aenova

Annual Report 2021

Excellence beyond Manufacturing

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»As a contract developer and manufacturer behind the major international pharmaceutical and healthcare brands, we always produce for the health and well-being of patients and people worldwide. Our mission is to fulfill this task with the highest quality and delivery reliability at competitive prices. We are dedicated to this with our motto ›Excellence beyond Manufacturing‹.«

Preface

Dear Readers,

I am delighted to share the Aenova 2021 Annual Report with you.

2021 was a challenging year for many industries, including the pharmaceutical industry. Not unlike many of our customers, suppliers and competitors, we experienced a number of waves of pandemic-induced disruptions, which put our operating model to the test. Looking back, we can proudly say that our operations have responded with resilience, and our transformation program has stayed on track, even if the financial outcome was marginally below the previous year.

Pandemic-related decline in demand

The lack of demand for some of the therapeutic areas, to which the Aenova Group is historically most exposed, such as post-surgery related pain medications or anti-infectives, but also more generally generic and originator drugs, such as traditional cough and cold medication, was very tangible across the board compared to previous year. Additionally, the stockpiling effect on the part of some of our customers in 2020 paired with prolonged lockdown-induced demand softness exacerbated the situation. However, due to the exposure to so many different end markets, various therapeutic areas and the focus on both human and veterinary health, as well as the vast range from high potent prescription drugs to food supplements, the natural hedge in the business served us well. Thus other segments, such as vitamin supplements and in particular veterinary products rose significantly above prior year.

Strategic investments executed

2021 has excited me personally, as our strategic investment plan, such as to transform Aenova into a diversified CDMO of novel technologies and new modalities has progressed very well. In the Business Unit Solids, we are following a meticulous strategy of building new growth platforms in every site. Our new high-speed, high-volume solids production area in Tittmoning was brought online, construction for our new high potent cytotoxic site expansion in Regensburg has started, the first hot melt extrusion product has been won in Sisseln. In Business Unit Semi-solids & Liquids, we have upgraded all three sterile sites to bio safety level 2, and Latina now boasts a fantastic RTU (ready-to-use) offering for PFS (pre-filled syringes), cartridges and vials to fill and finish future biologics demand. Gronau has launched its first commercial lyophilized product. And in Business Unit Softgel Capsules, the seminal site extensions to include full service packaging are progressing as planned.

New project wins at a record level

As a result of our continued strong performance in on time delivery, and our willingness to expand our technology offering, we have seen record demand for our services in 2021. We were able to close new project deals worth EUR 125 m at a record level, an increase of 14.7% compared to prior year.

Expansion of excellence initiatives – building of a value-based culture

2021 was also a year in which we have continued to lay the framework for a stronger organization, one that attracts and retains talents, and encourages employee engagement at every level. We stand for “Excellence beyond Manufacturing”, and the definition of five core Aenova values (more on this later in the report), describes who we are and how we act.

Before I let you dive into the details of the report, I want to thank all of our customers, for the continued trust they put in us. Above all, I am humbled by the dedication and grateful for the commitment that the broader team of c. 4,200 Aenova colleagues have exhibited over the last 12 months despite the ongoing pandemic.

Thank you to all of you.

Jan Kengelbach
CEO Aenova Group

Dear Readers,

Aenova has achieved key strategic objectives in 2021, even though not every financial target was fully met in 2021. The demand continued to soften well into the first half of 2021, but management’s efforts succeeded in mitigating the impact, such that ultimately the financial result was only marginally different from the previous year.

More importantly, however, is the path on which Aenova is moving forward. Delivery performance, quality and new business won all remained at record high levels, such that customers and ultimately patients continue and will continue to benefit from Aenova’s strong operational performance. The management team keeps up their focus on expanding the technology offering across all its business units. The majority shareholder, BC Partners, continues to support the company’s capital investment programm with a spend of EUR 54 m in 2020. New growth platforms are being built in almost all of the 15 sites, most often with customer demand locked in or customer co-financing, to create a competitive value proposition.

Equally, the company continues to invest an enormous amount of time and effort on designing its culture, moving from a traditional capacity focused CDMO to an innovation and technology driven CDMO. The basis for this transformation is a focus on personnel development and a value-based culture, such as to mobilize and engage every contributor within the Aenova Group. “Stronger as a group” and “Everyone matters” are those inward focused values that the team is bringing to life, to satisfy its number one value: “Customers and patients first”.

Despite challenging macroeconomic trends, the Aenova Group continues to be well positioned for the future. Its majority shareholder is extremely supportive, its financing well secured, its customer and product base solid and diversified, its pipeline stronger than ever, and the establishment of new growth platforms very encouraging.

As in previous year, the biggest thank you goes to the over 4,200 colleagues who make it happen at the manufacturing line, the lab, the maintenance workshop or any other area that supports the manufacturing and development of pharmaceutical or nutraceutical products for our over 450 customers. Thank you to you all. And to you, dear Reader, enjoy the report.

Dr. Ewald Walgenbach
Chairman of the Supervisory Board

The Year in Brief

Excellence beyond Manufacturing

In 2021, we continued to execute our strategy of "Excellence beyond Manufacturing", a comprehensive performance improvement approach along the dimensions of operational excellence, commercial excellence and organizational excellence to achieve highest customer satisfaction and best possible outcome for patients.

We also made very meaningful progress on our "differentiation through innovative technology" strategy on our way to position Aenova as a global leading small molecules and large molecules/biologics CDMO with steadily growing success. Our strategy rests on our first and key focused value: "Customers and patients first".

Operational Excellence

We achieved a reliable and continuous performance in terms of crucial customer success factors in every plant (lead time, OTD/OTIF, no recalls/overdue CAPA) in 2021.

Commercial Excellence

We professionalized our sales team and realized a meaningful progress on commercial excellence roadmap such that we could generate project wins at record high at EUR 125 m vs EUR 109 m the year before.

Organizational Excellence

We empowered our organization to become an employer of choice with our new values and a robust people development and performance management processes. Among others, this resulted in a prestigious recognized employer award in 2021.

€107 m
Adj. EBITDA[1]

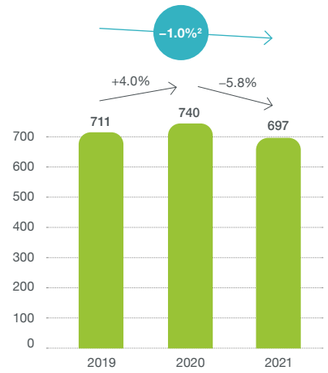
€125 m
New peak sales wins

89%
OTD*

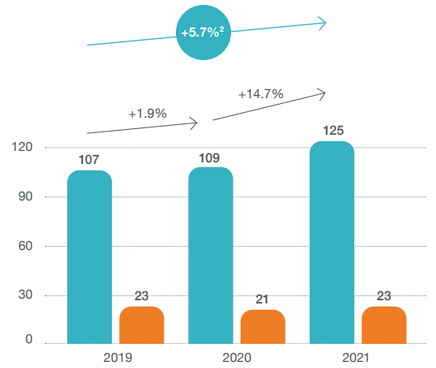
62%
Reduction CAPA overdue

[1] Pro-forma, excl. Berlin
* On-time delivery, annual average

Sales development
in € m[1]



Peak sales wins & win rate
in € m, %



In 2021, we achieved the following key milestones

- Despite a decline of revenue of –5.8%[1], our EBITDA margin[1] still increased from 15.1% to 15.3%, achieving the highest EBITDA margin in the Group's history.
- Expansion and productivity investments were completed in a large number of sites:

+ Expansion of production capacity for **solid dosage forms at the Tittmoning** site to up to 10 billion tablets per year. The new production building with an investment sum of EUR 35 m covering more than 3,100 square meters has been completed, the cleanroom interior has been finished and the production equipment has been brought in. The new building was commissioned in the fall of 2021.

+ Massive expansion of capacities for **solids production in the area of high potent, cytotoxic products** (up to OEB 5) at the Regensburg site with an investment of EUR 10 m. The building preparations started in 2021, the foundation stone for the new building will be laid in the first quarter of 2022, and GMP-compliant production is planned for 2023.

+ New **sterile fill and finish plant for vials, PFS and cartridges also for biologics** at the Latina site in Italy with an investment of almost EUR 20 m. The first customer project is won.

+ Expansion of capacities for the **sterile production of up to 100 million ampoules and vials** per year at the Gronau site. The investment was EUR 5.5 m.

+ Capacity expansion in the **production of high potent bulk for softgel capsules** and expansion of packaging capacities at the Kirchberg site in Switzerland with an investment of EUR 8 m.

+ Capacity expansion at the Bad Aibling site with a new blister packaging line for 40 m additional blister packaging with an investment of EUR 2.5 m.

[1] Pro-forma, excl. Berlin
[2] The number in the top arrow represents CAGR 2019 – 2021. The numbers in the bottom arrows represent year-on-year change 2019 to 2020, and 2020 to 2021, respectively.

Company

Capacity

22 bn	tablets/capsules
1.4 bn	blisters
11 bn	softgel capsules
350 m	semi-solids/liquids
300 m	sterile liquids (vials, ampoules, syringes)

Global reach

15 manufacturing sites 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 2021

€ 697 m

Employees

~ 4,200

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 c. 4,200 employees, 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 forms, #2 globally for softgel capsules, #1 in Europe in semi-solid dosage forms and #2 globally in veterinary products in addition to a leading position in sterile manufacturing.

Aenova services over 450 customers including 12 of the top 20 human health pharmaceutical companies and almost all of the top 20 animal health companies. Aenova enjoys a strong and loyal customer base, with the average customer relationship tenure among the top 20 customers of c. 25 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 Group was added. Since 2012, Aenova has been owned by the private equity company BC Partners.

Portfolio & Structure

One-stop CDMO for all customer needs

As a “one-stop shop” Aenova offers end to end CDMO services of all dosage forms and manufacturing technologies from development, clinical trial supply to commercial, small and large volume manufacturing until packaging services. The offering includes small and large molecules.

With its Business Unit (BU) structure, Aenova supports its customers with the added value of all of our 15 manufacturing sites without silos and with value-adding synergy effects.

With a strong Development and Manufacturing Science & Technology team Aenova provides cross-divisional support in the areas of drug product development, analytical development, clinical trial supply management, regulatory support and technical transfer.

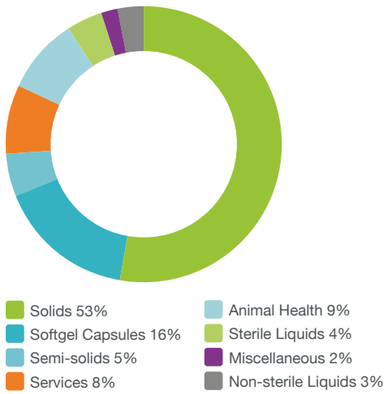
BU Solids
All key solid dosage forms and technologies incl. anti-infectives, hormones & high potent APIs. Packaging

BU Semi-solids & Liquids
Sterile & non-sterile technologies incl. oral and topical liquids, creams, ointments, vials, ampoules, lyophilized vials, sterile powder for injections, prefilled-syringes

BU Softgel Capsules
Pharmaceutical (incl. high potent APIs) and OTC products, VegaGels® and neutraceuticals

Net sales split per Business Unit

Net sales split per dosage form & Animal Health



[1] Pro-forma, excl. Berlin

Reasons why customers are choosing Aenova

1 One-stop Shop
2 Competitive Prices
3 Industry Consolidator
4 Experience and Quality
5 Reliable Partnership

Specialized Centers of Excellence to provide best service experience

Our 15 sites are specialized by dosage form and technology offering to best meet customer needs in terms of innovative technologies, accelerated time to market and most cost efficient manufacturing.

- One-stop shop for the whole life cycle of the product from development, scalable to commercial production
- End-to-end services related to the manufacture of the product from active ingredient to packaging, labeling and serialization
- “We pack where we produce” as part of our one-stop shop strategy
- “Plant in plant” offering to support an agile time to market approach for our customers
- Center of Excellence strategy for every Aenova site, with innovative novel technologies out of every site

Differentiated technologies for innovative products

We are expanding into new technologies and innovative solutions. In this way, we are meeting the increased demand for special products, such as sterile fill & finish, high potent active ingredients, orphan drugs, enhancement of bioavailability and special applications:

- Fill & finish of vaccines & biologics
- Oral dispersible tablets
- Sustained release tablets & capsules
- Tablets with different release profiles/ encapsulated mini-tablets (EMT)
- Multi-unit pellet system (MUPS)
- Bulk lyophilization for high potent APIs
- Chewable VegaGels® and Pharma VegaGels®
- Micro softgel capsules
- Dry powder inhaler platform (DPI)/low dose/ micro-dosed capsule filling
- Hot melt extrusion
- Special oncology treatments like “Nibs” and “mAbs”

Aenova Corporate Functions and Site Heads

Business Unit Solids

Premier provider of all conventional and specialty dosage forms from development to commercial production

Aenova's largest Business Unit is the BU Solids with EUR 409 m annual sales, over 1,900 FTE, 7 manufacturing sites, 3 development centers of excellence, a capacity of over 22 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:

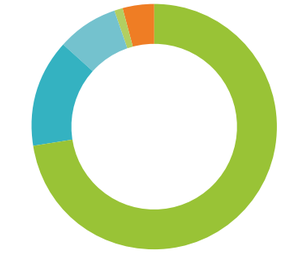
- Novel/innovative NMEs (new molecular entities) as well as mature solid dose drug products in bulk production as well as packaging
- 'Customer's manufacturing plant at Aenova' offering the benefit of our modern, globally certified plants

By applying excellent operations processes through modularization and standardization our customers benefit from:

- Short lead times
- Cost effective production
- Impeccable quality
- Full transparency

Full-service manufacturing and supply-chain services are integrated with development, technical transfer and analytical services.

Net split per product type



New peak sales wins 2021

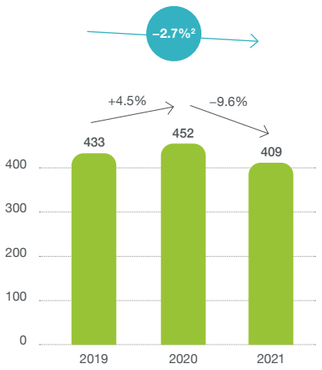
€48 m

OTD*

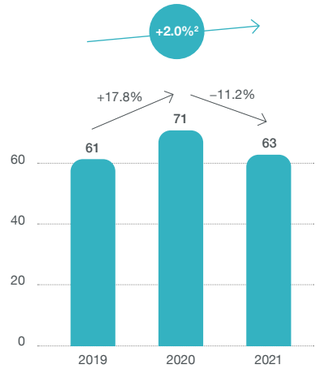
89%

* Annual average

Net sales
in € m[1]



Adj. EBITDA
in € m[1]



[1] Numbers are rounded; BU financials are not consolidated (i.e. include intercompany sales). Adj. EBITDA: EBITDA before non-recurring items. Sales excl. services.
[2] The number in the top arrow represents CAGR 2019 – 2021. The numbers in the bottom arrows represent year-on-year change 2019 to 2020, and 2020 to 2021, respectively.

Key Events 2021

Due to the stock-building of many products by customers in the first Covid year 2020, production requirements decreased in 2021. Revenue of BU Solids declined by 9.6% from EUR 452 m to EUR 409 m, while EBITDA reduced from EUR 71 m to EUR 63 m or 11.2%, to some extent due to the transfer of packaging services previously in BU Solids to Cornu, BU Softgel Capsules.

On-time delivery performance stayed on the high level of 89% across the BU as annual average. New business wins achieved high levels of EUR 48 m in 2021, up from EUR 41 m in 2020.

Our key strategic projects continued to progress according to plan. Above all, we have started operations with the EUR 35 m, 3.5 bn tablet capacity expansion in our high volume plant in Tittmoning.

Likewise, we started the realization of the EUR 10 m expansion into a new cytotoxic extension in Regensburg, which will be constructed throughout 2022 and 2023.

We finalized our dry powder inhaler platform in Münster.

Within our "Fit4Future"-project in Bad Aibling we installed a new blister line and increased efficiency.

In Sisseln we implemented a new development pilot plant which will go live in 2022 and installed new sustainability measures. Sisseln is now a carbon free site. We have also introduced vendor managed inventory models in our Sisseln site to improve the competitive advantage of our customers in global markets.

Business Unit
Semi-solids & Liquids

#1 in Europe for semi-solids with market leading capabilities in sterile and non-sterile liquids

The Business Unit Semi-solids & Liquids with EUR 234 m annual sales and over 1,600 FTE comprises 5 manufacturing sites and 2 development centers. The portfolio encompasses sterile dosage forms (liquid vials, ampoules, pre-filled syringes, lyophilized vials and aseptic filling of powders, including fill & finish of biologics and of oncology products) as well as non-sterile liquids (oral, nasal, topical) and semi-solids (cream and ointments in tubes, jars and sachets, suppositories).

Semi-solids & non-sterile liquids

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 forms, Aenova can offer a broad range of solutions that will meet the needs of our customer's pharmaceutical product, medical device or cosmetic product.

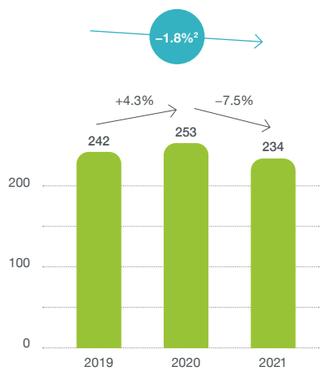
Sterile technologies

Aenova is striving to be a premier solution partner for sterile dosage forms expanding into biologics fill & finish and vaccines with 3 FDA approved facilities offering high quality injectables for human health and animal health products.

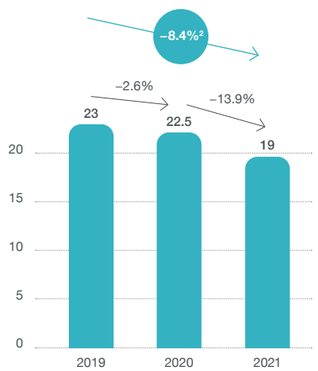
Our sterile services include specialized capabilities for:

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

Net sales
in € m[1]



Adj. EBITDA
in € m[1]



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[2] The number in the top arrow represents CAGR 2019 – 2021. The numbers in the bottom arrows represent year-on-year change 2019 to 2020, and 2020 to 2021, respectively.

Net split per product type

New peak sales wins 2021

€48 m

OTD*

85%

* Annual average

Key Events 2021

For the BU Semi-solids & Liquids, 2021 was not without challenges, especially in view of the pandemic-related circumstances.

