SHARING EXPERTISE

ANNUAL REPORT 2018

The health care system is almost as complex as the human body. B. Braun does everything possible to develop the best products and system solutions for medicine. But no provider can master the challenges alone. „Sharing expertise“ is our brand promise. We share our knowledge and our passion, and actively enter into dialog with international experts and partners, benefiting from their perspectives and expertise. A commitment to even more exchange, with which we seek to find answers to the big questions of the health care industry. When everyone shares, we all can protect and improve health together. Will you join us?

CONTENT

MANAGEMENT BOARD

(from left to right)

DR. JOACHIM SCHULZ | Aesculap Division

DR. MEINRAD LUGAN | Hospital Care and Out Patient Market (OPM) Divisions

ANNA MARIA BRAUN LL.M. | Region Asia-Pacific

PROF. DR. HEINZ-WALTER GROSSE | Chairman, Human Resources, Legal Affairs and Director of Labor Relations

CAROLL H. NEUBAUER LL.M. | Region North America

DR. ANNETTE BELLER | Finance, Taxes and Central Services

MARKUS STROTMANN | B. Braun Avitum Division

GROWING TOGETHER, SUSTAINABLE IMPACT

On April 1, Prof. Dr. Heinz-Walter Große will hand the reigns of the B. Braun Management Board over to Anna Maria Braun. She will be the sixth generation to lead the family-owned company. In our interview, they both take a look back and look to the future.

Professor Große, for 40 years, you've put your heart and soul into B. Braun, spending the last eight of them as chairman of the Management Board. This era will come to an end at the end of March. How are you managing it?

PROF. DR. HEINZ-WALTER GROSSE | Yes, it really is the beginning of something new for me, but there have been countless new beginnings over the past 40 years. I've always liked change, and the willingness to change is a valuable quality we embody at B. Braun. So, I'm looking forward to the next phase of my life. It'll be exciting!

Ms. Braun, a new era is also beginning for you: On April 1, you will be the sixth generation and first woman to take over the chair of the company's Management Board. It will be a very special moment in the company's history. How do you feel about this moment?

ANNA MARIA BRAUN | I don't think in terms of „special moments". We aren't going to hold our breath until April 1 comes. We'll be in the thick of the day's business and focusing on the tasks ahead of us.

Before we take a look at these new tasks, let us first take a look at the last fiscal year. Professor Große, what was positive? What can we be proud of?

PROF. DR. HEINZ-WALTER GROSSE | The first thing to mention is that we continue to increase our sales on the scale we've predicted, in all four divisions and in all regions where we're active. Specifically, we produced products in 112 factories around the globe and sold them for almost € 7 billion. This corresponds to a currency-adjusted growth of over 5 percent. We're pleased with this development. If you then look at how we invested approximately € 900 million and successfully completed a series of projects in 2018, you can easily say that we accomplished quite a bit.

Are there any personal highlights from the investment projects that were completed?

ANNA MARIA BRAUN | One highlight was certainly the opening of our Campus 1 and Campus 2 in Penang, Malaysia, the largest single site in the B. Braun Group. That investment project started in 2009 and was completed in 2018.

PROF. DR. HEINZ-WALTER GROSSE | That was absolutely a moving moment for us and the team at the site, and it is also a clear sign of our presence on the Asian market. Another highlight was the opening of the factory in Wilsdruff, Germany, Europe's most advanced high-automation dialyzer production line.

With growth in every division and region, outstanding automation and production technology, and the quality of our products, we are absolutely competitive.
PROF. DR. HEINZ-WALTER GROSSE

We've created a real showcase there on a virtually green field.

When we take a look at internal structures, what were the big questions from the last year and which of those will continue to be addressed?

ANNA MARIA BRAUN | At the heart of it was the question of how we can organize and change our sales departments worldwide in order to be more efficient and leaner. We've put a great deal of energy into initiatives such as the Enterprise project in the United States and the Uno project in Germany. We're also prioritizing and organizing all of our projects and activities to take further advantage of digital transformation opportunities.

What role did the topic of system partnership play in the last year?

PROF. DR. HEINZ-WALTER GROSSE | A significant one.

ANNA MARIA BRAUN | And it'll continue to do so in the future.

PROF. DR. HEINZ-WALTER GROSSE | Because the way we shape our relationships with our clients and whether we understand their problems and issues in order to respond to them in the best way is and always will be fundamental.

ANNA MARIA BRAUN | Absolutely! With our approach to system partnership, we've created new forms of cooperation, both between our divisions and with external partners. This approach not only helps us understand our clients better, it also helps us tackle the big issues that impact everyone in the health care industry. Issues like financing the health care systems, guaranteeing security of supply, or the question of how we can bring the latest medical developments to patients. These very questions are also in this year's financial report, which we use to invite discussion about the major tasks of the health care system.

What projects will you also continue to pursue this year?

ANNA MARIA BRAUN | The very first one that comes to mind is the Tasks & Teams pilot project that Professor Große launched and with which we're assessing and reorganizing how we work together. This is because regardless of the challenge—whether it be increasing complexity, regulatory requirements or the big issues of the health care industry—the solution isn't an increase in personnel, it's new, creative and flexible forms of collaboration.

PROF. DR. HEINZ-WALTER GROSSE | Absolutely! We can no longer afford administrative structures that just keep getting bigger and bigger. The Tasks & Teams pilot project we launched with both Corporate Human Resources and Corporate Communications departments has proven itself in many ways. The result is a flexible concept that is right for B. Braun, that has a lot of applications and that has been met with enormous interest.

ANNA MARIA BRAUN | More and more departments are coming to us and wanting to use Tasks & Teams for themselves. The great thing about it is there's no template that works the same for everyone. Every department develops the right forms of collaboration for themselves. This takes great initiative as well as a willingness to upend the organizational chart. But the gain is massive and the departments that developed it and use it every day are excited not least because they're seeing how they master their tasks more efficiently.

What are the challenges the company is facing this year?

ANNA MARIA BRAUN | If we were to ask this question of our long-time employees, they would rightly answer that the company has continually faced challenges. That's how I see it, too. This is because, in the health care industry, the laws, reimbursement models, regulations and markets are always changing. We can handle that and it will always be dynamic, but I think the pace at which the changes occur has definitely picked up—along with the complexity and scope of the changes. Our job here is to bring simplicity and clarity to the process.

Can you give us a couple of examples?

ANNA MARIA BRAUN | One example would be new regulatory requirements like the Medical Device Regulation, for which we're working on solutions. Or track-and-trace requirements, which we had to handle in a short period of time. But also issues like the trade conflict between the United States and China or Brexit are presenting us with new challenges. While these are parameters over which we have no control, we still need to ensure we are foundationally strong with enough flexibility to act appropriately.

What is needed for this strong foundation as well as the necessary flexibility?

PROF. DR. HEINZ-WALTER GROSSE | Luckily, the conditions for us are perfect: With growth in every division and region, outstanding automation and production technology, and the quality of our products, we are absolutely competitive. This is guaranteed by our colleagues in the production departments, in administration and in sales. All of our national organizations have excellent executives, staff and managers who are B. Braun employees through and through.

What makes someone a B. Braun employee?

ANNA MARIA BRAUN | I believe, most of all that our vision of protecting and improving the people's health isn't just a slogan, it's something toward which every employee really makes their contribution. I personally get a lot of energy from that. Contributing to people regaining their health and eliminating their pain, or surviving illnesses and accidents thanks to our products and services is something that is deeply moving. But it also makes us very aware of our responsibility. Meeting this responsibility means working hard every day. Our employees know this and they're ready to take it on.

That sounds almost like the thing to do is just to continue on with this proven format.

BOTH (SIMULTANEOUSLY) | Not at all (both laugh)!

PROF. DR. HEINZ-WALTER GROSSE | No, simply doing the same thing doesn't work at all. We have challenges to master that we're only up to if we keep moving forward, like I said, in our sales structures or in how we work together, for example. We can only master our challenges in the future with smart and thoughtful changes.

ANNA MARIA BRAUN | We also need to increase profitability. Growing is certainly essential to us, but, above all, growing using our internal resources, including to be able to make investments and acquisitions. We need to make sure we continue to be able to do this in future. I look at it like a muscle we need to train—our profitability muscle. And because we can't do everything everywhere at the same time, we need to come together and discuss how we get involved where, how much and with what resources. There are awesome possibilities, but we're challenged to look at exactly where we put our focus.

Professor Große, you'll be handing the chair of the Management Board over to Ms. Braun soon. What advice will you give to your successor?

PROF. DR. HEINZ-WALTER GROSSE | First of all, I'm very happy that a member of the family will again be leading the Management Board. But it's most definitely not my job to "give advice" to Ms. Braun. She's been with the company for several years, has years of experience, including from her work in Asia, she knows the people, the products, the culture at B. Braun. She exhibits every day what I think is a very important quality: the ability to listen.

Ms. Braun, what are you looking forward to in your new job?

ANNA MARIA BRAUN | I'm looking forward to continuing B. Braun's successful history. I won't be doing it alone, but together with my colleagues on the Management Board and with every employee.

I'm looking forward to continuing B. Braun's successful history together with my colleagues on the Management Board and with every employee.
ANNA MARIA BRAUN

WORKING TOGETHER

BY LISTENING TO EACH OTHER

At a workshop at B. Braun's innovation lab, an interdisciplinary group of experts searches for answers to the big questions of the health care system. It's an experiment. It's also the start of a dialog process with which B. Braun is opening up more in order to share expertise.

» In palliative medicine, a lot has happened in the last five years. The new process takes fewer resources and provides patients with a better experience.

FLORIAN SOMMER

The heavy, red metal door on the ground floor of the former factory building is a border: Daily routine and business as usual need to be checked here. Whoever crosses this threshold and ascends the steps needs to be ready to engage with new ideas and perspectives. A quote by racing driver Mario Andretti hangs on the wall: "When everything seems to be under control, you are not going fast enough." A poster in the staircase demands: "Leave your comfort zone." By no means is everyone ready to do that.

WELCOME TO WERK_39, B. BRAUN'S INNOVATION LAB

"This is a neutral location," says Anton Feld, design thinking expert and moderator, as he makes the final preparations in the spacious, open workshop area. At werk_39, B. Braun engineers and technicians work on new products and together with hospital teams work on improving efficiency in the OR. The belief is that, even in the 21st century, there is no tool more powerful than the human brain. All it takes is the right conditions for it to work properly. Anton Feld says, "We support workshop participants with mentoring and analysis, and help identify problems and pain points."

STEP 1: INITIATE

On this late-winter day in Tuttlingen, Germany, product design has taken a back seat to a bigger problem: "How can you increase efficiency and fairness in the health care system?" Experts from all over Europe have traveled to this multidisciplinary workshop. Health economist Axel Mühlbacher is here from Brussels. WHO adviser Ilona Kickbusch is here from Bern. Doctor and startup entrepreneur Paul Brandenburg is here from Berlin. Together with philosopher Weyma Lübbe, IoT expert Tobias Gebhardt and surgeon Florian Sommer, they have come to talk about the future. But not with the usual talk show logic, where buzzwords swirl around and everyone defends their own position. Instead, they are leaving their comfort zone and coming together for a common purpose. "It's an experiment," echoes Markus Strotmann, physicist and member of the Management Board of B. Braun, the host

> Fairness is not a value among others, but a norm. No-one drives health care policy with sentences like 'Though this action is unfair, it is on balance a useful thing'.
>
> WEYMA LÜBBE

of the workshop. "We don't know what we're going to get out of today. That's exactly what's so exciting!"

STEP 2: DISCOVER

A maximally fair and efficient health care system: Let's take a quick step back. Germany spent 374 billion euros in 2017 on it. That's almost 11 percent of Germany's gross domestic product—in 1992, it was just nine percent. And, according to the OECD, global health care costs will more than double by 2060. At the same time, the poor in Germany have a life expectancy that is up to ten years shorter than the wealthy. What can be done? The group pauses, gets acquainted, and then begins to discuss the topic. The workshop is less podium led and more of an open group discussion. It takes some getting used to. First, they take some notes. Terms. Approaches. Definitions. With a green magic marker, Feld writes everything down on a large whiteboard. It's a "brainstorming-friendly atmosphere", as he puts it.

Axel Mühlbacher: "If I'm being honest, I don't know exactly what fairness is. And so far, there hasn't been any accepted approach to make efficiency in health care measurable. So, something huge would have to happen if we come up with a eureka moment in six hours." (laughs)

Weyma Lübbe: "We would also actually have to talk about the historical intellectual relationship between fairness and efficiency. How did it come that economists focused on efficiency and let other disciplines think about fairness?"

Paul Brandenburg: "Are those even the right terms?"

Ilona Kickbusch: *"Here, it goes without saying that people have a right to health. But that's not the case for 50 percent of humanity. They become sick and poor at the same time."*

Markus Strotmann: *"It's up to us to find the point of leverage of our discussion. What does a health care system need to do?"*

STEP 3: EXPERIMENT & BUILD

10:30 a.m. Coffee break. Yet, instead of receeding from the debate or withdrawing into the privacy of a smartphone screen, the workshop participants just keep going: forming small groups, talking, doubting, thinking—doing work. Werk_39 establishes a connection between the analog origin of B. Braun and the digital and knowledge society. On the side, historical C-clamps from the factory serve as holders for informational materials. Workshop supplies, like pens or post-it notes, are kept in old wooden toolboxes.

The modern information architecture of smartphones, projectors and WiFi stands in contrast to unplastered walls, exposed timber framing and cable looms—the inner workings of the building are out in the open. "We tend to forget the principles behind the methods. We only look at the artifacts," a flyer reads. And that's exactly what it's about: looking underneath the surface. The workshop participants agree to limit the discussion to two questions and divide into two groups:

Group A: Access to the health care system

Phrases swirl around the huge room: "Picking up the pace", "That's really paradoxical", "Only 15 percent of patients know exactly how the system works", "If it costs nothing, it's worth nothing". Stop listening to the work group of Strotmann, Kickbusch, Sommer and Gebhardt for just a minute and you will lose track. Manager, doctor, political scientist and startup founder complement each other well and find common ground: "Everyone has the right to access the health care system."

» Even a highly developed health care system like the one we have in Germany faces serious challenges. Everyone will have to do a lot of evolving.

MARKUS STROTMANN

» As the availability of medicine increases, so does demand; there is no saturation. Who's ever said 'I'm too healthy'? We need to ask ourselves just where wellness begins and ends. Or why people are going to the ER at three in the morning with back pain?

PAUL BRANDENBURG

» The health care system has long been transnational: We have migration of workers and diseases, international financial streams and patent rights.

ILONA KICKBUSCH

Tobias Gebhardt: *"Improving access means better control."*

Florian Sommer: *"What do you mean by that, exactly?"*

Tobias Gebhardt: *"Yes, we should specify that."*

This statement forms the foundation of a matrix they are designing on the whiteboard with post-it notes and lines of red and green magic marker. One thing quickly becomes clear: No one can solve this problem alone. There are no dials you can turn and everything will get better or even become good. The people need to take more personal responsibility. The insurance companies and employers need to use incentives to reward efficient behavior. The service providers need to develop a variety of treatments and offers that really help people. It all has to come together. Good thing people are working together.

