

## search result

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Röchling SE & Co. KG Mannheim	Accounting/ Financial Reports	Consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019	08/19/2020

**Röchling SE & Co. KG****Manheim****Consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019****Consolidated balance sheet as of December 31, 2019****assets**

	12/31/2019		12/31/2018	
	kEUR	kEUR	kEUR	kEUR
A. Fixed assets				
I. Intangible assets				
1. Purchased concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	12,959		10,755	
2. Goodwill	43,561		47,822	
3. Advance payments made	1.114	57,634	2,586	61,163
II. Tangible assets				
1. Land, land rights and buildings, including buildings on third-party land	307,613		289,919	
2. Technical installations and machines	329,488		303,191	
3. Other equipment, fixtures and fittings	52,702		46,070	
4. Payments on account and assets under construction	34,712	724,515	52,632	691,812
III. financial assets				
1. Investments in associates	702		826	
2. Other investments	2,005		1,303	
3. Loans to companies in which an investment is held	435		253	
4. Investment securities	53		53	
5. Other Loans	251	3,446	1	2,436
		785,595		755,411
B. Current Assets				
I. Inventories	454,619		453,274	
Less payments received	-14,520	440,099	-6,730	446,544
II. Receivables and other assets				
1. Trade accounts receivable	307,971		285,078	
- of which with a remaining term of more than one year EUR 10,113k (prior year: EUR 19,378k) -				
2. Receivables from companies in which a participation is held	366		429	
3. Other Assets	40.141	348,478	32.106	317,613
- thereof with a remaining term of more than one year KEUR 1,928 (previous year KEUR 439) -				
III. Cash and cash equivalents		130,022		113,366
		918,599		877,523
C. Prepaid expenses		5,529		4,480
D. Active difference from asset allocation		236		346
		1,709,959		1,637,760

**liabilities**

	12/31/2019		12/31/2018	
	kEUR	kEUR	kEUR	kEUR
A. Equity				
I. Fixed capital		71,500		71,500

	12/31/2019		12/31/2018	
	kEUR	kEUR	kEUR	kEUR
Limited partner shares of the parent company held by a subsidiary		-272		-272
II. Capital Reserve		37,462		34,966
III. Other retained earnings		531,991		486,697
IV. Equity difference from currency translation		8,855		12,688
V. Consolidated retained earnings		11,000		22,000
VI. Non-Controlling Interests		1,306		3,505
		661,842		631,084
B. Liabilities to shareholders		184,341		189,581
C. Provisions				
1. Provisions for pensions and similar obligations		123,289		118,514
2. Tax Provisions		15,654		14,840
3. Other Provisions		156,630		134,044
		295,573		267,398
D. Liabilities				
I. Financial Liabilities				
Liabilities to credit institutions		310,892		278,016
II. Other Liabilities				
1. Trade accounts payable	168,694		184,819	
2. Liabilities to affiliated companies	50		57	
3. Liabilities to companies in which an investment relationship exists	0		10	
4. Other Liabilities	74,093	242,837	73,984	258,870
- of which from taxes EUR 12,046k (prior year: EUR 13,891k) -				
- thereof in the context of social security KEUR 8,409 (previous year KEUR 7,527) -		553,729		536,886
E. Accruals and Accruals		8,025		8,255
F. Deferred Tax Liabilities		6,449		4,556
		1,709,959		1,637,760

### Consolidated income statement for the period from January 1 to December 31, 2019

	2019		2018	
	kEUR	kEUR	kEUR	kEUR
1. Revenue	2,351,861		2,140,460	
2. Decrease (previous year: increase) in inventories of finished goods and work in progress as well as work in progress	-823		1,354	
3. Other own work capitalized	7,447	2,358,485	4,187	2,146,001
4. Other operating income		46,497		36,064
5. Cost of Materials				
a) Expenses for raw materials, auxiliary materials and supplies and for purchased goods	-1,172,684		-1,031,992	
b) Expenses for purchased services	-175,358	-1,348,042	-187,255	-1,219,247
6. Personnel expenses				
a) Wages and salaries	-454,232		-397,581	
b) Social charges	-89,548		-75,719	
c) Pension and support expenses	-9,212	-552,992	-14,411	-487,711
- of which for pensions KEUR -6,400 (previous year KEUR -6,650) -				
7. Depreciation of intangible assets and property, plant and equipment		-105,070		-85,737
8. Other Operating Expenses		-283,302		-252,983
9. Expenses from investments in associated companies		-128		-16
10. Income from other securities and loans classified as financial assets	54		55	
11. Other Interest and Similar Income	787		714	
12. Interest and Similar Expenses	-26,291	-25,450	-23,187	-22,418
- thereof to affiliated companies KEUR -3 (previous year KEUR -3) -				
13. Income taxes		-27,855		-24,691
14. Earnings after taxes		62,143		89,262
15. Other Taxes		-8,068		-8,034
16. Consolidated net income		54,075		81,228
17. Non-Controlling Interests		-517		-412
18. Reversal of the provision / repayment of shareholder taxes		3,458		6,635

	2019		2018	
	kEUR	kEUR	kEUR	kEUR
19. Allocation to the provision / payment of shareholder taxes		-12,518		-17,282
20. Allocation to retained earnings		-33,498		-48,169
21. Consolidated retained earnings		11,000		22,000

**List of the scope of consolidation as of December 31, 2019****(Annex to the consolidated notes)**

name and seat	Group share in capital in %
1. The following 120 subsidiaries were included in the consolidated financial statements:	
Industrial division	
Röchling Engineering Plastics SE & Co. KG, Haren/Ems, with	100
Röchling Haren Beteiligungs-GmbH & Co. KG, Haren/Ems, with	100
Röchling Engineered Plastics, LP, Dallas, NC/USA, with	100
Röchling Engineering Plastics Ltd., Orangeville/Canada	100
Röchling Materials Corporation, Dallas, NC/USA	100
Röchling Glastic Composites, LP, Cleveland, OH/USA	100
Sustaplast Beteiligungs Verwaltungs GmbH, Lahnstein	100
Röchling Haren Beteiligungs-GmbH, Haren/Ems, with	100
Röchling Plasticos de Engenharia do Brasil Ltda., Jundiai, SP/Brazil	100
Röchling Industrial - Srl, Laives/Italy, with	100
Röchling Machined Plastics Italia Srl, Gozzano/Italy	100
Röchling Engineering Plastics Italia Srl, Venegono Inferiore/Italy	100
Röchling Hydroma GmbH, Ruppertsweiler	100
Röchling MAYWO GmbH, Bad Grönenbach-Thal	100
Röchling Service SE & Co. KG, Haren/Ems	100
Röchling Industrial Laupheim GmbH, Laupheim	100
Röchling Industrial Xanten GmbH (formerly: Schwartz GmbH), Xanten, with	100
Zabel Immobilienverwaltungsgesellschaft mbH & Co. Vertriebs KG, Mainz	94
Röchling Industrial Nové Město NM sro, Nové Město na Moravě/Czech Republic	100
Röchling Industrial Pittsburgh, Inc., Pittsburgh, PA/USA	100
Schwartz Plastics (Shanghai) Co. Ltd., Shanghai/China	100
Röchling Engineering SARL, Maxeville/France, with	100
Röchling Engineering Plastiques SAS, Decines/France	100
Röchling Permali Composites SAS, Maxeville/France	100
Röchling Engineering Plastics (UK) Ltd., Gloucester/Great Britain, with	100
Röchling Fibraccon Limited, High Peak/Great Britain	100
Röchling Insoll Limited, Hitchin/Great Britain	100
Röchling Plásticos Técnicos SA Unipersonal, Bocairent/Spain	100
Röchling Haren International Beteiligungs-GmbH, Haren/Ems, with	100
Röchling Leripa Papertech GmbH & Co. KG, Oepping/Austria	100
Röchling Leripa Papertech GmbH, Oepping/Austria, with	100
Roehling Leripa Papertech LLC, Kimberley, WI/USA	100
Roehling Machined Components (Kunshan) Co. Ltd., Kunshan/China	100
Röchling Meta-Plast A/S, Allingbro/Denmark, with	100
LSEZ SIA Meta-Plast, Liepaja/Latvia	100
Röchling Rimito Plast Oy, Rusko/Finland, with	100
Röchling Formaterm AB, Virserum/Sweden	100
Röchling Engineering Plastics sro, Plana nad Luznici/Czech Republic	100
Röchling Engineering Plastics (Russia) Ltd., St. Petersburg/Russia	100
Röchling Engineering Plastics Pte. Ltd., Singapore/Singapore, with	100
Röchling International (Shanghai) CO. Ltd., Pudong, Shanghai/China	100
Roehling Engineering Plastics (Suzhou) Co., Ltd., Suzhou/China	100
Röchling Engineering Plastics Japan Co., Ltd., Yokohama/Japan	100
Roehling Engineering Plastics (India) Pvt. Ltd., Mumbai/India	100
Röchling Sustaplast SE & Co. KG, Lahnstein, with	100
Röchling Lützen SE & Co. KG, Lützen	100
Röchling Roding GmbH, Roding	100
Automotive division	
Röchling Automotive SE & Co. KG, Mannheim, with	100
Röchling Automotive Germany SE & Co. KG, Worms, with	100
Röchling Automotive Koprivnice sro, Koprivnice/Czech Republic	100
Röchling Automotive Slovakia sro, Bratislava-Dúbravka/Slovakia	100
Röchling Automotive Milzkalne SIA, Milzkalne/Latvia	100

name and seat	Group share in capital in %
Abronda Immobilienverwaltungsgesellschaft mbH & Co. Vertriebs-KG, Wiesbaden	94
Röchling Automotive Asia GmbH, Mannheim, with	100
Röchling Automotive Parts (Changchun) Co., Ltd., Changchun/China	100
Röchling Automotive Parts (Chengdu) Co., Ltd., Chengdu/China	100
Röchling Automotive Parts (Kunshan) Co., Ltd., Kunshan/China	100
Röchling Automotive Parts (Shenyang) Co., Ltd., Shenyang/China	100
Röchling Automotive Parts (Chongqing) Co., Ltd., Chongqing/China	100
Roehling Automotive Parts Asan Co., Ltd., Asan/South Korea	100
Roehling Automotive India Private Limited, Gujarat/India	99.99875
Roehling Automotive Chonburi Co., Ltd., Bangkok/Thailand	99.925
Starlite Roehling Automotive Co., Ltd., Osaka/Japan	80
Röchling Automotive Gijzegem NV, Gijzegem-Aalst/Belgium	100
Röchling Automotive Srl, Laives/Italy, with	100
Röchling Automotive Italia Srl, Laives/Italy, with	100
Röchling Automotive Teruel, SL, Teruel/Spain	100
Röchling Automotive Pitesti Srl, Oarja/Romania	100
Röchling Automotive Filters Srl, Milan/Italy	51
Röchling Automotive Araia SL, Araia/Spain	100
Röchling Automotive Inc., Wilmington, DE/USA	100
Röchling Automotive Duncan, LLC, Duncan, SC/USA, with	100
Röchling Automotive USA LLP, Duncan, SC/USA	100
Roehling Automotive Mexico, S DE RL DE CV, Silao/Mexico	100
Röchling Automotive do Brasil Ltda., Itupeva - Sao Paulo/Brazil	100
Röchling Precision Components SE & Co. KG, Mainburg, with	100
Roehling Precision Components Pitesti SRL, Oarja/Romania	100
Roehling Precision Components Silao, S DE RL DE CV, Silao/Mexico	100
Röchling Precision Components GmbH, Weidenberg, with	100
Röchling Precision Components Kraslice spol. sro, Kraslice/Czech Republic	100
Röchling Precision Components (Suzhou) Co., Ltd., Suzhou/China	100
Medical division	
Röchling Medical AG (formerly: Röchling Beteiligungs GmbH), Cologne, with	100
Röchling Medical Neuhaus Verwaltungs-GmbH, Neuhaus am Rennweg	100
Röchling Medical Neuhaus GmbH & Co. KG, Neuhaus am Rennweg, with	100
KIV Plastics Industry Packaging GmbH, Neuhaus am Rennweg	100
Duration property management company mbH & Co. Rentals KG, Wiesbaden	94
Alwine ZWEI Beteiligungen AG, Vienna/Austria	100
Roehling Medical US Corp., Wilmington, DE/USA	100
Röchling Medical Brensbach GmbH, Brensbach	100
Röchling Medical Waldachtal AG (formerly: FRANK plastic AG), Waldachtal, with	100
FRANK Medical Building GmbH, Waldachtal	100
FRANK plastic Immobilien GmbH, Waldachtal	100
Mecus GmbH, Waldachtal	100
Roehling Medical Rochester, LP, Rochester, NY/USA, with	100
Roehling Medical Lancaster, LLC, Denver, PA/USA	100
Roehling Medical Components (Suzhou) Co., Ltd., Suzhou/China	100
financial holdings	
Röchling Beteiligungs SE, Mannheim	100
TKV Telecommunications Holdings GmbH, Mannheim	100
ALPHA wealth and management company mbH, Mannheim	100
Röchling Immobilien Verwaltungs GmbH, Mannheim, with	100
Röchling Immobilien GmbH & Co. KG, Mannheim	100
WBW Vermögens- und Beteiligungsverwaltungs GmbH, Mannheim	100
Röchling Kunststofftechnik SE & Co. KG, Mannheim, with	100
Gebrüder Röchling Treuhand GmbH, Mannheim	100
Röchling Mannheim GmbH, Mannheim	100
Helio Betriebsrenten GmbH, Mannheim	100
TKV Telecommunications GmbH & Co. KG, Mannheim	100
ABE Holding Aktiengesellschaft, Düsseldorf, with	100
EBA Building Technology and Automation GmbH, Dresden	100
ABE Fördertechnik GmbH, Dillingen (Saarland)	100
Röchling Automotive Beteiligungs SE, Mannheim	100
RMF Verwaltungs- und Beteiligungs GmbH, Mannheim	100
Röchling Engineering Plastics Beteiligungs AG (formerly: Röchling Engineering Plastics Beteiligungs-GmbH)	100

