREAS EBERHORN / Chief Marketing Officer, responsible for Marketing and Sales

Dermapharm's core business: Pharmaceuticals for therapeutic areas in niche markets

Vitamins, minerals, food supplements — 01

- Dekristol®
- Dekristolvit® D_3
- Vita aktiv B12
- Eisen VITAL®
- Silicea®
- Sikapur®

Dermatology — 02

- Acicutan®
- Alitrederm®
- Ketozolin®
- Calcipotriderm®
- Tracolimus®
- Bite away®
- Herpotherm®

Allergology — 03

- ACAROID®
- ALLERGOVIT®
- NOVO-HELISEN® Depot
- Azedil®
- Levocamed®
- Momekort®

Pain and inflammation — 04

- Keltican® FORTE
- Myditin®
- Myopridin®
- Prednisolut®
- Volon®
- Rectodelt®

Cardiovascular support — 05

- Tromcardin® complex
- Tromcardin® duo
- Tromcardin® aktiv
- Hygroton®
- Dociton®

Gynaecology and urology — 06

- Gynatren®
- StroVac®
- Pollstimol®
- Diemono®
- Madinette® 30
- UroCys® Mannose+

01 Vitamins, minerals, food supplements
02 Dermatology
03 Allergology
04 Pain and inflammation
05 Cardiovascular support
06 Gynaecology and urology

Note:
Revenue excl. revenue generated abroad and vaccine production

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

1

Arkopharma is the best-selling OTC brand in France with a market penetration of 10%.*

"We provide Arkopharma access to physicians specifically for products that lend themselves to recommendations from specialists and vice versa."

Dr Andreas Eberhorn, Chief Marketing Officer

But ...?

Dr Andreas Eberhorn: But we also want to establish a similarly strong position in the constantly growing market for food supplements. Of course we've noticed this rising trend towards self-medication and have taken steps in the past to position ourselves in that regard: think Anton Hübner, think: Dekristol and now Arkopharma. It's an exciting market around the world. Of course we want to be a part of it and keep growing.

How does the newest member of the corporate family rate with the Chief Marketing Officer?

Dr Andreas Eberhorn: Let me remind you of two facts, which I believe are important and exciting: First, Arkopharma occupies an extraordinarily broadly diversified position which covers a range of therapeutic areas, all the while remaining focused on its growth drivers through seven "sub-brands". Arkopharma is number one in France when it comes to preferred brands and best-selling OTC brands with a market penetration of 10%. Arkopharma has taken pole position in the French market for food supplements as well as for food supplements used in phytotherapy. In Spain, Arkopharma is the third-largest producer of food supplements and selected natural remedies. You don't just get there by accident. Second, Arkopharma has established an extremely strong brand with tremendous market identification and brand loyalty, which we aim to leverage in particular. Arkopharma has a strong presence especially in southern and western Europe. We want to get stronger in these regions and now we have our foot in the door – it's a great opportunity.

How can and should Arkopharma help you on your growth journey?

Dr Andreas Eberhorn: As an incubator and accelerant. Arkopharma basically has three areas where it is doing very well: the "Arkopharma" umbrella brand, its own R&D department and its vast and deep international sales and distribution structure. Alongside its very popular brand, Arkopharma has a powerful new product development pipeline. Every year, around 20 new compounds are introduced which make a vital contribution to overall revenue. As you can see, the beat rate is gigantic.

*Source: GERS - SOG Early France - Pharmacy channel - Family health and Dermo-cosmetics market defined by Arkopharma Laboratories – GERS Definition of Phytotherapy - Health food supplements category. Data MAT May 2022 in value (VAT tax included).

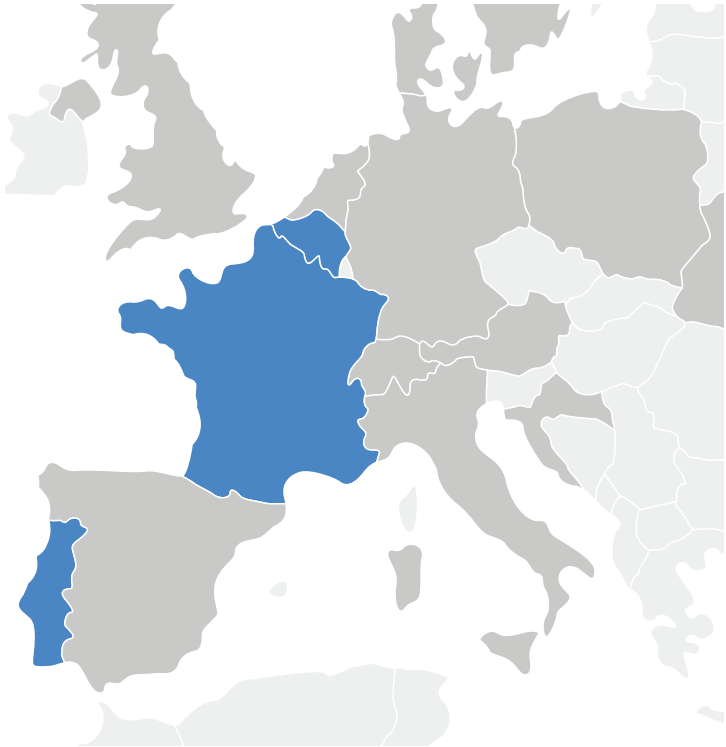
NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

Arkopharma's extraordinarily powerful and successful international sales and distribution network is the key to significant synergies for the Group. Geographically, there is luckily very little overlap between Arkopharma and us – and this will benefit us both, not only where the national branches are concerned but also the distributor network. We use the infrastructure and networks already in place on both sides to introduce the right products from the existing portfolio into the right markets and channels. We have already made a start and are successfully introducing our bite away® thermotherapy into France and Spain via Arkopharma's architecture. In the few countries where both companies have operations, we are already in the process of merging offices. This will make it even easier to accomplish even more under one roof and better coordinate our shared strategy in the relevant countries.

And we are also keen to learn a thing or two from Arkopharma. Let me name two examples: First, we want to leverage the knowledge to successfully set up and continue developing an umbrella brand strategy featuring significant recognition value and clout for Anton Hübner's entire product portfolio. We're launching a new umbrella brand strategy here with new branding, which we of course want to develop as successfully as with Arkopharma.

Second, Arkopharma and its products enjoy a certain degree of market omnipresence. What does that mean? Information about Arkopharma's products is available to specialists, customers and consumers through every channel. Whether it's physically provided by sales reps to specialists

Internationalisation: Focus on western and southern Europe from 2023 onwards



All locations:

→ https://ir.dermapharm.de/de/unternehmen

→ See Group organisational chart on p. 35

>50 locations worldwide, primarily in **Europe**, HQ in **Germany**

Reciprocal sales synergies

Going forward, Dermapharm and Arkopharma will use each other's distribution channels to sell selected products from their respective product ranges.

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

Product distribution channels

Prescription products
The sales force presents Dermapharm's products to specialists, helping to boost the number of prescriptions for Dermapharm's niche products.

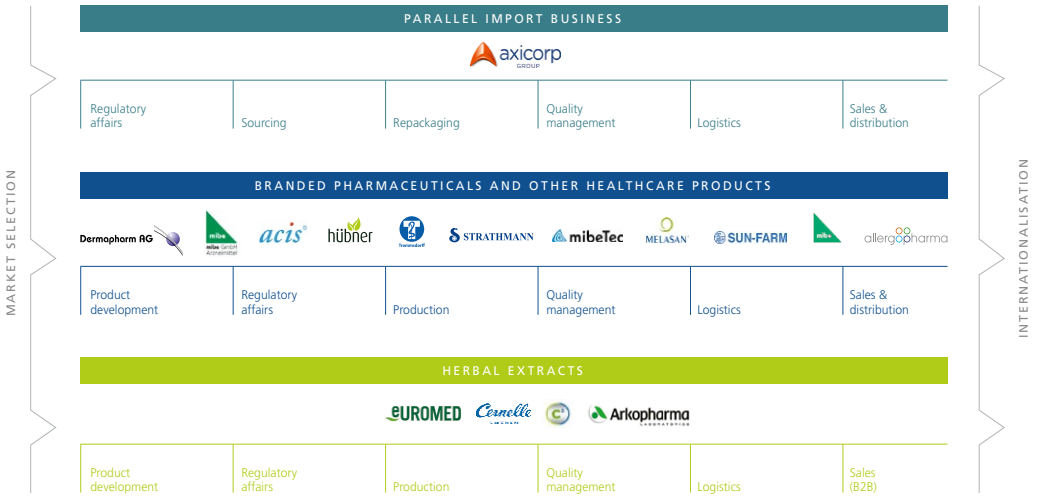
OTC / non-prescription products
The sales force markets the products to specialists and pharmacies to make them available over the counter to customers.

Food supplements
In addition to brick-and-mortar pharmacies, chemist's shops and health food stores are the key distribution channels for food supplements.

and consumers, in pharmacies and online shops, through social media, on websites for every target group.

We're especially interested in expanding our branded pharmaceuticals' strong physical presence into digital channels and offerings in order to reach more customers than ever and extend the service for existing customers. That's one area we're focusing on and Arkopharma's expertise means we can achieve this goal more quickly and efficiently.

Dermapharm Holding SE's integrated business model



By ensuring that entire value chain – from purchasing through production down to logistics and distribution – is covered in-house, Dermapharm streamlines internal processes and, furthermore, creates synergies for the Group.

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

CHRISTOF DREIBHOLZ / Chief Financial Officer and Chief Compliance Officer, responsible for Accounting, Controlling and Finance as well as Governance, Risk & Compliance

"This synchronised the financing and the transaction and means that Arkopharma will be consolidated for the full 12 months of 2023."

Christof Dreibholz, Chief Financial Officer

How does Arkopharma fit into Dermapharm's existing business model?

Dr Andreas Eberhorn: We intend to integrate Arkopharma into our "Herbal extracts" segment. In this segment, Arkopharma's products will be marketed alongside Euromed's and Cernelle's herbal extracts as well as our cannabis line from C³-Cannabinoid Compound Company.

For the capital markets, the numbers are what's most important – Mr Dreibholz, how do you see the current situation as the new CFO?

Christof Dreibholz: Well, I'm not sure I really count as "new", to be honest. After all, I've served this company in an advisory capacity for nearly ten years now. I've worked on every major acquisition in the past, and was involved in the Arkopharma due diligence from the very start.

But the current deal does eclipse every previous one so far. Not only in terms of the purchase price but also in light of its strategic significance and what it means for our finances.

Meaning?

Christof Dreibholz: Let's start with the financing: in the run-up to the closing in early January 2023, we were able to pay off the existing syndicated loan and negotiate good conditions on a new loan of around a billion euros with a term until 2027. Above all, that provided us with secure financing and flexibility.

At the same time, we deliberately opted against a bullet payment, since we generate consistently high cash flows through our core business and will begin to continuously pay down our debt in 2024.

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

In that connection, it was also a very good decision on the part of our deal team, after submitting our binding takeover offer in July 2022, to negotiate the completion of the deal for early January 2023. This synchronised the financing and the transaction and means that Arkopharma will be consolidated for the full 12 months of 2023. An excellent decision, not least for our balance sheet.

What does the high-profile acquisition mean for the CFO…

Christof Dreibholz: As a businessman, of course I can see the great advantage of a diversified product range and expect this to ultimately provide a stable basis for growth. Arkopharma brings a number of attractive products to the table – as my colleagues have already mentioned.

I have no doubt whatsoever that the acquisition will lead to measurable, tangible synergies in many areas – above all, where revenue and production are concerned, of course. We've identified significant potential in these areas, which we will systematically leverage over time.

…and what does it mean for the margin?

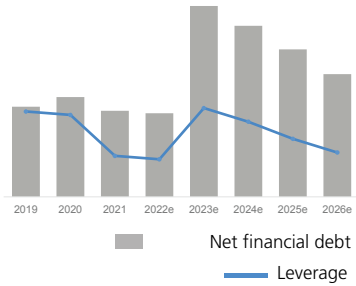
Christof Dreibholz: Arkopharma is a fantastic company and we're pleased to be able to welcome this group – and especially our new colleagues – into the Dermapharm family. We've already managed to strike up a collegial working rapport with Arkopharma's executives and are making strides with the integration, which will also result in an increase in the already attractive EBITDA margin.

I'd like to touch on one more thing in this connection, if I may: by strengthening the food supplements line, we can increase the attractive share of self-payers who buy from us directly without institutional or state discount agreements, which will also have a positive effect on our gross and EBITDA margins.

In our "Branded pharmaceuticals" segment, which remains our largest, we plan to keep focusing on our attractive margins and will do all we can to continue to increase them – despite a challenging regulatory environment and difficult supply chains.

NEW **COUNTRIES** / NEW **MARKETS** / NEW **BRANDS**

Financing the Arkopharma deal



Reduction of distribution ratio to ensure quick repayment of financial liabilities.

Aside from the work you've already mentioned, what goals have you set yourself for the year to come?

Christof Dreibholz: As I've said, I've known the Dermapharm Group for years and I can tell you it's a great company in an excellent position. I've been lucky enough to work with highly motivated colleagues in the Finance department, who have given me nothing but support from day one. So there's no need to go making any big changes – in my view, that would even be counterproductive. What I'm focusing on is adding my own touches here and there, and promoting cooperation and collaboration within the Group. There's so much potential and commitment in Grünwald and beyond!

With that in mind, last year I began paying visits to our larger subsidiaries which have their own finance departments, to meet the colleagues there. I plan to continue these visits in 2023 – in Germany and abroad. The expertise and dedication of my team members in Finance never cease to impress me and I am therefore very optimistic about the future of our Finance department.

The same also goes for Arkopharma: we also have the privilege to welcome an outstanding team of dynamic employees in their Finance department, cultivated by the previous owner, the financial investor Montagu. Although the integration of the Finance department is surely not the area requiring the greatest amount of our attention, we've already made significant progress in this area in a short amount of time and our teams are working well together – thanks in particular to the support of the previous owner.

Your conclusion?

Christof Dreibholz: All this elation notwithstanding, I won't lose sight of our aim of generating sustainable revenue and earnings growth. I don't plan to rest on my laurels. We are constantly working to gradually improve in every area and are keeping a watchful eye on our costs. Although we're growing, we're still a mid-sized company with a lean stance and highly cost-conscious approach. That's in our DNA, and it shows in everything we do.

Our priorities are clear: diversify, boost revenue and increase profitability.

Or, to put it more succinctly:
New countries. New markets. New brands.

Pharmacy in Germany, Berlin

To the shareholders

Members of the Management Board

DR HANS-GEORG FELDMEIER / CEO

Dr. Hans-Georg Feldmeier is the Chairman of the Management Board at Dermapharm. He joined the company in 2003 as project manager and was responsible for the construction of the new production facilities in Brehna. Since 2009, he has been Chief Production & Development Officer of Dermapharm. Dr. Feldmeier began his professional career in 1987 at Berlin Chemie. He played a decisive role in the modernization of the company after the fall of the Berlin Wall. In 2002, he was head of the supply center at Schering Aktiengesellschaft, Berlin.

KARIN SAMUSCH / CBDO

Karin Samusch is Dermapharm's Chief Business Development Officer. She joined the company in 1991 and has been responsible for business development, international affairs, regulatory affairs and pharmacovigilance ever since. Prior to joining Dermapharm she worked for the pharmaceutical company Dorsch GmbH and the seal producer Feodor Burgmann GmbH & Co. KG.

DR ANDREAS EBERHORN / CMO

Dr. Andreas Eberhorn has been responsible for marketing and sales at Dermapharm as Chief Marketing Officer since 1 September 2022. He holds a doctorate in biology and has many years of experience in the pharmaceutical industry. From 2014 to 2018, he was already responsible for the specialty business as a member of the Management Board of Hexal AG. From 2018 to 2022, he has been Country Head at Sandoz Austria and most recently Head of Retail Cluster II (Rx and OTC) for the European region at Sandoz.

From left: **DR HANS-GEORG FELDMEIER** / Chief Executive Officer, **CHRISTOF DREIBHOLZ** / Chief Financial Officer and Chief Compliance Officer, **KARIN SAMUSCH** / Chief Business Development Officer, **DR ANDREAS EBERHORN** / Chief Marketing Officer

CHRISTOF DREIBHOLZ / CFO, CCO

Christof Dreibholz has been responsible for Finance, Controlling, Accounting, Tax as Chief Financial Officer since 1 November 2022. In addition, as Chief Compliance Officer, he is also responsible for Governance, Risk & Compliance. Christof Dreibholz has professional examinations as a certified public accountant and tax advisor and has been with Deloitte from 2002 to 2022. Since 2008, he has been responsible for the implementation of financial due diligence projects as a partner. Mr Dreibholz has supported the Dermapharm Group in an advisory capacity in numerous national and international acquisitions and has been familiar with the structures of the Dermapharm Group for many years.

Report of the Supervisory Board on the 2022 financial year

Cooperation between the Board of Management and the Supervisory Board

In financial year 2022, the Supervisory Board of Dermapharm Holding SE faithfully and diligently performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board continually offered the Board of Management oversight and advice with regard to its management of the Company.

At all times, we were able to affirm the legality, expediency and propriety of the work undertaken by the Board of Management. The Board of Management fulfilled its duty to provide information. The Board of Management regularly provided us with timely and comprehensive written and oral reports on all issues of relevance to the Company and the Group relating to strategy implementation, planning, performance, the risk situation, risk development and compliance. In particular, we discussed at length and verified the soundness of all transactions of material import to the Company on the basis of the Board of Management's written and oral reports.

The Supervisory Board also received reports on material and urgent individual transactions from the Board of Management and granted its consent to the extent this was required by law, the Articles of Association or the rules of procedure for the Board of Management.

Personnel changes on the Board of Management and the Supervisory Board

Board of Management

There were two changes to the Board of Management of Dermapharm Holding SE in financial year 2022. Dr Jürgen Ott left the Board of Management with effect from 31 August 2022. He was succeeded as Chief Marketing Officer by Dr Andreas Eberhorn as of 1 September 2022. Furthermore, Ms Hilde Neumeyer resigned from the Board of Management with effect from 20 July 2022. Mr Christof Dreibholz was appointed as Chief Financial Officer and Chief Compliance Officer effective 1 November 2022. The Supervisory Board would like to thank Ms Neumeyer and Dr Ott for their service at Dermapharm Holding SE. There were no further changes to the Board of Management.

Supervisory Board

There were no changes to the Supervisory Board in the reporting period.

Work of the Supervisory Board in financial year 2022

The Supervisory Board met four times during financial year 2022. Every member of the Supervisory Board attended every meeting convened, meaning that the average attendance rate at Supervisory Board meetings in the 2022 financial year was 100%.

Although the members of the Board of Management occasionally attended meetings of the Supervisory Board, the Supervisory Board also convened meetings without members of the Board of Management present. The Chairman of the Supervisory Board attended a number of the meetings of the Board of Management.

The Supervisory Board used its meetings to discuss any and all matters relating to the Company. As a preparatory measure, the Supervisory Board received reports from the Board of Management about the current state of the Group's business prior to meetings.

Issues of priority included the fundamental direction of corporate strategy, ongoing business performance, corporate planning as well as the situation of the Company and of the Group, particularly with regard to financial position and financial performance.

The Board of Management also provided regular detailed reports on the competitive environment, the demand situation, market structures and the development of prices and discounts in the individual markets. These reports also focused in particular on the effects of regulatory action taken by governments, including their effects on subsidiaries, and the countermeasures taken, as well as the selective approach taken by German health insurers when announcing calls for tenders for discount agreements and the participation of our German subsidiaries.

Also among the regular topics of discussion in addition to the cooperation and supply agreement entered into with BioNTech SE to manufacture the vaccine to combat the COVID-19 pandemic were potential further acquisition targets, developments in the product development pipeline

and the product portfolio, planned and implemented marketing measures, the technical availability of and capacity utilisation at production facilities and plants, the utilisation of logistics capacities, the integration of recently acquired subsidiaries within the Group and the impacts of the war in Ukraine.

The Supervisory Board expanded the rules of procedure for the Supervisory Board on **16 February 2022** to include performance of the duties of an audit committee. The 2022 Declaration of Conformity, which explains how the Company has deviated from the recommendations of the German Corporate Governance Code, was also approved.

The Supervisory Board's meeting on **11 April 2022** was a conference call with the auditor, Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Munich. After extensive discussion with the auditor, the Supervisory Board approved the 2021 annual and consolidated financial statements together with the management report and the combined Group management report. The Supervisory Board also resolved an extension of the existing Board of Management service agreements.

The Supervisory Board's meeting on **5 September 2022** was held as a video conference. The Supervisory Board discussed in depth the recommendations of the "Government Commission on the German Corporate Governance Code" (GCGC) in the version dated 28 April 2022. Other issues of priority included the financing of the Arkopharma acquisition and the liquidation of fitvia.

The Supervisory Board convened its meeting on **16 December 2022** as a conference call. The Supervisory Board discussed the budget plans for 2023, along with the new requirements of ESEF reporting and the Corporate Sustainability Reporting Directive (CSRD).

Committees

Because the Supervisory Board consists of only three members, the Supervisory Board simultaneously performs the tasks of an audit committee. Beyond this, the Supervisory Board has not formed any committees. The issues of the Audit Committee were also discussed at the Supervisory Board meetings.

The Audit Committee monitors in particular the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as auditing, with a particular view to the independence and qualification of the statutory auditor and their services. For this purpose, the Chairman of the Audit Committee coordinated the progress of the audit with the auditor and reported thereon to the Audit Committee members. The Audit Committee also monitors the effectiveness of the compliance management system.

Corporate Governance

The Supervisory Board continually monitors the development of corporate governance practices in Germany. It continued to address the principles, recommendations and suggestions of the German Corporate Governance Code (GCGC) in 2022. The Board of Management and Supervisory Board report jointly and in depth about corporate governance at the Company in the Corporate governance statement. The Board of Management and Supervisory Board most recently issued their annual Declaration of Conformity (§161 AktG) based on the GCGC in the version dated 16 December 2019 in February 2022, amended it in February 2023 and made it permanently accessible to the public on their website.

Each member of the Supervisory Board discloses any conflicts of interest to the Chairman of the Supervisory Board in accordance with the recommendations of the GCGC. No conflicts of interest were reported in the past financial year.

Professional development

The members of the Supervisory Board avail themselves of training and professional development opportunities independently, with the Company's support. The members of the Supervisory Board attended various internal and external events in the reporting period to maintain and develop their expertise.

Remuneration of the Supervisory Board

According to Article 15 (1) of the Articles of Association, each member of the Company's Supervisory Board is entitled to fixed remuneration of EUR 80 thousand for their work during the 2022 financial year.

Audit of the 2022 annual and consolidated financial statements, report on relationships with affiliated companies, remuneration report and non-financial report

The Company's auditor, Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the annual financial statements prepared by the Board of Management in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, "HGB") as well as the consolidated financial statements and combined management report for financial year 2022 prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the supplemental provisions in accordance with § 315e (1) HGB applicable under German commercial law, and issued each an unqualified auditor's report.

The remuneration report for the 2022 financial year was prepared by the Board of Management and the Supervisory Board in accordance with § 162 (1) sentence 1 of the German Stock Corporation Act (Aktiengesetz, "AktG") and subjected to a formal audit by the auditor in accordance with § 162 (3) AktG, with the result being that the information required under § 162 (1) and (2) AktG has been provided in the remuneration report in all material respects.

The members of the Supervisory Board received the above documents, the auditor's respective long-form audit report and the Board of Management's recommendation on the appropriation of the net earnings in due time. The Supervisory Board examined this at its meeting on 27 March 2023. The auditor was present at this meeting and reported on the material audit findings. Upon completion of its own examination, the Supervisory Board concurred with the auditor's findings and did not raise any objections to the annual financial statements, consolidated financial statements, the combined management report or the recommendation on the appropriation of the net earnings for financial year 2022 prepared by the Board of Management. Following the review of the Board of Management's proposal on the appropriation of net earnings, which was conducted on 27 March 2023 and included a discussion with the auditor, the Supervisory Board agreed with and approved the Board of Management's proposal for the appropriation of net earnings. The proposal included distributing the unappropriated net earnings of EUR 56,532,000 in full. The annual financial statements are therefore adopted.

Furthermore, the auditor also audited the dependent company report prepared by the Board of Management of Dermapharm Holding SE required by § 312 of the German Stock Corporation Act (Aktiengesetz, "AktG"). The audit did not give rise to any objections. The auditor issued the following unqualified auditor's report:

"In our opinion and in accordance with our statutory audit, we certify that (1) the factual disclosures provided in the report are correct, (2) the Company's consideration concerning legal transactions referred to in the report was not unduly high or any disadvantages were compensated for."

The members of the Supervisory Board also received the Board of Management's dependent company report and the auditor's corresponding audit report in due time. The Supervisory Board examined this at its meeting on 27 March 2023. The Supervisory Board's examination of the dependent company report did not give rise to any objections. The Supervisory Board therefore concurred with the auditor's findings and, upon completion of its examination, the Supervisory Board did not raise any objections to the concluding declaration by the Board of Management in the dependent company report.

The members of the Supervisory Board also received the Board of Management's separate Group non-financial report in due time. The Supervisory Board examined this at its meeting on 27 March 2023. The Supervisory Board's examination of the separate Group non-financial report did not give rise to any objections. Upon completion of its examination of the Board of Management's separate Group non-financial report, the Supervisory Board did not raise any objections.

Acknowledgements

We would like to thank the Board of Management for its unfailing open and constructive cooperation this past year. We would also like to give special thanks to our employees for their hard work in what was a challenging 2022 financial year. The Supervisory Board likewise wishes the Board of Management and the employees continued success for the work that lies ahead in the new financial year.

Grünwald, March 2023

Wilhelm Beier
Chairman of the Supervisory Board

Dermapharm at a glance

COMPANY PROFILE

Branded pharmaceuticals for successful treatment plans

Dermapharm Holding SE (together with its subsidiaries, associates and equity investments referred to as "Dermapharm" or the "Group") is a fast-growing manufacturer of branded pharmaceuticals for selected therapeutic areas in Germany. The product range covers prescription pharmaceuticals (Rx), over-the-counter (OTC) products, medical devices, food supplements and cosmetics. More than 70% of the German brand portfolio (by value) consists of original compounds which no longer enjoy patent protection and patent-free compounds for which there are few to no competitors on the market (excluding vaccine production in cooperation with BioNTech SE). Founded in 1991, Dermapharm is based in Grünwald near Munich. The Group operates four of its own development centres and high-capacity production facilities in Europe, primarily in Germany – a clear reflection of its commitment to Germany and the country's reputation as a manufacturing powerhouse. Dermapharm produces more than 90% of its pharmaceuticals using its own resources at its own facilities. mibe GmbH Arzneimittel ("mibe") is based in Brehna near Leipzig – one of the key manufacturing locations in Germany and the core logistics centre for the Group. Dermapharm's proven expertise in product development enables it to develop, manufacture and market a wide range of branded pharmaceuticals based on formulations of active pharmaceutical ingredients that are no longer protected by patents. Its portfolio currently comprises more than 380 (previous year: > 380) active pharmaceutical ingredients, with more than 1,200 (previous year: > 1,200) marketing authorisations resulting. Together with the growing portfolio of other healthcare products such as food supplements, medical devices and cosmetics, the Group offers a broad product range that makes Dermapharm unique and resilient to crises. One of the Group's key strengths is the in-house product development, in-house production in accordance with the Good Manufacturing Practice (GMP) standard and distribution of pharmaceuticals and other healthcare products for specifically targeted markets by a medical and pharmaceutical sales force. Dermapharm's "Made in Germany" quality seal and an integrated business model have helped it to achieve a strong track record for developing and marketing new pharmaceuticals and other healthcare products. More than 750 (previous year: > 750) national and international marketing authorisations have already been obtained as a result of in-house research and development. By ensuring that entire value chain – from purchasing through production down to logistics and distribution – is covered in-house, Dermapharm streamlines internal processes and, furthermore, creates synergies for the Group. The resulting reduction in manufacturing and logistics costs boosts margins.

The focus also lies on the attractive growth market for herbal pharmaceuticals and healthcare products, in which Euromed S.A. ("Euromed") has positioned itself as the market leader for the production and development of herbal extracts. Euromed's business is subsumed under the "Herbal extracts" segment, along with the pollen extraction activities of AB Cernelle ("Cernelle"), which was acquired in the previous year. In addition, this segment has been expanded to include C³-Cannabinoid Compound Company ("C³ Group"), which was acquired in January 2022. The C³ Group is the market leader for medicinal dronabinol in Germany and Austria, with a focus on developing, manufacturing and marketing medicinal cannabis.

Moreover, since 2012, Dermapharm has also been operating an established parallel import business via the axicorp GmbH ("axicorp") subgroup. axicorp imports originator pharmaceuticals from other EU Member States and resell them to pharmaceuticals wholesalers and pharmacies in Germany. This enables axicorp to benefit from the different pricing structures in the individual EU member states. Based on revenue, axicorp was one of the top four parallel importers in Germany in financial year 2022.

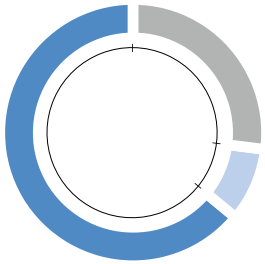
Dermapharm Holding SE's integrated business model

Attractive product mix

The ever-growing product portfolio, which includes known brands such as Dekristol®, Allergovit®, Keltican® and Tromcardin® complex primarily covers specialised niche markets. These often feature high barriers to entry and thus fewer competitors. Dermapharm holds a significant market share in each of these markets. With a mix of high-growth products and stable products which doctors and pharmacies use as standard therapies, Dermapharm has a market presence with an attractive and diverse portfolio. This portfolio includes vitamins, minerals and food supplements as well as products focusing on the core therapeutic fields of dermatology, allergology, pain and inflammation, cardiovascular support and gynaecology and urology. The Group has compounds with more than 380 different active pharmaceutical ingredients in varying strengths and dosage forms. This allows the Group to offer doctors and pharmacists different custom solutions for individual medical treatment needs. Dermapharm has also developed an attractive product category within and beyond the pharmacy business with our patented medical devices bite away® and Herpotherm®.

Breakdown of revenue

66%
Branded pharmaceuticals and other healthcare products



25%
Parallel import business

9%
Herbal extracts

By acquiring Allergopharma GmbH & Co. KG ("Allergopharma") in 2020, the Group has expanded its therapeutic areas to include allergology and has gained valuable expertise in specific subcutaneous immunotherapy for allergies. The newly acquired portfolio covers a broad selection of high-dosage, hypoallergenic preparations, known as allergoids, as well as allergens for diagnostic testing. Since October 2020, Dermapharm has been working in cooperation with BioNTech SE to manufacture the COVID-19 vaccine Comirnaty® at the main manufacturing facility in Brehna. These capacities were expanded at the end of April 2021 when additional production opportunities were opened up at Allergopharma in Reinbek. Through this cooperation, Dermapharm has proven its extraordinarily high level of expertise at the various locations. Dermapharm successfully fought on the frontlines of the pandemic without neglecting its own product range. Looking beyond its successful presence on the home market of Germany,

Dermapharm is also systematically pursuing a strategy of internationalisation. For many years, Dermapharm has successfully operated its own branches in Austria, Switzerland, Croatia, Poland and Ukraine. A subsidiary was founded in the United States to handle international sales of the hyperthermic medical devices and has now commenced operations. The acquisition of Apharma TopCo SAS – the holding company of the Arkopharma Group ("Arkopharma"), a leading supplier of natural OTC products and food supplements in western and southern Europe – (acquisition closed in early January 2023) also plays a vital role in the Group's progressive internationalisation, primarily in western and southern Europe. Arkopharma's portfolio covers the seven therapeutic areas of phytotherapy (products such as Arkogélules/ Arkofluides), hair and beauty (Forcapil®), fatigue and energy (Azinc/Arkovital®), sleep and stress (Arkorelax®), immunity (Arkoroyal®), urinary comfort (Cys-Control®) and joints (Chondro-Aid®).

Systematic growth strategy

In-house product development

Dermapharm develops pharmaceuticals and other healthcare products in its core therapeutic areas at four corporate locations. Development and authorisation activities, including the designing and sponsoring of clinical trials, are carried out here by experienced experts. Once authorisation is granted, newly developed products are generally put into production in-house. In total, the Group manufactures about 90% of the pharmaceutical product portfolio itself. 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

Internationalisation

The Group has been operating in Austria, Switzerland, Croatia, Poland and Ukraine for many years now. In order to further increase its revenue from branded pharmaceuticals and other healthcare products, the Group has formed subsidiaries in Italy and Spain. Country-specific portfolios are formed/developed based in each case on a detailed analysis of market conditions, with compounds developed and manufactured by the Group in particular receiving marketing authorisation. In addition, Dermapharm leverages the previously established foreign branch offices and distribution channels of the companies it acquires as well as their sales force and distribution network to sell and market Dermapharm products. This enables the Group to gradually enlarge its portfolio and the respective sales and distribution structures as it expands into new markets. For instance, Dermapharm is expanding into other countries in Europe, Asia and the Americas with its CE-certified and internationally patented medical devices bite away® and Herpotherm®. The acquisition of Arkopharma has enabled Dermapharm to significantly expand its international footprint. Thanks to this acquisition, the Group for the first time has access to the French market and also leverages Arkopharma's international distribution network primarily on the Iberian peninsula, in the Benelux countries and in Italy. In addition, Dermapharm also generates cross-selling effects and synergies through the Arkopharma acquisition. For instance, this transaction has opened up new distribution opportunities for Dermapharm in European countries, particularly in western and southern Europe, while the Group will use Arkopharma's sales force to distribute its own products. In addition, the Arkopharma deal enabled Dermapharm to acquire additional know-how in connection with the manufacturing of herbal pharmaceuticals, thereby creating synergies with other Group companies.

Dermapharm's international strategy also leaves its mark on the marketing and sale of own products via distributors in other European countries, as well as in China, Taiwan, South Korea, Canada and Australia.

M&A activities

Acquiring individual products, portfolios and companies has always been part of Dermapharm's business strategy and a key success factor for its continued growth. Since its formation in 1991, the Group has steadily expanded its product offering through successful acquisitions in Germany and abroad. This includes, for instance, the acquisition of attractive patented medical devices and pharmaceutical manufacturers, which complement Dermapharm's portfolio ideally and expand its offering in growth markets. Another aim when making these types of acquisitions is to further increase the potential of the newly acquired companies by optimising processes and incorporating the companies in the Group's production and logistics structures. The Group continually reviews specific growth opportunities and pursues promising acquisition options that fit its strategic alignment.

Dermapharm Holding SE shares

Dermapharm Holding SE shares (XETRA, indexed)

Share price performance

The SDAX small-cap index started off 2022 at 16,747 points. This was only 4% down from the all-time high and turned out to represent the high mark for the year. Following this peak on 3 January 2022, both the SDAX and other global indices slipped into a longer downward trend. On 7 March 2022, the SDAX had hit a new low at 12,895 points. The reasons for this correction on the global capital markets were manifold. Firstly, the lingering COVID-19 pandemic still held the economy in its grip, resulting in noticeable supply chain disruptions and chip shortages. Secondly, rising tensions between Russia and Ukraine culminated in Russia's invasion at the end of February. As a consequence of this war of aggression, all types of energy grew dearer – with the resulting inflation ushering in the end of the zero-interest rate era in many countries. Although the SDAX managed to rebound slightly to 14,860 points by mid-March 2022, the remainder of the year continued to be overshadowed by negative sentiment on the global stock exchanges. Trending steadily downwards, the SDAX continued to shed value – hitting its nadir for the year on 29 September 2022 at 10,261 points, which represented a 39% drop from the year's peak. The SDAX managed to shore up its losses in the final quarter of 2022 to close the year at 11,926 points. Thus, the SDAX was down 27% year on year.

Mirroring the trend on the SDAX, Dermapharm Holding's shares started the year off just below their all-time high (EUR 90.35), trading at EUR 89.00 on 3 January 2022. With illnesses due to the omicron variant proving relatively mild at the beginning of 2022, the capital market interpreted this to mean an end to the COVID-19 pandemic may be in sight. Because of this, there was a major sell-off of the "COVID-19 winner" stocks on the second trading day of the year. As a result, Dermapharm shares lost more than 10% in high-volume trading to close at EUR 80.00 on 4 January 2022. This inaugurated a long-term downswing through the middle of 2022, which was amplified by increasingly negative outlooks on the global stock markets due to the war in Ukraine, rising energy and consumer prices and fears of interest rate hikes and recessions. On 16 June 2022, Dermapharm shares hit a new low at EUR 43.02. Dermapharm's

share price recovered from this trough to rally over the coming weeks. On 4 August 2022, the shares closed at a new peak of EUR 59.45. However, they surrendered these gains over the remainder of the year to close 2022 at EUR 37.52. Taken over 12 months, Dermapharm shares were down by 58%.

