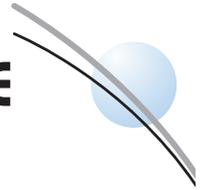




Dermapharm Holding SE



2023 ANNUAL REPORT

[Synergy]

Working together. Growing together. **More together.**

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Dermapharm consolidated results at a glance

Consolidated results 5-year overview (IFRS)

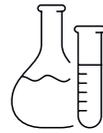
| | | 2023 | 2022 | 2021 | 2020 | 2019 |
|---------------------------------|-------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | EUR million | 1,135.4 | 1,024.8 | 942.9 | 793.8 | 700.9 |
| Adjusted EBITDA | EUR million | 310.2 | 359.8 | 351.1 | 200.7 | 177.6 |
| Adjusted EBITDA margin | % | 27.3 | 35.1 | 37.2 | 25.3 | 25.3 |
| Unadjusted EBITDA | EUR million | 280.3 | 331.3 | 354.4 | 184.5 | 168.5 |
| Unadjusted EBITDA margin | % | 24.7 | 32.3 | 37.6 | 23.2 | 24.0 |
| Operating result | EUR million | 182.9 | 243.7 | 298.5 | 136.9 | 119.5 |
| EBT | EUR million | 106.0 | 216.3 | 293.0 | 125.3 | 110.1 |
| Profit or (loss) for the period | EUR million | 60.5 | 132.6 | 208.9 | 85.9 | 77.8 |
| Earnings per share | EUR | 1.16 | 2.49 | 3.89 | 1.59 | 1.43 |
| Dividend proposal | EUR | 0.88 | 1.05 | 2.17 | 0.88 | 0.80 |
| Total assets | EUR million | 2,160.7 | 1,412.8 | 1,407.0 | 1,224.4 | 1,044.9 |
| Equity | EUR million | 545.0 | 532.5 | 499.8 | 324.6 | 284.5 |
| Equity ratio | % | 25.2 | 37.7 | 35.5 | 26.5 | 27.2 |
| Cash and cash equivalents | EUR million | 158.7 | 151.0 | 161.4 | 120.3 | 115.0 |
| Net debt | EUR million | 936.6 | 367.8 | 419.7 | 486.8 | 465.4 |

Dermapharm facts and figures



49
development
projects

Well-filled development pipeline
with 78 new product launches



>400 active
pharmaceutical
ingredients

The number of active pharmaceutical
ingredients used to produce
pharmaceuticals



> 1,300
marketing
authorisations

Dermapharm currently has
more than 1,300 marketing
authorisations worldwide



3,497
employees
worldwide

Average global
workforce as of
31 December 2023

Letter to the shareholders

Dear shareholders and stakeholders,

In 2023, we celebrated twenty years since the establishment of our largest subsidiary, mibe GmbH Arzneimittel. Located in Brehna, mibe has been a constant success story and growth driver for the entire Group, and over 750 people now work at the Brehna site alone.

Developing the high-capacity production and logistics facilities in Brehna and investing in an innovative development team are key milestones in Dermapharm's history and demonstrate the entrepreneurial vision of the founding generation.

Twenty years on, the acquisition of Arkopharma as at 1 January 2023 marks another particularly important milestone in our Company's development. It became clear to us in the first year following the acquisition that this major transaction will be the next success story in our corporate history. Arkopharma boosts our internationalisation and stimulates growth in the "Other healthcare products" segment and beyond.

We made these bold, forward-looking growth decisions very consciously. We must not be discouraged by crises and wars – on the contrary, it is precisely in times of crisis that we recognise the need for safe "Made in Europe" pharmaceuticals.

Of course, we cannot ignore the changed environment. The cost pressure of providing basic pharmaceuticals rose in 2023 and will also rise this year in an economic environment shaped by weak growth, high inflation, diminished purchasing power and increased energy and procurement costs. European lawmakers react either too late, not at all or wrongly. The 5% increase in the manufacturer rebate on prescription pharmaceuticals in Germany in 2023 was a slap in the face for an industry whose innovation and exceptional dedication had only just "vaccinated" us out of the pandemic.

"Dermapharm has a unique brand portfolio in high-margin therapeutic areas, and the products we distribute are manufactured in our own facilities."

Dr Hans-Georg Feldmeier *Chief Executive Officer*



The EU's Green Deal and the associated reporting requirements, the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz), the German Whistleblower Protection Act (Hinweisgeberschutzgesetz) and various new sector-specific legislation add to the mounting bureaucracy. However, none of this should deter us from committing ourselves fully to doing the right thing. We will therefore continue to work in harmony with nature and in line with our social values in the interests of our patients' health.

2023 was not an easy year. Not only were the after-effects of the pandemic acutely felt, but we also had to contend with the geopolitical repercussions of crises and wars. Dermapharm also had to prepare for the scaling back of vaccine production. We can now confirm that we completed all of these tasks very successfully. Expressing my thanks to our staff at this point is much more than just an annual report tradition – it is recognition of their hard work across the board.

The figures in the annual report confirm this estimate.

Revenue and EBITDA were at the upper end of the forecast range for 2023.

The Group generated revenue of EUR 1,135 million in 2023 (2022: EUR 1,025 million) and adjusted EBITDA of EUR 310 million (2022: EUR 360 million).

Dermapharm has a unique brand portfolio in high-margin therapeutic areas, and the products we distribute are manufactured in our own facilities.

This forms the foundation of our strong growth, and it will remain a focal point for us. Our product range coupled with increasingly successful internationalisation offers significant growth potential. As ever, we have detailed our economic targets for 2024 in the report on expected developments (see page 76). We aim for profitable growth in all business areas, including in countries where Dermapharm's business performance has not been as robust to date.



Dividend for financial year 2023
EUR 0.88

Developing the Company on the market requires efficient corporate structures. For instance, in 2023 we introduced Group-wide cash pooling and an IT-based treasury management system which supports the liquidity forecast through a direct link to the accounting system. These two factors increase the Group's resilience and provide flexibility in day-to-day operations – including for potential new M&A targets.

I believe that our Company has particular strengths that set us apart from the competition. First and foremost, these include the ability to rapidly and successfully integrate acquisitions, short decision paths, specialist skills at all levels and exceptional team spirit.

Dear shareholders,

I would like to thank you for the trust you have placed in the Company, and hope that you will remain committed to Dermapharm in order to profit from the Group's growth.

Grünwald, March 2024

Regards,

Dr Hans-Georg Feldmeier
Chief Executive Officer



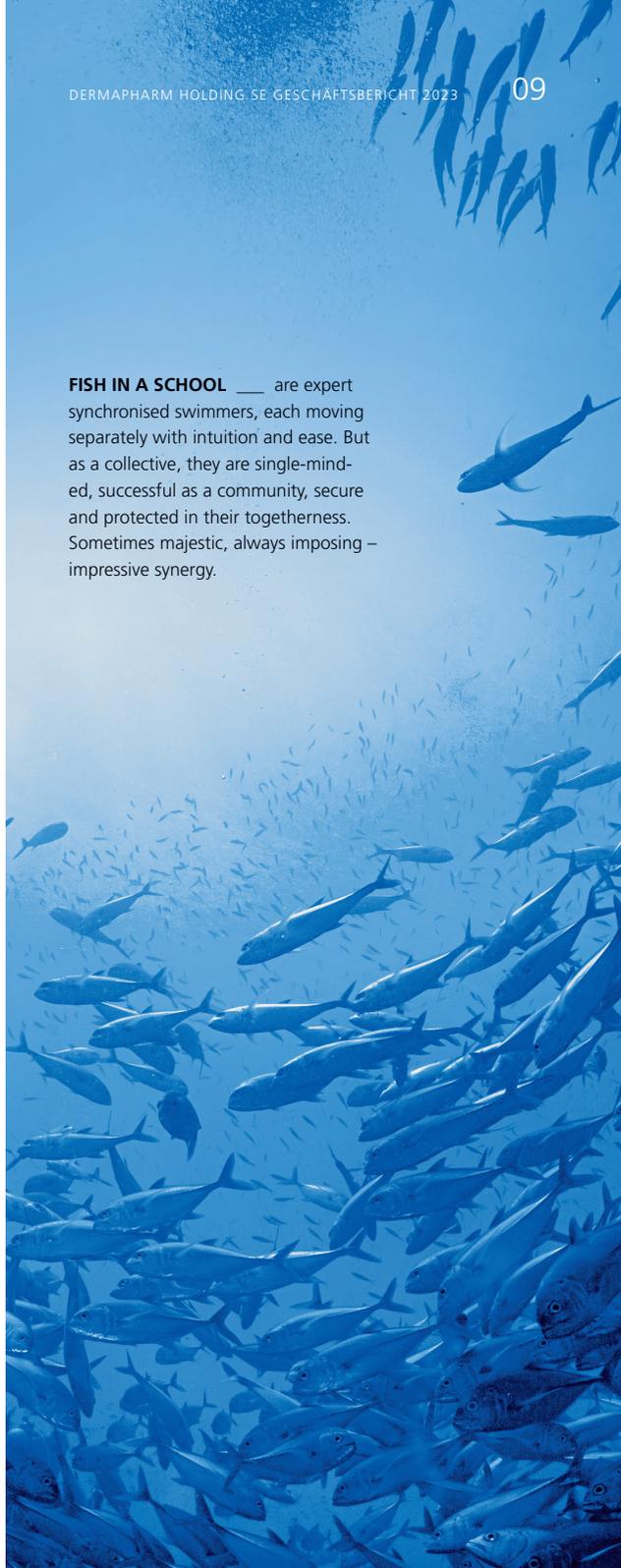
[Synergy]

Working together. Growing together.
More together.

[Synergy]

Synergy – sometimes known as synergism in pharmacology – refers to the interaction between substances or factors that enhances the effect of each, or that creates a collective benefit. Or to explain it a different way: like a school of fish, that is so much more than the sum of its parts, that offers security while also making it easier to find sustenance, which in turn enables procreation, i.e. further development. Synergy is the elixir that fuels Dermapharm on its sustainable and successful growth path. Synergy is the propellant for the "Dermapharm Turbo" that epitomises the expertise and wealth of ideas, welcomes new "family members" to the Group, integrates employees, products and processes, and drives us to our common goal:

[Synergy] __ **Working together. Growing together. More together.**



FISH IN A SCHOOL __ are expert synchronised swimmers, each moving separately with intuition and ease. But as a collective, they are single-minded, successful as a community, secure and protected in their togetherness. Sometimes majestic, always imposing – impressive synergy.



[Synergy]

Growing together.

The research and development of medically valuable compounds, medicines and even food supplements is usually the result of interaction and working together, in other words the interaction of substances with a supra-additive effect and teams working together to research and develop productively. They are able to fly long haul where others lack the staying power.

[Synergy] — **Working together. Growing together. More together.**

More knowledge.

Key tasks and also important success factors for our Group include amalgamating scientific knowledge, bundling pharmaceutical expertise, jointly addressing cost-intensive development and leveraging potential synergies together. We aim to make our existing products even better, to develop new products and to optimise the required lead time, which is often years. More knowledge is the foundation for more efficiency, product diversity and more opportunities in the international market.

Dermapharm's knowledge is reflected in our pipeline, comprising more than 49 ongoing development projects, through which we launch more than 78 new food supplements, branded pharmaceuticals and medical devices on various markets every year.

BIRDS FLYING IN FORMATION —

impress us with their efficiency and their ability to save energy but also take turns at the apex, thereby strengthening, supporting and leading the others. They give their all. Synergy gets them to their destination together.



[Synergy]

Growing together.

Europe's health policy framework is becoming more complex. The cost pressure of providing basic pharmaceuticals is constantly increasing. We pool our skills and capacity to maintain our long-term success in the markets, because only together can we achieve more and maximise the opportunities.



ANTS IN A COLONY — move together, every step planned, every act of foraging precise. Each focussed individually, they form a large and strong collective that skilfully surmounts obstacles insurmountable to a single ant. Synergy – achieving great things with small means.

[Synergy] — **Working together. Growing together. More together.**

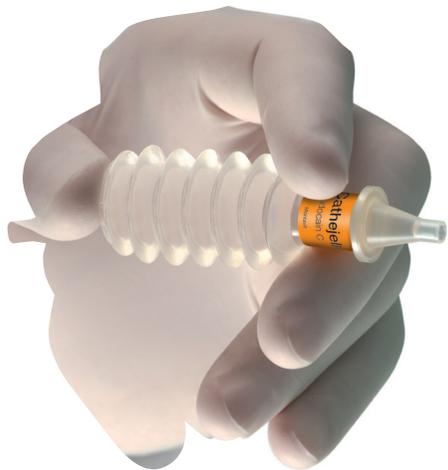
More revenue.

Dermapharm's acquisition of Arkopharma has broadened its market access in Europe, with branches in France, Portugal, Belgium and the Netherlands, and reinforced its distribution capacity in Spain and Italy. And Dermapharm is now also represented through Arkopharma outside the European Union, in eastern Europe, the Middle East, Africa, Latin America and Asia. This acquisition highlights how Dermapharm benefits from the concept of "togetherness" simply by using existing sales channels, and exploits sales synergies. The hyperthermic products bite away® and Herpotherm® have been successfully marketed in France through Arkopharma's sales force since the beginning of 2023. By the same token, Dermapharm profits from Arkopharma's expertise and distributes selected food supplements from Arkopharma's portfolio under the Anton Hübner brand in Germany.

SALES SYNERGIES — Arkopharma provides Dermapharm with access to markets in France, Portugal, Belgium and the Netherlands, and has reinforced its distribution capacity in Spain, Italy and Switzerland.



SALES AND PRODUCT SYNERGIES — Successful marketing of bite away® and Herpotherm® in France and introduction of new products under the Anton Hübner brand in Germany, such as Dekristolvit D gummies.



[Synergy] — **Working together. Growing together. More together.**

The acquisition of Montavit features elements that have made Dermapharm successful in the past. For instance, Montavit has leading positions with its "Cathejell" brand products in a niche market with little competition in Austria as well as in markets such as Italy, Spain, Israel, Indonesia, Korea, Australia and South Africa. The acquisition also reinforces the Dermapharm Group's therapeutic area of urology and creates new market access for the existing urology portfolio, primarily in Bulgaria and Romania, but also in some western European countries, through increased cooperation with existing distributors.

FURTHER SALES SYNERGIES —

Austrian company Montavit has provided Dermapharm with access to markets in Israel, Indonesia, Korea, Australia and South Africa.



[Synergy]

More together.

Dermapharm is a broad-based European company with largely independent subsidiaries in almost all regions of Europe, with strong brands that contribute to the Group's success.

It rapidly develops new products in-house – branded pharmaceuticals, science-based food supplements and herbal extracts – of which 90% are manufactured in Dermapharm's own facilities, thereby securing health-care "Made by Dermapharm – made in Europe".

[Synergy] — **Working together. Growing together. More together.**

More profit.

The short and medium-term factors contributing to the ambitious profit targets include streamlined structures, flat hierarchies, bundled resources, joint cost-optimised procurement, efficient production at specialist sites, and optimum use of existing capacities. The aim is to maintain a high level of profitability and drive forward optimisation measures. Dermapharm generates synergies in production, for example by outsourcing production of food supplements from Germany to France in order to create capacity for the production of branded pharmaceuticals in Germany. Sales synergies arise through combining sales forces at the sales locations in Spain, Italy and Switzerland. Dermapharm is optimising further locations in addition to integrating Arkopharma and Montavit. For example, medicinal cannabis specialist Candoro ethics (formerly C³ Group) is moving from Neumarkt in der Oberpfalz to the new axicorp building in Friedrichsdorf near Frankfurt am Main. Synergies will be generated there too, including in logistics, sales and administration. All of these factors will result in increased capacity utilisation and efficiency, which will be reflected in improved operating profit.



A BEE COLONY — can create, construct and accomplish great things as a collective. Every beat of wings is synchronised and every movement coordinated, with precise allocation of tasks. Small as individuals but powerful and strong as a community, the bees' work is their strength and collaboration their potential. Synergy – more together.

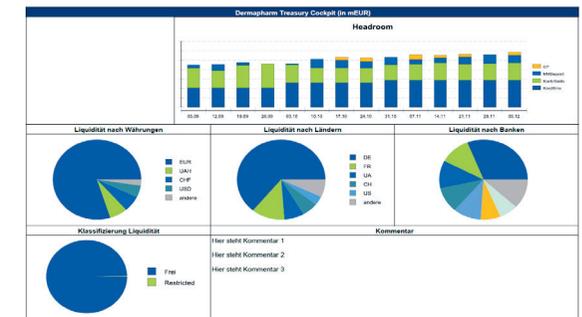
[Synergy] __ Working together. Growing together. More together.

More security.

Maximum structural efficiency, diversification, different activities in different markets, but also broad and deep growth provide Dermapharm with a range of opportunities, but also increased security in the form of independence from individual products and structures, from regional fluctuations and trends, and from external factors beyond its control. The Company also boasts a strong federally structured administration and pooled management expertise – all of which results in more resilience and security, job security for employees and financial security for the Company.

One example of the success of this strategy is the Group's newly established and highly efficient cash pool. A total of 90% of Group companies are already participating and the financing company has direct access to the funds (and vice versa). The automated zero balancing ensures that all balances, even negatives ones, are balanced to zero every day. IT-based treasury management linked to the accounting system also enables liquidity forecasts and improves planning and forecast security.

CASH POOL SYSTEM __ The cash pool system has been in use with pilot companies since March 2023. It was fully rolled out in Germany in June 2023, meaning that 90% of companies are now linked to the system.



TREASURY MANAGEMENT SYSTEM __ The Dermapharm treasury management system cockpit provides an overview of all cash flows

[To our shareholders]

Dermapharm is a rapidly growing manufacturer of branded pharmaceuticals in select niche markets. Our growth strategy is based on our own research and development, internationalisation and M&As. We expanded our international presence in western and southern Europe in 2023 with the acquisition and integration of Arkopharma, the market leader for natural and herbal food supplements in France.

To our shareholders

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Members of the Board of Management



DR HANS-GEORG FELDMEIER
Chief Executive Officer
Development Officer



CHRISTOF DREIBHOLZ
Chief Financial Officer
and Chief Compliance Officer



DR ANDREAS EBERHORN
Chief Marketing Officer

DR HANS-GEORG FELDMEIER / CEO AND PHARMACIST

Dr Hans-Georg Feldmeier holds the position of CEO at Dermapharm. He joined the Company in 2003 as the manager responsible for setting up production in Sandersdorf-Brehna. He has been Dermapharm's Chief Production & Development Officer since 2009. Dr Feldmeier began his professional career in 1987 at Berlin-Chemie AG. As Head of Production and Technology, he was instrumental in modernising the company after the fall of the Berlin Wall. He became Head of the Supply Centre at Schering Aktiengesellschaft, Berlin, in 2002.

DR ANDREAS EBERHORN / CMO

Dr Andreas Eberhorn has been Chief Marketing Officer responsible for marketing and sales at Dermapharm 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 responsible for speciality business as a member of the Management Board of Hexal AG. In 2018 he became Country Head at Sandoz Austria and thereafter Head of Retail Cluster II (Rx and OTC) for the European region at Sandoz.

CHRISTOF DREIBHOLZ / CFO and CCO

Christof Dreibholz has been Chief Financial Officer responsible for Finance, Controlling, Accounting and Taxes since 1 November 2022. As Chief Compliance Officer, he is also responsible for Governance, Risk & Compliance. Christof Dreibholz is a qualified auditor and tax advisor and joined Deloitte in 2002. As a partner, he was responsible for the implementation of financial due diligence projects from 2008. Mr Dreibholz has advised the Dermapharm Group on 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 2023 financial year

Cooperation between the Board of Management and the Supervisory Board

In financial year 2023, 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 was one change to the Board of Management of Dermapharm Holding SE in financial year 2023. Ms Karin Samusch stepped down from the Board of Management on expiry of her contract as at 31 July 2023. We would like to thank her for her many years of service to Dermapharm and wish her all the best for the future, both personally and professionally. 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 2023

The Supervisory Board met six times during financial year 2023. Both in-person and virtual meetings were held. Every member of the Supervisory Board attended every meeting convened, meaning that the average attendance rate at Supervisory Board meetings in the 2023 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.

Regular topics of discussion also included the integration of the French company Arkopharma, which was acquired in January 2023. The Supervisory Board also discussed potential further acquisition targets, changes in the product development pipeline and the product portfolio, planned and implemented marketing measures, technical optimisation and capacity utilisation at production facilities and plants, the utilisation of logistics capacities, and the impacts of the war in Ukraine and terrorist attack by Hamas in the Middle East. Sustainability issues in the areas of environmental, social and governance (ESG) were also addressed.

On **15 February 2023**, the Supervisory Board approved the 2023 Declaration of Conformity, which explains how the Company has deviated from the recommendations of the German Corporate Governance Code.

On **27 March 2023** the Supervisory Board held a video conference with the auditor Grant Thornton AG Wirtschaftsprüfungsgesellschaft. After extensive discussion with the auditor, the Supervisory Board approved the 2022 annual and consolidated financial statements together with the management report and the combined Group management report. At the same meeting, the Supervisory Board decided that Karin Samusch would leave the Board of Management at the end of her contract.

The Supervisory Board's meeting on **12 May 2023** was also held as a video conference. At this meeting, the Supervisory Board made decisions on the acquisition of a significant interest in Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. in Austria, as well as the remuneration of the Board of Management.

At the Supervisory Board meeting of **28 August 2023**, which was also held as a video conference, Mr Beier provided details on the successful acquisition of a majority interest in Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. The Supervisory Board also discussed business performance in the first half of the year and the half-yearly financial report 2023 with its new segment reporting. It addressed the EU Taxonomy and the requirements of the Corporate Sustainability Reporting Directive (CSRD) for financial year 2024.