	Group share in capital in %
name and seat	
Röchling Direct Manufacturing GmbH, Waldachtal-Salzstetten	100
Circle Smart Card GmbH, Erfurt	100
Alwine Beteiligungen AG, Vienna/Austria	100
Röchling Property Management GmbH, Mannheim	100
Röchling Grundbesitz GmbH & Co. KG, Mannheim	100
Röchling RWS property GmbH & Co. KG, Mannheim	100
RA Ex Beteiligungs AG, Mannheim	100
2. The following associated companies were included in the consolidated financial statements:	
Roechling Errecinque SRL, Oarja/Romania	50 <sup>1)</sup>
Keboda Automotive Parts (Chongqing) Co., Ltd., Chongqing/China	20 <sup>1)</sup>
3. A pension company was not included due to the earmarking of the assets in accordance with § 296 Para. 1 No. 1 HGB:	
TKV Support Facility GmbH, Berlin	100
4. The other investments (§ 313 Para. 2 No. 4 HGB):	
MOLBURGA Autovermietung mbH & Co. Objekt Wackersdorf KG, Düsseldorf, with	99.9
MOLBURGA ZWEI Autovermietung mbH & Co. Objekt Wackersdorf KG, Düsseldorf	100
ADMEO Rental Company mbH & Co. Object Worms KG, Düsseldorf	100
SHS V Medtech Investments GmbH & Co. KG, Tuebingen <sup>2)</sup>	16

<sup>1)</sup> The shares of voting rights correspond to those of the capital

<sup>2)</sup> Equity on December 31, 2019: EUR 12,415 thousand; Annual result 2019: -2,788 kEUR

### Consolidated statement of changes in equity as of December 31, 2019

	equity of the parent company				Equity difference from currency translation kEUR
	Fixed capital less limited partnership shares held by a subsidiary of the parent company kEUR	capital shares		reserves	
		capital reserve kEUR	Other retained earnings kEUR	Total reserves kEUR	
As of 12/31/2017	71,228	34,966	438,528	473,494	4,869
Payments to company owners	0	0	0	0	0
Changes due to shareholder taxes	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0
Transfer to retained earnings	0	0	48,169	48,169	0
Consolidated net income	0	0	0	0	0
Dividends to other shareholders	0	0	0	0	0
Changes in equity due to currency translation and other changes	0	0	0	0	7,819
As of 12/31/2018	71,228	34,966	486,697	521,663	12,688
Payments to company owners	0	0	0	0	0
Changes due to shareholder taxes	0	0	0	0	0
Changes in the scope of consolidation	0	2,496	0	2,496	0
Transfer to retained earnings	0	0	33,498	33,498	0
Group profit	0	0	0	0	0
Dividends to other shareholders	0	0	0	0	0
Changes in equity due to currency translation	0	0	12,035	12,035	-3,833
Other changes	0	0	-239	-239	0
As of 12/31/2019	71,228	37,462	531,991	569,453	8,855

  

	equity of the parent company		Non-Controlling Interests		Equity difference from currency translation attributable to non- controlling interests kEUR
	Consolidated retained earnings attributable to the parent company kEUR	Total equity of the parent company kEUR	Non-controlling interests before equity difference from currency translation and annual result kEUR		
As of 12/31/2017	28,050	577,641	1,462		0
Payments to company owners	-28,050	-28,050	0		0
Changes due to shareholder taxes	-10,647	-10,647	0		0
Changes in the scope of consolidation	0	0	50		0
Transfer to retained earnings	-48,169	0	0		0
Consolidated net income	80,816	80,816	0		0
Dividends to other shareholders	0	0	0		0

	equity of the parent company		Non-Controlling Interests	
	Consolidated retained earnings attributable to the parent company	Total equity of the parent company	Non-controlling interests before equity difference from currency translation and annual result	Equity difference from currency translation attributable to non-controlling interests
	kEUR	kEUR	kEUR	kEUR
Changes in equity due to currency translation and other changes	0	7,819	0	0
As of 12/31/2018	22,000	627,579	1,512	0
Payments to company owners	-22,000	-22,000	0	0
Changes due to shareholder taxes	-9,060	-9,060	0	0
Changes in the scope of consolidation	0	2,496	-662	0
Transfer to retained earnings	-33,498	0	0	0
Group profit	53,558	53,558	0	0
Dividends to other shareholders	0	0	0	0
Changes in equity due to currency translation	0	8,202	0	1
Other changes	0	-239	0	0
As of 12/31/2019	11,000	660,536	850	1

## Non-Controlling Interests

	Profits attributable to non-controlling interests		Total non-controlling interests	Total group equity
	kEUR	kEUR	kEUR	kEUR
As of 12/31/2017	1,790	3,252	580,893	
Payments to company owners	0	0	-28,050	
Changes due to shareholder taxes	0	0	-10,647	
Changes in the scope of consolidation	0	50	50	
Transfer to retained earnings	0	0	0	
Consolidated net income	412	412	81,228	
Dividends to other shareholders	-209	-209	-209	
Changes in equity due to currency translation and other changes	0	0	7,819	
As of 12/31/2018	1,993	3,505	631,084	
Payments to company owners	0	0	-22,000	
Changes due to shareholder taxes	0	0	-9,060	
Changes in the scope of consolidation	-1,834	-2,496	0	
Transfer to retained earnings	0	0	0	
Group profit	517	517	54,075	
Dividends to other shareholders	-221	-221	-221	
Changes in equity due to currency translation	0	1	8,203	
Other changes	0	0	-239	
As of 12/31/2019	455	1,306	661,842	

## Consolidated statement of cash flows for the 2019 financial year

			2019	2018
			kEUR	kEUR
1.		Consolidated net income	54,075	81,228
2.	+	Depreciation of fixed assets	105,070	85,737
3.	+/-	Decrease (-) / increase (+) in provisions	16,034	921
4.	=	gross cash flow	175,179	167,886
5.	+/-	Other non-cash expenses(+) / income (-)	-8,051	-4,070
6.	+/-	Increase (-) / decrease (+) in inventories, trade accounts receivable and other assets not attributable to investing or financing activities	-9,192	-90,697
7.	+/-	Decrease (-) / increase (+) in trade payables and other liabilities not attributable to investing or financing activities	-19,849	31,615
8th.	+/-	Profit (-) / loss (+) from the disposal of fixed assets	41	-674
9.	+/-	Interest expense (+) / Interest income (-)	25,450	22,418
10	+/-	Income tax expense (+) / income (-)	27,855	24,691
11.	+/-	Income Tax Payments	-25,726	-24,515
12.	=	Cash generated from operations	165,707	126,654
13.	+	Proceeds from disposals of intangible assets	499	13
14	-	Payments for investments in intangible assets	-4,857	-4,214
15	+	Proceeds from disposals of property, plant and equipment	12,797	12,110
16	-	Payments for investments in property, plant and equipment	-121,015	-151,269

			2019	2018
			kEUR	kEUR
17	-	Payments for investments in financial assets	-1,264	-2,215
18	-	Payments for additions to the scope of consolidation	-17,402	-84,238
19	+	Interest Received	787	678
20	=	Cash flow from investing activities	-130,455	-229,135
21	+	Proceeds from taking out (financial) loans	41,407	139,503
22	-	Payments from the repayment of (financial) loans	-44,600	-30,783
23	-	Interest Paid	-15,019	-12,449
24	-	Dividends paid to shareholders of the parent company	-22,000	-28,050
25	-	Dividends paid to other shareholders	-221	-209
26	-	Taxes paid for shareholders	-9,060	-10,647
27	=	Cash flow from financing activities	-49,493	57,365
28	=	Cash-effective change in cash and cash equivalents	-14,241	-45,116
29	+/-	Exchange rate and valuation related changes in cash and cash equivalents	1,455	1,917
30	+	Cash funds at the beginning of the period	73,859	117,058
31	=	Cash funds at the end of the period	61,073	73,859
Composition of cash funds at the end of the period				
Cash and cash equivalents			130,022	113,366
Liabilities to credit institutions due at any time			-68,949	-39,507
Cash funds at the end of the period			61,073	73,859

### Notes to the Consolidated Financial Statements 2019

#### I. General information

The parent company, Röchling SE & Co. KG, Mannheim, is registered at the District Court of Mannheim under registration number HR A 3529.

The consolidated financial statements of Röchling SE & Co. KG, Mannheim, as of December 31, 2019 were prepared in accordance with Sections 290 et seq. HGB. The nature of expense method is used for the consolidated income statement. The balance sheet date of the parent company, Röchling SE & Co. KG, Mannheim, is also December 31, 2019.

#### II. Scope of consolidation and shareholdings

In addition to Röchling SE & Co. KG, 120 (previous year: 111) companies are included in the consolidated financial statements in accordance with the regulations on full consolidation. The profit and loss accounts of companies that left or joined the group of companies in the year under review are always included pro rata, ie according to the length of time they have belonged to the group. Due to the earmarking of its assets, one (previous year: one) company is not included in accordance with Section 296 (1) No. 1 HGB. Two (previous year: two) associated companies are included in the consolidated financial statements using the equity method.

