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Vetter Pharma-Fertigung GmbH & Co. KG Ravensburg	Accounting/ Financial Reports	Consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019	02/24/2021

Vetter Pharma-Fertigung GmbH & Co. KG

Ravensburg

Consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019

Certificate

In the documents intended for disclosure - consolidated balance sheet and annex to the consolidated balance sheet as well as the notes to the consolidated financial statements and the group management report - the simplifications according to § 13 para. 3 sentence 2 i. In conjunction with Section 5 (5) sentence 3 PublG. In addition, the consolidated balance sheet was reduced to the statutory classification scheme and the notes to the consolidated financial statements and the group management report were adjusted accordingly. We have issued the following audit opinion on the complete consolidated financial statements and group management report:

"Independent Auditor's Report

To Vetter Pharma-Fertigung GmbH & Co. KG

audit opinions

We have the consolidated financial statements of Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg, and its subsidiaries (the Group) - consisting of the consolidated balance sheet as of December 31, 2019, the consolidated income statement for the financial year from January 1 to as of December 31, 2019 and the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of Vetter Pharma-Fertigung GmbH & Co. KG for the financial year from January 1 to December 31, 2019.

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

— does the attached consolidated financial statement correspond in all material respects to those for companies i. s.d. Section 11 PublG, which falls under Section 13 (3) sentence 2 PublG, applicable German commercial law provisions and, in compliance with German generally accepted accounting principles, conveys a true and fair view of the Group’s net assets and financial position as of December 31, 2019 and its results of operations for the financial year from January 1 to December 31, 2019 and

— the attached group management report as a whole provides an accurate picture of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the test results

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB, taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is further described in the "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" section of our auditor's report. We are independent of the group companies 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 consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which for companies i. s.d. Section 11 PublG, which falls under Section 13 (3) sentence 2 PublG, complies with the applicable German commercial law provisions in all material respects, and that the consolidated financial statements, in compliance with German generally accepted accounting principles, give a true and fair view of the assets, financial - and results of operations of the group. 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 consolidated financial statements,

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group'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 executive directors are responsible for preparing the group management report, which as a whole provides a suitable view of the group's position and is consistent with the consolidated 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 group management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the group management report be able.

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

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether intentional or unintentional, and whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and group management report.

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

— We identify and assess the risks of material misstatements – intentional or unintentional – in the consolidated financial statements and in the group 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 may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

— We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the group 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 to deliver systems;

— we evaluate the appropriateness of the accounting methods used by the legal representatives as well as the reasonableness of the estimated values and related disclosures presented by the legal representatives;

— Conclude on the appropriateness of the executive directors' 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 Group'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 consolidated financial statements and group 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 Group to cease to be able to continue as a going concern;

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, in compliance with German legally required accounting principles, give a true and fair view of the assets, financial and results of operations of the Group;

— we obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the group in order to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We bear sole responsibility for our audit opinions;

— Evaluate the consistency of the group management report with the consolidated financial statements, its legal compliance and the view of the group's position that it gives;

— we perform audit procedures on the future-oriented information presented by the legal representatives in the group 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."

Ravensburg, March 12, 2020

Ernst & Young GmbH
auditing company

Bürkle, auditor

Rauser, auditor

Consolidated balance sheet as of December 31, 2019

assets

	€	€	€	12/31/2018 € thousand
A. Fixed assets				
I. Intangible assets				
1. EDP software purchased for a fee	6,857,580.37			7,150
2. Payments on account and software in development	8,447,503.14			5,724
		15,305,083.51		12,874
II. Tangible assets				
1. Land and buildings, including buildings on third-party land	163,228,159.45			149.141
2. Technical installations and machines	158,546,461.35			162,811
3. Other equipment, fixtures and fittings	41,270,613.52			38,668
4. Payments on account and assets under construction	285,387,448.56			198,602
		648,432,682.88		549,222
III. financial assets				
Shares in affiliated companies		67,212.67		67
			663,804,979.06	562,163