The meeting of the Supervisory Board on 10 November 2023 was held in person. Mr Beier reported on business performance in the first nine months of the year, and Mr Lanz explained the progress made in preparing to implement the CSRD and the results of the materiality analysis.

At the in-person meeting on **20 December 2023**, the Supervisory Board covered budget planning for 2024 to 2026 and company law matters.

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 financial year 2023. The Board of Management and Supervisory Board report jointly and in depth about corporate governance at the Company in the Corporate governance statement. The two boards last submitted their annual Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (Aktengesetz, "AktG") in February 2023 and also made the declaration accessible to the public on the 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

In accordance with 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 2023 financial year.

Audit of the 2023 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, 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 2023 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 2023 financial year was prepared by the Board of Management and the Supervisory Board in accordance with § 162 (1) sentence 1 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 22 March 2024. 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 2023 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 22 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 47,379,200 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, (3) there are no circumstances that indicate a materially different assessment of the measures listed in the report than that made by the Executive Board."

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 22 March 2024. 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 22 March 2024. 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 2023 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 2024

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. Roughly 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 five of its own development centres and high-capacity production facilities in Europe – a clear reflection of its commitment to Europe and its reputation as a manufacturing powerhouse. Dermapharm produces more than 90% of its pharmaceuticals using its own resources at its own facilities. mibe GmbH Arzneimittel is based in Sandersdorf-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 400 (previous year: > 380) active pharmaceutical ingredients, with more than 1,300 (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 for specifically targeted markets by a trained

pharmaceutical sales force. Dermapharm's "Made in Europe" 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 800 (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.

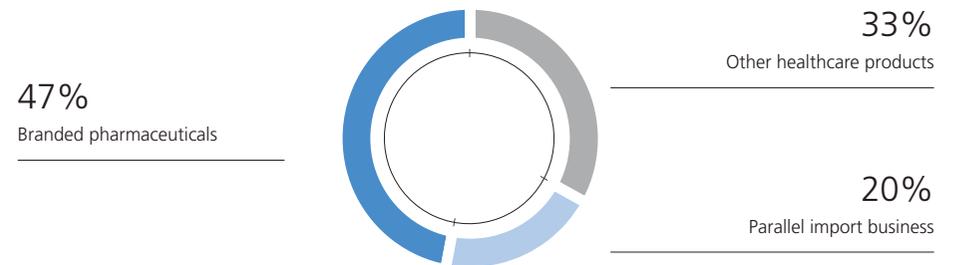
The focus also lies on the attractive growth market for other healthcare products including herbal extracts, food supplements and medical devices, with Spanish company Euromed positioned as the market leader for the production and development of herbal extracts. This is reported in the "Other healthcare products" segment along with the pollen extracts of the Swedish company Cernelle. This segment also includes mibeTec's hyperthermic medical devices, the portfolio of herbal pharmaceuticals and food supplements and cosmetics from Anton Hübner, Hübner Naturarzneimittel and Melasan in Austria. The segment furthermore includes Candoro ethics (formerly C³-Cannabinoid Compound Company). Candoro ethics is the market leader for herbal and synthetic dronabinol in Germany and Austria, with a focus on developing, manufacturing and marketing medicinal cannabis. French company Arkopharma also joined the segment in January 2023. Arkopharma is the market leader for herbal food supplements in France and among the top 10 market players in Spain, Belgium and Portugal. It also has subsidiaries in Italy, the Netherlands and Switzerland. Moreover, since 2012, Dermapharm has also been operating an established parallel import business via the axicorp subgroup. axicorp imports originator pharmaceuticals from other EU Member States and resell them to pharmaceutical 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 six parallel importers in Germany in financial year 2023.

Attractive product mix

The ever-growing product portfolio, which includes known brands such as Dekristol®, 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 400 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 also offers a wide range of herbal extracts, food supplements and cosmetics. In addition, it has developed an attractive product category within and beyond the pharmacy business with the patented medical devices bite away®, Herpotherm® and epiivo®.

Breakdown of revenue



By acquiring Allergopharma GmbH & Co. KG ("Allergopharma") in 2020, the Group expanded its therapeutic areas to include allergology and has gained valuable expertise in specific subcutaneous immunotherapy for allergies. The acquired portfolio covers a broad selection of high-dosage, hypoallergenic preparations, known as allergoids, as well as allergens for diagnostic testing.

Looking beyond its successful presence on the home market of Germany, Dermapharm is also systematically pursuing a strategy of internationalisation. Dermapharm successfully operates its own branches in Austria, Switzerland, Italy, Spain, Croatia, Poland and Ukraine. Moreover, Dermapharm has formed a subsidiary in the United States to drive forward the international distribution of its hyperthermic medical devices. The acquisition of A Pharma TopCo S.A.S. – 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. In addition to the French market, Arkopharma gives Dermapharm access to Portugal, Belgium and the Netherlands. Arkopharma's portfolio covers the 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 five 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:

- Further developing allergy therapy product range
- Developing science-based food supplements
- Developing new phytoextracts
- Further developing the medical device range

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 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

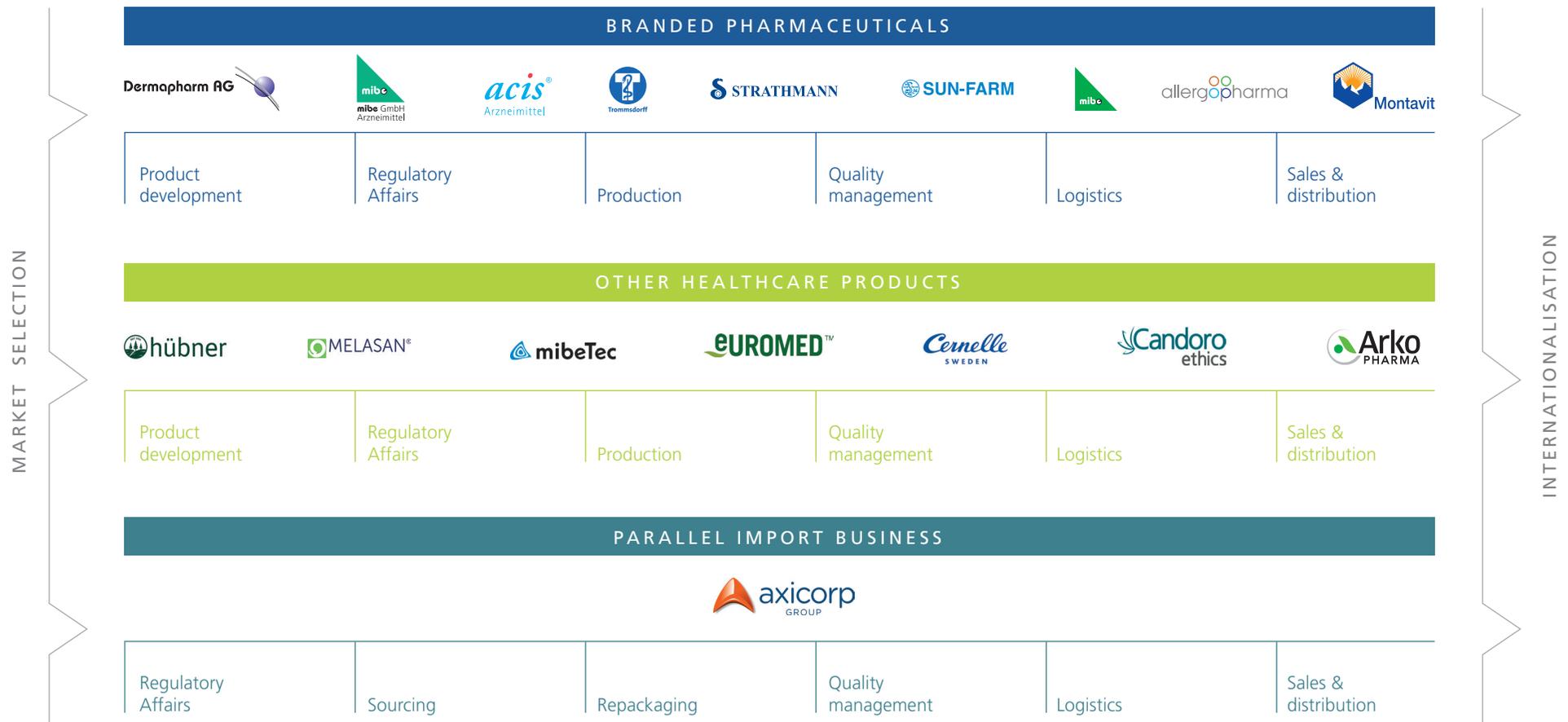
instance, this transaction has opened up new distribution opportunities in European countries, particularly in western and southern Europe, while the Group can use Arkopharma's sales force to distribute its own products. In addition, the Arkopharma deal enabled Dermapharm to acquire additional know-how regarding 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, 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 manufacturers of pharmaceuticals and food supplements, 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. In addition to France-based Arkopharma, Dermapharm recently acquired a significant interest in Montavit, an Austrian company specialising in pharmaceuticals and medical devices for the therapeutic areas of urology, gynaecology and allergology as well as herbal pharmaceuticals. The Group continually reviews specific growth opportunities and pursues promising acquisition options that fit its strategic alignment.

The integrated business model of the Dermapharm Group



INTEGRATED BUSINESS MODEL — Dermapharm boasts a fully integrated business model that covers the entire value chain from purchasing, through research and development, down to in-house manufacturing capacities, marketing and sales. Dermapharm manufactures 90% of the products itself.

Dermapharm Holding SE shares

Dermapharm Holding SE shares (XETRA, indexed)



Share price performance

The SDAX small cap index started 2023 at 11,981 points. There was a clear upward trend in early 2023, and the SDAX reached a new high of 13,880 points on 2 May 2023. The index was very volatile over the months that followed due to the continuing economic weakness and fears of inflation, and trended downwards, reaching a new low of 11,974 points on 26 October 2023. The European Central Bank responded to the rise in inflation with six interest rate hikes in 2023. In addition to a huge loss in purchasing power which weakened private consumption, geopolitical tensions and rising energy and raw materials prices also affected the economy. Share prices did not recover until the end of the year after the central banks started to consider interest cuts due to falling inflation. The SDAX closed 2023 with a high for the year of 13,960 points on the final trading day.

Dermapharm Holding's shares started the year trading at EUR 37.66 on 2 January 2023, initially behind the growth of the SDAX. However, they gained considerable ground in the second quarter with the publication of the 2022 Annual Report and the forecast for 2023, as well as the healthy Q1 figures. The robust performance and solid outlook for 2023 were the key factors. Dermapharm shares suffered a sharp decline from the beginning of June and only recouped the interim losses and returned to positive performance on publication of the 2023 half-yearly financial report. The shares lost some of their gains in the second half of the year despite solid Q3 figures and confirmation of the guidance. Dermapharm's shares closed the year at EUR 42.34, up 12% year on year. The high for the year of EUR 48.64 was achieved on 23 August 2023, and the low of EUR 36.34 on 30 October 2023.

The SDAX increased by 17% over the year, while the DAXsector All Pharma & Healthcare declined by 5%.

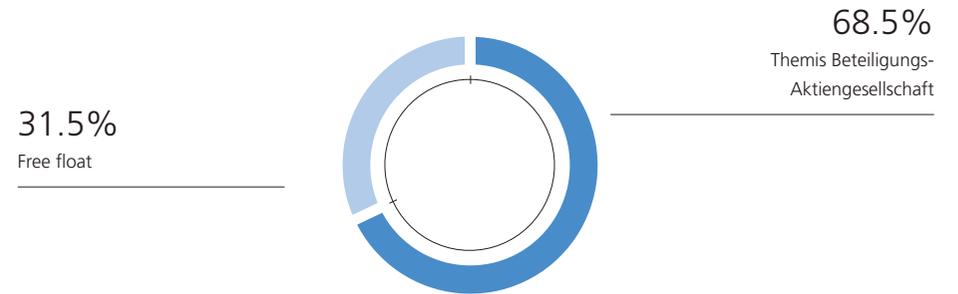
The shares at a glance (XETRA)

| | |
|---|---------------------|
| High (23 August 2023) | EUR 48.64 |
| Low (30 October 2023) | EUR 36.34 |
| Closing Price (29 December 2023) | EUR 42.34 |
| Trading volume (1 January 2023 to 31 December 2023, average number of shares) | 24,252 shares |
| Market capitalisation (as at 31 December 2023) | EUR 2,279.6 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 Gerhard Orgonas, Berenberg Alexander Thiel, Jefferies Stephan Wulf, ODDO BHF Marietta Miemietz, Pareto Securities |
| Designated Sponsors | Stifel |

Shareholder structure



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

The majority (68.5%) of the no-par value shares are held by Themis Beteiligungs-Aktiengesellschaft. A total of 31.5% 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.

Dermapharm regularly participates in investor conferences, roadshows and both group and one-on-one meetings as part of its ongoing investor relations activities, and maintains close dialogue with existing and prospective shareholders. The members of the Board of Management took part in a total of four roadshows in financial year 2023 (both in person and virtual), and attended ten national and international investor conferences (in person), including the Commerzbank & ODDO BHF Corporate Conference 2023 in Frankfurt, the Berenberg European Conference 2023 in New York and Pennyhill/London, the Jefferies Healthcare Conference in London and the JP Morgan Healthcare Conference in San Francisco. A capital markets' day was also held in October 2023 in Carros near Nice, where the head office of Arkopharma is located.

2023 Annual General Meeting

On 14 June 2023, Dermapharm Holding SE held its 2023 Annual General Meeting at The Charles Hotel in Munich. A total of 22.53% of the share capital was in attendance. All agenda items were approved with a large majority. Both the Board of Management and the Supervisory Board reported in their review of the year on macroeconomic factors, success factors and specific action taken in financial 2022.

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 2022 by a large majority. The Annual General Meeting followed the Board of Management's recommendation to distribute a dividend of EUR 1.05 per no-par value share. Grant Thornton AG Wirtschaftsprüfungsgesellschaft was engaged as the auditor for the 2023 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>.

2024 financial calendar

| | |
|--|------------------|
| Publication of 2023 Annual Report | 28 March 2024 |
| Publication of Q1 Quarterly Report | 15 May 2024 |
| Annual General Meeting | 27 June 2024 |
| Publication of 2024 Half-Yearly Financial Report | 27 August 2024 |
| Publication of Q3 Quarterly Report | 14 November 2024 |

[Combined management report]

Combined management report

| | |
|--|----|
| 1. Information about the Group _____ | 31 |
| 2. Report on economic position _____ | 40 |
| 3. Report on risks and opportunities _____ | 59 |
| 4. Report on expected developments _____ | 76 |
| 5. Information relevant to acquisitions in accordance with § 289a and § 315a of the German Commercial Code (Handelsgesetzbuch, HGB) _____ | 79 |
| 6. Corporate Governance Report _____ | 83 |
| 7. Concluding declaration to the dependent company report _____ | 91 |

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

1. Information about the Group

1.1 Business model and strategy

Business model

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

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

Branded pharmaceuticals

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

and international marketing authorisations. The majority of these are produced in-house and sold via our distribution organisation.

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

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

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

Other healthcare products

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

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

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

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

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

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

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

Parallel import business

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

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

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

Strategy

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

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

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

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

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

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

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

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

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

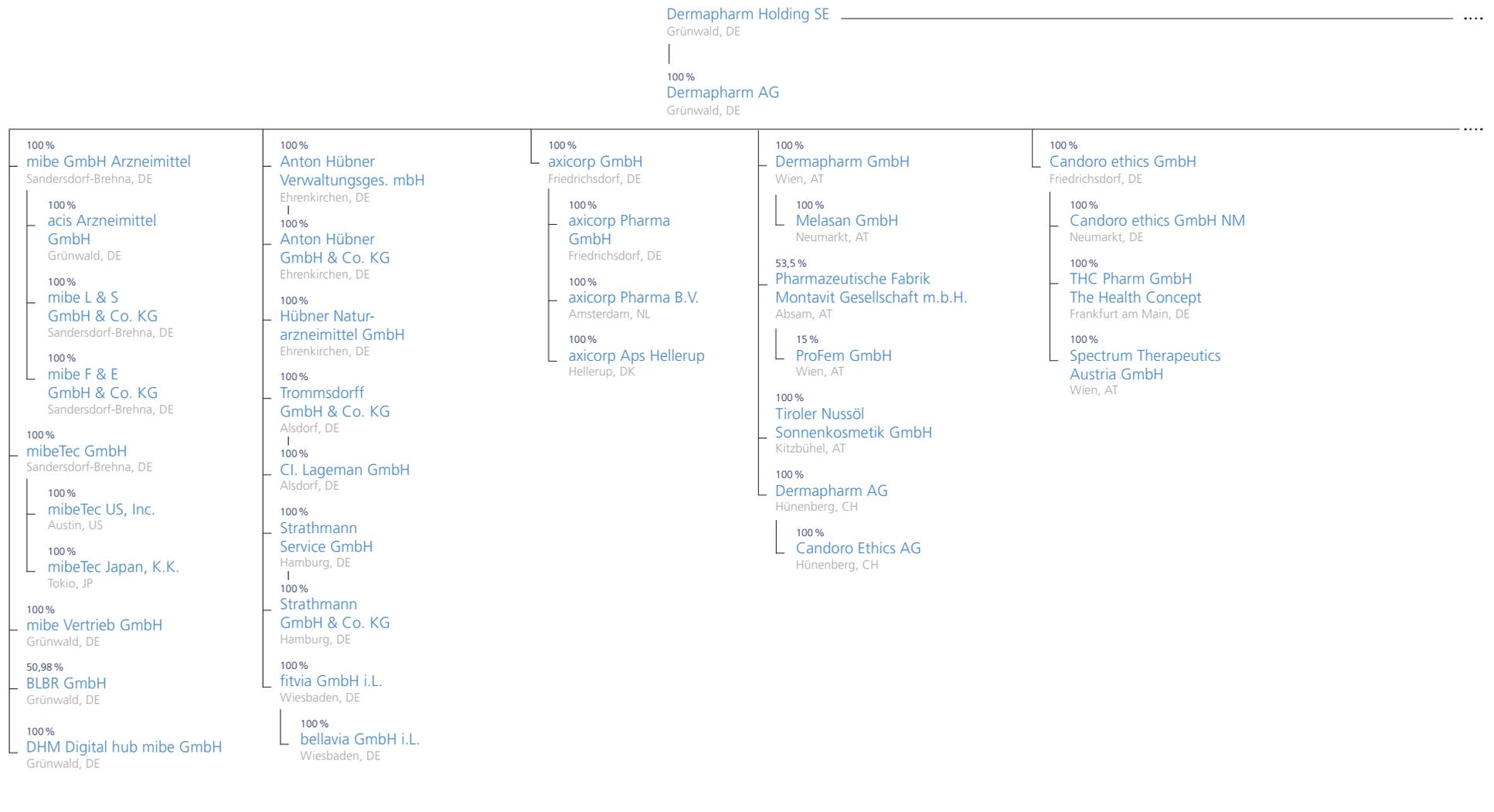
1.2 Group structure and interests

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

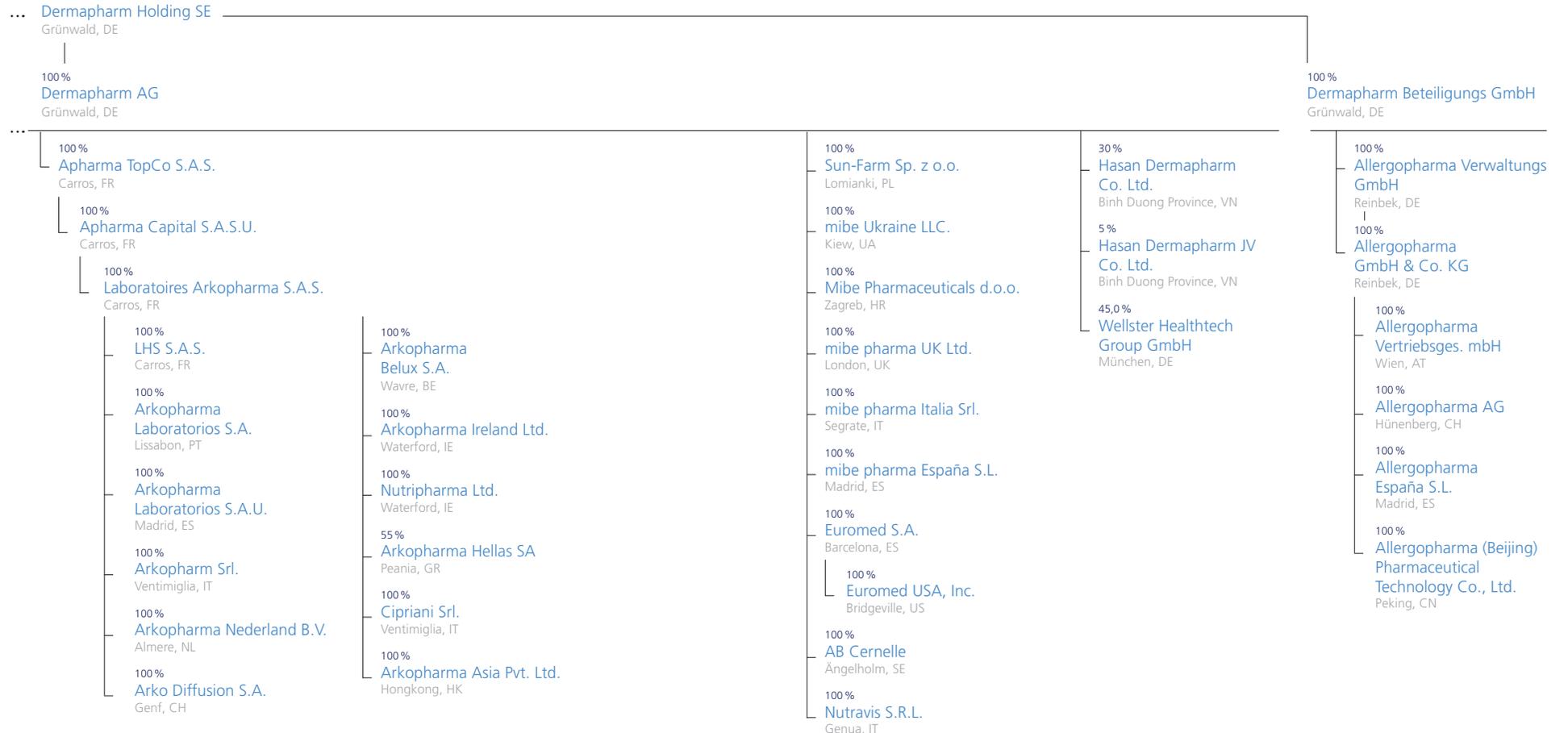
The group of companies consolidated by Dermapharm Holding SE includes all companies whose financial or business policies the Company controls directly or indirectly. In addition, Dermapharm Holding SE owns shares in associates over whose financial and business policies it exerts significant control.