The scope of consolidation changed as follows in the year under review:

Acquisition of Schwartz GmbH (name change to Röchling Industrial Xanten GmbH, Xanten), Düsseldorf, effective January 8, 2019 (manufacture and sale of plastic products). The first consolidation took place on January 1, 2019

- Acquisition of SCHWARTZ TECHNICKÉ PLASTY CR sro (name change to Röchling Industrial Nové Město NM sro), Nové Město na Moravě/ Czech Republic, on January 8, 2019 (manufacture and sale of plastic products). The first consolidation took place on January 1, 2019

Acquisition of Schwartz Technical Plastics, Inc. (name change to Roechling Industrial Pittsburgh, Inc.), Pittsburgh/USA, on January 8, 2019 (manufacture and sale of plastic products). The first consolidation took place on January 1, 2019

- Acquisition of Schwartz Plastics (Shanghai) Co. Ltd., Shanghai/China, effective January 8, 2019 (manufacture and sale of plastic products). The first consolidation took place on January 1, 2019

- Acquisition of 94% limited partnership shares in Zabel Grundstücksverwaltungsgesellschaft mbH & Co. Autovermietung KG, Mainz, on January 8, 2019 (property management). The first consolidation took place on January 1, 2019

- Founding of Roechling Automotive India Private Ltd., Vadodara/India, on October 27, 2019 (manufacture and sale of plastic parts for the automotive industry). The first consolidation took place on October 27, 2019

- Founding of Roechling Medical US Corp., Wilmington/USA, on May 3, 2019 (holding). The first consolidation took place on May 3, 2019

- Founding of Röchling Direct Manufacturing GmbH, Waldachtal-Salzstetten, on July 30, 2019 (development of additive manufacturing technologies). The first consolidation took place on July 30, 2019

- Founding of Alwine ZWEI Beteiligungen AG, Vienna/Austria, on March 5, 2019 (holding company). The first consolidation took place on March 5, 2019

The company acquisitions made in the reporting year affect the assets and liabilities as of December 31, 2019 and the 2019 income statement as follows:

	kEUR
Capital assets	+16,507
current assets	+10,639
accruals	+1,344
liabilities	+5,949
revenues	+37,602
depreciation	+1,545
net income	+314

An overview of the scope of consolidation as of December 31, 2019 is attached to the notes to the consolidated financial statements.

#### III. Consolidation Principles

The capital consolidation is carried out according to the revaluation method (until January 1, 2010 according to the book value method). Group companies that were acquired prior to the first-time application of the German Accounting Law Modernization Act (BilMoG) on January 1, 2010 were initially consolidated at the time the

shares were included for the first time or at the time of acquisition. From January 1, 2010, the first consolidation will take place at the time of acquisition.

Asset differences from a first-time consolidation in 1995 (EUR 800,000) and 1999 (EUR 1,436,000) were allocated to parts of the hidden reserves in the property of the acquired subsidiary. Up to 2009, other remaining active differences in the assets and liabilities of the respective subsidiary to be recognized in the consolidated balance sheet after the increase in the book values were offset against differences on the liabilities side or, in accordance with Section 309 (1) Sentence 3 HGB old version, openly offset against the reserves.

Two (previous year: two) positive differences from first-time consolidations totaling EUR 1,163 thousand (previous year: EUR 48,386 thousand) were capitalized under intangible assets as goodwill.

Currency differences from the conversion of financial statements in a foreign currency are shown in the item "Equity difference from currency conversion" without affecting income.

The non-controlling interests are calculated from the equity available for consolidation on the balance sheet date; they are shown within equity under the appropriate designation.

Interim results, internal sales, expenses and income as well as receivables and liabilities between the companies included were eliminated. Deviations from the different valuation of receivables and liabilities as a result of value adjustments made in the reporting year were offset with an effect on income.

Provisions that have been formed in individual balance sheets to cover obligations to other companies included and not to a third party, and which are not offset by receivables from consolidated group companies, were reversed through profit or loss.

If consolidation measures lead to differences between the commercial law and tax valuations of assets and liabilities, which are expected to decrease again in subsequent financial years, deferred taxes are recognized in accordance with Section 306 HGB.

#### IV. Accounting and valuation methods, currency conversion

Intangible fixed assets and tangible assets are at acquisition or production cost in accordance with §§ 298 Para. 1 i. V. m. 255 HGB less scheduled depreciation or at the lower fair value. The previous year's disclosure of purchased concessions, industrial property rights and similar rights and assets, as well as licenses to such rights and assets, includes EUR 221 thousand, which were reported in the previous year's financial statements under self-created industrial property rights and similar rights and assets. All intangible assets can only be used for a limited period of time and are amortized over their estimated useful life. In the case of acquisitions up to December 31, 2010, the depreciation of movable fixed assets was initially made on a declining balance basis and later on a straight-line basis. For purchases made after January 1, 2011, depreciation is carried out exclusively using the straight-line method. The useful lives of the individual assets are conservatively estimated. Low-value fixed assets are generally written off in full in the year of acquisition. The company acquisitions made by the company always have a long-term, strategic planning horizon. A resale is usually not planned; instead, acquired locations are integrated over the long term. Detailed planning beyond ten years cannot be reliably carried out, so that the useful life of capitalized goodwill for additions from January 1, 2016 is assumed to be ten years. Goodwill capitalized up to December 31, 2015 will be amortized over five years.

In the year under review, unscheduled depreciation of fixed assets amounted to EUR 79 thousand (previous year: EUR 144 thousand).

Financial assets are recognized at the lower of cost or current date.

Inventories are valued at acquisition or (Group) production costs according to Group-wide principles. The production costs include the material costs, the production costs, the special costs of production, reasonable parts of the material and production overheads and the depreciation of the fixed assets, insofar as this is caused by the production.

Appropriate write-downs are made to cover inventory risks (quantity, price and technical risks), which are determined largely according to principles that apply uniformly throughout the Group.

Receivables, other assets and cash and cash equivalents are valued at the lower of cost or current market value, taking account of recognizable individual risks. The general credit risk is taken into account through general value adjustments. Interest-free or low-interest receivables with longer maturities are discounted.

Long-term assets in foreign currency with a remaining term of more than one year are valued at the exchange rate at the time of acquisition or at the less favorable middle spot exchange rate - short-term at the middle spot exchange rate - on the balance sheet date.

Active accruals and deferrals are formed in the amount of the expenses made in the financial year, which represent expenses for the subsequent period.

The active difference from asset allocation results from the offsetting of claims from reinsurance policies against the corresponding provisions for pensions. The following values were used as a basis for netting:

	12/31/2019	12/31/2018
	kEUR	kEUR
Settlement amount of the offset debts	1,454	1,405
Acquisition costs of the assets	679	723
fair value		
of assets	1,690	1,750

The provisions for pensions and similar obligations are calculated using the projected unit credit method using Prof. Dr. Klaus Heubeck determined. The option of flat-rate discounting at the average market interest rate for a term of 15 years was exercised for all pension obligations. As in the previous year, an average market interest rate over the past ten years is used. An interest rate of 2.7% pa (previous year: 3.2% pa), an expected salary increase of 2.0% pa (previous year: 2.0% pa) and future pension increases of 2.0% pa (previous year: 2.0% pa) used.

The difference between the recognition of the provisions for pension obligations based on the corresponding average market interest rate from the past ten financial years and the recognition of the provisions based on the corresponding average market interest rate from the past seven financial years is EUR 12,546 thousand (previous year: EUR 14,187 thousand).

The provision for pensions and similar obligations from the transition to the BilMoG that is not shown in the balance sheet is EUR 957 thousand (previous year: EUR 1,149 thousand) and will be added in equal annual installments by December 31, 2024. An amount of EUR 191 thousand (previous year: EUR 191 thousand) was added in the financial year.

The funding gap from indirect pension obligations is EUR 16,788 thousand (previous year: EUR 16,559 thousand).

The tax provisions and the other provisions take into account all recognizable risks and uncertain liabilities. They are recognized at the amount required to be paid based on prudent business judgement, ie including future cost and price increases. Provisions with a remaining term of more than one year are discounted. Discounting is carried out using an average market interest rate for the past seven financial years, corresponding to the remaining term. In individual cases, use is made of the option to retain the valuation of long-term provisions in accordance with Article 67 Paragraph 1 Sentence 2 EGHGB. The resulting surplus is EUR 23 thousand (previous year: EUR 33 thousand).

Liabilities are recognized at their settlement amount.

Long-term liabilities in foreign currency with a remaining term of more than one year are valued at the exchange rate at the time of origin or at the less favorable middle spot exchange rate - short-term at the middle spot exchange rate - on the balance sheet date.

Deferred income is created for income before the balance sheet date if it represents income for a specific period after this date.





<sup>9)</sup> The adjustments from the equity valuation include the pro rata annual results of the associated companies affecting net income, the collection of investment income, the offsetting of intercompany profits and exchange rate gains or losses not affecting net income

### Stocks

	12/31/2019	12/31/2018
	kEUR	kEUR
Raw materials and supplies	120,932	116,289
Unfinished or unbilled products/services	148,785	161,661
Finished goods	168,938	149,946
Merchandise	12,055	20,757
Advance payments made	3,909	4,621
	454,619	453,274
less advance payments received	-14,520	-6,730
In total	440,099	446,544

### Equity capital

In the 2012 financial year, limited partner shares with a nominal value of EUR 272 thousand were acquired from Röchling Immobilien GmbH & Co. KG, Mannheim, for a purchase price of EUR 887 thousand. The amount exceeding the nominal value of the shares was offset against the capital reserve.

At the shareholders' meeting of Röchling SE & Co. KG, Mannheim, on May 18, 2019, it was decided that the balance sheet profit of EUR 22,000 thousand reported in the annual financial statements of Röchling SE & Co. KG, Mannheim, as of December 31, 2018, should be passed on in full to the shareholders pour out.

### Liabilities to shareholders

Liabilities to shareholders relate to financial liabilities of EUR 137,664 thousand (previous year: EUR 143,810 thousand) with a remaining term of up to one year, of EUR 32,365 thousand (previous year: EUR 19,581 thousand) with a remaining term of one to five years and of EUR 14,312 thousand (previous year: EUR 26,190 thousand) with a remaining term of more than five years.

### liabilities

	Total amount				Total amount			
	12/31/2019	with a remaining term of			12/31/2018	with a remaining term of		
		up to 1	1 to 5	more than 5		up to 1	1 to 5	more than 5
	kEUR	year	years	years	kEUR	year	years	years
I. Financial Liabilities								
Liabilities to credit institutions	310,892	216,264	63,728	30,900	278,016	192,191	74,357	11,468
II. Other Liabilities								
1. Trade accounts payable	168,694	168,397	297	-	184,819	184,364	455	-
2. Liabilities to affiliated companies	50	50	-	-	57	57	-	-
(thereof from financing)	(50)	(50)	(-)	(-)	(57)	(57)	(-)	(-)
3. Liabilities to companies in which an investment relationship exists	-	-	-	-	10	10	-	-
4. Other Liabilities	74,093	71,077	3,016	-	73,984	70,860	3,124	-
(of which from taxes)	(12,046)	(11,612)	(434)	(-)	(13,891)	(13,891)	(-)	(-)
(of which social security)	(8,409)	(8,049)	(360)	(-)	(7,527)	(7,440)	(87)	(-)
	242,837	239,524	3,313	-	258,870	255,291	3,579	-
	553,729	455,788	67,041	30,900	536,886	447,482	77,936	11,468

### Deferred taxes

There are different approaches between the commercial and tax accounts, mainly in the area of pension and semi-retirement provisions, other non-tax-deductible provisions and depreciation of property, plant and equipment. In addition, there are tax loss carryforwards.

Deferred tax liabilities of EUR 6,449 thousand (previous year: EUR 4,556 thousand) were reported in the reporting year. The change in deferred taxes resulted in an expense of EUR 1,893 thousand in the year under review (previous year: EUR 1,253 thousand).

## 2. Consolidated Profit and Loss Account

### revenues

	2019		2018	
	kEUR	kEUR	kEUR	kEUR
by division				
Industrial		846,714		789,408
automotive		1,336,064		1,232,127
Medical		171,532		122,194
Financial investments/ Consolidation		-2,449		-3,269
		2,351,861		2,140,460
by regions				
inland		752,270		731,865
Rest of EU		799,089		705,783
Other Regions				
Rest of Europe	40,135		38,761	
North America	380,581		347,568	
Latin America	68,266		54,992	

	2019		2018	
	kEUR	kEUR	kEUR	kEUR
Africa	7,272		5,140	
Asia and other overseas	304,248	800,502	256,351	702,812
		2,351,861		2,140,460

#### Other operating income and expenses

Other operating income includes income from currency translation of EUR 7,116 thousand (previous year: EUR 7,380 thousand).