Group B: Fairness vs. efficiency

The second workshop group chooses another, more structured approach for their discussion. Philosopher Weyma Lübbe, economist Axel Mühlbacher and doctor Paul Brandenburg sit around a small, round table and carry on a quiet, yet heated debate. There are also repeated flashes of intellectual enjoyment between the counterparts when their discussion partners come up with new, clever formulations or exaggerations. Nevertheless, they agree on the goal: "A major part of the problem is not undersupply, but oversupply that is not for the sake of the patients."

Weyma Luebbe: *"Absolutely right. But this is not an innovative proposition yet."*

Paul Brandenburg: *"For a lot of people out there, it's not trivial: They think the system works. And a lot of money is lost in the process. How do we put an end to that?"*

Axel Mühlbacher: *"Without measuring patient benefit, there can be no measurement of efficient health care."*

Weyma Lübbe: "What does efficiency mean to you? A shift in the distribution of goods in which at least one person is better off and no one is worse off? Or do you mean shifting funds to the most productive place?"

Axel Mühlbacher: "What about: Patient benefit is oriented on fairness."

Weyma Lübbe: "The benefit of what patient? That's the issue when we decide about who gets what. And then, fairness is the clincher, no value among others. No-one drives health care policy with sentences like 'Though this action is unfair, it is on balance a useful thing'. And this is a good thing."

Axel Mühlbacher: "So, efficiency comes second to fairness. Even I would subscribe to that from a social perspective."

Paul Brandenburg: "At the same time, a wasteful system is necessarily unfair."

STEP 4: TRANSFER

Normally, by the end of a workshop day, the debate has become more and more structured. The participants prioritize the most important topics through methods—methods like dot voting, where you put little colored dots on preferred approaches. Focus is on next steps, to-dos and road maps. And, naturally, the B. Braun workshop has also developed many ideas for how the health care system can better master the challenges of the 21st century:

- The wrong incentives promote the misallocation of funds.
- Quick, smart new ideas can save lives.
- Improving patients' health skills—and the training of doctors and nursing professions.

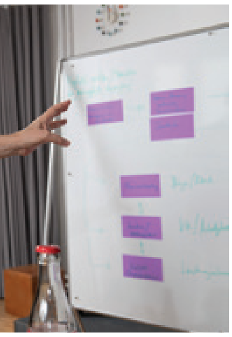
At werk_39, however, it's not about artifacts, it's about the underlying principles. Maybe it's time to get down to fundamentals. Especially when development is so fast, it's difficult to distinguish opportunities from risks. This is why the B. Braun workshop is reshifting focus. "Of course, the health care system can't be separated from the society," says Ilona Kickbusch. "Especially since we live in a consumer society, everyone wants the next pill, the next treatment." Conversely, this naturally means that the health care system can only be decisively improved through the employment of time, care, know-how and technology once society's attitudes change. And that's not impossible: "In palliative medicine, a lot has happened in the last five years," says Florian Sommer. This elicits strong agreement from those present. "The new process takes fewer resources and provides patients with a better experience."

And have we made progress on the issue of a fair health care system? "The theory about fairness is a difficult and controversial field, but nevertheless indispensable," says Weyma Lübbe. "Many things can be somehow recorded when being clarified, such as fairness doesn't mean establishing equality. That is to say that all of us are most equal when we are no longer alive."

The room goes silent for a moment. Everyone is reflecting. In a podium discussion or talk show, everyone fights for talking time. Here, everyone listens to each other. "Sometimes you do have to be a philosopher," says Markus Strotmann with a musing smile. "I've learned a lot. The conversation will continue." One workshop is never the end point. It's just the beginning of a process. Were all problems solved? Of course not. Was it worth it? Absolutely!

DO YOU WANT TO LEARN MORE ABOUT THE WORKSHOP?

VISIT THE WEBSITE HERE



» The rise in prices in the health care industry is putting pressure on the concept of universal health care. We may be the first generation who knows: I'm going to die now, but something could've been done.
There was just no money.

AXEL MÜHLBACHER

» Can a digital prescreening of patients not solve a lot of our problems? Smartwatches and health apps could point patients in the right direction.

TOBIAS GEBHARDT

WHAT'S LEFT FROM THE WORKSHOP DAY

The expert's workshop at werk_39 was just the beginning of a lasting, exciting process. We would like to discuss the following questions with you:

1 | What positive incentives get people to be healthier and put less strain on the health care system?

2 | How do we improve the health skills of patients, nurses, doctors and management in the digital age?

3 | How do we determine the patient benefit of treatments in the most rational way possible—and avoid futile care?

4 | What new technologies are promising?

5 | What values do we as a society need to discuss to lasting improvement in the health care system?

Do you want to participate in our discussion? Send us an e-mail at lets-talk@bbraun.com.

We look forward to your input.

DR. PAUL BRANDENBURG

Independent doctor specializing in emergency care and diving medicine, founder of the startup DIPAT (online living wills)

„We would need medical parameters to evaluate the benefit of treatments—instead, we base it on bed and ventilator days."

Current publication: "Hospitals and Side Effects"

PROF. DR. AXEL C. MÜHLBACHER

Professor of Health Economics and Medical Management at the Neubrandenburg University of Applied Sciences; Adjunct Professor, Duke University; Managing Director of the Society for Empirical Consulting

"The patient needs to be able to precisely rate the net benefit of a treatment—like weighing the side effects of cancer treatment against the additional time that might be won."

Current publication: "Adaptive Benefit Analysis for Examination and Treatment Methods with High-Class Medical Devices"

PROF. DR. WEYMA LÜBBE

Professor of Philosophy in Regensburg, former member of the German Ethics Council

„Efficiency and fairness aren't values that can be weighed against one another."

Current publication: "Non-aggregationism: Fundamentals of Ethics of Resource Allocation"

TOBIAS GEBHARDT

Innovation manager, founder of and head of business development at IoT startup GWA Hygiene

„Digitization can help achieve cost savings and increase patient care."

MARKUS STROTMANN

Physicist, member of the Management Board of B. Braun Melsungen AG

„These days, businesses need to participate in social discourse in an entirely new way. We're ready to take up this responsibility."

PROF. DR. ILONA KICKBUSCH

Member of the Board of Trustees of the Careum Foundation, former WHO adviser and professor at Yale and in Tokyo

„Health is a human right."

Current publication:
„The Health Community"

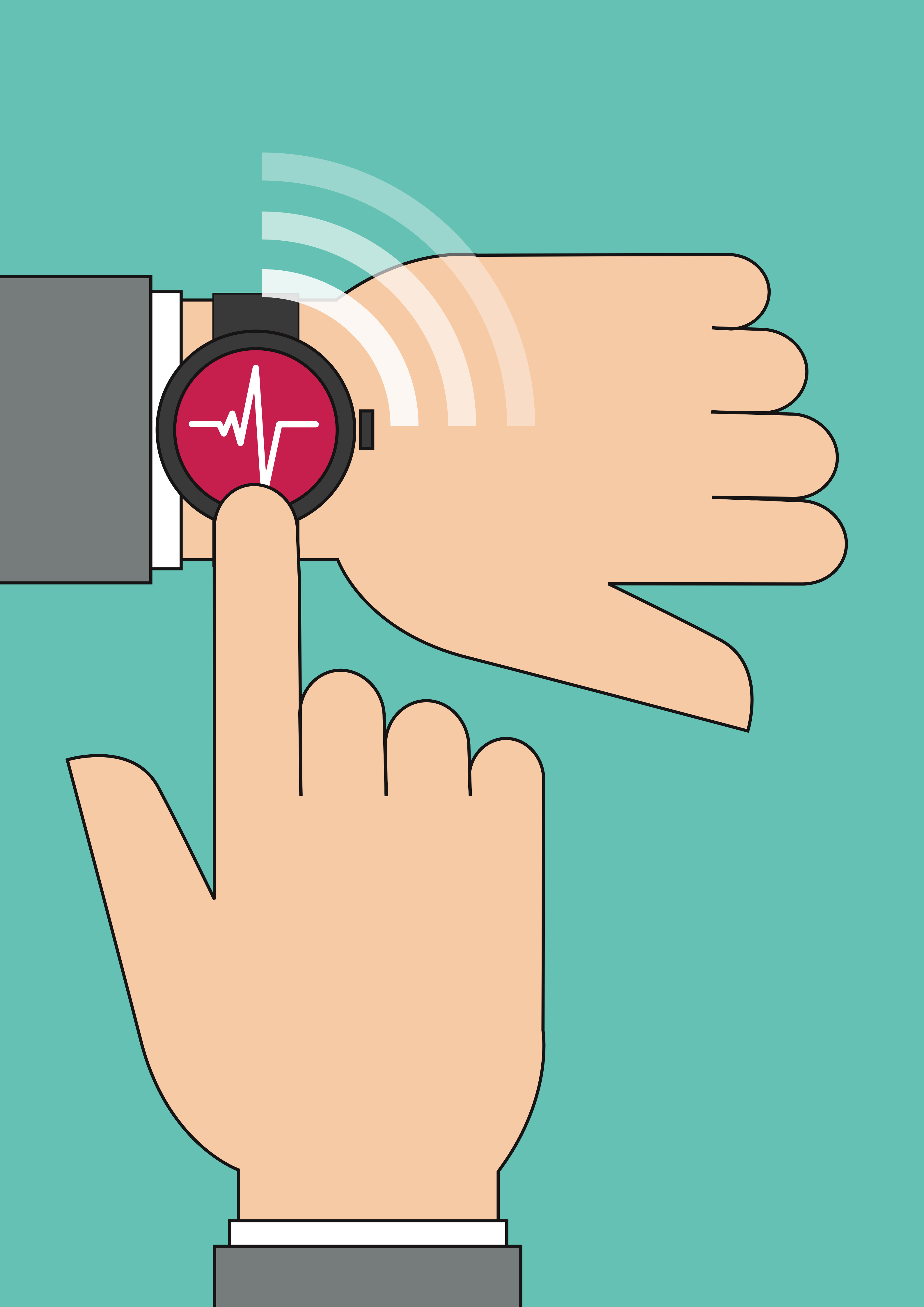
DR. FLORIAN SOMMER

Specialist in visceral surgery at Augsburg Hospital, MBA

„Legislation can have a big influence on the health care system: such as the right to object to organ donation."

WERK_39

The B. Braun innovation lab was opened in 2017 in an old factory building in Tuttlingen. The werk_39 team uses methods like design thinking, scrum and minimal viable products—but it has also developed its own innovation method. Werk_39 is also open to the B. Braun Group, its clients and partners. Mainly, however, the plan is to open the building to entrepreneurial and experienced employees for three to six months, where they will be able to turn their ideas into reality in an innovative atmosphere. A work space is also available for innovators, in order to build prototypes.



SMART HOSPITAL OR:
WHEN YOU FEEL SICK, CONSULT YOUR UNDERSHIRT

The year 2040 is not at all that far away anymore. The year 2040 is science fiction. What will a person experience in the hospital of the future? A tour.

As Karla suddenly slumped down at lunch, her colleagues were naturally alarmed. But they didn't call an ambulance, they just carefully sat Karla up. This is because she was wearing a first responder right on her body: her undershirt. The smart clothing uses interwoven sensors to measure EKG information, heart rate and skin conductance, then uses software to factor in Karla's health information, such as preexisting conditions and genetic characteristics. The software detects a threatening situation—a heart attack—and sends this assessment to Karla's smartwatch, which then flashes red like a stop light. An ambulance is on the way. Because...

YOU WANT TO FIND OUT WHAT HAPPENS NEXT?

JOIN THE HEALTHCARE PROVIDER VISIT HERE

WHAT DO THE EXPERTS HAVE TO SAY?

Dr. Katrin Sternberg, Member of the Management Board for research and development at Aesculap AG, a B. Braun company, and many other bioinformatics experts, surgeons, programmers and architects consulted with us.

» A man/machine combination today can operate with more sophistication and precision than a human could ever do alone.

» In the year 2040, software will be able to warn doctors 48 hours in advance of cardiac arrest."

» The time patients spend in the hospital will decrease tremendously. Rehabilitation will also take place at home—with the help of drones, telemedicine and mobile applications.

HOW DO WE FIGHT WIDESPREAD DISEASES?

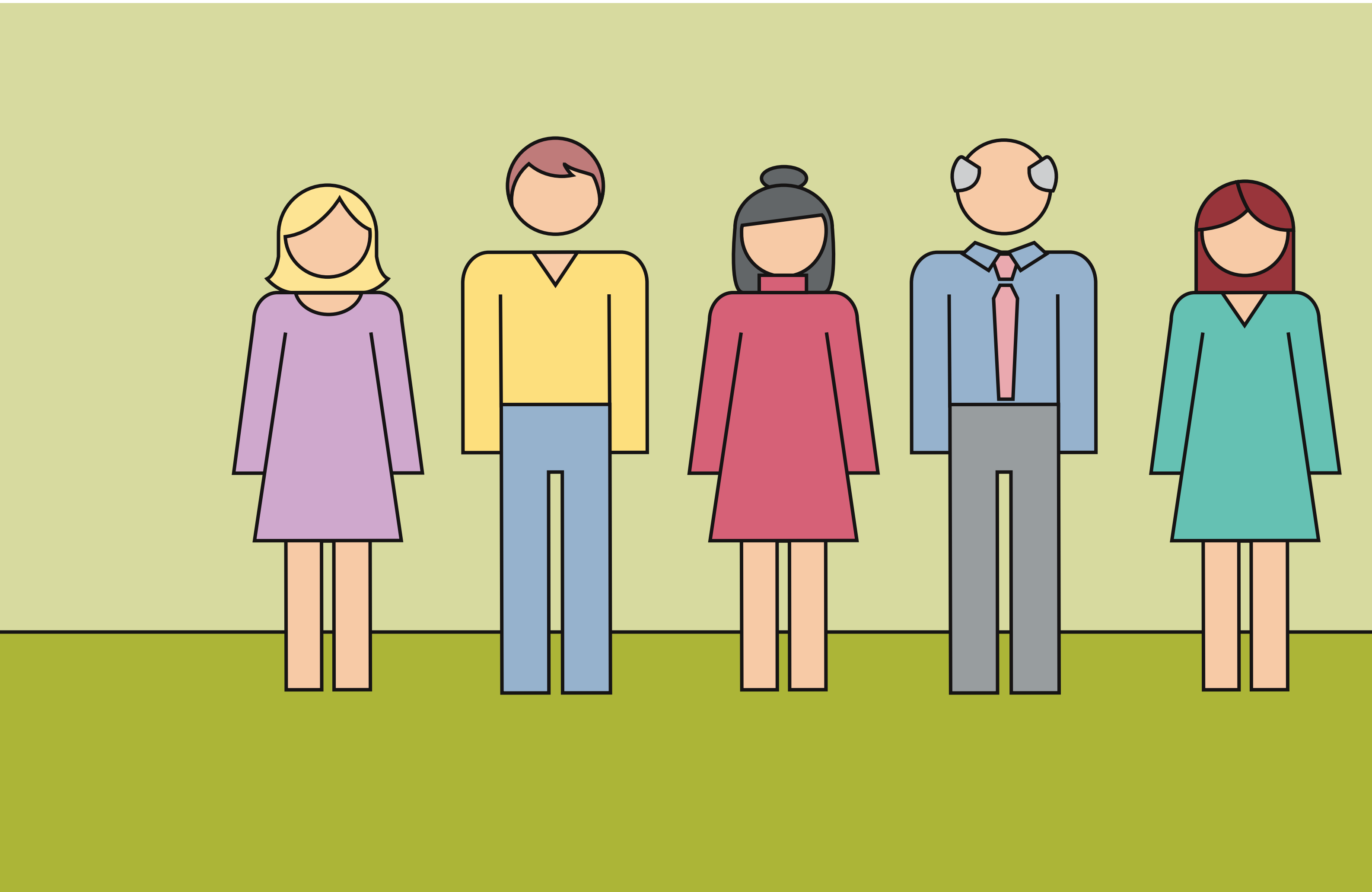
Widespread diseases plague millions and cost billions. Cardiovascular diseases, mental disorders, diseases of the digestive system, teeth, musculoskeletal system, and cancer are some of the widespread maladies that generate most of the medical expenses for the economy.

