Annual Financial Statements for the financial year 2020 and Combined Management Report 2020 of Gerresheimer AG

gerresheimer

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Content

Combined Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

PRELIMINARY REMARKS

This management report combines the management report of the Gerresheimer Group and the management report of Gerresheimer AG. Unless otherwise stated, the information provided in the following relates to the Gerresheimer Group. Information on the performance of Gerresheimer AG is provided under “Business Performance of Gerresheimer AG”.

BUSINESS ACTIVITIES

The Gerresheimer Group is a leading international provider of high-quality primary packaging and of drug delivery devices and solutions for the global pharma, healthcare and cosmetics industry.

The Group consists of Gerresheimer AG – the parent company, a publicly listed stock corporation under German law with its registered office in Duesseldorf (Germany) – together with the direct and indirect subsidiaries and associates under its management. As of November 30, 2020, the Group had approximately 10,000 employees. The Gerresheimer Group’s locations are shown in the List of Shareholdings, which forms part of the Notes to the Consolidated Financial Statements.

DIVISIONS

The Gerresheimer Group is composed of two core divisions – Plastics & Devices and Primary Packaging Glass – as well as the Advanced Technologies Division. Divisional segmentation reflects the specific production technologies and materials used in their respective products. A brief outline of each of the three divisions is provided in the following. Further information on the divisions can be found in the Segment Reporting section of the Notes to the Consolidated Financial Statements.

Plastics & Devices combines complex, customer-specific products for simple and safe drug delivery together with system packaging for liquid and solid medicines plus services.

Operating on an individual project basis, we provide our customers from the pharma industry, diagnostics and medical technology with tailored medical plastic systems and services at every link in their value chain. Products range from inhalers for targeted treatment of respiratory diseases to insulin pen systems for diabetics, autoinjectors and prefillable syringes, as well as a wide variety of diagnostic systems.

Our broad range of high-quality pharmaceutical plastic packaging products includes application and dosage systems, such as eye dropper and nasal spray vials, special containers for tablets and powders, along with tamper-evident multifunctional closure systems with child-resistant and senior-friendly applications and integrated moisture absorbers.

A feature of the US market for prescription medication is the pour-and-count system. The amount of oral medication stated in a prescription is specially packaged in pharmacies for each patient in a plastic container manufactured and supplied by Gerresheimer. Our customers for these specialty plastic containers include national and regional pharmacy chains, supermarkets and wholesalers.

Primary Packaging Glass produces primary glass packaging for the pharma and cosmetics industries, as well as special small-volume glass containers for the food and beverage industry.

We provide a wide range of flint glass and amber glass containers for the pharma industry. Alongside infusion, dropper and syrup bottles, our product range also includes high-quality specialty products such as injection vials, ampoules and cartridges made of borosilicate glass tubing.

Our product portfolio for the cosmetics industry comprises high-quality clear, colored and opal glass packaging for perfumes, deodorants, skin-care and wellness products. A wide range of shaping, coloring, printing and exclusive finishing technologies are available to us for this purpose.

For the food and beverage industry, we supply both standard and custom miniature as well as other sizes of bottles and glass containers for products such as liquid foods, spices and spirits.

Advanced Technologies is our innovation center and hub for smart devices. The division develops smart drug delivery systems for pharma and biotech companies. Its portfolio currently comprises patented micro pumps, which are used to self-administer medication for Parkinson’s or heart failure, for example. In addition to ongoing evaluation of further projects for the development of smart products, a platform for smart inhalation measurement systems is currently under development.

STRATEGY AND OBJECTIVES

MEGATRENDS

The growth opportunities in our markets over the next few years will be shaped by nine healthcare and pharmaceutical megatrends.

Rise in chronic diseases and aging population

The prevalence of chronic illnesses is growing. Globally, the most widespread chronic complaints include heart disease, cancer, chronic respiratory illnesses and diabetes. Elderly people also account for an increasing share of the population in many parts of the world, and this drives potential demand for healthcare.

Rapid growth in generics

Many drugs will become affordable for patients once patent protection expires. Generics consequently play a major role in all healthcare markets. Emerging markets[1] in particular will see growing sales of generic drugs in the next few years. In traditional, developed markets, too, drug licensing and control authorities as well as health insurance funds are driving the approval and the increasing prescription of generic drugs. If the number of medicines sold increases accordingly, demand for pharmaceutical primary packaging will rise at the same time.

Better healthcare provision in emerging markets

More and more people in emerging economies have access to healthcare and to medicinal drugs. The most important markets include China, followed by India and Brazil. However, Southeast Asian markets also play an ever greater role as more and more people there gain access to healthcare.

Growing urban populations and middle classes

Notably in the emerging markets, an increasing proportion of the population lives in large cities. That means many people are gaining more and better access to health systems and drug provision. The growing middle classes in many such countries also have greater purchasing power, part of which they spend on healthcare and medicines or to secure appropriate health insurance coverage.

Rising costs in healthcare and stricter regulatory requirements

All health systems face ongoing cost pressure, which also affects medications and the effectiveness of medication use. Through intelligent solutions, our pharmaceutical primary packaging and drug delivery systems can help achieve greater drug compliance, improved treatment and more targeted use of medicines, thereby making a significant contribution to reducing costs. In this connection, the availability of data on drug delivery and efficacy will play a key role. Smart drug delivery devices and primary packaging are therefore being developed with the ability to collect, track and share such data.

Healthcare authorities – especially the American Food and Drug Administration (FDA) – continue to impose ever more exacting qualitative requirements. These relate not only to drugs themselves, but also to their packaging. Primary packaging must protect and preserve medication while preventing loss of or variation in efficacy. This is why healthcare authorities license new drugs only in tandem with approval for the associated primary packaging.

More biosimilars and biologics

New drugs tend as a rule to place fresh demands on packaging. New biologics in particular – most of which are administered parenterally to treat cancer and for numerous other therapies – require innovative primary packaging and drug delivery systems. Large-molecule biologics are also gaining in importance.

Self-medication and personalized medication

When patients have to or prefer to self-medicate, they need simple, reliable solutions. Pharmaceutical primary packaging and drug delivery devices must be designed to make drug administration easier and help prevent medication errors. They give patients greater freedom and enhanced quality of life. The trend toward personalized medication adds to the requirements placed on custom pharmaceutical primary packaging and drug delivery devices while increasing the need for corresponding diagnostics.

Growth trend in vaccinations

The outbreak and combating of the global Covid-19 pandemic have highlighted the importance of vaccination and boosted public awareness. Alongside the preeminent role of vaccinations against Covid-19, priority will also be given in the future to vaccinating against many other diseases.

[1] Please see the Revenues and Adjusted EBITDA section for a definition of emerging markets.

SUSTAINABILITY

Sustainability is increasingly important in many areas of life and sectors of the economy. Healthcare as well as the manufacture and packaging of medicines and cosmetic products are no exception. Key factors comprise the sustainable production of primary packaging and drug delivery devices with minimum consumption of energy and materials, using recycled inputs and the whole product life cycle approach. Innovative, sustainable concepts offer significant growth opportunities in this context.

VISION, MISSION AND VALUES

Our vision describes the objective we are working to achieve. How we want to achieve that vision is described by our mission. Our five corporate values determine how we wish to conduct ourselves and perform our day-to-day tasks.

Our Vision

Leading in health and well-being delivery solutions

Our Mission

Innovate and deliver for a better life every day

Our Values

Teamwork

We believe that connecting people and working in global teams is crucial to achieving our ambitious goals.

Responsibility

We act as entrepreneurs and deliver on our commitments.

Integrity

We believe in honesty, openness, trust, respect and reliability in all that we do.

Bold Innovation

We believe that innovations drive our future success.

Excellence

We believe we must strive for excellence in everything we do.

PROFITABLE, SUSTAINABLE GROWTH

In 2019, the Management Board joined with a 20-member top management strategy group in launching a continuous strategy process called “formula G”. Its strategic goal is to transform Gerresheimer into a growth stock as innovation leader and solution provider. The financial goal is profitable, sustainable growth. To that end, we have set ambitious medium and long-term targets as part of the “formula G” strategy process.

The following five focal areas are pivotal to implementing our growth strategy:

- Growth
- Innovation
- Excellence
- Leadership
- Sustainability

In a continuous process, measures and projects that are based on these five focal areas are developed and implemented to achieve the short and medium-term targets. During 2019 and 2020, the new strategic process was communicated globally throughout the Gerresheimer Group and measures were derived at all levels. Projects in plants, regions and business units contribute to attaining the targets and implementing the measures. In parallel, the Management Board works with the strategy group to continually fine-tune the strategy, targets and measures and will make any necessary adjustments over the coming years. As this clearly shows, we live and breathe our strategy and all employees contribute to achieving our strategic goals.

Each year, specific forecasts for the financial year ahead and for the medium-term outlook are derived through the budgeting process (see Outlook section).

FINANCIAL CONTROL SYSTEM

Our business activities are geared toward profitable, sustainable growth and global market leadership in our core Plastics & Devices and Primary Packaging Glass divisions. From this we derive the following, most significant financial key performance indicators for management of the Gerresheimer Group: revenues, adjusted EBITDA and capital expenditure. These performance indicators are explained in detail in the following.

REVENUES

We measure growth on the basis of the organic period-to-period change in revenues for the Gerresheimer Group and its divisions. This shows the development in our business excluding currency translation and portfolio effects. The result of an acquisition or divestment, a portfolio effect is quantified as that change in revenues relative to the prior year which is attributable to the acquired or divested business.

ADJUSTED EBITDA

We measure profitability on the basis of adjusted EBITDA and the adjusted EBITDA margin. The margin is defined as adjusted EBITDA divided by revenue. This is defined as net income before income taxes, net finance expense/income, amortization of fair value adjustments, depreciation and amortization, impairment losses, restructuring expenses, and one-off income and expenses.

One-off income and expenses include amounts such as Management Board termination benefits, refinancing costs, litigation costs and outcomes of tax audits.

RETURN ON CAPITAL EMPLOYED

For the purposes of managing efficient resource allocation, we use Gx ROCE (return on capital employed) as our key measure of capital efficiency. ROCE comprises adjusted EBITA divided by average capital employed. Capital employed is calculated as equity plus interest-bearing debt capital less cash and cash equivalents or, alternatively, total assets less non-interest-bearing liabilities and cash and cash equivalents. The average of the metric consists of the respective balance sheet date of the current and the prior reporting period.

CAPITAL EXPENDITURE

Capital expenditure is a key success factor for profitable growth. Our control metric is capital expenditure as a percentage of revenues. We appraise each project against the same target parameters. Discounted cash flow analysis and payback periods are important elements of the appraisal process. Expansion and rationalization projects are expected to achieve a minimum 15% post-tax rate of return with a payback period of no more than four years. Strategic projects are normally required to have a payback period of no more than seven-and-a-half years. With effect from the financial year 2021, capital expenditure remains a key performance indicator but is no longer among the most significant. In its place, adjusted earnings per share is among our most significant key performance indicators from the financial year 2021 onward.

NET WORKING CAPITAL

A further control parameter is average net working capital over revenues. Average net working capital is defined as an equally weighted average of net working capital at the end of each of the last twelve months over revenues in the respective preceding twelve months. Net working capital is calculated as follows:

	Inventories
+	Trade receivables
+	Contract assets
-	Trade payables
-	Contract liabilities
=	**Net working capital**

ADJUSTED EARNINGS PER SHARE

We are in the process of transforming Gerresheimer into a growth value as innovation leader and solution provider. The goal in all activities is profitable and sustainable growth. This also requires strong shareholder value orientation. Adjusted earnings per share is a key factor in our dividend distribution. We therefore include adjusted earnings per share among our most significant key performance indicators from the financial year 2021 onward.

Alongside the indicators for monitoring the financial development of the business, non-financial performance indicators are also instrumental to our business success. Of key importance from a Group perspective in this regard are our sustainability, readiness to innovate, problem-solving expertise as well as notably our ability to attract and retain highly qualified staff. No non-financial performance indicators are used for the control of the Group.

REPORT ON THE ECONOMIC POSITION

OVERALL ECONOMIC CONDITIONS

Experts at the International Monetary Fund (IMF) predict global economic output to have fallen by 4.4% year on year in 2020 (information as of October 2020). This is the steepest decline since the global economic crisis early last century. The sharp downturn was mainly a result of the measures to combat the Covid-19 pandemic. In 2019, global economic output had still been increasing, with a gain of 2.8%.

According to the IMF experts, the pandemic has hit the economy in almost every nation. Industrialized countries are expected to see a more severe drop in output, by 5.8%, than emerging and developing economies, with a fall of 3.3%. The better outcome in emerging and developing countries is probably mainly due to China. Based on IMF estimates, China is expected to show slight economic growth for 2020, at 1.9%. While this would mark a significant slowdown on 2019 (when growth stood at 6.1%), it would make China one of the few nations to show growth in 2020.

In October 2020, the IMF's experts revised their forecast for the expected contraction of global economic growth from -5.2% to -4.4%. The projection for industrialized nations improved from an 8.1% to a 5.8% decrease. Alongside the easing of lockdowns, expansionary monetary and fiscal policy are thought to have had a supportive effect. According to the IMF calculations, industrialized countries provided assistance equivalent to an average of around 18 percentage points of gross domestic product by way of the various forms of support (direct aid, guarantees and other measures).

Growth in gross domestic product (in %)	**2020**	2019
World	**-4.4**	**2.8**
Developed economies	**-5.8**	**1.7**
US	**-4.3**	**2.2**
Eurozone	**-8.3**	**1.3**
Germany	-6.0	0.6
France	-9.8	1.5
Italy	-10.6	0.3
Spain	-12.8	2.0
Japan	-5.3	0.7
United Kingdom	-9.8	1.5
Canada	-7.1	1.7
Emerging and developing markets	**-3.3**	**3.7**
China	1.9	6.1
India	-10.3	4.2
Brazil	-5.8	1.1

SECTORAL DEVELOPMENT

According to IQVIA, volume growth on the global pharma market in 2020 was negative, at -0.1% (as of November 2020). Growth in the prior year had still been positive, at 1.4%. On this basis, IQVIA calculated an average annual growth rate of 1.5% for the years 2016 to 2020. In regional terms, the change relative to the prior year was -0.3% in Europe, -2.0% in North America and -2.5% in Asia. This equates to an average annual growth rate over the last five years of 0.8% for Europe, -1.0% for North America and 1.4% for Asia.

At 2.6%, emerging markets grew faster than the pharma markets in the industrialized nations, which recorded an average -3.3% growth rate. In 2019, the emerging markets had still been growing at a rate of 3.6% and the industrialized nations at a rate of 0.8%.

The generics subsegment recorded volume growth of 2.8% at global level in 2020. The average annual growth rate here in the years 2016 to 2020 was 3.7%. In regional terms, average annual growth over the last five years was 2.1% in Europe, 2.7% in North America and 6.0% in Asia. Comparing regionally for the emerging markets, these showed an average of 5.4% growth per year for the last five years, whereas average annual volume growth in the developed markets was just 3.1%.

One of the structural growth trends within the pharma industry is the development of biological drugs, known as biologics. Such drugs have gained increasingly in importance in recent years. This trend is expected to continue in the years ahead. More and more, focus is shifting away from chemical, small-molecule drugs toward the development and production of complex large-molecule biologicals. Using biological drugs paves the way for new therapies (such as cancer treatment) and they are consequently also gaining in importance for hard-to-treat diseases (such as Crohn's disease and rheumatoid arthritis). The drugs in question are administered subcutaneously, meaning under the skin. IQVIA's experts are optimistic, anticipating significant growth for subcutaneously administered drugs. The annual growth rates (over the period 2019 to 2024) for syringes and vials for biologics are 13% and 10%, respectively.

Overall, the global market for biologics is still relatively small compared to the pharma market as a whole. For 2019, IQVIA calculated the global market volume for biologics at approximately 350bn US dollars. In contrast, the global pharma market is worth over 1.1tn US dollars.

The market for biosimilars – a subcategory of biologics – likewise shows highly dynamic growth. A biosimilar is a product modeled to mimic a biopharmaceutical. Biosimilars are a focus of increasing attention in healthcare. As patents for leading biologics expire, the biosimilars pipeline is growing dynamically. IQVIA calculates that the global market volume has multiplied from just over 1bn US dollars in 2015 to over 12bn US dollars in 2019. Global Market Insights (as of May 2019) expects an approximately fivefold increase to 69bn US dollars by 2025. Despite the dynamic growth, however, the global biosimilars market is relatively small compared to the global market for biologics as a whole.

Demand for cosmetic packaging tends to be cyclical in any case and was hit hard in the Covid-19 pandemic. From our own estimates, the year-on-year decrease is likely to have been in the double-digit percentage range. However, certain subcategories stood out from the general market trend. While demand in the perfume and makeup subcategories fell by a sizable double-digit percentage, the shortfall for skin care and hygiene products was in the single-digit range. Overall this year, the trend toward high-quality packaging solutions was seen to continue.

DEVELOPMENT ON THE CURRENCY MARKETS

The main effects from currency translation into euros for Gerresheimer in the financial year 2020 relate to the US dollar and the Brazilian real. Both currencies depreciated against the euro, in part substantially, during the financial year under review.

As of the reporting date, the US dollar fell 8% against the euro over the financial year. Looking at the financial year 2020, it can be seen that the US dollar was hit by pronounced volatility at the outbreak of the Covid-19 pandemic. The US dollar went down particularly steeply against the euro beginning in May 2020. As a result, the euro climbed substantially to 1.20 US dollars at the year-end.

The Brazilian real lost significantly against the euro, falling 27% year on year. After gaining against the euro at the beginning of the financial year, the Brazilian real depreciated steadily as the year progressed. The significant devaluation is due to the rapid spread of the Covid-19 pandemic and the resulting economic setbacks.

ENERGY AND COMMODITY MARKET TRENDS

A significant portion of production costs relate to raw materials and energy for the manufacture of our glass and plastic products. Our energy requirements are consistently high, due in particular to the energy-intensive combustion and melting processes in our high-temperature furnaces. Any significant rise in energy prices could have an impact on the Gerresheimer Group’s results of operations. Accordingly, we make use of the special compensation rule for electricity cost-intensive companies in Germany under section 64 of the Renewable Energy Act. In addition, the Group hedges against increases in energy prices. Energy prices for electricity and gas in Europe declined in the financial year 2020 compared to the prior year, especially in the first half of the year.

In the manufacture of plastic products, we are reliant on intermediary products such as polyethylene, polypropylene and polystyrene. The prices of these products largely depend on oil price trends. Prices of resins that we rely on decreased during the course of the financial year 2020, notably in the European and North American markets. The price of polypropylene fell by some 10% on average during the period.

As a manufacturer of high-quality pharmaceutical primary packaging, we mainly use quartz sand and soda lime as raw materials for glass products, along with various additives in relatively small quantities. These basic products are freely available and we procure them from a range of suppliers. Their prices were largely stable during the financial year 2020. Borosilicate glass tubes are an important intermediary product in the manufacture of prefillable syringes, injection vials, ampoules and cartridges. We source these tubes from various manufacturers on the basis of long-term supply agreements. Here, too, prices were largely stable during the financial year 2020.

Information on the Gerresheimer Group’s management of fluctuations in energy and raw material prices is provided under the heading “Energy and Raw Material Prices” in the “Operational Risks” section.

Economic developments also influenced the Gerresheimer Group’s business performance in the financial year 2020, particularly with regard to impacts in connection with Covid-19. These varied according to business unit and region and are presented accordingly in the following comments on the results of operations, net assets and financial position.

RESULTS OF OPERATIONS

REVENUES AND ADJUSTED EBITDA

Revenues by division

The Gerresheimer Group generated revenues of EUR 1,418.8m in the financial year 2020, compared to EUR 1,392.3m in the prior year. Adjusted for negative exchange rate changes, mainly due to the trend of the US dollar and the Brazilian real, and for the effects of deconsolidating a subsidiary in Argentina and of revenues from a project canceled in the previous year, revenues were around 2.6% higher than in the prior year, at EUR 1,441.0m. Organic growth in the core business came to 3.8%. Excluding the cosmetics business, which was severely affected by the Covid-19 pandemic, organic growth in the core business was 5.5%.

The divisional and regional revenue breakdown is as follows:

In EUR m	2020	2019	Change in %[1]
Divisions			
Plastics & Devices	771.6	758.3	1.8
Primary Packaging Glass	644.1	631.6	2.0
Advanced Technologies	9.5	6.4	47.2
Intragroup revenues	-6.4	-4.0	–
Total revenues	**1,418.8**	**1,392.3**	**1.9**
Regions			
Europe[2]	513.4	481.7	6.6
Americas[3]	381.3	385.7	-1.1
Germany	317.9	307.5	3.4
Emerging markets	184.4	196.8	-6.3
Other regions	21.8	20.6	5.4
Total revenues regions	**1,418.8**	**1,392.3**	**1.9**

[1] The change has been calculated on a EUR k basis.
[2] Without Germany and european emerging markets like Russia und Turkey.
[3] Without american emerging markets like Brazil, Mexico and Colombia.

Revenues in the Plastics & Devices Division, at EUR 771.6m, were slightly up on the prior year. Excluding exchange rate effects and the deconsolidation of a subsidiary in Argentina, however, revenues rose by 4.7%. Alongside the syringe business, unit sales of inhalers, insulin pens and plastic packaging also grew very healthily relative to the prior year. The performance of the engineering and tooling business was positive.

In the Primary Packaging Glass Division, revenues could grew in comparison to the prior year despite a challenging demand environment. The performance of the various business units differed considerably, however, in some cases with opposite signs. Unit sales in the cosmetics business, for example, were significantly down year on year due to the Covid-19 pandemic, showing a decrease of 7.2%, while the pharma and food businesses grew strongly. With the exception of the cosmetics business, the negative and positive impacts of the Covid-19 pandemic on the remaining business units largely canceled themselves out. At constant exchange rates, revenues in the Primary Packaging Glass Division were 2.7% higher than in the prior year. Excluding the cosmetics business, which was particularly hard hit by the Covid-19 pandemic, organic growth in the Primary Packaging Glass Division amounted to 6.7%.

Revenues in the Advanced Technologies Division resulted partly from rising sales of micro pump systems to treat Parkinson's disease and partly from projects terminated by customers in the financial year 2019.

Revenues by region

We generate the vast majority of revenues outside Germany. The share of revenues generated outside Germany was 77.6%, compared to 77.9% in the prior year. Europe and the Americas remain Gerresheimer's strongest geographical sales regions. Revenue growth in emerging markets continues to be a strategic focus.

European revenues increased by 6.6% overall, with mixed and in some cases opposite trends in individual countries within the region. The European country with the highest revenues was France. While growth in Germany was moderate at 3.4%, revenues in the Benelux countries grew above the average of the remaining countries of Europe.

Revenues in the Americas were slightly down on the prior year. This was mainly driven by negative exchange rate effects from the shift in the US dollar against the euro. Adjusted for those exchange rate effects, revenues remained on their prior-year level. Revenues in this region are predominantly generated in the USA. Due to the presence of global pharma giants and the country's demographic potential, the USA in particular will remain a core region for our business activities.

IQVIA modified its definition of emerging markets in the financial year 2020 relative to the prior year. The emerging markets now comprise the following 17 (prior year: 22) countries: Algeria, Bangladesh, Brazil, Colombia, China, Egypt, India, Indonesia, Mexico, Pakistan, Philippines, Russia, Saudi Arabia, South Africa, Turkey, Ukraine and Vietnam. Revenues in these countries fell in total to EUR 184.4m (prior year: EUR 196.8m). The shortfall is mainly due to negative exchange rate effects from movements in the Brazilian real and the Indian rupee. At constant exchange rates, emerging market revenues in the financial year 2020 were 3.7% up year on year. The emerging economies with the highest revenues were Brazil, Mexico, India and China.

Adjusted EBITDA by division

Adjusted EBITDA for the Gerresheimer Group was EUR 310.1m in the financial year 2020 (prior year: EUR 400.0m). The initial application of IFRS 16 had an effect of EUR 8.9m at Group level. As a percentage of revenues, the adjusted EBITDA margin came to 21.9%. The comparatively high prior-year adjusted EBITDA included a number of one-off items[2]. Excluding these, like-for-like prior-year adjusted EBITDA was EUR 296.7m. On this baseline, and taking into account the effect of initial application of IFRS 16, adjusted EBITDA rose by 1.7% in the financial year 2020.

Adjusted EBITDA is broken down by division as follows:

	Adjusted EBITDA in EUR m		Change in %[1)]	Adjusted EBITDA margin in %	
	2020	2019		**2020**	2019
Divisions					
Plastics & Devices	212.5	196.4	8.2	27.5	25.9
Primary Packaging Glass	137.3	122.9	11.8	21.3	19.5
Advanced Technologies	-14.5	-23.4	38.2	–	–
Head office/consolidation	-25.2	104.1	–	–	–
Total Adjusted EBITDA	**310.1**	**400.0**	**-22.5**	**21.9**	**28.7**

[1)] The change has been calculated on a EUR k basis.

The change in the Plastics & Devices Division mainly relates to the positive performance of the syringe business and the medical plastic systems business, the latter mostly in the Europe region. Likewise in the Plastic Packaging Business Unit, EBITDA increased in the Europe region due to the healthy revenue performance.

In the Primary Packaging Glass Division, despite the challenges in the cosmetics business, it was possible to improve adjusted EBITDA relative to the prior year. The growth is above all attributable to the Moulded Glass Business Unit and, in that context, to the good performance in North America and India. Earnings in the Moulded Glass Business Unit also include insurance reimbursements for financial losses incurred in connection with the furnace damage at our US plant and with a warehouse fire at one of our molded glass plants in Germany. The payout for the furnace damage covers the operational interruption on a pro-rata basis. Without that interruption, revenues would have been higher in the financial year 2020. In the Tubular Glass Business Unit, the North America and Europe regions recorded a demand-driven increase in adjusted EBITDA.

The operating business in the Advanced Technologies Division performed similarly to the prior year. However, certain one-off effects must be taken into account when interpreting the reported adjusted EBITDA. In the prior year, adjusted EBITDA was impacted by the effects of projects canceled by customers in the financial year 2019. For the financial year under review, adjusted EBITDA both includes positive impacts from the projects canceled by customers in the prior year and reflects the expense of a contract amendment in connection with the cancellation of a project.

The change in the head office expenses and consolidation item is mainly attributable to the other operating income recognized in the prior year from the derecognition of purchase price components from the Sensile Medical acquisition. There was no comparable occurrence in the financial year under review.

[2] In relation to adjusted EBITDA for the financial year 2019, it was necessary to adjust the expense from deconsolidation of the Argentinian subsidiary (EUR 0.1m). It is also necessary to deduct the other operating income from derecognition of the purchase price liability from the Sensile Medical acquisition (EUR 129.8m). In addition, it is necessary to add the other operating expense due to cancellation of a project to develop a micro pump (EUR 9.2m). The cumulative adjustment of revenues recognized in connection with this cancellation (EUR 17.3m), which had a corresponding negative impact on adjusted EBITDA at constant exchange rates, must also be added back in.

The following table shows the reconciliation of adjusted EBITDA to net income for the period:

	In EUR m	2020	2019	Change
	Adjusted EBITDA	**310.1**	**400.0**	**-89.9**
–	Depreciation/ Amortization and impairment losses	-112.5	-105.4	-7.1
=	**Adjusted EBITA**	**197.6**	**294.6**	**-97.0**
+/-	One-off income and expenses	-8.3	-6.3	-2.0
–	Amortization and impairment losses of fair value adjustments	-32.8	-159.5	126.7
–	Impairment Goodwill	–	-5.0	5.0
=	**Results of operations (EBIT)**	**156.5**	**123.8**	**32.7**
–	Net finance expense	-21.3	-25.6	4.3
–	Income taxes	-45.3	-15.5	-29.8
=	**Net income**	**89.9**	**82.7**	**7.2**

The depreciation, amortization and impairments in the amount of EUR 112.5m include EUR 8.9m in initial depreciation of right-of-use assets due to the first-time application of IFRS 16.

One-off income and expenses primarily relate to the various measures to sustain delivery capability, implementation of and adherence to safety concepts and the provision of incentives to employees in connection with the Covid-19 pandemic, the construction of our new plant in Skopje (Republic of North Macedonia), the previously announced, multiple-year reorganization of the Primary Packaging Glass Division as well as the income from the sale of the land and building in Kuessnacht (Switzerland).

Amortization and impairments of fair value adjustments relate to the subsequent measurement of intangible assets identified in connection with acquisitions made in the period 2007 to 2018. In the prior year, an impairment loss of EUR 103.8m was recognized on fair value adjustments in the Advanced Technologies Division. For the financial year 2020, fair value adjustments relate in their entirety to amortization.

INCOME STATEMENT (CONDENSED)

In EUR m	2020	2019	Change
Revenues	1,418.8	1,392.3	26.5
Cost of sales	-981.2	-1,115.1	133.9
Gross profit	**437.6**	**277.2**	**160.4**
Selling and general administrative expenses	-275.5	-274.1	-1.4
Other operating expenses and income	-5.6	120.7	-126.3
Results of operations (EBIT)	**156.5**	**123.8**	**32.7**
Net finance expense	-21.3	-25.6	4.3
Income tax	-45.3	-15.5	-29.8
Net income	**89.9**	**82.7**	**7.2**
Attributable to shareholders of Gerresheimer AG	88.6	80.8	7.8
Earnings per share (in EUR)	2.82	2.57	0.25
Adjusted earnings per share (in EUR)	3.90	7.19	-3.29

Gross profit improved by EUR 160.4m compared to the prior year. In the prior year, cost of sales was notably impacted by impairment losses on fair value adjustments in the Advanced Technologies Division (EUR 103.8m). There were no comparable circumstances in the financial year 2020. Cost of sales as a percentage of revenues was approximately 69.2% in the financial year 2020, which is a similar level to that of 2018.

Selling and administrative expenses remained at their prior-year level overall and thus did not increase in line with revenue. Higher personnel expenses were mainly offset by lower expenditure for communications, marketing and business travel.

Other income and expenses fell in total by EUR 126.3m relative to 2019. The prior year saw a sharp rise in other operating income, mainly due to the derecognition of contingent purchase price components from the Sensile Medical acquisition (EUR 129.8m). There was no comparable occurrence in the reporting year. In the financial year 2020, alongside the income from the sale of the land and building in Kuessnacht (Switzerland), the other operating income in the amount of EUR 33.2m predominantly comprised insurance reimbursements in a total amount of EUR 13.4m for financial losses incurred in connection with the furnace damage at a US location and with a warehouse fire at one of our molded glass plants in Germany. Other operating expenses went up by around EUR 6.6m year on year to EUR 39.8m. The increase is due to various, in part contrary effects. In the prior year, other operating expenses included various one-off items, such as the goodwill impairment of the Advanced Technologies Division, which are not matched by similar items in the reporting period. The main increases in the financial year 2020 compared to the prior year were in one-off expenses related to the Covid-19 pandemic, impairment losses on trade receivables, losses due to exchange rate effects and expenditure for research and development. For further information on Gerresheimer's research and development activities, please see under "Research and Development".

The improvement in net finance expense is mainly due to lower interest expenses and lower exchange rate effects on hedge activities than in the prior year. There was also a reduction in the interest expense on pension provisions. This was offset by the initial recognition of the interest component of lease liabilities in connection with the first-time application of IFRS 16.

The tax expense presented under income taxes came to EUR 45.3m (prior year: EUR 15.5m). In the prior year, the tax expense was comparatively small, notably due to the tax-exempt derecognition of contingent purchase price components from the Sensile Medical acquisition combined with the impairments in the Advanced Technologies Division. There were no similar items in the reporting period. The tax rate in the reporting year was 33.5%, versus 15.8% in the prior year. Most of the increase in the tax rate relate to impairments of foreign subsidiary loss carryforwards with finite carryforward periods as well as to tax expense incurred on the sale of land in connection with the closure of the Kuessnacht (Switzerland) location.