Other operating expenses include expenses from currency translation of EUR 8,160 thousand (previous year: EUR 7,893 thousand).

#### interest result

Interest and similar expenses include expenses from interest accrued in the amount of EUR 11,272 thousand (previous year: EUR 10,738 thousand), of which EUR 7,300 thousand (previous year: EUR 6,601 thousand) result from the change in the discount rate.

#### Non-periodic and non-operating result

The annual result was reduced by income from other periods (mainly book gains from the disposal of fixed assets and income from the reversal of provisions or value adjustments) in the amount of EUR 17,324 thousand (previous year: EUR 12,771 thousand) and expenses from other periods (mainly book losses from the disposal of objects from fixed assets

and unscheduled depreciation of property, plant and equipment) in the amount of EUR 1,467 thousand (previous year: EUR 1,462 thousand).

Overall, including income and expenses from currency translation, the formation of provisions or value adjustments and other non-operating items, there is non-operating income of EUR 27,552 thousand (previous year: EUR 21,406 thousand) and non-operating expenses of EUR 14,787 thousand (previous year: EUR 11,416 thousand).

#### VI. Reconciliation of expected to actual tax expense

Röchling SE & Co. KG and its subsidiaries in Germany are subject to trade tax on their results. In addition, corporation tax (plus solidarity surcharge) is payable for some domestic subsidiary companies. The results invested abroad are taxed at the rates applicable in the respective country. The rate of 12.95% on which the expected tax expense is based corresponds to the relevant trade tax rate of the parent company.

	kEUR
Earnings before income taxes	81,930
Expected tax expense/income (expense (-)/income (+))	-10,610
Different tax rates	-6,942
Tax component for tax-free income	+710
Tax portion for non-tax deductible expenses	-2,331
Non-period taxes	+456
Tax share on newly created loss carryforwards for which no deferred tax assets were formed	-5,102
Tax share on used loss carryforwards for which no deferred tax assets were recognized	+244
Unrecognized deferred tax assets	-1,689
Other tax effects	-2,591
Actual tax expense	-27,855
Effective tax rate	34.00%

#### VII. Other information

The liabilities from guarantee obligations of Group companies total EUR 2,058 thousand (previous year: EUR 2,002 thousand). With regard to the likelihood of liability occurring, there is consistently a low risk due to the economic situation of the beneficiaries.

The other financial obligations from long-term rental and leasing contracts not shown in the consolidated balance sheet amount to EUR 151,116 thousand (previous year: EUR 165,511 thousand).

Further factoring agreements were concluded in the 2019 financial year. This measure is intended to reduce the risk of bad debts and strengthen the group's liquidity. In this respect, factoring brings advantages, but no recognizable risks. As of December 31, 2019, receivables in the amount of EUR 81,680 thousand (previous year: EUR 100,881 thousand) were transferred to the factoring company.

Derivative financial instruments are used for hedging purposes. As of the balance sheet date, the Group had concluded four (previous year: two) interest rate hedges (interest rate swaps) with a volume of EUR 20,999 thousand (previous year: EUR 7,857 thousand) or TGBP 2,759 (previous year: TGBP 3,050) to hedge variable loan interest rates. The corresponding hedging transactions had a market value of EUR -338 thousand as of the balance sheet date (previous year: EUR -89 thousand).

46 (previous year: 48) forward exchange transactions were concluded to hedge currency risks. For foreign currency surpluses in US dollars, pounds sterling, Indian rupees, Japanese yen and Brazilian real, forward exchange transactions and currency options are concluded above certain thresholds. The nominal amounts of the hedged foreign currency holdings with due dates no later than the end of July 2020 and their market values as of the balance sheet date are as follows:

	12/31/2019		12/31/2018	
	nominal amount	market value	nominal amount	market value
	in foreign currency	in kEUR	in foreign currency	in kEUR
Forward Exchange Transactions				
USD	1,543,000	+11	1,082,000	-6
GBP	6,014,000	-131	6,374,000	+63
INR	148,965,000	-17	238,990,000	-99
JPY	131,500,000	+13	154.603.774	-23
BRL	13,090,000	+96	-	-

A cross-currency swap (previous year: one) was concluded to hedge exchange rate and interest rate risks for a variable-interest euro loan from a US Group company. As of the balance sheet date, the nominal amount of this cross-currency swap was EUR 1,950 thousand (previous year: EUR 3,250 thousand). The corresponding market value is EUR -565 thousand (previous year: EUR -820 thousand). In addition, a further (previous year: one) cross-currency swap was concluded for a variable-interest MXN loan from a Mexican group company. The nominal amount of this cross-currency swap was MXN 300,000 as of the balance sheet date (previous year: MXN 300,000). The corresponding market value is EUR -274 thousand (previous year: EUR -740 thousand).

With the exception of the latter MXN loan, which is intended to secure two underlying transactions, there is a valuation unit with the respective underlying transactions in all other cases mentioned. The effectiveness of hedging relationships - regardless of how they are accounted for - is ensured by the fact that the underlying and hedging transactions always relate to the same underlying or the same risk and that these also have the same term.

The average number of employees is:

	2019	2018
Wage earners	6,595	6,093
employee	3,743	3,327
	10,338	9,420
Managing Director	3	4
trainee	348	263
	10,689	9,687

The total fee charged by the auditor breaks down as follows:

	2019	2018
	kEUR	kEUR
Final Examination Services	591	606
Other Confirmation Services	87	73
Tax Advisory Services	190	252
Other services	19	216
	887	1.147

The members of the Executive Board of Röchling Beteiligungs SE received remuneration of EUR 5,165 thousand in the year under review (previous year: EUR 3,222 thousand). The total remuneration of the Advisory Board was EUR 475 thousand (previous year: EUR 575 thousand). The emoluments of former members of the Executive Board or management and their surviving dependents amounted to EUR 1,166 thousand (previous year: EUR 1,737 thousand). The pension provisions for former members of the Board of Management or management and their surviving dependents totaled EUR 25,039 thousand on the balance sheet date (previous year: EUR 21,761 thousand).

### VIII. Supplementary report

The effects of the global coronavirus pandemic after the balance sheet date on the Röchling Group's net assets, financial position and results of operations are presented in the group management report.

The following companies included in the consolidated financial statements have made use of the exemption provisions pursuant to Section 264 b HGB:

- Röchling SE & Co. KG, Mannheim
- Röchling Engineering Plastics SE & Co. KG, Haren/Ems
- Röchling Service SE & Co. KG, Haren/Ems
- Röchling Sustaplast SE & Co. KG, Lahnstein
- Röchling Lützen SE & Co. KG, Lützen
- Röchling Precision Components SE & Co. KG, Mainburg
- Röchling Automotive SE & Co. KG, Mannheim
- Röchling Automotive Germany SE & Co. KG, Worms
- Röchling Immobilien GmbH & Co. KG, Mannheim
- Röchling Kunststofftechnik SE & Co. KG, Mannheim
- Röchling RWS property GmbH & Co. KG, Mannheim
- TKV Telecommunications GmbH & Co. KG, Berlin

The following companies included in the consolidated financial statements have made use of the exemption provisions pursuant to Section 264 (3) HGB:

- Gebrüder Röchling Treuhand GmbH, Mannheim
- Röchling Mannheim GmbH, Mannheim
- Röchling Roding GmbH, Roding
- Röchling Haren International Beteiligungs-GmbH, Haren/Ems
- Röchling MAYWO GmbH, Bad Grönenbach-Thal
- Röchling Hydroma GmbH, Ruppertsweiler
- Röchling Industrial Laupheim GmbH, Laupheim

Mannheim, April 2, 2020

#### The Executive Board of Röchling Beteiligungs SE

*Prof. Dr. Hanns-Peter Knaebel*

*Franz Lübbers*

*Evelyn Thomas*

#### Report of the Executive Board of Röchling Beteiligungs SE

#### Group management report

#### Business situation 2019 Group

#### Group fundamentals

#### Company presentation

The Röchling Group is divided into the three divisions Industrial, Automotive and Medical, which focus on the processing of high-quality plastics for a large number of industrial applications, the automotive industry and for customers in the medical technology and pharmaceutical industries. In addition to these corporate divisions that are part of the core business, the other activities are shown in the area of financial investments.

The group, based in Mannheim, has 90 locations in 25 countries worldwide. The average number of employees in 2019 was 10,689 employees, who generated annual sales of EUR 2,351,861 thousand on the European, American and Asian continents.

With the Industrial division, the group has a wide product range of thermoplastics and duroplastics for technical applications. The business units of the division supply a wide variety of industries worldwide with tailor-made solutions.

The Automotive division supplies automobile manufacturers all over the world with technologically sophisticated plastics applications. Product solutions in the fields of aerodynamics, propulsion and structural lightweight help to master the great challenges of the automotive industry: reducing emissions, weight and fuel consumption.

The Medical division is the reliable partner of the world's leading companies when it comes to components, services and intelligent products made of plastic in the healthcare market. The division develops and produces solutions for the areas of diagnostics, fluid management, pharmaceuticals, surgery and interventional.

In addition to Röchling SE & Co. KG as the management company, the other holding, asset and management companies are shown under financial investments.

### **Research and Development**

Research and development in the Röchling Group essentially means further development of existing or related applications initiated jointly with the customer. This also includes process optimization in production. As a plastics processor, the Röchling Group is not itself active in the field of basic research, but rather cooperates with universities and other research institutions.

For the Industrial division, the development of new products and applications in the past primarily meant the modification of existing materials with regard to chemical, physical and mechanical properties. Customization developments were almost 100% implemented in connection with customer orders.

In 2019, a central development department (Corporate R&D, CRD) covering the entire Industrial division was set up to take into account the agile environment of the plastics industry and our own demand for innovative strength. Strategic development projects that reflect the current key issues in the plastics industry have priority in this department. These currently include “smart plastics”, “additive manufacturing (3D printing)”, “functionalized plastics” as well as “lightweight construction” and “thermoplastic composites”. So-called bioplastics and CO<sub>2</sub> are also becoming increasingly important aspects neutral or recycled plastics. The Corporate R&D department deals intensively with material and product developments as well as with the associated processes. In contrast to order and customer-driven modifications and adaptation developments, the strategic fields of innovation are processed proactively and, in case of doubt, without customer involvement.

In the Automotive division, development primarily includes the implementation of customer orders in line with requirements, from component or extended component development and testing to tool and equipment design and construction to efficient production processes. In addition, research and development also means the in-house development of plastic applications, which are then marketed to the customer. The engineers at the main development locations in Leifers/Italy, Worms/Germany, Troy/USA and Kunshan/China as well as the engineering support centers are always busy developing and optimizing systems and components.

In order to realize the ideas and wishes of its customers in a detailed, functional and creative way, the Medical division has its own internal development department. This accompanies the customer starting with the inquiry, material selection, design and the production of the first sample to the end product and beyond. Röchling Medical's development expertise is not just limited to the products. The customer-specific project ends with delivery and delivery to the recipient. We have our own packaging development for this, which guarantees an optimal cost-benefit ratio and finds the right transport packaging. The customer's wishes and needs are also taken into account, as the requirements of the packaged goods. The stress during transport, optimal handling and further processing by the recipient are also included in the development process. Existing products are also being further developed into smart applications and are to be brought to market maturity.

Constant further development and continuous research have a high priority. In cooperation with national and international institutes and universities, Röchling is always on the lookout for materials, processes and innovations for its customers.

In order to make it clear internally how important research and development is in the Röchling Group, a Röchling Innovation Award was presented again this year for particularly forward-looking and technically sophisticated development work in the three corporate divisions. The award is part of systematic innovation management.

In the Industrial division, the development of a 40 Teeth Variable Drive Sprocket, which can be adjusted on site to the existing installation situation, received an award. This is used in settling tanks for water and waste water treatment. Röchling has thus developed a variable solution that replaces a large variety of different drive sprockets, which in turn require a wide range of production tools, warehousing and planning on the customer/manufacturer side.