The performance of the DAXsector All Pharma & Healthcare Index was slightly better than that of the SDAX, with the index closing out 2022 down 25%.

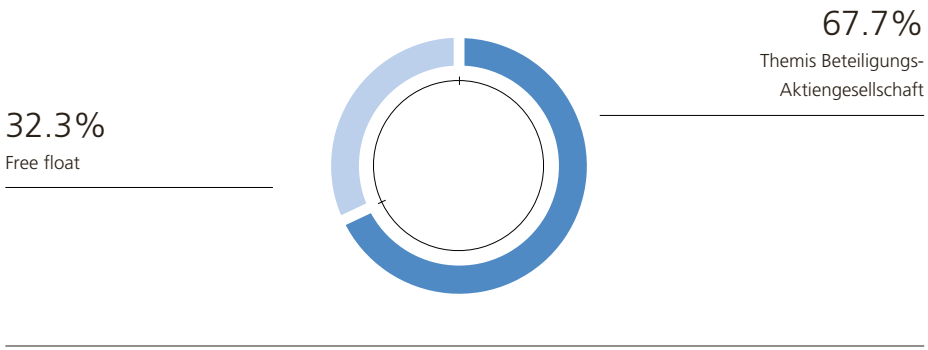
The shares at a glance (XETRA)

High (3 January 2022)	EUR 89.00
Low (29 September 2022)	EUR 36.38
Closing Price (30 December 2022)	EUR 37.52
Trading volume (1 January 2022 to 31 December 2022, average number of shares)	51,824 shares
Market capitalisation (as at 31 December 2022)	EUR 2,020.1 million

General information

German Securities Code (WKN)	A2GS5D
ISIN	DE000A2GS5D8
Ticker symbol	DMP
Type of shares	No-par value ordinary bearer shares
Initial listing	9 February 2018
Number of shares	53.84 million
Stock exchange	Regulated Market (Prime Standard) of the Frankfurt Stock Exchange
Analysts	Harald Hof, Alster Research Catharina Claes, Berenberg Alexander Thiel, Jefferies Stephan Wulf, ODDO BHF Marietta Miemietz, Pareto Securities
Designated Sponsors	Berenberg Stifel

Shareholder structure



Information based on voting rights notifications received pursuant to German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") as at 27 March 2023

The majority (67.74%) of the no-par value shares are held by Themis Beteiligungs-Aktiengesellschaft. 32.26 % of the shares in Dermapharm Holding SE are in free float as defined by Deutsche Börse. With the exception of treasury shares, this includes all holdings below 5%.

For detailed information on our Company and the shares, please visit our investor relations website at https://ir.dermapharm.de.

IR activities

By selecting the Prime Standard, Dermapharm Holding SE deliberately opted for Deutsche Börse's most strictly regulated segment when it went public. We strive to communicate transparently with all capital market participants. This includes providing our investors with the latest information by regularly publishing financial reports in both German and English as well as any Company-related disclosures in a timely manner. In addition to our legal obligations, we aim to expand on our IR activities by participating in investor conferences, roadshows and group and one-on-one meetings. In financial year 2022, the members of the Board of Management held a total of nine (in-person and virtual) roadshow days and attended 10 (in-person and virtual) national and international investors' conferences, including the 2022 Corporate Conference for Commerzbank and ODDO BHF as well as the 2022 Berenberg European Conference. A capital markets' day was held for the first time in Brehna in November 2022.

2022 Annual General Meeting

On 1 June 2022, Dermapharm Holding SE held its 2022 Annual General Meeting online. 80.43% of the share capital was in attendance. All agenda items were approved with a large majority. At the Annual General Meeting, the Board of Management and the Supervisory Board each gave an overview of the 2021 financial year, which had been exceedingly successful despite the difficult conditions, particularly in the second half of the year. Dermapharm successfully maintained its growth trend as it significantly increased revenue and earnings. Accordingly, the Annual General Meeting ratified the actions of the Board of Management and of the Supervisory Board for financial year 2021 by a large majority. The AGM followed the Board of Management's recommendation to distribute a dividend of EUR 2.17 per no-par value share. Grant Thornton AG Wirtschaftsprüfungsgesellschaft was engaged as the auditor for the 2022 financial year.

The detailed results of the voting for each agenda item are available in the Annual General Meeting section of the Company website https://ir.dermapharm.de.

Financial calendar 2023

Publication of Q1 Quarterly Report	15 May 2023
Annual General Meeting	14 June 2023
Publication of 2023 Half-Yearly Financial Report	29 August 2023
Publication of Q3 Quarterly Report	15 November 2023

Pharmacy in Spain, Punta Umbria, Huelva

Combined management report

Combined management report on the situation of the Company and of the Group for financial year 2022

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 manufacturer of branded pharmaceuticals for selected therapeutic areas in Germany, with an increasingly international strategy. The Company currently focuses on the three segments "Branded pharmaceuticals and other healthcare products", "Herbal extracts" 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 and other healthcare products

By pursuing a targeted acquisition strategy together with in-house product development, the Group has built up a broad product portfolio of branded pharmaceuticals and other healthcare products such as medical devices, food supplements and cosmetics, in profitable niche markets. The extensive range of pharmaceuticals and healthcare products comprises more than 380 (previous year: > 380) active pharmaceutical ingredients and more than 1,200 (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 for prescription dermatologics (based on the number of prescriptions written by doctors registered there) as well as for prescription vitamins, for instance with the vitamin D compound Dekristol® 20,000 IU. 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, Acicutan®, and Ketozolin® are leading brands in their respective therapeutic areas.

Moreover, Dermapharm has made available significant production capacities at its locations in Brehna (mibe) and Reinbek (Allergopharma) for the manufacturing of the Comirnaty® COVID-19 vaccine in cooperation with BioNTech SE.

Herbal extracts

Through Spanish subsidiary Euromed, Dermapharm 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 52 countries. Dermapharm also uses Euromed's expertise for its own products: it is currently developing two new healthcare products using Euromed extracts and carrying out clinical trials on them.

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. In addition, the C³ Group has also been a part of this segment since the completion of its acquisition on 31 January 2022. It is the market leader for dronabinol in Germany and Austria, and it develops, produces and distributes natural and synthetic cannabinoids. It has two production facilities in Germany: one in Neumarkt in der Oberpfalz and one in Höchst (Frankfurt am Main). The compounds are used mainly in pain management and palliative care applications, as well as in the fields of oncology and in neurology, covering a broad range of chronic and severe illnesses.

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 fourth-largest parallel importer in terms of gross revenue in financial year 2022 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 40 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. This covers both expanding market position and optimising costs. Beginning with the successful integration of the Dermatology business acquired from Bristol-Meyer Squibb in 2002 and the acquisition of Jenapharm GmbH & Co. KG's therapeutics unit from Schering AG in 2004, the Group has maintained its consistent growth trend over the years through various acquisitions. The Group acquired the medical

devices bite away® and Herpotherm® in September 2017. In 2018, this was followed by the acquisitions of Strathmann GmbH & Co. KG ("Strathmann") and Trommsdorff GmbH & Co. KG ("Trommsdorff") with their specialised portfolio of prescription pharmaceuticals and OTC products, which formed the Group's pain and inflammation treatment therapeutic area. Dermapharm expanded its portfolio in the "Herbal extracts" segment by acquiring Euromed in 2019.

In 2020, Dermapharm strengthened its position in the allergology therapeutic area by acquiring Allergopharma. In 2021 and 2022, Dermapharm expanded its "Herbal extracts" segment through the acquisition of Cernelle and the C³ Group. Also in 2022, Dermapharm announced its plans to acquire the France-based Arkopharma, a leading supplier of natural OTC products and food supplements in western and southern Europe. The acquisition was completed in January 2023. Dermapharm will continue to regularly review growth opportunities and pursue strategic options that fit our corporate strategy.

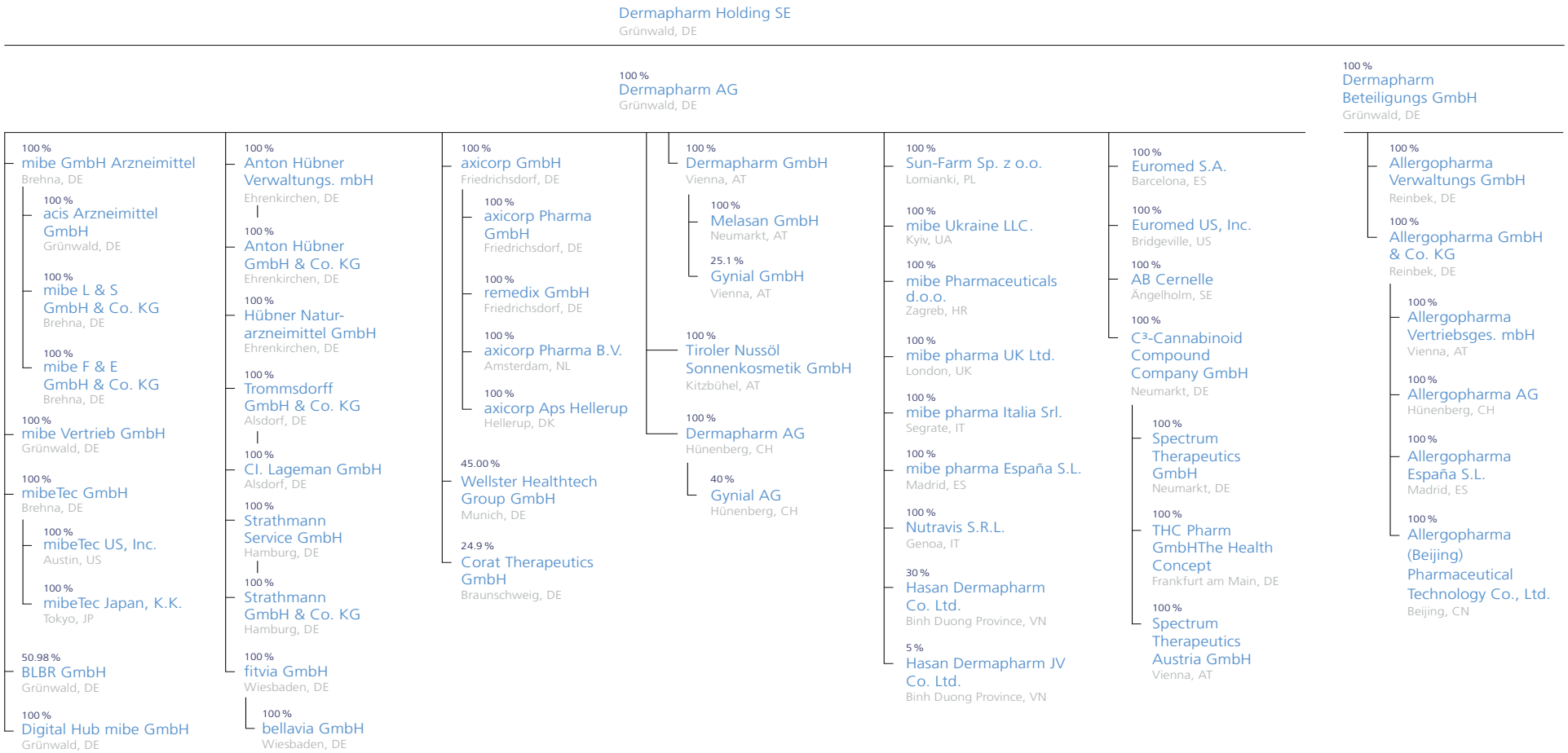
1.2 Group structure and interests

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 2022.

Dermapharm Holding SE Group organisational chart



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, Italy, Spain, Croatia, Poland, Ukraine, Sweden, the United States and China.

The majority of all compounds from the "Branded pharmaceuticals and other healthcare products" segment are manufactured at and dispatched from mibe's central production and logistics centre in 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 Brehna.

In the "Parallel import business" segment, a new office and operations building was completed for axicorp at the Friedrichsdorf location in 2021. The move to the new premises took place at the beginning of April 2022.

Euromed, which is allocated to the "Herbal extracts" segment, 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. The C³ Group, which was acquired in January 2022, has production facilities in two locations: natural dronabinol is extracted in Neumarkt in der Oberpfalz and synthetic dronabinol is produced in Höchst (Frankfurt am Main).

In Germany, Dermapharm's six distinct sales forces visit pharmacies, registered doctors and clinics to promote and distribute "Branded pharmaceuticals and other healthcare products". The C³ Group also employs a specially trained sales force to market and distribute its products. In 2022, this sales force was merged with the Spektrum and Trommsdorff sales teams, which now operate under the aegis of mibe Vertrieb. Depending on the areas of product application, the sales force is deployed very specifically according to the defined customer target groups. Sales in the "Herbal extracts" segment are made 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 2022, an average of 2,563 employees worked for the Group (previous year: 2,373 employees).

Dermapharm locations*

AMERICAS

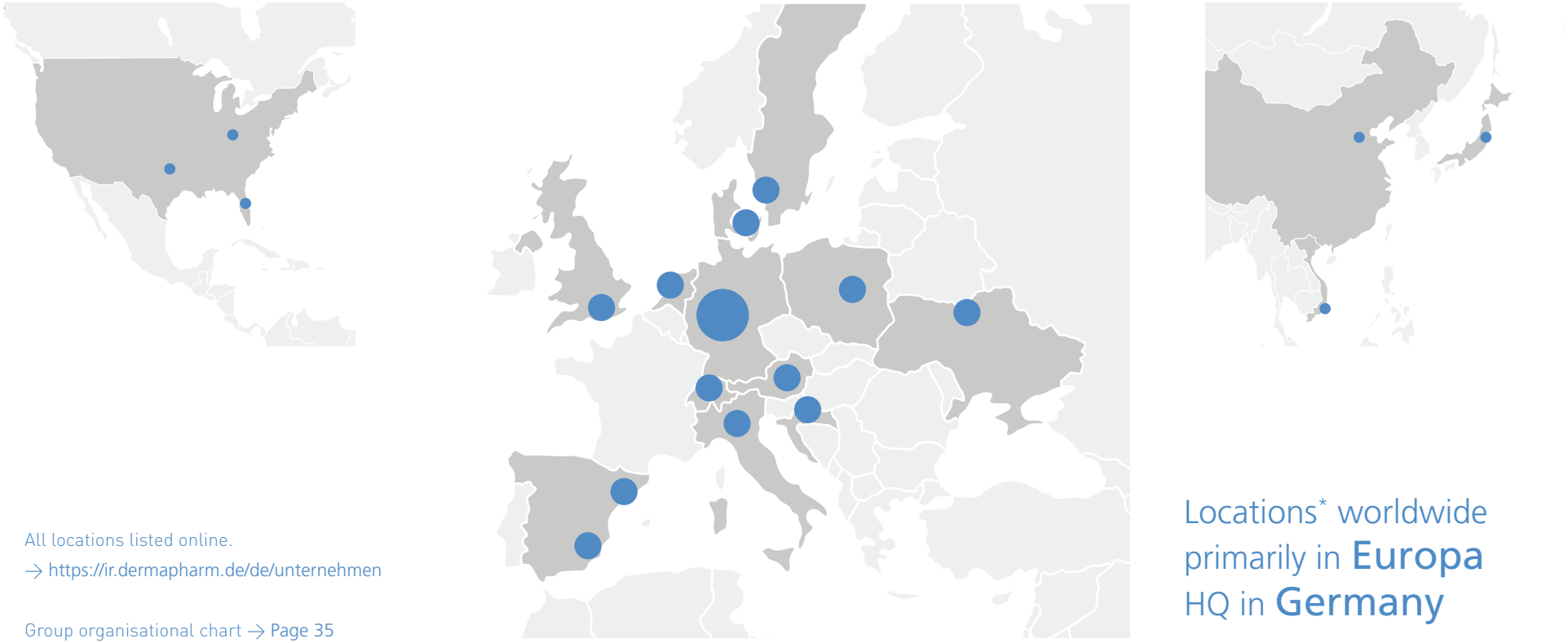
USA

EUROPE

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

ASIA

Japan
Vietnam
China



All locations listed online.
→ https://ir.dermapharm.de/de/unternehmen

Group organisational chart → Page 35

Locations* worldwide
primarily in **Europa**
HQ in **Germany**

* direct and indirect subsidiaries, associates and equity investments

Dermapharm locations*

USA

USA:

Euromed USA Inc., Bridgeville, PA

mibeTec US, Inc., Austin, TX

Euromed US Inc. Okeechobee, FL

EUROPE

Germany:

Dermapharm Holding SE, Grünwald
Dermapharm AG, Grünwald
Dermapharm Beteiligungs GmbH, Grünwald
acis Arzneimittel GmbH, Grünwald
mibe GmbH Arzneimittel, Brehna
mibe L&S GmbH & Co. KG, Brehna
mibe F&E GmbH & Co. KG, Brehna
mibe Vertrieb GmbH, Grünwald
mibeTec GmbH, 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, Wiesbaden
bellavia GmbH, Wiesbaden
axicorp GmbH, Friedrichsdorf
axicorp Pharma GmbH, Friedrichsdorf
remedix GmbH, Friedrichsdorf
Wellster Healthtech Group GmbH, Munich
CORAT Therapeutics GmbH, Braunschweig
C³-Cannabinoid Compound Company GmbH, Neumarkt
Spectrum Therapeutics GmbH, 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
Gynial GmbH, Vienna
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel
Spectrum Therapeutics Austria GmbH, Vienna
Allergopharma Vertriebsges. mbH, Vienna

Switzerland:

Dermapharm AG, Hüneberg
Gynial AG, Hüneberg
Allergopharma AG, Hüneberg

Spain:

Euromed S.A., Barcelona
Allergopharma España S.L., Madrid
mibe pharma España S.L., Madrid

United Kingdom:

mibe Pharma UK Ltd., London

Netherlands:

axicorp Pharma B.V., The Hague

Italy:

mibe pharma Italia Srl, Segrate
Nutravis S.R.L., Genoa

Denmark:

axicorp Aps Hellerup, Hellerup

Croatia:

mibe Pharmaceuticals d.o.o., Zagreb

Poland:

Sun-Farm Sp. z o.o., Lomianki

Ukraine:

mibe Ukraine LLC., Kyiv

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

= Administrative offices
= Production facilities

* direct and indirect subsidiaries, associates and equity investments

1.4 Management system and performance indicators

At the Group level, Dermapharm has three segments: "Branded pharmaceuticals and other healthcare products", "Herbal extracts" 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 four development centres: mibe F&E GmbH & Co. KG in 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.

In financial year 2022, an average of 219 employees worked in product development at the Group (previous year: 163 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 2023 World Economic Outlook anticipated global economic growth of 3.4% for 2022, thereby exceeding its growth forecast of 3.2% published in autumn 2022.

The European economy also experienced significant growth in 2022. According to the European Commission, the EU economy expanded by 3.5% (as at February 2023). This encouraging development resulted firstly from an easing of tensions with regard to energy supply, particularly in the second half of the year, and secondly from a strong EU labour market and historically low unemployment in Europe. According to the Federal Statistical Office (Destatis), Germany's economy grew by 1.9% in 2022 (as at January 2023).

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 war in Ukraine and the action taken by policy-makers to combat the COVID-19 pandemic continued not to adversely affect the pharmaceuticals and healthcare market in 2022. According to information from the consultancy firm IQVIA (source: OTC VALUE), the entire European pharmaceuticals market generated annual revenue of EUR 303.1 billion by the end of the third quarter of 2022, meaning that the market volume increased by 11.0% compared to the same period in the previous year (MAT Q3 2021: EUR 273.1 billion). Of that amount, EUR 265.8 billion was attributable to prescription pharmaceuticals (MAT Q3 2021: EUR 240.4 billion) and EUR 37.3 billion to OTC pharmaceuticals (MAT Q3 2021: EUR 32.7 billion).

Dermapharm's primary market, Germany, has a highly developed healthcare system with 114,500 registered physicians (as of 2021), 18,256 public pharmacies (June 2022 figures) and 1,887 hospitals (in 2021). Germany, which has the highest per capita healthcare spending (as of 2020), spends a larger share of its gross domestic product on healthcare than any other country in the European Union (as of 2022). 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 2022, annual revenue in the German pharmaceuticals market increased by 6.9% to EUR 55.7 billion (Q3 2021: EUR 52.1 billion). Of that amount, EUR 49.8 billion was attributable to prescription pharmaceuticals (MAT Q3 2021: EUR 46.8 billion) and EUR 5.8 billion to OTC pharmaceuticals (MAT Q3 2021: EUR 5.3 billion). In 2022, revenue from off-patent pharmaceuticals without savings from discount agreements and less mandatory manufacturer discounts in the statutory health insurance providers' market increased by 7.0% to EUR 10.7 billion (basis: manufacturer selling price) following EUR 10.0 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, a continued downward trend in prices, state-imposed mandatory discounts and steep discounts to health insurance organisations as a result of statutory discount agreement options between manufacturers and health insurance organisations continue to characterise this market.

According to INSIGHT Health, in financial year 2022, revenue in the parallel imports market amounted to EUR 3.03 billion compared to EUR 2.94 billion in the previous year (basis: Apofusion Sell-Out). Thus, in 2022, revenue in the market suitable for imports increased by 3.1%. By contrast, the share of revenue generated with parallel-imported products of total revenue on the German pharmaceutical market declined from 6.2% in the previous year to 5.9% in 2022.

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. 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

Despite the lingering COVID-19 pandemic (particularly in the first half of the year), mounting inflation in the prices for raw materials, soaring energy costs and emerging supply bottlenecks, financial year 2022 was satisfactory for Dermapharm.

The "Branded pharmaceuticals and other healthcare products" segment was the primary growth driver. The broadly diversified product portfolio proved resilient and capable of compensating better-selling product groups for poorer ones. The products Ampho-Moronal®, Ketozolin®, Calcipotriderm®, Volon®, Kenacort®, Myopridin®, Myditin®, Tromcardin®, Kelctican®, Hygroton® and Rectodelt®, sold particularly well, as did Strathmann's two vaccines, StroVac® and Gynatren®, and Anton Hübner Naturarzneimittel's Silicea® and China-Oel®. In addition, the segment profited from the vaccine production activities in cooperation with BioNTech SE. The "Herbal extracts" segment experienced a recovery in the worldwide demand in this area. Above all, Euromed's international activities benefited from the euro's weakness as compared to the US dollar. On the whole, growth in this segment was driven revenue from the two acquired companies AB Cernelle and the C³ Group. In 2022, the "Parallel import business" segment managed to halt the negative trend on the overall market from 2021. In addition, the axicorp team moved into its new offices in April 2022, which had the beneficial effect of optimising and streamlining the company's internal processes. The resulting savings largely offset the costs of ensuring compliance with the German Act for More Safety in the Supply of Pharmaceuticals (Gesetz für mehr Sicherheit in der Arzneimittelversorgung, "GSAV") and the general price cuts.

Targeted investments are an important component of Dermapharm's business strategy. A number of companies had solar and photovoltaic equipment installed in financial year 2022. In addition, the Strathmann production facilities in Seevetal were extensively modernised, and axicorp moved into its own new offices in Friedrichsdorf in April 2022. In 2022, 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. Another key driver of growth is the acquisition of companies or promising equity investments. We describe the equity investments we made in 2022 below.

Acquisitions

C³ Cannabinoid Compound Company GmbH (Closing 31 January 2022)

On 31 January 2022, Dermapharm acquired a 100% interest in C³ Cannabinoid Compound Company GmbH (C³ Group), with its registered office in Neumarkt in der Oberpfalz, Germany, from the seller Canopy Growth Germany GmbH, with its registered office in St. Leon-Rot, Germany. C³ Cannabinoid Compound Company GmbH holds 100% of shares in the subsidiaries Spectrum Therapeutics GmbH, with its registered office in Neumarkt, Germany, THC Pharm GmbH The Health Concept, with its registered office in Frankfurt am Main, Germany, and Spectrum Therapeutics Austria GmbH, with its registered office in Vienna, Austria (C³ Group). The C³ Group was consolidated for the first time in financial year 2022.

The C³ Group specialises in the development, production and distribution of natural and synthetic cannabinoids. It is the market leader for Dronabinol in Germany and Austria, and also boasts a leading position in Denmark. The C³ Group has two GMP-compliant production facilities in Germany.

Arkopharma (Closing 5 January 2023)

With the deal closing on 5 January 2023, Dermapharm acquired Apharma TopCo SAS, 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, France. Arkopharma employs approximately 920 people and generated more than EUR 200 million in revenue in financial year 2022. Arkopharma was consolidated for the first time in financial year 2023.

Share purchases

Wellster Healthtech Group GmbH

With effect from 27 October 2022, Dermapharm increased its shareholding in Wellster Healthtech Group, with its registered office in Munich, by a further 15.18% to 45.00%.

Comparison to outlook in 2021

In the report on expected developments in the 2021 combined management report, the Board of Management forecasted positive overall business performance for financial year 2022. The Board of Management expects consolidated revenue to grow by 10% to 13% and consolidated EBITDA by 3% to 7%. This outlook was based primarily on volume gains, the successful introduction of internally developed products, the continued collaboration with BioNTech SE to produce the COVID-19 vaccine and revenue and earnings contributions from recently acquired shareholdings.

The consolidated revenue and EBITDA outlook issued in the 2021 management report was not realised. The primary factors fuelling the development of business figures in 2022 were reduced demand for vaccine production and declining revenue and earnings at fitvia.

The financial performance indicators for Dermapharm developed as follows in financial year 2022 (excluding segment reconciliation/Group holding company):

Financial performance indicators in EUR million	**2022**	**2021**	**+/–**
Consolidated revenue	**1,024.8**	**942.9**	**8.7%**
Branded pharmaceuticals and other healthcare products	674.2	640.4	5.3%
Herbal extracts	97.2	72.0	35.0%
Parallel import business	253.4	230.6	9.9%
Adjusted EBITDA	**359.8**	**351.1**	**2.5%**
Branded pharmaceuticals and other healthcare products	342.1	336.3	1.7%
Herbal extracts	17.9	19.5	–8.2%
Parallel import business	6.0	2.1	185.7%
Adjusted EBITDA margin	**35.1%**	**37.2%**	**-2.1 pp**
Branded pharmaceuticals and other healthcare products	50.7%	52.5%	-1.8 pp
Herbal extracts	18.4%	27.0%	-8.6 pp
Parallel import business	2.4%	0.9%	1.5 pp
Unadjusted EBITDA	**331.3**	**354.4**	**–6.5%**
Branded pharmaceuticals and other healthcare products	320.6	334.5	–4.2%
Herbal extracts	12.2	24.5	–50.2%
Parallel import business	6.0	2.1	185.7%
Unadjusted EBITDA margin	**32.3%**	**37.6%**	**-5.3 pp**
Branded pharmaceuticals and other healthcare products	47.6%	52.2%	-4.6 pp
Herbal extracts	12.6%	34.1%	-21.5 pp
Parallel import business	2.4%	0.9%	1.5 pp

* EBITDA 2022 was adjusted for non-recurring expenses amounting to EUR 28.4 million.
EBITDA 2021 was adjusted for non-recurring expenses amounting to EUR –3.3 million.

Composition of adjusted non-recurring items

The non-recurring items amounting to EUR 28.4 million in financial year 2022 resulted from:

- 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 in relation to fitvia and Spectrum amounting to EUR 2.5 million;
- Board of Management severance amounting to EUR 1.2 million;
- CORAT impairment amounting to EUR 14.6 million;
- EUR 4.1 million in effects from the purchase price allocation.

The non-recurring items which were eliminated in the calculation for adjusted EBITDA amounted to EUR -3.3 million and comprised the following in financial year 2021:

- Non-recurring expenses of EUR 1.2 million relating to the acquisitions, share purchases and M&A deals not completed;
- Restructuring expenses of EUR 0.6 million in relation to fitvia;
- Effects relating to the purchase price allocation and the deconsolidation of the FYTA group amounting to EUR 5.1 million (reduction in earnings).

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

	2022	2021
Revenue	1,024,776	942,912
Change in inventories	–5,971	–5,310
Own work capitalised	15,527	16,684
Other operating income	20,142	27,165
Cost of materials	–373,499	–333,592
Personnel expenses	–184,141	–164,663
Depreciation, amortisation and reversal of impairment	–101,180	–55,596
Other operating expenses	–151,967	–129,130
Operating result	**243,687**	**298,469**
Share of profit/loss of companies accounted for using the equity method, after tax	–13,543	322
Financial income	696	4,222
Financial expenses	–14,543	–10,036
Financial result	**–27,390**	**–5,492**
Earnings before taxes	**216,297**	**292,977**
Income tax expenses	–83,680	–84,073
Profit or loss for the period	**132,617**	**208,904**

Revenue and earnings performance of the Group

In financial year 2022, Dermapharm increased its **consolidated revenue** reported by 8.7% compared to the previous year to EUR 1,024.8 million (previous year: EUR 942.9 million).

Firstly, increased organic growth at the tail end of the COVID-19 pandemic resulted in increased revenue contributions in the existing business, and secondly the continued collaboration with BioNTech SE to produce a COVID-19 vaccine led to additional revenue growth. AB Cernelle and the C³ Group, acquired in December 2021 and February 2022, respectively, also made additional contributions.

In addition, the downwards trend of late in the parallel imports market also saw a reversal. The incipient return to market growth had a positive effect on the parallel imports business.

As in previous years, various development projects were recognised by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities in financial year 2022. 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 15.5 million in financial year 2022 (previous year: EUR 16.7 million). The ratio of development costs to revenue amounted to 1.5% and was thus slightly below the 1.8% reported in the previous year. Development costs of EUR 19.3 million (previous year: EUR 17.2 million) were capitalised for new products in financial year 2022. This represents a capitalisation ratio of just under 100% (previous year: 100%).

In financial year 2022, **other operating income** amounted to EUR 20.1 million (previous year: EUR 27.2 million) and was affected primarily by the reversal of provisions (EUR 3.1 million; previous year: EUR 7.8 million) and currency translation gains (EUR 9.3 million; previous year: EUR 4.9 million). In the previous year, furthermore, the deconsolidation of the FYTA Group had resulted in the inclusion of a EUR 9.1 million one-off expense.

In financial year 2022, the **cost of materials** increased to EUR 373.5 million (previous year: EUR 333.6 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 37.0% (previous year: 35.9%). The primary reasons for this were shifts in the composition of products sold and varying growth rates for the segments, which had their own cost of materials ratios.

Personnel expenses amounted to EUR 184.1 million in financial year 2022 (previous year: EUR 164.7 million). This increase was due mainly to new personnel expenses for AB Cernelle and the C³ Group. Non-recurring expenses of EUR 1.0 million (previous year: EUR 0.6 million) were incurred in connection with the restructuring of fitvia. The ratio of personnel expenses to revenue stood at 18.0% (previous year: 17.5%).

Depreciation, amortisation and reversals of write-downs increased to EUR 101.2 million in financial year 2022 (previous year: EUR 55.6 million). EUR 6.5 million (previous year: EUR 4.8 million) in impairments were recognised with respect to capitalised development costs and EUR 11.6 million (previous year: EUR 0.0 million) in goodwill impairments were recognised with respect to the C³ Group. EUR 24.8 million in impairments was identified for fitvia due to the discontinuation of operating activities (previous year: EUR 5.4 million). EUR 6.3 million of the EUR 58.3 million (previous year: EUR 45.4 million) in depreciation was attributable to inventories. The ratio of depreciation, amortisation and reversals of write-downs to revenue increased by 4.0 percentage points to 9.9% (previous year: 5.9%). This increase was attributable to the large share of goodwill impairments in financial year 2022.

Other operating expenses amounted to EUR 152.0 million in financial year 2022 (previous year: EUR 129.1 million). The increase was due in part to the contribution by the newly acquired companies AB Cernelle and the C³ Group, as well as to increased expenses in connection with currency translation and rising costs for the sale of goods. By contrast, expenses in the area of development decreased because of variations in the amounts of expenses incurred according to which phase the individual phases were in. 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 14.8% (previous year: 13.7%).

Adjusted EBITDA increased by 2.5% to EUR 359.8 million in financial year 2022 (previous year: EUR 351.1 million). Non-recurring items were eliminated in connection with EUR 4.1 million in adjustments made in connection with the purchase price allocation (IFRS 3) of AB Cernelle, Wellster and the C³ Group due to the carrying amount "step-up" for technologies and licences and the related amortisation charges. The adjustment also includes EUR 0.8 million in M&A deals not completed and acquisition costs of EUR 3.6 million in connection with the acquisitions of CORAT, Cernelle, Nutravis and the C³ Group. In addition, adjustments amounting to EUR 2.3 million for restructuring expenses in relation to fitvia and the C³ Group were included. A EUR 1.5 million adjustment was made to reflect the exclusive right of negotiation at Cilian. In addition, the CORAT impairment of EUR 14.6 million was eliminated. The payment of a EUR 1.2 million severance package to a member of the Board of Management was eliminated at the level of the Group holding company. Adjustments totalled EUR 28.4 million (previous year: EUR -3.3 million). In financial year 2022, Dermapharm Group's adjusted EBITDA margin decreased to 35.1% (previous year: 37.2%).

Prior to adjustment, **EBITDA** amounted to EUR 331.3 million in financial year 2022 (previous year: EUR 354.4 million). Prior to adjustment, the **EBITDA margin** fell by 5.3 percentage points to 32.3% in the reporting year (previous year: 37.6%).

EBITDA can be reconciled to Group earnings as follows:

	2022	2021
EBITDA	**331,324**	**354,387**
of which share of profit or loss of companies accounted for using the equity method, after tax	*–13,543*	*322*
Depreciation, amortisation and reversal of impairment	–101,180	–55,596
Financial income	696	4,222
Financial expenses	–14,543	–10,036
Earnings before taxes (EBT)	**216,297**	**292,977**
Income tax expenses	–83,680	–84,073
Profit or loss for the period	**132,617**	**208,904**

Financial income fell to EUR 0.7 million in financial year 2022 (previous year: EUR 4.2 million). The decrease in interest income resulted from the change in the margin for the syndicated loan due to the improvement in the net debt ratio thanks to the positive earnings trend during the prior period and the expected trend in the future. This resulted in the recognition through profit or loss of a present value adjustment to the syndicated loan in accordance with the effective interest method.

At the same time, **financial expenses** increased to EUR 14.5 million in financial year 2022 (previous year: EUR 10.0 million). The increase was attributable in particular to the increased effective interest expense.

Earnings before taxes (EBT) amounted to EUR 216.3 million in financial year 2022 (previous year: EUR 293.0 million). The EBT margin decreased to 21.1% (previous year: 31.1%) due to higher-than-average goodwill impairments in the period under review.

Income tax expenses decreased to EUR 83.7 million in the 2022 reporting period (previous year: EUR 84.1 million).

Prior to adjustment, **profit for the period** amounted to EUR 132.6 million in financial year 2022 (previous year: EUR 208.9 million).

Segment reporting

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

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 both 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 and other healthcare products		Herbal extracts		Parallel import business		Reconciliation/Group holding company		Group	
EUR thousand	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue	676,062	641,725	98,091	72,041	253,467	230,630	–2,843	–1,484	1,024,776	942,912
of which intersegment revenue	*1,911*	*1,373*	*895*	*78*	*37*	*32*	*–2,843*	*–1,484*	–	–
Revenue from external customers	674,151	640,352	97,196	71,963	253,429	230,597	–	–	1,024,776	942,912
Revenue growth	5%	36%	35%	0%	10%	–8%	–	–	9%	19%
EBITDA	320,622	334,523	12,177	24,549	6,034	2,073	–7,509	–6,758	331,324	354,387
of which earnings from investments accounted for using the equity method	*–13,543*	*2,919*	–	*–2,597*	–	–	–	–	*–13,543*	*322*
EBITDA margin	48%	52%	13%	34%	2%	1%	–	–	32%	38%

* As from 1 November 2022 with Wellster; as from 1 July 2022 with CORAT

** As from 1 February 2022 with C³-Group; as from 1 December 2021 with Cernelle

Revenue and earnings performance in the "Branded pharmaceuticals and other healthcare products" segment

Revenue in the "Branded pharmaceuticals and other healthcare products" segment reported in financial year 2022 increased by 5.3% compared to the previous year to EUR 674.2 million (previous year: EUR 640.4 million).

