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Rottendorf Pharma GmbH

Ennigerloh

Annual financial statements for the financial year from January 1st, 2018 to December 31st, 2018

Management Report 2018

Rottendorf Pharma GmbH

I. Company Fundamentals

1. Business Model

Rottendorf Pharma GmbH, based in Ennigerloh, is a subsidiary of the Rottendorf Group. The ultimate parent company of the Rottendorf Group is Rottendorf GmbH based in Berlin and is the sole shareholder of Rottendorf Pharma GmbH. Rottendorf Pharma GmbH, in turn, is the sole shareholder of the subsidiaries Rottendorf Operations GmbH, Ennigerloh, Rottendorf Service GmbH, Ennigerloh, and Rottendorf Pharma Inc., Bozeman (USA). Within the Rottendorf Group, only Rottendorf Pharma GmbH acts as a sales and production company on the market. As part of the Rottendorf Group, the subsidiary Rottendorf Operations GmbH provides services and work within the framework of temporary employment exclusively for Rottendorf Pharma GmbH. Rottendorf Pharma Inc. acts as a sales company and represents the Rottendorf Group on the US market. Rottendorf Service GmbH did not have any business activities of its own in the year under review. The core business of the Rottendorf Group and thus also of Rottendorf Pharma GmbH includes the development, manufacture and packaging of solid dosage forms in the areas of original drugs, generics and non-prescription products (over-the-counter or OTC products). In order to avoid competitive situations with its customers, Rottendorf, as an exclusive contract manufacturer (Contract Development and Manufacturing Organization or CDMO), has no products of its own on the market.

The market relevant for Rottendorf is primarily the pharmaceutical market. For the group of companies, it is about the share that the pharmaceutical companies award to contract manufacturers such as Rottendorf. Influencing factors for the award of contract manufacturers are in particular the individual capacity utilization of the pharmaceutical company, the expertise in mapping pharmaceutical development knowledge in the production process and the strategic orientation with regard to mapping the process steps through in-house capacities. Reasons for the strategic outsourcing of production by pharmaceutical companies are, for example, the focus on research, sales and marketing,

There are two main areas to be distinguished in the contract manufacturing market: On the one hand, cost-effective machine capacities with little personal responsibility are in demand from the contract manufacturer. On the other hand, full-service providers are sought that have a high level of pharmaceutical expertise, can meet constantly increasing regulatory requirements and can present efficient and robust manufacturing and supply chain processes. Rottendorf is active in this sub-market of demanding full-service providers. The full service offered by Rottendorf is increasingly in demand from original drug providers who strategically focus on research, sales and marketing.

The generics market is also of interest to Rottendorf. Although this segment is subject to greater cost pressure overall, Rottendorf is able to submit competitive offers due to its efficient and reliable production processes and its high level of pharmaceutical expertise. The business with over-the-counter medicines (OTC preparations) as the third market segment for medicines is also of great importance. An extensive range of services, especially in the areas of development and transfer, completes the offer.

In addition to these services, Rottendorf offers packaging services. Both the in-house manufactured products and products finished by customers are packed.

2. Research and Development

Research and development activities at Rottendorf are mainly carried out on behalf of customers. The focus is on the development and optimization of solid dosage forms for active ingredients defined by customers. However, no research and development activities are carried out for the Rottendorf Group.

As a competent partner in the field of development and optimization of solid dosage forms, Rottendorf also participated in a research project as a joint partner with well-known research institutions in the reporting year. In the year under review, this was supported by the Federal Ministry of Education and Research with funding of around €72 thousand.

3. Financial and non-financial performance indicators

Business activities are managed according to earnings, liquidity and equity-oriented performance indicators. The result-oriented performance indicators are absolute EBITDA (earnings before interest, taxes, depreciation and amortization) and the EBITDA margin (EBITDA in relation to sales). Net financial liabilities (interest-bearing liabilities less cash and cash equivalents), the ratio of net liabilities to EBITDA, serve as liquidity-oriented performance indicators as well as cash flow. In addition, absolute equity and the equity ratio are used to control operational business activities.

The key figures are monitored and evaluated by the management in regular weekly and monthly meetings in order to ensure appropriate corporate management at all times.

II. Presentation of the course of business including the business result

1. Development of industry and overall economy

The global economy grew by 3.4% in the year under review, with growth in the USA at 2.9% being higher than in Germany at 1.5% (source: Federal Statistical Office). The global pharmaceutical market grew by 5.9% in 2018 and is thus within the range of long-term growth forecasts.

The CDMO market grew by 4.7%, below the long-term growth trend of around 7.5% per year (Source: Pharmsource, Grand View Research). The trend of pharmaceutical companies towards outsourcing production and abandonment as a strategic core competence is intact. In 2018, over 40% of pharmaceutical companies saw an increase in outsourcing volume.

Another factor influencing the development of the pharmaceutical market is the health perception and awareness within the population. Here, increased spending on the relevant markets such as the European Union and North America with upward trends can still be observed. The development of drugs and their approval shows the increased importance of smaller companies and the focus on personalized medicine and orphan drugs.

The development on the pharmaceutical market and the leading markets in North America and the European Union, which are of central importance for the Rottendorf Group, had an overall positive effect on the business development of the Rottendorf Group.

2. Development of sales and orders

Rottendorf Pharma GmbH was able to expand its business activities overall in the year under review and increased sales by 10.8% to €103.5 million (previous year €93.4 million). The development/other area contributed to the increase in sales with sales of €26.6 million (previous year €22.2 million). In particular, the growing importance of smaller pharmaceutical manufacturers in the approval of drugs contributed here through increased order intake.

On the other hand, the production and packaging business was expanded with single-digit growth rates. There were signs of an increase in incoming orders, especially for the packaging business, at the end of the year. Sales in the packaging business rose from €13.4 million in the previous year to €18.4 million in the 2018 financial year.

3. Business Outcome

EBITDA rose from €6.2 million in the previous year to €8.8 million in the 2018 financial year. The increase is mainly due to the increase in sales and the disproportionately low increase in the cost of materials. In addition, the increase in earnings in the 2018 financial year resulted from a shift in sales to the more complex and higher-margin area of development. The EBITDA margin increased from 6.6% in the previous year to 8.5% in the 2018 financial year. Earnings after taxes rose from €1.8 million in the previous year to €3.8 million in the 2018 financial year.

4. Production

The quantity of tablets, film-coated tablets and coated tablets produced in 2018 was 4.1 billion units (previous year 3.9 billion units) with a processing volume of 1,409 t (previous year 1,386 t).

The automatically packaged quantities increased in the year under review to 93.5 million filling units (previous year 86.9 million filling units). The increase is mainly based on the commissioning of new packaging lines and the resulting acceptance of additional packaging orders.

5. Procurement

The price development of raw materials went largely according to plan in the year under review. The raw materials ratio was 20.1% and was thus below the previous year's level (previous year 20.4%). The decline is mainly due to the increased share of sales in the areas of

development, packaging and quality services and only a very moderate increase in prices in the supply area.