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

Dermapharm Holding SE Group organisational chart



Dermapharm Holding SE Group organisational chart (continuation)



1.3 Sites and employees

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

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

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

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

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

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

Dermapharm locations*

AMERICA

USA



EUROPE

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



ASIA

Japan
Vietnam
China



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

Group organisational chart → page 34

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

* direct, indirect subsidiaries and associates, equity interests

Dermapharm locations*

AMERICA

USA:

Euromed USA Inc.,
Bridgeville, PA
mibeTec US, Inc.,
Austin, TX
Euromed USA Inc.
Okeechobee, FL

EUROPE

Germany:

Dermapharm Holding SE, Grünwald
Dermapharm AG, Grünwald
Dermapharm Beteiligungs GmbH, Grünwald
acis Arzneimittel GmbH, Grünwald
mibe GmbH Arzneimittel, Sandersdorf-Brehna
mibe L&S GmbH & Co. KG, Sandersdorf-Brehna
mibe F&E GmbH & Co. KG, Sandersdorf-Brehna
mibe Vertrieb GmbH, Grünwald
mibeTec GmbH, Sandersdorf-Brehna
BLBR GmbH, Grünwald
Digital Hub mibe GmbH, Grünwald
Anton Hübner Verwaltungs. mbH, Ehrenkirchen
Anton Hübner GmbH & Co. KG, Ehrenkirchen
Hübner Naturarzneimittel GmbH, Ehrenkirchen
Trommsdorff GmbH & Co. KG, Alsdorf
Cl. Lageman GmbH, Alsdorf
Strathmann Service GmbH, Hamburg
Strathmann GmbH & Co. KG, Hamburg
fitvia GmbH i.L., Wiesbaden
bellavia GmbH i.L., Wiesbaden
axicorp GmbH, Friedrichsdorf
axicorp Pharma GmbH, Friedrichsdorf
Candoro ethics GmbH, Friedrichsdorf
Wellster Healthtech Group GmbH, Munich
Candoro ethics GmbH NM, Neumarkt
THC Pharm GmbH The Health Concept,
Frankfurt am Main
Allergopharma Verwaltungs GmbH, Reinbek
Allergopharma GmbH & Co. KG, Reinbek

Austria:

Dermapharm GmbH, Vienna
Melasan GmbH, Neumarkt
Pharmazeutische Fabrik Montavit Gesellschaft m.b.H.,
Absam
ProFem GmbH, Vienna
Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel
Spectrum Therapeutics Austria GmbH, Vienna
Allergopharma Vertriebsges. mbH, Vienna
Switzerland:
Dermapharm AG, Hünenberg
Allergopharma AG, Hünenberg
Candoro Ethics AG, Hünenberg
Arko Diffusion S.A., Geneva
France:
Apharma TopCo S.A.S., Carros
Apharma Capital S.A.S.U, Carros
Laboratoires Arkopharma S.A.S., Carros
LHS S.A.S., Carros
Spain:
Euromed S.A., Barcelona
Allergopharma España S.L., Madrid
mibe pharma España S.L., Madrid
Arkopharma Laboratorios S.A.U., Madrid
Italy:
mibe pharma Italia Srl, Segrate
Nutravis S.R.L., Genoa
Arkopharma Srl., Ventimiglia
Cipriani Srl., Ventimiglia
Croatia:
mibe Pharmaceuticals d.o.o., Zagreb
Portugal:
Arkopharma Laboratorios S.A., Lisbon

Greece:

Arkopharma Hellas S.A., Paiania

Ukraine:

mibe Ukraine LLC., Kyiv

Poland:

Sun-Farm Sp. z o.o., Łomianki

Belgium:

Arkopharma Belux S.A., Wavre

Netherlands:

axicorp Pharma B.V., The Hague

Arkopharma Nederland B.V., Almere

United Kingdom:

mibe Pharma UK Ltd., London

Ireland:

Arkopharma Ireland Ltd., Waterford

Nutripharma Ltd., Waterford

Denmark:

axicorp Aps Hellerup, Hellerup

Sweden:

AB Cernelle, Ängelholm

ASIA

Japan:

mibeTec Japan K.K.,
Tokyo

Vietnam:

Hasan Dermapharm Co. Ltd.,
Binh Duong Province

Hasan Dermapharm JV Co.,
Ltd, Binh Duong Province

People's Republic of

China:

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

Hong Kong

Arkopharma Asia Pvt. Ltd.

= Administrative offices
= Production facilities

* direct, indirect subsidiaries and associates, equity interests

1.4 Management system and performance indicators

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

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

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

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

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

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

1.5 Research and development

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

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

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

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

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

2. Report on economic position

2.1 Macroeconomic and sector-specific environment

Macroeconomic environment

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

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

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

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

Sector-specific environment

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

that amount, EUR 278.7 billion was attributable to prescription pharmaceuticals (MAT Q3 2022: EUR 265.8 billion) and EUR 37.1 billion to OTC pharmaceuticals (MAT Q3 2022: EUR 37.3 billion).

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

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

Regulatory environment

Reference pricing for pharmaceuticals

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

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

Manufacturer discount

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

Price moratorium

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

Supplementary charge

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

Discount agreements with statutory and private health insurance providers

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

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

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

International pharmaceuticals markets

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

Regulations for the parallel import business

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

2.2 Course of business

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

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

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

Acquisitions

Arkopharma (closing 5 January 2023)

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

Montavit (closing 28 June 2023)

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

Comparison to outlook in 2022

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

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

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

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

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

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

Composition of adjusted non-recurring items

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

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

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

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

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

2.3 Financial position, financial performance and cash flows

2.3.1 Financial performance of the Group

Income statement

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

Revenue and earnings performance of the Groups

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

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

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

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

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

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

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

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

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

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

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

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

EBITDA can be reconciled to Group earnings as follows:

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

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

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

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

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

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

Segment reporting

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

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

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

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

Overview of segment reporting by segment

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

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

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

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

Revenue and earnings performance of the "Branded pharmaceuticals" segment

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

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

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

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

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

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

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

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

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

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

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

2.3.2 Financial position of the Group

Consolidated statement of financial position as at 31 December 2023

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

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

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

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

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

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

The financial position developed as follows in financial year 2023:

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

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

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

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

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

- Hasan Dermapharm Co. Ltd, Saigon, Vietnam: In financial year 2007, Dermapharm AG invested in Hasan Dermapharm Co. Ltd. Currently, Dermapharm holds 30% of the company. Vietnam is characterised by an open market with the highest growth rate in southeast Asia. Hasan Pharma operates a WHO-GMP certified production plant capable of producing nearly all pharmaceuticals sold on the Vietnamese market. Dermapharm's contribution is the delivery of dossiers, which will be adjusted to Vietnamese standards and submitted to the local regulatory authority. Once the relevant approvals have been granted, the pharmaceuticals are produced for the local market. However, preparations that have been produced under license are distributed at higher prices than products produced only locally. The carrying amount of the equity investment amounted to EUR 4.0 million as at 31 December 2023 (31 December 2022: EUR 4.0 million).
- Wellster Healthtech Group GmbH: Dermapharm AG and Wellster Healthtech Group GmbH entered into an agreement on 27 October 2022 concerning the purchase of an additional 15.18% of shares in Wellster. Due to a preceding purchase of 29.82% of shares in 2021, Dermapharm thus now holds a 45.00% equity interest in Wellster. Wellster is a German provider of all-in-one platforms in the field of digital health and combines telemedicine, medicinal therapies and digital therapies. Dermapharm's purchase of Wellster shares has enabled it to gain a foothold in the market for telemedicine. The carrying amount of the equity investment amounted to EUR 18.5 million as at 31 December 2023 (31 December 2022: EUR 22.2 million).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3.3 Cash flows of the Group

Stable cash flows

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

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

Financial management: principles and objectives

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

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

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

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

Overview of the structure of financial liabilities in the Group

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

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

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

Material new funding in the reporting period

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

Material existing funding

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

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

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

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

Cash flow analysis

Cash flow statement (abridged)

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

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

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

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

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

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

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

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

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

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

Investments

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

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

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

2.4.1 Business activities

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

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

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

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

2.4.2 Management system and performance indicators

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

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

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

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

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

Comparison to outlook in 2022

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

2.4.3 Financial performance of Dermapharm Holding SE

Income statement

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

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

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

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

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

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

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

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

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

2.4.4 Financial position of Dermapharm Holding SE

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

| Assets EUR thousand | 31 December 2023 | 31 December 2022 |
|---|-------------------------|-------------------------|
| Fixed assets | | |
| Intangible fixed assets | 56 | 77 |
| Property, plant and equipment | 4 | - |
| Shares in affiliated companies | 1,321,915 | 1,261,872 |
| Total fixed assets | 1,321,975 | 1,261,949 |
| Current assets | | |
| Receivables from affiliated companies | 37,957 | 18,333 |
| Other assets | 135 | 1 |
| Total current assets | 38,093 | 18,334 |
| Bank balances | 1,404 | 1,167 |
| Prepaid expenses | 183 | 210 |
| Total assets | 1,361,656 | 1,281,661 |
| Equity and liabilities EUR thousand | 31 December 2023 | 31 December 2022 |
| Equity | 1,111,103 | 1,111,221 |
| Provisions | | |
| Other provisions | 2,882 | 2,563 |
| Total provisions | 2,882 | 2,563 |
| Liabilities | | |
| Trade payables | 91 | 10 |
| Liabilities to affiliated companies | 217,754 | 158,401 |
| Other liabilities | 29,827 | 9,465 |
| Total liabilities | 247,671 | 167,876 |
| Total equity and liabilities | 1,361,656 | 1,281,661 |

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

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

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

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

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

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

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

2.4.5 Cash flows of Dermapharm Holding SE

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

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

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

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

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

2.5 Overall assertion on the economic situation

Overall assertions on the Group

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

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

The segments reported the following changes in revenue:

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

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

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

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

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

The segments reported the following changes in unadjusted EBITDA:

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

Overall assertion on Dermapharm Holding SE

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

3. Report on risks and opportunities

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

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

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

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

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

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

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

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

3.1 Main characteristics of the internal control and risk management system

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

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

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

The internal control system is process-oriented and entails the identification of risks as well as the definition of mitigating preventing and detecting controls and their implementation into the

relevant processes. The internal control system consists of centralised and decentralised elements. In selected areas, Group-wide control policies are implemented both centrally and locally.

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

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

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

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

3.2 Risk management system

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

Risk culture

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

Objective of the RMS

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

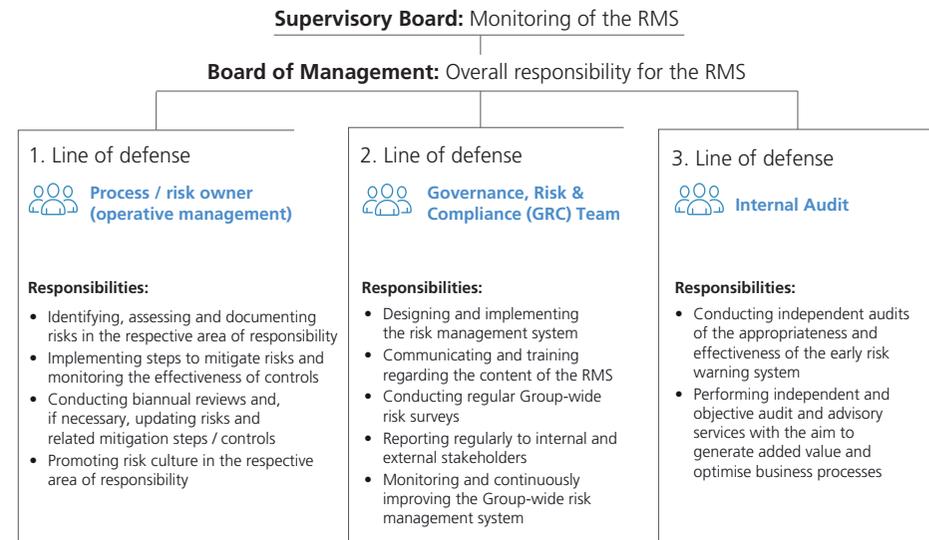
Another goal of the risk management system is to ensure that the annual and consolidated financial statements and the combined management report are prepared in compliance with regulations by identifying, assessing and managing the risks of financial reporting. The identified risks also serve as the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

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

RMS organisation

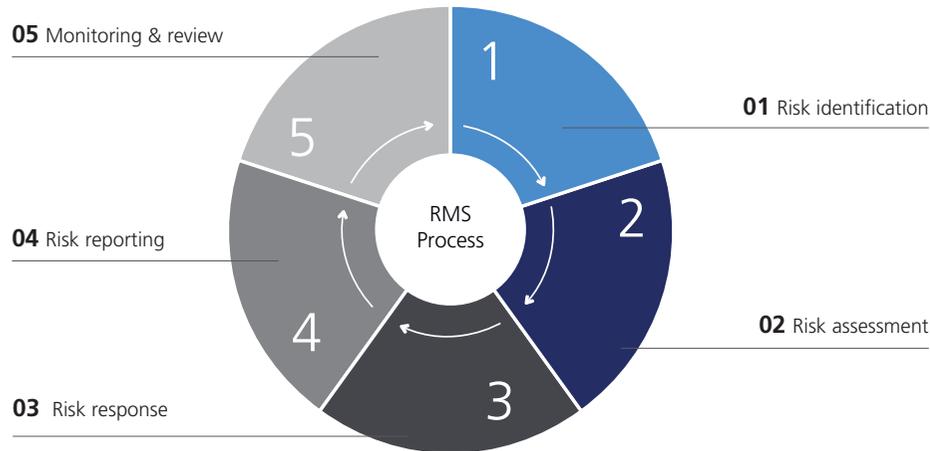
The risk management system is managed centrally by Governance, Risk & Compliance. It is tested for appropriateness and effectiveness on a regular basis and is entirely the responsibility of the Board of Management. By contrast, risks are monitored and managed at the local level: Depending on the risk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

Organisation of the risk management system:



Risk management process

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



Risk identification

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

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

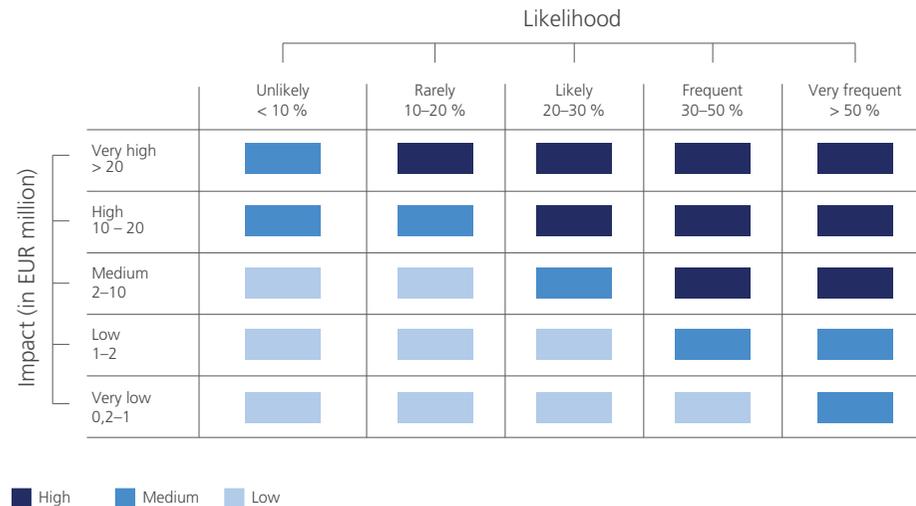
| <u>Market and strategy</u> | <u>Operational</u> | <u>Financial</u> | <u>Compliance</u> |
|--|---|-----------------------------|--|
| Threat of (new) competitors/manufacturers of originator preparations | Risks in developing new compounds/products | Funding and liquidity risks | Risks in relation to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

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

Risk assessment and management

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

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



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

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

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

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

Risk reporting and continual monitoring of the RMS

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

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

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

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

3.3 Accounting-related internal control system

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

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

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

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

3.4 Compliance management system

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

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

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

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

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

3.5 Risk report

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

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

■ High
 ■ Medium
 ■ Low

Market and strategy

Threat of (new) competitors/manufacturers of originator preparations

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

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

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

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

Dependence on key products

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

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

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

Dependence on suppliers/business partners

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

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

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

Dependence on customers

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

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

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

Risks arising from M&A activity

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

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

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

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

Political risks

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

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

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

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

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

Other market-related or strategic risks

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

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

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

Operational risks

Risks in developing new compounds/products

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

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

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

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

Purchasing risks

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

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

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

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

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

Risks in relation to manufacturing products

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

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

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

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

Quality risks/product liability

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

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

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

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

Risks in relation to marketing and sales

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

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

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

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

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

IT risks

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

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

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

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

HR risks

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

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

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

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

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

Other operational risks

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

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

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

Financial risks

Funding and liquidity risks

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

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

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

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

Interest rate risks

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

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

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

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

Currency risks

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

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

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

Tax risks

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

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

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

Compliance risks

Risks in relation to changes in the legal and regulatory environment

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

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

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

Corruption risks

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

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

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

Antitrust risks

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

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

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

Data protection (GDPR) violations

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

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

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

Human rights and environmental risks in own operations

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

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

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

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

Other compliance risks

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

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

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

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

3.6 Report on opportunities

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

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

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

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

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

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

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

Regulatory changes such as the adoption of the new National Pharma Strategy on 13 December 2023 and the entry into force of the German Act to Combat Supply Shortages and Improve the Supply of Medicines (Arzneimittel-Lieferengpassbekämpfungs- und Versorgungsverbesserungsgesetz, "ALBVVG") on 27 July 2023 open up new opportunities for Dermapharm and Germany as a pharmaceutical hub. In order to bolster supply security for pharmaceuticals in the short and long term, structural measures are being taken in relation to reference pricing, discount agreements and the manufacturing of medicines. Among other things, the ALBVVG removes reference pricing and discount agreements for paediatric medicines, reduces the price pressure exerted by rules on exemptions from co-payment, and simplifies the rules governing

substitution by pharmacies. If there are too few entities offering supply-critical medicines, the reference price or price moratorium can be raised by 50% on a one-off basis. Dermapharm is currently reviewing the potential this entails, including in the area of pricing.

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

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

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

3.7 Overall assertion – assessment and summary

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

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

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

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

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

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

4. Report on expected developments

4.1 Outlook

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

Expected development of the market environment

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

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

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

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

Expected development of the Group

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

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

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

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

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

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

Ukraine crisis

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

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

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

Effects of developments in climate policy

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

Fundamental assumptions underlying the Group's forecast

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

The outlook is based on the following assumptions in particular:

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

Dermapharm Holding SE's expected performance

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

Fundamental assumptions underlying Dermapharm Holding SE's forecast

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

Furthermore, our forecast is based on the following assumptions:

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

4.2 Overall assertion on future development

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

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

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

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

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

Based on a mix of:

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

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

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

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

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

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

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

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

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

5.2 Restrictions applicable to voting rights or the transfer of shares

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

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

On the basis of notifications of significant voting rights received in accordance with §§ 21 and 22 of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") or in accordance with

§§ 33 and 34 WpHG as well as notifications of managers' transactions in accordance with Article 19 of the EU Market Abuse Regulation, the Board of Management is aware of the following direct or indirect interests in the Company's capital that exceed 10% of the voting rights:

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

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

5.4 Shares conferring special rights granting powers of control

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New and existing shares of the Company that are issued or sold during the term of this authorisation on the basis of a further authorisation pursuant to or in accordance with § 186 (3) sentence 4 AktG with the exclusion of subscription rights shall be counted towards this 10% limit; in addition, shares of the Company that are issued or sold to service conversion or option rights or to meet conversion or option obligations arising from convertible or warrant-linked bonds or convertible participation rights, provided that the bonds or participation rights are issued during the term of this authorisation by analogous application of § 186 (3) sentence 4 AktG on the basis of another authorisation excluding subscription rights, shall be counted towards this limit.

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

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

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

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

Financing agreements

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

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

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

Dermapharm Holding SE and has/have the ability to nominate the management of Dermapharm Holding SE.