The increase is due mainly to the cooperation with BioNTech SE that began in October 2020 to produce a COVID-19 vaccine. In spring 2021, Dermapharm already brought a second manufacturing facility online, thereby expanding its production capacities and generating further growth. Furthermore, despite the impact the COVID-19 pandemic initially had on the market in which Dermapharm operates, the Company succeeded in maintaining its existing revenue levels. As the pandemic receded, Dermapharm also recorded a renewed uptick in organic growth in material parts of its existing portfolio. On the other hand, it had to accept declining revenue in certain areas. For instance, changes in customers' shopping habits led to reduced revenue at fitvia and mibeTec group subsidiaries.

Dermapharm's German companies were also 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 segment 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 recognised by the German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, "BfArM") or the corresponding international authorities in financial year 2022, and the products were successfully brought to market. Noteworthy examples of additions to the portfolio of dermatologics were Gentamicutan® comp., which is used to treat minor skin conditions such as itchy skin and rashes.

Adjusted EBITDA increased by 1.7% to EUR 342.1 million in financial year 2022 (previous year: EUR 336.3 million). The adjustments made for this segment in connection with the acquisitions of Cernelle, the C³ Group and Nutravis as well as the acquisition of the equity investment in CORAT, the M&A deals not completed, Cilian's exclusive right of negotiation, and adjustment relating to the CORAT impairment and restructuring measures at fitvia amounted to EUR 21.5 million in total. The segment's adjusted EBITDA margin decreased to 50.7% (previous year: 52.5%).

Unadjusted EBITDA, as reported, decreased by 4.2% to EUR 320.6 million in financial year 2022 (previous year: EUR 334.5 million). The segment's unadjusted EBITDA margin fell to 47.6% (previous year: 52.2%).

Revenue and earnings performance of the "Herbal extracts" segment

Revenue, which was reported under the "Herbal extracts" segment in financial year 2022, was up significantly year on year, amounting to EUR 97.2 million (previous year: EUR 72.0 million). The increase in revenue resulted from rising revenue at the Group subsidiary Euromed as well as the additional revenue contributions from AB Cernelle and the C³ Group, which were acquired at the end of 2021 and in 2022, respectively, and allocated to this segment.

The "Herbal extracts" segment's adjusted EBITDA amounted to EUR 17.9 million in financial year 2022 (previous year: EUR 19.5 million). In financial year 2022, EUR 5.7 million in adjustments were allocated to this segment in connection with the purchase price allocation of AB Cernelle and the C³ Group as well as restructuring costs in relation to the C³ Group. Accordingly, the adjusted EBITDA margin was 18.4% (previous year: 27.0%).

The segment's unadjusted EBITDA, as reported, amounted to EUR 12.2 million (previous year: EUR 24.5 million). Thus, the unadjusted EBITDA margin was 12.6% (previous year: 34.1%).

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

Revenue in the "Parallel import business" segment reported in financial year 2022 rose by 9.9% to EUR 253.4 million (previous year: EUR 230.6 million). The increase in revenue was due mainly to an incipient recovery in market growth in the parallel imports business after stagnation in recent years. This development was offset by higher health insurance discounts and further adjustments to reference prices, which resulted in reduced selling prices. According to the market research firm INSIGHT Health, axicorp gained a market share of 9.8% (previous year: 9.7%), thereby establishing itself among Germany's top five importers. EBITDA reported in the "Parallel import business" segment rose by 185.7% to EUR 6.0 million in financial year 2022 (previous year: EUR 2.1 million). This increase was due mainly to the general rise in the parallel imports market. By contrast, health insurers' calls for tenders for discount agreements on lucrative originator preparations with patents approaching expiry can be seen to further reduce earnings. In order to remain competitive, the importers must also participate in these tenders, although this weighs on product margins. The segment's EBITDA margin improved significantly in the year under review to 2.4% (previous year: 0.9%).

2.3.2 Financial position of the Group

Consolidated statement of financial position as at 31 December 2022

Assets **EUR thousand**	**31 December 2022**	**31 December 2021**
Non-current assets		
Intangible assets	305,044	294,842
Goodwill	271,319	264,729
Property, plant and equipment	225,673	222,288
Investments accounted for using the equity method	34,920	28,261
Equity investments	441	25,899
Other non-current financial assets	41,493	51,729
Total non-current assets	**878,890**	**887,747**
Current assets		
Inventories	255,721	243,601
Trade receivables	96,715	72,517
Other current financial assets	14,656	15,183
Other current assets	15,790	26,169
Tax assets	43	339
Cash and cash equivalents	151,021	161,414
Non-current assets held for sale		0
Total current assets	**533,947**	**519,222**
Total assets	**1,412,836**	**1,406,969**

Equity and liabilities **EUR thousand**	**31 December 2022**	**31 December 2021**
Equity		
Issued capital	53,840	53,840
Capital reserves	100,790	100,790
Retained earnings	355,357	337,954
Other reserves	21,604	4,731
Equity attributable to owners of parent	**531,592**	**497,316**
Non-controlling interests	900	2,518
Total equity	**532,491**	**499,834**
Non-current liabilities		
Provisions for employee benefits	89,277	128,878
Non-current financial liabilities	511,560	574,721
Other non-current financial liabilities	0	0
Other non-current liabilities	11,198	11,867
Deferred tax liabilities	50,518	36,056
Total non-current liabilities	**662,553**	**751,522**
Current liabilities		
Other provisions	24,925	18,684
Current financial liabilities	4,887	5,580
Trade payables	56,100	52,101
Other current financial liabilities	2,369	822
Other current liabilities	33,157	29,630
Tax liabilities	96,354	48,796
Total current liabilities	**217,792**	**155,613**
Total equity and liabilities	**1,412,836**	**1,406,969**

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) decreased to EUR 367.8 million as at 31 December 2022 (31 December 2021: EUR 419.7 million). This was caused mainly by the repayment of a EUR 57.5 million bank overdraft.

Accordingly, the ratio of net debt to the adjusted EBITDA (leverage) fell to 1.0 in the 2022 reporting year (previous year: 1.2). Factoring in the unadjusted EBITDA, the leverage amounted to 1.1 (previous year: 1.2).

At 31 December 2022, the equity ratio amounted to 37.7% (31 December 2021: 35.5%). Unlike in the previous year, the equity ratio was primarily influenced by the net profit for the year and the Group's refinancing.

Dermapharm's financial position developed as shown below in financial year 2022:

The **total assets** increased to EUR 1,412.8 million as at 31 December 2022 (31 December 2021: EUR 1,407.0 million).

On the asset side of the statement of financial position, **intangible assets** increased to EUR 305.0 million as at 31 December 2022 (31 December 2021: EUR 294.8 million). This development was due in particular to a year-on-year increase in capitalisation of authorisations for internally developed products.

Development costs of EUR 19.3 million (previous year: EUR 17.2 million) were capitalised as internally generated intangible assets in financial year 2022. Recognised goodwill increased to EUR 271.3 million as at 31 December 2022 (31 December 2021: EUR 264.7 million). The increase due to the acquisition of the C^3 Group was offset by a reduction due to the fitvia impairment.

Property, plant and equipment increased to EUR 225.7 million as at 31 December 2022 (31 December 2021: EUR 222.3 million). The additions related primarily to the construction of a new company headquarters for axicorp GmbH. In addition, investments in technical equipment and machinery also increased this figure.

Financial investments accounted for in accordance with the equity method increased to EUR 34.9 million as at 31 December 2022 (31 December 2021: EUR 28.3 million). The increase was attributable primarily to the purchase of shares in Wellster Healthtech Group GmbH. Four associates (31 December 2021: three) were accounted for in the consolidated financial statements in accordance with the equity method.

- Gynial GmbH, Vienna, Austria: Dermapharm GmbH, Vienna, acquired a 25.1% interest in Gynial GmbH, Vienna, in 2015. Gynial focuses on products supporting the physical health and the well-being of women with an emphasis on prophylactic measures. Gynial is purely a sales company and does not operate any production facilities. Its strategic objective is to gradually shift more existing job order productions from third-party suppliers to mibe GmbH Arzneimittel, which already has a manufacturing area for contraceptives, thus expanding value creation within production. Furthermore, Gynial GmbH can benefit from future developments of the Group within the women's health sector. The carrying amount of the equity investment amounted to EUR 2.1 million as at 31 December 2022 (31 December 2021: EUR 2.0 million).
- 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 2022 (31 December 2021: EUR 3.7 million).
- CORAT Therapeutics GmbH: Pursuant to the agreement dated 7 July 2021, Dermapharm AG acquired a 24.9% equity interest in CORAT Therapeutics GmbH, with its registered office in Braunschweig, Germany. CORAT Therapeutics GmbH holds patents in antibodies used to treat infectious diseases. One of the drugs the company is currently developing to treat hospitalised patients with moderate to severe symptoms of COVID-19 is already undergoing testing in a clinical phase Ib/II trial. This equity investment provides Dermapharm access to immunotherapies against COVID-19 and other infectious diseases. The carrying amount of the equity investment amounted to EUR 6.6 million as at 31 December 2022 (31 December 2021: EUR 22.5 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. The deal closed on 27 October 2022. 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. Due to the acquisition of an additional 15.18% of shares, Wellster is now classified as an associate and reported under "investments accounted for using the equity method". The carrying amount of the equity investment amounted to EUR 22.2 million as at 31 December 2022 (31 December 2021: EUR 0 million).

Equity investments decreased to EUR 0.4 million as at 31 December 2022 (31 December 2021: EUR 25.8 million). This decrease was due to the change in the presentation of the equity investment in Wellster Healthtech Group GmbH as an associate recognised under "investments accounted for using the equity method."

Other non-current financial assets decreased to EUR 41.4 million as at 31 December 2022 (31 December 2021: EUR 51.7 million). This decrease was attributable primarily to a year-on-year reduction in Dermapharm AG's settlement claim against the FYTA Group.

Inventories increased to EUR 255.7 million as at 31 December 2022 (31 December 2021: EUR 243.6 million). On the one hand, this trend mirrored the increase in revenue at the inventory-driven mibe GmbH group companies and the increase safety stock due to the tense situation on the procurement markets on the other. No inventories were pledged as securities for liabilities at the end of financial years 2022 and 2021.

Trade receivables increased to EUR 96.7 million as at 31 December 2022 (31 December 2021: EUR 72.5 million). This increase was attributable primarily to the increase in revenue in financial year 2022. Receivables particularly comprise those 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 and other healthcare products" segment. Therefore, no commercial credit insurance policies have been taken out. The credit quality of the customers in the "Herbal extracts" 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 COVID-19 pandemic in the first half of 2022 as well as the war in Ukraine, Dermapharm did not register a significant deterioration in the credit quality of its customers.

Other current financial assets decreased insignificantly to EUR 14.7 million as at 31 December 2022 (31 December 2021: EUR 15.2 million).

Cash and cash equivalents, including cash and demand deposits as well as current financial investments, decreased to EUR 151.0 million as at 31 December 2022 (31 December 2021: EUR 161.4 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 532.5 million as at 31 December 2022 (31 December 2021: EUR 499.8 million). This change was due mainly to the increase in retained earnings by EUR 17.4 million to EUR 355.4 million (31 December 2021: EUR 338.0 million). This was primarily the result of the 2021 consolidated profit brought forward and the consolidated net profit for financial year 2022 and the dividend for the prior financial year paid out in 2022. Capital reserves remained unchanged year on year, amounting to EUR 100.8 million (31 December 2021: EUR 100.8 million). In addition, other reserves increased to EUR 21.6 million (31 December 2020: EUR 4.7 million) due in particular to the changes in the measurement parameters for payments in connection with pension obligations.

Provisions for employee benefits decreased accordingly to EUR 89.3 million as at 31 December 2022 (31 December 2021: EUR 128.9 million). The decrease was due primarily to changes in measurement parameters for payments under pension obligations.

As at 31 December 2022, the Group's **current and non-current financial liabilities** amounted to EUR 4.9 million and EUR 511.6 million, respectively (31 December 2021: EUR 5.6 million and EUR 574.7 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 2022, EUR 392.5 million of the loan had been drawn down. The funds were drawn down in connection with the repayment and novation of the existing syndicated loan agreement from 2019 (Facility B amounting to EUR 200 million and Facility C amounting to EUR 192.5 million). Further funds were drawn down over the course of the financial year to partially finance the Arkopharma deal. The new 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 192.5 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 provisions increased by EUR 6.2 million to EUR 24.9 million as at 31 December 2022 (31 December 2021: EUR 18.7 million). These mainly comprise provisions for health insurance organisation discount payments by the German companies. The increase in other provisions was attributable mainly to the increase in provisions for health insurance discounts and restructuring costs incurred by Spectrum Therapeutics GmbH.

Trade payables increased to EUR 56.1 million as at 31 December 2022 (31 December 2021: EUR 52.1 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. The increase was attributable for the most part to effects related to the reporting date and the cash flows deriving from those effects.

Other non-current financial liabilities and other non-current liabilities decreased to EUR 11.2 million as at 31 December 2022 (31 December 2021: EUR 11.9 million). Other non-current liabilities decreased mainly as a result of lower provisions for bonuses.

Other current financial liabilities and other current liabilities increased to EUR 35.5 million as at 31 December 2022 (31 December 2021: EUR 30.5 million). The increase in other current financial liabilities is due primarily to the increase to increased current liabilities in relation to VAT obligations.

Tax liabilities increased to EUR 96.4 million in financial year 2022 (31 December 2021: EUR 48.8 million). The increase was due mainly to increased corporation and trade tax obligations in the wake of the positive earnings situation.

Deferred tax liabilities increased to EUR 50.5 million in financial year 2021 (31 December 2021: EUR 36.1 million). The increase was attributable to lower deferred tax assets against which the liabilities would have been offset, due mainly to the decrease in pension obligations.

2.3.3 Cash flows of the Group

Stable cash flows

Dermapharm's financial position and cash flows remained stable in the reporting period. Accordingly, the Group's liquidity was guaranteed at all times in financial year 2022.

The main sources of liquidity were cash inflows from ongoing business activities. In addition to the existing financing by means of loans, lines of credit and various promissory note loans, Dermapharm also has access to a cash liquidity reserve in the form of cash and cash equivalents.

As at 31 December 2022, Dermapharm had access to credit lines amounting to EUR 865.4 million, of which EUR 672.9 million were available.

Financial management: principles and objectives

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

Dermapharm's optimal capital structure is essentially defined by whether the financial covenants agreed with creditors can be maintained. Further focus is placed on reducing capital costs, optimising the maturity profile, diversifying the lender structure and actively managing net working assets.

In accordance with the financial covenants, Dermapharm manages its capital structure based on the ratio between net debt and adjusted EBITDA.

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

Overview of the structure of financial liabilities in the Group

Current remaining terms of the financial liabilities as at 31 December 2022:

EUR thousand	< 1 Year	1–5 Years	> 5 years	Total
Promissory note loan III	–	83,760	16,000	99,760
Promissory note loans	1,869	398,398	3,688	403,955
Lease liabilities	3,018	4,874	4,842	12,734
Total	**4,887**	**487,032**	**24,530**	**516,449**

At 31 December 2022, financial liabilities amounted to EUR 516.4 million (31 December 2021: EUR 580.3 million). Issued promissory note loans increased slightly to EUR 99.8 million (31 December 2021: EUR 99.7 million); liabilities to banks decreased to EUR 403.8 million (31 December 2021: EUR 468.4 million). In addition, lease liabilities amounted to EUR 12.7 million (31 December 2021: EUR 12.2 million).

Material new funding in the reporting period

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 at the reporting date, EUR 392.5 million of the loan had been drawn down. The loan was drawn down in connection with the repayment and novation of the existing syndicated loan agreement; further funds were drawn down in financial year 2023 to partially finance the Arkopharma deal. The new syndicated loan agreement comprises a bullet tranche of EUR 650,000 thousand (Facility A), a repayment tranche of EUR 200,000 thousand (Facility B) and a revolving tranche of EUR 200,000 thousand (Facility C), of which only EUR 192,500 thousand 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 200,000 thousand, which had not been committed as of the reporting date.

The majority of the loan under the December 2022 syndicated loan agreement bears variable interest, i.e., the interest rate depends on the development of a reference rate (1-month, 3-month and 6-month EURIBOR). An increase in the reference rate over the course of 2023 is considered likely.

Material existing funding

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. In 2022, none of the aforementioned promissory note loans fell due. 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 covenants. 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	2022	2021
Net cash flows from operating activities	288,533	250,368
Cash flows from investing activities	–99,008	–129,347
Free cash flow	**189,525**	**121,021**
Cash flows from financing activities	**–199,768**	**–80,979**
Cash flow	**–10,243**	**40,042**
Cash and cash equivalents	151,019	161,414

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 increased by EUR 38.1 million to EUR 288.5 million in the 2022 reporting year (previous year: EUR 250.4 million). This was due mainly to the EUR 39.7 million increase in depreciation and write-downs in 2022.

Cash flow from investing activities, which reflects the cash outflows for investments less the inflows from disposals, amounted to EUR -99.0 million in financial year 2022 (previous year: EUR -129.3 million).

Cash flows from investing activities were impacted primarily by payments for business combinations less cash amounting to EUR 69.8 million (previous year: EUR 12.5 million). This was caused mainly by the acquisition of the C³ Group. Cash flows from investing activities were furthermore impacted by payments for investments in intangible assets and property, plant and equipment amounting to EUR 39.0 million (previous year: EUR 61.2 million).

Free cash flow, i.e., cash flow from operating business activities plus cash flow from investing activities, amounted to EUR 189.5 million in 2022 (previous year: EUR 121.0 million).

Cash flow from financing activities amounted to EUR -199.8 million in the reporting year (previous year: EUR -81.0 million).

This was influenced significantly by the distribution of a dividend for financial year 2021 amounting to EUR 116.8 million in June 2022 (previous year: EUR 47.4 million) in accordance with the resolution by the Annual General Meeting on 1 June 2022. The AGM followed the Board of Management's recommendation to distribute a dividend of EUR 2.17 per no-par value share.

Dermapharm also generated proceeds from borrowings in the amount of EUR 470.0 million (previous year: EUR 10.0 million) while repaying EUR 536.9 million (previous year: EUR 31.5 million) in borrowings.

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 151.0 million in 2022 (previous year: EUR 161.4 million).

Investments

The Group's investment volume amounted to EUR 114.8 million in the 2022 reporting year (previous year: EUR 132.0 million). Of this amount, EUR 84.9 million was attributable to the acquisition of the C³ Group.

Investments in intangible assets amounted to EUR 21.8 million (previous year: 21.9 million) and primarily comprise expenses for products being developed in house. Investments in property, plant and equipment amounted to EUR 19.8 million (previous year: EUR 39.3 million). Accordingly, the ratio of investments in property, plant and equipment to Group revenue amounted to 1.9% (previous year: 4.2%). Thus, of the overall investment volume in 2022, 17.2% was used for property, plant and equipment (previous year: 29.8%) and 82.8% for intangible assets (previous year: 70.2%).

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 Munich Local Court (Amtsgericht) under the name Dermapharm Holding SE and 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 does not generate sales from third parties except charges allocated within the Group. 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 sales 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 tangible fixed assets
=	**EBITDA**

Comparison to outlook in 2021

In its report on expected developments for 2022 in the 2021 combined management report, the Board of Management did not expect any material changes in EBITDA as compared to 2021. EBITDA amounted to EUR -0.3 million in financial year 2022 (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	2022	2021
Revenue	7,099	6,491
Other operating income	185	167
Personnel expenses	–5,563	–4,701
Amortisation of intangible fixed assets and depreciation of tangible fixed assets	–15	–8
Other operating expenses	–2,070	–2,204
Other interest and similar income	0	17
Interest and similar expenses	–1,340	–289
Earnings after tax	**–1,703**	**–527**
Other taxes	0	0
Net loss for the financial year	**–1,703**	**–527**
Loss carried forward from the previous year		
Withdrawal from capital reserves	58,235	117,360
Unappropriated net earnings	**56,532**	**116,833**

The **sales** in financial year 2022 amounted to EUR 7.1 million (previous year: EUR 6.5 million) and comprised solely amounts charged for services rendered to companies of the Group.

Personnel expenses increase year on year to 5.6 million (previous year: EUR 4.7 million). It includes the Business Development department as well as the Company's Board of Management.

Other operating expenses decreased to EUR 2.1 million in financial year 2022 (previous year: EUR 2.2 million). The slight decline was attributable in particular to lower legal and advisory costs as well as lower incidental monetary transaction costs.

EBITDA amounted to EUR -0.3 million in financial year 2022 (previous year: EUR -0.3 million).

Interest expenses amounted to EUR -1.3 million in financial year 2022 (previous year: EUR -0.3 million). These relate to intercompany interest expenses charged to Dermapharm AG.

In financial year 2022, **earnings after tax** amounted to EUR -1.7 million (previous year: EUR -0.5 million).

The **net loss for the year** increased to EUR -1.7 million in financial year 2022 (previous year: EUR -0.5 million).

The **unappropriated net earnings** for financial year 2022 will be used in full (EUR 56.5 million; previous year: EUR 116.8 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 changed in financial year 2022 as presented below:

Assets **EUR thousand**	**31 December 2022**	**31 December 2021**
Fixed assets		
Intangible fixed assets	77	18
Shares in affiliated companies	1,261,872	1,261,872
Total fixed assets	**1,261,949**	**1,261,890**
Current assets		
Receivables from affiliated companies	18,333	12,790
Other assets	1	437
Total current assets	**18,334**	**13,227**
Bank balances	**1,167**	**1,361**
Prepaid expenses	**210**	**214**
Total assets	**1,281,661**	**1,276,692**

Equity and liabilities **EUR thousand**	**31 December 2022**	**31 December 2021**
Equity	**1,111,221**	**1,229,757**
Provisions		
Other provisions	2,563	3,508
Total provisions	**2,563**	**3,508**
Liabilities		
Trade payables	10	27
Liabilities to affiliated companies	158,401	35,038
Other liabilities	9,465	8,361
Total liabilities	**167,876**	**43,427**
Total equity and liabilities	**1,281,661**	**1,276,692**

The **total assets** increased to EUR 1,282 million as at 31 December 2022 (previous year: EUR 1,277 million).

The **shares in affiliated companies** amounted to EUR 1,261.9 million as at 31 December 2022 (precisely the same figure as in the previous year: EUR 1,261.9 million) and include the interest in Dermapharm AG and Dermapharm Beteiligungs GmbH.

Receivables and other assets increased to EUR 18.3 million (previous year: EUR 13.2 million). This increase was due mainly to the EUR 5.2 million increase in receivables from companies of the consolidated VAT group.

Bank balances decreased to EUR 1.2 million as at 31 December 2022 (previous year: EUR 1.4 million). This decrease was due to a year-on-year increase in payouts.

Equity decreased to EUR 1,111 million as at 31 December 2022 (previous year: EUR 1,230 million) due to the distribution of the 2021 dividend in 2022 and the net loss for financial year 2022.

Other provisions declined in particular due to the decrease in provisions for personnel to EUR 2.6 million as at 31 December 2022 (previous year: EUR 3.5 million).

Other liabilities increased to EUR 9.5 million as at 31 December 2022 (previous year: EUR 8.4 million). These comprise primarily VAT liabilities. Since 1 January 2018, Dermapharm Holding SE has been the consolidated tax group parent of a consolidated income tax 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 2022.

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

Dermapharm Holding SE and Dermapharm Aktiengesellschaft has 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 at the reporting date, EUR 392.5 million of the loan had been drawn down. The new 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 at the reporting date. In addition, Dermapharm Holding SE is jointly and severally liable for the promissory note loan taken out by Dermapharm AG. As in the previous year, the risk that it will be held liable is considered to be extremely 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 2022 is expected to be distributed in full in financial year 2023 as a dividend in accordance with the Board of Management's proposal.

2.5 Overall assertion on the economic situation

Overall assertions on the Group

Financial year 2022 was highly challenging due to macroeconomic factors. The impacts of the war in Ukraine led to rising prices in the past year for energy, raw materials and excipients as well as supply bottlenecks, although these did not materially affect Dermapharm. Dermapharm was in a position to quickly and flexibly adapt to changing conditions and managed to continue to systematically pursue its growth course from previous years, even though consolidated revenue fell slightly below the forecast published in April 2022.

Revenue increased by 8.7% to EUR 1,024.8 million (previous year: EUR 942.9 million).

The segments reported the following growth in revenue:

- Branded pharmaceuticals and other healthcare products: 5.3%
- Herbal extracts: 35.0%
- Parallel import business: 9.9%

Dermapharm increased its adjusted EBITDA by 2.5% to EUR 359.8 million (previous year: EUR 351.1 million). This figure factors in the non-recurring items in connection with the acquisition of CORAT, Cernelle, the C³ Group and Nutravis, advising fees in connection with M&A deals, restructuring expenses at fitvia and Spectrum, severance packages for a member of the Board of Management and EUR 28.4 million in adjustments made in connection with the purchase price allocation (IFRS 3).

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

- Branded pharmaceuticals and other healthcare products: 1.7%
- Herbal extracts: -8.2%
- Parallel import business: 185.7%

Prior to adjustment, **EBITDA** decreased by 6.5% to EUR 331.3 million (previous year: EUR 354.4 million).

The segments reported the following changes in unadjusted EBITDA:

- Branded pharmaceuticals and other healthcare products: -4.2%
- Herbal extracts: -50.2%
- Parallel import business: 185.7%

Overall assertion on Dermapharm Holding SE

In financial year 2022, 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

Dermapharm operates within a complex and global business world, in which a number of external and internal factors influence its business activities. 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 COVID-19 pandemic and the associated protective measures significantly impacted the economy and society over the past few years. According to the World Health Organisation (WHO), the global COVID-19 situation has significantly improved in the meantime. Nevertheless, the international public health crisis declared in early 2020 currently persists. In Europe, the pandemic is highly likely to transition to an endemic phase which must be managed carefully. By contrast, the situation in China remains tense.

Aside from the COVID-19 pandemic, Russia's war against Ukraine added new uncertainty into the mix in 2022. Other new challenges Dermapharm currently faces in its daily business include disrupted supply chains, rising prices for raw materials and energy as well as high inflation rates, which are also described in the risk report.

In sections 3.1–3.4 below, the Group-wide risk management system (RMS), internal control system (ICS) and compliance management system (CMS) are described.

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)

The assessment of the risk category "dependence on customers" has been reduced from medium in the previous year to low. By contrast, the assessment of the risk categories "political risks", "HR risks" and "interest-rate risks" has been increased from low to medium.

In 2022, we expanded our risk identification methodology to include one new category ("other market-related or strategic risks"). Additionally, the scale used to assess potential impacts was adjusted in line with the Group's current financial position and performance, with earnings before interest and taxes (EBIT) serving as a point of reference. An impact is thus classified as "very high" if its adverse effect on EBIT is greater than EUR 20 million (as compared to EUR 15 million in 2021). The overview below presents further adjustments to the scale:

	Rating	Impact scale in 2021	Impact scale in 2022
1	Very low	EUR 150,000 – EUR 750,000	EUR 200,000 – EUR 1 million
2	Low	EUR 750,000 – EUR 1.5 million	EUR 1 million – EUR 2 million
3	Medium	EUR 1.5 million – EUR 7.5 million	EUR 2 million – EUR 10 million
4	High	EUR 7.5 million – EUR 15 million	EUR 10 million – EUR 20 million
5	Very high	> EUR 15 million	> EUR 20 million

3.1 Main characteristics of the internal control system 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 risk management system is to identify early potential risks that could jeopardise the Group's performance and to introduce suitable measures to actively counter them. The fundamental components of the RMS are the 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 upstream and downstream controls and their implementation into the relevant workflows. The internal control system consists of centralised and decentralised elements. In selected areas, Group-wide control guidelines are implemented both centrally and locally.

Risk analysis, continuous monitoring as well as evolving legal and economic conditions represent 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 the modifications to system-supported process automation.

The ICS and RMS also cover environmental, social and governance (ESG) topics. This includes the identification and assessment of risks as well as the 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 and third lines of defence (GRC team and Internal Audit, respectively) 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 the financial year 2022.

3.2 Risk management system

Dermapharm's Group-wide risk management system covers Dermapharm Holding SE, Dermapharm AG, Dermapharm Beteiligungs GmbH and all subsidiaries in which a majority 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 Dermapharm Group. 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 those risks. 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 early potential risks that could jeopardise the Group's performance 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 be covered by the available liquidity reserves and free lines of credit without jeopardising the Dermapharm Group's ability to function as a going concern.

Another goal of the risk management system is to guarantee 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 stemming from external factors as well as from 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 aim 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 the Governance, Risk & Compliance team, it is tested for appropriateness and effectiveness on a regular basis and lies in 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 department 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 owners assess Dermapharm's standard risk catalogue every six months. The GRC team 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:

Supervisory Board: Monitoring of the RMS

Board of Management: Overall responsibility for the RMS

1. Line of defense

Process / risk owner (operative management)

Responsibilities:

- Identifying, assessing and documenting risks in the respective area of responsibility
- Implementing steps to mitigate risks and monitoring the effectiveness of controls
- Conducting biannual reviews and, if necessary, updating risks and related mitigation steps / controls
- Promoting risk culture in the respective area of responsibility

2. Line of defense

Governance, Risk & Compliance (GRC) Team

Responsibilities:

- Designing and implementing the risk management system
- Communicating and training regarding the content of the RMS
- Conducting regular Group-wide risk surveys
- Reporting regularly to internal and external stakeholders
- Monitoring and continuously improving the Group-wide risk management system

3. Line of defense

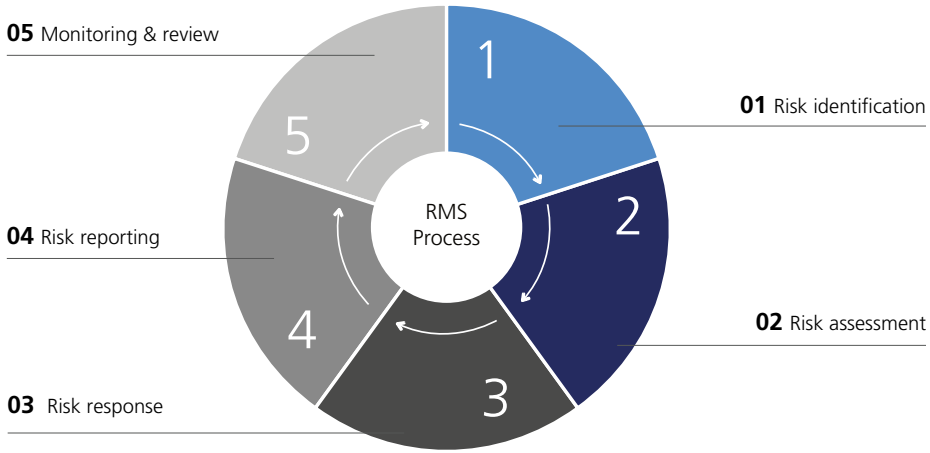
Internal Audit

Responsibilities:

- Conducting independent audits of the appropriateness and effectiveness of the early risk warning system
- Performing independent and objective audit and advisory services with the aim to generate added value and optimise business processes

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 the Governance, Risk & Compliance team and regularly reviewed by the independent Internal Audit unit.



Risk identification

The 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):

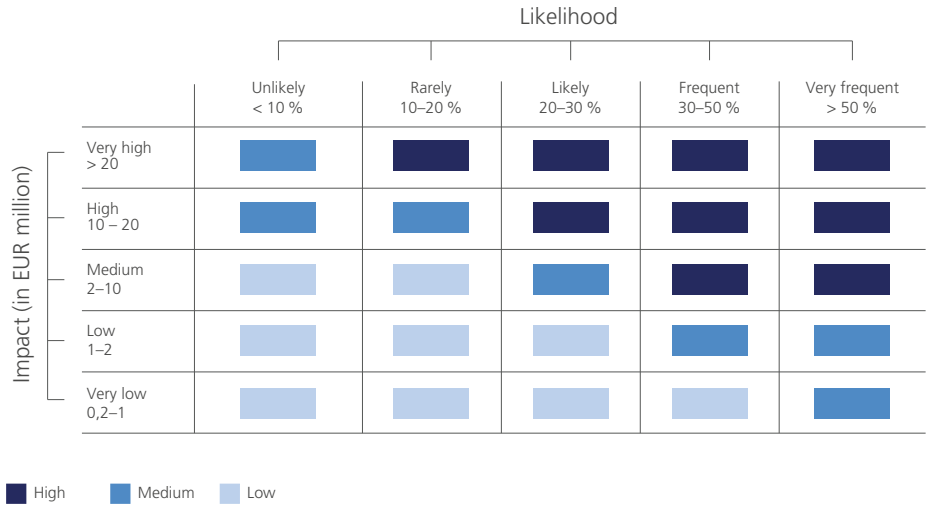
Market and strategy	Operational	Financial	Compliance
Threat of (new) competitors/manufacturers of originator preparations	Risks in developing new compounds/products	Financing and liquidity risks	Risks in relation to changes in the legal and regulatory environment
Dependence on key products	Purchasing risks	Interest rate risks	Corruption risks
Dependence on suppliers/business partners	Manufacturing risks	Currency risks	Antitrust risks
Dependence on customers	Quality risks/product liability	Tax risks	Data protection violations
			Violation of environmental, health and occupational safety provisions or human rights
Risks arising from M&A activities	Marketing and sales risks		
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 trends, the market environment in the pharmaceuticals sector and the internal processes. The planning process also serves to recognise risks in the Group 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 Dermapharm Group in the long term.

Risk assessment and management

As part of the regular risk surveys, the risk owners assess the identified risks based on two dimensions: impact and likelihood. Thereby, countermeasures already implemented and controls already put in place are taken into account (net risk assessment). Whenever possible, the risk assessment is based 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 the likelihood, the potential impact arising on occurrence is assessed in monetary terms as a negative impact on the earnings before interest and taxes (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 team 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 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 controlling 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 as well as 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 the GRC team and the local compliance officers at the individual subsidiaries.

The corporate principles and rules of conduct derived therefrom are laid down in Dermapharm Holding SE's Compliance Manual, which is binding for all employees throughout the Group. 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 Compliance Manual also lays down binding rules governing 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. Any information about violations of our code of conduct may be communicated to the respective superiors, to the compliance officers of the individual companies or directly to the Chief Compliance Officer personally or anonymously, electronically, in writing or by telephone.

Any reported violations will be investigated according to professional standards and, depending on the individual case, may lead to disciplinary action under employment or contract law or to criminal prosecution by investigative authorities and judicial authorities. The Board of Management receives quarterly compliance reports providing regular updates 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 of 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	Financing 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	Manufacturing risks	Currency risks	Antitrust risks
Dependence on customers	Quality risks/product liability	Tax risks	Data protection violations
			Violation of environmental, health and occupational safety provisions or human rights
Risks arising from M&A activities	Marketing and sales risks		
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 2022, new competitors entered the German vitamin D market, which is a relevant market for Dermapharm. It is not possible to rule out the possibility that further competitors will enter this market in 2023.

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.

Dermapharm monitors the market continuously in order to minimise the 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 compounds and food supplements that can be used prophylactically or to treat vitamin D deficiency. Other key products offered by the Group include Allergovit®, 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.

Due to the successful fight against the COVID-19 pandemic the production of the Comirnaty® vaccine in cooperation with BioNTech SE is being scaled back.

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

For the production of its products, Dermapharm requires raw materials, which it purchases from suppliers and third-party manufacturers. Supply chain interruptions may reduce the availability of those materials 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.

In financial year 2022, BioNTech SE was a major customer for Dermapharm. Having successfully put the active phase of the COVID-19 pandemic behind us, our vaccine revenue is now in decline. As a result, BioNTech SE is no longer classified as a key customer in 2023.

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 activities

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 leveraged 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 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, Dermapharm has established various processes designed to help integrate acquired companies into the existing Group structures, 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

Dermapharm navigates in 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), new legislation and restrictive regulations by national healthcare systems. The effects can also be indirect, for instance minimum wages or tax rates being amended.

Russia's war against Ukraine represents a macroeconomic and political risk which must be kept under close observation. Rising prices for raw materials and energy could slightly affect Dermapharm's business and hence its earnings.