6. Investments

In the year under review, €5.6 million (previous year: €5.1 million) was invested in fixed assets. The investments were financed from the current cash flow. Machines were also obtained from leasing companies.

The investments largely related to the expansion and modernization of the packaging lines, the expansion of the production environment to meet the regulatory requirements of new target markets, and measures with regard to the digitalization of the production process.

7. Financing measures or projects

The current assets were financed through own funds and short-term lines, while investments were also made through own funds or leasing. The existing medium-term loans were repaid as planned in the year under review. The conditions of the line, loan and leasing agreements largely corresponded to the currently favorable interest rate level.

Due to the positive earnings situation and the further improvement in the inflow of liquidity, no external financing is planned for the following financial year.

8. Non-financial performance indicators

The Rottendorf Group operates an energy management system in accordance with DIN ISO 50001 and is certified accordingly. The effectiveness of the system was confirmed in the reporting year as part of a surveillance audit. Various energy management measures and activities were carried out in 2018. By taking on an external service provider in 2018, an action plan was defined, which will be consistently coordinated and implemented in connection with all social partners within the Rottendorf Group in the following years. The plan is to reduce energy consumption by 20% in the medium term.

9. Personnel and social area

In the year under review, the Rottendorf Academy was able to further increase the specialist and action skills of Rottendorf employees in all areas through practical and in-depth training. In 2018, this also included modules dealing with the development of social skills among employees, which can be used very profitably in employee management and development, among other things.

The aim of the Rottendorf Academy is the consistent and continuous increase in the competence of the employees.

10 . Other significant events and developments during the financial year

Rottendorf Operations GmbH ceased its business activities by shareholder resolution with effect from December 31, 2018. In a contract between Rottendorf Operations GmbH and Rottendorf Pharma GmbH, the existing contractual relationships between the two companies were terminated and all business activities of Rottendorf Operations GmbH were transferred to Rottendorf Pharma GmbH. In the course of this, the employment relationships and the obligations arising from the employment relationships were transferred from Rottendorf Operations GmbH to Rottendorf Pharma GmbH. Furthermore, Die Rottendorf Pharma GmbH made a compensation payment of €0.2 million. A merger of the company with Rottendorf Pharma GmbH is planned for the 2019 financial year.

There were no other important events or developments in the financial year.

11 . Comparison of the previous year's forecast with the actual business development

Operating EBITDA (earnings before interest, taxes, depreciation and amortization) and sales have developed as follows compared to the previous year and the forecast for the past financial year:

	2018 (actual)	2018 (planned)	2017 (actual)
	€k	€k	€k
EBITDA	8,833	5,644	6.198
Sales volume	103,524	93,700	93,451

The increase in sales and earnings forecast for the 2018 financial year has occurred. Sales in the development area increased significantly due to additional orders from existing customers and the increased packaging volumes. The main reasons for the positive deviations in EBITDA are the strong increase in profitable sales and the expansion of the high-margin development area .

12 . Overall statement on the course of business

The course of business in the year under review was very good. Sales increased sustainably, the annual result and operating result are well above expectations. The order intake during the financial year was above that of the previous year and above planning expectations. Overall, the management is very satisfied with the course of business, as it was possible to increase sales and profits above the industry average in a growing market environment.

III. representation of the situation

1. Assets

Property, plant and equipment rose by 30.7% from €9.1 million to €11.9 million in the year under review. The increase mainly results from investments in technical systems and machines as a result of the expansion of the machine park. In the 2018 financial year, investments were offset by depreciation on property, plant and equipment totaling €2.6 million (previous year: €2.4 million).

Current assets also increased and totaled €39.2 million as of December 31, 2018 (previous year: €31.2 million). Inventories rose by 13.5% year-on-year to €16.8 million at the end of the year (previous year: €14.8 million). Trade receivables increased from €11.4 million to €15.0 million. The increase results from the positive course of business with increased sales.

Other assets fell to €0.4 million in the year under review (previous year: €2.5 million). The decline is mainly due to lower tax refund claims and from leasing companies as well as lower advance payments in current assets.

At the end of 2018, cash and cash equivalents totaled €4.8 million (previous year: €1.7 million). The increase was based on the positive cash flow development.

Other provisions amounted to €7.8 million (previous year: €3.7 million). The increase is mainly due to higher provisions for warranty obligations (€1.6 million; previous year €0.4 million), higher provisions in the personnel area (€2.9 million; previous year €1.4 million) and higher provisions for outstanding invoices (€1.8 million; previous year €0.5 million). The increase is mainly due to the growth in operating

business in the 2018 reporting year. The increase in provisions results from the assumption of obligations from employment relationships at €0.8 million from Rottendorf Operations GmbH.

Liabilities to banks fell by €1.9 million to €8.1 million. The decline results from scheduled repayments and lower utilization of the existing credit lines. Advance payments received increased from €2.5 million in the previous year to €5.2 million at the end of 2018 due to business growth and increased sales.

Trade payables fell slightly year-on-year by €0.2 million to €4.5 million. The decline results from the planned utilization of advantageous payment terms.

Other liabilities increased to €2.1 million (previous year: €0.5 million). The increase results from higher liabilities from income taxes and wage taxes.

Rottendorf Pharma GmbH has a healthy equity ratio of 34.8% (previous year: 34.9%). Due to the increase in total assets, the ratio fell slightly by 0.1%. The balance sheet total of Rottendorf Pharma GmbH increased by €10.9 million or 25% compared to the previous year and now amounts to €53.2 million at the end of the 2018 financial year (previous year €42.2 million).

2. Financial condition

The liquidity situation of Rottendorf Pharma GmbH is as follows:

	12/31/2018	12/31/2017	Change
	€ thousand	€ thousand	T€
liquid funds	4,823	1,648	3,175
bank debt due at any time	-245	-1,083	838
= absolute I. Liquidity	4,578	565	4,013
Inventories and short-term receivables	33,981	27,070	6,911
Vendor and short-term debt	-17,627	-13,046	-4,581
= absolute II. Liquidity	20,932	14,589	6,343
Medium-term claims	0	0	0
medium-term debt	-3,968	-3,968	0
= absolute III. liquidity	16,964	10,621	6,343

Cash and cash equivalents amount to €4.8 million (previous year: €1.7 million). The increase is mainly due to the positive development of earnings in the year under review and the operative cash flow.

Net financial liabilities fell by €5.1 million to €3.3 million (previous year: €8.4 million). Of the total liabilities of €24.9 million (previous year €22.0 million), €3.0 million (previous year €3.9 million) have a remaining term of more than five years and €4.0 million € (previous year: € 4.0 million) have a remaining term of between one and five years. The remaining liabilities are due within one year.

Credit lines are available to a sufficient extent at several banks and are available at all times. Credit lines of €9 million were available in the year under review, which were only partially used.

3. Results of operations

Rottendorf Pharma GmbH was able to increase its total output (sales and changes in inventories) in 2018 from €93.4 million to €104.0 million.

