aenova

"Excellence beyond Manufacturing"

Annual Report 2020

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"We are aware that as a contract development and manufacturing organization we produce life saving or life enhancing products for millions of patients worldwide. Our mission is to fulfill this task with the highest quality and delivery reliability at competitive prices."

PREFACE

Dear Readers,

I am delighted to share the first Annual Report for the Aenova Group with you today.

Without doubt, the year 2020 was extraordinary and unprecedented by many standards, as the pandemic swept across the globe with human death toll and suffering at incredible scale in its wake. It has challenged our way of living, and in particular the robustness of our healthcare systems globally. But at the same time, like any crisis, it has also created opportunities for the pharmaceutical industry and emphasized the vital role that the Aenova Group as the 7th largest Contract Manufacturing and Development Service Organization (CDMO) plays in this ecosystem.

Looking back at 2020, most importantly, the measures implemented in our sites not only ascertained the safety of approximately 4,300 Aenova employees, but we were able to run our operations with very few disruptions such that we could continue to deliver life-saving and life-enhancing drugs to our customers and ultimately patients worldwide.

The transformative work that we had started in 2018 around the three pillars of commercial, operational and organizational excellence has continued to bear fruit, and after a record year in 2019 delivered even better results in 2020, as the company continues to rigorously follow its strategy and reliably delivers on its key strategic initiatives. A few of the achievements include:

86% OTD across the Aenova network
On the operational side, the new Aenova Manufacturing System (AMS), our process and lean management tool to drive operational shopfloor excellence has been implemented at all sites. This not only creates transparency about performance on the store floor, but also allows each operator to contribute to improvements in his or her area in a structured continuous improvement process. At the same time, we have made big strides to debottleneck our operations following the strategy of "full service offering out of each site". As a at result, delivery reliability has steadily increased in 2020 and has now reached the highest value ever at 86% on-time delivery (OTD, Dec. 2020) across the network. And finally, we have successfully closed our unprofitable operations in Berlin.

Striving for efficiency and competence with the new BU structure
Organizationally, we have completed the implementation of our Business Unit structure. This structure allows us to manage our network with more focus, allocate new RFQs better to the most suited site, and manage network capacity more effectively, allocate capital resources more efficiently, roll out change programs faster and benefit from a sharing of best practices in similar sites. With a complete overview of available technologies and capacity utilization, we are able to develop our sites further into specialized providers of service and differentiated technologies. In addition, we filled competence gaps by bringing onboard corporate leadership for Development Services and Tech Transfer, Manufacturing Science and Technology, Continuous Improvement, HSE&S, and Quality Assurance.

How we will live customer centricity in the future
Commercially, we have reorganized our sales and marketing team and created a commercial excellence team (including market intelligence, marketing and sales operations), as well as restructured the sales team into key account management, account maintenance and business development.

Collectively, we are enthusiastic about the momentum we are experiencing, but we also know that we are only at the beginning of this journey which follows the "customer and patient first" mantra, supported by the core values "reliability and excellence in everything we do" and "better every day".

I am humbled by the dedication and grateful for the commitment that the broader team of c. 4,300 Aenova colleagues have exhibited over the last 12 months despite the pandemic. I am equally grateful to the 400 plus customers, who continue to entrust us with the development and manufacturing of their products, more in 2020 than ever before.

Thank you to all of you.

Jan Kengelbach
CEO Aenova Group

Dear Readers,

Despite the many difficulties and constraints imposed upon the Aenova Group in 2020 due to the global pandemic including the temporary disruption of global supply chains or the need to separate workforces to reduce risk of contagion and keep our colleagues safe, the company has performed more strongly in 2020 in just about any dimension, financially and commercially. As a result, after a record year in 2019, Aenova has posted another record year in terms of sales growth and earnings. The strategy that we embarked upon in 2018 with an entirely new management team and backing from our main financial sponsor, BC Partners, continues to show the results we had planned for. In line with our strategy, in March 2020, we were able to completely refinance the company's balance sheet in a heavily oversubscribed process as well as to secure a capital injection from our shareholders of c. EUR 120 m. With such strong backing and balance sheet, the management team has the means at their disposal to continue its strategy of operational, commercial and organizational excellence while delivering a number of important expansion projects, which will secure growth for many years to come. Above all is the investment in our

Tittmoning high-speed solid manufacturing plant, which will generate 3.5 bn additional annual tablet capacity. Worth mentioning are also the expansion of our sterile ampoule capacities in Gronau, and the full-service offering including two blister lines and one bottle packaging line out of Cornu.

2020 has also shown the impact that the new, now complete, team has had in the various areas, in particular exemplified by the record new business win rate, standing at an unprecedented EUR 109 m. Not only does Aenova outperform the win-rate of its competitors, but it continues to win market share organically, which is a strong customer testimony to the company's ability to be a strategic partner in the human and animal healthcare industry.

But above all, the year has shown the loyalty and dedication of our employees, which is a remarkable achievement, and for which I want to thank every one of them. Due to their hard work, the Group is very well positioned to continue along this trajectory.

Dr. Ewald Walgenbach,
Chairman of the Supervisory Board

THE YEAR IN BRIEF

Excellence beyond Manufacturing

Aenova's motto is: Excellence beyond Manufacturing

In 2020, we continued to implement our strategy, which was designed in 2018 and rests on three pillars, with steadily growing success: Operational excellence, commercial excellence and organizational excellence. At the core of it stands the transformation of the Aenova Group into a manufacturing and development service operator, differentiating by outstanding customer service, industry leading OTD and impeccable product quality flanked by a competent organization and powerful commercial engine.

OPERATIONAL EXCELLENCE
puts manufacturing excellence on the shopfloor and in our supporting processes into focus, makes them measurable and improves them on a continuous basis with the objective of improving our delivery performance, efficiency and productivity.

COMMERCIAL EXCELLENCE
develops our sales team such that it accelerates our growth rates, allows us to expand geographically and from a technology and product lifecyle perspective, but also allows us to ensure the profitability of our existing business.

ORGANIZATIONAL EXCELLENCE
fills competence gaps to become an employer of choice with robust people development and performance management processes.

In 2020, we achieved the following key milestones

Sales development*

+ 4.0%

Adj. EBITDA*

+ 13.8%

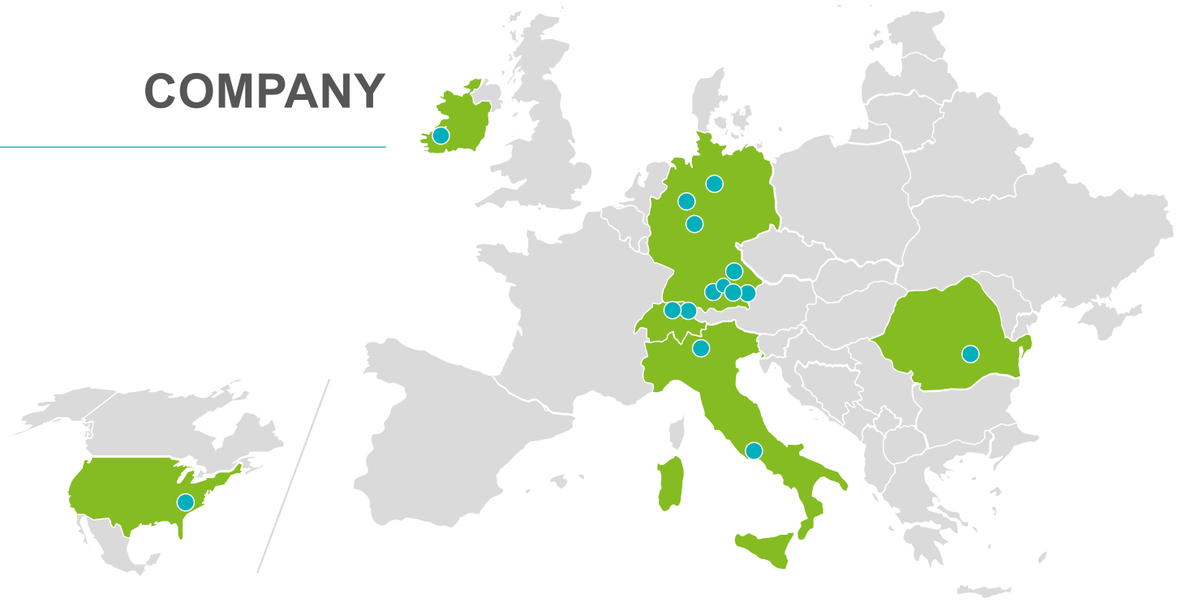
New business peak sales

€109 m

- New organizational structure of Aenova with three stand-alone Business Units and key cross-divisional functions fully implemented
- Implementation of the Aenova Manufacturing System (AMS), a lean manufacturing process and way of working, in all sites
- OTD steadily improved to highest group level in history: OTD 86% (Dec. 2020)
- Closure of the loss making Berlin facility successfully completed and products transferred to other Aenova sites
- Establishment of a new powerful structure for Development & Technology Services to support the transfer-in of record new business wins
- Large growth investment and productivity investments undertaken in a large majority of sites including Tittmoning, Sisseln, Marburg, Gronau, Latina, Carugate, Wolfratshausen, and Cornu
- Refinancing of the capital structure successfully completed

* Pro-forma, excl. Berlin

COMPANY



Capacity

20 bn tablets / capsules
1.5 bn blisters
15 bn softgel capsules
150 m semi-solids / liquids
600 m sterile liquids (vials, ampoules, syringes)

Global reach
15 manufacturing locations worldwide, delivering into 80+ countries

Manufacturing Footprint
14 EU sites, 1 US site, 10 sites Pharma FDA approved, 2 sites Food FDA

Product Types
Rx (originator and generics products), OTC, Food supplements, Cosmetics, Animal health

Net Sales 2020*
€740 m

Employees*
~ 4,300

* Pro-forma, excl. Berlin

Many are one: Aenova at a glance

The Aenova Group is a leading global contract manufacturer and development services provider for the pharmaceutical and healthcare industry. Our services include end-to-end manufacturing and development of all dosage forms and potency levels (ranging from nutraceuticals to high-potency) out of 15 sites in Europe and the US.

With our comprehensive know-how, many years of experience, well-trained staff of 4,300, innovative technologies and highest quality standards we are a reliable, long-term partner to pharmaceutical and consumer health care customers around the world, both in the human and veterinary healthcare market.

Aenova is the #1 CDMO in Europe for solid dosage form, #2 globally for softgel capsules, #1 in Europe in semi-solid dosage form and #1 globally in veterinary products in addition to a leading position in sterile manufacturing.

Aenova services over 400 customers including 12 of the top 20 human health pharmaceutical companies and 6 of the top 10 animal health companies. Aenova enjoys a strong and loyal customer base, with the average customer relationship tenure among the top 20 customers of c. 24 years.

Aenova was created 2008, as a merger of pharmaceutical companies Dragenopharm and Swiss Caps, forming the nucleus of the Group. In 2012, the Temmler Group was acquired, and at the beginning of 2014 Haupt Pharma was added.

Since 2012, Aenova has been owned by the private equity company BC Partners.

PORTFOLIO & STRUCTURE

A portfolio matching the customer needs

As a “one-stop shop” Aenova offers end to end CDMO services from development, clinical trial supply to commercial, small and large volume manufacturing until packaging services.

With the new Aenova Business Unit (BU) structure, implemented end of 2019 and with fully impact in 2020, Aenova supports its customers with the added value of all of our 15 manufacturing sides without silos and with value-adding synergy effects:

BU SOLIDS

BU SEMISOLIDS & LIQUIDS

BU SOFTGEL CAPSULES

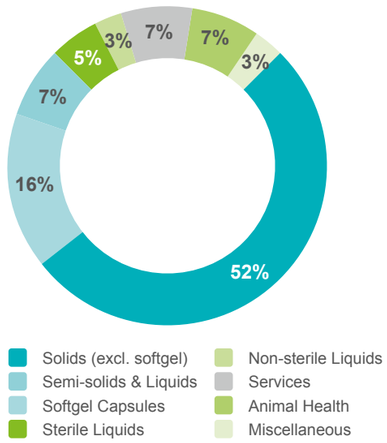
With the Development & Technology Services unit Aenova provides cross-divisional support in the areas of drug product development, analytical development, clinical trial supply management, regulatory support, and tech transfer.

The new organizational structure is accompanied by the setup of new key cross-divisional functions, completed in 2020: Business Development & Strategy, Sales and Marketing, Commercial Excellence, Global Quality, Continuous Improvement, Manufacturing Science & Technology, and Communication & PR support the corporate strategy of the Aenova Group, in addition to the existing corporate functions of IT, Finance, Legal, HR and Strategic Procurement.

Reasons why customers are choosing Aenova

1. One-stop shop and speed to market
2. Competitive prices
3. Industry Consolidator
4. Experience and quality
5. Reliable partnership

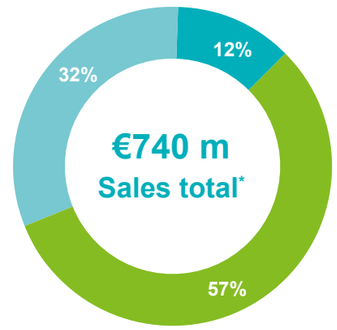
Net Sales Split per Dosage Form



Aenova is partner of choice for

- High potent active pharmaceutical ingredients (HPAPIs) up to OEB 4 and OEB 5
- Sterile liquids and fill & finish for biologicals
- Small to large volume conventional solids
- Controlled release products e.g. functional coating, polymeric matrices, pellet layering etc.
- Anti-infective products
- Inhalation products
- Products with enhanced bioavailability
- Leading CDMO for animal health worldwide

Net Sales Split per Business Unit



* Pro-forma, excl. Berlin

OUR MANAGEMENT

CEO Aenova Group
Jan Kengelbach

The new Aenova we have been building together since 2018 strives for excellence and reliability in everything we do to serve our customers and ultimately patients; in short Excellence beyond Manufacturing.

Experience
Interim CEO and interim CFO at Aenova. Partner with BC Partners in London, the private equity-led majority shareholder of the Aenova Group. Director at AlixPartners. Managing Director and CFO of the Byrd Hoffman Water Mill Foundation. Strategy consultant with McKinsey & Co.

Education
MBA from Kellogg School of Management, Chicago, Engineering Science master's degree from the Ecole Centrale Paris, Mechanical Engineering master's degree from the Technical University Munich, Certified Restructuring and Insolvency Advisor (CIRA).

CFO Aenova Group
Ralf Schuler

Building forward momentum to facilitate future growth while delivering against short-term goals at the same time is what really counts. We can only achieve this as a team.

Experience
CFO of SURTECO SE's paper business unit. Various management positions within Elster Group, most recently as Executive Vice President Finance & Administration in charge of the international gas measurement and control business. Managing Director of Elster GmbH.

Education
B.A. (Hons) in European Business Studies, Master's degree (M.A.) from Brunel University, London.

SVP BU Softgel Capsules, Managing Director Site Cornu
Michael Ammann

A motivated, professional and diversified management team can reach together every peak. Our peak is our customers and the health of their patients.

Experience
Various managerial positions at Swiss Caps since 1997, one of the core cells of the Aenova Group. During his various activities in the food and pharmaceutical sector, he has gained the necessary knowledge for solid dosage forms and packaging and can also refer to extensive international experience. He has headed the Cornu site in Romania since 2009.

Education
Dipl.-Ing. with further qualifications in the fields of industrial engineering and SME management.

SVP BU Solids, General Manager
Christine Beck

If you want to lead, you can't walk in the footsteps of others.

Experience
Responsible positions in the pharmaceutical and healthcare industries as well as in the food and chemical industry. Head of Global Supply Chain in the food industry. Management of a large chemical production plant.

Education
Master's degree in mechanical engineering, certified SAP consultant.

SVP BU Semisolids & Liquids, General Manager
Florent Bordet

We have built a winning team and a culture of excellence – right people, right place, right time.

Experience
Responsible positions in R&D, Manufacturing, Technical Operations, Site Management and Business Transformation at Catalent. Vice President Operations at Famar.

Education
Pharmacist, Master's Degree in Industrial Pharmacy.

SVP Global Quality
Dr. Macniell Esua

High product quality and patient safety is achieved beyond current practices and standards through advanced technologies, efficient processes, and a high quality culture of employees at all levels of an organization.

Experience
Various management positions in multinational companies in the pharmaceutical industry, including quality assurance, quality control, manufacturing, pharmaceutical development and global compliance management. Chief Compliance Officer of the Corden Pharma Group.

Education
Doctorate in pharmacy, Auditor, qualified as a QP under Art. 22 d. 75/319 EEC.

SVP Sales & Marketing
Dr. Mike Schaefers

At the end, its all about our customers and the patients behind. Therefore quality and reliability are of utmost importance to us.

Experience
Vice President & General Manager Global Pharma at West Pharmaceutical Services. Head of Key Account Management at R.P. Scherer/Catalent. Various global management positions in the areas of application technology, sales, marketing and product management.

Education
Doctorate in chemistry.

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BUSINESS UNIT SOLIDS

From conventional to high potent solids and hormones Aenova meets almost every requirement

Aenova's largest Business Unit is the BU Solids with over EUR 450 m annual sales, over 2,000 FTE, 7 manufacturing sites, 3 development centers of excellence, a capacity of over 20 bn tablets and hard capsules, covering all key solid dosage forms and technologies including anti-infectives, hormones and high potent APIs.

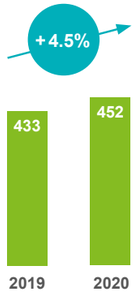
Aenova is the ideal partner for development and production of virtually all types of solid dosage forms and APIs up to OEB 5:

- novel/innovative as well as mature solid dose drug products in bulk production as well as packaging.
- 'customer's manufacturing plant at Aenova' offering the benefit of our modern, globally certified plants.

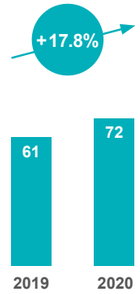
By applying excellent operations processes through modularization and standardization our customers benefit from short lead times, cost effective production, impeccable quality and full transparency:

- full-service manufacturing and supply-chain services are integrated with development, technical transfer and analytical services.
- our customers benefit from our network of manufacturing sites with a yearly output of over 20 bn tablets.

Net sales[1]
in € m



Adj. EBITDA[1]
in € m



New peak sales 2020[1]

€41 m

OTD (Dec. 2020)

87%

Key Events 2020

As a result of continued strong demand, operational improvements and the ramping-up of previously won new projects, BU Solids exhibited further top and bottom line growth in 2020. Revenue increased by 4.5% from EUR 433 m to EUR 452 m, while EBITDA expanded from EUR 61 m to EUR 72 m or 17.8%.

On-time delivery performance continued to increase from 76% to 89% across the BU in the twelve-month period. New business wins achieved record levels at EUR 41 m.

Our key strategic projects continued to progress according to plan. Above all, we laid the groundwork for the EUR 35 m, 3.5 bn tablet capacity expansion in our high volume set-up in Tittmoning, which will become operational at the end of 2021. Likewise, we finalized the plans for the EUR 6.5 m expansion into a new cytotoxic expansion in Regensburg, which will be constructed throughout 2022 and 2023. We also brought online our new granulation suite in Marburg, and continued to finalize our dry powder inhaler platform in Münster. Debottlenecking and portfolio complexity reduction have well progressed in Bad Aibling, in particular including the strategic move of establishing a softgel caps packaging hub in Cornu. And finally, we implemented a suite of smart manufacturing operations to increase capacity in Sisseln by over 50%.

In addition, the new Aenova Manufacturing System was introduced in all sites of the BU Solids, which will enable us to further progress on our lean manufacturing journey.

[1] Numbers are rounded; BU financials are not consolidated (i.e. include intercompany sales). All data excl. Berlin. Adj. EBITDA: EBITDA before non-recurring items. Sales excl. services.

BUSINESS UNIT SEMISOLIDS & LIQUIDS

Multiple dosage forms with recently introduced biologics fill & finish capabilities

The Business Unit Semisolids & Liquids with over EUR 250 m annual sales, over 1,600 FTE, 5 manufacturing sites and 4 development centers of excellence for sterile liquids incl. HAPI, lyophilized vials and biologics fill and finish and an installed capacity of over 600 m is highly specialized in technologies focused on aseptic manufacturing and semi-solids.

Aenova has extensive expertise and state-of-the-art development laboratories and production facilities to develop and commercially manufacture semi-solid products and non-sterile liquids.

From topical formulation, oral liquid, vaginal or rectal dosage form, Aenova can offer a broad range of solutions that will meet the needs of our customer's pharmaceutical product, medical device or cosmetic product.

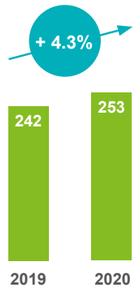
STERILE TECHNOLOGIES

Aenova is a premier solution partner for sterile dosage forms with 3 FDA approved facilities offering high quality injectables for human health and animal health products.

Our Sterile services include specialized capabilities for:

- Beta-lactam antibiotics (penicillins, cephalosporins)
- Intra-mammary syringes for animal health products
- Cytotoxics
- Fill & finish of biologics

Net sales[1] in € m



Adj. EBITDA[1] in € m

New peak sales 2020[1]

€34 m

OTD (Dec. 2020)

84%

Key Events 2020

For the BU Semisolids & Liquids, 2020 was not without challenges, but overall, the BU performed in line with previous year.

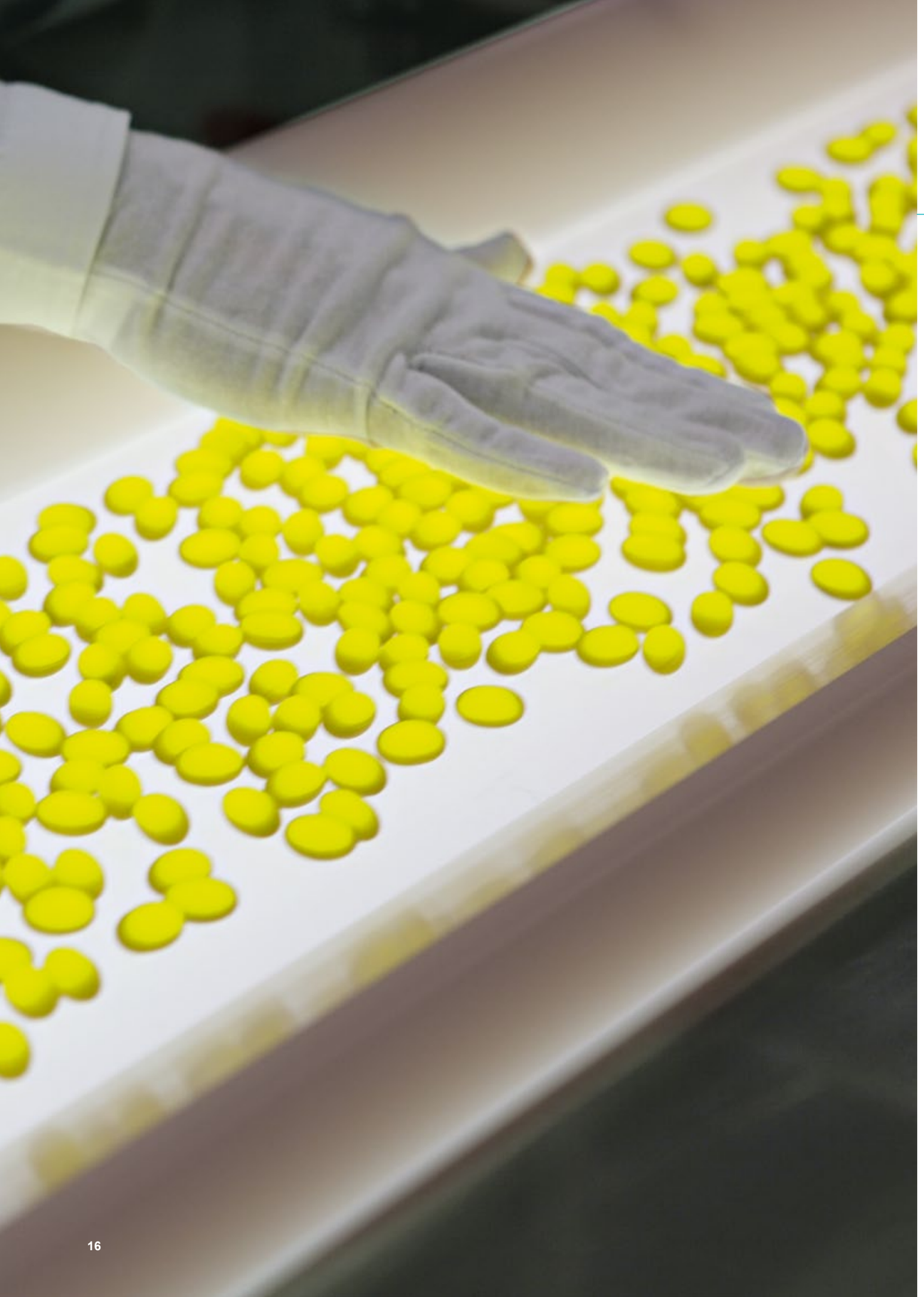
Revenue increased by 4.3% from EUR 242 m to EUR 253 m, while EBITDA stayed flat at EUR 23 m.

On-time delivery performance continued to increase from 69% to 84% across the BU in the twelve-month period. New business wins achieved record levels at EUR 34 m.

Both our semi-solid sites in Feldkirchen and Carugate performed strongly. While Feldkirchen enjoyed unprecedented growth, Carugate won an unprecented amount of new projects. In our sterile footprint, there seemed to be no limit to ampoule demand in Gronau, which drove performance upwards, while Wolfratshausen brought online a second cytotoxic vial line for the first time. Latina continued to deliver across its footprint, with strong performance in the animal health segment and continued strong demand on our beta-lactam manufacturing capabilities.

Gronau brought online its new high speed ampoule finish line and transformed visual inspections to full automation. Carugate expanded into high speed liquids. In Wolfratshausen, we made good progress in revamping our non-sterile manufacturing area and brought online our second sterile cytotoxic line. Latina started the implementation of incremental large volume film coating capabilities in the beta-lactam area, and most excitingly, we pushed the button on the first portion of the building of a new flexible high-speed 200 m vials/pre-filled syringes plant expansion for biologics fill and finish, which we expect to go online at the end of 2021.

[1] Numbers are rounded; BU financials are not consolidated (i.e. include intercompany sales). All data excl. Berlin. Adj. EBITDA: EBITDA before non-recurring items. Sales excl. services.



BUSINESS UNIT SOFTGEL CAPSULES

More than 35 years of experience for soft gelatin capsules

The Business Unit Softgel Capsules with over EUR 90 m annual sales, over 550 FTS, 2 soft capsule sites and around 15 bn installed capacity drives a dual strategy with a Romanian site for nutraceuticals and a Swiss site for pharmaceutical products.

Aenova has a long experience in the formulation, analytical development and production of softgel capsules for any capsule design, color and size.

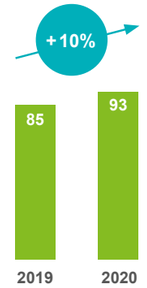
With development and manufacturing capacities including high potent active pharmaceutical drugs at our Center of Excellence in Kirchberg/Switzerland and OTC and consumer healthcare products at our cost competitive manufacturing site in Cornu/Romania, Aenova offers a complete service for softgel capsules, also in vegan form.

Another part of our business unit softgel capsules is our Greensboro/USA site. We are serving the US and Canadian customers out of this site with bottle and blister products. There we have over 15 years of expertise in packaging fulfilling the US-FDA requirements.

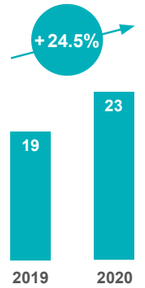
THE NEW AENOVA VEGAGELS®

In 2020 we launched our new vegan softgel capsules. These are based on a technology including seaweed extract and thus meet the needs of consumers who follow a vegetarian or vegan diet or prefer products without animal testing. At the same time, plant-based soft capsule technologies are suitable for special religious food requirements, such as kosher or halal. VegaGels® are free of genetically modified organisms, animal materials, gluten and preservatives.

Net sales[1] in € m



Adj. EBITDA[1] in € m



New peak sales 2020[1]

€30 m

OTD (Dec. 2020)

93%

Key Events 2020

For the BU Softgel Capsules, 2020 was another strong and operationally transformational year.

Revenue increased by 10% from EUR 85 m to EUR 93 m, while EBITDA expanded from EUR 18.5 m to EUR 23.1 m or 24.5%.