	€	€	€	12/31/2018 € thousand
B. Current Assets				
I. Inventories				
1. Raw, auxiliary and operating materials	55,140,404.92			54,372
2. Work in progress	25,309,421.38			24,049
3. Finished Goods and Merchandise	24,410,972.31			19,851
4. Advance payments made	0.00			12
5. Advance payments received	-7,183,217.69			(7.183)
		97,677,580.92		91.101
II. Receivables and other assets				
1. Trade accounts receivable	57,448,616.89			107,812
2. Claims against companies in the Vetter Group	11,070.85			212
3. Other Assets	23,847,482.57			17,922
		81,307,170.31		125,946
III. Cash on hand, bank balances		1,548,568.52		3,945
			180,533,319.75	220,992
C. Prepaid expenses			2,350,885.47	2,710
			846,689,184.28	785,865

liabilities

	€	€	12/31/2018 € thousand
A. Equity			
		338,812,692.13	313,455
B. Balancing items for capitalized treasury shares		41,000.00	41
C. Provisions			
1. Provisions for taxes	3,503,734.57		1,719
2. Other provisions	40,245,121.05		31,296
		43,748,855.62	33.015
D. Liabilities			
1. Liabilities to banks	289,499,227.93		315,754
2. Advance payments received	45,882,012.33		40,066
3. Trade Accounts Payable	26,464,629.43		21,329
4. Liabilities to shareholders	87,078,306.67		50,296
5. Liabilities to Vetter Group companies	124,600.87		29
6. Other Liabilities	15,037,859.30		11,880
of which from taxes € 13,368,270.87 (previous year € 9,310k)			
of which in the context of social security € 182,770.47 (previous year € 34k)			
		464,086,636.53	439,354
		846,689,184.28	785,865

Attachment to the consolidated balance sheet as of December 31, 2019

	€
revenues	668,548,344.28
Wages and salaries, social security contributions, and expenses for pensions and benefits	296,710,150.14

The group employed an average of 4,580 people in 2019.

The valuation and depreciation methods are explained in the notes to the consolidated financial statements.

Notes to the consolidated financial statements for 2019

I. General information on the consolidated financial statements

Vetter Pharma-Fertigung GmbH & Co. KG, based in Ravensburg, is entered in the commercial register of the District Court of Ulm under HRA No. 550954.

These consolidated financial statements were prepared in accordance with the provisions of the law on accounting for certain companies and groups (publicity law) in conjunction with the relevant provisions of the commercial code.

scope of consolidation

In addition to Vetter Pharma-Fertigung GmbH & Co. KG, the following companies are included in the consolidated financial statements:

	Amount of shares in capital %
Vetter Pharma International GmbH, Ravensburg	100.00
Vetter Development Services USA, Inc., Skokie, Illinois (USA)	100.00 [1)]
Vetter Pharma International USA Inc., Des Plaines, Illinois (USA)	100.00 [1)]
Arzneimittel GmbH Apotheker Vetter & Co. KG, Ravensburg	100.00

	Amount of shares in capital %
Vetter Pharma International Japan KK, Tokyo (Japan)	100.00 [1)]
Vetter Commercial Manufacturing USA, LLC, Des Plaines, Illinois (USA)	100.00 [1)]

[1)] Indirect participation held by Vetter Pharma International GmbH, Ravensburg.

Vetter Pharma-Fertigung Verwaltungs-GmbH, Bregenz/Austria and Vetter Consulting GmbH, Graz/Austria were not included in the consolidated financial statements due to their small scope of business in accordance with Section 296 (2) HGB. They are of secondary importance for the obligation to convey a true and fair view of the Group's net assets, financial position and results of operations. The sole shareholder of Vetter Pharma-Fertigung Verwaltungs-GmbH and Vetter-Consulting GmbH is Vetter Pharma-Fertigung GmbH & Co. KG.

Consolidation Principles

Capital was consolidated using the revaluation method at the time of initial inclusion in the consolidated financial statements.

The negative difference from the first-time consolidation of Arzneimittel GmbH Apotheker Vetter & Co. KG in the 2013 financial year was transferred to the reserves without affecting income, as it arose from the fact that the shares in this company acquired by way of a contribution in kind were included in the annual financial statements of Vetter Pharma-Fertigung GmbH & Co. KG were valued below fair value.

Receivables and liabilities, sales, expenses and income within the scope of consolidation were eliminated. Intermediate results did not arise.

currency conversion

The asset and liability items on balance sheets denominated in foreign currencies have been translated into euros at the average spot exchange rate on the balance sheet date, with the exception of equity, which has been translated into euros at the historical rate. The items in the income statement have been converted into euros at the average exchange rate for the year. Any resulting translation difference was reported in the item "Equity difference from currency translation".

The currency differences resulting from debt consolidation are also recorded in the item "Equity difference from currency translation" without affecting profit.

II. Information on accounting and valuation methods

The following accounting and valuation methods were decisive for the preparation of the consolidated financial statements.

Purchased intangible fixed assets are valued at acquisition cost less scheduled straight-line amortization pro rata temporis (with a customary useful life of up to five years).

