Dermapharm Holding SE

HALF-YEAR FINANCIAL REPORT **2023**

DERMAPHARM AT A GLANCE

Group results at a glance

		H1 2023	H1 2022
Revenue	EUR million	582.1	471.1
Adjusted EBITDA*	EUR million	168.0	148.7
Adjusted EBITDA margin*	%	28.9	31.6
Unadjusted EBITDA	EUR million	137.0	142.6
Unadjusted EBITDA margin	%	23.5	30.3
Operating result	EUR million	94.7	91.0
EBT	EUR million	66.9	87.2
Consolidated net profit for the period	EUR million	39.6	51.6
Earnings per share	EUR	0.75	0.96

		30 June 2023	31 December 2022
Total assets	EUR million	2,113.5	1,412.8
Equity	EUR million	521.4	532.5
Equity ratio	%	24.7	37.7
Cash and cash equivalents	EUR million	110.8	151.0
Net debt	EUR million	991.2	367.8

* H1/2023 EBITDA was adjusted for non-recurring expenses amounting to EUR 31.0 million.
H1/2022 EBITDA was adjusted for non-recurring expenses amounting to EUR 6.1 million.

DERMAPHARM FACTS, FIGURES & DATES

> 60 development products

Well-filled development pipeline with frequently new product launches

> 380 active pharma-ceuticals ingredients

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

>1,200 marketing authorisations

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

3,404 employees worldwide

Average number of employees worldwide as at 30 June 2023

Financial calendar 2023

Capital markets' day	12 October 2023
Publication of Q3 Quarterly Report	15 November 2023

CONTENT

INTERIM GROUP MANAGEMENT REPORT

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 for selected therapeutic areas in Germany, with an increasingly international strategy.

Dermapharm employs a range of different marketing and distribution strategies depending on the customer and product sold. For instance, the Group markets and distributes branded pharmaceuticals specifically to doctors and pharmacies via a medically trained sales force. It sells other healthcare products – such as food supplements, herbal pharmaceuticals, cosmetics and medical devices – via pharmacies, parapharmacies, health food stores, chemist's shops and online platforms. By contrast, it sell its herbal extracts via a B2B distribution model.

Accordingly, the segments were reorganised in H1 2023: Dermapharm now focuses on its three segments "Branded pharmaceuticals" (formerly "Branded pharmaceuticals and other healthcare products"), "Other healthcare products" (formerly "Herbal extracts") and "Parallel import business".

As part of this reorganisation, the companies Anton Hübner, Hübner Naturarzneimittel, Melasan, mibeTec and BLBR were removed from the former "Branded pharmaceuticals and other healthcare products" segment and assigned to the new "Other healthcare products" segment as at 30 June 2023. The herbal extracts of Euromed and Cernelle and the medicinal cannabis business of Candoro ethics (formerly C³-Cannabinoid Compound Company), as well as Arkopharma's phytopharmaceuticals business, were also allocated to the "Other healthcare products" segment. With the exception of the change concerning remedix, a company specialising in anaesthetics, no changes were made to the "Parallel import business" segment. Going forward, the latter will be managed under Candoro ethics in the "Other healthcare products" segment.

In every segment, the Group's objective is to create as deeply integrated a business model as possible. The growth strategy is dynamic and based on the development of new products, increasing internationalisation and targeted M&A activities in selected businesses.

The business model also involves the use of the Group's own resources to extensively develop, produce and distribute 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 380 active pharmaceutical ingredients and more than 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. Dermapharm has a portfolio of branded products in selected therapeutic areas such as vitamins/minerals/food supplements, dermatology, allergology, pain and inflammation, cardiovascular support and gynaecology and urology. According to the market research firm INSIGHT Health, the Group is Germany's market leader for systemic corticoids (based on the number of prescriptions written by doctors registered there) as well as for prescription vitamins, for instance with the vitamin D compound Dekristol® 20,000 I.U.

Other healthcare products

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

Dermapharm is well-positioned in the area of herbal extracts: Through Spanish subsidiary Euromed S.A., the Group 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 based on procedures that in some cases are patented. A B2B distribution model is used to market the products in more than 50 countries. The Swedish company AB Cernelle manufactures the only pollen extract approved under pharmaceuticals law to treat benign prostate hyperplasia and chronic prostatitis. Candoro ethics is the market leader for dronabinol in Germany and Austria, and it develops, produces and distributes natural and synthetic cannabinoids. 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 been producing and selling food supplements, herbal pharmaceuticals and cosmetics for many years now through Anton Hübner, Hübner Naturarzneimittel and Melasan. After acquiring the France-based Arkopharma in January 2023, Dermapharm's portfolio of companies now also includes a leading supplier of natural OTC products and food supplements in western and southern Europe.

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

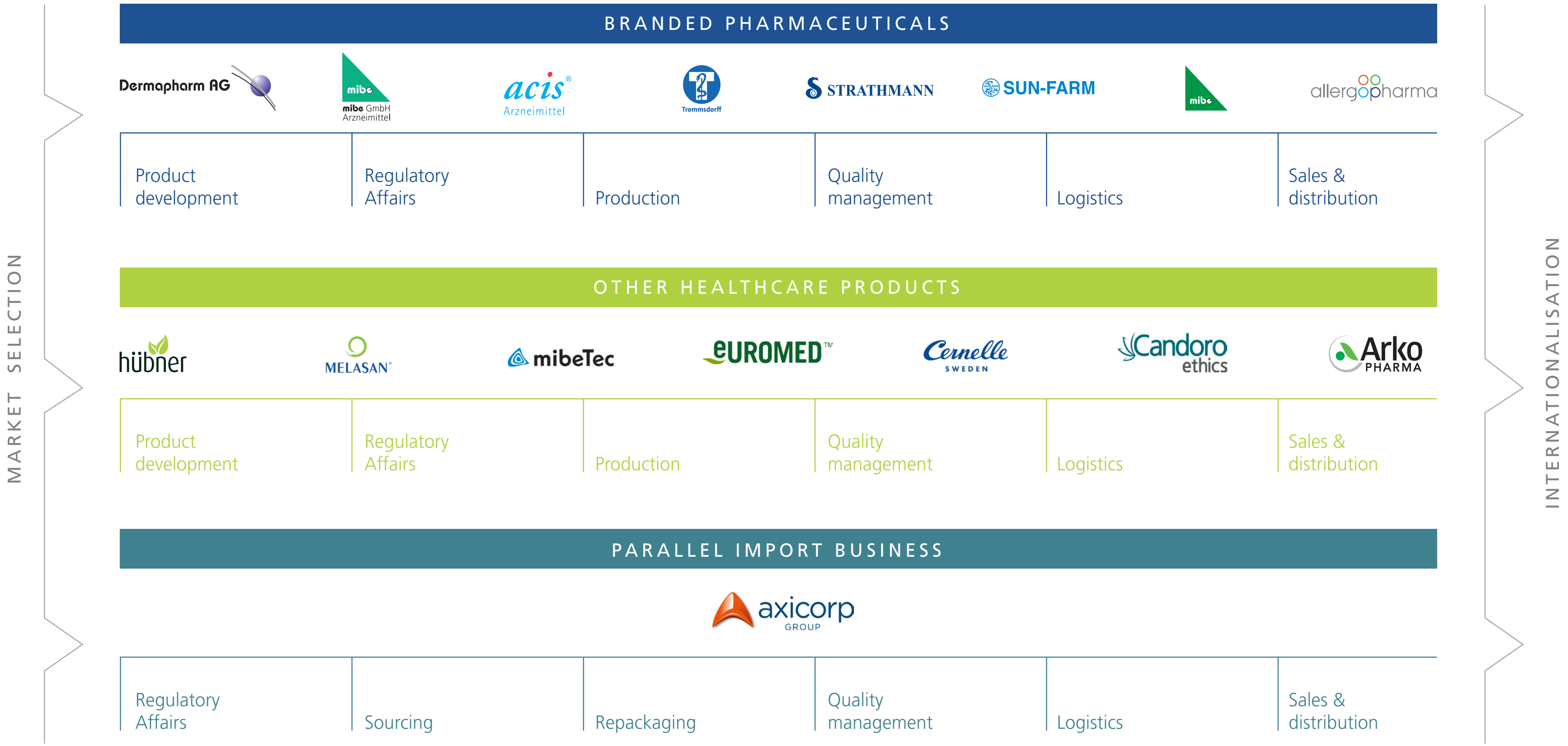
Parallel import business

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 "axicorp's" own production facilities in Friedrichsdorf in accordance with the requirements of the German market. Product sales are driven by direct marketing activities carried out at the company's own call centre.

According to INSIGHT Health, axicorp was Germany's top five parallel importers in terms of gross revenue in the first half of financial year 2023 and it covered the majority of the prescription originator pharmaceuticals available on the German parallel import market.