The German Act on the Financial Stabilisation of the Statutory Health Insurance System (GKV-Finanzstabilisierungsgesetz, "GKV-FinStG"), which was adopted on 20 October 2022, represents a further challenge to Dermapharm's business. Among other things, the Act extends the 2010 price moratorium until the end of 2026, increases the manufacturers' rebate by 5 percentage points through the end of 2023 and introduces a 20% combination discount (for combination therapies) from May 2023 onwards. These provisions exacerbate the already-high price pressure and can erode the profitability of some products under certain circumstances.

Dermapharm manages these risks 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 **medium** 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 as well as 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 successfully develop and bring to market new products. Despite the extensive development expertise Dermapharm possesses, there is no guarantee that it can successfully launch every new product 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 downstream 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 those risks by regularly monitoring the acompetitive situation, especially in connection with relevant development milestones. 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 the regularly conducted the regularly conducted development meetings. This enables us 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

In 2022, we once again experienced supply shortages in the wake of the COVID-19 pandemic and Russia's war of aggression in Ukraine. Soaring inflation and rising prices for raw materials and energy due to the hostilities resulted in increased manufacturing costs, which we were not able to consistently pass on to customers due to fixed price arrangements. These procurement challenges are likely to cast their shadow over 2023 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's subsidiary - 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.

Manufacturing risks

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 facility in Germany is classified as critical national infrastructure in accordance with § 6 of the Federal Office for Informational Security's Critical Infrastructure Regulation (BSI-Kritisverordnung) and therefore maintains production operations at all times, even in times of crisis.

The implemented measures 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 customer demand could be negatively affected. 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 the described 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. The Group has also purchased pharmaceuticals product liability insurance that covers personal injury claims up to EUR 120 million.

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.

Marketing and sales risks

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 grounds 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.

In times of global crisis, the likelihood of hacker attacks, phishing e-mails and other attempts to exploit IT vulnerabilities is higher than it was before the COVID-19 pandemic.

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). Moreover, software and hardware maintenance and routine back-ups of business-critical data, are performed regularly. 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 **low** 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. Employee turnover at Spectrum Therapeutics GmbH and THC Pharm GmbH is expected to be high in 2023 due to the planned relocation of these subsidiaries' operations. Attractive retention bonuses are being offered to the employees as an incentive to stay in the respective company.

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

Financing and liquidity risks

Fundamental liquidity risks may occur, should Dermapharm not have sufficient liquid resources at its disposal. For instance, such a risk could materialise as a result of the unavailability of sufficient lines of credit, the loss of existing cash resources, the inability to access the financial markets or strong fluctuations in the operating business. The default on receivables from counterparties, particularly trade receivables from customers, can also negatively impact liquidity.

The entry into a syndicated loan agreement for the purpose of refinancing the existing syndicated loan agreement over the medium term and the partially debt-financed acquisition of Apharma TopCo SAS and its subsidiaries in January 2023 will cause the Dermapharm Group's financial liabilities to increase. The increased level of indebtedness could restrict the cash available to finance the Group's operating activities.

Dermapharm counters the aforementioned risks through prudent liquidity management, the objective of which is to ensure solvency at all times and safeguard financial flexibility by holding sufficient liquidity reserves and free lines of credit.

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 majority of the loan under the December 2022 syndicated loan agreement bears variable interest, i.e., the interest rate depends on the development of a reference rate (1-month, 3-month and 6-month EURIBOR). An increase in the reference rate over the course of 2023 is considered likely.

Dermapharm manages its interest rate risks by borrowing funds largely at matching maturities and, if 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 **medium** 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 a healthcare reform, could have significant economic and strategic effects on Dermapharm's business activities and 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.

The prices for off-patent pharmaceuticals are also exposed to significant price pressure resulting primarily from discount agreements with statutory health insurers. All of this may reduce the profitability of individual products and, in some cases, may mean that bringing a new 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 or adapt 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 **medium** 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 ultimately unfounded) 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 Compliance Manual sets out binding rules for all employees on how to avoid corruption. Employees in high-risk departments (e.g., purchasing, sales force) are also enrolled in extensive online compliance courses on the Company's e-learning platform "Dermapharm eCampus". Furthermore, the Chief Compliance Officer, the GRC team and the 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.

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 Compliance Manual sets out binding rules for all employees on how to avoid unfair competitive practices. Employees in high-risk departments (e.g., purchasing, sales force) are also enrolled in extensive online compliance courses on the Company's e-learning platform "Dermapharm eCampus". Furthermore, the Chief Compliance Officer, the GRC team and the 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 violations

The European Union's General Data Protection Regulation (GDPR) went into force on 25 May 2018 and governs the processing of personal data. Under the GDPR, personal data is protected and may not be stored, processed, altered, destroyed, published or transferred to third parties, without legal basis/consent. Violations of the provisions of the GDPR may lead to investigations by the relevant authorities, reputational damage, court proceedings and severe penalties (up to EUR 20 million or up to 4% of total global revenue).

Dermapharm appointed a Group Data Protection Officer (DPO) in 2018 in order to comply with the legal requirements. Dermapharm's DPO worked 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. Employees who deal with personal data on a daily basis (e.g., HR, IT and Drug Safety staff) are also enrolled in extensive online GDPR courses on the Company's e-learning platform "Dermapharm eCampus". All other employees receive a memo outlining the key data protection rules and regulations.

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.

Violation of environmental, health and occupational safety provisions, or human rights

Dermapharm places high 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 as well as protection against other health hazards. The Dermapharm Group manufactures the majority of its products in Germany and meets high environmental and human rights standards. Furthermore, Dermapharm's Compliance Manual sets out binding rules for all employees on how to treat each other fairly and with respect. The Chief Compliance Officer, the GRC team and local compliance officers can be contacted at any time to answer any questions or to report (suspected) violations.

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 Compliance Manual, 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 compliance officers and the GRC team, by providing relevant training, and by the controls implemented in the 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

According to the German Pharmaceuticals Industry Association (Bundesverband der Pharmazeutischen Industrie e.V., "BPI"), the market for pharmaceuticals products continues to exhibit high potential for growth (BPI, 2022 Pharmaceuticals data report). Although many illnesses remain untreatable, medical and pharmaceutical progress continues to create 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 especially 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 the generics market potential. The Dermapharm Group intends to leverage this market potential by introducing new products and acquiring 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 40 ongoing development projects for selected therapeutic areas. The "Branded pharmaceuticals and other healthcare products" 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 taking out a position in niche markets, Dermapharm remains competitive and thus on a growth trajectory.

The successful fight against the COVID-19 pandemic means that the production of the Comirnaty® vaccine in cooperation with BioNTech SE is being scaled back. The subsidiaries mibe GmbH Arzneimittel and Allergopharma GmbH & Co. KG will optimise their use of the production capacities being freed up as a result.

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. MibeTec GmbH's internationally patented medical devices provide the Dermapharm Group with products that have enormous market potential and that have already been rolled out in numerous European countries in quick succession because they are CE certified. Furthermore, Dermapharm also secured certifications in individual countries outside of Europe, on the basis of which the Group is planning to gradually launch products worldwide.

Through its acquisition on 31 January 2022 of C³ Cannabinoid Compound Company GmbH, which specialises in the development, production and distribution of natural and synthetic cannabinoids, Dermapharm has secured access to the growth market for medicinal cannabis. It intends to develop additional distribution channels in Europe in 2023.

On 5 January 2023, the acquisition of Apharma TopCo SAS, and thus the Arkopharma Group ("Arkopharma") was completed. Arkopharma has grown to become the French market leader in herbal medicines and food supplements, and employs some 920 staff. It is also represented via subsidiaries in Spain, Portugal, Italy, Belgium, the Netherlands and Switzerland. The Arkopharma acquisition marks a change of pace for Dermapharm as it steps up its internationalisation efforts and gains a first foothold in the French market. Beside cross-selling effects, Dermapharm will also benefit from Arkopharma's expertise in developing herbal medicines and food supplements. Synergies are expected to result from a transfer of knowledge in the areas of marketing and sales.

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 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 at all production sites. 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 additional synergies arising in connection with the Arkopharma takeover, the 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 activities.

Dermapharm believes that there are 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 current political instability in Europe and the resulting rise in prices for raw materials and energy, recruiting and retaining qualified employees, rising interest rates and a market environment that is subject to stricter-than-average regulation.

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, 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 would be able to bear 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 its report on expected developments, Dermapharm discusses, to the extent possible, its expectations with respect to the future development of the Group and the market environment in which the Group operates for financial year 2023.

Expected development of the market environment

Following a strong global economic upswing in 2022, the OECD expects growth to weaken due to the global consequences of Russia's war of aggression in Ukraine. The expected increase in global economic output in 2023 is 2.2% (as of November 2022). The OECD also expects economic growth in the eurozone to be markedly muted at 0.5% in 2023 (as of November 2022).

According to its 2023 annual economic report, the German federal government expects German economic growth this year to be weak at 0.2% (as of January 2023). The government cited the lingering major uncertainties stemming from Russia's war against Ukraine, the weak global economic development and high energy prices as reasons for this low growth rate.

However, these forecasts are subject to uncertainties. This is due firstly to the potential for a resurgence by the coronavirus and secondly to the far-reaching consequences of the war in Ukraine. Eye-watering energy price hikes, global inflation and supply bottlenecks for raw materials and excipients can have a negative impact on national and international economic output throughout the remainder of the year.

In its report "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% until 2028, reaching USD 1.61 trillion. The market for off-patent/generic pharmaceuticals, meanwhile, is expected to grow at an average annual rate of 7% through 2027 according to the market research firm IMARC Group.

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 and heavily regulated products. 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 and other healthcare products" segment in financial year 2023 and increase its revenue and earnings contribution. On the other hand, the cooperation that the Company entered into with BioNTech SE in 2020 to produce the COVID-19 vaccine Comirnaty® will remain in effect in financial year 2023. However, 2023 will be a transitional year in which the Company will shift its energies from the active production of the vaccine to the provision of manufacturing capacities under the aegis of national and European pandemic preparedness programmes. As a consequence, revenue and earnings contributions from vaccine production are currently expected to decline sharply in financial year 2023. For that reason, this segment's overall revenue and earnings contribution is expected to be down.

The disruption of the COVID-19 pandemic was also noticeable in the "Herbal extracts" segment in financial year 2022. However, the existing business managed to stabilise. Strong growth in the US dollar zone compensated for this segment's weaker performance in Europe. Dermapharm expects to record growth in every market in 2023, with additional growth impulses resulting from the integration of the recently acquired AB Cernelle, C³ Group and Arkopharma in France.

The Board of Management expects the market for the "Parallel import business" segment to continue to grow in financial year 2023. However, the entry into force of the German Act on the Financial Stabilisation of the Statutory Health Insurance System (GKV-Finanzstabilisierungsgesetz, "GKV-FinStG") has compelled Dermapharm to streamline its portfolio. This is because, with effect from 1 January 2023, several parallel import products will become unprofitable following the 5 percentage-point increase in the statutory manufacturer rebate, from 7 percent to 12 percent. Despite the resulting declines in revenue, Dermapharm plans to increase the profitability of the segment in both relative and absolute terms by consistently streamlining the portfolio. The Group continues to expect the import of anaesthetics and medicinal cannabis to represent a further source of potential growth. And not least, the completion of the Company's relocation into its new offices in 2022 is expected to increase efficiency and improve earnings.

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 rising prices for raw materials and energy will not have any major impact on earnings. In addition, having a number of long-term supply agreements in place means that energy costs will increase only slightly. Thus, as at March 2023, no material adverse economic effects resulting from Russia's war against Ukraine are foreseeable that could impact Dermapharm's business performance.

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

Although the revenue and earnings contribution from this subsidiary was down in 2022 as compared to 2021, growth is expected once more for financial year 2023, driven by rising demand for vitamin D products and newly introduced products from the Group's portfolio.

Resurgence of COVID-19

The Group's production and sales activities focus on the European market. The Group's main facility for the development and production of as well as logistics associated with branded pharmaceuticals is located in Brehna near Leipzig. The Company is continuously monitoring its supply of raw materials to ensure that its production operations run smoothly. In 2020, Dermapharm's main production facilities, as well as mibe GmbH Arzneimittel's location in Brehna, were classified as critical national infrastructure in accordance with § 6 of the Federal Office for Informational Security's Critical Infrastructure Regulation (BSI-Kritisverordnung) and will therefore maintain production operations at all times, even in times of crisis. As at March 2023, Dermapharm has not been affected by any significant supply bottlenecks. At present, no noteworthy adverse economic effects stemming from a resurgence of the COVID-19 pandemic are expected to impact Dermapharm's existing business. As discussed above, the declining/low rates of infection have also led to a drop in orders for vaccine production in cooperation with BioNTech SE, meaning that revenue and earnings in this area are expected to decline sharply in financial year 2023.

Fundamental assumptions underlying the Group's forecast

The forecast for financial year 2023 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, with addition of Arkopharma from 1 January 2023 onwards
- 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 2022 and 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 2023 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; Arkopharma added from 1 January 2023
- 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 and other healthcare products" 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 steep decline in contributions from the vaccine production in cooperation with BioNTech SE. For that reason, this segment's overall revenue and earnings contribution is expected to be down.

The new "Herbal extracts" segment is expected to contribute to the Group's growth in the coming years. There was already a significant recovery in demand in non-European markets in 2022. Dermapharm expects this recovery to reach European shores as well in 2023. Progress with the integration of recently acquired AB Cernelle and C³ Group is expected to translate to further growth. In addition, the Arkopharma Group of France, acquired in January 2023, will contribute to a significant expansion in the segment's revenue and earnings.

The revenue and earnings trend in the "Parallel import business" segment was due not least to the recovery of the overall market suitable for imports in 2022 as well. At present, the Board of Management assumes further market growth in this area, although the portfolio cuts implemented in the wake of the GKV-FinStG have caused a decline in revenue. Despite the expected declines in revenue, the Group expects to be able to increase the segment's profitability in relative and absolute terms through targeted management of the product mix and further cost savings in procurement and manufacturing.

In summary, the Board of Management expects the Group to experience year-on-year growth in financial year 2023.

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 significantly scaled-back continuation of the cooperation with BioNTech SE to produce the COVID-19 vaccine, focusing on the provision of production capacities in the context of national and European pandemic preparedness programmes

the Board of Management expects consolidated revenue to grow to between EUR 1,080 million and EUR 1,110 million. Adjusted EBITDA is expected to fall within a range of EUR 300 million and EUR 310 million.

Compared to financial year 2022, 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 – 67.74% share 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 1 January 2023 (inclusive) against cash or in-kind contributions by a total of up to EUR 16,100,000.00 by issuing new no-par value bearer shares (Authorised Capital 2018). 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 issued or to be issued by the Company or a domestic or foreign entity in which Dermapharm Holding SE 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, provided that the bonds 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 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.

d. Finally, the Board of Management is authorised, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights if the new shares are issued as part of an equity compensation program and/or as share-based payments to persons in an employment relationship with the Company or an enterprise which is dependent on or (indirectly) majority-owned by the Company, to members of the Board of Management of the Company and/or members of management boards of enterprises which are dependent on or (indirectly) majority-owned by the Company (or to third parties who transfer the economic ownership and/or the economic benefits of the shares to these persons). 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 5% 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. 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.

The issued capital is contingently increased by a total of up to EUR 10,700,000.00 by issuing a total of up to 10,700,000 new no-par value bearer shares (Contingent Capital 2018). 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 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 25 January 2023 (inclusive) on the basis of the authorisation resolved by the Annual General Meeting of 26 January 2018. 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 26 January 2018. 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.

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 granted under this facility were used in part to refinance the existing EUR 500,000,000.00 syndicated loan of 19 June 2019. 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.

Exercising these termination rights could have an adverse effect on the financing of the Group's ongoing operations, at least temporarily.

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 listed company in Frankfurt, Dermapharm Holding SE hereby issues the following corporate governance statement for the 2022 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 22 of the German Corporate Governance Code (2020).

6.1.1 Declaration of conformity in accordance with § 161 AktG (updated February 2023)

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" (GCGC), published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) in the version dated 16 December 2019 ("GCGC 2019") since issuing the last declaration of conformity in February 2022 (with an update in September 2022), with the following exceptions:

- Der • In accordance with the Company's Articles of Association, the Supervisory Board comprises only three members. Therefore, no committees are formed, as the Supervisory Board is of the view that doing so would not result in a more efficient fulfilment of the Supervisory Board's duties. In light of this, the Recommendations D.2, D.3, D.5, D.13 and G.17 of GCGC 2019 were not complied with. The full Supervisory Board performs the duties of an audit committee pursuant to § 107 (4) sentence 2 AktG. 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 an audit committee chairperson. Based on this provision and the composition of the Supervisory Board, the remaining recommendations of the GCGC 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 2019 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 2019 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 2019 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 2019 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 GCGC 2019). 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 2019 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.

The Board of Management and Supervisory Board of Dermapharm Holding SE further declare that the Company will in future comply with the Recommendations of the "Government Commission on the German Corporate Governance Code" (GCGC) in the version dated 28 April 2022 ("GCGC 2022") published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette with the aforementioned exceptions, whereby the exceptions mentioned above in the first item with regard to compliance with Recommendations GCGC concerning committees of the Supervisory Board due to the deletion of Recommendation D.3 GCGC 2019 in the GCGC 2022 will in future refer to Recommendations D.2, D.4, D.12 and G.17 GCGC 2022.

Grünwald, February 2023

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 Compliance Manual (https://ir.dermapharm.de/fileadmin/Dermapharm-se/Images/PDF-EN/Corporate_Governance/Compliance/ENG_Compliance-Manual-of-the-Dermapharm-Group.pdf).

The Compliance Manual (https://ir.dermapharm.de/fileadmin/Dermapharm-se/Images/PDF-EN/Corporate_Governance/Compliance/ENG_Compliance-Manual-of-the-Dermapharm-Group.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 the 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.

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6.1.3 Composition and description of the working practices of the Board of Management and Supervisory Board and the working practices of their 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 Exchange 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

In financial year 2022 the Board of Management comprised four members with the following areas of responsibility:

- Dr Hans-Georg Feldmeier, Chairman of the Board of Management, is responsible for Product Development and Production.
- Dr Andreas Eberhorn (from 1 September 2022), member of the Board of Management, is responsible for Marketing and Sales.
- Dr Jürgen Ott (until 31 August 2022), member of the Board of Management, was responsible for Marketing and Sales.
- Karin Samusch, member of the Board of Management, is responsible for Business Development, Marketing Authorisation and Clinical Research, HR, Legal, Investor Relations and Corporate Communications.
- Christof Dreibholz, member of the Board of Management (from 1 November 2022), is responsible for Accounting, Controlling and Finance as well as Governance, Risk & Compliance.
- Hilde Neumeyer, member of the Board of Management (until 20 July 2022), was responsible for Accounting, Controlling and Finance as well as Governance, Risk & Compliance.

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 and compliance.

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 2022, 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	Januar 2018	August 2017
Personal aptitude			
Independence[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 GCGC 2022 (German Corporate Governance Code 2022)

2) as defined in § 100 (5) AktG and Recommendation D.3 GCGC 2022 (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 2022 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 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 fourth 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 July 2022, the Board of Management consisted of two female members. Following the departure of Hilde Neumeyer, Chief Financial Officer, from the Board of Management, there is still one female member of the Board of Management, meaning that the 25% target has been achieved.

The Board of Management of Dermapharm Holding SE decided that the target for female representation on the Board of Management should, until further notice, correspond with the existing level of female representation, namely 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 41% as at 31 December 2022, thus above the target.

Female representation at the second level of management was 49.3% as at 31 December 2022, thus also exceeding the stipulated 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 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. More than 2,500 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 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 2022 to 31 December 2022 and based on the circumstances known to us 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, 27 March 2023

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Karin Samusch
Chief Business
Development Officer

Dr Andreas Eberhorn
Chief Marketing Officer

Pharmacy in Sweden, Malmo

Consolidated financial statements

Consolidated statement of financial position as at 31 December 2022 and 31 December 2021

Assets **EUR thousand**	**Notes**	**31 December 2022**	**31 December 2021**
Non-current assets			
Intangible assets	4.1	305,044	294,842
Goodwill	4.1	271,319	264,729
Property, plant and equipment	4.2	225,673	222,288
Investments accounted for using the equity method	4.3	34,920	28,261
Equity investments	4.4	441	25,899
Other non-current financial assets	4.5	41,493	51,729
Total non-current assets		**878,890**	**887,747**
Current assets			
Inventories	4.6	255,721	243,601
Trade receivables	4.7	96,715	72,517
Other current financial assets	4.8	14,656	15,183
Other current assets	4.8	15,790	26,169
Tax assets	4.17	43	339
Cash and cash equivalents	4.9	151,021	161,414
Total current assets		**533,947**	**519,222**
Total assets		**1,412,836**	**1,406,969**

Equity and liabilities **EUR thousand**	**Notes**	**31 December 2022**	**31 December 2021**
Equity			
Issued capital	4.10	53,840	53,840
Capital reserves	4.10	100,790	100,790
Retained earnings	4.10	355,357	337,954
Other reserves	4.10	21,604	4,732
Equity attributable to owners of parent		**531,592**	**497,316**
Non-controlling interests		900	2,518
Total equity		**532,491**	**499,834**
Non-current liabilities			
Provisions for employee benefits	4.11	89,277	128,878
Non-current financial liabilities	4.13	511,560	574,721
Other non-current liabilities	4.15	11,198	11,867
Deferred tax liabilities	4.17	50,518	36,056
Total non-current liabilities		**662,553**	**751,522**
Current liabilities			
Other provisions	4.12	24,925	18,684
Current financial liabilities	4.13	4,887	5,580
Trade payables	4.14	56,100	52,101
Other current financial liabilities	4.16	2,369	822
Other current liabilities	4.16	33,157	29,630
Tax liabilities	4.17	96,354	48,796
Total current liabilities		**217,792**	**155,613**
Total equity and liabilities		**1,412,836**	**1,406,969**

Consolidated statement of comprehensive income for the 2022 and 2021 financial years

EUR thousand	Notes	2022	2021
Revenue	5.1	1,024,776	942,912
Change in inventories	4.6	–5,971	–5,310
Own work capitalised	4.1	15,527	16,684
Other operating income	5.2	20,142	27,165
Cost of materials	4.6	–373,499	–333,592
Personnel expenses	5.3	–184,141	–164,663
Depreciation, amortisation and reversal of impairment	4.1, 4.2, 4.6	–101,180	–55,596
Other operating expenses	5.4	–151,967	–129,130
Operating result		**243,687**	**298,469**
Share of profit/loss of companies accounted for using the equity method, after tax	4.3	–13,543	322
Financial income	5.5	696	4,222
Financial expenses	5.5	–14,543	–10,036
Financial result		**–27,390**	**–5,492**
Earnings before taxes		**216,297**	**292,977**
Income tax expenses	4.17	–83,680	–84,073
Profit or loss for the period		**132,617**	**208,904**

EUR thousand	Notes	2022	2021
Other comprehensive income not reclassified to profit or loss in subsequent periods:			
Actuarial gains/losses from remeasurement of defined benefit pension plans	4.11	40,368	17,468
Deferred taxes on items that will not be reclassified	4.17	–12,208	–4,055
Profits/losses from remeasurement of equity instruments	7.3	–8,447	-
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:			
Foreign operations - currency translation differences	2.6	–2,840	1,065
Other comprehensive income, after tax		**16,872**	**14,478**
Total comprehensive income for the period		**149,490**	**223,382**
Profit or loss for the period attributable to			
Owners of the parent		134,236	209,583
Non-controlling interests		–1,619	–679
		132,617	**208,904**
Total comprehensive income for the period attributable to			
Owners of the parent		151,108	224,061
Non-controlling interests		–1,619	–679
		149,490	**223,382**
Earnings per share			
Basic (= diluted) earnings per share (EUR)	5.6	2.49	3.89

Consolidated statement of cash flows for the 2022 and 2021 financial years

EUR thousand	Notes	2022	2021
Earnings before taxes		216,297	292,977
Depreciation, amortisation / (reversal of impairment) of fixed assets	4.1, 4.2	94,909	55,159
(Increase) (-) / (+) decrease in working capital (assets)	4.5, 4.6, 4.7, 4.8	–16,321	–45,212
Increase (+) / (-) (decrease) in working capital (liabilities)	4.12, 4.13, 4.14, 4.15, 4.16, 4.17	11,416	–2,357
Increase (+) / (decrease) (-) in provisions for employee benefits	4.11	767	1,298
Other non-cash items		–3,302	–10,744
Share of (profit)/loss of companies accounted for using the equity method, after tax		13,543	–322
(Gain) (-) / loss (+) on disposal of non-current assets	4.1, 4.2	–200	–398
Interest expense(+) / (income) (-)	5.5	12,013	4,815
Income tax payments	4.17	–40,589	–44,848
Net cash flows from operating activities		**288,533**	**250,368**
Proceeds from the disposal of intangible assets and property, plant and equipment	4.1, 4.2	682	2,521
Proceeds from disposals of financial assets	4.8	10,000	-
Business combinations, less cash	2.7	–69,786	–12,511
Prepayments for potential acquisition		-	–10,000
Payments for investments in intangible assets and property, plant and equipment	4.1, 4.2	–39,014	–61,203
Payments for investments in financial assets	4.3, 4.4	–6,068	–48,253
Dividends from companies accounted for using the equity method	4.3	5,043	100
Interest received		136	-
Cash flows from investing activities		**–99,008**	**–129,347**

EUR thousand	Notes	2022	2021
Dividends paid	4.10	–116,833	–47,379
Proceeds from borrowings	4.13	469,950	10,000
Transaction costs in connection with borrowings	4.13	–3,936	-
Repayments of borrowings	4.13	–536,925	–31,498
Payments of lease liabilities		–4,269	–4,411
Interest paid	5.5	–7,755	–7,692
Cash flows from financing activities		**–199,768**	**–80,979**
Net increase/decrease in cash, cash equivalents and bank overdrafts	**4.9, 4.13**	**–10,243**	**40,042**
Cash, cash equivalents and bank overdrafts as at 1 January	4.9, 4.13	161,414	120,300
Effect of exchange rate changes on cash and cash equivalents	4.9, 4.13	–152	1,071
Cash, cash equivalents and bank overdrafts as at 31 December		**151,019**	**161,414**
Bank overdrafts as at 1 January	4.13	-	0
Bank overdrafts as at 31 December	4.13	–2	-
Cash and cash equivalents as at 31 December		**151,021**	**161,414**

Consolidated statement of changes in equity for the 2022 and 2021 financial years

	Attributable to owners of the parent									
				Other reserves						
EUR thousand	**Issued capital**	**Capital reserves**	**Retained earnings**	**Actuarial gains/losses from remeasurement of defined benefit pension plans**	**Deferred taxes on items that will not be reclassified**	**Profits/losses from remeasurement of equity instruments**	**Foreign operations - currency translation differences**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2021	**53,840**	**100,790**	**177,082**	**–13,146**	**2,808**	**–117**	**710**	**321,966**	**2,616**	**324,582**
Profit or loss for the period	-	-	209,583	-	-	-	-	209,583	–679	208,904
Other comprehensive income, after tax	-	-	-	17,468	–4,055	-	1,065	14,478	-	14,478
Total comprehensive income for the period	**-**	**-**	**209,583**	**17,468**	**–4,055**	**-**	**1,065**	**224,061**	**–679**	**223,382**
Transactions with non-controlling interests without change of control	-	-	–1,332	-	-	-	-	–1,332	582	–750
Dividends	-	-	–47,379	-	-	-	-	–47,379	-	–47,379
As at 31 December 2021	**53,840**	**100,790**	**337,954**	**4,322**	**–1,248**	**–117**	**1,775**	**497,316**	**2,518**	**499,834**
As at 1 January 2022	**53,840**	**100,790**	**337,954**	**4,322**	**–1,248**	**–117**	**1,775**	**497,316**	**2,518**	**499,834**
Profit or loss for the period	-	-	134,236	-	-	-	-	134,236	–1,619	132,617
Other comprehensive income, after tax	-	-	-	40,368	–12,208	–8,447	–2,840	16,872	-	16,872
Total comprehensive income for the period	**-**	**-**	**134,236**	**40,368**	**–12,208**	**–8,447**	**–2,840**	**151,108**	**–1,619**	**149,490**
Transactions with non-controlling interests without change of control	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	–116,833	-	-	-	-	–116,833	-	–116,833
As at 31 December 2022	**53,840**	**100,790**	**355,357**	**44,690**	**–13,455**	**–8,565**	**–1,065**	**531,592**	**900**	**532,491**

Pharmacy in Spain, Barcelona

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DERMAPHARM HOLDING SE

1. Information about the Company

Dermapharm Holding SE, Grünwald, Germany, (hereinafter also the "Company") together with its consolidated subsidiaries (hereinafter referred to as "Dermapharm" or the "Group") is a leading manufacturer of off-patent branded pharmaceuticals for selected therapeutic areas, over-the-counter drugs, non-prescription natural remedies, medical devices, herbal extracts as well as parallel imports of originator preparations, both in Germany and with a growing international presence.

The Company has its registered office at Lil-Dagover-Ring 7, Grünwald, Germany, and is entered in the commercial register of the Local Court (Amtsgericht) of Munich under number HRB 234575.

Dermapharm Holding SE, Grünwald, Germany, is the holding company of the Dermapharm Group, whose subsidiaries operate primarily in Germany. Dermapharm also has subsidiaries in Austria, Switzerland, Italy, Spain, Sweden, the United States and China as well as in eastern Europe (Croatia, Poland and Ukraine), among other countries. The Company's domestic and international subsidiaries concentrate on the development, licensing, manufacture and sale of products using off-patent active pharmaceutical ingredients in the healthcare sector, and in particular in the pharmaceutical industry. Its core products are branded generics, OTC products, non-prescription healthcare products, herbal extracts and parallel-imported originator pharmaceuticals.

Dermapharm's shares are listed on the Regulated Market and the Regulated Market sub-segment (Prime Standard) of the Frankfurt Stock Exchange under German Securities Code (WKN) A2GS5D, International Securities Identification Number (ISIN) DE000A2GS5D8 and ticker symbol DMP. Trading opened on 9 February 2018.

These consolidated financial statements as at 31 December 2022 and the combined Group management report for financial year 2022 were approved for publication and submission to the Supervisory Board by the Board of Management on 27 March 2023.

2. Significant accounting policies and changes

2.1 Basis of preparation

Dermapharm's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the Interpretations of the IFRS Interpretations Committee (IFRIC), as adopted by the European Union (EU), and the supplemental provisions in accordance with § 315e (3) HGB in conjunction with § 315e (1) HGB applicable under German commercial and stock corporation law. All mandatory standards and interpretations have been applied. IFRSs not yet entered into force have not been applied.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities, which are measured at fair value in accordance with the requirements of IFRSs.

To improve the clarity of presentation, various items have been aggregated in the consolidated statement of financial position and consolidated statement of comprehensive income. These items are shown separately and explained in the notes to the consolidated financial statements.

The consolidated statement of comprehensive income is prepared based on the nature of expense method.

As a rule, Dermapharm classifies assets as current if they are expected to be recovered within twelve months from the reporting date. Liabilities are classified as non-current if the Company has the right to defer settlement beyond one year. Deferred tax assets and liabilities are classified as non-current assets or liabilities in accordance with IAS 1.

The financial statements are presented in EUR (€). Unless otherwise indicated, amounts are shown in thousands of euros (EUR '000). Due to the rounding of figures, it is possible that individual items and percentages do not add up to the totals indicated.

The financial year corresponds to the calendar year. The separate financial statements of the companies included in the scope of consolidation have the same reporting date as the consolidated financial statements.

Preparing the IFRS consolidated financial statements requires the Board of Management to make judgements, estimates and assumptions concerning the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Due to the fact that the global effects of the war in Ukraine remain impossible to forecast, these judgements and estimates by the management are subject to a higher degree of uncertainty than would normally be the case. In this context, Dermapharm is constantly reviewing the impact of the war in Ukraine on the Company's performance and the resulting effects on its accounts. As at March 2023, there are no material adverse economic effects foreseeable as a result of Russia's war against Ukraine that could impact Dermapharm's course of business.

Areas involving a more significant degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Board of Management prepared the consolidated financial statements on a going concern basis.

2.2 Changes in accounting policies

Subject to the changes described in note 2.4, the same accounting policies were applied in these consolidated financial statements as in the consolidated financial statements for financial year 2021.

2.3 Published Standards and Interpretations that are not yet mandatory

Standard/ Interpretation	First-time application	Endorsed by the EU	Name
IFRS 17	1 January 2023	Endorsed	Insurance Contracts, incl. Amendments to IFRS 17
IAS 1	1 January 2023	Endorsed	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
IAS 8	1 January 2023	Endorsed	Amendments to IAS 8: Definition of Accounting Estimates
IFRS 16	1 January 2024	Pending	Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
IAS 1	1 January 2024	Pending	Amendments to IAS 1: Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
IAS 12	1 January 2023	Endorsed	Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Dermapharm intends to apply these standards once they are subject to mandatory application in the EU. The above amended standards and interpretations are not expected to have any material effect on the consolidated financial statements.

2.4 Standards and Interpretations applicable for the first time during the year under review

In financial year 2022, Dermapharm has observed and, where relevant, applied the pronouncements and amendments to IASB pronouncements published by the IASB and endorsed by the EU with an initial application date of 1 January 2022. These amendments did not have any material effect on Dermapharm's consolidated financial statements.

Standard/ Interpretation	First-time application	Name
IAS 16	1 January 2022	Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
IAS 37	1 January 2022	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
DIV	1 January 2022	Annual improvements of IFRS Standards (2018–2020 Cycle)
IFRS 3	1 January 2022	Amendments to IFRS 3: Reference to the Conceptual Framework

2.5 Consolidation principles and group of consolidated companies

Consolidation principles

Dermapharm Holding SE is the parent company of the Group. Dermapharm's business is conducted by Dermapharm AG and its subsidiaries as well as the subsidiaries of Dermapharm Beteiligungs GmbH. The consolidated financial statements include all material companies as defined in IFRS 10 whose financial and business policies can be controlled by the Company, either directly or indirectly, and the material equity interests of Dermapharm whose financial and business policies can be influenced by the Company to a significant extent. According to IFRS 10, control exists if Dermapharm or its subsidiaries have rights to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Dermapharm or the respective subsidiary. They are deconsolidated from the date that control ceases.

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 2022 and the consolidated financial statements of Dermapharm Holding SE as at 31 December 2022 will be published in the Federal Gazette (Bundesanzeiger).

Associates are companies over which Dermapharm is able to exercise significant influence and which are not subsidiaries or joint ventures. Dermapharm is generally assumed to exercise significant influence if it directly or indirectly holds between 20% and 50% of voting rights in a company. Such equity investments are included in the consolidated financial statements using the equity method.

Subsidiaries, whose influence, both individually and as a whole, on Dermapharm's financial position, financial performance and cash flows is immaterial due to the limited scope of their business activities, are not consolidated or accounted for using the equity method, but rather at amortised cost.

Newly acquired subsidiaries are consolidated in accordance with the acquisition method. The assets, liabilities and contingent liabilities identified in the course of a business combination are initially consolidated at their fair value as at the acquisition date. The excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an acquiree is recognised as goodwill. If the acquisition costs are lower than the fair value of the net assets, the difference is recognised directly in the income statement. Where necessary, amounts reported by subsidiaries have been adjusted to conform to Dermapharm's accounting policies. Transaction costs are expensed as they are incurred.

Intercompany receivables and liabilities are netted. If exchange rate effects result in netting differences, these are generally recognised through profit or loss. Intercompany revenue and income are eliminated against the relevant expenses as part of the consolidation of expenses and income. Intercompany profits not yet realised are also eliminated through profit or loss, as is intercompany investment income. Effects on income taxes in the income statement arising from consolidation are accounted for in accordance with IAS 12 by recognising deferred taxes.