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

Distribution agreements

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

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

Agreements with members of the Board of Management

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

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

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

6. Corporate Governance Report

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

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

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

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

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

- In deviation from recommendation C.2 of the Code, no definitive age limit has been specified for members of the Supervisory Board so as to avoid restricting the selection of suitably qualified candidates.
- In accordance with the Company's Articles of Association, the Supervisory Board comprises only three members. Consequently, no committees are formed because each separate committee would have exactly the same members as the full Supervisory Board. In light of this, the Recommendations D.2, D.4, D.12 and G.17 of the Code were not complied with. In accordance with § 107 (4) sentence 2 AktG, the full Supervisory Board counts as an audit committee. Pursuant to the resolution by the Supervisory Board, in performing the duties of an audit committee, Supervisory Board member Lothar Lanz will assume the function of the

audit committee chairperson. Based on this provision and the composition of the Supervisory Board, the remaining recommendations of the Code concerning an audit committee were complied with.

- The consolidated financial statements and Group management report, as well as financial information made public throughout the year are published within the respective applicable statutory deadlines and the deadlines prescribed by stock exchange regulations. In the opinion of the Company, compliance with the shorter publication deadlines stipulated in Recommendation F.2 of the Code is not more conducive to the information interests of investors, creditors, employees and the public.
- The variable remuneration paid to the Board of Management consists of a rolling bonus that is granted each financial year and determined using a three-year calculation basis. Within the first four months of the financial year for which the bonus is granted, but not before the beginning of that year, the Supervisory Board determined the targets for this and the following two financial years (deviation from Recommendation G.7 of the Code). As the targets are set here simultaneously for a total of three consecutive financial years and thus well before the start of the second and third years, this approach also ensures that the relevant calculation basis still extends far into the future when the targets are set.
- The long-term variable remuneration of the members of the Board of Management is granted neither in shares of the Company nor on a share-based basis; the members of the Board of Management can also dispose of the long-term variable remuneration before the end of four years (deviation from Recommendation G.10 of the Code). By linking variable remuneration to the achievement of earnings targets which are set up to three years in advance in each case, the remuneration system is consistently oriented to a sustainable increase in the value of the Company. The Supervisory Board therefore does not consider it necessary to additionally link remuneration to share price performance. In the view of the Supervisory Board, the rolling allocation of variable remuneration in annual tranches, each consisting of three components to be paid out after one, two and three financial years respectively, also ensures a sufficiently long-term incentive effect.
- The Board of Management members' contracts of service do not currently contain any provisions on the withholding or claw-back of variable remuneration components beyond the statutory requirements (deviation from Recommendation G.11 sentence 2 of the Code). The Supervisory Board is of the opinion that the statutory provisions, in particular the statutory provisions according to which members of the Board of Management are required

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

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

Grünwald, February 2024

Dermapharm Holding SE

The Board of Management

The Supervisory Board

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

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

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

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

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

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

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

Board of Management

Responsibilities of the Board of Management

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

Composition and competences of the Board of Management

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

- Dr Hans-Georg Feldmeier, Chairman of the Board of Management, is responsible for Product Development, Clinical Research, Marketing Authorisation, Production and Business Development, and HR.
- Christof Dreiholz, Member of the Board of Management, is responsible for Tax, Accounting, Controlling, Finance/Treasury, Governance, Risk & Compliance, Business Development and Investor Relations & Corporate Communications, and HR.

- Dr Andreas Eberhorn, Member of the Management Board, is responsible for Marketing, Sales, Internationalisation and Business Development, Brand Management, and HR.
- Karin Samusch, member of the Board of Management (until 31 July 2023), was responsible for Business Development, Marketing Authorisation, Clinical Research, HR, Legal, and Investor Relations & Corporate Communications.

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

Working practices of the Board of Management

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

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

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

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

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

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

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

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

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

Supervisory Board

Responsibilities and competences of the Supervisory Board

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

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

Composition of the Supervisory Board

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

The following persons were members of the Supervisory Board:

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

Supervisory Board committees – Audit Committee

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

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

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

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

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

Supervisory Board skills profile

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

| Qualification matrix | Wilhelm Beier | Lothar Lanz | Dr Erwin Kern |
|--|---------------|----------------|---------------|
| Length of tenure | | | |
| Member since | August 2017 | January 2018 | August 2017 |
| Personal aptitude | | | |
| 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 the German Corporate Governance Code 2022

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

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

Working practices of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

Transparent corporate governance

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

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

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

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

Remuneration of the Board of Management and the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

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

The target set for female representation:

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

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

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

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

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

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

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

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

6.1.5 Succession planning

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

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

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

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

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

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

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

7. Concluding declaration to the dependent company report

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

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

Grünwald, 21 March 2024

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

[Consolidated financial statements]

Consolidated financial statements

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Consolidated statement of financial position as at 31 December 2023 and 31 December 2022

| Assets EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|---|--------------|-------------------------|-------------------------|
| Non-current assets | | | |
| Intangible assets | 4.1 | 544,860 | 305,044 |
| Goodwill | 4.1 | 578,521 | 271,319 |
| Property, plant and equipment | 4.2 | 330,770 | 225,673 |
| Investments accounted for using the equity method | 4.3 | 22,498 | 34,920 |
| Equity investments | 4.4 | 1,116 | 441 |
| Other non-current financial assets | 4.5 | 52,410 | 41,493 |
| Total non-current assets | | 1,530,176 | 878,890 |
| Current assets | | | |
| Inventories | 4.6 | 320,758 | 255,721 |
| Trade receivables | 4.7 | 90,935 | 96,715 |
| Other current financial assets | 4.8 | 3,752 | 14,656 |
| Other current assets | 4.8 | 56,179 | 15,790 |
| Tax assets | 4.17 | 148 | 43 |
| Cash and cash equivalents | 4.9 | 158,724 | 151,021 |
| Total current assets | | 630,496 | 533,947 |
| Total assets | | 2,160,673 | 1,412,836 |

| Equity and liabilities EUR thousand | Notes | 31 December 2023 | 31 December 2022 |
|--|--------------|-------------------------|-------------------------|
| Equity | | | |
| Issued capital | 4.10 | 53,840 | 53,840 |
| Capital reserves | 4.10 | 100,790 | 100,790 |
| Retained earnings | 4.10 | 367,223 | 355,357 |
| Other reserves | 4.10 | 17,354 | 21,604 |
| Equity attributable to owners of parent | | 539,207 | 531,592 |
| Non-controlling interests | | 5,841 | 900 |
| Total equity | | 545,048 | 532,491 |
| Non-current liabilities | | | |
| Provisions for employee benefits | 4.11 | 117,222 | 89,277 |
| Non-current financial liabilities | 4.13 | 963,958 | 511,560 |
| Other non-current financial liabilities | 4.15 | 13,231 | - |
| Other non-current liabilities | 4.15 | 14,340 | 11,198 |
| Deferred tax liabilities | 4.17 | 112,385 | 50,518 |
| Total non-current liabilities | | 1,221,136 | 662,553 |
| Current liabilities | | | |
| Other provisions | 4.12 | 27,300 | 24,925 |
| Current financial liabilities | 4.13 | 116,430 | 4,887 |
| Trade payables | 4.14 | 86,641 | 56,100 |
| Other current financial liabilities | 4.16 | 1,736 | 2,369 |
| Other current liabilities | 4.16 | 80,564 | 33,157 |
| Tax liabilities | 4.17 | 81,818 | 96,354 |
| Total current liabilities | | 394,489 | 217,792 |
| Total equity and liabilities | | 2,160,673 | 1,412,836 |

Consolidated statement of comprehensive income for the 2023 and 2022 financial years

| EUR thousand | Notes | 2023 | 2022 |
|--|---------------|----------------|----------------|
| Revenue | 5.1 | 1,135,351 | 1,024,776 |
| Change in inventories | 4.6 | 3,767 | -5,971 |
| Own work capitalised | 4.1 | 14,966 | 15,527 |
| Other operating income | 5.2 | 43,538 | 20,142 |
| Cost of materials | 4.6 | -434,924 | -373,499 |
| Personnel expenses | 5.3 | -264,480 | -184,141 |
| Depreciation, amortisation and reversal of impairment | 4.1, 4.2, 4.6 | -104,587 | -101,180 |
| Other operating expenses | 5.4 | -210,737 | -151,967 |
| Operating result | | 182,894 | 243,687 |
| Share of profit/loss of companies accounted for using the equity method, after tax | 4.3 | -7,163 | -13,543 |
| Financial income | 5.5 | 3,226 | 696 |
| Financial expenses | 5.5 | -72,960 | -14,543 |
| Financial result | | -76,897 | -27,390 |
| Earnings before taxes | | 105,997 | 216,297 |
| Income tax expenses | 4.17 | -45,462 | -83,680 |
| Profit or loss for the period | | 60,534 | 132,617 |

| EUR thousand | Notes | 2023 | 2022 |
|--|--------------|---------------|----------------|
| <i>Other comprehensive income not reclassified to profit or loss in subsequent periods:</i> | | | |
| Actuarial gains/losses from remeasurement of defined benefit pension plans | 4.11 | -8,681 | 40,368 |
| Deferred taxes on items that will not be reclassified | 4.17 | 2,674 | -12,208 |
| Profits/losses from remeasurement of equity instruments | 7.3 | - | -8,447 |
| <i>Other comprehensive income which may be reclassified to profit or loss in subsequent periods:</i> | | | |
| Foreign operations - currency translation differences | 2.6 | 1,756 | -2,840 |
| Other comprehensive income, after tax | | -4,251 | 16,872 |
| Total comprehensive income for the period | | 56,284 | 149,490 |
| Profit or loss for the period attributable to | | | |
| Owners of the parent | | 62,368 | 134,236 |
| Non-controlling interests | | -1,834 | -1,619 |
| | | 60,534 | 132,617 |
| Total comprehensive income for the period attributable to | | | |
| Owners of the parent | | 58,117 | 151,108 |
| Non-controlling interests | | -1,834 | -1,619 |
| | | 56,284 | 149,490 |
| Earnings per share | | | |
| Basic (= diluted) earnings per share (EUR) | 5.6 | 1.16 | 2.49 |

Consolidated statement of cash flows for the 2023 and 2022 financial years

| EUR thousand | Notes | 2023 | 2022 |
|--|------------------------------------|-----------------|----------------|
| Earnings before taxes | | 105,997 | 216,297 |
| Depreciation, amortisation (+) / (reversal of impairment) (-) of fixed assets | 4.1, 4.2 | 101,772 | 94,909 |
| (Increase) (-) / (+) decrease in working capital (assets) | 4.5, 4.6, 4.7, 4.8 | -420 | -16,321 |
| Increase (+) / (decrease) (-) in working capital (liabilities) | 4.12, 4.13, 4.14, 4.15, 4.16, 4.17 | 7,610 | 11,416 |
| Increase (+) / (decrease) (-) in provisions for employee benefits | 4.11 | 1,852 | 767 |
| Other non-cash items | | -2,260 | -3,302 |
| Share of (profit)/loss of companies accounted for using the equity method, after tax | | 7,163 | 13,543 |
| (Gain) (-) / (+) loss on disposal of non-current assets | 4.1, 4.2 | -2,574 | -200 |
| Interest expense (+) / (income) (-) | 5.5 | 65,654 | 12,013 |
| Income tax payments (+/-) | 4.17 | -65,373 | -40,589 |
| Net cash flows from operating activities | | 219,422 | 288,533 |
| Proceeds from the disposal of intangible assets and property, plant and equipment | 4.1, 4.2 | 2,815 | 682 |
| Proceeds from disposals of financial assets | 4.8 | 7,948 | 10,000 |
| Business combinations, less cash | 2.7 | -389,395 | -69,786 |
| Payments for investments in intangible assets and property, plant and equipment | 4.1, 4.2 | -41,541 | -39,014 |
| Payments for investments in financial assets | 4.3, 4.4 | - | -6,068 |
| Dividends from companies accounted for using the equity method | 4.3 | 2,930 | 5,043 |
| Interest received | | 1,809 | 136 |
| Cash flows from investing activities | | -415,432 | -99,008 |

| EUR thousand | Notes | 2023 | 2022 |
|--|------------------|----------------|-----------------|
| Dividends paid | 4.10 | -56,532 | -116,833 |
| Proceeds from borrowings | 4.13 | 715,000 | 469,950 |
| Transaction costs in connection with borrowings | 4.13 | - | -3,936 |
| Repayments of borrowings | 4.13 | -414,199 | -536,925 |
| Payments of lease liabilities | | -6,657 | -4,269 |
| Interest paid | 5.5 | -33,074 | -7,755 |
| Cash flows from financing activities | | 204,538 | -199,768 |
| Net increase/decrease in cash, cash equivalents and bank overdrafts | 4.9, 4.13 | 8,528 | -10,243 |
| Cash, cash equivalents and bank overdrafts as at 1 January | 4.9, 4.13 | 151,019 | 161,414 |
| Effect of exchange rate changes on cash and cash equivalents | 4.9, 4.13 | -2 | -152 |
| Effect on cash funds of changes in the group of consolidated companies | | -829 | - |
| Cash, cash equivalents and bank overdrafts as at 31 December | | 158,715 | 151,019 |
| Bank overdrafts as at 1 January | 4.13 | -2 | - |
| Bank overdrafts as at 31 December | 4.13 | -8 | -2 |
| Cash and cash equivalents as at 31 December | | 158,724 | 151,021 |

Consolidated statement of changes in equity for the 2023 and 2022 financial years

| EUR thousand | Attributable to owners of the parent | | | | | | | | | |
|--|--------------------------------------|------------------|-------------------|--|---|---|---|----------------|---------------------------|----------------|
| | Issued capital | Capital reserves | Retained earnings | Other reserves | | | | Total | Non-controlling interests | Total equity |
| | | | | 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 | | | |
| 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 |
| 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 |
| As at 1 January 2023 | 53,840 | 100,790 | 355,357 | 44,690 | -13,455 | -8,565 | -1,065 | 531,592 | 900 | 532,491 |
| Profit or loss for the period | - | - | 62,368 | - | - | - | - | 62,368 | -1,834 | 60,534 |
| Other comprehensive income, after tax | - | - | - | -8,681 | 2,674 | - | 1,756 | -4,251 | - | -4,251 |
| Total comprehensive income for the period | - | - | 62,368 | -8,681 | 2,674 | - | 1,756 | 58,117 | -1,834 | 56,284 |
| Dividends | - | - | -56,532 | - | - | - | - | -56,532 | - | -56,532 |
| Changes to the group of consolidated companies | - | - | 6,030 | - | - | - | - | 6,030 | - | 6,030 |
| Acquisition of subsidiary with non-controlling interests | - | - | - | - | - | - | - | - | 6,775 | 6,775 |
| As at 31 December 2023 | 53,840 | 100,790 | 367,223 | 36,009 | -10,782 | -8,565 | 691 | 539,207 | 5,841 | 545,048 |

[Notes to the consolidated financial statements]

Notes to the consolidated financial statements

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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. Dermapharm has subsidiaries in Germany, France, Austria, Switzerland, Italy, Spain, Portugal, Belgium, Sweden, the United States and China as well as in eastern Europe (Croatia, Poland and Ukraine). 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) A2G55D, International Securities Identification Number (ISIN) DE000A2G55D8 and ticker symbol DMP. Trading opened on 9 February 2018.

These consolidated financial statements as at 31 December 2023 and the combined Group management report for financial year 2023 were approved for publication and submission to the Supervisory Board by the Board of Management on 21 March 2024.

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 and the conflict in the Middle East 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 these conflicts on the Company's performance and the resulting effects on its accounts. As at March 2024, there are no material adverse economic effects foreseeable as a result of the conflicts that could impact Dermapharm's course of business.

Dermapharm monitors climate-related risks on an ongoing basis and constantly analyses the impact of climate change on its own business operations. At present, Dermapharm does not expect any material impact on its financial position, financial performance and cash flows.

Areas involving a more significant degree of judgement or complexity, or areas where assumptions and estimates are of material significance 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 2022.

2.3 Published Standards and Interpretations that are not yet mandatory

| Standard/Interpretation | First-time application | Endorsed by the EU | Name |
|-------------------------|------------------------|--------------------|--|
| IAS 7 and IFRS 7 | 1 January 2024 | Pending | Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements |
| IAS 21 | 1 January 2025 | Pending | Amendments to IAS 21: Lack of Exchangeability |
| IFRS 16 | 1 January 2024 | Endorsed | Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback |
| IAS 1 | 1 January 2024 | Endorsed | Amendments to IAS 1: Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants |

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 2023, 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 2023. These amendments do not have any material effect on Dermapharm's consolidated financial statements.

| Standard/ Interpretation | First-time application | Name |
|--------------------------|------------------------|--|
| IFRS 17 | 1 January 2023 | Amendments to IFRS 17: Insurance Contracts (including the amendment "Initial Application of IFRS 19 and IFRS 9 – Comparative Information") |
| IAS 1 | 1 January 2023 | Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies |
| IAS 8 | 1 January 2023 | Amendments to IAS 8: Definition of Accounting Estimates |
| IAS 12 | 1 January 2023 | Amendments to IAS 12: OECD Pillar Two Model Rules |
| IAS 12 | 1 January 2023 | Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

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 present all material entities within the meaning of IFRS 10 whose financial and business policies are controlled by the Company, either directly or indirectly. They also include Dermapharm's material equity interests in entities 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 2023 and the consolidated financial statements of Dermapharm Holding SE as at 31 December 2023 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 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 2023:

| Company name, registered office | 31 December 2023 | | 31 December 2022 | | Company name, registered office | 31 December 2023 | | 31 December 2022 | |
|---|----------------------------------|-----------------------------|----------------------------------|-----------------------------|--|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Interest held directly by parent | Interest held by subsidiary | Interest held directly by parent | Interest held by subsidiary | | 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 Forschungs- und Entwicklungsgesellschaft mbH & Co. KG, Sandersdorf-Brehna | – | 100% | – | 100% |
| mibe GmbH Arzneimittel, Sandersdorf-Brehna | – | 100% | – | 100% | Melasan Produktions- und Vertriebsges.m.b.H., Neumarkt, Austria | – | 100% | – | 100% |
| mibe Vertrieb GmbH, Grünwald | – | 100% | – | 100% | mibeTec GmbH, Sandersdorf-Brehna | – | 100% | – | 100% |
| Anton Hübner GmbH & Co. KG, Ehrenkirchen | – | 100% | – | 100% | mibeTec US, Inc., Austin, USA | – | 100% | – | 100% |
| Hübner Naturarzneimittel GmbH, Ehrenkirchen | – | 100% | – | 100% | Trommsdorff GmbH & Co. KG, Alsdorf | – | 100% | – | 100% |
| Dermapharm GmbH, Vienna, Austria | – | 100% | – | 100% | Cl. Lageman GmbH, Alsdorf | – | 100% | – | 100% |
| Dermapharm AG, Hünenberg, Switzerland | – | 100% | – | 100% | Strathmann GmbH & Co. KG, Hamburg | – | 100% | – | 100% |
| Sun-Farm Sp. z o.o., Lomianki, Poland | – | 100% | – | 100% | Strathmann Service GmbH, Hamburg | – | 100% | – | 100% |
| mibe Pharmaceuticals d.o.o, Zagreb, Croatia | – | 100% | – | 100% | BLBR GmbH, Grünwald | – | 50.98% | – | 50.98% |
| acis Arzneimittel GmbH, Grünwald | – | 100% | – | 100% | mibe pharma UK Ltd., London, UK | – | – | – | 100% |
| axicorp GmbH, Friedrichsdorf | – | 100% | – | 100% | mibe pharma Italia Srl., Segrate, Italy | – | 100% | – | 100% |
| axicorp Pharma GmbH, Friedrichsdorf | – | 100% | – | 100% | Euromed S. A., Barcelona, Spain | – | 100% | – | 100% |
| axicorp Pharma B.V., Amsterdam, Netherlands | – | 100% | – | 100% | Euromed USA Inc., Bridgeville, USA | – | 100% | – | 100% |
| axicorp ApS, Hellerup, Denmark | – | 100% | – | 100% | fitvia GmbH i.L., Wiesbaden | – | – | – | 100% |
| remedix GmbH, Friedrichsdorf | – | – | – | 100% | bellavia GmbH i.L., Wiesbaden | – | – | – | 100% |
| mibe Logistik & Service GmbH & Co. KG, Sandersdorf-Brehna | – | 100% | – | 100% | mibe Ukraine LLC., Kyiv, Ukraine | – | 100% | – | 100% |
| | | | | | mibe pharma España S. L., Madrid, Spain | – | 100% | – | 100% |
| | | | | | Aktiebolaget, Ängelholm, Sweden | – | 100% | – | 100% |
| | | | | | Candoro Ethics AG, Hünenberg, Switzerland | – | 100% | – | – |
| | | | | | Candoro ethics GmbH, Friedrichsdorf ¹⁾ | – | 100% | – | 100% |
| | | | | | Candoro ethics GmbH NM, Neumarkt ²⁾ | – | 100% | – | 100% |
| | | | | | THC Pharm GmbH The Health Concept, Frankfurt am Main | – | 100% | – | 100% |

| Company name, registered office | 31 December 2023 | | 31 December 2022 | |
|---|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | 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% | – | 100% |
| Apharma TopCo S.A.S., Carros, France | – | 100% | – | – |
| Apharma Invest 1, Carros, France | – | – | – | – |
| Apharma Capital S.A.S.U., Carros, France | – | 100% | – | – |
| Laboratoires Arkopharma S.A.S., Carros, France | – | 100% | – | – |
| LHS S.A.S., Carros, France | – | 100% | – | – |
| Arkopharma Laboratorios S.A., Lissabon, Portugal | – | 100% | – | – |
| Arkopharma Laboratorios S.A.U., Madrid, Spain | – | 100% | – | – |
| Arkopharm Srl., Ventimiglia, Italy | – | 100% | – | – |
| Arkopharma Nederland B.V., Almere, Netherlands | – | 100% | – | – |
| Arko Diffusion S.A., Genf, Switzerland | – | 100% | – | – |
| Arkopharma Belux S.A., Wavre, Belgium | – | 100% | – | – |
| Phytonature SPRL, Wavre, Belgium | – | – | – | – |
| Arkopharma Ireland Ltd., Waterford, Ireland | – | 100% | – | – |
| Nutripharma Ltd., Waterford, Ireland | – | 100% | – | – |
| Arkopharma Hellas SA, Peania, Greece | – | 55% | – | – |
| Cipriani Srl., Ventimiglia, Italy | – | 100% | – | – |
| Pharmazeutische Fabrik Montavit Gesellschaft m.b.H., Absam, Austria | – | 53.50% | – | – |
| Dermapharm Beteiligungs GmbH, Grünwald | 100% | – | 100% | – |

| Company name, registered office | 31 December 2023 | | 31 December 2022 | |
|--|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Interest held directly by parent | Interest held by subsidiary | Interest held directly by parent | Interest held by subsidiary |
| Allergopharma (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, Hünenberg, Switzerland | – | 100% | – | 100% |
| Allergopharma Espana S.L., Madrid, Spain | – | 100% | – | 100% |
| Non-consolidated companies | | | | |
| Anton Hübner Verwaltungsgesellschaft mbH, Ehrenkirchen | – | 100% | – | 100% |
| Arkopharma Asia Pvt. Ltd., Hongkong | – | 100% | – | – |
| fitvia GmbH i.L., Wiesbaden | – | 100% | – | – |
| bellavia GmbH i.L., Wiesbaden | – | 100% | – | – |
| mibe pharma UK Ltd., London, UK | – | 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% |
| Gynial AG, Hünenberg, Switzerland | – | – | – | 40% |

| Company name, registered office | 31 December 2023 | | 31 December 2022 | |
|---|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Interest held directly by parent | Interest held by subsidiary | Interest held directly by parent | Interest held by subsidiary |
| Wellster Healthtech Group GmbH, Munich | – | 45% | – | 45% |
| CORAT Therapeutics GmbH, Braunschweig | – | – | – | 24.9% |
| Other equity investments | | | | |
| ProFem GmbH, Vienna, Austria | – | 15% | – | – |
| Hasan Dermapharm JV Co., Ltd., Binh Duong Province, Vietnam | – | 5% | – | 5% |

1 Formerly C³-Cannabinoid Compound Company GmbH
 2 Formerly Spectrum Therapeutics GmbH

Changes to the scope of consolidation

Arkopharma Group

Pursuant to the purchase agreement dated 8 November 2022, Dermapharm AG directly and indirectly acquired 100% of the shares of A Pharma TopCo S.A.S. (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. For additional details, please see note 2.7.