On-time delivery performance stayed at high levels of 95% across the BU in the twelve-month period. New business wins achieved record levels at EUR 30 m.

According to our strategic motto “we pack where we produce”, we managed to establish full service packaging operations in our previously bulk-only site in Romania. Within one year only, the team was able to install and start 2 blister lines, which will be followed by a bottle line transfer in 2021. In addition, the site successfully started the new vegetarian softgel technology to capture the growing demand for non-gelatine-based capsules. In our high potent site in Kirchberg, we continued to expand our high potent offering, attracting further demand on the back of reorganizing our development service operations.

[1] Numbers are rounded; BU financials are not consolidated (i.e. include intercompany sales). All data excl. Berlin. Adj. EBITDA: EBITDA before non-recurring items. Sales excl. services.

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DEVELOPMENT & TECHNOLOGY SERVICES

Full development and technology service support across the entire product life cycle

Aenova is looking back on a long history of development of pharmaceuticals, going back as early as the late 19th century. We are proud to use our experience and apply sound science as basis of our work – for our clients, and ultimately for a better life of patients in need.

Our offer for pharmaceutical development spans the whole product life cycle, covering:

- Formulation and process development
- Analytical development and validation
- ICH stability studies
- Regulatory support for submission or post-authorization changes
- Clinical trial management and preparation of clinical trial supply
- Design of primary secondary packaging configurations

KEY FIGURES

- **145+** Development FTEs
- **90+** Development projects
- **56+** Tech. Services FTEs
- **25+** CTM projects
- **37+** PhDs
- **150+** Tech. Transfers

We offer our service from

7 **Development Centers of Excellence**
covering all dosage forms

15 **locations with Technology Services on site**
for seamless tech transfer and product life-cycle management

Our Centers of Excellence cover all conventional applications and are specialized for development of

- High potent solids
- Hormones & hormone-likes
- Cytotoxics & cytostatics
- Inhalation products
- Moisture sensitive solids
- Sterile injectables
- Beta-lactam antibiotics
- Designed release
- Improved bioavailability and other

We know that quality, speed to market and on-time delivery are key to success of our clients. Our systematic processes for development and technology transfers ensure that we reliably deliver impeccable quality, on time.

The integration and close alignment of Development & Technology Services with our commercial network allows us to provide an “one-stop shop” experience and a seamless transition of projects from development to commercial scale.

ANIMAL HEALTH

FARM AND COMPANION ANIMALS

#1 global CDMO for animal health

Aenova is the world's leading CDMO for animal health. With 9 manufacturing sites approved for veterinary products, we offer end to end services from development to packaging for wide variety of pharmaceuticals for companion and farm animals.

In the Farm animals' sector, we offer unparalleled capabilities for antibiotics in pre-filled syringes in addition to a wide variety of dosage forms.

In the area of Companion animals, we have unique capabilities for anti-parasitic products and offer dosage forms for the treatment of different acute and chronic diseases: pain, dermatology, infections and others.

- Anti-infectives
- Parasiticides
- Hormones
- Food supplements
- Conventional APIs
- Packaging
- Services

Our sites of course work in compliance with cGMPs and are EU certified and approved by the US FDA.

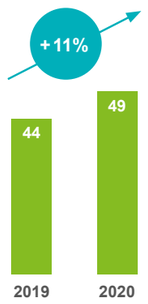
KEY FIGURES

- Animal health is a strategic growth segment
- Manufacturing capabilities covering almost all dosage forms
- More than 20-years long standing expertise

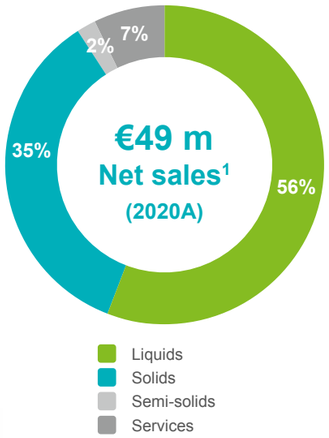
Our Animal Business continued to expand in 2020.

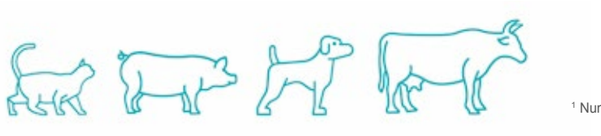
Revenue increased by 11% from EUR 44 m to EUR 49 m. Most importantly, we continued the successful transferring in of our won pipeline, further expanding the offering into chewable tabs as well as anti-infectives.

Net sales[1]
in € m



Animal Health Sales by Dosage Form





[1] Numbers are rounded; animal health sales included in respective BU.

AENOVA VALUES

Excellence beyond Manufacturing

At Aenova, we take our corporate values very seriously, they are embedded in our daily operations and behaviours, as well as our performance review process.

With everything we do, we are acutely aware that our manufacturing services ultimately affect the well-being of millions of patients around the world. As the contract development services provider and manufacturer behind many major international pharmaceutical and healthcare brands, we embrace this responsibility and hold ourselves accountable to the highest standards.

CUSTOMERS AND PATIENTS FIRST

As one of the world's largest CDMOs, we are aware of our crucial role in the healthcare industry every day. We pride ourselves on delivering products and services to healthcare customers with the highest quality, cost efficiency, reliability and timeliness that improve and extend patients' lives.

EXCELLENCE AND RELIABILITY IN EVERYTHING WE DO

We strive to be the CDMO of choice for our global customer base and a preferred employer for our highly qualified employees by focusing on excellence and reliability in everything we do.

BETTER EVERY DAY

Aenova stands for continuous and sustainable improvement. Processes, products and services are subject to a "Continual Improvement Process". We invest in modern technologies, competencies and know-how are constantly being developed.

STRONGER AS A GROUP

Across all Aenova Group locations, we bundle competencies and work in a strong "One Aenova" culture. This is how we promote the spirit of continuous improvement, how we live team spirit and how we create added value.

RESPECT, TRANSPARENCY AND HONESTY

Our actions are always characterized by integrity, trust, respect and mutual appreciation and are in accordance with the Aenova Code of Conduct.

OUR EMPLOYEES

Our employees are our greatest asset

Aenova employs around 4,300 people from 58 nations who give their best every day to ensure the safe supply of important and sometimes life-saving medicines to patients worldwide.

4,300
employees

48.5%
women

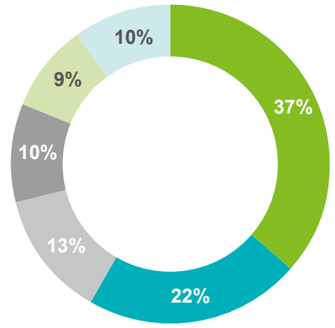
51.5%
men

58
nations

Achieving the best results with know-how and experience

Our employees are distinguished by many years of experience in their work environment and are highly trained experts in their field. More than 200 employees in the excellent network of Aenova, especially in the 7 Development Centers of Excellence are scientists or analysts. Most of the Aenova Group locations are training companies. Thus, we take care of the qualified new generation. We have also received several awards from chambers of commerce for our excellent results.

Years of Service in Percent



Exciting tasks, solution-oriented corporate culture, great team! That's what makes Aenova stand out.

What I like about my employer: The intended orientation and development of the company, which strengthens competitiveness and enables a crisis-proof and attractive workplace.

Support, collegiality – that's what I like about Aenova.

That's what I like about Aenova: The trust placed in me and the opportunity to constantly develop and take on more responsibility. Suggestions for improvement are always welcome.

Every day, shop floor meetings are created (…)
That is very good communication.

Very strong collegial relationships with much appreciation.

Very open, friendly corporate culture and exciting projects.

An interesting employer!

Patients and employees come first!

Trust and openness are of the utmost importance.

New, exciting challenges every day.

CORPORATE SOCIAL RESPONSIBILITY

Responsible and sustainable

At Aenova, we strive to be a better corporate citizen, a better employer and a better company every day. Our commitment consists of:

HEALTH AND SAFETY

- We are continually investing in relevant certificates, e.g. ISO 45001.
- Our health and safety record is industry leading. We permanently drive initiatives, amongst them behaviour-based safety, holistic risk management, root cause analysis and hazards identification.
- We monitor the full compliance status of our sites over internal corporate HSES audits.
- Our local and corporate Corona Task Forces put employee safety first and guarantee supply continuity.

WORKPLACE

- We do not tolerate any form of discrimination based on gender, race, origin or any other personal characteristics.
- We guarantee equal opportunities to all applicants and employees for their career path within Aenova.
- Diversity is our daily normal: employees from 58 nations are working at Aenova.

ENVIRONMENT

- We continuously reduce our emissions.
- Sites are certified in ISO 14001 (environment), 3 in ISO 50001 (energy).
- We use hydropower energy to be “carbon neutral” and renewable energy generation with solar panels on sites.
- Investments are ongoing for state-of-the-art cogeneration plants.
- There are periodic site energy audits identifying further optimization potentials.

SUSTAINABILITY

- We reached EcoVadis Bronze medal.
- Flawless PSCI (Pharmaceutical Supply Chain Initiative) readiness is shown by client audits.
- We are member of MSC (Marine Stewardship Council).
- We are continuously tracking environmental data via Ecodesk for key clients.
- We work with holistic and systematic quality management systems.

COMMUNITY ENGAGEMENT

- Aenova is committed to social initiatives related to the company’s operations and located in the local environment of its production sites.
- In this way, as an internationally active company, we create a close bond to our people as a local employer.

KEY FINANCIALS

Dear Readers,

when I joined Aenova in 2018 we started our journey of becoming a customer centric development & manufacturing service provider to the pharma and healthcare industry. Through consistent focus on our customers' needs, be it in terms of reliability of supply, highest quality standards or a cost competitive offering, we have been able to deliver the best operational result[1] in the company's history in 2020.

On the back of increasing project wins throughout 2019 and 2020 as well as significantly improved delivery performance despite Covid-19 related supply chain challenges, we were able to drive solid revenue growth of 3.6%, thus achieving Sales of EUR 751.6 m. A deliberate reduction of revenue in the food supplement segment and the impacts of a site closure in Berlin were overcompensated by growth in the higher value pharma and OTC segments.

While cost pressure on material supplies increased in the course of the pandemic, rigorous execution on our strategic procurement programmes as well as a favourable mix change contributed to a 160-basis-point-rise in our gross profit margin to 61.9% of Sales. We continued to invest in personnel to support our transformational projects. We also implemented extensive hygiene regulations to maintain safety of our workforce and, in parallel, to secure the required output level. Concurrently, we incurred increased utility costs as well as significant Covid-19 related overhead cost increases, e.g. for personal protection equipment or cleaning. Notwithstanding these challenges, we achieved an EBITDA of EUR 101.3 m which represents an increase by EUR 14.1 m (+16.1%) compared to previous year.

On an adjusted basis, i.e. before non-recurring items such as restructuring cost and incremental Covid-19 related cost, EBITDA increased by EUR 13.2 m to a record EUR 110.4 m[2] or 14.7% of sales.

Depreciation and amortisation of EUR 71.0 m were lower than previous year (EUR 72.8 m) overall, whereby continued investments in capacity expansion and productivity resulted in an increase of depreciation by EUR 3.4 m while amortisation declined.

In the first quarter of 2020 the company completely refinanced its debt structure. Our shareholders contributed EUR 120 m of cash and converted shareholder loans in the amount of EUR 306 m to equity. The company also recognized a net income of EUR 13.2 m related to an unrealised fair value increase of a derivative embedded in the financing agreements of First and Second Lien. In total, Net Financial result improved by EUR 31.1 m to EUR −36.5 m.

Net Loss for the year was reduced to EUR −8.7 m, compared to EUR −52.6 m in 2019.

Adjusting for EUR 5.9 m cash outflow incurred in the context of refinancing, the company delivered positive cash flow of EUR 4.9 m, this being supported by tight working capital management.

We could not have achieved this performance without the commitment of our people, nor without the trust extended to us by our customers, shareholders and other stakeholders.

Thank you for your ongoing support as we build the Aenova of the future.

I am confident that by continuing to invest on behalf of our customers and by maintaining disciplined financial management we will continue our journey of enhancing our competitive advantage and driving profitable growth in the coming years. We will work with passion to realize the outstanding opportunities ahead.

Ralf Schuler
CFO Aenova Group

[1] excl. gain on sale of Euro Vital Pharma GmbH in 2018
[2] excl. gain on sale of Euro Vital Pharma GmbH in 2018

IFRS Consolidated Financial Statements of Apollo 5 GmbH

for the period 1 January to 31 December 2020

For technical calculation reasons, rounding differences of one unit (KEUR, %, etc.) may occur in the tables.

The statements are prepared and certified in German. The English version is for translation purpose only.

Consolidated Statement of Comprehensive Income

KEUR	Note	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Revenues	5.1	751,568	725,647
Changes in inventories of finished goods and work in progress		-1,338	-3,243
Other operating income	5.2	11,776	10,718
Cost of materials	5.3	-285,296	-284,861
Personnel expenses	5.4	-274,366	-265,687
Other operating expenses	5.5	-100,996	-95,278
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**101,348**	**87,296**
Depreciation and amortisation expense	6.1, 6.2, 6.3	-71,029	-72,754
Earnings before interest and taxes (EBIT)		**30,320**	**14,542**
Financial income	5.6	16,810	4,855
Financial expenses	5.7	-53,306	-72,477
Earnings before income taxes (EBT)		**-6,176**	**-53,080**
Income taxes	5.8	-2,476	497
NET LOSS OF THE YEAR		**-8,651**	**-52,583**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements, net of tax	6.12	-574	-9,347
		-574	-9,347
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	6.11	-4,119	1,762
		-4,119	1,762
Other comprehensive income, net of tax		**-4,692**	**-7,585**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-13,344**	**-60,168**

Consolidated Balance Sheet

ASSETS

KEUR	Note	Dec. 31, 2020	Dec. 31, 2019
Intangible Assets	6.1	317,586	344,180
Property, plant and equipment	6.2	229,391	219,406
Right-of-use assets	6.3	48,098	51,995
Other non-current financial assets	6.4	5,486	1,209
Other non-current assets	6.5	2,621	1,988
Deferred tax assets	5.8	44,999	45,993
Non-current assets		**648,181**	**664,771**
Inventories	6.6	48,320	49,172
Trade receivables	6.7	33,324	39,062
Contract assets	5.1	58,827	51,182
Income tax claims	5.8	357	1,536
Other current financial assets	6.8	9,119	9,307
Other current assets	6.9	17,208	25,301
Cash and cash equivalents	6.10	50,357	51,705
Current assets		**217,513**	**227,265**
Total assets		**865,694**	**892,037**

EQUITY & LIABILITIES

KEUR	Note	Dec. 31, 2020	Dec. 31, 2019
Share capital	6.11	25	25
Capital reserves	6.11	555,455	129,410
Loss carried forward	6.11	-541,936	-532,615
Other components of equity	6.11	-15,805	-11,112
Equity		**-2,260**	**-414,292**
Provisions for pensions and similar obligations	6.12	67,550	68,405
Other non-current provisions	6.13	2,517	3,469
Non-current financial liabilities	6.14	576,816	497,409
Other non-current liabilities	6.14	18,548	12,105
Deferred tax liabilities	5.8	63,192	63,322
Non-current liabilities		**728,623**	**644,710**
Trade payables		63,379	60,869
Income tax liabilities	5.8	10,772	21,439
Current provisions	6.13	6,670	13,720
Current financial liabilities	6.14	31,158	535,211
Other current liabilities	6.15	27,352	30,379
Current liabilities		**139,331**	**661,619**
Total equity and liabilities		**865,694**	**892,037**

Consolidated Cash Flow Statement

KEUR	Note	2020	2019
Net loss of the year		-8,651	-52,583
Depreciation and amortisation / reversals	6.1, 6.2, 6.3	71,029	72,754
Income tax expenses / income	5.8	2,476	-497
Financial result	5.6, 5.7	36,496	67,622
Change in trade accounts receivable	6.7	5,649	3,191
Changes in contract assets	5.1	-7,654	-10,907
Change in inventories	6.6	812	7,121
Changes in trade accounts payables		-95	7,123
Changes in provisions	6.12, 6.13	-9,676	6,722
Changes in other assets	6.8, 6.9	-809	-3,777
Changes in other liabilities	6.15	1,436	-2,807
Other non cash effective income/expenses	5.6, 5.7	-	-3,612
Income/expense from sale of property, plant and equipment and intangible assets	5.2, 5.5	91	169
Income taxes paid/received		-2,269	-4,711
Cashflow from operating activities		**88,834**	**85,807**
Acquisition of intangible assets	6.1	-1,401	-3,388
Acquisition of property, plant and equipment	6.2	-40,831	-23,738
Proceeds from the sale of property, plant and equipment and intangible assets	5.2, 5.5	359	542
Interest and dividend received	5.6	351	440
Cash flow from investing activities		**-41,523**	**-26,145**
Proceeds from borrowings	6.14	2,823	1,093
Proceeds from capital increases	6.11	120,000	-
Repayment of loans	6.14	-116,879	-5,387
Transaction costs related to loans		-12,423	-
Purchase of minority interests		-660	-
Payments for leasing liabilities	5.7, 6.14	-8,386	-9,369
Interest paid	5.7	-32,822	-44,431
Cash flow from financing activities		**-48,348**	**-58,094**
Change in cash and cash equivalents		**-1,037**	**1,568**
Cash and cash equivalents at the beginning of the period		**51,705**	**49,571**
Change in cash and cash equivalents	6.10	-1,037	1,568
Effect of foreign exchange rates on cash and cash equivalents		-311	567
Cash and cash equivalents at the end of the period		**50,357**	**51,705**

Consolidated Statement of Changes in Equity

KEUR	Note	Share capital	Capital reserves	Accumulated loss	Currency translation differences	Remeasure-ments	Total
Balance as of Jan. 1, 2019		**25**	**129,410**	**-483,713**	**-1,199**	**-2,328**	**-357,805**
Loss carried forward*	6.11	-	-	3,682	-	-	3,682
Net loss	6.11	-	-	-52,583	-	-	-52,583
Other comprehensive income	6.11	-	-	-	1,762	-9,347	-7,585
Total comprehensive income	6.11	**-**	**-**	***-48,901***	***1,762***	***-9,347***	***-56,486***
Capital contribution shareholders	6.11	-	-	-	-	-	-
Transaction with shareholders	6.11	-	-	-	-	-	-
Other changes	6.11	-	-	-	-	-	-
Balance as of Dec. 31, 2019		**25**	**129,410**	**-532,615**	**563**	**-11,675**	**-414,292**
Balance as of Jan. 01, 2020		**25**	**129,410**	**-532,615**	**563**	**-11,675**	**-414,292**
Net loss	6.11	-	-	-8,651	-	-	-8,651
Other comprehensive income	6.11	-	-	-	-4,119	-574	-4,692
Total comprehensive income	6.11	**-**	**-**	***-8,651***	***-4,119***	***-574***	***-13,344***
Capital contribution shareholders	6.11	-	426,046	-	-	-	426,046
Transactions with minority shareholders	6.11	-	-	-1,060	-	-	-1,060
Other changes	6.11	-	-	390	-	-	390
Balance as of Dec. 31, 2020		**25**	**555,455**	**-541,936**	**-3,556**	**-12,249**	**-2,260**

* Correction of non-essential effects

Notes to the consolidated financial statements

1. Information about the company

The consolidated financial statements of the Company as of 31 December 2020 include Apollo 5 GmbH and its subsidiaries (collectively referred to as "AENOVA", "Group" or "AENOVA-Group"). Apollo 5 GmbH ("the Company") is a limited liability company under German law with its registered office at Berger Straße 8 - 10, 82319 Starnberg, Germany. Apollo 5 GmbH is registered in the commercial register of the Local Court of Munich under number B HRB 199543.

The parent company of Apollo 5 GmbH is Apollo 8 GmbH, Starnberg, Germany. Apollo 8 GmbH is registered in the commercial register of the Local Court of Munich under number B HRB 200075. The principal shareholder of Apollo 8 GmbH is Apollo 11 S.à r.l., Luxembourg. The ultimate controlling company is the fund BC European Capital IX, Guernsey, United Kingdom.

The AENOVA-Group is one of the world's largest pharmaceutical contract manufacturers in terms of development, production and marketing of pharmaceutical products and food supplements. AENOVA operates a total of 15 production sites in six countries. The Group is represented in eight European countries, Asia and the USA.

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements were prepared in accordance with § 315e of the German Commercial Code (HGB) and all International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) at the time the financial statements were prepared, as well as in accordance with the publications of the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements have been prepared in accordance with the historical cost principle. This does not apply to financial assets and liabilities (including derivative financial instruments) and plan assets, which are measured at fair value through profit or loss.

The consolidated statement of comprehensive income has been prepared using the nature of expense method.

The consolidated financial statements are prepared in euros, which is the functional currency of the Group. Unless otherwise stated, all values are rounded up or down to the nearest thousand euros (KEUR).

These consolidated financial statements were approved for publication by the management on 16 April 2021.

3. Significant accounting and valuation methods

The specific accounting policies, as described below, have been consistently applied to all periods and balance sheet dates presented in these consolidated financial statements by the entities included in the consolidated financial statements.

3.1. Consolidation principles

The consolidated financial statements include all subsidiaries that are directly or indirectly controlled by Apollo 5 GmbH. The Company obtains control if it can exercise control over the investee, is exposed to variable returns from its investment and has the ability to affect the amount of those returns through its power over the investee.

If the entity does not have a majority of the voting rights, it nevertheless controls the investee if its voting rights give it the practical ability to direct unilaterally the relevant activities of the investee. In assessing whether its voting rights are sufficient to control the investee, the investee considers all facts and circumstances, including the extent of its own voting rights relative to the extent of the voting rights of other holders of voting rights, potential own and third-party voting rights, rights under contractual arrangements, and other facts and circumstances that indicate that the investee has or does not have the present ability to direct the relevant activities at the times when decisions are to be made, taking into account voting behaviour at previous general meetings or shareholders' meetings.

Intercompany profits and losses, expenses and income as well as intercompany receivables and liabilities are eliminated in the course of preparing the consolidated financial statements.

In accordance with IFRS 3, business combinations are accounted for using the acquisition method as of the date on which the combination takes economic effect. Under the purchase method, an acquirer measures the identifiable assets and liabilities acquired assumed at their fair value at the acquisition date. The difference between the purchase price and the identifiable net assets acquired is capitalised as goodwill. In the event of an acquisition at a price below fair value, profits are immediately recognised. Transaction costs related to business combinations are expensed as incurred.

3.2. Consolidated companies

In addition to Apollo 5 GmbH, the consolidated financial statements as of 31 December 2020 include a total of 27 subsidiaries (2019: 31 subsidiaries).

As of 31 December 2020, the following companies are fully consolidated in the consolidated financial statements:

AENOVA-Group companies	Shareholding in % Dec. 31, 2020	Shareholding in % Dec. 31, 2019
Apollo 5 GmbH Starnberg, Germany	Parent Company	Parent Company
Aenova Holding GmbH Starnberg, Germany	100%	100%
Dragenopharm Apotheker Püschl GmbH Tittmoning, Germany	100%	100%
Swiss Caps Holding (Luxembourg) S.à r.l. Luxembourg, Luxembourg	100%	100%
Swiss Caps Holding AG (in 2020 merger to Swiss Caps AG) Kirchberg, Switzerland	0%	100%
Swiss Caps Rechte und Lizenzen AG (in 2020 merger to Swiss Caps AG) Kirchberg, Switzerland	0%	100%
Swiss Caps AG Kirchberg, Switzerland	100%	100%
Swiss Caps (UK) Ltd. Doncaster, United Kingdom	100%	100%
Aenova France SAS Paris, France	100%	100%
Swiss Caps GmbH Bad Aibling, Germany	100%	100%
Swiss Caps Holdings Inc. (in 2020 merger to Aenova North America Inc.) Miami, USA	0%	100%
Aenova North America Inc. (formerly Swiss Caps USA Inc.) Greensboro, USA	100%	100%

AENOVA-Group companies	Shareholding in % Dec. 31, 2020	Shareholding in % Dec. 31, 2019
Swiss Caps Romania S.R.L. Cornu, Romania	100%	100%
Temmler Pharma GmbH Marburg, Germany	100%	100%
Aenova Purchasing International GmbH Starnberg, Germany	100%	100%
Aenova IP GmbH Marburg, Germany	100%	100%
Temmler Ireland Ltd. Killorglin, Ireland	100%	100%
Temmler Property Ireland Ltd. Killorglin, Ireland	100%	100%
Temmler Italia S.r.l. Carugate, Italy	100%	100%
C.P.M. ContractPharma GmbH Feldkirchen, Germany	100%	100%
SwissCo Services AG Sisseln, Switzerland	100%	100%
H & E Pharma SA (in 2020 merger to Swiss Caps AG) Kirchberg, Switzerland	0%	100%
Haupt Pharma Amareg GmbH Regensburg, Germany	100%	100%
Haupt Pharma Berlin GmbH Berlin, Germany	100%	100%
Aenova Sales International GmbH Starnberg, Germany	100%	100%
Haupt Pharma Münster GmbH Münster Germany	100%	100%
Haupt Pharma Wülfing GmbH (in 2020 acquisition of minority interests Gronau, Germany	100%	89,8%
Haupt Pharma Wolfratshausen GmbH Wolfratshausen, Germany	100%	100%
CleanLog GmbH Gronau, Germany	100%	100%
Haupt Pharma Latina S.r.l. Latina, Italy	100%	100%
Contract Packaging Resources Inc. Greensboro, USA	100%	100%
Aenova Asia-Pacific Ltd. Singapore	100%	100%

With the agreement on the purchase and assignment of the company shares by the minority shareholder of 20 August 2020, AENOVA increased its share in Haupt Pharma Wülfing GmbH from 89.8% to 100%. The minority interests in Haupt Pharma Wülfing GmbH were not reported in previous years due to materiality reasons.

With effect from 1 January 2020, the Group companies Swiss Caps Holding AG, Swiss Caps Rechte und Lizenzen AG and H & E Pharma SA were merged into Swiss Caps AG. With effect from 31 July 2020, the Group company Swiss Caps Holdings Inc. was merged into Aenova North America Inc.

For Aenova Holding GmbH, Aenova Sales International GmbH, Aenova IP GmbH, Aenova Purchasing International GmbH, Dragenopharm Apotheker Püschl GmbH, Swiss Caps GmbH, Temmler Pharma GmbH, Haupt Pharma Amareg GmbH, Haupt Pharma Berlin GmbH, Haupt Pharma Münster GmbH,

Haupt Pharma Wolfratshausen GmbH, Haupt Pharma Wülfing GmbH and C.P.M. ContractPharma GmbH, the exemption provisions of Section 264 (3) of the German Commercial Code (HGB) were used for the annual financial statements as at 31 December 2020.

For the purposes of Section 357 of the Irish Companies Act 2014, Aenova Holding GmbH has guaranteed the commitments and liabilities of Temmler Ireland Limited for the financial year ended 31 December 2020.

3.3. New accounting standards

3.3.1. Accounting standards applied for the first time

The following standards and interpretations issued by the IASB and adopted by the EU were applied for the first time in financial year 2020:

Standard	Title	First time adoption
Amendment to IFRS 16 Leases	Covid–19-Related Rent Concessions	01.06.2020
Amendments to IFRS 3	Definition of a Business	01.01.2020
Amendments to IAS 39, IFRS 9 and IFRS 7	Interest Rate Benchmark Reform	01.01.2020
Amendments to IAS 1 and IAS 8	Definition of Material	01.01.2020
Individual standards	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

IFRS 16 contains regulations regarding the lessee's accounting for changes in lease payments (including rental concessions). In principle, the lessee must assess for each lease agreement whether the rental concessions granted leads to a lease modification and thus a remeasurement of the lease liability.

The amendment to IFRS 16 grants lessees a practical expedient from the assessment. This is subject to certain conditions and is limited in time. As a result of the exemption, the lessee is permitted to account for lease concessions granted in connection with the coronavirus pandemic as if they were not a lease modification.

Amendments to IFRS 3 – Business Combinations: Definition of a Business

With the amendment, the IASB clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Furthermore, the definition of output is now focused on the providing goods and services to customers; the reference to cost reductions is removed. The new rules also include an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments address uncertainties related to the ongoing reform of interbank offered rates (IBOR). According to the existing requirements on hedge accounting, the upcoming changes in the reference interest rates would have resulted in a termination of hedging relationships in many cases. Now it is possible to continue existing hedge accounting relationships for a transitional period. For this purpose, the amendments require mandatory exceptions from the previous hedge accounting requirements, e.g. for the assessment of the "highly probable" criterion for expected transactions in the context of cash flow hedges.