Sales increased by €10.1 million. The increase is mainly due to increased development sales and packaging volumes.

The analysis of sales by individual segments gives the following picture in a year-on-year comparison:

	2018	2017	change
	€k	k€	€
bulk goods			
inland	19,905	19,150	755
EU countries	9,779	9,962	-183
rest of the world	17,578	19,566	-1,988
	47,261	48,679	-1,418
Packaging			
inland	6,407	5,368	1,039
EU countries	1,450	1,992	-542
rest of the world	10,575	6,117	4,458
	18,432	13,477	4,955
analyses			
inland	3,013	1,740	1,273
EU countries	1,781	1,628	153
rest of the world	6,144	5,637	507

	2018	2017	change
	€k	k€	€
	10,939	9,005	1,934
Development and Miscellaneous			
inland	8,778	3,750	5,028
EU countries	2,014	2,442	-428
rest of the world	16,049	16,009	40
	26,840	22,200	4,640
sales deductions	52	91	-39
revenues	103,524	93,451	10,073

The cost of materials increased by €1.7 million to €23.6 million (previous year: €21.9 million). The increase is mainly due to the increased total output.

Personnel expenses at Rottendorf Pharma GmbH increased by €3.0 million to €26.7 million compared to €23.7 million in the previous year. The increase is mainly due to the increase in personnel and the wage increase. The number of employees during the financial year rose from 409 employees on average in the previous year to 440 employees on average for the year.

While other operating income increased by €1.2 million in the year under review, fell to €0.9 million (previous year: €2.1 million), other operating expenses rose by €2.4 million to €46.1 million (previous year: €43.7 million). The increase in other operating expenses is mainly due to increased expenses for temporary staffing by Rottendorf Operations GmbH, increased selling expenses and the one-off payment of a compensation payment to Rottendorf Operations GmbH in the amount of €0.2 million.

Earnings after taxes rose to €3.8 million (previous year: €1.8 million) and net income for the year was €3.8 million (previous year: €1.8 million). The increase in earnings is mainly due to the increase in profitable sales and the increased focus on the high-margin development business.

4. Overall statement on the situation

The course of the financial year was very satisfactory in the year under review and the company's economic situation is stable. The market shares could be increased disproportionately in a growing business environment. Operational growth was boosted by expanding existing business with long-standing customers and acquiring new customers.

IV. Expected development with references to significant opportunities and risks of future development as well as a forecast report

1. Expected development (forecast report)

For the years 2019 to 2025, the CDMO industry is assuming disproportionate growth rates compared to the pharmaceutical market as a whole. The outsourcing trend within the pharmaceutical industry towards highly qualified CDMOs is still intact. Industry growth in the entire CDMO market and in the specialized solids area, which is a core segment for the Rottendorf Group, is above the growth rates of the global economy and in particular above the development rates in the relevant target markets of the European Union and North America.

For the 2019 financial year, Rottendorf Pharma GmbH expects strong sales growth that will be above the expected industry average and last year's growth rates of the Rottendorf Group. In particular, the investments made and expansions in the packaging area will enable a significant increase in sales over the course of the financial year. For the 2019 financial year, Rottendorf Pharma GmbH assumes that the production facilities will be fully utilized.

Furthermore, extensive maintenance work and capacity expansions are planned for the 2019 financial year in order to be able to process the increasing volumes from the long-term supply contracts for the coming financial years with sufficient production capacities. The Rottendorf Group's full-service concept is well received by customers on the pharmaceutical market and is reflected in the large number of new customers.

The planning for the turnover of the Rottendorf Group and Rottendorf Pharma GmbH in the 2019 financial year envisages an increase of 10 to 20% compared to the reporting year. In terms of earnings, EBITDA is expected to be at the previous year's level. The additional contribution margins from the increase in sales are partially compensated by higher planned maintenance expenses. The EBITDA ratio should therefore remain stable.

2. Opportunities and risks of future development

Opportunity and risk management

Opportunity and risk management is an integral part of corporate management. The opportunity and risk policy of the Rottendorf Group consists of making optimal use of existing opportunities and only taking on risks that business activities entail if the risks are offset by corresponding earnings potential.

Opportunities and risks are continuously evaluated and analyzed as part of the planning and budgeting process. In addition to internal influencing factors, external industry analyzes are also taken into account in the process, insofar as this is necessary. Opportunities and risks are qualitatively surveyed and controlled within the Rottendorf Group and not quantified. The system is continuously being further developed.

opportunities

Opportunities from the industry environment

The international trend among large pharmaceutical companies and innovative start-ups to outsource both the development and commercial production of patent-protected products and sophisticated generics to highly competent CDMOs is progressing with great intensity. The Rottendorf Group has been following this trend for several years as a full-service CDMO. The customers' appreciation of Rottendorf as a fully integrated service provider that offers the process chain from procurement, development, production, packaging, quality assurance, documentation and logistics from a single source is reflected in the long-term cooperation with long-standing customers. Performance Opportunities

The development of the separation between more sophisticated products that require greater pharmaceutical and technological expertise (e.g. original products, complex generics) and rather simple products, which has been emerging for several years, is progressing. While the

competitive and price pressure continues to increase for simple products, sophisticated products continue to offer an economically interesting environment.

Rottendorf sees this as an opportunity and takes this development as an opportunity to intensify cooperation with customers who place high demands on a contract manufacturer. In addition to large pharmaceutical companies, this also includes development companies and sophisticated generic drug manufacturers.

In order to be attractive for the target group of customers, Rottendorf continues to expand its know-how with regard to new production technologies. In addition, Rottendorf has geared its organization as a full-service provider to assuming full process responsibility for the technical processes and the supply chain processes. The resulting added value for the customer is increasingly being demanded by customers and remunerated separately.

This orientation clearly sets Rottendorf apart from pure contract manufacturers who only offer machine capacities in standard technologies. The main distinguishing features and opportunities for Rottendorf are outstanding competence in development, upscaling and transfer, a high level of pharmaceutical expertise and high efficiency in technical processes and supply chain processes. Rottendorf achieves the continuous increase in efficiency through its operational excellence program, which is well integrated into the company.

Location-related opportunities

Rottendorf also uses the focus on sophisticated products and the positioning as a full-service CDMO to counter rising costs in Germany (eg personnel and energy costs). The distinctive quality system of the Rottendorf Group enables a very stable customer relationship and convinces new customers by placing orders. With the help of its very well-trained employees at the headquarters in Ennigerloh, these processes can be guaranteed to be methodical and work-efficient.