Property, plant and equipment are stated at acquisition or production cost and, where depreciable, reduced by scheduled, pro rata straight-line depreciation over the expected useful life.

Assets with individual acquisition costs of more than EUR 250.00 to EUR 1,000.00 are recorded in a collective item that is depreciated on a straight-line basis over 5 years. Their departure is assumed in the fifth year after acquisition. Assets with individual acquisition costs of up to € 250.00 are not capitalized.

Financial assets are stated at acquisition cost or at the lower applicable value.

Raw materials and supplies are valued at average acquisition costs or the last lower purchase price less a deduction for discounts. All inventory risks for raw, auxiliary and operating materials resulting from the storage period or reduced usability are taken into account through appropriate value deductions.

The unfinished and finished goods are valued according to the degree of completion with the production costs according to § 255 HGB. Material and manufacturing overheads are also taken into account.

Receivables and other assets are generally valued at their nominal value. All risky items are taken into account through the formation of appropriate individual value adjustments. The general default and credit risk is adequately taken into account by means of a flat-rate value adjustment of 1% on the net receivables. Receivables in foreign currencies are valued at the average spot exchange rate on the balance sheet date. With a remaining term of more than one year, the realization and acquisition cost principle is observed.

Bank balances in foreign currencies are converted at the average spot exchange rate on the balance sheet date.

The other provisions take into account all identifiable risks and contingent liabilities and are recognized at the settlement amount. Other provisions with a remaining term of more than one year have been discounted using the interest rate appropriate to the term in accordance with the Regulation on the Discounting of Provisions.

Liabilities are recognized at the settlement amount. Liabilities in foreign currencies are converted at the average spot exchange rate on the balance sheet date. With a remaining term of more than one year, the realization and acquisition cost principle is observed.

III. Balance sheet information

1. Assets

Capital assets

The development of the individual items of fixed assets is shown in the separate overview "Development of Group Fixed Assets".

Stocks

The prepayments received deducted from the inventories essentially relate to the provision of safety stocks.

Receivables and other assets

As in the previous year, all receivables have a residual term of less than one year.

Receivables from companies in the Vetter Group are mainly from non-consolidated affiliated companies and relate to ongoing delivery, service and clearing transactions.

On July 1, 2018, the Group introduced a working time account model. As of the balance sheet date, the obligations from the working time accounts were offset against the plan assets i. s.d. Section 246 (2) sentence 2 HGB, which is accounted for at fair value, which is mainly derived from deposit account statements. The plan assets serve exclusively to meet the debts from the working time account obligations and are not accessible to all other creditors.

The information on offsetting in accordance with Section 246 (2) sentence 2 HGB for the working time accounts is shown in the following overview:

	12/31/2019 €k
Settlement amount of the offset debts	5,570
Acquisition costs of the netted assets	5,538
Fair value of the netted assets	5,570
Offset expenses from the discounting of the offset debts	0
Net income from the netted assets	0

2. Liabilities

Equity capital

The Group's reserves developed as follows:

	k€
1/1/2019	264,097
Allocations from the consolidated net income	25,092
12/31/2019	289,189

Other provisions

The other provisions essentially include obligations from the personnel area, provisions for warranty obligations and provisions for energy costs.

liabilities

	In total	Amounts with a remaining term		
		up to 1 year	from 1 - 5 years	more than 5 years
	k€	T€	T€	T€
Liabilities to credit institutions	289,499	124,054	59,474	105,971
(Previous year)	(315,754)	(84,166)	(80,215)	(151,373)
Payments received	45,882	12,857	30,622	2,403
(Previous year)	(40,066)	(12,882)	(23,629)	(3,555)
liabilities from goods and services	26,465	26,465	0	0
(Previous year)	(21,329)	(21,329)	(0)	(0)
Liabilities to shareholders	87,078	87,078	0	0
(Previous year)	(50,296)	(50,296)	(0)	(0)
Liabilities to Vetter Group companies	125	125	0	0
(Previous year)	(29)	(29)	(0)	(0)
Other liabilities	15,038	15,038	0	0
(Previous year)	(11,880)	(11,880)	(0)	(0)
	464,087	265,617	90,096	108,374

The prepayments received reported under liabilities mainly relate to earmarked grants for fixed assets.

Liabilities to companies in the Vetter Group are mainly due to non-consolidated affiliated companies and relate to ongoing delivery, service and clearing transactions.

Deferred taxes

Deferred tax assets arise from inventories, prepaid expenses and other provisions. They outweigh the deferred tax liabilities from currency translation and other assets. The applied tax rates are 12.7% and 28.53%.