As a result of the above developments, net income improved by EUR 7.2m to EUR 89.9m. The share of net income attributable to the shareholders of Gerresheimer AG increased by EUR 7.8m. Net income reconciles to adjusted net income as follows:

In EUR m	**2020**	2019	Change
Net income	**89.9**	**82.7**	**7.2**
One-off income and expenses	8.3	6.3	2.0
Amortization and impairment losses of fair value adjustments	32.8	159.5	-126.7
Impairment Goodwill	–	5.0	-5.0
One-off effects in the net finance expense	1.0	–	1.0
Adjustment deferred taxes Sensile Medical	–	6.6	-6.6
Related tax effect	-8.6	-33.3	24.7
Tax special effects	0.2	0.7	-0.5
Related interest effect	0.1	0.2	-0.1
Adjusted net income	**123.7**	**227.7**	**-104.0**
Attributable to non-controlling interests	1.3	1.9	-0.6
Adjusted net income attributable to shareholders of Gerresheimer AG	**122.4**	**225.8**	**-103.4**
Adjusted earnings per share attributable to shareholders of Gerresheimer AG (in EUR)	**3.90**	**7.19**	**-3.29**

As in the prior year, earnings per share were calculated on the basis of 31.4m shares.

DIVIDEND

Gerresheimer bases the determination of the dividend on adjusted net income attributable to the shareholders of Gerresheimer AG. At the Annual General Meeting on June 9, 2021, the Management Board and Supervisory Board of Gerresheimer AG will propose that a dividend of EUR 1.25 per share be paid for the financial year 2020 (prior year: EUR 1.20 per share). This corresponds to a total distribution of EUR 39.3m. The payout ratio relative to adjusted net income attributable to the shareholders of Gerresheimer AG is 32.1%.

RESEARCH AND DEVELOPMENT

Our aim is to become the leading global partner for enabling solutions that improve health and well-being. At the same time, our customers' requirements are changing: Innovation and quality play an increasingly important role in the market. This makes issues such as rising quality expectations as well as innovative products and solutions integral to our growth strategy. We continue to invest on an ongoing basis in both enhancing production and product quality as well as in fine-tuning our product portfolio. This entails close collaboration with our customers and with our partners in industry, in the scientific community and at other institutions.

We manufacture specialized products – pharmaceutical primary packaging – that come into direct contact with pharmaceuticals and that patients use in everyday life to take their medication. Our primary packaging and drug delivery devices are important products for the pharma industry. Primary packaging and drug delivery devices are subject to extremely strict requirements imposed by the national and international regulatory authorities, particularly with regard to manufacturing processes and product quality. Newly developed drugs also create more demanding requirements for primary packaging products and their quality. In addition, the simple and safe administration of medication is becoming ever more important. Digitalization, too, will play an ever greater role in pharmaceutical primary packaging and drug delivery devices, such as in the collection, sharing and tracking of related data. Through our continuous improvements in products and processes coupled with our innovations, we have established a strong position in the market and with our customers – a position that we aim to further enhance.

A total of EUR 7.7m (prior year: EUR 3.6m) was spent on research and development in the financial year under review. We also capitalized a further EUR 21.3m of development costs in the financial year 2020 (prior year: EUR 5.9m). The increase in capitalized development costs as against the prior year was largely attributable to projects in the Advanced Technologies Division, primarily relating to the scheduled onward development of a micro pump for the treatment of heart disease. A substantial proportion of the capitalized development costs comprised non-cash components. Research and development activities are exclusively carried out by Gerresheimer AG's subsidiaries. These activities are closely geared to customer needs and accordingly often take place in collaboration with customers. In some cases, staff from pharmaceuticals companies work with us at our Competence Centers.

NET ASSETS

CONSOLIDATED BALANCE SHEET (CONDENSED)

In EUR m	**Nov. 30, 2020**	Nov. 30, 2019	Change
Assets			
Intangible assets	1,274.4	1,357.2	-82.8
Property, plant, equipment (including investment property)	766.7	711.1	55.6
Investments accounted for using the equity method	0.3	0.3	–
Other assets	11.0	10.7	0.3
Deferred tax assets	12.8	17.1	-4.3
Non-current assets	**2,065.2**	**2,096.4**	**-31.2**
Inventories	190.0	185.1	4.9
Trade receivables	215.5	224.2	-8.7
Contract assets	14.2	5.4	8.8
Other assets	43.8	44.3	-0.5
Cash and cash equivalents	88.0	85.8	2.2
Current assets	**551.4**	**544.8**	**6.6**
Total assets	**2,616.6**	**2,641.2**	**-24.6**
Equity and Liabilities			
Equity	**899.7**	**941.6**	**-41.9**
Provisions	165.2	164.8	0.4
Financial liabilities	836.4	498.2	338.2
Other liabilities	4.5	3.5	1.0
Deferred tax liabilities	131.4	142.4	-11.0
Non-current liabilities	**1,137.5**	**808.9**	**328.6**
Provisions	53.0	48.3	4.7
Financial liabilities	213.9	530.6	-316.7
Trade payables	211.6	221.4	-9.8
Contract liabilities	7.5	8.7	-1.2
Other liabilities	93.4	81.7	11.7
Current liabilities	**579.4**	**890.7**	**-311.3**
Total equity and liabilities	**2,616.6**	**2,641.2**	**-24.6**

Total assets decreased relative to November 30, 2019 by EUR 24.6m to EUR 2,616.6m. The change mainly reflects increases in property, plant and equipment, net working capital and financial liabilities. These were countered by a decrease in intangible assets.

A total of EUR 1,274.4m in intangible assets include EUR 642.3m in goodwill (prior year: EUR 672.2m) and EUR 568.6m in customer relationships, brand names, technologies and similar assets (prior year: EUR 641.3m). The changes relative to the prior year are a result of amortization and currency translation.

Property, plant and equipment went up by EUR 55.6m to EUR 766.7m. Right-of-use assets were recognized within property, plant and equipment for the first time due to the initial application of lease accounting under IFRS 16. The right-of-use assets had a net carrying amount of EUR 37.5m as of November 30, 2020. A significant item within property, plant and equipment comprises advances paid and assets under construction. Payments on account and assets under construction went up by a total of EUR 25.5m to EUR 192.8m. This capital expenditure was mainly incurred for the construction of our new plants in the Republic of North Macedonia and Brazil as well as for modernization and capacity expansion at our locations in Germany and the USA. It also includes the cost of measures necessitated by the furnace damage at our US location and a fire at our location in Germany.

The slight rise in inventories largely related to an increase in raw materials, consumables and supplies. Changes in trade receivables and payables, including current and non-current contract assets and liabilities, also resulted in a net increase in net working capital compared to the prior year. In total, net working capital went up by EUR 14.9m to EUR 197.9m. As of the reporting date, net working capital as a percentage of revenues amounted to 14.0% (prior year: 13.1%).

Other current assets largely consist of tax receivables.

Movements in the Gerresheimer Group's equity comprise various changes, some of which offset each other. A positive item was the net income of EUR 89.9m. Dividend payments in the financial year 2020, together with currency translation effects and the remeasurement of defined-benefit pension plans, both of which are accounted for in equity, resulted in a net decrease in equity relative to the prior year. The equity ratio, meaning equity as a percentage of total assets, stood at 34.4% (prior year: 35.6%).

Financial liabilities mainly comprise the promissory loans, the revolving credit facility and other liabilities to banks. Aside from changes in relation to promissory loans and the revolving credit facility, most of the change relative to the prior year was due to the rise in lease liabilities in connection with the first-time application of IFRS 16. Further information on financial liabilities is provided under “Financial Condition”.

The increase in current provisions resulted from various, in part mutually offsetting effects. While the current portion of pension provisions stayed at the same level as the prior year, notably there was an increase in relation to personnel obligations, sales bonuses, rebates and discounts.

Other current liabilities primarily relate to income taxes and other taxes as well as to liabilities to employees.

FINANCIAL POSITION

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

Control and optimization of the Gerresheimer Group's finances is primarily the responsibility of Group Treasury at Gerresheimer AG. Our overriding objective is to safeguard liquidity at all times through central procurement of funding as well as active control of currency and interest rate risk. We ensure an appropriate level of funding on an ongoing basis through rolling liquidity planning and central cash management.

In order to institutionalize decision and control processes in connection with safeguarding liquidity, financial planning and associated risk management, the Management Board has established an Investment Committee. Comprising the CFO as well as the directors of Controlling, Accounting, Mergers & Acquisitions and Treasury, the Committee normally meets on a quarterly basis. The core remit of the Investment Committee is to discuss and monitor relevant financial operating conditions for the Gerresheimer Group. Potential changes in external factors in line with current market projections are appraised along with the financing situation and strategic growth options. All ideas and upcoming projects with a major financial impact are combined and assessed to determine whether they are fundable and re-examined from a risk management standpoint. Documents from the Investment Committee are provided to the other members of the Management Board for information after each meeting. This means we have an additional early warning and control mechanism to supplement the application of the dual control principle.

As a globally operating Group, we use a range of tools to ensure effective financial management. In this way, we minimize any negative impact of default, currency and interest rate risk on the Gerresheimer Group's net assets, financial position and results of operations or cash flows.

The maximum credit risk from receivables faced by the Gerresheimer Group is the aggregate carrying amount of the receivables. We extend trade credit in the ordinary course of business and carry out regular assessments for specific financial status levels (credit checks). We counter default risk by restricting contractual partners to those of good to very good credit standing and rigorously observing the risk limits stipulated under trade credit insurance or internally. An adequate amount is recognized for any necessary impairments.

Our international focus means that we conduct many transactions in foreign currency. To counter the connected risk of exchange rates moving to our disadvantage, we use forward exchange contracts that hedge cash flows from outstanding orders denominated in foreign currency. Orders, receivables and payables are hedged as a rule with forward exchange contracts on inception. To counter interest rate risk, Group Treasury at Gerresheimer AG monitors interest rate trends on an ongoing basis and takes out corresponding interest rate hedges as needed.

Safeguarding the Gerresheimer Group's liquidity while allowing sufficient reserves for special eventualities is an integral part of ongoing liquidity management. Intragroup cash pooling and intercompany lending permit efficient use of liquidity surpluses at subsidiaries to meet the cash needs of others.

CAPITAL STRUCTURE

The capital structure of the Gerresheimer Group was as follows as of November 30, 2020:

In % of total assets	**Nov. 30, 2020**	Nov. 30, 2019
Non-current assets	78.9	79.4
Current assets	21.1	20.6
Equity	34.4	35.7
Financial liabilities	40.1	39.0
Other non-current liabilities	11.5	11.8
Other current liabilities	14.0	13.6

FINANCIAL DEBT AND CREDIT FACILITIES

Net financial debt changed as follows as of the balance sheet date:

In EUR m	**Nov. 30, 2020**	Nov. 30, 2019	Change
Promissory loans – November 2015 (nominal)	235.5	425.0	-189.5
Promissory loans – September 2017 (nominal)	250.0	250.0	–
Promissory loans – November 2020 (nominal)	325.0	–	325.0
Revolving credit facility	162.6	302.3	-139.7
Local borrowings incl. bank overdrafts	36.5	40.9	-4.4
Lease liabilities	38.2	8.6	29.6
Installment purchase liabilities	1.4	1.7	-0.3
Total financial debt	**1,049.2**	**1,028.5**	**20.7**
Less cash and cash equivalents	88.0	85.8	2.2
Net financial debt	**961.2**	**942.7**	**18.5**

The change in relation to the November 2015 promissory loans resulted from the scheduled repayment of tranches due in the financial year. This was carried out with funds from the November 2020 promissory loan issues for a total principal amount of EUR 325.0m. The remaining amount from that promissory loan issue was used to redeem the portion due to a syndicate bank withdrawing from the syndicated loan agreement and to repay part of the drawings on the revolving credit facility. All promissory loans issues as of the reporting date were denominated in euros.

As of November 30, 2020, the Gerresheimer Group had at its disposal for general financing purposes a syndicated loan by means of a revolving credit facility plus ancillary credit facilities for a total amount of EUR 476.0m, of which EUR 312.0m remained undrawn. Signed on September 26, 2019, the syndicated loan had an original term of five years, which was extended for an additional year during the financial year under review. The revolving credit facility is subject to a mandatory standard financial covenant comprising the ratio of net financial debt to adjusted EBITDA (adjusted EBITDA leverage) on the basis of the current credit line agreement in force at the time. It carries a basic rate of interest equal to EURIBOR (for drawings in euros) or LIBOR (for drawings in US dollars) for the drawing period, plus a margin depending on attainment of the adjusted EBITDA leverage and a drawdown commission in line with the current loan status. Adjusted EBITDA leverage in accordance with the credit line agreement in force as of the reporting date was 3.0x (prior year: 2.4x).

Our subsidiaries are also financed by approved bilateral credit lines, including bank overdrafts, in an amount equivalent to EUR 36.2m.

Liabilities to banks are almost exclusively in euros.

Further information on financial debt is provided in Note (33) of the Notes to the Consolidated Financial Statements.

To ensure access to other favorable sources of funding, Gerresheimer also raises limited financing through the sale of trade receivables to factoring companies.

CASH FLOWS

Cash Flow Statement (condensed)

In EUR m	2020	2019	Change
Financial resources at the beginning of the period	**51.1**	**61.9**	**-10.8**
Cash flow from operating activities	222.2	192.9	29.3
Cash flow from investing activities	-157.0	-203.2	46.2
Cash flow from financing activities	-52.2	-1.1	-51.1
Effect of exchange rate changes on financial resources	-5.7	0.6	-6.3
Changes in financial resources	**7.3**	**-10.8**	**18.1**
Financial resources at the end of the period	**58.4**	**51.1**	**7.3**

The increase in cash flow from operating activities was mainly due to the rise in net income and to changes in other provisions.

Most of the net cash outflow from investing activities related to payments for intangible assets and property, plant and equipment. The prior-year cash outflow included a EUR 43.5m payment for the acquisition of Sensile Medical. There was no comparable occurrence in the reporting year.

The net cash outflow from financing activities mainly related to changes in promissory loans, the partial repayment of the revolving credit facility, dividend payments and repayments of lease liabilities recognized for the first time due to the initial application of IFRS 16.

Based on the above, free cash flow before acquisitions/divestments of subsidiaries changed as follows:

In EUR m	2020	2019	Change
Cash flow from operating activities	**222.2**	**192.9**	**29.3**
Cash received from disposals of non-current assets	17.0	5.2	11.8
Cash paid for capital expenditure in intangible assets and property, plant and equipment as well as fully consolidated companies and other equity investments	-174.0	-164.5	-9.5
Net capital expenditure in intangible assets and property, plant and equipment as well as fully consolidated companies and other equity investments	-157.0	-159.3	2.3
Free cash flow	**65.2**	**33.6**	**31.6**

CAPITAL EXPENDITURE

Additions to intangible assets and to property, plant and equipment in the financial year 2020 break down by division as follows:

In EUR m	2020	2019	Change
Plastics & Devices	78.5	93.8	-15.3
Primary Packaging Glass	96.5	82.9	13.6
Advanced Technologies	23.3	4.9	18.4
Head Office	1.2	3.8	-2.6
Total capital expenditure	**199.5**	**185.4**	**14.1**

Capital expenditure in the Plastics & Devices Division chiefly focused on expansion of our syringe capacity as well as the construction of our new plants in the Republic of North Macedonia and Brazil. Another focus was on expanding the product portfolio as well as creating additional production and warehousing capacities.

Capital expenditure in the Primary Packaging Glass Division mainly related to prepayments and preparations for a scheduled furnace overhaul and expansion in Germany, a furnace repair in the USA, as well as production plant modernization and automation. The prepayments for the furnace repair in the USA were offset by corresponding pro rata insurance payouts. We additionally invested in capacity expansion, notably for injection vials. As in prior years, we also invested in molds and tools.

Capital expenditure in the Advanced Technologies Division was significantly higher in the financial year 2020 than in the prior year. Most of the capital expenditure was incurred for development projects such as the scheduled onward development of a micro pump for the treatment of heart diseases. A substantial proportion of the capitalized development costs comprised non-cash expenses.

Capital expenditure in the financial year 2020 includes EUR 12.6m for the recognition of right-of-use assets that will not affect cash flow until later periods. Financial commitments in connection with future capital expenditure amounted to EUR 35.6m as of the financial year-end.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

OVERALL ASSESSMENT BY THE MANAGEMENT BOARD

The economic environment in the financial year 2020 was largely impacted by the global spread of Covid-19 and related efforts to contain the pandemic. This resulted in a major health crisis and the deepest recession since the 1930s. It had a highly contrasting impact on our customer industries. While the pharma sector was hardly affected, the cosmetics industry recorded marked setbacks. Alongside safeguarding the health and safety of our employees and business partners, it was important to maintain operational continuity. By acting responsibly during the crisis, we succeeded at all times in remaining a reliable partner to our customers and suppliers, and hence also to patients and consumers. In light of this challenging environment, we remained within our expectations in the financial year 2020, although we were not able to fully exploit our opportunities due to the Covid-19 pandemic.

After a strong fourth quarter, the Gerresheimer Group's like-for-like revenues at constant exchange rates rose 2.6% to EUR 1,441.0m. Growth in revenues at constant exchange rates was thus at the lower end of our start-of-year expectations, falling short of our growth potential due to the pandemic. Like-for-like organic growth in our core business, comprising the Plastics & Devices and Primary Packaging Glass divisions, came to 3.8%. The Covid-19 pandemic had a particularly adverse impact on revenues in the cosmetics business. Excluding the cosmetics business, like-for-like revenues at constant exchange rates in the core business increased by 5.5%.

Taking into account the EUR 9.3m effect on a constant exchange rate basis of initial application of IFRS 16, the Gerresheimer Group generated adjusted EBITDA at constant exchange rates of EUR 301.6m, 1.7% above the prior-year figure adjusted for one-off effects (EUR 296.7m) (see footnote 2). While the Plastics & Devices Division increased adjusted EBITDA at constant exchange rates by 9.5% to EUR 214.6m, like-for-like adjusted EBITDA in the Primary Packaging Glass Division went up by 10.1% year on year to EUR 135.8m. Adjusted EBITDA at constant exchange rates in the Advanced Technologies Division improved by 38.2% to a negative EUR 14.5m.

On a constant exchange rate basis, the Gerresheimer Group's adjusted EBITDA margin amounted to 21.6% (prior year excluding one-off effects: 20.0%), which was in line with our expectations. The core business generated an adjusted EBITDA margin at constant exchange rates of 22.6% (prior year excluding one-off effects: 22.0%).

Adjusted net income decreased to EUR 123.7m (prior year excluding one-off effects: EUR 128.7m). This was mainly because of the higher tax expense, which more than offset the growth in income before taxes. Adjusted earnings per share attributable to the shareholders of Gerresheimer AG consequently fell slightly from EUR 4.04 to EUR 3.90.

Free cash flow before acquisitions and divestments went up by EUR 31.5m to EUR 65.1m. With net capital expenditure slightly down on the prior year, the increase was mainly due to the positive overall business performance. Net capital expenditure as a percentage of revenues at constant exchange rates came to 11.1% (prior year: 11.8%). At the beginning of the year, we had expected 12%. Our strategic capital expenditure program is progressing as planned.

GUIDANCE-ACTUAL COMPARISON

We give our shareholders, customers and all other partners the opportunity to assess our business development by publishing guidance at the beginning of each financial year and adjusting this as needed over the course of the year. Our guidance includes forward-looking statements on the development, at constant exchange rates, of the most significant financial key performance indicators for management of the Group: revenues, adjusted EBITDA and net capital expenditure as a percentage of revenues.

Key performance indicator	Basis constant FX rates	Guidance 2020 constant FX rates	**Attainment of Guidance 2020 constant FX rates**	Change
Revenues	EUR 1,405.0m	Growth in the mid-single-digit percentage range	EUR 1,441.0m	+2.6%
Adjusted EBITDA	EUR 296.7m	Growth in the low-single-digit percentage range	EUR 301.6m	+1.7%
Net capital expenditure (in % of revenues)		~12%	11.1%	

SUBSEQUENT EVENTS

No events have arisen since November 30, 2020 that have or are expected to have a material impact on the net assets, financial position or results of operations of the Gerresheimer Group.

BUSINESS PERFORMANCE OF GERRESHEIMER AG (GERMAN COMMERCIAL CODE (HGB) BASIS)

The business performance of Gerresheimer AG is fundamentally subject to the same risks and opportunities as that of the Gerresheimer Group. Due to Gerresheimer AG's interrelatedness with the subsidiaries and its importance in the Gerresheimer Group, the outlook for the Gerresheimer Group largely also reflects the expectations for Gerresheimer AG. Consequently, the foregoing information on the net assets, financial position and results of operations of the Group largely also applies to Gerresheimer AG. The results of operations of Gerresheimer AG are largely determined by the results of its subsidiaries. Net income from the operating earnings transferred from the subsidiaries is the most significant key performance indicator for Gerresheimer AG. We are satisfied overall with the business performance of Gerresheimer AG and the earnings contributions from the subsidiaries in the financial year 2020.

GERRESHEIMER AG RESULTS OF OPERATIONS

INCOME STATEMENT OF GERRESHEIMER AG (CONDENSED)

In EUR m	**2020**	2019	Change
Revenues	4.8	4.0	0.8
Personnel expenses	-21.1	-17.8	-3.3
Depreciation and amortization	-1.6	-1.5	-0.1
Other operating expenses and income	-8.6	-7.5	-1.1
Income from investments	120.6	-0.2	120.7
Net finance expense	-0.5	0.7	-1.2
Income taxes	-7.7	-0.1	-7.6
Net income (prior year: Net loss)	**85.8**	**-22.4**	**108.2**
Retained eanings carries forward	89.7	149.8	-60.1
Retained earnings	**175.5**	**127.4**	**48.2**

Gerresheimer AG mainly generates revenues from the provision of IT services and management services for affiliated companies. The increase in revenues relative to the prior year is mostly due to higher charges for IT services. Most revenues were generated in Germany.

The rise in personnel expenses largely relates to the growth in the number of employees and the increase in obligations to employees for profit-based and other bonuses.

Other income and expenses include other operating income and expenses, own work capitalized and other taxes. The negative change relative to the prior year mainly relates to increased expenses for purchased IT services. This was only partly offset by higher income from intra-Group charges and reduced communication, marketing and business travel expenses.

Alongside income from long-term equity investments and affiliated companies, net investment income almost exclusively comprises the earnings contribution from the new profit and loss transfer agreement entered into with an affiliated company in the financial year 2020. There was no such profit and loss transfer agreement in the prior year. Income from profit and loss transfer agreements now includes the earnings of all German subsidiaries of Gerresheimer AG.

Net finance expense mainly consists of income from loans to affiliated companies and interest expense on the promissory loans. Most of the negative change relative to the prior year is due to lower income from affiliated companies.

The change in income taxes was mainly due to the increase in current tax expense in the reporting period in connection with the new profit and loss transfer agreement entered into in the financial year 2020.

NET ASSETS AND FINANCIAL POSITION OF GERRESHEIMER AG

BALANCE SHEET OF GERRESHEIMER AG (CONDENSED)

In EUR m	**Nov. 30, 2020**	Nov. 30, 2019	Change
Assets			
Intangible assets and property, plant and equipment	4.7	5.6	-0.9
Financial assets	1,286.2	1,286.2	–
Receivables and other assets	321.9	193.3	128.7
Prepaid expenses	1.1	0.9	0.2
Total assets	**1,614.0**	**1,486.0**	**128.0**
Equity and Liabilities			
Equity	732.7	684.5	48.2
Provisions	21.8	16.8	5.0
Liabilities due to banks	858.1	782.1	76.0
Other liabilities	1.4	2.6	-1.2
Total equity and liabilities	**1,614.0**	**1,486.0**	**128.0**

Gerresheimer AG had total assets of EUR 1,614.0m as of November 30, 2020, compared to EUR 1,486.0m a year earlier. The increase was mainly due to higher receivables from affiliated companies under profit and loss transfer agreements and higher liabilities to banks.

Financial assets comprise the investments in and long-term loans to affiliated companies.

Receivables and other assets mainly relate to receivables from affiliated companies under profit and loss transfer agreements and as part of cash pooling. Most of the increase is attributable to the profit transfer from an affiliated company that was applicable for the first time in the financial year 2020.

Gerresheimer AG comes under the cash pooling arrangement with GERRESHEIMER GLAS GmbH. As a result of this, cash and cash equivalents are at a very low level as of the balance sheet date.

The change in equity mainly relates to the earnings in the financial year and the dividend payment for 2019. The equity ratio was 45.4% as of November 30, 2020 (prior year: 46.1%).

The increase in liabilities to banks was mainly due to the EUR 325.0m promissory loan issued in November 2020. This was offset by repayment of the EUR 189.5m tranche of the 2015 promissory loan due in the financial year 2020 and repayment of part of the drawings on the revolving credit facility.

GERRESHEIMER AG GUIDANCE

The earnings prospects of Gerresheimer AG substantially depend on the performance of its subsidiaries' business activities. We expect net income from earnings transferred from our subsidiaries in the financial year 2021 to be similar to that in the financial year 2020.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY AT GERRESHEIMER (NON-FINANCIAL GROUP DECLARATION)

This non-financial group declaration (NFD) documents our sustainability performance in terms of environmental, social and employee matters, respect for human rights and combating corruption and bribery. It serves the purpose of complying with the reporting obligations of the CSR Directive Implementation Act pursuant to sections 315b and 315c in accordance with sections 289c–289e of the German Commercial Code (Handelsgesetzbuch/HGB).

In selecting the topics to be reported on, we considered both to the statutory materiality criteria – impacts of business activities and relevance to Gerresheimer – and to the expectations of our stakeholders. The index below shows where the information required by law is to be found. It also cross-references that information with our strategic focal areas and with the UN Global Compact principles, including the Sustainable Development Goals (SDGs).

NFD component	Included in chapter	Strategic field of action	UN Global Compact principles	SDGs	Page
Business model description	Business model Corporate responsibility and sustainability at Gerresheimer			3 4 8 9	p. 3 p. 20
Risks	Non-financial risks Opportunities and risks report				p. 26 p. 57
Environmental aspects	GxPure (Environment) GxCircular (Products and resources)	CO_2 emissions Renewable energy Water Waste and recycling Ecodesign Responsible supply chain management	Principle 7 Principle 8 Principle 9	3 6 9 12 13 15 17	p. 27 p. 32
Employee aspects	GxCare (People)	Health and safety Employee satisfaction	Principle 1 Principle 2 Principle 3	3 4 8	p. 37
Social aspects	GxCare (People) GxCircular (Products and resources)	Community engagement Ecodesign	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6	3 4 8 17	p. 37 p. 32
Respecting human rights	GxCircular (Products and resources) GxCare (People)	Responsible supply chain management	Principle 1 Principle 2	8 12 16	p. 32 p. 37
Combating corruption and bribery	Our responsibility for ethical business conduct and compliance with the law		Principle 10	8 16	p. 44

Our presentation of the subject matter is based on the reporting principles of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), an internationally recognized framework for sustainability reporting. This year, for the first time, we are publishing a GRI content index in the Notes section of this Annual Report, showing our progress in meeting the Core Option requirements. Disclosures in this report, we highlight how we contribute to the United Nations Sustainable Development Goals (SDGs) and the principles of the UN Global Compact. Reporting in accordance with the GRI Standards Core Option is planned for the next financial year.

Except as otherwise defined for specific topics, all information provided in the NFD relates both to Gerresheimer AG as well as to its direct and indirect subsidiaries and associates. We collect environmental and occupational safety-related data (energy, greenhouse gas emissions, water and occupational safety data) for our production locations and our Duesseldorf head office. Distribution facilities and other administrative locations are not included for reasons of materiality. All data and supplementary information are collected by the responsible specialist personnel for the reporting period on the basis of recognized sustainability reporting standards.

Where any need for restatement is identified retroactively, we correct the information in the current reporting. Such corrections, along with any changes in methodology and portfolio changes as a result of acquisition and divestment decisions, are disclosed if material.

In its obligation to review the non-financial group declaration, the Supervisory Board of Gerresheimer AG had the support of a voluntary limited assurance review by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in accordance with ISAE 3000.

Significant changes in reporting relative to the prior year arise from our strategic realignment. In this context, we have reviewed our strategic focal areas and defined specific targets for the resulting topics. As a consequence of the target-setting process, we further formalized data collection for continuous improvement in data quality.

Furthermore, we have added an index cross-referencing the strategic focal areas as well as a list of all targets for improved transparency and usability.

OUR SUSTAINABILITY STRATEGY AND MATERIALITY ANALYSIS

The strategy process launched in 2019 by the Gerresheimer AG Management Board (see under “Strategy and Objectives”) has placed sustainability as a core focus on the Gerresheimer agenda. We thus intend to significantly step up our commitment to environmental, social and employee matters, respect for human rights and combating corruption and bribery. Sustainability has consequently become a cornerstone of our corporate strategy. For us, thinking and acting sustainably means taking a long-term view on our business model and our impact as a company.

We take all facets of the concept of sustainability into account. In accordance with our business model (see under “Fundamental Information about the Group”), the main focus of our activities lies on our products and the benefits they provide. By developing and manufacturing products for the packaging of drugs as well as their simple and safe dosage and administration, we make a valuable contribution to the health and well-being of society. This aspiration is reflected in our development and production processes in that we attach top priority to quality, resource conservation and products that are easy to use and deliver maximum safety.

For the ongoing refinement of our existing sustainability strategy, we subjected it to a comprehensive and fundamental revision in the financial year 2020. To this end, we conducted an in-depth review of our existing materiality analysis. In a systematic process, we aggregated the findings from our business analysis, environment analysis and stakeholder expectation analysis. As part of this, we conducted a series of workshops with in-house and outside experts, analyses of ratings relevant to us, benchmark analyses and stakeholder dialogs. Due consideration was given to input from key stakeholder groups as follows:

1. Priorities set by many of our pharma and cosmetics customers – who either individually audit us with regard to sustainability or have assessments carried out by recognized audit agencies such as EcoVadis or Ecodesk –, findings of our most recent customer survey, as well as direct discussions with customers.
2. Investor and analyst surveys on aspects of sustainability and input from discussions conducted with capital market players by our Management Board, Investor Relations or those responsible for sustainability within the Group.
3. Public positions and policy guidelines, particularly from the EU and the US, and also local policy and local public opinion.

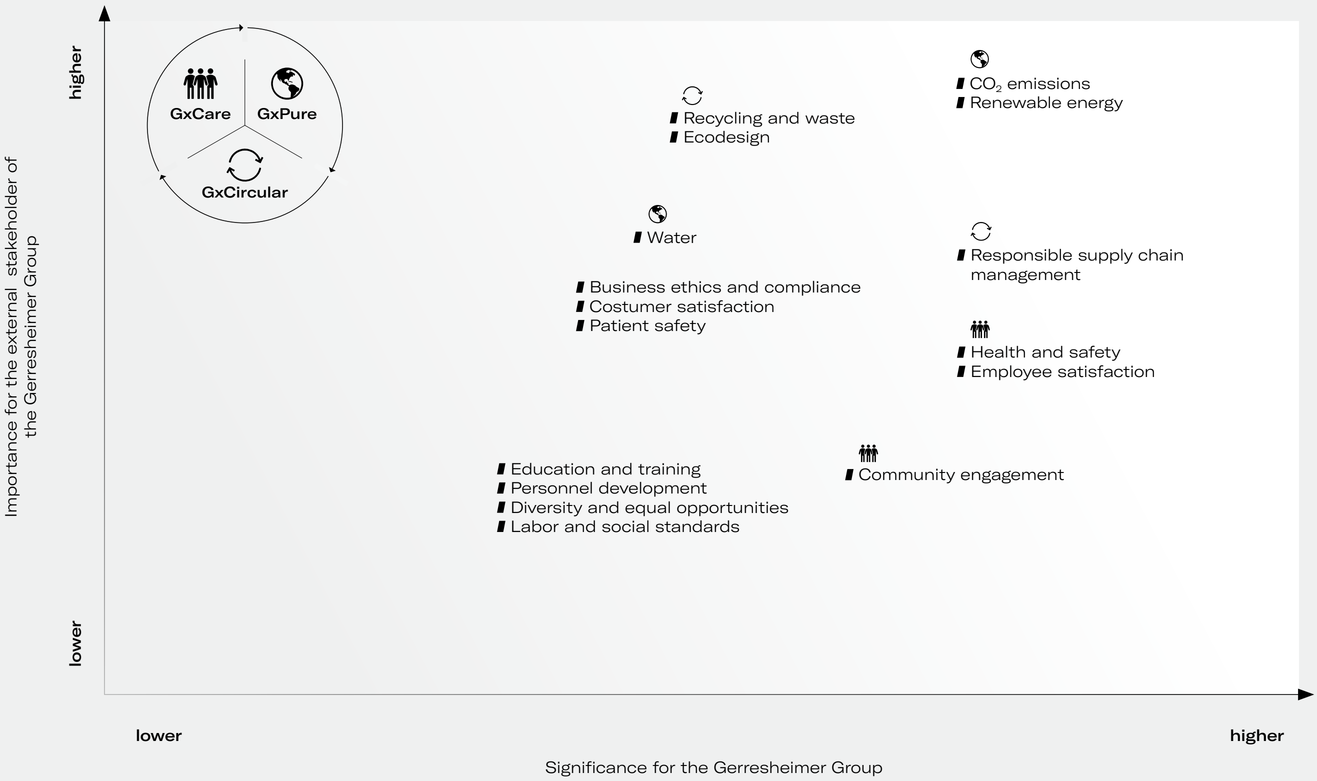
4. The Company perspective based on input from the Management Board as well as from operational and human resources management.
5. Employees' perspective, primarily as elicited from discussions and in-house events.