Dermapharm Holding SE's integrated business model based on the new segment structure as at 30 June 2023 (Illustration of the main companies)



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 inorganic 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 over 60 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 subsidiaries abroad and by acquiring new companies with an international presence. Country-specific portfolios are formed/developed based in each case on a detailed analysis of market conditions, with compounds developed and manufactured by the Group receiving marketing authorisation.

Acquiring new products, product 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 gradually foster their further development. This covers both expanding market position and optimising the cost structure of the respective company. 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 organic and inorganic growth opportunities and pursue strategic options that fit our corporate strategy.

1.2 Group structure and interests

Dermapharm Holding SE holds all of the shares in both Dermapharm AG and Dermapharm Beteiligungs GmbH. The Group's business operations are conducted by Dermapharm AG and by the subsidiaries of Dermapharm Beteiligungs GmbH and other subsidiaries.

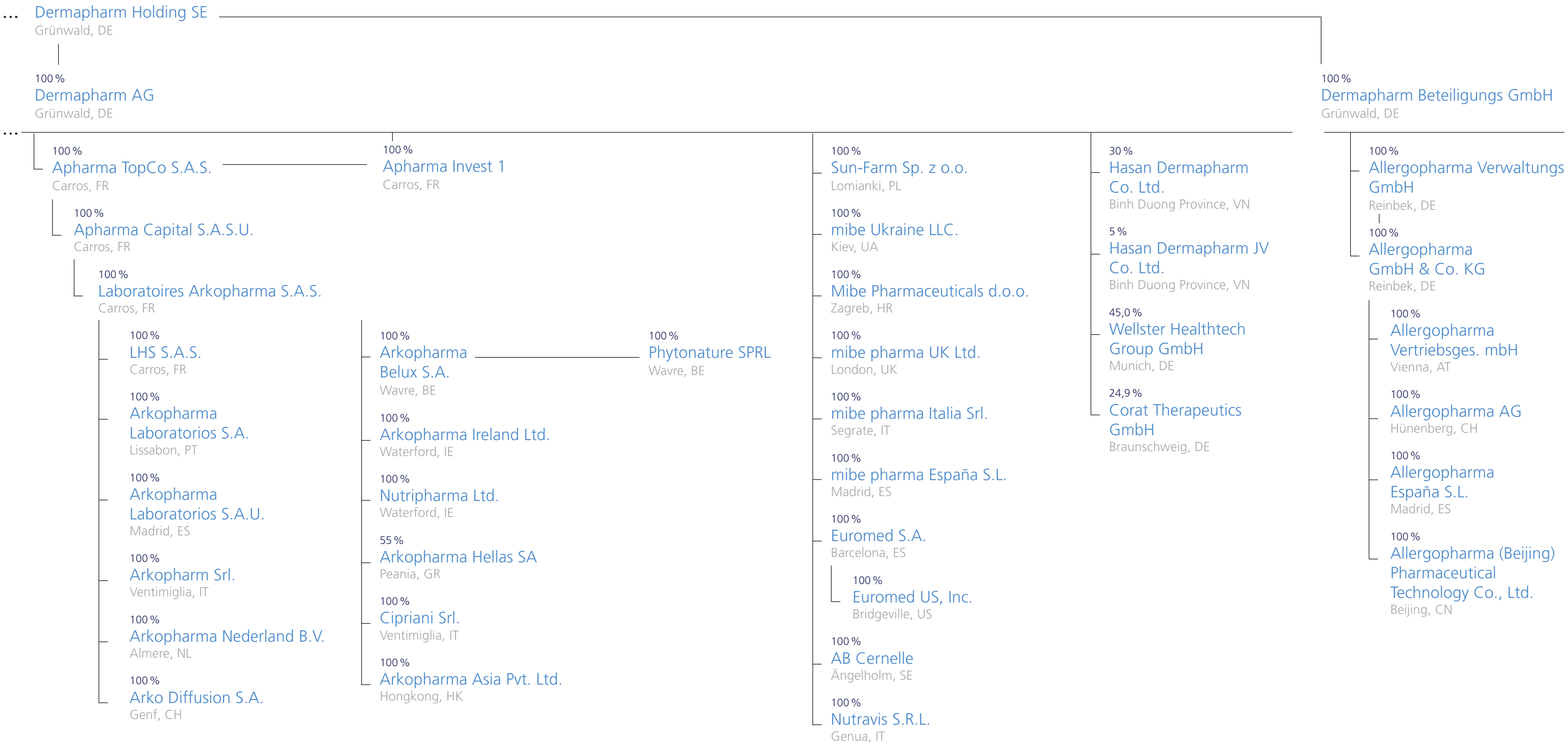
The group of companies consolidated by Dermapharm Holding SE includes all companies whose financial or business policies the Company controls directly or indirectly. In addition, Dermapharm Holding SE holds interests in companies whose financial and business policies are significantly influenced by the Company.

The following Group structure shows the direct and indirect subsidiaries, the associates and the equity investments as at 30 June 2023:

Dermapharm Holding SE group organisation chart

- Dermapharm Holding SE, Grünwald, DE ....
  - 100 % Dermapharm AG, Grünwald, DE ....
    - 100 % mibe GmbH Arzneimittel, Brehna, DE
      - 100 % acis Arzneimittel GmbH, Grünwald, DE
      - 100 % mibe L & S GmbH & Co. KG, Brehna, DE
      - 100 % mibe F & E GmbH & Co. KG, Brehna, DE
    - 100 % mibeTec GmbH, Brehna, DE
      - 100 % mibeTec US, Inc., Austin, US
      - 100 % mibeTec Japan, K.K., Tokio, JP
    - 100 % mibe Vertrieb GmbH, Grünwald, DE
    - 50,98 % BLBR GmbH, Grünwald, DE
    - 100 % DHM Digital hub mibe GmbH, Grünwald, DE
    - 100 % Anton Hübner Verwaltungsges. mbH, Ehrenkirchen, DE
      - 100 % Anton Hübner GmbH & Co. KG, Ehrenkirchen, DE
    - 100 % Hübner Natur-arzneimittel GmbH, Ehrenkirchen, DE
    - 100 % Trommsdorff GmbH & Co. KG, Alsdorf, DE
      - 100 % Cl. Lageman GmbH, Alsdorf, DE
    - 100 % Strathmann Service GmbH, Hamburg, DE
      - 100 % Strathmann GmbH & Co. KG, Hamburg, DE
    - 100 % fitvia GmbH i.L., Wiesbaden, DE
      - 100 % bellavia GmbH i.L., Wiesbaden, DE
    - 100 % axicorp GmbH, Friedrichsdorf, DE
      - 100 % axicorp Pharma GmbH, Friedrichsdorf, DE
      - 100 % axicorp Pharma B.V., Amsterdam, NL
      - 100 % axicorp Aps Hellerup, Hellerup, DK
    - 100 % Dermapharm GmbH, Vienna, AT
      - 100 % Melasan GmbH, Neumarkt, AT
      - 25,1 % Gynial GmbH, Vienna, AT
    - 53,5 % Pharmazeutische Fabrik Montavit Gesellschaft m.b.H., Absam, AT
    - 100 % Tiroler Nussöl Sonnenkosmetik GmbH, Kitzbühel, AT
    - 100 % Dermapharm AG, Hünenberg, CH
      - 40 % Gynial AG, Hünenberg, CH
      - 100 % Candoro Ethics AG, Hünenberg, CH
    - 100 % Candoro ethics GmbH, Friedrichsdorf, DE
      - 100 % Spectrum Therapeutics GmbH, Neumarkt, DE
      - 100 % THC Pharm GmbH The Health Concept, Frankfurt am Main, DE
      - 100 % remedix GmbH, Friedrichsdorf, DE
      - 100 % Spectrum Therapeutics Austria GmbH, Vienna, AT

Dermapharm Holding SE group organisation chart (Continued)