This is mostly due to lower demand for the OTC, medical device and cosmetic segments of the non-sterile dosage forms which are predominantly non-essential products as well as for the commoditized part of the injectable business (ampoules). Furthermore, our quality upgrade project in Wolfratshausen led to some disruptions.

Revenue decreased by 7.5% from EUR 253 m to EUR 234 m, EBITDA declined by 13.9 % from EUR 22 m to EUR 19 m. On-time delivery performance stayed on the high level of 85% across the BU as annual average. We achieved new peak sales wins worth EUR 48 m.

At our Latina site we significantly expanded our sterile fill and finish (F&F) capacity with the new state-of-the-art aseptic production area which features a completely new, flexible high-speed line for vials and pre-filled syringes (PFS) as well as a brand new compounding area. The area created for the filling of biologics such as BSL1 and BSL2 vaccines was an investment of EUR 16 m. The first project for pre-filled syringes product development was won. The new area provides capacity for more than 80 million vials and over 180 million pre-filled syringes, targeting vaccines and biologics. Further capacity expansions to a total of up to four high-speed filling lines are also being planned.

In addition, the expansion of our sterile Penicilline capacity and the implementation of new coating capabilities for Penicilline solids started.

At our Gronau site we increased our capacity for sterile production to 100 million ampoules and vials including new, fully automatic optical inspection with an investment of EUR 5.5 m. We completed also the validation for the first lyophilized products in the company and we reached the BSL2 certification for development and production of biologics according to the Biological Substances Ordinance (german law, GenTG§7).

At our Gronau and Wolfratshausen sites we started working on Annex 1 readiness, which will be completed by end 2024.

At our Wolfratshausen site we renewed and expanded the non-sterile liquid bulk production and qualified all our cytotoxic sterile product portfolio on a new isolator line. The pipeline of sterile injectables has also strongly increased at the sites (both for non-cytotoxic and cytotoxic vials).

At our Carugate site we have started the installation of a new high speed non-sterile liquid line, which will be completed in summer 2022, and developed a record pipeline of Tech Transfers.

Business Unit Softgel Capsules

#2 globally for soft gels with a focus on “high-end” pharma and “one-stop shop” softgel capsules

The Business Unit Softgel Capsules with EUR 100 m annual sales, over 550 FTS, 2 soft capsule sites and around 11 bn installed capacity drives a dual strategy with a Romanian site for nutraceuticals & OTC and a Swiss site for pharmaceutical products. According to our “one-stop shop” strategy the BU Softgel Capsules offers all technologies around soft gel capsules incl. VegaGels, blister and bottle packaging, serialization, laser & ink printing, film coating and analytic services.

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 manufacturing site in Cornu/Romania, Aenova offers a complete service for softgel capsules in any formulation and any capsule design, color and size, also in vegan form.

Another part of our Business Unit Softgel Capsules is our Greensboro/USA site. As a strategic distribution hub for our European customers, we are serving the US and Canadian market and customers out of this site with bulk and bottle and blister packed products. There we have over 15 years of expertise in packaging fulfilling the US-FDA requirements not only for soft gel products.

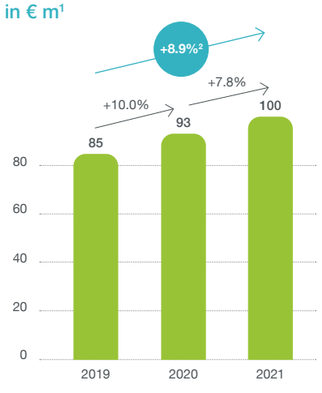
The new Aenova chewable Vegagels®

In 2021 we launched our new chewable vegan softgel capsules. The chewable softgel capsules, available in various flavors and colors, are based on the vegan Aenova VegaGels® and are filled with omega-3 DHA fatty acids from microalgae. They are easy to take, e.g. for children or persons who have difficulty swallowing, and fullfill the needs of consumers who follow a vegetarian or vegan diet or prefer products without animal testing. The market introduction of the pure vegetable omega-3 softgel capsule, is a joint project with partners.

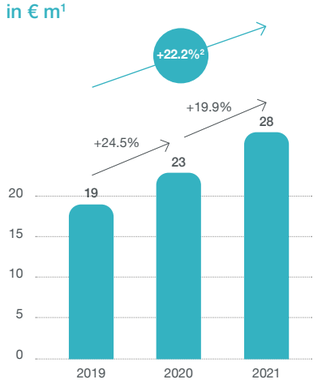
The new Aenova pharma Vegagels®

The raw material for the shell of the Aenova VegaGels® Pharma is a GMP approved supply. This is the basis for manufacturing pharmaceutical product. All VegaGels® Pharma raw materials are from vegetarian resources. The high temperature resistance of the VegaGels® makes it possible to fill the capsule with a 70 °C warm medicine, which opens new applications for the pharmaceutical form of softgel capsules.

Net sales
in € m[1]



Adj. EBITDA
in € m[1]



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Net split per product type

New peak sales wins 2021

€29 m

OTD*

95%

* Annual average

Key Events 2021

For the BU Softgel Capsules, 2021 was another strong and operationally transformational year.

Revenue increased by 7.8% from EUR 93 m to EUR 100 m, while EBITDA expanded from EUR 23 m to EUR 28 m or 19.9%.

On-time delivery performance stayed at high levels of 95% across the BU as annual average. New business wins achieved high levels at EUR 29 m.

According to our strategic one-stop shop offer we managed to establish full-service packaging operations in our previously bulk-only site in Romania. In Cornu, we started up a new jar filling line that can fill up to 14 million plastic jar or glass bottles per year. We are packing around 12% of the produced soft gel capsules directly by us at the moment. This gives to our customers a much shorter lead time.

In addition, the site successfully expanded the new vegetarian softgel technology to capture the growing demand for non-gelatine-based capsules. Also we produced chewable VegaGels® with algae-based omega-3.

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. Additionally we developed new probiotic softgel capsules for the health of the gut flora with formulations based on a dedicated shell combined with suitable fill mass enhancers. The new capsules are easy to swallow, the capsule content can be adapted to special needs and further ingredients. Taste, color, and size are customizable.

At our site in Greensboro, we implemented pharmaceutical packaging and serialization especially for the US market demand.

> **“ Pohl Boskamp**
> We are looking back at over 20 years of intense and fruitful collaboration with Swiss Caps AG, Member of the Aenova Group. ”

> **“ Douglas**
> We have always considered Swiss Caps AG, Member of the Aenova Group, as a partner more than a supplier. ”

Development & Technology Transfer

Full service for development and technology transfers across the entire product life cycle

Aenova is looking back on a long history of development of pharmaceuticals, going back to the time as early as the late 19th century. We are proud to use our experience and excellent network of scientists, as well as constant delivery of innovative solutions as a basis of our work – for our clients, and ultimately for a better life of patients in need.

Key Figures 2021

> 200 Technology Transfers

> 100 Development Projects

> 110 Product Lifecycle Management Projects

> 170 Development & Tech Transfer FTEs

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

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

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

- High potent solids and sterile liquids (incl. hormones & hormone-like APIs, cytotoxics & cytostatics)
- Inhalation products
- Complex solids
- Sterile injectables (small molecules and biologics)
- 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 transfer projects ensure that we reliably deliver impeccable quality, on time.

The integration and close alignment of Development & TechTransfer Services with our commercial network allows us to provide a “one-stop shop” experience and a seamless transition of projects from development to commercial scale. With this we offer highest standards in project timelines, risk control and resource efficiency.

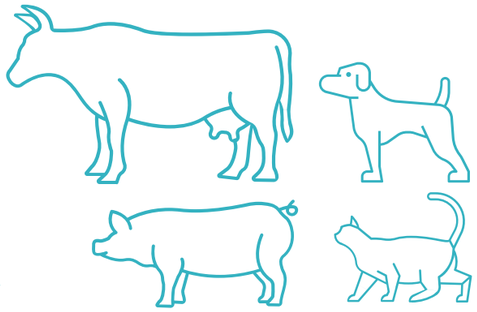
We offer our service from

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

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 animal sector, our capabilities for antibiotics in pre-filled syringes in addition to a wide variety of dosage forms are unparalleled.

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.

Main therapeutic areas we offer:

- Anti-infectives
- Parasiticides
- Hormones
- Food supplements
- Conventional APIs
- Biologics

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

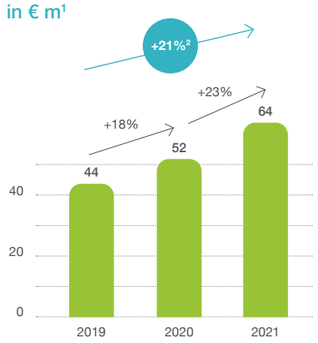
Our animal business continued to expand in 2021.

Revenue increased by 23% from EUR 52 m to EUR 64 m. Most importantly, we continued the successful transfer in of our won pipeline, further expanding the offering into chewable tabs as well as anti-infectives.

Key Figures 2021

- CDMO partner of almost all top 20 animal health companies worldwide
- Global market coverage of all main countries (US, EMEA, LATAM, Asia, RoW)
- Manufacturing capabilities for almost all dosage forms for animal health
- 9 manufacturing sites for animal health

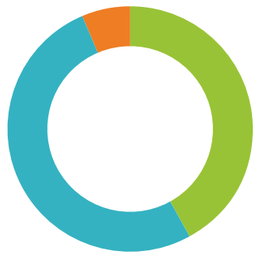
Net sales
in € m[1]



New peak sales wins 2021

€12 m

Animal Health sales per dosage form
in € m



[1] Numbers are rounded; including AH Service sales; Animal Health sales included in respective BUs.
[2] The number in the top arrow represents CAGR 2019 – 2021. The numbers in the bottom arrows represent year-on-year change 2019 to 2020, and 2020 to 2021, respectively.

Our Aenova Values

Be a role model. Live our values.

Customers and patients first

Everyone matters

Excellence and reliability

Better every day

Stronger as a group

Corporate Culture

Value based company culture strengthens excellence mindset

As Aenova, a value-driven and compliance-oriented corporate culture is essential to us. Only on this basis can we live up to our claim of “Excellence beyond Manufacturing”.

And while these 5 core Aenova Values signify how we want to behave, we also established a new Code of Conduct, which provides a framework as to how we must behave. Both have been rolled out successfully in the second half of 2021 and thereafter.

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.

Code of Conduct

Each of our employees is expected to follow this set of standard rules in terms of their professional decisions. The Code of Conduct associates the applicable national and international laws and regulations with our understanding of good governance to foster integrity, respect, transparency and honesty. It is our Code of Conduct. It’s our guideline for how to behave in dealings with customers, suppliers, other business partners, and especially with employees. It provides us with a directional framework on how to implement and live up to our values during our everyday work.

Aenova Values

The foundation of our corporate culture is captured in our shared Aenova Values.

Our Values define who we are, how we serve our customers and how we at Aenova want to interact and work together according to our claim, “Excellence beyond Manufacturing”.

Customers and patients first

As one of the largest CDMOs in the world we are acutely aware that our products and services are life-saving or -enhancing and need to be delivered on time, with the highest quality and to full customer satisfaction.

Everyone matters

We create a work environment where employee satisfaction, learning and engagement are continuously high and improving. We appreciate the contribution of every team member, develop our colleagues, and share credit.

Excellence and reliability

We think in terms of solutions, not problems and go the extra mile when needed. We take ownership and pride in our products and services, and always deliver the best job we can.

Better every day

We change the status quo and take initiatives to transform who we are. We lead by example and take our colleagues with us on this journey. We recognize that change includes making mistakes and learn from them to continuously improve.

Stronger as a group

We recognize that the team is always stronger than the individual. We encourage teamwork and open communication, and allow good and bad news to be shared.

Human Relations

Our employees are our greatest asset

Aenova employs around 4,200 people from 53 nations who give their best every day to ensure the safe supply of important and sometimes life-saving medicines to patients worldwide.

4,200
employees

48%
women

52%
men

53
nations

Excellent know-how, experience and utmost commitment

Our employees are distinguished by many years of experience in their work environment and are highly trained experts in their field. The successful mix of different age groups and professional backgrounds brings together great experience, creative spirit and agility.

More than 200 employees in our Aenova network are scientists or analysts. We provide training to qualify the next generation of professionals. We have also achieved several awards from local chambers of commerce for outstanding formation results.

New competence model links strategy and values

To be successful in the short and medium term, modern companies need not only a strategy and goals derived from it, but also guidelines for implementation, in short the “what and how”.

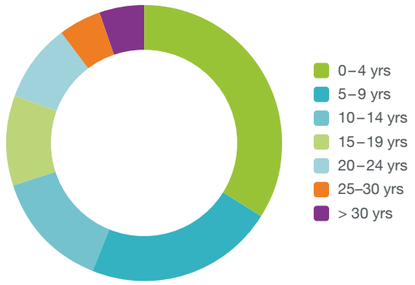
With the values, we at Aenova have now also defined the how: how do we deal with each other, how do we communicate, what do employees focus on in their daily actions, namely our customers and patients?

In order to anchor the “what and how” holistically in the organization, we have developed a competence model. This contains the competencies that are necessary in Aenova to achieve our common goals in the sense of excellence and reliability in the future and thus to ensure long-term entrepreneurial success.

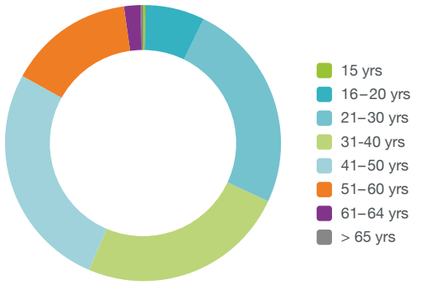
Based on the competence model, we have developed new tools and processes in 2021:

- Feedback & target processes
- Management trainings
- Group-wide onboarding process

Years of service by age group



Age structure



Our main achievements

In 2021, we launched many initiatives for a value-based and development-oriented corporate culture, which will be further rolled out and expanded in the coming years. This will ensure that we can position Aenova as an employer of choice in the competitive market for talent.

DIE WELT
DEUTSCHLANDS BESTE ARBEITGEBER
Aenova Group
SEHR HOHE ATTRAKTIVITÄT
Bevölkerungsumfrage
www.arbeitgeber-image.de
ServiceValue GmbH 11|2021
Verantwortlich für Kundenbefragung und Auszeichnung ist die ServiceValue GmbH

Aenova among Germany’s best employers

In the study “Germany’s Best Employers”, Aenova receives the rating “Company with very high attractiveness” in the category “Industry”. More than 800,000 citizens in Germany were surveyed about a total of almost 4,000 companies – including Aenova. The study results were published at the end of 2021 in the newspaper WELT, among others. The Aenova Group performed very well in the “Industry” category of this survey and received the “Employer with Very High Attractiveness” award, which is the highest rating granted in the study.

charta der vielfalt
UNTERZEICHNET

Aenova signed Diversity Charter

The diversity of society is increasingly shaping the world of work. Companies can only be successful today if they recognize, promote and know how to take advantage of this diversity. After all, the different skills and talents of all employees opens up opportunities for innovative and creative solutions.

Aenova has signed the “Diversity Charter”, a voluntary commitment to diversity. Through this self-commitment, the Aenova Group underlines its commitment to an appreciative and inclusive working environment for all employees – regardless of, for example, their age, ethnic origin, nationality, gender identity or religion.

Corporate Social Responsibility

Responsible and sustainable

At Aenova, Corporate Social Responsibility (CSR) is an integral component on our journey to achieve our claim “Excellence beyond Manufacturing”. We are operating on a global scale, and as a global corporate citizen in the healthcare manufacturing industry, we are aware that our operations impact ecosystems, communities and workplaces, marketplaces, and supply chains alike. We therefore strive to operate in a sustainable, compliant, and socially responsible manner. At Aenova, we strive to be a better corporate citizen, a better employer and a better company every day.

Aenova becomes Participant of UN Global Compact
Aenova supports the principles and goals of United Nations Global Compact, to which more than 19.000 companies worldwide already belong. Since 2021, Aenova is Participant of UN Global Compact.

The CSR program of Aenova is based on our support for the 10 UN Guiding Principles for Human Rights, Labour Standards, Environment and Anti-Corruption.

Aenova’s commitment to the UN Global Compact highlights the importance of human rights, labor standards and environmental protection in the company’s medium to long-term orientation.

Solar panels at our Cornu site

WE SUPPORT

UN GLOBAL COMPACT

Our commitment consists of:

Health and safety

- We are continually investing in relevant certificates, e.g. ISO 45001.
- We rolled out the identification of hazards and near misses in our quest to continually improve our accident rate.
- We permanently drive initiatives, amongst them behavior-based safety, holistic risk management, root cause analysis and hazards identification.
- We monitor the full compliance status of our sites by means of internal corporate HSES audits.
- Our local and corporate Corona Task Forces put employee safety first and guarantee supply continuity.
- We rolled out and trained key documents (e.g. on the topics of lock out/tag out, workplace risk assessment, occupational health, explosion protection) to further improve the safety level at our sites
- As a positive proof of our actions, we went from an LTIR (Lost Time Injury Rate) of 2 in 2020 to 1,3 in 2021 (81 to 53 lost time injuries).
- Our health and safety record is industry leading.

Workplace

- We do not tolerate any form of discrimination based on gender, race, origin or any other personal characteristics. Therefore, Aenova joined the initiative “Charta der Vielfalt”, a German initiative to advance the recognition, appreciation and inclusion of diversity in the workplace.
- We guarantee equal opportunities to all applicants and employees for their career path within Aenova.
- Diversity is our daily normal: employees from 53 nations are working at Aenova.
- To implement and comply with these principles, we introduced and rolled out the Aenova HR Guiding Principles Policy in 2021.
- In 2021 we were awarded as Employer of Choice in the study “Germany’s Best Employers” of the renowed German newspaper “WELT”.

Environment

- In 2021, we provide comprehensive Greenhouse Gas Emissions Scope 3. Scopes 1 and 2 had already been reported for several years.
- We continuously reduce our industrial emissions, whether it be in the form of solids, liquids or gases.
- 6 Aenova sites are certified in ISO 14001 (environment), 2 in ISO 50001 (energy).
- We use hydropower energy and renewable energy generation with solar panels on sites on our path to “carbon neutrality”.
- 1 Aenova site is already fully carbon free.
- 4 Aenova sites have state-of-the-art cogeneration plants with further plants being considered for investment.
- 4 Aenova sites are equipped with solar panels, expansion at further locations is upcoming.
- 5 Aenova sites provide biological or physiochemical wastewater treatment.
- 2 Aenova sites put e-car charging stations in place so far.
- Periodic on-site energy audits regularly identify further potential for optimization.