The analysis findings are combined in the materiality matrix below, which matches up the relevant themes from the Company's perspective with the relevant themes from the stakeholder perspective. Our materiality analysis additionally includes material impacts of our business activities on the various themes. With regard to these, we did not identify any year-on-year change in the stakeholder relevance score.

Themes located in the upper right quadrant and highlighted in color are strategic focal areas comprising the main focus of our sustainability strategy. These served management as the basis for forward strategic planning, notably in developing our strategic sustainability targets and derived management programs and in specifying sustainability key performance indicators (KPIs).

Materiality matrix

Ranking of economic, ecological and social aspects by their relevance to our business activities

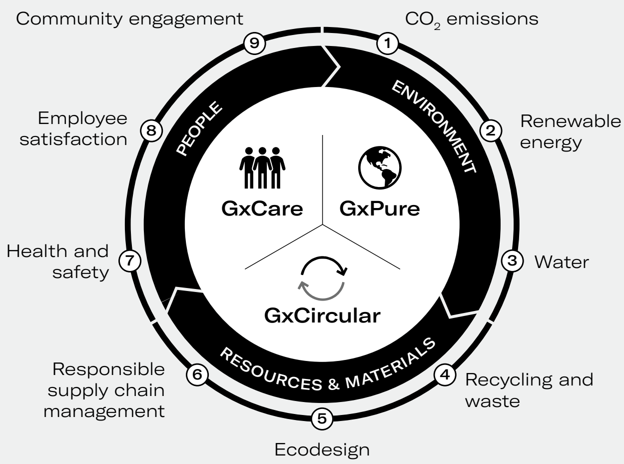


We have assigned the nine strategic focal areas resulting from the materiality matrix to the three pillars of our sustainability strategy: Environment (GxPure), Products and Resources (GxCircular) and People (GxCare).

The materiality analysis brings out a clear focus on the environment with the themes of emissions, energy and water, brought together under GxPure. Of similarly high relevance are the thematic areas relating to our products and the resources we use, notably recycling and waste, ecodesign and sustainable procurement management, which are subsumed under GxCircular. People-focused themes such as health and safety, employee satisfaction and community engagement are also highly relevant and have been grouped under GxCare. The materiality analysis consequently results in nine strategic focal areas for our sustainability strategy.

Our strategic focal areas

The nine strategic focal areas in relation to the three pillars of the Gerresheimer sustainability strategy



There are further topics of importance to us and our stakeholders besides the identified strategic focal areas. Ethical business conduct and conformity with the law are fundamental to everything we do. Patient safety and customer satisfaction are core premises at the heart of our business activities and simultaneously a central element of our corporate responsibility. With regard to our employees, education and training, personnel development, diversity and equal opportunities as well as high labor and social standards are of great importance to us and are reflected in our overall employee satisfaction.

OUR SUSTAINABILITY TARGETS

For us, long-term business success means creating social and ecological value for the society as well as economic value. In line with this aspiration, we adopted global targets in the reporting year for the nine strategic focal areas under our sustainability strategy.

Our goal here is to align the entire organization to action on global challenges such as climate change, related regional water scarcities and the transition to a circular economy. In addition, we aim to improve occupational safety at our operating locations on a lasting basis, ensure employee satisfaction and contribute to the community with our social activities. Furthermore, we seek to deliver on our responsibility along the supply chain.

We make our progress measurable by setting specific targets, target periods and key performance indicators in the areas of Environment (GxPure), Products and Resources (GxCircular) and People (GxCare). In the future, we will report annually on the status of target achievement.

Gerresheimer sustainability KPIs and targets

Target	KPI	Target value	Base year 2019[1]	Status 2020[1]	Target year
GxPure (Environment)					
CO_2 emissions Reduce our absolute CO_2 emissions to keep the global temperature rise below 1.5°C	Scope 1 and Scope 2 emissions in t CO_2e	-50%	570,230 t CO_2e	-3.4%	2030
Renewable energy Increase in the share of electricity from renewable sources	Electricity from renewable sources in MWh	100%	–	14%	2030
Water Sites with high water stress will achieve certification for responsible water use	Proportion of sites with high water stress that are certified	100%	–	–	2030
Reducing global water withdrawals[2]	Water withdrawal in m³	-10%	972,706 m³	8%	2030
GxCircular (Products and resources)					
Recycling and waste Reduce industrial waste from our own manufacturing to landfills while minimizing incineration rates	Percentage of industrial waste from our own production that is landfilled	0%	–	–	2028
Ecodesign Systematic incorporation of circular economy principles into our product design	Proportion of new product developments incorporating Gerresheimer ecodesign principles	100%	–	–	2023
Responsible supply chain management (RScM) Compliance with environmental and social aspects by our suppliers	Proportion of strategic suppliers that have recognized the Gerresheimer principles for RScM	100%	35%	36%	2023
	Percentage of strategic suppliers audited for environmental and social aspects	100%	24%	30%	2023
GxCare (People)					
Employee satisfaction Ranked in the top 25% of employers in terms of employee satisfaction	Employer Net Promoter Score	Top 25%	–	–	2028
Health and safety Providing a healthy and safe working environment	Lost time incident rate (LTIR) with lost days	-80%	13.4 LTIR	-13%	2028
	Sites with ISO 45001 certification	100%	5%	30%	2023
Community engagement All sites engage yearly with their local communities	Proportion of sites with annual engagement in “school and education” or “health and well-being”	100%	–	–	2023

[1] For targets without baseline and status, the data is not yet available.
[2] Adjusted for the sites in Kuessnacht (closed in 2019) and Buenos Aires (sold in 2019).

The base year for our sustainability targets is generally the financial year 2019. Target achievement periods are based for the GxPure (Environment) pillar on global climate action plans and, for all other areas, on our “formula G” strategy process. For selected targets, we have set a more ambitious target year of 2023, as we believe it is possible and necessary to achieve the targets in these areas earlier.

In making these commitments, we are contributing to the Agenda 2030 for Sustainable Development. With regard to our strategic focal areas and targets, the primary focus of our commitment is on the SDGs “Good health and well-being” (SDG 3), “Decent work and economic growth” (SDG 8), “Responsible consumption and production” (SDG 12) and “Climate action” (SDG 13).

RESPONSIBILITY, RULES, PROCESSES AND CONTROL

Gerresheimer has formalized, communicated and implemented its position on corporate responsibility and sustainability across the Group since 2010 in its Corporate Responsibility Guideline. The principles of sustainability and corporate responsibility are equally part of our corporate philosophy and so underpin not only our vision, but also our mission and our five values. Those principles are binding for all of our locations around the world.[3]

The Management Board of Gerresheimer AG decides on the corporate strategy and is the highest decision-making body for economic, ecological and social issues. The Management Board is directly involved in questions relating to the fundamental direction and implementation of our sustainability strategy.

It is important for us to work across disciplines and divisions in order to transform into a sustainable enterprise. To this end, we established our Sustainability Council this year under Management Board leadership. Comprising representatives from the various divisions and functions, this body ensures that we have a framework for and shared understanding of our sustainability strategy within our international and diverse business environment, that there is ongoing coordination between corporate, operational, financial and technical perspectives on sustainability and that our business model is continuously reviewed with regard to current and future sustainability issues. In this financial year, the Sustainability Council focused on revising the sustainability strategy and the associated sustainability targets.

To ensure strategic and operational control and implementation of our sustainability strategy as well as to evaluate the effectiveness of measures taken, our divisions report on operational implementation of the sustainability targets as part of the quarterly business review. Additionally, the divisions prepare programs and measures to achieve our sustainability targets as part of the annual operating and strategic planning process. This process will be further elaborated in the coming year on the basis of the targets that have now been specified. In the coming year, we also aim to establish an even more detailed assessment of the impact of capital expenditure plans on our sustainability targets as criteria in the capital expenditure decision-making process.

Continuous improvement of all operating activities at Gerresheimer is an integral part of the Gerresheimer Management System (GMS). Based on this system, and following the usual allocation of responsibilities, responsibility for achieving targets and complying with processes – including in the area of sustainability – lies with the managers of the divisions and plants as well as with department heads. Sub-aspects of our sustainability targets are monitored and audited as part of the regular GMS evaluations of plants and locations as well as of the supplier audits. Additional monitoring activities take place on a regular basis in the context of reporting.

Likewise, many of our international pharma and cosmetics customers regularly evaluate our corporate social responsibility measures and outcomes. We also engage in close dialog with investors about our sustainability strategy.

Our current scoring in the EcoVadis assessment is “Silver” level. We improved our score here to 58 (prior year: 46) out of a possible 100 points, once again putting us above the average of 45.1 points (prior year: 42.4 points) for all companies audited by EcoVadis. In the relevant pharma supplier and medical technology sector, Gerresheimer is among the top 6% of the companies audited by EcoVadis. We believe that by improving our sustainability performance along our strategic focal areas, we are well on track for EcoVadis Gold status.

In addition to our commitment with EcoVadis, independent ESG research and rating firms analyze our environment, social and governance-related business practices to provide decision-making guidance for institutional investors. Gerresheimer received the following ratings in 2020:

- MSCI ESG Ratings: AA (on a scale from AAA to CCC)
- Sustainalytics ESG Risk Rating: score of 18.9, placing Gerresheimer in the Low Risk category for material financial impacts of ESG factors.
- ISS ESG Corporate Rating: C-/medium (on a scale of A+ to D-) with a medium relative performance of 5 (on a scale of 1 to 10) within our industry.

[3] Further information about our vision, mission and corporate values is provided under “Strategy and Objectives”. Information about corporate responsibility at Gerresheimer is provided at www.gerresheimer.com/en/company/corporate-social-responsibility

STAKEHOLDER DIALOGS

Dialog with our stakeholders worldwide is a fundamental part of our sustainability management, and not just in connection with the regular onward development of our sustainability strategy. Accordingly, we reach out to stakeholders using various audience-specific formats to inform them about our sustainability performance, elicit their opinions and expertise, and jointly develop solutions. Communication with our business partners and customers, the capital market, employees, policymakers, non-governmental organizations and neighbors is therefore pivotally important.

To liaise with customers, we use a wide variety of channels ranging from face-to-face meetings to participation in trade shows in Europe, America and Asia. We provide information through regular newsletters, catalogs and brochures as well as on a constant basis through details of our products and services provided on our website. To gage expectations among both current and potential customers, we also regularly conduct global customer satisfaction surveys with the aid of a respected market research institute. This deepens our understanding of customer needs and enables us to enhance customer satisfaction and loyalty. The restrictions in response to the Covid-19 pandemic shifted the focus in 2020 from in-person encounters to interaction using virtual channels and platforms.

With regard to dialog with our employees, a major focus of our communication activities in the financial year consisted of communicating our strategy. To this end, we provided employees with information in a global employee newsletter and published information pages in our social collaboration platform. We also trained more than 450 employees from all divisions on our new sustainability strategy and targets in face-to-face online training sessions. Another important employee communication tool is the employee pulse survey (see under “GxCare” for further information).

Discussions and dialog with policymakers take place within the scope of the usual industry association activities. Over and above this, the Gerresheimer Group does not exercise political influence and does not have offices for political communication. We only participate as a company in legislative processes in the form of collective lobbying through our industry association activities.

Our main industry association memberships comprise membership of the Federal Association of the German Glass Industry (BV Glas) (for glass locations in Germany) and the European Container Glass Federation (FEVE). Gerresheimer is also a member of relevant employer associations. In 2020, we also joined the Hydrogen Alliance Bavaria in order to contribute to the evolution of this key technology.

SUSTAINABILITY RISKS

In the course of our strategic realignment, we aim to further integrate sustainability aspects into our processes. As the potential opportunities and risks of our sustainability focuses do not immediately fit with the financial logic of our risk management system (see under “Report on Opportunities and Risks”), we specified the process for recording, assessing and reporting sustainability risks in 2020 in a sustainability risk reporting guideline.

Sustainability risks differ in some respects from traditional risk analysis in terms of time horizon, impact assessment and also the perspective from which they are viewed. For this reason, the process for sustainability risk reporting builds on, but also extends beyond, the established components of risk management. This helps avoid duplication of effort and data capture while ensuring that the analysis is full and complete.

We base the systematic identification and assessment of our sustainability risks on our strategic focal areas, including both “inside-out” risks that relate to our own business activities and have or could have a negative impact, among other things on those focal areas, and “outside-in” risks whose materialization could, in actual fact or potentially, have a significant negative impact on our net assets, financial position and results of operations, as well as on our corporate reputation.

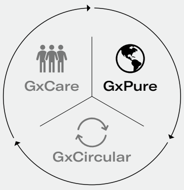
In the future, the identified and assessed sustainability risks will be discussed in the Gerresheimer Risk Committee and reported to the Management Board.

We also publish details of identified climate change-related opportunities and risks on an annual basis as part of our participation in the Carbon Disclosure Project (CDP). The CDP Climate Change Questionnaire follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

For the reporting period, no reportable net risks were identified within the meaning of section 315c read in conjunction with section 289c (3) No. 3 and 4 HGB.

GxPURE (ENVIRONMENT)

GxPure is the first pillar of our sustainability strategy. It embodies our commitment to climate action and the environment.



Strategic field of action	Target	UN Global Compact principles	SDGs
Emissions	Reduce our absolute CO_2e emissions Scope 1 & Scope 2 by 50% until 2030	Principle 7, 8, 9	13 CLIMATE ACTION
Renewable energy	Increase the share of electricity from renewable sources to 100% by 2030	Principle 7, 8, 9	3 GOOD HEALTH AND WELL-BEING; 13 CLIMATE ACTION
Water	Certification for responsible water use of 100% of high water stress sites. Reduce global water withdrawals by 10% until 2030	Principle 7, 8, 9	6 CLEAN WATER AND SANITATION; 15 LIFE ON LAND

We aim to minimize the environmental impact of our business activities, because we strongly believe that acting responsibly and environmentally aware will enhance our results over the medium and long term. Using our raw materials and resources as efficiently as possible continues to be our overarching goal. Environmental protection and the challenges of climate change are our impetus for continuously improving our energy, consumption and emissions management. We also address potential physcial water scarcities relating to climate change well in advance.

In order to deliver on our aspirations, we have set targets in our strategy process for the three strategic focal areas of emissions, energy and water and have matched those targets with key performance indicators to track and transparently disclose our progress globally in clearly quantified form.

The task of ensuring that our targets are implemented is assigned to global bodies such as our Sustainability Council. In addition, we use certification schemes at our locations around the world to make sure we have what is needed on the ground to track, plan and control the targets and to aid standardization and continuous improvement of our management systems. In this way, we implement our environmental targets in all plants. We strictly adhere to prevailing environmental regulations worldwide.

16 (prior year: 15) of our 37 production locations have been certified for state-of-the-art environmental management and responsible use of natural resources in accordance with ISO 14001. All certification is subject to regular review and renewal at fixed intervals.

Using our central reporting software, environmental performance indicators are collected at plant level, aggregated to division and Group level and evaluated. They are also used in the quarterly business reviews between the Management Board, departmental experts and the divisions, as well as by the Sustainability Council.

During the reporting year, we revised our global environmental reporting directive, which lays down binding standards for all locations, in order to promote a common understanding and improve data quality as a result. In this way, we aim to provide a robust framework for our strategic goals and KPIs.

EMISSIONS AND ENERGY

We need energy to manufacture plastic and glass packaging. The main drivers of energy consumption are the melting processes in our high-temperature furnaces. Our goal in this connection is to improve energy efficiency in our processes and to avoid the associated climate-damaging emissions. Key pillars of our approach are the use of efficient technologies and progressively switching to renewable energy sources, especially for electricity.

A large proportion of our direct (Scope 1) and indirect (Scope 2) emissions are associated with our fuel and electricity consumption as well as to energy consumed for heating and cooling. Scope 1 emissions include energy consumption from non-renewable sources such as natural gas, liquid natural gas, diesel and light fuel oil, with natural gas accounting for the largest share. Our Scope 2 energy consumption on the other hand relates to purchased electricity and heat.

We also gather annual data on some of relevant upstream and downstream indirect greenhouse gas emissions (Scope 3) in our value chain. These include emissions from the purchase of the raw materials resin, glass tubing and foreign cullet, as well as emissions from upstream power generation.

Our efforts here contribute to the overarching goal of reducing the environmental impact of our products and activities.

We have set ourselves the target of a 50% reduction in Scope 1 and Scope 2 CO_2e emissions by 2030. The baseline for this reduction target comprises our Scope 1 and Scope 2 emissions for the financial year 2019.

Our CO_2e reduction target is in line with the Paris Climate Agreement and the 1.5°C target from the IPCC Special Report. While our climate target has not yet been validated by the Science-Based Targets Initiative, we have conducted – with outside assistance – a climate scenario analysis using on the Value@CarbonRisk tool, which confirms that our CO_2e reduction target is consistent with the 1.5 °C target from the IPCC Special Report.

For our electricity consumption, we have set a specific additional target that 100% of our electricity consumption descends from renewable sources by 2030.

Establishing systematic energy management provides us with the organizational framework to ensure that we make the most of opportunities to reduce energy consumption and further improve energy efficiency. We have so far introduced an ISO 50001-certified management system at twelve (prior year: eleven) of our 47 locations. All certification is subject to regular review and renewal at fixed intervals. Regular training on energy efficiency and environmental protection is provided in this context at our locations.

Additionally, since 2008, we have had our climate action commitment rated each year by participating in one of the world's largest environmental initiatives, CDP. In the same connection, achievement of our CO_2e emissions targets is reviewed annually by the Management Board. We once again achieved a B score (on a scale of A- to D-) in the CDP Climate Change Reporting 2020, putting us above the average for our sector.

Glass melting operations in particular use a lot of energy. As the need arises, we overhaul and repair the Group's energy-intensive equipment, such as the furnaces in our molded glass plants. This enables us to install cutting-edge glass-melting technology and modernize production systems as a whole.

As a result, we consistently achieve improvements in energy efficiency through furnace upgrades. We have likewise succeeded in substantially boosting capacity at our molded glass plants in the last ten years while significantly cutting energy consumption per ton of glass produced. Regularly increasing automation in raw material supply and batch-making in combination with modern furnace control systems makes for continuous efficiency gains at the "hot end". Moreover, packing robots are increasingly being used for the end-of-line packaging of glass products, ensuring high accuracy and preventing errors during final packing on pallets. Production technologies are also regularly replaced and modernized in our plants that process plastics.

Most activities to reduce energy consumption at our locations in 2020 related to technological retrofitting of machinery and building infrastructure. More energy-efficient injection molding machines were thus purchased or machines retrofitted at ten locations. Another increasingly important aspect in glass manufacturing is the use of external cullet in the process, as this can likewise deliver significant gains in energy efficiency. Our Tettau site added a cullet silo to its existing batch plant in 2020, enabling it to use recycled external cullet for production in the future.

Energy use for lighting is another key factor at many sites. We are thus progressively replacing old bulbs and tubes in our plants with energy-saving LEDs and exploring the use of LED lighting in all building conversions and extensions. Lighting systems were converted to LEDs in various areas at ten locations in the financial year 2020. Also, in many cases, areas that are not in use all the time, such as store rooms, have been fitted with presence sensors that turn off the lights when nobody is there.

Further measures primarily relate to the use of waste heat as well as to retrofitting cooling systems and compressors. Technological upgrading of our systems will continue to be a key pillar of our decarbonization strategy looking ahead.

Our energy consumption went up by 3% to 6,376 terajoules in 2020 (prior year: 6,189 terajoules). This increase was mainly due to capacity expansions at our Essen location. Although they do not take place every year, plant investments are of key importance. This means that our reduction path toward our target will remain non-linear going forward.

In terajoule	2020	2019[2]	Change
Primary energy consumption (direct energy sourcing)[1]	**3,897**	**3,780**	**3.1%**
Natural gas	3,832	3,721	
Other fuels	65	59	
Secondary energy consumption (indirect energy sourcing)	**2,479**	**2,409**	**2.9%**
Electricity	2,464	2,394	
Others	15	15	
Total energy consumption	**6,376**	**6,189**	**3.0%**

[1] We have used the heating value for the conversion of primary energy consumption.
[2] Prior-year figure adjusted due to update of conversion factors for primary energy.

Energy consumption continues to be regionally focused in Europe, where four of our molded glass plants are located. In total, our plants in Europe account for just over two-thirds of our energy consumption.

In 2020, we were able to reduce our CO_2e emissions from energy consumption (Scope 1 and 2) by 3.4% to 550,791 tons (prior year: 570,230 tons).

This improvement resulted from a 9.8% reduction in our Scope 2 emissions to 275,457 tons of CO_2e (prior year: 305,426 tons of CO_2e) due to our increasing switch to electricity from renewable sources as is shown in the table comparing location-based and market-based emissions. In 2020, we met 14% of our electricity consumption from renewable sources. For example, in the financial year 2020, we changed the sourcing of electricity at our Czech location and at three locations in Germany. When switching to renewable electricity, we apply the GHG Protocol Quality Criteria for guidance in selecting suitable sourcing options and instruments.

Due to the above-mentioned volume growth and capacity expansion, our Scope 1 emissions increased by 4% in 2020 to 275,334 tons (prior year: 264,803 tons of CO_2e).

	Location-based calculation method			Market-based calculation method[2]		
In tons CO_2e[1]	2020	2019[6]	Change	2020	2019[6]	Change
Scope 1 emissions[2] [3]	**275,334**	**264,803**	**4.0%**	**275,334**	**264,803**	**4.0%**
Thereof from natural gas combustion	*215,174*	*209,050*		*215,174*	*209,050*	
Thereof process emissions from smelting operations[4]	*48,058*	*43,868*		*48,058*	*43,868*	
Scope 2 emissions	**285,092**	**282,724**	**0.8%**	**275,457**	**305,426**	**-9.8%**
Thereof from purchased electricity	*284,385*	*282,016*		*274,749*	*304,718*	
Scope 1 and 2 emissions	**560,427**	**547,527**	**2.4%**	**550,791**	**570,230**	**-3.4%**
Scope 3 emissions	**304,024**	**297,051**	**2.3%**	**304,024**	**297,051**	**2.3%**
Thereof from purchased raw materials[5]	*240,327*	*228,087*		*240,327*	*228,087*	

[1] Emissions are calculated in accordance with the Greenhouse Gas (GHG) Protocol.
[2] Market-based factors have been obtained for 66% of our electricity purchased; for the remaining sites the location-based IEA factors are applied; for the USA the EPA factors (eGRID factors) are used.
[3] Unit conversions and Scope 1 emissions from gas and other energy use were determined based on the most recent DEFRA factors and the IPCC report.
[4] We determined our process emissions for our raw materials following the mass balance approach based on the IPCC report.
[5] We calculate our Scope 3 emissions based on secondary data from DEFRA and Ecoprofiles from PlasticsEurope.
[6] We have adjusted the previous year's figures due to the availability of more recent or more accurate data.

Alongside Scope 1 and 2 emissions, we also report our Scope 3 emissions from the procurement of raw materials as our most significant Scope 3 category. Our coverage here extends to about 80% of our raw material expenditure. A key means of reducing our Scope 3 emissions in these categories is the substitution of primary raw materials with secondary raw materials such as recycled PET and foreign cullet. The effects of this were more than offset by capacity expansion, however, with the outcome that our Scope 3 emissions increased in 2020 by 2.3% to 304,024 tons (prior year: 297,051 tons of CO_2e).

Other activities for which we do not currently systematically collect data relate to cutting logistics emissions by means of smart packaging techniques, routing optimization and modal switch in transportation, as well as more local raw material sourcing.

Vehicle Fleet

Our global vehicle fleet consisted of 292 (prior year: 307) vehicles as of the reporting date. Environmental aspects are also a factor when stipulating requirements for company cars. To date, most of our vehicles have been diesel-powered. These are currently under review with regard to energy efficiency and environmental aspects. As a contribution to environmental protection, only vehicle models that have passed the ADAC EcoTest and gained at least a four-star rating are permitted. Models that have not been tested are not permitted. In the procurement and operation of our vehicle fleet, we aim to adopt the most environmentally friendly technology and reduce pollution. Our guidelines were revised in 2016 to enable the purchase of hybrid or electrically powered vehicles for our fleet.

WATER

Water is a major factor in the production of plastic and glass packaging. The main use of water in glass production is to cool down reject material and to clean cullet or finished products. For example, acid-etched glass packaging must be cleaned after it is taken out of the acid bath. The use of fresh water can be reduced by deploying water treatment systems. In the production of plastic packaging, water is used to cool machinery and compressors. The intensity of use here primarily depends on the type of plastic. For example, PET resin is melted at higher temperatures, which means that more water is needed for cooling than in the case of polyethylene or polypropylene.

In this connection, responsibility in water use is important to us. We aim to use water as sparingly as possible and have committed to this in our targets. Decentralized water management activities at our locations are given focus by our two global targets.

At all production locations in high water stress areas, we aim to introduce sustainable water management by 2030 in compliance with Alliance for Water Stewardship certification.

Likewise by 2030, we aim to reduce our overall water withdrawal by 10% relative to 2019.

How the various locations contribute to our reduction target depends on the current scale of water withdrawal and the degree of water stress, which is subject to considerable geographical variation. For this reason, we plan to develop and progressively implement location-specific policies for responsible water use by 2030. We will initially focus here on locations exposed to relatively high water stress as defined in the Aqueduct Water Risk Atlas. To identify such locations, we have used this tool to evaluate the exposure of our production locations, and we actively monitor developments and future changes in order to decide on suitable action at an early stage.

Eight of our production plants are currently located in areas with high or very high water stress. These locations account for 14% (prior year: 12%) of our global water abstraction.

By following the principles of the Alliance for Water Stewardship (AWS), we exceed legal requirements in the countries where we operate. AWS is a global collaboration committed to the sustainable management of local water resources. In the form of the AWS standard, it provides a universal framework for the sustainable use of water. Applying it enables us to analyze our water consumption in locations with high water stress together with the impacts in a structured manner as well as to develop and implement solutions for sustainable water management. In this way, we aim not only to reduce overall water abstraction but also, by taking appropriate measures, to ensure that it is used as efficiently and sustainably as possible.

Water stress situation at our locations: overview

As a next step, our high water stress locations will begin collecting and analyzing detailed water use and contextual data in 2021, in line with the AWS standard. This will then be used to develop location-specific sustainable water management plans.

Our main measures to reduce water consumption in the financial year 2020 relate to improvements to our cooling systems – cooling being the main use of the water we abstract.

At our Pfreimd and Zaragoza locations and at one of our plants in Poland, we switched from a closed to an open cooling system during the reporting period. Alongside reduced water consumption, this results in lower energy consumption.

Our water withdrawal increased in the financial year 2020 by 7.3% to 1,049,098 m³ (prior year: 977,937 m³). About two-thirds of our water requirements are sourced from municipal water supplies and about one-third using groundwater.

The increase in water withdrawal is mainly due to water recirculation being shut down during the scheduled furnace build at our Lohr location and the resulting greater quantity of water needed for production there.

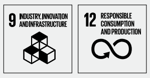
Water withdrawal by sources in m³	**2020**	2019[1)]	Change
Total	**1,049,098**	**977,937**	**7.3%**
Municipal water supply	695,697	752,941	
Groundwater	299,443	176,041	
Surface water	47,759	48,955	
Rainwater	6,200	-	

1) The figures have been adjusted on the basis of subsequently submitted data reports.

The regional focus of our water use continues to be in Europe. In total, our plants in Europe account for about 70% of our water consumption.

GX CIRCULAR (PRODUCTS AND RESOURCES)

GxCircular is the second pillar of our sustainability strategy. It embodies our commitment to resources, sustainable products and supply chain responsibility.

	Strategic field of action	Target	UN Global Compact principles	SDGs
	Recycling and waste	Reduction of industrial waste (from own manufacturing) to landfills to 0% with minimum incineration rate by 2028	Principle 7, 8, 9	
	Ecodesign	By 2023, we will have developed Gerresheimer ecodesign principles and apply these to 100% of our new product developments.	Principle 7, 8, 9	
	Responsible supply chain management	Increase the proportion of strategic suppliers that have recognized the Gerresheimer Principles for RScM to 100% by 2023. Increase the proportion of strategic suppliers audited for environmental and social aspects to 100% by 2023.	Principle 1, 2, 3, 4, 5, 6, 7, 8, 9	

In placing our business model on a sustainable footing, we are guided by the principles of the circular economy. Contrary to the precepts of the linear economy, the circular economy is a regenerative system in which resource use and waste production, emissions and energy waste are minimized by slowing down, reducing and closing energy and material cycles along a product's entire life cycle.

We aim to contribute to the circular economy both with our own processes and with our products. At Gerresheimer, we believe that innovation and environmental protection go hand in hand. We seek to be a pioneer in the development of sustainable solutions for pharmaceutical packaging, devices and customer-specific products.

As the transition to a circular economy requires system solutions beyond the domain of any single business enterprise, we attach great importance to cooperation among all stakeholders at every link in the value chain. We assume responsibility for our supply chain – not merely in terms of sourcing recyclable raw materials, but also in terms of responsibility for ensuring that our value chain is sustainable.

RECYCLING AND WASTE

In the manufacture of our glass and plastic pharmaceutical primary packaging and drug delivery systems, diagnostic systems and packaging for the cosmetics industry, we aim to help cut global waste by designing our processes and using materials in a way that conserves resources, as well as by developing new, sustainable products consistent with the circular economy. This aspiration is the underlying principle of our GMS.

As a manufacturing company, we generate waste in our production processes. In accordance with the circular economy approach and the European waste hierarchy, our fundamental aim is to reuse or recycle such waste and to avoid disposal in landfills altogether. Knowing that much of the waste comprises potential inputs for making different new products, we seek to actively promote such uses.

Our top-level goal is therefore to keep our waste volume as low as possible. At the same time, we want to minimize the impact of our production waste. In line with the European waste hierarchy, we have consequently set ourselves the following target:

By 2028, we aim to reduce our waste to landfill from production to 0%. At the same time, we intend to reduce the proportion of waste sent for incineration in order to prioritize material recycling in the spirit of the circular economy.

Due to our decentralized organizational structure waste management has not previously been coordinated at global level. We are now gradually working to systematize our waste avoidance activities on the basis of a more uniform understanding. Operationalization and Group-wide implementation of the target is being developed by our head office team in conjunction with specialist managers from each individual division.

As well as adopting and communicating the target, we took initial steps toward implementing it during the reporting year. In the course of this, our locations have been asked to develop programs in order to make transparent their individual contributions to our targets and translate them into concrete action.