B. Braun asked nutritionists, medical sociologists and international scientists how we can deal with wide-spread diseases more effectively. Can the spread of the ailments be slowed? What role do preventive care and social circumstances play? How can treatments be improved? And what can be learned from interna-tionally successful prevention projects?

» Medically, we have made progress—but we ourselves are jeopardizing it.

» Two-thirds of men and approximately half of women in this country are currently overweight."

» Both prevention and treatment of widespread diseases could take a big step forward in the future."



» Today's medicine can effectively treat many common illnesses. While the number of chronically ill patients is growing, at the same time, our society is getting older and older. This shows that many treatments work well, otherwise life expectancy would not continue to increase. In general, sick people are receiving good treatments, so that on average they can live longer. Therefore, medically, we have made progress—but we ourselves are jeopardizing it.

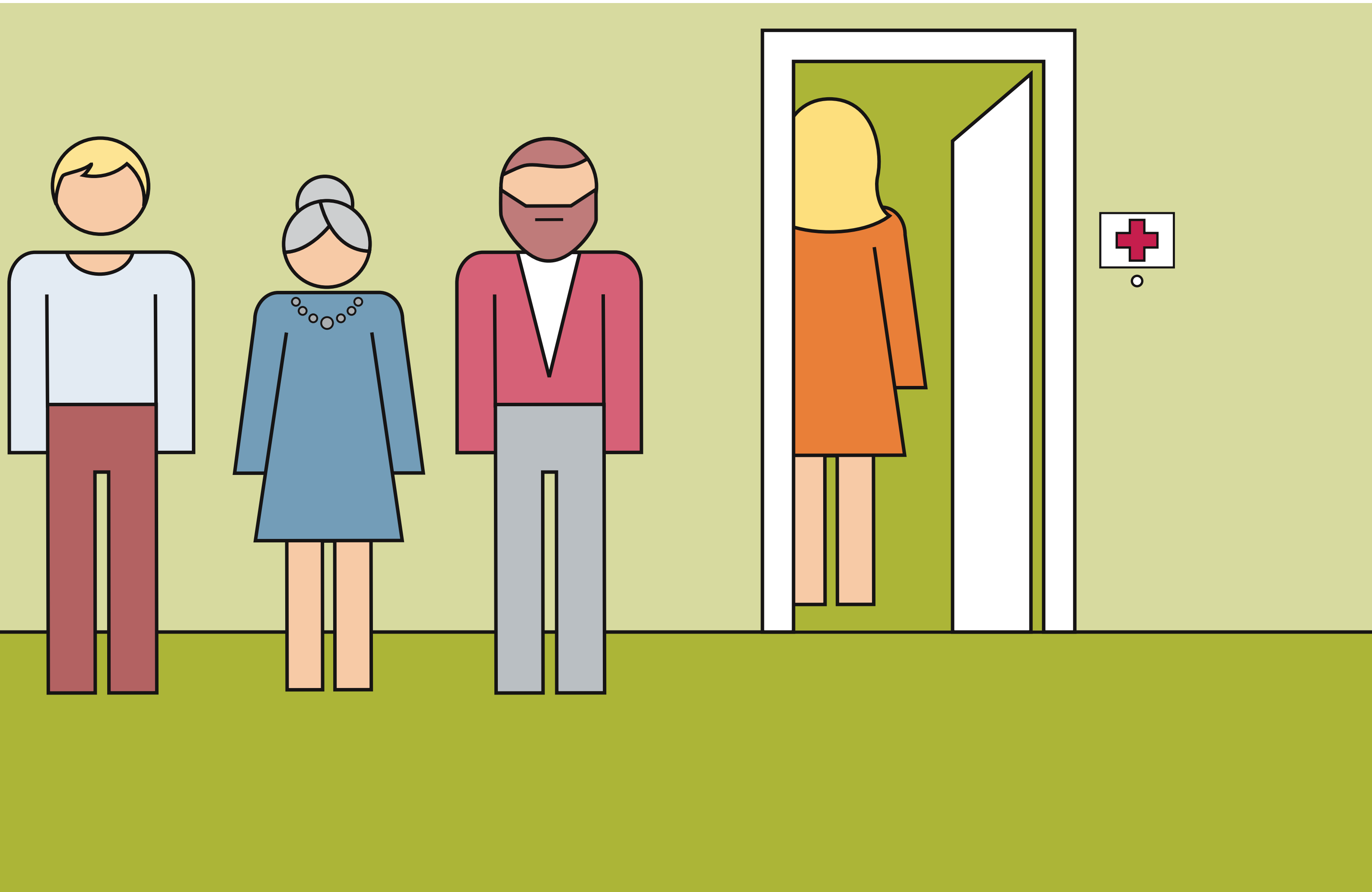
Many widespread diseases, such as cardiovascular diseases and diabetes are avoidable. They are a consequence of personal lifestyle and with greater awareness the risks could be minimized. And those risks are clearly apparent.

The question is, how can society help an individual change unhealthy behavior? Both the prevention and the treatment of widespread diseases could take a big step forward in the future: if we become able to analyze important data about a person and their behavior, and sensibly link the two together. Today, it's already possible to obtain a great deal of information by analyzing genes and metabolism, as well as by recording activities such as sleeping and moving. If we can correctly interpret this information in context, we can create a custom risk profile for every person and even determine the response rate for certain treatments. With this precision medicine, it would even be possible then to design treatments and medications not just for entire groups like before, but to tailor them to specific cases.

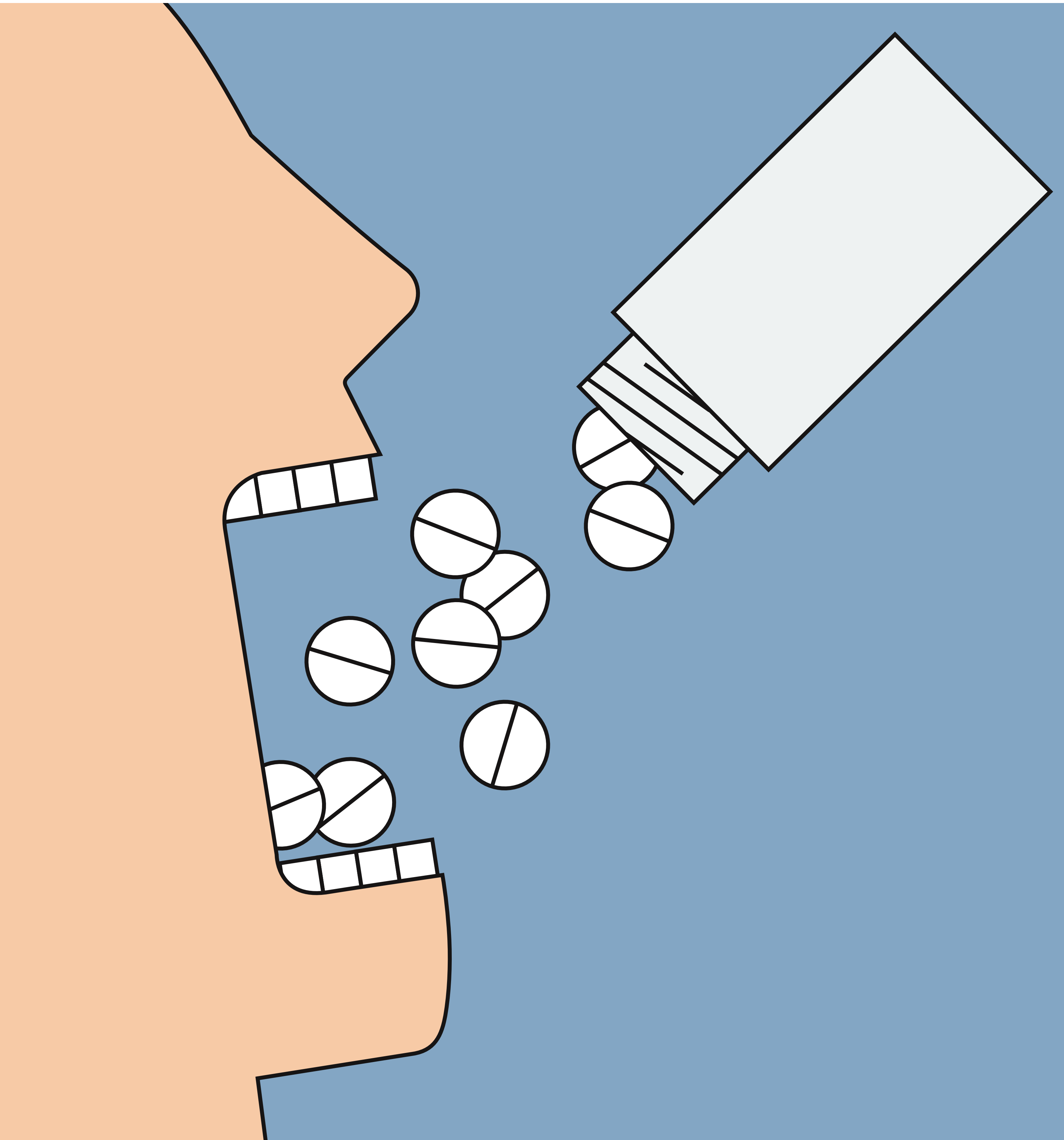
PROF. DR. ALEXANDER SCHACHTRUPP | Managing Director of the B. Braun Foundation and Senior Vice President Medical Scientific Affairs at B. Braun Melsungen AG

B. BRAUN ASKED INTERNATIONAL EXPERTS:
HOW DO WE FIGHT WIDESPREAD DISEASES?

READ THE ANSWERS



THE ANTIBIOTIC CRISIS:
TIME TO WAKE UP!



The extent of the problem is enormous and alarming: In the European Union alone, 30,000 people die every year due to antibiotic resistance. In the United States, this figure is at least 23,000. Many more spend their lives suffering from significant physical disabilities. The still widespread idea that antibiotic resistance is some vague negative scenario of the future is clearly no longer true. The threat is real, it's here to stay and the time to act is now.

Get an overview of the extent of the antibiotic crisis: how resistance develops, how it spreads and what role we all play—and what it specifically means today and in the future. Listen and watch what leading experts have to say and the alternatives and smart solutions on which researchers are currently working to outwit highly adaptable pathogens. Scientists, governments and global organizations are collecting data, attempting to formulate rules and action plans and implement programs to curb antibiotic resistance and its consequences.

The fight has already begun, its outcome has yet to be determined. To prevent falling back to the medical Middle Ages where every infection would potentially be a death sentence, every one of us needs to be aware of our responsibility—and face up to it.

TIME TO
WAKE UP.

THIS IS YOUR
WAKE-UP CALL

Dr. Marc Sprenger | Director Antimicrobial Resistance Secretariat, WHO

» Simply put: If we do not address this problem now, in the future we will no longer be able to treat common infections. The excessive and incorrect use of antibiotics in animals and humans is contributing to the rise in antibiotic resistance.

» Building global awareness and broadening knowledge of when and how antibiotics should be correctly used or prescribed is a long road and it's one we've just started down.

Lord Jim O'Neill | Member of Great Britain's House of Lords and former Chairman of the Commission "Review on Antimicrobial Resistance"

» What every single one of us can do in the fight against antibiotic resistance is to stop treating antibiotics like sweets."

GROUP MANAGEMENT REPORT

FIVE-YEAR OVERVIEW

	2014 € million	2015 € million	2016 € million	2017 € million	2018 € million
Sales	**5,429.6**	**6,129.8**	**6,471.0**	**6,788.9**	**6,908.1**
Cost of goods sold	**3,041.6**	**3,447.1**	**3,608.1**	**3,833.7**	**3,984.2**
Functional expenses	**1,950.0**	**2,150.3**	**2,250.6**	**2,366.6**	**2,390.7**
Selling, general and administrative expenses	1,721.2	1,887.9	1,959.2	2,050.7	2,072.7
Research and development expenses	228.8	262.4	291.4	315.9	318.0
Interim profit	**437.9**	**532.4**	**612.3**	**588.5**	**533.2**
Operating profit	**422.7**	**482.9**	**582.2**	**546.4**	**495.8**
Profit before taxes	**407.6**	**445.5**	**527.8**	**513.7**	**451.6**
Consolidated net income	**316.3**	**319.7**	**396.0**	**411.5**	**328.4**
EBIT	**480.3**	**516.9**	**597.4**	**574.9**	**520.5**
EBITDA	**798.4**	**878.1**	**975.0**	**985.1**	**952.5**
Assets	**6,766.8**	**7,266.1**	**7,981.8**	**8,525.9**	**9,224.4**
Intangible assets (incl. goodwill)	514.6	566.6	623.3	757.0	818.3
Property, plant, and equipment	3,302.6	3,642.3	3,987.3	4,196.4	4,589.3
Other financial investments	30.3	46.0	50.3	62.0	63.3
Inventories	1,005.7	1,056.7	1,135.4	1,178.5	1,344.4
Trade receivables	993.7	1,034.7	1,089.1	1,148.0	1,141.8
Equity	**2,564.0**	**2,900.4**	**3,172.0**	**3,436.4**	**3,699.9**
Liabilities	**4,202.8**	**4,365.8**	**4,809.9**	**5,089.6**	**5,524.5**
Pension obligations	1,098.5	1,079.7	1,300.8	1,269.0	1,332.1
Financial liabilities	1,870.2	1,923.4	1,992.1	2,224.5	2,463.5
Trade accounts payable	311.9	348.6	442.9	483.9	532.1
Investments in property, plant, and equipment, intangible assets and financial investments incl. business acquisitions	**930.9**	**787.0**	**806.7**	**969.2**	**921.6**
Depreciation and amortization of property, plant, and equipment and intangible assets	**318.1**	**361.1**	**377.7**	**410.2**	**431.9**
Personnel expenditures	**2,031.3**	**2,259.9**	**2,388.1**	**2,552.8**	**2,651.7**
Employees (annual average)*	**52,196**	**54,770**	**56,849**	**59,851**	**62,855**
Employees (as of December 31)*	**54,019**	**55,719**	**58,037**	**61,583**	**63,751**

* including employees of Familienholding SE & Co. KG

ABOUT THE B. BRAUN GROUP

BUSINESS MODEL

B. Braun is one of the leading manufacturers of medical technology and pharmaceutical products worldwide, as well as a provider of medical services. The company employs 63,751 people in 64 countries. B. Braun is a system provider which develops effective solutions and trendsetting standards in 18 therapy fields of the health care industry in close partnership with users and partners. Its goal is the sustainable protection and improvement of people's health around the world. The B. Braun product range comprises a total of 5,000 products, 95 percent of which are manufactured by the company. These include solutions and the consumable materials required for infusion, nutrition and pain therapy, infusion pumps and systems, disinfection products, surgical instruments, suture materials, hip and knee implants, dialysis equipment and accessories, and stoma, diabetes and wound care products. Also included are own dialysis centers, as well as services and consulting for optimizing hospital processes and making them safer and more efficient. B. Braun prepares patients and their families for at-home care. All 18 B. Braun therapy fields and applications are managed across four divisions – Hospital Care, Aesculap, Out Patient Market, and B. Braun Avitum.