Montavit

With effect from 28 June 2023, Dermapharm AG acquired 53.5% of the shares of Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. ("Montavit") in Absam, Tyrol, Austria, by way of capital increase. Montavit was included in the group of consolidated companies for the first time beginning on 1 July 2023. For additional details, please see note 2.7.

fitvia/bellavia and mibe pharma UK

At the beginning of 2023, fitvia GmbH i.L. and Bellavia GmbH i.L., each with its registered office in Wiesbaden, Germany, were deconsolidated due to the fact that they were in liquidation; mibe pharma UK Ltd, London, UK, was also deconsolidated due to the fact that its operations had been discontinued. Because a portion of the shares in fitvia was recognised as an equity transaction in the course of the acquisition, the deconsolidation resulted in a loss due to the reversal of the write-down previously recognised on retained earnings.

remedix GmbH

As at 1 May 2023, remedix GmbH, with its registered office in Friedrichsdorf, was merged with Candoro ethics GmbH, with its registered office in Friedrichsdorf.

A Pharma Invest 1

As at 1 January 2023, A Pharma Invest 1, with its registered office in Carros, France, was merged with A Pharma TopCo S.A.S., with its registered office in Carros, France.

Phytonature SPRL

As at 1 December 2023, Phytonature SPRL, with its registered office in Wavre, Belgium, was merged with Arkopharma Belux S.A., with its registered office in Wavre, Belgium.

CORAT Therapeutics GmbH

Effective 8 December 2023, Dermapharm AG sold the shares held in CORAT Therapeutics GmbH, with its registered office in Braunschweig.

Gynial GmbH and Gynial AG

Effective 13 December 2023, Dermapharm AG sold the shares held in Gynial GmbH, with its registered office in Vienna, Austria, and the shares held in Gynial AG, with its registered office in Hünenberg, Switzerland.

Candoro Ethics AG

Candoro Ethics AG, with its registered office in Hünenberg, Switzerland, was formed on 20 February 2023. The object of the company is the development, production, sale and distribution of pharmaceutical products. Effective 1 December 2023, the company was included in the Group for the first time as a wholly owned subsidiary of Dermapharm AG, Hünenberg, Switzerland.

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 were as follows (equivalent value for EUR 1):

| Country | Currency | Average rate | | Closing rate | |
|----------------|----------|--------------|-------------|------------------|------------------|
| | | 2023 | 2022 | 31 December 2023 | 31 December 2022 |
| Switzerland | CHF | 0.9721 | 1.0055 | 0.9290 | 0.9862 |
| Poland | PLN | 4.5462 | 4.6860 | 4.3496 | 4.6847 |
| Vietnam | VND | 25,783.3369 | 24,660.6986 | 26,795.8000 | 25,234.7000 |
| United Kingdom | GBP | 0.8701 | 0.8527 | 0.8675 | 0.8855 |
| USA | USD | 1.0815 | 1.0545 | 1.1038 | 1.0677 |
| Ukraine | UAH | 40.1058 | 34.5043 | 42.3289 | 39.6213 |
| China | CNY | 7.6514 | 7.0828 | 7.8258 | 7.3951 |
| Sweden | SEK | 11.4784 | 10.6337 | 11.1369 | 11.1493 |

2.7 Business combinations

During the period from 1 January 2023 to 31 December 2023, the Group concluded the following business combinations:

Arkopharma Group

Pursuant to the purchase agreement dated 8 November 2022, Dermapharm AG directly and indirectly acquired 100% of the shares of A Pharma TopCo S.A.S. (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. As a practical expedient, 1 January 2023 was selected as the date to include the company in the consolidated

financial statements for the first time. The initial purchase price for the Arkopharma Group amounted to EUR 449,820 thousand, and financial liabilities of EUR 216,512 thousand were paid off.

The fair values of the assets and liabilities (in accordance with IFRS 3) of the Arkopharma Group were as follows at the acquisition date:

| EUR thousand | Fair value |
|---|------------|
| Intangible assets | 289,084 |
| <i>of which identified in purchase price allocation</i> | 280,974 |
| Property, plant and equipment | 77,505 |
| <i>of which identified in purchase price allocation</i> | 27,702 |
| Other non-current financial assets | 109 |
| Inventories | 58,947 |
| <i>of which identified in purchase price allocation</i> | 17,476 |
| Trade receivables | 14,696 |
| Other current assets | 8,762 |
| Cash and cash equivalents | 58,924 |
| Tax assets | 2,626 |
| Deferred tax assets | 15,024 |
| Provisions for employee benefits | -16,327 |
| Non-current financial liabilities | -4,520 |
| Other non-current liabilities | -1,527 |
| Other provisions | -3,489 |
| Current financial liabilities | -217,709 |
| Trade payables | -24,133 |
| Other current financial liabilities | -397 |
| <i>of which identified in purchase price allocation</i> | -338 |
| Other current liabilities | -28,479 |
| Tax liabilities | -248 |
| Deferred tax liabilities | -86,450 |

| | |
|---|---------|
| <i>of which identified in purchase price allocation</i> | -84,245 |
| Net assets incl. Minorities | 142,399 |
| <i>thereof minority interest pre purchase price allocatioin</i> | -103 |
| Net assets excl. minorities | 142,501 |
| Recognised goodwill | 307,318 |

Acquired gross contractual amounts receivable amounted to EUR 16,149 thousand, of which EUR 1,453 thousand was deemed impaired as at the acquisition date. The net amount corresponded 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 307,318 thousand. Factors giving rise to this goodwill relate to expected synergies and other intangible assets of the Arkopharma 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 |
|---|---|-------------------|-----------------|
| Umbrella brand Arkopharma | 100,163 | 20 years | 8.39 % |
| Product brands | 172,493 | 15 - 20 years | 8.37 - 8.39 % |
| Order backlog | 8,319 | 0.5 years | 8.20 % |
| Property, plant and equipment | 27,702 | i.g. 12 -14 years | n/a |
| Inventories | 17,476 | 1 years | n/a |
| Contingent liability | 338 | n/a | n/a |

The Arkopharma Group contributed EUR 216,677 thousand to consolidated revenue for the period from 1 January 2023 to 31 December 2023; the EBITDA contribution for the period, adjusted for effects from the purchase price adjustment (IFRS 3), amounted to EUR 48,285 thousand.

Montavit

With effect from 28 June 2023, Dermapharm AG acquired 53.5% of the shares of Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. ("Montavit") in Absam, Tyrol, Austria, by way of capital increase.

Montavit develops and produces pharmaceuticals and medical devices and focuses on the therapeutic areas of urology, gynaecology, allergy therapy and herbal pharmaceuticals. Its core specialisation is the manufacture of sterile catheter gels.

The transaction constituted a business combination as defined under IFRS 3. As a practical expedient, 1 July 2023 was selected as the date to include the company in the consolidated financial statements for the first time. The initial purchase price for Montavit amounted to EUR 2,131 thousand.

The fair values of Montavit's assets and liabilities (in accordance with IFRS 3) were as follows at the acquisition date:

| EUR thousand | Fair value |
|---|------------|
| Intangible assets | 359 |
| <i>of which identified in purchase price allocation</i> | 315 |
| Property, plant and equipment | 35,688 |
| <i>of which identified in purchase price allocation</i> | 5,187 |
| Equity investments | 1,040 |
| Other non-current financial assets | 866 |
| Inventories | 7,804 |
| Trade receivables | 5,104 |
| Other current financial assets | 911 |
| Other current assets | 1,674 |
| Cash and cash equivalents | 3,847 |
| Deferred tax assets | 163 |
| Provisions for employee benefits | -1,085 |
| Non-current financial liabilities | -9,966 |
| Other non-current financial liabilities | -26 |
| Other non-current liabilities | -730 |

| | |
|---|---------|
| Current financial liabilities | -16,961 |
| <i>of which identified in purchase price allocation</i> | 10,066 |
| Trade payables | -4,437 |
| <i>of which identified in purchase price allocation</i> | 3,050 |
| Other current financial liabilities | -1,985 |
| Other current liabilities | -3,957 |
| <i>of which identified in purchase price allocation</i> | 1,569 |
| Deferred tax liabilities | -3,517 |
| <i>of which identified in purchase price allocation</i> | -3,517 |
| Fair value of net assets acquired (100 %) | 14,790 |
| Minority interest (46,5%) | 6,878 |
| Net assets excl. Minorities (53,5%) | 7,913 |
| Negative Goodwill | -5,782 |

The acquired gross contractual amounts receivable amounted to EUR 5,104 thousand, none of which were deemed uncollectable as at the acquisition date. The gross amount corresponded to the fair value because the remaining term of the receivables was less than one year.

Comparing the consideration transferred for the interests with the identified fair value of the assets and liabilities resulted in negative goodwill of EUR 5,782 thousand, since the shares of Montavit were acquired at a lower purchase price due to the restructuring procedure ongoing at that time. This is justified primarily by the fact that debt relief was agreed with the creditors as part of the restructuring procedure. The negative goodwill was recognised in other operating income.

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 |
|--|--|--------------------|------------------------|
| Product brands | 315 | 10 years | 7.97 % |
| Property, plant and equipment | 5,187 | i.g. 10 years | n/a |
| Current financial liabilities | 10,066 | n/a | n/a |
| Trade payables | 3,050 | n/a | n/a |
| Other current liabilities | 1,569 | n/a | n/a |

Montavit contributed EUR 15,511 thousand to consolidated revenue for the period from 1 July 2023 to 31 December 2023; the EBITDA contribution for the period, adjusted for effects from the purchase price adjustment (IFRS 3), amounted to EUR 878 thousand.

Had the Montavit acquisition taken economic effect in the period from 1 January, the total revenue contribution from the acquisition would have amounted to EUR 32,032 thousand for the period from 1 January to 31 December 2023. The negative contribution to the Group's EBITDA would have amounted to EUR 948 thousand.

2.8 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

Intangible assets acquired in a business combination are recognised at fair value as at the acquisition date.

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.

2.9 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.z. |

2.10 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. Impairment is tested at the level of the segment as the lowest level at which information is provided about goodwill. 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. Please refer to note 4.1 for further information about changes in the context of impairment testing.

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 supplementary 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.

2.11 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 within a business model whose objective is to hold them 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. Where necessary, or if there are indications of payment difficulties, material financial assets held at amortised cost are additionally analysed on an individual basis for credit losses using probabilities of default.

2.12 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.

2.13 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.

2.14 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.

2.15 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 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.

2.16 Government grants

Government grants were received by mibe GmbH Arzneimittel for the construction and expansion of the production facilities in Sandersdorf-Brehna, Germany, and by Allergopharma GmbH & Co. KG for research on a development project. They are recognised as income on a systematic basis over the period necessary to match them with the related expenses for which they 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.

2.17 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 takes into consideration the biometric accounting principles set out in the 2018G Heubeck mortality tables for the German companies and the INSEE TD-TV 18–20 mortality tables for the Arkopharma Group. The discount rates are determined based on the market yields on 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.

2.18 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.

2.19 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.

2.20 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.

The Group falls within the scope of the OECD Pillar Two Model Rules, which enter into force from 1 January 2024. Any top-up tax will in principle be imposed at the level of Dermapharm Holding SE as a partially-owned parent entity, for which Themis Beteiligungs-Aktiengesellschaft will be liable as the ultimate parent entity and which must be reimbursed by Dermapharm Holding SE. In accordance with the legislation, a top-up tax must be paid per country in an amount equal to the difference between the GloBE effective tax rate and the minimum rate of 15%. All Group companies except the subsidiaries operating in Switzerland are subject to an effective tax rate of more than 15%. The Group is currently assessing the effects of pillar two after the entry into force of the legislation. Given the complexity of applying the legislation and of calculating the GloBE income, the quantitative impact cannot yet be estimated reliably. The effective tax rate in Switzerland amounted to just under 15% in the 2023 reporting period. Any top-up tax amount does not have any material impact on the Group at the present time. The Group exercises the exception from recognising deferred taxes in connection with pillar two income taxes, which was the subject of amendments to IAS 12 published in May 2023.

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.

For leases accounted for in accordance with IFRS 16, IAS 12 provided for an initial recognition exemption relating to deferred taxes in certain cases, which had been exercised to date. IAS 12 has since been amended to stipulate that an obligation to recognise deferred taxes applies to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Specific examples within the Group are leases.

2.21 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 pharmaceutical market is heavily regulated, with manufacturers required to obtain marketing authorisation prior to launching new products. The extensive regulation also affects the prices of individual pharmaceuticals in Germany. For instance 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 12% (2024 onwards: 7%), 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.

2.22 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 is 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.

2.23 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.

2.24 Derivatives

Dermapharm uses derivatives as required to mitigate the risk of changes in variable 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.

2.25 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) | Due to their immateriality to Dermapharm's consolidated financial statements, amortised cost is used as an approximate value for fair value for 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. | n/a | n/a |
| Options (Level 3) | Option pricing 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. | n/a | n/a |

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 for the Arkopharma Group and Montavit acquisitions 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 with no market price 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 2023 | 334,414 | 406,720 | 117,460 | 858,594 |
| Exchange differences | -116 | 252 | 167 | 303 |
| Additions due to business combinations | 307,318 | 288,563 | 880 | 596,761 |
| Disposals from changes to the group of consolidated companies | -30,251 | -9,403 | -305 | -39,960 |
| Additions | - | 3,051 | 15,846 | 18,896 |
| Disposals | - | -473 | -1,385 | -1,858 |
| Reclassifications | - | 258 | -258 | - |
| As at 31 December 2023 | 611,366 | 688,968 | 132,405 | 1,432,737 |
| Depreciation, amortisation and reversal of impairment | | | | |
| As at 1 January 2023 | 63,094 | 194,597 | 24,540 | 282,231 |
| Exchange differences | - | 223 | 55 | 279 |
| Additions (amortisation) | - | 47,391 | 5,183 | 52,573 |
| Additions (impairment) | - | 14,975 | 4,079 | 19,054 |
| Disposals from changes to the group of consolidated companies | -30,251 | -9,403 | -76 | -39,731 |
| Reversals of write-downs | - | - | -3,402 | -3,402 |
| Disposals | - | -421 | -1,228 | -1,648 |
| Reclassifications | - | - | - | - |
| As at 31 December 2023 | 32,843 | 247,362 | 29,151 | 309,356 |
| Carrying amounts | | | | |
| As at 31 December 2022 | 271,319 | 212,124 | 92,920 | 576,363 |
| As at 31 December 2023 | 578,521 | 441,606 | 103,254 | 1,123,381 |

| 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 | 334,414 | 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 | 63,093 | 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 | 212,123 | 92,920 | 576,363 |

Intangible assets consisted 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 Arkopharma Group and Montavit are summarised in the table below; please refer to note 2.7 for additional information on these acquisitions.

| | Carrying amount (EUR thousand) | Residual useful life (years) | Origin |
|---------------------------|--------------------------------|------------------------------|---------------------------|
| Umbrella brand Arkopharma | 100,163 | 20 | Acquisition of Arkopharma |
| Product brands | 172,493 | 15 - 20 | Acquisition of Arkopharma |
| Order backlog | 8,319 | 1 | Acquisition of Arkopharma |
| Product brands | 315 | 10 | Acquisition of Montavit |

Goodwill was recognised at a carrying amount of EUR 578,521 thousand as at the reporting date (31 December 2022: EUR 271,319 thousand). Goodwill of EUR 307,318 thousand was recognised for the Arkopharma Group as at the reporting date.

Amortisation of EUR 52,573 thousand in total was recognised for intangible assets (excluding impairment) during the reporting period (2022: EUR 27,731 thousand). The amortisation recognised on capitalised development costs amounted to EUR 5,183 thousand (2022: EUR 3,068 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 48,577 thousand (31 December 2022: EUR 46,612 thousand). In addition, development costs of EUR 14,452 thousand from current development projects were capitalised in financial year 2023 (31 December 2022: EUR 15,532 thousand).

The total carrying amount for capitalised development costs as at 31 December 2023 was EUR 103,254 thousand (31 December 2022: EUR 92,920 thousand).

The useful lives of internally generated intangible assets remained unchanged in financial year 2023.

An impairment charge of EUR 19,054 thousand on capitalised development costs and authorisations was recognised in the reporting period ended 31 December 2023 (31 December 2022: EUR 4,657 thousand). The impairment charge resulted primarily from the write-down of a product authorisation in the amount of EUR 14,975 thousand and relates to the "Other healthcare products" segment. Due to the business development at mibeTec GmbH, individual assets already recognised were tested for impairment at 30 September 2023. The recoverable amount/value in use of the product authorisation after write-downs amounted to EUR 25,969 thousand. The test was based on the multi-period excess earnings method (MEEM) using a discount rate of 7.6%. The impairment charge also included expired authorisations of EUR 266 thousand (2022: EUR 54 thousand) and other impairment of development projects and authorisations EUR 3,813 thousand (2022: EUR 4,603 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 2023, development projects with a carrying amount totalling EUR 47,030 thousand (30 September 2022: EUR 50,719 thousand) were tested for impairment.

The impairment testing used the multi-period excess earnings method (MEEM). In the context of the impairment test, the recoverable amount of the individual projects was determined by calculating the fair value less costs to sell, 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 7.36% and 9.20%.

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 2023 reporting year resulted in an impairment

loss of EUR 759 thousand (31 December 2022: EUR 3,037 thousand) for development projects. This was offset by EUR 3,335 thousand in reversals of impairment losses (31 December 2022: EUR 0 thousand).

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.

An increase of 1.00% in the pre-tax interest rate would cause a further impairment charge of EUR 2,797 thousand (31 December 2022: EUR 543 thousand). A decrease in the EBITDA margin by 3% would result in a further impairment charge of EUR 2,872 thousand (31 December 2022: EUR 6,669 thousand).

Goodwill impairment tests

In the first half of 2023, the Board of Management reorganised the Group's segments in order to align them even more consistently with the respective customer and distribution structures. The changes furthermore mean that acquisitions and the resulting assets are managed with the aim of increasing the success of the corresponding segments as a whole. The reorganisation also involved modifying the management approach, and the segments now constitute the lowest level at which goodwill is monitored. Consequently, recognised goodwill is tested for impairment at the level of the "Branded pharmaceuticals", "Other healthcare products" and "Parallel import business" segments. Please refer to note 6.1 for further information on the reorganisation. Prior to the reorganisation, goodwill was tested for impairment at the level of the former legal entities or groups of legal entities. For this reason, three segments were designated as groups of cash-generating units (CGUs) as at 30 September 2023 (30 September 2022: 11 CGUs), to which goodwill was allocated. These were subject to impairment testing. The most recent impairment test at the level of CGUs to which goodwill is allocated (number of CGUs: 12), which was carried out for comparative purposes, did not reveal any indication of impairment at the CGUs. The recoverable amount of the individual segments/CGUs was compared with the carrying amounts. The recoverable amount of the individual segments/CGUs was determined by calculating the value in use in application of the discounted cash flow (DCF) model, which in turn is based on the projected cash flows of the individual segments/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 segments/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 conducted within a transition period of plan years four and five. Apart from in justified exceptions, the first year of the transition period is characterised by lower growth rates, and EBITDA margins were defined at the level of the third plan year. 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 1.50% and constant EBITDA margins analogously to the first year in the transition period. For the "Parallel import business" segment and some CGUs, it was assumed that growth rates and EBITDA margins would remain constant or increase further 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 1.50%.