Sustainability

- We are member of MSC (Marine Stewardship Council).
- We are continuously tracking environmental data via Ecodesk for key clients.
- PSCI (Pharmaceutical Supply Chain Initiative) readiness is shown by client audits.
- We are member of MSC (Marine Stewardship Council).
- Periodic internal reporting and monitoring of KPIs relevant for ESG, to ensure alignment and awareness/knowledge at all levels, with derived actions.
- We work with holistic and systematic quality management systems.
- In the external EcoVadis assessment, we achieved the silver medal for 2022 for the significant improvements in 2021.

Community Engagement

- As a global company with a large number of local production sites, we want to make our commitment felt locally. Our subsidiaries are long standing and deeply rooted in the local environment and can make a significant contribution to local social engagement.
- This long-standing tradition is based on the often close links between the sites and local communities and is shaped by local characteristics, such as cooperation with workshops for the disabled, scientific institutions and sports clubs. As Aenova Group, we support this diversity of social commitment.

Our Management

CEO Aenova Group
Jan Kengelbach
Experience and Education Previously 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. Engineering Science master's degree, Mechanical Engineering master's degree, MBA, Certified Restructuring and Insolvency Advisor (CIRA).

CFO Aenova Group
Ralf Schuler
Experience and Education 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. B.A. (Hons), Master's degree.

SVP BU Softgel Capsules, Managing Director Site Cornu
Michael Ammann
Experience and Education 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. Dipl.-Ing. with further qualifications in the fields of industrial engineering and SME management.

SVP Corporate HR
Tim Bauer
Experience and Education Various international managerial HR positions in production companies. MD HR with Schwarz Produktion. Vice President Human Resources with Vetter Pharma. Director Management and Organizational Development at Sky Deutschland. Leading project manager at Kienbaum Management Consultants. Master's Degree in Industrial and Organizational Psychology.

SVP BU Solids, General Manager
Christine Beck
Experience and Education Responsible positions in the pharmaceutical and health-care 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. Master's degree in mechanical engineering, certified SAP consultant.

SVP BU Semi-solids & Liquids, General Manager
Florent Bordet
Experience and Education Responsible positions in R&D, Manufacturing, Technical Operations, Site Management and Business Transformation at Catalent. Vice President Operations at Famar. Pharmacist, Master's Degree in Industrial Pharmacy.

SVP Global Quality
Dr. Macniell Esua
Experience and Education 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. Doctorate in pharmacy, Auditor, qualified as a QP under Art. 22 d. 75/319 EEC.

Key Financials

Dear Readers,

We are looking back at a challenging year. While we were able to win new business at a record level of EUR 125 m (2020: EUR 109 m), end-market demand for parts of our portfolio was slow as a result of the Covid-19 pandemic. Combined with overstocking at our customers´ level which occurred already in 2020 and delays of new product ramp-ups this resulted in a reduction of Aenova Group revenues to EUR 696.8 m, or –7.3% compared to prior year.

Despite the year-on-year decline in sales we realized an EBITDA of EUR 110.0 m which represents an increase by 8.5% versus 2020. The divestment of a minority stake in a logistics company as well as the sale of a property in Germany contributed to the positive outcome.

By means of systematic portfolio management and pricing as well as tight cost management overall, we achieved an EBITDA adjusted for non-recurring effects of EUR 106.6 m (2020: EUR 110.4 m). Adjusted EBITDA margin increased from 14.7% in 2020 to 15.3% in 2021.

In July 2021 we modified our financing whereby we increased the First Lien loan by EUR 125 m. We were able to reduce the interest rate by 50 basis points, and the term was extended by one additional year to March 2026. The high-interest payment-in-kind loan ("Second Lien") of EUR 117.7 m was repaid in full. The related book value adjustment (EUR +20.5 m) as well as income from the valuation of derivatives embedded in the loan agreement (EUR +5.9 m) resulted in a significant improvement of our financial result to EUR –26.2 m (2020: EUR –36.5 m).

In the financial year 2021, we achieved a consolidated Net Income of EUR 15.6 m, compared with a Net Loss of EUR –8.7 m in 2020. We are pleased to have achieved this result given the headwinds we faced at the top-line.

The cashflow from operating activities amounted to EUR 82.0 m in 2021. The reduction versus prior year by EUR –6.8 m resulted mainly from increased tax payments. As we continued to execute on our expansion projects, e.g. in our Latina and Tittmoning plants, we invested EUR 56.8 m in fixed assets (2020: EUR 42.2 m). Considering the cash flow from financing activities of EUR –40.2 m, we ended the year with a positive change in cash and cash equivalents of EUR 3.0 m.

Our people have continued to show full commitment and remarkable flexibility to take us through the pandemic and to maintain a high service level vis-á-vis our customers in spite of many challenges in our supply chains. Thanks to all of you for that.

As we continue our journey of investing in innovation, productivity and in our people, I am confident that Aenova is well positioned to further enhance its offering, not only in its traditional footholds but also with regard to expanding into new modalities.

Ralf Schuler
CFO Aenova Group

IFRS Consolidated Financial Statements of Apollo 5 GmbH

for the period 1 January to 31 December 2021

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, 2021	Jan. 1 - Dec. 31, 2020
Revenues	5.1	696,833	751,568
Changes in inventories of finished and unfinished goods		-341	-1,338
Other operating income	5.2	23,709	11,776
Cost of materials	5.3	-252,465	-285,296
Personnel expenses	5.4	-262,565	-274,366
Other operating expenses	5.5	-95,205	-100,996
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**109,968**	**101,348**
Depreciation and amortisation expense	6.1, 6.2, 6.3	-58,593	-71,029
Earnings before interest and taxes (EBIT)		**51,375**	**30,320**
Financial income	5.6	27,132	16,810
Financial expenses	5.7	-53,366	-53,306
Earnings before income taxes (EBT)		**25,140**	**-6,176**
Income taxes	5.8	-9,580	-2,476
NET INCOME / LOSS OF THE YEAR		**15,561**	**-8,651**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit plans, net of tax	6.12	5,922	-574
		5,922	-574
Items that may subsequently be reclassified to profit or loss			
Currency translation of foreign subsidiaries	6.11	-262	-4,119
		-262	-4,119
Other comprehensive income, net of tax		**5,660**	**-4,692**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**21,221**	**-13,344**

Consolidated Balance Sheet

ASSETS

KEUR	Note	Dec. 31, 2021	Dec. 31, 2020
Intangible Assets	6.1	301.062	317.586
Property, plant and equipment	6.2	245.303	229.391
Right-of-use assets	6.3	65.710	48.098
Other non-current financial assets	6.4	11.235	5.486
Other non-current assets	6.5	607	2.621
Deferred tax assets	5.8	56.381	44.999
Non-current assets		**680.298**	**648.181**
Inventories	6.6	52.249	48.320
Trade receivables	6.7	27.601	33.324
Contract assets	5.1	65.050	58.827
Income tax claims	5.8	1.961	357
Other current financial assets	6.8	8.780	9.119
Other current assets	6.9	14.220	17.208
Cash and cash equivalents	6.10	53.474	50.357
Current assets		**223.335**	**217.513**
Total assets		**903.633**	**865.694**

EQUITY & LIABILITIES

KEUR	Note	Dec. 31, 2021	Dec. 31, 2020
Share capital	6.11	25	25
Capital reserves	6.11	555.455	555.455
Loss carried forward	6.11	-526.215	-541.936
Other components of equity	6.11	-10.144	-15.805
Equity		**19.122**	**-2.260**
Provisions for pensions and similar obligations	6.12	59.471	67.550
Other non-current provisions	6.13	800	2.517
Non-current financial liabilities	6.14	595.061	576.816
Other non-current liabilities	6.15	15.431	18.548
Deferred tax liabilities	5.8	80.636	63.192
Non-current liabilities		**751.399**	**728.623**
Trade payables		68.979	63.379
Income tax liabilities	5.8	6.056	10.772
Current provisions	6.13	3.807	6.670
Current financial liabilities	6.14	24.082	31.158
Other current liabilities	6.15	30.188	27.352
Current liabilities		**133.113**	**139.331**
Total equity and liabilities		**903.633**	**865.694**

Consolidated Cash Flow Statement

KEUR	Note	2021	2020
Net income / loss of the year		15,561	-8,651
Depreciation and amortisation / reversals	6.1, 6.2, 6.3	58,593	71,029
Income tax expenses / income	5.8	9,580	2,476
Financial result	5.6, 5.7	26,235	36,496
Changes in trade receivables	6.7	5,848	5,649
Changes in contract assets	5.1	-5,978	-7,654
Changes in inventories	6.6	-3,740	812
Changes in trade payables		8,135	-95
Changes in provisions	6.12, 6.13	-6,275	-9,676
Changes in other assets	6.8, 6.9	5,362	-809
Changes in other liabilities	6.15	-9,595	1,436
Income from the disposal of financial assets	5.2	-6,466	-
Income/expense from sale of property, plant and equipment and intangible assets	5.2, 5.5	-4,259	91
Income taxes paid/received	5.8	-11,014	-2,269
Cashflow from operating activities		**81,985**	**88,834**
Acquisition of intangible assets	6.1	-1,270	-1,401
Acquisition of property, plant and equipment	6.2	-55,491	-40,831
Proceeds from the sale of property, plant and equipment and intangible assets	5.2, 5.5	11,317	359
Payments from the issuance of loans	6.4	-184	-
Interest and dividend received	5.6	47	351
Sale of financial assets	5.2, 6.4	6,765	-
Cash flow from investing activities		**-38,816**	**-41,523**
Proceeds from borrowings*	6.14	32,882	2,823
Proceeds from capital increases	6.11	-	120,000
Repayment of loans*	6.14	-4,677	-116,879
Transaction costs related to loans	6.14	-1,888	-12,423
Purchase of minority interests		-246	-660
Payments for leasing liabilities	5.7, 6.14	-10,808	-8,386
Interest paid	5.7	-55,452	-32,822
Cash flow from financing activities		**-40,189**	**-48,348**
Change in cash and cash equivalents		**2,980**	**-1,037**
Cash and cash equivalents at the beginning of the period		**50,357**	**51,705**
Change in cash and cash equivalents	6.10	2,980	-1,037
Effect of foreign exchange rates on cash and cash equivalents		138	-311
Cash and cash equivalents at the end of the period		**53,475**	**50,357**

* Parts of the refinancing carried out in fiscal year 2021 were classified as non-cash transactions, see Notes to the consolidated financial statements section 6.14.3 Loan liabilities

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, 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**
Balance as of Jan. 01, 2021		**25**	**555,455**	**-541,936**	**-3,556**	**-12,249**	**-2,260**
Net profit	6.11	-	-	15,561	-	-	15,561
Other comprehensive income	6.11	-	-	-	-262	5,922	5,660
Total comprehensive income	6.11	**-**	**-**	***15,561***	***-262***	***5,922***	***21,221***
Capital contribution shareholders	6.11	-	-	-	-	-	-
Transactions with minority shareholders	6.11	-	-	154	-	-	154
Other changes	6.11	-	-	6	-	-	6
Balance as of Dec. 31, 2021		**25**	**555,455**	**-526,215**	**-3,818**	**-6,326**	**19,121**

Notes to the consolidated financial statements

1. Information about the company

The consolidated financial statements of the Company as of 31 December 2021 include Apollo 5 GmbH and its subsidiaries (collectively referred to as "AENOVA", the "Group" or the "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 parent company, which prepares the consolidated financial statements for the largest and also smallest group of companies, is Apollo 11 S.à r.l., Luxembourg. These consolidated financial statements will be published at the Luxembourg Trade and Companies Register (Registre de commerce et des sociétés).

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 and the USA.

2. Basis of the preparation of consolidated financial statements

The consolidated financial statements were prepared in accordance with § 315e of the German Commercial Code (HGB) and with 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 and released for publication by the management on 31 March 2022.

3. Significant accounting and valuation methods

The specific accounting policies, as described below, have been consistently applied to all periods and 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 Company 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 Company 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 behavior 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.

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 at the time the combination becomes economically effective. Under the purchase method, an acquirer measures the identifiable assets acquired and liabilities 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 2021 include a total of 24 subsidiaries (2020: 27 subsidiaries).

As of 31 December 2021, the following companies are fully consolidated in the consolidated financial statements:

AENOVA-Group companies	Shareholding in % Dec. 31, 2021	Shareholding in % Dec. 31, 2020
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 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%
Aenova North America Inc. Greensboro, USA	100%	100%
Swiss Caps Romania S.R.L. Cornu, Romania	100%	100%
Temmler Pharma GmbH Marburg, Germany	100%	100%
Aenova Purchasing International GmbH (in 2021 merger to Aenova Holding GmbH) Starnberg, Germany	0%	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%
Haupt Pharma Amareg GmbH Regensburg, Germany	100%	100%
Haupt Pharma Berlin GmbH (in 2021 merger to Aenova Holding GmbH) Berlin, Germany	0%	100%
Aenova Sales International GmbH Starnberg, Germany	100%	100%
Haupt Pharma Münster GmbH Münster Germany	100%	100%
Haupt Pharma Wülfing GmbH Gronau, Germany	100%	100%
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	0%	100%

With effect from 1 January 2021, the Group companies Aenova Purchasing International GmbH and Haupt Pharma Berlin GmbH were merged into Aenova Holding GmbH. The company Aenova Asia-Pacific Ltd. was deconsolidated for materiality reasons as part of the intended closure as of 31 December 2021.

For Aenova Holding GmbH, Aenova Sales International GmbH, Aenova IP GmbH, Dragenopharm Apotheker Püschl GmbH, Swiss Caps GmbH, Temmler Pharma GmbH, Haupt Pharma Amareg 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 of 31 December 2021.

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 ending 31 December 2021.

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 2021:

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 -

Extension of the temporary exemption from the application of 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.

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 for 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 issued minor amendments to IFRS 4 and IFRS 16.

None of the amendments to existing IFRS standards mentioned in this section had any impact on the Group's consolidated financial statements.

3.3.2. Newly issued but not yet applied accounting standards

The following standards and interpretations issued by the IASB and already endorsed by the EU are not yet effective. Therefore, they have not yet been applied by AENOVA:

Standard	Title	First time adoption
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	01.04.2021
Amendments to IFRS 3	Reference to the Conceptual Framework	01.01.2022
Amendments to IAS 16	Proceeds before Intended Use	01.01.2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	01.01.2022
Annual IFRS Improvements	2018-2020 Cycle	01.01.2022
IFRS 17	Insurance Contracts	01.01.2023
Amendments to IAS 1 and Practice Statement 2	Disclosure of Accounting Policies	01.01.2023
Amendments to IAS 8	Definition of Accounting Estimates	01.01.2023

None of the accounting standards and interpretations newly issued but not yet effective is expected to have a material impact on the Group's 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 continued to be influenced by the COVID 19 pandemic (for further details, see Group Management Report). The development of the pandemic continues to be dynamic, which could lead to increased risks with regard to the impairment testing of assets.

- Goodwill: the performance of an impairment test in December 2021 did not result in any impairments. For further information see sections 3.5.3 and 6.1;
- Trade receivables and contract assets: the solvency of AENOVA's customers has not been noticeably affected by the Corona crisis due to the nature of the industry. The expected credit losses could be significantly reduced through the continuous optimisation of receivables management. 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 3.11 and 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.

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 5.8.

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 more details see section 6.12.

3.5.9. Other provisions

Other provisions are recognised when it is probable that economic, legal or environmental obligations 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 sites. 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 liabilities to banks, 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 at 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.

There are two management equity programmes (MEP) at AENOVA. For details see section 11. The fair value measurement of the old MEP was determined in the previous year within the framework of a mathematical model using a Monte Carlo simulation. The volatility which the model was based on 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 in the previous year was 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.

For a large part of the contracts for the contract manufacturing of pharmaceuticals, the customer is already obligated to accept 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 and development services, the progress of performance is defined on the basis of 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 according to IFRS 15
Pharmaceutical products • Solids • Semi-solids & liquids • Softgel-capsules	Customers gain control of the pharmaceutical products when the pharmaceuticals are shipped from the Group's warehouse. At this point, invoices are created 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 its own right 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 pharmaceutical products and services, the AENOVA-Group considers that the customer controls all work in progress during the product manufacturing or service. In these contracts, pharmaceutical products are manufactured or services are 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.
Rendering of services	For the rendering of services, the AENOVA-Group considers that the customer controls the entire ongoing work during the rendering of services. In these contracts, the services are invoiced according to contractually regulated service 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 after acceptance by the customer. Performance progress is thus an output-oriented method.

The average payment term of customers is 39 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 leads 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 at the end of the development phase, from the time when the asset can be used. The amortisation period corresponds to the period in which future economic benefits can be expected.

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 carrying amount 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 item of property, plant and equipment to its working condition and the cost of dismantling the item.

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 an after-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.

Impairment losses identified in the valuation of a CGU lead first to a reduction of the goodwill allocated to the CGU and only then to a pro rata impairment 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. Costs include 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 until 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 based on 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 sheet of individual companies compared to the carrying amounts in the IFRS consolidated financial statements. Deferred tax is 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 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 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 equity instruments FVOCI: Dividends are recognised as income in profit or loss unless the dividend is apparently a 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 it transfers the rights to receive the cash flows 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 discharged, 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 financial 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 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 well-founded judgement, including forward-looking information.

The gross carrying amount of a financial asset is adjusted if the Group does not reasonably expect the financial asset to be fully or partially recoverable. For this purpose, an individual assessment of the timing and amount of the impairment 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 inbound 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.

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 AENOVA-Group.

For expected credit losses 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 2021:

Dec. 31, 2021 KEUR	Minimum loss rate	Maximum loss rate	Gross amount not adjusted individually	Expected credit losses
Not overdue	0.00%	1.74%	85,293	-253
Overdue less than 30 days	0.00%	29.55%	6,521	-134
Overdue between 31 and 90 days	0.00%	41.62%	954	-121
Overdue more than 90 days	0.00%	69.27%	441	-51
Total			**93,209**	**-558**

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**

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 impairments are recognised in profit or loss regardless of classification.

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

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 with banks and credit institutions with a Moody's rating of Baa1 or better. From these 99% at least 68% 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 headroom.

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, 2021	Dec. 31, 2020
Trade receivables and contract assets	92,651	92,151
Cash and cash equivalents	53,474	50,357
Other financial assets	20,015	14,605
Maximum default risk	**166,140**	**157,113**

The default risk is analysed and controlled by a central unit (credit risk management). The outstanding amounts are analysed and evaluated on a weekly basis and measures are determined with the responsible customer managers. In case of new business relationships, the individual company is 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 when 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, Treasury ensures that sufficient liquid funds are always available to meet payment obligations in a timely manner under both normal and more difficult conditions without having to incur unacceptable losses or the risk of reputational damage. This does not include the possible impact 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 statements, working capital planning and investment reports to monitor medium and long-term liquidity.