B. Braun Hospital Care

The Hospital Care division views itself as customers' first choice for products and services which offer the best possible care for patients, especially for infusion therapy, nutrition therapy and pain therapy. Its products include infusion and nutrition solutions, as well as specific medications. Products for preparing medications, patient access, the administration process and discharge management products round out its system offering. Hospital Care supplies infusion equipment and supplies, infusion and injection solutions, intravenous catheters, products for clinical nutrition, and pumps and their associated systems for inpatient and outpatient care. It focuses on improving the safety and efficiency of therapy and optimizing treatment results in the interest of patients and partners. Hospital Care is a leading supplier in all essential therapy fields around the globe. We have particularly benefitted from the growing market for medical safety products and efficiency-enhancing solutions, and therefore continue to increase our presence in these areas. There is growing interest in concepts for system partnerships in which we work with our customers to improve processes in hospitals. Product networking across divisions gives our customers and patients added benefit.

B. BRAUN THERAPY FIELDS AND APPLICATIONS

Acute Dialysis	General Open Surgery	Neurosurgery
Apheresis	Hemodialysis	Nutrition Therapy
Cardio-Thoracic Surgery	Infection Prevention	Orthopedic Joint Replacement
Continence Care & Urology	Infusion Therapy	Ostomy Care
Degenerative Spinal Disorders	Interventional Vascular Diagnostics & Therapy	Pain Therapy
Diabetes Care	Laparoscopic Surgery	Wound Management

B. Braun Aesculap

The Aesculap division offers expertise in surgical, orthopedic and interventional treatment concepts related to inpatient and outpatient care. Aesculap focuses on general surgery, orthopedic joint replacement, regenerative therapy, neurosurgery, laparoscopic surgery, interventional vascular diagnostics and treatment, degenerative spine disorders and cardiothoracic surgery. In the area of surgical instruments, sterile technology and in the services consulting, optimization and repair, Aesculap is a global leader. This is also true for products for neurosurgery, such as aneurysm clips, motor systems and Miethke shunts. In the area of knee arthroplasty joint replacement, we offer modern product technologies for infection prophylaxis, and in the area of hip replacement, we offer minimally invasive product concepts as well as abrasion-optimized slide pairings. Spinal surgery involves particularly lumbar and cervical pedicle screw systems. In the fields of general and visceral surgery, as well as cardiothoracic surgery, Aesculap offers concept solutions for both open and endoscopic care. This includes the innovative Einstein Vision® 3D camera system, special instruments and suture material solutions, as well as indication-specific consumables that are patient-friendly and minimally invasive. In the area of wound closure, Aesculap is among the leaders on the global market. In interventional vascular therapy, the division offers innovative and polymer-free solutions for drug-eluting balloon catheters and stent systems. This form of system partnership has proven effective over time, as for example in processing sterile goods, in managing the operating room and in the field of orthopedic joint replacement or colorectal patient care. This way quality and safety are achieved in processes that are aligned with economic solutions.

B. Braun Out Patient Market

The focus of the Out Patient Market division is on meeting the needs of patients with chronic diseases outside the hospital setting. Our customers include physicians in private practice, outpatient and inpatient care services, and pharmacies. The Out Patient Market division focuses on five strategic therapeutic areas: infection prevention, diabetes care, continence care and urology, ostomy care and wound management. Adopting a holistic approach to consulting and caregiving, the division strives to provide patients with a combination of high quality and cost-effective health care. We have techniques for transferring patients from inpatient to outpatient care, and we organize outpatient care for patients. In addition to these products, we offer a broad range of outpatient services. A major objective is to share expertise across all areas, for example, when transferring parenterally fed patients from inpatient to outpatient care. Our experienced employees relieve patients, relatives, hospitals, private practice physicians, and nursing services of administrative tasks and ensure that the quality and progress of treatment is optimized.

B. Braun Avitum

B. Braun's Avitum division is one of the world's leading providers of products and services for people with chronic and acute kidney failure. As a system partner in dialysis, B. Braun Avitum focuses on three therapy fields: hemodialysis, acute dialysis and apheresis, and offers products and services along the entire value chain. This breadth, combined – with the complete B. Braun portfolio and the expertise of all divisions – makes it possible to provide holistic care to patients with renal insufficiency. Locally adapted treatment concepts help us to optimally balance first-class care and affordability, enabling us to make necessary dialysis treatments accessible to an increasing number of people around the world. We also operate a network of more than 375 dialysis centers in Europe, Asia-Pacific, Latin America and South Africa, providing care for over 31,000 patients. Physicians and nursing staff are available in our hospital to assist and advise dialysis patients with chronic kidney and metabolic disorders. We set ourselves apart from our competitors through consistently high product quality and supply, as well as an extensive range of user training courses, technical support, and IT solutions. We aspire to improve patients' quality of life and to create new and efficient treatment processes.

Aesculap Academy

In 2018, the Aesculap Academy continued to develop its course concept and implemented its expanded course portfolio worldwide. In addition to purely academic courses, the Aesculap Academy will soon be organizing and conducting training in the safe use of products as well as classical product training for hospitals and private practices. We observe the principle of separation between our training offers and our commercial activities. Also new are information events for patients and users on general health topics and economic activity in the health care industry.

More than 70,000 people attended over 1,600 courses in 2018. With the opening of a training center in Penang, Malaysia and through cooperation with referral hospitals in Spain and Italy, we were able to further expand our training offer. We also developed new concepts in France and Indonesia to expand our courses. The many years of cooperation with the Royal College of Surgeons in Great Britain led to new joint projects. In Germany, cooperation with the Professional Association of German Surgeons, the Professional Association of Orthopedics and Trauma Surgery, and the German Society for Thoracic and Cardiovascular Surgery was strengthened further. Cooperation with the German Society for Sterile Supply was also broadened. Another important milestone for 2018 was the introduction of an e-learning concept. In addition to developing its own online campus in Germany, the Aesculap Academy began collaborations with various partner companies, such as the publisher Bibliomed. The Aesculap Academy in China also responded to growing demand with e-learning offers for local nurses. Since 2018, the Hand Hygiene Excellence Award backed by the Aesculap Academy will now also be given out annually in Africa, in addition to the existing Asia-Pacific, Latin America, Europe and Middle East regions.

Bibliomed

Bibliomed is one of the leading German specialized publishers for medicine, medical care and the health care industry. With "Die Schwester Der Pfleger" and "f&w führen und wirtschaften im Krankenhaus", the publisher regularly puts out first-rate publications for hospitals. With a total of eight print and four online publications, it reaches more than a million readers among doctors, nurses and hospital managers as well as in government, industry and science. Bibliomed also organizes seminars and conventions, such as an annual German hospital leadership summit, the "National DRG and Rehabilitation Forum" with more than 1,500 attendees or the "German Nursing Convention/German Surgery Day" and continuing trainings for nurses, with also more than 1,500 attendees.

With Bibliomed CAMPUS, established in 2015, the publisher has had a comprehensive e-learning offer in its portfolio that contains mandatory courses and continuing education for hospital care, geriatric nursing, and caregiving relatives.

CORPORATE GOVERNANCE

In the reporting year, we reorganized the Group's structure above B. Braun Melsungen AG to ensure the continuation of B. Braun as a family-owned company. As part of this process, we transferred the Group's accounting, controlling, treasury, tax, legal, internal auditing, international human resources and corporate communications departments into a higher-level family holding company for strategic management. This family holding company will perform the Group management functions in the future and constitutes the link between the owning family and the company. In addition, B. Braun SE was founded under the family holding company as an operational parent company that holds the majority of shares of B. Braun Melsungen AG. The corporate bodies are the Management Board, the Supervisory Board and the annual Shareholders' meeting. The members of the Management Board have clearly assigned spheres of responsibility and are jointly responsible for the company's success. In its session on October 18, 2018, the Supervisory Board appointed Anna Maria Braun as Chairwoman of the Management Board effective April 1, 2019. The incumbent Chairman of the Management Board, Prof. Dr. Heinz-Walter Große, is retiring after 14 years on the Board, for eight of which he acted as Chairman. The Supervisory Board and the Braun family thank Prof. Dr. Heinz-Walter Große for his service to the company and his outstanding support over the last 40 years. The Supervisory Board consists of 16 members, half of whom are selected by the company's shareholders and the other half of whom are elected by the employees. Committees have been established to efficiently support the work of the Supervisory Board. The Personnel Committee is responsible for such matters as the Management Board members' employment contracts and compensation. The Audit Committee monitors the internal controls systems, the integrated compliance management system, accounting processes, and financial statement audits.

B. Braun wants to stay a private and independent family-owned company. The Braun family has made a long-term commitment to achieving this goal. Prof. Dr. h. c. Ludwig Georg Braun, who managed the company for 34 years, has served as Chairman of the Supervisory Board since 2011. Barbara Braun-Lüdicke has been a member of this board since 1992. The sixth generation of the founding family has leading positions at various locations. Sustainable handling of economic, environmental and social resources is a decisive issue for us, in that it promotes a values-based corporate culture, one which is cognizant of our responsibility for current and future generations. We are convinced that sustainable practices strengthen our company's organization, stimulate growth and play a key role in ensuring that we can remain an independent family business in the future as well. Key performance indicators for management purposes include sales and EBITDA as well as defined balance sheet ratios (such as the debt-equity ratio). The key performance indicators interim profit and EBIT are used primarily to manage operations. In addition, we evaluate the development of working capital based on Days Sales Outstanding (DSO), Days Payables Outstanding (DPO) and Coverage in Weeks (CIW). Our divisional organizations, integrated into Centers of Excellence (CoEs), enable a rapid response to changes in the market and ensure that know-how can be exchanged in a short period of time. As a provider of complete systems, B. Braun intends to add value for customers by combining products and services. We are conscious of our obligations to our customers, patients, employees and the society. We take these obligations into account in our day-to-day and strategic decisions. Our "Code of Conduct" has defined how we conduct ourselves toward customers since it was established in 1996. For us, corporate governance and compliance are not merely obligations, but a self-evident prerequisite for sustainable management. The legal and ethical conduct of our employees is central to our value system. Compliance with national and international regulations regarding product registration, production validation and product safety is an important obligation. B. Braun has a global compliance management system that, in addition to compliance with statutory requirements, also includes ethical values such as fairness, integrity, mutual openness and sustainability. An overarching Group Compliance Office and local compliance officers ensure that all employees conduct themselves in accordance with consistent standards.

Through its subsidiaries and holdings, B. Braun operates in 64 countries. The B. Braun Group includes 282 (previous year: 269) fully consolidated companies. 24 (previous year: 26) holdings are consolidated using the equity method of accounting. Major manufacturing locations are located in Melsungen, Tuttlingen, Berlin, Glandorf and Radeberg (all Germany), São Gonçalo (Brazil), Suzhou (China), Santo Domingo (Dominican Republic), Nogent (France), Gyöngyös (Hungary), New Delhi (India), Mirandola (Italy), Tochigi (Japan), Penang (Malaysia), Nowy Tomyśl (Poland), Timișoara (Romania), Rubí (Spain), Crissier, Escholzmatt and Sempach (all Switzerland), Allentown, PA (USA), Irvine, CA (USA), and Hanoi (Vietnam).

GROUP STRATEGY

The strategic period that started in 2015 includes the period through to 2020. During this year, we continued the strategic initiatives already initiated and launched further initiatives to enable us to achieve our strategic goals. System partnerships, collaboration and profitability are the core themes which are to be pursued in all divisions and regions, with the support of the centralized units and departments. The goal is to grow together in order to ensure that our company will be able to operate independently over the long term. This will allow us to continue to contribute in the future to protecting and improving the health of people all over the world. As a system partner, we aim to provide our customers with the best possible comprehensive service. In many cases, added value for our customers is created through the synergies of several different B. Braun products and services. Our broad portfolio with the resulting product and service combinations formed the basis for this. This is a special strength of B. Braun. We are convinced that high quality at fair prices, products which are customized to align with treatment methods and customer processes, as well as the reliable ability to supply, offer the added value which is in demand today and in the future. By aligning our products and services based on the goals and processes of our customers, we increase the beneficial value of our work, reduce costs for our partners and help them succeed. Relationships within the company and with patients, users and suppliers are characterized by transparency, trust and recognition. We have set a goal of increasing sales by five to seven percent per year through 2020. In that case, annual sales can be increased to approximately €8 billion at the end of the strategic period. We expect B. Braun Avitum to achieve very strong growth. The Asia-Pacific region and Latin America are also important growth regions. The EBITDA margin should climb to at least 16 percent in 2020. We plan to further improve structures and processes, as well as standardize and automize procedures, in order to improve the efficiency and effectiveness of our administrative and production activities, and therefore profitability. We expect key contributions in this regard from all divisions and regions. Through increased earnings and profitability and controlled development of working capital, we can fund major investments from our own resources. We will support B. Braun's growth within the strategic period through investments in the amount of approximately €5 billion.

SECURING THE FUTURE

In 2018, we also invested over € 1 billion in new productions as well as research and development projects to grow and secure our business activities. Our German locations received 37.9 percent of this investment.

We expended €352 million in research and development activities (previous year: €352 million). Additions to financial assets and property, plant and equipment (including capitalized development costs) due to Group-wide investing activities amounted to €921.6 million during the fiscal year (previous year: €969.2 million).