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments create a uniform and more precisely defined concept of materiality for financial statement information across IFRS Standards and supplement it with illustrative examples. In this context, the definitions from the Framework, IAS 1, IAS 8 and IFRS Practice Statement 2 Making Materiality Judgements are harmonised.

Individual Standards – Amendments to References to the Conceptual Framework in IFRS Standards

The revised Framework consists of a preliminary section "Status and Purpose of the Framework" and further eight sections, e.g. “The Reporting Entity” and “Presentation and Disclosure”; “Derecognition" has been added to the section on the recognition of financial statement items.

Additionally, there are changes in definitions: for example, the distinction between “income” and “revenues” and between “income” and “gains” was removed.

Along with the revised Framework, affected IFRS Standards were amended so that they refer to the new Framework.

The adoption of the above amendments has not had any impact on the consolidated financial statements.

3.3.2. Newly issued but not yet applied accounting standards

The following amendments issued by the IASB and already approved by the EU are not yet mandatory. Therefor they have not yet been applied by AENOVA:

Standard	Title	First time adoption
Amendments to IFRS 4 Insurance Contracts	Extension of the Temporary Exemption from Applying IFRS 9	01.01.2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	01.01.2021

Amendments to IFRS 4 –

Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9

The amendments to IFRS 4 are intended to address the temporary accounting issues arising from the different effective dates of IFRS 9 Financial Instruments and the upcoming IFRS 17 Insurance Contracts. In particular, the temporary exemption from IFRS 9 is extended until 2023 in order to align the effective date of IFRS 9 with the effective date of IFRS 17. The amendments are applicable to reporting periods beginning on or after 1 January 2021. Earlier application is permitted.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –

Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments complement the specifications of Phase 1 and address issues arising from the replacement of a reference interest rate by another reference interest rate.

The following aspects of accounting financial instruments are particularly affected:

Changes in contractual cash flows, may not necessarily lead to adjustment or derecognition of the financial instruments’ carrying amounts. Rather, under certain conditions, adjustment of the effective interest rate to reflect the change of reference interest rate is allowed;

It is not necessary under certain circumstances to discontinue an existing hedging relationship due to adjustments triggered solely by the IBOR reform;

New risks arising from the reform and, in addition, how the transition to alternative reference rates will be managed are to be disclosed.

In addition to amendments to IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor amendments to IFRS 4 and IFRS 16.

The amendments are effective for reporting periods beginning on or after 1 January 2021.

The newly issued but not yet applied amendments are not expected to have a material impact on the consolidated financial statements.

3.4. Foreign currency translation

3.4.1. Foreign currency transactions

Transactions denominated in currencies other than the functional currency are recorded at the current exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the closing rate. Foreign currency losses and gains on monetary assets or liabilities are the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for the effects of applying the effective interest method and payments during the period, and the amortised cost in foreign currency at the end of the period, translated at the closing rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated at the closing rate at which the fair value was determined. Currency differences arising from translation are recognised in profit or loss, with the exception of differences on cash flow hedges, which are recognised directly in equity.

3.4.2. Group companies

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from business combinations, are translated into euro at the balance sheet date. Income and expenses of foreign operations are translated into euro at the respective transaction date.

Assets and liabilities of Group companies whose functional currency is not the euro are translated into euro using the exchange rate at the balance sheet date. The income statements of the foreign currency companies in the Group are translated at the average exchange rate for the reporting period. All resulting foreign currency differences are recognised in a separate item within other components of equity.

3.5. Discretionary decisions and estimates

3.5.1. General

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, assumptions and estimates that affect the reported amounts of assets and liabilities, income and expenses and contingent liabilities. Actual results may differ from these estimates. The assumptions underlying the estimates are reviewed regularly. Changes in estimates are recognised in the period in which the change in assumptions occurs and in future periods affected.

In the past financial year, AENOVA's business and economic environment was influenced in various ways by the COVID-19 pandemic (for further details, see the Group Management Report). Due to the uncertain development of the worldwide COVID-19 pandemic, the degree of uncertainty in making estimates and discretionary decisions in these consolidated financial statements is greater than is usually the case. This applies in particular to the impairment testing of assets.

- Goodwill: the performance of an impairment test in December 2020 did not result in any impairments. For further information see sections 3.5.3and 6.1 ;
- Trade receivables and contract assets: the solvency of AENOVA's customers has not been affected by the Corona crisis due to the nature of the industry. No circumstances have arisen that indicate a significant impairment of receivables and contract assets. For further information see sections 4.1 and 6.7;
- Inventories: During the year under review, the Group did not identify any increase in infrequently traded, obsolete or expired inventories that would indicate a significant decrease in net realisable value and consequent impairment. For further information see sections 3.11and 6.6.

However, a reliable assessment of the long-term impact of the pandemic is not possible at this time. The Group will continue to carefully monitor the impact.

3.5.2. Business combinations

In the context of business combinations, estimates are made when measuring the fair values of the acquired assets, liabilities and contingent liabilities. In principle, the fair values are determined based on the forecast of future cash flows.

3.5.3. Impairment of non-financial assets

The Group tests all non-financial assets for impairment at each balance sheet date. Goodwill is tested for impairment annually and whenever there is an indication of impairment.

Goodwill must be allocated to the respective cash-generating units ("CGUs") or groups of CGUs for which a positive synergy effect is expected. This allocation is made at the lowest level at which the goodwill is monitored for internal management purposes. The definition of CGUs or groups of units within the Group to which goodwill is allocated, as well as the allocation of goodwill acquired in business combinations to cash-generating units or groups of units, is subject to assumptions and estimates by management.

As the value in use of the tested CGUs or groups of CGUs exceeds the carrying amount of these CGUs or groups of CGUs including goodwill, no impairment of goodwill was recognised.

For further details, please refer to section 6.1 Intangible assets

3.5.4. Economic useful lives of property, plant and equipment and intangible assets

The economic useful lives of non-current assets are based on management estimates. The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each financial year.

3.5.5. Transaction costs

Transaction costs from the refinancing of the Group are recognised as expenses, with the exception of costs that are directly attributable to the borrowing. These items carried as liabilities are released to income pro rata over the term of the loans in accordance with the effective interest method.

3.5.6. Income taxes

The Company and its subsidiaries are subject to regular tax audits. Tax calculations as well as tax-relevant transactions are coordinated with the locally responsible tax authorities. As the result of these tax audits is uncertain, management estimates the amount of necessary provisions for both current and deferred income taxes by involving external consultants and the status of discussions with the respective tax authority.

3.5.7. Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. In determining deferred tax assets, estimates must be made about future taxable income and the dates on which the deferred tax assets can be realised. As future business developments are uncertain and partly beyond management's control, the assumptions to be made in connection with the determination of deferred tax assets are subject to considerable uncertainty.

AENOVA has deferred tax assets for loss carryforwards, among other things. They are recognised for all existing tax loss carryforwards to the extent that it is probable that future taxable income or deferred tax liabilities will be available so that the loss carryforwards can actually be utilised. The recoverability of deferred tax assets is assessed at each balance sheet date based on the projected taxable income in future financial years. For further details, see section 5.8Income taxes.

3.5.8. Pensions and other employee benefits

The cost of defined benefit pension plans is based on actuarial valuations. Actuarial valuations include estimates and assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, these estimates and assumptions are subject to certain uncertainties.

For further details, see section 6.12Provisions for pensions and similar obligations .

3.5.9. Other provisions

Other provisions are recognised when it is probable that an economic, legal or environmental obligation will result in a future outflow of resources embodying economic benefits, the amount of which can be reliably estimated. The estimation of future costs is subject to various uncertainties, in particular legal uncertainties regarding applicable laws and regulations as well as uncertainties regarding actual conditions in different countries and locations. Costs are estimated based on past experience in similar

cases, expert opinions, current costs and new developments that affect costs. Any change in these estimates could have an impact on the Group's future results.

3.5.10. Fair value of financial assets and liabilities

Trade receivables, other current financial assets, cash and cash equivalents, trade payables, current bank liabilities, current lease liabilities and other current liabilities generally have remaining terms of less than one year. The carrying amounts less allowances approximate the fair values. The fair values of listed securities correspond to the nominal values multiplied by the price quotation on the reporting date.

The fair value of non-current liabilities to banks and non-current liabilities to related parties is determined using discounted future interest and principal payments.

The Group manages a number of equity-settled share-based employee payment plans whereby the Company receives services from employees and a Group parent issues equity instruments in exchange. The employee services for which options have been granted in exchange are recognised as an expense and the adjustment to equity instruments is recognised in equity.

There are two management participation programmes (MEP) at AENOVA. For details, see section 11 Share-based payments. The measurement of the fair value of the old MEP was determined within the framework of a mathematical model using a Monte Carlo simulation. The volatility underlying the model was derived from comparable listed companies ("peer group"). The risk-free interest rate corresponded to a German government bond with an equivalent maturity. The purchase price of the shares for the new MEP is derived from the fair value of the shares at the time of issue.

3.6. Revenues

Revenue is measured based on the consideration specified in a contract with a customer. The AENOVA-Group recognises revenue when it transfers control of a good or service to a customer.

In some contracts for the contract manufacturing of pharmaceuticals, the customer is already obliged to take delivery of the products before the goods are collected, so that revenue is already recognised over a certain period for these contracts. The percentage of completion is determined on the basis of the cost-to-cost method. This is an input-based method.

For the rendering of services, the progress of performance is defined on the basis of fixed performance stages (so-called milestones). This is therefore an output-oriented method.

The following table provides information on the nature and timing of the fulfilment of performance obligations from contracts with customers:

Dosage form	Criteria applied to determine when the performance obligation is fulfilled	Revenue recognition in accordance with IFRS 15 (applicable since 1 January 2018)
<u>Pharmaceutical products</u> • Solids • Semi-solids & liquids • Soft gelatine - capsules	Customers gain control of the pharmaceutical products when the pharmaceutical products are shipped from the Group's warehouse. At this point, invoices are issued and sales are realised. In the case of collection of the pharmaceutical products by the customer, the customer only obtains the power of disposal over pharmaceutical products when the goods are made available for collection. For this purpose, the following criteria must be fulfilled cumulatively: • the product must be identified in itself as belonging to the customer, • the product must be ready for physical transfer to the customer, and • the AENOVA-Group may not use the product itself or resell it to another customer	Revenue for pharmaceutical products is recognised when the goods are shipped from the Group's warehouse. Revenue is recognised when the customer is notified that the goods are ready for collection from stock.
Contract manufacturing of pharmaceutical products • Solids • Semi-solids & liquids • Softgel-capsules	In the case of contract manufacturing of pharmaceuticals and services, the AENOVA-Group considers that the customer controls all work in progress during the product manufacturing or service. In these contracts, pharmaceuticals are manufactured or performed according to customer specifications and if a contract is terminated by the customer, the AENOVA-Group is entitled to payment for reimbursement of costs incurred to date, including a reasonable margin. Invoices are issued in accordance with the contractual agreements. Amounts not invoiced are recognised as contract assets. The advance payments received in this context are presented accordingly as contract liabilities.	Revenues and related costs are recognised over a period of time, i.e. before the goods or services are collected or accepted by the customer. Performance progress is determined on the basis of the cost-to-cost method.
Provision of services	In the provision of services, the AENOVA-Group considers that the customer controls the entire ongoing work during the provision of services. In these contracts, the services are invoiced according to contractually regulated service sections (so-called "milestones") - after acceptance by the customer. The advance payments received from the customer in this connection are taken into account accordingly as contract liabilities.	Revenues and the associated costs are recognised over a certain period of time. The stage of completion, according to which revenue is recognised, is determined on the basis of contractually agreed milestones following acceptance by the customer. Performance progress is thus an output-oriented method.

The average payment term of customers is 40 days.

3.7. Intangible assets

3.7.1. Acquired intangible assets

Acquired intangible assets are recognised at cost or, if acquired in a business combination, at fair value. They are amortised on a straight-line basis over their useful economic lives. Amortisation and impairment losses on intangible assets are recognised in the consolidated income statement under depreciation and amortisation. Subsequent expenditure is capitalised only if it increases the future economic benefits embodied in the asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and internally generated brand names, is recognised in profit or loss as incurred.

Intangible assets have the following economic useful lives:

	Useful life in years
Licences, patents, trademarks and other rights	4 - 30
Development costs	8
Software	4 - 5
Customer contracts and customer relationships	5 - 10
Other intangible assets	3 - 12

3.7.2. Research and development costs

Expenditure on research activities undertaken with the aim of acquiring new scientific or technical knowledge is recognised as an expense in the period in which it is incurred.

Non-order-related development expenses are capitalised if the following conditions are cumulatively met:

- the technical feasibility for the intangible asset is given;
- there is an intention to complete the intangible asset and to use or sell it;
- the company has the ability to use or sell the asset;
- the intangible asset demonstrably results to a future economic benefit;
- there are sufficient resources to complete the intangible asset and to use or sell it;
- the expenses incurred during development can be reliably estimated.

Depreciation begins with the completion of the development phase and from the time when the asset can be used. The amortisation period corresponds to the period in which future economic benefits can be expected. During the development phase, an impairment test is carried out annually.

3.7.3. Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If this amount is negative ("badwill"), it is immediately recognised in profit or loss after a new review. Goodwill is not amortised but tested for impairment at least annually. If the value is no longer recoverable, an impairment loss is recognised. Otherwise, the valuation remains unchanged from the previous year.

3.8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Acquisition costs include expenses that are directly attributable to the purchase of the asset. The cost of self-constructed property, plant and equipment includes the cost of materials and directly attributable personnel costs as well as all other directly attributable costs necessary to bring the property, plant and equipment to use and the cost of dismantling the property, plant and equipment.

If individual components of an asset with a significant acquisition value have different useful lives in relation to the total value of the asset, these components are accounted for and depreciated separately (component approach).

Gains and losses on the sale of property, plant and equipment are determined by comparing the proceeds of the sale with the carrying amount and are recognised in other operating income or other operating expenses.

The cost of replacing a component of an asset is recognised in the carrying amount of the asset when it is probable that the future economic benefits embodied in the component will flow to the Group and can be measured reliably. The carrying amount of the replaced component is shown as a disposal.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation and impairment losses are recognised in the consolidated income statement under depreciation and amortisation. Land is not depreciated on a scheduled basis. Depreciation periods and methods as well as residual book values are reviewed at each balance sheet date. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The useful lives of property, plant and equipment are shown in the following table:

	Useful life in years
Buildings	6 - 50
Plant and machinery	2 - 20
IT equipment	3 - 6
Office equipment and furniture	3 - 20
Other property, plant and equipment	0 - 6

3.9. Cost of debt

Borrowing costs that are directly attributable to the acquisition, construction or building of a qualifying asset are capitalised as part of the cost.

3.10. Impairment of intangible assets and property, plant and equipment

Property, plant and equipment as well as intangible assets with a limited useful life are depreciated over their economic useful life and tested for impairment if there are indications of a possible need for impairment. Goodwill and intangible assets not yet available for use are tested for impairment at least once a year. If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in profit or loss.

The recoverable amount is defined as the higher of fair value less cost to sell and value in use. To determine the value in use, the future expected cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. If the carrying amount exceeds the recoverable amount, the difference is recognised in profit or loss as an impairment loss. For the impairment test, all assets are compared at the lowest level for which separable cash flows can be determined and allocated. If the cash flow of an asset cannot be determined individually, the impairment test is performed on the basis of the CGU to which the asset is allocated. Goodwill is allocated to CGUs in order to perform an annual impairment test. The allocation to the CGUs or groups of CGUs is based on the operating segments of the business combination from which the goodwill arose and from which they are expected to benefit.

Impairment losses identified in the valuation of a CGU first result to a reduction of the goodwill allocated to the CGU and only then to a pro rata impairment loss of the other assets of the CGU (group of CGUs).

Goodwill is not reversed after an impairment loss has been recognised. With regard to other assets with impairment, a review is carried out at each balance sheet date to determine whether there are indications that the impairment has decreased or no longer exists. Impairment losses are reversed only if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited to the amortised carrying amount that would have been determined had no impairment loss been recognised in the past.

3.11. Inventories

Inventories include raw materials and supplies, work in progress, finished goods and trading goods.

Inventories are valued at the lower of acquisition or production cost and net realisable value. The first-in-first-out (FIFO) method is used as the consumption sequence method. Cost includes all costs of acquisition incurred in bringing the inventories to their present location and condition. Production costs include, in addition to direct costs, appropriate portions of the necessary fixed and variable material and production overheads, insofar as they are incurred in connection with the production process.

The net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

3.12. Income taxes

The income tax expense or income represents the sum of actual and deferred tax expense or income. The current tax expense is determined on the basis of the taxable income for the respective year. Taxable income differs from profit before income taxes as reported in the income statement because it excludes expenses and income that are taxable or tax-deductible in prior or subsequent years or never. The Group's liability for current tax expense is calculated using tax rates applicable or legally fixed by the balance sheet date.

Actual income taxes are calculated based on the respective national tax results and regulations for the year. In addition, the actual taxes reported in the financial year also include adjustment amounts for any tax payments or refunds due for years not yet finally assessed, but excluding interest payments or interest refunds and penalties on tax arrears. Tax liabilities are recognised in the event that amounts recognised in the tax returns are unlikely to be realised (uncertain tax positions). The amount is determined from the best possible estimate of the expected tax payment (expected value or most probable value of the tax uncertainty). Tax receivables from uncertain tax positions are recognised in the balance sheet if it is probable that they can be realised. Only if a tax loss carryforward or an unused tax credit exists, no tax liability or tax asset is recognised for these uncertain tax positions, but instead the deferred tax asset is adjusted for the unused tax loss carryforwards and tax credits.

Deferred taxes are the expected tax charges or benefits arising from differences between the carrying amounts of assets and liabilities in the tax balance sheets of individual companies compared with the carrying amounts in the IFRS consolidated financial statements. Deferred taxes are not recognised for the following temporary differences: initial recognition of assets or liabilities in a transaction that is not a business combination and that does not give rise to a gain or loss under IFRS or for tax purposes, and differences arising on investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, no deferred taxes are recognised on temporary differences when goodwill is recognised for the first time.

Deferred taxes are calculated using the tax rate expected to apply when the temporary differences reverse, based on laws enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same taxation authority on the same taxable entity or on different taxable entities but they intend to settle their tax liabilities and assets together or their tax liabilities and assets will be realised simultaneously.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and reduced by the amount for which it appears unlikely that a corresponding tax asset can be utilised.

Changes in deferred taxes are recognised as tax income or expense in the income statement unless they relate to items recognised in other comprehensive income or directly in equity, in which case the deferred taxes are also presented in other comprehensive income or directly in equity.

3.13. Financial instruments

Financial instruments include investments in equity and debt instruments, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

3.13.1. Recognition and measurement

Trade receivables are recognised from the date on which they arose. All other financial assets and liabilities are recognised for the first time on the trading day on which the AENOVA-Group becomes a contracting party in accordance with the contractual provisions of the financial instrument.

A financial asset (other than a trade receivable without a significant financing component) or financial liability is initially measured at fair value. For an item that is not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue are added or deducted. Trade receivables without a significant financing component are initially measured at transaction price.

3.13.2. Classification and subsequent measurement of financial assets

On initial recognition, a financial asset or liability is classified and measured as follows:

- at amortised cost (AC)
- FVOCI debt instruments (investments in debt instruments measured at fair value with changes in other comprehensive income)
- FVOCI equity instruments (equity instruments measured at fair value with changes in other comprehensive income)
- FVTPL (at fair value with changes in value in profit and loss)

Financial assets are not reclassified after initial recognition unless the AENOVA-Group changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if both of the following conditions are met and it is not designated as FVTPL:

- It is held within a business model whose objective is to hold financial assets to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows at specified times that are solely payments of principal and interest on the principal outstanding.

A debt instrument is measured at FVOCI if both of the following conditions are met and it is not designated as FVTPL:

- It is held as part of a business model whose objective is to hold financial assets to collect the contractual cash flows as well as to sell financial assets and liabilities.
- its contractual terms result in cash flows at specified times that are solely principal and interest payments on the principal outstanding.

When initially recognising an equity instrument that is not held for trading, the AENOVA-Group can irrevocably choose to show subsequent changes in the fair value of the investment in other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. At initial recognition, the AENOVA-Group may irrevocably elect to designate financial assets that otherwise qualify for measurement at amortised cost or FVOCI as FVTPL if doing so results in the elimination or significant reduction of accounting mismatches that would otherwise arise.

Subsequent measurement AC: All changes are recognised in profit or loss

Subsequent measurement FVTPL: Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Subsequent measurement debt instruments FVOCI: Interest income calculated using the effective interest method, exchange rate gains and losses and impairments are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. On derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

Subsequent measurement of equity instruments FVOCI: Dividends are recognised as income in profit or loss unless the dividend clearly represents recovery of part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and never reclassified to profit or loss.

3.13.3. Assessment of the business model

The AENOVA-Group makes an assessment of the objectives of the business model as to whether the financial asset is held to collect the contractual cash flows in full.

Trade receivables held for sale are measured at fair value at the time of initial recognition, as these receivables are held to collect cash flows but sold before final maturity.

3.13.4. Assessment of whether the contractual cash flows are exclusively interest and principal payments

For the purpose of this assessment, principal is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money and for the default risk associated with the principal outstanding over a period of time and other fundamental credit risks.

In assessing whether the contractual cash flows are solely payments of interest and principal on the principal amount, the AENOVA-Group considers the contractual terms of the instrument. This includes an assessment of whether the financial asset contains a contractual arrangement that could change the timing or amount of the contractual cash flows such that it no longer meets these conditions. In making this assessment, the AENOVA-Group takes into account

- certain events that would change the amount or timing of the cash flows,
- early repayment and extension options; and
- Conditions that restrict the AENOVA-Group's entitlement to cash flows from a specific asset.

3.13.5. Derecognition

The AENOVA-Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or the rights to receive the cash flows are transferred in a transaction that also transfers substantially all the risks and rewards of ownership of the financial asset.

The AENOVA-Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

3.13.6. Classification and subsequent measurement of financial liabilities

Financial liabilities are initially recognised at fair value. The related transaction costs of all financial liabilities not measured at fair value through profit or loss are recognised as a deduction from the carrying amount of the liability. Trade payables and other non-derivative financial liabilities are measured at amortised cost (financial liabilities at amortised cost, FLAC) using the effective interest method. Financial liabilities are derecognised after they are extinguished, i.e. when they are discharged, cancelled or expire.

Derivative financial instruments can be embedded in other contracts, resulting in a hybrid financial instrument. If IFRS 9 requires an embedded derivative to be separated, it is accounted for separately from the host contract and measured at fair value. If no separation is required under IFRS 9, the hybrid instrument is accounted for in its entirety based on the classification of the host contract.

3.14. Financial income and expenses

Financial income includes interest income on invested capital, changes in the fair value of derivative financial instruments and foreign exchange gains. Interest income is recognised in profit or loss when it is earned using the effective interest method.

Financial expenses include interest expenses on loans, the effect of compounding provisions, changes in the fair value of derivative financial instruments, impairment of financial assets and foreign exchange losses. Borrowing costs are generally recognised in the income statement using the effective interest method.

3.15. Impairment of financial assets

New customers are first individually analysed with regard to their creditworthiness before the AENOVA-Group offers its standardised delivery and payment terms. This analysis includes external ratings, where available, as well as annual financial statements, information from credit agencies, industry information and, in some cases, bank information.

The Group limits its default risk on trade receivables by setting a maximum payment term. The book values of the financial assets and contract assets correspond to the maximum default risk.

At each reporting date, the Group assesses whether there is objective evidence that financial assets measured at amortised cost or FVOCI are impaired. The credit quality of the asset is impaired if one or

more events occur that have an adverse effect on the expected future cash flows of the financial asset. Objective evidence includes the default or delinquency of a debtor or indications that a debtor will enter insolvency. In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or delay. This includes both quantitative and qualitative information and analysis based on the Group's past experience and sound judgement, including forward-looking information.

The gross carrying amount of a financial asset is adjusted if the Group does not reasonably believe that the financial asset is fully or partially recoverable. For this purpose, an individual assessment of the time and amount of the value adjustment is carried out, based on the expectation of the recoverability of the receivable. From AENOVA's perspective, the default risk of a financial asset has increased significantly if it is more than 30 days overdue. However, due to standard industry procedures, such as incoming quality controls carried out on the customer side, a payment more than 30 days overdue is not unusual. AENOVA only makes value adjustments in the amount in which no payment is expected to be received.

For debt instruments valued at FVOCI, the credit losses are measured as the present value of the payment defaults (i.e. the difference between the payments contractually owed to the AENOVA-Group and the payments that the AENOVA-Group expects to collect). The expected credit losses are discounted with the original effective interest rate of the corresponding debt instrument.

The AENOVA-Group considers a financial asset to be uncollectible if it is unlikely that the debtor will be able to pay its credit obligations in full to the Group.

For general bad debt allowances on trade receivables, lease receivables and contract assets, the AENOVA-Group applies the simplified approach. The simplified approach provides that the default credit risk is calculated on the basis of the amount of the credit loss to be expected over the total term. Expected credit losses over the term are expected credit losses resulting from all possible default events during the expected term of the financial instrument.

An impairment loss in respect of a financial asset carried at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The Group uses an allowance matrix to measure expected credit losses on trade receivables and contract assets. Loss rates are calculated using the "roll rate" method, which is based on the probability that a receivable will progress through successive stages in payment delinquency. Roll rates are calculated separately for defaults in different segments based on the general credit risk characteristics of the respective Group companies. Loss rates are calculated on the basis of actual losses over the last three years. These rates have been multiplied by scaling factors, where necessary, to reflect differences between economic conditions at the time the historical data was collected, current conditions and the Group's view of economic conditions over the expected life of the receivables.

The default risk is the risk of financial losses if a customer or the contractual party of a financial instrument does not meet its contractual obligations. The default risk basically arises from the trade receivables and contract assets of the AENOVA-Group.

The following table provides information on the estimated default risk and expected credit losses for trade receivables and contract assets as of 31 December 2020:

Dec. 31, 2020 KEUR	Minimum loss rate	Maximum loss rate	Gross amount not adjusted individually	Expected credit losses
Not overdue	0,11%	7,85%	84,085	-744
Overdue less than 30 days	0,77%	40,10%	7,661	-280
Overdue between 31 and 90 days	1,63%	93,73%	1,204	-99
Overdue more than 90 days	3,13%	63,47%	380	-55
Total			**93,330**	**-1,179**

Dec. 31, 2019 KEUR	Minimum loss rate	Maximum loss rate	Gross amount not adjusted individually	Expected credit losses
Not overdue	0,23%	4,31%	74,240	-704
Overdue less than 30 days	0,88%	23,53%	14,947	-656
Overdue between 31 and 90 days	1,55%	67,65%	792	-185
Overdue more than 90 days	3,29%	100,00%	1,998	-189
Total			**91,977**	**-1,733**

Where possible, the Group applies the exemption of IFRS 9 to other financial assets, as they have a low risk of default. The default risk of cash and cash equivalents is very low due to the good rating of the banks and credit institutions with which the funds are deposited.

Allowances for trade receivables and debt instruments classified as FVOCI are recognised in a separate account; in the event of a sufficiently certain default, the amount assumed to be irrecoverable is booked directly against the financial asset.

All value adjustments are recognised in profit or loss regardless of classification.

An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment was recognised. For financial assets measured at amortised cost, a reversal of an impairment loss is recognised in profit or loss.

3.16. Provisions for pensions and other employee benefits

The Group maintains various pension plans. These plans are generally funded by payments to external entities (trustee-administered funds, insurance companies, pension and benefit funds). The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed amounts to a separate entity. The Group has no legal or constructive obligation to pay any additional amounts if the fund does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. In a defined benefit plan, a certain amount that an employee will receive upon retirement is typically guaranteed as a pension commitment by the Group. Usually, this amount depends on various factors such as age, years of service and the employee's last salary before retirement.

The pension provision is determined annually by independent actuaries using the projected unit credit method for each defined benefit pension plan separately. The Group's obligation is determined by the amount of the future benefit that employees have earned through their service in the past or prior periods.

The obligation is discounted to its present value, the so-called gross pension obligation, using interest rates derived from yields on senior, fixed-rate corporate bonds of the currency in which the pension benefit is to be paid and whose remaining term to maturity approximates the term of the obligation until payment. The projected unit credit method also takes into account long-term future developments, such as salary increases, pension adjustments or average life expectancy. The fair value of the related plan assets is deducted from the gross pension obligation. This results in the net liability to be recognised.