In addition to effectively managing liquidity and working capital, the Group mitigates liquidity risk through a revolving loan.

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. 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 2021, it is not foreseeable that the cash outflows could arise significantly earlier or at a significantly different amount.

Dec. 31, 2021 KEUR	< 1 year	1 - 5 years	> 5 years
Trade payables	68,881	61	37
Bank loans	2,971	568,887	1,088
Leasing liabilities	14,067	35,073	57,134
Accrued interest	11,512	-	-
	97,432	**604,021**	**58,259**

Dec. 31, 2020 KEUR	< 1 year	1 - 5 years	> 5 years
Trade payables*	72,686	116	25
Bank loans	3,074	531,672	1,007
Leasing liabilities	11,832	30,250	40,937
Accrued interest	10,887	-	-
	98,479	**562,038**	**41,969**

* Including accrued liabilities reclassified in 2021 in the amount of KEUR 9.449 (cf. section 6.14.2)

In the previous year, liabilities from lease obligations were presented discounted. The previous year's figures were adjusted accordingly.

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 carry out significant transactions in currencies 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 through the management of incoming and outgoing payments in the respective currency (natural hedge strategy).

The risk from currency fluctuations is currently classified as low by the management and is therefore not part of the regular reporting to the management.

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.

With regard to the syndicated loan, 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 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 a variable interest rate is KEUR 565,000 as of 31 December 2021. AENOVA does not currently use interest rate swaps. As AENOVA does not expect the EURIBOR to rise above 0.00% in the short term, the company is only exposed to a low risk in the short term and an increased 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 of 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 of the respective reporting date and includes the floating-rate financial instruments existing as of 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	2021	2020
Effect on earnings before income taxes	-2,367	-2,078
Effect on equity	-2,020	-1,771

KEUR Scenario 2: decrease in interest rate structure by 100 basis points	2021	2020
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, 2021 KEUR	Sale of goods	Rendering of Service & Others	Total
Solids (SOL)	395,935	-	395,935
Semi-solids and liquids (SEL)	123,689	-	123,689
Soft gelatine capsules (SGC)	117,526	-	117,526
Services & Other	-	59,683	59,683
Revenues	**637,151**	**59,683**	**696,833**

Jan. 1 - Dec. 31, 2020 KEUR	Sale of goods	Rendering of Service & Others	Total
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**

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Revenue transferred to customers over time	666,415	691,025
Revenue transferred to customers at a point in time	30,418	60,544
Time of revenue recognition	**696,834**	**751,568**

Revenue from the rendering of services relates to analytical services, contract development, product transfers and other services.

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

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Germany	279,408	308,575
Rest of Europe	332,294	357,023
North America	44,711	43,410
Rest of world	40,420	42,561
Revenues	**696,833**	**751,568**

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

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Contract assets	65,050	58,827
Contract liabilities	19,772	16,605
Revenue recognised from contract liabilities at the beginning of the period	2,123	3,590

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 machines 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, 2021	Jan. 1 - Dec. 31, 2020
Capitalised services	2,155	1,151
Release of provisions (previous periods)	3,140	4,722
Reversal of bad debt allowance (previous periods)	802	836
Reimbursements	315	65
Income from subleasing right-of-use assets	359	368
Gain on disposal of tangible and intangible assets	4,853	80
Income from investment grants	839	234
Remaining other operating income	11,247	4,320
Other operating income	**23,709**	**11,776**

Capitalised services largely relate to own work performed in connection with the installation and conversion of property, plant and equipment as well as in connection with software implementations. Income from the reversal of provisions mainly relates to existing onerous contracts, warranty, severance and customs provisions. The income from the sale of property, plant and equipment and intangible assets is largely attributable to a land sale. The remaining other operating income mainly includes income from the sale of a minority stake in an associated company. (KEUR 6,466) and the release of accrued liabilities (KEUR 1,447).

5.3. Cost of materials

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Cost of raw materials and supplies	-237,896	-269,906
Cost of purchased services and subcontracting	-14,568	-15,390
Cost of materials	**-252,465**	**-285,296**

5.4. Personnel expenses

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Wages and salaries	-202,172	-209,261
thereof termination benefits	*-2,363*	*-716*
Expenses for temporary workers	-11,913	-15,393
Other personnel expenses	-7,533	-6,514
Social security, post-employment and welfare costs	-40,947	-43,198
thereof pension costs for defined benefit plans	*-3,195*	*-5,328*
thereof pension costs for defined contribution plans	*-15,412*	*-16,844*
thereof social security expenses	*-22,340*	*-21,026*
Personnel expenses	**-262,565**	**-274,366**

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 11.

The average number of employees in the 2021 financial year was 4,155 (2020: 4,424), including 2,529 (2020: 2,734) employees in the production area, 710 (2020: 736) employees in the quality area and 915 (2020: 954) employees in other areas.

Of the personnel expenses, KEUR 10,660 (2020: KEUR 12,599) are attributable to employees in the development area.

5.5. Other operating expenses

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Plant and machinery expense	-50,847	-53,961
Legal and other advisory	-6,425	-6,481
Expenses for leasing	-2,081	-2,517
thereof lease expense for short-term leases	*-1,665*	*-1,631*
thereof lease expense for low-value leases	*-390*	*-603*
Expenses for production and office facilities	-3,870	-3,820
Distribution costs	-5,404	-5,879
Administration expenses	-1,810	-1,932
Insurance expenses	-2,107	-1,822
Travelling expenses	-511	-718
Marketing & advertising expenses	-789	-220
Loss on disposal of assets	-581	-178
Warranty expenses	-250	-1,219
Licences, provisions and patents	-55	-49
Impairment loss on trade receivables and contract assets	-524	-658
Material overhead costs	-13,167	-13,552
Remaining other operating expenses	-6,784	-7,991
Other operating expenses	**-95,205**	**-100,996**

Of the other operating expenses of KEUR -95,205 (2020: KEUR -100,996), expenses of KEUR -3,978 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, 2021	Jan. 1 - Dec. 31, 2020
Foreign exchange gains	717	3,225
Interest income	47	137
Other financial income	26,368	13,448
Financial income	**27,132**	**16,810**

Other financial income results from the mid-2021 modification of the financing and the associated book value adjustment (KEUR 20,488) as well as the income from the valuation of derivatives (KEUR 5,880). For further information, please refer to section 8.

5.7. Financial expenses

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Interest expenses on financial liabilities measured at amortised cost	-48,805	-51,125
Interest cost on defined benefit plans	-478	-610
Other financial expenses	-4,083	-1,570
Financial expenses	**-53,366**	**-53,306**

Interest expenses for financial liabilities measured at amortised cost are mainly attributable to interest expenses related to bank loans and amounts to KEUR -32,295 (2020: KEUR -36,683) in the financial year 2021. They mainly include interest expenses to UniCredit Bank AG, London, and Lucid Agency and Trustee Services Limited, London, as agents for the lenders. In addition, there are interest expenses from the compounding of bank loans, which are valued using the effective interest method, amounting to KEUR -11,089 (2020: KEUR -4,693).

The interest expenses incurred in connection with the lease liabilities amount to KEUR -4,434 in 2021.

Other financial expenses mainly include fees in connection with the refinancing and factoring fees.

5.8. Income taxes

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Current taxes	-4,779	-1,279
Deferred taxes	-4,801	-1,197
Income taxes	**-9,580**	**-2,476**

In Germany, current taxes on distributed and retained profits are calculated on the basis of a uniform corporate income tax rate of 15% 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 13.51% (2020: 13.74%) is calculated for trade tax, resulting in a total domestic tax rate of 29.34%. 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 28.20%.

The following table shows the reconciliation between the expected income tax expense and the income tax expense actually reported. The tax rate of 29.34% (2020: 29.57%) applied in the reconciliation is the total domestic tax rate.

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Earnings before income taxes (EBT)	**25,140**	**-6,176**
Expected tax rate	29.34%	29.57%
Expected income taxes	**-7,376**	**1,826**
Tax effects resulting from:		
Changes of tax rates	203	-5
Effects of tax rate differences	5,810	3,711
Non-taxable dividend income	978	63
Non tax-deductible interest expenses	-8,393	-12,250
Other non-taxable items	1,312	872
Other non tax-deductible items	-439	-
Other additions / deductions (trade tax)	-1,028	-883
Non-recognition of deferred tax assets on tax losses brought forward	-18	-40
Increase of deferred tax assets recognized in the previuos year on tax loss carryforwards	243	244
Adjustment of deferred taxes from previous years	-2,048	-183
Income offset against tax loss not recognised as deferred tax assets	-	2,295
Effects of income taxes relating to previous periods	1,370	2,268
Other effects	-194	-394
Income taxes	**-9,580**	**-2,476**
Effective income tax rate	38.10%	-40.08%

The non-recognition of deferred tax assets on tax losses of KEUR 18 (2020: KEUR 40) relates to Aenova North America Inc, Contract Packaging Resources Inc, Swiss Caps Holding S.à r.l. and

Aenova France SAS. The increase in deferred tax assets on tax loss carryforwards recognised in the previous year in the amount of KEUR 243 relates primarily to Apollo 5 GmbH, Aenova Holding GmbH and Haupt Pharma Latina S.r.l. (2020: KEUR 244). There was no recognition of other losses, as the usability of the loss carryforwards is not considered probable due to a multi-year tax planning. The tax loss carryforwards in Germany and France can be used indefinitely in terms of their amount and the ability to carry them forward, taking into account the minimum taxation. In Luxembourg, the 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).

Tax loss carryforwards and tax credits amount to KEUR 152,395 as of 31 December 2021 (2020: KEUR 115,597).

Deferred tax assets of KEUR 4,672 (2020: KEUR 4,677) 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 tax assets of Haupt Pharma Latina and Temmler Italia. No deferred tax assets were recognised on interest carryforwards amounting to KEUR 366,450 (in 2020: KEUR 344,468). The interest carryforwards result from non-deductible interest expenses for bank and shareholder loans due to § 4h EStG ("Zinsschranke"). Interest carryforwards were not recognised because the financing structure and the multi-year corporate planning imply that it is not probable that the interest carryforwards can be used.

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

KEUR	Jan. 1, 2021 Net	Recognized in Profit or Loss	Currency translation	Recognized in other comprehen-sive income	Dec. 31, 2021 Net	Deferred tax asset	Deferred tax liability
Share-based payments	1,048	-1,043	-	-4	-	-	-
Tax loss carryforward	4,674	-8	-	6	4,672	4,672	-
Non-current assets	**-32,394**	**6,682**	**-43**	**-**	**-25,756**	**12,503**	**-38,259**
Intangible assets	-14,890	3,866	-	-	-11,024	403	-11,427
Property, plant and equipment	-2,074	1,107	-50	-	-1,017	3,520	-4,537
Right-of-use assets	-13,424	-5,156	6	-	-18,573	5	-18,578
Other non-current financial assets	-2,006	-1,710	-	-	-3,716	1	-3,717
Other non-current assets	-	8,575	-	-	8,575	8,575	-
Current assets	**-7,269**	**-12,202**	**-31**	**-1**	**-19,502**	**11,767**	**-31,269**
Inventories	11,036	-220	13	-	10,829	10,829	-
Trade receivables	-471	-9,643	-	-	-10,114	47	-10,161
Contract assets	-14,851	-1,066	-44	-	-15,961	-	-15,961
Other current financial assets	-2,271	-363	-	-1	-2,634	8	-2,642
Other current assets	-712	-910	-	-	-1,622	883	-2,505
Non-current liabilities	**17,251**	**991**	**39**	**-1,220**	**17,061**	**23,543**	**-6,481**
Provision for pensions	10,470	-460	44	-1,220	8,834	9,152	-318
Other non-current provisions	329	-337	-4	-	-12	74	-86
Non-current financial liabilities	6,417	1,038	-1	-1	7,454	13,503	-6,049
Other non-current liabilities	35	750	-	-	786	814	-28
Current liabilities	**-1,502**	**778**	**-6**	**-1**	**-730**	**3,896**	**-4,627**
Trade payables	-371	614	-	-	243	244	-0
Current provisions	-564	-192	-5	-	-761	69	-831
Current financial liabilities	-2,458	430	-	-1	-2,028	1,767	-3,796
Other current liabilities	1,891	-75	-	-	1,816	1,816	-
Total	**-18,192**	**-4,801**	**-40**	**-1,220**	**-24,254**	**56,381**	**-80,636**

Deferred tax assets include deferred taxes on actuarial gains and losses of KEUR 1,888 (2020: KEUR 3,080) 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 taxable result will be generated in the future. The Group has recognised deferred tax assets of KEUR 56,381 (2020: KEUR 44,999) for the financial years 2021 to 2025. If legally permissible, deferred tax assets are offset against deferred tax liabilities.

In total, there are temporary differences in connection with shares in subsidiaries amounting to KEUR 1,401 (2020: KEUR 1,362), for which no deferred tax liabilities were 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 relation-ships	Other intangible assets	Prepay-ments to third party	Total
Cost								
At Jan. 1, 2021	**280,089**	**22,940**	**37,689**	**64,875**	**239,797**	**105,912**	**-**	**751,301**
Additions	-	296	-	920	-	54	-	1,270
Transfers	-	-	-	289	-	-	-	289
Disposals	-	-1,007	-10,722	-514	-	-	-	-12,243
Currency translation	-	-	-	15	-	-140	-	-126
At Dec. 31, 2021	**280,089**	**22,229**	**26,967**	**65,584**	**239,797**	**105,826**	**-**	**740,491**
Accumulated amortisation and impairment								
At Jan. 1, 2021	**-11,449**	**-21,413**	**-33,304**	**-59,557**	**-210,247**	**-97,747**	**-**	**-433,716**
Additions (amortisation)	-	-299	-1,200	-3,211	-10,709	-2,665		-18,084
Impairment losses	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	1,007	10,722	512	-	-		12,241
Currency translation	-	-	-	-10	-	140	-	130
At Dec. 31, 2021	**-11,449**	**-20,705**	**-23,782**	**-62,266**	**-220,956**	**-100,271**	**-**	**-439,429**
Carrying amount								
At Jan. 1, 2021	**268,640**	**1,527**	**4,385**	**5,319**	**29,549**	**8,165**	**-**	**317,586**
At Dec. 31, 2021	**268,640**	**1,525**	**3,185**	**3,318**	**18,841**	**5,554**	**-**	**301,062**

KEUR	Goodwill	Licences, patents, trademarks and other rights	Development costs	Software	Customer contracts and relation-ships	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	-	-37	-	-	-1,668	-2,830
Currency translation	-	-	-	1	-	-154	-	-153
At Dec. 31, 2020	**280,089**	**22,940**	**37,690**	**64,875**	**239,797**	**105,912**	**-**	**751,302**
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	-	37	-	-		2,917
Currency translation	-	-	-	-	-	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**	**4,386**	**5,319**	**29,549**	**8,165**	**-**	**317,586**

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.

Of the research and development expenses of KEUR 17,589 (2020: KEUR 22,032), no development costs have been capitalised as intangible assets (2020: KEUR 0).

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, 2021	Dec. 31, 2020
Customer base - Contract Manufacturing Organisation	18,701	21,663
Customer base - Contract Development and Manufacturing Organisation	-	7,607
Customer base - Licenses	140	279
Customer base	**18,841**	**29,550**

Remaining useful lifes in years	Dec. 31, 2021	Dec. 31, 2020
Customer base - Contract Manufacturing Organisation	7.1	8.0
Customer base - Contract Development and Manufacturing Organisation	-	0.8
Customer base - Licenses	1.0	2.0

For impairment testing purposes, goodwill of KEUR 268,640 (2020: 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 on the basis of future cash flows derived from the 2022 - 2024 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. The initially planned growth rates were slightly reduced or taken into account with a time delay as a result of current developments, especially in connection with the COVID-19 pandemic. For the planning period 2022 – 2024, an updated compound annual growth rate of 8.2% for revenue and 13.2% for EBITDA was assumed. After the 2024 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:

	2021	2020
Discount rate value in use (after tax)		
CGU Aenova-Group	7.36%	7.03%
Planned EBITDA growth (average of next three years)		
CGU Aenova-Group	13.24%	9.70%
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 the pro rata goodwill, exceed the recoverable amount (value in use). The value in use amounts to KEUR 1,217,792 (2020: KEUR 1,245,698) and exceeds the net assets including proportionate goodwill by KEUR 722,305 (2020: KEUR 751,038).

A reduction of the EBITDA growth rate by 3% for the next three years would reduce the recoverable amount of the CGU Aenova-Group to KEUR 1,209,361.

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.

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, 2021	**192,231**	**25,203**	**371,811**	**21,887**	**4,554**	**615,685**
Additions	3,427	25,183	24,814	1,765	419	55,608
Transfers	3,695	-14,453	10,339	279	23	-117
Disposals	-11,875	-3,124	-17,472	-789	-337	-33,597
Currency translation	480	19	888	92	54	1,534
At Dec. 31, 2021	**187,958**	**32,828**	**390,381**	**23,234**	**4,713**	**639,113**
Accumulated depreciation and impairment						
At Jan. 1, 2021	**-102,458**	**-493**	**-262,775**	**-16,377**	**-4,192**	**-386,295**
Additions (depreciation)	-7,072	-	-22,118	-1,790	-387	-31,367
Impairment losses	-421	-317	-664	-	-	-1,401
Transfers	-91	-	-82	-	1	-172
Disposals	10,308	18	15,093	785	337	26,541
Currency translation	-342	-	-663	-60	-51	-1,117
At Dec. 31, 2021	**-100,076**	**-791**	**-271,209**	**-17,442**	**-4,292**	**-393,810**
Carrying amount						
At Jan. 1, 2021	**89,773**	**24,710**	**109,037**	**5,510**	**361**	**229,391**
At Dec. 31, 2021	**87,882**	**32,037**	**119,171**	**5,792**	**420**	**245,303**

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 depreciation and impairment						
At Jan. 1, 2020	**-89,898**	**-1,529**	**-233,255**	**-13,244**	**-9,417**	**-347,343**
Additions (depreciation)	-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**

Impairment losses of KEUR 1,402 (2020: KEUR 554) were recognised on property, plant and equipment in the financial year.

For the 2022 financial year, investments of KEUR 14,231 (2021: KEUR 13,757) are contractually agreed.