Research and development

Research and development activities within B. Braun Group are concentrated in multiple Centers of Excellence (CoEs), where research, development, production and approval for specific therapy fields are combined and closely coordinated. The individual departments work closely with one another. Key CoEs are located in Melsungen, Berlin and Tuttlingen (all Germany), Boulogne (France), Penang (Malaysia), Sempach (Switzerland), Rubí (Spain) and Allentown, PA (USA). This decentralized structure enables both a rapid response to market changes and the continuous exchange of know-how.

The Hospital Care division focuses its research and development activities on improving safety for patients and staff. In addition, it also focuses on improving hospital processes and ensuring economical health care. With the Compact Plus infusion pump family and a new generation of infusion sets, we are developing products that can be used safely while also accomplishing economic targets. As additions to our portfolio, we introduced ibuprofen compounds as our first ready-to-use product as well as Viant, a new parenteral multivitamin compound. In the fall of 2018, we obtained approval from the FDA for prefilled heparin syringes, developed and produced in Canada, for the American market.

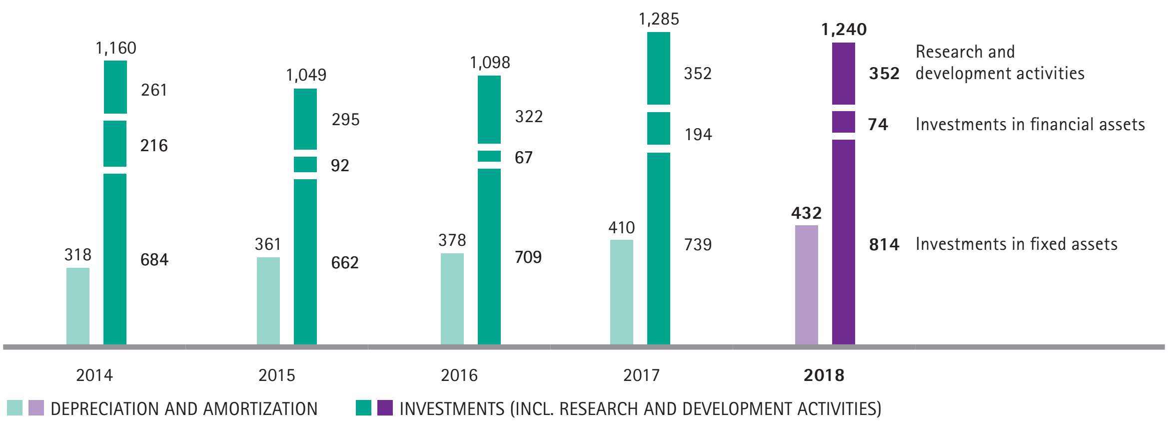
Aesculap combines internal and external innovations in its research and development activities. With this active innovation management, we tackle increasingly shorter product cycles and are able to offer our partners new and value-creating solutions which add value. In the reporting year, we revised our development processes so that we can get marketable new products even more quickly and integrate digital solutions into our products. Our internal development activities focus on the innovation areas miniaturization and biologization. With optimized, minimally invasive instruments, more powerful 3D imaging and holistic process optimization, we want to contribute to a successful, accelerated end of treatment. Regenerative medicine and surface-functionalized implants, for example for infection prophylaxis, pave the way for new treatment concepts that can also contribute to optimal patient care. At the same time, we develop various digital product and service concepts for improving the hospital value chain and, in particular, increasing process reliability and therefore patient safety. With Ennovate®, we have developed a system that makes it possible to perform complex operations to correct malpositions in the spine. In handheld power systems, we added a handy and powerful model, Acculan 4, with optimized ergonomics to the Acculan family.

In the Out Patient Market division, we focus on the continuous development of the product areas continence care & urology, ostomy care, hand disinfection and wound care. For example, in the reporting year, we brought to the market an improved version of the Actreen® Hi-Lite disposable catheter. This catheter can be carried discreetly and is gentle and safe to use.

The aim of the research and development activities within the B. Braun Avitum division is to improve treatment quality and efficiency for extracorporeal blood treatment. In 2018, the focus was on enhancing the functionality of the Omni acute blood purification system as well as the new hemodialysis system Dialog iQ®. Activities also were focused on continued development and finalization of dialysis supplies. These include our new catheter, OMNICath, as well as the exclusive distribution of dry concentrate mixing systems by Intermedt Medizin & Technik GmbH. This expansion of our broad product portfolio strengthens the position of B. Braun Avitum as a system provider. Our products ensure safe, reliable, efficient and economical dialysis treatment. In the service provider field, we have introduced an innovative concept in Germany for hemodialysis treatment for chronic patients in the home setting. This concept is supported by a cloud-based solution that meets all data protection regulations. We have also obtained approval from the data protection commissioner of the state of Hesse, Germany.

Across divisions, we began development of a Digital Health Cloud Platform in the reporting year. This will connect medical devices to online applications to save and analyze data as well as optimize logistics and treatment processes. Data protection and secured access concepts play an important role

INVESTMENTS IN FINANCIAL ASSETS, PROPERTY, PLANT, AND EQUIPMENT, AND RESEARCH AND DEVELOPMENT
In € million



here. With the Internet of medical things (IomT), medical technology will soon have a greater presence online and the health care industry will grow from a reactive to a proactive treatment methodology. For example, we are working on networked concepts as part of dialysis treatment or on automated update and maintenance structures.

The Accelerator program and "Werk_39" begun in 2017 have also begun/continued various activities in the reporting year. The Accelerator program offers tailored support to selected startups in the form of know-how, market access and financing. B. Braun and the startup founders test the ideas for customer demand, technical feasibility and market prospects. The goal is to translate innovative ideas into successful business models more rapidly and present them as market-ready solutions. "Werk_39" in Tuttlingen offers an inspiring work setting for startups and B. Braun employees, with project spaces and workshops where they can develop feasible solutions in an agile and creative way and as rapidly as possible. Customers from the medical field are brought in early in the development process. The focus is on business models and digital solutions and services. To become a participant in the two six-month initiatives, start-up founders apply with their idea, which they present to a panel that selects the most promising ideas.

Investments

Investment activities in fiscal year 2018 focused on increasing our production capacity and on new products and processes. We were also able to secure technology and access to markets in strategically important business areas through targeted acquisitions. Total additions to property, plant, and equipment, intangible assets, and financial assets, as well as additions to investments in associates and acquisitions of fully consolidated companies, amounted to €921.6 million (previous year: €969.2 million). This was offset by depreciation totaling €431.9 million (previous year: €410.2 million). The Hospital Care division expanded global capacities for large-volume infusion solutions in Spain, Indonesia, Malaysia, Romania and Argentina.

In the United States, extensive investments were made in the location in Allentown, Pennsylvania and in the new location in Daytona Beach, Florida. The expansion of the capacities of intravenous sets and additional accessories continued at various locations. In 2018, the official opening of the new production facilities and related infrastructure marked the interim conclusion of the extensive construction at the Penang location. In the last nine years, approximately €770 million was invested and more than 3,000 new jobs were created. Today, the Penang location is one of the largest production facilities for medical products for infusion therapy, pharmaceutical solutions and surgical instruments for treating patients in the entire world. Upgrading of capacity, especially for indwelling venous catheters, continues. In Kenya, a manufacturer of large-volume infusion solutions was acquired in order to strengthen our position on the African continent. In Spain, the Aesculap division continued its automation of production in the field of closure technologies. The approach of a holistic treatment concept for cardiothoracic surgery was also strengthened through acquisitions. The Out Patient Market division continues to invest in the production of pen needles at the Penang location. In France, implementation has begun of the location master plan, which specifies an upgrade in capacity for the manufacture of incontinence products and the renewal of sterilization unit. In the United States, development of an outpatient pump continues. B. Braun Avitum increased its market share by expanding existing dialysis centers, constructing new centers, and acquiring centers in various countries. New construction of a modern filter production facility at the Wilsdruff location in Germany is all but finished and the factory was officially dedicated. In addition to extensive investments in Germany, significant funds were directed to production locations in the United States, Spain, Malaysia, France, Hungary and Romania. Investment commitments in the amount of €276 million were already made as of the reporting date. These investments are largely attributable to ongoing replacement and expansion investments in the above-mentioned locations.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Performance of the global economy[1]

The upturn in the global economy continued in 2018. However, it was less dynamic than in the previous year. This was largely due to steel and aluminum tariffs levied by the United States. The long-term effects of these tariffs may be negligible overall, however the US government is reviewing additional protectionist actions. In response, China and the EU also announced punitive tariffs. Brexit negotiations between the EU and the British delegation concluded in 2018, however the British House of Commons voted against the withdrawl agreement. Overall, the trade conflicts from the previous year have intensified. Ultimately, some countries had difficulty in the reporting year with increasing their production output since they did not have sufficient qualified labor or technical capacity. These production obstacles were felt predominantly in Germany and France. Emerging and developing countries, on the other hand, saw growth despite somewhat poorer financing conditions, with the same dynamics as 2017. As a result, global economic growth remained at the previous year's level of 3.7 percent. Global fiscal policy was expansive, with both China and the United States enacting particularly supportive measures in the form of tax reductions.

Following a brief period of stagnation at the beginning of the year, the German economy was able to regain momentum over the course of the reporting year. Although the high growth rate of 2.5 percent in 2017 was not achieved in 2018, the economy still grew by 1.9 percent. This economic growth was driven by private consumption, which was bolstered by increasing employment and considerable income growth. Financing conditions, which continued to be favorable, and a high capacity utilization rate resulted in many companies investing in the expansion of their production capacity. Ultimately, the steady global economy boosted German exports.

CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2017	2018
Europe	**3.1**	**2.3**
France	2.3	1.6
Germany	2.5	1.9
Great Britain	1.7	1.4
Greece	1.4	2.0
Italy	1.5	1.2
Poland	4.6	4.4
Russia	1.5	1.7
Spain	3.0	2.7
Turkey	7.4	3.5
North America	**2.2**	**2.7**
Canada	3.0	2.1
USA	2.2	2.9
Asia-Pacific	**5.7**	**5.6**
China	6.9	6.6
India	6.7	7.3
Indonesia	5.1	5.1
Japan	1.7	1.1
Malaysia	5.9	4.7
Latin America	**0.7**	**0.6**
Argentina	2.9	-2.6
Brazil	1.0	1.4
Chile	1.5	4.0
Mexico	2.0	2.2
Africa and the Middle East	**2.1**	**2.4**
Iran	3.7	-1.5
Kenya	4.9	6.0
South Africa	1.3	0.8

GDP in the eurozone increased by 2.3 percent in the reporting year (previous year: 3.1 percent), with the

[1]ifo Economic Growth Forecast, Fall and Winter 2018, and IMF: World Economic Outlook, October 2018

economy losing considerable momentum compared to 2017. This slowdown was attributed to several countries whose growth rates were significantly below the previous year's. For example, Italy's growth compared to the previous year fell by 0.3 percentage points to 1.2 percent. This decline was due to a reduction in foreign and domestic demand. However, Italy's political situation was the greater obstacle to economic development. Aside from a difficult government forming process, the country's high national debt and turbulence in the financial markets also jeopardized its stability. Even France's economy grew only moderately by 1.6 percent (previous year: 2.3 percent) as a result of low foreign demand and lower pensions. With a growth rate of 2.7 percent (previous year: 3.0 percent), Spain experienced some of the greatest economic momentum. Since the Brexit decision in 2016, Great Britain's economic growth has slowed noticeably. This is due to the uncertainty businesses and consumers are experiencing, also since the future political and economic relations between the two parties had not yet been resolved with just a few months to go before Britain's scheduled withdrawl on March 29, 2019. Accordingly, the growth rate in 2018 fell 0.3 percentage points to 1.4 percent. Poland's upturn continued in the reporting year, with its economy growing by 4.4 percent. However, the growth rate from the previous year of 4.6 percent was not reached. Turkey's growth rate fell considerably by 3.9 percentage points to 3.5 percent. This development is due to growing political uncertainty in the country and the accompanying weakening of the lira and rise in interest rates. Investments and private consumption fell in the reporting year.

In his decrees from May 2018, Russia's president set 12 national development targets for his term in office with which he seeks to improve the economic and social situation in Russia. However, basic reforms that would be necessary for higher growth were not included. Nevertheless, the country's economic upturn continued in the reporting year. The growth rate in the Russian Federation increased by 0.2 percentage points to 1.7 percent. This growth was underpinned by higher oil prices, which added €6 billion to the nation's income. Private consumption was also a driver of growth in the Russian economy in 2018, stimulated by low inflation and a stable, low prime rate. On the other hand, consumers made more purchases in the reporting year due to the increase in VAT scheduled for January 1, 2019. Russia's foreign trade also experienced a positive stimulus at the beginning of the year. However, this could not be sustained as a result of devaluation of the ruble following sanctions.

North America's economy continued to grow with an increase in GDP of 2.7 percent (previous year: 2.2 percent). Growth in the United States was 2.9 percent (previous year: 2.2 percent), supported by procyclical government incentives and financing conditions that remained lax. The tax reform passed at the end of 2017 had a particularly supportive effect. Businesses invested part of their tax savings into upgrading their production, which was additionally encouraged by the current low interest rates. Others passed their savings onto their workforce in the form of salary adjustments, which resulted in a significant increase in personal income and, with it, consumer spending during the reporting year. Canada's continued good economy saw further growth in the reporting year, however the rate of increase fell by 0.9 percentage points to 2.1 percent. The economy was primarily driven by domestic demand, which was positively influenced by private consumption, growing investment and government spending. The initially stagnating NAFTA negotiations as well as the potential weakening of Canada's position in the competition for investments following the United States' tax reform served as disincentives.

At 5.6 percent, Asia's growth rate in 2018 remained virtually consistent compared to the previous year (5.7 percent). Japan's growth fell by 0.6 percentage points to 1.1 percent. Any company that sought to expand its capacity continued to be frustrated by the labor shortage, since the unemployment rate was the lowest it had been in 25 years. China's economy saw a comparatively moderate growth of 6.6 percent (previous year: 6.9 percent). Growing protectionism in global trade affected China as the world's largest exporter. India was able to increase its growth rate in the reporting year by 0.6 percentage points to 7.3 percent. The rise in capacity utilization by businesses had a significantly positive effect, stimulating investment in the private sector.

Development in India was affected by the strained situation of India's financial sector. It was triggered by events such as the bankruptcy and subsequent government bailout of private financial services provider IL&FS. IL&FS acts as what is referred to as a shadow bank, performing banking activities outside the normal banking system. These are critical to India's economy, since India's state banks were forced to curtail their lending due to bad loans. At 4.7 percent, Malaysia's economic growth was less robust compared to the previous year (5.9 percent) due to an uncertain global economic situation, growing protectionist trends in international trade and as a result of action by the new government.