Additionally, we have started to introduce a new report in our core software in order to centrally track and analyze data on waste volumes and disposal paths in the future. To prepare for implementation, we have supplemented our guideline on data collection for environmental indicators. In this way, we aim to ensure that data on waste streams is gathered consistently. Beginning in the coming financial year, we will report annually on progress toward our targets.

A key element in reducing our overall waste volume is avoiding reject material and, where possible and permitted under regulatory requirements, returning it to the production process. If we are unable to use by-products in our own processes, we always try to find possible uses for them by channeling them to other operators.

During the financial year 2020, our locations notably adopted measures relating to the reduction and avoidance of reject material from our production processes. As well as avoiding waste, this reaps gains in terms of resource efficiency. At the same time, several plants are progressing in the reuse of transportation and packaging material.

Our Czech location already achieved zero landfill in 2018 and entered into discussions during the financial year to reduce incineration in favor of recycling. Changes in market prices for individual material fractions can lead to changes in waste disposal methods.

ECODESIGN

Global packaging volumes are steadily increasing, and with them their adverse impacts on the environment, especially in countries that still lack suitable waste collection and recycling infrastructure. Packaging that is not properly disposed of and ends up in the environment can cause significant negative impacts. Proper disposal and avoidance of the negative environmental impacts of packaging waste – especially plastic waste – are consequently an increasingly important environmental policy goal. Here, protecting the climate and keeping the world’s oceans clean dominate the environmental policy debate. Transitioning to a circular economy is seen as pivotal in achieving environmental policy targets.

Each year, we produce more than 15 billion injection vials, ampoules, cartridges, containers for liquid and solid medicines, insulin pens, pen and micro pump systems, inhalers, syringes and cosmetic containers at our 37 production plants worldwide. Our customers are mostly companies in the global pharma and healthcare industry and the cosmetics industry, with the majority of our revenues generated in the pharma and healthcare industry. As primary packaging, our products thus play a key role in those industries for the safe transportation as well as storage and administration of our customers’ products. In many cases, the packaging is an integral system component, without which many drugs would be less user-friendly and safe.

Right from the development stage, we therefore pave the way for a user-friendly, safe and high-quality product, setting the course that will shape its future environmental impact. Consequently at this early stage of the process, we need to assess the extent to which ecodesign principles can be applied. Ecodesign refers to incorporating environmental aspects into the product design process with the aim of improving the environmental impact of a product throughout its life cycle – including production, transport, use and disposal.

Since the products we make are exclusively marketed and disposed of in combination with our customers’ products, we have to work in close collaboration right from the product development stage in order to develop solutions that decisively improve aspects such as our products’ material efficiency, energy efficiency, waste avoidance, recyclability and disposability as well as logistics efficiency. Alongside environmental sustainability requirements, the systematic integration of ecodesign principles therefore serves to meet regulatory and customer requirements as well as the needs of end consumers.

We have set the following goal for transparent disclosure of our ambition:

By 2023, we will develop Gerresheimer ecodesign principles and apply them in our product development process to 100% of our product innovations.

Whereas in the past we primarily implemented customer specifications, under this new target we aim to collaborate closely with our customers right from the design of our products and the corresponding production processes – not only to comply with legal requirements, but also to proactively and systematically integrate ecodesign and circular economy principles.

We often work together with packaging and process specialists on the customer side at the early stages of development in order to establish a high-quality, optimally harmonized overall concept for the medication, packaging and system design. Our products also undergo a wide range of tests in later process stages to ensure that we can guarantee maximum product safety in use by patients and customers at all times.

Requirements relating to product quality and patient safety in the use of our products, as well as to compliance with regulatory requirements, have to be reconciled with ecodesign principles during product development.

Additionally, as part of our product responsibility, we support our customers in regulatory processes such as compliance with GMP and FDA guidelines as well as preparing and submitting documentation for medical products and pharmaceutical primary packaging. In our Plastic Packaging Business Unit, we help customers with registration processes as well as in selecting the right product by providing all key information on our products in a database. We plan to make greater use of this tool going forward to support our customers in the choice of environmentally friendly alternatives.

In the financial year 2020, we started systematically collecting examples to gain better insight into the status quo regarding where our product solutions already follow certain ecodesign principles.

The majority of the ecodesign aspects applied in our current product portfolio can be categorized under substitution of primary raw materials with secondary raw materials, use of alternative raw materials, reusability, weight reduction and improvement of transport efficiency by design configuration.

Incorporating recycled materials in the production of plastic and glass primary packaging is a key priority. There are also regulatory restrictions, such as the use of prescribed resins and approval requirements, particularly for pharmaceutical primary packaging. Gerresheimer has presented its first corresponding product innovations and is promoting them to its pharma and cosmetics customers.

In plastics packaging, Gerresheimer offers its products with various mixtures of post-industrial recycled and post-consumer recycled (PCR) materials and is able to produce containers made of up to 100% recycled polyethylene terephthalate (R-PET). This saves material and reduces the impact on the environment. The use of R-PET in our products is gaining importance especially in our cosmetics business.

In the production of pharma jars and glass cosmetics packaging, large quantities of recycled glass (cullet) are used as a substitute for raw materials. This is sourced out of the Group's own internal material cycle, but also – under strict controls – from household recycling. Cullet is deployed where it is available in suitable quality, there is no compromise to end-product quality, and there are no pharmaceutical or cosmetic regulatory requirements to restrict its use. Gerresheimer is currently able to use up to around 60% cullet for amber glass and up to around 50% for flint glass in the production of Type III glass for pharmaceutical primary packaging. Glass cosmetics packaging can contain up to about 40% recycled glass. The higher the proportion of recycled glass, the less energy is needed for production. Using recycled glass also helps conserve natural resources, as glass is made from quartz sand, sodium carbonate and calcium oxide as well as containing dolomite, feldspar, potash and iron oxide for coloring.

Advancing the transition to the circular economy, our Momignies plant has worked hard to reduce the quantity of raw materials used in the production of clear glass and to develop a high-quality cosmetic glass utilizing PCR glass. The composition of this glass has been tested and certified by RDC Environment of Belgium. Testing was carried out in accordance with criteria established by the European Container Glass Federation, FEVE.

In addition to our own internal cullet cycle, we work in this context with suppliers such as glass tubing producers. This enables us to return borosilicate glass cullet from our glass molding process to glass tubing producers who then use it to make new borosilicate glass tubes.

Under the BioPack name, Gerresheimer has launched an extensive portfolio of plastic packaging for drugs and cosmetics made from biomaterial to replace conventional PE or PET. Instead of crude oil, biomaterials are made from renewable raw materials – in this instance sugar cane. Packaging made from biomaterials is fully recyclable, has the same properties as conventional packaging and can be used on existing filling and packaging lines.

Reusability was a priority in the development of an inhaler for the treatment of respiratory diseases. Previously, inhalers have normally had to be replaced once the medication is used up. For the new generation of an established inhaler, Gerresheimer produces an eco-friendly successor model whose medication cartridge can be replaced five times. This cuts both waste and the product's CO_2 footprint. The platform solutions provided by Gerresheimer subsidiary Sensile Medical – which are based on a patented micro pump for self-administration of liquid medications – likewise follow a two-pronged approach combining disposable and recyclable sub-units. All elements that come into contact with the drug and the patient are disposed of after use, while the higher-value part of the device comprising the motor, battery, control electronics and, where applicable, display are reused. This reduces the environmental impact and lowers treatment costs.

Resource conservation was also an important aspect in the development of an innovative plastic bottle with minimal raw material input and an indentation in the base that allows the bottle to be stacked. This enables more efficient transport packaging, which in turn leads to lower CO_2e emissions. A further feature of this more environment-friendly approach is the fact that the bottle can be refilled three times in order to reduce waste volumes and energy consumption.

We also frequently exceed legal requirements in terms of product safety by incorporating additional product safety aspects such as safety closures to protect children.

In a next step, we plan to develop the Gerresheimer ecodesign principles in an interdisciplinary team representing a wide range of disciplines, including product development, production, marketing, procurement and customer project management.

SUSTAINABLE PROCUREMENT MANAGEMENT

As a manufacturer of high-quality pharmaceutical primary packaging, our molded glass plants primarily use quartz sand, soda and soda lime as raw materials to make glass, along with other additives in small quantities. The production of plastic primary pharmaceutical packaging and of complex drug delivery systems like insulin pens and inhalers requires energy and above all specialist resins such as polyethylene, polypropylene and polystyrene. We additionally use small quantities of what are referred to as conflict minerals.

Reliable supply and competitive costing are at the core of our procurement activities. Integrating sustainability into supplier management enables us to make our supply chains more resilient and enter into long-term relationships with suppliers. Clear communication of our expectations around sustainability considerations provides the necessary transparency and clarity.

We expect our suppliers to embrace sustainable business practices and have formulated expectations and requirements to that effect in our Gerresheimer Principles for Responsible Supply Chain Management. These require our suppliers to comply with our principles of corporate responsibility. The Principles are based on international standards such as the principles of the UN Global Compact, the Universal Declaration of Human Rights, the ILO Core Labor Standards and the OECD Guidelines for Multinational Enterprises. The topics covered are Ethics, Labor, Health and Safety, and Environment.

Our target is for 100% of our strategic suppliers to have acknowledged our “Gerresheimer Principles for Responsible Supply Chain Management” by 2023.

A further target is for 100% of our strategic suppliers to be audited by 2023 in our supplier qualification process and to be subject to the related re-auditing on environmental and social aspects.

Strategic suppliers are suppliers from whom we obtain materials or services that are used directly in our products during processing, or that could have a material influence on the quality of the end product.

Alongside our “Gerresheimer Principles for Responsible Supply Chain Management”, our interactions with suppliers are governed by the Gerresheimer Compliance Program and by purchasing policies and procedural guidelines. It is also extremely important for us that our suppliers comply with the high quality and sustainability requirements of our business. When selecting strategic suppliers, we therefore verify that they are certified according to the ISO standards relevant to their business activity and also comply with the guidelines on quality assurance in the production of drugs and of active ingredients (good manufacturing practice).

As our divisions and business units deploy different production technologies and production is distributed worldwide across Europe, North America, South America and Asia, our procurement is largely decentralized. Energy and goods or services not relevant to production, such as access to data networks as well as hardware and software, are largely sourced centrally.

Our requirements concerning the selection process for new and existing suppliers and the continuous review of supplier performance are set out in the “Supplier quality procedures” section of the Gerresheimer Management System and are thus applicable for all locations worldwide. At the start of the process, suppliers undergo a standard classification procedure to ensure that our strategic suppliers in particular act in accordance with our quality and sustainability requirements.

New suppliers are subject to a qualification process before they are approved to supply materials or services. In addition to providing information by responding to a questionnaire, the qualification process for strategic suppliers also involves an on-site audit. Around 80% of our locations already include environmental or social requirements in this qualification process. To maintain quality in procurement over the long term and ensure continuous improvement in supplier performance, all strategic suppliers undergo an annual performance review and supplier audits are carried out at regular intervals. Environmental and social evaluation criteria likewise form part of this annual review.

Our “Gerresheimer Principles for Responsible Supply Chain Management” also specify that a supply contract will be terminated with immediate effect if it is determined that a supplier willfully disregards the specified principles.

Where we use or purchase minerals such as tin, tungsten, tantalum or gold (so-called “conflict minerals”) or their derivatives to produce or finish our products, the supplier in question must provide certificates demonstrating that these raw materials have been properly obtained. In this way, we have proof that our suppliers have not obtained the raw materials from countries that finance armed conflict or contribute to human rights violations by mining and trading in them. This is clearly specified in our “Corporate Governance Guidelines” as well as our “Principles for Responsible Supply Chain Management” and we verify suppliers’ certification accordingly.

To further enhance procurement employees’ understanding of sustainability in the supply chain, all relevant employees complete an e-learning module, “Introduction to Responsible Supply Chain Management”. So far, 95% of relevant employees have completed this training.

As of the financial year-end, 36% (prior year: 35%) of our strategic suppliers had committed in writing to compliance with our “Gerresheimer Principles for Responsible Supply Chain Management”. Some 30% of our strategic suppliers are audited with regard to environmental and social aspects.

There were no incidents in the financial year 2020 that led to termination of a supplier relationship for any of the above reasons.

GxCARE (PEOPLE)

GxCare is the third pillar of our sustainability strategy. It embodies our commitment to employees and to the communities among which we operate as a business enterprise.

Strategic field of action	Target	UN Global Compact principles	SDGs
Employee satisfaction	Rank among the top 25% of employers rated in the Employee Net Promoter Score by 2028.	–	3 Good health and well-being; 8 Decent work and economic growth
Health and safety	Reduction of lost time accident frequency by 80% by 2028 Certification of 100% of sites according to ISO 45001 by 2023	Principle 1	3 Good health and well-being; 8 Decent work and economic growth; 12 Responsible consumption and production
Community engagement	Yearly engagement of 100% of the sites in the areas of “school and education” or “health and wellbeing” until 2023	–	3 Good health and well-being; 4 Quality education; 11 Sustainable cities and communities

Our globally oriented human resources strategy provides the framework for our activities and programs at our locations worldwide. As well as seeking to attract and retain skilled employees, we aim to foster employee development, ensure safety and health in the workplace, promote diversity and equal opportunities, improve working conditions and support the community.

Overall implementation of our human resources strategy is the responsibility of management at our plants. Global Human Resources (HR) assumes a support function here, assisting our locations in implementation. The GMS furnishes the processes and tools to implement our global strategy. It encompasses Group-wide standards, methods and instruments for employee development, leadership and participation.

In support of these HR goals, the global rollout of digital HR systems was already launched in 2019, continued in 2020 and has already been successfully completed at various locations. This enables a variety of HR processes, such as the recruiting process, to be standardized globally as well as made more efficient and faster across national borders.

Our five corporate values – teamwork, responsibility, integrity, bold innovation and excellence – must be lived and breathed by all employees at all times in their everyday activities and conduct. This conviction is firmly embodied in our “Corporate Responsibility Guideline”.

OUR EMPLOYEES

We produce in the regions where our customers and markets are located: at 47 locations (including 37 production locations) on four continents. The Gerresheimer Group had 9,880 employees as of the end of the financial year 2020 (prior year: 9,872).

As a Group with a long tradition in our home market, we continue to have a large footprint in Germany. At the end of the financial year, we had 3,597 employees at ten locations across the country (prior year: 3,608). We have 2,349 employees in other European countries (prior year: 1,781), 1,040 employees in the Americas (prior year: 1,097) and 2,894 employees in the emerging markets (prior year: 3,386). Please see the Revenues and Adjusted EBITDA section for a definition of emerging markets.

EMPLOYEE SATISFACTION

Our employees are the cornerstone of our business success. The satisfaction of our employees, their commitment and their knowledge are the most important drivers of our corporate success, paving the way to achieving our goals. We believe that the successful implementation of our entire HR strategy – as outlined in the following sections – is reflected in employee satisfaction.

We have set ourselves the target of being among the top 25% of companies in terms of our employee Net Promoter Score (eNPS) by 2028.

As an indicator of employee satisfaction, eNPS is measured by asking employees how likely it is that they would recommend Gerresheimer as a place of work. As set out in our HR strategy, we aim to make the success of our HR programs and measures transparent and quantifiable. We have selected eNPS as a suitable tool for this purpose. Alongside transparency on the effectiveness of our measures, eNPS promotes our feedback culture.

Our eNPS was measured for the first time in the financial year 2020 and this will now be repeated annually as part of our pulse survey. This is a substantially shorter version of our three-yearly employee survey. The focus is on leadership, commitment and employer attractiveness. Integration into the employee survey enables us to understand in what areas we need to step up or adapt our activities.

Implementation – as with our overall human resources strategy – is the responsibility of management at our plants. Based on the findings for each question, our locations pinpoint and implement suitable measures to address the needs identified.

On the basis of the last comprehensive survey, for example, we set ourselves the goal as part of talent management to further increase the internal replacement rate and to further enhance our position as an attractive employer in order to develop and retain corporate, product and industry know-how within the Group over the long term.

The first pulse survey in 2020 was very well received, with 66.2% participation.

With an eNPS score of 6.6, we have established our baseline and will now go on to analyze the results and identify suitable measures for our locations. As benchmarking results are not yet available, we will be able to present our position relative to other participating companies for the first time commencing with the next financial year.

Alongside eNPS, changes in length of service and employee turnover also show how employees assess their prospects at Gerresheimer. In the financial year 2020, 1,559 employees left the Company (prior year: 1,663 employees). Our employee turnover rate thus continues to fall. The average length of service is 11.7 years (prior year: 11.3 years).

APPRENTICESHIPS AND FURTHER TRAINING

In line with our values-driven corporate policies, and against the backdrop of demographic change, we see vocational training as an important goal in order to recruit young talent early, provide the best possible training and secure long-term employee loyalty. The different training requirements are taken into account in each division.

Our training programs prepare young employees for their future responsibilities. Since Gerresheimer AG went public in 2007, Gerresheimer has trained over 2,500 young people in more than 20 occupations. The strength of Gerresheimer's production locations lies in training the next generation of talent from their own ranks and developing them into skilled employees who will remain with the Company for the long term. Since 2010, the promotion of young talent at Gerresheimer has included a co-op education program. The "*Gx-Go!*" trainee program has been available for graduates since 2017. So far, all trainees who completed the 18-month trainee program have been successfully taken on in ongoing employment with the Company.

In the financial year 2020, we offered a total of 14 training occupations in Germany, ranging from electronics technician to milling machine operator. As of November 30, 2020, Gerresheimer employed 147 trainees (prior year: 180 trainees) in Germany. The training rate in Germany is consequently 4.1% (prior year: 5.0%). We took on 89.1% of the 46 trainees who completed their training with us worldwide in the financial year 2020 (prior year: 89.6% of 48 trainees).

In August 2020, a female trainee at Gerresheimer Regensburg GmbH was conferred the Günter Schwank Training Award for Germany's best mechanics in plastics and process engineering. Besides the trainees themselves, their companies and vocational schools are given recognition for providing the optimum conditions for training. Gerresheimer trainees are among the award winners almost every year. The Association of German Chambers of Industry and Commerce has also selected a co-op student from Wackersdorf for award as the best new mechanic for plastics and rubber processing in Germany.

Our Peachtree City (Georgia/USA) location successfully continued a training program launched in the financial year 2018 in collaboration with a regional college. For several years now, we have additionally provided practice-oriented training modeled on the German dual training system at our plant in Horsovsky Tyn (Czech Republic).

Our Skopje location developed a training program in the financial year 2020 and has already launched the selection process. The program targets trainees in the Republic of North Macedonia, providing them with practical vocational training on the German model.

In addition, we offer ten co-op degree programs, such as a Bachelor of Engineering with an industrial engineering major.

HUMAN RESOURCES DEVELOPMENT

For the attainment of our corporate goals and to secure our long-term success – and in addition to our training programs – we constantly invest in the professional, methodological and personal development of our workforce. In this connection, we always seek a good fit between our corporate goals and individual career aspirations.

We offer coaching, training and development programs to this end worldwide. Furthermore, employees in management positions are able to take part in custom-tailored development programs in order to prepare for the current and future challenges of their roles.

Our corporate strategy also provides for the ongoing development of our global leadership culture. We aim to establish a value-based management culture characterized by participation, mutual collaboration and trust. To foster this, we train all managers at Gerresheimer in these principles. A local "train the trainer" policy ensures that they are perpetuated. The rollout started at our German locations in 2020. Long-term implementation is ensured by local trainers.

As part of talent management, we have set ourselves the goal of increasing the number of internal replacements for management positions. To this end, in 2020, we launched the "formula GT" (Gerresheimer Talents) global management development program to identify and promote high potentials within the Group. This program applies the goals enshrined in our corporate strategy.

A total of 179,418 hours of further training were provided in the financial year 2020, corresponding to 18.2 hours per employee (prior year: 288,869 hours total and 29.3 hours per employee). This shows a marked decrease due to the Covid-19 pandemic as well as the associated assembly and travel restrictions. Employees in the Americas region accounted for 38.8% (prior year: 48.6%) of training hours, followed by Germany with 28.3% (prior year: 26.4%), the rest of Europe with 18.0% (prior year: 12.7%) and emerging markets with 14.9% (prior year: 12.3%).

Annual interviews were held with a total of 4,248 employees in the financial year 2020 (prior year: 4,654 employees), representing 43.0% of all employees (prior year: 47.1%). This is a rolling process that runs into the first quarter of the next year. Generally, annual interviews between employee and superior take place once a year and cover the employee's performance in the preceding financial year, targets for the financial year ahead, any development measures and "person-culture fit". Annual interviews are not mandatory in all countries, however.

DIVERSITY AND EQUAL OPPORTUNITIES

Gerresheimer embraces a culture of diverse beliefs, experiences and cultural backgrounds, as is expressly embodied in our Corporate Responsibility Guideline. Our 9,880 employees work in 15 different countries across four continents. The diversity of these countries and cultures is also reflected within Gerresheimer. An open and respectful corporate culture and the mix of different nationalities, genders, education biographies, life experience and age groups are significant factors contributing to our Company's success. At Gerresheimer, we have created an inclusive working environment intended to ensure that everyone considers themselves to be treated equally and fairly in order to realize their full potential. In accordance with these principles and in observance of the General Act on Equal Treatment in Germany, we fill our vacancies worldwide solely based on qualification and without regard to ethnic heritage, gender, religion, sexual identity or any disability.

In the financial year 2020, Gerresheimer's employees came from a total of 60 nations (prior year: 57 nations), with 63.6% working outside of Germany (prior year: 63.5%).

Female employees make up 33.3% of the workforce (prior year: 33.0%). Owing to the sometimes physically demanding nature of blue-collar work, there are naturally only a relatively small number of female applicants for such positions. Overall, the percentage of women in the first two levels of management was 18.0% (prior year: 19.1%). The separate percentages are 18.4% (prior year: 19.9%) for the first management level and 17.7% (prior year: 18.6%) for the second management level.

As a globally operating Group, we also rely on an international management team. Citizens of countries other than Germany accounted for 42.9% of top-level managers as of November 30, 2020 (prior year: 43.0%). A total of 14 nations are represented in our executive management (prior year: 14 nations).

Diversity also relates to the demographic situation at Gerresheimer. This follows very similar trends in the various regions. We aim to create suitable conditions in order to maintain the employability of our employees in all phases of their lives and safeguard the long-term availability of skilled workers. The average age of the Gerresheimer workforce is 41.4 years (prior year: 41.9 years).

LABOR AND SOCIAL STANDARDS

We are fully committed to respecting, supporting and protecting labor and social standards as well as human rights at our locations worldwide. This commitment is enshrined in our "Corporate Responsibility Guideline."

In keeping with local laws and international conventions – such as those of the International Labor Organization (ILO) – we do not tolerate child and forced labor at Gerresheimer anywhere in the world. Local collective bargaining and other agreements, for example, ensure freedom of assembly for our employees at locations where collective bargaining agreements apply and taking local law into account.

We embrace our responsibility for conduct in accordance with our guideline by communicating its importance and application at all plants as part of our GMS. Plant managers are required to establish a process to ensure compliance with the principles set out in our Corporate Responsibility Guideline.

As part of our compliance program, infringements are able to be reported using our whistleblower hotline. We are also in ongoing liaison with our employee representatives. Workplace codetermination is institutionally established at Gerresheimer by means of the Group Works Council, which looks after the interests of our employees. The Group Works Council comprises 15 employees (prior year: 15) – three women and twelve men (prior year: three women and twelve men).

Recruitment at Gerresheimer is done in compliance with the statutory requirements and legal framework applicable in the country concerned. Gerresheimer embraces a working environment in which all employees, irrespective of nationality, origin, religion, gender, age, disability or sexual orientation, are held in equally high regard and enjoy the same opportunities. This is also ensured in employee recruitment by a globally rolled-out standardized recruiting tool.

With arrangements such as part-time programs, mobile working and flexible work hours, we continue our efforts to support employees in balancing work and family life and make it easier for them to care for children and family members.

Regarding employee remuneration, we attach great importance to ensuring that pay is nationally and internationally competitive and that there is no gender pay differential. We back this up by benchmarking against external companies and with objective job grading in areas such as executive management and at some locations across all levels of the hierarchy. Additionally, many of our employees are subject to binding pay scales under collective agreements, which rule out gender-specific pay differentials for equivalent work.

For various positions, our remuneration policy provides for a variable element in addition to fixed pay. For our global executive management, we also have a Mid-Term Incentive Program relating to the past three financial years.

Gerresheimer provides employees at many locations with additional benefits on top of financial remuneration components. These include subsidized meals, subsidized public transport and group accident insurance.

A total of 303 employees in Europe (including Germany) were employed part-time as of the end of the financial year 2020 (prior year: 305), corresponding to 5.1% of the workforce (prior year: 5.7%).

Gerresheimer employees have the option of taking parental leave, including in countries where there is no statutory provision for doing so. A total of 201 employees made use of this option in the financial year 2020 (prior year: 132).

Furthermore, our pay levels also exceed the local minimum wage in the emerging markets of Brazil, Mexico, India and China.

Employees worldwide were paid special bonuses in the financial year 2020 for their great dedication during the Covid-19 pandemic.

As in the prior year, no cases of human rights violations or discrimination were reported anywhere in the world in the financial year 2020.

HEALTH AND OCCUPATIONAL SAFETY

As a manufacturing company, responsibility for the health and safety of our employees has top priority. We want to provide all employees with a safe working environment from which they return home healthy and without injury every day. Occupational safety must remain the highest priority every single day. We further elaborated on this position in 2020 by adopting the following core health and occupational safety principles:

- Occupational safety and health has top priority
- We actively develop and promote a health and safety culture;
- We require our managing directors to exercise their leadership role in continuously and visibly promoting occupational safety and health
- All managers are required to behave in an exemplary manner and ensure that all employees are fully informed about instructions, the law, hazards and protective measures
- We do not accept violations of safety rules at any level

We want to ensure that occupational safety is a focal issue in every plant, every day, and that everyone works together to achieve this. As well as from good processes, we believe that occupational safety greatly benefits from an occupational safety culture and awareness. We intend to continue working in this regard, with the aim of avoiding every accident.

By 2028, we target an 80% reduction in our lost time injury frequency rate (number of occupational accidents resulting in more than one day lost per million hours worked).

To provide suitable conditions for this purpose, we also plan to introduce an occupational health and safety management system at all production locations by 2023 and have it certified to ISO 45001.

Global responsibility for health and occupational safety matters was centralized in 2020. In addition, each production location has local experts for employee protection. Regular training ensures employee safety awareness and that experts at our locations have the necessary qualifications and up-to-date expertise. A total of 370 employees around the world are members of formal occupational safety committees that verify and ensure compliance with all standards and safety regulations. To strengthen our global safety organization and promote exchange on safety, a global “Occupational Safety Council” was established in 2020 with representatives from each division. The Council is tasked with fine-tuning and uniformly implementing occupational safety standards and processes within the Group.

Future standards and processes are based on the fundamental occupational safety policies enshrined in the Gerresheimer Management System (GMS). These are regularly evaluated in-house. This takes place on an online platform using a standardized questionnaire that allows us to compare the implementation status across different locations and track implementation of specific improvement measures.

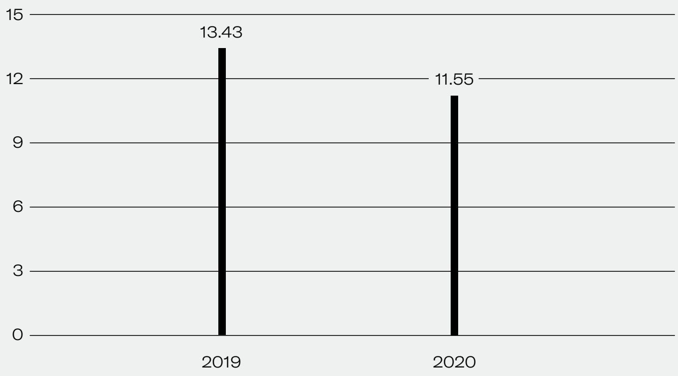
Additionally during the financial year, an in-depth global survey was conducted on the basic organization and integration of occupational safety at all locations. This will serve among other things as a basis for the work of the Occupational Safety Council.

The planned introduction of ISO 45001 management systems at all locations by 2023 will help us to continuously improve occupational safety and minimize accidents. Our plants locally track and analyze occupational safety indicators and implement suitable improvement measures. The indicators are reported on a monthly basis in our global reporting system and, since 2020, have also been published in an occupational safety dashboard for all plants, divisional managers and the Management Board. In addition, occupational safety is a standard agenda item in the business reviews held three times a year between the Management Board and the divisions, as well as featuring in the operational and strategic planning process.

Our production locations held large numbers of training courses during the reporting year, going beyond local legal requirements. In Tettau, Essen and Lohr, for instance, managers received awareness training focused on occupational safety responsibilities, tasks and liability. A large number of our managers were additionally trained in hazard assessment methodology. At our plants in Boleslawiec, Pfreimd and Indaiatuba, special training was provided in the handling of hazardous substances. On the technical side, material handling safety has been improved at our plants in Wertheim, Zaragoza and Vaerloese by optimizing transport with forklift trucks and trolleys. Systematic improvements at our Vaerloese and Zaragoza works focused on the lifting of heavy loads and the handling of big bags. Reflecting the key importance of employee health, we provide individually adapted personal protective equipment such as ear protectors, safety footwear and prescription safety goggles at locations including Chalon, Wertheim, Essen, Pfreimd, Tettau and Lohr.

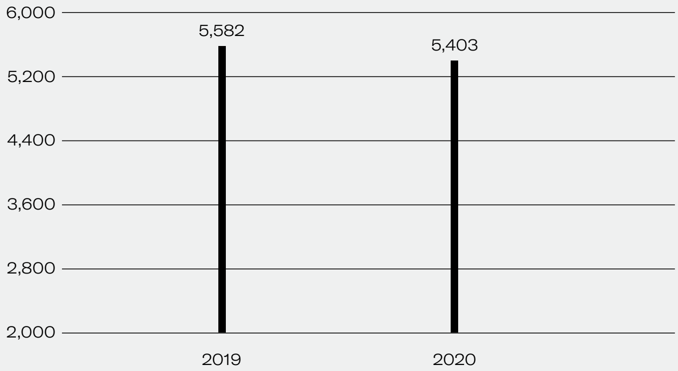
Lost time injury frequency rate

Occupational accidents per million hours worked



Days lost

Days lost due to occupational accidents



The global rate of occupational accidents per million hours worked was 11.55 (prior year: 13.43[4]). The number of occupational accidents resulting in more than one lost day was 210 (prior year: 244). Most such accidents occurred in Germany (101; prior year: 139), followed by the rest of Europe (61; prior year: 69), the emerging markets (33; prior year: 28) and the Americas (15; prior year: 8). In total, occupational accidents resulted in 5,403 days absence (prior year: 5,582), representing a reduction of 179 days. As in the prior year, we had zero fatal occupational accidents in the financial year 2020. Due to the nature of their employment, 254 employees (prior year: 223) have a high risk of job-related illnesses.

A further nine locations were certified to ISO 45001 in the reporting year (Buende, Pfreimd, Regensburg, Wackersdorf, Vaerloese, Kosamba III, Kundli, Danyang I, Danyang II, Kosamba II and Zhenjiang). Eleven of our 37 locations consequently now have ISO 45001 certification. Five locations (Essen, Lohr, Kosamba I, Momignies and Tettau) have launched preparatory measures for certification, while all remaining locations plan implementation by 2023.

To maintain the health of our workforce throughout their working lives and beyond, we offer a broad spectrum of measures at many plants to keep employees physically and mentally fit. These include health days, “Take Your Bike to Work” day, fruit baskets and ergonomically designed workplaces.

One of the defining issues in the financial year – and not only in the area of health and occupational safety – was and continues to be the global Covid-19 pandemic.

Shortly after the outbreak of the pandemic in China, we set up a global crisis team for the worldwide implementation and support of suitable occupational safety and health policies. The team consolidates the situation at our worldwide locations on an ongoing basis and consults regularly on the resulting strategies and measures. All Gerresheimer companies have set up a local crisis team that is responsible for compliance with instructions, implementing measures and reporting to the global crisis team. The local crisis teams work closely together with the global crisis team and are responsible for complying with stipulations under the pandemic plan and coordinating measures according to the situation at any given time.