6.3. Rights of use

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, 2021	**54,016**	**17,409**	**271**	**2,767**	**-**	**74,463**
Additions	16,175	10,623	5	860	602	28,264
Transfers	-	-	-	-	-	-
Disposals	-528	-4,560	-86	-302	-	-5,475
Currency translation	74	-51	-2	13	-	34
At Dec. 31, 2021	**69,736**	**23,421**	**188**	**3,339**	**602**	**97,286**
Accumulated depreciation and impairment						
At Jan. 1, 2021	**-20,345**	**-4,865**	**-156**	**-999**	**-**	**-26,365**
Additions (depreciation)	-4,661	-1,926	-65	-823	-	-7,475
Impairment losses	-264	-1	-	-	-	-266
Transfers	-	-	-	-	-	-
Disposals	403	1,817	86	269	-	2,574
Currency translation	-53	13	1	-6	-	-45
At Dec. 31, 2021	**-24,921**	**-4,962**	**-134**	**-1,559**	**-**	**-31,576**
Carrying amount						
At Jan. 1, 2021	**33,671**	**12,543**	**115**	**1,769**	**-**	**48,098**
At Dec. 31, 2021	**44,816**	**18,459**	**54**	**1,780**	**602**	**65,710**

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**
Accumulated depreciation and impairment						
At Jan. 1, 2020	**-16,997**	**-5,743**	**-232**	**-779**	**-**	**-23,751**
Additions (depreciation)	-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**

6.4. Other non-current financial assets

KEUR	Dec. 31, 2021	Dec. 31, 2020
Other loans and receivables	94	96
Other investments	-	299
Non-current loans to related parties	1,000	813
Non-current derivatives with positive market values	10,140	4,279
Other non-current financial assets	**11,235**	**5,486**

For the development of derivatives, please refer to section 8 section.

6.5. Other non-current assets

KEUR	Dec. 31, 2021	Dec. 31, 2020
Prepayments to third party, non-current	-	595
Other non-current assets	607	2,026
Other non-current assets	**607**	**2,621**

6.6. Inventories

KEUR	Dec. 31, 2021	Dec. 31, 2020
Raw materials and supplies	48,331	44,062
Unfinished products	2,863	2,996
Finished products	1,055	1,262
Inventories	**52,249**	**48,320**

Net inventories amount to KEUR 52,249 (2020: KEUR 48,320) as of the balance sheet date. The impairments on the gross inventory assets (e.g. due to marketability devaluations and quality reasons) amount to KEUR 7,708 (2020: KEUR 7,217).

In 2021, inventories of KEUR 252,465 (2020: KEUR 285,296) were expensed.

6.7. Trade receivables

Seven 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 delcredere 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 financial asset. The existing contracts at four sites expire at the end of May 2022 and can be terminated by either party until the end of April 2022. Otherwise, they are tacitly extended. The contracts for the other three sites are concluded for an indefinite period. There are termination options on both sides with a notice period of 6 months to the end of the month.

A factoring contract is also installed at the two Italian sites. 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. Furthermore, it is regulated that the delcredere risk is transferred to the factoring company. A certain part of the sold receivables is retained by the factoring companies to finance the sales deductions and is thus not refinanced. The contract has an indefinite term and can be terminated at any time.

Factoring contracts exist with two different factoring banks at two sites in Switzerland. One of the factoring contracts expires at the end of December 2022 and has a notice period of six months on both sides. The other factoring contract expires at the end of January 2023 and can be terminated by either party with one month's notice. The contracts stipulate that certain parts of the trade receivables will be sold to third parties. Furthermore, the contracts stipulate that the delcredere 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 60,021 as of the balance sheet date (2020: KEUR 61,142).

KEUR	Dec. 31, 2021	Dec. 31, 2020
Trade receivables, gross	28,366	35,194
Expected credit losses	-765	-1,869
Trade receivables, net	**27,601**	**33,324**

KEUR	Dec. 31, 2021	Dec. 31, 2020
Individual impaired	207	691
Not past due nor impaired	20,243	25,258
Past due less than 30 days, not impaired	6,521	7,661
Past due between 31 and 90 days, not impaired	954	1,204
Past due more than 90 days, not impaired	441	380
Trade receivables, gross	**28,366**	**35,194**

The credit and market risks of the AENOVA-Group as well as impairments of trade receivables are explained in section 4.1.

As of 31 December 2021, the expected credit losses on individually impaired receivables of KEUR 207 (2020: KEUR 691) 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 table shows the development of expected credit losses on trade receivables:

KEUR	Dec. 31, 2021	Dec. 31, 2020
Expected credit losses at beginning of period	1,869	2,932
Other additions	41	568
Reversal	-846	-974
Utilisations	-298	-659
Currency translation	-1	2
Expected credit losses at the end of the period	**765**	**1,869**

From the total allowance, KEUR 506 relate to financial assets measured at FVOCI. The development of expected credit losses during the year was as follows:

KEUR	Dec. 31, 2021	Dec. 31, 2020
Balance at beginning of period	**1,258**	**2,322**
Net revaluation of expected credit losses	-752	-1,064
Balance at end of period	**506**	**1,258**

The decrease in impairment losses in 2021 is mainly due to the Group-wide receivables management that has been pushed for several years.

6.8. Other current financial assets

KEUR	Dec. 31, 2021	Dec. 31, 2020
Other receivables from third party	8,708	9,087
Short-term loans to employees	72	32
Other current financial assets	**8,780**	**9,119**

Other receivables from third parties include receivables from various factoring companies in the amount of KEUR 8,708 (2020: KEUR 9,087).

6.9. Other current assets

KEUR	Dec. 31, 2021	Dec. 31, 2020
VAT receivables	6,172	8,609
Prepayments to third party	176	1,703
Other current non-financial assets	7,872	6,896
Other current assets	**14,220**	**17,208**

The increase in miscellaneous other current assets is due to an increase in prepaid expenses.

6.10. Cash and cash equivalents

KEUR	Dec. 31, 2021	Dec. 31, 2020
Cash at bank	53,456	50,327
Cash on hand	18	30
Cash and cash equivalents	**53,474**	**50,357**

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 the balance sheet date and is held in full by Apollo 8 GmbH. The share capital is fully paid in as of 31 December 2021. 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 2021 (2020: KEUR 555,455).

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

6.11.3. Other components of equity

The other components of equity include:

- Currency differences: The reserve for currency 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 KEUR 1,859 2021 (2020: KEUR 3,080).
- First-time application 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, 2021	Dec. 31, 2020
Provisions for defined benefit obligations	54,255	62,589
Provisions for supplementary pension benefits Italy	2,510	2,682
Provisions for jubilees and sabbaticals	2,706	2,279
Provision for pensions and similar obligations	**59,471**	**67,550**

6.12.1. Provisions for defined benefit obligations

The Group has various defined benefit plans in place in various Group companies, which include a wide range of arrangements for post-employment benefits. Beneficiaries of these commitments are mainly employees or their survivors in Germany, Switzerland and Ireland. The benefit plans include 2,140 (2020: 1,863) beneficiaries, of which 1,315 (2020: 1,068) are active employees, 484 (2020: 468) are former employees with vested rights, and 341 (2020: 327) are retirees and survivors.

There are various defined benefit plans in Germany. 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, eligible employees are entitled to pension benefits upon reaching the age of 65 within the framework of deferred compensation.

In Germany, the regulatory framework 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.

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 an annuity 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 retirement, 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 2021 are as follows:

KEUR	Dec. 31, 2021	Dec. 31, 2020
Fair value of plan assets	**63,665**	**61,239**
Switzerland	*31,972*	*31,546*
Ireland	*18,383*	*16,369*
Germany	*13,310*	*13,324*
Present value of DBO	**117,920**	**123,828**
Switzerland	*43,216*	*47,036*
Ireland	*18,345*	*18,516*
Romania	*81*	-
Germany	*56,278*	*58,276*
Net defined benefit liability	**54,255**	**62,589**

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	
	2021	2020	2021	2020	2021	2020
At January 1	**123,828**	**122,355**	**61,239**	**59,316**	**62,589**	**63,039**
Acquisition of business	-	-	-	-	-	-
Profit and loss						
Current service cost	3,107	3,154	-	-	3,107	3,154
Past service cost	-1,174	-	-	-	-1,174	-
Interest income/expense	826	1,017	348	407	478	610
Administrative expenses	-	-	-138	-147	138	147
	2,758	**4,171**	**210**	**260**	**2,548**	**3,911**
Other comprehensive income						
Return on plan asset, exluding amounts recognised as interest income/expense	-	-	168	-389	-168	389
Actuarial gains/losses from:						
- change in demographic assumptions	-2,677	-	-	-	-2,677	-
- change in financial assumptions	-2,057	1,608	-	-	-2,057	1,608
- experience adjustments	-2,290	-1,547	-	-	-2,290	-1,547
	-7,024	**61**	**168**	**-389**	**-7,192**	**450**
Other						
Exchange differences	1,877	237	1,393	150	484	88
Contributions (Employer)	-	-	2,806	3,375	-2,806	-3,375
Contributions (Employee)	1,570	1,638	1,570	1,638	-	-
Benefit payments	-5,131	-4,634	-3,717	-3,111	-1,414	-1,523
Effects from transfers	41	-	-4	-	45	-
	-1,643	**-2,758**	**2,048**	**2,052**	**-3,690**	**-4,810**
At December 31	**117,920**	**123,828**	**63,665**	**61,239**	**54,255**	**62,589**

The weighted average term of the defined benefit obligation as of 31 December 2021 is 13 years (previous year: 15 years).

As of 31 December 2021, KEUR 39,008 (2020: KEUR 40,662) of the defined benefit obligation relates to plans that are not funded by plan assets and KEUR 78,911 (2020: KEUR 83,167) of the defined benefit obligation relates to plans that are funded in whole or in part by plan assets.

The plan assets in Switzerland held by the collective foundation 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 plan assets is composed of the following categories of assets:

	Dec. 31, 2021	Dec. 31, 2020
Equity instruments	6%	5%
Debt instruments	12%	12%
Real estate	2%	2%
Cash	1%	-
Assets held by insurance company, Germany	21%	22%
Assets held by insurance company, Switzerland	50%	52%
Other assets	9%	8%
Total	**100%**	**100%**

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

The expected employer contributions for 2022 are expected to amount to KEUR 3,058.

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

	December 31, 2021			December 31, 2020		
	Switzerland	Germany	Ireland	Switzerland	Germany	Ireland
Discount rate	0.35%	1.17%	1.17%	0.15%	1.00%	1.00%
Salary increase	1.00%	1.00%	2.00%	1.00%	1.00%	2.00%
Pension increase	0.00%	1.70%	0.00%	0.00%	1.60%	0.00%

The biometric basis of calculation used in Germany was the Heubeck 2018 G mortality tables, in Switzerland the BVG2020 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 2021:

	Impact on defined benefit obligation 2021		Impact on defined benefit obligation 2020	
Change in assumption	**0.25%**	**-0.25%**	**0.25%**	**-0.25%**
Discount rate	-3.2%	3.4%	-3.5%	3.7%
Salary growth rate	0.5%	-0.5%	0.2%	-0.2%
Pensions growth rate	1.7%	-1.1%	1.9%	-1.1%

If life expectancy were to change by +1 year, the defined benefit obligation would increase by 2,6% (2020: 2.7%); if life expectancy were to change by -1 year, the obligation would decrease by 2.6% (2020: 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 2021. 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 the 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 service anniversaries and sabbaticals

Employees of individual subsidiaries in Switzerland and Germany are entitled to anniversary 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 service anniversaries and sabbaticals amounted to KEUR 2,706 as of 31 December 2021 (2020: KEUR 2,279). The weighted discount rate to be applied was 1.0% in 2021 (2020: 1.0%).

6.13. Other provisions

KEUR	Dec. 31, 2021		Dec. 31, 2020	
	current	non-current	current	non-current
Warranty provisions	1,914	-	1,944	-
Provisions for litigation costs	132	-	356	-
Provisions for restructuring	1,042	107	1,252	141
Provisions for customer bonus	117	-	147	-
Other miscellaneous provisions	602	693	2,972	2,376
Other provisions	**3,807**	**800**	**6,670**	**2,517**

6.13.1. Other current provisions

	Provisions for				
KEUR	Warranty	Litigations	Restructuring	Customer bonus	Other
At Jan. 1, 2021	**1,944**	**356**	**1,252**	**147**	**2,972**
Additions	1,676	334	145	69	1,567
Utilisation	-931	-81	-1,080	-97	-2,859
Reversal	-776	-476	-	-2	-416
Transfers	-	-	723	-	-666
Currency translation	1	-	2	-	4
At Dec. 31, 2021	**1,914**	**132**	**1,042**	**117**	**602**

6.13.2. Other non-current provisions

	Provisions for	
KEUR	Restructuring	Other
At Jan. 1, 2021	**141**	**2,376**
Additions	7	52
Utilisation	-	-204
Reversal	-	-1,470
Transfers	-46	-59
Currency translation	5	-1
At Dec. 31, 2021	**107**	**693**

All provisions are based, among other things, on discretionary options, assumptions, past experience and estimates that are subject to certain uncertainties (regarding the amount and timing 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 calculation of the provision is based on 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 2020 and especially in 2021. The Group expects to settle the majority of the provisions in 2022.

6.13.4. Provisions for litigation costs

The provision for litigation costs of KEUR132 (2020: KEUR 356) mainly relates to risks in connection with ongoing legal cases. The Group expects to utilise the majority of the provisions in 2022.

6.13.5. Provision for restructuring

The restructuring provisions of KEUR 1,149 (2020: KEUR 1,393) mainly relate to expenses for termination agreements. The main payments, which were determined within the framework of individual agreements, are to be paid in 2022.

6.13.6. Provision for customer bonuses

The provisions for customer bonuses relate to outstanding invoices in the amount of KEUR 117 (2020: KEUR 147). The utilisation will occur in 2022.

6.13.7. Miscellaneous other provisions

Current miscellaneous other provisions of KEUR 602 (2020: KEUR 2,972) include miscellaneous items of minor value.

Non-current miscellaneous other provisions of KEUR 693 (2020: KEUR 2,376) mainly relate to restoration obligations.

The decrease of KEUR 4,052 in miscellaneous other provisions results primarily from earn-out payments made in the reporting year and the reversal of provisions for existing onerous contracts.

6.14. Financial liabilities

6.14.1. Non-current financial liabilities

KEUR	Dec. 31, 2021	Dec. 31, 2020
Non-current bank loans	535,371	532,679
Non-current leasing liabilities	59,689	44,137
Non-current financial liabilities	**595,061**	**576,816**

6.14.2. Current financial liabilities

KEUR	Dec. 31, 2021	Dec. 31, 2020
Current bank loans	2,971	3,074
Current accrued liabilities	11,512	20,352
Current leasing liabilities	9,598	7,732
Current financial liabilities	**24,082**	**31,158**

In 2020, current accrued liabilities included KEUR 9,465 of liabilities for outstanding invoices. From 2021 onwards, in the course of an adjustment to the balance sheet presentation, these will be shown as part of trade payables and amounted to KEUR 7,630.

6.14.3. Loan liabilities

With closing date 21 July 2021, the AENOVA-Group successfully refinanced the syndicated loans (first and second lien) existing as of 31 December 2020. The new financing consists of a modified First Lien and the unchanged revolving credit facility. The Second Lien was repaid in full.

The repayment of the Second Lien in the total amount of KEUR 117,711 was largely made 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 479 was paid to Aenova.

UniCredit Bank AG, London, acts as agent for the Loan under the Financing Agreement. Lucid Trustee Services Limited, London, acts as security agent for the Loan under the Financing Agreement.

As of 31 December 2021, the Group had the following loan liabilities:

KEUR	Year of maturity	Nominal value as of Dec 31, 2021	Carrying amount as of Dec 31, 2021	Nominal value as of Dec 31, 2020	Carrying amount as of Dec 31, 2020
First Lien	2026	565,000	530,396	440,000	429,507
Second Lien	2021	-	-	110,340	105,386
Revolving Credit Facility	2024	-	-	-	-
Other	various	7,947	7,947	8,729	8,729
Total		**572,947**	**538,343**	**559,069**	**543,622**

The First Lien loan has a nominal amount of KEUR 565,000 at a base rate of 4.50% plus EURIBOR as of the reporting date. If the EURIBOR falls below 0.00%, 0.00% is applied. The term of the bullet loan ends on 6 March 2026.

The credit line of the revolving loan is KEUR 50,000. As of 31 December 2021, this was only utilised in the form of guarantees in the amount of KEUR 466 (2020: KEUR 466). The term of the loan extends 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 business shares have been pledged and guarantees issued to secure the banks' claims.

6.15. Other liabilities

6.15.1. Other non-current liabilities

KEUR	Dec. 31, 2021	Dec. 31, 2020
Other non-current liabilities	15,431	18,548
Other non-current liabilities	**15,431**	**18,548**

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

6.15.2. Other current liabilities

KEUR	Dec. 31, 2021	Dec. 31, 2020
Personnel liabilities	19,284	20,846
Social security liabilities	3,171	2,775
Contract liabilities	4,712	1,286
VAT payables	1,428	156
Miscellaneous other non-financial liabilities	1,593	2,290
Other current liabilities	**30,188**	**27,352**

7. Disclosures on leases

The Group rents land and buildings, production facilities and other machinery, motor vehicles and office 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 right-of-use assets nor lease liabilities were recognised for the short-term or low-value leases.

The following table shows the maturity analysis of lease liabilities with the remaining contractual terms:

KEUR	Dec. 31, 2021	Dec. 31, 2020
Due within 1 year	14,067	11,832
Due 1 - 5 years	35,073	30,250
Due after 5 years	57,134	40,937
Lease payments (gross)	**106,274**	**83,019**

Some leases contain extension options that are exercisable during the non-cancellable lease term. The Group considers the inclusion of extension options when entering into new leases to ensure operational flexibility. An assessment is made at the commitment date as to whether the exercise of an extension 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 assesses 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 reassesses at the end of each financial year whether the exercise of an extension option is reasonably certain upon the occurrence of either a significant event or a significant change in circumstances within its control.

At the end of the reporting period, AENOVA entered into leases that will not be recognised in the balance sheet until 2022. The initial value of the gross lease liabilities from these contracts amounts to KEUR 27,897 (2020: KEUR 20,487).

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, 2021	Dec. 31, 2020
Due within 1 year	334	342
Due 1 - 5 years	994	1,272
Due after 5 years	592	965
Lease payments (gross)	**1,920**	**2,579**

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

8. Additional disclosures on financial instruments

The net result from financial instruments is as follows:

KEUR	Dec. 31, 2021	Dec. 31, 2020
Loans and receivables at amortised cost (AC)	-288	315
Financial instruments at fair value through profit or loss (FVTPL)	5,861	13,234
Debt instruments at fair value through other comprehensive income (FVOCI)	-71	-648
Financial liabilities measured at amortised cost (FLAC)	-23,146	-45,506
Net result from financial instruments	**-17,644**	**-32,606**

The result from financial liabilities measured at amortised cost mainly includes interest expenses for bank loans of KEUR -32,295 (2020: KEUR -36,683), interest expenses from the compounding of bank loans measured using the effective interest method of KEUR -11,089 (2020: KEUR -4,693) and income from the book value adjustment of KEUR 20,488, due to the modification of the financing.