In the Automotive division, the work on tape technology for structural components was recognized. This technology opens up the possibility of saving costs and weight compared to classic components through optimized use of the reinforcing fibers and an integrative design.

In the Medical division, the Innovation Award was presented for MIEOpport, a sterile port for minimally invasive endoscopic operations. Röchling Medical, in cooperation with the Klinikum Rechts der Isar of the Technical University of Munich, is presenting a technical solution for safe, micro-invasive and disinfected access to the abdominal cavity.

### **economic report**

#### **Macroeconomic and industry-related conditions**

The global economy grew again in 2019. However, economic momentum has slowed noticeably. According to the projections of the International Monetary Fund (IMF), global GDP growth was 2.9% in 2019, after 3.6% in the previous year. The development is characterized by the downturn in industrial activity, which is not least due to protectionist tendencies.

The expansion of the US economy had also slowed down in 2019, after a growth rate of 2.9% in the previous year, it now reached 2.3%.

According to the IMF, the German economy grew by 0.5% in 2019. The negative impulses from the global economic environment are generally having a dampening effect on German foreign trade. The declining trend in incoming orders, sales and production indicate that the economy is still weak in industry, even if the mood in companies has recently improved somewhat. Economic growth also declined accordingly in the euro countries. After growth of 1.9% last year, the growth rate was now 1.2%. Spain and France each achieved a growth rate of 2.0% and 1.3%, respectively, while Italy achieved 0.2%.

The Chinese economy grew 6.1% in 2019, the slowest in three decades. In addition to declining domestic demand, the trade conflict with the USA weighed on the Chinese economy, even though the partial agreement signed in the last quarter of the year led to a slight defusing of the situation.

#### **Industry Developments**

According to the Association of German Mechanical and Plant Engineering e. V. (VDMA), 2019 was a disappointing year for mechanical and plant engineering companies in Germany. A minus of 9% was recorded for both domestic and foreign orders. Structural change in the automotive industry with the associated reluctance to invest, international trade conflicts, increasing attempts at protectionism and uncertainties about the future shape of trade relations with Great Britain are responsible for the decline in orders. Likewise, Chinese mechanical engineering had to struggle with a lack of incoming orders in 2019, which were primarily due to economic uncertainties and a declining automotive industry. This development stands in contrast to the positive course of incoming orders on the US market.

The global economic downturn had a negative impact on the foreign business of the chemical-pharmaceutical industry in Germany. At the same time, domestic demand for chemical products from industrial customers fell. As a result, both production and sales in the industry fell compared to the previous year.

Orders from the German electronics industry also declined in 2019 compared to the previous year. The decline was 3.2%, with domestic orders predominating. Price-adjusted production also fell short of the previous year's figure.

In contrast, a clearly positive development was recorded in the area of traffic engineering.

In addition to the situation in the plastics processing industry and the sectors that are important for this, the automotive sector and the economic situation in the medical technology sector also play a key role for the Röchling Group.

The automotive markets developed differently around the world in 2019. According to the German Association of the Automotive Industry (VDA), a total of 15.8 million passenger cars were newly registered in Europe in the year as a whole. This exceeded the previous year's level by 1.2%. Of the large volume markets, Germany (+5%) and France (+2%) grew, while Italy matched the previous year's level. Spain (-5%) and Great Britain (-2%), on the other hand, declined.

In the USA, the market for light vehicles closed 2019 with 17.0 million vehicles sold, a slight decrease of 1.4%. Sales of passenger cars fell again (-11%), while sales in the light truck segment increased by 3%. The market in Brazil was also convincing in 2019 with strong growth rates.

China, Japan and India were each unable to match the previous year's level. After a decline was recorded in 2018 for the first time in recent decades, the sales volume in China in 2019 fell by 9.5% to 21.0 million new vehicles. The reluctance to buy on the Chinese market is due to the slowdown in the economy, the uncertainty caused by the tariff dispute between the USA and China and many driving restrictions in Chinese cities.

According to information from the industry association SPECTARIS, the German medical technology sector continues to grow, even if growth is measurably weakening. The growth drivers include the demographic development, especially in the mature economies, increasing health investments in many emerging countries and the overall high level of innovation in the industry. SPECTARIS expects negative effects on innovation projects due to the new European Medical Devices Regulation (MDR), which was originally supposed to come into force in May 2020, as the implementation effort is estimated to be high and resource-intensive.

With an export rate of over 65%, the most important target markets of the German medical technology industry are already outside the home market, with countries in the European Union still being the focus of export activities. The regions of North America and Asia each account for almost 19% of exports.

With its Industrial, Automotive and Medical divisions, the Röchling Group has established a strong position in the relevant markets in Europe, America and Asia. In order to expand the strong position, investments are made consistently in existing and new locations. The plastics industry in particular can hardly be compared with any other sector in terms of its degree of internationalization. In this continuous expansion process, production facilities, sales offices and development centers were created close to the customer. To this end, Röchling followed its customers with their own companies as they expanded into the USA, China, Eastern Europe, Brazil, Mexico, Japan and India. has strengthened its position in Europe and America through company acquisitions and built new production facilities in Asia, Europe and America. With this starting position, the Röchling Group has been able to participate well in the largely positive development of the relevant industries in recent years and also held its ground well in the reporting year. Above all, the global presence, a broad market and customer portfolio of the three divisions as well as the solid earnings and financial position enable the Röchling Group to react quickly and consistently even in a rapidly changing market environment. With this starting position, the Röchling Group has been able to participate well in the largely positive development of the relevant industries in recent years and also held its ground well in the reporting year. Above all, the global presence, a broad market and customer portfolio of the three divisions as well as the solid earnings and financial position enable the Röchling Group to react quickly and consistently even in a rapidly changing market environment.

#### **Business development and position of the company**

The key financial figures used for internal corporate management and the assessment of business development are sales and earnings before taxes. These are planned, determined and continuously monitored for the Röchling Group, the individual Group companies and the three operational divisions.

#### **Significant Events**

In the 2019 financial year, the Röchling Group achieved a net income of EUR 54,075 thousand, after EUR 81,228 thousand in the previous year.

Investments for the 2019 financial year were again at a high level of EUR 127,236 thousand (previous year: EUR 158,010 thousand). Investment activity continued to focus on the expansion of existing production capacities and the construction of new plants.

In the Industrial division, Röchling Engineering Plastics SE & Co. KG, Haren, is investing in site expansion. With the Industrial Center, a new building is being built at the site, which above all will strengthen the innovative power.

Röchling Sustaplast SE & Co. KG, Lahnstein, has expanded the existing production hall at the site with hall space and production facilities.

With the investment, the company is consistently continuing the strong growth of recent years and is strengthening its position as a processor of high-performance plastics.

On January 1, 2019, Röchling Industrial took over the plastics processor Schwartz GmbH Technische Kunststoffe, Düsseldorf/Germany. As an international group of companies, Schwartz GmbH specializes in the production of molded parts made of cast polyamide and supplies in particular large-volume and highly resilient finished parts made of technical plastics to almost all industries.

In the Automotive division, Röchling Automotive Germany SE & Co. KG, Worms, sold the business activities of the plant in Wolfsburg-Hattorf to the Japanese automotive supplier and component manufacturer Kasai Kogyo and thus completed the final step in exiting the interior business and is now concentrating on his core business.

Röchling Automotive has opened its new production facility in Kocovce, Slovakia, near Nove Mesto nad Váhom. With the new plant, the company is serving the demand for its technologies while at the same time expanding its storage and production capacities. In addition, ongoing series production was started at the locations in Asan/ South Korea and Chonburi/Thailand in the year under review.

Röchling Direct Manufacturing GmbH at the Waldachtal-Salzstetten site is the first cross-divisional company in the Röchling Group dedicated to additive manufacturing and pooling Röchling's expertise in 3D printing. The Röchling Direct Manufacturing Center (RDMC), which will open in 2020, will primarily have the existing customers of the divisions as customers in the first step.

#### **Sales and order development**

The overall economic environment in 2019 was characterized by the trade conflict between the USA and China and geopolitical uncertainties, so that global economic growth remained below the previous year's level.

Despite these unfavorable macroeconomic and differentiated industry-related developments, the Röchling Group grew again in the 2019 financial year and was able to increase sales to EUR 2,351,861 thousand (previous year: EUR 2,140,460 thousand). The percentage increase over the previous year was 9.9%. In the group management report for the 2018 financial year, an increase in sales was assumed for 2019 that would be higher than the figure for 2018 (16.3%). This assumption was not met with the increase in sales achieved. This is primarily due to the sales trend in the Automotive division.

Order intake developed in a similar way and increased by 9.1% to EUR 2,350,938 thousand (previous year: EUR 2,155,448 thousand).

The Industrial division once again recorded positive development in the 2019 financial year. Sales, before consolidation with the two divisions Automotive and Medical, rose by 7.3% to EUR 846,714 thousand compared to the previous year. Revenue was positively impacted by the acquisition of the year, which accounted for EUR 37,602k in revenue. Even without this effect, sales were above the previous year (EUR 789,408 thousand).

Incoming orders for the Industrial division amounted to EUR 837,654 thousand (previous year: EUR 795,323 thousand).

In the second half of the year in particular, the division was confronted with significant weakness in the areas of the semiconductor industry in Asia, wind energy in Europe and the transformer industry. In addition, there was subdued European demand from distributors due to the expectation of falling prices due to extreme competitive pressure. Weak demand from mechanical engineering also had an impact on the machining centers of the Industrial division. Nevertheless, the division developed positively compared to its competitors.

In the Automotive division, sales before the consolidation with the Industrial and Medical divisions amounted to EUR 1,336,064 thousand at the end of the 2019 financial year. The relative increase of 8.4% compared to the previous year's value (EUR 1,232,127 thousand) was moderate compared to the previous year (+24.3%). Incoming orders reached a value of EUR 1,336,064 thousand (previous year: EUR 1,232,127 thousand).

Despite the increase in sales compared to the previous year, the Automotive division clearly felt the subdued development in the automotive industry. Due to a lack of series sales due to lower call-off numbers or the postponement of call-offs by automobile manufacturers, especially in Europe and North America, the planned figures were missed. In Asia, the overall sales development continued to be positive, even if the decline in the Chinese automobile market was noticeable in the sales development of individual plants.

The Medical division achieved a significant increase in sales of 40.4% to EUR 171,532 thousand in the 2019 financial year. Sales were positively influenced by the two acquisitions of the previous year, which accounted for EUR 65,890 thousand (previous year: EUR 30,572 thousand). In addition, sales growth was achieved in both Europe and America, although the dialysis business continued to fall short of expectations. Likewise, new validation requirements sometimes significantly impeded the start of new orders.

As in the previous year, income from rental and ancillary costs as well as income from the allocation of services were reported as sales in the area of financial investments.

#### **earnings situation**

In the 2019 financial year, the Röchling Group recorded a decline in earnings despite an increase in sales. With a consolidated net income of EUR 54,075 thousand, the previous year's result (EUR 81,228 thousand) was not reached.

Earnings before taxes (EBT) fell by EUR 23,989 thousand. The EBT margin, defined as EBT in relation to total output, was 3.5% (previous year: 4.9%). The expectation of an increase in earnings for 2019, measured in terms of earnings before taxes, formulated in the group management report for the 2018 financial year was therefore not confirmed.

The Industrial division continues to make the largest contribution to the consolidated result and again slightly increased its net income in the 2019 financial year. The cost of materials ratio, defined as the cost of materials in relation to total output, was reduced from 51.0% in the previous year to 49.6%. The slight increase in the personnel expenses ratio by 1.0 percentage points was actively accepted in order to support investments in the future as well as the adjustment of the IT infrastructure to the increased requirements. The partly subdued development of the target industries was also reflected in the key earnings figures in accordance with sales, and increases in energy costs in particular weighed on the result.