Gerresheimer activated its existing global pandemic plan and the corresponding measures in January 2020. Our pandemic plan and preventive measures aim to protect employees and maintain business continuity at Gerresheimer – including ensuring stable production and shipments to customers. The instructions in the pandemic plan include preventive, organizational and hygiene measures that have been adapted in each case to local and situational conditions. In addition, our locations have conducted comprehensive, systematic risk analyses and developed additional mitigation plans in order to prepare for potential risks. A seven-stage pandemic scenario has been defined for Gerresheimer, with measures specified in checklists for each stage.

Alongside standard measures such as hygiene requirements, visitor and travel restrictions, temperature measurement and home working, splitting most production teams into small isolated groups has also been of help to us. In combination with staggered shift schedules, this has reduced potential infection risks to small groups, allowing us to keep all of our plants fully operational despite cases of infection.

[4] Prior-year figure revised due to corrections following internal data validation

COMMUNITY

We strongly believe that we can deliver better results in the medium to long term if we make not only economic but also social concerns the yardstick of our actions. That is why we aim to contribute toward the Sustainable Development Goals in the local communities among which we operate. We have enshrined this responsibility to society in our Corporate Responsibility Guideline.

Our delivery on social responsibility is focused around where we operate, meaning in the immediate surroundings of our locations worldwide. In line with our vision of becoming, through our products, the leading partner for enabling solutions that improve health and well-being, we target our social involvement on issues that contribute in this regard and directly relate to our business activities.

We have translated this aspiration into a measurable target:

By 2023, we aim for 100% of our locations to contribute annually to projects relating to health and well-being or education.

In adopting this target, we intend to supplement the contribution we make in our core business to the United Nations Sustainable Development Goals (SDGs), notably “Good health and well-being” (SDG 3) and “Quality education” (SDG 4).

Our local plants plan most of our activities on a decentralized basis and implement them under their own responsibility. They decide for themselves what projects they wish to contribute to in our two focal areas. The type of involvement can also take various forms, including non-cash or cash donations and volunteering.

Many locations have already contributed to the above-mentioned focal areas for many years. In our sustainability strategy, we have now finally made our approach mandatory for all locations. We have begun to systematize the planning and tracking of the various activities against specified criteria in order to place the new objective on the necessary formal footing. In this way, we aim to ensure that our locations select projects that have a positive long-term impact and pay into the specified focal areas. As a next step, we plan to specify a globally uniform set of criteria for this work in order to further focus and substantiate the scope of activities and financial contribution.

To rule out donations or contributions to governments, political parties, politicians or organizations with extremist objectives, we have implemented clear rules governing charitable donations and the awarding of consulting contracts. Substantial donations require corresponding approval and are subject to the Group’s strict compliance regulations.

Whereas a majority of our activities have previously taken place during the annual “ONE Gerresheimer Week”, the contact restrictions and protective measures in connection with the Covid-19 pandemic meant that it was not possible to hold such an event in the reporting year.

In 2020, the focus of our community involvement activities was largely shaped by the Covid-19 pandemic.

Impacts of the Covid-19 pandemic not only prompted us to implement comprehensive measures at our plants to protect our employees and ensure business continuity, but also moved us to actively engage with our local communities in order to mitigate its effects on them.

Alongside cash donations, such as to cancer research institutions as well as to organizations that support local people in need, activities at our locations are therefore centered on non-cash donations of items such as disinfectants, disinfectant containers and masks. In total, over 20,000 containers were donated in this connection. By way of another example, 2,500 food packages were donated to people in need at our location in India.

The altered learning situation due to temporary school closures during the Covid-19 pandemic has placed a priority on providing schools and households with school-age children with the necessary technical equipment. We helped here by donating computers at some of our locations.

ETHICAL BUSINESS CONDUCT AND CONFORMITY WITH THE LAW

It is vital for Gerresheimer's success as a globally operating Group that all Gerresheimer companies are managed responsibly in accordance with ethical business principles and in compliance with the prevailing rules and the law. For Gerresheimer, legally compliant conduct is not only the basis for responsible management but deepens the trust that those we do business with, shareholders and the public have confidence in our Company and our workforce.

GROUP-WIDE COMPLIANCE MANAGEMENT SYSTEM (CMS)

The Group-wide CMS is based on policies adopted by the Management Board. The CMS has the primary aim of ensuring that all Gerresheimer Group employees adhere to applicable law and our internal rules in order to avoid compliance infringements and minimize compliance risk. To this end, the CMS implements preventive measures. Monitoring instruments built into the CMS help detect conduct that does not comply with the law and rules. If infringements are found, they are remedied and sanctioned appropriately as the individual case requires.

The focus of the CMS is on combating corruption as well as adhering to the provisions of antitrust and capital market law. It goes without saying that Gerresheimer also promotes conduct aligned with the rules of compliance in other relevant areas of activity and law.

COMPLIANCE ORGANIZATION

Global responsibility for ensuring that the CMS is appropriate and effective in relation to compliance risks lies with the compliance organization.

The Management Board has appointed the General Counsel as Compliance Officer, who in this capacity is responsible for implementing and updating the guidelines issued by the Management Board and for providing training. Additionally, the Compliance Officer serves as the point of contact for questions and suggestions on the Gerresheimer Compliance Program and for reporting on any violations of compliance rules. In the event of infringements, the Compliance Officer carries out investigations and disciplinary action on the instruction of the CEO.

The Compliance Officer is supported by local compliance officers at subsidiary level. These help ensure that all employees are acquainted with the elements of the Gerresheimer Compliance Program. Local compliance officers are the first point of contact for all compliance-related questions and, in consultation with the Compliance Officer, also conduct training on compliance. The Compliance Officer advises and supports the local compliance officers and local management at all times.

AVOIDING RISK

The Gerresheimer CMS features various preventive elements in order to avoid compliance infringements and minimize compliance risk. These include the Gerresheimer Compliance Program, training and risk analysis.

Gerresheimer's Compliance Program is intended to support employees in correctly applying laws and Company guidelines. All three focal areas selected for the Gerresheimer Compliance Program (combating corruption, antitrust law and capital market law) are covered by binding guidelines supplemented by instructions.

Employees are provided with compliance training at specific intervals. The selection of employees for training follows a risk-based approach. To identify the right participant group, lists of mandatory participants are drawn up for each training module. Training content is delivered both in a classroom setting and via e-learning programs. Classroom training is provided by in-house lawyers or outside experts. Course content is specified by the Compliance Officer and regularly updated.

For analysis and early detection of potential compliance risks, regular risk analysis is performed in which structural risks and business model-specific risks are identified and evaluated in a rating model. Risk analysis consists structurally of reviewing, weighting and aggregating the Company's operating, financial and reputation risks in relation to defined issues, taking into account the monitoring arrangements and processes that are already in place. Based on the outcomes, the scope for further risk reduction is evaluated together with the need for implementing any further monitoring measures.

RISK IDENTIFICATION AND RESPONSE

Conduct that is not in compliance with the law and the rules is contrary to Gerresheimer's interest. All employees, without exception, are under obligation to comply with the applicable laws and rules. The Gerresheimer CMS features various monitoring instruments to ensure that our rules of conduct are observed.

An important such instrument in the Gerresheimer CMS is an electronic whistleblower system for reporting compliance infringements. The whistleblower system provides a direct online channel to the Compliance Officer that is available around the clock and anywhere in the world. Whistleblowers can choose to give their name or remain anonymous. This reporting procedure is open to employees, customers and suppliers as well as other third parties. The whistleblower system can be used in all the languages relevant to the Gerresheimer Group in order to make it as easy as possible to access.

Every suspicion of a compliance infringement is investigated. As a matter of policy, compliance infringements are always sanctioned on a case-by-case basis and in accordance with the proportionality principle. Depending on the severity of the infringement, this can lead to disciplinary measures such as dismissal, warning or relocation, together with claims for damages.

REVIEW AND CONTINUOUS IMPROVEMENT

Review and continuous improvement are basic elements of the CMS. Accordingly, in the reporting year, new e-learning programs were implemented for the focal areas of anti-corruption and antitrust law and rolled out to employees required to complete them. To secure a high participation rate in the e-learning programs across the Group, a comprehensive policy has been implemented to address employees who delay taking part. The training content has also been made available in an additional language.

INTERNAL INVESTIGATIONS

In the reporting year, seven internal investigations were carried out throughout the Group on suspected infringements of compliance rules. On the basis of investigations conducted, employment contracts were terminated with three employees. In four cases, employees received awareness advisories or training and, in one instance, the contractual relationship with a contracting party was terminated.

JUDICIAL AND OFFICIAL PROCEEDINGS

No judicial or regulatory proceedings in connection with focal issues under the CMS were initiated or conducted against Gerresheimer in the financial year 2020.

REMUNERATION REPORT

The Remuneration Report presents the main features of the remuneration system for the Management Board and Supervisory Board. It also reports on remuneration granted to and received by the members of the Management Board and on the remuneration of the members of the Supervisory Board of Gerresheimer AG in the financial year 2020.

REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

BASIS, STRUCTURE AND COMPONENTS

The total remuneration of members of the Management Board consists of non-performance-based and performance-based components. Non-performance-based components comprise the basic salary and fringe benefits. The performance-based components comprise short and long-term variable remuneration together with long-term share-based variable remuneration. Pension benefits include both a non-performance-based and a performance-based component. The structure of remuneration is laid down by the Supervisory Board. An explanation of the individual components is provided in the following.

NON-PERFORMANCE-BASED REMUNERATION

Basic salary

Each member of the Management Board receives a fixed basic salary paid in twelve equal monthly installments.

Fringe benefits

Members of the Management Board receive various non-cash fringe benefits. These mainly comprise premiums for group accident insurance and invalidity insurance as well as provision of a company car. There is also directors and officers insurance for members of the Management Board; this provides for a deductible in accordance with section 93 (2) sentence 3 of the German Stock Corporation Act (Aktiengesetz/AktG).

PERFORMANCE-BASED REMUNERATION

Short-term variable remuneration (short-term incentive/STI)

The short-term variable remuneration (short-term incentive/STI) is tied to attainment of annual targets agreed in each member's contract of employment. Those targets are derived from the corporate planning approved by the Supervisory Board. They relate to variously weighted key performance indicators from the Gerresheimer Group's financial control system, namely revenues, adjusted EBITDA and net working capital. The net working capital target component is calculated as average net working capital as a percentage of revenues. If all targets are met, the short-term variable remuneration is 50% of the basic salary. Limited to a maximum of 70% of the individual basic salary, the short-term variable remuneration is paid out in the subsequent year following approval of the Consolidated Financial Statements by the Supervisory Board.

Long-term variable remuneration (long-term incentive/LTI)

The long-term variable remuneration (long-term incentive/LTI) consists of a rolling bonus system which is tied to the attainment of specific targets over a three-year period. The key performance indicators relevant to target attainment are organic revenue growth and return on capital employed (Gx ROCE).

For long-term variable remuneration, the relevant key performance indicators are set each year for the next three years based on the business plan. If all targets are met, the long-term variable remuneration is 40% of the individual basic salary. Capped at 55% of the individual basic salary, the long-term variable remuneration is paid out three years after the base year.

Long-term share-based variable remuneration (phantom stocks)

As a further long-term variable remuneration component, members of the Management Board are granted rights against the performance of what are known as phantom stocks. A phantom stock right is the right to receive a cash payment that can be claimed within two years of the end of a five-year vesting period, subject to performance of a virtual Gerresheimer share as specified in the target.

The rights are granted for each year of service on the Management Board. Each phantom stock right is issued or granted approximately one month after the Annual General Meeting for the previous financial year. The initial value of the annual entitlement (annual tranche) is determined from the stock market closing prices of Gerresheimer shares. Valuation of the rights in the years until they are exercised is based on a recognized option price model (binomial model). Further explanations of the valuation assumptions are provided in the Notes to the Consolidated Financial Statements.

Target achievement for the entitlement under each annual tranche is determined against the performance of the Gerresheimer share price (share price performance) or the percentage increase in the Gerresheimer share price relative to the MDAX index (MDAX outperformance). The MDAX is a German mid-cap share index to which Gerresheimer also belongs. The target corridor for the share price performance target is between 20% and 40% of the increase in value of the annual tranche in question relative to the applicable initial value. If the target value is within this corridor, the payment entitlement is a minimum of 40% and a maximum of 80% of the basic salary. Amounts between these values are found by linear interpolation. The MDAX outperformance target is achieved if the Gerresheimer share price outperforms the MDAX over the specified period. If this is the case, the payment entitlement is 40% of the basic salary.

PENSION BENEFITS

In place of a company pension, active members of the Management Board receive a pension payment in the form of an annual cash amount to be used at their free disposal for their private pension provision. Said cash amount comprises a basic and a supplementary pension payment. The basic pension payment is 20% of the basic salary. The supplementary pension payment is 20% of the variable remuneration (STI) for the financial year.

BENEFITS ON TERMINATION OF MANAGEMENT BOARD SERVICE

Termination benefits

Termination benefits in the event of premature termination of a Management Board member's contract other than for cause are capped. Severance payments, including fringe benefits, in the event of premature termination of a Management Board member's contract other than for cause are therefore capped to a maximum of two years' remuneration and do not compensate more than the remaining term of the contract. The cap on termination benefits is determined with reference to total remuneration.

Change of control

In the event of a change of control, Management Board members have a once-only special right to terminate their contracts at six months' notice effective as of the end of the month and to resign as of the end of the notice period. The special right of termination applies solely within three months of the point in time at which the Management Board member gained – or were it not for gross negligence would have gained – knowledge of the change of control. The special right of termination only applies if, at the date notice is given, the contract has a remaining term of nine months or more. If a Management Board member exercises his or her special right of termination, the Company is required to pay termination benefits equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as remuneration for the full financial year, including short-term and long-term variable cash remuneration, but excluding long-term share-based variable remuneration.

MANAGEMENT BOARD REMUNERATION IN THE FINANCIAL YEAR

The total remuneration of active members of the Management Board of Gerresheimer AG in the financial year under review and the breakdown by individual components are shown in the following table:

In EUR k	**2020**	2019
Fixed remuneration	2,224	2,760
Non-cash remuneration	29	48
Total non-performance-based remuneration	**2,253**	**2,808**
Short-Term-Incentive	822	891
Long-Term-Incentive	–	281
Phantom Stocks (proportionally earned entitlements)	1,506	1,069
Total performance-based remuneration	**2,328**	**2,241**
Pension expenses	543	817
Total remuneration	**5,124**	**5,866**

Total remuneration for 2019 includes remuneration for two Management Board members whose appointments ended February and April 2019, respectively.

The tables below show individual remuneration, minimum and maximum amounts as well as the remuneration actually paid out and received for the individual members of the Management Board:

DIETMAR SIEMSSEN CEO	Benefits granted				Benefits paid	
In EUR k	**2020**	2020 min.	2020 max.	2019	**2020**	2019
Fixed remuneration	950	950	950	950	950	950
Non-cash remuneration	10	10	10	13	10	13
Total non-performance-based remuneration	**960**	**960**	**960**	**963**	**960**	**963**
Short-Term-Incentive	475	–	665	475	418	40
Long-Term-Incentive 2019	–	–	–	380	–	–
Long-Term-Incentive 2020	380	–	523	–	–	–
Phantom Stocks	–	–	–	–	–	–
Total performance-based remuneration	**855**	**–**	**1,188**	**855**	**418**	**40**
Pension expenses	190	190	323	285	274	285
Total remuneration	**2,005**	**1,150**	**2,470**	**2,103**	**1,652**	**1,288**

DR. LUKAS BURKHARDT PRIMARY PACKAGING GLASS	Benefits granted				Benefits paid	
In EUR k	**2020**	2020 min.	2020 max.	2019	**2020**	2019
Fixed remuneration	634	634	634	570	634	570
Non-cash remuneration	14	14	14	18	14	18
Total non-performance-based remuneration	**648**	**648**	**648**	**588**	**648**	**588**
Short-Term-Incentive	317	–	444	285	251	245
Long-Term-Incentive 2019	–	–	–	228	–	–
Long-Term-Incentive 2020	254	–	349	–	–	–
Phantom Stocks	–	–	2,560	–	–	–
Total performance-based remuneration	**571**	**–**	**3,353**	**513**	**251**	**245**
Pension expenses	127	127	216	171	164	171
Total remuneration	**1,346**	**775**	**4,216**	**1,272**	**1,063**	**1,004**

DR. BERND METZNER CFO (SINCE MAY 2019)	Benefits granted				Benefits paid	
In EUR k	**2020**	2020 min.	2020 max.	2019	**2020**	2019
Fixed remuneration	640	640	640	350	640	350
Non-cash remuneration	5	5	5	4	5	4
Total non-performance-based remuneration	**645**	**645**	**645**	**354**	**645**	**354**
Short-Term-Incentive	320	–	448	175	153	–
Long-Term-Incentive 2019	–	–	–	140	–	–
Long-Term-Incentive 2020	256	–	352	–	–	–
Phantom Stocks	–	–	–	–	–	–
Total performance-based remuneration	**576**	**–**	**800**	**315**	**153**	**–**
Pension expenses	128	128	218	112	105	112
Total remuneration	**1,349**	**773**	**1,663**	**781**	**903**	**466**

Dr. Burkhardt was granted phantom stock rights in the reporting year commensurate with the extension of his contract by five years to December 31, 2025. The grant amount represents the maximum payout amount for the five tranches.

The fair values of phantom stock awards for each annual tranche and the expense recognized pro rata in profit or loss changed as follows for individual active members of the Management Board:

	Portion of total expenses		Fair Value	
In EUR k	**2020**	2019	**2020**	2019
Dietmar Siemssen	516	247	1,804	1,633
Dr. Lukas Burkhardt	709	165	2,951	1,011
Dr. Bernd Metzner	281	91	1,547	1,090

No payment was made in the reporting year for the 2018 to 2020 tranches of phantom stock rights as the corresponding vesting periods had not yet expired.

REMUNERATION OF FORMER MANAGEMENT BOARD MEMBERS

The total remuneration of former members of the Management Board amounted to EUR 2,201k in the financial year under review (prior year: EUR 2,184k). Provisions for pension obligations to former members of the Management Board came to EUR 29,722k at the balance sheet date (prior year: EUR 26,047k). The fair value of phantom stock rights of former Management Board members at the end of the financial year totaled EUR 3,800k (prior year: EUR 3,740k), and the expense recognized pro rata in profit or loss for the phantom stock rights was EUR 1,537k (prior year: EUR 322k).

OTHER

The Company has not granted any advances or loans to members or former members of the Management Board. Likewise, no contingent liabilities have been assumed on behalf of members of this group.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Supervisory Board remuneration is governed by section 14 of Gerresheimer AG's Articles of Association. In addition to reimbursement of expenses and an attendance allowance of EUR 2k per meeting day, each member of the Supervisory Board receives fixed annual remuneration of EUR 70k. The fixed annual remuneration of the chairperson of the Supervisory Board is EUR 175k and that of the deputy chairperson is EUR 105k. Members of the Supervisory Board additionally receive fixed remuneration for chairing or serving on committees, which is also set out in section 14 of the Articles of Association of Gerresheimer AG.

Supervisory Board remuneration in the financial year 2020 is divided among individual members as follows:

In EUR	Fixed remuneration	Additional remuneration for committee work	Attendance fees	**Total**	Prior year
Dr. Axel Herberg, Chairman	175,000	60,000	20,000	255,000	257,000
Francesco Grioli, Deputy Chairman	105,000	40,000	20,000	165,000	167,000
Andrea Abt	70,000	20,000	16,000	106,000	104,000
Heike Arndt	70,000	–	8,000	78,000	78,000
Dr. Karin Dorrepaal	70,000	–	8,000	78,000	76,000
Franz Hartinger	70,000	–	8,000	78,000	78,000
Dr. Peter Noé	70,000	–	8,000	78,000	78,000
Markus Rocholz	70,000	40,000	20,000	130,000	132,000
Paul Schilling	70,000	–	8,000	78,000	78,000
Katja Schnitzler	70,000	20,000	16,000	106,000	106,000
Theodor Stuth	70,000	40,000	16,000	126,000	126,000
Udo J. Vetter	70,000	20,000	12,000	102,000	104,000
Total remuneration	**980,000**	**240,000**	**160,000**	**1,380,000**	**1,384,000**

Three members of the Supervisory Board received an additional total of EUR 15k in the reporting year (prior year: EUR 18k) for supervisory board mandates at subsidiaries of Gerresheimer AG.

Members of the Supervisory Board did not receive any further remuneration or benefits in the reporting year for personally provided services, including consulting and referral services.

No loans or advances were granted to members of the Supervisory Board nor contingent liabilities assumed in their favor.

TAKEOVER-RELATED DISCLOSURES

Gerresheimer AG is a German stock corporation (Aktiengesellschaft) and has issued voting stock that is listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard), a regulated market within the meaning of section 2 (7) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz/WpÜG).

Structure of subscribed capital

The subscribed capital (capital stock) of Gerresheimer AG totaled EUR 31.4m as of November 30, 2020. It is divided into EUR 31.4m ordinary no-par-value bearer shares with a nominal share in capital stock of EUR 1.00 each. The Company's capital stock is fully paid in.

Restrictions on voting rights or on the transfer of securities

As of the reporting date, there were no restrictions on voting rights or on the transfer of Gerresheimer AG shares by law, under the Articles of Association, or otherwise to the knowledge of the Management Board. All no-par-value shares in Gerresheimer AG issued as of November 30, 2020 are fully transferable, carry full voting rights and grant the holder one vote in General Meetings.

Shareholdings exceeding 10% of voting rights

As before, the only direct or indirect shareholdings in the Company's capital stock exceeding 10% of voting rights of which we had been notified were those of NN Group N.V., Amsterdam.

Shares carrying special rights with regard to control

None of the shares issued by Gerresheimer AG have rights which confer special control to their bearer.

System of control of any employee share scheme where the control rights are not exercised directly by the employees

We have no information with regard to the system of control of any employee share scheme where the control rights are not exercised directly by the employees.

Legal provisions and provisions of the Articles of Association on the appointment and replacement of Management Board members and on amendments to the Articles of Association

The appointment and replacement of members of the Management Board of Gerresheimer AG is governed by sections 84 and 85 of the German Stock Corporation Act (AktG) and section 31 of the Codetermination Act (MitbestG) in conjunction with section 6 of the Articles of Association. In accordance with section 6 (1) of the Articles of Association, the Management Board comprises at least two members. In all other respects, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint deputy members of the Management Board. It appoints one member of the Management Board as CEO or speaker.

Under section 179 AktG, any amendment to the Articles of Association requires a resolution of the Annual General Meeting. Excepted from this rule are amendments to the Articles of Association that relate solely to their wording. The Supervisory Board is authorized to make such changes. Unless otherwise required by law, Annual General Meeting resolutions are adopted by simple majority of votes cast. If a majority of capital is additionally required by law, resolutions are adopted by simple majority of the capital stock represented upon adoption of the resolution.

Authority of the Management Board to issue or buy back shares

Under section 4 (4) of the Articles of Association, the Management Board is authorized, subject to Supervisory Board approval, to increase the Company's capital stock by issuing new no-par-value bearer shares for cash or non-cash consideration in one or more issues up to a total of EUR 6.28m by or before June 5, 2021. Increases in the capital stock effected as a result of exercising other authorizations based on authorized or conditional capital during the period of this authorization are taken into account against the increase. Shareholders must normally be granted subscription rights. The subscription right may also be granted in such a way that the shares are taken up by one or more banks or equivalent undertakings within the meaning of the first sentence of section 186 (5) of the AktG with an obligation to offer them to the Company's shareholders for subscription (indirect subscription right).

The Management Board is authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights in the following instances:

- to exclude fractional amounts from the subscription right;
- to the extent necessary to grant holders of conversion rights or warrants or parties under obligation to exercise conversion rights or warrants attached to bonds issued or yet to be issued by the Company or a Group company a subscription right to new shares to the same extent as they would be entitled to as shareholders after exercise of the warrant or conversion right or fulfillment of the obligation to exercise the warrant or conversion right;
- in the event of capital increases for non-cash consideration in connection with business combinations or acquisitions of companies in whole or part or of shareholdings, including increases in existing shareholdings or other assets;
- in the event of capital increases for cash consideration if the issue price of the new shares is not substantially below that of the existing, listed shares at the time of final fixing of the issue price by the Management Board within the meaning of

section 203 (1) and (2) and section 186 (3) sentence 4 AktG, and the percentage of capital stock attributable to the new shares for which the subscription right is excluded does not exceed 10% of the capital stock in existence at the time the authorization comes into effect or at the time the authorization is exercised, whichever amount is smaller.

The total sum of shares issued for cash or non-cash consideration subject to exclusion of subscription rights under this authorization may not exceed a EUR 3.14m share of capital stock (10% of the current capital stock). Shares issued or sold during the period of this authorization under exclusion of shareholders' subscription right in direct or analogous application of section 186 (3) sentence 4 AktG are to be set against the maximum limit of 10% of the capital stock. The same set-off rule applies to shares to be issued to service bonds with a conversion right or warrant or obligation to exercise a conversion right or warrant to the extent that the bonds are issued during the period of this authorization under exclusion of the subscription right by analogous application of section 186 (3) sentence 4 AktG.

The Management Board is authorized, subject to Supervisory Board approval, to stipulate other details of the capital increase and its execution, including the substantive details of rights attached to shares and the conditions of issue.

We further refer in this connection to our disclosures under "Restrictions on Voting Rights or on the Transfer of Securities".

The capital stock is conditionally increased by up to EUR 6.28m by the issue of up to 6,280,000 new no-par-value bearer shares. The conditional capital increase serves the purpose of granting no-par-value bearer shares to holders of convertible bonds or warrant bonds (or combinations of these instruments) (together "bonds") with conversion rights or warrants or obligations to exercise conversion rights or warrants, which on the basis of the authorization approved by resolution of the Annual General Meeting on June 6, 2019 are issued by or before June 5, 2021 by the Company or a Group company within the meaning of section 18 AktG. Increases in the capital stock effected as a result of exercising other authorizations for the issue of shares based on authorized or conditional capital during the period of this authorization are taken into account against the increase. The new shares will be issued at the conversion or warrant price to be determined in each case in accordance with the authorization resolution described above. The conditional capital increase is to be carried out only to the extent that conversion rights or warrants are used or obligations to exercise a conversion right or warrant are fulfilled and no other forms of fulfillment are employed. New shares issued because of the exercise of conversion rights or warrants or fulfillment of obligations to exercise conversion rights or warrants participate in earnings from the beginning of the financial year in which they are issued. The Management Board is entitled to stipulate further details with regard to execution of the conditional capital increase subject to Supervisory Board approval.

Material agreements conditional on a change of control following a takeover bid

The revolving credit facility with a total facility amount of EUR 476.0m, of which EUR 162.6m was drawn, together with drawings of EUR 1.4m on ancillary credit facilities, at the reporting date, may be terminated by the lenders, and would consequently be repayable early and in full, if a third party or several third parties acting in concert were to acquire 50.01% or more of voting rights in Gerresheimer AG.

Promissory note holders are each entitled to call due their promissory notes if any party, or any group of parties acting in concert, directly or indirectly acquires the right to appoint the majority of members of the Supervisory Board of Gerresheimer AG or directly or indirectly acquires more than 50% of the shares or voting rights in Gerresheimer AG.

A change of control following a takeover bid may impact some of our operating contracts featuring change-of-control provisions. These are standard change-of-control clauses that give the other party to the contract a right to terminate the contract prematurely in the event of a change of control.

Compensation agreements for the event of a takeover bid

In the event of a change of control, Management Board members have a once-only special right to terminate their contracts at six months' notice effective as of the end of the month and to resign as of the end of the notice period. The special right of termination applies solely within three months of the point in time at which the Management Board member gained – or were it not for gross negligence would have gained – knowledge of the change of control. The special right of termination only applies if, at the date notice is given, the contract has a remaining term of nine months or more. If a Management Board member exercises his or her special right of termination, the Company is required to pay termination benefits equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as remuneration for the full financial year, including short-term and long-term variable cash remuneration, but excluding long-term share-price-based variable remuneration.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch) is an integral part of the Combined Management Report. In accordance with Section 317 para. 2 sent. 6 of the German Commerical Code, the audit of the disclosures made within the scope of Sections 289f and 315d of the German Commercial Code is to be limited to determining whether disclosures have been made.

STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Gerresheimer AG most recently adopted the following Statement of Compliance in accordance with section 161 AktG as follows on September 3, 2020:

“Declaration of the Management Board and Supervisory Board of Gerresheimer AG on the recommendations of the ‘Government Commission on the German Corporate Governance Code’, pursuant to section 161 of the German Stock Corporation Act.

Since the submission of the most recent Statement of Compliance on September 4, 2019 until March 20, 2020, Gerresheimer AG has complied with all recommendations of the ‘Government Commission on the German Corporate Governance Code’ as amended on February 7, 2017, with the exception of such recommendation cited and explained in said Statement of Compliance.

Gerresheimer AG has complied with all recommendations of the ‘Government Commission on the German Corporate Governance Code’ as amended on December 16, 2019 which became effective on March 20, 2020 (‘Code 2020’), since Code 2020 came into effect and will continue to comply with these recommendations in the future, in each case with the following exceptions:

1. The Company will only make available on its website the Rules of Procedure for the Supervisory Board in the future. In this respect, the recommendation in D.1 of the Code 2020 has not yet been complied with.

2. The recommendation in D.7 of the Code 2020, which states that the Supervisory Board should meet on a regular basis without the Management Board, is not being complied with. While the Presiding Committee generally meets regularly without the Management Board, the Supervisory Board only meets regularly without the Management Board when personnel matters relating to the Management Board are to be discussed. In the case of other topics, any non-participation of the Management Board marks a situational exception.

3. Section G.I. of the Code 2020 contains new and in some cases amended recommendations regarding remuneration of the Management Board. The following such recommendations are either not complied with or not completely complied with by the current remuneration system for Management Board members that was approved by the Annual General Meeting of Gerresheimer AG on April 30, 2015: G.1 (determining the remuneration system), G.3 (disclosure of the appropriate peer group for assessment of adequate compensation), G.10 (variable remuneration predominantly granted as share-based remuneration; accessible only after a period of four years), G.11 (retaining or reclaiming variable remuneration components). On June 9, 2021, the Supervisory Board will present an amended remuneration system for Management Board members to the Annual General Meeting for its approval (pursuant to section 120a (3) of the German Stock Corporation Act).”

The Rules of Procedure for the Supervisory Board are now available on our website.

Also available on our website are the Statements of Compliance issued in the past five years.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Gerresheimer is one of the leading partners to the pharma and healthcare industry worldwide. As manufacturers of products made from glass and plastic for drug packaging and delivery, we make a meaningful and significant contribution to health and well-being.

In this age of increasing globalization as well as growing social and environmental challenges, we are conscious of our corporate responsibility, which goes far beyond the realm of our products. We meet this responsibility actively, comprehensively and sustainably, and are happy to be measured against our principles. In our business activities, we acknowledge our responsibility toward society, our employees, investors, customers, suppliers and the environment. Our corporate social responsibility principles are publicly available at www.gerresheimer.com/en/company/corporate-social-responsibility.

The Gerresheimer Group considers effective risk management a key factor in sustaining value for the long term. The management of opportunities and risks is therefore integral to our organizational structure and processes. The risk management system centers on identifying and mitigating operational risks through the monitoring, planning, management and control systems in place within the entities and at headquarters. We have defined guidelines on risk reporting for subsidiaries and key head office functions. Furthermore, we continuously expand our early warning system and adapt it to the latest developments. Core elements of the internal risk management and internal control system are described in the “Report on Opportunities and Risks” section of the Group Management Report.