Dermapharm locations*

AMERICA

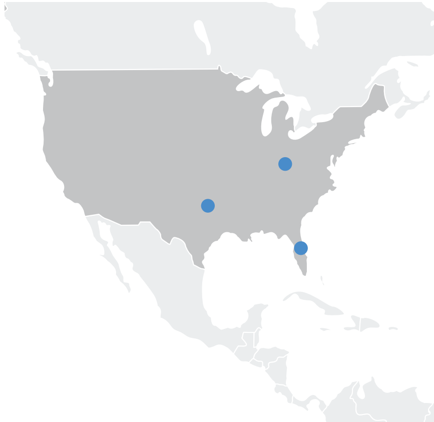
USA

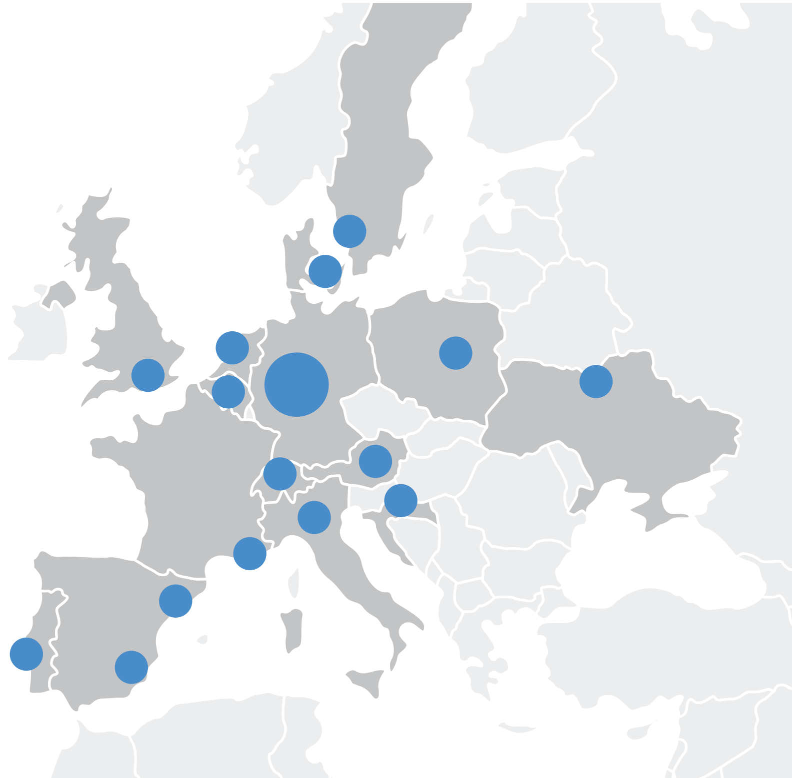
EUROPE

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

ASIA

Japan
Vietnam
China





locations* worldwide
with focus on **Europe**
Head office in **Germany**

All company locations on the web:
→ https://ir.dermapharm.de/en/company

The Group organisation chart → page 9

* Direct, indirect subsidiaries and associated companies and interests

1.3 Sites and employees

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

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

A new office and operations building was completed for axicorp at the Friedrichsdorf location in 2021. The move to the new premises took place at the beginning of April 2022.

Euromed, which is allocated to the "Other healthcare products" segment, has its own production facilities in Molina de Segura (Murcia, Spain) and Mollet del Vallès (Barcelona, Spain) and operates a drying facility in Okeechobee (Florida, United States). The Swedish company AB Cernelle manufactures products at its location in Ängelholm. Candoro ethics (formerly the C^3 Group) currently still has two production facilities: natural dronabinol is extracted in Neumarkt in der Oberpfalz, and synthetic dronabinol is produced in Höchst (Frankfurt am Main). At the end of 2023 the Group intends to transfer the production activities of the Candoro ethics subsidiaries to Friedrichsdorf. Arkopharma, which the Group acquired in January 2023, has its central development, production and distribution activities located in Carros (Nice, France).

Some of its products are marketed and sold in more than one segment. In Germany, various different sales forces visit pharmacies, registered doctors and clinics to distribute branded pharmaceuticals. Candoro ethics also employs a specially trained sales force to market and distribute its products. In 2022, the Spectrum and Trommsdorff sales forces were merged with that of mibe Vertrieb. Arkopharma also has its own sales force to distribute its products in pharmacies and parapharmacies. On the other hand, Euromed employs a B2B business model to sell its herbal extracts. 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 2023, an average of 3,404 employees worked for the Group (previous year: 2,573 employees).

1.4 Management system and performance indicators

The Board of Management approves the respective 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 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 Board of Management manages its operations using financial performance indicators that are monitored continuously and integrated into the monthly reporting to the Board of Management. To that end, the projections for the defined segments are compared against current business results and if there are deviations from the original targets, appropriate measures are developed.

The key management metrics used by the Board of Management to measure the success of business activities are revenue and adjusted 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 (net)
= Earnings before taxes (EBT)
\+ Financial expenses
\- Financial income
\+ Depreciation, amortisation, and reversals of write-downs
= EBITDA

EBITDA is adjusted for non-recurring items. For more detailed information, please refer to section 2.2.

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 continued internationalisation and organic growth.

The Group 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 epiivo®, a medical device to treat itchy skin.

In total, the Group operates five development centres: mibe F&E GmbH & Co. KG in Brehna focuses on pharmaceutical and analytical development and marketing authorisations for pharmaceuticals and cosmetics. mibe GmbH Arzneimittel in Brehna is also the Group's primary manufacturer of investigational medicinal products. Allergopharma GmbH & Co. KG's research and development centre in Reinbek focuses on developing new allergen immunotherapies. Allergopharma is constantly working to improve the existing product range, including indications and application plans. Anton Hübner GmbH & Co. KG in Ehrenkirchen specialises in the development of medical science-based food supplements, substance-based medical devices and cosmetics. These use herbal ingredients in particular – giving rise to synergies with Euromed S.A. Euromed S.A. operates a laboratory and innovation centre in Mollet de Vallès, Spain, that focuses on research and 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 new extracts and indications. The recently acquired Arkopharma conducts its own research and development in Carros, near Nice, France, focussing on the development of herbal pharmaceuticals and food supplements.

In the first half of financial year 2023, an average of 310 employees worked in product development at the Group (previous year: 217 employees).

Dermapharm's more than 30 years' experience provides it with proven 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

In its most recent publication in July 2023, the International Monetary Fund (IMF) projected global growth of 3.0% for the current year, which is below average by historical standards (2022: 3.5%). Although growth expectations are virtually on par with the figures projected at the beginning of the year, there are still multiple risk factors to take into account. These include stubbornly high inflation, tensions within the banking sector, soaring costs of financing and a deterioration in trading conditions due to the fraught geopolitical situation.

The IMF projects that the European Union's economic output will increase by 0.9% in 2023 (2022: 3.5%). This year-on-year slowdown is due in part to the expected stagnation in Germany (2023: -0.3%; 2022: 1.8%) and muted growth in France (2023: 0.8%; 2022: 2.5%).

Given that 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 its 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 increasing self-medication as well as advances in the medical field. Accordingly, the European pharmaceuticals market has grown continuously in recent years.

Dermapharm's primary market, Germany, has a highly developed healthcare system with 110,100 registered physicians (in 2022), 18,068 public pharmacies (in 2022) and 1,887 hospitals (in 2021). According to IQVIA, the growth trend seen in the German pharmaceuticals market in recent years continued in the first quarter of 2023 as well. In the first quarter of 2023, revenue in the German pharmaceuticals markets increased by 6.9% to EUR 14.5 billion. However, volume gains are increasingly neutralised due to government intervention in pricing. This results in a continued downward trend in prices, state-imposed mandatory discounts and steep discounts to health insurance organisations, the latter as a result of statutory discount agreement options between manufacturers and health insurance organisations.

According to INSIGHT Health, in the first half of financial year 2023, revenue in the parallel imports market increased from EUR 1.5 billion in the previous year to EUR 1.6 billion (basis: Apofusion sell-out). The share of total revenue on the German pharmaceutical market that is generated with parallel-imported products increased from 5.8% in the previous year to 6.1% in the first half of 2023.

2.2 Course of business

The first half of 2023 was a great success for Dermapharm. This positive development is due primarily to the integration of Arkopharma and the robust organic growth in the existing business. This latter factor made it possible to generally offset the decline in vaccine production.

The "Branded pharmaceuticals" segment accounted for a significant share of growth in the existing business in the first six months of 2023. In particular, the compounds Myditin®, Myopridin®, Ampho-Moronal®, Ketozolin®, Prednisolut® and Allergovit® performed extremely well within the segment. However, the segment as a whole suffered declining revenue and earnings, due solely to the sharp decline in contributions from the vaccine production in cooperation with BioNTech SE as the pandemic receded.

In the "Other healthcare products" segment, the further increase in demand in particular in herbal extracts and food supplements generated strong growth in the existing business in the first half of 2023. The newly acquired Arkopharma represents a major growth driver in this respect.

Despite the ongoing portfolio cuts, the "Parallel import business" segment recorded slight growth in the first half of 2023. This was due to the excellent availability of products and efficient purchasing management.

Performance indicators

Consolidated revenue increased by 23.6% to EUR 582.1 million as compared to the prior-year period (H1 2022: EUR 471.1 million).

At the same time, adjusted EBITDA increased by 13.0% to EUR 168.0 million (H1 2022: EUR 148.7 million).

The non-recurring items in H1 2023 which were eliminated in the calculation for adjusted EBITDA amounted to EUR 31.0 million and comprised the following

- EUR 8.4 million relating to the acquisitions, share purchases and M&A deals not completed;
- EUR 8.8 million in adjustments made in connection with the purchase price allocation (IFRS 3) (in particular for the Arkopharma Group) due to the carrying amount "step-up" for inventories on account of the fair value measurement and the decrease in earnings due to realisation;
- EUR 6.6 million impairment on the Corat equity investment;
- Deconsolidation adjustment in relation to fitvia, bellavia and mibe UK amounting to EUR 7.2 million.