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

| 30 September 2023* | Budgeted EBITDA margin (%) | Discount rate (%) | Goodwill (EUR thousand) | Value in use (EUR thousand) | Carrying amount (EUR thousand) |
|---------------------------|-----------------------------------|--------------------------|--------------------------------|------------------------------------|---------------------------------------|
| Branded pharmaceuticals | 31.39 | 9.36 | 99,385 | 2,391,366 | 564,482 |
| Other healthcare products | 24.09 | 9.41 | 470,609 | 1,376,857 | 1,027,215 |
| Parallel import business | 2.63 | 9.68 | 12,177 | 65,938 | 56,543 |

* Due to the pending finalization of the Purchase Price Allocation of Montavit GmbH, the preliminary goodwill of € 3,714 million is included in Branded pharmaceuticals as at 30 September 2023. Goodwill as at December 31, 2022 may differ due to exchange rate fluctuations.

| 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 |
| Candoro ethics Gruppe (former C ³ 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 was reduced to € 2,659 thousand as at December 31, 2022 due to purchase price-related adjustments. Goodwill as at December 31, 2022 may differ due to exchange rate fluctuations.

The results of the impairment tests are based primarily on the management assumptions described. In order to gauge the effect of changes in certain parameters, the assumptions made were 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 result in an impairment charge of EUR 52,686 thousand in the "Parallel import business" segment. The sensitivity analysis also indicated that a 1.00% increase in the pre-tax discount rate and a 0.06% decrease in the EBITDA margin would cause the recoverable amount to equal the carrying amount. Likewise, the sensitivity analysis in the

parallel import business showed that a 1.14% increase in the pre-tax discount rate to 10.84% would cause the recoverable amount to equal the carrying amount. A decrease in the EBITDA margin by 0.44% to 2.96% 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 segments.

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 2023 | 171,752 | 116,915 | 61,539 | 350,205 |
| Exchange differences | 228 | 131 | 24 | 384 |
| Additions due to business combinations | 73,725 | 30,214 | 9,254 | 113,193 |
| Additions | 8,706 | 8,384 | 8,966 | 26,056 |
| Disposals from changes to the group of consolidated companies | -295 | - | -147 | -442 |
| Disposals | -213 | -914 | -930 | -2,056 |
| Reclassifications | -1,364 | 1,904 | -540 | - |
| As at 31 December 2023 | 252,540 | 156,634 | 78,166 | 487,340 |
| Depreciation, amortisation and reversal of impairment | | | | |
| As at 1 January 2023 | 37,665 | 50,727 | 36,141 | 124,532 |
| Exchange differences | 87 | 114 | 17 | 218 |
| Additions (amortisation) | 10,666 | 12,556 | 10,135 | 33,357 |
| Additions (impairment) | - | 166 | 2 | 167 |
| Disposals from changes to the group of consolidated companies | -281 | - | -129 | -411 |
| Disposals | -68 | -515 | -712 | -1,294 |
| Reclassifications | - | - | - | - |
| As at 31 December 2023 | 48,068 | 63,049 | 45,453 | 156,569 |
| Carrying amounts | | | | |
| As at 31 December 2022 | 134,087 | 66,188 | 25,398 | 225,673 |
| As at 31 December 2023 | 204,472 | 93,585 | 32,713 | 330,770 |

| 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 |
| 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 |

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 property, plant and equipment increased due primarily to the acquisition of Arkopharma Group.

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

During the reporting period, depreciation of EUR 33,357 thousand was recognised in the statement of comprehensive income (31 December 2022: EUR 23,702 thousand).

Right-of-use assets comprised the following:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Land, land rights and buildings | 8,386 | 9,206 |
| Technical equipment and machinery | 2,192 | 2 |
| Other equipment, operating and office equipment | 7,032 | 3,099 |
| Right-of-use assets | 17,610 | 12,307 |

Additions to right-of-use assets amounting to EUR 11,508 thousand were recognised in the reporting period (2022: EUR 4,636 thousand).

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

| EUR thousand | 2023 | 2022 |
|---|--------------|--------------|
| Land, land rights and buildings | 2,039 | 1,811 |
| Technical equipment and machinery | 154 | 2 |
| Other equipment, operating and office equipment | 4,036 | 2,252 |
| Depreciation of right-of-use assets | 6,229 | 4,064 |

Cash outflows for leases amounted to EUR 6,657 thousand (2022: EUR 4,269 thousand), expenses for short-term leases to EUR 2 thousand (2022: EUR 20 thousand) and leases for which the underlying asset is of low value to EUR 1 thousand (2022: 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

Two associates (31 December 2022: 4) were recognised in the consolidated financial statements using the equity method.

| Company name | Registered office | Shareholding (%) |
|--------------------------------|------------------------------|------------------|
| 31 December 2023 | | |
| Hasan Dermapharm Co., Ltd. | Binh Duong Province, Vietnam | 30.0 |
| Wellster Healthtech Group GmbH | Munich, Germany | 45.0 |

| 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 |

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 30.0% 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 2023 | 31 December 2022 |
|--|------------------|------------------|
| Shareholding (%) | 30.0 | 30.0 |
| Non-current assets | 3,933 | 4,435 |
| Current assets | 12,860 | 15,137 |
| Non-current liabilities | 2 | - |
| Current liabilities | 1,778 | 2,750 |
| Net assets (100 %) | 15,013 | 16,821 |
| Carrying amount of equity investment | 3,987 | 4,001 |
| Revenue | 27,410 | 29,020 |
| Earnings after tax (100 %) | 9,053 | 10,352 |
| Group's share of total comprehensive income | 2,716 | 3,106 |
| Closing rate of EUR/VND | 26,796 | 25,235 |
| Average rate of EUR/VND | 25,783 | 24,661 |

Wellster Healthtech Group GmbH

Since financial year 2022, Dermapharm AG holds 45.0% of shares in Wellster Healthtech Group GmbH. 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 2023 | 31 December 2022 |
|--|------------------|------------------|
| Shareholding (%) | 45.0 | 45.0 |
| Non-current assets | 5,480 | 5,972 |
| Current assets | 10,955 | 13,909 |
| Current liabilities | 16,408 | 11,719 |
| Net assets (100 %) | 27 | 8,162 |
| Carrying amount of equity investment | 18,511 | 22,191 |
| Revenue | 10,260 | 13,671 |
| Earnings after tax (100 %) | 7,945 | -15,425 |
| Group's share of total comprehensive income | -3,575 | -888 |

Gynial GmbH, Vienna, Austria

Effective 13 December 2023, Dermapharm AG sold the shares in Gynial GmbH, with its registered office in Vienna, Austria.

CORAT Therapeutics GmbH

Effective 8 December 2023, Dermapharm AG sold the shares in CORAT Therapeutics GmbH, with its registered office in Braunschweig.

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 2023, Dermapharm shareholdings directly or indirectly included 100% of the shares in Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, Austria, 100% of shares in mibeTec Japan K.K., Tokyo, Japan, and 15% of shares in ProFem GmbH, Vienna, Austria. 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 2023, the carrying amount of the equity investments amounted to EUR 1,116 thousand (31 December 2022: EUR 441 thousand).

4.5 Other non-current financial assets

Other non-current financial assets primarily comprise a settlement claim amounting to EUR 50,000 thousand (31 December 2022: EUR 40,000 thousand) arising from an agreement with HS Beteiligungsgesellschaft mbH, UR Investment GmbH and WR Investment GmbH (former sellers) and Themis Beteiligungs-AG 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). As part of the amendment to the repurchase agreement dated 15 November 2023, the current portion of the settlement claim amounting to EUR 10,000 thousand in the previous year was reclassified as non-current.

Anton Hübner GmbH & Co. KG and Pharmazeutische Fabrik Montavit Gesellschaft m.b.H. 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 amounts of EUR 288 thousand and EUR 681 thousand as at 31 December 2023 (31 December 2022: EUR 280 thousand and EUR 0 thousand) are taken from an expert opinion.

4.6 Inventories

Inventories break down as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Raw materials, consumables and supplies | 114,792 | 106,164 |
| Finished goods and merchandise | 136,236 | 97,869 |
| Work in progress | 66,378 | 47,789 |
| Prepayments | 3,352 | 3,899 |
| Inventories | 320,758 | 255,721 |

The cost of materials and change in inventories were as follows in the financial year:

| EUR thousand | 2023 | 2022 |
|------------------------------------|-----------------|-----------------|
| Cost of materials | -434,924 | -373,499 |
| Change in inventories | 3,767 | -5,971 |
| Expenses for current period | -431,157 | -379,469 |

In the financial years 2023 and 2022, 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 | 2023 | 2022 |
|--|--------------|--------------|
| Finished goods and merchandise, work in progress | 5,850 | 5,802 |
| Raw materials, consumables and supplies | 4,144 | 1,159 |
| Write-downs for current period | 9,994 | 6,961 |

A further EUR 2,839 thousand was written down in financial year 2023 (previous year: EUR 6,271 thousand) and recognized as impairment in the statement of comprehensive income. This relates primarily to Allergopharma GmbH & Co. KG. No inventories were pledged as securities for liabilities at the end of financial years 2023 and 2022.

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 2023 | 31 December 2022 |
|------------------------------|------------------|------------------|
| Gross trade receivables | 93,926 | 97,339 |
| Valuation allowances | -2,991 | -624 |
| Net trade receivables | 90,935 | 96,715 |

Valuation allowances changed as follows:

| EUR thousand | 2023 | 2022 |
|------------------------------------|---------------|-------------|
| As at 1 January | -624 | -227 |
| Valuation allowance on receivables | -2,367 | -396 |
| As at 31 December | -2,991 | -624 |

4.8 Other current financial assets and other current assets

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

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---------------------------------------|------------------|------------------|
| Receivables from related parties | 2,934 | 3,179 |
| Deposits | 35 | 37 |
| Settlement claim from acquisitions | - | 10,000 |
| Miscellaneous | 783 | 1,440 |
| Other current financial assets | 3,752 | 14,656 |
| VAT receivables | 32,361 | 2,122 |
| Prepaid expenses | 4,622 | 6,519 |
| Factoring | 4,471 | - |
| Receivables from tax authorities | 3,615 | 2,807 |
| Prepayments | 3,321 | 478 |
| Receivables from employees | 1,027 | 255 |
| Money in transit | 307 | 6 |
| Miscellaneous | 6,454 | 3,602 |
| Other current assets | 56,179 | 15,790 |

4.9 Cash and cash equivalents

Cash and cash equivalents comprised the following:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|----------------------------------|------------------|------------------|
| Bank balances | 158,683 | 150,987 |
| Cash-in-hand | 40 | 34 |
| Cash and cash equivalents | 158,724 | 151,021 |

Dermapharm maintains credit facilities with various German and international banks with good credit ratings. 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 237 thousand (31 December 2022: 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 2023, 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 2023.

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 13 June 2028 (inclusive) against cash and/or in-kind contributions by a total of up to EUR 16,152 thousand by issuing new no-par value bearer shares (Authorised Capital 2023).

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 2023 has not been utilised.

Contingent capital

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

are fulfilled in the total face value of up to EUR 500,000 thousand and to the extent that no other forms of fulfilment are used to service them.

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

To date, the Contingent Capital 2023 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 0.88 per share carrying dividend rights. This corresponds a total distribution of EUR 47,379 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 14 June 2023, a dividend of EUR 56,532 thousand (EUR 1.05 per share carrying dividend rights) was distributed to the shareholders from the unappropriated net earnings for the 2022 financial year. The dividend was distributed on 19 June 2023.

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 2023 | 88,948 | 350 | 88,598 |
| Changes due to business combinations | 17,130 | - | 17,130 |
| Gain/loss | | | |
| Current service cost | 1,490 | - | 1,490 |
| Gains (-) / losses (+) from settlements | 48 | - | 48 |
| Interest expense | 3,932 | - | 3,932 |
| Interest income | - | 14 | -14 |
| Remeasurement | | | |
| Actuarial gains (-)/losses (+) | | | |
| <i>of which due to changes in financial assumptions</i> | 6,605 | - | 6,605 |
| <i>of which due to changes in demographic assumptions</i> | -422 | - | -422 |
| <i>of which experience-based adjustments</i> | 2,512 | - | 2,512 |
| Return on plan assets, excl. previously recognised interest income | 0 | 13 | -13 |
| Miscellaneous | | | |
| Transfers | -81 | - | -81 |
| Employer contributions | - | 5 | -5 |
| Employee contributions | - | 5 | -5 |
| Retirement benefits | -3,719 | -98 | -3,620 |
| As at 31 December 2023 | 116,443 | 289 | 116,154 |

| 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 | - | 2,674 |
| Interest expense | 1,520 | - | 1,520 |
| Interest income | - | 5 | -5 |
| Remeasurement | | | |
| Actuarial gains (-)/losses (+) | | | |
| <i>of which due to changes in financial assumptions</i> | -39,893 | - | -39,893 |
| <i>of which due to changes in demographic assumptions</i> | - | - | - |
| <i>of which experience-based adjustments</i> | -532 | - | -532 |
| Return on plan assets, excl. previously recognised interest income | 0 | -57 | 57 |
| Miscellaneous | | | |
| Employer contributions | - | 5 | -5 |
| Employee contributions | - | 6 | -6 |
| Retirement benefits | -3,201 | - | -3,201 |
| As at 31 December 2022 | 88,948 | 350 | 88,598 |

There were no exchange differences because all provisions for pensions were recognised by German and French entities. At the reporting date, plan assets included EUR 289 thousand in securities (31 December 2022: EUR 350 thousand). All security funds had quoted prices in active markets.

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

| EUR thousand | 31 December 2023 | 31 December 2022 |
|----------------------------|------------------|------------------|
| Defined benefit obligation | 392 | 426 |
| Fair value of plan assets | -289 | -350 |
| Total | 103 | 76 |

Provisions for pensions (excluding plan assets) amounted to EUR 116,050 thousand as at 31 December 2023 (31 December 2022: EUR 88,522 thousand).

Expenses for defined benefit plans broke down as follows:

| EUR thousand | 2023 | 2022 |
|----------------------|--------------|--------------|
| Interest expense | 3,932 | 1,515 |
| Current service cost | 1,490 | 2,674 |
| Total | 5,422 | 4,189 |

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. They resulted 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 2023 | 31 December 2022 |
|------------------|---------|------------------|------------------|
| Discount rate | Germany | 3.4 | 3.9 |
| | France | 3.7 | - |
| Salary trend | Germany | 1.8 | 1.6 |
| | France | 3.6 | - |
| Pension trend | Germany | 2.0 | 2.0 |
| | France | - | - |
| Fluctuation rate | Germany | 0.3 | - |
| | France | 3.8 | - |

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

| EUR thousand | Change in actuarial assumptions | Increase / (decrease) in the fair value of the Pension obligations as of 31 December 2023 | | Increase / (decrease) in the fair value of the Pension obligations as of 31 December 2022* |
|------------------|---------------------------------|---|--------|--|
| | | Germany | France | |
| | 1.00 % increase | -13,296 | -1,533 | -11,847 |
| Discount rate | 1.00 % decrease | 16,998 | 1,780 | 15,100 |
| | 0.50 % increase | 878 | 884 | 927 |
| Salary trend | 0.50 % decrease | -783 | -775 | -847 |
| | 0.50 % increase | 5,103 | - | 4,567 |
| Pension trend | 0.50 % decrease | -4,686 | - | -4,198 |
| | 1-year increase | 4,514 | - | 1,879 |
| Life expectancy | 1-year decrease | - | - | - |
| | 0.50 % increase | - | -800 | - |
| Fluctuation rate | 0.50 % decrease | - | 54 | - |

* Figures for 2022 only relate to German subsidiaries

At 31 December 2023, the weighted term of the pension obligations was 15 years (31 December 2022: 16 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 increase in the Group's pension obligations as reported above in comparison to 31 December of the previous year was primarily attributable to changes due to business combinations.

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 237 thousand (31 December 2022: EUR 589 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 | Miscellaneous | Total |
|--|----------------------------|--------------|---------------|---------------|
| As at 1 January 2023 | 22,453 | 786 | 1,687 | 24,925 |
| Additions | 22,724 | 197 | 906 | 23,827 |
| Reversals | -181 | -57 | - | -238 |
| Utilisations | -22,251 | -1,752 | -1,033 | -25,036 |
| Exchange differences | - | 42 | - | 42 |
| Changes to the group of consolidated companies | - | 3,489 | 291 | 3,779 |
| As at 31 December 2023 | 22,744 | 2,705 | 1,850 | 27,300 |

| EUR thousand | Health insurance discounts | Litigation | Miscellaneous | 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 |

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

The miscellaneous item included provisions for onerous contracts and a restructuring provision amounting to EUR 1,770 thousand (31 December 2022: EUR 1,570 thousand). This provision included expenses likely to be incurred at Candoro ethics (formerly C³ Group) in relocating to Friedrichsdorf.

4.13 Financial liabilities

Financial liabilities changed as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Bank loans | 889,339 | 402,085 |
| Promissory note loans | 61,366 | 99,760 |
| Lease liabilities | 13,253 | 9,716 |
| Non-current financial liabilities | 963,958 | 511,560 |
| Bank loans | 72,959 | 1,867 |
| Promissory note loans | 38,467 | - |
| Lease liabilities | 4,996 | 3,018 |
| Bank overdrafts | 8 | 2 |
| Current financial liabilities | 116,430 | 4,887 |

Material 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 2023, EUR 915,000 thousand (31 December 2022: EUR 392,500 thousand) of the loan had been drawn down. The syndicated loan agreement comprised 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 65,000 thousand (31 December 2022: 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 (6-month EURIBOR plus a margin for Facility A and Facility B and a 1-month EURIBOR, 3-month EURIBOR or 6-month EURIBOR plus a margin for Facility C), with the margin being calculated on the basis of the net debt ratio. The term of the agreement by default is set at five years from the date the agreement is entered into.

Lease liabilities

The maturity analysis for the lease liabilities was as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|----------------------------|------------------|------------------|
| Remaining term of: | | |
| Less than one year | 4,996 | 3,018 |
| Between one and five years | 8,062 | 4,874 |
| More than five years | 5,191 | 4,842 |
| Total | 18,249 | 12,733 |

4.14 Trade payables

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

4.15 Other non-current financial liabilities and other non-current liabilities

Other non-current financial liabilities comprised primarily two swaps, which the Company concluded in March 2023 to hedge against interest rate risks. As at the end of the reporting period, the negative fair value of the derivatives amounted to EUR 13,180 thousand and is calculated on the basis of the present value of the estimated future cash flows. In each case, this fair value corresponded (as at the end of the reporting period) to the price determined by the bank plus a debt valuation adjustment at which an independent third party would assume the rights and/or obligations arising from the instrument.

The other non-current liabilities mainly comprised government grants. In accordance with IAS 20, government grants for assets are recognised as deferred income and had a carrying amount of EUR 11,685 thousand as at the reporting date (31 December 2022: EUR 9,204 thousand).

4.16 Other current financial liabilities and other current liabilities

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

| EUR thousand | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Purchase price liabilities | 1,147 | 1,354 |
| Liabilities to related parties | 450 | 1,015 |
| Miscellaneous | 139 | - |
| Other current financial liabilities | 1,736 | 2,369 |
| Other personnel-related liabilities | 40,853 | 16,648 |
| VAT liabilities | 30,508 | 14,395 |
| Deferred income | 855 | 318 |
| Government grants | 576 | 243 |
| Prepayments received | 87 | 89 |
| Miscellaneous | 7,686 | 1,464 |
| Other current liabilities | 80,564 | 33,157 |

Other current financial liabilities had 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 this item 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 comprised holiday entitlements, income and church taxes due, liabilities for bonuses and company pensions and other personnel-related charges.

4.17 Income taxes

Income taxes included taxes on income and earnings paid or owed in the respective jurisdictions 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 Candoro ethics GmbH (formerly C³-Cannabinoid Compound Company GmbH), Candoro ethics NM GmbH (formerly Spectrum Therapeutics GmbH) and THC Pharm GmbH The Health Concept. The current income tax expenses are recognised at Dermapharm AG and Candoro ethics GmbH as the respective tax group parents.