COMPOSITION AND PROCEDURES OF THE MANAGEMENT BOARD

Gerresheimer AG is subject to German stock corporation law and consequently has a two-tier management system comprising a Management Board and a Supervisory Board. The Management Board manages the Company autonomously in the Company's interest and is obligated to increase shareholder value on a sustainable basis. It is responsible for preparing the Company's quarterly statements and interim reports, as well as the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report of Gerresheimer AG and the Group. The Management Board ensures compliance with other statutory provisions and mandatory rules, and works to ensure that the subsidiaries of Gerresheimer AG do so likewise. It has established appropriate systems for the structuring of compliance and risk management. The Management Board informs the Supervisory Board regularly, promptly and comprehensively on all issues relevant to the Company with regard to strategy, planning, business performance, the risk situation, risk management and compliance. Significant transactions require the approval of the Supervisory Board.

The Management Board of Gerresheimer AG consists of a minimum of two members. Members of the Management Board are initially appointed for a maximum of three years. Management Board members should not be above the age of 65. The members of the Management Board have joint responsibility for the Company's management, with the individual members each directing the Management Board mandates assigned to them under their own responsibility. Coordination of the Management Board portfolios is the responsibility of the Chief Executive Officer (CEO). The Management Board has not established any committees. The individual members of the Management Board and their portfolios are listed under "Supervisory Board and Management Board". Information on the areas of responsibility and the resumes of the members of the Management Board are available at www.gerresheimer.com/en/company/management. Remuneration of Management Board members is set out in the Remuneration Report.

COMPOSITION AND PROCEDURES OF THE SUPERVISORY BOARD AND ITS COMMITTEES

SUPERVISORY BOARD

The Supervisory Board advises the Management Board in running the business and oversees its management. It regularly discusses business performance and planning as well as strategy and strategy implementation. The Supervisory Board reviews the Annual and Consolidated Financial Statements and the Combined Management Report of Gerresheimer AG and of the Group together with the proposal for appropriation of retained earnings. It approves the Annual Financial Statements of Gerresheimer AG and adopts the Consolidated Financial Statements, having due regard to the findings of the review by the Audit Committee and the auditor's reports. The Supervisory Board also decides on the appointment and dismissal of Management Board members and their remuneration. On a regular basis, the Supervisory Board's Presiding Committee reviews the composition of the Management Board and the division of responsibilities within the Management Board against the needs of the Group's business activities. In a joint meeting with the Management Board as part of succession planning, the Supervisory Board additionally addressed human resources issues and in particular the systems in place for identifying and promoting management talent within the Group. The Supervisory Board is required to work together with the Management Board to ensure long-term succession planning. Detailed information on the work of the Supervisory Board in the financial year under review is provided in the Report of the Supervisory Board.

Resolutions of the Supervisory Board are normally adopted by simple majority. In the event of a tied vote on the Supervisory Board, the Chairman of the Supervisory Board has two votes if a new ballot on the same matter is held and there is still a tie.

The period of office of the current Supervisory Board members started at the end of the Annual General Meeting on April 26, 2017 and runs to the end of the Annual General Meeting at which a resolution is adopted on the formal approval of the actions of the members of the Supervisory Board for the financial year 2021. The Supervisory Board of Gerresheimer AG comprises twelve members. There are a total of four committees, whose responsibilities and composition are described in the following. In accordance with the German Codetermination Act, the Supervisory Board is composed of equal numbers of shareholder and employee representatives. Shareholder representatives on the Supervisory Board are elected by simple majority at the Annual General Meeting. The employee representatives on the Supervisory Board are elected as stipulated in the German Codetermination Act.

Detailed information on the work of the Supervisory Board in the financial year under review is provided in the Report of the Supervisory Board. The individual members of the Supervisory Board and their mandates are listed under "Supervisory Board and Management Board" and are published at www.gerresheimer.com/en/company/management. The information on the website also includes the resumes of the members of the Supervisory Board. Remuneration of Supervisory Board members is set out in the Remuneration Report.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established a total of four committees. Their duties, responsibilities and work processes comply with the requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (the Code), except as otherwise stated in the Statement of Compliance issued by the Management Board and Supervisory Board pursuant to section 161 AktG. The committee chairpersons report regularly at Supervisory Board meetings on the meetings of the committees and their activities.

The **Presiding Committee** prepares the Supervisory Board's personnel-related decisions, notably the appointment and dismissal of Management Board members, appointment of the Chief Executive Officer and decisions regarding Management Board remuneration. In proposals for the appointment of members of the Management Board, the Presiding Committee has regard to the age limit stipulated for Management Board members, long-term succession planning and diversity. It is responsible for approving transactions between the Company and related parties. In addition, the Presiding Committee decides on the approval of contracts and transactions with members of the Management Board and their related parties.

As of November 30, 2020, the Presiding Committee was composed of the following members: Dr. Axel Herberg (Chairman), Francesco Grioli, Markus Rocholz and Udo J. Vetter.

The **Audit Committee** primarily oversees accounting and the accounting processes. It is responsible for the preliminary review of the Annual and Consolidated Financial Statements, the Combined Management Report and the proposal for appropriation of retained earnings. Based on the auditor's report and following its own preliminary review, the Audit Committee prepares the Supervisory Board's decisions on approval of the Annual Financial Statements of Gerresheimer AG and adoption of the Consolidated Financial Statements. The Audit Committee also discusses the quarterly statements and the interim report with the Management Board. It monitors the effectiveness of the internal control system, the risk management system, the internal audit system and compliance. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting for election of the auditor and submits a corresponding recommendation to the Supervisory Board. It takes appropriate measures to establish and monitor the independence of the auditor. The Audit Committee is also responsible for approving the award of non-audit services to the auditor. It regularly assesses audit quality.

As of November 30, 2020, the Audit Committee was made up of the following members: Theodor Stuth (Chairman), Andrea Abt, Francesco Grioli, Dr. Axel Herberg, Markus Rocholz and Katja Schnitzler.

The **Nomination Committee** nominates suitable candidates for the Supervisory Board to propose at the Annual General Meeting for election of shareholder representatives to the Supervisory Board.

As of November 30, 2020, the Nomination Committee comprised the following members: Dr. Axel Herberg (Chairman), Dr. Peter Noé and Udo J. Vetter.

The **Mediation Committee** presents proposals to the Supervisory Board for the appointment of Management Board members if the required majority of two-thirds of the votes of the Supervisory Board members is not obtained in the first ballot.

As of November 30, 2020, the Mediation Committee comprised the following members: Dr. Axel Herberg (Chairman), Dr. Karin Dorrepaal, Francesco Grioli and Franz Hartinger.

SELF-ASSESSMENT BY THE SUPERVISORY BOARD

The Supervisory Board regularly assesses the effectiveness with which the Supervisory Board as a whole and its committees perform their responsibilities. Alongside qualitative criteria, the Supervisory Board specifically assesses the Supervisory Board's procedures and the flow of information between the committees and the full Supervisory Board, as well as the timely provision of sufficient information for the Supervisory Board and its committees. The Supervisory Board carried out its most recent self-assessment in October 2019.

CONFLICTS OF INTEREST

Members of the Management Board and Supervisory Board must disclose any conflicts of interest to the Chairman of the Supervisory Board. In the event of significant conflicts of interest that are not merely temporary in nature, the Supervisory Board member in question must resign from office. In its report to the Annual General Meeting, the Supervisory Board provides information on any conflicts of interest that have arisen and how they have been handled.

DIRECTORS' DEALINGS

Members of the Management Board and Supervisory Board as well as their related parties are required to disclose transactions involving shares or debt instruments of Gerresheimer AG, or involving related financial instruments, if the value of the transactions reaches or exceeds a total of EUR 20,000 within a calendar year. All transactions made are published and can be viewed on the website.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of Gerresheimer AG exercise their rights at the Company's Annual General Meeting. At the Annual General Meeting, shareholders resolve as a rule on profit appropriation, formal approval of the actions of the Management Board and Supervisory Board and election of the auditor. In addition, the Annual General Meeting resolves on amendments to the Articles of Association and measures involving changes in capital, which are implemented by the Management Board. The shareholders may exercise their voting rights at the Annual General Meeting themselves or arrange for them to be exercised through a proxy of their choice or a Company-designated proxy who is bound by instructions. They may also make use of postal voting or voting by electronic means.

Due to the special circumstances surrounding the Covid-19 pandemic, the Annual General Meeting on June 24, 2020 was held entirely in virtual form without the physical presence of shareholders or their proxies.

We provide comprehensive information about the Company's development as part of our investor relations activities. Gerresheimer makes intensive use of the Internet for reporting purposes. At www.gerresheimer.com/en/investor-relations, we publish, among other things, our annual and interim reports, ad hoc announcements and press releases, analysts' presentations and the financial calendar, which lists the main publication dates for financial communications and the date of the Annual General Meeting.

FINANCIAL ACCOUNTING AND AUDITING

Financial accounting in the Gerresheimer Group is based on the International Financial Reporting Standards (IFRS) adopted by the European Union as of the reporting date together with the supplementary stipulations of German commercial law. The Annual Financial Statements of Gerresheimer AG, on which dividend payments are based, are prepared in accordance with the German Commercial Code (Handelsgesetzbuch/HGB) and the German Stock Corporation Act (Aktiengesetz/AktG).

The auditor is elected by the Annual General Meeting in accordance with statutory provisions. Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), Duesseldorf, was appointed as auditor for the financial year 2020. Deloitte has audited the Annual Financial Statements of Gerresheimer AG and the Consolidated Financial Statements since the financial year 2009. The German Public Accountants (Wirtschaftsprüfer) signing the Annual Financial Statements of Gerresheimer AG and the Consolidated Financial Statements are René Kadlubowski (since the financial year 2016) and Dennis Klawitter (since the financial year 2020). The statutory requirements and rotation rules under the HGB are met.

ACT ON EQUAL PARTICIPATION OF WOMEN AND MEN IN EXECUTIVE POSITIONS

By law, the Supervisory Board of Gerresheimer AG must comprise at least 30% men and at least 30% women. As of November 30, 2020, the Supervisory Board is composed of four women and eight men, which equates to 33.3% female membership.

For the Management Board, the Supervisory Board set a target in April 2017 of one woman, to be complied with by April 26, 2022.

In the financial year 2018, the Management Board of Gerresheimer AG set targets for the percentage of women at the first and second management levels below the Management Board at 20% and 33% respectively, to be complied with by June 30, 2023.

DIVERSITY POLICY FOR THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

MANAGEMENT BOARD

The Supervisory Board considers a wide variety of aspects when selecting members of the Management Board, notably including the following:

- Members of the Management Board are expected to have held management responsibility for several years;
- The Management Board as a whole is required to have several years of experience in the areas of production, sales, finance, planning, human resources management, legal affairs and compliance;
- At least one member of the Management Board is required to have capital market experience;
- Members of the Management Board are expected to have international experience;
- Management Board members should not be over the age of of 65;
- Management Board positions must be filled having due regard to the target set by the Supervisory Board for the percentage of women on the Management Board.

At the recommendation of the Presiding Committee, the Supervisory Board decides on a case-by-case basis who is to be appointed to a given position on the Management Board.

SUPERVISORY BOARD

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and professional experience required to properly complete their tasks. In addition, the statutory gender quota must be complied with and due allowance made for diversity. Specifically, the Supervisory Board has defined the following objectives and skill sets for its composition:

- Sufficient representation on the Supervisory Board of members with experience in the fields of business management, strategy and human resources, Company-specific knowledge of the industry, specific knowledge on the customer side and knowledge of accounting principles, internal control procedures and auditing;
- At least one member of the Supervisory Board should have several years' professional international business experience or be of foreign nationality;
- The maximum age limit for members of the Supervisory Board is set at 70, meaning that the term of office of a Supervisory Board member ceases at the end of the first Annual General Meeting following the member's 70th birthday;
- At least four out of six shareholder representatives should be independent of the Company and the Management Board;
- No active role with customers or suppliers of Gerresheimer AG or any of its subsidiaries;
- No position held on a governing body, no consulting for significant competitors of Gerresheimer AG or any of its subsidiaries and no personal ties with any significant competitor;
- Members of the Supervisory Board who are also members of the management board of a publicly listed company are not to occupy more than a total of two supervisory board mandates or comparable positions at publicly listed companies;
- Members of the Supervisory Board who are not also members of the management board of a publicly listed company are not to occupy more than a total of five supervisory board mandates or comparable positions at publicly listed companies (a mandate as supervisory board chairperson is counted twice);
- No more than two members of the Supervisory Board should be former members of the Management Board.

The current composition of the Supervisory Board is consistent with the above-mentioned objectives and the profile of skills and experience.

The Supervisory Board should include independent members in a number it deems to be sufficient. At least four out of six shareholder representatives on the Supervisory Board should be independent of the Company and the Management Board. The chairperson of the Supervisory Board, the chairperson of the Audit Committee and the chairperson of the Presiding Committee should be independent of the Company and the Management Board. The chairperson of the Audit Committee also should be independent of any controlling shareholder. Criteria laid down to establish independence include the following:

- No personal or business relationship with Gerresheimer AG or its Management Board that may cause a substantial and not merely temporary conflict of interest;
- The Supervisory Board member in question or a close family member of the Supervisory Board member has not been a member of the Management Board of Gerresheimer AG in the two years prior to appointment; does not currently maintain, will not maintain until appointment and has not maintained in the year prior to appointment a material business relationship with Gerresheimer AG or any of its affiliated companies (e.g. as customer, supplier, lender or advisor), directly or as a shareholder, or in a leading position of a non-group entity, is not a close family member of a Management Board member and has not been a member of the Supervisory Board for more than twelve years.

Applying the above-mentioned criteria, all shareholder representatives on the Supervisory Board determined on September 3, 2020 that the six current shareholder representatives on the Supervisory Board – Dr. Axel Herberg, Andrea Abt, Dr. Karin Dorrepaal, Dr. Peter Noé, Theodor Stuth and Udo J. Vetter – are independent of the Company and of the Management Board. Although Theodor Stuth and Udo J. Vetter have been members of the Supervisory Board for more than twelve years, both members are to be regarded as independent taking all criteria into account.

REPORT ON OPPORTUNITIES AND RISKS

UNIFORM GROUP-WIDE MANAGEMENT OF OPPORTUNITIES AND RISKS

As a globally operating company, we are regularly confronted with developments and events that can have either a positive or a negative effect on our net assets, financial position and results of operations. It is only our willingness to enter into entrepreneurial risks that enables us to seize opportunities. Up to a defined risk tolerance level, we therefore consciously enter into risks if they offer a balanced opportunity-risk profile.

We fundamentally address risk management and opportunity management separately. Our risk management system identifies, assesses and documents risks and supports their monitoring. Opportunities, on the other hand, are identified and communicated as an integral part of regular communications between the subsidiaries and the control function at Gerresheimer AG in its capacity as holding company.

The central element of the risk management system consists in identifying and mitigating operational risks through the monitoring, planning, management and control systems in place within the entities and the management holding company. In our risk management strategy, we aim to identify risks as early as possible, to assess them, to prevent or mitigate potential impacts by taking suitable actions and, where applicable, to transfer identified risks to third parties. Not even a risk management system can provide an absolute guarantee that risks will be avoided. But it does help us in limiting them and hence in attaining our business targets.

Responsibility for establishing and effectively maintaining the risk management system lies with the Management Board and Supervisory Board of Gerresheimer AG. The legal representatives of our operating companies and the management of key head office functions are additionally involved in monitoring, promptly identifying, analyzing, managing and communicating risks. We have drawn up guidelines on risk reporting for our subsidiaries and key head office functions. Furthermore, we continuously fine-tune our risk management system and adapt it to current developments and conditions.

To coordinate risk management throughout the Group and foster an integrated risk management philosophy, the Management Board of Gerresheimer AG has established a Risk Committee. This is composed of the Chief Financial Officer, who chairs the committee, and the heads of Controlling, Internal Audit, Legal Affairs & Compliance, Accounting, and Global Risk Management & Insurance. Its primary remit is to scrutinize risks in the risk report as well as to further improve and monitor methods and tools in the risk management system. The Risk Committee meets on a half-yearly basis in step with the schedule for risk reporting to the Management Board and Supervisory Board.

The main elements of the Group-wide risk management system are as follows:

- Uniform, periodic risk reporting to head office by subsidiaries
- Regular risk assessment in key central departments
- Risk segmentation into corporate-strategy, external and industry-specific, operational and financial risks
- Quantification of risks in terms of potential financial impact and probability
- Recording of effects on profit or loss by business unit
- Mitigation and risk reduction by loss prevention and risk transfer

Where identified risks are already included in operational and strategic plans, in our forecast or in monthly, quarterly or annual financial statements, they are not included in risk reporting. This avoids double counting in Gerresheimer AG's risk management system. Risks are similarly excluded where no further assessment is needed to determine that the probability of occurrence is effectively nil (such as the risk of disastrous earthquakes in Germany). Risk reporting covers risks but not opportunities.

The Gerresheimer Group applies a number of risk management principles. These stipulate zero risk tolerance for breaches of official regulations and laws or the Company's compliance requirements, as well as for defective products and product quality shortfalls.

As a process-independent element of our risk management system, the Internal Audit Department appraises the effectiveness and proper functioning of the early warning system at regular intervals. In addition, the external auditors assess the early warning system as part of the audit of the Annual Financial Statements and report on this to the Management Board and Supervisory Board. Our early warning system is in full conformity with statutory requirements and also with the German Corporate Governance Code.

INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Consolidated Financial Statements of the Gerresheimer Group are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the European Union and with the supplementary requirements applicable under section 315e (1) of the German Commercial Code (Handelsgesetzbuch/HGB). The Annual Financial Statements of Gerresheimer AG are prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act (Aktiengesetz/AktG).

The overriding objective of our internal control and risk management system in relation to the financial reporting process is to ensure compliance in financial reporting. Establishing and effectively maintaining adequate internal controls over financial reporting is the responsibility of the Management Board and Supervisory Board of Gerresheimer AG, which assess the adequacy and effectiveness of the control system at each financial year-end.

We prepare the Consolidated Financial Statements in a multistage process using recognized consolidation systems. The audited, preconsolidated financial statements of the subgroups and the audited or reviewed financial statements of the other subsidiaries are combined to produce the Consolidated Financial Statements of Gerresheimer AG. Gerresheimer AG has responsibility for the uniform Group-wide chart of accounts, for carrying out central consolidation adjustments as well as for scheduling and organizing the financial statements preparation process.

Uniform guidelines on accounting in accordance with IFRS are in place for the subsidiaries included in the Consolidated Financial Statements. These include a description of the general consolidation methods as well as the applicable accounting policies in accordance with IFRS. Continuously updated to reflect changes to the IFRSs, the guidelines are available on the Gerresheimer intranet to all employees at subsidiaries. There is also a binding schedule for the financial close process.

In the course of the financial close process, the balance sheet, income statement and statement of comprehensive income are entered into the system along with information relevant to the cash flow statement, the statement of changes in equity, the notes and the management report. Effective maintenance of the system is provided centrally by Group Accounting. In addition to the automated checks that are in place, manual data completeness and accuracy checks are carried out by the operating companies and head office. The professional aptitude of employees involved in the financial reporting process is examined during their selection process, after which they receive regular training. We fundamentally apply the dual control principle. Other control mechanisms are target-performance comparisons as well as analyses of the content of and changes in the individual items. Accounting ensures that function-related information is reported by the relevant departments and incorporated into the Consolidated Financial Statements. Our Internal Audit Department reviews the effectiveness of the controls implemented at the subsidiaries and head office in order to ensure compliance with financial reporting guidelines. As part of the 2020 year-end audit, the independent auditors examined our early warning system in accordance with section 317 (4) HGB in conjunction with section 91 (2) AktG.

We prepare the Annual Financial Statements of Gerresheimer AG using the SAP software system. Day-to-day accounting and the preparation of the Annual Financial Statements are divided into functional process steps. Either automated or manual controls are integrated into all process steps. The organizational arrangements ensure that all business transactions and the preparation of the Annual Financial Statements are recorded completely, in a timely and accurate manner and are processed and documented within the appropriate time frame. The relevant data from Gerresheimer AG's single-entity financial statements is transferred into the consolidation system and adjusted as necessary to comply with IFRS.

The Supervisory Board is also involved in the control system through its Audit Committee. In particular, the Audit Committee oversees the financial reporting process, the effectiveness of the control, risk management and internal audit systems as well as the audit of the financial statements. It is also responsible for checking the documents related to Gerresheimer AG's annual financial statements and the consolidated financial statements, and discusses with the Management Board and the auditors Gerresheimer AG's annual financial statements, the consolidated financial statements and the combined management report.

OPPORTUNITIES OF FUTURE DEVELOPMENTS

The Gerresheimer Group has a wide range of opportunities open to it due to its extensive, global business activities. These are primarily driven by the megatrends described under “Strategy and Objectives”. They provide numerous opportunities for profitable, sustainable growth. We undertook capital expenditure on numerous growth and capacity expansion projects in the financial year 2020 and will continue to do so in 2021. Many of our innovative products are already commercially available and others will follow. Our strong innovation pipeline is based on our technical development centers and small-batch production for medical plastic systems and syringes, our glass and innovation center in the USA together with the innovative capacity strength of our Advanced Technologies Division.

Under our strategy (see under “Strategy and Objectives”), we have adopted goals and launched measures geared to generating profitable, sustainable growth on the basis of these diverse opportunities.

RISKS OF FUTURE DEVELOPMENTS

The Gerresheimer Group is exposed to a wide range of risks due to its extensive, global business activities. To the extent that the criteria for accounting recognition are met, appropriate provision has been made for all identifiable risks.

The following sections describe risks that could affect the Gerresheimer Group’s net assets, financial position and results of operations. The probability of occurrence of these risks is assessed according to the following criteria:

- Improbable = Probability of occurrence less than 10%
- Possible = Probability of occurrence between 10% and 50%

Risks with a probability of occurrence of more than 50% are recognized and taken into account in planning where possible.

The potential financial implications of these risks are assessed by the following criteria:

- Moderate = Net loss of up to EUR 10m
- Significant = Net loss of more than EUR 10m

The net loss relates to the potential loss in the event of a risk materializing, taking into account the effects of risk mitigation measures.

OVERVIEW OF RISKS AND THEIR FINANCIAL IMPLICATIONS

	Probability	Possible implications
Business strategy risks		
Risks from acquisition	possible	significant
Product launches	possible	significant
External and industry-sector-specific		
Customer market risks	possible	moderate
Macroeconomic risks	possible	significant
Risks of change in the regulatory environment	possible	moderate
Risks from the future development of state healthcare systems	possible	significant
Tax risks	improbable	moderate
Operational risks		
Productional risks	improbable	significant
Product liabiltiy risks	possible	moderate
Energy and raw material prices	possible	moderate
Human resources risks	possible	moderate
IT risks	possible	moderate
Legal risks	possible	moderate
Financial risks		
Currency and interest rate risk	improbable	moderate
Credit risk	improbable	significant
Liquidity risk	improbable	moderate

Existing risks are discussed in detail in the following.

BUSINESS STRATEGY RISKS

RISKS FROM ACQUISITIONS

Potential impacts:
Acquisitions are an integral part of our strategy. Corporate acquisitions harbor the risk of not all material risks being identified in due diligence. Despite careful due diligence, changes in circumstances can mean that initial targets are not met in whole or in part. With a view to the dynamic position, especially in the Advanced Technologies Division as innovation driver, we assess the probability of occurrence as possible.

Countermeasures:
Functional departments and, where applicable, outside specialists are involved from an early stage to ensure close scrutiny of acquisition projects during due diligence. The process as a whole is managed by our Corporate Mergers & Acquisitions Department in collaboration with the divisions. We aim to identify risks as early as possible by closely and continuously monitoring the market and competition, and to mitigate or minimize them by taking suitable countermeasures.

RISKS FROM PRODUCT LAUNCHES

Potential impacts:

The development of innovative products and their market launch – in close consultation with our customers – is a key component of our growth strategy. In the context of our management responsibility, we are fully aware that this entails risks as well as opportunities. Despite our best efforts, we cannot guarantee that our developments will reach fruition and new products will be commercially successful.

Countermeasures:

On the basis of comprehensive market analyses and contracts with customers, we ensure that the opportunities arising from a successful product launch are maximized and potential risks minimized.

EXTERNAL AND INDUSTRY-SPECIFIC RISKS

CUSTOMER MARKET RISK

Potential impacts:

Business-cycle risks relating to macroeconomic developments can restrict our market prospects and thus put sales at risk. Demand could also develop negatively due to conscious purchasing restraint on the part of our customers. If the market were not ready to absorb additional supply volumes, competitive pressure could increase for an interim period as a result. Furthermore, within the scope of existing capacity, competitors could try to gain additional or regain lost market share by increasing supply. A fall in demand could also lead to increasing competitive pressure. Significant changes in capacity and capacity utilization, increases in supply by individual competitors within the scope of existing capacity and longer-run reductions in demand could have a substantial impact on pricing and/or on sales opportunities.

Countermeasures:

To improve competitiveness, we are working among other things to further improve our cost structure and organizational structure and to expand our product portfolio. We watch the market and aim to make targeted use of opportunities. In the event of sustained changes, we apply measures such as focusing capacity utilization on high-productivity production plants.

MACROECONOMIC RISKS

Potential impacts:

For the Gerresheimer Group, the performance of the global economy has a key impact on growth. The Covid-19 pandemic triggered a global recession in 2020 and, contrary to the original forecasts, caused the global economy to contract for the first time since the 2009 financial crisis. In its forecast (as of October 2020), the IMF expects global economic output to have fallen by 4.4% in 2020 and anticipates a return to the growth trend with positive economic growth of 5.2% in 2021. Any slowdown in global economic growth therefore represents a risk for the Gerresheimer Group's revenue and earnings performance.

Countermeasures:

We meet this risk by constantly monitoring global economic trends. In the event of any change, we apply measures such as focusing capacity utilization on high-productivity production plants. The Gerresheimer Group also has in place a pandemic crisis plan, enabling us to respond swiftly at any time to any developments so as to ensure business continuity at our production locations. This is managed by the global Covid-19 crisis team and local crisis teams at the production locations.

RISKS OF CHANGE IN THE REGULATORY ENVIRONMENT

Potential impacts:

Regulatory requirements tend to increase in quantity and scope from year to year. While delivering major benefits to patients, this presents major challenges for everyone in the market. Especially in European industrialized countries and the USA, policymakers attach great importance to proof of significant therapeutic added value before new drugs are approved. For this reason, the competent authorities usually carry out a detailed cost-benefit analysis before any new drug can be released onto the market. This creates risk with regard to the timing and volume of new drug launches and corresponding risk to sales of our primary packaging. Furthermore, rising quality expectations among our customers can create a need for increased capital expenditure.

Countermeasures:

We address these risks by working continuously on our own quality requirements. In addition, we back up our customers' sales forecasts with our own analysis. As a result of our continuous quality improvement measures, we assess the financial impact as moderate.

RISKS FROM THE FUTURE DEVELOPMENT OF STATE HEALTHCARE SYSTEMS

Potential impacts:

In the financial year 2020, Gerresheimer generated the majority of revenues with the pharma and healthcare industry. Governments and health insurance funds in Europe and the USA have endeavored to curb the rate of increase in healthcare costs in recent years. This has led to increased price pressure on the pharma industry, where the need for cost control has intensified due to limited patent protection and the constant rise in product development costs. This trend can similarly lead to increasing price pressure on our products, although generally only a small percentage of the total price a consumer pays for medication relates to pharmaceutical primary packaging. If the price pressure is not offset by cost reductions or enhanced efficiency, this could have a significant negative impact on our net assets, financial position and results of operations.

Countermeasures:
Early identification of such developments as they emerge and active portfolio management are therefore important elements of corporate management. The Gerresheimer Group's international and multi-market presence also means that it is better placed to make up for cyclic fluctuations in individual markets and countries than other companies lacking such a global lineup.

TAX RISKS

Potential impacts:
Due to the globalization of its business, the Gerresheimer Group must take into account a wide variety of international and country-specific rules laid down by tax authorities. Tax risks can arise from failing to fully comply with tax rules or due to differences in the tax treatment of specific matters and transactions. In particular, tax audits and any resulting audit findings involving interest and additional tax payments may have a negative impact on the Group. Due to timely tax audits and the results of these in the past, we consider the probability of material findings to be low. We therefore assess the probability of occurrence as improbable.

Countermeasures:
Tax risks are regularly and systematically examined and assessed. Any resulting risk mitigation measures are agreed between Gerresheimer AG Group Tax and subsidiaries. In addition, Group-wide tax compliance guidelines serve to document and verify effective tax compliance management with the aim of systematically and preventively ensuring compliance with statutory requirements and obligations together with internal Group tax guidelines.

OPERATIONAL RISKS

Our definition of operational risks includes operating, human resources and safety risk. Such risks are mitigated by taking out adequate insurance cover and by placing stringent requirements on production, project and quality management.

PRODUCTION RISKS

Potential impacts:
Unfavorable circumstances and developments can lead to business interruptions and damage at our plants. Alongside the cost of damage repair, the main risk is of a business interruption leading to production downtime and thus jeopardizing the fulfillment of our contractual obligations to customers. Based on our track record of losses, the loss frequency for our business is very low while the potential financial impact is high.

Countermeasures:
To counter the risk of unplanned, longer-run production plant stoppage or downtime, the Gerresheimer Group has established ongoing plant inspections and preventive maintenance. We also continuously modernize our existing production systems and invest in new, more modern plant and machinery. The Gerresheimer Group uses insurance policies to guard against the financial impacts of potential damage and associated production downtimes together with any liability risk. By transferring risk to insurers in this way, we ensure that the financial impact is limited to the agreed deductible. The financial implications for the Group are therefore assessed as moderate. We currently insure possible own loss or damage at replacement value under all-risk property and other insurance policies. An all-risk business interruption policy, which like the all-risk property policy is subject to appropriate deductibles, currently protects us against potential loss of earnings in the event of business interruption at our plants. The scope and substance of these insurance policies are continually reviewed and modified as needed by our Global Risk Management & Insurance department. As a result of insurance market developments, there is no guarantee that Gerresheimer will be able to obtain adequate insurance cover in the future at present terms and conditions. We thus rate the potential financial impact to be significant.

PRODUCT LIABILITY RISKS

Potential impacts:

Despite internal measures to ensure product quality and safety, the Gerresheimer Group cannot rule out the possibility of loss or damage for customers and consumers from the use of packaging products and systems manufactured. More exacting customer requirements in the direction of zero defect tolerance pose special challenges for quality assurance. Potential product liability risks are illustrated by the following examples: The supply of defective products to customers could result in damage to production facilities or even cause business interruption. For us, this could also mean loss of reputation for the Gerresheimer Group. Furthermore, in combination with medicines and ingredients sold by its pharma and healthcare industry customers, faulty products produced by the Gerresheimer Group could pose a health hazard to consumers. It cannot be ruled out that the Group might lose customers as a result of any such event. Gerresheimer could also be exposed to related liability claims such as claims for damages from customers or product liability claims from consumers. Any product liability claims made against Gerresheimer, especially in class actions in the USA, could be substantial. There is also the risk of the Group potentially having to bear considerable costs for recalls. As these examples show, negative impacts on the Gerresheimer Group's net assets, financial position and results of operations cannot be ruled out.

Countermeasures:

To avoid product liability claims, the Gerresheimer Group applies extensive quality assurance measures. The quality assurance and defect resolution process applied to our products is subject to continuous improvement and refinement. In addition, product liability and recall cost insurance fully covers any claims and liability risks incurred, meaning that risk is largely transferred and the potential financial impact is assessed as moderate.

RISKS FROM ENERGY AND RAW MATERIAL PRICES

Potential impacts:

Our energy requirements are consistently high, due in particular to the energy-intensive combustion and melting processes in our high-temperature furnaces. A significant rise in energy prices can have an impact on the Gerresheimer Group's results of operations.

Another significant portion of production costs relates to raw materials for the manufacture of glass and plastic. In the manufacture of plastic products, we are reliant on intermediary products such as polyethylene, polypropylene and polystyrene. The prices of these products largely depend on oil price trends.

Countermeasures:

To cushion against rising energy costs, we make use of the special compensation arrangement in Germany for energy-intensive companies under section 64 of the Renewable Energy Act and also hedge against increases in energy prices. We have additionally agreed price escalation clauses in a number of contracts with customers. Over and above these, price fluctuations in the procurement markets for raw materials are largely offset by hedging, productivity gains and price increases. In the overall appraisal, we assess the financial impact as moderate.