The Company determines the net interest expense (income) by multiplying the net liability at the beginning of the period by the interest rate used to discount the gross defined benefit obligation at the beginning of the period, taking into account payments and contributions made during the year. Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions, as well as the difference between the actual return on plan assets and the typical return assumed at the beginning of the period, are recognised in other components of equity in the period in which they occur. Past service cost is recognised immediately in profit or loss. If the present value of a defined benefit obligation changes as a result of a plan amendment or curtailment, the Company recognises the resulting effects as past service cost in profit or loss for the period.

For defined contribution plans, the Group pays either contractual or voluntary contributions to public or privately administered pension plans. The Group has no further payment obligations after these contributions have been paid. Amounts payable under defined contribution plans are recognised as an

expense when the obligation to pay the amounts arises and are reported as personnel expenses. Prepayments of contributions are capitalised if these prepayments will result in a refund or a reduction in future payments.

3.17. Other provisions

See explanations under 3.5 Discretionary decisions and estimates

3.18. Leases

According to IFRS 16, a contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee:

At the commencement date, AENOVA recognises a right-of-use asset and a lease liability for leases with a term of more than twelve months, if the underlying asset is not of low value. Short-term and low value leases are recognised as an expense over the lease term. AENOVA accounts for lease and non-lease components as a single lease component.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred, plus any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Effects from the revaluation of lease liabilities are taken into account. Rights-of-use assets are amortised on a straight-line basis over the lease term. If ownership of the underlying asset is transferred to the Group at the end of the lease term, or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

Lease liabilities are initially measured at the present value of the lease payments to be made over the lease term, discounted using AENOVA's incremental borrowing rate.

To determine its incremental borrowing rate, the Group obtains interest rates from various external financial sources and makes certain adjustments to reflect lease terms.

Lease payments comprise fixed payments (including de facto fixed payments), amounts expected to be paid under residual value guarantees, and variable lease payments linked to an index or (interest) rate. Lease payments also include the exercise price of a purchase option that the Group is reasonably certain to exercise, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are measured at amortised cost using the effective interest method after the date of commencement. They are adjusted if the lease is modified or remeasured.

In the balance sheet, the Group present rights-of-use assets separately and lease liabilities as part of financial liabilities.

As a lessor:

At lease inception, lessors classify leases as finance or operating leases. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If so, the lease is classified as a finance lease; if not, it is an operating lease. In making this assessment, the Group considers certain indicators, such as whether the lease covers the major part of the economic life of the asset.

If the Group is a lessor under a finance lease, the assets of the lease are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The Group is not a lessor but sub-leases some properties. As an intermediate lessor, the Group accounts for the head lease and the sublease separately. It classifies the sublease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset itself. Lease payments under operating leases are recognised by the Group as income in other operating income on a straight-line basis over the lease term.

3.19. Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances with a term of up to three months.

99% of the liquid assets are held by banks and credit institutions with a Moody's rating of Baa3 or better. This 99% includes at least 85% that are rated A1 or higher.

4. Financial risk management

Due to its business activities, AENOVA is exposed to certain financial risks. These can be divided into three areas:

- Credit default risk,
- Liquidity risk and
- Market risk (foreign currency risk, interest rate risk).

Group risk management focuses on unforeseeable events in the financial markets and tries to minimise adverse effects on the Group result.

The overall responsibility for establishing and monitoring a Group-wide risk management lies with the Executive Board. Risk management is carried out by defined responsible persons within the Corporate Accounting, Corporate Controlling and Treasury departments according to defined guidelines approved by the Executive Board. Risk identification, assessment and hedging are carried out in close cooperation and coordination with the operative business units.

This section provides information on risk positions, risk management objectives, methods and processes to measure and manage risk, and the Group's capital management.

The risk management policies are designed to help the Group identify and analyse risks so that appropriate controls and risk limits can be established to monitor the risks and comply with the risk limits. The credit agreements of the AENOVA-Group contain financial covenants. AENOVA continuously monitors compliance with these key figures on the basis of forecasts and simulations. All covenants were complied with in the reporting year with sufficient leeway.

4.1. Credit default risk

Default risk is the risk of financial loss if a customer or business partner cannot meet its contractual obligations in respect of a financial instrument and arises mainly from the Group's trade receivables from customers.

The carrying amount of financial assets corresponds to the maximum default risk. The maximum default risk can be seen in the following table:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Trade receivables and contract assets	92,151	90,244
Cash and cash equivalents	50,357	51,705
Other financial assets	14,605	10,517
Maximum default risk	**157,113**	**152,465**

The default risk is analysed and controlled by a central responsibility (credit risk management). The outstanding amounts are analysed and evaluated weekly, and measures are determined with the responsible customer managers. In the case of new business relationships, the individual company is generally responsible for analysing the default risks in order to determine risk-adequate payment and delivery terms. The central credit risk management checks and approves the conditions on a case-by-case basis, if possible taking into account the assessment of external and independent rating agencies.

External customer ratings are used if available. If these are not available, an internal risk assessment is carried out based on a qualitative analysis of the customer (financial ratios, other key figures), empirical values from the past and other criteria. There were no significant risk concentrations in the reporting period, as the total portfolio of receivables was spread over a sufficiently high number of individual clients from different countries.

Goods are sold with retention of title clauses so that AENOVA has a secured receivable in case of default. The Group has no trade receivables or contract assets for which impairment losses have not been recognised due to collateral. AENOVA does not require collateral in respect of trade and other receivables.

Loss rates are calculated based on actual credit losses over the last three years. These rates have been multiplied by scaling factors, where necessary, to reflect differences between economic conditions at the time the historical data was collected, current conditions and the Group's view of economic conditions over the expected life of the receivables.

The maximum period to be considered in estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

4.2. Liquidity risk

Liquidity risk describes the risk that AENOVA will not be able to meet its financial obligations as they fall due, such as the repayment of financial debts or the settlement of liabilities to suppliers. As part of its liquidity management, the Treasury ensures that sufficient liquid funds are always available to meet payment obligations in a timely manner, both under normal and more difficult conditions, without having to incur unacceptable losses or the risk of reputational damage. This does not include the possible influence of extraordinary events that cannot be reliably planned, such as natural disasters.

A liquidity forecast is prepared for the purpose of short and medium-term liquidity management. This is prepared by the Group companies. The consolidation and evaluation takes place at the level of AENOVA Holding GmbH. The liquidity forecast takes into account AENOVA's financing plans (interest and redemption payments), compliance with certain financial covenants, compliance with internal targets regarding balance sheet ratios and - if applicable - external regulatory or statutory requirements.

AENOVA uses the liquidity forecast to track the main payment movements and ensure sufficient liquidity in the AENOVA-Group. Furthermore, the Group uses the monthly balance sheets, profit and loss accounts, working capital planning and investment reports to monitor medium and long-term liquidity.

In addition to the effective management of liquidity and working capital, the Group reduces liquidity risk through a revolving loan, which was refinanced in March 2020. For further details on the refinancing, please refer to section 6.14.4 Loan liabilities.

The majority of the liabilities are fixed with regard to interest and repayment dates. The risk concentration is mainly due to the fixed payment amounts and dates vis-à-vis UniCredit Bank AG, London, and Lucid Agency and Trustee Services Limited, London. Due to the sufficient liquidity available and the existing credit lines, AENOVA is exposed to a low concentration of risk.

The contractually agreed future cash outflows of the recognised financial liabilities are shown undiscounted in the following table. This includes interest and principal payments. Cash outflows from financial liabilities that are repayable on demand are shown at the earliest possible repayment date. Payments whose amount depends on a variable interest rate are presented at the market conditions on the respective balance sheet date. As of 31 December 2020, it is not foreseeable that the cash outflows could arise significantly earlier or at a significantly different amount.

Dec. 31, 2020 KEUR	< 1 year	1 - 5 years	> 5 years
Trade payables	63,237	116	25
Bank loans	3,074	531,672	1,007
Accrued liabilities	16,120	1,895	620
Leasing liabilities	7,732	21,119	23,017
Accrued interest	10,887	-	-
Other financial liabilities	37,977	16,812	1,728
	139,028	**571,614**	**26,398**

Dec. 31, 2019 KEUR	< 1 year	1 - 5 years	> 5 years
Trade payables	60,700	144	25
Bank loans	511,777	142,879	1,937
Derivative financial liabilities	-	-	-
Accrued liabilities	24,346	4,884	4,374
Leasing liabilities	8,399	23,595	23,209
Shareholder loans	-	207,672	-
Accrued interest	-	98,739	-
Other financial liabilities	53,929	11,903	1,242
	659,151	**489,816**	**30,787**

4.3. Market risk

4.3.1. Foreign currency risk

Foreign currency risks result from operating activities as well as investments in foreign business operations. The foreign currency risk of individual subsidiaries is managed and optimised on the basis of the respective functional currency.

The Group management has established guidelines according to which the individual companies must hedge against foreign currency risks. Individual companies that conduct transactions in a currency other than their functional currency are obliged to hedge against significant foreign currency risks with the involvement of Treasury. The hedging is mainly done by holding foreign currencies. The operating units are prohibited from entering into derivatives or borrowing or investing funds in foreign currencies for speculative reasons.

Foreign currency cash flows are analysed on an ongoing basis and can, if necessary, be hedged through forward transactions such as currency options or forward transactions in order to avoid currency losses. Payment overhangs from sales transactions are offset by natural hedging via a management of incoming and outgoing payments in the respective currency (natural hedge strategy).

Foreign currency risks are presented as part of a sensitivity analysis in accordance with IFRS 7. This analysis shows the effect of a hypothetical change in the relevant risk variables on profit before tax by presenting the effect of an appreciation or depreciation of the euro in relation to the foreign currencies that are material for the Group. For this analysis, financial instruments are used that are denominated in a currency other than the functional currency and are of a monetary nature. In accordance with the requirements of IFRS 7, effects from the translation of the financial statements to the Group's reporting currency are not included in the analysis. There are no effects on equity in the Group with the exception of effects on earnings before taxes:

KEUR +10% increase of EUR	2020	2019
against CHF	-1,895	-2,117
against USD	-475	-678
against GBP	-1,451	-1,428
against RON	-12	-42
Total	**-3,833**	**-4,264**

KEUR -10% increase of EUR	2020	2019
against CHF	1,895	2,117
against USD	475	678
against GBP	1,451	1,428
against RON	12	42
Total	**3,833**	**4,264**

4.3.2. Interest rate risk

AENOVA's interest rate risk results from the long-term, variable-interest loans. By borrowing at variable interest rates, the Group is subject to a cash flow interest rate risk. By borrowing at fixed interest rates, the Group is subject to a fair value interest rate risk.

The Group analyses its interest rate risks on a dynamic basis. Based on the different scenarios, the Group can manage its cash flow interest rate risk through floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting floating rate bonds to fixed rate bonds. By entering into the interest rate swaps, the difference between the fixed rates and the floating rate amounts can be mutually settled based on the contractual notional amounts.

AENOVA is exposed to interest rate risks due to bank loans with variable interest rates. The interest rates consist of a fixed margin and a variable interest component based on EURIBOR. The variable component has a floor of 0.00%, so that if the EURIBOR is less than 0.00%, the margin plus 0.00% is recognised as variable interest. The nominal amount of the long-term bank loans with variable interest rate amounts to KEUR 550,340 as of 31 December 2020. AENOVA does not currently use interest rate swaps. As AENOVA does not expect the EURIBOR to rise above 0.00% in the medium term, the Company is only exposed to a low risk in the medium term.

Interest rate risks are presented as part of a sensitivity analysis in accordance with IFRS 7. This shows the effects of changes in the market interest rate on interest payments, interest income and interest expenses, other income and expense accounts and, if applicable, on equity. The interest rate sensitivity analysis is based on the following assumptions:

- Changes in the market interest rates of all non-derivative financial instruments with fixed interest rates carried at amortised cost are not part of the interest rate risk according to IFRS 7.
- Changes in market interest rates affect the interest income or interest expense of non-derivative variable-rate financial instruments whose interest payments have not been hedged within a hedging relationship. Therefore, these are included in the calculation of the sensitivities of the effects on the result before tax.
- A change of 100 basis points in the reference interest rate as at the reporting date would have increased (decreased) the result by the effect shown in the following table. This analysis is based on the risk as at the respective reporting date and includes the floating-rate financial instruments existing as at the reporting date. It is assumed that all other variables, especially foreign currency rates, remain constant.

KEUR Scenario 1: increase in interest rate structure by 100 basis points	2020	2019
Effect on earnings before income taxes	-2,078	-
Effect on equity	-1,771	-

KEUR Scenario 2: decrease in interest rate structure by 100 basis points	2020	2019
Effect on earnings before income taxes	-	-
Effect on equity	-	-

5. Notes to the Consolidated Statement of Comprehensive Income

5.1. Revenues

The AENOVA-Group generates revenue mainly from the sale of the following dosage forms:

- Solids
- Semi-solids & liquids
- Soft gelatine capsules

Revenues consist of gross revenues less customer discounts and rebates.

In the following table, revenues from contracts with customers are presented according to the main dosage forms as well as development and licensing activities. They are also broken down by the time of revenue recognition.

Jan. 1 - Dec. 31, 2020 KEUR	Sale of goods	Rendering of Service & Others	Total 2020
Product lines			
Solids (SOL)	415,954		415,954
Semi-solids and liquids (SEL)	142,136		142,136
Soft gelatine capsules (SGC)	122,900		122,900
Services & Other	-	70,577	70,577
Revenues	**680,991**	**70,577**	**751,568**

Jan. 1 - Dec. 31, 2019 KEUR	Sale of goods	Rendering of Service & Others	Total 2020
Product lines			
Solids (SOL)	411,148		411,148
Semi-solids and liquids (SEL)	133,442		133,442
Soft gelatine capsules (SGC)	112,257		112,257
Services & Other	-	68,801	68,801
Revenues	**656,847**	**68,801**	**725,647**

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Revenue transferred to customers over time	691,025	669,498
Revenue transferred to customers at a point in time	60,544	56,149
Revenues	**751,568**	**725,647**

Discounts and rebates relate exclusively to goods sold. Revenue from the provision of services relates to analytical services, contract development, product transfers and other services.

As permitted by IFRS 15, no disclosures are made about the remaining benefit obligations as of 31 December 2020 that have an expected original maturity of one year or less.

The following table shows the breakdown of turnover by geographical region:

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Germany	308,575	279,046
Rest of Europe	357,023	343,446
North America	43,410	43,321
Rest of world	42,561	59,835
Revenues	**751,568**	**725,647**

The following table provides information on contract assets and contract liabilities from contracts with customers:

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Contract assets	58,827	51,182
Contract liabilities	16,605	9,456
Revenue recognised from contract liabilities at the beginning of the period	3,590	1,014

The contract assets essentially relate to the AENOVA-Group's claims to consideration for services from the contract manufacturing of pharmaceuticals that have been completed but not yet invoiced as of the

reporting date. The contract assets are reclassified to the item "Trade receivables" as soon as the rights become unconditional. This usually occurs when the customer is invoiced.

Contract liabilities mainly relate to investment grants received from customers for the acquisition of machinery and tools for the production of pharmaceuticals and are recognised as revenue over a certain period of time.

5.2. Other operating income

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Capitalised services	1,151	687
Release of provisions (previous periods)	4,722	4,149
Reversal of bad debt allowance (previous periods)	836	661
Reimbursements	65	192
Income from subleasing right-of-use assets	368	364
Gain on disposal of tangible and intangible assets	80	101
Income from investment grants	234	339
Remaining other operating income	4,320	4,225
Other operating income	**11,776**	**10,718**

Capitalised services mainly relate to own work performed in connection with the installation and conversion of property, plant and equipment. Income from the reversal of provisions mainly relates to existing onerous contracts, warranty provisions and performance bonuses. Miscellaneous other operating income includes income from canteen sales and refunds.

5.3. Cost of materials

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Costs of raw materials, consumables and supplies	-269,906	-270,497
Costs of services purchased and subcontracting	-15,390	-14,364
Cost of materials	**-285,296**	**-284,861**

5.4. Personnel expenses

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Wages and salaries	-209,261	-200,970
thereof termination benefits	*-716*	*-4,159*
Expenses for temporary workers	-15,393	-16,427
Other personnel expenses	-6,514	-6,963
Social security, post-employment and welfare costs	-43,198	-41,327
thereof pension costs for defined benefit plans	*-5,328*	*-5,074*
thereof pension costs for defined contribution plans	*-16,844*	*-16,159*
thereof social security expenses	*-21,026*	*-20,094*
Personnel expenses	**-274,366**	**-265,687**

The expenses for defined contribution plans mainly include the employer's contribution to the statutory pension insurance. For the development of personnel expenses due to share-based payments, see section 11Share-based payments.

The average number of employees in the 2020 financial year was 4,424 (2019: 4,386), comprising 2,734 (2019: 2,735) employees in the production area, 736 (2019: 728) employees in the quality area and 954 (2019: 923) employees in other areas.

Of the personnel expenses, KEUR 12,599 (2019: KEUR 10,200) are attributable to development employees.

5.5. Other operating expenses

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Plant and machinery expense	-53,961	-50,288
Legal and other advisory	-6,481	-8,504
Expenses for leasing	-2,517	-2,582
thereof lease expense for short-term leases	*-1,631*	*-1,376*
thereof lease expense for low-value leases	*-603*	*-1,148*
thereof lease expense other	*-195*	-
Expenses for production and office facilities	-3,820	-3,770
Distribution costs	-5,879	-4,412
Administration expenses	-1,932	-1,998
Insurance expenses	-1,822	-2,162
Travelling expenses	-718	-1,687
Marketing & advertising expenses	-220	-611
Loss on disposal of assets	-178	-271
Warranty expenses	-1,219	-750
Licences, provisions and patents	-49	-28
Impairment loss on trade receivables and contract assets	-658	-555
Material overhead costs	-13,552	-11,126
Remaining other operating expenses	-7,991	-6,534
Other operating expenses	**-100,996**	**-95,278**

From the other operating expenses of KEUR -100,996 (2019: KEUR -95,278), expenses of KEUR - 4,083 relate to related parties.

Plant and machinery expenses essentially include costs for the operation and maintenance of production facilities.

In addition to the costs for tax advice and auditing, the legal and consulting expenses mainly include consulting expenses related to strategic projects of the Group.

Other material overheads essentially include consumables for laboratory and analytical activities, packaging materials for freight, work clothes as well as material costs that are not included in the bill of materials.

5.6. Financial income

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Income from foreign exchange differences*	3,225	4,412
Interest income	137	12
Other	13,448	430
Financial income	**16,810**	**4,855**

* Since 2020 foreign exchange income and expences are netted

Other financial income mainly includes unrealised income from changes in the fair value of derivatives. For further information, please refer to section 8 Additional disclosures on financial instruments.

5.7. Financial expenses

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Interest expenses on financial liabilities measured at amortised cost	-51,125	-63,817
Expenses from foreign exchange differences*	-	-6,308
Interest cost on defined benefit plans	-610	-864
Other financial expences	-1,570	-1,488
Financial expenses	**-53,306**	**-72,477**

* Since 2020 foreign exchange income and expences are netted

Interest expenses on financial liabilities measured at amortised cost is mainly attributable to interest expenses related to bank loans and amounts to KEUR -36,683 (2019: KEUR -37,989) and interest on shareholder loans KEUR -4,634 (2019: KEUR -18,713) in the 2020 financial year.

Interest expenses incurred in connection with leasing liabilities amount to KEUR 4,844 in 2020.

Interest on bank loans mainly includes interest expenses to Unicredit Bank AG, London, Deutsche Bank AG, London, and Lucid Agency and Trustee Services Limited, London, as agents for the lenders. Interest due to shareholders relates entirely to loans granted by Apollo 11 S.à r.l. Other financial expenses mainly include bank charges in connection with regular payment transactions and bank charges in connection with corporate transactions.

5.8. Income taxes

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Current taxes	-1,279	-10,295
Deferred taxes	-1,197	10,792
Income taxes	**-2,476**	**497**

The calculation of current taxes in Germany is based on a uniform corporate income tax rate of 15% on distributed and retained profits and a solidarity surcharge of 5.5%. In addition to corporate income tax, trade tax is levied on profits earned in Germany. An average tax rate of 13.74% (2019: 13.72%) is calculated for trade tax, resulting in a total domestic tax rate of 29.57%. This is used to measure domestic deferred taxes.

The tax result achieved by foreign subsidiaries is determined on the basis of the respective national tax law and taxed at the tax rate applicable in the country of domicile. The tax rates applied range from 12.50% to 29.57%.

The table below shows the reconciliation between the expected income tax expense and the income tax expense actually recognised. The tax rate of 29.57% (2019: 29.55%) applied in the reconciliation is the total domestic tax rate.

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Earnings before income taxes (EBT)	**-6,176**	**-53,080**
Expected tax rate	29,57%	29,55%
Expected income taxes	**1,826**	**15,685**
Tax effects resulting from:		
Changes of tax rates	-5	914
Tax rate differences	3,711	1,962
Non-taxable dividend income	63	1,540
Non-tax deductible interest expenses	-12,250	-9,556
Other non-taxable items	872	-
Other non-tax-deductible items	-	-4,509
Local / state tax additions / deductions	-883	-1,262
Non-recognition of deferred tax assets on tax loss carryforwards	-40	-380
Increase in deferred tax assets on tax loss carryforwards recognised in the previuos year	244	-353
Change in deferred taxes previous years	-183	-3,474
Income offset against tax loss not recognised as deferred tax assets	2,295	-
Effect of income taxes relating to other periods	2,268	-240
Other effects	-394	170
Income taxes	**-2,476**	**497**
Effective income tax rate	-40,08%	0,94%

The non-recognition of deferred tax assets on tax losses of KEUR 40 relates to Aenova North America Inc, Contract Packaging Resources Inc, Swiss Caps Holding S.à r.l. and Aenova France SAS (2019: KEUR 380). The increase in deferred tax assets on tax loss carryforwards recognised in the previous year of KEUR 244 relates mainly to Apollo 5 GmbH, Aenova Holding GmbH and Haupt Pharma Latina S.r.l. (2019: KEUR -353). There was no recognition of other losses, as the usability of the loss carryforwards is not considered probable due to multi-year tax planning.

The tax loss carryforwards in Germany and France can be used indefinitely in terms of their amount and ability to be carried forward, taking into account the minimum taxation. In Luxembourg, tax loss carryforwards can be used indefinitely and without restriction. In other countries, on the other hand, losses can only be carried forward for a certain period of time (e.g. Switzerland: seven years; USA: 20 years).

The tax loss carryforwards and tax credits amount to KEUR 115,597 as of 31 December 2020 (2019: KEUR 134,432). Deferred tax assets of KEUR 4,677 (2019: KEUR 5,159) were recognised on these to the extent that sufficient taxable temporary differences exist or to the extent that utilisation is probable based on business expectations. Deferred tax assets were recognised on the tax assets of Haupt Pharma Latina and Temmler Italia.

No deferred tax assets were recognised on interest carryforwards of KEUR 344,468 (in 2019: KEUR 302,630). The interest carryforwards result from non-deductible interest expenses for bank and shareholder loans due to § 4h EStG ("Zinsschranke"). Interest carryforwards were not recognized, as it is not considered probable that the interest carryforwards can be used due to the financing structure and the multi-year corporate planning.

Deferred tax assets and liabilities were created on temporary differences for the following balance sheet items:

KEUR	Jan. 1, 2020 Net	Recognized in Profit or Loss	Currency translation	Recognized in other comprehensive income	Dec. 31, 2020 Net	Deferred tax asset	Deferred tax liability
Share-based payments	1,047	1	-	-	1,048	1,048	-
Tax loss carryforward	5,159	-485	1	-1	4,674	4,674	-
Non-current assets	**-38,142**	**5,741**	**-5**	**11**	**-32,394**	**3,541**	**-35,935**
Intangible assets	-20,794	5,903	-	-	-14,890	322	-15,213
Property, plant and equipment	-2,908	838	-4	-	-2,074	3,218	-5,292
Right-of-use assets	-13,710	276	10	-	-13,424	-	-13,424
Other non-current financial assets	-852	-1,154	-11	11	-2,006	-	-2,006
Other non-current assets	122	-122	-	-	-	-	-
Current assets	**-9,040**	**1,776**	**-38**	**36**	**-7,265**	**11,708**	**-18,974**
Inventories	8,713	2,323	-	-	11,036	11,036	-
Trade receivables	-75	-393	-1	-	-468	145	-613
Contract assets	-12,528	-2,321	-1	-	-14,851	-	-14,851
Other current financial assets	-2,157	-113	-30	30	-2,271	150	-2,420
Other current assets	-2,991	2,280	-6	6	-712	378	-1,089
Non-current liabilities	**21,271**	**-4,350**	**9**	**320**	**17,251**	**20,223**	**-2,972**
Provision for pensions	10,382	-242	10	320	10,470	10,547	-78
Other non-current provisions	440	-111	-	-	329	411	-83
Non-current financial liabilities	10,391	-3,974	-1	-	6,417	9,196	-2,779
Other non-current liabilities	58	-23	-	-	35	68	-32
Current liabilities	**2,375**	**-3,879**	**-2**	**-**	**-1,505**	**3,806**	**-5,312**
Trade payables	85	-459	-	-	-374	200	-574
Current provisions	-543	-21	-	-	-564	49	-613
Current financial liabilities	1,042	-3,499	-	-	-2,458	1,455	-3,913
Other current liabilities	1,791	101	-1	-	1,891	2,103	-211
Total	**-17,329**	**-1,197**	**-34**	**367**	**-18,193**	**44,999**	**-63,192**

Deferred tax assets include deferred taxes on actuarial gains and losses of KEUR 3,080 (2019: KEUR 2,759) recognised directly in equity.

Deferred tax assets are recognised to the extent that there are sufficient taxable temporary differences or to the extent that it is sufficiently probable that a positive tax result will be generated in the future. The Group has recognised deferred tax assets of KEUR 44,999 (2019: KEUR 45,993) for the financial years 2020 to 2024 before netting. Where legally permissible, deferred tax assets are netted against deferred tax liabilities.

In total, there are temporary differences in connection with shares in subsidiaries amounting to KEUR 1,362 (2019: KEUR 6,531) for which no deferred tax liabilities have been recognised as the temporary differences are not expected to be realised in the foreseeable future.

6. Notes to the Consolidated Balance Sheet

6.1. Intangible assets

KEUR	Goodwill	Licences, patents, trademarks and other rights	Development costs	Software	Customer contracts and relationships	Other intangible assets	Prepay-ments to third party	Total
Cost								
At Jan. 1, 2020	**278,766**	**10,419**	**40,207**	**54,919**	**235,622**	**86,285**	**2,079**	**708,296**
Additions	-	160	41	1,189	-	12	-	1,401
Transfers	1,323	13,487	-2,558	8,804	4,175	19,769	-411	44,588
Disposals	-	-1,125	-0	-37	-	-	-1,668	-2,830
Currency translation	-	-0	-0	1	-	-154	-	-153
At Dec. 31, 2020	**280,089**	**22,940**	**37,689**	**64,875**	**239,797**	**105,912**	**-**	**751,301**
Accumulated amortisation and impairment								
At Jan. 1, 2020	**-10,127**	**-8,424**	**-34,619**	**-47,395**	**-188,331**	**-74,915**	**-306**	**-364,116**
Additions (amortisation)	-	-2,464	-1,243	-4,170	-17,741	-3,214		-28,831
Impairment losses	-	-29	-	-	-	-		-29
Transfers	-1,322	-13,376	2,558	-8,029	-4,175	-19,770	306	-43,809
Disposals	-	2,880	0	37	-	-		2,917
Currency translation	-	0	0	-0	-	152	-	152
At Dec. 31, 2020	**-11,449**	**-21,413**	**-33,304**	**-59,557**	**-210,247**	**-97,747**	**-**	**-433,716**
Carrying amount								
At Jan. 1, 2020	**268,639**	**1,995**	**5,588**	**7,524**	**47,291**	**11,370**	**1,773**	**344,180**
At Dec. 31, 2020	**268,640**	**1,527**	**4,385**	**5,319**	**29,549**	**8,165**	**-**	**317,586**

KEUR	Goodwill	Licences, patents, trademarks and other rights	Development costs	Software	Customer contracts and relationships	Other intangible assets	Prepay-ments to third party	Total
Cost								
At Jan. 1, 2019	**275,084**	**10,629**	**40,208**	**52,462**	**235,622**	**86,510**	**2,753**	**703,267**
Additions*	3,682	384	-	3,005	-	-	-	7,070
Transfers	-	-	-	629	-	-	-	629
Disposals	-	-651	-8	-1,187	-	-	-674	-2,520
Currency translation	-	57	7	11	-	-225	-	-150
At Dec. 31, 2019	**278,766**	**10,419**	**40,207**	**54,919**	**235,622**	**86,285**	**2,079**	**708,296**
Accumulated amortisation and impairment								
At Jan. 1, 2019	**-10,127**	**-7,033**	**-33,418**	**-42,372**	**-168,504**	**-69,609**	**-306**	**-331,369**
Additions (amortisation)	-	-1,217	-1,202	-5,393	-19,827	-5,504	-	-33,143
Impairment losses	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-130	8	375	-	-	-	252
Currency translation	-	-43	-7	-5	-	198	-	144
At Dec. 31, 2019	**-10,127**	**-8,424**	**-34,619**	**-47,395**	**-188,331**	**-74,915**	**-306**	**-364,116**
Carrying amount								
At Jan. 1, 2019	**264,957**	**3,596**	**6,790**	**10,090**	**67,118**	**16,901**	**2,447**	**371,898**
At Dec. 31, 2019	**268,639**	**1,996**	**5,588**	**7,524**	**47,291**	**11,370**	**1,773**	**344,180**

* Correction of non-material effects in the area of goodwill

From the total research and development expenses of KEUR 22,032 (2019: KEUR 14,323), development costs of KEUR 0 (2019: KEUR 0) have been capitalised as intangible assets. Impairment losses of KEUR 29 (2019: KEUR 0) on intangible assets were recognised under depreciation and amortisation in the financial year. As part of the standardisation of accounting within the Aenova-Group, reclassifications were made within intangible assets in the amount of KEUR 43,810 in the 2020 financial year. The other intangible assets mainly contain technological know-how.