Rottendorf is also intensifying its activities in the US market, which is very important for the pharmaceutical sector, and is thus achieving - in addition to additional business opportunities - a further diversification of its own markets. In the USA, Rottendorf also offers direct on-site customer support via Rottendorf Pharma Inc. This results in opportunities to develop additional sales opportunities and new customer business.

risks

Industry Risks

The pharmaceutical industry is subject to strong and constantly increasing regulation. Rottendorf has to meet numerous requirements from customers and the approval authorities. Failure to do so can result in higher costs and loss of customer relationships. Rottendorf counters this risk with a strong focus on the qualifications of its employees in the areas mentioned and an ongoing analysis of the changing regulations and the resulting requirements. In addition, compliance with regulations is ensured by an integrated quality assurance system. The industry risks are currently classified as not significant.

procurement risks

Long-term cooperation agreements exist with suppliers for raw materials such as packaging materials. The main procurement risks are the termination of long-term supply contracts without an adequate replacement, a restriction in the availability of raw materials and significant price increases that cannot be passed on to sales in the short term or only partially. Rottendorf counters these risks with a wide selection of suppliers, long-term supplier relationships and a high range in stocks that are not subject to any risk of expiration.

In the area of active ingredients, a large part is provided directly by the customer and remains the customer's property throughout the production process. This means that no procurement risks can arise in Rottendorf from this. Overall, there are currently no significant procurement risks to be identified.

personnel risks

The Rottendorf Group relies on sufficient staff and employees with special knowledge. If vacancies cannot be filled with sufficiently qualified employees or cannot be filled within a reasonable period of time, Rottendorf faces the risk of losses in sales and earnings. In addition, delivery obligations sometimes cannot be met due to staff shortages. Employees with pharmaceutical-technical training are difficult to replace from the region of the company headquarters in Ennigerloh. In order to recruit enough employees in the region, the management focuses on the perception and positioning of the Rottendorf Group as an attractive employer through an internal training concept. Significant personnel risks are currently not discernible.

sales risks

In the case of simpler products, for example, there is sometimes considerable price pressure on the German market as a result of the tenders advertised by health insurance companies worldwide. Sales prices can come under pressure as a result of cost pressure from the health insurance companies, which they pass on to Rottendorf's customers. If lower sales prices cannot or only partially be compensated for by more favorable purchasing conditions on the procurement market, Rottendorf faces the risk of falling margins and, as a result, a drop in earnings.

Rottendorf counters the sales risks through a strong diversification of its customer structure and the orientation of its business model towards several business areas in order to be able to switch to other customers or higher-margin products or services if necessary.

By focusing on the three characteristics of pharmaceutical competence, manufacturing technology and operational excellence, Rottendorf Pharma is increasing its attractiveness in the market for long-term, sustainable partnerships. Significant sales risks are currently not discernible.

Risks from the use of financial instruments

In the reporting year, notable sales were made on the US market via the subsidiary Rottendorf Pharma Inc., Bozeman. Risks can arise for Rottendorf from the development of the dollar exchange rate against the euro.

The development of exchange rates is closely monitored and analyzed by the company. The use of currency hedging instruments was not deemed necessary in the past and, as in the previous year, was not used in the year under review.

A negative development of the dollar against the euro could be reflected in foreign exchange losses. In order to reduce the exchange rate risk, foreign currency risks were dealt with by converting the largest invoice amounts from US dollars to euro amounts in close cooperation with US customers. The remaining US dollar amounts are actively used as part of natural hedging towards procurement.

Significant risks from the use of financial instruments are currently not discernible.

Overall picture of the risk situation

Management assumes that, as in the previous year, the overall risks are limited and manageable. There are currently no recognizable risks that could jeopardize the continued existence of the company. Overall, the opportunity and risk situation has not changed significantly compared to the previous year.

V. Other information

Events of particular importance after the end of the financial year (supplementary report)

As part of a spirits tax audit by the main customs office in Bielefeld in the 2018 financial year, different views were expressed between Rottendorf Pharma GmbH and the main customs office about the exemption from spirits tax. The facts were passed on to the next higher authority, the General Customs Directorate, for assessment. After an intensive examination by external tax consultants, customs experts and lawyers, the management sees no reason for accounting provisions, since based on the information and findings available at the time the annual financial statements were prepared, no additional tax payments are to be expected. If a different decision was made in the final instance,

In February 2019, the audit by the American Food and Drug Administration (FDA) was successfully passed.

There are no other events of particular importance after the end of the financial year.

Ennigerloh, May 31, 2019

Rottendorf Pharma GmbH
signed Dr. Stephen Fleck
signed Dr. Silke Huster

Balance sheet as of December 31, 2018**assets**

	12/31/2018	12/31/2017
	€	€
scroll ↔		
A. Fixed assets		
I. Intangible assets		
Purchased licenses to industrial property rights	950,349.90	1,004,367.80
II. Tangible assets		
1. Buildings on third-party land	637,605.52	525,631.00
2. technical installations and machines	4,537,401.30	2,927,045.30
3. Other facilities, fixtures and fittings	5,731,543.00	5,405,384.00
4. Payments on account and assets under construction	1,035,802.02	267,934.44
	11,942,351.84	9,125,994.74
III. financial assets		
Shares in affiliated companies	218,611.17	218,611.17
	13,111,312.91	10,348,973.71
B. Current Assets		
I. Inventories		
1. Raw, auxiliary and operating materials	9,699,195.06	8,132,263.72
2. Work in progress	1,880,428.04	2,445,891.95
3. Finished Goods and Merchandise	5,221,076.60	4,193,322.35
	16,800,699.70	14,771,478.02
II. Receivables and other assets		
1. Trade accounts receivable	14,985,188.99	11,390,342.71
2. Receivables from affiliated companies	2,194,109.91	909,342.18
3. other assets	367,826.45	2,470,242.55
(of which with a remaining term of more than one year: €150.00; previous year: €150.00)		
	17,547,125.35	14,769,927.44
III. Cash on hand, bank balances and cheques	4,823,294.67	1,648,230.13
	39,171,119.72	31,189,635.59
C. Prepaid expenses	735,950.34	614,618.89
D. Deferred tax assets	189,866.04	130,490.47
	53,208,249.01	42,283,718.66
liabilities		
	12/31/2018	12/31/2017
	€	€
A. Equity		
I. Drawn capital	1,840,700.00	1,840,700.00
II. Capital Reserve	3,792,331.86	3,792,331.86
III. retained earnings	729,243.77	729,243.77

	12/31/2018	12/31/2017
	€	€
IV. Balance sheet profit	12,171,613.31	8,377,307.54
(of which profit carried forward: €8,377,307.54; previous year: €6,616,522.58)		
	18,533,888.94	14,739,583.17
B. Provisions		
other provisions	7,803,789.92	3,664,996.67
	7,803,789.92	3,664,996.67
C. Liabilities		
1. Liabilities to banks	8,075,935.55	10,043,914.95
(of which with a remaining term of up to one year: €1,151,637.55; previous year: €2,213,340.95)		
2. Advance payments received on orders	5,214,134.47	2,532,633.00
(of which with a remaining term of up to one year: €5,214,134.47; previous year: €2,532,633.00)		
3. Trade Accounts Payable	4,445,399.39	4,699,723.51
(of which with a remaining term of up to one year: €4,445,399.39; previous year: €4,699,723.51)		
4. Liabilities to affiliated companies	4,931,440.99	4,184,673.04
(of which with a remaining term of up to one year: €4,931,440.39; previous year: €4,184,673.04)		
5. Other Liabilities	2,129,043.85	498,674.45
(of which with a remaining term of up to one year: €1,878,163.54; previous year: €498,674.45)		
(of which from taxes: €1,878,163.54; previous year: €304,489.89)		
(thereof in the context of social security: € 33,844.60 previous year: € 29,472.65)	24,795,954.25	21,959,618.95
D. Accruals and Accruals	2,074,615.90	1,919,519.87
	53,208,249.01	42,283,718.66