Effects on current income tax expense

The key components of income tax expenses for the 2023 and 2022 financial years broke down as follows:

| EUR thousand | 2023 | 2022 |
|-----------------------------|----------------|---------------|
| Current income taxes | 55,652 | 87,824 |
| Deferred taxes | | |
| from temporary differences | -5,880 | -4,373 |
| from tax loss carryforwards | -4,310 | 229 |
| Subtotal | -10,188 | -4,144 |
| Income tax expenses | 45,462 | 83,680 |

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 | 2023 | | 2022 | |
|---------------------------------------|---------------|----------------|---------------|----------------|
| Earnings before taxes | | 105,997 | | 216,297 |
| Expected tax expenses | 24.23% | 25,678 | 24.23% | 52,398 |
| Utilisation of tax loss carryforwards | -1.00% | -1,061 | -0.11% | -229 |
| Non-deductible operating expenses | 17.58% | 18,635 | 7.34% | 15,876 |
| Tax-exempt income | -2.78% | -2,947 | -0.39% | -837 |
| Prior-year taxes | -0.24% | -252 | -0.14% | -301 |
| Difference to Group tax rate | -0.78% | -828 | 3.98% | 8,603 |
| Miscellaneous | -3.61% | -3,829 | 0.35% | 764 |
| Tax loss carryforwards not utilised | 9.50% | 10,067 | 3.42% | 7,406 |
| Current tax expense | 42.89% | 45,462 | 38.69% | 83,680 |

Deferred taxes as at the reporting date were as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| Deferred tax assets | | |
| Deferred tax assets to be recovered after more than 12 months | 17,189 | 1,340 |
| Deferred tax assets to be recovered within 12 months | 5,643 | 1,278 |
| Total deferred tax assets | 22,832 | 2,618 |
| Deferred tax liabilities | | |
| Deferred tax liabilities to be recovered after more than 12 months | -127,135 | -49,498 |
| Deferred tax liabilities to be recovered within 12 months | -8,082 | -3,638 |
| Total deferred tax liabilities | -135,217 | -53,136 |
| of which deferred tax assets reported in the statement of financial position | - | - |
| of which deferred tax liabilities reported in the statement of financial position | -112,385 | -50,518 |

The changes in deferred taxes in the statements of financial position as at 31 December 2023 and 31 December 2022 were as follows:

| | 31 December 2023 | | 31 December 2022 | |
|--|---------------------|--------------------------|---------------------|--------------------------|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets | 334 | -116,200 | 458 | -48,345 |
| Property, plant and equipment | 361 | -13,864 | 241 | -1,754 |
| Other current financial assets | 426 | - | 75 | - |
| Other non-current financial assets | 124 | - | - | - |
| Non current financial liabilities | 6,948 | -927 | - | -485 |
| Other non-current financial liabilities | - | -4,207 | - | - |
| Provisions for employee benefits | 4,956 | - | - | -2,552 |
| Other provisions | 2,720 | - | 795 | - |
| Current financial liabilities | 1,265 | - | - | - |
| Other current liabilities | - | -19 | - | - |
| Consolidation result | 1,380 | - | 736 | - |
| Deferred taxes on tax loss carryforwards | 4,310 | - | 309 | - |
| Equity investments | 8 | - | 4 | - |
| Tax asset / (liability) | 22,832 | -135,217 | 2,618 | -53,136 |

Based on deferred tax assets of EUR 22,832 thousand (31 December 2022: EUR 2,618 thousand) and deferred tax liabilities of EUR 135,217 thousand (31 December 2022: EUR 53,136 thousand), the excess of deferred tax liabilities over deferred tax assets amounted to EUR 112,385 thousand as at the reporting date (31 December 2022: EUR 50,518 thousand). Both deferred tax assets and deferred tax liabilities increased due mainly to the additions made in the context of acquiring the Arkopharma Group, which primarily impacted intangible assets, property, plant and equipment and provisions for employee benefits.

In addition, EUR 10,188 thousand (31 December 2022: EUR 4,144 thousand) was recognised as deferred tax income in the income statement and EUR 2,674 thousand as an increase in other comprehensive income (31 December 2022: decrease of EUR 12,208 thousand). The change in other comprehensive income related to the revaluation of the net pension obligation under defined benefit plans. There were no changes relating to the capital reserves.

As at 31 December 2023, Dermapharm carried forward corporate income tax losses totalling EUR 107,251 thousand (31 December 2022: EUR 67,083 thousand) and trade tax losses of EUR 72,483 thousand (31 December 2022: EUR 59,707 thousand). These mainly resulted from mibeTec GmbH, the Arkopharma Group, Dermapharm Holding SE, mibeTec US Inc., Pharmazeutische Fabrik Montavit GmbH and BLBR GmbH. In financial year 2023, deferred tax assets amounting to EUR 4,310 thousand (31 December 2022: EUR 309 thousand) were recognised in respect of corporate income tax loss carryforwards of EUR 16,687 thousand (31 December 2022: EUR 1,098 thousand) and trade tax loss carryforwards of EUR 0 thousand (31 December 2022: EUR 1,085 thousand), whereas no deferred tax assets were recognised for corporate income tax loss carryforwards of EUR 90,563 thousand (31 December 2022: EUR 65,985 thousand) and trade tax loss carryforwards of EUR 72,483 thousand (31 December 2022: EUR 58,621 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 460,281 thousand (31 December 2022: EUR 88,884 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 5,576 thousand (31 December 2022: EUR 1,077 thousand).

Tax assets

Tax assets amounted to EUR 148 thousand as at 31 December 2023 (31 December 2022: EUR 43 thousand). These are attributable primarily to Cipriani Srl.'s tax prepayments.

Tax liabilities

Tax liabilities of EUR 81,818 thousand were reported as at 31 December 2023 (31 December 2022: EUR 96,354 thousand). These were 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 revenue amounted to EUR 1,135,351 thousand in financial year 2023 (2022: EUR 1,024,776 thousand). The sales allowances included in that figure amounted to EUR 296,354 thousand (2022: EUR 127,317 thousand).

The primary focus of Dermapharm's business lies on the German market. Consolidated revenue is allocated on the basis of where the respective companies have their registered office. The increase in revenue is due primarily to the additional revenue contributed by the Arkopharma Group.

| EUR thousand | 2023 | in % | 2022 | in % |
|---------------------|------------------|-------------|------------------|-------------|
| Germany | 706,960 | 62% | 853,590 | 83% |
| France | 151,642 | 13% | - | 0% |
| Spain | 118,432 | 10% | 78,019 | 8% |
| Austria/Switzerland | 68,568 | 6% | 43,212 | 4% |
| Others | 89,750 | 8% | 49,956 | 5% |
| Revenue | 1,135,351 | 100% | 1,024,776 | 100% |

The other portion of Dermapharm's consolidated revenue is generated in eastern Europe, primarily in Poland, Croatia and Ukraine, and in Italy, China, Sweden and the United States. 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 comprised the following:

| EUR thousand | 2023 | 2022 |
|---|---------------|---------------|
| Currency translation gains | 18,153 | 9,316 |
| Negative goodwill | 5,782 | - |
| Income from deconsolidation of associates | 5,207 | - |
| Income from the reversal of provisions and derecognition of liabilities | 4,642 | 3,110 |
| Income from disposals of fixed assets | 2,956 | 3,127 |
| Netting of employee in-kind benefits and proceeds from employee grants | 2,913 | 1,586 |
| Prior-period income | 631 | 719 |
| Government grants | 424 | 247 |
| Insurance refunds and damages | 121 | 222 |
| Passed-on charges | 68 | 526 |
| Miscellaneous | 2,642 | 1,290 |
| Other operating income | 43,538 | 20,142 |

5.3 Personnel expenses and number of employees

Personnel expenses comprised the following:

| EUR thousand | 2023 | 2022 |
|---------------------------|----------------|----------------|
| Wages and salaries | 206,395 | 149,071 |
| Social security expenses | 55,321 | 32,268 |
| Severance payments | 2,763 | 2,802 |
| Personnel expenses | 264,480 | 184,141 |

In financial year 2023, expenses for company pension plans in the amount of EUR 2,424 thousand (2022: EUR 3,392 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 | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| Production | 1,274 | 1,005 |
| Marketing & sales | 1,053 | 654 |
| Administration | 580 | 490 |
| Product Development | 335 | 219 |
| Logistics | 255 | 195 |
| Average number of employees | 3,497 | 2,563 |

The increase was attributable to the acquisition of the Arkopharma Group and numerous new hires due to Dermapharm's overall positive performance.

5.4 Other operating expenses

Other operating expenses comprise the following:

| Function | 2023 | 2022 |
|--|----------------|----------------|
| Marketing and sales costs | 55,370 | 32,880 |
| Currency translation losses | 20,107 | 8,943 |
| Freight and warehousing | 19,673 | 17,765 |
| Contributions, fees, charges and other taxes | 18,264 | 13,911 |
| Legal and consulting fees | 16,269 | 13,594 |
| Maintenance expenses | 15,440 | 12,376 |
| Development costs | 10,628 | 13,178 |
| Expenses from deconsolidation | 7,184 | - |
| Incidental rental costs | 6,534 | 6,422 |
| Purchased services | 5,974 | 3,988 |
| Travel expenses | 5,532 | 2,289 |
| Communication | 3,971 | 2,509 |
| Vehicle expenses | 3,249 | 2,858 |
| Personnel expenses | 1,258 | 1,290 |
| Miscellaneous | 21,283 | 19,964 |
| Other operating expenses | 210,737 | 151,967 |

5.5 Financial result

The financial result comprised the following:

| EUR thousand | 2023 | 2022 |
|---|----------------|----------------|
| Interest income | 2,494 | 325 |
| Income from fair value measurement | - | 197 |
| Miscellaneous | 732 | 175 |
| Financial income | 3,226 | 696 |
| Interest expense | -54,389 | -12,068 |
| Expenses from fair value measurement | -13,411 | -677 |
| Leasing | -579 | -270 |
| Miscellaneous | -4,581 | -1,528 |
| Financial expenses | -72,960 | -14,543 |
| Share of profit/loss of companies accounted for using the equity method, after tax | -7,163 | -13,543 |
| Financial result | -76,897 | -27,390 |

The increase in financial income is due primarily to the change in the interest rate environment. The rise in financial expenses is attributable mainly to interest expenses on the syndicated loan agreement entered into in December 2022 and expenses from forward contracts.

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 | 2023 | 2022 |
|--|-------------|-------------|
| Profit attributable to the owners of Dermapharm Holding SE | 62,368 | 134,236 |
| Weighted average number of shares outstanding (in thousands of shares) | 53,840 | 53,840 |
| Earnings per share in EUR | 1.16 | 2.49 |

There were no dilutive financial instruments outstanding in financial years 2023 and 2022. 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. In connection with the acquisition of the Arkopharma Group, Dermapharm reorganised the Group's segments in order to align them even more consistently with the respective customer and distribution structures.

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

The "Branded pharmaceuticals" 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 for specifically selected markets in which Dermapharm generally holds a significant market share and is able to generate attractive margins.

In addition to herbal extracts, Dermapharm bundles food supplements, herbal pharmaceuticals, cosmetics and medical devices under its "Other healthcare products" segment. The business is primarily covered by the France-based Arkopharma Group, a leading supplier of natural OTC products and food supplements in western and southern Europe.

The "Parallel import business" segment, which operates under the well-known "axicorp" brand, benefits from the statutory requirement that a savings target of 2% must be achieved by selling affordable imported pharmaceuticals. The savings are calculated as the difference that would have arisen between the revenue generated from selling affordable imported pharmaceuticals and the revenue for the respective reference pharmaceuticals, in each case less the statutory discount. Imported pharmaceuticals are pharmaceuticals that are sold within the state healthcare system in Germany but have to be imported from other member states of the European Economic Area (EEA) in order to help decrease healthcare costs.

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

The gross revenue generated from those five customers in the 2023 and 2022 financial years was as below:

| EUR thousand | 2023 | | 2022 | |
|--------------|---------------|---|---------------|---|
| | Gross revenue | Share of gross consolidated revenue (%) | Gross revenue | Share of gross consolidated revenue (%) |
| Wholesaler A | 136,297 | 10% | 138,211 | 12% |
| Wholesaler B | 124,742 | 9% | 122,637 | 11% |
| Wholesaler C | 103,558 | 7% | 105,357 | 9% |
| Wholesaler D | 72,355 | 5% | 70,387 | 6% |
| Wholesaler E | 44,716 | 3% | 181,665 | 16% |

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 are not regularly reported to the Board of Management and are therefore not presented below.

The following tables show the changes in the performance indicators reported internally to Dermapharm's Board of Management by segments. The segments were adjusted in financial year 2023. In accordance with IFRS 8, the following supplements the segment reporting table, in which the corresponding prior-year items have been restated, by presenting the corresponding prior-year items on the basis of the previous segment structure. The change in reconciliation effects compared to the previous segment structure resulted primarily from cross-segment provision of goods and services of the companies affected by the reorganisation of the segment structure.

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

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

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

| EUR thousand | Branded pharmaceuticals and other healthcare products* | Herbal extracts | Parallel import business | Reconciliation / Group holding company | Group |
|---|--|-----------------|--------------------------|--|----------------|
| Revenue | 676,062 | 98,091 | 253,467 | -2,843 | 1,024,776 |
| <i>of which intersegment revenue</i> | <i>1,911</i> | <i>895</i> | <i>37</i> | <i>-2,843</i> | <i>-</i> |
| Revenue from external customers | 674,151 | 97,196 | 253,429 | - | 1,024,776 |
| Revenue growth | 5% | 35% | 10% | - | 9% |
| EBITDA (unadjusted) | 320,622 | 12,177 | 6,034 | -7,509 | 331,324 |
| <i>of which earnings from investments accounted for using the equity method</i> | <i>-13,543</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>-13,543</i> |
| EBITDA margin (unadjusted) | 48% | 13% | 2% | - | 32% |

* As from 1 February 2022 with Candoro ethics (formerly C³ Group).

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

| EUR thousand | 2023 | 2022 |
|---|----------------|----------------|
| EBITDA | 280,318 | 331,324 |
| Depreciation, amortisation and reversal of impairment | -104,587 | -101,180 |
| Financial income | 3,226 | 696 |
| Financial expenses | -72,960 | -14,543 |
| Earnings before taxes (EBT) | 105,997 | 216,297 |
| Income tax expenses | -45,462 | -83,680 |
| Profit or loss for the period | 60,534 | 132,617 |

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 measures.

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 focuses on identifying and assessing risks which arise as a result of unpredictable developments on the financial markets, among other things, as well as their appropriate management.

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 individual 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, UAH 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 2023 | 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 | -3,696 | -4,247 | 202 | -224 |
| UAH | -138,773 | -3,460 | 165 | -182 |
| USD | -25,283 | -23,378 | 1,113 | -1,230 |
| 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 |

Due to Croatia's adoption of the euro as its official currency, this foreign exchange risk has been eliminated as compared to the previous year. The Group's risk from exchange rate fluctuations for all other currencies not presented here was immaterial.

Interest rate risk

Interest-rate risks arise due to potential changes in the market rates of interest and can include the effect of positive and negative changes 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. In order to hedge against and minimise interest rate risks, Dermapharm concluded two interest rate hedges in March 2023 for a large portion of its financial liabilities. The share of fixed-interest or secured floating-rate financial liabilities (excluding lease liabilities) amounted to 86% as at 31 December 2023 (31 December 2022: 17%).

The table below shows the effect of a change in the market rate of interest by ±100 basis points (EURIBOR) on the consolidated income statement for financial years 2023 and 2022:

| EUR thousand | Nominal value | Income statement | |
|---|----------------------|--------------------------|--------------------------|
| | | +100 Basis points | -100 Basis points |
| 31 December 2023 | | | |
| Variable-interest unsecured financial liabilities | 149,513 | 1,867 | -2,206 |
| 31 December 2022 | | | |
| Variable-interest unsecured financial liabilities | 419,890 | 375 | -246 |

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 other non-current financial assets. 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 liquidity planning. This helps to track 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 2023 | 31 December 2022 |
|---------------------------|------------------|------------------|
| Aggregate lines of credit | 1,066,000 | 865,400 |
| Available lines of credit | 150,960 | 672,900 |
| 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 2023 | | | |
| Expected cash flows from financial liabilities | | | |
| Interest | 49,643 | 96,717 | 1,305 |
| Repayment of principal | 90,989 | 923,656 | 28,352 |
| Expected cash flows from trade payables | 86,641 | – | – |
| Expected cash flows from other financial liabilities | 1,736 | – | – |
| 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 | 56,100 | – | – |
| Expected cash flows from other financial liabilities | 2,369 | – | – |

Cash flows from derivatives were expected as follows:

| EUR thousand | Due within 1 year | Due between 1–5 years | Due after 5 years |
|---|-------------------|-----------------------|-------------------|
| 31 December 2023 | | | |
| Expected cash flows from derivatives | | | |
| Income from derivative contracts | 64 | – | – |
| Expenses from derivative contracts | – | –15,689 | – |
| 31 December 2022 | | | |
| Expected cash flows from derivatives | | | |
| Income from derivative contracts | – | – | – |
| Expenses from derivative contracts | – | – | – |

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 could 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 also 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 consolidated 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 4.00 in financial year 2023 (31 December 2022: 3.25).

Net debt 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 debt as at 31 December 2023 was EUR 936,631 thousand (31 December 2022: EUR 367,795 thousand).

As at 31 December 2023, the ratio of net debt to adjusted EBITDA (less equity interests in companies accounted for using the equity method) amounted to 3.0 (31 December 2022: 1.0).

The equity ratio changed as follows:

| EUR thousand | 31 December 2023 | 31 December 2022 |
|---|------------------|------------------|
| Equity attributable to owners of parent | 538,905 | 531,592 |
| Total equity and liabilities | 2,160,371 | 1,412,836 |
| Equity ratio (%) | 25% | 38% |

In financial years 2022 and 2023, the Group did not breach the financial covenants at any time.

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 2023 | Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9 | | | | | | |
|---|---|-----------------------|--|--|---|--|-------------------------|
| EUR thousand | Carrying amount as at 31 December 2023 | 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 2023 | Fair value level |
| Financial assets | | | | | | | |
| Other non-current financial assets | 52,410 | 51,989 | 422 | - | - | 52,410 | 3 |
| Equity investments | 1,116 | 1,116 | - | - | - | 1,116 | - |
| Trade receivables | 90,935 | 90,935 | - | - | - | 90,935 | - |
| Other current financial assets | 3,752 | 3,752 | - | - | - | 3,752 | - |
| Cash and cash equivalents | 158,724 | 158,724 | - | - | - | 158,724 | - |
| Financial liabilities | | | | | | | |
| Non-current financial liabilities | | | | | | | |
| <i>of which bank loans</i> | 889,339 | 889,339 | - | - | - | 874,754 | 2 |
| <i>of which promissory note loans</i> | 61,366 | 61,366 | - | - | - | 56,687 | 2 |
| <i>of which lease liabilities</i> | 13,253 | - | - | - | 13,253 | 13,049 | 2 |
| Other non-current financial liabilities | 13,231 | 51 | 13,180 | - | - | 13,231 | 2 |
| Current financial liabilities | | | | | | | |
| <i>of which bank loans</i> | 72,967 | 72,967 | - | - | - | 72,967 | - |
| <i>of which promissory note loans</i> | 38,467 | 38,467 | - | - | - | 38,467 | - |
| <i>of which lease liabilities</i> | 4,996 | - | - | - | 4,996 | 4,996 | - |
| Trade payables | 86,641 | 86,641 | - | - | - | 86,641 | - |
| Other current financial liabilities | 1,736 | 1,736 | - | - | - | 1,736 | - |

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 | | | | | | | |
| <i>of which bank loans</i> | 402,085 | 402,085 | - | - | - | 393,953 | 2 |
| <i>of which promissory note loans</i> | 99,760 | 99,760 | - | - | - | 90,426 | 2 |
| <i>of which lease liabilities</i> | 9,716 | - | - | - | 9,716 | 9,110 | 2 |
| Current financial liabilities | | | | | | | |
| <i>of which bank loans</i> | 1,869 | 1,869 | - | - | - | 1,869 | - |
| <i>of which promissory note loans</i> | - | - | - | - | - | - | - |
| <i>of which lease liabilities</i> | 3,018 | - | - | - | 3,018 | 3,018 | - |
| Trade payables | 56,100 | 56,100 | - | - | - | 56,100 | - |
| Other current financial liabilities | 2,369 | 2,369 | - | - | - | 2,369 | - |

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 2023 | 659 | 0 |
| Additions | | |
| Disposals | - | - |
| Change in fair value recognised through profit or loss | -237 | - |
| Change in fair value recognised through other comprehensive income | - | - |
| As at 31 December 2023 | 422 | 0 |
| | | |
| 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 |

There were no reclassifications within the fair value hierarchy in the 2023 financial year.

The table below depicts the net result from financial instruments for the period ended 31 December 2023 and 2022.

| EUR thousand | 2023 | 2022 |
|---|----------------|----------------|
| Interest income | 2,444 | 246 |
| <i>from financial assets measured at (amortised) cost</i> | <i>2,357</i> | <i>246</i> |
| <i>from derivatives measured at fair value through profit or loss</i> | <i>87</i> | <i>-</i> |
| <i>from financial liabilities measured at (amortised) cost</i> | <i>-</i> | <i>-</i> |
| Interest expense | -54,391 | -12,068 |
| <i>from financial liabilities measured at (amortised) cost</i> | <i>-54,391</i> | <i>-11,980</i> |
| <i>from derivatives measured at fair value through profit or loss</i> | <i>-</i> | <i>-88</i> |
| Amortisation and impairment of financial assets measured at (amortised) cost | -1,460 | -563 |
| Net result from subsequent measurement through profit or loss | -13,411 | -481 |
| <i>Gains from subsequent measurement through profit or loss of derivatives</i> | <i>-</i> | <i>197</i> |
| <i>Losses from subsequent measurement through profit or loss of derivatives</i> | <i>-13,411</i> | <i>-677</i> |
| Foreign exchange gains on financial instruments | 18,153 | 9,316 |
| Foreign exchange losses on financial instruments | -20,107 | -8,943 |
| Net result from financial instruments (in accordance with IFRS 9) | -68,773 | -12,494 |

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 due to cash inflows and outflows during the course of the reporting period.

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 amounting to EUR 389,395 thousand reported under cash flows from investing activities were attributable primarily to the acquisitions of the Arkopharma Group and Montavit. A purchase price payment plus the shareholder loan amounting in total to EUR 448,841 thousand was paid for the acquisition of the Arkopharma Group. Less cash acquired, taking into account bank overdrafts amounting to EUR 58,916 thousand, there was a cash outflow of EUR 389,925 thousand. EUR 2,131 thousand was paid to acquire Montavit. An outflow of EUR 1,716 thousand resulted, not taking into account the EUR 3,847 thousand in cash acquired. For further information on these acquisitions, please refer to note 2.7. Furthermore, the payments for business combinations, less cash, included a subsequent purchase price payment for the acquisition of the Candoro ethics Group (formerly C³ Group) in financial year 2022.