Material intangible assets mainly comprise customer bases and order books acquired as part of the acquisition of the AENOVA-Group. The acquired customer bases can be categorised according to different types of customers. As of the balance sheet date, the carrying amounts reported under customer contracts and customer relationships and the remaining useful lives of the customer bases are as follows:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Customer base - Contract Manufacturing Organisation	21,663	28,287
Customer base - Contract Development and Manufacturing Organisation	7,607	17,740
Customer base - Over The Counter	-	845
Customer base - Licenses	279	419
Customer base	**29,550**	**47,291**

Remaining useful lifes in years	Dec. 31, 2020	Dec. 31, 2019
Customer base - Contract Manufacturing Organisation	6,5	7,3
Customer base - Contract Development and Manufacturing Organisation	0,8	1,8
Customer base - Over The Counter	-	0,8
Customer base - Licenses	2,0	3,0

For impairment testing purposes, goodwill of KEUR 268,640 (2019: KEUR 268,640) is allocated to a cash-generating unit (CGU), which is the lowest level in the Group at which goodwill is monitored for internal management purposes.

The carrying amount of the CGU Aenova-Group is compared with the recoverable amount as part of the impairment test. An impairment loss on goodwill is recognised when the net assets of the Aenova-Group CGU, including the related goodwill, exceed the recoverable amount of the Aenova-Group CGU. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. It is not always necessary to determine the fair value less costs to sell and the value in use for a CGU if either exceeds the net assets including goodwill of the CGU. In this case, only the value in use was determined, as it exceeds the net assets including goodwill of the CGU Aenova-Group. The key assumptions on which the value in use calculation is based include estimated growth rates and weighted average cost of capital. The projections of future cash flows take into account past experience and are based on management's best estimate of future developments.

The value in use was calculated using future cash flows derived from the current 2021 - 2022 planning of the CGU Aenova-Group approved by the management. The planning is based on the development of sales volumes in the individual markets, expected new products and empirical values. For the planning period 2021 - 2022, a compound annual growth rate of 3.5% for sales and 9.7% for EBITDA was assumed. After the 2023 financial year, constant growth rates are assumed for the development of the planned turnover and EBITDA. The respective growth rate of 1% does not exceed the average expected long-term inflation rate and was also used to determine the terminal value.

The discount rates reflect current market assessments of the time value of money and the specific risks attributable to each of the cash-generating units. The calculation of the discount rate takes into account the risk-free interest rate, a corresponding company-specific risk and borrowing costs.

The planning and discounting are based on the following fundamental assumptions:

	2020	2019
Discount rate value in use (after tax)		
CGU Aenova-Group	7,03%	6,17%
Planned EBITDA growth (average of next two (prev. year three) years)		
CGU Aenova-Group	9,70%	11,80%
Sustainable growth rate (terminal value)		
CGU Aenova-Group	1,00%	1,00%

An impairment loss is recognised when the net assets of a CGU, including its share of goodwill, exceed its recoverable amount. The recoverable amount of the Aenova-Group CGU of KEUR 1,245,698 (2019: KEUR 1,207,538) exceeds the net assets including pro-rata goodwill by KEUR 751,038 (2019: KEUR 711,753).

A reduction of the EBITDA growth rate by 3% for the next two years would reduce the recoverable amount of the CGU Aenova-Group to KEUR 1,240,433, but at the same time exceed the net assets of the Company including the pro rata goodwill by KEUR 745,773.

The Group has performed sensitivity analyses regarding an increase/decrease in the applied discount rates. A one percentage point increase in the discount rate would not have resulted in an impairment loss. The recoverable amount of the CGU Aenova-Group would still exceed the net assets including pro-rata goodwill by KEUR 559,731.

6.2. Property, plant and equipment

KEUR	Land and buildings	Construction in progress	Plant and machinery	IT equipment	Other property, plant and equipment	Total
Cost						
At Jan. 1, 2020	**181,960**	**16,614**	**340,497**	**17,898**	**9,779**	**566,748**
Additions	2,866	24,568	15,314	2,079	433	45,261
Transfers	11,351	-15,614	21,020	2,619	-5,536	13,840
Disposals	-3,663	-321	-4,731	-650	-60	-9,425
Currency translation	-283	-44	-289	-59	-63	-739
At Dec. 31, 2020	**192,231**	**25,203**	**371,811**	**21,887**	**4,554**	**615,685**
Accumulated amortisation and impairment						
At Jan. 1, 2020	**-89,898**	**-1,529**	**-233,255**	**-13,244**	**-9,417**	**-347,343**
Additions (amortisation)	-7,535	-	-23,634	-1,447	-456	-33,071
Impairment losses	26	-18	-562	-	-	-554
Transfers	-8,122	323	-10,030	-2,361	5,573	-14,615
Disposals	2,982	731	4,489	640	46	8,888
Currency translation	88	-	217	35	61	401
At Dec. 31, 2020	**-102,458**	**-493**	**-262,775**	**-16,377**	**-4,192**	**-386,295**
Carrying amount						
At Jan. 1, 2020	**92,062**	**15,085**	**107,242**	**4,654**	**362**	**219,406**
At Dec. 31, 2020	**89,773**	**24,710**	**109,037**	**5,510**	**361**	**229,391**

KEUR	Land and buildings	Construction in progress	Plant and machinery	IT equipment	Other property, plant and equipment	Total
Cost						
At Jan. 1, 2019	**200,883**	**27,120**	**344,246**	**17,197**	**9,352**	**598,798**
Recognition of right of use from the first-time application of IFRS 16	-31,723	-1,504	-24,498	-125	-75	-57,925
Adjusted status at Jan. 1, 2019	**169,160**	**25,616**	**319,748**	**17,072**	**9,277**	**540,873**
Additions	3,474	7,795	13,836	1,538	455	27,098
Transfers	9,122	-16,062	8,730	642	34	2,466
Disposals	-40	-579	-2,256	-1,371	3	-4,242
Currency translation	243	-155	439	17	9	553
At Dec. 31, 2019	**181,960**	**16,614**	**340,497**	**17,898**	**9,779**	**566,748**
Accumulated amortisation and impairment						
At Jan. 1, 2019	**-91,915**	**-1,618**	**-220,016**	**-13,421**	**-9,042**	**-336,012**
Recognition of right of use from the first-time application of IFRS 16	9,264	-	7,468	35	37	16,805
Adjusted status at Jan. 1, 2019	**-82,651**	**-1,618**	**-212,548**	**-13,385**	**-9,005**	**-319,208**
Depreciation expense	-7,154	-26	-20,593	-1,162	-438	-29,373
Impairment losses	-520	-	-371	-1	-	-892
Transfers	0	-	-3,106	11	-	-3,095
Disposals	622	116	3,718	1,311	35	5,803
Currency translation	-196	-	-357	-17	-9	-579
At Dec. 31, 2019	**-89,898**	**-1,529**	**-233,255**	**-13,244**	**-9,417**	**-347,343**
Carrying amount						
At Jan. 1, 2019	**86,509**	**23,998**	**107,200**	**3,686**	**272**	**221,665**
At Dec. 31, 2019	**92,062**	**15,085**	**107,242**	**4,654**	**362**	**219,406**

Impairment losses on property, plant and equipment amounting to KEUR 554 (2019: KEUR 892) were recognised in the financial year. As part of the standardisation of accounting within the Aenova-Group, reclassifications were made within property, plant and equipment in the amount of KEUR 13,961 in the 2020 financial year.

For the 2021 financial year, investments of KEUR 13,757 (2020: KEUR 5,129) are contractually agreed.

6.3. Right-of-use assets

KEUR	Right-of-use Land and buildings	Right-of-use Plant and machinery	Right-of-use IT and office equipment	Right-of-use Other property, plant and equipment	Prepayments on Right-of use, other	Total
Cost						
At Jan. 1, 2020	**52,751**	**20,116**	**470**	**1,892**	**516**	**75,746**
Additions	3,331	1,817	2	1,447	-	6,598
Transfers	-	79	-	-	-79	-
Disposals	-1,995	-4,526	-199	-569	-437	-7,726
Currency translation	-71	-79	-2	-3	0	-155
At Dec. 31, 2020	**54,016**	**17,409**	**271**	**2,767**	**0**	**74,463**
At Jan. 1, 2020	**-16,997**	**-5,743**	**-232**	**-779**	**-**	**-23,751**
Additions (amortisation)	-5,361	-2,277	-124	-753	-	-8,515
Impairment losses	-28	-	-	-	-	-28
Transfers	-	-	-	-	-	-
Disposals	1,995	3,140	199	530	-	5,864
Currency translation	47	16	0	3	-	66
At Dec. 31, 2020	**-20,345**	**-4,865**	**-156**	**-999**	**-**	**-26,365**
Carrying amount						
At Jan. 1, 2020	**35,754**	**14,373**	**239**	**1,113**	**516**	**51,995**
At Dec. 31, 2020	**33,671**	**12,543**	**115**	**1,769**	**0**	**48,098**

KEUR	Right-of-use Land and buildings	Right-of-use Plant and machinery	Right-of-use IT and office equipment	Right-of-use Other property, plant and equipment	Prepayments on Right-of use, other	Total
Cost						
At Jan. 1, 2019	**52,470**	**27,384**	**364**	**1,232**	**-**	**81,450**
Additions	238	1,380	107	655	516	2,897
Transfers	-	-	-	-	-	-
Disposals	-	-8,541	-	-	-	-8,541
Currency translation	43	-107	-1	4	-	-60
At Dec. 31, 2019	**52,751**	**20,116**	**470**	**1,892**	**516**	**75,746**
At Jan. 1, 2019	**-11,089**	**-8,013**	**-**	**-37**	**-**	**-19,139**
Additions (amortisation)	-5,388	-2,484	-232	-740	-	-8,843
Impairment losses	-492	-10	-	-2	-	-503
Transfers	-	-	-	-	-	-
Disposals	-	4,744	-	-	-	4,744
Currency translation	-29	19	0	-1	-1	-10
At Dec. 31, 2019	**-16,997**	**-5,743**	**-232**	**-779**	**-1**	**-23,752**
Carrying amount						
At Jan. 1, 2019	**41,381**	**19,371**	**364**	**1,195**	**-**	**62,312**
At Dec. 31, 2019	**35,754**	**14,373**	**239**	**1,113**	**516**	**51,995**

6.4. Other non-current financial assets

KEUR	Dec. 31, 2020	Dec. 31, 2019
Other loans and receivables	96	98
Other investments	299	299
Non-current loans to related parties	813	813
Non-current derivatives - positive fair values	4,279	-
Other non-current financial assets	**5,486**	**1,209**

Other investments consist of the shares in Loxxess Pharma GmbH, Wolfratshausen, which is not included in the consolidated financial statements of Apollo 5 GmbH for reasons of materiality.

6.5. Other non-current assets

KEUR	Dec. 31, 2020	Dec. 31, 2019
Prepayments to third party, non-current	595	290
Other non-current assets	2,026	1,698
Other non-current assets	**2,621**	**1,988**

6.6. Inventories

KEUR	Dec. 31, 2020	Dec. 31, 2019
Raw materials and supplies	44,062	43,576
Work in progress	2,996	3,037
Finished products	1,262	2,559
Inventories	**48,320**	**49,172**

Net inventories amount to KTEUR 48,320 (2019: KTEUR 49,172) as at the balance sheet date. The value adjustments on the gross inventory assets (e.g. due to marketability devaluations and quality defects) amount to KEUR 7,217 (2019: KEUR 9,437).

In 2020, inventories of KEUR 285,296 (2019: KEUR 284,861) were expensed.

6.7. Trade receivables

Eight German production sites have concluded silent factoring agreements with two factoring banks. The contracts stipulate that certain parts of the trade receivables will be sold to third parties. Furthermore, the contracts stipulate that the del credere risk is transferred to the factoring companies. A certain portion of the sold receivables is retained by the factoring companies to finance the sales deductions and is thus not refinanced. This amount was recognised as other assets. The existing contractual relationship at three locations is unlimited and can be terminated with a notice period of six months. The existing contracts at four locations were extended in April 2020 until the end of May 2022. The factoring contract with one of the eight companies ended on 31 December 2020.

A factoring contract is also installed at two Italian locations. The factoring contract was concluded with a factoring bank. This contract stipulates that certain parts of the trade receivables will be sold to third parties. It is also stipulated that the del credere risk is transferred to the factoring company. The contract has an indefinite term and can be terminated at any time.

Factoring contracts were signed with a factoring bank at two locations in Switzerland as of 31 December 2015. The contracts were extended in July 2019 until December 2022. One of these factoring contracts was terminated early by mutual agreement in December 2020. The notice period for the other contract is six months. The contracts stipulate that certain parts of the trade receivables will be sold to third parties. Furthermore, the contracts stipulate that the del credere risk is transferred to the factoring companies. A certain portion of the sold receivables is retained by the factoring companies to finance the sales deductions and is thus not refinanced.

The purchased receivables of the AENOVA-Group amount to KEUR 61,142 (2019: KEUR 58,863).

KEUR	Dec. 31, 2020	Dec. 31, 2019
Trade receivables, gross	35,194	41,994
Individual allowance for doubtful debts	-691	-1,198
Expected credit losses	-1,179	-1,733
Trade receivables, net	**33,324**	**39,062**

KEUR	Dec. 31, 2020	Dec. 31, 2019
Individual impaired	691	1,198
Not past due nor impaired	25,258	26,022
Past due less than 30 days, not impaired	7,661	12,004
Past due between 31 and 90 days, not impaired	1,204	758
Past due more than 90 days, not impaired	380	2,012
Trade receivables, gross	**35,194**	**41,994**

The credit and market risks of the AENOVA-Group as well as impairments of trade receivables are explained in chapter 4.1Credit default risk

As of 31 December 2020, specific provisions of KEUR 691 (2019: KEUR 1,198) relate to several customers who have notified that due to their economic circumstances they do not expect to be able to settle the outstanding amounts or have filed for insolvency.

The following tables show the development of specific and general bad debt allowances on trade receivables:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Individual allowance at beginning of period	1,198	1,084
Other additions	318	778
Reversal	-219	-260
Utilisations	-608	-413
Currency translation	1	9
Individual allowance at the end of period	**691**	**1,198**

KEUR	Dec. 31, 2020	Dec. 31, 2019
General allowance at beginning of period	1,733	2,403
Other additions	250	448
Reversal	-755	-771
Utilisations	-51	-77
Currency translation	1	-269
General allowance at the end of period	**1,179**	**1,733**

From the total allowance, KEUR 1,258 are attributable to financial assets valued at FVOCI. The development of the allowance during the year was as follows:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Allowances at beginning of period	**2,322**	**2,793**
Net revaluation of allowance	-1,064	-471
Allowance at the end of period	**1,258**	**2,322**

The change in impairment losses in 2020 is mainly due to a decrease in trade receivables of KEUR - 5,738 (previous year: KEUR -3,191). Due to a group-wide forced receivables management, receivables more than 30 days overdue decreased by 43%, which contributed to a reduction in impairment losses in 2020.

6.8. Other current financial assets

KEUR	Dec. 31, 2020	Dec. 31, 2019
Other receivables from third party	9,087	9,280
Short-term loans to employees	32	28
Other current financial assets	**9,119**	**9,307**

Other receivables from third parties include receivables from various factoring companies in the amount of KEUR 9,087 (2019: KEUR 9,280).

6.9. Other current assets

KEUR	Dec. 31, 2020	Dec. 31, 2019
VAT receivables	8,609	8,272
Prepayments to third party	1,703	1,939
Other current non-financial assets	6,896	15,089
Other current assets	**17,208**	**25,301**

The reduction in other current non-financial assets is due to the clarification and settlement of claims arising from a purchase agreement tax clause.

6.10. Cash and cash equivalents

KEUR	Dec. 31, 2020	Dec. 31, 2019
Cash at bank	50,327	51,681
Cash on hand	30	24
Cash and cash equivalents	**50,357**	**51,705**

Cash and cash equivalents earn interest at variable rates on demand deposits. Short-term deposits are made for varying periods of time, ranging from one day to three months, depending on the Group's immediate cash requirements.

6.11. Equity

For a detailed presentation of the development of equity, please refer to the Consolidated Statement of Changes in Equity.

6.11.1. Share capital

The share capital of Apollo 5 GmbH amounts to KEUR 25 as of 31 December 2020 and is held entirely by Apollo 8 GmbH. The share capital is fully paid in as of the balance sheet date. It consists of one share with a nominal value of KEUR 25.

6.11.2. Capital reserves

Capital reserves amount to KEUR 555,455 as of 31 December 2020 (2019: KEUR 129,410). The increase results from two capital measures that took place in February and March 2020. Firstly, the AENOVA-Group received a shareholder contribution of KEUR 120,000. Secondly, the shareholder loan and the majority of the accrued interests on it were contributed (in total KEUR 306,046).

The capital reserves include reserves from share-based payments. For further details, please refer to section 11Share-based payment.

6.11.3. Other components of equity

The other components of equity include:

- Currency translation differences: The reserve for currency translation differences is used to record differences from the translation of the financial statements of foreign subsidiaries.
- Revaluation of defined benefit obligations: The actuarial gains/losses relate to defined benefit obligations and also include deferred taxes on them. Deferred taxes on actuarial gains/losses recognised in other comprehensive income amount to a cumulative total of KEUR 3,080 for 2020 (2019: KEUR 2,759).
- First-time adoption of IFRS 9, IFRS 15 and IFRS 16 in the amount of KEUR 6,804. This includes deferred taxes in the amount of KEUR -2,349.

6.12. Provisions for pensions and similar obligations

KEUR	Dec. 31, 2020	Dec. 31, 2019
Provisions for defined benefit obligations	62,589	63,038
Provisions for supplementary pension benefits Italy	2,682	2,772
Provisions for jubilees and sabbaticals	2,279	2,595
Provision for pensions and similar obligations	**67,550**	**68,405**

6.12.1. Provisions for defined benefit obligations

The Group has various defined benefit plans in various Group companies, which include a wide range of post-employment benefit arrangements. Beneficiaries of these commitments are mainly employees or their surviving dependants in Germany, Switzerland and Ireland. The benefit plans include 1,863 (2019: 1,923) beneficiaries, of which 1,068 (2019: 1,124) are active employees, 468 (2019: 484) are former employees with vested rights and 327 (2019: 315) are retirees and surviving dependants.

In Germany, there are various defined benefit plans that give retirees the right to annual pension payments or a one-time capital payment. A defined benefit plan grants beneficiaries a certain percentage of their last salary when they reach the age of 65, depending on their pensionable years of employment. Under another defined benefit plan, beneficiaries are entitled to benefits upon reaching the age of 65, the amount of which depends on the length of employment at the company. In the form of direct commitments, entitled employees are entitled to pension benefits within the framework of deferred compensation upon reaching the age of 65.

The regulatory framework in Germany is provided by the Occupational Pensions Act. Accordingly, the pension adjustment obligation for pension commitments is based on inflation expectations, unless the commitment provides for a fixed annual adjustment.

Under the company pension system in Switzerland, there are various defined contribution plans with a guaranteed interest rate, which provide for both statutory and voluntary benefits in the event of retirement. The annual contributions are determined on the basis of salary and paid to a collective foundation. The payments are reinsured by an insurance company that bears the risk of default. In the event that the insurance contract is terminated by the pension fund or the insurance company, the employer must make the restructuring contributions. Consequently, the plans are classified as defined benefit plans in the Group.

At the time of retirement, the accrued contributions including the return are converted into a pension by means of conversion factors, which is paid out to the beneficiary. Part or all of the benefits can also be drawn by the insured person in the form of a capital payment. The Board of Trustees of the collective foundation, which is made up of equal numbers of employer and employee representatives, reviews the management and administration of the pension plans organised in the collective foundation.

The regulatory framework in Switzerland is provided by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

The defined benefit plans in Ireland are closed to new entrants. The benefit at the start of the pension, which is paid in the form of an annuity, is dependent on final salary and length of employment. The statutory framework is provided by the Pensions Act. The pension plans are subject to a minimum funding requirement which is set and monitored by the Pensions Regulator.

The amounts recognised in the balance sheet as of 31 December 2020 are as follows:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Fair value of plan assets	**61,239**	**59,316**
Switzerland	*31,546*	*31,284*
Ireland	*16,369*	*15,358*
Germany	*13,324*	*12,674*
Present value of DBO	**123,828**	**122,354**
Switzerland	*47,036*	*47,665*
Ireland	*18,516*	*17,181*
Germany	*58,276*	*57,508*
Net defined benefit liability	**62,589**	**63,037**

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

KEUR	Defined benefit obligation		Fair value of plan asset		Net defined benefit liability	
	2020	2019	2020	2019	2020	2019
At January 1	**122,355**	**106,447**	**59,316**	**55,118**	**63,038**	**51,329**
Acquisition of business	-	-	-	-	-	-
Profit and loss						
Current service cost	3,154	2,672	-	-	3,154	2,672
Past service cost	-	-	-	-	-	-
Interest income/expense	1,017	1,665	407	789	610	876
Administrative expenses	-	-	-147	-140	147	140
	4,171	**4,337**	**260**	**649**	**3,911**	**3,688**
Other comprehensive income						
Return on plan asset, exluding amounts recognised as interest income/expense	-	-	-389	-286	389	286
Actuarial gains/losses from:						
- change in demographic assumptions	-	-	-	-	-	-
- change in financial assumptions	1,608	12,657	-	-	1,608	12,657
- experience adjustments	-1,547	-1,280	-	-	-1,547	-1,280
	61	**11,377**	**-389**	**-286**	**450**	**11,662**
Other						
Exchange differences	237	1,676	150	1,135	88	541
Contributions (Employer)	-	-	3,375	2,884	-3,375	-2,884
Contributions (Employee)	1,638	1,589	1,638	1,589	-	-
Benefit payments	-4,634	-3,071	-3,111	-1,773	-1,523	-1,298
Effects from transfers	-	-	-	-	-	-
	-2,758	**194**	**2,052**	**3,835**	**-4,810**	**-3,641**
At December 31	**123,828**	**122,355**	**61,239**	**59,316**	**62,589**	**63,038**

The weighted average term of the defined benefit obligation as of 31 December 2020 is 15 years (previous year: 15 years).

As of 31 December 2020, KEUR 40,662 (2019: KEUR 40,522) of the defined benefit obligation relates to plans that are not funded by plan assets and KEUR 83,167 (2019: KEUR 81,833) of the defined benefit obligation relates to plans that are funded in whole or in part by plan assets.

The plan assets held by the collective foundation in Switzerland consist exclusively of assets from insurance contracts with a life insurance company. The plan assets in Ireland are managed by a pension trust, which is legally independent, and are mainly invested in shares and bonds. The plan assets in Germany consist of reinsurance policies taken out to secure the commitments and assets paid into a pension fund. The fair value of the plan assets is composed of the following categories of assets:

	Dec. 31, 2020	Dec. 31, 2019
Equity instruments	5%	7%
Debt instruments	12%	11%
Real estate	2%	2%
Assets held by insurance company, Germany	22%	21%
Assets held by insurance company, Switzerland	52%	53%
Other assets	8%	7%
Total	**100%**	**100%**

Market price quotations on active markets exist for all equity and debt instruments as well as for real estate and other assets.

The expected employer contributions for 2021 are expected to amount to KEUR 3,394.

The weighted average per country of the underlying actuarial assumptions can be presented as follows:

	December 31, 2020			December 31, 2019		
	Switzerland	Germany	Ireland	Switzerland	Germany	Ireland
Discount rate	0,15%	1,00%	1,00%	0,13%	1,30%	1,30%
Salary increase	1,00%	1,00%	2,00%	2,00%	1,00%	2,00%
Pension increase	0,00%	1,60%	0,00%	0,00%	1,60%	0,00%

The biometric calculation basis used in Germany was the 2018G mortality table by Prof. Dr. Klaus Heubeck, in Switzerland the BVG2015 GT and in Ireland the ILT15.

An increase or decrease in the key actuarial assumptions by 0.25 percentage points would have the following effects on the present value of the pension obligations as of 31 December 2020:

	Impact on defined benefit obligation 2020		Impact on defined benefit obligation 2019	
Change in assumption	**0,25%**	**-0,25%**	**0,25%**	**-0,25%**
Discount rate	-3,5%	3,7%	-3,6%	3,8%
Salary growth rate	0,2%	-0,2%	0,5%	-0,5%
Pensions growth rate	1,9%	-1,1%	2,0%	-1,1%

A change in life expectancy of +1 year would increase the defined benefit obligation by 2.7% (2019: 2.7%) and a change in life expectancy of -1 year would decrease the obligation by 2.7% (2019: 2.7%).

The sensitivity analyses are based on the change of one actuarial assumption while all other assumptions remain constant. The sensitivities were determined in the same way as the DBO as of 31 December 2020. If several assumptions change simultaneously, the resulting effect does not necessarily correspond to the sum of the individual effects. The effects of the individual changes in assumptions are not linear.

6.12.2. Provisions for supplementary pension benefits Italy

Provisions for supplementary pension entitlements Italy include provisions in connection with the "Trattamento di fine rapporto" at two companies in Italy. This is a legal obligation for companies in Italy, according to which employees are entitled to a severance payment upon termination of employment.

6.12.3. Provisions for jubilees and sabbaticals

Employees of individual subsidiaries in Switzerland and Germany are entitled to jubilee bonuses and sabbaticals. The provisions were calculated in accordance with IAS 19 using the projected unit credit method. The same mortality tables were used as a biometric basis for calculation as for the pension

commitments. The present value of the obligations for jubilees and sabbaticals amounted to KEUR 2,279 as of 31 December 2020 (2019: KEUR 2,595). The applicable weighted discount rate was 1.0% in 2020 (2019: 1.3%).

6.13. Other provisions

KEUR	Dec. 31, 2020		Dec. 31, 2019	
	current	non-current	current	non-current
Warranty provisions	1,944	-	1,904	-
Provisions for litigation costs	356	-	356	-
Provisions for restructuring	1,252	141	3,594	205
Provisions for customer bonus	147	-	561	-
Other provisions	2,972	2,376	7,306	3,264
Other current & non-current provisions	**6,670**	**2,517**	**13,720**	**3,469**

6.13.1. Other current provisions

	Provisions for				
KEUR	Warranty	Litigations	Restructuring	Customer bonus	Other
At Jan. 1, 2020	**1,904**	**356**	**3,594**	**561**	**7,306**
Additions	1,151	-	371	325	1,179
Utilisation	-742	-	-2,665	-361	-5,965
Reversal	-368	-2	-80	-381	-1,148
Transfers	-	-	31	-	1,587
Currency translation	-1	2	0	3	13
At Dec. 31, 2020	**1,944**	**356**	**1,252**	**147**	**2,972**

6.13.2. Other non-current provisions

	Provisions for	
KEUR	Restructuring	Other
At Jan. 1, 2020	**205**	**3,264**
Additions	-	1,393
Utilisation	-	-653
Reversal	-34	-64
Transfers	-31	-1,566
Currency translation	2	1
At Dec. 31, 2020	**141**	**2,376**

All provisions are based, among other things, on discretionary decisions, assumptions, past experience and estimates that are subject to certain uncertainties (with regard to the amount and time of utilisation). The valuation and accounting of the individual provisions are made in accordance with management's estimation based on past experience.