From the right to vote according to § 298 para. 1 i. In conjunction with section 274 (1) sentence 2 HGB, use is made of not accounting for a surplus of deferred tax assets over deferred tax liabilities.

IV. Other information

1. Contingent Liabilities and Other Financial Obligations

The total amount of other financial obligations is €222,551 thousand. These are essentially purchase contracts for capital goods, obligations from rental and leasing contracts and from a supply contract for biogas and logistics services.

2. Off-balance-sheet transactions

To improve liquidity, the Group sells trade accounts receivable as part of an ABS program. As of December 31, 2019, the sold receivables amounted to EUR 54,445k, which were deducted from trade receivables.

3. Financial Derivative Instruments

As of the balance sheet date, contracts for derivative financial instruments existed to the following extent:

Type of Financial Instrument	Nominal amount EUR thousand	Market value EUR thousand	Book value EUR thousand
Forward Exchange Transactions	31,240	-6	0
interest rate swaps	20,000	-659	0
interest rate caps	40,000	+22	+273
commodity swaps	7,847	-1,290	0

Derivative financial instruments are only used to hedge currency, interest rate and price change risks from the operating business and, if necessary, from financing transactions. Fluctuations in the cash and earnings flows of the Vetter Group caused by changes in exchange rates, interest rates and raw material prices are to be reduced. The market value of the derivative financial instruments is determined using recognized calculation methods, taking into account the market data available on the balance sheet date.

To minimize interest rate risks, the Group has hedged variable-interest liabilities with a nominal volume of EUR 60,000 thousand and a remaining term until 2025 using interest rate swaps with matching maturities and interest rate caps of the same amount ("portfolio hedge"). The underlying and hedging transactions were combined in valuation units so that negative market values are not recognized as a liability within the scope of the freezing method. The prospective effectiveness of the valuation units is measured using the critical terms match method, while the retrospective effectiveness is determined using the hypothetical derivatives method.

To cover currency risks from operating cash flows in foreign currencies (mainly USD) and a loan drawn down in USD, the Group concluded forward exchange transactions with a nominal volume of €31,240 thousand and terms of up to three years ("macro hedge") as of the balance sheet date. Underlying and hedging transactions were fully combined in valuation units, the effectiveness of which is measured prospectively using the critical terms match method and retrospectively using the cumulative dollar offset method. The anticipated underlying transactions have a very high probability of occurrence,

In order to reduce the risk of price changes from the purchase of electricity and natural gas at the exchange prices valid on the day, the Group has concluded commodity swaps with a total value of €7,847k (€5,212k electricity / €2,635k natural gas) and terms of up to three years. The underlying and hedging transactions were combined in valuation units so that negative market values are not recognized as a liability within the scope of the freezing method. The prospective effectiveness of the valuation units is measured using the critical terms match method, while the retrospective effectiveness is determined using the hypothetical derivatives method.

4. Transactions with related persons and companies

In 2019, the Group paid a total of €3,538k to related companies for the use of services, €2,508k for interest and €631k for rent.

EUR 110 thousand was paid to related parties for services.

EUR 448 thousand for services and EUR 5 thousand for rentals were received from related companies.

5. Supplementary report

After the December 31, 2019 reporting date, promissory note loans with a volume of €220,000k were issued on February 7, 2020.

No other events of particular importance occurred after the end of the financial year. With regard to the effects of the corona pandemic, we refer to our statements in the group management report.

6. Disclosure

Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg, submits its annual financial statements in accordance with § 5 Para. 6 PublG i. V. m. § 264 Abs. 3 HGB not open.

7. Total Auditor's Fees

The fee for the audit of the consolidated financial statements of Vetter Pharma-Fertigung GmbH & Co. KG and the individual financial statements of the parent company and Vetter Pharma International GmbH totals €115k. Of this, €110k is for auditing services and €5k for other services.