The Automotive division, on the other hand, was unable to match the previous year's result. The pre-tax result also fell accordingly. Missing margins from lower series sales, delayed project start-ups and weak sales markets had a corresponding effect on the result. Devaluations of project portfolios at the Duncan/USA site also had a significantly negative impact on the key earnings figures. Start-up and quality costs, which were mainly associated with the enormous growth in recent years, also had an extraordinary impact on the results of some locations. While the higher material cost ratio (+2.1 percentage points) weighed on the result, the personnel cost ratio was at the previous year's level, despite an increase in the number of employees by 7,

The "Driving Future" structural program was initiated for the Automotive division in order to meet the changed market requirements and the current earnings situation. The aim of the associated restructuring is to make the company less dependent on external influences in terms of profitability and economic independence and to focus even more clearly on its own strengths. Measures to reduce costs were also initiated. This is an important step to ensure profitable growth for the coming years. The measures developed had already been initiated by the end of the 2019 financial year.

In the Medical division, the annual result fell again compared to the previous year. The reason for this was the significantly higher interest expenses and goodwill amortization compared to the previous year, which resulted from the two acquisitions in the previous year. The negative impact on earnings from goodwill amortization, excluding exchange rate effects, amounted to EUR 5,103 thousand in 2019 (previous year: EUR 2,601 thousand). The division's personnel expenses ratio increased by 0.9 percentage points compared to the previous year. In America, among other things, the increased demand for a product and quality problems with necessary reworking led to an increased personnel expense ratio. A significant loss had to be coped with in a German plant,

In 2019, the Röchling Group achieved a total annual surplus of EUR 71,636 thousand (previous year: EUR 96,573 thousand) with the operative business of plastics processing in the three corporate divisions Industrial, Automotive and Medical.

After an annual result of EUR -15,345 thousand in the previous year, the Financial Investments/Consolidation division ended 2019 with a negative annual result of EUR -17,561 thousand.

#### **financial position**

The total assets of the Röchling Group increased by 4.4% year-on-year to EUR 1,709,959 thousand (previous year: EUR 1,637,760 thousand). The increase in assets in the 2019 financial year mainly related to property, plant and equipment, trade receivables and cash and cash equivalents.

Fixed assets increased to EUR 785,595 thousand in the 2019 financial year (previous year: EUR 755,411 thousand). The share of fixed assets in the balance sheet total fell from 46.1% to 45.9%. In the case of intangible assets, a decrease of EUR 3,529 thousand was recorded, primarily as a result of the acquisitions of recent years and the associated amortization of goodwill in the amount of EUR 5,948 thousand. The reported property, plant and equipment increased by EUR 32,703 thousand as a result of the investments made.

Current assets increased by a total of EUR 41,076 thousand compared to the previous year. The largest increase (+EUR 22,893 thousand) occurred in trade accounts receivable. The increase in receivables in the Automotive division amounted to EUR 22,431 thousand and is mainly the result of the reduced volume of factoring compared to the previous year. The absolute increase in the Medical divisions was EUR 2,171 thousand, while the number in the Industrial division fell by EUR 1,695 thousand.

On the other hand, inventories in the Röchling Group fell by 1.4% to EUR 440,099 thousand as of the balance sheet date. This is primarily due to the reduction in inventories in the Automotive division (EUR -30,452 thousand), which is mainly due to higher tool sales, the sale of the Wolfsburg-Hattorf plant and the generally lower project volume. In contrast, the Industrial and Medical divisions recorded an increase of EUR 15,286 thousand and EUR 8,682 thousand, respectively. In the Industrial division, this resulted primarily from the companies newly added in the year under review and in the Medical division from the build-up of inventories at the Rochester site.

Cash and cash equivalents increased by EUR 16.656 million over the previous year to EUR 130.022 million. The growth resulted from the operational divisions.

#### **capital structure**

The increase in equity by EUR 30,758 thousand to EUR 661,842 thousand compared to the previous year was mainly due to the consolidated net income for the financial year of EUR 54,075 thousand and foreign currency effects of EUR 8,203 thousand. The distribution from the balance sheet profit of EUR 22,000 thousand resolved in the year under review and the changes due to shareholder taxes of EUR -9,060 thousand had the opposite effect. The equity ratio (before planned profit distribution) thus increased from 38.5% in the previous year to 38.7%.

Long-term provisions and liabilities (remaining term of more than five years), including long-term liabilities to shareholders, were EUR 12,329 thousand higher than in the previous year. While long-term liabilities to shareholders fell by EUR 11,878 thousand, provisions for pensions and similar obligations increased by EUR 4,775 thousand. Long-term financial liabilities from bank loans increased by EUR 19,432 thousand. Overall, there was an increase in liabilities to banks to EUR 310,892 thousand. The reason for this was the implementation of the investments, the acquisition of Schwartz GmbH Technische Kunststoffe, Düsseldorf/Germany,

The decline in trade payables in 2019 by EUR 16,125 thousand to EUR 168,694 thousand resulted primarily from the Automotive division. Here, the inventory fell by EUR 16,429 thousand as of the balance sheet date, which is essentially due to the circumstances already described in connection with the reduction in inventories. In the Industrial division, the decline compared to the previous year was EUR 3,882 thousand, while the Medical division increased by EUR 3,968 thousand.

The increase in other provisions in the year under review by EUR 22,586 thousand relates primarily to the Automotive division and results from increased obligations for severance payments, warranties and outstanding invoices.

As of the 2019 reporting date, the liabilities from guarantee obligations of Group companies totaled EUR 2,058 thousand (previous year: EUR 2,002 thousand). With regard to the likelihood of liability occurring, there is consistently a low risk due to the economic situation of the beneficiaries.

The other financial obligations from long-term rental and leasing contracts not shown in the consolidated balance sheet amounted to EUR 151,116 thousand (previous year: EUR 165,511 thousand). This does not include any (previous year: none) obligations to affiliated companies not included in the consolidated financial statements.

Factoring agreements exist within the Group to strengthen liquidity and reduce the risk of default on receivables.

#### **liquidity analysis**

The free cash flow (balance of the cash flow from operating activities and from investing activities) of the Röchling Group increased by EUR 137,733 thousand to EUR 35,252 thousand in the 2019 financial year. The gross cash flow (consolidated net income plus depreciation and changes in provisions) was EUR 7,293 thousand above the previous year's figure of EUR 167,886 thousand. It resulted from a positive annual result of EUR 54,075 thousand and EUR 19,333 thousand higher depreciation and an increase in provisions, after deducting the change in provisions for shareholder taxes, by EUR 16,034 thousand.

Cash flow from operating activities also improved and, at EUR 165,707 thousand, was above the previous year's figure of EUR 126,654 thousand. Due to the extensive investment measures and the acquisition in the Industrial division, a cash flow from investing activities of EUR -130,455 thousand was reported in 2019. In the previous year, a cash flow from investing activities of EUR -229,135 thousand was shown. The net outflow of EUR 49,493 thousand reported as part of the cash flow from financing activities resulted primarily from the lower inflows from taking out financial loans compared to the previous year and higher payments from their repayment.

The decrease in cash and cash equivalents by EUR 12,786 thousand to EUR 61,073 thousand results from the cash flows shown and the distribution recorded in the cash flow from financing activities, the taxes paid for shareholders, the increase in liabilities to shareholders and financial liabilities. As of the 2019 reporting date, the portfolio of committed but unused credit lines amounted to EUR 179,296 thousand. The Röchling Group was fully able to meet its payment obligations at all times.

#### **investments**

Investments by the Röchling Group in property, plant and equipment and intangible assets again experienced a noticeable decline in the 2019 financial year compared to the previous year. The investment volume fell by EUR 29,823 thousand from EUR 155,795 thousand to EUR 125,972 thousand, but was still at a high level. The share of expansion investments in total investments was 72.4% (previous year: 81.7%).

In the Industrial division, investments in 2019 were EUR 40,897 thousand after EUR 53,177 thousand in the previous year. The share of expansion investments was 50.5% (previous year: 67.2%). Production facilities were set up at several locations, thereby expanding the technological base. Likewise, in the expansion of the production hall Röchling Sustaplast SE & Co KG, Lahnstein, as well as in a warehouse in the USA. At the Haren site, investments were made for site expansion and for the new Industrial Center. Taking into account the acquisition of Schwartz GmbH Technische Kunststoffe, Düsseldorf/Germany, the total investment for the division was EUR 58,452 thousand.

In the Automotive sector, investments in property, plant and equipment and intangible assets fell by EUR 16,647 thousand to EUR 61,716 thousand in the 2019 financial year. In the financial year, the largest investments related to the completion of the production building in Nove Mesto nad Vahom/Slovakia, the logistics hall at the Worms location, the expansion of the logistics area in Ostrava/Czech Republic and injection molding systems for several locations.

In the Medical division, a total of EUR 21,326 thousand was invested in property, plant and equipment and intangible assets in the 2019 financial year. That is EUR 2,605 thousand less than in the previous year. The investments mainly related to production facilities. Investments were also made in automating the manufacturing processes. At the Neuhaus am Rennweg location, land and a building were purchased in the immediate vicinity of the existing location.

The Management Board is largely satisfied with the development of the assets and financial position in the financial year. The earnings situation, on the other hand, did not correspond to the formulated expectations, as the special charges mentioned had a significant impact.

#### **Financial and non-financial performance indicators**

With regard to the most important financial performance indicators (sales revenue, earnings before taxes), reference is made to the presentation of the course of business and the position of the group. The non-financial performance indicators of the Röchling Group are generally used for internal corporate management and for important decisions. With the exception of the number of employees at Group level, no quantitative information is collected in regular reporting, but at the level of the corporate divisions.

#### **personnel and social area**

The total number of employees in the Röchling Group, excluding temporary workers, increased by 631 to 10,764 in the 2019 financial year. Looking at the divisions, Automotive shows an increase of 231 to 5,746 employees. In the Industrial division, the increase was 294 employees to 3,815. After the acquisition-related increase in the number of employees in the previous financial year, the number in the Medical division rose by 97 to 1,147 as of December 31, 2019.

Training and further education remain an essential part of the Röchling Group's personnel policy. In annual employee appraisals, potential for development is discussed together and concrete further training measures are defined. The qualification measures offered increasingly take into account the globalization of the Röchling Group. Since 2019, international management series in particular have been implemented in all regions (Northern and Southern Europe, Asia and the USA). The aim is to establish the same management standards and management tools in all Röchling companies. The international seminar program of the Röchling Group continuously takes up new global challenges and supports the personal and professional development of the employees with different learning concepts. Within the framework of intercultural seminars or language training, employees develop their skills for international cooperation. In addition to face-to-face training, employees also have the opportunity to take part in online training courses. Technical training courses are mainly carried out by internal experts who are qualified for their teaching activities as part of train-the-trainer courses.

With the guiding principle - think today of the managers and specialists of tomorrow - very well assessed, mobile and qualified employees of the Röchling Group are promoted in talent programs. The programs usually last two years and include English language soft skills training, group workshops, mentoring and an individual development plan for each talent. The programs aim to prepare participants for managerial and exposed expert positions. With the help of this approach, professional succession management is possible.

By training and qualifying young people, Röchling meets the need for skilled workers and assumes social responsibility. As of the reporting date, the number of trainees at the Röchling Group companies was 358 (previous year: 291). The spectrum ranges from commercial or technical training to studying at a dual university.

Röchling is characterized by growth. Management and cooperation are characterized by short distances and collegial support. The "Guidelines for Leadership and Collaboration" project was started in 2018 in order to work out this Röchling spirit of cooperation and to continue to make it tangible even in the face of strong growth. In this context, employees from all divisions, regions and hierarchical levels jointly developed management principles in 2019. The leadership principles describe the way in which employees want to treat each other regardless of their position, as well as the value system that applies to the Röchling Group. This aims to

#### **environmental protection and safety**

The corporate activities of the Röchling Group are also aimed at providing employees with workplaces where they can work safely and without accidents, and at avoiding or minimizing environmental damage. In both areas, Röchling is committed to a continuous improvement process defined in the corporate divisions. Both areas of activity are subject to reporting and are the focus of management. The companies in the Röchling Group work in quality, environmental and occupational safety management in accordance with internationally recognized standards.