Profit and Loss Account for the period from January 1st to December 31st 2018

	2018	2017
	€	€
1. Revenue	103,523,709.77	93,450,916.81
2. Increase or decrease in inventories of finished goods and work in progress	462,290.34	-28,468.06
3. Other operating income	949,122.59	2,117,889.43
(thereof income from currency conversion: €3,709.61; previous year: €9,651.48)	104,935,122.70	95,540,338.18
4. Cost of Materials		
a) Expenses for raw materials, auxiliary materials and supplies and for purchased goods	20,890,202.25	19,037,684.41
b) Expenses for purchased services	2,764,882.54	2,915,579.92
	23,655,084.79	21,953,264.33
5. Personnel expenses		
a) Wages and salaries	22,678,855.78	19,990,324.50
b) Social security contributions and expenses for pensions and for assistance	3,999,696.15	3,684,151.50
	26,678,551.93	23,674,476.00
6. Depreciation of intangible assets and property, plant and equipment	2,844,752.51	2,524,539.87
7. Other Operating Expenses	46,104,006.44	43,741,625.95
(of which from currency conversion: €4,849.98; previous year: €2,277.05)		
8. Gains/Losses from Profit and Loss Transfer Agreements	335,092.31	27,435.52
9. Other Interest and Similar Income	47,065.10	255.86
(of which from affiliated companies: €47,065.10; previous year: €249.86)		
10. Interest and Similar Expenses	399,132.24	927,859.85
(of which to affiliated companies: €122,636.83; previous year: €99,139.40)		
(of which from compounding: €47,847.12; previous year: €458,340.39)		
12. Income taxes	1,823,802.37	967,809.73
(of which deferred tax expenses: € -59,375.57; previous year: € 33,485.61)		

	2018	2017
	€	€
13. Earnings after taxes	3,811,949.83	1,778,453.83
14. Other Taxes	17,644.06	17,668.87
15. Net Income	3,794,305.77	1,760,784.96
16. Earnings Carry Forward	8,377,307.54	6,616,522.58
17. Retained Earnings	12,171,613.31	8,377,307.54

Notes for the 2018 financial year

1. General information on the annual financial statements

Rottendorf Pharma GmbH, Ennigerloh, is listed at the Münster register court under number HR B 9746 and is a large corporation as of the balance sheet date within the meaning of Section 267 (3) HGB.

The annual financial statements as of December 31, 2018 were prepared in compliance with the accounting regulations of the German Commercial Code (§§ 264 ff. HGB) in the version of the Accounting Directive Implementation Act (BilRUG) and the supplementary regulations of the GmbHG. The income statement was drawn up using the nature of expense method in accordance with Section 275 (2) HGB. The form of presentation, in particular the structure of the annual financial statements, corresponds to that of the previous year. Fiscal year is the calendar year.

2. Information on accounting and valuation methods

Intangible **assets** and property, plant and **equipment** were valued at acquisition or production cost less scheduled depreciation based on use. Depreciation was made using the straight-line and degressive method. Additions are always written off on a pro rata basis. Scheduled depreciation is based on economic useful lives.

Internally generated intangible assets are not capitalized.

A collective item was formed for all low-value assets acquired during the financial year with a net acquisition cost of more than €250.00 and up to €1,000.00, which will be depreciated on a straight-line basis over the next five financial years.

Financial **assets** are stated at acquisition cost or, in the case of permanent impairment, at fair value.

Inventories are valued at acquisition or production cost, taking into account the lower of cost or market principle. All recognizable risks in inventory assets resulting from above-average storage times, reduced usability and/or lower replacement costs are taken into account through appropriate value deductions. In all cases, the valuation was loss-free, ie if the probable sales price less the costs incurred up to the point of sale lead to a lower value, corresponding devaluations were made.

The acquisition costs for **raw materials, auxiliary materials and supplies** were determined using a moving average. Valuation deductions were made for reduced quality, uncommon or difficult-to-use material. The lowest value principle has been observed.

Work in **progress and finished goods** were valued at production cost. These include the direct material and production costs as well as appropriate parts of the associated overhead costs and the depreciation of the fixed assets, insofar as this is caused by the production. General administration and sales costs are not included. The valuation corresponds to the principles of Sections 255 (2) and 253 (4) HGB. The work in **progress** is valued retrospectively based on the contribution margins to be achieved and measured according to the progress of the work on the balance sheet date.

Receivables and other assets are reported at their nominal values.

Recognizable individual risks were adequately taken into account through individual value adjustments.

The general risk of default on trade accounts receivable was taken into account by creating a general allowance.

Cash and **cash equivalents** are stated at their nominal value on the balance sheet date.

Payments made before the balance sheet date are recognized as **prepaid** expenses if they represent expenses for a specific period after this date.

Deferred taxes are recognized on the differences between the commercial balance sheet and the tax balance sheet, insofar as these are expected to decrease in subsequent financial years. Exercising the right to choose pursuant to Section 274 (1) sentence 2 of the German Commercial Code, **deferred tax assets** are recognized.

Company-specific tax rates were used to measure deferred taxes. The corporation tax including the solidarity surcharge is deferred at 15.825% for the entire tax group. A tax rate of 14.945% is taken into account for the trade tax due to the current assessment rate in Ennigerloh of 427% and the tax index of 3.50%.

The expense and income from the change in the recognized deferred taxes is reported separately in the income statement under the item "Taxes on income and earnings as a 'of which' note."

The **subscribed capital** is accounted for at nominal value.

The **provisions** take into account all recognizable risks and uncertain obligations and are formed in the amount of their expected settlement amount, which is required according to prudent business judgment to cover future payment obligations. Future price and cost increases are taken into account if there is sufficient objective evidence that they will occur.

Provisions with a remaining term of more than one year are discounted at the market interest rate for the remaining term published by the Deutsche Bundesbank with matching maturities.

Anniversary **provisions** are measured at fair value using a partial value method based on the 2018 G mortality tables (previous year: 2005 G mortality tables) by Prof. Dr. Klaus Heubeck, an interest rate of 2.32% pa (previous year: 2.8% pa) and a salary trend of 2.5% pa (previous year: 2.5% pa).

For future expenses from the fulfillment of legal or contractual **storage** obligations for business documents, corresponding provisions were made in the amount of the respective settlement amount, ie taking into account the cost ratios that are likely to apply at the time of fulfillment. When determining the provision for archiving costs, a remaining storage period of ten years and expected price and cost increases were taken as a basis.