HUMAN RESOURCES RISKS

Potential impacts:

The technical expertise and individual commitment of our employees are crucial to the successful implementation of our growth-driven corporate strategy. Training, recruiting and securing the long-term loyalty of sufficient numbers of qualified personnel will remain extremely important for our Company in the future. Failure to do so could have a considerable impact on our business success. Demographic change and the resulting potential skills shortage pose additional personnel risks in the medium to long term.

Countermeasures:

We counter these risks by positioning ourselves as an attractive employer worldwide. Elements in this include competitive pay, occupation-specific and technical training and continuing education, structured succession planning (talent management) and individual fostering of young talent. As a global Group, we also operate diversity-oriented personnel policies and employ target group-specific personnel marketing.

IT RISKS

Potential impacts:

Increasing use is made of computer-aided business processes as well as of IT systems for internal and external communications. Major disruption to – or even failure of – such systems can cause data loss and obstruct business processes. IT risks consequently relate to a complete failure of the Gerresheimer ERP system and therefore the risk of no longer being able to maintain system-driven operation of the Group's business processes. There is also the risk of the central directory service going offline and with it all Windows users in the Company. Failure of the wide area networks (WAN) would also be critical, as these are used to transfer data between all Gerresheimer locations.

Countermeasures:
IT systems are standardized, harmonized, reviewed and improved Group-wide to ensure that our business processes function smoothly at all times. Minimum sectoral IT standards such as backups, redundant data links and distributed data centers help to minimize downtime risk. In the course of instituting measures for the European Union General Data Protection Regulation, technical and organizational minimum standards were established for all locations. To mitigate the risk of directory failure, the systems are designed to cover all sites and thus incorporate multiple redundancy. In order to reduce logical errors in the central WAN, services are overlaid with a software-defined network.

Our IT Governance and IT Compliance functions ensure that statutory, internal corporate and contractual requirements are met and implemented.

LEGAL RISKS

Potential impacts:
As an international enterprise, the Gerresheimer Group must comply with differing laws in different jurisdictions. This can result in a wide range of risks relating to contract, competition, environment, trademark and patent law.

Countermeasures:
We limit such risks by means of legal appraisal by our internal legal departments and by consulting external specialists on national law in the jurisdictions concerned.

We have established a global Compliance Management System to ensure compliance with laws and regulations worldwide, especially in the areas of corruption prevention, antitrust law and capital market law. All board members as well as employees of Gerresheimer AG and of all subsidiaries must abide by our compliance guidelines. Adherence to the law and conformity with the guidelines under the Gerresheimer Compliance Program are of paramount importance to Gerresheimer AG and its affiliated companies.

We have no knowledge of risks from legal disputes that could have a significant impact on the Gerresheimer Group's net assets, financial position and results of operations.

FINANCIAL RISKS

We are exposed to financial risks in our operating activities. The responsible Group Treasury Department centrally monitors the financial risks facing the Group by means of Group-wide financial risk management. The Group manages identified risk exposures by using appropriate hedging strategies on the basis of clearly defined guidelines.

CURRENCY AND INTEREST RATE RISK

Potential impacts:
As a company headquartered in Germany, our Group and reporting currency is the euro. Given that we conduct a large part of our business outside of the eurozone, exchange rate fluctuations can have an impact on earnings. The greater volatility of exchange rates in recent years has increased related opportunities and risks. We are additionally exposed to interest rate risk in borrowing. Interest rate fluctuations can alter the interest burden on existing debt and the cost of refinancing.

Countermeasures:
We limit exchange rate risks in operating activities by using forward exchange contracts. The Group uses derivative financial instruments exclusively to hedge risk in connection with commercial transactions. We contain interest rate risk where necessary by entering into interest rate swaps.

CREDIT RISK

Potential impacts:
Credit risk on primary and derivative financial instruments comprises the risk of counterparties being potentially unable to meet their contractual payment and fulfillment obligations.

Countermeasures:
Through our credit and receivables management function as well as operating company sales functions, we monitor credit risks resulting from the Group's trade relationships. Our customers undergo internal credit checks on an ongoing basis in order to avoid losses on receivables. Receivables from customers lacking a top credit rating are insured where insurance cover is available. To avoid credit risks from financial instruments, such instruments are only entered into with parties having top credit ratings.

LIQUIDITY RISK

Potential impacts:
There is the risk of not being able to fulfill existing or future payment obligations due to insufficient availability of funds.

Countermeasures:
The Group's liquidity situation is monitored and managed on the basis of multi-year financial planning and monthly liquidity planning. To safeguard liquidity, the Gerresheimer Group additionally has available a revolving credit facility and several promissory loans with maturities up to 2027. Reference is also made here to the quarterly meetings of the Investment Committee and its liquidity monitoring function.

Further information on the financial risks and their management is provided in the Notes to the Consolidated Financial Statements under “Financial Risk Management and Derivative Financial Instruments”.

RISKS RELATING TO THE CSR DIRECTIVE IMPLEMENTATION ACT

Information on our sustainability risks can be found in the non-financial group declaration under “Corporate Responsibility and Sustainability at Gerresheimer”.

OVERALL ASSESSMENT OF THE GROUP RISK SITUATION

The Gerresheimer Group has a wide range of opportunities open to it due to its extensive, global business activities (see “Megatrends” in the “Strategy and Objectives” section). We are active in global growth markets with our core businesses of manufacturing pharmaceutical primary packaging, drug delivery devices and packaging for cosmetics. Growing demand for vaccines and self-medications, together with the paradigm shift from small molecules to biologics and biosimilars, will further boost the market for injectable drugs. With its global footprint and broad product portfolio, Gerresheimer is well positioned in attractive niche markets. For a market-leading manufacturer of packaging and glass syringes for vaccines such as Gerresheimer, even the Covid-19 pandemic presents opportunities from a commercial perspective. Our capital expenditure in the financial year 2020 and the planned capital expenditure on numerous growth projects in the financial year 2021 enhance our future potential for profitable, sustainable growth.

The basis for the Management Board’s overall assessment of the risk situation is provided by our risk management system. The risk reporting process collates all risks reported by subsidiaries and head office functions. Risk reporting to the Management Board and the Supervisory Board follows a regular cycle.

Despite the Covid-19 pandemic, there was no significant change in the Gerresheimer Group’s risks in the financial year 2020 compared to the prior year. Based on our overall risk assessment, there are currently no risks that raise doubt about the ability of the Gerresheimer Group or Gerresheimer AG to continue as a going concern or that could have a material effect on its net assets, financial position and results of operations.

The revolving credit facility is subject to a financial covenant in line with prevailing market practices. This is described under “Financing instruments”. The stipulated financial covenant pursuant to the credit line agreement in force was complied with in the financial years 2019 and 2020. Based on our multiple-year budget, we project that this financial covenant will continue to be met in the future.

OUTLOOK

GROUP STRATEGIC OBJECTIVES

The following statements on the future business performance of the Gerresheimer Group and of Gerresheimer AG, and the assumptions about the economic development of the market and industry deemed significant for this purpose, are based on our assessments, which we consider realistic at the present time based on the information we have available. Those assessments are subject to uncertainty, however, and entail the unavoidable risk that actual performance may vary in direction or magnitude from the projected performance.

DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

The IMF expects a global economic recovery in 2021 and forecasts world economic growth of 5.2% (as of October 2020). This returns the global gross domestic product (GDP) in 2021 to just above the level of 2019, the year before the Covid-19 pandemic. According to the experts, the economic upturn that started in the third quarter of 2020 is likely to amplify steadily in 2021.

Regional trends vary, however: Although the IMF experts expect industrialized nations to grow by 3.9% in 2021, that would still leave GDP two percentage points short of 2019. Emerging and developing economies are already expected to exceed the 2019 GDP level in 2021. GDP in emerging and developing countries is expected to grow by 6.0% in 2021, which is some 2.5 percentage points higher than the figure for 2019.

For the USA, the IMF forecasts growth of 3.1% for 2021, compared with a 4.3% contraction in 2020.

The eurozone is expected to see a stronger economic recovery than the USA. Growth there is projected to be 5.2%. On the other hand, the 8.3% contraction in 2020 was also significantly greater than the decrease in the USA. At 4.2%, growth in Germany is expected to be weaker in 2021 than in the eurozone as a whole.

According to the experts, China is forecast to grow more strongly again with an increase of 8.2%, following significantly lower growth of 1.9% in 2020 than in preceding years. The robust recovery of the Chinese economy is partly due to the fact that China came out of the first lockdown in the fight against the Covid-19 pandemic much earlier than, for example, the USA or Europe as well as partly to government support programs and to export trade that was not hit as hard in the further course of the pandemic. India is expected to achieve stronger growth of 8.8%, but this follows a very sharp, 10.3% decline in the economy in 2020. At 2.8%, anticipated growth in Brazil, on the other hand, is relatively moderate compared to the other nations.

EXPECTED RESULTS OF OPERATIONS

Our overarching Group objective is to become the leading global partner for enabling solutions that improve health and well-being. To achieve this, we aim to generate sustainable and profitable growth and extend our global reach.

We expect to generate revenue growth in the **Plastics & Devices Division** in the financial year 2021. Our drug delivery devices remain the main revenue and growth driver in this segment. These primarily comprise autoinjectors, inhalers, insulin pens and prefillable syringes. Overall, our business in this division is firmly on track for growth thanks to clear, intact megatrends, and will continue to grow in the coming financial year, especially in terms of inhaler and syringe sales. Products and solutions for biotech-based drugs in particular play an increasingly important role in this context. This is also reflected in the capital expenditure on capacity expansion in syringe production at our location in Buende (Germany) and in the addition of syringe production at the new plant for drug delivery devices in Skopje (Republic of North Macedonia). A further focus of capital expenditure relates to a major contract for the production of autoinjectors in Pfreimd (Germany).

Revenues from our plastic pharmaceutical primary packaging products are expected to continue performing well in Europe and the USA in the financial year 2021. We have special expectations for revenue growth in the emerging markets of Brazil, India and China. In the USA, we are investing in a new location as well as in diversification of the product portfolio.

For our **Primary Packaging Glass Division**, we forecast revenue growth with our glass primary packaging, such as injection vials, ampoules, pharma jars, perfume flacons and cream jars. We will continue to invest in automation as well as in expanding our global capacity and product portfolio in the financial year 2021, especially with regard to superior-quality products. Three furnace expansions will take place in 2021 to increase capacity in the Moulded Glass Business Unit – two at European plants and one at a plant in India. In the Tubular Glass Business Unit, we are investing in capacity expansion for the production of injection vials. We expect revenue growth in all regions with products for both the pharmaceutical and the cosmetics industry.

The **Advanced Technologies Division** will continue its systematic development in the financial year 2021 as the Gerresheimer Group's innovation and digitalization hub. In parallel, the division will continue to advance market penetration with the already available micro pump for self-treatment of Parkinson's disease. Regarding our project for the development of a micro pump for the treatment of heart disease, we are supporting our partner in the approval process. We are likewise developing micro pump technology for the delivery of large-molecule biological drugs. In addition, a platform is under development for smart, precision inhalation measurement systems.

On a continuous basis, we weigh potential acquisitions and collaborations with universities, other trading partners and customers in order to further enhance Gerresheimer's positioning as the solutions provider for the pharma and healthcare industry.

EXPECTED FINANCIAL SITUATION AND LIQUIDITY

The Gerresheimer Group had EUR 88.0m in cash and cash equivalents as of November 30, 2020 (prior year: EUR 85.8m). Under the revolving credit facility – plus ancillary credit facilities – with a total facility amount of EUR 476.0m (prior year: EUR 550.0m), we had EUR 312.0m available in undrawn amounts as of the reporting date (prior year: EUR 231.2m). This puts us in a sound financial position.

The maturities of the promissory loans are spread as follows over the next five years and beyond:

In EUR m for the financial years	Promissory loans (nominal value)
2021	–
2022	305.5
2023	163.0
2024	109.0
2025	187.5
after 2025	45.5
Total	**810.5**

The revolving credit facility matures in financial year 2025.

OVERALL OUTLOOK ASSESSMENT

Our Company is well equipped for the financial years ahead. We have a sound financial base, long-range financing and a clear-cut corporate strategy founded on long-term megatrends. We are in the process of transforming Gerresheimer into a growth stock as innovation leader and solution provider. The goal in all activities is profitable and sustainable growth. We will continue to globalize our Company and take attractive technologies into our portfolio. Alongside organic growth that we plan to finance out of operating cash flow, acquisitions subject to careful appraisal of opportunities and risks will continue to play an instrumental role. We are very well placed to systematically act on the potential opportunities arising from innovations or a consolidation of our industry.

GERRESHEIMER GROUP

The Gerresheimer Group pursues a successful, clear-cut strategy geared to sustainable and profitable growth. Our expectations for the financial year 2021, in each case assuming constant exchange rates and excluding acquisitions and divestments, are set out in the following.

The most important currency after the euro continues to be the US dollar with a share of just under 30% of revenues and just below 40% of adjusted EBITDA in 2021. As before, a rise or fall in the US dollar by about one cent against the euro has an impact of around EUR 4m on revenues and EUR 1m on adjusted EBITDA.

OUTLOOK FOR THE FINANCIAL YEAR 2021

Revenues and adjusted EBITDA

We anticipate revenue growth in the mid-single-digit percentage range[5] for our core business[6] in the financial year 2021, as against the comparative figure at constant exchange rates for the financial year 2020 of EUR 1,390.1m[7]. For adjusted EBITDA in our core business, we expect growth in the mid-single-digit percentage range for the financial year 2021, versus a comparative adjusted EBITDA figure of EUR 318.6m[8] in the financial year 2020. The adjusted EBITDA margin in our core business is expected to be between 22% and 23% in the financial year 2021.

For the Advanced Technologies Division, we expect revenues and adjusted EBITDA in the financial year 2021 to be on a par with the prior year.

Adjusted earnings per share

We anticipate that earnings per share attributable to the shareholders of Gerresheimer AG will increase on a constant exchange rate basis by approximately 10% in the financial year 2021 relative to the equivalent figure at constant exchange rates for the financial year 2020 (EUR 3.84 per share).

PRELIMINARY INDICATION FOR SUBSEQUENT YEARS

Revenues and adjusted EBITDA margin

In the medium-term planning period, we target organic growth in the core business in the high single-digit percentage range year for year. We aim to deliver this above-market growth by expanding capacities and increasing market share as well as with innovative products such as Gx® Elite Glass, prefillable sterile Gx® RTF vials and Gx RTF® syringe systems, connected drug delivery devices, products and solutions for biotech-based drugs and significant growth in emerging markets.

Our medium-term expectation for the adjusted EBITDA margin at constant exchange rates in the core business is 23%. This improvement relative to profitability in the financial year 2020 is primarily to be achieved by means of economies of scale, an improved product mix as well as increased process automation and digitalization.

We see potential for significant sales and earnings leverage in completion of the planned development projects in the Advanced Technologies Division.

Adjusted earnings per share

On the basis of the good business trend for the years ahead, we anticipate that earnings per share attributable to the shareholders of Gerresheimer AG will increase on a constant exchange rate basis by at least 10% per year.

Return on capital employed and adjusted EBITDA leverage

Our medium to long-term target for Gx ROCE is approximately 15%. In addition, we target a ratio of net financial debt to adjusted EBITDA (adjusted EBITDA leverage) of around 2.5x for the long term. The adjusted EBITDA leverage actually obtained may temporarily diverge from this because acquisition and divestment activities, as with organic business opportunities, cannot be planned in detail.

[5] The core business comprises the Plastics & Devices and Primary Packaging Glass divisions, plus head office/consolidation in the case of adjusted EBITDA.
[6] The mid-single-digit percentage range is the range between 3% and 7%.
[7] Based on the revenues for the financial year 2020 translated at the budgeted exchange rates for the financial year 2021.
[8] Based on adjusted EBITDA for the financial year 2020 translated at the budgeted exchange rates for the financial year 2021.

Annual Financial Statements of Gerresheimer AG

for the Financial Year 2020

INCOME STATEMENT

Financial Year 2020 (December 1, 2019 to November 30, 2020)

In EUR k	Notes	**Dec. 1, 2019– Nov. 30, 2020**	Dec. 1, 2018– Nov. 30, 2019
Revenues	(3)	4,844	4,006
Other own work capitalized		88	192
Other operating income	(4)	12,538	12,151
Personnel expenses	(5)	-21,097	-17,785
Depreciation and amortization		-1,590	-1,509
Other operating expenses	(6)	-21,260	-19,729
Income from profit transfer agreements (prior year: expenses)	(7)	120,552	-172
Income from long-term loans	(8)	11,771	11,771
Other interest and similar income	(9)	193	788
Interest and similar expenses	(10)	-12,488	-11,901
Income taxes	(11)	-7,712	-94
Earnings after taxes		**85,839**	**-22,282**
Other taxes		-4	-103
Net income (prior year: net loss)		**85,835**	**-22,385**
Retained earnings carried forward		**89,711**	**149,777**
Retained earnings	(14)	**175,546**	**127,392**

BALANCE SHEET

As of November 30, 2020

ASSETS

In EUR k	Notes	**Nov. 30, 2020**	Nov. 30, 2019
Fixed assets			
Intangible assets		4,552	5,378
Property, plant and equipment		196	238
Financial assets		1,286,176	1,286,176
	(12)	**1,290,924**	**1,291,792**
Current assets			
Receivables and other assets	(13)	321,929	193,258
Cash and cash equivalents		10	14
		321,939	**193,272**
Prepaid expenses		**1,109**	**914**
Total assets		**1,613,972**	**1,485,978**

EQUITY AND LIABILITIES

Equity			
Subscribed capital *Authorized capital EUR 6,280k (prior year: EUR 6,280k)*		31,400	31,400
Capital reserve		525,721	525,721
Retained earnings		175,546	127,391
	(14)	**732,667**	**684,512**
Provisions			
Provisions for pensions	(15)	1,917	1,267
Tax provisions		3,227	2,028
Other provisions	(16)	16,670	13,485
		21,814	**16,780**
Liabilities	(17)	**859,491**	**784,686**
Total equity and liabilities		**1,613,972**	**1,485,978**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

of Gerresheimer AG for the Financial Year 2020

(1) General information

Gerresheimer Aktiengesellschaft (Gerresheimer AG) has its registered office at Klaus-Bungert-Strasse 4 in 40468 Duesseldorf (Germany). The Company is registered in the commercial register maintend by the district court in Duesseldorf under the entry number HRB 56040. Gerresheimer AG serves as holding company and its main activity is the management of the subsidiaries of the Gerresheimer Group.

The annual financial statements of Gerresheimer AG have been prepared in accordance with the regulations set forth in the German Commercial Code (Handelsgesetzbuch/HGB) and supplementary statutory regulations.

The annual financial statements of Gerresheimer AG consist of the balance sheet, the income statement, and the notes to the financial statements. As the parent company, Gerresheimer AG prepares the consolidated financial statements of Gerresheimer AG. As of November 30, 2020, the Management Report of Gerresheimer AG has been combined with the Management Report of the Gerresheimer Group. To improve the clarity of presentation, individual items within the balance sheet and the income statement have been combined. These items are presented separately in the notes to the financial statements. The income statement was prepared using the total cost method.

The annual financial statements have been presented in euros. Unless stated otherwise, amounts are stated in thousands of euros (EUR k).

These annual financial statements relate to the fiscal year from December 1, 2019, to November 30, 2020.

There is a domination- and a profit and loss transfer agreement between Gerresheimer AG and Gerresheimer Holdings GmbH at the reporting date. Under this agreement, Gerresheimer Holdings GmbH is required to transfer all profits to Gerresheimer AG. In return, Gerresheimer AG must absorb any net loss.

Gerresheimer AG is integrated in the cash-pool-management of the GERRESHEIMER GLAS GmbH.

(2) Accounting and measurement principles

Purchased **intangible assets** are carried at acquisition cost and internally generated intangible assets are carried at production cost. The assets are amortized on a straight-line basis. Purchased industrial property rights and similar rights are amortized over three to five years unless a different contractual useful life applies. An impairment loss is recognized if there is a reduction in value of an intangible asset for a prolonged period of time and recognized at the lower attributable value.

Other own work capitalized is valued at production cost, which comprise direct personnel cost and reasonable shares of overheads incurred in connection with software implementation projects.

Property, plant and equipment are carried at acquisition cost less depreciation. Property, plant and equipment are depreciated over their expected useful lives of three to 13 years on a straight-line basis. Low-value assets with acquisition cost between EUR 250 and not more than EUR 1,000, are grouped on an annual basis and depreciated over five years in accordance with tax regulations. Low-value assets with acquisition costs up to EUR 250 are recognized immediately as an expense. An impairment loss is recognized if there is a reduction in value of property, plant and equipment for a prolonged period of time.

Financial assets are carried at acquisition cost or at the lower attributable fair value. If the attributable value deceeds the carrying amount of a financial asset for a prolonged period of time, an impairment loss is recognized.

Receivable and other assets are carried at nominal value. Foreign currency receivables with a maturity of up to one year are translated at the spot rates at the balance sheet date.

The **cash and cash equivalents** comprise cash in hand and bank balances which are carried at nominal value.

Provisions for pensions are calculated according to generally accepted actuarial principles using the projected unit credit method. The provisions are measured by applying the 2018G mortality tables published by Professor Dr. Klaus Heubeck. For simplification purposes, the discount rate used was the average market interest rate over the past ten years of 2.35%, as determined and published by the German Central Bank (Deutsche Bundesbank) in November 2020, for an assumed residual term of 15 years. The average market interest rate calculated by the German Central Bank (Deutsche Bundesbank) for the last seven years with an assumed residual term of also 15 years in November 2020 was 1.64%.

Assets that are not accessible to any other creditors and that may only be used to meet liabilities from pension obligations or similar long-term obligations (plan assets) are offset against the corresponding obligation in accordance with section 246 (2) sentence 2 of the German Commercial Code. Plan Assets are recognized at fair value.

Expenses and income from the accrual of interest on the relevant obligations are offset with expenses and income from plan assets and shown within net interest result.

Other provisions are recognized at the required settlement value in accordance with reasonable commercial judgment. Future increases in prices and costs are taken into consideration if there are sufficient objective indications for their occurrence. Provisions with a residual period of more than one year are discounted using the average market interest rate of the last seven years in accordance with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung).

The provision for phantom stocks is recognized at the intrinsic (share-based compensation) respectively at the fair value (value-based compensation) and is accumulated over the period from the grant date to the earliest exercise date.

Liabilities are recognized at their settlement amounts.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets, liabilities, prepaid expenses, and deferred income in the financial statement according to HGB and their tax bases. With effect from December 1, 2019, a profit and loss transfer agreement was concluded between Gerresheimer Holdings GmbH and Gerresheimer Group GmbH. Thus, the tax group of Gerresheimer AG was expanded to include Gerresheimer Group GmbH with its direct and indirect German 100% subsidiaries. The temporary interruption of the tax group between Gerresheimer Holdings GmbH and Gerresheimer Group GmbH ended after the loss carryforwards of the Gerresheimer Group GmbH had been used up.

Gerresheimer AG also provides for the deferred taxes of the company in its tax group. Deferred taxes are provided for on the basis of the combined income tax rate expected at the time of the settlement of the differences of 29.0%, which comprises corporate income tax (15.0%), trade tax (13.0%) and the solidarity surcharge (5.5%). Deferred tax liabilities mainly relate to property, plant and equipment, financial assets, and tax reserves. Deferred tax assets mainly result from provisions for pensions and other provisions. Deferred tax assets and liabilities are generally offset and recognizes as liabilities. As of the reporting date, there is a surplus of deferred tax assets. The option to capitalize any resulting net deferred tax asset is not exercised.

NOTES TO THE INCOME STATEMENT

(3) Revenues

Revenues in the financial year 2020 came to EUR 4,844k (prior year: EUR 4,006k) and are mainly attributable to IT-services and other management services rendered to affiliated companies, which were provided exclusively by using own employees.

The services in the financial year 2020 were rendered to affiliated companies that are based in the following countries or regions:

In EUR k	**2020**	2019
Germany	2,130	1,745
Americas[1)]	950	816
Europe[1)]	1,054	685
Emerging markets[2)]	698	760
Other regions	12	0
Total	**4,844**	**4,006**

1) These revenues in Europe are without revenues in the countries Germany, Russia and Turkey and the revenues in Americas are without Argentinia, Brazil, Chile, Colombia and Mexico.
2) These include the countries of Egypt, Algeria, Argentina, Bangladesh, Brazil, Chile, China, India, Indonesia, Kazakhstan, Colombia, Mexico, Nigeria, Pakistan, Philippines, Russia, Saudi Arabia, South Africa, Thailand, Turkey, and Vietnam.

(4) Other operating income

In EUR k	**2020**	2019
Income from intra-group allocations	11,434	11,137
Income from the reversal of provisions	918	806
Income from currency translation	4	5
Sundry other income	182	203
Total	**12,538**	**12,151**

Income from intra-group allocations in the financial year 2020 only relates to insurance premiums as well as other costs which were charged to group companies and did not include own services rendered.

(5) Personnel expenses and employees

In the financial year 2020 expenses of EUR 18,482k (prior year: EUR 16,015k) were incurred for salaries. Additionally, the expenses for social security obligations totaled EUR 1,349k (prior year: EUR 1,198k) and for retirement benefits EUR 1,266k (prior year: EUR 572k). The expenses for retirement benefits comprise pension payments received by the active members of the Management Board in form of annual cash amounts to be used at free disposal for private pension provision. In addition, personnel expenses include pension expenses from defined benefit obligations of two former members of the Management Board.

On average, Gerresheimer AG had 100 salaried employees (thereof 12 managing and 88 other employees) in the financial year 2020. In prior year Gerresheimer AG had 92 salaried employees (thereof 11 managing and 81 other employees). All employees fulfilled administrative functions.

(6) Other operating expenses

In EUR k	**2020**	2019
IT-related expenses	6,639	5,692
Legal and consulting expenses	3,682	3,202
Expenses for insurance	3,103	2,636
Travel, representation and advertising expenses	1,340	2,031
Supervisory Board remuneration	1,401	1,384
Rental expenses	1,389	1,260
Expenses from intra-group allocations	336	299
Expenses from currency translation	7	6
Sundry other expenses	3,364	3,219
Total	**21,261**	**19,729**

The increase in other operating expenses is mainly due to higher IT-related expenses in connection with an expanded range of services and the optimization of applications.

(7) Income from profit transfer agreements

Income from profit and loss transfer agreements of EUR 120,552k (prior year: expenses of EUR -172k) relate to the profit of Gerresheimer Holdings GmbH which was absorbed under the existing profit and loss transfer agreement. The change in income from profit and loss transfer agreements compared to prior year is due to the fact that with effect from December 1, 2019, a profit and loss transfer agreement was concluded between Gerresheimer Holdings GmbH and Gerresheimer Group GmbH. Thus, the tax group of Gerresheimer AG was expanded to include Gerresheimer Group GmbH with its direct and indirect German 100% subsidiaries.

(8) Income from long-term loans

In the financial year 2020 income from long-term loans amounts to EUR 11,771k (prior year: EUR 11,771k) and relates entirely to affiliated companies.

(9) Other interest and similar income

In the financial year 2020 other interest and similar income amount to EUR 193k (prior year: EUR 788k). The lower interest income compared to the previous year is due to the renegotiation of the syndicated loan in the form of a revolving credit facility plus ancillary credit facilities. In the financial year 2019 Gerresheimer AG has invoiced the interest and incidental costs attributable to this to the affiliated companies benefitting from the syndicated loan.

(10) Interest and similar expenses

In the financial year 2020 interest and similar expenses amount to EUR 12,488k (prior year: EUR 11,901k) and mainly relate to interest expenses from promissory loans. Inters and similar expenses comprise the net expenses resulting from offsetting the expenses from accrual of interest on pension provision of EUR 99k (prior year: EUR 130k) and the income from plan assets int the amount of EUR 38k (prior year: EUR 11k). In addition, expenses resulting from the discounting of provisions of EUR 46k (prior year: EUR 95k) and interest expenses from taxes of EUR 48k (prior year: EUR 182k) were incurred.

(11) Income taxes

In EUR k	**2020**	2019
Current income taxes	7,617	127
Taxes from prior periods	95	-33
Total	**7,712**	**94**

NOTES TO THE BALANCE SHEET

(12) Fixed assets

	Acquisiton costs				
In EUR k	Dec. 1, 2019	Additions	Disposals	Reclassifications	**Nov. 30, 2020**
Intangible assets					
Industrial property rights and similar rights	9,509	479	702	689	9,975
Payments on account	1,026	483	–	-689	820
	10,535	**962**	**702**	**–**	**10,795**
Property, plant and equipment					
Other equipment, plant and office equipment	1,137	41	–	–	1,178
	1,137	**41**	**–**	**–**	**1,178**
Financial assets					
Shares in affiliated companies	593,780	–	–	–	593,780
Loans to affiliated companies	692,396	–	–	–	692,396
	1,286,176	**–**	**–**	**–**	**1,286,176**
	1,297,848	**1,003**	**702**	**–**	**1,298,149**

	Accumulated depreciation and amortization			
In EUR k	Dec. 1, 2019	Additions	Disposals	**Nov. 30, 2020**
Intangible assets				
Industrial property rights and similar rights	5,157	1,507	421	6,243
	5,157	**1,507**	**421**	**6,243**
Property, plant and equipment				
Other equipment, plant and office equipment	899	83	–	982
	899	**83**	**–**	**982**
Financial assets				
Shares in affiliated companies	–	–	–	–
Loans to affiliated companies	–	–	–	–
	–	**–**	**–**	**–**
	6,056	**1,590**	**421**	**7,225**

	Net carrying amount	
In EUR k	**Nov. 30, 2020**	Nov. 30, 2019
Intangible assets		
Industrial property rights and similar rights	3,732	4,352
Payments on account	820	1,026
	4,552	**5,378**
Property, plant and equipment		
Other equipment, plant and office equipment	196	238
	196	**238**
Financial assets		
Shares in affiliated companies	593,780	593,780
Loans to affiliated companies	692,396	692,396
	1,286,176	**1,286,176**
	1,290,924	**1,291,792**

The additions to intangible assets mainly relate to software and licenses for software.

The additions to property, plant and equipment are attributable to office equipment and low-value assets.

The complete list of the shareholdings of Gerresheimer AG (in accordance with section 285, number 11 HGB) is included at the end of the notes to the financial statements.

Loans to affiliated companies relate to loans granted to GERRESHEIMER GLAS GmbH (EUR 296,100k; prior year: EUR 296,100k) and to Gerresheimer Holdings GmbH (EUR 396,296k; prior year: EUR 396,296k).

(13) Receivables and other assets

In EUR k	**Nov. 30, 2020**	Nov. 30, 2019
Trade receivables	127	7
Receivables from affiliated companies	320,265	188,059
Other assets	1,537	5,192
Total	**321,929**	**193,258**

Receivables from affiliated companies consist of cash-pooling receivables from GERRESHEIMER GLAS GmbH in the amount of EUR 197,367k (prior year: EUR 185,270k) and of profit transfer from Gerresheimer Holdings GmbH in the amount of EUR 120,552k (prior year: EUR 0k). The remaining receivables from affiliated companies in the amount of EUR 2,345k (prior year: EUR 2,789k) result from deliveries of goods and services. As in the prior year, all receivables fall due within one year. The decrease in other assets is mainly due to lower value added tax refund claims resulting from various investment projects compared with prior year. As in the prior year other assets fall due within one year.

(14) Equity

As of November 30, 2020, the capital stock totals EUR 31,400k (prior year: EUR 31,400k), divided into 31,400,000 no-par-value shares with a nominal of EUR 1.00 each. The capital stock of the company is conditionally increased up to EUR 6,280,000 by issuing up to 6,280,000 new, no-par-value bearer shares.