The non-recurring items in H1 2022 which amounted to EUR 6.1 million and comprised the following:

- Ancillary purchase costs in connection with the acquisition of C³ Group and AB Cernelle amounting to EUR 3.2 million;
- EUR 2.7 million in adjustments made in connection with the purchase price allocation (IFRS 3) for AB Cernelle and C³ Group due to the carrying amount "step-up" for inventories on account of the fair value measurement and the decrease in earnings due to realisation;
- Restructuring expenses of EUR 0.2 million in relation to fitvia.

The **adjusted EBITDA margin** amounted to 28.9% (H1 2022: 31.6%). The decline in the margin was attributable primarily to a relative increase in personnel expenses.

Unadjusted EBITDA fell slightly to EUR 137.0 million (H1 2022: EUR 142.6 million) and the **unadjusted EBITDA margin** amounted to 23.5% (H1 2022: 30.3%).

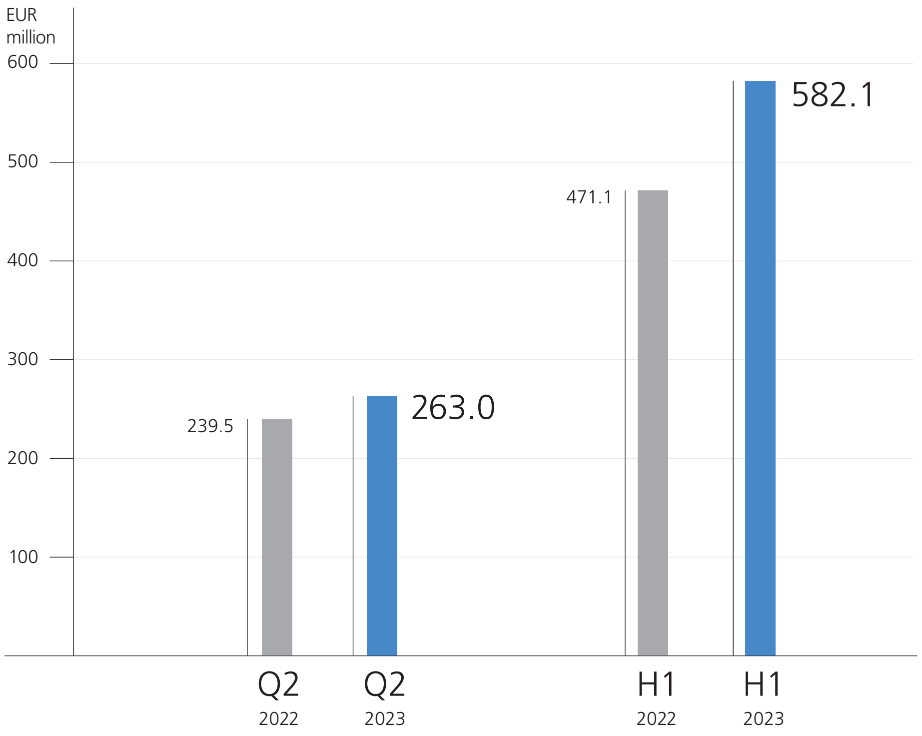
2.3 Financial position, financial performance and cash flows

2.3.1 Financial performance of the Group

Revenue and earnings performance of the Group

Consolidated revenue rose to EUR 582.1 million in the first six months of 2023, representing a 23.6% increase as compared to the same period of the previous year (previous year: EUR 471.1 million). This increase was due primarily to the additional revenue contributions by Arkopharma. The existing portfolio also performed very well, although the latter was only able to offset the expected sharp decline in vaccine production as the pandemic tailed off.

Half-yearly and quarterly comparison of revenue trend



The increase in revenue in the first half of 2023 resulted in a higher **cost of materials** in absolute terms of EUR 229.1 million in the period under review (previous year: EUR 186.8 million). The cost of materials ratio, taking into account the change in inventories, (cost of materials and change in inventories in the numerator) remained virtually unchanged at 37.9% (previous year: 38.2%).

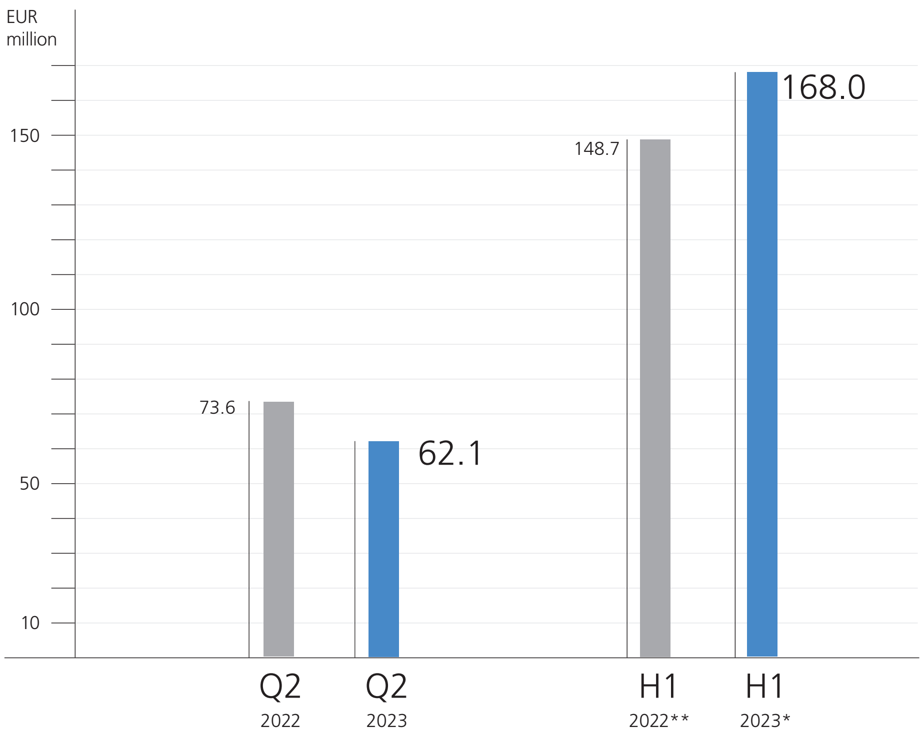
Personnel expenses amounted to EUR 132.1 million in H1 2023 (previous year: EUR 94.6 million). The year-on-year increase was due primarily to the expansion of the group of consolidated companies to include Arkopharma, new hires as well as an increase in wages and salaries across the board throughout the Group in connection with inflation adjustments. However, due to the sharp increase in revenue, the personnel expenses ratio rose by only 2.6 percentage points from 20.1% in the prior year to 22.7%.

Depreciation and amortisation remained virtually level at EUR 49.3 million in H1 2023 (previous year: EUR 51.5 million). In the same period of the previous year, this item related primarily to the EUR 24.8 million goodwill impairment recognised in respect of fitvia; in the first half of 2023, depreciation and amortisation charges of EUR 16.5 million were recognised for the first time in connection with the purchase price allocation of Arkopharma, as well as depreciation and amortisation charges on new items of intangible assets and property, plant and equipment.

Other operating expenses amounted to EUR 105.6 million in H1 2023 (previous year: EUR 68.3 million). The year-on-year increase was due primarily to the high Arkopharma marketing costs, which was attributable to the business model, as well as to higher legal and consulting fees and deconsolidation losses. The ratio of (unadjusted) other operating expenses to revenue increased to 18.1% (previous year: 14.5%).

The adjusted EBITDA described in 2.2 above rose in H1 2023 by 13.0% from EUR 148.7 million in the previous year to EUR 168.0 million; the adjusted EBITDA margin fell from 31.6% in the previous year to 28.9%. Based on **unadjusted EBITDA** amounting to EUR 137.0 million (previous year: EUR 142.6 million), in the first half of the year, Dermapharm reported an unadjusted EBITDA margin of 23.5%, which was down on the prior-year figure of 30.3% due to non-recurring items.

Yearly and quarterly comparison of EBITDA trend



* H1/2023 EBITDA was adjusted for non-recurring expenses amounting to EUR 31.0 million.
** H1/2022 EBITDA was adjusted for non-recurring expenses amounting to EUR 6.1 million.

Unadjusted **earnings before taxes** (EBT) amounted to EUR 66.9 million in H1 2023 (previous year: EUR 87.2 million). The EBT margin fell to 11.5% (previous year: 18.5%). The decline in absolute terms was primarily due to the EUR 22.6 million increase in financial expenses resulting from the new syndicated loan.

Accordingly, the unadjusted **profit or loss for the period** in the first six months of 2023 amounted to EUR 39.6 million (previous year: EUR 51.6 million), with lower tax payments and higher interest expenses partially offsetting each other.