Liabilities have been recognized at their settlement amounts.

Receivables and liabilities in **foreign currencies** with a remaining term of no more than one year are valued at the average spot exchange rate on the balance sheet date. All other foreign currency receivables are valued at the exchange rate on invoicing or the lower average spot exchange rate on the balance sheet date. All other foreign currency liabilities are valued at the exchange rate at the time of invoicing or at the mean spot exchange rate on the balance sheet date, whichever is higher.

3. Notes to the balance sheet

Notes on assets

The breakdown and development of **fixed assets** and **financial assets** can be found in the attached statement of changes in fixed assets, which is part of these notes.

The shares in affiliated companies reported under financial assets break down as follows:

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name and seat	Share of capital %	Subscribed capital / fixed capital	Result of the last financial year	Effective date of the present information
inland				
Rottendorf Operations GmbH, Ennigerloh *	100.0	EUR 75,600	EUR 0.00	12/31/2018
Rottendorf Service GmbH, Ennigerloh *	100.0	EUR 25,000	EUR 0.00	12/31/2018
abroad				
Rottendorf Pharma, Inc., Bozeman, USA	100.0	USD 150,000	USD -76,669	12/31/2018

*) Due to the existing profit and loss transfer agreement, a net profit for the year of zero is reported.

Unscheduled depreciation due to a probable permanent reduction in value was not carried out for valuations for shares in affiliated companies in accordance with Section 253 (3) Sentence 5 HGB in the financial year and in the previous year.

Receivables **from affiliated companies** account for €1,624 thousand (previous year: €909 thousand) in trade receivables from Rottendorf Pharma Inc., USA, and €570 thousand (previous year: €0 thousand) in receivables from Rottendorf Operations GmbH. The total amount of € 570k to Rottendorf Operations GmbH results from the assumption of employment relationships as of December 31, 2018 and related obligations of € 862k (previous year: € 0k) and a liability from current billing for services in amounting to €292 thousand (previous year: €350 thousand).

Other assets essentially include tax refund claims for gas/electricity tax of €191 thousand (previous year: €397 thousand), advance payments made on current assets of €36 thousand (previous year: €0 thousand) and creditors with debit balances of €86 thousand (previous year: €70 thousand).

As in the previous year, all receivables and other assets are due within one year.

Deferred **taxes** developed as follows in the financial year:

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	01/01/2018 € thousand	Addition T€	Disposal € thousand	12/31/2018 € thousand
Deferred tax assets	130	59	0	190

The reported deferred tax assets of €190 thousand result primarily from temporary differences in the area of anniversary provisions and provisions for document archiving.

Explanations of the liabilities

The **retained earnings** of EUR 729 thousand arose as of January 1, 2010 through the posting of deferred tax assets with no effect on income at the time of the first-time application of the BilMoG (January 1, 2010) and essentially results from the tax loss carryforwards existing as of December 31, 2009 .

The **other provisions** are shown in the following table of provisions.

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	As of 01/01/2018 € thousand	Consumption T€	Resolution T€	Allocation € thousand
Provisions from the social sector				
holiday entitlements	389	0	0	115
anniversary payments	323	0	0	49
overtime	226	59	0	0
Variable references	202	202	0	462

	As of 01/01/2018 € thousand	Consumption T€	Resolution T€	Allocation € thousand
Special payment management team	252	313	0	563
trade association	39	36	3	76
	1,432	610	3	1,266
Provisions from deliveries / services				
Individual Warranty Obligations	446	0	105	1,238
Miscellaneous	230	88	0	163
	677	88	105	1,401
Other provisions				
Pending invoice	528	360	0	1,617
document archiving	679	20	0	0
Miscellaneous	349	248	0	420
	1,557	629	0	2,037
total provisions	3,665	1,327	108	4,705

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	Discounting T€	Assumption of obligations € thousand	As of December 31 , 2018 , € thousand
Provisions from the social sector			
holiday entitlements	0	302	807
anniversary payments	8th	407	786
overtime	0	152	320
Variable references	0	0	462
Special payment management team	0	0	502
trade association	0	0	76
	8th	862	2,954
Provisions from deliveries / services			
Individual Warranty Obligations	0	0	1,579
Miscellaneous	0	0	306
	0	0	1,885
Other provisions			
Pending invoice	0	0	1,785
document archiving	0	0	659
Miscellaneous	0	0	520
	0	0	2,965
total provisions	8th	862	7,804

The nature and scope of the **liabilities** result from the following table of liabilities:

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	Residual term up to one year (previous year) € thousand	Residual term between one and five years (previous year) € thousand	Residual term of more than five years (previous year) €k	Total amount (previous year) €k	of which secured (previous year) €k
1. Liabilities to banks	1.152	3,968	2,956	8,076	0
	(2,213)	(3,968)	(3,863)	(10,044)	0
2. Advance payments received on orders	5.214	0	0	5.214	0
	(2,533)	0	0	(2,533)	0

	Residual term up to one year (previous year) € thousand	Residual term between one and five years (previous year) € thousand	Residual term of more than five years (previous year) €k	Total amount (previous year) €k	of which secured (previous year) €k
3. Trade Accounts Payable	4,445	0	0	4,445	0
	(4,700)	0	0	(4,700)	0
4. Liabilities to affiliated companies	4,931	0	0	4,931	0
	(4,185)	0	0	(4,185)	0
5. other liabilities	2.129	0	0	2.129	0
	(499)	0	0	(499)	0
In total	17,872	3,968	2,956	24,796	0
	(14.129)	(3,968)	(3,863)	(21,960)	0

The item **liabilities to affiliated companies** includes liabilities to the sole shareholder Rottendorf GmbH in the amount of €3,910 thousand (previous year: €2,477 thousand) and liabilities to the subsidiaries Rottendorf Operations GmbH in the amount of €997 thousand (previous year: €1,682 thousand) and Rottendorf Service GmbH in the amount of €25 thousand (previous year: €25 thousand).

As in the previous year, the liabilities to the shareholder Rottendorf GmbH result in full from deliveries and services. Liabilities to Rottendorf Operations GmbH of €997k (previous year: €1,332k) result from the profit and loss transfer agreement dated November 26, 2011. In the previous year there were also liabilities to Rottendorf Operations GmbH of €350k. Of the liabilities to Rottendorf Service GmbH, €24 thousand (previous year: €24 thousand) resulted from deliveries and services and €1 thousand (previous year: €1 thousand) from the profit and loss transfer agreement.