The Management Board is authorized, by way of resolution of the Annual General Meeting dated June 6, 2019, to increase the company's capital stock by or before June 5, 2021, subject to the approval of Supervisory Board, by issuing new no-par-value bearer shares for cash or non-cash consideration in one or more issues up to a total of EUR 6,280k.

The Annual General Meeting distributed a total of EUR 37,680k from the prior year's retained earnings to the shareholders.

In the financial year 2020, retained earnings developed as follows:

In EUR k	
Net income for the financial year 2020	85,835
Profit carried forward	89,711
Retained earnings as per November 30, 2020	**175,546**

(15) Provisions for pensions

As of November 30, 2020, the provisions for pensions in the amount of EUR 1,917k (prior year: EUR 1,267k) comprise the off-setted settlement value of the pension obligations of EUR 4,290k (prior year: EUR 3,602k) and the fair value of the plan assets in the amount of EUR 2,373k (prior year: EUR 2,335k). The acquisition cost of the reinsurance contracts included in the plan assets amount to EUR 2,150k (prior year: EUR 2,150k). The difference between this amount and the fair value, taking into account deferred taxes, is excluded from distribution in accordance with section 268 (8) sentence 3 HGB.

As of November 30, 2020, the difference between the carrying amount of the provisions for pensions using an average market interest rate for the past ten years and an average market interest rate for the past seven years amounts to EUR 724k (prior year: EUR 654k). According to section 253 (6) sentence 2 HGB, this amount is generally excluded from distribution.

(16) Other provisions

Other provisions comprise mainly provisions for personnel expenses and Supervisory Board remuneration, the Annual General Meeting, the annual report, outstanding invoice for several projects and year-end closing costs. The provision for partial retirement (prior year: EUR 135k) was fully utilized in the financial year 2020.

(17) Liabilities

In EUR k	Nov. 30, 2020	Nov. 30, 2019
Liabilities due to banks	858,056	782,129
Trade payables	689	1,427
Liabilities from affiliated companies	191	216
Other liabilities	555	914
thereof from taxes	*523*	*648*
thereof social securitiy obligations	*12*	*5*
Total	**859,491**	**784,686**

The maturities of the liabilities due to banks are as follows:

		thereof maturities			thereof maturities
In EUR k		up to 1 year	more than 1 year	Total	more than 5 years
Liabilities due to banks	**Nov 30, 2020**	47,556	810,500	**858,056**	45,500
	Nov 30, 2019	296,629	485,500	**782,129**	71,000

As in the prior year, all remaining liabilities are due within one year.

Gerresheimer AG's financing is done through promissory loans issued in 2015 and 2017. The promissory loans signed in November 2015 comprise one five-year tranche in the amount of EUR 189,500k, which was repaid in November 2020, one seven-year tranche in the amount of EUR 210,000k and one ten-year tranche in the amount of EUR 25,500k. Mostly, the separate tranches are fixed-interest, although a portion is variable-interest. The EUR 250,000k promissory loans issued in September 2017 comprise one five-year tranche in the amount of EUR 95,500k, one seven-year tranche in the amount of EUR 109,000k and one ten-year tranche in the amount of EUR 45,500k. Mostly, the separate tranches are fixed-interest, although a small portion is variable-interest. The EUR 325,000k promissory loans issued in November 2020 comprise a three-year tranche in the amount of EUR 163,000k and a five-year tranche in the amount of EUR 162,000k. Mostly, the separate tranches are fixed-interest, although a small portion is variable-interest

Gerresheimer AG's financing was renegotiated in the financial year 2019 and includes a syndicated loan in the form of a revolving credit facility plus ancillary credit facilities with a total initial amount of EUR 550,000k, which was signed on September 26, 2019. The term to maturity of the syndicated loan is five years plus two extension options of one year each, of which the first extension option was drawn in September 2020. This extended the term to maturity of the syndicated loan to September 2025. One syndicate bank withdrew from the syndicated loan agreement on November 10, 2020, so that the total volume of the revolving credit facility plus ancillary credit facilities is EUR 476,000k. The drawings of the revolving credit facility were EUR 46,639k (prior year: EUR 106,318k) and, as in the prior year, are included in liabilities due to banks.

(18) Deferred taxes

As of November 30, 2020, a future tax benefit arises from temporary valuation differences in the amount of EUR 7,339k (prior year: EUR 10,024k). The option to capitalize any resulting net deferred tax asset was not exercised.

OTHER DISCLOSURES

(19) Contingent liabilities and other financial obligations

As security for affiliated companies' liabilities to banks, Gerresheimer AG has assumed joint liability in the form of a limited amount guarantee for EUR 476,000k. The resulting total joint liability for Gerresheimer AG in relation to affiliated company bank loans is EUR 117,585k as of November 30, 2020 (prior year: EUR 212,685k). To the best of our knowledge, no recourse is to be expected given the solid balance sheet and long-term financing of Gerresheimer AG and its subsidiaries.

In the financial year 2020 the other financial obligations amount to EUR 13,627k (prior year: EUR 4,423k). As in prior year the obligations comprise lease or rental agreements for buildings, vehicles, and IT-equipment. Long-term maintenance and license agreements for software as well as agreements on other long-term maintenance agreements are included for the first time in the financial year 2020. The rental, maintenance or lease agreements are due within the next five years.

(20) Management Board of Gerresheimer AG

The members of the Management Board of Gerresheimer AG were:

- Mr. Dietmar Siemssen, Bonn, Chief Executive Officer
- Mr. Dr. Bernd Metzner, Duesseldorf, Chief Financial Officer
- Mr. Dr. Lukas Burkhardt, Zurich (Switzerland), member of the Management Board responsible for Primary Packaging Glass

Each Management Board member may represent the Company jointly with another Management Board member or an authorized signatory (Prokurist). The portfolios of the individual members of the Management Board are listed at the end of the notes to the financial statements.

(21) Supervisory Board of Gerresheimer AG

The individual members of the Supervisory Board and their portfolios are listed at the end of the notes to the financial statements.

(22) Remuneration of the members of the Management Board and Supervisory Board

The remuneration of the members of the Management Board comprising fixed remuneration, non-cash fringe benefits, and performance-based renumeration amounts to EUR 3,075k (prior year: EUR 3,980k).

Total remuneration of former members of the Management Board of the Gerresheimer AG amounts to EUR 2,201k in the financial year 2020 (prior year: EUR 2,184k). As of November 30, 2020, the pension expenses attributable to the former members of the Management Board amount to EUR 1.917k (prior year: EUR 1.267k).

Total remuneration of the members of the Supervisory Board amounts to EUR 1,380k in the financial year 2020 (prior year: EUR 1,384k).

(23) Notifications from shareholders of the company in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz/WpHG)

Section 160 (1) No. 8 AktG requires the disclosure of any shareholdings notified in accordance with section 20 (1) or (4) AktG or section 33 (1) or (2) of German Securities Trading Act (WpHG). The required disclosure includes the content of the notification published in accordance with section 20 (6) AktG or section 40 (1) WpHG. In cases where individual shareholdings reached, exceeded or deceeded the thresholds of the regulations stated above on several occasions, only the most recent notification is mentioned. All notifications which Gerresheimer AG received has been made available permanently on the Company's website (www.gerresheimer.com/en/investor-relations/corporate-governance/voting-rights-announcements).

Name of shareholder(s)	Registered office	Notification date	Date on which threshold was crossed or reached	Thresh-old	Exceeding/ shortfall of threshold levels	WpHG	Voting rights	% of voting rights attached to shares
NN Group N.V.	Amsterdam (Netherlands)	February 18, 2019	February 8, 2019	10%	exceeding	section 34	3,156,436	10%
Stichting Pensioenfonds ABP	Heerlen (Netherlands)	July 30, 2015	July 27, 2015	5%	exceeding	section 22 (1) sentence 1 No. 1	1,602,791	5%
Eton Park Overseas Fund, Ltd.	Camana Bay, Grand Cayman (Cayman Inseln)	July 18, 2012	July 10, 2012	5%	shortfall	section 25	1,544,217	5%
WS Management LLLP/ Gilchrist B. Berg	Jacksonville, FL (USA)	February 1, 2010/ February 16, 2010	January 25, 2010	3%	exceeding	section 22 (1) sentence 1 No. 1, 6 in conjunction with section 22 (1) sentence 2	974,402	3%
BNP Paribas Asset Management Holding S.A. *(change of the name from BNP Paribas Investment Partners S.A.)*	Paris (France)	January 30, 2020	Janaury 23, 2020	3%	shortfall	section 33, 34	728,662	2%
Templeton Investment Counsel LLC	Wilmington, DA (USA)	August 15, 2019/ February 19, 2016	November 5, 2018/ February 16, 2016	3%	exceeding	section 34	989,100	3%
Templeton Investment Counsel LLC	Wilmington, DA (USA)	May 7, 2020	May 4, 2020	3%	shortfall	section 34	941,747	2%
NBSH Acquisition, LLC	Wilmington, DA (USA)	August 9, 2019	August 2, 2019	3%	exceeding	section 34	960,189	3%
Ameriprise Financial, Inc.	Wilmington, DA (USA)	November 11, 2019	October 31, 2019	3%	exceeding	section 34	942,440	3%
Ameriprise Financial, Inc.	Wilmington, DA (USA)	December 15, 2020	December 7, 2020	3%	shortfall	section 33, 34	1,282,057	3%
AllianceBernstein Corporation	New York City, NY (USA)	October 5, 2020	September 29, 2020	5%	shortfall	section 33, 34	1,529,111	4%
AllianceBernstein Corporation	New York City, NY (USA)	December 29, 2020	December 18, 2020	3%	shortfall	section 33, 34	923,804	2%
Schroders plc	London (Great Britain)	February 4, 2020	January 27, 2020	3%	exceeding	section 33, 34	960,993	3%
BlackRock, Inc.	Wilmington, DA (USA)	June 29, 2020	June 19, 2020	3%	exceeding	section 33, 34, 38	1,098,096	3%
Massachusetts Financial Services Company	Boston, MA (USA)	June 5, 2020	May 28, 2020	3%	exceeding	section 33, 34	997,049	3%
The Goldman Sachs Group, Inc.	Wilmington, DA (USA)	May 5, 2020	April 28, 2020	3%	exceeding	section 33, 34	1,159,596	4%
The Goldman Sachs Group, Inc.	Wilmington, DA (USA)	May 6, 2020	April 29, 2020	3%	shortfall	section 33, 34	657,674	2%
FIL Limited	Pembroke (Bermuda)	February 11, 2020	February 7, 2020	3%	exceeding	section 33, 34	947,916	3%
FIL Limited	Pembroke (Bermuda)	November 27, 2020	November 24, 2020	3%	shortfall	section 33, 34	937,837	2%
Fidelity Funds SICAV	Luxembourg (Luxembourg)	February 28, 2020	February 26, 2020	3%	exceeding	section 33, 34	956,217	3%
Fidelity Funds SICAV	Luxembourg (Luxembourg)	August 12, 2020	August 7, 2020	3%	shortfall	section 33, 34	941,831	2%
Threadneedle (Lux)	Bertrange (Luxembourg)	December 15, 2020	December 7, 2020	3%	exceeding	section 33, 34	947,540	3%
Ministry of Finance on behalf of the State of Norway	Oslo (Norway)	December 23, 2020	December 21, 2020	3%	exceeding	section 33, 34, 38	1,036,707	3%
Ministry of Finance on behalf of the State of Norway	Oslo (Norway)	December 28, 2020	December 22, 2020	3%	shortfall	section 33, 34, 38	929,648	2%
Ministry of Finance on behalf of the State of Norway	Oslo (Norway)	January 14, 2021	January 7, 2021	3%	exceeding	section 33, 34, 38	1,038,915	3%
Ministry of Finance on behalf of the State of Norway	Oslo (Norway)	January 14, 2021	January 12, 2021	3%	exceeding	section 33, 34, 38	965,930	3%
Ministry of Finance on behalf of the State of Norway	Oslo (Norway)	January 15, 2021	January 13, 2021	3%	exceeding	section 33, 34, 38	1,058,618	3%

(24) Auditor's fees and services

In the financial year 2020 the services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf, mainly comprise services in connection with the audit of the annual financial statements and to a smaller extent other assurance services. In the reporting period, non-audit services mainly refer to the audit of non-financial information and to agreed audit activities of financial information which are not part of the year-end audit (other assurance service).

For details on the auditor's fees and services for the financial year 2020, please refer to the consolidated financial statements of Gerresheimer AG as of November 30, 2020.

(25) Corporate Governance

The Management Board and Supervisory Board of Gerresheimer AG jointly issued the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG) on September 3, 2019. The declaration has been made available permanently to the public on the Company's website (www.gerresheimer.com/en/investor-relations/corporate-governance/statements-of-compliance).

(26) Proposal for appropriation of retained earnings

We will propose to the Annual General Meeting that the retained earnings for the financial year 2020 of Gerresheimer AG shall be appropriated as follows:

In EUR k	**2020**
Retained earnings before dividend payments	175,546
Dividend payment of EUR 1.25 per share	39,250
Carryfoward to new account	**136,296**

(27) Subsequent events

There were no subsequent events after November 30, 2020, that are expected to have a material impact on the net assets, financial position, or results of operations of the Gerresheimer AG.

(28) Group relationships

As the parent company of Gerresheimer Group, Gerresheimer AG prepares consolidated financial statements on the basis of the International Financial Reporting Standards (IFRS), in accordance with section 315e (1) HGB. For this reason, no consolidated financial statements in accordance with the requirements of the German Commercial Code are prepared. The consolidated financial statements will be published in German Federal Gazette (Bundesanzeiger). The Management Report of Gerresheimer AG is combined with the Management Report of Gerresheimer Group.

(29) Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of assets, liabilities, financial position and profit or loss of the Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Duesseldorf, January 29, 2021

Gerresheimer AG
The Management Board

Dietmar Siemssen   Dr. Bernd Metzner   Dr. Lukas Burkhardt

LIST OF SHAREHOLDINGS

Financial year 2020
(December 1, 2019 to November 30, 2020)

Currency in m/according to local commercial law	investment (direct and indirect)	currency	equity	net income/loss
direct equity investments				
Gerresheimer Holdings GmbH, Duesseldorf (Germany)[a)]	100.00%	EUR	593.80	[b)]
indirect equity investments				
Asia				
Gerresheimer Medical Plastic Systems Dongguan Co. Ltd., Wang Niu Dun Town, Dongguan City (China)[h)]	100.00%	CNY	74.37	6.99
Gerresheimer Pharmaceutical Packaging Mumbai Private Ltd., Mumbai (India)	100.00%	INR	773.70	-141.79
Gerresheimer Plastic Packaging (Changzhou) Co., LTD., Changzhou City, Jiangsu (China)	100.00%	CNY	9.00	-6.32
Gerresheimer Singapore Pte. Ltd., Singapur (Singapur)	100.00%	SGD	0.20	0.01
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	60.00%	CNY	212.10	8.91
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	60.00%	CNY	112.70	18.87
Neutral Glass & Allied Industries Private Ltd., Mumbai (India)	100.00%	INR	1,923.30	-22.43
Triveni Polymers Private Ltd., Neu-Delhi (India)	100.00%	INR	2,425.90	378.90
Europe				
Gerresheimer Boleslawiec S.A., Boleslawiec (Poland)	100.00%	PLN	188.40	27.94
Gerresheimer Bünde GmbH, Buende (Germany)[a)]	100.00%	EUR	12.70	[b)]
Gerresheimer Chalon SAS, Chalon-sur-Saone (France)	100.00%	EUR	-3.00	-3.38
Gerresheimer Denmark A/S, Vaerloese (Denmark)	100.00%	DKK	240.10	37.16
Gerresheimer Essen GmbH, Essen (Germany)[a)]	100.00%	EUR	4.20	[b)]
GERRESHEIMER GLAS GmbH, Duesseldorf (Germany)[a)]	100.00%	EUR	668.80	[b)]
Gerresheimer Group GmbH, Duesseldorf (Germany)[a)]	100.00%	EUR	638.30	[b)]
Gerresheimer Hallenverwaltungs GmbH, Duesseldorf (Germany)[a), c)]	100.00%	EUR	–	[b)]
Gerresheimer Hallenverwaltungs GmbH & Co. Objekt Düsseldorf KG, Duesseldorf (Germany)[d), e)]	100.00%	EUR	2.10	0.22
Gerresheimer Horsovsky Tyn spol. s r.o., Horsovsky Tyn (Czech Republic)	100.00%	CZK	2,229.70	685.9
Gerresheimer Medical Systems Schweiz AG, Zug (Switzerland)[i)]	100.00%	EUR	17.00	7.09
Gerresheimer Lohr GmbH, Lohr/Main (Germany)[a)]	100.00%	EUR	5.30	[b)]
Gerresheimer Medical Plastic Systems GmbH, Regensburg (Germany)[a), c)]	100.00%	EUR	–	[b)]
Gerresheimer Momignies S.A., Momignies (Belgium)	100.00%	EUR	26.80	0.95
Gerresheimer Moulded Glass GmbH, Tettau (Germany)[a), c)]	100.00%	EUR	–	[b)]
Gerresheimer Plastic Packaging SAS, Besancon (France)	100.00%	EUR	0.80	0.20
Gerresheimer Regensburg GmbH, Regensburg (Germany)[a)]	100.00%	EUR	278.00	[b)]
Gerresheimer respimetrix GmbH, Duesseldorf (Germany)	60.00%	EUR	0.21	-0.99
Gerresheimer Skopje DOOEL Ilinden, Ilinden (Republic North Macedonia)	100.00%	MKD	-224.70	-182.28
Gerresheimer Spain S.L.U., Epila (Spain)	100.00%	EUR	0.20	-0.13
Gerresheimer Tettau GmbH, Tettau (Germany)[a)]	100.00%	EUR	12.40	[b)]
Gerresheimer Vaerloese A/S, Vaerloese (Denmark)	100.00%	DKK	194.60	49.23
Gerresheimer Valencia S.L.U. in LIQ, Masalaves (Spain)	99.91%	EUR	-1.50	-0.04
Gerresheimer Werkzeugbau Wackersdorf GmbH, Wackersdorf (Germany)[a)]	100.00%	EUR	0.50	[b)]
Gerresheimer Wertheim GmbH, Wertheim (Germany)[a)]	100.00%	EUR	1.10	[b)]
Gerresheimer Zaragoza S.A., Epila (Spain)	99.91%	EUR	2.00	1.2
Sensile Medical AG, Olten (Switzerland)	99.89%	EUR	-36.80	-19.3

Currency in m/according to local commercial law	investment (direct and indirect)	currency	equity	net income/loss
America				
Centor Inc., Perrysburg, OH (USA)	100.00%	USD	638.23	24.17
Centor Pharma Inc., Perrysburg, OH (USA)[c), f)]	100.00%	USD	–	–
Centor US Holding Inc., Perrysburg, OH (USA)	100.00%	USD	731.22	–
Gerresheimer Glass Inc., Vineland, NJ (USA)	100.00%	USD	840.53	10.82
Gerresheimer Mexico Holding LLC, Wilmington, DE (USA)	100.00%	USD	18.65	-0.01
Gerresheimer MH Inc., Wilmington, DE (USA)[c)]	100.00%	USD	–	-0.01
Gerresheimer Peachtree City (USA) L.P., Peachtree City, GA (USA)	100.00%	USD	-4.81	1.34
Gerresheimer Peachtree City Inc., Peachtree City, GA (USA)[c)]	100.00%	USD	-0.05	0.01
Gerresheimer Plasticos Sao Paulo Ltda., Embu (Brazil)	100.00%	BRL	269.50	-8.80
Gerresheimer Queretaro S.A., Queretaro (Mexivo)[h)]	100.00%	MXN	817.61	165.35
Gerresheimer Sistemas Plasticos Medicinais Sao Paulo Ltda., Indaiatuba (Brazil)	100.00%	BRL	63.30	13.30
Nouvelles Verreries de Momignies Inc., Larchmont, NY (USA)[g)]	100.00%	USD	–	–
Associated companies				
Corning Pharmaceutical Packaging LLC, Wilmington, DW (USA)[f), h)]	25.00%	USD	0.16	-0.35
Gerresheimer Tooling LLC, Peachtree City, GA (USA)[h)]	30.00%	USD	1.16	0.11
PROFORM CNC Nastrojarna spol. s r.o., Horsovsky Tyn (Czech Republic)[f), h)]	40.59%	CZK	2.55	-0.19

[a)] Pursuant to sec. 264 III HGB, the company is exempt from the obligation to prepare a management report as well as partly to audit an d to publish financial statements.
[b)] A profit transfer agreement is in place.
[c)] Equity less than 50 (currency in '000).
[d)] GERRESHEIMER GLAS GmbH, Duesseldorf (Germany), is limited partner.
[e)] The company made use of the exemption offered by sec. 264 b HGB.
[f)] Net income/loss less than EUR 5k.
[g)] The company no longer prepares financial statements.
[h)] Financial statements as of September 30, 2019, November 30, 2019 or December 31, 2019.
[i)] So far: Gerresheimer Küssnacht AG, Kuessnacht (Switzerland); the company has been renamed with effect from August 5, 2020 and has moved its registered office.

		Closing rate		Average rate	
1 EUR	Currency	**Nov. 30, 2020**	Nov. 30, 2019	**2020**	2019
Brazil	BRL	6.35	4.65	5.75	4.41
Switzerland	CHF	1.08	1.10	1.07	1.12
China	CNY	7.88	7.72	7.87	7.74
Czech Republic	CZK	26.19	25.52	26.36	25.71
Denmark	DKK	7.44	7.47	7.46	7.47
India	INR	88.73	78.69	83.71	78.80
Republic North Macedonia	MKD	61.68	61.50	61.62	61.51
Mexico	MXN	24.05	21.45	24.22	21.82
Poland	PLN	4.47	4.32	4.43	4.30
Singapore	SGD	1.60	1.50	1.56	1.53
United States of America	USD	1.20	1.10	1.13	1.12

Supervisory Board and Management Board

SUPERVISORY BOARD
Financial year 2020

Dr. Axel Herberg
Chairman of the Supervisory Board
Managing Partner of CCC Investment GmbH
a) Leica Camera AG
b) Leica Group (photography and sport optics)
Lisa Germany Holding GmbH
Vetter Pharma-Fertigungs GmbH & Co. KG
European Medco Development 4 S.àr.l., Luxembourg (since May 22, 2020)

Francesco Grioli
Deputy Chairman of the Supervisory Board
Member of the Governing Board of IG Bergbau, Chemie, Energie
a) Continental AG

Andrea Abt
Master of Business Administration
Former Head of Supply Chain Management of the Siemens AG Sector Infrastructure
b) SIG plc, United Kingdom (until February 12, 2020)
John Laing Group plc, United Kingdom
Petrofac Ltd., Jersey
Polymetal International plc, Jersey (since March 4, 2020)

Heike Arndt
Regional Deputy Director Westphalia of IG Bergbau, Chemie, Energie
a) RAG Verkauf GmbH (until December 31, 2020)
Evonik Performance Materials GmbH (until June 30, 2020)
Evonik Operations GmbH (Deputy Chairwoman) (since July 1, 2020)

Dr. Karin Dorrepaal
Consultant
Former Member of the Management Board of Schering AG
a) Paion AG (Deputy Chairwoman)
b) Triton Beteiligungsberatung GmbH
Almirall S.A., Spain
Kerry Group plc, Ireland
Julius Clinical Research BV, The Netherlands
van Eeghen & Co BV, The Netherlands (since June 24, 2020)
Intravacc BV, The Netherlands (since January 1, 2021)

Franz Hartinger
Chairman of the Company Works Council of Gerresheimer Regensburg GmbH
a) Gerresheimer Regensburg GmbH

Dr. Peter Noé
Degree in Business Administration
Former Member of the Management Board of Hochtief AG
b) BlackRock Asset Management Schweiz AG, Switzerland (until December 31, 2020)

Markus Rocholz
Chairman of the Company Works Council of Gerresheimer Essen GmbH
a) Gerresheimer Tettau GmbH

Paul Schilling
Chairman of the Company Works Council of Gerresheimer Bünde GmbH
a) Gerresheimer Bünde GmbH

Katja Schnitzler
Group Senior Director Operational Excellence, Environment, Health, Safety & Corporate Social Responsibility of Gerresheimer AG

Theodor Stuth
Consultant
Managing Director of hpulcas GmbH
Former Auditor and Certified Tax Advisor
b) Wickeder Holding GmbH
Wickeder Profile Walzwerk GmbH
Linet Group SE, The Netherlands

Udo J. Vetter
Pharmacist and General Partner of UV-Cap GmbH & Co. KG
a) ITM AG (Chairman)
b) Vetter Pharma-Fertigungs GmbH & Co. KG (Chairman)
HSM GmbH & Co. KG
Navigo GmbH (Chairman)
OncoBeta International GmbH (Chairman)
OncoBeta GmbH (Chairman)
Paschal India Pvt. Ltd., India (Chairman)
Gland Pharma Ltd., India

a) Membership in Supervisory Boards according to German legal regulations
b) Membership in comparable domestic and foreign control boards of economic enterprises

MANAGEMENT BOARD
Financial year 2020

Dietmar Siemssen
Chairman
a) BFC Fahrzeugteile GmbH
Gerresheimer Regensburg GmbH (Chairman)
Gerresheimer Bünde GmbH (Chairman)
b) Gerresheimer Boleslawiec S.A., Poland (Deputy Chairman)
Gerresheimer Denmark A/S, Denmark (Chairman)
Gerresheimer Vaerloese A/S, Denmark (Chairman)
Sensile Medical AG, Switzerland (Chairman)
Centor US Holding Inc., USA (Chairman)
Centor Inc., USA (Chairman)
Centor Pharma Inc., USA (Chairman)
Gerresheimer Glass Inc., USA (Chairman)
Triveni Polymers Pvt. Ltd., India
Gerresheimer respimetrix GmbH (Chairman)

Dr. Lukas Burkhardt
a) Gerresheimer Tettau GmbH (Chairman)
b) Gerresheimer Boleslawiec S.A., Poland (Chairman)
Gerresheimer Momignies S.A., Belgium (Chairman)
Gerresheimer Glass Inc., USA
Corning Pharmaceutical Packaging LLC, USA
Gerresheimer Queretaro S.A., Mexico (Chairman)
Gerresheimer Pharmaceutical Packaging Mumbai Pvt. Ltd., India
Neutral Glass and Allied Industries Pvt. Ltd., India
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., China (Chairman)
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., China (Chairman)

Dr. Bernd Metzner
a) Gerresheimer Tettau GmbH (Deputy Chairman)
Gerresheimer Regensburg GmbH (Deputy Chairman)
Gerresheimer Bünde GmbH (Deputy Chairman)
Döhler Group SE (until June 23, 2020)
UniCredit Bank AG (since June 23, 2020)
b) Gerresheimer Glass Inc., USA
Kimble Chase Holding LLC, USA (Chairman) (until February 28, 2020)
Centor US Holding Inc., USA
Centor Inc., USA
Centor Pharma Inc., USA
Corning Pharmaceutical Packaging LLC, USA
Sensile Medical AG, Switzerland

a) Membership in Supervisory Boards according to German legal regulations
b) Membership in comparable domestic and foreign control boards of economic enterprises

INDEPENDENT AUDITOR'S REPORT

To Gerresheimer AG, Düsseldorf/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of Gerresheimer AG, Düsseldorf/Germany, which comprise the balance sheet as at 30 November 2020 and the statement of profit and loss for the financial year from 1 December 2019 to 30 November 2020, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report of Gerresheimer AG, Düsseldorf/Germany, for the financial year from 1 December 2019 to 30 November 2020. In accordance with the German legal requirements, we have not audited the content of the consolidated non-financial statement pursuant to Sections 315b and 315c German Commercial Code (HGB) included in section "Corporate responsibility and sustainability at the level of Gerresheimer (consolidated non-financial statement)" of the combined management report, and the content of the corporate governance statement pursuant to Sections 289f and 315d HGB including the further reporting on corporate governance included in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and give a true and fair view of the assets, liabilities and financial position of the Company as at 30 November 2020 and of its financial performance for the financial year from 1 December 2019 to 30 November 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of consolidated non-financial statement pursuant to Sections 315b and 315c HGB included in section "Corporate responsibility and sustainability at the level of Gerresheimer (consolidated non-financial statement)" of the combined management report, and of the corporate governance statement pursuant to Sections 289f and 315d HGB including the further reporting on corporate governance included in the combined management report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the combined management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the combined management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 December 2019 to 30 November 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matter we have determined in the course of our audit:

1. Recoverability of shares in affiliated companies

Our presentation of this key audit matter has been structured as follows:

a Description of matter (including reference to corresponding information in the annual financial statements)
b Auditor's response

1 Recoverability of shares in affiliated companies

a In the annual financial statements of Gerresheimer AG, shares in affiliated companies totaling mEUR 593.8 (36.8% of the balance sheet total) are disclosed. These are measured at the lower of acquisition cost or fair value as at the balance sheet date. As at the reporting date, Gerresheimer AG tested the shares for impairment by internally measuring the fair present value of the direct and indirect long-term equity investments in the group companies. The fair value of the shares in affiliated companies was determined as the present value of the future cash flows by means of discounted cash flow methods based on the corporate planning prepared by the executive board and taken note of by the supervisory board. This determination also took into account expectations concerning the future market trend and country-related assumptions concerning the trends of macroeconomic variables. The discounting was made by means of weighted capital costs. Based on the computations submitted by the Company, as well as more far-reaching documentation, no write-downs had to be made for the financial year ended 30 November 2020.

Since the result of these measurements depends to a large extent on the executive board's assessment of the future cash flows and of the discount factors used, and thus involves a high degree of uncertainty, this was a key audit matter.

The Company's disclosures on the shares in affiliated companies are included in notes 2 and 12 of the notes to the financial statements.

b In auditing the fair values of the shares in affiliated companies, we verified, calling in our valuation experts, among other things, the methodical measurement procedure and assessed the determination of weighted capital costs. We examined whether, in connection with the weighted capital costs recognized, the future cash inflows underlying the valuation, in the aggregate, constitute an appropriate basis for the impairment test of the shares in affiliated companies. To assess the quality and reliability of the corporate planning, we compared the planning of the preceding financial year with actual results and analyzed deviations (adherence to planning). We discussed the assumptions and premises underlying the assumptions with those charged with governance, and reviewed them for reasonableness. For this purpose, we reconciled, among others, the assumptions made with macroeconomic and industry-related market expectations. Furthermore, we examined whether the future cash inflows have been appropriately derived from the assumptions made and premises set. Knowing that even relatively minor changes in the discount factor used may have major effects on the amount of the fair present value of the entity determined, we examined the parameters used in determining the respective discount factor used, including the weighted capital costs, and verified whether these are within the market ranges. The computation formula for determining the fair present values of the entities were computationally reviewed for reasonableness.

Other information

The executive board and the supervisory board are responsible for the other information. The other information comprises

- the section "Corporate responsibility and sustainability at the level of Gerresheimer (consolidated non-financial statement)" of the combined management report,
- the corporate governance statement pursuant to Sections 289f and 315d HGB including the further reporting on corporate governance included in the combined management report,
- the executive board's confirmation pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB, respectively, regarding the annual financial statements and the combined management report.

The executive directors and the supervisory board are responsible for the declaration regarding the German Corporate Governance Code including the further reporting on corporate governance according to Section 161 German Stock Corporation Act (AktG), which are part of the corporate governance statement included in the combined management report. Apart from that the executive directors are responsible for the other information.

Our audit opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the assertions in the combined management report whose content has been audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive board and the supervisory board for the annual financial statements and the combined management report

The executive board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive board is responsible for such internal control as it, in accordance with German Legally Required Accounting Principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive board is responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's responsibilities for the audit of the annual financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by the executive board and the reasonableness of estimates made by the executive board and related disclosures.
- conclude on the appropriateness of the executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the general meeting on 24 June 2020. We were engaged by the supervisory board on 3 September 2020. We have been the auditor of Gerresheimer AG, Düsseldorf/Germany, without interruption since the financial year 2008/2009.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is René Kadlubowski.

Düsseldorf/Germany, 29 January 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: René Kadlubowski	Signed: Dennis Klawitter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Imprint

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