6.13.3. Warranty provisions

The provision is calculated on the basis of both historical experience and expectations of future failures of the products sold within the warranty period. The provisions for warranties mainly relate to products sold in the financial years 2019 and especially 2020. The Group expects to settle the majority of the provisions in 2021.

6.13.4. Provisions for litigation costs

The provision for litigation costs of KEUR 356 (2019: KEUR 356) mainly relates to risks in connection with ongoing legal cases. The legal cases include customs proceedings against the Swiss Directorate General of Customs. The Group expects to utilise the majority of the provisions in 2021.

6.13.5. Provisions for restructuring

The restructuring provisions of KEUR 1,393 (2019: KEUR 3,799) mainly relate to expenses in connection with the closure of the Berlin site (KEUR 978). The main payments, which were determined within the framework of social plans as well as individual agreements, are to be paid in 2021.

6.13.6. Provisions for customer bonuses

The provisions for customer bonuses relate to outstanding invoices in the amount of KEUR 147 (2019: KEUR 561). The utilisation will occur in 2021.

6.13.7. Other provisions

Current other provisions of KEUR 2,972 (2019: KEUR 7,307) include provisions for earn-out payments from the acquisition of Haupt Pharma AG, existing onerous contracts, follow-up costs and outstanding fees.

The non-current other provisions of KEUR 2,376 (2019: KEUR 3,264) mainly relate to severance payments and provisions for existing onerous contracts.

The change in current and non-current other provisions is due to the reclassification by corresponding maturity.

The decrease in other provisions of KEUR 5,233 is mainly the result of earn-out payments made in the reporting year as well as the use and release of provisions for existing onerous contracts.

6.14. Financial liabilities

6.14.1. Non-current financial liabilities

KEUR	Dec. 31, 2020	Dec. 31, 2019
Non-current bank loans	532,679	144,816
Non-current shareholder loans	-	207,672
Non-current leasing liabilities	44,137	46,181
Non-current accrued liabilities	-	98,739
Non-current financial liabilities	**576,816**	**497,409**

The non-current accrued liabilities relate entirely to accrued interest on shareholder loans and were largely transferred to the capital reserve in 2020 in the course of the refinancing.

6.14.2. Other non-current liabilities

KEUR	Dec. 31, 2020	Dec. 31, 2019
Other non-current liabilities	18,548	12,105
Other non-current liabilities	**18,548**	**12,105**

Other non-current liabilities include liabilities due to investment grants from customers.

6.14.3. Current financial liabilities

KEUR	Dec. 31, 2020	Dec. 31, 2019
Current bank loans	3,074	511,777
Current accrued liabilities	20,352	15,910
Current leasing liabilities	7,732	7,524
Current financial liabilities	**31,158**	**535,211**

6.14.4. Loan liabilities

With closing date 6 March 2020, AENOVA-Group successfully refinanced the syndicated loans (First and Second Lien) and the revolving credit facility (RCF) existing as of 31 December 2019. The new financing again consists of First and Second Lien as well as a revolving credit facility undrawn at closing.

UniCredit Bank AG, London, acts as agent for the loan under the First Lien Financing Agreement. Lucid Agency and Trustee Services Limited, London, acts as agent for the loan under the Second Lien and as security agent for the loan under the First and Second Lien Financing Agreements.

As of 31 December 2020, the Group had the following loan liabilities:

KEUR	Year of maturity	Nominal value as of Dec 31, 2020	Carrying amount as of Dec 31, 2020	Nominal value as of Dec 31, 2019	Carrying amount as of Dec 31, 2019
First Lien	2025	440,000	429,507	500,000	499,445
Second Lien	2025	110,340	105,386	139,040	138,231
Revolving Credit Facility	2024	-	-	10,000	10,000
Other	various	8,729	8,729	8,916	8,916
Total		**559,069**	**543,622**	**657,956**	**656,592**

As at the reporting date, the "First Lien" loan has a nominal amount of KEUR 440,000 with a base interest rate of 5.00% plus EURIBOR. If the EURIBOR falls below 0.00%, 0.00% is applied. The term of the bullet loan ends on 6 March 2025.

The "Second Lien" loan has a nominal amount of KEUR 110,340 with a base rate of 13.00% plus EURIBOR as at the reporting date. If the EURIBOR falls below 0.00%, 0.00% is applied. Aenova has agreed with the lender a staggered interest rate of 13.00% for the first 30 months. During this period, no interest payments are made but interest is added to the nominal amount in the form of PIK (payment-in-kind) and becomes itself interest-bearing. The term of the bullet loan ends on 8 September 2025.

The credit line of the revolving loan amounts to KEUR 50,000. As of 31 December 2020, it was only utilised in the form of guarantees in the amount of KEUR 466 (2019: KEUR 2,500). The term of the loan runs until 6 September 2024. The revolving loan bears interest at EURIBOR plus a base rate of 4.75%. If the EURIBOR falls below 0.00 %, 0.00 % is applied.

The difference between the nominal amounts and the carrying amounts results from the application of the effective interest method in accordance with IFRS 9. Upon initial measurement, loans are recognised at their fair value less directly attributable transaction costs. The transaction costs are amortised as interest expense over the term using the effective interest method and increase the carrying amount of the liability.

Certain shares are pledged as collateral for the banks' claims. One company, instead of pledging its shares, has issued a guarantee.

The repayment of the existing syndicated loans as well as the revolving loan in the total amount of KEUR 649,040 was made for an amount of KEUR 527,888 directly from the rescheduling of the loans between the banks (shortened payment method), whereby this part was classified as a non-cash transaction. The remaining amount of KEUR 121,152 was repaid in cash.

6.15. Other current liabilities

KEUR	Dec. 31, 2020	Dec. 31, 2019
Accrued liabilities for personnel expenses	20,846	16,836
Social security liabilities	2,775	2,263
Advance payments received from third parties	1,286	7,658
VAT payables	156	1,207
Miscellaneous other non-financial liabilities	2,290	2,416
Other current liabilities	**27,352**	**30,379**

7. Disclosures on leases

The Group rents land and buildings, production facilities and other machinery, motor vehicles and office and business equipment.

The term of the lease agreements in the asset class land and buildings is typically up to twenty years. The Group has no purchase option on land and buildings and there is no automatic transfer of ownership. AENOVA leases buildings for both administrative and production purposes. Some lease agreements provide for additional rental payments based on changes in local price indices.

Leasing agreements for production facilities usually have a contractual term of between one year and ten years.

In addition, the Group leases IT equipment with contractual terms ranging from one year to five years. Some of these leases are either short-term or have low-value underlying assets. Neither rights of use nor lease liabilities were recognised for the short-term or low-value leases.

The following table presents the maturity analysis of lease liabilities with the remaining contractual maturities:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Future minimum lease payments		
Due within 1 year	11,832	12,025
Due 1 - 5 years	30,250	32,495
Due after 5 years	40,937	44,918
Total	**83,019**	**89,438**

Some leases contain renewal options that are exercisable during the non-cancellable lease term. The Group considers the inclusion of renewal options when entering into new leases to ensure operational flexibility. An assessment is made at the commitment date as to whether the exercise of a renewal option is reasonably certain. For production facilities and buildings with termination options of three or six months, AENOVA assumes a lease term that depends on long-term planning and considers whether the exercise of an option to extend the lease is reasonably certain. For leasing facilities used for administrative purposes (e.g. buildings or rented flats), AENOVA assumes a non-cancellable lease term of three or six months. Accordingly, such leases are treated as short-term leases and AENOVA does not recognise any right-of-use assets and lease liabilities in the consolidated statement of financial position.

The Group assesses at the end of each financial year whether the exercise of a renewal option is reasonably certain if a significant event or significant change in circumstances within its control occurs.

At the end of the reporting period, AENOVA entered into leases that will not be recognised in the balance sheet until 2021. The initial value of the lease liabilities from these contracts is KEUR 20,487 (2019: KEUR 477).

The Group subleases some commercial properties. From the lessor's perspective, all leases are classified as operating leases. The following table presents a maturity analysis of the lease receivables and shows the undiscounted lease payments to be received after the balance sheet date.

KEUR	Dec. 31, 2020	Dec. 31, 2019
Future minimum lease payments		
Due within 1 year	342	339
Due 1 - 5 years	1,272	1,874
Due after 5 years	965	449
Total	**2,579**	**2,662**

Further information on income from subleases is presented in section 5.2 Other operating income.

8. Additional disclosures on financial instruments

The net result from financial instruments is as follows:

KEUR	Dec. 31, 2020	Dec. 31, 2019
Loans and receivables at amortised cost (AC)	315	107
Financial instruments at fair value through profit or loss (FVTPL)	13,234	-
Debt instruments at fair value through other comprehensive income (FVOCI)	-648	-
Financial liabilities measured at amortised cost (FLAC)	-45,506	-66,565
Net result from financial instruments	**-32,606**	**-66,458**

The result from loans and receivables in the amount of KEUR 315 (2019: KEUR 107) mainly includes impairments and reversals of impairments on receivables.

The result from financial liabilities measured at amortised cost mainly includes interest expenses on bank loans of KEUR 36,683 (2019: KEUR 37,989), interest expenses on shareholder loans of KEUR 4,634 (2019: KEUR 18,713) and interest expenses from compounding of bank loans measured using the effective interest method of KEUR 2,666 (2019: KEUR 919).

The following table shows the carrying amount and fair value of the financial instruments included in the individual balance sheet items by class as well as by measurement category:

		Amounts recognised in balance sheet according to IFRS 9						Fair value hierarchy level for financial instruments		
KEUR	Carrying amount Dec. 31, 2020	AC Financial assets at amortised cost	FVTPL Financial instruments at fair value through profit or loss	FVOCI debt instruments	FLAC Other financial liabilities at amortised cost	Amounts recognised according to IFRS 16	Fair value Dec. 31, 2020	Level 1	Level 2	Level 3
Financial assets										
Non-current derivatives - positive market value	4,279	-	4,279	-	-	-	4,279	-	-	4,279
Other non-current financial assets	1,207	1,207	-	-	-	-	1,207	-	-	-
Trade receivables	33,324	3,973	-	29,351	-	-	33,324	-	29,351	-
Other current financial assets	32	32	-	-	-	-	32	-	-	-
Factoring Receivables	9,087	-	-	9,087	-	-	9,087	-	9,087	-
Cash and cash equivalents	50,357	50,357	-	-	-	-	50,357			-
Financial liabilities										
Non-current liabilities to banks	532,679	-	-	-	532,679	-	597,922	-	597,922	-
Non-current accrued interests to related parties	-			-	-	-	-	-	-	-
Non-current leasing liabilities	44,137	-	-	-	-	44,137	-	-	-	-
Trade payables	63,379	-	-	-	63,379	-	63,379	-	-	-
Current liabilities to banks	3,074	-	-	-	3,074	-	3,074	-	-	-
Current leasing liabilities	7,732	-	-	-	-	7,732	-	-	-	-
Current accrued liabilities	20,352	-	-	-	20,352	-	20,352	-	-	-
Financial assets	**98,286**	**55,570**	**4,279**	**38,438**	**-**	**-**	**98,286**	**-**	**38,438**	**4,279**
Financial liabilities	**671,353**	**-**	**-**	**-**	**619,484**	**51,868**	**684,727**	**-**	**597,922**	**-**

			Amounts recognised in balance sheet according to IFRS 9					Fair value hierarchy level for financial instruments		
KEUR	Category in accordance with IFRS 9	Carrying amount Dec. 31, 2019	AC Financial Assets at amortised cost	FVOCI debt instruments	OL Other financial liabilities	Amounts recognised according to IFRS 16	Fair value Dec. 31, 2019	Level 1	Level 2	Level 3
Financial assets										
Other non-current financial assets	AC	1,209	1,209	-	-	-	1,209	-	-	-
Trade receivables	AC/FVOCI	39,062	3,496	35,566	-	-	39,062	-	35,566	-
Other current financial assets	AC	28	28	-	-	-	28	-	-	-
Factoring Receivables	FVOCI	9,280		9,280	-	-	9,280	-	9,280	-
Cash and cash equivalents	AC	51,705	51,705	-	-	-	51,705	51,705	-	-
Financial liabilities										
Non-current liabilities to banks	OL	144,816	-	-	144,816	-	160,733	-	160,733	-
Non-current liabilities to related parties	OL	207,672	-	-	207,672	-	193,189	-	193,189	-
Non-current accrued interests to related parties	OL	98,739	-	-	98,739	-	139,906	-	139,906	-
Non-current leasing liabilities	n.a.	46,181	-	-	-	46,181	-	-	-	-
Trade payables	OL	60,869	-	-	60,869	-	60,869	-	-	-
Current liabilities to banks	OL	511,777	-	-	511,777	-	511,777	-	-	-
Current leasing liabilities	n.a.	7,524	-	-	-	7,524	-	-	-	-
Contract liabilities	n.a.	9,456	-	-	-	-	-	-	-	-
Current accrued liabilities	OL	15,910	-	-	15,910	-	15,910	-	-	-
Financial assets		**101,284**	**56,438**	**44,846**	**-**	**-**	**101,284**	**51,705**	**44,846**	**-**
Financial liabilities		**1,102,944**	**-**	**-**	**1,039,783**	**53,705**	**1,082,384**	**-**	**493,828**	**-**

Due to the short maturities of cash and cash equivalents, trade receivables and payables as well as other current receivables and assets and other current liabilities, it is assumed that the fair values correspond to the carrying amounts for these items.

The fair values of non-current financial instruments are determined as the present values of the expected future cash flows. Market interest rates for the corresponding maturities are used for discounting. In

order to determine the fair value of trade receivables (FVOCI) and receivables from factoring companies, it is assumed that the fair value corresponds to the nominal value.

In determining the fair value of an asset or liability, the Group uses observable market data as far as possible. Based on the inputs used in the valuation techniques, the fair values are categorised into different levels in the fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2:** Valuation parameters that are not the quoted prices considered in Level 1 but are observable for the asset or liability either directly (as a price) or indirectly (as a derivative of prices).
- **Level 3:** Valuation parameters for assets or liabilities that are not based on observable market data.

In the past financial year, no reclassifications were made between the individual levels. If necessary, a reclassification will be made at the end of the reporting period.

The table below shows the reconciliation of the opening balance to the closing balance for Level 3 fair values:

KEUR	Derivative financial assets at fair value through profit or loss
At Jan. 1, 2020	**-**
Additions (incl. first-time classification as Level 3)	-8.955
Unrealised increase in fair value recognised in profit or loss	13.234
At Dec. 31, 2020	**4.279**

The financing agreements of First and Second Lien and the derivatives embedded in them are hybrid financial instruments with several embedded options. The latter are categorised to fair value level 3 as derivatives subject to separation with a total carrying amount of KEUR 4,279.

The options, which can be exercised by Aenova at any time, allow for the early repayment of the loan liabilities at fixed exercise prices on the one hand and provide an interest rate floor of 0.00% on the other. These embedded options are accounted as one derivative each for the First and Second Lien.

No observable market prices are available for the embedded options on the reporting date. These options are valued using a Hull-White model. EUR swap interest rates and credit default swap rates of comparable companies on the reporting date and historical credit default swap volatilities are used as significant input factors.

As at the current reporting date, interest rates between -0.52% and -0.46%, credit default swap rates between 310 and 550 basis points and credit default swap volatilities between 3.1% and 4.7% were used for the First Lien. For the Second Lien, interest rates between -0.52% and -0.46%, credit default swap rates between 1160 and 1400 basis points and credit default swap volatilities between 3.1% and 4.7% were used.

The values used represent the best estimate in each case according to our assessment. If other values had been used as the interest rates, credit default swap rates and credit default swap volatilities, different fair values would have been calculated. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, a net result (income) of KEUR 13,234 was recognised in the financial result for the options held on the balance sheet date as part of the level 3 valuation. For the development of the book values in the reporting period, please refer to the table above. The changes in value recognised in profit or loss in the reporting period were mainly due to movements in credit default swap rates and their volatilities.

The table below shows the results of a sensitivity analysis for carrying amounts of financial assets categorised to Level 3, resulted from changes in the unobservable input parameters:

KEUR	31.12.2020	31.12.2019
EUR swap rates + 50 basis points	5,501	-
EUR swap rates - 50 basis points	-4,709	-
Credit default swap rates + 50 basis points	-3,221	-
Credit default swap rates - 50 basis points	4,244	-
Historical credit default swap volatilities + 10%	1,494	-
Historical credit default swap volatilities -10 %	-1,477	-

9. Contingent liabilities

As of 31 December 2020, AENOVA has liability risks from guarantees in the amount of KEUR 2,129 (in 2019: KEUR 2,426). A claim is considered possible but not probable, which is why no provision is recognised. It is not possible to estimate the probable amount or timing of the utilisation. Furthermore, there is a latent risk that not all obligations for pensions and similar obligations earned in the past have been recognised. A sufficiently reliable estimate of the probability of occurrence and the amount of any existing obligations is not possible.

10. Transactions with related parties

In accordance with IAS 24, related parties are parties that directly or indirectly exercise control over the company or have the ability to exercise significant influence over the entity.

10.1. Parent company and ultimate parent company

The parent company of Apollo 5 GmbH is Apollo 8 GmbH. Apollo 8 GmbH is registered in the Commercial Register of the Local Court of Munich under HRB 200075. The sole shareholder of Apollo 8 GmbH is Apollo 11 S.á r.l., Luxembourg.

Apollo 5 GmbH had received various loans from Apollo 11 Holding S.á r.l. in the form of subordinated loans with deferred interest payments. The loans originally amounted to KEUR 261,152 and were taken out in connection with the acquisition of the operating business of Aenova Group GmbH (merged into Aenova Holding GmbH in 2016). The nominal value amounted to KEUR 207,672 as of 31 December 2019. In the course of the refinancing, the corporate loan and the majority of the interest accrued on it were contributed as capital reserves. In 2020, the interest expense amounted to KEUR 4,634 (2019: KEUR 18,713). The remaining accrued interest amounts to KEUR 3,004 (2019: KEUR 98,739).

BC Partner GmbH Beteiligungsberatung received a management fee of KEUR 200 in 2020 (2019: KTEUR 200). As at 31 December 2020, outstanding invoices amounted to KEUR 0 (2019: KEUR 0).

10.2. Members of the management in key positions of the AENOVA

The management of Apollo 5 GmbH and the Advisory Board (until 21 August 2020) as well as the Supervisory Board (since 25 August 2020) of AENOVA Holding GmbH constitute related parties pursuant to IAS 24 as members of the highest management and supervisory level of the AENOVA-Group.

Executive board 2020	
Jan Kengelbach	Managing Director of Apollo 5 GmbH
Ralf Schuler	Managing Director of Apollo 5 GmbH

Executive board 2019	
Ralf Schuler	Managing Director of Apollo 5 GmbH
Jan Kengelbach	Managing Director of Apollo 5 GmbH (since November 11, 2019)
Stefan Zuschke	Managing Director of Apollo 5 GmbH (until November 11, 2019)

Advisory board 2020	
Raymond Svider	Chairman of the advisory board (until August 31, 2020)
Maximilian Kastka	Member of the advisory board (until August 31, 2020)
Otto Prange	Member of the advisory board (until August 31, 2020)

Advisory board 2019	
Raymond Svider	Chairman of the advisory board (since April 1, 2019)
Dr. Ewald Walgenbach	Chairman of the advisory board (until March 31, 2019)
Moritz Elfers	Member of the advisory board (until July 31, 2019)
Maximilian Kastka	Member of the advisory board
Otto Prange	Member of the advisory board

By shareholder resolution of 21 August 2020 of Apollo 5 GmbH, Starnberg, the advisory board of the company was dissolved.

At the shareholders' meeting on 25 August 2020, the Articles of Association of Apollo 5 GmbH were amended. Instead of the advisory board, a co-determined supervisory board was established for the company. The amendment to the Articles of Association was entered in the commercial register on 31 August 2020.

Supervisory board 2020	
Dr. Ewald Walgenbach	Chairman of the supervisory board (since September 1, 2020)
Peter Winkelmann	Deputy chairman of the supervisory board (since September 1, 2020)
Giuliano Bidoli	Member of the supervisory board (since September 1, 2020)
Moritz Elfers	Member of the supervisory board (since September 1, 2020)
Maximilian Kastka	Member of the supervisory board (since September 1, 2020)
Pierre Stemper	Member of the supervisory board (since September 1, 2020)
Jan-Felix Stolz	Member of the supervisory board (since September 1, 2020)
Gerd Hammerl	Member of the supervisory board (since September 1, 2020)
Claudia Langhammer	Member of the supervisory board (since September 1, 2020)
Bernd Schmider	Member of the supervisory board (since September 1, 2020)
Heike Tietze	Member of the supervisory board (since September 1, 2020)
Thomas Volgger	Member of the supervisory board (since September 1, 2020)

The total remuneration for the Executive Board in 2020 of KEUR 1,604 relates in full to fixed and variable short-term benefits (2019: KEUR 1,113), of which KEUR 35 relates to pension expenses (2019: KEUR 33) and KEUR 0 relates to severance and termination benefits.

The members of the advisory board of Apollo 5 GmbH received remuneration as compensation for their time and effort spent in connection with their work as advisory board members and for their advisory services. The remuneration of the advisory board members was entirely accounted for by short-term benefits and amounted to KEUR 7 in the financial year (2019: KEUR 73). The total remuneration of the Supervisory Board in the 2020 financial year amounted to KEUR 33.

An earn-out agreement exists with a related party. The provision recognised at the end of the year amounts to KEUR 692 (cf. section 6.13.7 other provisions). The earn-out payments paid out in the reporting year amount to KEUR 3,220.

10.3. Other related parties

Other related parties are close relatives of key management personnel and entities that are controlled by or exercise significant influence over other related parties. Companies that exercise control or significant influence over related parties are also considered to be related parties.

In the 2020 financial year, AENOVA sold goods and services amounting to KEUR 12,016 to companies or acquired goods and services amounting to KEUR 3,746 from companies that are controlled by persons in key positions or over which significant influence is exercised. Related parties provided consultancy services amounting to KEUR 138 (2019: KEUR 484). As of the reporting date, there were outstanding receivables from related parties in the amount of KEUR 807 and outstanding liabilities in the amount of KEUR 370.

11. Share-based payments

The managing directors and selected executives of the AENOVA-Group hold shares in Apollo 11 S.à r.l. via two management KGs. The management participation programmes are a programme launched in 2014 (old MEP) and one from 2020 (new MEP). The management KGs hold shares in Apollo 11 S.à r.l., which in turn holds all shares in the AENOVA-Group. The shares are granted by Apollo Warehouse S.à r.l. and Apollo Warehouse 2 S.à r.l. respectively as the performing company.

Apollo 11 S.à r.l. and the AENOVA-Group are under common control, as the person who controls Apollo 11 also controls Apollo 5 GmbH. The fulfilling companies Apollo Warehouse S.à r.l. and Apollo Warehouse 2 S.à r.l. are shareholders in Apollo 11 S.à r.l. via the KG shares. Thus, from the perspective of the receiving company, the management participation programmes are within the scope of IFRS 2.

These are equity-settled share-based payments, as the companies grant shares to the managers at an agreed price. These transactions are measured at fair value at the grant date. As the receiving company (Apollo 5 GmbH) has no obligation to settle, the remuneration is accounted for as equity-settled in the capital reserve as a contribution from shareholders.

In the event of a participant leaving the Aenova-Group, so-called "leaver" conditions exist. The form in which these are to be applied depends on the type of exit. These conditions determine the contractually agreed buy-back price of the shares. According to these mechanisms, the price is determined in a range between the originally paid-in capital and the market value of the shares to be repurchased.

As the purchase price of the shares for the new MEP is derived from the fair value of the shares at the grant date, no benefit was granted to the recipients. The grant date fair value (GDFV) is therefore zero.

For the old MEP, an exit bonus is generally granted if the amount of the exit proceeds exceeds an agreed minimum threshold. The exit can take place either via an IPO or a sale of the AENOVA-Group.

The amount of the compensation depends on the amount of the exit proceeds less related costs as well as the amount of the participation of the respective beneficiary. The fair value was measured using various assumptions based on an option pricing model. Specific exit clauses apply in the event of an employee's premature departure. These specify the criteria for the creation of an entitlement and the amount of the exit bonus. The vesting period of the management programme is 4 years.

The valuation of the benefit was carried out using company valuations of the AENOVA-Group, the basis of which was the corporate planning approved by the management. The exit bonus was valued using a Monte Carlo simulation.

At the beginning of 2018, the old MEP was modified by lowering the multipliers that determine the threshold and the amount of the exit bonus. This increased the fair value of the shares. All shares in the old MEP were fully vested as of 31 December 2018.

In connection with the introduction of the new employee participation programme, participants in the already existing programme were offered the opportunity to sell their participation and still existing bonus entitlements. This was partially taken advantage of. Those who accepted the offer received corresponding payouts from Apollo 11 S.à r.l.

12. Auditors' fees and services

The following table shows an overview of the auditor's fees and services:

KEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Auditing services	466	577
thereof from the previous year	106	148

13. Events after the balance sheet date

The Corona pandemic continues. Information on the impact on Aenova is presented in the management report. Apart from the above, no events have occurred in the period from 31 December 2020 until the publication of the consolidated financial statements that have a material impact on these financial statements.

Starnberg, 16 April 2021

Ralf Schuler
Apollo 5 GmbH
Managing Director

Jan Kengelbach
Apollo 5 GmbH
Managing Director

GROUP MANAGEMENT REPORT OF APOLLO 5 GMBH

for the period 1 January to 31 December 2020

For technical calculation reasons, rounding differences of one unit (KEUR, %, etc.) may occur in the tables.

The Management Report is prepared and certified in German. The English version is for translation purposes only.

1 Group Setup

The AENOVA Group (hereinafter referred to as "AENOVA" or "AENOVA-Group") consists of the parent company Apollo 5 GmbH based in Starnberg and 27 subsidiaries. At the end of the financial year, AENOVA operated a total of 15 production sites in six countries. The AENOVA-Group is represented in eight European countries, Asia and the USA. The group employs approximately 4,400 people. These consolidated financial statements cover the period from 1 January 2020 to 31 December 2020.

With effect from 1 January 2020, the companies Swiss Caps Holding AG, Swiss Caps Rechte und Lizenzen AG and H & E Pharma SA were merged into Swiss Caps AG, Kirchberg, all with registered offices in Switzerland. Swiss Caps Holdings Inc., Miami, USA, merged with effect from 31 July 2020 into the Group company Swiss Caps USA Inc., Greensboro, USA, which was subsequently renamed Aenova North America Inc.

1.1 Business model of the Group

The AENOVA-Group is one of the world's largest pharmaceutical contract manufacturers for development, production and marketing of pharmaceuticals and food supplements. The range of services covers the entire value chain of development and production of all common dosage forms and product groups for pharmaceutical products and food supplements. This includes among others

- **Solids** such as tablets, hard capsules, effervescents
- **Semi-solids and liquids** such as ointments, gels and creams, suppositories as well as sterile and non-sterile liquids such as tinctures, drops and injectables
- **Soft gelatine capsules**

The processed active ingredients range from common generic substances such as paracetamol and ibuprofen to special highly potent active substances such as hormones and cytotoxics.

AENOVA is a B2B (business to business) service provider with decades of experience and expertise in the pharmaceutical and healthcare sector. The range of products and services is used by originators (developers of patent-protected products), generic companies as well as suppliers of food supplements and veterinary products.