Segment reporting

The following table shows the changes in the performance indicators reported internally to Dermapharm's Board of Management by segments. In the table below as well as in the commentary, the prior-year figures have been adjusted to reflect the change in segment structure. In addition, the bottom table also contains the prior-year line items as presented in accordance with the former segment structure.

	Branded pharmaceuticals		Other healthcare products*		Parallel import business		Reconciliation/ Group holding company		Group	
6 months ended 30 June in EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue	266,956	277,754	210,800	89,106	125,124	117,711	–20,793	–13,450	582,087	471,120
of which intersegment revenue	*3,066*	*1,424*	*16,098*	*11,312*	*1,629*	*715*	*–20,793*	*–13,450*	-	-
Revenue from external customers	263,890	276,330	194,701	77,794	123,496	116,996	-	-	582,087	471,120
Revenue growth	–5%	10%	150%	20%	6%	5%	-	-	24%	10%
EBITDA (unadjusted)	105,691	131,227	32,091	13,544	675	1,607	–1,459	–3,753	136,998	142,625
of which earnings from investments accounted for using the equity method	*–7,003*	*76*	-	-	-	-	-	-	*–7,003*	*76*
EBITDA margin (unadjusted)	40%	47%	16%	17%	1%	1%	-	-	24%	30%

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

6 months ended 30 June 2022 in EUR thousand	**Branded pharmaceuticals and other healthcare products**	**Herbal extracts***	**Parallel import business**	**Reconciliation/ Group holding company**	**Group**
Revenue	298,749	52,030	121,557	–1,217	471,120
of which intersegment revenue	*1,013*	*166*	*37*	*–1,217*	-
Revenue from external customers	297,736	51,864	121,520	-	471,120
Revenue growth	10%	32%	4%	-	10%
EBITDA (unadjusted)	134,795	9,129	2,406	–3,705	142,625
of which earnings from investments accounted for using the equity method	*76*	-	-	-	*76*
EBITDA margin (unadjusted)	45%	18%	2%	-	30%

* As from 1 February 2022 with Candoro ethics (formerly C³ Group).

Revenue and earnings performance of the "Branded pharmaceuticals" segment
Revenue in the "Branded pharmaceuticals" segment reported in H1 2023 fell slightly year on year by 4.5% to EUR 263.9 million (previous year: EUR 276.3 million). This decrease was due for the most part to the significant scaling back of vaccine production in cooperation with BioNTech SE as the pandemic faded; this was offset by high demand for products from the existing portfolio.

The segment's **unadjusted EBITDA** reported in H1 2023 dropped by 19.4% to EUR 105.7 million (previous year: EUR 131.2 million). At 40.1% (previous year: 47.5%), the segment's **unadjusted EBITDA margin** was down on the same period of the previous year.

Revenue and earnings performance of the "Other healthcare products" segment
Revenue in the "Other healthcare products" segment reported in H1 2023 increased year on year by 150.3% to EUR 194.7 million (previous year: EUR 77.8 million). The increase in revenue was due mainly to the first-time consolidation of Arkopharma revenue. The global rise in demand for herbal extracts and food supplements continued to have a positive effect in this regard.

The **segment's unadjusted EBITDA** amounted to EUR 32.1 million in H1 2023 (previous year: EUR 13.5 million). This resulted in a 16.5% **unadjusted EBITDA margin** for this segment (previous year: 17.4%).

Revenue and earnings performance of the "Parallel import business" segment
Revenue in the "Parallel import business" segment generated in H1 2023 rose year on year by 5.6% to EUR 123.5 million (previous year: EUR 117.0 million). This increase is due mainly to the excellent availability of products in an overall growing market. This positive trend was offset in part by higher discounts to health insurance organisations in connection with the German Act for More Safety in the Supply of Pharmaceuticals *(Gesetz für mehr Sicherheit in der Arzneimittelversorgung, "GSAV")*.

The unadjusted **EBITDA** reported in the segment rose year on year by 56.3% to EUR 0.7 million in H1 2023 (previous year: EUR 1.6 million). The segment's **EBITDA margin** was 0.6%, which was down as compared to the prior-year level of 1.4%. In the course of the relocation of Candoro ethics (formerly C³ Group) to Friedrichsdorf and the provision of appropriate office space and facilities, certain logistics services were transferred from axicorp to mibe. The corresponding margin will therefore be attributed to the "Branded pharmaceuticals" segment going forward.

2.3.2 Financial position of the Group

The financial position of the Group was as shown below as at 30 June 2023:

The **total assets** increased to EUR 2,113.5 million as at 30 June 2023 (31 December 2022: EUR 1,412.8 million).

On the assets side, this was driven primarily by the increase in **non-current assets**. This increase also related primarily to the acquisition of Arkopharma and the associated recognition of goodwill and intangible assets.

Current assets increased by EUR 68.3 million to EUR 602.2 million. The EUR 71.2 million increase in inventories and the EUR 13.2 million increase in trade receivables stemming from the newly acquired Arkopharma both played an important role in this increase, which was offset by a EUR 40.2 million reduction in cash in the course of refinancing activities.

Equity amounted to EUR 521.4 million as at 30 June 2023, compared to EUR 532.5 million as at 31 December 2022. The slight reduction was due mainly to the decrease in retained earnings as the result of the 2022 dividend distribution. The Dermapharm Group again reported a solid equity ratio of 24.7% as at the reporting date (31 December 2022: 37.7%).

The **non-current liabilities** increased to EUR 1,291.8 million as at 30 June 2023 (31 December 2022: EUR 662.6 million). This increase is attributable to the new syndicated loan in connection with the acquisition of Arkopharma.

The **current liabilities** amounted to EUR 300.3 million as at the reporting date (31 December 2022: EUR 217.8 million). This increase was attributable to the various bank overdrafts utilised on and around the reporting date as an element of current financial liabilities amounting to EUR 46.6 million (31 December 2022: EUR 4.9 million) and a EUR 20.8 million increase in trade payables in connection with the consolidation of Arkopharma.

2.3.3 Cash flows of the Group

Stable cash flows

Dermapharm's cash flows remained stable during the reporting period and thus the Group's solvency was guaranteed at all times during the current financial year.

In December 2022, Dermapharm entered into a syndicated loan agreement, under which EUR 965 million was drawn down on 30 June 2023. The syndicated loan agreement comprises a bullet tranche of EUR 650 million (Facility A) and a repayment tranche of EUR 200 million (Facility B), both of which had been fully drawn down as at the reporting date. The loan also comprises a third, revolving tranche of EUR 200 million (Facility C), of which EUR 115 million had been drawn down as at the reporting date. Please refer to the 2022 Annual Report for further details.

Overview of the structure of financial liabilities in the Group as at 30 June 2023

Current residual terms of financial liabilities:

EUR thousand	< 1 year	1-5 year	> 5 year	Total
Promissory note loans	-	83,796	16,000	99,796
Promissory note loans	41,687	937,928	2,836	982,452
Lease liabilities	4,963	7,448	4,662	17,074
Total	**46,650**	**1,029,172**	**23,498**	**1,099,321**

Cash flow analysis

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

The net cash flow from operating activities increased to EUR 88.1 million in H1 2023 (previous year: EUR 72.3 million). This year-on-year increase was due primarily to the EUR 18.6 million change in net working capital.

Net cash flow from investing activities, which reflects the cash outflows for investments less the inflows from disposals, amounted to EUR -414.1 million in H1 2023 (previous year: EUR -80.6 million). Cash flow from investing activities was affected during the period under review primarily by the purchase price for the Arkopharma acquisition.

Free cash flow, i.e., cash flow from ongoing business activities plus cash flow from investing activities, amounted to EUR -326.0 million in the period under review (previous year: EUR -8.3 million).

Cash flow from financing activities amounted to EUR 286.9 million in the period under review (previous year: EUR -72.8 million). One key factor influencing this development was the syndicated loan agreement that was entered into in December 2022. Facility A was drawn down at the beginning of the year in the amount of 650 million.

Dermapharm Holding SE had consolidated cash and cash equivalents of EUR 110.8 million as at 30 June 2023 (30 June 2022: EUR 83.8 million).

3. Report on Opportunities and Risks

The risks and opportunities of future development at Dermapharm and the Group-wide risk management system, internal control system and compliance management system are described in detail in the combined Group management report for the 2022 financial year (see section 3. Report on Risks and Opportunities).

In the first half of 2023, no changes were made with regard to the methodology used to identify and assess risks. Following its acquisition in January 2023, the Arkopharma Group was integrated into the Group-wide risk management system and included in the risk survey for the first time as at 30 June 2023.

Dermapharm's relevant strategic, operating, financial and compliance risks are assigned to 25 risk categories. The Group-wide risk analysis conducted on 30 June 2023 (period under review: July 2023 – June 2024) revealed that there have been changes to the risk classification for only two risk categories:

1) 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.

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. Furthermore, as an operator of critical national infrastructure, the systems of the Dermapharm Group's key operating companies 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.