Measures to avoid accidents are taken as early as the planning stage for the production lines and the ergonomically designed workplaces. The work processes are constantly monitored for possible dangers for the employees. Together with managers and employees, the safety officers develop strategies to avoid potential accidents at work. Sources of danger are identified, assessed and eliminated at an early stage with this active analysis. Prevention is a top priority at Röchling. It is continuously checked how, for example, changes to machines and systems, the redesign of transport routes, the optimization of lighting conditions, improved signage and appropriate employee training has successfully reduced the number of accidents. In the interests of the employees, the potential of comprehensive prevention will be fully exploited in the future as well.

Our business activities and in particular the manufacturing processes are associated with the consumption of natural resources. It is the aim of the companies in the Röchling Group to keep this consumption as low as possible. The consumption of electricity and other energy is of essential importance. The environmental and energy performance is determined regularly with the aim of continuously improving it through various measures and energy management systems. The commitment of employees and management also contributes to this. To this end, there are a wide range of activities in all areas of the company. Röchling analyzes the material and energy flows, monitors the differentiated waste management and derives potential for improvement from this, which are successively implemented via action plans. By consistently complying with relevant laws, regulations and internal instructions derived from them, we avoid or reduce ecological burdens.

Protecting the environment and improving living and environmental conditions are key Röchling corporate goals. Numerous locations of the Röchling Group are already certified according to the environmental and energy management system standards ISO 14001 and ISO 50001, and more are to follow. The audit results according to globally recognized standards confirm that we practice effective environmental and energy management and use natural resources such as air, water, raw materials and energy in an environmentally friendly manner.

By developing customer solutions, Röchling promotes the use of engineering plastics in durable applications. Röchling makes a sustainable contribution to protecting the environment and respects the applicable laws. This is illustrated not only by the corporate values, but also by the corporate policy on quality, the environment, energy, occupational health and safety and the code of conduct. We try to replace hazardous substances wherever possible. We avoid or reduce waste and emissions.

Possible environmental pollution is also taken into account and minimized when planning new products and production processes. Sustainability is a major concern. In principle, the Röchling Group integrates considerations for avoiding waste and increasing the recycling rate when planning production processes. Röchling always strives to use resources sparingly in the spirit of zero-waste production. These include, for example, the use of the latest technologies, the treatment and recycling of waste water, the exploitation of internal recycling potential, the avoidance of waste and differentiated waste management, but also the integration of the latest knowledge about renewable energies for the design of new production plants. Targeted information and training increase the environmental awareness of employees.

The sustainability report for the Röchling Group, published for the first time in the reporting year for 2018, uses numerous activities to show how sustainable action is already anchored in Röchling's daily business activities. The aim of the Röchling Group is now to set up a global sustainability strategy. This should give a clear orientation for the future and formulate goals towards which it will be an important task to work. In this context, interaction with all partners, suppliers and customers on the subject of sustainability is also of great importance. In the light of the sustainability debate, renewable raw materials should also enjoy greater attention in the future, And not just for end users. The Industrial division of the Röchling Group can already refer to the material Lignostone here, and other technical biopolymers are to be added.

## **Risk and Opportunity Report**

### **risk management**

The tools for early detection, management and monitoring of risks are used uniformly across the Group. Together with organizational and management structures and efficient information and control systems, there is a structured approach to identifying risks at an early stage and being able to reduce or prevent them. In the annual three-year plan, strategic and operational goals are specified and potential risks are identified and categorized. The assessment of the probability of occurrence and the determination of the possible extent of damage are carried out regularly as part of the monthly reporting. In addition to monthly reports, ad hoc reports are sent to the Executive Board of Röchling Beteiligungs SE, Mannheim, if required, and compliance checklists are systematically processed using uniform specifications for all companies in all countries. Necessary countermeasures can thus be implemented promptly. Risks and the measures taken are tracked on an ongoing basis.

### **market risks**

The IMF has reduced its estimate for global economic growth in 2020 to 3.3% compared to the previous forecast. This is mainly due to negative reports from some emerging countries, such as India. The country is suffering from severe political unrest and weak consumption. Other risks come from geopolitical tensions, eg between the US and Iran, and anti-government protests in several countries. The IMF still sees a renewed escalation of the trade conflict between China and the USA as one of the greatest dangers for the global economy.

Since the Röchling Group is only active in the processing of plastics, the development of raw material prices for plastic granules is a major cost factor. Although not all raw materials are linked to crude oil prices, the increasing shortage of crude oil can be regarded as probable that raw materials will become more expensive for plastics processors. However, forecasts for the Brent oil price do not assume rising prices for 2020. The reason for this is the oversupply of crude oil, which is caused by the constant increase in production in the USA. The high offer resulted in

The UK left the EU on January 31, 2020. There is then a transitional period until December 31, 2020, during which the EU member states and the United Kingdom want to negotiate a new framework for the future relationship. It is positive that a hard Brexit could be avoided for the time being. Should the customs agreements of the World Trade Organization (WTO) apply to trade temporarily or permanently after the transition phase, depending on the outcome of the negotiations, this could lead to a possible cost or sales risk, which is still difficult to assess.

Starting in China, cases of illness from the novel coronavirus (SARS-CoV-2) are currently occurring in an increasing number of countries. The metropolis of Wuhan and the province of Hubei, to which Wuhan belongs, are particularly affected. Italy and Germany have confirmed the first cases since the end of January 2020. On January 30, 2020, the World Health Organization (WHO) determined that the current outbreak of the novel coronavirus in China is a "public health emergency of international concern" (PHEIC). The WHO has made a number of recommendations for the affected and neighboring countries to contain and control the outbreak. The protective measures taken by the Chinese government are already having an impact on production in China and the associated international production chains. The long-term effects on the Chinese economy on the one hand and on the global economy on the other hand cannot yet be estimated, even if there are already signs of economic effects. This also harbors risks for the global economic recovery if the growth forecasts are based on an economic revival in China. The long-term effects on the Chinese economy on the one hand and on the global economy on the other hand cannot yet be estimated, even if there are already signs of economic effects. This also harbors risks for the global economic recovery if the growth forecasts are based on an economic revival in China.

According to the data and analysis company GlobalData, the strain on industrial production and supply chains as well as lower demand can have a significant impact on the local supplier and automotive industry. This market strain comes in addition to the already expected decline in the Chinese automobile market for 2020.

The current trends in the automotive industry - networking, emission reduction, electromobility and alternative drives, autonomous driving and the sharing economy - have a massive impact on car manufacturers and therefore also on suppliers. These face a technology-driven transformation and new customer needs. They are the first to be affected when it comes to shouldering the parallel development of existing and future technologies. In addition, factors such as flexibility, new expertise and innovative cooperation will play a decisive role in success. Some will need to heavily adjust their portfolio and secure sufficient capital to fund the transition.

An essential part of our service is the development and production of parts for car manufacturers. The global automotive market has a significant influence on the economic development of the Röchling Group. To compensate for possible production fluctuations at customers, the customer structure was diversified both in terms of individual production sites and at group level.

The new EU regulation on medical devices (Medical Device Regulation, MDR) should come into full effect after a transitional period in May 2020. There is still a lack of a sufficient number of notified bodies that are absolutely necessary for the market approval of medical devices. The implementation of the new Medical Devices Ordinance is also associated with a high expenditure of resources. Röchling Medical companies are also feeling the effects. As a supplier in medical technology and especially as an OEM (Original Equipment Manufacturer), Röchling has to create the complete technical documentation. This provision and updating of technical data turns out to be expensive. Regulatory expertise will become a differentiation criterion in the future. The Röchling Medical companies see themselves well prepared here.

#### **Risks from business activities**

Due to its international business activities, the Röchling Group is subject to currency and interest rate risks. On the one hand, these risks are countered by local production with local financing. On the other hand, the central financial management department of the holding company determines the risks and pools the regional financial needs and surpluses - insofar as it makes economic sense. In addition, currency and interest rate risks are countered in selected cases with the use of appropriate financial instruments (currency and interest rate hedging transactions).

The central goal in liquidity and financial management is to maintain the company's existence at all times and to ensure financial independence. In order to always have sufficient liquidity in the Röchling Group, it is necessary to control and monitor the liquidity status<sup>1</sup> on a daily basis. In order to always achieve sufficient transparency about the level of liquidity and the expected development in the medium term and during the year, a financial forecast is drawn up by the individual companies on a monthly basis and reported to the central finance department. The Management Board of Röchling Beteiligungs SE, Mannheim, is informed every two weeks about the status of the credit lines and net debt. To ensure group-wide liquidity, the central finance department negotiates the necessary loans and credit lines. At the end of the 2019 financial year, the liquidity reserves were still at a secure level in order to be able to meet all payment obligations at all times.

In their business activities, the companies of the Röchling Group are subject to the legal framework and the risk of legal disputes. Therefore, there is insurance cover for risks from warranty, product liability and recall cases as well as for damage that can lead to business interruptions. The scope of insurance is checked at regular intervals and, if necessary, adjusted to new requirements.

#### **Other Risks**

The companies of the Röchling Group are dependent on data and information that is essentially electronically secured and communicated electronically. This applies both to internal business processes and to business processes with customers and suppliers. The Röchling Group counters information security risks by operating an information security management system. The implementation of the necessary measures is actively supported and promoted by all management levels. The aim is to ensure a sufficient level of security for the employees and the company's resources. This is achieved by ensuring authenticity, integrity,

Reliability, fairness and compliance with the law are the basis of all actions for Röchling. The binding guidelines and values clearly defined by the Group Executive Board are summarized in the Röchling Code of Conduct. This applies equally to all employees worldwide and unequivocally regulates behavior towards third parties such as business partners, competitors, customers and suppliers. Röchling attaches great importance to a functioning compliance management system, because behavior that does not conform to the guidelines or even illegal actions by employees could lead to a loss of image, sanctions, penalties and ultimately to falling earnings.

Possible image problems in the plastics processing industry caused by the press and the general public as part of the "Plastics Discussion" have no noticeable impact on the sales development of the Röchling Group, but may have an impact on the recruitment of qualified young employees. Active public relations and work on social media channels will be required.

#### **market opportunities**

The IMF forecasts a slight recovery in global economic growth in 2020, as the negative effects of trade conflicts on the global economy are expected to decrease slightly. Likewise, a long-term positive growth expectation can be derived from the central trends for both the plastics processing industry and the global automotive industry and medical technology sector, which also results in growth potential for Röchling.

The experts from the field unanimously name four key trends in the automotive industry: digitization and networking of vehicles, autonomous driving, alternative drive concepts with a focus on electromobility and new mobility concepts such as car sharing. One focus of digitization projects in companies continues to be on the topics of "smart factory" and "smart supply chain", i.e. networked and intelligent plants and supply chains.

With regard to the degree of internationalization, the plastics industry can hardly be compared to any other branch, as raw materials and processing methods are identical worldwide. The material plastic provides answers to the urgent questions that are posed by the megatrends of our time: population growth and demographic change, globalization, urbanization, climate change and climate protection, scarcity of resources and energy supply, medical progress and global health issues as well as accelerated technological change. Through the expansion of international activities in recent years, Röchling has positioned itself well in Europe, America and Asia. In a continuous expansion process, production facilities, sales offices and development centers were set up close to the customer. This created the basis for further growth.

Opportunities arise in the medical technology sector due to demographic developments, particularly in the mature economies, and high levels of investment in health in many emerging countries. The increasing importance of health as a good and new or further technological developments are also driving the market. Digitization is currently the biggest influencing factor for the industry. The healthcare industry is in a rapid process of change. Digitization is already affecting all areas of care. Positive industry development also offers growth potential for the Medical division.