Ravensburg, March 12, 2020

signed Thomas Otto, Managing Director

signed Peter Sölkner, Managing Director

Development of Group fixed assets in 2019

	Acquisition and production costs		
	1/1/2019 €	Currency differences €	Additions €
I. Intangible assets			
1. EDP software purchased for a fee	37,016,076.61	753.41	642,927.79
2. Payments on account and software in development	5,724,378.54	0.00	5,246,310.17
	42,740,455.15	753.41	5,889,237.96
II. Tangible assets			
1. Land and buildings, including buildings on third-party land	196,180,981.78	219,858.33	15,516,958.67 [1)]
2. Technical installations and machines	525,803,618.99	147,370.66	9,612,755.53
3. Other equipment, fixtures and fittings	133,791,652.17	117,123.55	3,333,834.25
4. Payments on account and assets under construction	198,601,323.50	95,276.98	123,065,043.30
	1,054,377,576.44	579,629.52	151,528,591.75
III. financial assets			
Shares in affiliated companies	67,212.67	0.00	0.00
	1,097,185,244.26	580,382.93	157,417,829.71

	Acquisition and production costs		
	Rebookings €	departures €	12/31/2019 €
I. Intangible assets			
1. EDP software purchased for a fee	2,550,551.68	104,068.99	40,106,240.50
2. Payments on account and software in development	-2,523,185.57	0.00	8,447,503.14
	27,366.11	104,068.99	48,553,743.64
II. Tangible assets			
1. Land and buildings, including buildings on third-party land	5,219,065.50	1,010,102.03	216,126,762.25
2. Technical installations and machines	17,522,363.17	6,645,707.78	546,440,400.57
3. Other equipment, fixtures and fittings	13,605,400.44	2,500,448.31	148,347,562.10
4. Payments on account and assets under construction	-36,374,195.22	0.00	285,387,448.56
	-27,366.11	10,156,258.12	1,196,302,173.48
III. financial assets			
Shares in affiliated companies	0.00	0.00	67,212.67
	0.00	10,260,327.11	1,244,923,129.79

	Accumulated depreciation		
	1/1/2019 €	Currency differences €	BP adjustments €
I. Intangible assets			
1. EDP software purchased for a fee	29,866,095.27	757.29	0.00
2. Payments on account and software in development	0.00	0.00	0.00
	29,866,095.27	757.29	0.00
II. Tangible assets			
1. Land and buildings, including buildings on third-party land	47,040,573.42	11,825.54	2,320.02
2. Technical installations and machines	362,992,127.55	107,258.30	0.00
3. Other equipment, fixtures and fittings	95,123,428.99	93,917.05	0.00
4. Payments on account and assets under construction	0.00	0.00	0.00
	505,156,129.96	213,000.89	2,320.02
III. financial assets			
Shares in affiliated companies	0.00	0.00	0.00

	Accumulated depreciation 1/1/2019 €	Currency differences €	BP adjustments €
	535,022,225.23	213,758.18	2,320.02

	Accumulated depreciation write-ups €	Additions €	departures €	12/31/2019 €
I. Intangible assets				
1. EDP software purchased for a fee	0.00	3,485,876.56	104,068.99	33,248,660.13
2. Payments on account and software in development	0.00	0.00	0.00	0.00
	0.00	3,485,876.56	104,068.99	33,248,660.13
II. Tangible assets				
1. Land and buildings, including buildings on third-party land	0.00	6,723,056.93	879.173.11	52,898,602.80
2. Technical installations and machines	1,721,435.91	33,113,298.00	6,597,308.72	387,893,939.22
3. Other equipment, fixtures and fittings	0.00	14,356,023.20	2,496,420.66	107,076,948.58
4. Payments on account and assets under construction	0.00	0.00	0.00	0.00
	1,721,435.91	54,192,378.13	9,972,902.49	547,869,490.60
III. financial assets				
Shares in affiliated companies	0.00	0.00	0.00	0.00
	1,721,435.91	57,678,254.69	10,076,971.48	581,118,150.73

	book values 12/31/2019 €	12/31/2018 €
I. Intangible assets		
1. EDP software purchased for a fee	6,857,580.37	7,149,981.34
2. Payments on account and software in development	8,447,503.14	5,724,378.54
	15,305,083.51	12,874,359.88
II. Tangible assets		
1. Land and buildings, including buildings on third-party land	163,228,159.45	149,140,408.36
2. Technical installations and machines	158,546,461.35	162,811,491.44
3. Other equipment, fixtures and fittings	41,270,613.52	38,668,223.18
4. Payments on account and assets under construction	285,387,448.56	198,601,323.50
	648,432,682.88	549,221,446.48
III. financial assets		
Shares in affiliated companies	67,212.67	67,212.67
	663,804,979.06	562.163.019.03

[1)] Of which adjustments to the results of the external tax audit (BP) €196,407.72.

Group management report for 2019

business activity

Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg and its subsidiaries (Vetter Group) are specialists in the development and aseptic filling of medicines in syringes, cartridges and vials. Vetter has many years of experience in handling biotechnological active ingredients and complex substances including monoclonal antibodies, peptides, interferons and vaccines. Vetter supports pharmaceutical and biotech companies from preclinical development to supplying the world market. The Vetter Development Service handles clinical manufacturing and supports the development of new drugs from early stages through transfer to commercial manufacturing.