The AENOVA-Group of companies can offer its customers a complete service from a single source. This includes:

- Drug development (process and product development, esp. formulation)
- Clinical Trial Services (production and special logistics handling for clinical trials)
- Regulatory Services
- Analytical Services
- Further service & support and global tech transfer
- Commissioned production
- Packing
- Logistics
- Purchasing, validation of raw materials and Active Pharmaceutical Ingredients (APIs)
- Supply Chain Management

The core activities of the group of companies are:

- Innovation and development - innovative product ideas, concept and product development, formulation and analytics development, pharmacotherapy, shelf-life testing, regulatory support and market approvals.
- Contract manufacturing of tablets, film-coated tablets and coated tablets, effervescent products, hard capsules, soft gelatine capsules, VegaGels® (gelatine-free soft capsules), creams and ointments, suppositories, as well as sterile and non-sterile liquid dosage forms.
- Contract packaging - blisters, sleeves, bottles, sachets, cartons, labelling, folding boxes, brochures and leaflets
- Quality management - production control and packaging according to international standards (for example cGMP or HACCP) as well as control and release of raw materials and finished products
- Clinical trial supplies - bulk manufacturing and procurement of testing materials, primary packaging, blinding and secondary packaging, labelling, controlled storage, distribution, quality planning, quality control and release, project management.
- Supply chain management - planning, procurement, logistics
- Analytics - testing of active pharmaceutical ingredients (APIs), excipients and finished products, shelf life testing, development and validation of methods, method transfer, EU approval
- Sales, customer service and consulting - Sale of AENOVA products/technologies and contract manufacturing capabilities, licence management, professional consulting and support related to manufacturing processes, products, formulation, registrations and communication.

1.2 Objectives and strategies

The global health market will continue to grow steadily in the coming years. The reasons for this include demographic change, increasing health awareness and growing prosperity in both industrialised countries and emerging markets.[1]

In addition, the outsourcing trend is expected to continue in the coming years and there will be further consolidation of production capacities.[2] AENOVA will benefit from this environment as a CDMO (contract development and manufacturing organisation), i.e. as a service provider for the development and manufacturing of pharmaceutical and consumer healthcare (CHC) products.

In addition to product quality, the corporate strategy focuses in particular on high customer satisfaction through delivery times in line with the market and high delivery reliability. As a company with a strong European manufacturing network covering the entire range of dosage forms, AENOVA can also benefit from the reshoring of pharmaceutical manufacturing from Asian countries to Europe and North America, which helps to simplify global value chains and to secure supply chains.[3] This trend, which has been observed for several years, received widespread attention in 2020 due to the global COVID-19 pandemic, especially in developed countries that will support national pharmaceutical production through government programmes.[4]

1 EvaluatePharma® World Preview 2020, Outlook to 2026, July 2020; OECD, Health spend projections to 2020, May 2019
2 PwC, Current trends and strategic options in the pharma CDMO market, November 2019; Bourne Partners, Market insight, Biopharmaceutical CDMOs Analysis, February 2019; https://www.mordorintelligence.com/industry-reports/pharmaceutical-contract-development-and-manufacturing-organization-cdmo-market
3 EY, Re-shoring pharma and medtech manufacturing: playingthe long game, October 2020; Lisa Walkush, National Managing Principal; Yvette Jansen, Manager Life Sciences & Healthcare; Ashley Johnson, Life Sciences Consultant; and Corine Whittick, Life Sciences Consultant at Grant Thornton, The growing benefits to reshoring pharma operations, August 2020
4 Politico, Can the Corona virus bring back Europe's pharmaceutical factories?, December 2020

Five points form the value proposition of the AENOVA-Group

1) Customers and patients first
2) Reliability and excellence in everything we do
3) Impeccable product quality according to international standards
4) High product availability through competence in development and technology transfer, reasonable delivery times and excellent delivery reliability
5) Continuous cost focus to provide competitive patient care solutions

To implement its strategy, the AENOVA-Group has set two organisational priorities:

1) Managing the business across three Business Units (BU) to set consistent standards of operational excellence and customer service across the Group, but with a focus on the respective dosage forms:
   - BU Solids
   - BU Semi solids & liquids
   - BU Soft gelatine capsules

   The relevant management positions have been filled and continuous improvement processes have been implemented.

2) A Group-wide transformation along the three thrusts defined in the strategy "Operational Excellence, Commercial Excellence and Organisational Excellence": Several individual projects are being implemented with the aim of continuing the profitable growth. Optimisation in the area of planning, active supplier management, simplification of the value chain within the Group and the introduction of an Aenova Manufacturing System have led to further improved delivery performance, also in an organisationally challenging environment which has been created by COVID-19. As part of "Commercial Excellence", the sales organisation has been restructured under new management. Market intelligence, marketing and order management were strengthened to enable more targeted market development and further improve the customer offering. In the area of “organisational excellence”, the focus was on the development of a comprehensive performance management concept which also includes aspects of leadership and communication.

Based on the value proposition and the cornerstones of the strategy, growth is seen in the following areas, among others:

- Solid dosage forms: expansion of capacity and portfolio for human and veterinary pharmaceuticals and CHC products through broad technology offering and strategic partnerships
- Semi-solid and liquid dosage forms: focus on special technologies, e.g. injectables, also in the field of biopharmaceuticals
- Soft gelatine capsules: expansion of the competence spectrum and participation in the trend towards food supplements (Cornu plant)
- Fee-for-service development services: growth in development services that also provide a pipeline for future manufacturing services.

1.2.1 Pharma: originators and generics, OTC

AENOVA supports its customers in the development and manufacturing of products, both originators and generics, whether prescription or over-the-counter (OTC).

The researching pharmaceutical companies are increasingly focusing on their core competencies of innovative research and development as well as marketing and sales. Production, especially after the expiry of patents, is seen as less and less strategic by the researching pharmaceutical companies. In

addition, there is an increasing importance of so-called virtual pharmaceutical companies, including biotech start-ups, which focus exclusively on the discovery and development of new drugs, but rely exclusively on external partners for manufacturing. Already today, more newly approved drugs are developed by virtual pharma companies/small biotechs than by the leading pharma companies. This is a trend that is expected to intensify in the future.[5]

AENOVA is a competent partner in this environment, especially because the large pharmaceutical companies are also increasingly focusing on manufacturing costs. With increasing cost pressure, outsourcing to CDMOs is becoming more and more common.

The generics industry, on the other hand, continues to be characterised by growing volumes, but also by higher price sensitivity in the commodity segment. Large companies will outsource large parts of this segment and focus on differentiable products and services.

AENOVA's strategy is to grow stronger than the market in this segment, among other things through

- Focusing on core customers and expanding the 'share of wallet', e.g. by covering a wider range of products or additional services
- Acquisition of new strategic customers with special technologies
- Focus on life cycle management
- Focus on the acquisition of products with long-term commitment to the production site

1.2.2 CHC

This segment includes the area of pharmaceutical, non-prescription drugs. CHC products are produced in many AENOVA plants according to pharmaceutical standards. A sub-segment is the food supplements area, which is not a strategic focus for AENOVA with the exception of soft gelatine capsules from the dedicated plant in Cornu, Romania for Vitamins, Minerals and Supplements (VMS).

From Cornu, AENOVA can offer customers a very wide product range of capsule sizes and suturing technologies, as well as extensive experience in active ingredient processing. The site's range of services was expanded in the 2020 financial year to include packaging and coating, so that Cornu can now offer a cost-effective full service in the area of soft capsules. Based on this advantage, AENOVA plans to grow significantly in soft gelatine capsules. AENOVA will focus on high-quality VMS such as special natural extracts. The expansion of the plant in Cornu has substantially increased capacities. The development of coating and packaging capacity at the site increases the attractiveness of the product range.

1.2.3 Animal Health

In this segment, AENOVA is aiming for market leadership in antibiotics and plans to expand this further, e.g. in injectables and antiparasitic agents.

Large global veterinary companies have placed their focus on research and development as well as marketing and sales. AENOVA relies on long-standing partnerships and plans to grow further, especially with the largest suppliers in this segment.

In Europe, smaller, regional companies complement the customer spectrum. Customers in the USA and the Asia-Pacific region are served opportunistically or with special technologies.

5 PharmaTimes Media Ltd. , Dr Tony Flinn, The rise of virtual pharma, February 2019; Drug Discovery World (DDW), Dr Stephen Naylor und Dr Kirkwood A. Pritchard Jr, The Reality of Virtual Pharmaceutical Companies, August 2019; EY, Externalizing pharma innovation is the winning strategy, 2019

1.3 Research and Development

AENOVA provides development services for various dosage forms of pharmaceutical products on behalf of customers. The development services cover all areas of product development, i.e. formulation and process development, analytical method development and market approval of pharmaceutical products. AENOVA covers a broad portfolio with the development of soft gelatine capsules, solid dosage forms (incl. highly potent APIs and hormones) as well as semi-solid and liquid dosage forms (incl. sterile injectables). AENOVA does not conduct its own research activities for the identification or presentation of active pharmaceutical ingredients.

Development services are an essential component of the company's value chain. Many years of experience and the broad technology spectrum of the Aenova network contribute to the range of services in the field of pharmaceutical development and contract manufacturing. The cooperation with customers already during development and the accompaniment of projects through validation, registration and market launch is the basis for long and trustful cooperation. A special feature of Aenova's offering is the support of clinical trials by supplying clinical trial materials, packaging, blinding and logistics services (clinical trial supply management). In this way, AENOVA can offer a holistic service in clinical development, ranging from the preparation of clinical trial materials to packaging, blinding and transport to the respective study centres.

Strong development expertise under new management and further expansion of the division in the coming years are the basis for rejuvenating the Aenova product portfolio and an important strategic component for a healthy growth of future sales and earnings.

This approach enables a strategic alignment of Aenova's overall development offering through dedicated competence centres. The proximity of the development units to commercial manufacturing meets the customer need for a "one stop shop" experience, and ensures the smooth and rapid introduction of transfer and development projects into the market phase.

At the end of the 2020 business year, a total of 124 employees (previous year: 125 employees) were working at various sites. They worked on 96 projects on behalf of customers, which were in various phases of implementation (including clinical trial management). 22 new projects were identified (previous year: 13 new projects), which will be worked on over the next few years.

In the area of Technology Service, over 145 transfer activities and 27 product life cycle management projects were carried out in the past business year.

2 Economic Report

2.1 Overall economic situation and industry-related conditions

2.1.1 Development of the economy

The COVID-19 pandemic led to a sharp decline in economic output internationally as well as in Germany. In 2020, real GDP growth in Germany was -5.1%, a significant decline from the previous year's figure (previous year +0.6%). The result in 2020 was largely triggered by a historic decline in German GDP of -12% in the first half of the year, which was partially offset by a recovery in the 3rd quarter.[6]

6 German Council of Economic Experts, Overcoming the Corona Crisis Together, Strengthening Resilience and Growth, Annual Report 2020-21, November 2020; German Council of Economic Experts, Mastering Structural Change, Annual Report 2019-2020, December 2019.

In the Euro area, an even stronger decline in GDP is expected at -7.0% (previous year +1.3%), driven by countries that were hit harder by the COVID-19 pandemic, such as Spain (-11.1%), Italy and France (both -8.7%).[7]

Although Switzerland also failed to achieve the expected economic growth in 2020, the economic burden of COVID-19 was lower compared to other countries - a GDP decline of -3.3% is expected.[8]

In the United States, GDP is expected to decline by -3.5% (previous year +2.2%).[9]

2.1.2 Industry-related conditions

The pharmaceutical industry is one of the sectors whose overall economic resilience has also proven itself in the COVID-19 pandemic. Overall, the challenges of securing supply chains despite raw material shortages and meeting the increased demand for certain classes of active ingredients have been overcome. In addition, the pharmaceutical industry plays an essential role in overcoming the pandemic by providing pharmacotherapeutic products, including the development and production of vaccines against COVID-19. The effect of COVID-19 on the pharmaceutical industry and its suppliers, of which AENOVA is one, is nuanced: for example, antiviral treatments and infusion solutions are in greater demand, but the frequency of elective surgery and the demand for seasonal influenza medicines has decreased. Latest estimates suggest a minimal overall effect on global pharmaceutical industry sales.[10] In some economies, positive sales developments were even registered, such as in Germany (sales growth of +6.7% compared to the previous year with no change in volume).[11]

In 2020, there were no regulatory changes that had a material impact on AENOVA's business.

2.1.3 Development of the pharmaceutical and consumer healthcare market

In a study from March last year, the market research company IQVIA forecasts that the global pharmaceutical market will grow at an annual rate of 2 - 5% until 2024, reaching a total volume of around 1.1 trillion US dollars. For most developed pharmaceutical markets, but also for the pharmerging markets,[12] IQVIA expects a slowdown in growth for this period compared to previous years and predicts annual growth rates between 1 - 4% and 5 - 8%, respectively.[13]

According to the study, the increase in spending is partly driven by increased use of medicines - especially in developing countries - and partly by specialty medicines (e.g. oncology, autoimmune, immunology, HIV and multiple sclerosis) and innovative new products reaching the market in the coming years. Factors such as pricing pressure and the loss of brand exclusivity due to patent expiries offset growth to some extent.[14] Spending on specialty medicines that treat chronic, complex or rare diseases will account for around 40% of global spending by 2024.[15]

The IQVIA forecasts mentioned above do not take into account the impact of the COVID-19 pandemic, which has been shaping global economic events since the beginning of 2020. What impact the new

7 German Council of Economic Experts, Overcoming the Corona Crisis Together, Strengthening Resilience and Growth, Annual Report 2020-21, November 2020; German Council of Economic Experts, Mastering Structural Change, Annual Report 2019-2020, December 2019
8 Swiss Confederation, State Secretariat for Economic Affairs SECO, Economic Forecasts, December 2020
9 https://www.bea.gov/data/gdp/gross-domestic-product
10 IQVIA, Monitoring the Impact of COVID-19, Januar 2021; IQVIA, Impact of COVID-19 on the Pharmaceutical Market - EU4 & UK, January 2021; IQVIA, Taking stock: An assessment of 2020 for the EU5 pharma market, and the lessons for 2021, September 2020
11 IQVIA, IQVIA Market Report Classic, Development of the German pharmaceutical market in 2020, 2021
12 According to the definition used here, pharmerging markets are countries with an absolute growth in expenditure of more than 1 billion US dollars aggregated over a 5-year period and a per capita income of less than 30,000 US dollars (these include countries such as China, Brazil, Russia, India, Mexico, Turkey, Egypt, Pakistan, Poland). IQVIA, Global Medicine Spending and Usage Trends, Outlook to 2024, March 2020
13 IQVIA, Global Medicine Spending and Usage Trends, Outlook to 2024, March 2020
14 IQVIA, Global Medicine Spending and Usage Trends, Outlook to 2024, March 2020
15 IQVIA, Global Medicine Spending and Usage Trends, Outlook to 2024, March 2020

Coronavirus will have on the global pharmaceutical market in the medium and long term is still open. In the short term, it was observed that non-essential doctor visits were postponed and there was a decrease in non-essential treatments and medication needs in patient care. At the same time, hospital capacities were built up and kept free, especially for the care of Corona-infected patients.[16]

According to a recent IQVIA survey, pharmaceutical sales, which experienced a sharp drop in the middle of last year due to the COVID-19 pandemic, especially in Europe, recovered in the second half of 2020. Branded generics and innovative medicines were only slightly below the level of previous years, while regular generics reached the previous year's level. In the US, the decline in sales of branded generics and innovative medicines was less pronounced than in Europe, but by the end of the year it remained below the sales of previous years. Regular generics recovered in the USA after a strong slump in the middle of the year and were already above the level of the previous years from September onwards.[17]

Through the cooperation of pharmaceutical and research companies, health authorities and governments, existing drugs could be rapidly used to treat the new Coronavirus and new therapies and vaccines could be developed to fight the virus. Development and approval timelines have been radically accelerated. Traditionally, the timeline for developing new vaccines is four to twelve years. Fortunately, the first vaccines against COVID-19 could be approved and produced by the end of 2020 after only 7 months of development.[18]

Global population vaccination is expected to be accompanied by a gradual reduction in the restrictions imposed by the pandemic. However, vaccination of the general population will take several months, as vaccination capacity in terms of availability of vaccine and its administration must first be adequately provided. Countries around the world are implementing this at different rates. Therefore, the impact of the COVID-19 pandemic on the pharmaceutical industry will continue to be felt in 2021 and probably in subsequent years. A possible economic crisis could lead to a reduction in public and private healthcare spending in the individual countries and ultimately have an impact on pharmaceutical spending.[19]

In addition to the Corona crisis, the year 2020 was also marked by the tough negotiations between the EU and the UK on Brexit. The agreement came just in time to allow for a seamless transition after the end of the transition period ending on 31 December 2020.

The UK is now no longer part of the EU Single Market and the EU Customs Union. As a result, central marketing authorisations for medicinal products no longer apply to the UK territory (with the exception of Northern Ireland when the agreement on this finally enters into force). For distribution in the UK, medicinal products with a central European marketing authorisation now require an (additional) national marketing authorisation. From now on, the distribution of medicinal products from the UK to the EU constitutes an import. The import of medicinal products requires that importing distributors have their registered office in the EU and are in possession of an import licence according to Section 72 (1) AMG, which certifies that quality standards applicable in the United Kingdom have been met during manufacture. Furthermore, a contractual agreement between the United Kingdom as a third country and the EU is required, on the basis of which the equivalence of the quality standards with regard to the manufacture of the products in question is recognised (so-called Mutual Recognition Agreement - MRA). Such an MRA is included in the Brexit agreement.[20]

Since the beginning of the year, the new customs formalities have led to friction in the British-European trade in goods. At present, however, there are no reports from the pharmaceutical industry of supply bottlenecks or delivery problems in the wake of Brexit. Many manufacturers attribute this to the fact that

16 https://pharmaphorum.com/views-and-analysis/nine-for-2021-the-covid-19-legacy/
17 IQVIA, MIDAS Early Bird: Reviewing a Year in the Pandemic and What This Holds for 2021, March 2020
18 https://www.iqvia.com/insights/the-iqvia-institute/reports/the-new-decade-of-health-and-science
19 https://pharmaphorum.com/views-and-analysis/nine-for-2021-the-covid-19-legacy/
20 https://www.noerr.com/de/newsroom/news/brexit---konsequenzen-fur-arzneimittel-und-medizinprodukte

the warehouses on both sides of the English Channel have been stocked up and are still full. It remains to be seen how the situation will develop in the coming months. [21]

2.1.4 Market for contract development and manufacturing

Results Healthcare estimates that the global pharmaceutical contract manufacturing market (excluding API manufacturing) reached a volume of around 32 billion US dollars. This corresponds to a 35% share of the total CDMO market.[22]

Despite the pharmaceutical industry's strong interest in biologics and complex injectables, Results Healthcare estimates that solids will remain the strongest segment of the pharmaceutical contract manufacturing market until 2023, contributing significantly to the industry's revenue. In contrast, injectables will be the fastest growing sector through 2023, growing at a compound annual growth rate of 10.5%. Prefilled syringes are the sub-sector with the highest annual growth rate of about 13%. By 2023, prefilled syringes are expected to account for almost 77% of sterile manufacturing sales. However, this large share of sterile sales is not achieved through higher volume compared to the production of ampoules or vials, but through the higher unit costs of prefilled syringes.[23]

While the impact of the COVID-19 pandemic on the CDMO market is not yet captured in this forecast, some positive insights and developments can already be noticed. For example, pharmaceutical supply chains have proven surprisingly resilient during the crisis. Only at the beginning of the pandemic, with the first shutdown, there were some disruptions, which can be attributed to the heavy dependence on active pharmaceutical ingredient supplies from China and India. Overall, most companies reacted very quickly during the pandemic, implemented safety protocols and found solutions to ensure uninterrupted production of medicines.[24]

While postponed clinical trials, delayed approval of new medicines and already full stockpiles of non-prescribed, non-essential medicines on the one hand put a damper on future market growth, on the other hand the development and production of COVID-19 vaccines and therapeutics also opens up significant opportunities for pharmaceutical CDMOs.[25]

To meet the global demand for COVID-19 vaccines, pharmaceutical companies urgently need additional development and manufacturing capacities, which they can get from pharmaceutical contract manufacturers, among others. In order to create additional capacity for vaccine production in their own production facilities, pharmaceutical companies are also asking CDMOs for replacement capacity for their existing drug portfolios. Pharmaceutical companies and contract manufacturers alike are investing in additional production facilities to meet the high demand. Against this background, some market research companies continue to see good growth prospects for the global CDMO market despite the pandemic.[26]

2.2 Business development

In the 2020 financial year, the AENOVA-Group achieved sales of 751.6 MEUR. Sales were thus significantly above previous year (+26.0 MEUR) and above budget (+16.6 MEUR). The increases compared to previous year resulted mainly from the OTC area and the pharmaceutical area. In contrast, sales in the food supplements area fell significantly compared to the previous year, in particular due to the deliberate reduction of business volume with a major, however low margin customer.

21 https://www.handelsblatt.com/unternehmen/industrie/chemie-pharma-maschinenbau-der-industrie-stehen-die-groessten-brexit-huerden-noch-bevor/26828384.html?ticket=ST-3708601-lmXCFZapeSSDHQxGXVck-ap5
22 Results healthcare, Outsourced Pharmaceutical Manufacturing 2020, Current trends & future prospects, November 2019
23 Results healthcare, Outsourced Pharmaceutical Manufacturing 2020, Current trends & future prospects, November 2019
24 https://www.pharmasalmanac.com/articles/the-growing-importance-of-local-manufacturing-and-nearby-outsourcing-partners
25 https://www.pharmasalmanac.com/articles/the-growing-importance-of-local-manufacturing-and-nearby-outsourcing-partners
26 https://www.pharmasalmanac.com/articles/the-growing-importance-of-local-manufacturing-and-nearby-outsourcing-partners.

Apart from the market and business influences mentioned above, there were no significant changes in the product or service portfolio that had an impact on the course of business.

In 2020, approx. 109 MEUR (peak sales) of new business was generated.

Due to the year-on-year increase in sales and an improved gross margin, EBITDA of 101.3 MEUR was significantly above the previous year's EBITDA (+14.0 MEUR). The EBITDA of 90.9 MEUR planned for 2020 was exceeded by 11.4 %.

EBITDA adjusted for special effects of 110.4 MEUR was above last year's level (+13.2 MEUR), and above the budget target (+16.3 MEUR). The special effects include all one-off expenses and income. These include, for example, severance payments and expenses for COVID-19 prevention.

Depreciation, amortisation and impairments were again below last year's level at 71.0 MEUR. The net financial result of -36.5 MEUR was significantly improved as a result of the capital measure taken at the beginning of 2020 (previous year -67.6 MEUR). The net loss for the financial year 2020 amounted to 8.7 MEUR (previous year 52.6 MEUR).

The realignment of the Group continued to progress in the reporting year and is proving successful. Thanks to the fully realised sales targets for 2020 and the gross margin, which improved as planned, the Group showed a stable and sustainable level of earnings. In particular, the optimisation projects had a positive impact on the net assets, financial position and operational results. In the area of working capital, extended payment terms were particularly noticeable.

2.3 Financial and non-financial performance indicators

AENOVA's management controls the AENOVA-Group primarily on the basis of sales and EBITDA as well as the following key financial indicators:

	2020	2020 budgeted	2019
Gross profit margin in %	61.9%	61.9%	60.4%
EBITDA margin in % (before non-recurring income and expenses)	14.7%	12.8%	13.4%
Total Cashflow in MEUR	-1.0	0.0	1.6
Days sales outstanding (DSO)	16.6	19.2	19.7
Days payables outstanding (DPO)	84.2	70.8	76.4
Days on hand (DOH)	124.5	110.1	112.1

1) EBITDA[27] -related indicators

- Gross margin[28] : 61.9% (previous year 60.4%). Compared to the previous year, it improved by passing on cost increases to customers, optimising the purchase of raw materials and actively shaping the customer portfolio.
- EBITDA margin [29]: 14.7% (previous year 13.4%). The increase compared to the previous year is mainly due to the improvement in the gross margin.

2) Working Capital/Cash Management [30]

- Total cash flow: AENOVA's total cash flow as a liquidity management indicator was -1.0 MEUR (previous year 1.6 MEUR). This includes a cash outflow of 5.9 MEUR in the context of refinancing. Cash flow from operating activities improved by 4% compared to the previous year.

27 EBITDA: Earnings before Interest, Tax, Depreciation, and Amortisation (t: Earnings before interest, taxes, depreciation and amortisation of fixed assets incl. amortisation of goodwill and participations).
28 Gross margin: ratio of gross profit to revenues and changes in inventory
29 EBITDA margin: ratio of EBITDA adjusted for special effects to revenue
30 The calculation of the ratios in days is made before adjustments to IFRS 9 and 15.

- Receivables management/Days Sales Outstanding (DSO) [31]: DSO could be reduced by 3.1 days to 16.6 days compared to the previous year due to intensified receivables management.
- Payables management/Days Payables Outstanding (DPO) [32]: The key figure increased by 7.8 days to 84.2 days compared to the previous year, which is mainly due to the utilisation of payment terms.
- Inventory Management/Days On Hand (DOH) [33]: The key figure increased from 112.1 days in the previous year to 124.5 days. This is the result of a slight increase in inventories before consideration of contract assets according to IFRS 15.

The EBITDA-related key figures are determined monthly on the basis of IFRS. Working capital and cash management are reported monthly.

2.4 Earnings situation

The following table contains the consolidated income statement for the 2020 financial year.

MEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Revenues	751.6	725.6
Changes in inventories of finished goods and work in progress	-1.3	-3.2
Other operating income	11.8	10.7
Cost of materials	-285.3	-284.9
Personnel expenses	-274.4	-265.7
Other operating expenses	-101.0	-95.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**101.3**	**87.3**
Depreciation and amortisation expense	-71.0	-72.8
Earnings before interest and taxes (EBIT)	**30.3**	**14.5**
Financial income	16.8	4.9
Financial expenses	-53.3	-72.5
Earnings before income taxes (EBT)	**-6.2**	**-53.1**
Income taxes	-2.5	0.5
NET LOSS OF THE YEAR	**-8.7**	**-52.6**
Non-recurring effects	9.1	9.9
EBITDA (before non-recurring)	**110.4**	**97.2**

AENOVA generated sales of 751.6 MEUR in the financial year, i.e. 26.0 MEUR more than in the previous year.

Revenues were achieved in the following regions:

MEUR	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Germany	308.6	279.0
Rest of Europe	357.0	343.4
North America	43.4	43.3
Rest of world	42.6	59.8
Revenues	**751.6**	**725.6**

31 Days Sales Outstanding (DSO): ratio of trade receivables to average revenues of the last three months multiplied by 30 days.
32 Days Payables Outstanding (DPO): ratio of trade payables (adjusted for CAPEX creditors) to average cost of materials and inventory changes of the last three months multiplied by 30 days.
33 Days on hand (DOH): ratio of inventories to average cost of materials and changes in inventories of the last three months multiplied by 30 days.

Compared to the previous year, sales growth in Europe, especially in Germany, overcompensated reduced sales in the rest of the world. Approximately 60% of the increase in Germany resulted from business with the top 10 customers. In Europe, increases were achieved particularly in Switzerland and the United Kingdom. The decline in turnover outside Europe is mainly due to the targeted reduction of business volume with a major customer for food supplements and vitamin products.

Other operating income amounted to 11.8 MEUR (previous year 10.7 MEUR) and consists mainly of income from the reversal of provisions (4.7 MEUR, previous year 4.1 MEUR), reversals of allowances for doubtful accounts (0.8 MEUR, previous year 0.6 MEUR) and capitalised services (1.2 MEUR, previous year 0.7 MEUR).

The cost of materials was 285.3 MEUR (previous year 284.9 MEUR). The most significant savings were achieved in the area of raw materials, although the procurement shortage of various raw materials resulted in significant cost increases at the same time. Price increases could be passed on to customers to a large extent.

Personnel expenses amounted to 274.4 MEUR (previous year 265.7 MEUR) with a personnel expense ratio of 36.6% in relation to total output[34] (previous year 36.8%). The increase is due on the one hand to new hires, especially for the implementation of the group-wide transformation process, and on the other hand to salary adjustments.

Other operating expenses increased by 5.7 MEUR to 101.0 MEUR compared to the previous year. Additional expenses due to COVID-19, e.g. for additional work equipment, contributed 1.8 MEUR to this. The largest single items within other operating expenses are energy costs (23.9 MEUR, previous year 23.1 MEUR) and repair and maintenance expenses (22.5 MEUR, previous year 20.8 MEUR).

In the financial year, amortisation of intangible assets, depreciation of property, plant and equipment and amortisation of rights-of-use were again below the previous year's level at 71.0 MEUR (previous year 72.8 MEUR). Depreciation and amortisation amounted to 62.5 MEUR for acquired assets and 8.5 MEUR for rights-of-use leases, which since 2019 are to be accounted for in accordance with IFRS 16. Amortisation of intangible assets decreased compared to the previous year, in particular amortisation of items capitalised in the course of business acquisitions expired.