Group of consolidated companies

The table below shows the composition of the Group as at 31 December 2022:

	31 December 2022		31 December 2021	
Company name, registered office	**Interest held directly by parent**	**Interest held by subsidiary**	**Interest held directly by parent**	**Interest held by subsidiary**
Fully consolidated subsidiaries				
Dermapharm AG, Grünwald	100%	–	100%	–
mibe GmbH Arzneimittel, Brehna	–	100%	–	100%
mibe Vertrieb GmbH, Grünwald	–	100%	–	100%
Anton Hübner GmbH & Co. KG, Ehrenkirchen	–	100%	–	100%
Hübner Naturarzneimittel GmbH, Ehrenkirchen	–	100%	–	100%
Dermapharm GmbH, Vienna, Austria	–	100%	–	100%
Dermapharm AG, Hünenberg, Switzerland	–	100%	–	100%
Sun-Farm Sp. z o.o., Lomianki, Poland	–	100%	–	100%
Farmal BH d.o.o, Sarajevo, Bosnia and Herzegovina	–	–		100%
mibe Pharmaceuticals d.o.o, Zagreb, Croatia	–	100%	–	100%
acis Arzneimittel GmbH, Grünwald	–	100%	–	100%
axicorp GmbH, Friedrichsdorf	–	100%	–	100%
axicorp Pharma GmbH, Friedrichsdorf	–	100%	–	100%
axicorp Pharma B.V., Amsterdam, Netherlands	–	100%	–	100%
axicorp ApS, Hellerup, Denmark	–	100%	–	100%
remedix GmbH, Friedrichsdorf	–	100%	–	100%
mibe Logistik & Service GmbH & Co. KG, Brehna	–	100%	–	100%
mibe Forschungs- und Entwicklungsgesellschaft mbH & Co. KG, Brehna	–	100%	–	100%
Melasan Produktions- und Vertriebsges.m.b.H., Neumarkt, Austria	–	100%	–	100%
mibeTec GmbH, Brehna	–	100%	–	100%
mibeTec US, Inc., Austin, USA	–	100%	–	100%
Trommsdorff GmbH & Co. KG, Alsdorf	–	100%	–	100%
Cl. Lageman GmbH, Alsdorf	–	100%	–	100%
Strathmann GmbH & Co. KG, Hamburg	–	100%	–	100%
Strathmann Service GmbH, Hamburg	–	100%	–	100%
BLBR GmbH, Grünwald	–	50.98%	–	50.98%
mibe pharma UK Ltd., London, UK	–	100%	–	100%
mibe pharma Italia Srl., Segrate, Italy	–	100%	–	100%
Euromed Botanicals S. L., Barcelona, Spain	–	–	–	100%
Euromed S. A., Barcelona, Spain	–	100%	–	100%
Euromed USA Inc., Bridgeville, USA	–	100%	–	100%
fitvia GmbH, Wiesbaden	–	100%	–	100%
Bellavia GmbH, Wiesbaden	–	100%	–	100%
mibe Ukraine LLC., Kyiv, Ukraine	–	100%	–	100%
mibe pharma España S. L., Barcelona, Spain	–	100%	–	100%
Aktiebolaget, Ängelholm, Sweden	–	100%	–	100%
C³-Cannabinoid Compound Company GmbH, Neumarkt	–	100%	–	–
Spectrum Therapeutics GmbH, Neumarkt	–	100%	–	–
THC Pharm GmbH The Health Concept, Frankfurt am Main	–	100%	–	–

	31 December 2022		31 December 2021	
Company name, registered office	**Interest held directly by parent**	**Interest held by subsidiary**	**Interest held directly by parent**	**Interest held by subsidiary**
Spectrum Therapeutics Austria GmbH, Vienna, Austria	–	100%	–	–
Dermapharm Beteiligungs GmbH, Grünwald	100%	–	100%	–
Allergopharma (Beijing) Pharmaceutical Technology Co. Ltd., Beijing, China (formerly Dermapharm (Beijing) Pharmaceutical Technology Co., Ltd, Beijing, China)	–	100%	–	100%
Allergopharma Verwaltungs GmbH, Reinbek	–	100%	–	100%
Allergopharma GmbH & Co. KG, Reinbek	–	100%	–	100%
Allergopharma Vertriebsges. mbH, Vienna, Austria	–	100%	–	100%
Allergopharma AG, Therwil, Switzerland	–	100%	–	100%
Allergopharma Espana S.L., Barcelona, Spain	–	100%	–	100%
Non-consolidated companies				
Anton Hübner Verwaltungsgesellschaft mbH, Ehrenkirchen	–	100%	–	100%
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria	–	100%	–	100%
mibeTec Japan K. K., Tokyo, Japan	–	100%	–	100%
Digital Hub mibe GmbH, Grünwald	–	100%	–	100%
Associates				
Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam	–	30%	–	30%
Gynial GmbH, Vienna, Austria	–	25.1%	–	25.1%
Gynial AG, Hünenberg, Switzerland	–	40%	–	40%
Wellster Healthtech Group GmbH, Munich	–	45%	–	–
CORAT Therapeutics GmbH, Braunschweig	–	24.9%	–	24.9%
Other equity investments				
Hasan Dermapharm JV Co., Ltd., Binh Duong Province, Vietnam	–	5%	–	5%
Wellster Healthtech Group GmbH, Munich	–	–	–	29.82%

Changes to the scope of consolidation

C³ Group

Effective 31 January 2022, Dermapharm AG acquired a 100% interest in C³-Cannabinoid Compound Company GmbH, Spectrum Therapeutics GmbH (each having their registered office in Neumarkt in der Oberpfalz), THC Pharm GmbH The Health Concept, with its registered office in Frankfurt am Main, and Spectrum Therapeutics Austria GmbH, with its registered office in Vienna, Austria (hereinafter also referred to as the "C³ Group"). For additional details, please see note 2.7.

Wellster Healthtech Group GmbH

Effective 27 October 2022, Dermapharm AG acquired a further 15.18% interest in Wellster Healthtech Group GmbH, with its registered office in Munich, which is now recognised as an associate due to the resulting change of status. For additional details, please see note 2.8.

Euromed Botanicals S.L.

As at 1 January 2022, Euromed Botanicals S.L., with its registered office in Barcelona, Spain, was merged with Euromed S.A., with its registered office in Barcelona, Spain.

Farmal BH d.o.o

As at 31 October 2022, Farmal BH d.o.o, with its registered office in Sarajevo, Bosnia and Herzegovina, was liquidated.

2.6 Currency translation

Dermapharm's consolidated financial statements are presented in euros (EUR).

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. In subsequent periods, financial assets and liabilities denominated in foreign currencies are translated at spot rates. The resulting exchange rate gains and losses are recognised through profit or loss under net foreign exchange gains and losses and reported separately.

The assets and liabilities of consolidated foreign companies whose functional currency is not the euro are translated at the exchange rates applicable as at the end of the period. Equity items are translated at historical rates, and items of the statement of comprehensive income are translated at average exchange rates over the relevant periods. Currency translation differences in the statement of financial position and statement of comprehensive income are recognised outside profit or loss in equity.

The Group's material exchange rates are as follows (equivalent value for EUR 1):

	Currency	Average rate		Closing rate	
Country	**EUR 1 =**	**2022**	**2021**	**31 December 2022**	**31 December 2021**
Switzerland	CH	1.0055	1.0816	0.9862	1.0366
Croatia	HRK	7.5437	7.5400	7.5463	7.5320
Poland	PLN	4.6860	4.5676	4.6847	4.5968
Vietnam	VND	24,660.6986	27,190.6071	25,234.7000	25,811.5000
United Kingdom	GBP	0.8527	0.8605	0.8855	0.8396
USA	USD	1.0545	1.1836	1.0677	1.1326
Ukraine	UAH	34.5043	32.5989	39.6213	31.1599
China	CNY	7.0828	7.6398	7.3951	7.2185
Sweden	SEK	10.6337	10.2848	11.1493	10.2475

2.7 Business combinations

During the period from 1 January 2022 to 31 December 2022, the Group concluded the following business combination:

C³ Group

Pursuant to the purchase agreement dated 15 December 2021, Dermapharm AG acquired a 100% interest in C³-Cannabinoid Compound Company GmbH, Spectrum Therapeutics GmbH (each having their registered office in Neumarkt), THC Pharm GmbH The Health Concept, with its registered office in Frankfurt am Main, and Spectrum Therapeutics Austria GmbH, with its registered office in Vienna, Austria. The acquisition of the C³ Group closed on 31 January 2022.

The C³ Group develops, produces and distributes natural and synthetic cannabinoids and is included in Dermapharm's "Herbal extracts" segment. The C³ Group is the market leader for Dronabinol in Germany and Austria. Dronabinol is an active ingredient and a cannabinoid that is primarily used for pain treatment and in palliative care and for oncology and neurology. It is used to treat a wide range of chronic and severe diseases. The acquisition of the C³ Group gives Dermapharm access to the growth market for medical cannabis and also further distribution channels in Europe.

The transaction constituted a business combination as defined under IFRS 3. As a practical expedient, 1 February 2022 was selected as the date to include the company in the consolidated financial statements for the first time. The purchase price for the C³ Group amounted to EUR 94,884 thousand.

The fair values of the assets and liabilities (in accordance with IFRS 3) of the C³ Group were as follows at the acquisition date, 31 January 2022:

EUR thousand	**Fair value**
Intangible assets	20,603
of which identified in purchase price allocation	*20,527*
Property, plant and equipment	6,312
Other non-current financial assets	173
Inventories	14,246
of which identified in purchase price allocation	*2,639*
Trade receivables	3,281
Other current financial assets	869
Other current assets	352
Cash and cash equivalents	13,590
Deferred tax assets	2
Other provisions	–249
Trade payables	–1,199
Other current liabilities	–544
Tax liabilities	–169
Deferred tax liabilities	–6,496
of which identified in purchase price allocation	*–6,496*
Recognised goodwill	44,114

Acquired gross contractual receivables amount to EUR 3,281 thousand, none of which were deemed uncollectable as at the acquisition date. The gross amount corresponds to the fair value because the remaining term of the receivables is less than one year.

Comparing the consideration transferred for the interests with the identified fair value of the assets and liabilities resulted in goodwill of EUR 44,114 thousand. Factors giving rise to this goodwill relate to expected synergies and other intangible assets of the C³ Group that cannot be identified separately.

The assets measured at fair value for the first time in connection with the purchase price allocation and the key assumptions for the valuation were as follows:

Identified assets and liabilities at the reporting date	Identified hidden reserves (EUR thousand)	Useful life	Cost of capital
Customer relationships	16,889	10 years	11.00%
Technology - natural dronabinol	3,179	10 years	11.00%
Technology - synthetic dronabinol & CBD	459	5 years	10.80%
Inventories	2,639	0.9 years	n/a

The C³ Group contributed EUR 16,191 thousand to consolidated revenue for the period from 1 February 2022 to 31 December 2022; the EBITDA contribution adjusted by the restructuring provision and effects from the purchase price adjustment (IFRS 3) amounted to EUR 440 thousand over this period.

Had 1 January been applied as the date on which the C³ Group acquisition took economic effect, the total revenue contribution from the acquisition would have amounted to EUR 18,375 thousand for the period from 1 January to 31 December 2022. The positive EBITDA contribution adjusted by the restructuring provision and effects from the purchase price adjustment (IFRS 3) would have amounted to EUR 1,134 thousand.

2.8 Acquisition of investments accounted for using the equity method

Wellster Healthtech Group GmbH

Dermapharm AG and Wellster Healthtech Group GmbH (hereinafter also "Wellster") 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. The deal closed on 27 October 2022.

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.

Prior to the acquisition of the additional 15.18% interest in Wellster in 2022, the 29.82% interest already acquired in 2021 had been classified as a financial instrument in accordance with IFRS 9 and reported under "Equity investments". Due to the acquisition of an additional 15.18% of shares, Wellster is now classified as an associate and reported under "Investments accounted for using the equity method". The Group calculated the difference between the cost of the investment and Dermapharm's share of the net fair value of the identifiable assets and liabilities of Wellster in accordance with IAS 28, as required on acquisition of the investment. The acquisition costs for the shares acquired amounted to EUR 23,097 thousand. These comprised the newly acquired shares (EUR 6,031 thousand), a revaluation of the 29.82% interest acquired in 2021 (EUR 17,053 thousand) and ancillary purchase costs (EUR 13 thousand).

The net fair values of the assets and liabilities (in accordance with IAS 28) were as follows at the acquisition date, 27 October 2022:

EUR thousand	Fair value
Intangible assets	2,832
of which identified in purchase price allocation	*1,383*
Property, plant and equipment	247
Equity investments	3
Inventories	2,422
Trade receivables	3,921
Receivables from affiliated companies	1,928
Other current assets	10,104
Cash and cash equivalents	12,321
Other non-current financial liabilities	–4,285
Deferred tax liabilities	–456
of which identified in purchase price allocation	*–456*
Trade payables	–11,921
Other current liabilities	–9,396
Tax liabilities	–52
Fair value of net assets acquired (100%)	7,669
Majority share (55.00%)	4,218
Fair value of net assets acquired (45.00%)	3,451
Goodwill	19,646

Comparing the consideration transferred for the interests with the identified fair value of the prorated assets and liabilities resulted in goodwill of EUR 19,646 thousand.

The following assets were measured at their fair value for the first time during the purchase price allocation. The key measurement assumptions are as follows:

Identified assets and liabilities at the reporting date	Identified hidden reserves (EUR thousand)	Useful life	Cost of capital
Trademarks	622	4 years	12.5%

2.9 Intangible assets

Intangible assets are measured using the cost model in accordance with IAS 38.

Amortisation of intangible assets is based primarily on the following useful lives:

Intangible assets	years
Software, licenses, patents and similar rights	3–20
Capitalised development costs (amortisation from date of authorisation)	15
Goodwill	Indefinite useful life

Software, licenses, patents and similar rights

Software, licenses, patents and similar rights have a finite useful life and are carried at cost less cumulative amortisation and impairment.

Capitalised development costs

Capitalised development costs consist primarily of projects for the development of new pharmaceutical products as well as authorisations obtained on the basis of the Company's own development activities. Costs that are incurred from the expansion of these authorisations to new countries are also capitalised.

Once a project has received approval by the Board of Management, the costs are capitalised during the project phase in accordance with the recognition criteria set out in IAS 38. Those costs directly attributable to the development project are used, and include personnel costs for members of staff involved in the development process, an appropriate part of the corresponding

directly attributable overhead costs and costs for external resources. Once the development stage of the project has been completed and the project has been approved by the authorising authorities, the asset is economically viable and amortisation commences.

Other development costs that do not meet these recognition criteria are expensed as incurred. Development costs previously recognised as an expense are not capitalised in subsequent periods.

Intangible assets acquired in the context of a business combination

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an acquiree. If the consideration is less (negative goodwill), it is recognised in profit or loss.

2.10 Property, plant and equipment

All items of property, plant and equipment are measured at cost less cumulative depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of internally generated assets includes the cost of materials and direct labour costs, plus any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment; these are recognised through profit or loss on a net basis within other operating income or other operating expenses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to Dermapharm and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation is based primarily on the following estimated useful lives:

Property, plant and equipment	**years**
Buildings, including buildings on third-party land	10–60
Technical equipment and machinery	5–20
Other equipment, operating and office equipment	3–23
Prepayments	n/a

2.11 Impairments of non-financial assets

Intangible assets which are not subject to amortisation are tested annually for impairment. Property, plant and equipment and other intangible assets already in use are depreciated and amortised, as well as tested for impairment if there are indications that the assets may have become impaired.

In order to determine whether an asset is impaired, the recoverable amount (the higher of fair value less costs to sell and the value in use) of the respective asset is compared against its carrying amount. If the recoverable amount is lower than the carrying amount, the amount of the difference is recognised as an impairment loss. To the extent possible, impairment tests are carried out at the level of the individual asset, otherwise at the level of the cash-generating unit. Goodwill is only tested for impairment at the level of the cash-generating unit. If the reasons for recognising an impairment cease to apply, the impairment is reversed to no higher than the carrying amount that would have been recognised had no impairment originally been recognised (amortised cost). Impairments on goodwill may not be reversed.

The impairment test is conducted using the discounted cash flow (DCF) model. Goodwill is tested for impairment on the basis of projections made in budgets approved by the Board of Management and the Supervisory Board, while development costs are tested for impairment on the basis of project-specific budgets approved by the Board of Management. The expected cash flows are discounted using an appropriate interest rate for the relevant market.

2.12 Financial assets

Recognition and measurement

All financial assets are measured at fair value upon initial recognition. The transaction costs directly attributable to the acquisition of financial assets which will not be subsequently measured at fair value through profit or loss are included in the fair value. Additions and disposals of financial assets are recognised on the trading date, i.e., the date on which Dermapharm is obligated to buy or sell the asset.

The financial assets held by the Group consist in particular of cash, trade receivables, loan receivables and equity investments.

Subsequent measurement

Financial assets are classified into three measurement categories set out in IFRS 9 for the purpose of subsequent measurement:

The category "at amortised cost (AC)" includes financial assets for which the cash flows comprise payments of interest and principal and are held for the purpose of collecting contractual cash flows. After initial recognition, these financial assets are carried at amortised cost using the effective interest rate method, less impairments.

The category "at fair value through other comprehensive income (FVOCI)" covers financial assets held for the purpose of collecting contractual cash flows as well as for disposal if required. These are measured at fair value. Any resulting changes in value are recognised in a separate reserve under other comprehensive income. Upon disposal, the cumulative measurement gains and losses in other comprehensive income are recognised at fair value through profit or loss.

The category "at fair value through profit or loss (FVPL)" contains those financial assets which do not fall under any different category. These are measured at fair value. Any changes in their value are recognised through profit or loss.

An entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value (FVOCI) of an investment in an equity instrument within the scope of IAS 32 that is not held for trading, whereby only income from dividends is recognised in profit or loss. Dermapharm exercises this option and classifies equity instruments in the form of equity investments in other entities at fair value through other comprehensive income. Due to their immateriality to Dermapharm's consolidated financial statements, amortised cost is used as an approximate value for fair value for equity investments. For additional details, please see note 4.4.

Derecognition and impairment

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to a third party.

Receivables, including associated impairment losses, are derecognised if they are deemed uncollectable.

Derivatives are derecognised at the end of the contractual obligation.

The impairment model under IFRS 9 provides for loss allowances for expected credit losses. Dermapharm applies the simplified approach for calculating expected losses on trade receivables based on customers' payment history using a provision matrix. In the provision matrix, the expected loss over the remaining term is determined on the reporting date as a fixed percentage rate depending on how long the receivables were past due.

2.13 Inventories

In accordance with IAS 2, those assets that are intended for sale in the ordinary course of business (finished goods and merchandise), that are in the process of production for sale (work in progress), or that are consumed in the production process or in the rendering of services (raw materials, consumables, and supplies) are presented under inventories. Prepayments for the acquisition of inventories are also presented under inventories.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred to acquire the inventories, production costs and other costs incurred to bring them to their existing location and condition. In the case of manufactured inventories and work in progress, cost of inventories includes direct material and production costs and an appropriate share of production overheads based on normal operating capacity. The cost of raw materials is allocated individually or based on a weighted average.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash contributions and are intended for meeting current payment obligations. They are generally measured at their nominal amounts.

2.15 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Property, plant and equipment classified as held for sale is not depreciated.

2.16 Financial liabilities

Recognition and measurement

Financial liabilities are measured at fair value upon initial recognition. Directly attributable transaction costs associated with the acquisition of financial liabilities which will not be subsequently measured at fair value through profit or loss are included as part of their carrying amount.

Financial liabilities give rise to a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities held by Dermapharm consist primarily of trade payables, financial liabilities and other financial liabilities not held for trading, as well as derivative financial liabilities.

Subsequent measurement

In accordance with IFRS 9, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in financial expenses in the statement of comprehensive income.

Derivative financial liabilities that are not part of an effective hedging relationship are measured at fair value through profit or loss. Gains and losses in connection with these types of financial liabilities are recognised through profit or loss.

Derecognition

A financial liability is derecognised if the corresponding obligation is settled, revoked or expired. The difference between the carrying amount of the derecognised financial obligation and the consideration obtained or to be obtained is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is both an enforceable legal right to offset the recognised amounts and an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.17 Government grants

mibe GmbH Arzneimittel received government grants for the construction and extension of the production facility in Brehna, Germany. These are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs which the grants are intended to compensate. Grants are recognised in the statement of financial position under other liabilities.

At the reporting date, there were no unfulfilled conditions or contingencies attached to the recognised grants.

2.18 Provisions for employee benefits

Defined benefit pension commitments are measured using the projected unit credit method in accordance with IAS 19. Under that method, the pensions known as at the reporting date and vested benefits are factored into the calculation along with future expected increases in salaries and pensions. The calculation is based on actuarial reports and take into consideration the biometric accounting principles set out in the 2018G Heubeck mortality tables. The discount rates used are determined based on the market yields of high-quality corporate bond portfolios.

For pension commitments financed through pension funds, the fair value of plan assets is deducted from the present value of the defined benefit obligation for pensions and other post-employment benefits to determine the net defined benefit liability.

Deviations between the assumptions made in the pension report and the actual development result in actuarial gains and losses. The resulting remeasurements and income on plan assets are recognised in other comprehensive income, which forms part of the retained earnings and is not recycled to profit or loss in subsequent periods. The current service cost is presented through profit or loss in personnel expenses, with the interest portion relating to the additions to provisions recognised in the financial result.

Provisions for milestone bonuses are recognised based on actuarial reports in accordance with IAS 19.

2.19 Other provisions

Other provisions are recognised in accordance with IAS 37 when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions with a remaining term of longer than one year are recognised at their present value.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date.

2.20 Long-term employee benefits

Bonus schemes

For bonus payments after the end of the respective financial year for the preceding financial year, an obligation is recognised and the corresponding expenses are recognised as personnel expenses. The amount of the obligation is measured individually for each employee for whom either a contractual bonus obligation or a constructive obligation due to past practice exists.

2.21 Taxes on income and deferred taxes

Taxes on income

Current income taxes are measured for the current period at the amount in which a reimbursement from the taxation authority or a payment to the taxation authority is expected.

The amount is calculated based on the tax rates and tax laws that are applicable at the reporting date in the countries in which the Group operates and generates taxable income.

Current income taxes that relate to items that are recognised directly in equity are not recognised in the income statement, but rather in equity.

Deferred taxes

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for Group accounting purposes and the amounts recognised for tax purposes.

Deferred tax assets are recognised for unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred taxes are measured based on the tax rates on the recognition date that are applicable or expected based on the current legal situation in the individual countries. Deferred taxes that relate to items recognised in equity are presented in equity. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off the current tax assets against current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

The initial recognition exemption provided for in IAS 12 is applied to leases accounted for in accordance with IFRS 16 and therefore no deferred taxes are recognised.

2.22 Recognition of income and expenses

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts, returns and value added taxes.

Revenue is recognised once the goods and merchandise have been delivered and control passes to the customer. Revenue generated from the sale of goods is generally recognised at a point in time. Discounts, customer bonuses and rebates are deducted from revenue.

The German pharmaceuticals market is highly regulated, requiring manufacturers to obtain marketing authorisations before introducing a new product for sale. The extensive regulation also affects the prices for prescription pharmaceuticals in Germany. Certain prescription pharmaceuticals, in particular those with high volumes, are subject to a reference price, which is the maximum price for which patients are reimbursed by statutory health insurance ("SHI") providers. All other prescription pharmaceuticals (i.e., those without a reference price) are subject to a mandatory manufacturer rebate, normally of 7% (2023 onwards: 12%), as well as a price moratorium, which was extended until 2026 at the end of 2022. Under this moratorium, pharmaceuticals manufacturers are required to compensate SHI providers and private health insurance companies for any price increases. In addition, generics manufacturers such as Dermapharm are generally required to offer a mandatory generics rebate of 10% on the ex-factory price of their prescription pharmaceuticals. Rebates are accounted for as deductions from revenue in the consolidated statement of comprehensive income.

Other operating income/expenses

Other operating income is recognised when the economic benefits flow to the entity. Other operating expenses are recognised at the point at which the service is rendered, the delivery is received or at the date they are incurred.

Interest income/expenses

Interest income/expenses are recognised in profit or loss using the effective interest method. Derivatives are measured at fair value. Any resulting changes in value are generally recognised in profit or loss.

2.23 Earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit for the period which is attributable to the shareholders of the parent by the weighted average number of ordinary shares outstanding. IAS 33 was applied retrospectively to calculate the weighted average number of ordinary shares outstanding. At Dermapharm, diluted earnings per share is calculated in the same manner as basic earnings per share because Dermapharm has not issued any financial instruments that could potentially result in a capital increase or an increase in ordinary shares.

2.24 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the leased asset) for a period of time in exchange for consideration.

The Group, as a lessee, generally recognises the rights to use the underlying asset (right-of-use assets) and the liabilities associated with the payment obligations (lease liabilities) at their respective present values in the statement of financial position. The lease liabilities comprise the following lease payments:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the lease payments are discounted using the incremental borrowing rate. Dermapharm uses the incremental borrowing rate since the interest rates implicit in the leases could not be readily determined. This incremental borrowing rate is derived as a risk-adjusted interest rate to borrow over a similar term in the same currency.

Right-of-use assets are measured at cost, which comprises:

- the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to a required condition.

Right-of-use assets are subsequently measured at cost. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

The Group exercises the options for short-term leases and leases for which the underlying asset is of low value and as such does not recognise right-of-use assets or liabilities for these types of leases.

The Group in particular has leases for real estate, motor vehicles and operating and office equipment.

A number of leases, in particular real estate leases, include extension and termination options. These contractual terms and conditions offer Dermapharm the utmost flexibility. When determining the terms of the leases, all relevant facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option are considered. Such options are only considered when determining the term if it is reasonably certain that they will be exercised.

2.25 Derivatives

Dermapharm uses derivatives as required to mitigate the risk of changes in interest rates. The instruments used include interest-rate swaps and options. Derivatives are initially recognised on the trade date when the Company becomes a counterparty under the contractual provisions of the instrument.

Depending on whether the market value of the derivatives is positive or negative, they are recognised under other financial assets or other financial liabilities. Dermapharm does not apply hedge accounting.

2.26 Fair value measurement

The tables below show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value measurement
Equity investments (Levels 2 and 3)	The fair value (level 3 inputs) of the equity investment in Wellster was determined as at 30 June 2022 using the discounted cash flow (DCF) model, under which future cash flows are discounted using a risk-adjusted discount rate. Following the acquisition of the additional shares of Wellster, the fair value (level 2 inputs) was most recently determined as at 27 October 2022 – before its change of status – using observable inputs from the contractual basis. Due to their immateriality to Dermapharm's consolidated financial statements, amortised cost is used as an approximate value for fair value for the other equity investments.	Probability-weighted revenue and earnings	Taken in isolation an increase/decrease in probability-weighted revenue and earnings would lead to an increase/decrease in fair value
Interest rate swaps (Level 2)	Swap models: Fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value measurement is subject to a credit/debit valuation adjustment that reflects the credit risk of Dermapharm and the counterparty, which is calculated based on credit spreads. The interest rate swap expired on 19 September 2022.	n/a	n/a

Type	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value measurement
Options (Level 3)	Option measurement model: The Black 76 model is used to calculate the fair value of options. The key model parameters for measuring options include the underlying, the exercise price, the expected volatility of the underlying, the risk-free interest rate and the expected remaining maturity. In connection with the acquisition of Cernelle, a call option was entered into for acquisition of the shares in Backahill Vegeholm AB. Backahill Vegeholm AB is the owner of the land and buildings in Sweden. Cernelle is the current lessee of the land and buildings. The volatility of the underlying is needed as a measurement parameter to measure the option. For the sake of simplicity, the average annual volatility of the FTSE SWEDEN Real Estate Index and MSCI Sweden/Real Estate (Industry Group) Index is used since inputs are not available for the volatility of the land and buildings and other private commercial real estate.	Volatility Backahill Vegeholm AB: 31 December 2022: 39.1%	A decrease in volatility would result in a decrease of the (positive) fair value of the option. By contrast, an increase in volatility would result in an increase in the (positive) fair value of the option.

Financial instruments not measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value measurement
Liabilities to banks and lease liabilities (level 2)	Discounted cash flows: The valuation model considers the present value of future cash flows, discounted using a risk-adjusted discount rate. The discount rate is determined using a benchmark yield curve that is consistent with the timing and the estimated riskiness of the bank loan at the closing date of the contract. The discount rate used as at the reporting date corresponds to the value of the benchmark yield curve on that date. Discount rates for future maturities correspond to the values of the term-equivalent benchmark yield curve.	n/a	n/a

3. Estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Dermapharm makes estimates and assumptions concerning the future. These accounting estimates may deviate from actual events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Please refer to note 2.1 for information about the impacts of the war in Ukraine.

Business combinations

Valuation methods, which are primarily based on estimates and assumptions, are used in connection with purchase price allocations for business combinations. The methods employed and carrying amounts identified in the course of the acquisition of C³ Group are presented in note 2.7.

Goodwill impairment test

The Group tests recognised goodwill for impairment at least once annually. For more detailed information on the carrying amounts of goodwill as at the reporting date and the necessary assumptions and estimates, please refer to note 4.1.

Impairment of other assets

For items of property, plant and equipment and intangible assets, the expected useful lives and associated amortisation or depreciation expenses are determined on the basis of the management's expectations and assessments. The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date.

Particularly in connection with impairment testing of approvals that are not yet in use, the growth rates applied for testing as well as the price and cost development of active pharmaceutical ingredients are based on best possible estimates. The carrying amounts of the items of property, plant and equipment and intangible assets as well as the respective amortisation, depreciation and impairment expenses are shown in the tables in notes 4.1 and 4.2.

Development costs

Development costs are capitalised based on the assessment of whether the capitalisation requirements of IAS 38 have been met. Projections are necessary to determine the future economic benefits. These are by their nature subject to estimates and may therefore deviate from actual circumstances in the future. For the carrying amounts of capitalised development costs as at the reporting date, please refer to note 4.1.

Taxation

The Group operates in various countries and is required to pay the relevant income taxes in each tax jurisdiction. In order to calculate the income tax provisions and the deferred tax liabilities in the Group, the expected income tax as well as the temporary differences resulting from the different treatment of certain statement of financial position items in accordance with IFRS and their accounting in accordance with tax law must each be determined on the basis of assumptions. If the final taxation imposed deviates from the assumed figures, this has a corresponding effect on current and deferred taxes and thus on Dermapharm's financial position, financial performance and cash flows for the respective period. For more detailed information on the income taxes and deferred taxes, please refer to note 4.17.

Fair value of financial assets and liabilities

Valuation models based on input parameters observable in the market are applied to determine the fair values of derivatives and other financial instruments, for which no market price is available in an active market. The cash flows, which are already fixed or calculated based on the current yield curve using forward rates, are discounted to the measurement date with the discount factors determined based on the yield curve valid on the reporting date. All carrying amounts are shown in note 7.3.

Trade receivables, cash and cash equivalents, trade payables, current liabilities to banks, current lease liabilities and other current financial liabilities generally have a remaining term of up to one year. The carrying amounts less allowances, where applicable, approximate the fair values.

The fair value of equity instruments is calculated using the discounted cash flow (DCF) model. The parameters underlying the calculation are based on observable market data. If no such inputs are available, management uses its judgement to calculate the fair value. For additional details, please see note 7.3.

Pensions and other post-employment benefits

The carrying amounts of defined benefit pension plans and other post-employment benefits are based on actuarial valuations. These include assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. The discount rate is generally calculated on the basis of the yield of high-quality corporate bonds with an AA rating whose maturity and denomination match the corresponding obligations. For more detailed information, please refer to note 4.11.

Other provisions

The estimate of future costs is subject to many uncertainties, including legal uncertainties based on the applicable laws and regulations and with uncertainties regarding to the actual conditions in the different countries and operating locations. In particular, estimates of costs are based on previous experience in similar cases, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on the future profit or loss of the Group.

The expenses for recognising provisions for health insurance discounts are estimated based on the relevant underlying two-year discount agreement and information obtained from a database which tracks the historical volumes of pharmaceuticals reimbursed by each insurance company. Actual expenses for these discounts may differ from the estimate and revenue would accordingly be higher or lower. The accounting treatment for the discounts and hence the utilisation of provisions for discounts for health insurers is generally expected within the next twelve months. The expenses for recognising these provisions are offset against revenue.

For the carrying amounts of other provisions as at the reporting dates, please refer to note 4.12.

4. Notes to the consolidated statement of financial position

4.1 Intangible assets

Intangible assets changed as follows:

EUR thousand	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
Cost				
As at 1 January 2022	**291,376**	**386,828**	**94,678**	**772,882**
Exchange differences	–351	14	–384	–721
Additions due to business combinations	43,389	20,603	0	63,991
Additions	-	2,414	19,348	21,762
Disposals	-	–1,833	–178	–2,011
Reclassifications	-	–1,306	3,996	2,691
As at 31 December 2022	**334,413**	**406,720**	**117,460**	**858,594**
Depreciation, amortisation and reversal of impairment				
As at 1 January 2022	**26,646**	**169,703**	**16,962**	**213,311**
Exchange differences	0	137	–90	47
Additions (amortisation)	0	24,663	3,068	27,731
Additions (impairment)	36,448	1,847	4,622	42,917
Reversals of write-downs	-	–28	-	–28
Disposals	-	–1,569	–178	–1,747
Reclassifications	-	–156	156	-
As at 31 December 2022	**63,094**	**194,597**	**24,540**	**282,231**
Carrying amounts				
As at 31 December 2021	**264,729**	**217,126**	**77,716**	**559,571**
As at 31 December 2022	**271,319**	**212,124**	**92,920**	**576,363**

EUR thousand	Goodwill	Software, licenses, patents and similar rights	Capitalised development costs	Total
Cost				
As at 1 January 2021	**287,483**	**382,644**	**74,909**	**745,035**
Exchange differences	231	172	21	425
Additions due to business combinations	3,661	1,728	2,820	8,209
Additions	–	4,802	17,250	22,052
Disposals	–	–1,086	–1,697	–2,782
Reclassifications	–	–1,431	1,375	–56
As at 31 December 2021	**291,376**	**386,828**	**94,678**	**772,882**
Depreciation, amortisation and reversal of impairment				
As at 1 January 2021	**21,215**	**147,405**	**12,806**	**181,425**
Exchange differences	–	141	–	141
Additions (amortisation)	–	22,940	1,653	24,593
Additions (impairment)	5,432	450	4,309	10,191
Reversals of write-downs	–	–	–279	–279
Disposals	–	–1,031	–1,677	–2,708
Reclassifications	–	–202	150	–52
As at 31 December 2021	**26,646**	**169,703**	**16,962**	**213,311**
Carrying amounts				
As at 31 December 2020	**266,268**	**235,239**	**62,103**	**563,610**
As at 31 December 2021	**264,729**	**217,126**	**77,716**	**559,571**

Intangible assets consist primarily of purchased assets – including in particular recognised goodwill, customer relationships, orders on hand, trademarks and authorisations – and capitalised costs for current development projects and internally developed authorisations. The residual useful lives and carrying amounts of significant intangible assets resulting from the acquisition of the C³ Group are presented in the table below; please refer to note 2.7 for additional information on these acquisitions.

31 December 2022	Carrying amount (EUR thousand)	Residual useful life (years)	Origin
Customer relationships	16,889	10	Acquisition of C³ Group
Technology - natural dronabinol	3,179	10	Acquisition of C³ Group
Technology - synthetic dronabinol & CBD	460	5	Acquisition of C³ Group
Inventories	2,639	0.9	Acquisition of C³ Group

Goodwill was recognised at a carrying amount of EUR 271,319 thousand as at the reporting date (31 December 2021: EUR 264,729 thousand). Goodwill of EUR 32,485 thousand was recognised for C³ Group as at the reporting date.

Amortisation of EUR 27,731 thousand in total was recognised for intangible assets (excl. impairment) during the reporting period (2021: EUR 24,593 thousand). The amortisation taken on capitalised development costs were amounted to EUR 3,068 thousand (2021: EUR 1,653 thousand). This related to the portion of capitalised development costs that had already resulted in an approval and will thus be amortised over 15 years. The carrying amount of the marketing authorisations in use amounted to EUR 46,612 thousand (31 December 2021: EUR 22,959 thousand). In addition, development costs of EUR 15,532 thousand from current development projects were capitalised in financial year 2022 (31 December 2021: EUR 16,685 thousand).

The total carrying amount for capitalised development costs as at 31 December 2022 was EUR 92,920 thousand (31 December 2021: EUR 77,716 thousand).

The useful lives of internally generated intangible assets remained unchanged in financial year 2022.

An impairment charge of EUR 4,657 thousand on capitalised development costs and authorisations was recognised in the reporting period ended 31 December 2022 (31 December 2021: EUR 4,759 thousand). The impairment charge essentially comprised the derecognition of expired authorisations (EUR 54 thousand; 2021: EUR 113 thousand) and impairment of development projects and authorisations (EUR 4,603 thousand; 2021: EUR 4,197 thousand).