Compared with the previous risk report, the likelihood of cyber attacks, phishing e-mails and the exploitation of IT vulnerabilities is estimated to be higher as at 30 June 2023. Taking into account the probability of occurrence and the extent of harm at the Group level, the risk category has accordingly been upgraded from low to medium.

2) 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.

In order to minimise the interest rate risks arising from the syndicated loan agreement entered into in December 2022, Dermapharm entered into two interest rate hedges with a core bank in March 2023 to cover the majority of the financing volume. This synthetically eliminates the interest rate risk for this volume until the interest rate swaps expire at the end of 2025/beginning of 2026.

As at 30 June 2023, the potential impact from a change in the interest rates is lower than what was reported in the previous risk report. Taking into account the probability of occurrence and the extent of harm at the Group level, the risk category has accordingly been downgraded from medium to low.

The combined Group management report for the 2022 financial year (see section 3.5 Risk Report) individually describes the other 23 risk categories, presents the steps taken to minimise risks and classifies the respective risks as either low, medium or high.

4. Report on expected developments

Outlook

In its report on expected developments, the Board of Management discusses, to the extent possible, its expectations with respect to the future development of Dermapharm and the market environment in which the Group operates for financial year 2023. Dermapharm's business model is geared towards markets which offer 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.

Despite the sustained high demand for compounds in the "Branded pharmaceuticals" segment, the revenue contributed by this segment decreased due to the decline in vaccine production in cooperation with BioNTech SE. The Board of Management expects the revenue contributions in the "Parallel imports business" segment to decline due to the ongoing portfolio cuts. The newly acquired Arkopharma is expected to further boost growth in the "Other healthcare products" segment in addition to the organic growth already recorded. The Board of Management therefore expects the Group to experience continued year-on-year growth in financial year 2023 and is pleased to confirm the outlook published in the 2022 Annual Report, calling for consolidated revenue to increase year on year to between EUR 1,080 million and EUR 1,110 million and adjusted EBITDA to rise to between EUR 300 million and EUR 310 million. The recently acquired company Montavit will be included in the scope of consolidated companies beginning on 1 July 2023. As its revenue and (positive) earnings contributions in the second half of the year are expected to be immaterial, the forecast was not revised.

Forward-looking statements

This report contains forward-looking statements made on the basis of information that was available as at the date on which this half-yearly financial report was prepared. However, this also entails operating challenges and risks which are determined to a large extent by changing or additional state regulatory measures, such as cost-reduction measures and more cumbersome requirements for authorisations. As a result, the future development of the Group's revenue and earnings will be characterised by growth-promoting as well as growth-inhibiting conditions. These and other factors can result in actual events, the financial position, performance and the profitability of the Company deviating significantly from the estimates stated herein. Moreover, this outlook is subject to uncertainty stemming from the consequences of the still-ongoing Russian invasion of Ukraine and rising prices for raw materials and energy.

Grünwald, 28 August 2023

The Board of Management

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

as at 30 June 2023 and 31 December 2022

The different reporting of the key financial figures in millions of € (EUR million) in the interim management report and in thousands of € (EUR thousand) in the interim consolidated financial statements and in the segment reporting may lead to rounding differences.

Assets **EUR thousand**	**30 June 2023**	**31 December 2022**
Non-current assets		
Intangible assets	569,940	305,044
Goodwill	578,354	271,319
Property, plant and equipment	298,050	225,673
Investments accounted for using the equity method	27,917	34,920
Equity investments	5,444	441
Other non-current financial assets	31,626	41,493
Total non-current assets	**1,511,331**	**878,890**
Current assets		
Inventories	326,925	255,721
Trade receivables	109,892	96,715
Other current financial assets	23,510	14,656
Other current assets	27,741	15,790
Tax assets	3,344	43
Cash and cash equivalents	110,778	151,021
Total current assets	**602,190**	**533,947**
Total assets	**2,113,521**	**1,412,836**

Equity and liabilities **EUR thousand**	**30 June 2023**	**31 December 2022**
Equity		
Issued capital	53,840	53,840
Capital reserves	100,790	100,790
Retained earnings	345,073	355,357
Other reserves	21,498	21,604
Equity attributable to owners of parent	**521,201**	**531,592**
Non-controlling interests	196	900
Total equity	**521,397**	**532,491**
Non-current liabilities		
Provisions for employee benefits	106,961	89,277
Non-current financial liabilities	1,052,671	511,560
Other non-current financial liabilities	1,060	-
Other non-current liabilities	12,331	11,198
Deferred tax liabilities	118,818	50,518
Total non-current liabilities	**1,291,842**	**662,553**
Current liabilities		
Other provisions	26,408	24,925
Current financial liabilities	46,650	4,887
Trade payables	76,935	56,100
Other current financial liabilities	1,640	2,369
Other current liabilities	55,204	33,157
Tax liabilities	93,446	96,354
Total current liabilities	**300,282**	**217,792**
Total equity and liabilities	**2,113,521**	**1,412,836**

Consolidated statement of comprehensive income

for the 3- and 6-month periods ended 30 June 2023 and 30 June 2022

	3 months ended		6 months ended	
EUR thousand	**30 June 2023**	**30 June 2022**	**30 June 2023**	**30 June 2022**
Revenue	262,969	239,479	582,087	471,120
Change in inventories	–3,420	2,697	8,567	6,911
Own work capitalised	3,437	3,405	7,184	7,487
Other operating income	2,710	3,300	13,019	6,673
Cost of materials	–106,676	–93,458	–229,147	–186,775
Personnel expenses	–66,050	–50,308	–132,102	–94,598
Depreciation, amortisation and reversal of impairment	–34,318	–38,951	–49,301	–51,520
Other operating expenses	–48,249	–33,222	–105,606	–68,269
Operating result	**10,403**	**32,942**	**94,700**	**91,029**
Share of profit/loss of companies accounted for using the equity method, after tax	–5,703	–614	–7,003	76
Financial income	6,479	57	6,905	1,142
Financial expenses	–14,094	–2,615	–27,723	–5,075
Financial result	**–13,317**	**–3,173**	**–27,822**	**–3,857**
Earnings before taxes	**–2,914**	**29,769**	**66,879**	**87,171**
Income tax expenses	–6,568	–15,306	–27,262	–35,571
Profit or loss for the period	**-9.482***	**14,463**	**39,617**	**51,601**

* The negative result in Q2 2023 is due to the PPA effects of the Arkopharma Group acquisition amounting to EUR 25,205 thousand.

	3 months ended		6 months ended	
EUR thousand	**30 June 2023**	**30 June 2022**	**30 June 2023**	**30 June 2022**
Other comprehensive income not reclassified to profit or loss in subsequent periods:				
Actuarial gains/losses from remeasurement of defined benefit pension plans	–141	38,538	–171	38,538
Deferred taxes on items that will not be reclassified	36	–11,637	44	–11,637
Profits/losses from remeasurement of equity instruments	-	–5,820	-	–5,820
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:				
Foreign operations - currency translation differences	431	142	20	–460
Other comprehensive income, after tax	**327**	**21,223**	**–107**	**20,621**
Total comprehensive income for the period	**-9.155***	**35,686**	**39,510**	**72,222**
Profit or loss for the period attributable to				
Owners of the parent	–9,187	14,519	40,218	51,890
Non-controlling interests	–295	–55	–601	–289
	-9.482*	**14,463**	**39,617**	**51,601**
Total comprehensive income for the period attributable to				
Owners of the parent	–8,860	35,742	40,111	72,511
Non-controlling interests	–295	–55	–601	–289
	-9.155*	**35,686**	**39,510**	**72,222**
Earnings per share				
Basic (= diluted) earnings per share (EUR)	–0.17	0.27	0.75	0.96

* The negative result in Q2 2023 is due to the PPA effects of the Arkopharma Group acquisition amounting to EUR 25,205 thousand.