The Vetter Group is based in Ravensburg and includes the production sites in Upper Swabia, as well as sales and development service sites in the USA, Singapore, Japan and South Korea.

General economic conditions

The approval of 48 new drugs in the US in 2019, while well below the record 59 new approvals in the previous year, is the third-highest number of new drug launches in the last 25 years. This sustained upward trend indicates that the Food and Drug Administration (FDA) is continuing its innovation-friendly course with flexible and quick decisions. In Germany, 25 drugs were newly approved in 2019, which is slightly below the average of recent years, in which more than 30 new drugs have always come onto the market. Cancer drugs accounted for the largest group of new US approvals, accounting for around a quarter, and around 44% of new US approvals are administered parenterally. In particular, around half of the products that have been awarded the so-called “break-through therapy” or “orphan drug status” by the FDA are injectables. Although the new approval of ten biosimilars in the USA in 2019 exceeded the new approval in Europe (3 products), the commercial success of this product group in the USA is currently far below expectations.

Since biotech companies with their research projects are a key driver of innovation, their financing situation is of great importance for the entire pharmaceutical industry. Although venture capital financing in 2019 was well below the previous year's level at 13.9 billion US dollars, this value still indicates that companies have solid financial resources. The total volume of M&A activities in 2019, on the other hand, was only slightly below the record value of 2014 and was thus the second highest value in the last decade. All in all, biotech companies have a persistently pleasing financing situation.

Business development and situation in 2019

The financial performance indicators that are important for Vetter Pharma-Fertigung GmbH & Co. KG are sales, EBITDA and the financial debt ratio (NetDebt / EBITDA). The non-financial or qualitative performance indicators are primarily the achievement of a high customer service level (greater than 90%) and maintaining our quality position/reputation in competition. The latter can essentially be determined by the number of passed official audits.

sales development

In a market environment that remained positive, we were able to close the past 2019 financial year with a 12% increase in sales of EUR 669 million. Our business areas in Commercial Manufacturing grew by around 13% and Development Service by 11%. The parallel increase in both business areas confirms our market assessments and reflects further transfers from the project pipeline to the commercial area. The consistently high number of customer projects in the area of development services continues to be a central element for our corporate growth, as these represent the basis for future sales in commercial manufacturing. At the same time, we were able to achieve a customer service level of 93% in 2019 and continue to diversify the customer structure. Both contribute to securing our business model.

human resource development

Against the background of the high requirements in relation to technical processes, but also due to the continuously increasing regulatory influences, the Vetters business model is very personnel-intensive. In addition, the company's growth requires continuously expanded human resources in all areas. In the past fiscal year, the company employed an average of 4,580 people.

Regulatory Environment

The market segment for aseptic filling of medicines, in which Vetter is active, was again subject to increasing regulatory requirements in 2019. Despite this trend, which has persisted for many years, we were again able to successfully complete all official inspections and thus underpinned our quality leadership.

earnings situation

Against the background of the positive sales development and moderately developing cost items, especially in the area of personnel and material expenses, EBITDA and earnings before interest and taxes grew. Both sales and earnings are above the forecast expectations and we therefore continue to rate the overall development as very satisfactory.

financial position

The balance sheet total increased by approx. 8% to EUR 847 million in the 2019 financial year. The increase is mainly due to the continued investment strategy and the associated expansion of fixed assets. At the same time, we were able to optimize our working capital management in the area of customer receivables with a correspondingly positive balance sheet effect.

Liquidity / cash flow

At the end of 2019, there was a slight reduction in cash and cash equivalents of EUR 2 million compared to the previous year. At the same time, against the background of a significantly expanded operating cash flow and the constant development of the cash flow from investing activities, we achieved a positive free cash flow. We were able to use the corresponding funds to reduce liabilities to financial institutions and thus achieve an optimization of the balance sheet ratios.

financing structure

In the past financial year 2019, equity amounted to EUR 339 million and was therefore at a constant level in relation to total assets. Due to the positive free cash flow, liabilities to banks were reduced by EUR 26 million to a total of EUR 289 million, as was the level of indebtedness.

The financing strategy of the Vetter Group aims to ensure long-term, solid corporate financing using various financing instruments. Borrowed capital is only raised through the parent company. In addition to long-term loans from development loans and promissory note loans, the company also has a syndicated credit line from 2017 with a remaining term until the end of March 2024 at its disposal for the implementation of further investments, the utilization of which was around EUR 25 million.