Growth in Latin America was 0.6 percent in the reporting year, consistent with the previous year's level (0.7 percent). Mexico's economic growth improved by 0.2 percentage points in 2018 to 2.2 percent. This was incited by strong exports, which saw an upturn due to the robust US economy. The country was also able to come to terms with the United States and Canada at the end of September 2018 in the form of the United States–Mexico–Canada Agreement (USMCA), which is intended to replace the former NAFTA treaty. Brazil's economic growth in the reporting year was 1.4 percent (previous year: 1.0 percent). This increase was less than initially expected as a result of events such as a nationwide strike by truck drivers in May 2018, which caused heavy losses for many businesses. Following growth of 2.9 percent in 2017, Argentina slid back into a heavy recession in the reporting year. The nation's economy shrunk by 2.6 percent. This was triggered by a series of external and internal shocks, for which Argentina was not equipped due to its high budget and trade balance deficits. Real earnings also fell following a devaluation of Argentina's currency and the resulting inflation, which led to decreased consumer spending. Investment activities were also significantly limited.

In the region of Africa and the Middle East, economic results were differing in 2018. South Africa's economic growth fell to 0.8 percent (previous year: 1.3 percent) despite efforts by the newly formed government. The new government was unable to overcome the structural hurdles preventing strong growth in 2018. In Kenya, the economy grew by 1.1 percentage points to 6 percent. Drivers of growth were an improved water supply due to adequate rainfall and growing consumer demand. Growing urbanization and investments in infrastructure also benefited the upturn. Resumption of US sanctions threw Iran into a recession. The nation's GDP fell by 1.5 percent (previous year: 3.7 percent growth). As in previous years, the entire region was affected by political unrest in 2018.

Performance of the health care industry

As in previous years, spending in the health care sector rose due to an aging and growing population, the expansion of the market, the progress of clinical and technological development and rising labor costs. Nevertheless, health care spending varied greatly by country. In addition, many health care systems had difficulty upgrading outdated infrastructures and technologies with the financial resources available. These rising costs made it harder and harder for the health insurance sector to keep insurance coverage for patients affordable. In addition, the efforts of the actors in the healthcare market to cope with rising costs, were made more difficult. On the one hand, the industry's research companies are being adversely affected by increasing price controls, on the other hand, hospitals and health service providers have to manage with fewer funds. To counter pricing pressure, the number of joint ventures, public-private partnerships (PPPs) and other cooperation agreements in health care industry continued to grow in the reporting year. Governments, providers, employers and insurance companies worked together to develop programs to ease pressure on and support the public health sector. Health care industry actors also stepped up efforts in 2018 to find new sources of income. For example, some businesses studied the commercialization of intellectual property they had previously developed along with their employees. Commercialized innovations included medical devices, training videos, health IT tools or patient safety solutions. After being patented or copyrighted, they were sold or licensed to other interest groups in the industry.

The business climate in Germany's health care industry was very good in 2018. The upturn was borne by demographic change, greater health consciousness and increased demand due to immigration. Medical technology from Germany also remained in worldwide demand due to its high quality. On the other hand, difficult political conditions, protectionist trends and the pending Brexit had a detrimental effect on business. Businesses were able to offset losses—from doing business with Turkey or Great Britain, for example—with good sales in the eurozone and through the robust economies in the United States and China. The shortage of skilled workers remained an important topic in the health care sector in 2018, since industry businesses were affected twofold by the demographic change. On the one hand, new entrants to the job market were lacking and, on the other hand, the growing number of elderly people and those requiring care increased the need for personnel.

The European health care market underwent differentiated developments in the reporting year. In Spain, the population's rising life expectancy increased demand for medical services and products. A new law on public procurement was also passed in 2018 in order to reduce pricing pressure on the public health sector. French hospitals, on the other hand, were required to save in the reporting year since the rise in public health spending for 2018 was limited to 2.0 percent. In Great Britain, it was announced that the construction of several hospitals would be delayed due to the bankruptcy of Carillion, the nation's second-largest construction company. Other projects were even frozen entirely due to falling demand in the private health sector. In Poland, the government appropriated more money for the health care industry, which gave the market a boost. Funding from the European Union also continued to be a key source of financing for the industry, facilitating the construction of new hospitals and the expansion of existing facilities. Turkey's market for medical equipment, devices and tools continued to see high volume in 2018, giving international producers an array of supply opportunities. However, business was affected by the substantial devaluation of the Turkish lira. The sector benefited from the expansion of health tourism, which drew patients to Turkey primarily from the Middle East and Europe.

The Russian health care industry experienced another boost in financing from the Russian president's stated goal of increasing the population's life expectancy from 73 to 78 by 2024. To achieve this, he plans to increase health care expenditures by 15 percent annually. As part of Russia's "Pharma 2020" program, government spending on pharmaceuticals and medical equipment also increased. Russian manufacturers are given preference in the awarding of these public contracts, since the government has set a goal of increasing the market share of domestic medical technology to 90 percent. This action is intended to reduce the country's dependence on medical imports and gave cause in the reporting year for both Russian and foreign manufacturers to invest in new capacity to strengthen their involvement in the market.

The health care market in North America also experienced different trends in 2018. While sales on the medical technology market increased in the United States, the rate of growth in the industry slowed due to the stagnating number of large hospitals and the general need to save in the industry. The latter was a direct result of the cost of treatment and medical personnel in the United States, which has been disproportionately high for years. Both public health agencies and hospital operators as well as the private insurance industry made efforts to save money. The Canadian medical technology market, on the other hand, saw strong growth for the third year in a row in 2018 due to greater demand for health services from the country's rapidly aging society. The reporting year also saw a new trend on the Canadian health care industry: Unlike in the United States, eHealth is still relatively new to Canada. To change this in the future, the health ministry created a new department to specifically monitor the digital health technology market in order to accelerate and improve access to therapeutic products in Canada.

The health care industry in the Asia-Pacific region saw positive trends in 2018. Japan's need for medical technology and pharmaceuticals continued to be at high levels in the reporting year even though the population shrank overall. As in previous years, public health spending rose despite applicable price and fee controls. Imports increased again with local production consistent, underpinning Japan's status as a net importer of medical technology. Its most important industry supplier remained the United States, followed by China. In 2018, the Chinese government continued work on building a needs-oriented and efficient health care industry. In this context, it required hospital vendors to use leaner forms of distribution to reduce costs and increase transparency in the industry. Meanwhile, India announced in the reporting year the largest publicly financed health care program in the world. Construction of new hospitals and improved education for doctors were also promised. However, experts have already expressed initial doubt about the feasibility of the measures, since they reportedly appear to be too optimistic. The health sector in the ASEAN region continued expansion in 2018. The growing wealth of the population primarily increased demand for private medical care, since waiting times in private hospitals are lower and the quality is higher. The majority of demand for medical devices continued to be covered by imports. This high dependency on imports opened up very good business opportunities for foreign suppliers.

Latin American health care systems were confronted with growing demand coupled with considerable cost pressure. In reaction, many governments relied more on the private sector as well as IT solutions to increase efficiency in the health sector. This also applied to Mexico, where chronic diseases, an aging population, more insured people in the public system and the emergence of private health insurance resulted in high demand for health services. Following a crisis in recent years, the demand for medical technology in Brazil also rose. However, the private health care industry saw more investment, while the public sector was overburdened due to limited funding. Argentina's health care industry was not as greatly affected by the nation's economic downturn as other industries. Structural changes to the health care system attracted new providers to the market. However, the growing competition curtailed the previous margins, especially in the pharmaceutical industry.

In many African countries, the health care industry continued to suffer from investment backlogs in 2018. To counteract this, both national governments and private investors forced an expansion of health care infrastructure. In this context, South Africa's government also continued to push forward the introduction of national health insurance (NHI) in the reporting year. As a first step, it launched plans in May 2018 to restrict free pricing by private health care providers. Focus was also placed more on reforming approval regulations for medical devices by further developing the new approval agency that was established in 2017. In the past, the market was largely unregulated. Only certain electrical medical devices required registration. The costs for future mandatory registration have yet to be announced. In Kenya, the robust economic growth has not yet had an effect on investment in the health care industry. Due to poor infrastructure in public health care facilities, many patients could not be treated. Even the most important innovation in recent years—the option of leasing medical technology—brought little relief. This is why the National Hospital Insurance Fund (NHIF), the country's state insurance provider, also authorized treatment through private hospitals. The health care sector in the Gulf states grew in 2018, yet slower than in years with higher oil prices, since the drop in public income resulted in more projects being stopped or placed under review. The countries also relied more on involvement from the private health sector.

PERFORMANCE AND FINANCIAL POSITION

Business performance

In the 2018 reporting year, B. Braun sales grew by 5.3 percent at consistent exchange rates, which is within our strategic growth corridor of five to seven percent. The euro was strong against most currencies over the past fiscal year. Primarily the devaluations of the US dollar, Russian ruble, Brazilian real and Argentinian peso influenced the development. Sales in euros thus increased 1.8 percent to €6.9 billion (previous year: €6.8 billion). As forecasted, B. Braun's Avitum and Aesculap divisions business was very dynamic. Also as expected, the Hospital Care division was hit hardest by exchange rate trends. The Out Patient Market division's sales continued to grow, with encouraging sales of diabetes and disinfection products. The Asia-Pacific region did not meet our high growth expectations across the board. While sales increases in some local currencies were good, the region was only just above the previous year in euros. Latin America and North America grew in local currencies as we expected. However, currency movements also impacted growth in euros. The Africa and Middle East region once again saw increased sales. Germany was stable in the reporting year and saw a satisfactory increase in sales. Growth in Europe was very encouraging and exceeded our expectations. Uncertainty about the terms of Great Britain's exit from the EU has so far not had a significant effect on B. Braun.

We were unable to increase our operating profit in the reporting year, meaning we could not reach our goal of continuous profit growth that we placed on ourselves. Profit was impacted by increases in the cost of production, start-up costs for new plants, ever increasing regulatory requirements and, finally, price competition once again intensifying. In 2017, we received a warning letter from the US FDA regarding our plant in Irvine, CA (USA). The upgrades required by the FDA were made as prescribed and in coordination with the regulatory agency. We expect to complete the necessary work in the 2019 fiscal year. EBITDA at constant exchange rates is 2.2 percent below the previous year at €964.3 million (previous year: €985.1 million). This means we missed our target of over a billion euros. The key performance indicators used to manage operations, interim profit and EBIT, were below the projected target range of between €585 million and €625 million. At constant exchange rates, these performance indicators are €542.9 million and €522.5 million respectively, and were therefore 7.7 percent and 8.9 percent below the previous year respectively. Consolidated net income at constant exchange rates fell to €327.2 million (previous year: €411.5 million). In the previous year, earnings after taxes were positively affected by a lower tax

KEY PERFORMANCE INDICATORS

	2017	2018	Change in %
Sales (in € million)	6,788.9	6,908.1	1.8
Gross margin (in %)	43.5	42.3	
Net margin after taxes (in %)	6.1	4.8	
Interim profit (in € million)	588.5	533.2	-9.4
Profit before taxes (in € million)	513.7	451.6	-12.1
Consolidated net income (in € million)	411.5	328.4	-20.2
EBIT (in € million)	574.9	520.5	-9.5
EBITDA (in € million)	985.1	952.5	-3.3
EBITDA margin (in %)	14.5	13.8	
Equity ratio (in %)	40.3	40.1	
Equity ratio including loans from shareholders (in %)	40.9	40.7	
Equity ratio net of effects of IAS 19 (in %)	45.0	44.6	
Net financial debt (in € million)	2,126.1	2,339.7	10.0
Debt-equity ratio (Net financial debt/EBITDA)	2.2	2.5	
Research and development expenses (in € million)	315.9	318.0	0.7
Investments in property, plant, and equipment, intangible assets and financial investments (in € million)	969.2	921.6	-4.9
Depreciation and amortization of property, plant, and equipment and intangible assets (in € million)	410.2	431.9	5.3
Net working capital (in € million)	1,815.1	1,918.0	5.7
Personnel expenditures (in € million)	2,552.8	2,651.7	3.9
Employees (as of December 31)	61,583	63,751	3.5

rate. In particular, we benefitted from the corporate tax reform in the USA. At the same time, tax credits for an investment project in Malaysia were collected in the previous year for which there were no comparable amounts in the reporting year.

The health care industry's growing demand for consumer and capital goods allowed us to achieve volume increases that resulted in good sales growth. On the other hand, we are not satisfied with our earnings. Continuous measures to reduce internal costs and increase efficiency allowed us to counteract a greater decrease in earnings. For example, we were able to reduce our administrative costs in 2018 by €13.6 million compared to the previous year. We are also optimizing our distribution channels in order to at least partially compensate for increasing freight costs. Furthermore, we are enacting several initiatives along the entire supply chain to work on process improvements intended to improve profitability over the short and medium term. The B. Braun Group remains in good, stable financial condition. At the present time, we are not aware of any other factors that could significantly impact the Group's position.

Earnings

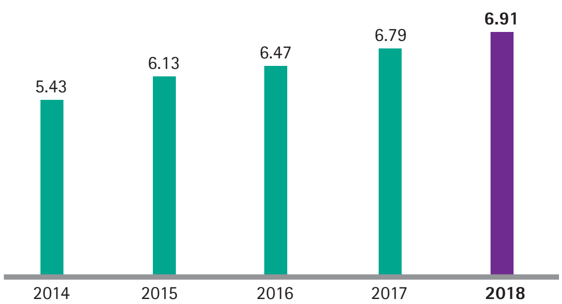
B. Braun Group's Sales Growth

In fiscal year 2018, sales of the B. Braun Group amounted to €6,908.1 million (previous year: €6,788.9 million), representing year-on-year growth of 1.8 percent.

All divisions contributed to this growth in sales. The B. Braun Avitum and Aesculap divisions achieved strong growth rates of 4.9 percent and 2.1 percent, respectively. Out Patient Market also saw a satisfactory increase in sales of 1.6 percent. Hospital Care was slightly above the previous year with an increase of 0.5 percent.

Europe (not including Germany) achieved very good sales growth at constant exchange rates with +7.1 percent. The Czech Republic, Slovakia, Poland, the Netherlands, Belgium and Switzerland performed particularly well. Russia also performed very well in the local currency. However, the devaluation of the Russian ruble strained growth in euros considerably. Germany achieved stable growth with an increase in sales of 2.5 percent, reasserting itself in a highly competitive environment. The Asia-Pacific region increased its sales by 4.4 percent at constant exchange rates, driven by China, the Philippines and Vietnam. Indonesia, Thailand and Japan performed poorly in the reporting year and did not meet our expectations. The Latin America region increased greatly in local currencies by 9.2 percent, with all countries except Paraguay achieving encouraging sales growth. However, sales in euros dropped by 5.1 percent compared to the previous year due to the devaluation of Latin American currencies. North America sales grew well in US dollars, at 5.4 percent. Sales in the reporting currency were only slightly above the previous year at +0.8 percent. The Africa and Middle East region remained at the previous year's level in local currencies, with a gain of 0.4 percent. Currency movements reduced the region's sales in euros by 1 percent compared to the previous year.