Consolidated statement of cash flows

for the 6-month period ended 30 June 2023 and 30 June 2022

	6 months ended	
EUR thousand	**30 June 2023**	**30 June 2022**
Earnings before taxes	66,879	87,171
Depreciation, amortisation / (reversal of impairment) of fixed assets	48,802	51,452
(Increase)/decrease in working capital (assets)	–16,260	–49,975
Increase/(decrease) in working capital (liabilities)	–13,851	1,241
Increase/(decrease) in provisions for employee benefits	1,187	523
Other non-cash items	7,692	–763
Share of (profit)/loss of companies accounted for using the equity method, after tax	7,003	–76
(Gain)/loss on disposal of non-current assets	136	–96
Interest expense/(income)	19,659	3,266
Income tax payments	–33,150	–20,414
Net cash flows from operating activities	**88,096**	**72,329**
Proceeds from the disposal of intangible assets and property, plant and equipment	101	249
Proceeds from disposals of financial assets	-	10,000
Business combinations, less cash	–391,111	–70,549
Payments for investments in intangible assets and property, plant and equipment	–18,402	–20,412
Payments for investments in financial assets	–5,000	–25
Interest received	283	136
Cash flows from investing activities	**–414,129**	**–80,602**

	6 months ended	
EUR thousand	**30 June 2023**	**30 June 2022**
Dividends paid	–56,532	–116,833
Proceeds from borrowings	715,000	77,450
Repayments of borrowings	–359,023	–28,436
Payments of lease liabilities	–3,318	–2,270
Interest paid	–9,246	–2,740
Cash flows from financing activities	**286,881**	**–72,829**
Net increase/decrease in cash, cash equivalents and bank overdrafts	**–39,152**	**–81,102**
Cash, cash equivalents and bank overdrafts as at 1 January	151,019	161,414
Effect of exchange rate changes on cash and cash equivalents	–261	490
Effect on cash funds of changes in the group of consolidated companies	–829	-
Cash, cash equivalents and bank overdrafts as at 30 June	**110,778**	**80,802**
Bank overdrafts as at 1 January	–2	-
Bank overdrafts as at 30 June	-	–2,973
Cash and cash equivalents as at 30 June	**110,778**	**83,775**

Consolidated statement of changes in equity

as at 30 June 2023 and 30 June 2022

	Attributable to owners of the parent									
				Other reserves						
EUR thousand	Issued capital	Capital reserves	Retained earnings	Actuarial gains/losses from remeasurement of defined benefit pension plans	Deferred taxes on items that will not be reclassified	Profits/losses from remeasurement of equity instruments	Foreign operations - currency translation differences	Total	Non-controlling interests	Total equity
As at 1 January 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	-	-	51,890	-	-	-	-	51,890	–289	51,601
Other comprehensive income, after tax	-	-	-	38,538	–11,637	–5,820	–460	20,621	-	20,621
Total comprehensive income for the period	**-**	**-**	**51,890**	**38,538**	**–11,637**	**–5,820**	**–460**	**72,511**	**–289**	**72,222**
Dividends	-	-	–116,833	-	-	-	-	–116,833	-	–116,833
As at 30 June 2022	**53,840**	**100,790**	**273,011**	**42,860**	**–12,885**	**–5,937**	**1,315**	**452,994**	**2,229**	**455,224**
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	-	-	40,218	-	-	-	-	40,218	–601	39,617
Other comprehensive income, after tax	-	-	-	–171	44	-	20	–107	-	–107
Total comprehensive income for the period	**-**	**-**	**40,218**	**–171**	**44**	**-**	**20**	**40,111**	**–601**	**39,510**
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	-	-	-	-	-	-	-	-	–103	–103
As at 30 June 2023	**53,840**	**100,790**	**345,073**	**44,519**	**–13,411**	**–8,565**	**–1,045**	**521,201**	**196**	**521,397**

SELECTED EXPLANATORY NOTES

1. Information about the Company

Dermapharm Holding SE (hereinafter also the "Company") together with its consolidated subsidiaries (hereinafter also 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, food supplements as well as parallel imports of originator preparations, both in Germany and with a growing international presence.

The listed Company has its registered office at Lil-Dagover-Ring 7, Grünwald, Germany, and is entered in the commercial register under number HRB 234575.

The interim consolidated financial statements and interim Group management report were authorised by the Board of Management by resolution dated 28 August 2023.

2. Significant accounting policies and changes

2.1 Basis of preparation

In accordance with the requirements set out in sections 115 et seq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*, "WpHG"), Dermapharm's half-yearly financial report comprises condensed interim consolidated financial statements and an interim Group management report, as well as the responsibility statement. The condensed interim consolidated financial statements have been prepared on the basis of International Accounting Standard (IAS) 34 (Interim Financial Reporting).

The interim financial statements comply with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Preparing the condensed interim 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. Because the antibody treatment developed by Corat is ineffective against the currently dominant COVID-19 omicron sub-variants, the financial asset measured in accordance with the equity method was written down by EUR 6,612 thousand. There were no indications of significant impairment of other assets, in particular goodwill, trade receivables and inventories.

2.2 Changes in accounting policies

The same accounting policies were applied in these condensed interim consolidated financial statements as in the consolidated financial statements for financial year 2022. For more information about the Group's accounting policies, please refer to the notes to the consolidated financial statements in the 2022 Annual Report.

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

In the first half of 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 did not have any material effect on the presentation of Dermapharm's financial position, financial performance and/or cash flows.

Nor is the future application of standards, interpretations and amendments published but not yet applied is expected to have any (material) effect on the consolidated financial statements. The amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules" published by the IASB in May 2023 introduce disclosure requirements that will apply to reporting for the financial year immediately upon adoption by the EU. Dermapharm is currently analysing the potential impact of these new requirements on the Group going forward.

2.4 Consolidation principles and group of consolidated companies

Consolidation principles

Dermapharm Holding SE is the parent company of the Group. The condensed interim consolidated financial statements include all material companies as defined in IFRS 10 whose financial and business policies can be controlled by the Company, either directly or indirectly, and the material equity interests of Dermapharm whose financial and business policies can be influenced by the Company to a significant extent.

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 Apharma TopCo SAS (with its registered office in Carros, France), which is the holding company of the Arkopharma Group. The acquisition of the Arkopharma Group closed on 5 January 2023.

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. For reasons of materiality, Montavit will be included in the group of consolidated companies for the first time beginning on 1 July 2023.

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.

2.5 Business combinations

During the period from 1 January 2023 to 30 June 2023, the Group concluded the following business combination:

Arkopharma Group
Arkopharma specialises in phytotherapy and offers OTC herbal products and food supplements in France and other European countries. The group is a market leader in France and this acquisition opens up new distribution channels to western and southern Europe for Dermapharm. The acquisition 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 transaction closed on 5 January 2023. The initial purchase price was EUR 449,820 thousand, and furthermore does not include any material further purchase price adjustments. In addition, the redemption of financing amounting to EUR 216,512 thousand was agreed.

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

Identified assets and liabilities **EUR thousand**	**Fair value**
Intangible assets	289,084
of which identified in purchase price allocation	*280,974*
Property, plant and equipment	75,677
of which identified in purchase price allocation	*27,702*

Other non-current financial assets	109
Inventories	58,947
of which identified in purchase price allocation	*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	–2,002
Other provisions	–5,016
Current financial liabilities	–218,397
Trade payables	–24,133
Other current financial liabilities	–397
of which identified in purchase price allocation	*–338*
Other current liabilities	–28,479
Tax liabilities	–248
Deferred tax liabilities	–86,450
of which identified in purchase price allocation	*–84,245*
Net assets incl. Minorities	142,399
thereof minority interest pre PPA	*–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 corresponds to the fair value because the remaining term of the receivables is less than one year.

Comparing the consideration transferred for the interests with the identified fair value of the assets and liabilities resulted in goodwill of EUR 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**
Corporate brand	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.z.
Inventories	17,476	1 year	n.z.
Contingent liability	338	n.z.	n.z.

The Arkopharma Group contributed EUR 112,387 thousand to consolidated revenue for the period from 1 January 2023 to 30 June 2023; the EBITDA contribution for the period, adjusted for effects from the purchase price adjustment (IFRS 3), amounted to EUR 28,288 thousand.

The recognised goodwill and the fair values of these assets may still change once the final appraisal has been completed.

3. Notes to the consolidated statement of financial position

3.1 Equity

Dividend

The Annual General Meeting resolved on 14 June 2023 to distribute a dividend of EUR 56,532 thousand (EUR 1.05 per share carrying dividend rights) to the shareholders from the net retained profits of Dermapharm Holding SE for 2022. The dividend was distributed on 19 June 2023.

3.2 Financial liabilities

Financial liabilities changed as follows:

EUR thousand	30 June 2023	31 December 2022
Bank loans	940,764	402,085
Promissory note loans	99,796	99,760
Lease liabilities	12,111	9,716
Non-current financial liabilities	**1,052,671**	**511,560**
Bank loans	41,687	1,867
Lease liabilities	4,963	3,018
Bank overdrafts	-	2
Current financial liabilities	**46,650**	**4,887**

The increase in financial liabilities is due primarily to the syndicated loan agreement entered into in December 2022. At 30 June 2023, EUR 965,000 thousand of the loan had been drawn down. The syndicated loan agreement comprises a bullet tranche of EUR 650,000 thousand (Facility A) and a repayment tranche of EUR 200,000 thousand (Facility B), both of which had been fully drawn down as at the reporting date, of which EUR 25,000 thousand fell due in the short term. The loan also comprises a third, revolving tranche of EUR 200,000 thousand (Facility C), of which only EUR 115,000 thousand had been drawn down as at the reporting date. Please refer to the 2022 Annual Report for further details.

4. Notes to the consolidated statement of comprehensive income

4.1 Revenue

Dermapharm generates its revenue primarily through the supply of products.