Impairment testing for capitalised development projects

Capitalised projects in the development phase for which no authorisations have been received are tested annually for impairment, as they are not subject to amortisation. As at 30 September 2022, development projects with a carrying amount totalling EUR 50,719 thousand (30 September 2021: EUR 57,930 thousand) were tested for impairment.

As part of the impairment test, the recoverable amount of the individual projects was determined by calculating the value in use, which is based on the projected cash flows of the individual development projects. The cash flow projections underlying the calculation were made for a planning period of up to five years. They were derived based on management inputs of key parameters for each project and included in an individual business plan. These key parameters include the target market share for the product based on the total market volume, the expected year of market introduction, the total life of the product, the expected EBIT margin and the estimated cost to complete based on the degree of completion as at the measurement date.

A single peer group was selected for calculating the discount rates. Differences in discount rates resulted from the respective applicable tax rates, risk premiums and terms. The discount rates range between 5.03% and 9.13%.

Based on this data and due in particular to the increased costs of capital and changes in cost and market estimates, the impairment test for the 2022 reporting year resulted in an impairment loss of EUR 3,037 thousand (31 December 2021: EUR 2,537 thousand) for development projects.

The results of the impairment tests are based primarily on the management assumptions described. To validate these results, the assumptions made were subjected to sensitivity analyses where the impact of a change in parameters on the carrying amounts was calculated. Modified assumptions involved the pre-tax interest rates and EBIT margins applied to the terminal value.

A 1.00% increase in the interest rates before taxes combined with a decrease in the expected EBIT margin of 2.00% would have resulted in an additional impairment charge of EUR 4,457 thousand (30 September 2021: EUR 3,374 thousand).

Goodwill impairment tests

The Board of Management monitors and manages the Group's goodwill at the level of the various legal entities. Dermapharm defines all legal entities and groups of legal entities as cash generating units (CGUs), which are tested for impairment on a regular basis. For this reason, 11 CGUs with material goodwill were subjected to impairment tests as at 30 September 2022 (30 September 2021: 10).

The recoverable amount of the individual CGUs was determined by calculating the value in use, which in turn is based on the projected cash flows of the individual legal entities. The cash flow projections underlying the value in use calculation stem from the three-year financial plans prepared by the Board of Management and approved by the Supervisory Board. They cover a period of up to five years.

As the management plans indicate that not all of the CGUs had reached a sustainable state as at the measurement date, in particular with respect to revenue growth, the reconciliation to the terminal value was planned within a transition period. Apart from in justified exceptions, the first year of the transition period is characterised by lower growth rates, and EBITDA margins were kept constant. The second year of the transition period was for the most part already planned with terminal value assumptions, i.e., with a growth rate of 1.00% and constant EBITDA margins analogously to the first year in the transition period. For some cash-generating units, further increases in growth rates and EBITDA margins were assumed for the two years of the transition period in order to present a more accurate picture over the medium term. This state was extrapolated using a long-term growth rate of 1.00%.

Based on this data, the impairment test for the 2022 reporting year resulted in an impairment loss of EUR 11,629 thousand on C³ Group's goodwill. As at 31 December 2022, C³ Group's goodwill amounted to EUR 32,485 thousand. The impairment loss has been allocated to the "Herbal extracts" segment. This was attributable to the expected decline in revenue due to the current competitive situation. At the end of the first half of the year, further declines in revenue at fitvia as the result of the brand's diminished reach indicated an impairment of goodwill. Operating activities were discontinued as at 31 December 2022. This in turn led to the recognition of a EUR 24,819 thousand impairment within the "Branded pharmaceuticals and other healthcare products" segment.

The respective carrying amounts and goodwill as well as the key assumptions for the calculation of values in use for each CGU were as follows. The budgeted EBITDA margins presented reflect average values over the five planning years:

30 September 2022*	Budgeted EBITDA margin (%)	Discount rate (%)	Goodwill (EUR thousand)	Value in use (EUR thousand)	Carrying amount (EUR thousand)
mibe GmbH Arzneimittel	31.28	8.62	1,700	391,543	253,544
Euromed S.A.	24.41	8.89	117,371	330,268	256,161
Hübner Naturarzneimittel GmbH	51.92	8.54	7,493	142,967	11,407
axicorp GmbH	2.73	8.25	12,766	90,835	68,642
Sun-Farm Sp. z o.o.	41.95	9.79	1,848	130,255	12,527
Strathmann GmbH & Co. KG	20.94	8.77	2,496	57,721	24,127
BLBR GmbH	10.08	8.74	2,119	20,231	10,580
Trommsdorff GmbH & Co. KG	37.71	8.81	25,481	371,825	74,683
Allergopharma	26.80	13.01	64,324	199,451	138,330
AB Cernelle	18.12	8.36	3,448	17,000	11,994
C³ Group	27.57	17.01	32,486	68,654	80,282

* Due to its immateriality for the consolidated financial statements, this does not include the goodwill for Melasan GmbH (EUR 673 thousand) and acis Arzneimittel GmbH (EUR 47 thousand).
** The goodwill of AB Cernelle has been reduced to 2,659 thousand due to purchase price-related adjustments as at 31 December 2022. Due to exchange rate fluctuations, the goodwill as at 31 December 2022 may change.

30 September 2021*	Budgeted EBITDA margin (%)	Discount rate (%)	Goodwill (EUR thousand)	Value in use (EUR thousand)	Carrying amount (EUR thousand)
mibe GmbH Arzneimittel	33.81	7.79	1,700	797,044	200,722
Euromed Botanicals S.L.	26.17	6.04	117,371	400,643	257,117
Bio-Diät Berlin GmbH	52.29	7.78	7,493	112,164	13,966
axicorp GmbH	2.60	7.86	12,766	63,192	61,319
Sun-Farm Sp. z o.o.	38.93	8.54	1,848	97,077	10,954
Strathmann GmbH & Co. KG	25.32	6.96	2,496	128,401	26,496
BLBR GmbH	27.18	7.75	2,119	84,407	10,793
Trommsdorff GmbH & Co. KG	39.73	7.02	25,481	431,391	82,836
Allergopharma	31.50	9.07	64,152	400,474	127,080
fitvia GmbH	–10.79	13.87	30,251	33,391	39,391

* Due to its immateriality for the consolidated financial statements, this does not include the goodwill for Melasan GmbH (EUR 673 thousand) and acis Arzneimittel GmbH (EUR 47 thousand). The impairment test on 30 September 2021 did not include Aktiebolaget's goodwill (EUR 3,661 thousand) because the company was not included in the consolidated financial statements until 1 December 2021. Due to the relatively short amount of time elapsed between the events, the purchase price allocation as at 30 November 2021 was used to test the goodwill for impairment as at 31 December 2021.

The results of the impairment tests are based primarily on the management assumptions described. In order to gauge how changes in certain parameters affect the results, the assumptions are subjected to sensitivity analyses. The assumptions relating to the pre-tax discount rates and EBITDA margins applied in the terminal value were tested for sensitivity.

The sensitivity analysis indicated that a 1.00% increase in the pre-tax discount rate and a 3.00% decrease in the EBITDA margin would have resulted in a further impairment charge of EUR 7,529 thousand at C³ Group. A change in this parameter would result in an impairment charge of EUR 39,798 thousand at axicorp GmbH. At axicorp GmbH, the sensitivity analysis also indicated that a 1.00% increase in the pre-tax discount rate and a 0.58% decrease in the EBITDA margin would cause the recoverable amount to equal the carrying amount.

The changes in material parameters considered possible would not result in impairment charges for the other cash-generating units.

4.2 Property, plant and equipment

Property, plant and equipment changed as follows:

EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
Cost				
As at 1 January 2022	**163,408**	**104,197**	**59,572**	**327,177**
Exchange differences	–89	–376	–33	–499
Additions due to business combinations	2,683	5,603	178	8,464
Additions	6,831	8,357	7,208	22,396
Disposals	–29	–743	–3,870	–4,642
Reclassifications	–1,051	–123	–1,516	–2,691
As at 31 December 2022	**171,752**	**116,915**	**61,539**	**350,205**
Depreciation, amortisation and reversal of impairment				
As at 1 January 2022	**31,402**	**41,855**	**31,633**	**104,889**
Exchange differences	9	–306	4	–294
Additions (amortisation)	6,276	9,776	7,650	23,702
Additions (impairment)	0	12	576	587
Reversals of write-downs	-	-	-	-
Disposals	–22	–653	–3,677	–4,352
Reclassifications	-	44	–44	-
As at 31 December 2022	**37,665**	**50,727**	**36,141**	**124,532**
Carrying amounts				
As at 31 December 2021	**132,006**	**62,342**	**27,939**	**222,288**
As at 31 December 2022	**134,087**	**66,188**	**25,398**	**225,673**

EUR thousand	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Total
Cost				
As at 1 January 2021	**147,523**	**81,264**	**56,285**	**285,073**
Exchange differences	34	64	145	243
Additions due to business combinations	1,172	970	91	2,233
Additions	17,147	17,794	6,737	41,678
Disposals	–679	–694	–733	–2,106
Reclassifications	–1,789	4,798	–2,953	56
As at 31 December 2021	**163,408**	**104,197**	**59,572**	**327,177**
Depreciation, amortisation and reversal of impairment				
As at 1 January 2021	**26,807**	**32,878**	**25,769**	**85,454**
Exchange differences	27	58	124	208
Additions (amortisation)	6,009	7,321	7,329	20,659
Additions (impairment)	-	-	2	2
Reversals of write-downs	–6	-	-	–6
Disposals	–369	–495	–615	–1,479
Reclassifications	–1,064	2,092	–976	52
As at 31 December 2021	**31,402**	**41,855**	**31,633**	**104,890**
Carrying amounts				
As at 31 December 2020	**120,717**	**48,386**	**30,516**	**199,619**
As at 31 December 2021	**132,006**	**62,342**	**27,939**	**222,288**

Property, plant and equipment comprises land, land rights and buildings, technical equipment and machinery as well as other equipment, operating and office equipment.

The carrying amounts for technical equipment and machinery increased by EUR 3,846 thousand, due primarily to the acquisition of C³ Group.

There were no indications of impairment in accordance with IAS 36 at the reporting date or in the previous year.

During the reporting period, depreciation of EUR 23,702 thousand was recognised in the statement of comprehensive income (31 December 2021: EUR 20,659 thousand).

Right-of-use assets comprise the following:

EUR thousand	31 December 2022	31 December 2021
Land, land rights and buildings	9,206	8,554
Technical equipment and machinery	2	4
Other equipment, operating and office equipment	3,099	3,268
Right-of-use assets	**12,307**	**11,826**

Additions to right-of-use assets amounting to EUR 4,636 thousand were recognised in the reporting period (2021: EUR 2.612 thousand).

The depreciation for right-of-use assets was as follows:

EUR thousand	2022	2021
Land, land rights and buildings	1,811	1,819
Technical equipment and machinery	2	2
Other equipment, operating and office equipment	2,252	2,386
Depreciation of right-of-use assets	**4,064**	**4,207**

Cash outflows for leases amounted to EUR 4,269 thousand (2021: EUR 4,411 thousand), expenses for short-term leases to EUR 20 thousand (2021: EUR 25 thousand) and leases for which the underlying asset is of low value to EUR 1 thousand (2021: EUR 1 thousand).

The maturity analysis of lease liabilities can be found in note 4.13.

4.3 Investments accounted for using the equity method

Four associates (31 December 2021: three) were recognised in the consolidated financial statements using the equity method.

Company name	Registered office	Shareholding (%)
31 December 2022		
Hasan Dermapharm Co., Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
CORAT Therapeutics GmbH	Braunschweig, Germany	24.9
Wellster Healthtech Group GmbH	Munich, Germany	45.0

Company name	Registered office	Shareholding (%)
31 December 2021		
Hasan Dermapharm Co., Ltd.	Binh Duong Province, Vietnam	30.0
Gynial GmbH	Vienna, Austria	25.1
CORAT Therapeutics GmbH	Braunschweig, Germany	24.9

Hasan Dermapharm Co., Ltd., Binh Duong Province, Vietnam

In financial year 2007, Dermapharm AG acquired an interest in Hasan Dermapharm Co. Ltd, in which Dermapharm AG currently holds a 30% interest. The company operates a WHO-GMP certified production plant capable of producing nearly all pharmaceuticals sold on the Vietnamese market.

The table below summarises Hasan Dermapharm Co. Ltd.'s financial information as presented in its own financial statements:

EUR thousand	31 December 2022	31 December 2021
Shareholding (%)	30.0	30.0
Non-current assets	4,435	4,481
Current assets	15,137	13,910
Current liabilities	2,750	1,841
Net assets (100%)	16,821	16,550
Carrying amount of equity investment	**4,001**	**3,677**
Revenue	29,020	24,487
Earnings after tax (100%)	10,352	9,422
Group's share of total comprehensive income	**3,106**	**2,827**
Closing rate of EUR/VND	25,235	25,812
Average rate of EUR/VND	24,661	27,191

Gynial GmbH, Vienna, Austria

In 2015, Dermapharm GmbH, Vienna, Austria, acquired a 25.1% interest in Gynial GmbH. The company focuses on the physical health and the well-being of women with an emphasis on prophylactic measures.

The table below summarises Gynial GmbH's financial information as presented in its own financial statements:

EUR thousand	31 December 2022	31 December 2021
Shareholding (%)	25.1	25.1
Non-current assets	1,196	1,434
Current assets	3,553	3,598
Current liabilities	442	959
Net assets (100%)	4,307	4,074
Carrying amount of equity investment	**2,117**	**2,037**
Revenue	6,450	6,138
Earnings after tax (100%)	669	1,187
Group's share of total comprehensive income	**168**	**298**

CORAT Therapeutics GmbH

In financial year 2021, Dermapharm AG acquired 24.9% of the shares in CORAT Therapeutics GmbH, Braunschweig. The company holds patents in antibodies used to treat infectious diseases in humans. The antibody treatment developed by CORAT is ineffective against the currently dominant COVID-19 omicron sub-variants and as such Dermapharm recognised a EUR 14,646 thousand write-down on the carrying amount of the equity investment as at 31 December 2022.

The table below summarises CORAT's financial information as presented in its own financial statements:

EUR thousand	31 December 2022	31 December 2021
Shareholding (%)	24.9	24.9
Non-current assets	15,550	12,854
Current assets	11,781	21,620
Current liabilities	775	2,742
Net assets (100%)	26,555	31,732
Carrying amount of equity investment	**6,612**	**22,547**
Revenue	1	1
Earnings after tax (100%)	–5,177	–1,649
Group's share of total comprehensive income	**–1,289**	**–205**

Wellster Healthtech Group GmbH

Dermapharm AG acquired a further 15.18% of the shares of Wellster in financial year 2022. 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.

The table below summarises Wellster's financial information as presented in its own financial statements:

EUR thousand	31 December 2022
Shareholding (%)	45.0
Non-current assets	5,972
Current assets	13,909
Current liabilities	11,719
Net assets (100%)	8,162
Carrying amount of equity investment	**22,191**
Revenue	13,671
Earnings after tax (100%)	–15,425
Group's share of total comprehensive income	**–888**

4.4 Equity investments

Equity investments comprise interests in non-consolidated subsidiaries and associates, which are not accounted for using the equity method, and other equity investments.

As at 31 December 2022, Dermapharm shareholdings included 100% of the shares in Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria, 100% of shares in mibeTec Japan K.K., Tokyo, Japan, and 40% of shares in Gynial AG, Hünenberg, Switzerland. These shares, as well as the other shares mentioned in note 2.5, are not consolidated. Due to the limited scope of their business activities, even if these companies are not included in the consolidated financial statements, this results in a true and fair view of Dermapharm's financial position, financial performance and cash flows.

As at 31 December 2022, the carrying amount of the equity investments amounted to EUR 441 thousand (31 December 2021: EUR 25,899 thousand).

4.5 Other non-current financial assets

Other non-current financial assets primarily comprise the non-current interest-bearing settlement claim amounting to EUR 40,000 thousand arising from an agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH (former sellers) to repurchase 20% of shares in FYTA Company B.V. and FYTA Tech B.V. (each having their registered office in Waalwijk, Netherlands), as well as FYTA Company GmbH and FYTA Vermögensverwaltung GmbH (each having their registered office in Düsseldorf, Germany). The claim will be repaid in instalments until 2027.

Anton Hübner GmbH & Co. KG capitalised life insurance policies, which do not qualify as plan assets in accordance with IAS 19 and cannot be netted with future pension obligations. The carrying amount of EUR 280 thousand as at 31 December 2022 (31 December 2021: EUR 272 thousand) is taken from an expert opinion.

4.6 Inventories

Inventories break down as follows:

EUR thousand	31 December 2022	31 December 2021
Raw materials, consumables and supplies	106,164	93,956
Finished goods and merchandise	97,869	106,655
Work in progress	47,789	39,924
Prepayments	3,899	3,065
Inventories	**255,721**	**243,601**

The cost of materials and changes in inventories developed as follows:

EUR thousand	2022	2021
Cost of materials	–373,499	–333,592
Change in inventories	–5,971	–5,310
Expenses for current period	**–379,469**	**–338,902**

In the financial years 2022 and 2021, the following write-downs of inventories had to be recognised for the destruction of expired finished goods as well as destruction due to quality shortcomings in raw materials and other defects.

EUR thousand	2022	2021
Finished goods and merchandise, work in progress	5,802	5,275
Raw materials, consumables and supplies	1,159	1,902
Write-downs for current period	**6,961**	**7,177**

A further EUR 6,271 thousand was written down in financial year 2022 and recognized as impairment in the statement of comprehensive income. This relates primarily to fitvia GmbH and bellavia GmbH. No inventories were pledged as securities for liabilities at the end of financial years 2022 and 2021.

4.7 Net trade receivables

Trade receivables are generally due within a payment period of between 30 and 120 days and do not bear interest. There are no restrictions of any kind on rights of disposal.

The net balance of trade receivables was as follows:

EUR thousand	31 December 2022	31 December 2021
Gross trade receivables	97,339	72,744
Valuation allowances	–624	–227
Net trade receivables	**96,715**	**72,517**

The year-on-year increase in trade receivables is attributable primarily to the revenue growth in financial year 2022.

The allowance account developed as follows:

EUR thousand	2022	2021
As at 1 January	**–227**	**–759**
Valuation allowance on receivables	–396	532
As at 31 December	**–624**	**–227**

4.8 Other current financial assets and other current assets

Other current financial assets and other current assets comprise the following:

EUR thousand	31 December 2022	31 December 2021
Settlement claim from acquisitions	10,000	10,000
Receivables from related parties	3,179	3,421
Deposits	37	20
Miscellaneous	1,440	1,742
Other current financial assets	**14,656**	**15,183**
VAT receivables	2,122	2,550
Prepaid expenses	6,519	2,632
Prepayments	478	10,559
Receivables from tax authorities	2,807	7,822
Money in transit	6	14
Receivables from employees	255	145
Miscellaneous	3,602	2,447
Other current assets	**15,790**	**26,169**

Other current financial assets primarily comprise the current interest-bearing settlement claim amounting to EUR 10,000 thousand arising from an agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH (former sellers) to repurchase 20% of shares in FYTA Company B.V. and FYTA Tech B.V. (each having their registered office in Waalwijk, Netherlands), as well as FYTA Company GmbH and FYTA Vermögensverwaltung GmbH (each having their registered office in Düsseldorf, Germany). For detailed information regarding receivables from related parties, please refer to note 9.

4.9 Cash and cash equivalents

Cash and cash equivalents changed as follows:

EUR thousand	31 December 2022	31 December 2021
Bank balances	150,987	161,379
Cash-in-hand	34	35
Cash and cash equivalents	**151,021**	**161,414**

Dermapharm maintains credit facilities with various German and international banks. For information about the utilisation of this credit facility at the respective reporting date, please refer to note 7.1c). Dermapharm cannot freely dispose of credit balances at banks amounting to EUR 1,109 thousand (31 December 2021: EUR 1,109 thousand). This relates to a bank account pledged as security for the purpose of insolvency protection for early partial retirement.

4.10 Equity

Issued capital

At 31 December 2022, the issued capital (share capital) amounted to EUR 53,840 thousand divided into 53,840,000 no-par value bearer shares. Each no-par value share carries one vote. The number of issued shares has not changed since 1 January 2022.

Dermapharm's shares are listed on the Regulated Market and the Prime Standard sub-segment of the Frankfurt Stock Exchange under German Securities Code (WKN) A2GS5D, International Securities Identification Number (ISIN) DE000A2GS5D8 and ticker symbol DMP.

Authorised capital

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 1 January 2023 (inclusive) against cash or in-kind contributions by a total of up to EUR 16,100 thousand by issuing new no-par value bearer shares (Authorised Capital 2018).

The Board of Management is furthermore 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 as well as to exclude shareholders' subscription rights under certain conditions and within defined limits.

To date, the Authorised Capital 2018 has not been utilised.

Contingent capital

The issued capital is contingently increased by a total of up to EUR 10,700 thousand by issuing a total of up to 10,700,000 new no-par value bearer shares (Contingent Capital 2018). 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 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 25 January 2023 (inclusive) on the basis of the authorisation resolved by the Annual General Meeting of 26 January 2018. 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 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 Contingent Capital 2018 has not been utilised. For further information on changes in equity, please refer to the consolidated statement of changes in equity.

Dividend

In accordance with the German Stock Corporation Act, the dividend is distributed from the unappropriated net earnings as reported in Dermapharm Holding SE's HGB single-entity financial statements. The Board of Management and the Supervisory Board intend to recommend that the Annual General Meeting distribute a dividend of EUR 1.05 per share carrying dividend rights. This corresponds a total distribution of EUR 56,532 thousand. The proposed distribution still has to be approved by the shareholders at the Annual General Meeting and is therefore not recognised as a liability in the consolidated financial statements.

Pursuant to the resolution adopted by the Annual General Meeting on 1 June 2022, a dividend of EUR 116,833 thousand (EUR 2.17 per share carrying dividend rights) was distributed to the shareholders from the unappropriated net earnings for the 2021 financial year. The dividend was distributed on 6 June 2022.

4.11 Provisions for employee benefits

The table below shows the reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

EUR thousand	Pension obligations	Fair value of plan assets	Net pension obligations
As at 1 January 2022	**128,380**	**392**	**127,988**
Gain/loss			
Current service cost	2,674	0	2,674
Interest expense	1,520	0	1,520
Interest income	0	5	–5
Remeasurement			
Actuarial gains (–)/losses (+)			
of which due to changes in financial assumptions	*–39,893*	*0*	*–39,893*
of which due to changes in demographic assumptions	*0*	*0*	*0*
of which experience-based adjustments	*–532*	*0*	*–532*
Return on plan assets, excl. previously recognised interest income	0	–57	57
Miscellaneous			
Employer contributions	0	5	–5
Employee contributions	0	6	–6
Retirement benefits	–3,201	0	–3,201
As at 31 December 2022	**88,948**	**350**	**88,598**

EUR thousand	Pension obligations	Fair value of plan assets	Net pension obligations
As at 1 January 2021	**144,386**	**381**	**144,005**
Gain/loss			
Current service cost	3,605	–	3,605
Interest expense	928	–	928
Interest income	–	3	–3
Remeasurement			
Actuarial gains (–)/losses (+)			
of which due to changes in financial assumptions	*–14,668*	*–*	*–14,668*
of which due to changes in demographic assumptions	*–*	*–*	*–*
of which experience-based adjustments	*–2,755*	*–*	*–2,755*
Return on plan assets, excl. previously recognised interest income	–	45	–45
Miscellaneous			
Employer contributions	–	6	–6
Employee contributions	–	6	–6
Retirement benefits	–3,115	–48	–3,067
As at 31 December 2021	**128,380**	**392**	**127,988**

There were no exchange differences because all provisions for pensions were recognised by German entities. At the reporting date, plan assets included EUR 350 thousand in securities (31 December 2021 EUR 392 thousand). All security funds have quoted prices in active markets.

As at the reporting date, pension provisions and plan assets break down as follows:

EUR thousand	31 December 2022	31 December 2021
Defined benefit obligation	426	691
Fair value of plan assets	–350	–392
Total	**76**	**299**

Provisions for pensions (excluding plan assets) amount to EUR 88,522 thousand as at 31 December 2022 (31 December 2021: EUR 127,689 thousand).

Expenses for defined benefit plans break down as follows:

EUR thousand	2022	2021
Interest expense	1,515	925
Current service cost	2,674	3,605
Total	**4,189**	**4,530**

Risk resulting from pension obligations

The risks from defined benefit plans arise partly from the defined benefit obligations and partly from the investment in plan assets. The risks result from the possibility that higher direct pension payments will have to be made to the beneficiaries.

Demographic/biometric risks

Since a large proportion of the defined benefit obligations comprises lifelong pension payments to retirees or their surviving dependents, pensions, longer claim periods and earlier claims may result in higher benefit obligations, higher benefit expense and/or higher pension payments than previously anticipated.

Investment risks

If the actual return on plan assets falls below the return anticipated on the basis of the discount rate, the net defined benefit liability would increase, assuming no changes to other parameters. This could happen as a result of a drop in share prices, increases in market rates of interest, default on the part of individual debtors or the purchase of low-risk but low-interest bonds, for example.

Interest rate risks

The principal actuarial assumptions at the reporting date are presented below (expressed as weighted averages):

in %	31 December 2022	31 December 2021
Discount rate	3.9	1.2
Salary trend	1.6	1.2
Pension trend	2.0	1.8

The sensitivity of the total pension commitments to changes in the average assumptions is as follows:

		31 December 2022		31 December 2021	
EUR thousand	**Change in actuarial assumptions**	**Pension obligations**	**Change**	**Pension obligations**	**Change**
	1.00% increase	77,101	–11,847	106,999	–21,381
Discount rate	1.00% decrease	104,048	15,100	157,008	28,628
	0.50% increase	89,875	927	129,971	1,591
Salary trend	0.50% decrease	88,101	–847	126,975	–1,405
	0.50% increase	93,515	4,567	135,777	7,397
Pension trend	0.50% decrease	84,750	–4,198	121,649	–6,731
	1-year increase	39,582	1,879	54,758	3,109
Life expectancy	1-year decrease	0	0	0	0

At 31 December 2022, the weighted duration of the pension obligations was 12 years (31 December 2021: 14 years).

The above sensitivity analysis is based on the change in one assumption, with all other factors remaining constant. Changes in several assumptions can be correlated. The same method was used to calculate the sensitivity of defined benefit obligations to actuarial assumptions as was used to calculate the provisions for pensions in the statement of financial position.

The decline in the Group's pension obligations as reported above in comparison to 31 December of the previous year was primarily attributable to the increase in the discount rate to 3.9% (31 December 2021: 1.2%).

In order to limit the aforementioned risks and comply with future obligations, Anton Hübner GmbH & Co. KG has taken out life insurance policies, which, however, do not qualify as plan assets in accordance with IAS 19 and cannot be netted against future pension obligations. Please refer to note 4.5 for further information. The same applies to Trommsdorff GmbH & Co. KG, which holds EUR 559 thousand in a bank account pledged as security for the purpose of insolvency protection for early partial retirement.

4.12 Other provisions

Other provisions changed as follows:

EUR thousand	Health insurance discounts	Litigation	Miscella-neous	Total
As at 1 January 2022	**17,827**	**492**	**365**	**18,684**
Additions	22,350	415	1,660	24,426
Reversals	–545	–149	–0	–694
Utilisations	–17,180	-	–338	–17,518
Exchange differences	-	28	-	28
As at 31 December 2022	**22,453**	**786**	**1,687**	**24,925**

EUR thousand	Health insurance discounts	Litigation	Miscella-neous	Total
As at 1 January 2021	**18,053**	**2,084**	**3,642**	**23,778**
Additions	17,683	129	447	18,259
Reversals	–1,890	–1,744	–404	–4,038
Utilisations	–16,019	–	–3,321	–19,340
Exchange differences	–	24	–	24
As at 31 December 2021	**17,827**	**492**	**365**	**18,684**

As a consequence of regulatory state interventions on the pharmaceuticals market in Germany, the Group is obligated to negotiate discount agreements with health insurance organisations. For further information on provisions for health insurance discounts, please see note 3.

The miscellaneous item includes provisions for onerous contracts and a restructuring provision amounting to EUR 1,570 thousand. This provision includes expenses likely to be incurred at C³ Group in relocating to Friedrichsdorf.

4.13 Financial liabilities

Financial liabilities changed as follows:

EUR thousand	31 December 2022	31 December 2021
Bank loans	402,085	466,021
Promissory note loans	99,760	99,687
Lease liabilities	9,716	9,013
Non-current financial liabilities	**511,560**	**574,721**
Bank loans	1,867	2,379
Lease liabilities	3,018	3,201
Bank overdrafts	2	-
Current financial liabilities	**4,887**	**5,580**

Material new funding

In December 2022, Dermapharm Holding SE and Dermapharm AG entered into a syndicated loan agreement with leading German and European banks for EUR 1,050,000 thousand with a basic term of five years. At 31 December 2022, EUR 392,500 thousand of the loan had been drawn down. The funds were drawn down in connection with the repayment and novation of the existing syndicated loan agreement from 2019 (Facility B in the amount of EUR 200,000 thousand and Facility C in the amount of EUR 192,500 thousand). Further funds were drawn down over the course of the financial year to partially finance the Arkopharma deal. The new syndicated loan agreement comprises a bullet tranche of EUR 650,000 thousand (Facility A), a repayment tranche of EUR 200,000 thousand (Facility B) and a revolving tranche of EUR 200,000 thousand (Facility C), of which only EUR 192,500 thousand 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 200,000 thousand, which had not been committed as at the reporting date.

The loan bears a floating rate of interest (Facility A and Facility B: 6-month EURIBOR plus a margin; Facility C: 3-month EURIBOR plus a margin), is subject to a leverage covenant, and has a maximum term of five years. It gave rise to EUR 4,054 thousand in transaction costs.

Lease liabilities

The maturity analysis for the lease liabilities is as follows:

EUR thousand	31 December 2022	31 December 2021
Remaining term of:		
Less than one year	3,018	3,201
Between one and five years	4,874	4,397
More than five years	4,842	4,616
Total	**12,733**	**12,214**

4.14 Trade payables

Trade payables fall due within one year and do not bear interest. They generally fall due for payment within 0 to 60 days. The item also includes all trade payables not invoiced as of the reporting date.

4.15 Other non-current liabilities

The other non-current liabilities mainly comprise government grants. In accordance with IAS 20, government grants for assets are recognised as deferred income and had a carrying amount of EUR 9,204 thousand as at the reporting date (31 December 2021: EUR 9,456 thousand).

4.16 Other current financial liabilities and other current liabilities

Other current financial liabilities and other current liabilities comprise the following:

EUR thousand	31 December 2022	31 December 2021
Purchase price liabilities	1,354	706
Liabilities to related parties	1,015	4
Derivatives	-	112
Other current financial liabilities	**2,369**	**822**
Other personnel-related liabilities	16,648	15,938
VAT liabilities	14,395	11,399
Deferred income	318	373
Government grants	243	250
Prepayments received	89	351
Miscellaneous	1,464	1,319
Other current liabilities	**33,157**	**29,630**

Other current financial liabilities have a maturity of up to one year and do not bear interest. For information concerning the liabilities to related parties, please refer to note 9.

Government grants which are reported under other current liabilities comprise the portion which will be reversed in the course of the next 12 months.

Deferred income relates to payments that have been received, for which the corresponding services have not yet been rendered.

As in the previous year, personnel-related liabilities comprise holiday entitlements, income and church taxes due, liabilities for bonuses and company pensions and other personnel-related charges.

4.17 Income taxes

Income taxes include taxes on income and earnings paid or owed in the individual countries as well as deferred tax assets or liabilities.

Profit and loss transfer agreements

There is a consolidated income tax group in place between Dermapharm AG and its subsidiaries mibe GmbH Arzneimittel, mibe Vertrieb GmbH, Hübner Naturarzneimittel GmbH, acis Arzneimittel GmbH as well as with axicorp GmbH and axicorp Pharma GmbH. There is also a consolidated tax group in place between C³-Cannabinoid Compound Company GmbH, Spectrum Therapeutics GmbH and THC Pharm GmbH The Health Concept. The current income tax expenses are recognised at Dermapharm AG and C³-Cannabinoid Compound Company as the respective tax group parents.

Effects on current income tax expense

The key components of income tax expenses for the 2022 and 2021 financial years break down as follows:

EUR thousand	2022	2021
Current income taxes	**87,824**	**83,347**
Deferred taxes		
from temporary differences	–4,373	933
from tax loss carryforwards	229	–207
Subtotal	**–4,144**	**726**
Income tax expenses	**83,680**	**84,073**

The income taxes reported are derived as follows from an expected income tax expense that would have resulted from applying the nominal tax rate of a corporation headquartered in Grünwald.

Reconciliation to effective tax rate

EUR thousand	2022		2021	
Earnings before taxes		**216,297**		**292,977**
Expected tax expenses	**24.23%**	**52,398**	**24.23%**	**70,974**
Utilisation of tax loss carryforwards	-0.11%	-229	–0.10%	–292
Non-deductible operating expenses	7.34%	15,876	0.63%	1,833
Tax-exempt income	–0.39%	–837	–1.90%	–5,559
Prior-year taxes	–0.14%	–301	–0.13%	–368
Difference to Group tax rate	3.98%	8,603	2.88%	8,438
Miscellaneous	0.36%	764	1.60%	4,680
Tax loss carryforwards not utilised	3.42%	7,406	1.49%	4,366
Current tax expense	**38.69%**	**83,680**	**28.70%**	**84,073**

Deferred taxes as at the reporting date were as follows:

EUR thousand	31 December 2022	31 December 2021
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	1,340	10,148
Deferred tax assets to be recovered within 12 months	1,278	1,468
Total deferred tax assets	**2,618**	**11,616**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	–49,498	–42,811
Deferred tax liabilities to be recovered within 12 months	–3,638	–4,861
Total deferred tax liabilities	**–53,136**	**–47,672**
of which deferred tax assets reported in the statement of financial position	**-**	**-**
of which deferred tax liabilities reported in the statement of financial position	**–50,518**	**–36,056**

The change in deferred taxes in the statements of financial position as at 31 December 2022 and 31 December 2021 was as follows:

	31 December 2022		31 December 2021	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	458	–48,345	609	–45,496
Property, plant and equipment	241	–1,754	276	–2,006
Financial instruments	-	–485	30	-
Other current financial assets	75	-	75	-
Other non-current financial assets	-	-	-	–170
Pension obligations	-	–2,552	8,640	-
Other provisions	795	-	719	-
Intra-group result	**736**	**-**	**725**	**-**
Deferred taxes on tax loss carryforwards	309	-	538	-
Equity investments	4	-	4	-
Tax asset/(liability)	**2,618**	**–53,136**	**11,616**	**–47,672**

The excess of deferred tax liabilty over deferred tax assets amounted to EUR 50,518 thousand as at the reporting date (31 December 2021: EUR 36,056 thousand). EUR 4,144 thousand was reported as deferred tax income in profit or loss and EUR 12,208 thousand was reported as a reduction in other comprehensive income. The change in other comprehensive income related primarily to the revaluation of the net pension obligation under defined benefit plans. There were no changes relating to the capital reserves. The revaluation of pensions using a higher interest rate than in the previous year, and the inclusion of reserves in accordance with § 5 (7) of the German Income Tax Act (Einkommensteuergesetz, "EStG") for Allergopharma GmbH & Co. KG as part of the PPA, gave rise to an excess of liabilities over assets amounting to EUR 2,552 thousand as at 31 December 2022. Deferred tax liabilities increased by an additional EUR 6,496 thousand due to the additions made in the context of acquiring the C³ Group, which primarily impacted the deferred tax liabilities recognised in respect of intangible assets.

As at 31 December 2022, Dermapharm carried forward corporate income tax losses totalling EUR 67,083 thousand (31 December 2021: EUR 34,072 thousand) and trade tax losses of EUR 59,707 thousand (31 December 2021: EUR 30,579 thousand). These mainly resulted from mibeTec GmbH, fitvia GmbH, Dermapharm Holding SE, mibeTec US, BLBR GmbH and bellavia GmbH. In financial year 2022, deferred tax assets amounting to EUR 309 thousand (31 December 2021: EUR 538 thousand) were recognised in respect of corporate income tax loss carryforwards of EUR 1,098 thousand (31 December 2021: EUR 1,380 thousand) and trade tax loss carryforwards of EUR 1,085 thousand (31 December 2021: EUR 1,368 thousand), whereas no deferred tax assets were recognised for corporate income tax loss carryforwards of EUR 65,985 thousand (31 December 2021: EUR 32,171 thousand) and trade tax loss carryforwards of EUR 58,621 thousand (31 December 2021: EUR 30,579 thousand) on account of the loss history, despite individual positive earnings forecasts.