#### **Business Opportunities**

In order to be able to maintain and expand their position in the coming years, it is important for the corporate divisions of the Röchling Group to place even more emphasis on innovations and good products. Plastic is the material of the 21st century. The possible uses for technical plastics in industry have not yet been exhausted, but will continue to develop. This also creates growth opportunities for the Röchling Group. In addition, Röchling is pushing the digital transformation in order to use the opportunities of digitalization and to develop competitive advantages by being able to serve customer requests more flexibly, faster and more resource-efficiently.

In times of forced climate protection, the automotive industry is primarily faced with the task of making its vehicles more efficient. The use of plastics makes an important contribution here. Röchling develops technologies that make a decisive contribution to reducing weight, emissions and fuel consumption as well as cutting costs. Röchling offers solutions for the automotive industry in the areas of aerodynamics, propulsion and structural lightweight. The Automotive division is already well positioned with its products in the market and prepared for increasing demand in the relevant product areas.

In the Industrial division, further growth opportunities arise primarily from the global megatrends that are driving growth in the areas of health and nutrition, housing and construction, energy, resources, mobility and communication. The division's products are used in a variety of industries that operate in these areas. The focus within our Industrial division on manufacturing technologies and regional markets is rounded off by industry managers and their focus on core industries. As a result, sales potential is recognized earlier, awakened at the customer and the competitive advantage as a solution provider is strengthened.

Plastics are a dynamic future market. As a network of specialized companies, Röchling combines material, process and industry know-how and can therefore offer customers from trade and industry individual, technically sound advice. The Röchling Group is thus fully benefiting from the positive trend in the plastics industry.

Increasing demand for health services in growth markets, increasing cost pressure for hospital stays and an aging world population will drive growth in the global medical technology industry in the coming years. This is accompanied by the need for significant innovations in medical technology, which is particularly beneficial for plastics in this high-tech area of application. Further growth is expected in the future for standard thermoplastics as well as for technical and high-performance polymers in medicine and healthcare. Röchling can benefit from this with its Medical division.

Röchling is already heavily involved in the emerging new markets and will continue to pursue this strategic goal in the future. The big advantage of the group of companies: Röchling is on safe ground in all regions with the same products based on identical raw materials and processes, highly developed machine technology and the associated process and application know-how.

Significant investments are needed, particularly in the development of new products, the necessary construction of new production sites in the high-growth emerging markets and in the expansion of existing sites. In order to meet the challenges of increasing digitization, additional financing is required. The competitive environment and

the overall economic and industry-related prospects remain challenging. The good financial position with an equity ratio of 38.7% as of the balance sheet date, together with the Group's solid financial position, puts the Röchling Group in a position to be able to meet these market requirements.

#### **Assessment of the overall risk situation and opportunities**

After weighing up all the risks and opportunities, the overall economic imponderables have not decreased compared to the previous year. The range of uncertainty in forecasts is relatively large due to many political and economic risks and the unpredictable effects of the novel coronavirus (SARS-CoV-2). The risk factors affecting the company are predominantly of an exogenous nature.

Risks inherent to the business with regard to the earnings situation in 2020 are again primarily on the sales side, which depends on the further development of the global economy. On the cost side, the development of raw material and personnel costs, but also energy costs, is the key factor. From today's perspective, there are no other known economic or legal risks that have a significant impact on the net assets, financial position and results of operations of the Röchling Group. With the flexible corporate structure, however, the Röchling Group is prepared to react promptly and radically if necessary.

Through the expansion of international activities in recent years, the Röchling Group has positioned itself in the growth regions. This created the basis for further growth. With plastics processing, Röchling is also concentrating on a material with excellent future prospects. Overall, the Röchling Group sees itself well positioned.

#### **Use of Financial Instruments**

Derivative financial instruments are used for hedging purposes. These are currency forwards and interest and currency swaps. They are valued individually at the market values determined using the mark-to-market method on the balance sheet date; to the extent permissible under commercial law accounting principles, valuation units are formed if the requirements are met.

In the year under review, interest rate hedging transactions (interest rate swaps) were concluded in the Group to hedge against variable loan interest rates.

Forward exchange transactions also existed as of the balance sheet date to hedge against currency risks. These are concluded for foreign currency surpluses in US dollars, British pounds, Indian rupees, Japanese yen and Brazilian real above certain appropriation limits. The nominal amounts of the hedged foreign currency holdings with due dates no later than the end of July 2020 and their market values as of the balance sheet date can be found in the notes to the consolidated financial statements.

So-called "cross-currency swaps" were concluded to hedge exchange rate and interest rate risks for variable-interest foreign currency loans from Group companies.

#### **forecast report**

##### **Economic Environment**

In its global economic outlook as of January 2020, the IMF expected global growth of 3.3% and 3.4% in 2020 and 2021. Due to the effects of the lung disease Covid-19, the fund revised the growth forecast for China at the end of February 2020 lowered. The fund now expects economic growth of 5.6% for China in 2020 instead of the 6.0% forecast in January. The growth of the global economy is expected to be 0.1 percentage points lower due to the corona virus. However, this outlook does not yet take into account the current rapid spread of the corona virus in Europe, North America and other countries worldwide.

Other institutions and companies are also revising their forecasts. Management consultancy Roland Berger has developed three possible scenarios for how the spread of the virus will affect global economic growth in key regions and important sectors of the economy. Analysts expect negative effects on the economy from logistics bottlenecks, factory closures, falling corporate investments and consumer spending.

In the event of a deep recession, Roland Berger expects the global economy to grow by just 0.1% in 2020. In this scenario, the Chinese economy will grow by 2.5%, while negative rates of -1, 2% or -2.5% is calculated.

In addition to the overall economic development, the forecasts for the plastics processing industry, the automotive industry and the medical technology sector are of particular importance for the Röchling Group. The impact of COVID-19 on different sectors of the economy may also vary.

For the plastics processing industry, the probable development is linked to the situation in the target sectors.

In 2020, the mechanical engineering industry in Germany will have to continue to be prepared for considerable strains. In addition to the trade dispute between the USA and China and growing protectionism, there is also the global economic downturn, Brexit and structural change in important customer groups. The VDMA therefore originally expected a real decline in production of 2% in mechanical engineering for 2020; Due to the current and still emerging effects of the corona pandemic, the VDMA has since revised this forecast and now expects a 5% drop in production.

The business climate in the German electronics industry turned positive again at the beginning of 2020 - after six negative balance values in a row. It is true that the companies rated their current situation in January - on balance - slightly negatively. On the other hand, general business expectations increased significantly. The association assumes that electrical production will recover over the course of this year. However, the output is unlikely to exceed the level of 2019.

The still cautious macroeconomic forecasts for 2020 are having a corresponding effect on the international passenger car markets, so that there is a lack of growth impetus in the major markets. This forecast is confirmed by a weak start to the year on the international automobile markets. The German Association of the Automotive Industry (VDA) assumes negative rates for both China and the US market (-2% to 20.5 million passenger cars and -3% to 16.5 million light vehicles). In Europe, there should be a 2% drop to 15.3 million passenger cars due to the CO<sub>2</sub> regulation.

The VDA also expects a decline in new registrations in Germany in 2020: The association expects around 3.4 million new registrations. The reason for this is consumer uncertainty about economic developments. Due to COVID-19, the automotive industry is probably experiencing the biggest downturn. According to Roland Berger, gross value added in 2020 could fall by up to 10.6 percentage points in the worst-case scenario, and automobile sales could fall 10% more than predicted, with component bottlenecks and disrupted supply chains having an impact. There are also production stops ordered by the governments of several countries.

According to the industry association SPECTARIS, the expectations of medical technology manufacturers for the coming years are largely positive. Accordingly goes

The association also expects an increase in sales for 2020, even if growth may slow down against the background of the economic development of the global economy and the outlined tightening of regulations in connection with the new medical device regulation.

For the coming years, experts expect average annual growth rates of around 5.6% for the global medical technology market. The market size is expected to reach USD 595 billion in 2024.

#### **development of the company**

The Röchling Group closed the 2019 financial year with sales growth of 9.9%, but a decline in earnings. The subdued overall economic development and current challenges in the automotive industry in connection with lower demand are clearly reflected in the group's key figures.

The global economy is currently collapsing as a result of the coronavirus pandemic. In order to curb the spread of new infections and to counteract an overload of the healthcare system, freedom of movement is now being restricted in many countries and public life has largely come to a standstill. At the same time, most countries are trying to mitigate the expected economic consequences with extensive economic policy measures. There are currently only very few economic indicators available that can be used to estimate the overall economic extent of the consequences of the Corona crisis. According to the ifo Institute, the German economy could shrink by 1.5% this year as things currently stand.

In Asia, the business development of the Röchling locations was already weak in February and March due to government-ordered closures of the production sites due to the coronavirus pandemic. However, a recovery can already be seen in the region from April/May, as all plants are back in production and there are first signs of an upturn in economic development in the region.

For Europe and large parts of the world, however, the increasing spread of the virus in these regions will result in a very difficult market environment for the coming months. The automotive locations in particular will be directly affected by the recent decision made by many OEMs to stop production. However, locations of the

Industrial division may also be forced to work short-time due to government-ordered plant closures by customers in Europe, the USA and India. There are also problems in the logistics chain that are becoming more and more apparent, which affect deliveries and logistics to the customer even after the end of the special measures.

Production at the company locations should be maintained as far as possible by means of operational precautions and protective measures as well as site-specific action plans tailored to the respective needs. Support programs such as short-time work benefits in Germany and other support programs are used across the group to keep the financial situation stable.

The global footprint of the Röchling Group and the diversification in the customer and industry portfolio, coupled with experienced management, are also proving to be a strength in this crisis.

Originally, the corporate planning for the 2020 financial year prepared in November 2019 assumed further sales growth and an improvement in profitability in all areas of the company. The Management Board has currently adjusted its expectations for the expected development in 2020 compared to this planning. For 2020, assuming a longer-lasting epidemic, we are assuming a noticeable decline in sales and the associated loss of earnings. Due to the rapid development and the associated high degree of uncertainty, we cannot reliably estimate the financial impact. However, on the basis of working hypotheses, the Management Board carried out stress tests on lost sales and the associated lack of incoming payments. Here, the resilience of the Röchling Group was determined, which now gives the Management Board the time to implement all planned measures (including avoidance of cash-out, cost reduction and securing free credit lines) and to be able to react appropriately to the development of the Corona crisis.

**Mannheim, April 2, 2020**

### **The Executive Board of Röchling Beteiligungs SE**

*Prof. Dr. Hanns-Peter Knaebel*

*Franz Lübbers*

*Evelyn Thomas*

### **Independent Auditor's Report**

To Röchling SE & Co. KG, Mannheim

#### **audit opinions**

We have the consolidated financial statements of Röchling SE & Co. KG, Mannheim and its subsidiaries (the Group) - consisting of the consolidated balance sheet as of December 31, 2019, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 by 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 Röchling SE & Co. KG, Mannheim, for the fiscal year from January 1 to December 31, 2019.

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

- The attached consolidated financial statements comply in all material respects with German commercial law and, in compliance with German generally accepted accounting principles, provide a true and fair view of the Group's net assets and financial position as of December 31, 2019 and of its results of operations for the financial year from January 1 to as of 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 described in more detail 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 have our other German professional responsibilities in compliance with these requirements. We believe that

#### **Responsibility of the legal representatives and the advisory board for the consolidated financial statements and the group management report**

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law provisions in all material respects, and for the fact that the consolidated financial statements, in compliance with the German generally accepted accounting principles, give a true and fair view of the asset, financial and earnings situation of the company mediated by the group. Furthermore, the legal representatives are responsible for the internal controls which they have determined to be necessary in accordance with German generally accepted accounting principles in order to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misstatements.

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.

The Advisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

#### **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 - intentional or unintentional - misstatements 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 Section 317 of the German Commercial Code, taking into account the German generally accepted auditing principles established by the 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 - intentional or unintentional - misstatements in the consolidated financial statements and 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 justifiability of the estimated values presented by the legal representatives and the related disclosures.
- 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.
- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law 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.

**Mannheim, April 3, 2020**

**KPMG AG**  
**auditing company**  
*Riedman, auditor*  
*Baehr, auditor*

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