EUR thousand	2023	in %	2022	in %
Germany	372,184	64%	385,007	82%
France	79,258	14%	-	0%
Spain	63,050	11%	41,730	9%
Austria/Switzerland	24,604	4%	19,847	4%
Others	42,992	7%	24,536	5%
Revenue	**582,087**	**100%**	**471,120**	**100%**

The increase in revenue in the first half of the year was attributable primarily to the acquisition of the Arkopharma Group and the positive performance of the existing portfolio, offsetting the decline in vaccine production.

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 5.

4.2 Financial result

The financial result comprises the following:

	6 months ended	
	30 June 2023	**30 June 2022**
Interest income	6,272	1,042
Income from fair value measurement	-	94
Miscellaneous	633	7
Financial income	**6,905**	**1,142**
Interest expense	–24,608	–4,181
Leasing	–265	–136
Expenses from fair value measurement	–1,060	-
Miscellaneous	–1,790	–758
Financial expenses	**–27,723**	**–5,075**
Share of profit/loss of companies accounted for using the equity method, after tax	**–7,003**	**76**
Financial result	**–27,822**	**–3,857**

The increase in interest income resulted primarily from the change in the margin for the syndicated loan due to the improvement in the net debt ratio thanks to the positive earnings trend as at Q1/2023. This resulted in the recognition through profit or loss of a present value adjustment to the syndicated loan in accordance with the effective interest method. The increase in interest expenses was also due to the syndicated loan agreement entered into in December 2022. For more detailed information, please refer to note 3.2. The decrease in the share of profit/loss of companies accounted for using the equity method was due mainly to the impairment of the Corat investment.

5. Segment reporting

The measurement approach for segment reporting corresponds to the accounting policies applied in the consolidated financial statements prepared in accordance with IFRSs as at 31 December 2022. The segments were adjusted as at 30 June 2023. Please refer to section 1.1 of the interim Group management report for further details. 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.

	Branded pharmaceuticals		Other healthcare products*		Parallel import business		Reconciliation/Group holding company		Group	
6 months ended 30 June in EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue	266,956	277,754	210,800	89,106	125,124	117,711	–20,793	–13,450	582,087	471,120
of which intersegment revenue	*3,066*	*1,424*	*16,098*	*11,312*	*1,629*	*715*	*–20,793*	*–13,450*	-	-
Revenue from external customers	263,890	276,330	194,701	77,794	123,496	116,996	-	-	582,087	471,120
Revenue growth	–5%	10%	150%	20%	6%	5%	-	-	24%	10%
EBITDA (unadjusted)	105,691	131,227	32,091	13,544	675	1,607	–1,459	–3,753	136,998	142,625
of which earnings from investments accounted for using the equity method	*–7,003*	*76*	-	-	-	-	-	-	*–7,003*	*76*
EBITDA margin (unadjusted)	40%	47%	16%	17%	1%	1%	-	-	24%	30%

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

6 months ended 30 June 2022 in EUR thousand	**Branded pharmaceuticals and other healthcare products**	**Herbal extracts***	**Parallel import business**	**Reconciliation/ Group holding company**	**Group**
Revenue	298,749	52,030	121,557	–1,217	471,120
of which intersegment revenue	*1,013*	*166*	*37*	*–1,217*	-
Revenue from external customers	297,736	51,864	121,520	-	471,120
Revenue growth	10%	32%	4%	-	10%
EBITDA (unadjusted)	134,795	9,129	2,406	–3,705	142,625
of which earnings from investments accounted for using the equity method	*76*	-	-	-	*76*
EBITDA margin (unadjusted)	45%	18%	2%	-	30%

* As from 1 February 2022 with Candoro ethics (formerly C³ Group).

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

	6 months ended	
EUR thousand	**30 June 2023**	**30 June 2022**
EBITDA	**136,998**	**142,625**
Depreciation, amortisation and reversal of impairment	–49,301	–51,520
Financial income	6,905	1,142
Financial expenses	–27,723	–5,075
Earnings before taxes (EBT)	**66,879**	**87,171**
Income tax expenses	–27,262	–35,571
Profit or loss for the period	**39,617**	**51,601**

6. 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.

30 June 2023	Reconciliation of items of the statement of financial position to the measurement categories of IFRS 9						
EUR thousand	**Carrying amount as at 30 June 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 30 June 2023**	**Fair value level**
Financial assets							
Other non-current financial assets	31,626	31,626	-	-	-	31,626	-
Equity investments	5,444	5,444	-	-	-	5,444	-
Trade receivables	109,892	109,892	-	-	-	109,892	-
Other current financial assets	23,510	22,887	623	-	-	23,510	3
Cash and cash equivalents	110,778	110,778	-	-	-	110,778	-
Financial liabilities							
Non-current financial liabilities							
of which bank loans	*940,764*	*940,764*	-	-	-	*923,833*	*2*
of which promissory note loans	*99,796*	*99,796*	-	-	-	*91,195*	*2*
of which lease liabilities	*12,111*	-	-	-	*12,111*	*11,547*	*2*
Other non-current financial liabilities	1,060	-	1,060	-	-	1,060	2
Current financial liabilities							
of which bank loans	*41,687*	*41,687*	-	-	-	*41,687*	-
of which promissory note loans	-	-	-	-	-	-	-
of which lease liabilities	*4,963*	-	-	-	*4,963*	*4,963*	-
Trade payables	76,935	76,935	-	-	-	76,935	-
Other current financial liabilities	1,640	1,640	-	-	-	1,640	-

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

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	Equity instruments measured at fair value through other comprehensive income
As at 1 January 2023	**659**	**0**
Additions	-	-
Disposals	-	-
Change in fair value recognised through profit or loss	-	-
Change in fair value recognised through other comprehensive income	–36	-
As at 30 June 2023	**623**	**0**

EUR thousand	Financial assets measured at fair value	Equity instruments measured at fair value through other comprehensive income
As at 1 January 2022	**1,306**	**25,501**
Additions	-	-
Disposals	-	-
Change in fair value recognised through profit or loss	-	-
Change in fair value recognised through other comprehensive income	–26	–5,820
As at 30 June 2022	**1,280**	**19,681**

There were no reclassifications within the fair value hierarchy in the first six months of the financial year.

7. Related party disclosures

Related party relationships arise in the ordinary course of business between Dermapharm and its Group companies. Related parties within the meaning of IAS 24 are understood as subsidiaries, associates and joint ventures that are directly or indirectly controlled but are not consolidated for reasons of materiality, and entities or persons and their close family members if they have control of the reporting entity or exert significant influence over the Group. In addition, persons are related parties if they are a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Material transactions

Related party transactions (persons)

	6 months ended	
EUR thousand	**30 June 2023**	**30 June 2022**
Marketing and advertising	259	508
Total	**259**	**508**

Related party transactions (entities)

	Transactions in the 6 months ended		Open receivables as at		Open liabilities as at	
EUR thousand	**30 June 2023**	**30 June 2022**	**30 June 2023**	**31 December 2022**	**30 June 2023**	**31 December 2022**
Transfer of goods						
Associates	1,056	235	-	-	-	-
Non-consolidated companies	2,218	2,229	1,352	3,003	-	311
Consulting and services						
Parent (Themis Beteiligungs-AG) of Dermapharm	224	147	-	18	-	389
Associates	21	-	-	-	-	
Non-consolidated companies	4,118	42	722	53	366	306
Miscellaneous						
Associates	-	-	-	97	-	-
Non-consolidated companies	10	9	70	60	5	-
Total	**7,646**	**2,662**	**2,144**	**3,231**	**371**	**1,006**

The open balances at the end of the first half of the year are unsecured and fall due in the short term. There are no guarantees for receivables to or liabilities from related parties.

8. Events after the reporting period

Ms Karin Samusch, Chief Business Development Officer, intends to leave the Group when her agreement expires on 31 July 2023.

There were no further events after the reporting date with a material or potentially material effect on the Group's financial position, financial performance and cash flows.

Grünwald, 28 August 2023

The Board of Management

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the condensed interim consolidated financial statements for the period from 1 January 2023 to 30 June 2023 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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, 28 August 2023

The Board of Management

Dr Hans-Georg Feldmeier
Chief Executive Officer

Christof Dreibholz
Chief Financial Officer
Chief Compliance Officer

Dr Andreas Eberhorn
Chief Marketing Officer

REVIEW REPORT

To Dermapharm Holding SE

We have reviewed the condensed interim consolidated financial statements – comprising the statement of financial position, the statement of profit or loss and other comprehensive income for the period, the statement of cash flows, the statement of changes in equity and selected explanatory notes – and the interim group management report of Dermapharm Holding SE, Grünwald, for the period from 1 January 2023 to 30 June 2023 which form part of the half-year financial reporting in accordance with section 115 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of Company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statements audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements of Dermapharm Holding SE, Grünwald, for the period from 1 January 2023 to 30 June 2023 have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, 28 August 2023

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