The following table shows the changes in financing liabilities:

KEUR	Carrying amount Jan. 01, 2021	Cash Flow	Currency translation	New lease agreements	Valuation effect	Other	Carrying amount Dec. 31, 2021
Bank liabilities	535,753	28,205	-3	-	-15,273	-10,340	538,343
Leasing liabilities	51,868	-8,541	123	26,102	-	-265	69,288
Total liabilities from financing activities	**587,622**	**19,664**	**121**	**26,102**	**-15,273**	**-10,605**	**607,631**

KEUR	Carrying amount Jan. 01, 2020	Cash Flow	Currency translation	New lease agreements	Valuation effect	Other	Carrying amount Dec. 31, 2020
Bank liabilities	656,593	-113,756	-	-	-17,458	10,374	535,753
Shareholder loans	207,672	-300	-	-	-	-207,372	-
Leasing liabilities	53,691	-8,386	-20	6,570	-	14	51,868
Total liabilities from financing activities	**710,284**	**-122,142**	**-20**	**6,570**	**-17,458**	**10,388**	**587,622**

The valuation effects result from the application of the effective interest method. The other changes in the reporting year mainly include the PIK (payment-in-kind) interest of the Second Lien.

The following table presents 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, 2021	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, 2021	Level 2	Level 3
Financial assets									
Trade receivables	27,601	1,737	-	25,865	-	-	27,601	25,865	-
Factoring receivables	8,708	-	-	8,708	-	-	8,708	8,708	-
Derivative financial assets	10,140	-	10,140	-	-	-	10,140	-	10,140
Cash and cash equivalents	53,474	53,474	-	-	-	-	53,474	-	-
Other financial assets	1,166	1,166	-	-	-	-	1,166	-	-
Financial liabilities									
Trade payables	68,979	-	-	-	68,979	-	68,979	-	-
Bank liabilities	538,343	-	-	-	538,343	-	555,478	555,478	-
Leasing liabilities	69,288	-	-	-	-	69,288	-	-	-
Accrued interest	11,512	-	-	-	11,512	-	11,512	-	-
Financial assets	**101,090**	**56,377**	**10,140**	**34,573**	**-**	**-**	**101,090**	**34,573**	**10,140**
Financial liabilities	**688,122**	**-**	**-**	**-**	**618,834**	**69,288**	**635,969**	**555,478**	**-**

		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 2	Level 3
Financial assets									
Trade receivables	33,324	3,973	-	29,351	-	-	33,324	29,351	-
Factoring receivables	9,087	-	-	9,087	-	-	9,087	9,087	-
Derivative financial assets	4,279	-	4,279	-	-	-	4,279	-	4,279
Cash and cash equivalents	50,357	50,357	-	-	-	-	50,357	-	-
Other financial assets	1,240	1,240	-	-	-	-	1,240	-	-
Financial liabilities									
Trade payables	72,828	-	-	-	72,828	-	72,828	-	-
Bank liabilities	535,753	-	-	-	535,753	-	600,996	600,996	-
Leasing liabilities	51,868	-	-	-	-	51,868	-	-	-
Accrued interest	10,887	-	-	-	10,887	-	10,887	-	-
Other financial liabilities	16	-	-	-	16	-	16	-	-
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**	**600,996**	**-**

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

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.

Where necessary, a reclassification is made between the individual levels at the end of the reporting period. No reclassifications were made in the past financial year.

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

KEUR	Derivative financial assets at fair value through profit or loss
Carrying amount 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
Carrying amount at Dec. 31, 2020	4,279
Carrying amount at Jan. 1, 2021	**4,279**
Unrealised increase in fair value recognised in profit or loss	5,861
Carrying amount at Dec. 31, 2021	**10,140**

The First Lien financing agreement and its embedded derivatives are a hybrid financial instrument with several embedded options. The latter are to be allocated to fair value level 3 as derivatives subject to separation with a total carrying amount of KEUR 10,140 (2020: KEUR 4,279).

The options, which can be exercised by Aenova at any time, on the one hand allow for the early repayment of the loan liabilities at fixed exercise prices and on the other hand provide for an interest floor of 0.00%. These embedded options are considered as a derivative for accounting purposes. No observable market prices are available for the embedded options at 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 of the reporting date, interest rates of -0.55% (2020: -0.52% to -0.46%), credit default swap rates of 444 basis points (2020: 310 - 550 basis points) and credit default swap volatilities of 1.92% (2020: 3.1% to 4.7%) were used.

The values used represent the best estimate in each case according to our assessment. If other values had been used for 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 5,861 (2020: KEUR 13,234) was recognised in the financial result for the options held on the reporting 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 essentially due to movements in credit default swap rates.

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

KEUR	31.12.2021	31.12.2020
EUR swap rates + 50 basis points	3,693	5,501
EUR swap rates - 50 basis points	-3,777	-4,709
Credit default swap rates + 50 basis points	-4,100	-3,221
Credit default swap rates - 50 basis points	5,171	4,244
Historical credit default swap volatilities + 10%	873	1,494
Historical credit default swap volatilities -10 %	-1,025	-1,477

9. Contingent liabilities

As of 31 December 2021, AENOVA has liability risks from guarantees in the amount of KEUR 2,159 (in 2020: KEUR 2,129). A utilization is considered possible but not probable, which is why no provision is recognised. It is not possible to estimate the likely amount or the time of 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 companies and persons that directly or indirectly exercise control over the company or have the possibility of exercising significant influence over the company.

10.1. Parent company and ultimate parent company

In 2021, the remaining interest liabilities of a former shareholder loan in the amount of KEUR 3,004 were settled in full.

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

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 Apollo 5 GmbH constitute related parties in accordance with IAS 24 as members of the highest management and supervisory level of the AENOVA-Group.

Executive board 2021	
Jan Kengelbach	Managing Director of Apollo 5 GmbH
Ralf Schuler	Managing Director of Apollo 5 GmbH

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

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)

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 2021	
Dr. Ewald Walgenbach	Chairman of the supervisory board
Peter Winkelmann	Deputy chairman of the supervisory board
Giuliano Bidoli	Member of the supervisory board
Moritz Elfers	Member of the supervisory board
Maximilian Kastka	Member of the supervisory board
Pierre Stemper	Member of the supervisory board
Jan-Felix Stolz	Member of the supervisory board
Gerd Hammerl	Member of the supervisory board
Claudia Langhammer	Member of the supervisory board
Bernd Schmider	Member of the supervisory board
Heike Tietze	Member of the supervisory board
Thomas Volgger	Member of the supervisory board

Supervisory board 2020	
Dr. Ewald Walgenbach	Chairman of the supervisory board (since October 15, 2020)
Peter Winkelmann	Deputy chairman of the supervisory board (since September 16, 2020)
Giuliano Bidoli	Member of the supervisory board (since October 15, 2020)
Moritz Elfers	Member of the supervisory board (since October 15, 2020)
Maximilian Kastka	Member of the supervisory board (since October 15, 2020)
Pierre Stemper	Member of the supervisory board (since October 15, 2020)
Jan-Felix Stolz	Member of the supervisory board (since October 15, 2020)
Gerd Hammerl	Member of the supervisory board (since September 16, 2020)
Claudia Langhammer	Member of the supervisory board (since September 16, 2020)
Bernd Schmider	Member of the supervisory board (since September 16, 2020)
Heike Tietze	Member of the supervisory board (since September 16, 2020)
Thomas Volgger	Member of the supervisory board (since September 16, 2020)

The total remuneration of the Supervisory Board in the 2021 financial year amounted to KEUR 72 (2020: KEUR 33).

AENOVA purchased services amounting to KEUR 588 from companies with which key management personnel or their close family members are closely associated.

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.

AENOVA sold goods and services in the amount of KEUR 6,940 to, or acquired goods and services in the amount of KEUR 5,905 from other related companies in the 2021 financial year. Related companies provided consulting services in the amount of KEUR 254 (2020: KEUR 138). In addition, interest payments of KEUR 78 were made to related companies. As of the reporting date, there were outstanding receivables from related parties in the amount of KEUR 117 and outstanding liabilities in the amount of KEUR 530.

An earn-out agreement existed with a related party company, which was settled in full in 2021 (see section 6.13.7). The earn-out payments paid out in the reporting year amount to KEUR 1,131.

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 equity 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 equity programmes are in 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 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 equity programme in the 2020 financial year, participants in the existing programme were offered the opportunity to sell their participation and any remaining bonus entitlements. Partial use was made of this. Those who accepted the offer received corresponding pay-outs from Apollo 11 S.à r.l.

In the 2021 financial year, one participant left the new MEP. This did not have any accounting impact on the consolidated financial statements.

12. Auditor's fees and services

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

KEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Auditing services	553	544
thereof from the previous year	109	106

13. Events after the balance sheet date

Russia has been at war with Ukraine since 24 February 2022. Financial effects may arise in particular on sales, material and energy costs as well as inventories. A proper assessment of the financial impact is not possible at this point in time. Further explanations of the effects on Aenova are presented in the management report. In the period from 31 December 2021 until the publication of the consolidated financial statements, no events have occurred that have a material impact on these financial statements.

Starnberg, 31 March 2022

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 2021

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 24 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 and the USA. The group employs approximately 4,200 people (previous year approximately 4,400). These consolidated financial statements cover the period from 1 January 2021 to 31 December 2021.

With effect from 1 January 2021, the AENOVA-Group companies Aenova Purchasing International GmbH and Haupt Pharma Berlin GmbH were merged into Aenova Holding GmbH. The company Aenova Asia-Pacific Ltd. was deconsolidated as part of the intended closure as of 31 December 2021.

1.1 Group business model

AENOVA-Group is one of the world's largest pharmaceutical contract manufacturers for the development, production and marketing of pharmaceuticals and food supplements. The range of services covers the entire value chain of the 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 capsule**s

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

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 core activities of the group of companies along the value chain are:

- Innovation and development - development of innovative product ideas, concept and product development, formulation and analytics development, pharmacotherapy, shelf-life testing, regulatory support and market approvals, tech transfer
- 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 package inserts
- 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 investigational medicinal products, 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 healthcare market will continue to grow steadily in the coming years - with growth rates for prescription drugs exceeding 5%.[1] The reasons for this include demographic change, increasing health awareness and growing prosperity in both industrialised countries and emerging markets.[2]

In addition, the outsourcing trend is expected to continue in the coming years, combined with further consolidation of production capacities.[3] 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.[4] This trend, which has been observed for several years, also received widespread attention in 2021 due to the global COVID-19 pandemic, especially in developed countries that will support national pharmaceutical production through government programmes.[5]

Five points form the value proposition of the AENOVA-Group:

- **Customers and patients first:** As one of the largest CDMOs in the world, we are acutely aware of our important role in the healthcare industry every day. We pride ourselves on providing our healthcare customers with products and services of the highest quality, cost-efficiency, reliability and timeliness that improve and extend patients' lives.
- **Everyone matters:** We create a work environment where employee satisfaction, learning and engagement are continuously high and improving. We appreciate the contribution of every team member, develop our colleagues and share credit.
- **Excellence and reliability:** We strive to be the CDMO of choice for our global customers and an employer of choice for our highly skilled employees, and so we focus 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 "Continuous Improvement Process". We invest in modern technologies; competences and know-how are constantly being developed further.
- **Stronger as a group**: We bundle competencies across all AENOVA sites and work with a strong "One AENOVA" culture. This is how we promote continuous improvement, live team spirit and create added value.

A Group-wide transformation with the goal of realising profitable growth was continued along the three thrusts of "Operational Excellence, Commercial Excellence and Organisational Excellence".

1 EvaluatePharma® World Preview 2021, Outlook to 2026, July 2021; OECD, Health spending projections to 2030, May 2019
2 EvaluatePharma® World Preview 2021, Outlook to 2026, July 2021; OECD, Health spending projections to 2030, May 2019
3 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
4 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
5 Politico, Can the coronavirus bring back Europe's pharmaceutical factories?, December 2020

As part of the "Operational Excellence" programme, the Group's range of services was expanded through significant investments at the Latina (sterile liquids, incl. prefilled syringes) and Tittmoning (high-volume solids) sites and the capacity available for customer projects was further increased. The expansion in the area of high-potency solids was continued as planned at the Regensburg site as well. In addition, significant investments were made in operating equipment to increase quality and productivity as well as to provide capacity for projects won. In total, the largest investment programme in the history of AENOVA was implemented with investments in property, plant and equipment amounting to 81.1 MEUR (includes additions to property, plant and equipment as well as rights of use).

Optimisations in the area of planning, active supplier management, the simplification of value chains within the group and the expansion of the AENOVA Manufacturing System led to further improved delivery performance, even in an organisationally challenging environment characterised by Covid-19.

As part of “Commercial Excellence”, the sales restructuring implemented in the previous year combined with improved market intelligence and targeted customer initiatives, led to a significant increase in new projects won in 2021, both in terms of numbers and associated sales volume (peak sales).

1.2.1 Pharma: originators and generics, OTC

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

The research-based 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 less and less as a strategic core competence by research-based 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. These trends are expected to intensify in the future.[6]

AENOVA is a competent partner in this environment, especially because large pharmaceutical companies are also increasingly focusing on manufacturing costs. With increasing cost pressure, outsourcing measures to CDMOs are becoming more common. With the growing complexity of dosage forms - including new modalities such as those used in Covid-19 vaccines - the need for complex manufacturing services is increasing. Both in terms of development and technical capabilities, particularly in the area of sterile manufacturing, the Group's offering in 2021 has been expanded to further strengthen the company's position.

In general, the generics industry continues to be characterised by growing volumes, but also by higher price sensitivity, especially in the commodity segment. Large companies will outsource large parts of their production in this segment and concentrate their own value creation on more differentiable products and services.

AENOVA's goal of growing in this segment is achieved, 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.

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

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 food supplements, which AENOVA serves mainly with soft gelatine capsules from the plant in Cornu, Romania.

From Cornu, AENOVA can offer its customers a very wide product range of capsule sizes and suturing technologies as well as extensive experience in active ingredient processing. The cost-effective full-service offering in soft and vegagel capsules, including coating and packaging, has generated further growth in the 2021 financial year. Based on these advantages, AENOVA plans to grow significantly in this business. The group will continue to focus on high-quality VMS (vitamins, minerals, supplements) such as special natural extracts.

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 active ingredients.

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

Especially in Europe, smaller, regional companies complement the customer spectrum.

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 for 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 any own research activities for the identification or manufacture of active pharmaceutical ingredients.

Development services are an essential component of the company's value chain. Many years of experience and the large 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 accompanying their projects from the support of clinical trials (Clinical Trial Supply Management) to validation, registration and market launch is the basis for a long and trusting cooperation. In the process, AENOVA offers a holistic service in clinical development, ranging from the creation of clinical samples to packaging, blinding and transport to the respective study centres.

AENOVA bundles its development offerings in specialised competence centres. The proximity of the development units to commercial production meets the customer's need for a holistic service from a single source. In this way, AENOVA ensures the timely implementation of transfer and development projects as well as the smooth ramp-up of commercial production for customers.

At the end of the 2021 business year, a total of 173 employees (previous year 124 employees) were working for the Development & Tech Transfer division at various sites. They worked on 101 development projects on behalf of customers, which were in various phases of implementation (including clinical trial management). 13 new projects were started (previous year 22 new projects), which will be worked on over the next few years.

In the area of Technology Service, 200 (previous year 145) transfer projects were processed and 117 (previous year 27) product life cycle management projects were carried out throughout the Group 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 both internationally and in Germany in the previous year. Due to the continuing supply and capacity bottlenecks, only a slight recovery of the German economy was observed in 2021 as a whole, with real GDP growth of 2.7% - however a significant improvement compared to the previous year's figure (previous year -4.6%). This development was significantly influenced by a considerable increase in supply-side bottlenecks along the value chain and significant price increases (e.g. for raw and packaging materials, freight costs and energy). A stronger recovery and associated growth is expected to be delayed and to have a significant impact in 2022.[7]

In the euro area, a stronger GDP recovery of 5.2% was expected for 2021 (previous year -7.0%), but with great heterogeneity between individual countries and industrial sectors.[8]

The picture for Switzerland was similar to that for Germany: GDP improved compared to the same period last year with growth of +3.5% (previous year: -2.5%). However, this development was also behind expectations, with similar reasons as in Germany and Europe.[9]

In the United States, a year-on-year GDP recovery of +5.7% was registered in 2021 (previous year -3.4%).[10]

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 demand for certain classes of active ingredients have been overcome, even though the challenges have increased here, especially since summer 2021. 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, must be viewed in a differentiated manner: In the European countries - similar to the previous year - (partial) lockdowns and other measures to contain the COVID-19 pandemic led to a reduced number of prescriptions and treatments.[11] Although the declines in e.g. elective surgical procedures were somewhat lower in 2021 than in 2020 (40-70% in April 2020) according to current data[12] , they still had a significant impact on health systems in 2021, starting with the 2nd pandemic wave in the winter months of 2020/2021 (declines of 30-40%) until the 3rd pandemic wave (declines of up to 20%).[13] COVID-19 is also expected to put a strain on health systems in the medium term. This concerns, on the one hand,

7 German Council of Economic Experts, Transformation gestalten: Education, Digitalisation and Sustainability, Annual Report 2021/2022, December 2021
8 German Council of Economic Experts, Transformation gestalten: Education, Digitalisation and Sustainability, Annual Report 2021/2022, December 2021
9 Swiss Confederation, State Secretariat for Economic Affairs SECO, Economic Forecast 2021, December 2021, Swiss Confederation, State Secretariat for Economic Affairs SECO,Economic Forecast:Recovery delayed, December 2021
10 U.S. Bureau of Economic Analysis (BEA), Gross Domestic Product, Fourth Quarter and Year 2021, January 2021
11 IQVIA, Impact of COVID-19 on the Pharmaceutical Market - EU4 & UK, January 2022
12 Federal Statistical Office, COVID19 Review - An analysis of official statistics, December 2021
13 Scientific Institute of the AOK. Press release, July 2021

the backlog of above-mentioned plannable treatments. According to the British Medical Association, the waiting list of patients for elective surgery in the UK healthcare system has increased by more than 35% from 4.4 million (average 2019) to over 6 million due to the pandemic.[14] At the same time, the number of patients having to wait more than 18 weeks for such procedures has more than doubled from 16.3% (December 2019) to 36.2% (December 2021).[15] It also became clear, particularly in 2021, that a significant proportion of COVID-19 patients (estimates suggest well over 44 million patients worldwide) are suffering from late effects of the infection with symptoms of the central nervous, cardiovascular and respiratory systems, among others.[16] As noted in section 2.1.1 and here, a variety of interrelated effects in 2021 have resulted in the recovery of the pharmaceutical industry and suppliers likely being delayed until 2022.