Other liabilities essentially include trade tax liabilities of €979 thousand (previous year: €0 thousand), corporation tax of €499 thousand (previous year: €0 thousand), wage tax liabilities of €400 thousand (previous year: €304 thousand). €, accounts receivable in the amount of €176 thousand (previous year: €79 thousand) and the handicapped tax in the amount of €12 thousand (previous year: €24 thousand). Customer grants that depend on the term are reported under the item **deferred income , which will be reversed according to the term from 2017.**

5. Notes to the Profit and Loss Account

The sales revenues are broken down according to areas of activity and sales areas as follows:

	2018 €k	2017 €k
bulk goods		
inland	19,905	19,150
EU countries	9,779	9,962
rest of the world	17,578	19,566
	47,261	48,679
Packaging		
inland	6.407	5,368
EU countries	1,450	1,992
rest of the world	10,575	6.117
	18,432	13,477
analyses		
inland	3.013	1,740
EU countries	1,781	1,628
rest of the world	6.144	5,637
	10,939	9,005
Development and Miscellaneous		
inland	8,778	3,750
EU countries	2.014	2,442
rest of the world	16,049	16.009
	26,840	22,200
sales deductions	52	91
revenues	103,524	93,451

As in the previous year, sales revenues do not include any income relating to other periods.

The **other operating income** essentially includes income from the reduction of individual value adjustments in the amount of €225 thousand (previous year: €0 thousand), from the reversal of other provisions in the amount of €224 thousand (previous year: €1,371 thousand), income from on costs and services passed on to former subsidiaries in the amount of €113 thousand (previous year: €126 thousand), reimbursements in the personnel area in the amount of €107 thousand (previous year: €123 thousand), profits from the disposal of fixed assets in the amount of €76 thousand (previous year: €67 thousand), income from grants from the Federal Ministry of Research in the amount of €72 thousand (previous year: €85 thousand) and income from damages in the amount of €3 thousand (previous year: €37 thousand).

Other operating expenses include operating expenses of €40,558 thousand (previous year: €38,345 thousand), administrative expenses of €2,775 thousand (previous year: €3,144 thousand), selling expenses of €1,463 thousand (previous year: €1,391 thousand) and other expenses of €1,308 thousand (previous year: €862,000), which resulted primarily from expenses for warranty services.

The operating expenses essentially include expenses for the leasing of employees from a subsidiary in the amount of €25,276 thousand (previous year: €24,277 thousand). The subsidiary made employees available to Rottendorf Pharma GmbH in the period from 2009 to December 2018 to perform specific tasks for Rottendorf Pharma GmbH. In December 2018, the subsidiary ceased operations and transferred them back to the reporting company.

The **depreciation** of intangible assets and property, plant and equipment includes unscheduled depreciation of €97 thousand. These relate to advance payments made for assets under construction.

5. Other information

Contingent liabilities pursuant to Section 251 HGB result from joint and several liability in the amount of €948 thousand (previous year: €1,219 thousand). The contingent liabilities were entered into exclusively in favor of the parent company Rottendorf GmbH, Berlin, for which other third parties are jointly liable. The risk of a claim can be assessed as low because the debtor has a positive going concern prognosis. The **other financial obligations** break down as follows:

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	In total k€	remaining terms		
		up to one year T€	one to five years T€	more than five years T€
from leases	7,877	1,986	5,891	0
(Previous year)	(7,877)	(1,986)	(5,891)	0
From leasing contracts	10,766	1,448	5,424	3,895
(Previous year)	(9,208)	(1,202)	(4,455)	(3,550)
total	18,643	3,434	11,314	3,895
(Previous year)	(17,085)	(3,188)	(10,346)	(3,550)

The existing obligations from rental agreements in the amount of €7,854 thousand (previous year: €7,854 thousand) are obligations to the parent company Rottendorf GmbH, Berlin.

The background to the leasing and rental agreements entered into is the off-balance sheet use of assets that would otherwise be classified as fixed assets. In addition, a convergence between income and expenses from the use of the assets is achieved through these transactions. They also serve to diversify financing and thus strengthen entrepreneurial independence. The equity ratio and the level of debt remain essentially unaffected by the leasing financing. The risks from these contracts are that the amounts stated will affect future liquidity.

Significant financial obligations within the meaning of Section 285 No. 3a HGB, which do not have to be disclosed under Section 251 HGB, result from call-off contracts for the procurement of materials (mainly active ingredients and auxiliary substances) in the amount of €1,354 thousand (previous year: €1,143 thousand).

Transactions with related parties

As part of normal business activities, the company maintains business relationships with affiliated companies that are considered to be related. This applies in particular to the hiring out of employees, the purchase or provision of services, the use and transfer of use of assets as well as financing.

Since all transactions are conducted with and between companies that are directly or indirectly wholly owned and included in the consolidated financial statements of Rottendorf GmbH, Berlin, no further information is required in accordance with Section 285 No. 21 HGB.

Amounts blocked for distribution (§ 268 Para. 8 HGB)

As of the balance sheet date, the deferred tax assets of €190 thousand (previous year: €130 thousand) are subject to a distribution block. As of the balance sheet date, the freely available reserves plus a profit carried forward exceed the total amount of the amounts blocked for distribution. Therefore, there is no distribution block in relation to the annual surplus.

shareholders and corporate relationships

The annual financial statements of Rottendorf Pharma GmbH are included in the consolidated financial statements of the parent company Rottendorf GmbH based in Berlin. Rottendorf GmbH, Berlin, prepares the consolidated financial statements for the smallest and for the largest group of companies and thus exempts Rottendorf Pharma GmbH from the obligation to prepare separate consolidated financial statements, § 291 Para. 1 i. In conjunction with Section 291 (2) HGB. The consolidated financial statements are published in the electronic company register.

The **Advisory Board** is composed as follows:

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Dr. Franz-Josef Placke, pharmacist, Haan (Chairman)
 Dr. Bernward Garthoff, Manager, Hilden
 Mr. Peter Behner, management consultant, Kleinmachnow (until August 30, 2018)
 Miss Dr. Maria-Luisa Binda, consultant, Leverkusen (since October 2, 2018)
 Mr. Bruno Buss, senior employee at Rottendorf Pharma GmbH, Ennigerloh (since October 2nd, 2018)

The total remuneration of the Advisory Board in the 2018 financial year was €174 thousand (previous year: €89 thousand).
 The following were appointed as **managing directors** of the company in the year under review:

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Dr. Stephan Fleck, physicist, Wermelskirchen
 Miss Dr. Silke Huster, chemist, Oelde (since June 1, 2018)

Dr. Fleck was also appointed Managing Director of the affiliated companies Rottendorf GmbH, Rottendorf Operations GmbH, Rottendorf Service GmbH and Rottendorf Pharma Inc., USA. Miss Dr. Huster was also appointed managing director of the affiliated companies Rottendorf Operations GmbH and Rottendorf Service.

With regard to the information in accordance with Section 285 Sentence 1 No. 9 HGB regarding the managing director, use is made of the protective clause in Section 286 Paragraph 4 HGB and the information is accordingly omitted.

employees on average over the year

The average number of employees (excluding trainees) was as follows in the year under review:

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	2018	2017
Industrial workers	99	101
employee	341	308
	440	409

Proposal for appropriation of earnings

It is proposed to the shareholders' meeting to carry forward the annual surplus of the reporting year to new account.