Deferred tax liabilities for taxable temporary difference in connection with investments in subsidiaries and associates (outside-basis difference)

In accordance with IAS 12, no deferred tax liabilities were recognised for temporary differences amounting to EUR 88,884 thousand (31 December 2021: EUR 70,789 thousand) in connection with investments in subsidiaries and associates. Under the current rules, if these differences led to the recognition of deferred tax liabilities, this would result in a tax liability of EUR 1,077 thousand (31 December 2021: EUR 857 thousand).

Tax assets

Tax assets amounted to EUR 43 thousand as at 31 December 2022 (31 December 2021: EUR 339 thousand). These are attributable primarily to mibe pharma Italia SRL's tax prepayments.

Tax liabilities

Tax liabilities of EUR 96,354 thousand were reported as at 31 December 2022 (31 December 2021: EUR 48,796 thousand). These are attributable primarily to Dermapharm AG and Allergopharma GmbH & Co. KG.

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue

Dermapharm generates its revenue primarily through the supply of products and amounted to EUR 1,024,776 thousand in financial year 2022 (2021: EUR 942,912 thousand). The sales allowances included in that figure amounted to EUR 127,317 thousand (2021: EUR 119,466 thousand).

Firstly, increased organic growth at the tail end of the COVID-19 pandemic resulted in increased revenue contributions in the existing business, and secondly the continued collaboration with BioNTech SE to produce a COVID-19 vaccine led to additional revenue growth. AB Cernelle and the C3 Group, acquired in December 2021 and February 2022, respectively, also made additional contributions. In addition, the downwards trend of late in the parallel imports market also saw a reversal. The incipient return to market growth had a positive effect on the parallel imports business.

The primary focus of Dermapharm's business lies on the German market. The consolidated revenue generated in Germany in the reporting period amounted to EUR 853,590 thousand (2021: EUR 786,660 thousand) and accounted for 83% (previous year: 83%) of total consolidated revenue. Consolidated revenue of EUR 78,019 thousand was generated in the reporting period (2021: EUR 75,289 thousand) in Spain, corresponding to 8% (2021: 8%) of consolidated revenue. Revenue generated in Austria and Switzerland, representing approximately 4% (2021: 4%) of consolidated revenue overall, amounted to EUR 43,212 thousand (2021: EUR 42,187 thousand). The remaining portion of Dermapharm's consolidated revenue (EUR 49,956 thousand; 2021: EUR 38,776 thousand) is generated in eastern Europe, primarily in Poland, Croatia and Ukraine, and in the United Kingdom, Italy, China, Sweden and the United States. Consolidated revenue is allocated on the basis of where the respective companies are located.

Revenue and (adjusted) EBITDA are the two key performance indicators which the Board of Management of Dermapharm Holding SE uses as the basis for steering the Group. Additional information on the development of revenue during the reporting period is contained in the Segment Reporting section contained in note 6.

5.2 Other operating income

Other operating income comprise the following:

EUR thousand	2022	2021
Currency translation gains	9,316	4,863
Income from disposals of fixed assets	3,127	1,380
Income from the reversal of provisions and derecognition of liabilities	3,110	7,813
Netting of employee in-kind benefits and proceeds from employee grants	1,586	1,267
Prior-period income	719	171
Passed-on charges	526	211
Government grants	247	492
Insurance refunds and damages	222	187
Miscellaneous	1,290	1,725
Income from deconsolidation of associates	-	9,055
Other operating income	**20,142**	**27,165**

5.3 Personnel expenses and number of employees

Personnel expenses comprise the following:

EUR thousand	2022	2021
Wages and salaries	149,071	133,806
Social security expenses	32,268	29,215
Severance payments	2,802	1,642
Personnel expenses	**184,141**	**164,663**

In financial year 2022, expenses for company pension plans in the amount of EUR 3,392 thousand (2021: EUR 4,135 thousand) were reported under personnel expenses and included in social security expenses in the table above. The table below provides an overview of the Dermapharm's average number of employees at the end of the financial year:

Function	2022	2021
Production	1,005	876
Marketing & sales	654	619
Administration	490	541
Logistics	195	174
Product Development	219	163
Average number of employees	**2,563**	**2,373**

The higher average number of employees is due primarily to the acquisition of the C³ Group as well as new hires in connection with Dermapharm's overall positive performance.

5.4 Other operating expenses

Other operating expenses comprise the following:

Function	2022	2021
Marketing and sales costs	32,880	36,457
Freight and warehousing	17,765	16,356
Contributions, fees, charges and other taxes	13,911	12,840
Legal and consulting fees	13,594	10,129
Development costs	13,178	14,174
Maintenance expenses	12,376	10,965
Currency translation losses	8,943	2,588
Incidental rental costs	6,422	4,882
Purchased services	3,988	1,730
Vehicle expenses	2,858	1,706
Communication	2,509	2,940
Travel expenses	2,289	1,385
Personnel expenses	1,290	1,322
Miscellaneous	19,964	11,656
Other operating expenses	**151,967**	**129,130**

5.5 Financial result

The financial result comprises the following:

EUR thousand	2022	2021
Interest income	325	4,022
Income from fair value measurement	197	149
Miscellaneous	175	51
Financial income	**696**	**4,222**
Interest expense	–12,068	–8,552
Leasing	–270	–285
Expenses from fair value measurement	–677	–185
Miscellaneous	–1,528	–1,014
Financial expenses	**–14,543**	**–10,036**
Share of profit/loss of companies accounted for using the equity method, after tax	**–13,543**	**322**
Financial result	**–27,390**	**–5,492**

The decrease in interest income resulted from the change in the margin for the syndicated loan due to the improvement in the net debt ratio thanks to the positive earnings trend during the prior period and the expected trend in the future. This resulted in the recognition through profit or loss of a present value adjustment to the syndicated loan in accordance with the effective interest method. The rise in interest expenses relates to the derecognition of transaction costs under the former syndicated loan agreement that had not yet been amortised.

5.6 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to holders of ordinary shares by the weighted average number of shares outstanding, as presented below:

EUR thousand	2022	2021
Profit attributable to the owners of Dermapharm Holding SE	134,236	209,583
Weighted average number of shares outstanding (in thousands of shares)	53,840	53,840
Earnings per share in EUR	**2.49**	**3.89**

There were no dilutive financial instruments outstanding in financial years 2022 and 2021. The number of shares outstanding remained unchanged as against the previous year.

6. Segment reporting

6.1 Notes to segment reporting

In the segment reporting, Dermapharm's activities are broken down by segment and region in accordance with the provisions of IFRS 8 (Segment Reporting). The breakdown reflects internal management structures as well as the varying risk and profit profiles of the individual segments.

Based on this, Dermapharm defined the segments "Branded pharmaceuticals and other healthcare products", "Herbal extracts" and "Parallel import business" in line with its internal reporting structure.

Dermapharm's "Branded pharmaceuticals and other healthcare products" segment covers numerous product areas through a wide range of products sold under well-known brand names. The Group focuses on the development, manufacturing and marketing of branded pharmaceuticals and other healthcare products for specifically selected markets in which Dermapharm generally holds a significant market share and is able to generate attractive margins.

Herbal extracts represent another area of Dermapharm's value chain. The business is mainly covered by Euromed S.A., a leading manufacturer in this field. Herbal extracts and natural active ingredients are needed as precursors in the manufacturing of phytopharmaceuticals, nutraceuticals and cosmetics products.

Dermapharm's parallel import business, which operates under the well-known "axicorp" brand, benefits from the statutory requirement that at least 5% of all prescription medications sold within the state healthcare system in Germany must be imported from other member states of the European Economic Area (EEA) in order to help decrease healthcare costs. The actual market share of parallel imports in Germany is greater than 5%.

Please refer to note 5.1 for a breakdown of revenue by region.

The gross revenue generated from those five customers in the 2022 and 2021 financial years was as below:

	2022		2021	
EUR thousand	**Gross revenue**	**Share of gross consolidated revenue (%)**	**Gross revenue**	**Share of gross consolidated revenue (%)**
Wholesaler A	181,665	16%	137,669	13%
Wholesaler B	122,637	11%	121,124	11%
Wholesaler C	105,357	9%	99,391	9%
Wholesaler D	73,863	6%	74,145	7%
Wholesaler E	70,387	6%	69,558	7%

The concentration of revenue on certain wholesalers does not lead to any dependencies for Dermapharm, because the demand of the numerous end customers in the pharmacies is ultimately the decisive factor for the Group's revenue. In this regard, the wholesalers play a merely logistical role. Any reduction in demand in the event of the loss of one wholesaler would immediately be compensated for by another wholesaler. Furthermore, the wholesalers' credit risk – which is already insignificant due to the high frequency of comparatively small-volume orders – represents a much less significant risk for Dermapharm.

6.2 Segment reporting by segment

Segment reporting uses key performance indicators – revenue and EBITDA and the indicators derived therefrom – for Dermapharm's individual segments. There is trade between the individual segments only to a limited extent; this is presented in the "intra-segment revenue" line item. The reconciliation column also shows expenses incurred by Dermapharm Holding SE for services provided to the 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. The exchange of goods and/or services between the segments was conducted at arm's-length prices.

The segment assets and liabilities for each segment are not regularly reported to the Board of Management and are therefore not presented in the segment reporting.

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

	Branded pharmaceuticals and other healthcare products*		Herbal extracts**		Parallel import business		Reconciliation/Group holding company		Group	
EUR thousand	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue	676,062	641,725	98,091	72,041	253,467	230,630	–2,843	–1,484	1,024,776	942,912
of which intersegment revenue	*1,911*	*1,373*	*895*	*78*	*37*	*32*	*–2,843*	*–1,484*	-	–
Revenue from external customers	674,151	640,352	97,196	71,963	253,429	230,597	-	–	1,024,776	942,912
Revenue growth	5%	36%	35%	0%	10%	–8%	-	–	9%	19%
EBITDA	320,622	334,523	12,177	24,549	6,034	2,073	–7,509	–6,758	331,324	354,387
of which earnings from investments accounted for using the equity method	*–13,543*	*2,919*	-	*–2,597*	-	–	-	–	*–13,543*	*322*
EBITDA margin	48%	52%	13%	34%	2%	1%	-	–	32%	38%

* As from 1 November 2022 with Wellster; as from 1 July 2022 with CORAT

** As from 1 February 2022 with C³ Group; as from 1 December 2021 with Cernelle

The Group's EBITDA is reconciled to consolidated profit or loss as follows:

EUR thousand	2022	2021
EBITDA	**331,324**	**354,387**
Depreciation, amortisation and reversal of impairment	–101,180	–55,596
Financial income	696	4,222
Financial expenses	–14,543	–10,036
Earnings before taxes (EBT)	**216,297**	**292,977**
Income tax expenses	–83,680	–84,073
Profit or loss for the period	**132,617**	**208,904**

7. Financial risk management and financial instruments

7.1 Financial risk factors

Dermapharm's future market development is exposed to a host of financial risks (market risk – including currency and interest rate risk – as well as credit and liquidity risk) due to the fact that its competitive environment is subject to state regulation, as well as to volatile prices for raw materials and stagnating prices caused by the government-initiated price freeze.

However, given its financial stability, the Group is well positioned to overcome future risks. At present, no risks that could jeopardise the Company's ability to operate as a going concern have been identified.

Dermapharm's risk management focused on identifying and assessing risks which arise as a result of unpredictable developments on the financial markets, among other things, as well as the appropriate management of potential negative impacts on the Group's financial position.

The risk management system is overseen centrally by the Risk Officer and by the Board of Management as a whole. It is regularly reviewed for effectiveness and appropriateness. By contrast, individual risks are monitored and organised on a decentralised basis. Depending on the category and scope of the risks, this is the responsibility of either the heads of departments and managing directors, or the members of the Board of Management of Dermapharm Holding SE. Potential risks are communicated regularly, either verbally or in writing, to all relevant segments and companies.

The Group's Finance department works closely with the operating units to identify and assess financial risks. Management sets out both the principles for cross-segment risk management and guidelines for specific risks, such as exposure to foreign currency, interest and credit risks, the use of derivative and non-derivative financial instruments and investments of liquidity surpluses.

Significant financial liabilities include interest-bearing financial liabilities, trade payables and other liabilities. Financial liabilities serve in particular to guarantee that the Group's operations are financed and secured. In addition, Dermapharm reports trade and other receivables and cash and cash equivalents which result directly from its business activities.

Derivative financial instruments are used by the Group to hedge against certain risks.

The following statements discuss the Group's exposure to identified financial risks. Furthermore, the goals, strategies and processes for risk management as well as the methods used to measure the risks are described.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to effectively manage market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Currency risk relates to either translation risk or transaction risk.

Translation risk describes the risk from changes to items of the statement of financial position and statement of comprehensive income for a subsidiary due to changes to the exchange rates when converting local financial statements into the Group's presentation currency. Changes caused by currency fluctuations when translating items of the statement of financial position are recognised in equity. Dermapharm is currently exposed to such a risk through subsidiaries, although this risk is negligible due to the size of those companies.

Transaction risk is the risk that the value of future foreign currency payments may change due to exchange rate fluctuations. Dermapharm operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to euros.

IFRS 7 requires that sensitivity analyses be prepared to accompany the presentation of market risks arising in connection with financial instruments; these analyses must show the impact that hypothetical changes in relevant risk variables might have on profit or loss for the period and on equity. The analysis presented below is one-dimensional and does not take into account tax effects. The table shows the positive and negative effects that would occur should the euro depreciate or appreciate by 5% in relation to the relevant currencies (GBP, HRK and USD), with all other variables remaining constant. Currency translation gains and losses on trade receivables and payables denominated in foreign currencies have an impact on the consolidated profit or loss, which is reflected analogously in equity. Aside from these currency translation effects, there are no further effects on equity arising from financial instruments.

A potential strengthening (weakening) of the euro against material currencies used by Dermapharm as at 31 December of the respective year would have affected the measurement of financial position by the amounts shown below. This analysis assumes that all other variables, particularly interest rates, remain constant and ignores any impact of forecast sales and purchases.

31 December 2022	Receivables and liabilities denominated in other currencies	EUR thousand	+5% impact on the statement of comprehensive income	–5% impact on the statement of comprehensive income
GBP	–3,831	–4,326	206	–228
HRK	–99,351	–13,165	627	–693
USD	–14,343	–13,434	640	–707

31 December 2021	Receivables and liabilities denominated in other currencies	EUR thousand	+5% impact on the statement of comprehensive income	–5% impact on the statement of comprehensive income
GBP	–2,523	–3,006	143	–158
HRK	–103,877	–13,792	657	–726
USD	–9,122	–8,054	384	–424

The Group's risk from exchange rate fluctuations for all other currencies not presented here was immaterial.

Interest rate risk

Interest rate risk includes the effect of positive and negative changes to interest rates on profit, equity, or cash flows in current and future reporting periods. Dermapharm is exposed to interest rate risks from financial instruments mainly in connection with financial liabilities.

The table below shows the change in interest expenses for variable rate loans, which would result from a decrease or increase of the EURIBOR by 100 basis points:

EUR thousand	31 December 2022	31 December 2021
Assumed change in interest rate		
– 100 basis points	16,081	5,668
Expected interest expense	20,397	5,733
+ 100 basis points	24,388	10,653

b) Credit risk

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

Credit risk is managed at the Group level, except for credit risk as it pertains to trade receivables. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

The extent of the maximum credit risk for Dermapharm corresponds to the sum of trade receivables, other financial assets and cash and cash equivalents. In the event of a default on the part of a counterparty, the maximum credit risk for all classes of financial assets is equal to the respective carrying amount at the reporting date. No material concentration risks for the Group existed during the current or prior periods.

The Group is exposed to potential credit risks primarily in relation to trade receivables from customers. As in the past, there was no need to recognise any major valuation allowances in respect of trade receivables during the current period. Credit risks from financial transactions are managed centrally by the Finance department. To minimise risks, financial transactions are conducted only within short-term periods and with banks and other partners that preferably have investment-grade ratings.

In addition, there exists a credit risk in respect of cash and cash equivalents in the event that financial institutions were no longer able to satisfy their obligations. This credit risk is limited by investing only with various banking institutions with good ratings.

c) Liquidity risk

Liquidity risk includes the risk that Dermapharm will not be in the position to satisfy its assumed financial liabilities as they fall due. For this reason, a significant aim of liquidity management is to ensure that payment is possible at all times. Management continuously monitors the risk of liquidity shortfalls by using the liquidity planning capabilities of its ERP system. This system tracks payments into and out of the financial assets and financial liabilities as well as expected cash flows from business activities.

The Group's aim is to maintain a balance between continuously covering the required financial resources and ensuring flexibility by using bank credit facilities. Any remaining short-term liquidity requirement peaks are balanced out by using those credit facilities. The Group considers the concentration of risk with regard to the refinancing of its debt to be low, as sufficient sources of financing are available to the Group.

Dermapharm has access to the following lines of credit:

EUR thousand	31 December 2022	31 December 2021
Aggregate lines of credit	865,400	115,400
Available lines of credit	672,900	57,500
Number of banks	8	8

The table below shows the Group's financial liabilities according to maturity, based on the remaining maturity at the respective reporting dates and in relation to the contractually agreed, non-discounted cash flows. Financial liabilities payable at any time are allocated to the earliest possible time of payment. Variable interest payments from the financial instruments, where applicable, were calculated on the basis of respective forward rates as at the reporting date.

EUR thousand	Due within 1 year	Due between 1–5 years	Due after 5 years
31 December 2022 Expected cash flows from financial liabilities			
Interest	21,670	62,189	659
Repayment of principal	1,687	483,806	19,630
Expected cash flows from trade payables	5,610	–	–
Expected cash flows from other financial liabilities	2,369	–	–
31 December 2021 Expected cash flows from financial liabilities			
Interest	6,536	11,522	650
Repayment of principal	1,961	549,290	20,774
Expected cash flows from trade payables	52,101	–	–
Expected cash flows from other financial liabilities	116	–	–

7.2 Disclosures on capital management

Dermapharm's capital management objectives are primarily to maintain and ensure an optimum capital structure to continue financing the growth plan and to manage the Company's value over the long term. Dermapharm's optimal capital structure is essentially defined by whether the financial covenants agreed with creditors can be maintained. Further focus is placed on the reduction of capital costs, the generation of liquid funds and the active management of the net working assets.

In accordance with the financial covenants, Dermapharm manages its capital structure based on the KPIs net debt, the ratio between net debt and EBITDA (net debt ratio) and based on the equity ratio (as a percentage). Compliance with the Group's financial covenants is reviewed on the basis of the quarterly, half-yearly and annual financial statements and is documented in a declaration of conformity. Where necessary, Dermapharm makes adjustments, taking into account changes in the general economic environment. The objective of capital management is to meet the Group's minimum capital requirements, which stipulated that the net debt ratio must not exceed 3.25 in financial year 2022.

Net indebtedness is defined as the total of current and non-current financial liabilities and other current and non-current financial liabilities less cash and cash equivalents. Net indebtedness as at 31 December 2022 was EUR 367,795 thousand (31 December 2021: EUR 419,710 thousand). EBITDA is defined as operating earnings plus depreciation, amortisation and reversals of write-downs and equity interests in companies accounted for using the equity method.

At 31 December 2022, the net indebtedness to EBITDA ratio was 1.1 (31 December 2021: 1.2).

The equity ratio changed as follows:

EUR thousand	31 December 2022	31 December 2021
Equity attributable to owners of parent	531,592	502,747
Total equity and liabilities	1,412,836	1,410,699
Equity ratio (%)	38%	36%

In financial years 2021 and 2022, the Group did not breach the financial covenants.

7.3 Additional disclosures on financial instruments

The table below shows the carrying amounts of all financial instruments reported in the consolidated statement of financial position and how the assets and liabilities or parts of the totals of each category are classified into the categories in accordance with IFRS 9.

It also depicts the fair values of the financial instruments and the IFRS 13 fair value hierarchy level applied to obtain the value.

31 December 2022	Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9						
EUR thousand	Carrying amount as at 31 December 2022	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Measurement in accordance with IFRS 16	Fair value as at 31 December 2022	Fair value level
Financial assets							
Other non-current financial assets	41,493	41,493	-	-	-	41,493	-
Equity investments	441	441	-	-	-	441	-
Trade receivables	96,715	96,715	-	-	-	96,715	-
Other current financial assets	14,656	13,997	659	-	-	14,656	3
Cash and cash equivalents	151,021	151,021	-	-	-	151,021	-
Financial liabilities							
Non-current financial liabilities							
of which bank loans	*402,085*	*402,085*	-	-	-	*393,953*	*2*
of which promissory note loans	*99,760*	*99,760*	-	-	-	*90,426*	*2*
of which lease liabilities	*9,716*	-	-	-	*9,716*	*9,110*	*2*
Current financial liabilities							
of which bank loans	*1,869*	*1,869*			-	*1,869*	-
of which promissory note loans	-	-	-	-	-	-	-
of which lease liabilities	*3,018*	-	-	-	*3,018*	*3,018*	-
Trade payables	56,100	56,100	-	-	-	56,100	-
Other current financial liabilities	2,369	2,369	-	-	-	2,369	-

31 December 2021	Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9						
EUR thousand	**Carrying amount as at 31 December 2021**	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Measurement in accordance with IFRS 16**	**Fair value as at 31 December 2021**	**Fair value level**
Financial assets							
Other non-current financial assets	51,729	51,100	629	–	–	51,729	3
Equity investments	25,899	398	–	25,501	–	25,899	3
Trade receivables	72,527	72,517	–	–	–	72,517	–
Other current financial assets	15,183	14,505	677	–	–	15,183	3
Cash and cash equivalents	161,414	161,414	–	–	–	161,414	–
Financial liabilities							
Non-current financial liabilities							
of which bank loans	*466,021*	*466,021*	–	–	–	*478.136.*	*2*
of which promissory note loans	*99,687*	*99,687*	–	–	–	*101,793*	*2*
of which lease liabilities	*9,013*	–	–	–	*9,013*	*10,775*	*2*
Current financial liabilities							
of which bank loans	*2,379*	*2,379*	–	–	–	*2,379*	–
of which promissory note loans	–	–	–	–	–	–	–
of which lease liabilities	*3,201*	–	–	–	*3,201*	*3,201*	–
Trade payables	52,101	52,101	–	–	–	52,101	–
Other current financial liabilities	822	710	112	–	–	116	2

Due to the short maturity of the cash and cash equivalents, trade receivables and payables as well as other current financial assets and other current financial liabilities, it is assumed that the carrying amounts of these items were reasonable approximations of their fair values.

The fair values of the financial instruments allocated to Level 3 changed as follows:

EUR thousand	Financial assets measured at fair value	Financial liabilities measured at fair value
As at 1 January 2022	**1,307**	**25,501**
Additions		
Disposals	–677	–17,053
Change in fair value recognised through profit or loss	30	
Change in fair value recognised through other comprehensive income		–8,447
As at 31 December 2022	**659**	**0**

EUR thousand	Financial assets measured at fair value	Financial liabilities measured at fair value
As at 1 January 2021	**863**	**0**
Additions	629	25,501
Disposals	–	–
Change in fair value recognised through profit or loss	–185	–
Change in fair value recognised through other comprehensive income	–	–
As at 31 December 2021	**1,307**	**25,501**

There were no reclassifications within the fair value hierarchy in the 2022 financial year.

In financial year 2022, Dermapharm did not receive a dividend from its equity investment in Wellster, which is accounted for as an equity instrument.

The table below depicts the net result from financial instruments for the period ended 31 December 2022 and 2021.

EUR thousand	2022	2021
Interest income	**246**	**4,002**
from financial assets measured at (amortised) cost	*246*	*3*
from derivatives measured at fair value through profit or loss	*–*	*173*
from financial liabilities measured at (amortised) cost	*–*	*3,826*
Interest expense	**–12,068**	**–8,552**
from financial liabilities measured at (amortised) cost	*–11,980*	*–8,402*
from derivatives measured at fair value through profit or loss	*–88*	*–150*
Amortisation and impairment of financial assets measured at (amortised) cost	**–563**	**–1,176**
Net result from subsequent measurement through profit or loss	**–481**	**–36**
Gains from subsequent measurement through profit or loss of derivatives	*197*	*149*
Losses from subsequent measurement through profit or loss of derivatives	*–677*	*–185*
Foreign exchange gains on financial instruments	**9,316**	**4,863**
Foreign exchange losses on financial instruments	**–8,943**	**–2,588**
Net result from financial instruments (in accordance with IFRS 9)	**–12,494**	**–3,487**

8. Other disclosures

8.1 Notes to the consolidated statement of cash flows

The consolidated statement of cash flows was prepared in accordance with IAS 7 Statement of Cash Flows and shows the changes in the Group's cash and cash equivalents during the course of the reporting period due to cash inflows and outflows.

Under IAS 7, cash flows are disclosed separately based on origin and classified as cash flows from either operating, investing or financing activities. The cash inflows and outflows from operating activities are derived indirectly starting from the Group's profit or loss for the year. Cash inflows and outflows from investing and financing activities are derived directly. The funds in the consolidated statement of cash flows correspond to the value of cash and cash equivalents and bank overdrafts in the consolidated statement of financial position. Cash and cash equivalents include the freely available cash deposits and deposits with financial institutions.

Payments for business combinations, less cash of EUR 69,786 thousand, which are reported under cash flows from investing activities, resulted primarily from the acquisition of C³ Group. A purchase price payment of EUR 83,698 thousand was made for this acquisition in financial year 2022. An outflow of EUR 70,108 thousand resulted, not taking into account the EUR 13,590 thousand in cash acquired. For further information on this acquisition, please refer to note 2.7. Offsetting effects in the payments for business combinations, less cash, relate to the adjustment of the purchase price for the acquisition of Cernelle, which closed in financial year 2021.

The cash and non-cash changes in financial liabilities, the inflows and outflows for which are presented under cash flows from financing activities in the statement of cash flows, can be broken down as follows for the 2022 financial year:

EUR thousand	2022	2021
Financial liabilities as at 1 January	**580,301**	**606,802**
Proceeds from borrowings	469,950	10,000
Transaction costs in connection with borrowings	–3,936	–
Repayments of borrowings	–536,925	–31,498
Payments of lease liabilities	–4,269	–4,411
Total changes from cash flows from financing activities	**–75,180**	**–25,909**
Effect of exchange rate changes	–117	–8
Changes in bank overdrafts	2	–
Lease liabilities	2,483	1,413
Changes to the group of consolidated companies	2,153	1,200
Other changes	6,805	–3,196
Financial liabilities as at 31 December	**516,448**	**580,301**

8.2 Other financial obligations and contingent liabilities

Litigation

In the course of its business activities, the Group is regularly exposed to numerous legal risks, particularly in connection with litigation relating to the areas of product liability, competition, intellectual property disputes and tax matters. As at 31 December 2022, the Group is only involved in court proceedings that are within the scope of its ordinary activities and do not have a material effect on the Group's financial position.

Apart from the proceedings described above, the Group is not aware of any administrative, court or arbitration proceedings (whether pending or threatened) which may have, or have had, a material effect on its financial position or profitability.

Guarantees

There were no material guarantees as at 31 December 2022 or 31 December 2021.

Contingent liabilities

There were no material contingent liabilities as at 31 December 2022 or 31 December 2021.

Purchase commitments

At 31 December 2022, the Group had purchase commitments relating to inventories of EUR 95,254 thousand (31 December 2021: EUR 91,024 thousand).

9. Related party disclosures

In accordance with IAS 24, related parties are persons or companies, other than entities which are already included in the consolidated financial statements, which can be materially influenced by or are able to influence Dermapharm.

Key management personnel include members of the Board of Management and the Supervisory Board. Significant shareholders are those who own or are the beneficial owners of more than 10% of Dermapharm's voting shares. The ultimate controlling shareholder is Mr Wilhelm Beier.

Related party transactions are carried out at arm's length conditions.

Transactions with related parties for the financial years ended 31 December 2022 and 31 December 2021 between Dermapharm and significant shareholders and other related parties are summarised below.

a) Material transactions

Related party transactions (persons)

EUR thousand	2022	2021
Marketing and advertising	912	834
Total	**912**	**834**

Related party transactions (entities)

	Transactions in		Open receivables as at 31 December		Open liabilities as at 31 December	
EUR thousand	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Transfer of goods						
Associates	829	797	–	–	–	–
Non-consolidated companies	6,899	4,518	3,003	1,176	311	–
Consulting and services						
Parent (Themis Beteiligungs-AG) of Dermapharm	531	300	18	–	389	–
Non-consolidated companies	582	39	53	–	306	4
Offsetting of current expenses						
Parent (Themis Beteiligungs-AG) of Dermapharm	–	–	–	–	–	–
Associates	2,782	2,148		2,148		–
Miscellaneous						
Associates	2	392	97	97	–	–
Non-consolidated companies	1	31	60	–		–
Total	**11,626**	**8,225**	**3,231**	**3,421**	**1,006**	**4**

The open balances at the end of the financial year are unsecured and fall due in the short term.

There are no guarantees for receivables to or liabilities from related parties.

b) Remuneration of key management personnel

The total remuneration paid to the Board of Management and the Supervisory Board is described in detail in the Group management report, including additional disclosures relating to the remuneration system.

The remuneration of members of the Board of Management in the amount of EUR 4,895 thousand (2021: EUR 4,038 thousand) and the Supervisory Board in the amount of EUR 240 thousand (2021: EUR 240 thousand), who represent the key management personnel, is presented as follows in accordance with IAS 24:

EUR thousand	2022	2021
Short-term benefits	4,315	3,008
Long-term benefits	820	1,270
Total	**5,135**	**4,278**

The short-term benefits include termination benefits of EUR 1,055 thousand (2021: EUR 0 thousand). The members of key management receive remuneration solely due to their function as a person in a key position.

10. Disclosures on the Board of Management and the Supervisory Board

The Company's corporate boards are composed as follows:

Members of the Board of Management

Ms Hilde Neumeyer has left the Company. She was succeeded as Chief Financial Officer by Mr Christof Dreibholz as at 1 November 2022. Chief Marketing Officer Mr Jürgen Ott left the Company on expiry of his contract as at 31 August 2022. He was succeeded by Dr Andreas Eberhorn, who joined Dermapharm on 1 September 2022.

Name	Member since	Appointed until	Position	Profession
Dr Hans-Georg Feldmeier	Aug 2017	2023	Chief Executive Officer	Pharmacist
Hilde Neumeyer	Jul 2020	2022	Chief Financial Officer	Merchant
Christof Dreibholz	Nov 2022	2025	Chief Financial Officer	Merchant
Dr Jürgen Ott	Oct 2019	2022	Chief Marketing Officer	Chemist
Dr Andreas Eberhorn	Sept 2022	2025	Chief Marketing Officer	Biologist
Karin Samusch	Aug 2017	2023	Chief Business Development Officer	Merchant

Members of the Supervisory Board

Name	Member since	Appointed until	Position	Profession	Mandates
Wilhelm Beier	Aug 2017	2027	Chairman of the Supervisory Board	Merchant	Dermapharm AG
Dr Erwin Kern	Aug 2017	2027	Deputy Chairman of the Supervisory Board	Merchant	Dermapharm AG
Lothar Lanz	Jan 2018	2027	Member of the Supervisory Board	Merchant	TAG Immobilien AG Bauwert AG home24 SE Dermapharm AG

In the financial years presented, there were no pension obligations due to current or former members of key management. The Supervisory Board members are covered by a Group D&O insurance policy.

11. Auditor's fee and services

At the Annual General Meeting on 1 June 2022, the shareholders of Dermapharm Holding SE elected Grant Thornton AG to audit the annual financial statements. Grant Thornton AG's fees were broken down as follows:

EUR thousand	2022	2021
Audit services	1,216	1,141
Other confirmation services	-	20
Tax consultancy services	-	-
Miscellaneous services	5	5
Total	**1,221**	**1,166**

The audit services related to the audit of the consolidated financial statements and the audit of the annual financial statements and dependent company reports of Dermapharm Holding SE and its subsidiaries at the end of the financial year as well as the audit review of the interim consolidated financial statements as at 30 June 2022.

12. Declaration of Conformity with the German Corporate Governance Code (GCGC)

The Board of Management and the Supervisory Board of Dermapharm Holding SE have jointly issued the Declaration of Conformity with the GCGC 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/).

13. Events after the reporting period

Events after the reporting date with a material or potentially material effect on the Group's financial position, financial performance and cash flows:

Arkopharma

Pursuant to the purchase agreement dated 8 November 2022, Dermapharm AG directly and indirectly acquired 100% of the shares of Apharma TopCo SAS (with its registered office in Carros, France), which is the holding company of the Arkopharma Group The acquisition of the Arkopharma Group closed on 5 January 2023. This simultaneously constitutes the acquisition date within the meaning of IFRS 3. Arkopharma specialises in phytotherapy and offers OTC herbal products and food supplements in France and other European countries. In closing the deal, Dermapharm AG has acquired the French market leader in herbal medicines and food supplements and is tapping new sales channels in western and southern Europe. The transaction constituted a business combination as defined under IFRS 3. A purchase price allocation in accordance with IFRS 3 following the acquisition of the shares will be carried out in 2023. The initial purchase price was EUR 445,100 thousand, and furthermore does not include any material further purchase price adjustments. In addition, the settlement of financing in the amount of EUR 216,512 thousand was agreed. Given that the purchase price allocation was not yet complete as at the date on which these consolidated financial statements were approved for publication, it is not possible to quantify the fair values of acquired assets and liabilities.

Grünwald, 27 March 2023

The Board of Management

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Karin Samusch
Chief Business Development Officer

Dr Andreas Eberhorn
Chief Marketing Officer

RESPONSIBILITY STATEMENT

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

Grünwald, 27 March 2023

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Karin Samusch
Chief Business Development Officer

Dr Andreas Eberhorn
Chief Marketing Officer

Independent Auditor's Report

To Dermapharm Holding SE, Grünwald

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

Audit opinions

We have audited the consolidated financial statements of Dermapharm Holding SE, Grünwald, and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Dermapharm Holding SE, Grünwald, for the financial year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement in accordance with § 289f and § 315d HGB included in section 6.1 of the combined management report, section 3.1 "Significant features of the internal control and risk management system" of the combined management report, and the separate non-financial report pursuant to § 315b HGB referred to in section 6.2 of the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement referred to above, section 3.1 "Significant features of the internal control 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 consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated 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 Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with 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 consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

Impairment Testing of the Goodwill

Financial Statement Risk

In its consolidated statement of financial position as at 31 December 2022, Dermapharm Holding SE recognised "Goodwill" in the amount of EUR 271.3 million.

Pursuant to IAS 36, an impairment test shall be performed for the goodwill; the impairment test was performed as of 30 September 2022. Impairment testing is always conducted in the context of a cash-generating unit. In this process, the recoverable amounts of the individual cash-generating units are compared with the carrying amounts of each of the cash-generating units. The recoverable amount is determined by calculating the value in use applying the discounted cash flow method of each of the cash-generating units. The cash flow forecasts for the impairment testing of the goodwill are based on the three-year financial plans of each of the legal entities of the Group prepared by the Board of Management and approved by the Supervisory Board. These cash flow forecasts were complemented by two additional transition years towards a perpetual annuity.

On the basis of the impairment test, Dermapharm Holding SE reported impairment losses for goodwill of EUR 36.4 million in the financial year 2022.

The result of the impairment tests is highly affected by the estimation of the future cash flows and the applied discount rate and is subject to considerable estimation uncertainty. Against this background and due to the complexity of the implementation of the applied valuation method, this matter was of particular significance in our audit.

Audit Approach

As part of our audit, we obtained an understanding of the processes in place for the calculation of the recoverable amounts of cash generating units in the context described. In the course of our audit we reperformed the methodology applied in the impairment tests. In addition, we assessed the controls in place for the identification and calculation of possible impairments. We compared the cash flow forecasts, on which the determination of the value in use of the goodwill was based, with the three-year budget planning prepared by the executive directors and approved by the Supervisory Board. We analysed the consistency and justifiability of the key value-driving assumptions used in the budget planning and in the transition period towards a perpetual annuity on a sample basis by interviewing selected employees. In our analysis, we have incorporated our understanding of the economic environment and the conditions as of the reporting date or the expected conditions in the relevant markets. In addition, as part of our impairment test of the goodwill, we analysed the consistency of planning by comparing the planning of the preceding years with the actual results of the financial year and by comparing the current planning with the prior year planning for the budget years. In relation to the impairment test of the goodwill, we additionally evaluated the consistency in the selection of the cash-generating units.