In 2021, 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

The COVID 19 pandemic was and still is the most drastic global health crisis in recent decades. Nevertheless, global health systems as a whole have proven resilient.

Although the impact of the pandemic is expected to continue to influence the growth of the pharmaceutical market until 2022, with increasing vaccination rates and improved therapeutics, the market will settle down to pre-pandemic conditions. However, periodic virus variants and the associated measures, as well as the unclear duration of immunity after vaccination, remain factors of uncertainty.[17]

According to a report by the market research institute IQVIA, at least most developed markets have returned to a growth trend comparable to pre-pandemic levels in 2021. This growth is expected to continue until 2026, according to the forecast. According to IQVIA, the global pharmaceutical market will reach a total volume of US$1.4 trillion in 2021 and is expected to grow by 3-6% annually to about US$1.8 trillion by 2026. The top 10 most developed pharma markets are expected to grow by 2-5% annually until 2026, and the pharmerging markets[18] by 5-8% annually.[19]

Compared to pre-pandemic projections, cumulative drug spending between 2019 and 2026 is reduced by US$ 175 billion due to COVID-19. Spending on COVID-19 vaccines and novel therapeutics is expected to generate more than US$ 300 billion over the same period, resulting in an overall projection that is US$ 133 billion higher than pre-pandemic.[20]

In industrialised countries, the introduction of new therapies remains the driver of rising expenditure on medicines. This is offset to some extent by patent expirations, price pressure from generic competition and the introduction of biosimilars. In the pharmerging markets, improved access to healthcare has been the biggest growth driver in recent years. This trend is slowing down and will lead to volume declines in many markets.[21]

The therapeutic areas with the highest projected expenditure in 2026 are oncology, immunology and antidiabetics, followed by neurology. Oncology is expected to grow by 9-12% per year until 2026. This therapeutic area is expected to add 100 new treatments over a five-year period.

14 British Medical Association, NHS backlog data analysis, February 2022
15 British Medical Association, NHS backlog data analysis, February 2022
16 IQVIA, Impact of COVID-19 on the Pharmaceutical Market - EU4 & UK, January 2022
17 IQVIA, The Global Use of Medicines 2022 - Outlook to 2026
18 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 Argentina, Bangladesh, Brazil, Chile, China, Russia, India, Mexico, Turkey, Egypt, Pakistan, Poland). IQVIA, The Global Use of Medicines 2022 - Outlook to 2026
19 IQVIA, The Global Use of Medicines 2022 - Outlook to 2026
20 IQVIA, The Global Use of Medicines 2022 - Outlook to 2026
21 IQVIA, The Global Use of Medicines 2022 - Outlook to 2026

The prospects for next-generation biologics, such as cell-, gene- and RNA-based therapies, are still uncertain in both the clinical and commercial arenas. In addition to the 30 therapies launched globally so far, another 55-65 are expected to come to market by 2026. This is an average of a dozen new therapies per year, compared to the average of three per year over the last five years. While considerable research and development activity is taking place in this field, considerable uncertainty remains about the pace of clinical trials and regulatory reviews, as well as reimbursements to be agreed with payers. Total global expenditure has reached US$ 5 billion to date and is expected to rise to US$ 20 billion by 2026, although higher or lower scenarios are also possible. However, the next-generation biologics will account for less than 10% of new drug spending over the next five years, according to IQVIA.[22]

The consumer healthcare market grew by 2.6% in the 12 months to the end of September 2021 (MAT Q3 2021), according to market research firm Nicholas Hall. It shows a steady recovery in the market from the previous year's results of -0.6% (MAT Q1) and +1.7% (MAT Q2). Total sales were around $154 billion.[23]

Trends in the CHC market continue to be strongly influenced - both positively and negatively - by the impact of COVID-19 on the various segments.

The Vitamins, Minerals and Supplements segment (+6.1%) maintains its position as the fastest growing category, although the pace of growth has slowedsomewhat. Immune-associated therapies continue to contribute to a healthy topline performance. Consumers are looking to strengthen their immune system by taking such CHC products.

The lifestyle segment grew by +5.9%, with continued double-digit growth in sedatives and sleeping drugs (+13.8%) and smaller categories such as hormonal emergency contraception and erectile dysfunction, driving the topline.

The cough, cold and allergy sector remained negative, with sales declining by 5.3% in the 12 months to the end of September. However, the macro trend continued to improve from previous reporting periods (-14.5% and -9.7% for MAT Q1 and Q2, respectively) as the incidence of typical seasonal illnesses rebounded from a low comparator in 2020.[24]

Western European markets improved (-2.0% versus -4.4% MAT Q2 21), mainly due to the return to positive growth trends in analgesics and a moderation of the decline in the cough, cold and allergy sector. Central and Eastern European markets continued to grow, supported by mid-single-digit gains in Poland (+4.8%).

North America showed a positive trend with continued improvements in the USA and Canada. Latin American markets remained strong, with another double-digit performance in Brazil (+12.1%), the most stable of the top 20 markets. Asia showed mid-level growth in the period (+4.8%). While the region continues to be affected by sales declines due to a lack of overseas visitors in Japan (-2.1%) and Australia (-2.9%), steady single-digit growth in China and India helped maintain sales.[25]

2.1.4 Market for contract development and manufacturing

According to Roots Analysis, the global pharmaceutical contract manufacturing market will reach a volume of around US$ 78 billion in 2021. Of this, 25 billion US-dollars - or around 34% - is accounted for by the FDF segment[26] , the rest by active ingredient manufacturing.

22 IQVIA, The Global Use of Medicines 2022 - Outlook to 2026
23 https://nicholashallcompany.wordpress.com/; News from 13.12.2022
24 https://nicholashallcompany.wordpress.com/; News from 13.12.2021
25 https://nicholashallcompany.wordpress.com/; News from 13.12.2021
26 FDF segment = Finished dose segment (pharmaceutical contract manufacturing excl. API manufacturing.

By 2030, the FDF market will reach a sales volume of 48 billion US dollars with an annual growth rate of 7.3%. The FDF segment will account for around 39% of the total market in 2030.[27] According to the base scenario of the Roots Analysis forecast model, the biopharmaceutical FDF manufacturing market reached a value of about US$4.9 billion in 2021 and will be worth about US$10.7 billion by 2030, with a compound annual growth rate of 9.5%.[28]

According to Roots Analysis, solids account for about 45% of the total market's revenue in 2021. An annual growth rate of only about 2.7% is expected until 2030, so that the share of sales is forecasted to decline to only 30% in 2030. However, looking at sales, oral solids remain the preferred dosage form due to their cost efficiency, relatively simple manufacturing and patient-friendly dosage form options. Nevertheless, injectables will be the fastest growing sector (+12%). The sales share of injectables is expected to increase from 27% in 2021 to 40% in 2030.[29]

While the pharmaceutical industry emerged as the hero of the pandemic due to the relatively rapid development of vaccines and other therapies, the rapid response of the pharmaceutical services industry, which does much of the work for pharmaceutical companies "behind the scenes", was less obvious but equally important. Contract manufacturers have managed during a pandemic, within complex international supply chains, to coordinate the shipment of raw materials and ensure the manufacture of active pharmaceutical ingredients (APIs) and medicines.[30]

The CDMO sector showed high profitability for many years before 2020 and it performed even better during the pandemic. The contract manufacturing market overcame the challenges of COVID-19 because of earlier improvements in supply chain management and years of actions to diversify services and expand production capacity. These actions put the industry in a strong position when the pandemic broke out. Indeed, industry observers express that the pharmaceutical services sector has shown enviable resilience over the past 18 months, despite some pandemic-related challenges.[31]

The past year has highlighted the indispensability of CDMOs in the bio/pharmaceutical industry. They have been critical to the successful launch of vaccines and therapies to combat COVID-19, and have never been seen as more valuable by the industry and investors. While the world's attention will be focused on ensuring adequate supplies of vaccines over the next few years, participants and observers in the CDMO industry will increasingly focus on the longer-term implications of the CDMO role in the pandemic. A key question will be what will happen to all the injectables capacity that has been allocated or built up to respond to the pandemic.[32]

Among the most significant challenges currently shaping customer-supplier relationships in pharma are inflation and, to that extent, price increases. Strong consumer demand, continued supply chain challenges and the emergence of new COVID-19 variants may drive up prices for materials and services well into 2022.[33]

2.2 Business development

In the financial year 2021, the AENOVA-Group achieved sales of 696.8 MEUR. Sales were thus significantly below the previous year (-54.7 MEUR) and below budget (-52.5 MEUR). The reductions compared to the previous year resulted predominantly from the OTC area and the pharmaceutical area. The reduction is mainly due to the fact that customers had built up safety stocks as a result of the pandemic in 2020, which were reduced again to a considerable extent in 2021. More than a third of the total reduction in turnover was caused by a major customer who had built up stocks in 2020, while at

27 Roots Analysis, Pharmaceutical Contract Manufacturing Market (3rd Edition)
28 Roots Analysis, Biopharmaceutical Contract Manufacturing Market (4th Edition)
29 Roots Analysis, Pharmaceutical Contract Manufacturing Market (3rd Edition)
30 https://cen.acs.org/business/outsourcing/drug-services-industry-pandemic-response/99/i35
31 https://cen.acs.org/business/outsourcing/drug-services-industry-pandemic-response/99/i35
32 https://www.dcatvci.org/features/mid-year-cdmo-review-covid-19-vaccine-manufacturing-and-m-a/
33 https://www.dcatvci.org/features/cdmos-pharma-how-are-supply-practices-changing/

the same time market demand for parts of the portfolio dropped significantly. Overall, the reduction is driven by corona-related lower demand for certain products, as well as delays in ramping up new business. This is the result, among other things, of supply bottlenecks for input materials as well as project postponements by customers.

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 2021, approx. 125 MEUR of new business (peak sales) could be generated (2020: 109 MEUR).

Despite the year-on-year decline in sales, EBITDA of 110.0 MEUR was significantly above the previous year's EBITDA (+8.6 MEUR) due to positive product mix effects and non-recurring effects. The 2021 EBITDA budget of 115.2 MEUR was missed by 4.5% due to lower sales.

EBITDA adjusted for non-recurring effects of 106.6 MEUR was below last year's level (-3.8 MEUR); the budget was also missed due to the declining turnover (-4.9 MEUR). The non-recurring effects include all one-off expenses and income. These include, for example, severance payments and expenses for Covid 19 prevention.

In the financial year 2021, a consolidated net profit of 15.6 MEUR (previous year consolidated net loss of -8.7 MEUR) was achieved.

2.3 Financial and non-financial performance indicators

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

	2021	2021 budgeted	2020
Gross profit margin in %	63,7%	62,8%	61,9%
Adjusted EBITDA margin in %	15,3%	14,9%	14,7%
Total Cashflow in MEUR	3,0	8,1	-1,0
Days sales outstanding (DSO)	14,4	16,8	16,6
Days payables outstanding (DPO)	94,1	69,4	96,8
Days on hand (DOH)	137,8	117,6	124,5

1) EBITDA[34] -related indicators

- Gross margin[35] : Compared to the previous year, this improved due to general price increases, passing on cost increases to customers, optimisations in the purchase of raw materials and active shaping of the customer portfolio.
- Adjusted EBITDA margin[36] : Despite the reduction in turnover, the margin increased compared to the previous year due to product mix and price effects.

2) Working Capital/Cash Management[37]

- Total cash flow: AENOVA's total cash flow serves as a key indicator for liquidity management. The cash flow from operating activities decreased by 8% compared to the previous year due to significantly higher tax payments.

34 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).
35 Gross margin: Ratio of gross profit (turnover less changes in inventories and cost of materials) to turnover and changes in inventories.
36 EBITDA margin: ratio of EBITDA adjusted for non-recurring effects to revenue
37 The calculation of the ratios in days is made before adjustments to IFRS 9 and 15

- Receivables Management/Days Sales Outstanding (DSO)[38] : DSO could be reduced by 2.2 days to 14.4 days compared to the previous year due to intensive receivables management.
- Payables Management/Days Payables Outstanding (DPO)[39] : The slight reduction of 2.7 days is due to the decrease in trade payables (previous year's value adjusted for the reclassification of accruals for outstanding invoices of 9.5 MEUR).
- Inventory Turnover/Days On Hand (DOH)[40] : The increase in DOH compared to the previous year results from an increase in inventory 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 2021 financial year.

MEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Revenues	696,8	751,6
Changes in inventories of finished goods and work in progress	-0,3	-1,3
Other operating income	23,7	11,8
Cost of materials	-252,5	-285,3
Personnel expenses	-262,6	-274,4
Other operating expenses	-95,2	-101,0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**110,0**	**101,3**
Depreciation and amortisation expense	-58,6	-71,0
Earnings before interest and taxes (EBIT)	**51,4**	**30,3**
Financial income	27,1	16,8
Financial expenses	-53,4	-53,3
Earnings before income taxes (EBT)	**25,1**	**-6,2**
Income taxes	-9,6	-2,5
NET INCOME / LOSS OF THE YEAR	**15,6**	**-8,7**
Non-recurring effects	-3,4	9,1
Adjusted EBITDA (before non-recurring)	**106,6**	**110,4**

AENOVA generated sales of 696.8 MEUR in the financial year, 54.8 MEUR less than in the previous year.

Revenues were achieved in the following regions:

MEUR	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Germany	279,4	308,6
Rest of Europe	332,3	357,0
North America	44,7	43,4
Rest of world	40,4	42,6
Revenues	**696,8**	**751,6**

38 Days Sales Outstanding (DSO): Ratio of trade receivables to average sales revenue of the last three months multiplied by 30 days.
39 Days Payables Outstanding (DPO): Ratio of trade payables (adjusted for CAPEX creditors) to average material costs and inventory changes of the last three months multiplied by 30 days.
40 Days on hand (DOH): Ratio of inventory assets to average material costs and inventory changes of the last three months multiplied by 30 days.

The revenue reductions took place mainly in the rest of Europe and in Germany, while the business volume in North America remained at the previous year's level. Approximately 69% of the decline in Germany resulted from business with one top client. In Europe, declines were recorded in particular in the UK, Denmark, Switzerland and Austria.

Other operating income amounted to 23.7 MEUR (previous year 11.8 MEUR) and consists mainly of income from the sale of property, plant and equipment (4.9 MEUR; previous year 0.1 MEUR), income from the reversal of provisions (3.1 MEUR, previous year 4.7 MEUR) and miscellaneous other operating income (11.2 MEUR; previous year 4.3 MEUR), which in the reporting year included income from the sale of a minority stake (6.5 MEUR). The increase in other operating income is related to income from the sale of a developed property and the participation.

Cost of materials amounted to 252.5 MEUR (previous year 285.3 MEUR) and mainly include expenses from the consumption of raw materials and supplies (237.9 MEUR; previous year 269.9 MEUR). The decrease is due to the lower production volume as a result of the decline in sales.

Personnel expenses amounted to 262.6 MEUR (previous year 274.4 MEUR) with a personnel expense ratio of 37.7% in relation to total output[41] (previous year 36.6%). The decrease is due to the lower number of employees.

Other operating expenses were reduced by 5.8 MEUR to 95.2 MEUR compared to the previous year, among others in the area of energy costs and other costs. The largest single items within other operating expenses are energy costs (22.3 MEUR, previous year 23.9 MEUR) and repair and maintenance expenses (21.4 MEUR, previous year 22.5 MEUR).

During the business year, amortisation of intangible assets, depreciation of property, plant and equipment and amortisation of rights of use amounted to 58.6 MEUR, which is significantly below the previous year's level (71.0 MEUR). Of the depreciation and amortisation, 50.9 MEUR relates to acquired assets and 7.7 MEUR to rights of use from leasing contracts. Amortisation of intangible assets decreased significantly compared to the previous year, as in particular amortisation of assets capitalised in the course of company acquisitions expired.

The net financial result for the financial year was -26.2 MEUR compared to -36.5 MEUR in the previous year. This improvement resulted in particular from the mid-2021 modification of the financing and the related book value adjustment (20.5 MEUR) as well as income from the valuation of derivatives embedded in the loan agreement as of the balance sheet date (5.9 MEUR). Further information on the financing structure is provided in chapter 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 revenue and personnel expenses in foreign currencies (mainly EUR versus CHF, USD and GBP).

The tax result of -9.6 MEUR consists of current tax expenses of 4.8 MEUR and deferred tax expenses of 4.8 MEUR. The increase is due to the significantly improved pre-tax result both in terms of current taxation and deferred taxes resulting from temporary differences.

Overall, the earnings situation in 2021 was very pleasing. In addition to the 8.5% increase in EBITDA (+8.6 MEUR), the improved financial result due to the modification of financing and the income from the valuation of derivatives had a significant influence on this.