SALES DEVELOPMENT
in € billion



Business performance of the B. Braun Hospital Care division

The Hospital Care division asserted itself in a highly competitive environment and increased sales 0.5 percent to €3,131.1 million (previous year: €3,114 million). However, its sales were greatly impacted by currency movements. At constant exchange rates, sales growth was 4.7 percent. The USA, Russia, Brazil and Argentina were affected the most by the foreign currency movements. Although growth was satisfactory in local currencies, sales in euros in some of these countries were below the previous year. Germany and Great Britain both saw good sales growth. The Czech Republic, the Netherlands and Belgium saw very good growth in the reporting year, and direct business in the Middle East improved very well. By contrast, Indonesia and Russia stayed below expectations. From a product perspective, strong growth was achieved in the compounding areas for the production of specific solutions for clinical nutrition and automatic infusion pumps. We also increased sales of regional anesthesia products. Sales of pharmaceuticals and multichamber bags for clinical nutrition in 2018 were unsatisfactory. Intense price competition, regulatory requirements and limitations in our production prevented better results.

Business performance of the B. Braun Aesculap division

In the reporting year, the Aesculap division reported sales of €1,824.4 million (previous year: €1,786.4 million), up 2.1 percent (5.3 percent at constant exchange rates) from the year before. The major drivers of growth have been China, Germany, Russia, Spain and Poland. The USA also saw a good increase in sales in US dollars. Additional growth support came primarily from Argentina, Australia, Vietnam, Mexico and Turkey. Following a recovery of project business in the Middle East in the previous year, this trend did not continue in 2018. Indonesia, Malaysia and Thailand were also weaker. Sales of angioplasty and endoscopy products, as well as suture materials, high-speed power systems and access ports were very encouraging. On the other hand, the previous year's level in the orthopedics could not be achieved. Despite significantly increased sales volume, considerable drops in market prices for prosthetic hips and knees, particularly in Germany, prevented an increase in sales.

Business performance of the B. Braun Out Patient Market division

The Out Patient Market (OPM) Division achieved sales of €840.9 million (previous year: €827.5 million), up 1.6 percent (at constant exchange rates: 4.3 percent) over the previous year. We increased sales notably in the USA, however movement of the US dollar meant the increase in euros was considerably less. Other drivers of growth included China, Great Britain, Turkey and the Czech Republic. Sales in Germany remained at the same level as last year. The areas of wound care and continence care & urology performed weaker here. On the other hand, B. Braun prolabor, a wholesaler and service provider for medical supply, medical technology, home care and palliative care acquired in 2017, performed very well. Logistics problems in France and a production stoppage in Sligo, Ireland impacted division growth in the reporting year. However, we were able to overcome these difficulties before the end of the fiscal year.

Business performance of the B. Braun Avitum division

Sales in the B. Braun Avitum Division increased by 4.9 percent in the reporting year (at constant exchange rates: 8.4 percent) to €1,082.3 million (previous year: €1,031.3 million). In the product business, sales performance was positive for consumer products and dialysis machines. Drivers of growth here were Germany, China and the Philippines. The markets in Mexico and Great Britain, on the other hand, performed weaker. The B. Braun dialysis centers achieved a good performance worldwide, with acquisitions in Portugal, Australia and New Zealand, as well as expansion of our clinic network in Russia, the Czech Republic and Switzerland contributing to this growth.

Development of gross profit

Gross profit fell by 1.1 percent to €2,923.9 million in 2018 (previous year: €2,955.1 million). At the same time, the gross margin was down 1.2 percentage points to 42.3 percent (previous year: 43.5 percent). Start-up costs for our new plants and higher production costs at the Melsungen (Germany), Sligo (Ireland), and Irvine, CA and Daytona Beach, FL (both USA) locations significantly reduced gross profit. High regulatory requirements, such as at our Radeberg location (Germany), also impacted profit. Continued intensive price competition likewise prevented better results in the gross margin.

Development of functional expenses

Selling expenses climbed by 2.1 percent to €1,734.3 million (previous year: €1,698.7 million). Higher freight costs and increased volume resulted in a rise in costs. At the same time, we optimized our distribution and logistics channels so selling expenses overall were more proportional to sales. Administrative expenses in the fiscal year came to €338.4 million (previous year: €352 million), down

3.9 percent from the year before. We therefore met an important strategic target to increase profit. Process optimization and cost reduction measures started back in 2017 had an effect and we were able to offset increases in human resources costs as well as significantly higher costs for software licenses. We added IT and human resources processes to our shared service organization, which previously comprised transactional financial processes, in order to save more on costs. At the same time, we used artificial intelligence to perform process analyses (known as "process mining") to further optimize our processes.

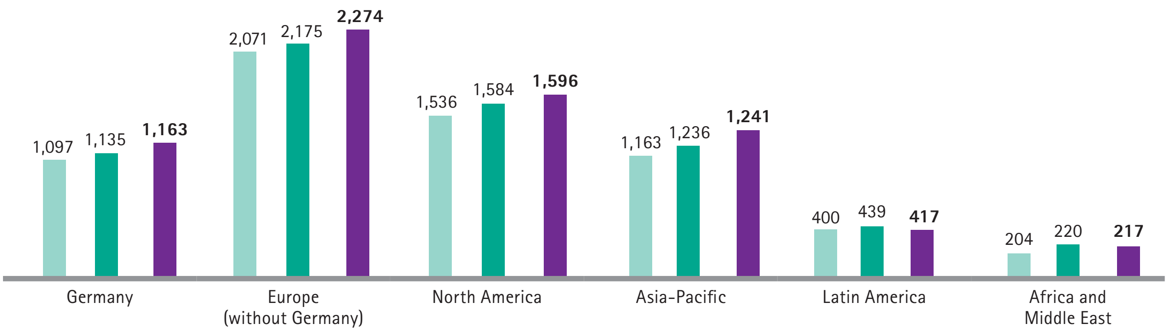
Research and development spending stayed at a constant level in 2018. Uncapitalized research and development expenses were up by 0.7 percent, to €318.0 million (previous year: €315.9 million). Furthermore, development expenditures totaling €32.6 million (previous year: €36.1 million) were capitalized as self-created intangible assets.

Development of other net income

The balance of other operating income and expenses improved by €4.7 million in the reporting year to -€37.4 million (previous year: -€42.1 million). This included a €12.6 million increase in costs for hedging exposure in foreign currencies, to -€27.8 million (previous year: -€15.2 million). Compared to the previous year, other operating expenses were affected by higher expenditures for the profit participation rights program and lower adjustments on

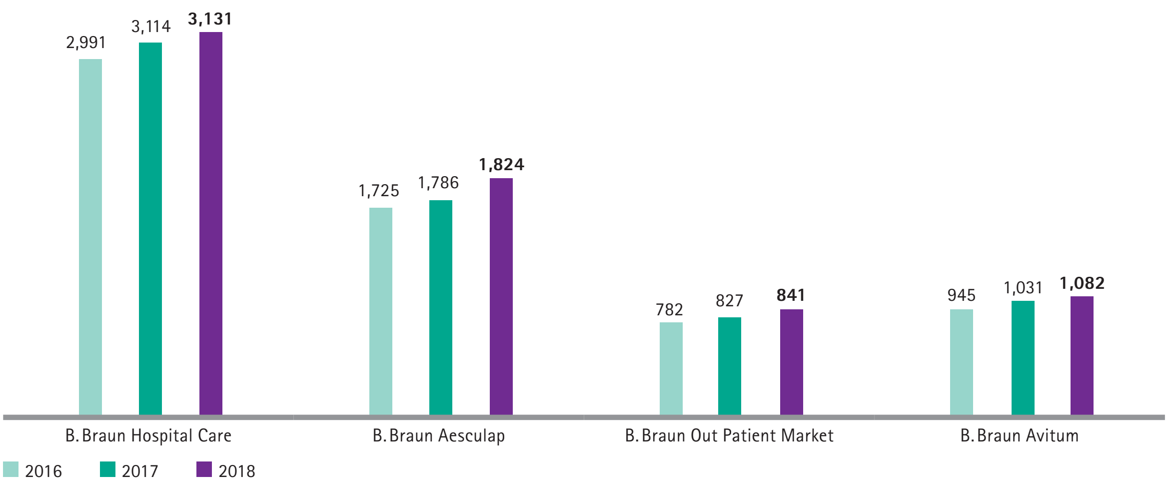
SALES BY REGION

In € million



SALES BY DIVISION

In € million



receivables, in particular. In addition, other operating income was considerably higher in the reporting year. The sale of an office building in France and insurance reimbursements had positive effects.

Development of net financial income

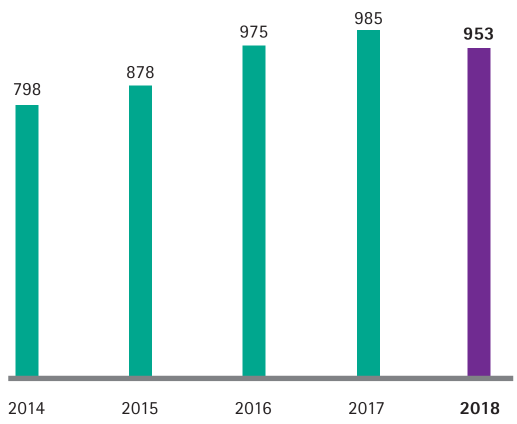
Net financial income, including investment income, changed by -€11.6 million in the 2018 fiscal year, to -€44.2 million (previous year: -€32.6 million). Interest expenses amounted to €48.6 million, up by €6.2 million over the previous year (€42.4 million). Interest income was constant at €7 million compared to the previous year (€7 million). Investment income (including income from equity method investments) also decreased by €3.9 million to €24.9 million (previous year: €28.8 million).

Development of EBIT and EBITDA

Interim profit fell to €533.2 million in the fiscal year, compared to €588.5 million in the previous year. EBIT reached €520.5 million in the reporting year, down 9.5 percent from the previous year (€574.9 million). Depreciation increased by 5.3 percent, to €431.9 million (previous year: €410.2 million), for an EBITDA of €952.5 million. EBITDA fell 3.3 percent over the previous year. The EBITDA margin was down by 0.7 percent to 13.8 percent (previous year: 14.5 percent).

Profit before taxes decreased by 12.1 percent to €451.6 million (previous year: €513.7 million). Income taxes for the fiscal year amounted to €123.2 million, up €20.9 million from the previous year (€102.3 million). The effective tax rate was

EBITDA
In € million



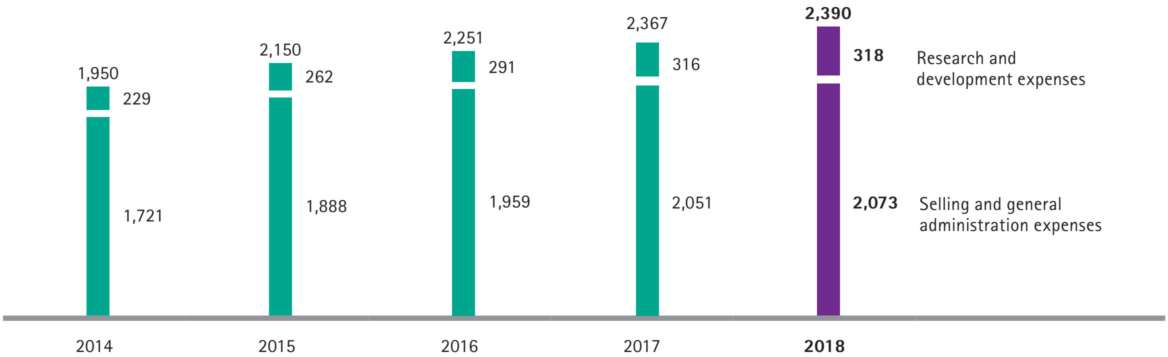
27.3 percent in 2018 (previous year: 19.9 percent) and is primarily influenced by one-off effects from the tax reform bill in the US the previous year. Consolidated net income amounted to €328.4 million, up 20.2 percent from the previous year (€411.5 million).

Financial position

Liquidity

Operating cash flow totaled €626.5 million (previous year: €655.1 million), down €28.7 million from the previous year. Cash flow for investment activities[2] fell €93.4 million in the reporting year to €797.3 million (previous year: €890.6 million) and thus resulted in a negative free cash flow of -€170.8 million (previous year: negative free cash flow of -€235.5 million). Accordingly, cash flow for investments in plant, property and equipment, and intan-

FUNCTIONAL EXPENSES
In € million



gible assets came to €794.1 million (previous year: €747.3 million) and cash flow for investments in financial assets and business acquisitions was €55.6 million (previous year: €185.3 million). At the same time, B. Braun received dividends and dividend-like income in the amount of €16.6 million (previous year: €23.9 million). Net borrowing in the reporting year was €206 million (previous year: €218.9 million). In all, cash and cash equivalents rose by €8.4 million as of the reporting date to €74.7 million (previous year: €66.4 million).

Asset structure

Total assets of the B. Braun Group increased as of December 31, 2018 to €9,224.4 million (previous year: €8.525.9 million). This represents an increase of 8.2 percent and reflects the fact that investments in property, plant, and equipment and financial assets exceeded depreciation.

Non-current assets increased by 8.5 percent to €6,332.3 million (previous year: €5,835.6 million). Due to consistently high levels of investment, property, plant, and equipment increased once again in the reporting year, rising 9.4 percent (8.8 percent at constant exchange rates) to €4,589.3 million (previous year: €4,196.4 million). Inventories as of the reporting date amounted to €1,344.4 million, up 14.1 percent (14.3 percent at constant exchange rates) over the previous year (€1,178.5 million). Inventory coverage as of the reporting date was 17.5 weeks (previous year: 16.0 weeks). Trade accounts receivable decreased by 0.5 percent (+1.3 percent at constant exchange rates) to €1,141.8 million (previous year: € 1,148 million). Trade receivables DSO fell by 1 day to 66 days (previous year: 67 days).

Financing structure

Shareholders' equity increased by 7.7 percent (7.1 percent at constant exchange rates) to €3,699.9 million (previous year: €3,436.4 million). The equity ratio was 40.1 percent (39.8 percent at constant exchange rates), on par with the previous year's level (40.3 percent). Taking into account shareholder loans, this corresponds to an equity ratio of 40.7 percent. We therefore met our goal from the previous year of exceeding 40 percent. In the reporting year, the actuarial interest rate for pension reserves remained at 2.2 percent (previous year: 2.2 percent). Actuarial losses rose by -€29.1 million. Total provisions for pensions and similar obligations increased by 5.0 percent overall to €1,332.1 million (previous year: €1,269 million). Low interest rates have made an increase in pension provisions in recent years necessary. Adjusted for the effects in the period from 2011 to 2018 from the revaluation of pension obligations, shareholders' equity amounts to €4,116.3 million. This results in an equity ratio of 44.6 percent, which is close to our strategic target of 45 percent. Financial debt increased by 10.2 percent to €2,451.1 million (previous year: €2,224.5 million). Non-current financial debt fell by 8 percent to €1,673.1 million (previous year: €1,549 million). Current financial debt amounted to €778 million as of the reporting date, compared to €675.5 million in the previous year. Most loans are denominated in euros and US dollars. However, there are also small loans in various foreign currencies. As of the reporting date, 54.1 percent (previous year: 53.6 percent) of financial debt is with banks and insurance companies with a fixed interest rate. The higher financial debt is associated with increased cash and cash equivalents, net financial debt increased by €213.6 million to €2,339.7 million (previous year: €2,126.1 million). Trade payables increased by 10 percent, to €532.1 million (previous year: €483.9 million). Trade payables DPO increased by 3 days to 50 days (previous year: 47 days).