The cash and non-cash changes in financial liabilities reported under cash flows from financing activities changed as follows in financial year 2023:

| EUR thousand | 2023 | 2022 |
|--|------------------|----------------|
| Financial liabilities as at 1 January | 516,448 | 580,301 |
| Proceeds from borrowings | 715,000 | 469,950 |
| Transaction costs in connection with borrowings | 0 | -3,936 |
| Repayments of borrowings | -414,199 | -536,925 |
| Payments of lease liabilities | -6,657 | -4,269 |
| Total changes from cash flows from financing activities | 294,144 | -75,180 |
| Effect of exchange rate changes | 116 | -117 |
| Changes in bank overdrafts | 6 | 2 |
| Lease liabilities | 3,411 | 2,483 |
| Changes to the group of consolidated companies | 249,059 | 2,153 |
| Liabilities from deferred interest* | 18,264 | -238 |
| Other changes* | -1,060 | 7,044 |
| Financial liabilities as at 31 December | 1,080,388 | 516,448 |

* Liabilities from deferred interest include outstanding interest payments on non-derivative financial liabilities that are economically allocable to the financial year, but which have not yet been paid due to the fact that the interest payment date is in the future. In the interests of transparency, these liabilities will be presented separately from the 2023 financial year onward. Prior-year comparatives were adjusted retrospectively.

8.2 Other financial obligations and contingent liabilities

Litigation

The Group is regularly exposed to 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 2023, the Group was 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 2023 or 31 December 2022.

Contingent liabilities

There were no material contingent liabilities as at 31 December 2023 or 31 December 2022.

Purchase commitments

At 31 December 2023, the Group had a purchase commitment relating to inventories of EUR 55,261 thousand (31 December 2022: EUR 95,254 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 the 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 2023 and 2022 between Dermapharm and significant shareholders and other related parties are summarised below.

a) Material transactions

Related party transactions (persons)

| EUR thousand | 2023 | 2022 |
|---------------------------|------------|------------|
| Marketing and advertising | 625 | 912 |
| Total | 625 | 912 |

Related party transactions (entities)

| EUR thousand | Transactions in | | Open receivables as at 31 December | | Open liabilities as at 31 December | |
|---|-----------------|---------------|------------------------------------|--------------|------------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Transfer of goods | | | | | | |
| Associates | 1,056 | 829 | 911 | – | – | – |
| Non-consolidated companies | 11,530 | 6,899 | 1,698 | 3,003 | 142 | 311 |
| Consulting and services | | | | | | |
| Parent (Themis Beteiligungs-AG) of Dermapharm | 584 | 531 | 5 | 18 | 182 | 389 |
| Associates | 21 | – | – | – | – | – |
| Non-consolidated companies | 334 | 582 | 36 | 53 | 67 | 306 |
| Offsetting of current expenses | | | | | | |
| Associates | 2,730 | 2,782 | | | | |
| Miscellaneous | | | | | | |
| Parent (Themis Beteiligungs-AG) of Dermapharm | – | – | 7,273 | – | – | – |
| Associates | | 2 | 281 | 97 | – | – |
| Non-consolidated companies | 2 | 1 | 78 | 60 | 60 | |
| Total | 16,257 | 11,626 | 10,282 | 3,231 | 451 | 1,006 |

The open balances at the end of the financial year are unsecured and fall due in the short term; with the exception of the non-current receivable from the parent company amounting to EUR 7,273 thousand. For more detailed information, please refer to note 4.5. 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 amounting to EUR 3,810 thousand (2022: EUR 4,895 thousand) and the Supervisory Board amounting to EUR 240 thousand (2022: EUR 240 thousand), who represent the key management personnel, is presented as follows in accordance with IAS 24:

| EUR thousand | 2023 | 2022 |
|---------------------|--------------|--------------|
| Short-term benefits | 2,918 | 4,315 |
| Long-term benefits | 1,132 | 820 |
| Total | 4,050 | 5,135 |

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 were composed as follows:

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

Members of the Board of Management

At the end of her contract, Ms Karin Samusch, Chief Business Development Officer, left the Group as planned on 31 July 2023.

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 14 June 2023, 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 | 2023 | 2022 |
|-----------------------------|--------------|--------------|
| Audit services | 1,244 | 1,216 |
| Other confirmation services | - | - |
| Tax consultancy services | - | - |
| Miscellaneous services | - | 5 |
| Total | 1,244 | 1,221 |

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 2023.

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

There were no events after the reporting date with a material or potentially material effect on the Group's financial position, financial performance and cash flows.

Grünwald, 21 March 2024

The Board of Management

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibold
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the 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, 21 March 2024

Dr. Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr. Andreas Eberhorn
Chief Marketing Officer

Independent Auditor's Report

To Dermapharm Holding SE, Grünwald

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Reports

Audit Opinions

We have audited the consolidated financial statements of Dermapharm Holding SE, Grünwald, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023 to 31 December 2023, 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 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement in accordance with § 289f and § 315d HGB included in section 6.1 of the combined management report, section 3.1 "Main characteristics of the internal control system and risk management system" of the combined management report, and the separate non-financial report pursuant to § 315b HGB referred to in section 6.2 of the combined management report.

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

- the accompanying 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 [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement referred to above, section 3.1 "Main characteristics of the internal control system and risk management system" of the combined management report, and the non-financial report referred to above.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the 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 2023 to 31 December 2023. 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.

We present below what we consider to be the key audit matters:

1. Accounting of the business combination of Arkopharma Group
2. Goodwill impairment tests

Our presentation of the key audit matters is structured as follows:

1. Risk to the Consolidated Financial Statements
2. Audit approach
3. Reference to Related Disclosures

1. Accounting of the Business combination of Arkopharma Group

1. Risk to the Consolidated Financial Statements

Pursuant to the purchase agreement dated 8 November 2022, Dermapharm AG, a full subsidiary of Dermapharm Holding SE, acquired 100% of the shares, directly and indirectly, in A Pharma TopCo SAS (registered in Carros, France), the holding company of the Arkopharma Group. The acquisition of the Arkopharma Group closed on 5 January 2023. This is simultaneously the acquisition date within the meaning of IFRS 3.

This transaction of the parties is a business combination within the meaning of IFRS 3. The purchase price for the Arkopharma Group was EUR 449.8 million. In addition, the settlement of financing amounting to EUR 216.5 million was agreed.

The identifiable assets and liabilities (under IFRS 3) of the Arkopharma Group were recognised at their fair value on the acquisition date. To identify and measure the acquired assets and assumed liabilities, Dermapharm AG used an external expert.

A comparison of the consideration transferred for the shares with the fair value of the identified assets and liabilities resulted in goodwill of EUR 307.3 million. The factors on which this goodwill is based arise from expected synergies and other intangible assets of the Arkopharma Group that are not separately identifiable.

The identification, accounting and measurement of the acquired assets and assumed liabilities are complex and based on assumptions deriving from the executive board's judgement. The key assumptions concern the revenue planning and development of the margins of the acquired operation underlying the measurement as well as the weighted cost of capital used.

The transaction has a material influence on the assets and financial position of the consolidated financial statements. There is the risk to the consolidated financial statements of the acquired assets and assumed liabilities being inaccurately identified or incorrectly recognised and measured. Furthermore, there is the risk that the disclosures in the notes to the consolidated financial statements may not accurately.

In light of this, the accounting of the acquisition of the Arkopharma Group was of particular importance to our audit.

2. Audit Approach

We firstly gained an understanding of the transaction by evaluating the relevant sales contract and acquisition documentation. We particularly assessed the applicable acquisition date in advance.

We reconciled the purchase price with the sales contract it was based on.

We evaluated the process of identifying the acquired assets and assumed liabilities in light of our understanding of the Arkopharma Group's business model to check its conformity with the requirements of IFRS 3.

We evaluated the expert opinion on the breakdown of the purchase price into the individual assets and liabilities, drawing on our own measurement specialists. We queried the measurement methods used and examined them to see whether they comply with the measurement principles. This included the reasonableness of the key assumptions as well as the identification and measurement methods.

To evaluate arithmetic correctness we reperformed selected computations from a risk-based point of view. We queried the revenue planning and development of margins and conducted a plausibility check on them. We queried the assumptions and data on which the cost of capital used was based and compared them with our own assumptions and publicly available data.

We assessed the competence, capabilities and objectivity of the independent expert commissioned by Dermapharm AG.

Finally, we examined whether the disclosures in the notes to the financial statements on the acquisition of the Arkopharma Group comply with the requirements of IFRS.

No objections arose from the audit procedures we conducted on the accounting of the acquisition of the Arkopharma Group.

3. Reference to Related Disclosures

The disclosures of Dermapharm Holding SE on the accounting of the acquisition of the Arkopharma Group can be found in sections 2.5 "Consolidation principles and group of consolidated companies", 2.7 "Business combinations" and 3. Estimates and judgements" of the notes to the consolidated financial statements.

2. Impairment Testing of Goodwill

1. Risk to the Consolidated Financial Statements

In its consolidated statement of financial position as at 31 December 2023, Dermapharm Holding SE recognised the item of "goodwill" amounting of EUR 578.5 million, of which EUR 307.3 million resulted from the acquisition of the Arkopharma Group in the financial year.

The Group conducts an impairment test of capitalised goodwill at least once a year. In the first half of 2023, the board made an adjustment to the definition of segments. It also adjusted the management approach. The segments now represent the lowest level of monitoring of goodwill. Before this reorganisation, the impairment of goodwill was examined on the level of the legal units or of a group of legal units.

For this reason, three segments were designated as at 30 September 2023 (30 September 2022: eleven cash-generating units) as groups of cash-generating units to which goodwill was allocated. These were subject to impairment testing. From the last impairment test carried out for the purposes of comparison on 30 September 2023 on the level of what were then twelve

cash-generating units to which goodwill was allocated, there were no indications of any need to write down.

As part of the impairment test, the recoverable amount of the individual segments or cash-generating units is compared to the carrying amounts. The recoverable amount is ascertained by calculating the value in use applying the discounted cash flow model, which in turn is based on the cash flow forecasts of the segments or the individual legal units. The cash flow forecasts on which the computation of the value in use are based are derived from the three-year financial planning compiled by the executive board and approved by the supervisory board. These cash flow forecasts were complemented by two transition years towards a perpetual annuity.

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 uncertainty of estimation. In light of this and due to the complexity of the underlying measurement method, this matter was of particular significance in our audit.

2. Audit Approach

As part of our audit, we obtained an understanding of the processes implemented for computing the recoverable amounts of segments or 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 computation of potential 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 income planning compiled 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 financial planning and in the transition period towards a perpetual annuity on a sample basis by interviewing selected employees. In our analysis, we 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 the impairment test of goodwill we evaluated last year's planning based on the actual results of the financial year and compared current planning with the planning for the previous year.

In relation to the impairment test of goodwill, we also evaluated the division of the segments and the cash-generating units.

We reperformed the relevant computation 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 measurement specialists. 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.

No objections arose from the audit procedures we conducted on the impairment of the goodwill.

3. Reference to Related Disclosures

The disclosures of Dermapharm Holding SE on the impairment of the goodwill are included in sections "3. Estimates and judgements" and "4.1 Intangible assets" of the notes to the consolidated statement of financial position.

Other Information

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

- the corporate governance statement in accordance with section 289f and section 315d HGB
- section 3.1 "Main characteristics of the internal control system and risk management system" of the combined management report
- the non-financial group management report pursuant to section 315b HGB, to which reference is made in the combined management report
- the responsibility statement of the executive directors pursuant to section 297(2) sentence 4 and pursuant to section 315(1) sentence 5 HGB on the consolidated financial statements and the combined management report

- the remuneration report pursuant to Section 162 of the German Stock Corporation Act [Aktengesetz – AktG]
- the report of the supervisory board, and
- the remaining parts of the 2023 annual report
- but not the consolidated financial statements or the audited disclosures in the combined management report or our auditor's report pertaining to it.

The executive directors and the supervisory board are responsible for the declaration in accordance with section 161 AktG, which is part of the corporate governance statement, and for the remuneration report pursuant to section 162 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 group 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 and, in so doing, to consider whether the other information:

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content 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 consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., 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 group management report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of 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 opinions. 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 involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an 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 group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate 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 of Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report, Prepared for Publication Purposes in Accordance with Section 317 Paragraph 3a HGB

Assurance Opinion

We have performed assurance work in accordance with section 317 paragraph 3a HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file „ESEF Dateien Konzern.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 consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of section 328 paragraph 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January 2023 to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the 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)).

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 renderings of the consolidated financial statements and the group 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 judgment and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML rendering with content equivalent to the audited consolidated 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, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

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

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee 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.

Düsseldorf, 21 March 2024

Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

[Remuneration Report]

Remuneration Report

| | |
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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 (Aktengesetz, "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 80.3% 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 remuneration (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 remuneration (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 2022 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 2022 was approved by the Annual General Meeting on 14 June 2023 with a majority of 79.05% 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 2022 remuneration report and there was no cause to question the reporting or implementation. As such, the format will be retained for the 2023 remuneration report as well.

Remuneration granted and owed in financial year 2023

The tables below present the remuneration granted and owed to the members of the Board of Management in financial years 2022 and 2023 pursuant to § 162 (1) sentence 1 AktG.. 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 2023:

| | Dr Hans-Georg Feldmeier CEO | | | | Karin Samusch ¹ CBDO | | | |
|---|--------------------------------|-------------|--------------|-------------|------------------------------------|-------------|--------------|-------------|
| | 2022 | | 2023 | | 2022 | | 2023 | |
| | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR |
| Non-performance-based remuneration | | | | | | | | |
| Fixed remuneration | 800 | 57% | 821 | 60% | 380 | 39% | 222 | 32% |
| Fringe benefits | 16 | 1% | 11 | 1% | 21 | 2% | 11 | 2% |
| Total | 816 | 58% | 832 | 61% | 401 | 41% | 233 | 34% |
| Short-term variable compensation | | | | | | | | |
| 2021 year-1 component (final payment) | 115 | 8% | | | 115 | 12% | | |
| 2022 year-1 component (advance payment) | 160 | 12% | | | 160 | 16% | | |
| 2022 year-1 component (final payment) | | | 60 | 4% | | | 60 | 9% |
| 2023 year-1 component (advance payment) | | | 160 | 12% | | | 80 | 11% |
| Total | 275 | 20% | 220 | 16% | 275 | 28% | 140 | 20% |
| Long-term variable compensation | | | | | | | | |
| 2019 year-3 component | 190 | 14% | | | 190 | 19% | | |
| 2020 year-2 component | 116 | 8% | | | 116 | 12% | | |
| 2020 year-3 component | | | 198 | 14% | | | 198 | 28% |
| 2021 year-2 component | | | 125 | 9% | | | 125 | 18% |
| Total | 306 | 22% | 323 | 23% | 306 | 31% | 323 | 46% |
| Miscellaneous | | | | | | | | |
| Special remuneration | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Total remuneration (TR) | 1,397 | 100% | 1,375 | 100% | 982 | 100% | 696 | 100% |
| Maximum remuneration | 2,000 | | 2,000 | | 2,000 | | 2,000 | |

¹ Karin Samusch resigned from the Board of Management of Dermapharm Holding SE on 31 July 2023.

| | Dr. Andreas Eberhorn ² CMO | | | | Christof Dreibholz ³ CFO & CCO | | | |
|---|--|-------------|--------------|-------------|--|-------------|--------------|-------------|
| | 2022 | | 2023 | | 2022 | | 2023 | |
| | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR |
| Non-performance-based remuneration | | | | | | | | |
| Fixed remuneration | 150 | 63% | 450 | 74% | 75 | 63% | 450 | 73% |
| Fringe benefits | 8 | 3% | 15 | 2% | 5 | 4% | 13 | 2% |
| Total | 158 | 66% | 465 | 76% | 80 | 67% | 463 | 75% |
| Short-term variable compensation | | | | | | | | |
| 2022 year-1 component (advance payment) | 80 | 34% | | | 40 | 33% | | 0% |
| 2022 year-1 component (final payment) | | | -13 | -2% | | | -6 | -1% |
| 2023 year-1 component (advance payment) | | | 160 | 26% | | | 160 | 26% |
| Total | 80 | 34% | 147 | 24% | 40 | 33% | 154 | 25% |
| Long-term variable compensation | | | | | | | | |
| Total | | | | | | | | |
| Miscellaneous | | | | | | | | |
| Special remuneration | | | | | | | | |
| Total remuneration (TR) | 238 | 100% | 612 | 100% | 120 | 100% | 617 | 100% |
| Maximum remuneration | 2,000 | | 2,000 | | 2,000 | | 2,000 | |

² Dr Andreas Eberhorn was appointed to the Board of Management of Dermapharm Holding SE for the first time with effect from 1 September 2022.

³ 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 2023 was between 32% and 74% for all members of the Board of Management, while the relative share of fringe benefits in 2023 was between 1% and 2%, and thus below 7%. The relative share of variable remuneration (bonus) for Dr Feldmeier ranged between 35% and 65%. Dr Andreas Eberhorn and Christof Dreiholz were appointed as members of the Board of Management with effect from 1 September and 1 November 2022, respectively. The range was not maintained for Dr Andreas Eberhorn (24%) and Christof Dreiholz (25%) because they joined the Board of Management in the course of the year and the year-2 and year-3 components have not yet been paid out. Karin Samusch left the Board of Management with effect from 31 July 2023. As she received fixed annual remuneration for 7 months, the variable remuneration (67%) was above the range. The total remuneration for each member of the Board of Management was below the maximum remuneration in financial year 2023.

The variable remuneration granted and owed in financial year 2023 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 – 2020 | 135.3% | 100% ⁴ |
| Year-2 component – 2021 | 133.8% | 100% ⁵ |
| Year-1 component – 2022 | 95.0% | 100% ⁶ |
| Year-1 component – 2023 | 100.0% | – ⁷ |

⁴ Payout amount set at 100%, as EBITDA growth in 2022 was significantly influenced by vaccine production.

⁵ Payout amount set at 100%, as EBITDA growth in 2022 was significantly influenced by vaccine production.

⁶ As EBITDA 2022 was significantly influenced by the decline in vaccine production, the Supervisory Board decided to deviate from the remuneration system and pay out 100%.

⁷ The payout amount for 2023 will be determined at a later date.

The target achievement rates 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 requirements⁸. 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.
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.

⁸ The Supervisory Board is of the opinion that the statutory provisions, in particular the statutory provisions according to which members of the company's Management Board are obliged to pay damages in the event of breaches of duty and to surrender benefits received without authorisation, are sufficient and that additional interventions in remuneration are therefore not necessary for the time being.

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 2023

The remuneration granted and owed⁹ to the Supervisory Board in financial year 2023 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 | | | |
|-------------------------|---|---------|--------------|---------|--|---------|--------------|---------|--|---------|--------------|---------|
| | 2022 | | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | |
| | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % of TR | EUR thousand | % 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% |

⁹ 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 2023 (previous year: EUR 80 thousand). Remuneration of EUR 20 thousand is paid out per quarter in 2023 (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 37.5 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 733 people as at 31 December 2023 (previous year: 814).

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.

Comparison of remuneration and earnings trends for the members of the Board of Management and the Supervisory Board

| | 2020 (EUR thousand) | 2021 (EUR thousand) | 2022 vs. 2021 in % | 2022 (EUR thousand) | 2022 vs. 2021 in % | 2023 (EUR thousand) | 2023 vs. 2022 in % |
|--|------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| Dr Hans-Georg Feldmeier | 736 | 1,324 | 80% | 1,397 | 6% | 1,375 | -2% |
| Karin Samusch ¹⁰ | 685 | 908 | 33% | 981 | 8% | 696 | -29% |
| Dr. Jürgen Ott ¹¹ | 529 | 586 | 11% | 1,339 | 128% | | |
| Hilde Neumeyer ¹² | 257 | 535 | 108% | 1,769 | 231% | | |
| Dr. Andreas Eberhorn ¹³ | | | | 238 | | 612 | 157% |
| Christof Dreibholz ¹⁴ | | | | 120 | | 617 | 414% |
| Wilhelm Beier | 70 | 80 | 14% | 80 | 0% | 80 | 0% |
| Dr Erwin Kern | 70 | 80 | 14% | 80 | 0% | 80 | 0% |
| Lothar Lanz | 70 | 80 | 14% | 80 | 0% | 80 | 0% |
| Avg. remuneration / FTE | 68 | 71 | 4% | 74 | 4% | 76 | 3% |
| Consolidated EBITDA (adjusted) | 200,651 | 351,071 | 75% | 359,766 | 2% | 310,189 | -14% |
| EBITDA of Dermapharm Holding SE (individual company) | -1,331 | -248 | -81% | -331 | -33% | -400 | -21% |

¹⁰ Karin Samusch resigned from the Management Board of Dermapharm Holding SE on 31 July 2023.

¹¹ Dr Jürgen Ott resigned from the Management Board of Dermapharm Holding SE on 31 August 2022.

¹² Hilde Neumeyer resigned the Management Board of Dermapharm Holding SE on 20 July 2022; her remuneration was continued until 30 September 2022.

¹³ 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.

¹⁴ 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

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 2023 to 31 December 2023 to determine whether the disclosures pursuant to section 162 paragraph 1 and 2 German Stock Corporations Act [Aktengesetz - 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 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 AuS 870 (09.2023)). 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 determine 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, 21. März 2024

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