The net financial result for the financial year was -36.5 MEUR compared to -67.6 MEUR in the previous year. This significant improvement resulted in particular from the capital increase carried out at the beginning of 2020 and the income from the valuation of derivatives amounting to 13.2 MEUR. Further information on the financing structure is provided in section 2.7.

Foreign currency and inflation effects had an insignificant overall impact on the net assets, financial position and results of operations and mainly relate to revenues and personnel expenses in foreign currencies (mainly EUR against CHF, USD and GBP).

The tax result of -2.5 MEUR consists of current tax expenses of 1.3 MEUR and deferred tax expenses of 1.2 MEUR.

Overall, the earnings situation in 2020 was very positive. In addition to the 16.0% increase in EBITDA (+14.0 MEUR), the improved financial result due to the one-off capital increase and the income from the valuation of derivatives had a significant influence on this.

34 Revenues plus changes in inventories

2.5 Financial situation

Cash and cash equivalents amounted to 50.4 MEUR (previous year 51.7 MEUR) at the reporting date. They consisted almost entirely of balances with banks. The following developments occurred within cash and cash equivalents:

- Cash inflow from operating activities (less taxes paid on income) increased to 88.8 MEUR (previous year 85.8 MEUR). This also includes payments for an earn-out liability and those in connection with the closure of the Berlin site. Contract assets, which were accounted according to IFRS 15, had an impact of -7.7 MEUR, while the remaining working capital[35] showed a positive effect of 6.4 MEUR (impact of working capital in the previous year 6.5 MEUR).
- Cash outflow from investing activities (-41.5 MEUR, previous year -26.1 MEUR) mainly reflects investments in property, plant and equipment (-40.8 MEUR). The most maintenance investments concern the expansion and modernisation of various production sites such as Tittmoning and Cornu. Investments were made in buildings and machine capacity as well as in IT infrastructure.
- Cash outflow from financing activities of -48.3 MEUR (previous year - 58.1 MEUR) mainly resulted from interest paid (-32.8 MEUR), repayment of leasing liabilities (- 8.4 MEUR) and payments in connection with the capital increase and refinancing (-5.9 MEUR).
- Adjusted for one-off effects from refinancing, the financial position developed positively compared to the previous year.

2.6 Net assets

The following overview shows the net assets as at the reporting date:

ASSETS

MEUR	Dec. 31, 2020	Dec. 31, 2019
Intangible Assets	317.6	344.2
Property, plant and equipment	229.4	219.4
Right-of-use assets	48.1	52.0
Other non-current financial assets	5.5	1.2
Other non-current assets	2.6	2.0
Deferred tax assets	45.0	46.0
Non-current assets	**648.2**	**664.8**
Inventories	48.3	49.2
Trade receivables	33.3	39.1
Contract assets	58.8	51.2
Income tax claims	0.4	1.5
Other current financial assets	9.1	9.3
Other current assets	17.2	25.3
Cash and cash equivalents	50.4	51.7
Current assets	**217.5**	**227.3**
Total assets	**865.7**	**892.0**

35 Working capital: balance of trade receivables/payables. Contract assets and inventories

EQUITY & LIABILITIES

MEUR	Dec. 31, 2020	Dec. 31, 2019
Share capital	0.0	0.0
Capital reserves	555.5	129.4
Loss carried forward	-541.9	-532.6
Other components of equity	-15.8	-11.1
Equity	**-2.3**	**-414.3**
Provisions for pensions and similar obligations	67.5	68.4
Other non-current provisions	2.5	3.5
Non-current financial liabilities	576.8	497.4
Other non-current liabilities	18.5	12.1
Deferred tax liabilities	63.2	63.3
Non-current liabilities	**728.6**	**644.7**
Trade payables	63.4	60.9
Income tax liabilities	10.8	21.4
Current provisions	6.7	13.7
Current financial liabilities	31.2	535.2
Other current liabilities	27.4	30.4
Current liabilities	**139.3**	**661.6**
Total equity and liabilities	**865.7**	**892.0**

Non-current assets amounted to 648.2 MEUR as of the reporting date (previous year 664.8 MEUR). They mainly consisted of intangible assets of 317.6 MEUR (previous year 344.2 MEUR), property, plant and equipment of 229.4 MEUR (previous year 219.4 MEUR) and rights-of-use assets of 48.1 MEUR (previous year 52.0 MEUR). The rights-of-use assets relate to leases capitalised in accordance with IFRS 16. Total investments in acquired assets during the financial year of 46.7 MEUR are divided into investments in land and buildings (2.9 MEUR), plant and machinery (15.3 MEUR), assets under construction (24.6 MEUR), IT equipment incl. software (3.3 MEUR) and other (0.6 MEUR). Almost half of the investments related to strategic projects. There were no advance payments on property, plant and equipment. Investments in rights-of-use assets amounted to 6.6 MEUR. Of this, 1.8 MEUR was for plant and machinery.

In total, investments including customer participations of 55.0 MEUR are planned for 2021, which will contribute to the modernisation and expansion of the production sites.

Intangible assets consist mainly of goodwill of 268.6 MEUR (previous year 268.6 MEUR) and customer contracts and relationships of 29.5 MEUR (previous year 47.3 MEUR). The decrease in customer contracts and relationships was due to scheduled amortisation.

Current assets amounted to 217.5 MEUR as of the reporting date (previous year 227.3 MEUR). They consisted primarily of trade receivables (33.3 MEUR, previous year 39.1 MEUR), contract assets (58.8 MEUR, previous year 51.2 MEUR), inventories (48.3 MEUR, previous year 49.2 MEUR) and cash and cash equivalents (50.4 MEUR, previous year 51.7 MEUR). The factoring ratio of 65% was 5 percentage points above the previous year's value. The reduction in current assets is due to the decrease in trade receivables and the settlement of claims from a purchase contract tax clause. At the same time, contract assets increased as of the reporting date.

As of the reporting date, equity consisted of share capital of EUR 25 thousand (previous year: EUR 25 thousand), a capital reserve of 555.5 MEUR (previous year: 129.4 MEUR), an accumulated loss of 541.9 MEUR (previous year: 532.6 MEUR) and other components of -15.8 MEUR (previous year: -11.1 MEUR). The increase in the capital reserve resulted from two capital measures, which took place in February and March 2020. Firstly, the AENOVA-Group received a cash contribution of 120 MEUR from the shareholder. Secondly, the shareholder loan and the majority of the interest accrued

on it were contributed (306 MEUR in total). The accumulated loss includes the net loss of 8.7 MEUR (previous year 52.6 MEUR). Other components of equity include the cumulative effects from the revaluation of pension provisions of -19.7 MEUR. As a result of the capital measures carried out in the financial year and due to the income from the valuation of derivatives (13.2 MEUR less deferred taxes), the negative equity was significantly improved from -414.3 MEUR to -2.3 MEUR.

Non-current liabilities amounted to 728.6 MEUR as of the reporting date (previous year 644.7 MEUR). They consisted mainly of long-term financial liabilities of 576.8 MEUR (previous year 497.4 MEUR). The change in non-current financial liabilities compared to the previous year is due to the contribution of the shareholder loan from Apollo 11 Holding S.á r.l. including interest to equity, the cash contribution and the refinancing carried out. Detailed information on refinancing can be found in chapter 2.7 Financing structure.

Significant items within non-current liabilities were also pension provisions (67.5 MEUR), which decreased by 0.9 MEUR mainly due to fully allocated pension entitlements already in the payout phase, and deferred tax liabilities (63.2 MEUR, previous year 63.3 MEUR).

Current liabilities amounted to 139.3 MEUR as of the reporting date (previous year 661.6 MEUR). As a result of the loans repaid in the course of refinancing, current financial liabilities decreased by 504.0 MEUR to 31.2 MEUR. In addition, income tax liabilities decreased by 10.6 MEUR to 10.8 MEUR. Of this, 8.9 MEUR related to the settlement of claims from a tax clause in a purchase agreement.

Foreign currency effects had an insignificant overall impact on the asset position and mainly related to trade receivables and payables in foreign currencies (mainly EUR against CHF and USD).

Overall, the asset situation developed very positively in the past business year.

2.7 Financing structure

In March 2020, the previously existing loans were replaced by new contracts as part of a refinancing. A total of 550.3 MEUR was borrowed under the agreements in force as at the reporting date of 31 December 2020 ("First Lien" and "Second Lien"), of which 10.3 MEUR is converted interest on the Second Lien PIK.

UniCredit Bank AG, London, acted as agent for the First Lien. Lucid Agency and Trustee Services Limited, London, acted as agent for the Second Lien and as security agent.

The First Lien loan had a nominal amount of 440.0 MEUR at a base interest rate of 5% plus Euribor. If the Euribor had been below 0%, 0% would have been applied. The term of the bullet loan ends on 6 March 2025.

The Second Lien Loan is a payment-in-kind loan with no interest payments for the first 30 months after conclusion of the contract. As at the reporting date, this loan amounted to a nominal 110.3 MEUR at a base interest rate of 13.0% plus Euribor. If the Euribor had been below 0%, 0% would have been applied. The term of the bullet loan ends on 8 September 2025.

In addition, the AENOVA-Group has a credit line available in the form of a revolving loan of 50 MEUR. As of 31 December 2020, it was only utilised in the form of guarantees amounting to 0.5 MEUR. The term of the loan runs until 6 September 2024.

2.8 Human resources and social affairs

The AENOVA-Group employed an average of 4,424 employees in the past financial year (2019: 4,386 employees). There is a group-wide performance-based remuneration system that includes target agreements and target achievement reviews for employees. This is intended to show development

potential to employees, while at the same time increasing performance motivation on the basis of concretely agreed targets.

The AENOVA-Group improved by 4 points in the Ecovadis ranking (CSR) and has been awarded a bronze medal in a new evaluation procedure.

For years, AENOVA has enabled young people to train as pharmaceutical technicians, chemical laboratory assistants, machine and plant operators, warehouse logistics specialists, IT specialists, industrial mechanics, office clerks, industrial clerks and others. This makes a significant contribution to securing the next generation of employees internally. In 2020, more than 110 apprentices were employed in the Group.

Employees contribute significantly to the success of the AENOVA-Group. Employee identification with AENOVA, high motivation and ultimately employee commitment to common goals represent a key success factor. AENOVA promotes the improvement of employee qualifications through various initiatives such as departmental training and focuses on the continuous recruitment and training of qualified junior staff. By means of a consistently high level of commitment to the training of young people the AENOVA-Group also fulfils its social responsibility.

Corporate Governance Statement:

A Supervisory Board for Apollo 5 GmbH was established in the shareholders' meeting of 25 August 2020. In accordance with the Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, it has put the establishment of a women's quota for the Supervisory Board and for the management of Apollo 5 GmbH, and the definition of deadlines to achieve the target, on its agenda for 2021.

2.9 General statement

The AENOVA-Group is solidly financed for the coming years, in particular through the early refinancing carried out in 2020, but also through the shareholders' contributions. Business development in the reporting year was very positive and even exceeded expectations. The continued optimisation measures combined with new 2020 initiatives are designed for the long term and will continue to have a positive impact on future results.

3 Opportunity and Risk Report

AENOVA's operational processes are geared towards identifying short and medium-term risks and opportunities in order to be able to take timely countermeasures in the event of risks or exploit opportunities, as the case may be. As part of the group-wide risk management, each business area is required to identify and assess risks, communicate them and develop measures to mitigate these. Appointments are made with responsible employees from different areas of the company (Development, Sales, Manufacturing and Quality, SCM, Finance, IT and HR) to coordinate risks across divisions and decide on measures.

As a result, decision papers are prepared and made available to the AENOVA management. These documents are discussed and approved by the extended AENOVA management. Basically, from today's perspective, the AENOVA Group is very well positioned to generate further sales growth from the current market developments.

3.1 Risks associated with the COVID-19 pandemic

The year 2020 was marked by the worldwide Corona pandemic. The order situation was very positive, especially in the first half of the year, and was characterised by additional demand for some product groups as well as an increase in safety stocks at various customers.

The preventive measures developed by a corporate task force together with the sites have proven to be effective consistently. Production stoppages due to corona related illnesses or employee quarantine were avoided, and supply bottlenecks in raw and auxiliary materials as well as packaging materials were also largely bypassed. In fact, the group was able to further increase its on-time delivery (OTD), which is an essential performance indicator in terms of customer satisfaction, even in this challenging environment. AENOVA was thus able to make an important contribution to supplying patients with medicines even in times of crisis.

Not unexpectedly, there was a decline in demand in the second half of the year, although overall business development in 2020 was very positive despite the Corona pandemic.

The protective measures for employees are still in place; the local infection risk is constantly monitored intensively so that escalation mechanisms can take effect in good time. Even though the temporary closure of areas or plants of the AENOVA Group cannot be ruled out completely due to the currently aggravated infection situation again, the risk continues to be assessed as low.

Provided that no significant unforeseen events occur as a result of the further course of the COVID-19 pandemic, there is a low to medium risk overall from the management's point of view.

3.2 Competition

Despite the Corona crisis the health care market remains a growth market globally, even though it is characterised by competition and cost pressure. Due to this development, pharmaceutical and health care companies are increasing their efforts to outsource products to contract manufacturers. Competition in the contract manufacturing sector remains intense, driven by customers' desire to buy their products from reliable partners at low cost while maintaining high quality requirements.

Due to its broad range of products and effective cost management, the AENOVA-Group benefits from this starting situation, whereby the strategic focus is increasingly placed on high-quality products with special manufacturing requirements, combined with below-average price sensitivity. Examples include hormone products, oncological drugs and sterile dosage forms.

In order to meet the constantly changing requirements, the following measures have been taken

1. Reorganisation of sales to both strengthen the presence in existing and future growth markets and to improve customer service
2. Establish a market intelligence and marketing function to support targeted market development and proactive customer care, as well as to improve the presence of the AENOVA-Group
3. Further development of competence centres in development and production to increase efficiency, optimise costs and increase customer satisfaction
4. Continuous optimisation of procurement and planning processes, also by strengthening procurement and supply chain management resources
5. Increase the CAPEX spending related to the expansion of production capacities, with a special focus on existing and expected bottleneck areas

6. Expansion of the product portfolio, e.g. for prefilled syringes and fill & finish of biopharmaceuticals.

Overall, the opportunities for gaining new business and further market share are rated as medium to good despite the good positioning of the AENOVA-Group in the market. This is due to the intense competition in the contract manufacturing sector, the further expansion of the top 10 market participants in the CDMO sector and the ongoing consolidation in the market. AENOVA should benefit from this as a reliable one-stop service partner for a broad portfolio of dosage forms and technologies. Risks of sales losses that could jeopardise the company's substance are still considered low due to the high regulatory requirements in connection with possible product transfers to market competitors and the costs associated with the qualification of new manufacturers.

3.3 Insourcing

As a contract manufacturer, AENOVA is exposed to the risk that customers use their own production capacities to utilise them (insourcing) or build up capacities and withdraw production volumes from AENOVA. This effect is counteracted by other customers outsourcing parts of their production to the CDMO market. This in turn presents a medium-high opportunity for AENOVA: overall, the CDMO market is expected to grow faster than the pharmaceutical end market in the next 5 years, driven by a higher frequency of outsourcing compared to insourcing.[36]

AENOVA counters this risk with a high level of service, from development services and on-time production to logistics, a competitive cost structure and consistently good quality. In conjunction with the breadth of AENOVA's service offering, these factors strengthen customer loyalty in an environment in which customers' interest in stable partnerships with strategic CDMO partners is increasing steadily.

In addition, many medium-sized customers do not have any or insufficient production capacities of their own. Furthermore, insourcing activities are associated with switching barriers. Should individual customers nevertheless insource parts of the portfolio, AENOVA can prepare itself accordingly and react with production changes due to the required lead times, at least in the more regulated pharmaceutical segment. Overall, the risks from insourcing are therefore considered to be low.

3.4 Procurement/price risk

The global procurement of raw materials and the associated market effects, especially in the development of material prices and material availability, harbour both opportunities and risks for AENOVA.

Capacity bottlenecks for specific raw materials that are difficult to forecast and, in individual cases, high volatility in the raw materials sector can cause large fluctuations in procurement prices, which can have a negative as well as a positive impact on sales and the development of margins. This applies both to chemical substances such as vitamins, but especially to biological materials such as plant extracts, whose availability is strongly influenced by climate and harvesting conditions.

In the packaging materials sector, the market situation for tubular glass and special closures (e.g. stoppers) is tense, as these primary packaging materials are also needed for the production of COVID-19 vaccines. Therefore, global demand is increasing significantly and temporary bottlenecks could occur.

36 PwC, Current trends and strategic options in the pharma CDMO market, November 2019

AENOVA's central, globally active strategic purchasing defines strategic commodity groups and derives specific purchasing strategies from them. This strengthens AENOVA's position as a leading European contract manufacturer in the procurement market with access to attractive conditions and delivery terms.

In order to minimise risks, the procurement market is permanently monitored by strategic purchasing; negotiations with suppliers are conducted on the basis of this information. The goal is to establish alternative suppliers for essential raw materials in order to avoid dependencies and potential supply bottlenecks.

In close coordination with the customers, critical materials are also ordered at an early stage. Demand-oriented, scalable contracts flanked by procurement via dealers as well as selective use of air freight transport also contribute to cushioning supply bottlenecks that occur. The still volatile market situation and the associated supply risks for materials from China and India have been reduced by the resumption of production in the supplier countries.

AENOVA is in intensive contact with suppliers and customers and is well positioned to ensure timely delivery at agreed prices.

The risk of production standstills or production delays due to limited material availability is largely dependent on exogenous factors, the effects of which AENOVA attempts to minimise through the measures defined above. In view of the defined measures, the management classifies the risk in the area of procurement/price risk as medium.

3.5 Market/demand

The health market continues to develop positively. Both the steadily growing proportion of older people, improved access to medical care in developing countries and a continuing increase in the number of new drug developments are contributing to this trend. On the other hand, there is growing cost pressure in the health sector.

Due to this development, pharmaceutical companies are increasingly focusing on the areas of research and development as well as marketing, while the manufacturing of pharmaceutical products is being outsourced to third parties. In addition, the number of generic preparations and suppliers is growing continuously. Many generic suppliers have no or only limited manufacturing capacities and are therefore particularly dependent on contract manufacturers.

In this market environment, the AENOVA-Group can distinguish itself due to its development and manufacturing expertise. The group positions itself as a reliable partner with a broad range of services. The sales organisation places particular emphasis on establishing AENOVA as a full-service partner and ensuring smooth execution of customer projects and orders. Due to the market positioning, the delivery performance and the partnership-based customer relationships that have grown over the years, the market opportunities are assessed as medium. The COVID-19 pandemic has had a positive effect on business to date. Demand is not expected to be affected by Brexit, especially since the volume of business with customers in England is low.

3.6 Political decisions

In the background of the COVID-19 pandemic, considerable pressure on costs in the health care system can be expected globally in the future. Strict price specifications for new - or already approved - medicines and tender procedures for generics are just a few examples of this trend, even before the outbreak of the pandemic. On the other hand, there are constantly increasing regulatory requirements. On the one hand, risks arise for AENOVA in this environment. However, due to its size, financial clout in combination with a broadly diversified range of products and services and steadily increasing cost efficiency of a scalable organisation, there are opportunities for the AENOVA-Group as well.

Brexit and politically driven trade conflicts, for example on the part of the USA, are not expected to have a significant impact on AENOVA's business, especially since more solution-oriented pragmatism and cooperation with Western partners is expected under the new US administration.

Significant further political changes that could have an impact on AENOVA's business are not currently expected. Therefore, the management currently classifies the opportunities and risks from political decisions as low.

3.7 Interest rate and currency risks

Due to its business activities, AENOVA is fundamentally exposed to interest rate and currency risk. Group-wide risk management focuses on unforeseeable events on the financial markets and attempts to minimise adverse effects on the Group result. The variable interest components of the long-term loans had a floor of 0% in 2020. If inflation were to rise, hedging instruments could be used. However, AENOVA does not expect any interest rate increases in the short or medium term. Thus, the development of interest rates is not considered to be a relevant risk.

AENOVA is exposed to foreign currency risks, as the invoicing currency and the currency in which the order costs are incurred are partly incongruent. For most transactions, there is a natural currency hedge; for example, the US subsidiary acts both as a buyer and a seller in the American market. In Switzerland, a significant proportion of purchases and sales are made in AENOVA's functional currency, the euro. This reduces the currency risks to which AENOVA is exposed. Foreign currency risks are continuously analysed and assessed in order to take timely currency hedging measures and mitigate this risk.

Risk management is carried out by AENOVA according to defined guidelines with the aim of minimising the risk of fluctuations of results. The Corporate Treasury department identifies, evaluates and addresses risks in close cooperation with the operative business units.

The management currently classifies the risks from interest rate and currency fluctuations as low.

3.8 Liquidity and default risks

Liquidity risk describes the risk that AENOVA will not be able to meet its financial obligations as they fall due. These include in particular the repayment of financial debts and the settlement of liabilities to suppliers and employees. As part of its liquidity management, the Group ensures that sufficient liquid funds are always available.

A liquidity forecast is prepared for the purpose of short and medium-term liquidity management. The liquidity forecast takes into account AENOVA's financing plans (interest payments), existing and expected liabilities and payment obligations, necessary investments and compliance with certain financial covenants.

The liquidity forecast for the 2021 financial year depends heavily on the planning premises: The planned increase in revenues is based on volume growth and price adjustments. The gross margin increases. The increase in other operating expenses is disproportionately low compared to revenue growth. Significant increases are expected in the area of personnel expenses, mainly due to collective bargaining effects and other salary adjustments. The 2020 financial year was used to initiate structural adjustments and to enable productivity increases through the use of lean tools. The planning premises for the 2021 financial year include further optimisation measures.

AENOVA uses the liquidity forecast to track the main payment movements and ensure sufficient liquidity in the AENOVA-Group. Furthermore, the Group uses the monthly balance sheets, profit and loss accounts, working capital planning and investment applications to monitor medium and long-term liquidity.

In addition to the effective management of liquidity and working capital, the Group reduces liquidity risk through a revolving loan of 50.0 MEUR from UniCredit Bank AG, London. As at 31 December 2020, it was utilised only in the form of guarantees amounting to 0.5 MEUR.

Due to the existing liquidity, the liquidity risk for the next two financial years is to be classified as low.

3.9 Compliance with financial covenants

According to the credit agreements in force on the reporting date, AENOVA must comply with financial covenants and review them separately if the utilisation of the revolving credit facility (RCF) exceeds the threshold of 40%. In the 2020 financial year, a review of the financial covenants was not required.

If key planning assumptions do not materialise, there is a risk that AENOVA will not achieve the forecasts or simulations and thus possibly will not be able to observe the financial covenants. A breach of the covenants could result in the bank loans being called in or the banks exercising their right of termination. AENOVA continuously monitors compliance with the financial covenants on the basis of forecasts and simulations.

Based on the monitoring processes, the management currently considers risk with regard to compliance with the financial covenants to be low.

4 Forecast Report

The planning on which the forecast report is based was adopted at the end of 2020 and thus with 9 months of experience with regard to the COVID-19 pandemic. Due to the continued stable order situation and high project wins, the management has not adjusted the planning assumptions for 2021 at the time of preparation despite the continuing uncertainties regarding future developments (mutations) with regard to COVID-19.

Management expects sales of 749.3 MEUR for the 2021 financial year. AENOVA expects that the safety stocks built up by customers in 2020 will initially be reduced again and that there will also be a temporary decline in demand in the OTC area, especially for vitamin and cold preparations. For the following years, increasing growth is expected, along with a continued stable earnings and liquidity situation. This assessment is based, in particular, on the expected developments in the pharmaceutical and consumer healthcare markets as well as on the strategic projects and optimisation measures that the Group has launched in the financial years 2018 to 2020.

In the pharmaceutical market, volumes and market shares of generic products are expected to continue to increase over the next few years due to the expiry of essential patents. Intense competition in the generics segment is expected to continue. The researching pharmaceutical companies are increasingly focusing on their core competencies of research and development as well as marketing and sales. The trend towards outsourcing continues; in addition, some companies are consolidating their supplier base, also with regard to CDMOs. Especially with regard to the rapid supply of COVID-19 vaccine to the population, AENOVA sees an increasing trend towards short response times and scalability in the supply chain.

The consumer healthcare sector is influenced by different market trends. Saturated OTC markets such as Germany are seeing a slight decline in OTC business via pharmacies, but on the other hand growth in cheaper distribution channels.

Service providers for the pharmaceutical industry must be cost-competitive; opportunities for differentiation arise from high delivery reliability as well as a comprehensive range of services that includes development services and logistics in addition to the production of different dosage forms. At the same time, the continuously increasing regulatory requirements must be met.

AENOVA has defined strategic initiatives and introduced measures to position itself in line with market conditions and thus be optimally positioned for the future:

- Expansion of the product range / differentiation

  AENOVA's core business comprises the development and production of pharmaceutical products and food supplements in modern oral dosage forms, such as soft gelatine and hard capsules, tablets, effervescent tablets, as well as sterile (and non-sterile) liquids and intramammary syringes. AENOVA offers a comprehensive portfolio of services including development, raw material sourcing, production, analysis, packaging and logistics.

  Through the expansion of existing sites, in particular the significant capacity increase at the solids site in Tittmoning, the development of end-to-end capacities (including packaging and coating) at the soft gelatine site in Cornu, investments in the animal health business in Latina and the investment in filling capacity for (COVID-19) vaccines and pre-filled syringes, the product range has been and will be expanded in a market-oriented manner.

- Comprehensive focus on service excellence, quality and cost management

  Within the framework of the AENOVA strategy, a strong customer and patient orientation in conjunction with service excellence represent an important cornerstone. Particularly in the area of delivery performance, significant progress was already made in the 2019 financial year, which could be further expanded in 2020. In addition, measures were implemented to expand capacity and simplify the internal supply chain, which will lead to further improvements in customer satisfaction.

  In the area of quality management, permanent improvements are implemented, taking into account the increasing quality requirements of regulators and customers.

  In 2020, AENOVA again invested significantly in additional personnel. In addition, programmes for the further development of the sales organisation and the production systems have contributed to an improvement of the cost structure and, in particular, to the increased efficiency of the company.

The planned sales of 749.3 MEUR for the financial year 2021 will result in an EBITDA (before special effects) of 113.0 MEUR and an EBITDA (after special effects) of 116.6 MEUR[37]. Adjusted for the closure of the Berlin site at the end of 2020, the AENOVA-Group plans to increase its revenues from 739.5 MEUR to 749.3 MEUR (+1.3%) in 2021 compared to the 2020 financial year. Due to the increase in sales, it can be assumed that the Group's liquidity situation will develop positively in the future. The increase in sales reflects the continued demand in the European pharmaceutical market and the uncertainties as well as temporary declines in demand in certain product areas due to the ongoing COVID-19 pandemic. On this basis EBITDA before special effects increases slightly .

The planning for 2021 is based exclusively on organic growth.

AENOVA expects the following key figure development for the 2021 financial year:

- Receivables management/Days Sales Outstanding (DSO)[38]: For the financial year 2021, AENOVA plans to increase the DSO value by 0.2 days
- Payables management/Days Payables Outstanding (DPO)[39]: For the financial year 2021, AENOVA plans to normalise the DPO to a payment target of 69.3 days
- Inventory management/Days On Hand (DOH) [40]: Management expects the indicator to go up by 6.9 days for FY2021 compared to FY2020 due to the necessary back-up stocks for COVID-19.

  Total cash flow: For the 2021 financial year, AENOVA expects a positive total cash flow before acquisitions in the high single-digit MEUR range. A stable liquidity situation is assumed for 2021.

37 Before the impact of the Covid 19 pandemic and including the sale of non-operating assets.
38 Days Sales Outstanding (DSO): Ratio of trade receivables to net sales.
39 Days Payables Outstanding (DPO): Ratio of trade payables (adjusted for CAPEX creditors) and average cost of materials including changes in inventory.
40 Inventory turnover: Ratio of inventory assets to average material costs incl. changes in inventory.

AENOVA's financing is secured on the basis of the refinancing carried out in March 2020 and the income and financial planning prepared by management.

The estimates in this report are based on the current state of knowledge and the information available at the time of preparation. Due to uncertainties in any planning, the actual development may deviate from the current estimates.

The risks from the current COVID-19 situation cannot be concretely assessed. However, management has taken extensive measures to protect the health of the employees and to maintain production. Overall, there are no discernible risks that jeopardise the existence of the group.

Starnberg, 16 April 2021

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Published by:
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Fotos: Aenova Group