Use of Financial Derivatives

In the reporting year, Vetter used derivative financial instruments exclusively to hedge currency/commodity and/interest positions in order to minimize currency/price risks and financing costs caused by exchange rate/commodity price or interest rate fluctuations. The instruments we use here are marketable commodity derivatives as well as forward exchange transactions and interest rate swaps or interest rate caps. Such derivatives are used as part of our continuously monitored risk strategy, which also includes medium- and long-term hedging measures.

Research and Development

The main research and development activities take place in the area of order-related development services in customer-specific process development as part of the customer projects of the Vetter Development Service. In addition, we are constantly developing our packaging systems and internal processes. The technical development of the Vetter Injection Device (pen system) was completed in 2019. In addition, we are breaking new ground in the area of innovation management in order to identify future fields in the area of user-oriented drug injection.

Opportunities and Risk Report

As an internationally oriented company active in the pharmaceutical industry, Vetter is constantly exposed to a large number of internal and external developments that can have both a positive and negative impact on the achievement of our corporate goals. Opportunity and risk management is therefore an integral part of our corporate management and is based on the risk policy defined by management. The overriding principle here is to seize opportunities, but only take on the risks associated with business activity if added value is created for the company and the corporate goals are not jeopardized.

We identify opportunities as part of our annual strategic planning cycle, which identifies market developments and the resulting trends for our business activities in the first half of each financial year. From this we derive essential company decisions (e.g. with regard to investment policy) and translate them into strategic long-term planning.

The Vetter Group has established a group-wide risk management system for the early detection and proactive control of significant risks. The guidelines and procedures for risk management are defined company-wide as part of a comprehensive risk manual and are based on internationally recognized standards and principles, such as the ISO 31000 risk management standard.

In order to assess and delimit the relevant risks, Vetter has developed a five-level relevance scale that shows possible negative effects on the company's results. As part of risk aggregation, the individual risks evaluated in this way can be combined and assessed to form an overall company risk. In the periodic risk assessment carried out at the end of 2019, no risks that could endanger the company as a going concern were identified. As in previous years, receiving an official “Warning Letter” (FDA) is the greatest risk for the Vetter Group. Against the background of our quality standards, such a warning letter would cause considerable general damage to our reputation, the effects of which are difficult to assess. We counter this risk with continuous further development of our pharmaceutical quality and risk management, so that we classify the probability of occurrence as very low, which was again confirmed by numerous successful customer and authority audits. In addition, we see the emergence of the new type of corona virus as a challenge in terms of ensuring our performance commitments to our customers, but at this point in time, given the comprehensive preventive and reactive measures taken, we assume that we will be able to largely meet our obligations. We counter this risk with continuous further development of our pharmaceutical quality and risk management, so that we classify the probability of occurrence as very low, which was again confirmed by numerous successful customer and authority audits. In addition, we see the emergence of the new type of corona virus as a challenge in terms of ensuring our performance commitments to our customers, but at this point in time, given the comprehensive preventive and reactive measures taken, we assume that we will be able to largely meet our obligations. We counter this risk with continuous further development of our pharmaceutical quality and risk management, so that we classify the probability of occurrence as very low, which was again confirmed by numerous successful customer and authority audits. In addition, we see the emergence of the new type of corona virus as a challenge in terms of ensuring our performance commitments to our customers, but at this point in time, given the comprehensive preventive and reactive measures taken, we assume that we will be able to largely meet our obligations. so we classify the probability of occurrence as very low, which was again confirmed by numerous successful customer and authority audits. In addition, we see the emergence of the new type of corona virus as a challenge in terms of ensuring our performance commitments to our customers, but at this point in time, given the comprehensive preventive and reactive measures taken, we assume that we will be able to largely meet our obligations. so we classify the probability of occurrence as very low, which was again confirmed by numerous successful customer and authority audits. In addition, we see the emergence of the new type of corona virus as a challenge in terms of ensuring our performance commitments to our customers, but at this point in time, given the comprehensive preventive and reactive measures taken, we assume that we will be able to largely meet our obligations.

Overall, the assessment of the current risk situation shows that there are no risks that go beyond the general market and industry-typical influences that could endanger the continued existence of the company and that future risks that could endanger the company as a going concern are not currently discernible. The key criteria for the implementation of our further growth strategy are the maintenance of the market position and the underlying reputation, the ability to innovate and the attractiveness of an employer. The recruitment of suitable personnel continues to be one of the main challenges in the coming years.