Events after the balance sheet date (supplementary report)

As part of a spirits tax audit by the main customs office in Bielefeld in the 2018 financial year, different views were expressed between Rottendorf Pharma GmbH and the main customs office about the exemption from spirits tax. The facts were passed on to the next higher authority, the General Customs Directorate, for assessment. After an intensive examination by external tax consultants, customs experts and lawyers, the management sees no reason for accounting provisions, since based on the information and findings available at the time the annual financial statements were prepared, no additional tax payments are to be expected. If a different decision was made in the final instance,

There are no other events of particular importance that occurred after the end of the financial year and are not included in either the income statement or the balance sheet.

Ennigerloh, May 31, 2019

Rottendorf Pharma GmbH

signed Dr. Stephen Fleck

signed Dr. Silke Huster

Development of fixed assets in 2018

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	Acquisition or production costs				
	01/01/2018	Additions	departures	Rebooking	12/31/2018
	€	€	€	€	€
A. Fixed assets					
I. Intangible assets					
1. Purchased licenses to industrial property rights	3,278,899.07	211,098.48	0.00	0.00	3,489,997.55
	3,278,899.07	211,098.48	0.00	0.00	3,489,997.55
II. Tangible assets					0.00
1. Land and buildings	1,281,461.64	207,291.65	0.00	0.00	1,488,753.29
2. technical installations and machines	34,684,612.81	3,045,824.91	349,517.73	4,142.10	37,385,062.09

	Acquisition or production costs				
	01/01/2018	Additions	departures	Rebooking	12/31/2018
	€	€	€	€	€
3. Other facilities, fixtures and fittings	23,138,039.44	1,316,615.66	234,762.61	0.00	24,219,892.49
4. Payments on account and assets under construction	267,934.44	868,914.02	0.00	-4,142.10	1,132,706.36
	59,372,048.33	5,438,646.24	584,280.34	0.00	64,226,414.23
III. financial assets					
Shares in affiliated companies	218,611.17	0.00	0.00	0.00	218,611.17
	218,611.17	0.00	0.00	0.00	218,611.17
	62,869,558.57	5,649,744.72	584,280.34	0.00	67,935,022.95

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	depreciation			
	01/01/2018	Additions	departures	12/31/2018
	€	€	€	€
A. Fixed assets				
I. Intangible assets				
1. Purchased licenses to industrial property rights	2,274,531.27	265,116.38	0.00	2,539,647.65
	2,274,531.27	265,116.38	0.00	2,539,647.65
II. Tangible assets				0.00
1. Land and buildings	755,830.64	95,317.13	0.00	851,147.77
2. technical installations and machines	31,757,567.51	1,439,611.01	349,517.73	32,847,660.79
3. Other facilities, fixtures and fittings	17,732,655.44	947,803.65	192,109.60	18,488,349.49
4. Payments on account and assets under construction	0.00	96,904.34	0.00	96,904.34
	50,246,053.59	2,579,636.13	541,627.33	52,284,062.39
III. financial assets				
Shares in affiliated companies	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	52,520,584.86	2,844,752.51	541,627.33	54,823,710.04

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	residual values	
	12/31/2018	12/31/2017
	€	€
A. Fixed assets		
I. Intangible assets		
1. Purchased licenses to industrial property rights	950,349.90	1,004,367.80
	950,349.90	1,004,367.80
II. Tangible assets		
1. Land and buildings	637,605.52	525,631.00
2. technical installations and machines	4,537,401.30	2,927,045.30
3. Other facilities, fixtures and fittings	5,731,543.00	5,405,384.00
4. Payments on account and assets under construction	1,035,802.02	267,934.44
	11,942,351.84	9,125,994.74
III. financial assets		
Shares in affiliated companies	218,611.17	218,611.17
	218,611.17	218,611.17
	13,111,312.91	10,348,973.71

INDEPENDENT AUDITOR'S REPORT

To Rottendorf Pharma GmbH, Ennigerloh
audit opinions

We have the annual financial statements of Rottendorf Pharma GmbH, Ennigerloh, - consisting of the balance sheet as of December 31, 2018 and the income statement for the financial year from January 1 to December 31, 2018 and the notes, including the presentation of the accounting and valuation methods - checked. In addition, we have audited the management report of Rottendorf Pharma GmbH for the financial year from January 1 to December 31, 2018.

According to our assessment based on the knowledge gained during the audit

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The attached annual financial statements comply in all material respects with German commercial law regulations and, in compliance with German generally accepted accounting principles, provide a true and fair view of the assets and financial position of the company as of December 31, 2018 and its earnings position for the financial year from January 1 to as of December 31, 2018 and the attached management report as a whole provides an accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with § 322 Para. 3 Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis for the test results

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code, taking into account the German generally accepted auditing principles established by the Institute of Public Auditors in Germany (IDW). Our responsibility under those regulations and standards is further described in the "Auditor's responsibility for the audit of the financial statements and management report" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law provisions in all material respects, and for the fact that the annual financial statements, in compliance with the German principles of proper accounting, give a true and fair view of the net assets, financial position and results of operations of the society conveys.

Furthermore, the legal representatives are responsible for the internal controls which they have determined to be necessary in accordance with the German principles of proper accounting in order to enable the preparation of annual financial statements,

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

In addition, the legal representatives are responsible for preparing the management report, which as a whole provides a suitable view of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report to be able.

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

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material - intentional or unintentional - misstatements and whether the management report as a whole provides a suitable view of the company's position and, in all material respects, with the annual financial statements and is consistent with the findings obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report which contains our audit opinions on the annual financial statements and on the management report.

Adequate assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with § 317 HGB, taking into account the German principles of proper annual auditing established by the Institute of Public Accountants (IDW), will always uncover a material misstatement. Misstatements may 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 made on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

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We identify and assess the risks of material - intentional or unintentional - misstatements in the annual financial statements and in the management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is greater than that arising from error, as fraud involves collusion, forgery, intentional omissions, misrepresentations or

We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these systems of society.

We evaluate the appropriateness of the accounting methods used by the legal representatives and the justifiability of the estimated values presented by the legal representatives and the related disclosures.

Conclude on the appropriateness of management'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 cast significant doubt on the Company's ability to continue as a going concern can raise. If we conclude that there is a material uncertainty, we are required to draw attention to the related

disclosures in the financial statements and management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We base our conclusions 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.

We evaluate the overall presentation, the structure and the content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements, in compliance with the German principles of proper accounting, give a true and fair view of the assets, financial and earnings situation of the company.

We assess the consistency of the management report with the annual financial statements, its compliance with the law and the view it conveys of the company's situation.

we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not provide a separate audit opinion on the future-oriented information and the underlying assumptions. There is a significant unavoidable risk

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

Bielefeld, June 26, 2019

PricewaterhouseCoopers GmbH
auditing company
dr Thomas Ull, auditor
ppa. Peter Tiessen, auditor

The annual financial statements as of December 31, 2018 were approved on November 11, 2019.

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