We reperformed the relevant calculation scheme for deriving the applied discount rates as well as the parameters included in the derivation of the relevant discount rates with the assistance of our valuation experts. Furthermore, we analysed and assessed the consistent use of parameters and the consistent derivation of the discount rates in comparison with the preceding year.

We evaluated the appropriateness of the sensitivity analyses performed by Dermapharm Holding SE.

Reference to Related Disclosures

The disclosures of Dermapharm Holding SE relating to impairment testing of goodwill and capitalised development costs are included in sections "2.11 Impairments of non-financial assets", "3. Estimates and judgements" and "4.1 Intangible assets" of the notes to the consolidated statement of financial position.

Other Information

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

- the Corporate Governance Statement in accordance with § 289f and § 315d HGB,
- section 3.1 "Significant features of the internal control and risk management system" of the combined management report,
- the non-financial report pursuant to § 315b, to which reference is made in the combined management report.
- the responsibility statement of the executive directors pursuant to section 297 paragraph 2 sentence 4 and pursuant to section 315 paragraph 1 sentence 5 HGB on the consolidated financial statements and the combined management report,
- the Remuneration Report pursuant to § 162 of the German Stock Corporation Act (Aktiengesetz, "AktG")
- the Report of the Supervisory Board, and
- the remaining parts of the 2022 Annual Report,
- but not the consolidated financial statements, not the audited content of the combined management report, and not our auditor's report.

The executive directors and the supervisory board are responsible for the declaration in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz, "AktG") which is part of the corporate governance statement, and for the Remuneration Report pursuant to § 162 of the German Stock Corporation Act (Aktiengesetz, "AktG"). The supervisory board is responsible for the Report of the Supervisory Board. Save as aforesaid, the executive directors are responsible for the other information provided.

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

In connection with our group 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 consolidated 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 Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of 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 consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated 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 consolidated 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.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the Assurance in Accordance with Section 317 Paragraph 3a HGB on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3a HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "5299009F0KNZINQQQK37-2022-12-31-de.zip" and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the 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 rendering of the annual financial statements and the combined management report contained in the above-mentioned attached 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 file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January 2022 to 31 December 2022 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 consolidated 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)).

Legal uncertainty Relating to the Conformity of the Interpretation of the Relevant European Regulations

The consolidated financial statements converted into the ESEF format are not fully machine-readable due to the conversion process chosen by the company with regard to the disclosures in the notes in iXBRL format ("block tagging"). The legal conformity of the interpretation by the executive directors that the Delegated Regulation (EU) 2019/815 does not explicitly require the structured disclosures in the notes to be machine-readable when block tagging the notes is subject to significant legal uncertainty, which therefore also represents an inherent uncertainty in our audit.

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 consolidated financial statements and the combined management report in accordance with section 328 paragraph 1 sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 paragraph 1 sentence 4 no. 2 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 skepticism 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 enables XHTML rendering with content equivalent to the audited annual financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended and applicable on the financial statement date enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 1 June 2022. We were engaged by the audit committee on 29 September 2022. We have been the group auditor of Dermapharm Holding SE, Grünwald, as a publicly traded share capital company within the meaning of section 264d HGB, without interruption, since the 2018 financial year.

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 consolidated 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 consolidated 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.

Duesseldorf, 27 March 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

Pharmacy in Portugal, Porto

Remuneration Report

Introduction

The Board of Management and the Supervisory Board of Dermapharm Holding SE have prepared this Remuneration Report in accordance with their statutory obligation to do so as set out in § 162 of the German Stock Corporation Act (Aktiengesetz, "AktG"). In preparing this Report, Dermapharm Holding SE (together with its consolidated subsidiaries "Dermapharm" or the "Group") has taken effort to ensure that the Report is clear, transparent and complete.

Dermapharm believes that transparency and comprehensibility of the remuneration system, as well as of the individual remuneration paid to the members of the Board of Management and the Supervisory Board, are essential to good corporate governance.

Due to rounding, it is possible that individual figures presented in this Report will not entirely match the reported totals and that percentages will not reflect the absolute values to which they refer.

Main features of the remuneration system, significance for the group's business strategy and long-term development

The objective of the remuneration system is to compensate the members of the Board of Management appropriately in light of their duties and responsibilities, taking into account the performance of each individual member and the success of the Group as a whole. Accordingly, the remuneration system comprises both fixed and variable remuneration components.

The objective behind the Group's corporate strategy is to achieve profitable growth and sustainable long-term appreciation in enterprise value. This ambition flows into the structure of the remuneration system for Dermapharm Holding SE's Board of Management. Therefore, the Group's earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) serves as the target parameter for variable remuneration and a key earnings indicator that is used in planning and measuring the Group's profitable growth. This indicator is also used as a measure of the achievement of both single-year and multiple-year targets. However, the remuneration system for Board of Management members is also designed to permit the use of different target parameters in future. If aggregated, these parameters, in turn, can be used to steer profitable growth as well as to achieve a sustainable, long-term appreciation of enterprise value.

At present, the Supervisory Board does not believe that it is necessary to link variable remuneration to share price performance or non-financial target parameters in order to achieve the objectives set out in the Group's overarching corporate strategy. However, the Supervisory Board is well aware of the significance of not only environmentally sustainable management but also corporate social responsibility; nonetheless, in its view, the achievement of such targets need not be enshrined in the remuneration system for the Board of Management.

The remuneration system for members of the Board of Management is straightforward, clear and comprehensible, and moreover satisfies the requirements set out in the AktG. To the extent it deviates from the recommendations of the German Corporate Governance Code ("GCGC"), this is presented and explained in the Declaration of Conformity in accordance with the statutory requirements.

Board of Management remuneration

The remuneration system for the Board of Management presented in further detail below was approved by the Supervisory Board in March 2021 and adopted by the Annual General Meeting on 23 June 2021 with an 80.30% majority.

Remuneration components

Annual bonus	Performance-based component
Fringe benefits	Non-performance-based component
Basic salary	Non-performance-based component

Overview of the individual remuneration components

Remuneration comprises fixed and variable components. The fixed components consist of the fixed annual remuneration and fringe benefits. The variable remuneration consists of a rolling bonus that is granted each financial year and determined using a multiple-year basis of calculation.

Furthermore, the Supervisory Board may grant non-recurring bonus payments in individual instances of special achievement.

Fixed remuneration components

Fixed annual remuneration

The fixed annual remuneration is compensation paid to respective members of the Board of Management in cash for the financial year, the amount of which being based in particular on their duties and responsibilities. The fixed annual remuneration is paid out in twelve monthly instalments at the end of each month.

If a member of the Board of Management joins or departs the Board in the course of the year, the fixed salary is paid out on a pro rata temporis basis. In the event of illness or in other instances where a member of the Board of Management is prevented from fulfilling their duties, they may continue to receive remuneration for a period to be determined by the Supervisory Board, albeit not beyond termination of their service agreement.

Fringe benefits

In addition to their fixed annual remuneration, members of the Board of Management also receive fringe benefits in the form of in-kind and other financial benefits.

As a standard benefit, the members of the Board of Management are each provided with a company car, which may also be used privately, as well as subsidised health and nursing care insurance. In addition, the Company has taken out a directors & officers (D&O) liability insurance policy on behalf of the members of the Board of Management.

The Supervisory Board may opt to grant further in-kind benefits, or reimburse the corresponding costs. Furthermore, new members of the Board of Management may be granted compensation for remuneration/pension claims which they had to forego due to their having joined to the Company. In addition, relocation costs may also be reimbursed, as well as – for a transitional period to be defined by the Supervisory Board – other additional costs incurred as a result of their having joined the Company or their relocation to a different Group location (for instance, costs and ancillary expenses incurred for travel home and maintaining a second household).

Variable compensation (bonus)

Target parameters

At present, the bonus is based solely on Dermapharm Group's earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) as the target parameter. This figure is a key earnings indicator for the Group, which is used to present the Group's operational performance – including in international comparisons.

The Company routinely reports on the development of this target parameter in its regular financial reporting. This is the core metric for steering profitable growth as well as sustainable long-term appreciation in enterprise value, thereby serving the achievement of the Group's overarching strategic objectives.

However, the remuneration system does not dictate the current target parameters. Rather, if it so chooses, the Supervisory Board may in future define other (e.g., non-financial) target parameters and/or use other target parameters in lieu of consolidated EBITDA. Any target parameters used, however, must feature in the Company's regular reporting on the development of financial indicators at least once annually. Target parameters may also be selected for individual business lines. In the event that target parameters are modified or replaced, the Supervisory Board will ensure that the respective target parameters will, in their aggregate, continue to represent key metrics for steering profitable growth as well as achieving sustainable, long-term appreciation in enterprise value. Moreover, non-financial targets may also be used in the future. Nevertheless, at least one target parameter must continue to be based on a relevant earnings indicator.

Assessment period

Any bonus granted for a specific financial year is subject to a three-year assessment period. This period comprises the financial year in relation to which the bonus is granted ("baseline year") and the two financial years following the baseline year ("year 2" and "year 3").

Targets

Within the first four months of each baseline year, the Supervisory Board defines targets with respect to consolidated EBITDA or the relevant target parameters for the baseline year as well as for years 2 and 3. These targets are defined on the basis of the relevant planning figures in accordance with the annual budget for the baseline year, as approved by the Supervisory Board, and the multi-year plan for years 2 and 3, as applicable in the baseline year. However, the Supervisory Board may also make suitable adjustments to the planning figures for the purposes of defining the targets, specifically in order to reflect current developments occurring between the date on which the underlying annual budget was approved and the date on which the targets were defined.

Individual components

The bonus comprises a year-1 component, the amount of which is determined on the basis of target achievement for the respective baseline year; a year-2 component, the amount of which is determined on the basis of target achievement for the respective year 2; and a year-3 component, the amount of which is determined on the basis of target achievement for the respective year 3.

Target amount and calculation of payout amount

An individual target amount for the bonus, to be paid out upon 100% target achievement and allocated across the three individual components, is defined in each Board of Management member's service agreement. If multiple target parameters are defined, the target amount is additionally allocated to the relevant target parameters within each individual component. The combined portion of the target amounts allocated to the year-2 and year-3 components must be greater than the portion of the target amount allocated to the year-1 component.

The service agreement furthermore sets out a target achievement curve to serve as the basis for calculating the payout amounts of the relevant individual components depending on the target achievement rate and the individual target amount. The Supervisory Board also defines (i) a minimum target achievement rate, below which no payout is made, and (ii) a maximum target achievement rate, above which the payout amount may no longer increase. Thus, the payout amount for the bonus and its respective individual components are capped at a maximum percentage in relation to the associated target amount. This cap is currently set at 150% for all relevant target amounts. However, the Supervisory Board may also set a different cap.

Target achievement (in % of the associated EBITDA target)	**Payout amount (in % of the associated target amount)**
< 95%	0%
≥ 95% and ≤ 97.5%	50%
≥ 97.5% and ≤ 102.5%	100%
≥ 102.5%	150%

The percentage of target achieved for each individual component is determined based on the Company's audited and adopted consolidated financial statements for the relevant financial year. In the event of non-budgeted developments, particularly in the case of acquisitions, divestments, reallocations in the accounting system and other similar non-recurring measures, the actual figures generated for the relevant target parameter of consolidated EBITDA in the respective year may, for the purposes of measuring the percentage of target achieved, be adjusted for the impacts of such developments at the Supervisory Board's reasonable discretion.

Payout

The payout amount for the year-1 component is calculated after the close of the respective baseline year, and the corresponding amount is then paid out. Accordingly, the payout amount is calculated and the year-2 component is paid out after the close of year 2 and the year-3 component is paid out after the close of year 3.

Furthermore, the Supervisory Board may approve the payment of advances on the year-1 component of the bonus – including during the respective baseline year.

If a member of the Board of Management joins or departs the Company in the course of a given financial year, the bonus granted for that financial year will be paid out for all individual components solely on a pro rata temporis basis. In the case of absences during periods for which the service agreement stipulates no claim to continued payment of remuneration, the variable remuneration granted for the relevant financial year will be reduced for all individual components on a pro rata temporis basis.

Upon termination of the service agreement, the Supervisory Board has the right to settle, by way of advance payment, individual components of the respective bonus for which the targets relate to financial years beginning only after the service agreement is terminated, or not yet ended as of the termination date for the service agreement. Advance payments are based on the respective target amount, which the Supervisory Board may reduce by an amount stipulated in the service agreement.

Claw-back of variable remuneration components

The service agreements do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements ("malus" or claw-back provisions). 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. However, when the remuneration system undergoes regular reviews, this issue will be re-examined at the appropriate time. The Supervisory Board reserves the right to establish provisions on the withholding or claw-back of variable remuneration components in service agreements in future.

Other remuneration components

The remuneration system allows for the Supervisory Board to grant, at its due discretion, additional, non-recurring bonus payments to reward special achievements or performance; however, the service agreements of the members of the Board of Management stipulate no contractual claim to the granting of such bonuses.

Target total and maximum remuneration

The Supervisory Board defines a specific target total remuneration for each individual member of the Board of Management according to their duties and responsibilities. The target total remuneration relates in each case to one full financial year and comprises the sum of all remuneration components of relevance to the total remuneration, which – regardless of their payout date – are granted for the relevant financial year. In-kind fringe benefits are stated at the values relevant for wage tax purposes. The D&O policy taken out by the Company on behalf of the members of the Board of Management is not included separately, as this is not a remuneration component in the strictest sense of the term. The target amount for variable remuneration is based on 100% target achievement.

The relative share of fixed annual remuneration in target total remuneration is generally between 35% and 65%; the relative share of fringe benefits amounts to up to 7% and the relative share of variable compensation (bonus) is between 35% and 65%. In the event of fringe benefits granted once or for a limited period, the above relative shares for the individual remuneration components in the target total remuneration may also deviate for individual financial years.

The total remuneration granted for the financial year, comprising fixed salary including fringe benefits and variable remuneration components, is capped at a maximum of EUR 2 million for each member of the Board of Management, regardless of whether the amount is paid out in the relevant financial year or at some other time. The maximum remuneration includes the respective maximum possible fixed ("non-performance-based") and variable remuneration components. In-kind fringe benefits are stated at the values relevant for wage tax purposes.

Legal agreements pertaining to remuneration

Terms, requirements for terminating legal agreements pertaining to remuneration

The service agreements of the members of the Board of Management are entered into for the duration of the respective member's appointment. First-time appointments have a maximum term of three years; appointments may be renewed for up to five years thereafter.

Given the fixed terms of the appointments, the service agreements generally contain no provision regarding termination. However, in the event that a member of the Board of Management becomes permanently disabled during the term of their service agreement, it may be stipulated that the agreement be automatically terminated at the end of the quarter in which the permanent disability is established.

Furthermore, the respective service agreement may be terminated prior to the end of their term solely by mutual agreement by virtue of rescission agreement or termination for cause. The Company may terminate service agreements for cause, in particular in the event the Supervisory Board rescinds the appointment of a member of the Board of Management for cause pursuant to § 84 (3) AktG. In such cases, termination is subject to the statutory notice periods pursuant to § 622 of the German Civil Code (Bürgerliches Gesetzbuch, "BGB") unless cause for immediate termination of the service agreement by the Company is already deemed to exist pursuant to § 626 BGB.

Granting of severance compensation

The service agreements of members of the Board of Management provide that a member receives a severance payment if the Company terminates the service agreement for cause upon the dismissal of the member of the Board of Management in accordance with § 84 (3) AktG, unless cause for immediate termination of the service agreement by the Company is already deemed to exist pursuant to § 626 BGB. The severance payment to be stipulated for this purpose in the service agreement may correspond to a maximum of two years' remuneration, not to exceed the remuneration for the remaining term of the service agreement; however, the Supervisory Board may also stipulate a lower severance payment and make lump-sum payments and/or reductions in the calculation.

For other cases, the service agreements do not provide for severance compensation agreed in advance.

The right of the Company to agree severance payments also in the event of early termination of service on the Board of Management by mutual consent remains unaffected. For the purpose of determining the maximum remuneration, severance payments are to be allocated (pro rata temporis, if applicable) to the financial year for which they are granted, regardless of whether they are paid out or received in the financial year in question or at some other time.

Non-compete clause

The service agreements of members of the Board of Management include a non-compete clause for the term of the agreement.

In addition, a post-contractual non-compete clause may be agreed with members of the Board of Management for a period of up to two years. The compensation to be granted for this may not exceed 75% of the most recent annual remuneration, whereby individual lump-sum remuneration components may also be set and variable compensation components may be set at their target amount. Any severance payment to be made to the member of the Board of Management in connection with the termination of their employment agreement shall be offset in full against such compensation.

Process for establishing, implementing and reviewing the remuneration system

The Board of Management remuneration system is established and subject to regular review by the Supervisory Board in accordance with the statutory requirements. Because the Supervisory Board has not formed any committees, this responsibility is assumed by the full Supervisory Board. Specifically, the Supervisory Board also reviews the appropriateness of the remuneration as compares to executive board remuneration within a peer group (horizontal appropriateness). The peer group is defined by the Supervisory Board and includes comparable German and foreign companies which are comparable in terms of sector, size and revenue.

Furthermore, when establishing and implementing the remuneration system, the Supervisory Board also takes into account the remuneration paid to senior management and the rest of staff at the German Group companies (vertical appropriateness) and compares this remuneration to that paid to the members of the Board of Management. For this purpose, the Supervisory Board defines senior management as the group of executives at the first management level below the Board of Management. The Supervisory Board takes into consideration not only the current

remuneration ratio but also how this changes over time. The existing remuneration system also serves as the basis for a vertical appropriateness review in accordance with these principles.

If necessary, the Supervisory Board may engage an external remuneration consultant to perform vertical and horizontal appropriateness reviews. The Supervisory Board takes care to ensure that only independent external consultants are engaged.

Any conflict of interest that may arise in connection with establishing, implementing or reviewing the remuneration system is handled by the Supervisory Board in the same manner as other conflicts of interest which may arise with members of the Supervisory Board. The relevant Supervisory Board member must therefore disclose any conflicts of interest and must recuse themselves from voting on resolutions or giving advice. The early disclosure of conflicts of interest ensures that the decisions by the Supervisory Board are not subject to undue influence.

The remuneration system adopted by the Supervisory Board is submitted to the Annual General Meeting for approval.

The Supervisory Board regularly reviews the remuneration system for members of the Board of Management and makes modifications whenever necessary. In the event of material modifications, and every four years at a minimum, the remuneration system is once again submitted to the Annual General Meeting for approval.

If the Annual General Meeting does not approve the remuneration system as submitted, a reviewed remuneration system is submitted to the next Annual General Meeting at the latest, in accordance with the statutory requirements.

Alignment of existing service agreements with the remuneration system

All service agreements with members of the Board of Management are fully aligned with the remuneration system presented above.

Temporary deviations from the remuneration system

In accordance with § 87a (2) sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system if doing so is necessary in the interests of the long-term well-being of the Company. Any deviation requires a resolution by the Supervisory Board setting out the grounds, nature and manner of the deviation, as well as the intended duration. Deviations may be made for all remuneration components on the basis of such a resolution. However, no deviation is permitted with respect to the defined maximum remuneration.

The 2021 remuneration year in review

The remuneration report prepared by Dermapharm in accordance with the requirements of § 162 AktG on the remuneration granted and owed to the members of the Board of Management and the Supervisory Board of Dermapharm Holding SE in financial year 2021 was approved by the Annual General Meeting on 1 June 2022 with a majority of 79.01% of the voting capital represented pursuant to § 120 a (4) AktG. The Board of Management and the Supervisory Board see this approval as confirmation of the format used in the 2021 remuneration report and there was no cause to question the reporting or implementation. As such, the format will be retained for the 2022 remuneration report as well.

Remuneration granted and owed in financial year 2022

The tables below present the remuneration granted and owed to the members of the Board of Management in financial years 2022 and 2021 pursuant to § 162 (1) sentence 1 AktG. In accordance with that provision, the tables present all amounts granted to the individual members of the Board of Management during the period under review ("granted remuneration") and all amounts legally due but not yet paid ("owed remuneration").

Pursuant to § 162 (1) sentence 2 no. 1 AktG, the relative share of all fixed and variable remuneration components in total remuneration must also be indicated in addition to the remuneration amounts. The relative shares presented here relate to the remuneration components granted and owed in the respective financial years pursuant to § 162 (1) sentence 1 AktG.

Remuneration granted and owed to current members of the Board of Management in financial year 2022

	Dr Hans-Georg Feldmeier CEO				Karin Samusch CBDO			
	2021		2022		2021		2022	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR
Non-performance-based remuneration								
Fixed remuneration	800	61%	800	57%	380	42%	380	39%
Fringe benefits	15	1%	16	1%	19	2%	21	2%
Total	**815**	**62%**	**816**	**58%**	**399**	**44%**	**401**	**41%**
Short-term variable compensation								
2020 year-1 component	49	4%			49	5%		
2021 year-1 component (advance payment)	160	12%			160	18%		
2021 year-1 component (final payment)			115	8%			115	12%
2022 year-1 component (advance payment)			160	12%			160	16%
Total	**209**	**16%**	**275**	**20%**	**209**	**23%**	**275**	**28%**
Long-term variable compensation								
2018 year-3 component	190	14%			190	21%		
2019 year-2 component	110	8%			110	12%		
2019 year-3 component			190	14%			190	19%
2020 year-2 component			116	8%			116	12%
Total	**300**	**22%**	**306**	**22%**	**300**	**33%**	**306**	**31%**
Miscellaneous								
Special remuneration	0	0%	0	0%	0	0%	0	0%
Total remuneration (TR)	**1,324**	**100%**	**1,397**	**100%**	**908**	**100%**	**982**	**100%**
Maximum remuneration	2,000		2,000		2,000		2,000	

	Dr Jürgen Ott[1] CMO				Hilde Neumeyer[2] CFO/CCO			
	2021		2022		2021		2022	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR
Non-performance-based remuneration								
Fixed remuneration	342	58%	257	19%	342	64%	256	14%
Fringe benefits	17	3%	13	1%	13	2%	10	1%
Total	**359**	**61%**	**270**	**20%**	**355**	**66%**	**266**	**15%**
Short-term variable compensation								
2020 year-1 component	40	7%			20	4%		
2021 year-1 component (advance payment)	160	27%			160	30%		
2021 year-1 component (final payment)	–	–	90	7%			90	5%
2022 year-1 component			142[3]	11%			120	7%
Total	**200**	**34%**	**232**	**18%**	**180**	**34%**	**210**	**12%**
Long-term variable compensation								
2019 year-2 component	27	5%						
2019 year-3 component			48	4%				
2020 year-2 component			110	8%			55	3%
2020 year-3 component			181	13%				
2021 year-2 component			105	8%				
2021 year-3 component			181	13%				
2022 year-2 component			78	6%				
2022 year-3 component			135	10%				
Total	**27**	**5%**	**838**	**64%**	**0**	**0%**	**55**	**3%**
Miscellaneous								
Special remuneration	0	0%	0	0%	0	0%	0	0%
Severence pay							1,238	70%
Total remuneration (TR)	**586**	**100%**	**1,340**	**100%**	**535**	**100%**	**1,769**	**100%**
Maximum remuneration	2,000		2,000		2,000		2,000	

1 Dr Jürgen Ott resigned from the Board of Management of Dermapharm Holding SE on 31 August 2022.

2 Hilde Neumeyer resigned from the Board of Management of Dermapharm Holding SE on 20 July 2022; her remuneration was continued until 30 September 2022.

3 In the course of leaving the Board of Management, a bonus payment of 95% was granted.

	Dr Andreas Eberhorn[4] CMO				Christof Dreibholz[5] CFO & CCO			
	2021		2022		2021		2022	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR
Non-performance-based remuneration								
Fixed remuneration			150	63%			75	63%
Fringe benefits			8	3%			5	4%
Total			**158**	**66%**			**80**	**67%**
Short-term variable compensation								
2022 year-1 component (advance payment)			80	34%			40	33%
Total			**80**	**34%**			**40**	**33%**
Long-term variable compensation								
Total								
Miscellaneous								
Special remuneration								
Total remuneration (TR)			**238**	**100%**			**120**	**100%**
Maximum remuneration	2,000		2,000		2,000		2,000	

4 Dr Andreas Eberhorn was appointed to the Board of Management of Dermapharm Holding SE for the first time with effect from 1 September 2022.

5 Christof Dreibholz was appointed as a member of the Board of Management of Dermapharm Holding SE for the first time with effect from 1 November 2022.

The relative share of fixed annual remuneration in total remuneration in 2022 was between 14% and 63% for all members of the Board of Management, while the relative share of fringe benefits in 2022 was between 1% and 4%, and thus below 7%. The relative share of variable remuneration (bonus) ranges from 35% to 65%, with the exception of Dr Andreas Eberhorn (34%), Christof Dreibholz (33%), Dr Jürgen Ott (80%) and Hilde Neumeyer (15%). Dr Andreas Eberhorn was appointed as member of the Board of Management with effect from 1 September 2022 and Christof Dreibholz was appointed with effect from 1 November 2022. The range was not maintained for Dr Andreas Eberhorn and Christof Dreibholz because they joined the Board of Management in the course of the year. Dr Jürgen Ott left the Board of Management with effect from 31 August 2022 and received payment in full of all bonus claims. Hilde Neumeyer also left the Board of Management with effect from 30 September 2022 and received a severance payment of EUR 1,238 thousand as a result of the early termination of the service agreement. The total remuneration for each member of the Board of Management was below the maximum remuneration in financial year 2022.

The variable remuneration granted and owed in financial year 2022 was based solely on the achievement of the adjusted target consolidated EBITDA. The variable remuneration granted and owed in financial year 2022 was based on the following target achievement rates and payouts:

	Target achievement	Payout
Year-3 component – 2019	153.2%	100%[6]
Year-2 component – 2020	155.3%	100%[7]
Year-1 component – 2021	116.6%	125%[8]
Year-1 component – 2022	94.7%	–[9]

6 Payout amount set at 100%, as EBITDA growth in 2021 was significantly influenced by vaccine production.

7 Payout amount set at 100%, as EBITDA growth in 2021 was significantly influenced by vaccine production.

8 As EBITDA growth in 2021 was based mainly on vaccine production, the Supervisory Board resolved on a payout of 125% in derogation of the remuneration system.

9 Target achievement for 2022 to be determined subsequently.

With the exception of Dr Jürgen Ott[10], the target achievements and payout amounts are identical for all members of the Board of Management.

The service agreements for members of the Board of Management do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements.[11] During the period under review, no variable remuneration components were clawed back.

Remuneration of the supervisory board

The remuneration system for the Supervisory Board presented below was approved by the Annual General Meeting on 23 June 2021 with an 83.47% majority.

Fundamentals of the remuneration system for the members of the supervisory board

The remuneration of the Supervisory Board of Dermapharm Holding SE is set out in Article 15 of the Articles of Association (Remuneration). Article 15 of the Articles of Association reads as follows:

1. The members of the Supervisory Board receive a fixed amount of remuneration for each full financial year of their Supervisory Board membership, amounting to EUR 80,000.00 beginning in financial year 2021 for each Supervisory Board member.
2. If a Supervisory Board member's term of office is less than a full financial year, or if a financial year is shorter than a calendar year, the above remuneration under paragraph 1 will be prorated by reference to the duration of Supervisory Board membership. It is payable quarterly following the expiry of the relevant calendar quarter.
3. The members of the Supervisory Board also receive reimbursement for their expenses. They also receive a refund of the value added tax payable in respect of their remuneration and expenses.

10 95% of the bonus was paid out upon departure.

11 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.

4. The Company must take out a directors and officers (D&O) liability insurance policy on behalf of the members of the Supervisory Board at appropriate, prevailing market rates; this policy must cover the statutory liability in connection with the work of the Supervisory Board.

The following remuneration system is based on the provisions of §§ 113 (3) sentence 3, 87a (1) sentence 2 AktG:

In line with prevailing market practice at listed companies in Germany, the remuneration paid to Supervisory Board members is structured exclusively as fixed remuneration. It does not include any performance-based components. The Board of Management and the Supervisory Board are of the opinion that an exclusively fixed remuneration of the Supervisory Board members is best suited to strengthen the independence of the Supervisory Board and to take into account the advisory and monitoring function of the Supervisory Board, which must be carried out independently of the Company's performance.

The amount and structure of Supervisory Board remuneration ensure that the Company is able to attract qualified candidates for membership of the Company's Supervisory Board; in this way, Supervisory Board remuneration makes a sustainable contribution to promoting the business strategy and the long-term development of the Company.

The remuneration system for Supervisory Board members is approved by the Annual General Meeting on the basis of proposals by the Board of Management and Supervisory Board. The remuneration system is subject to regular review, at least once every four years, by the Board of Management and the Supervisory Board to determine whether the amount and structure are still in line with the market and appropriate in light of the responsibilities of the Supervisory Board and the position of the Company. In the opinion of the Board of Management and the Supervisory Board, the increase in fixed annual remuneration proposed to the Annual General Meeting on 23 June 2021 takes appropriate account of the increased legal requirements for Supervisory Board activities.

The remuneration and employment conditions of the employees were and are of no relevance to the structure of the Supervisory Board's remuneration system. This is because Supervisory Board remuneration is granted for an activity which is fundamentally different to the activity of employees, given its advisory and supervisory function.

Any conflicts of interest in the review of the remuneration system are counteracted by the statutory allocation of competences, according to which the authority to decide on Supervisory Board remuneration lies with the Annual General Meeting. The Board of Management and Supervisory Board propose a corresponding resolution to the Annual General Meeting. A system of mutual control is thus already inherent in the statutory requirements.

Remuneration granted and owed in financial year 2022

The remuneration granted and owed[12] to the Supervisory Board in financial year 2022 breaks down as follows:

	Wilhelm Beier Chairman of the Supervisory Board CMO				Dr Erwin Kern Member of the Supervisory Board				Lothar Lanz Member of the Supervisory Board			
	2021		2022		2021		2022		2021		2022	
	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thousand	% of TR	EUR thou-sand	% of TR
Fixed remuneration	80	100%	80	100%	80	100%	80	100%	80	100%	80	100%
Variable remuneration	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total remuneration (TR)	80	100%	80	100%	80	100%	80	100%	80	100%	80	100%

12 For a definition of remuneration granted and owed, see "Board of Management remuneration – Remuneration granted and owed in financial year 2022

The Supervisory Board receives a 100% fixed remuneration. Pursuant to the resolution by the Annual General Meeting on 23 June 2021, each member of the Supervisory Board receives a fixed amount of remuneration for each full financial year of their Supervisory Board membership amounting to EUR 80 thousand in financial year 2022 (previous year: EUR 80 thousand). Remuneration of EUR 20 thousand is paid out per quarter in 2022 (previous year: EUR 20 thousand).

Comparison of remuneration and earnings trends

In accordance with § 162 (1) sentence 2 no. 2 AktG, this section presents the development of Dermapharm's earnings, the annual change in the remuneration of the members of the Board of Management and Supervisory Board and the annual change in the average remuneration of employees on a full-time equivalent basis. In the first year of application, Dermapharm shows only the change compared to the previous year and builds up successively to a five-year comparison.

The development of the Group's earnings is presented using its earnings before interest, taxes, depreciation and amortisation (consolidated EBITDA) as a key financial performance indicator. For the members of the Board of Management and the Supervisory Board, the remuneration granted and owed in the respective financial year is presented in accordance with § 162 (1) sentence 1 AktG. The earnings trend for the individual company Dermapharm Holding SE does not form the basis for the remuneration of the Board of Management; it is merely presented in the table.

The average remuneration of employees on a full-time equivalent (FTE) basis is presented on the basis of the companies Dermapharm AG with a working time of 39 hours per week, mibe GmbH Arzneimittel with a working time of 40 hours per week, Trommsdorff GmbH & Co. KG with a working time of approximately 38[13] hours per week and Anton Hübner GmbH & Co. KG with a working time of 39.75 hours per week including interns, student trainees and apprentices. Converted to full-time equivalent positions, the four companies employed 814 people as at 31 December 2022 (previous year: 798).

Average employee remuneration includes personnel expenses in accordance with IFRSs for wages and salaries, fringe benefits, employer contributions to social security, and any variable remuneration components attributable to the financial year.

13 Working hours/week: 37.5 per CBA, 40 non-CBA, 39 sales force.

Comparison of remuneration and earnings trends for the members of the Board of Management and the Supervisory Board

	2020 (EUR thousand)	2021 (EUR thousand)	2021 vs. 2020 in %	2022 (EUR thousand)	2022 vs. 2021 in %
Dr Hans-Georg Feldmeier	736	1,324	80%	1,397	6%
Karin Samusch	685	908	33%	981	8%
Dr Jürgen Ott[14]	529	586	11%	1,339	128%
Hilde Neumeyer[15]	257	535	108%	1,769	231%
Dr Andreas Eberhorn[16]				238	
Christof Dreibholz[17]				120	
Wilhelm Beier	70	80	14%	80	0%
Dr Erwin Kern	70	80	14%	80	0%
Lothar Lanz	70	80	14%	80	0%
Avg. remuneration / FTE	68	71	4%	74	4%
Consolidated EBITDA (adjusted)	200.651	351,071	75%	359,766	2%
EBITDA of Dermapharm Holding SE (individual company)	–1.331	–248	–81%	–331	33%

14 Dr Jürgen Ott resigned from the Management Board of Dermapharm Holding SE on 31 August 2022.

15 Hilde Neumeyer resigned the Management Board of Dermapharm Holding SE on 20 July 2022; her remuneration was continued until 30 September 2022.

16 Dr Andreas Eberhorn was appointed as a member of the Management Board of Dermapharm Holding SE for the first time with effect from 1 September 2022.

17 Christof Dreibholz was appointed as a member of the Management Board of Dermapharm Holding SE for the first time with effect from 1 November 2022.

Wilhelm Beier
Chairman of the Supervisory Board

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

Karin Samusch
Chief Business
Development Officer

Report of the Independent Auditor on the Audit of the Remuneration Report pursuant to Section 162 Paragraph 3 AktG

To the Dermapharm Holding SE, Grünwald

Opinion

We have formally audited the remuneration report of Dermapharm Holding SE, Grünwald, for the financial year from 1 January 2022 to 31 December 2022 to determine whether the disclosures pursuant to section 162 paragraph 1 and 2 German Stock Corporations Act [Aktiengesetz - AktG] have been made in the remuneration report. In accordance with section 162 paragraph 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the disclosures required by section 162 paragraph 1 and 2 AktG have been made in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

Basis for the Opinion

We conducted our audit of the remuneration report in accordance with section 162 paragraph 3 AktG and the draft IDW [Institut der Wirtschaftsprüfer e.V.: Institute of Public Auditors in Germany] Auditing Standard "The formal audit of the remuneration report in accordance with section 162 paragraph 3 AktG" (IDW Draft AuS 870 (02.2023)). Our responsibility under this provision and this standard is further described in the "Auditor's Responsibilities" section of our auditor's report. As an audit firm, we have applied the IDW Standard on Quality Management "Requirements for Quality Management in the Audit Firm" (IDW QMS 1 (09.2022)). We have complied with the professional responsibilities according to the Public Accountant Act [Wirtschaftsprüferordnung] and the German Professional Charter for Public Auditors/Sworn Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] including independence requirements.

Responsibility of the Management Board and the Supervisory Board

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of section 162 AktG. They are also responsible for such internal control as they is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

Auditor's Responsibilities

Our objective is to obtain reasonable assurance about whether the disclosures required by section 162 paragraph 1 and 2 AktG are made in all material respects in the remuneration report and to express an opinion thereon in a report.

We planned and performed our audit so as to determine – by comparing the disclosures made in the remuneration report with the disclosures required by section 162 paragraph 1 and 2 AktG – the formal completeness of the remuneration report. In accordance with section 162 paragraph 3 AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

Consideration of Misleading Disclosures

In connection with our audit, our responsibility is to read the remuneration report, taking into account the knowledge obtained in the audit of the financial statements, and, in doing so, to remain alert for indications that the remuneration report contains misleading disclosures in relation to accuracy of the content of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

If, based on the work we have performed, we conclude that there are such misleading disclosures, we are required to report that fact. We have nothing to report in this regard.

Düsseldorf, 27 March 2023

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Stefan Mauermeier	Ronald Rulfs
Wirtschaftsprüfer	Wirtschaftsprüfer
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Pharmacy in Italy

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