Outlook for further development in 2020

The prospects for the development of the global pharmaceutical market are still positive, despite the ongoing trade conflicts and the resulting difficulty in forecasting. Global pharmaceutical market growth is expected to be in the mid-single-digit percentage range (6.9%) through 2024, driven primarily by product innovation in the US and volume growth in emerging markets. In the future, too, the pharmaceutical market will be shaped by a solid innovation balance on the one hand and price pressure on old products on the other. A similar number of new approvals with a focus on biological agents (mostly parenterals), orphan drugs and cancer drugs are expected in the next few years. The good financing situation of the small biotech companies, profit growth of the large pharmaceutical companies and sustained innovation support by the FDA continue to create favorable framework conditions for the development of innovative medicines. The market development in the pharmaceutical industry will continue to be supported by the demographic development, the uninterrupted trend towards special drugs (many of them injectables), as well as towards more and more personalized and digitized drug applications. Due to the presidential elections in the USA at the beginning of November, however, a weakening of IPOs and possibly also of venture capital financing is expected in the second half of the year. In contrast, political polarization in the US is expected to prevent regulatory restrictions on pharmaceutical prices before the end of 2020. Nevertheless, the price issue will play an important role in the election campaign and sooner or later the pharmaceutical industry will have to adapt to changes in the law.

Vetter's market situation depends to a large extent on the activities and performance of pharmaceutical and biotechnology companies. The following trends are emerging for 2020:

In the area of drug innovations, development will continue to focus on biotechnologically manufactured drugs, so that their share of sales is expected to increase to 32% in 2024. As in previous years, cancer therapies will generate the largest sales, followed by therapies for the treatment of diabetes, rheumatism and vaccines. In addition, there is a growing number of new developments for the treatment of eye and skin diseases. Very large growth potential is expected in widespread and chronic diseases such as the liver disease NASH and neurodegenerative diseases such as Parkinson's and Alzheimer's.

Rare diseases, which are treated using so-called “orphan drugs”, remain an important research focus for pharmaceutical and biotech companies. The sales expectations in this area are based on an annual growth rate of approx. 12% up to 2024 and are thus almost twice as high as the forecast growth of the pharmaceutical market as a whole at 6.9%.

In 2020, the trend towards acquisitions with smaller transaction sizes will continue, preferably in the therapeutic areas of oncology and rare diseases. In the event of an economic downturn in 2020, e.g. due to the global impact of the coronavirus epidemic, M&A transactions could become more attractive for buyers. Above all, US biotech companies, companies that develop orphan drugs, cell and gene therapies or digital business models and spin-offs from large pharmaceutical companies are likely to continue to attract particular interest as takeover candidates.

The market for contract manufacturing also has growth potential in 2020, although due to the pharmaceutical trends described above, there are still better development opportunities for innovation-driven aseptic "contract development and manufacturing organizations" (CDMOs) than for contract manufacturers with a focus on classic dosage forms. An economic slowdown could be positive for CDMOs through increased outsourcing, while a sharp drop in venture capital funding could lead to a decline in clinic production volumes as biotech firms focus resources on developing the most promising pipeline candidates. In recent years, large pharmaceutical companies have increasingly invested in their own production capacities, especially for biologicals, and are increasingly manufacturing them themselves. However, the production of ready-to-use dosages, the establishment of complex special processes and the securing of market supply through a second production site still offer sufficient opportunities for cooperation with pharmaceutical contract manufacturers. Nevertheless, small and medium-sized biotech and pharmaceutical companies without their own manufacturing facilities are the major customers of the CDMO industry. Due to the trend towards small-volume special products,

In view of the emergence of the new corona virus, we expect increasing general uncertainty on the world markets combined with a probable decline in general economic output. We are currently seeing uninterrupted customer demand, but we cannot rule out negative influences, including short-term shortfalls in human resources or supply chain disruptions. The management has implemented an action plan to prevent the spread of the corona virus Covid-19 in the company and to ensure the continuation of the facility. This action plan will be adapted to reflect current developments.

Against this background, we will initially maintain our investment volume in 2020 and also push ahead with the digitization of our company processes. Without taking into account the effects of the Corona crisis, we expect growth with an increase in sales and EBITDA in the single-digit percentage range and the gearing ratio remaining below 3.0x. In the non-financial area, we expect to maintain a consistently high customer service level and to successfully pass all customer and authority audits. Taking the Corona crisis into account, we assume in our scenarios that our performance indicators will not be, or only slightly, below the values of the previous year.

Ravensburg, March 12, 2020

The Board

signed Thomas Otto, Managing Director

signed Peter Sölkner, Managing Director