41 Turnover plus changes in inventory

2.5 Financial situation

Cash and cash equivalents amounted to 53.5 MEUR at the reporting date (previous year 50.4 MEUR). 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) amounted to 82.0 MEUR (previous year 88.8 MEUR). This also includes payments for an earn-out liability and those in connection with the closure of the Berlin site. Contract assets accounted for under IFRS 15 had a value of -6.0 MEUR, while the development of the remaining working capital[42] resulted in a positive effect of 10.2 MEUR (previous year combined -1.3 MEUR).
- Net cash used for investing activities (-38.8 MEUR, previous year -41.5 MEUR) mainly reflects investments in property, plant and equipment (-55.5 MEUR) as well as proceeds from the sale of property, plant and equipment (11.3 MEUR, of which 5.7 MEUR from the sale of a developed property) and proceeds from the sale of a minority stake(6.8 MEUR). In addition to maintenance investments, the investments relate in particular to the expansion and modernisation of various production sites, especially Latina and Tittmoning. Investments were made in building and machine capacity as well as in IT systems. After deduction of customer participations total investments of 65.7 MEUR are planned for 2022, which will contribute to the further modernisation and expansion of the production sites.
- Cash outflow from financing activities of -40.2 MEUR (previous year- 48.3 MEUR) resulted mainly from interest paid (-55.5 MEUR), which included payments related to the repayment of the Second Lien (-20.1 MEUR), and the repayment of lease liabilities (-10.8 MEUR), netted with proceeds from borrowings related to the modification of financing (32.9 MEUR).
- The financial situation has 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, 2021	Dec. 31, 2020
Intangible Assets	301,1	317,6
Property, plant and equipment	245,3	229,4
Right-of-use assets	65,7	48,1
Other non-current financial assets	11,2	5,5
Other non-current assets	0,6	2,6
Deferred tax assets	56,4	45,0
Non-current assets	**680,3**	**648,2**
Inventories	52,2	48,3
Trade receivables	27,6	33,3
Contract assets	65,0	58,8
Income tax claims	2,0	0,4
Other current financial assets	8,8	9,1
Other current assets	14,2	17,2
Cash and cash equivalents	53,5	50,4
Current assets	**223,3**	**217,5**
Total assets	**903,6**	**865,7**

42 Working capital: Balance of trade receivables/payables. Contract assets and inventories

EQUITY & LIABILITIES

MEUR	Dec. 31, 2021	Dec. 31, 2020
Share capital	0,0	0,0
Capital reserves	555,5	555,5
Loss carried forward	-526,2	-541,9
Other components of equity	-10,1	-15,8
Equity	**19,1**	**-2,3**
Provisions for pensions and similar obligations	59,5	67,5
Other non-current provisions	0,8	2,5
Non-current financial liabilities	595,1	576,8
Other non-current liabilities	15,4	18,5
Deferred tax liabilities	80,6	63,2
Non-current liabilities	**751,4**	**728,6**
Trade payables	69,0	63,4
Income tax liabilities	6,1	10,8
Current provisions	3,8	6,7
Current financial liabilities	24,1	31,2
Other current liabilities	30,2	27,4
Current liabilities	**133,1**	**139,3**
Total equity and liabilities	**903,6**	**865,7**

Non-current assets amounted to 680.3 MEUR as of the reporting date (previous year 648.2 MEUR). They mainly consisted of intangible assets of 301.1 MEUR (previous year 317.6 MEUR), property, plant and equipment of 245.3 MEUR (previous year 229.4 MEUR) and rights-of-use from leasing contracts of 65.7 MEUR (previous year 48.1 MEUR). Total investments in acquired assets during the financial year of 56.9 MEUR are divided into investments in land and buildings (3.4 MEUR), plant and machinery (24.8 MEUR), assets under construction incl. advance payments (25.2 MEUR), IT equipment incl. software (2.7 MEUR) and other (0.8 MEUR). About two thirds of the investments related to strategic projects. Investments in rights of use amounted to 28.3 MEUR. Thereof, 16.2 MEUR were attributable to land and buildings and 10.6 MEUR to plant and machinery.

Intangible assets consist mainly of goodwill of 268.6 MEUR (previous year 268.6 MEUR), as well as customer contracts and relationships of 18.8 MEUR (previous year 29.5 MEUR). The decrease in customer contracts and relationships was due to scheduled amortisation.

Current assets amounted to 223.3 MEUR as of the reporting date (previous year 217.5 MEUR). They consisted primarily of trade receivables (27.6 MEUR, previous year 33.3 MEUR), contract assets (65.0 MEUR, previous year 58.8 MEUR), inventories (52.2 MEUR, previous year 48.3 MEUR) and cash and cash equivalents (53.5 MEUR, previous year 50.4 MEUR). The factoring ratio of 68% was 3 percentage points above the previous year's value.

Equity at the balance sheet date consisted of share capital of EUR 25 thousand (previous year EUR 25 thousand), a capital reserve of 555.5 MEUR (previous year 555.5 MEUR), an accumulated loss carried forward of 526.2 MEUR (previous year 541.9 MEUR) and other components of -10.1 MEUR (previous year- 15.8 MEUR). The accumulated loss includes the consolidated net profit of 15.6 MEUR (previous year: net loss - 8.7 MEUR). Other components of equity include the cumulative effects from the revaluation of pension provisions of -13.8 MEUR. Due to the modification of financing in the financial year and the related income from the book value adjustment (20.5 MEUR) as well as due to the income from the valuation of derivatives (5.9 MEUR minus deferred taxes), positive equity of 19.1 MEUR was achieved (previous year -2.3 MEUR).

Non-current liabilities amounted to 751.4 MEUR as of the reporting date (previous year 728.6 MEUR). They consisted mainly of long-term financial liabilities of 595.1 MEUR (previous year 576.8 MEUR). The change in non-current financial liabilities compared to the previous year is due to the increase in leasing volume.

Significant items within non-current liabilities were also pension provisions (59.5 MEUR), which decreased by 8.1 MEUR mainly due to the actuarial revaluation of assumptions and experience adjustments, as well as deferred tax liabilities (80.6 MEUR, previous year 63.2 MEUR).

Current liabilities amounted to 133.1 MEUR as of the reporting date (previous year 139.3 MEUR). Income tax liabilities decreased from 10.8 MEUR to 6.1 MEUR and thus explain most of the reduction.

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

Overall, the asset situation developed positively in the past financial year.

2.7 Financing structure

In July 2021, the First Lien loan was increased by 125 MEUR to 565 MEUR as part of a modification of the existing financing. At the same time, the interest rate was reduced by 50 basis points and the term was extended by an additional year to 6 March 2026. The high-interest payment-in-kind loan ("Second Lien") in the total amount of 117.7 MEUR was repaid in full.

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

The First Lien loan had a nominal amount of 565 MEUR at a base interest rate of 4.5% plus Euribor. Had the Euribor been below 0%, 0% would have been applied. The term of the bullet loan ends on 6 March 2026.

In addition, the AENOVA-Group has a credit line available in the form of a revolving loan of 50 MEUR. As of 31 December 2021, this was only drawn in the form of guarantees amounting to 0.5 MEUR. The term of the loan extends until 6 September 2024.

2.8 Human resources and social affairs

The AENOVA-Group employed an average of 4,155 employees in the past financial year (2020: 4,424 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 employees development potential, while at the same time increasing performance motivation in relation to concretely agreed targets.

The AENOVA-Group has also undergone an assessment by Ecovadis for the year 2021, the results of which are expected in April 2022. With the important accession to the UN Global Compact, the AENOVA-Group underlines the importance of human rights, labour standards and environmental protection in the medium to long-term orientation of the company.[43]

AENOVA also joined the "Diversity Charter" in 2021, thus committing itself to actively promoting diversity in the Group.[44]

Employees make a significant contribution to the success of the AENOVA-Group. Employee identification with AENOVA, high motivation and ultimately employee commitment to common goals represent a key factor for success. AENOVA received the rating "Company with very high

43 https://www.unglobalcompact.org/what-is-gc/participants
44 https://www.charta-der-vielfalt.de/ueber-uns/die-unterzeichner-innen/

attractiveness" in the study "Germany's best employers" in the category "Industry" in 2021.[45] This excellent result has a positive impact on the Group's employer branding.

AENOVA promotes the improvement of employee qualifications through various initiatives such as function specific training and places a focus on the continuous recruitment and training of qualified junior staff.

The AENOVA-Group also fulfils its social responsibility with a consistently high level of commitment to the training of young people. For years, the company 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, etc., which also contributes significantly to securing young talents internally. In 2021, more than 106 trainees were employed in the Group.

2.9 General statement

The AENOVA-Group is solidly financed for the coming years, in particular due to the modification of the financing executed in 2021. Although business development in the reporting year was below expectations, it was possible to compensate for the decline in sales through cost reductions and gains on disposals, reduced depreciation and an improved financial result, so that the consolidated annual result was improved compared to the previous year. The continued optimisation measures combined with new 2022 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 which materialise, and to benefit from arising opportunities. As part of the Group-wide risk management, each site is required to identify and assess risks, to communicate these and to develop measures for dealing with them. 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 countermeasures.

As a result, decision papers are prepared and submitted to 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 2021 was again marked by the worldwide Corona pandemic. Mainly throughout the first quarter the order situation was still positive. Towards the middle of the year, however, demand dropped significantly. Only in the fourth quarter there was a slight recovery.

The preventive measures developed by a corporate task force together with the sites have proven to be consistently effective. Production stoppages due to corona-related illnesses or employee quarantine were avoided, and supply bottlenecks for 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 with regard to 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.

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, 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, particularly the omicron variants, management considers this to be a low to medium overall risk.

3.2 Competition

Despite the Corona crisis and the associated temporary weakness in demand in some areas the health care market remains a growth market globally, although it is characterised by competition and cost pressure, particularly in the generics sector and in the area of food supplements. 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 the expanded, broad product range in 2021 as well as effective cost management, AENOVA-Group is benefiting from this situation, whereby the strategic focus is increasingly being 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 intensify customer service
2. Establishment of a market intelligence and marketing function to support targeted market development and proactive customer care, as well as to improve the presence of 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. Increasing the CAPEX spending to expand production capacities with a special focus on existing and expected bottleneck areas, ensuring a high level of quality and increasing productivity
6. Expansion of the product portfolio, e.g. for ready-to-fill syringes and fill & finish of biopharmaceuticals

Overall, the opportunities for gaining new business and further market share are rated as medium to good due to the good positioning of AENOVA-Group in the market. This is due to the intense competition in the contract manufacturing sector, further expansion of the top 10 market players in the CDMO sector and 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. Due to the high regulatory requirements in connection with potential product transfers to market competitors and the costs associated with the qualification of new manufacturers, the risks of revenue losses that could jeopardise the company's substance are still considered low.

45 https://servicevalue.de/rankings/beste-arbeitgeber-industrie/

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 stronger outsourcing compared to insourcing.[46]

AENOVA also counters the insourcing risk with a high level of service, from development services and on-time production to logistics, a competitive cost structure and consistently good quality. Combined with the breadth of AENOVA's service offering, these factors strengthen customer loyalty in an environment where 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 change 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. The risks from insourcing are therefore considered to be low overall.

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, energy price increases as well as rising transport costs can cause significant fluctuations in procurement prices, which can have a negative impact on 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 sector, the market situation is generally tense, partly due to COVID-19-related production bottlenecks and partly due to reduced raw material availability. As certain packaging materials are also needed for the production of COVID-19 vaccines, the shortage of these products on the market is increasing.

AENOVA's central, globally acting strategic procurement team 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. Strategic Procurement also supports the operational purchasing across all sites.

In close coordination with customers, critical materials are ordered at an early stage. Demand-oriented, scalable contracts flanked by procurement via dealers and the selective use of air freight also contribute to cushioning any supply bottlenecks that occur. The volatile market situation and the associated supply risks for materials from China and India nevertheless persist at present.

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

AENOVA is in intensive contact with suppliers and customers and is well positioned to ensure timely delivery at agreed prices. Where price stability cannot be achieved, timely consultations are held with customers with the aim of passing on cost increases appropriately.

The risk of production stops 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 such defined measures, management classifies the risk in the area of procurement/price risk as medium.

3.5 Market/demand

The health market as a whole continues to develop positively. Both the steadily growing proportion of older people, improved access to medical care in developing countries and a growing 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 manufacture 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, AENOVA-Group can distinguish itself due to its development and manufacturing expertise. In doing so, the group positions itself as a reliable partner with a broad range of services. In addition, the group has succeeded in further expanding its competencies and technologies. A notable example is the investment in a modular filling line for pre-filled syringes, ampoules and glass bottles, which will also allow biologics and vaccine preparations to be filled in the future. 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 initially had a positive impact on business development due to a build-up of stock and safety stocks at some customers, but last year there was a decline in demand for some product categories (e.g. some antibiotics, cold preparations) as well as a reduction in stocks at our customers.

3.6 Political decisions

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

The war in Ukraine which was started by Russia on 24 February 2022 will only have a minor impact on the Group's revenues, as the direct and indirect turnover with destination Russia and Ukraine which is recognisable for AENOVA only accounts for 2% of the Group's planned revenues. Since almost all relevant business in this context is EURO-based via Western European customers, i.e. indirect, there is no currency risk and only a minor payment risk. There are no trade sanctions for pharmaceutical products, but it cannot be ruled out that AENOVA customers will discontinue or reduce their business in these countries. AENOVA does not purchase any material directly from Russia or Ukraine; however,

the war is expected to have an impact on energy costs throughout the year and downstream on the costs of petroleum-based materials, e.g. in the area of packaging foils. The situation is similar for aluminium-based materials. AENOVA has covered part of its energy needs for 2022 before the outbreak of war and passes on cost increases to customers, at least in part. Thus, the impact on the Group's result should be limited.

Certain vegetable oils needed for production are largely produced in Russia and Ukraine, so the current conflict may have an impact on supply and procurement prices.

Furthermore, it cannot be ruled out that material deliveries, especially for raw materials from the Asian region, could be impeded, for example, by restrictions on air freight routes. This risk is countered by forward-looking planning and close coordination with customers and suppliers on the issue of material availability.

An expansion of the conflict to other countries is currently not considered. Overall, the risk in connection with the Ukraine war is assessed as medium.

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

3.7 Interest rate and currency risks

Due to its business activities, AENOVA is fundamentally exposed to interest rate and currency risks. 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 2021. If inflation were to rise, hedging instruments could be used. As AENOVA does not expect EURIBOR to rise above 0.00% in the short term, the company is only exposed to a low risk in the short term and a medium risk in the medium term.

AENOVA is exposed to foreign currency risks because the invoicing currency and the currency in which the costs of the order are incurred are partly not congruent. 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 in results. The Corporate Treasury department identifies, evaluates and addresses risks in close cooperation with the operative business units and strategic purchasing.

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. This takes into account the expected cash inflows, 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 2022 financial year depends heavily on the planning premises: The planned increase in revenues is based on volume growth and price adjustments. The gross margin remains largely constant. The increase in other operating expenses is disproportionately low compared to the revenue growth. Personnel expenses are expected to increase, mainly due to collective bargaining effects and other salary adjustments, but also due to selective staff increases in areas with volume growth and competence development. The structural adjustments initiated in the 2020 financial year to enable productivity increases through the use of lean tools were further advanced in 2021. The planning premises for the 2022 financial year include further optimisation measures.

AENOVA uses the liquidity forecast to track the main payment movements and ensure sufficient liquidity across 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 of 31 December 2021, this was only utilised in the form of guarantees amounting to 0.5 MEUR.

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

3.9 Compliance with financial covenants

According to the credit agreements in force at 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%. Throughout the 2021 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 conditional financial covenants under the RCF on the basis of forecasts and simulations.

Based on the monitoring processes, management currently considers the 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 2021 and thus in the midst of the COVID-19 pandemic and before the outbreak of the Ukraine war. Due to the improved order situation since several months and high project wins, management has not adjusted the planning assumptions for 2022 at the time of preparation, despite the continuing uncertainties regarding future developments with regard to COVID-19 (mutations) and the Ukraine war.

Management expects sales of 752.4 MEUR for the 2022 financial year. AENOVA expects that the reduced stock levels in the distribution channels which occurred in 2021 will lead to stronger demand in 2022, especially for vitamin, cold and antibacterial products. Furthermore, it is assumed that increased vaccination rates and reduced protective measures in many countries will lead to at least a gradual normalisation of end-customer demand. For the following years, growth is expected to increase with a

concurrent improvement of the earnings and liquidity situation. This assessment is based, in particular, on the expected developments in the pharmaceutical and consumer healthcare markets, on the pipeline of business already won, and on the strategic projects and optimisation measures that the Group has launched in the financial years 2019 to 2021.

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 research-based pharmaceutical companies continue to focus 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. Particularly 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 and 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.

  The product range has been and will be expanded in a market-oriented manner through the expansion of the existing sites, in particular the significant capacity expansion at the solids site in Tittmoning, the development of end-to-end capacities including packaging and coating also within the scope of pharmaceutical standards at the soft gelatine site in Cornu, or investments in the animal health sector as well as in filling capacity for (COVID-19) vaccines and prefilled syringes in Latina.

- Comprehensive focus on service excellence, quality and cost management

  Within the framework of the AENOVA strategy, a strong customer and patient orientation combined with service excellence represent an important cornerstone. Especially in the area of delivery performance, a very good level was achieved in the 2019-2021 period. In addition, measures to expand capacity and simplify the internal supply chain were implemented, leading to further improved customer satisfaction.

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

  In 2021, AENOVA further optimised its personnel structure for the future. In addition, programmes for the further development of the sales and manufacturing organisations have contributed to an improvement of the cost structure and, in particular, to increased efficiency of the company.

The planned sales of 752.4 MEUR (696.8 MEUR; +8%) for the financial year 2022 will result in adjusted EBITDA before non-recurring effects of 115.4 MEUR (adjusted EBITDA margin 15.3%) and EBITDA after non-recurring effects of 111.3 MEUR[47] . The increase in sales reflects the continued demand in the European pharmaceutical market, as well as the uncertainties and gradual recovery of demand in certain product areas affected by declines in the COVID-19 pandemic. Based on that, adjusted EBITDA before non-recurring effects increases slightly.

The planning for 2022 is based exclusively on organic growth.

The continuation of the investment programme in the group of companies will further increase competitiveness. For the year 2022, it is assumed that the liquidity situation of the group will again develop slightly positive.

AENOVA expects the following key figure development for the 2022 financial year:

- Receivables management/Days Sales Outstanding (DSO)[48] : For the financial year 2022, AENOVA plans a slight increase in the DSO value
- Payables Management/Days Payables Outstanding (DPO) [49] : For the financial year 2022, AENOVA plans to significantly reduce the DPO
- Inventory management/Days On Hand (DOH)[50] : Management expects a slight reduction in the ratio for the 2022 financial year compared to the 2021 financial year, despite the necessary back-up stocks for COVID-19
- Total cash flow: For the 2022 financial year, AENOVA expects a positive total cash flow before acquisitions in the low single-digit MEUR range. A stable liquidity situation is assumed for 2022.

AENOVA's financing is secured on the basis of the modification of the financing which took place in June 2021 and the 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, especially the omicron variants, cannot be concretely assessed. However, management has taken extensive measures to protect the health of the employees and to maintain production. The duration of the Ukraine war and further political developments in the region with their global economic consequences cannot be assessed either. Overall, there are no discernible risks that could jeopardise the continued existence of the group of companies.

Starnberg, 31 March 2022

Ralf Schuler	Jan Kengelbach
Apollo 5 GmbH Managing Director	Apollo 5 GmbH Managing Director

47 After effects of the Covid 19 pandemic and including the sale of non-operating assets
48 Days Sales Outstanding (DSO): Ratio of trade receivables to net sales.
49 Days Payables Outstanding (DPO): Ratio of trade payables (adjusted for CAPEX creditors) and average cost of materials including changes in inventory.
50 Inventory turnover: Ratio of inventory assets to average material costs incl. changes in inventory

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