Outside financing is obtained exclusively from banks we deem reliable, and the range of measures includes syndicated and bilateral credit lines, promissory notes and an asset-backed securities program. As of the reporting date, B. Braun has available lines of credit in the amount of € 1,116 million (previous year: €1,087.1 million). We have met all of the required financial performance benchmarks agreed upon with our banks.

In 2018, we were able to place the planned financing instruments without a problem. The financing

[2] The difference between additions to fixed assets and cash outflow from investing activities as attributable to cash relevant investments and currency translation effects.

measures in the fiscal year included the conclusion of bilateral loans in Colombia and Asia-Pacific. In addition, we successfully completed a promissory notes transaction in the amount of €300 million in order to realize long-term fixed-interest financing on attractive terms through the currently low interest rates.

The asset-backed securities program was largely financed by the back-up line of credit during the fiscal year.

Personnel report

The competition for qualified specialists and executives requires businesses to acquire and hold onto competent employees for the long term. This includes accounting for the life phases of employees and making offers tailored to these phases. Compatibility between work and family, flexible working time models and regulations on part time and contract limitation are examples of modern working time organization at B. Braun. Together with social partners at the company, specific concepts were developed that are very popular with our employees.

Standardized human resources processes, such as when collecting employee master data, are very important in a global business. In the reporting year, we centrally managed over one million HR master data records. This is an important requirement for the further digitization and harmonization of our HR system landscape. Only with valid master data can the organization meet global compliance requirements, offer modern HR services for all employees, and advance future experts and executives. The data required for this is managed and updated by a new HR Shared Service Center at our location in Nowy Tomyśl, Poland.

The change in the world of work is not only taking established and reliable processes to their limits, it is also outpacing classical organizational charts that often do not reflect real working life. The goal of our corporate human resources strategy is to develop new modes of working and implement them in the organization. Since the start of 2017, some pilot areas have been collaborating under an approach called "Tasks and Teams", independent of organizational charts and silos, and with high standards for networking, personal responsibility and active participation. Rather than holding one person accountable for a set of duties, work is distributed differently in the teams to create the flexibility needed for the organization to adapt to changing circumstances. In a rapidly changing environment, the traditional patterns of communication and decision-making are often too slow, and knowledge sharing is limited by a "silo" mentality. In addition, the expectations of our employees have changed. At the same time, we are looking for ways to check the constantly growing number of employees at the company. More agile forms of cooperation could also provide answers here. With successful introduction in the pilot areas, internal and external interest in "Tasks and Teams" has grown considerably, making it our desire to spread this new form of collaboration further into the company and gradually establish it in other areas and divisions. In 2018, selected colleagues from Corporate Human Resources and Corporate Communications were trained as meeting pilots and process captains who assist areas with implementing "Tasks and Teams".

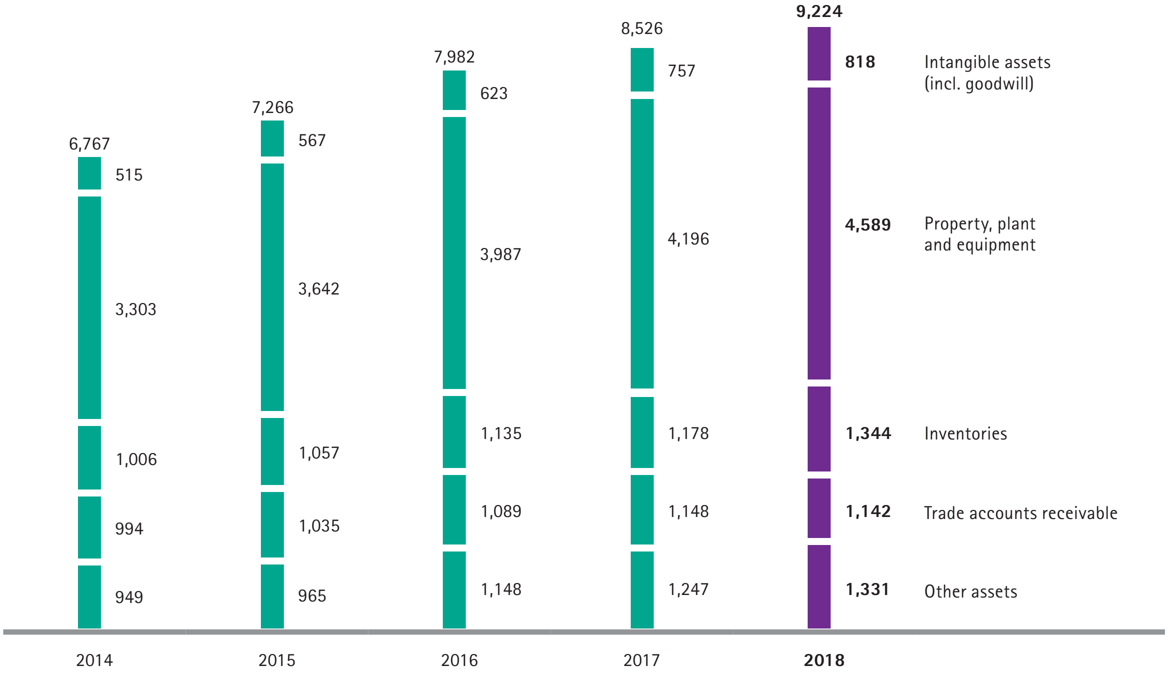
In the spring of 2018, the administration of the dialyzer factory in Wilsdruff was organized according to the new office concept. The area adjacent to production contains informal and formal conference rooms, break rooms and work areas for employees to use under a clean desk policy. Our Mexican branch moved to a new office in Mexico City in 2018 that was awarded for its environmental friendliness and resource conservation. An open, innovative office concept on two floors was established to present B. Braun Mexico as an efficient, innovative, creative and employee-friendly company.

Number of employees

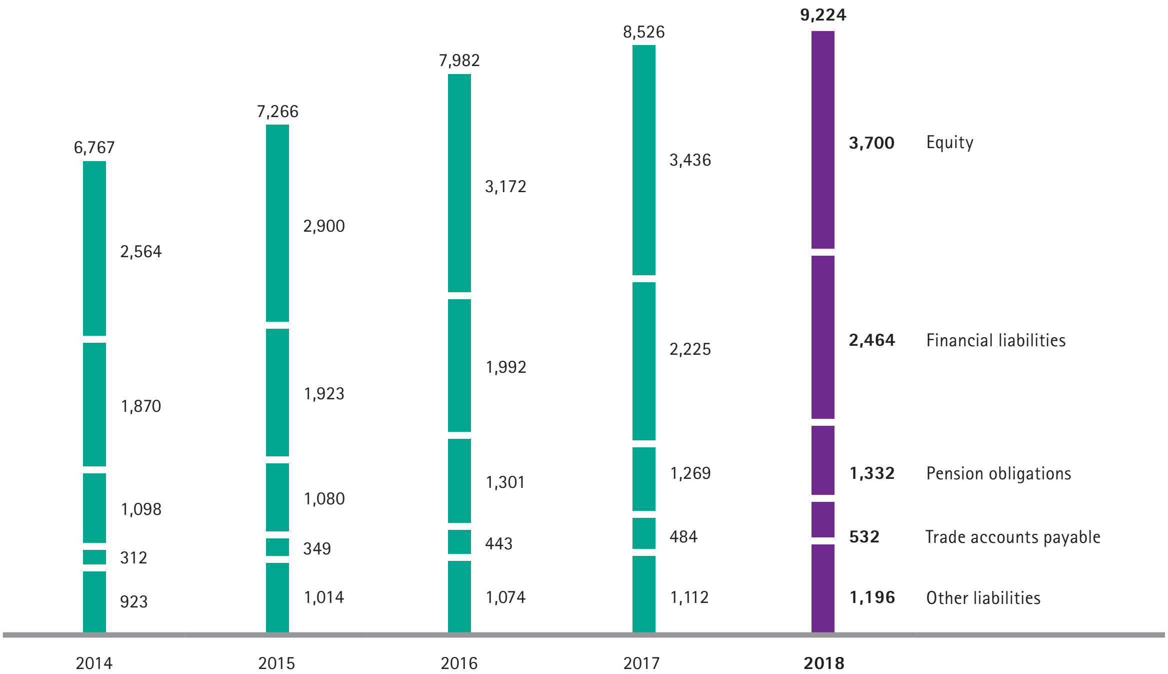
The B. Braun Group (including the family holding company) had 63,751 employees as of December 31, 2018. This is up 3.5 percent from the previous year (61,583 employees). The primary reason for this increase is the continual expansion of production. The Group also acquired and formed distribution companies and dialysis centers.

In Germany, the number of employees (including those at the Familienholding SE) climbed by 2.9 percent to 15,860 (previous year: 15,415). In addition to a further increase in production capacity and the start-up of the Wilsdruff production location, this was the result of the acquisition of more

STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS
In € million



STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES
In € million



dialysis centers. This includes 180 employees performing central corporate functions who were transferred to the newly founded family holding company on September 1, 2018.

In Europe, the number of employees climbed by 5.4 percent to 19,317 (previous year: 18,323). The main reason for this increase was the hiring of employees at production locations in Poland and Spain. The opening of additional dialysis centers in Russia also contributed to this growth.

In connection with a further increase in production capacity in the Hospital Care division, as well as additional measures in the area of quality control, the number of employees in North America and the Caribbean increased by 2.3 percent to 7,314 employees (previous year: 7,153).

The expansion of sales activities and technical services in China, of manufacturing in Malaysia and Vietnam, as well as of the dialysis centers in the Philippines resulted in an increase in the number of employees in the Asia-Pacific region to 16,861. This represents an increase of 3.1 percent over the previous year (16,355).

The number of employees in Latin America decreased slightly to 3,558 (previous year: 3,563). While the need for personnel in Colombia grew due to an expansion in production volume, it was necessary to adjust the number of employees in Argentina.

The number of employees in Africa and the Middle East increased to 841 (previous year: 774). This represents an increase of 8.7 percent to the previous year. Additional personnel were needed for production in South Africa as well as for new and expanded sales activities in Kenya, Zimbabwe and the United Arab Emirates.

Participation of men and women in leadership positions [3]

The percentage of women on the Management Board was the same as the previous year at 29 percent. The percentage of women at the first and second levels of management fell slightly to 11.9 percent (previous year: 12.1 percent), however this was due to changes relating to the founding of the family holding company. We are pursuing the goal of increasing the percentage of women at the first level under the Management Board to at least 20 percent by June 30, 2022 through numerous activities. Measures were initiated in 2018 such as the further development of a family-related part-time schedule working model. The "Women in Leadership" project started in 2017 is designed to develop suitable measures to facilitate the promotion of women into the upper executive tiers.

Vocational training

Dual vocational training is the basis of a future career. At B. Braun, the basis for this is formed by the diverse training offers for young people in technical, commercial, and scientific occupations. The training follows a dual system that gives trainees insight into company practice and linking it with theoretical knowledge from the vocational school. Currently, 801 young people are in training at our German locations. In addition to the dual training system, 94 (previous year: 104) trainees completed studies at a cooperative education university or college in the reporting year. In the reporting year, 229 trainees completed their training (previous year: 253) and received an offer of employment. Of that number, 204 trainees (previous year: 218) accepted the offer. Currently, 233 trainees (previous year: 243) are completing training at our international locations in Brazil, Malaysia, Vietnam and Switzerland. In the reporting year, 119 (previous year: 103) trainees completed their training, of which 43 (previous year: 50) accepted an offer of employment.

Advanced employee training

The continuous, long-term development of our employees has paramount importance for us. The basis for all HR management processes, from initial hire to succession planning, are the global B. Braun core competencies. In a world of increasing complexity and uncertainty, we would like to equip and

[3] Additional information supplementing the Group Management Report

strengthen our employees for these changes. The B. Braun Core Competencies model provides a common understanding of the skills and abilities that enable employees to solve tasks independently. A wide range of training and continuing education options ensures optimal support and development for each employee.

The B. Braun Business School is the central location for all training and development programs at B. Braun. Here, employees find a broad range of training courses on leadership and management, communication, digitization, methods and processes, as well as personal development. The introduction of a Germany-wide standardized advanced training program and the addition of digital learning offers are planned for 2019. In addition to familiar face-to-face training, combined online and face-to-face training courses (called "blended learning") will be available. This will allow B. Braun employees to learn what they need and learn more independently, and the digital focus will provide more room for implementing sharing expertise in day-to-day work.

As a family-owned business with locations in 64 countries and increasing global interdependence, international assignments make up an important part of the continuing development of our employees. Through our international assignment programs, which are limited to a period of five years, we give employees an opportunity to gain specialized knowledge and develop competency in other cultures. Employees can expand their international network and help contribute to a shared understanding of values and to a consistent application of knowledge company-wide. In fiscal year 2018, more than 100 employees in 29 countries participated in our international assignment program at a B. Braun location outside their home country. Most assignments in 2018 were in Germany, Malaysia and the United States. The expansion of our business area in Kenya and an acquisition in Canada made both of these countries new destinations for international assignment in 2018. To ensure that we are also able to meet international challenges in the future, foreign employee assignments are an indispensable part of the business activities in the B. Braun Group.

Performance-related remuneration

With the redesign of our remuneration system, we have oriented performance-related elements to our Group strategy to an even greater degree. In addition to variable remuneration, total remuneration consists of a base salary in keeping with the market as well as company benefits depending on position. The new remuneration system relies on documented and transparent indicators. It reduces complexity, provides for fair differentiation according to performance and responsibility, offers clear orientation and, thus, supports the implementation of our 2020 strategy.

Under the B. Braun Incentive Scheme, a series of profitsharing rights are offered to members of the Management Board and eligible executives. This creates longterm loyalty and rewards success. The value of the profit participation rights depends on the development of the Group's equity. In fiscal year 2018, 68,591 profitsharing rights were issued (previous year: 80,380). 62 percent of the profit participation rights offered (previous year: 61 percent) were subscribed by the entitled employees. As of December 31, 2018, a total of 657,560 profitsharing rights had been issued (previous year: 687,716).

Thank you to our employees

In the sense of sharing expertise, B. Braun employees work together with customers and partners to protect and improve human life. We extend our sincere thanks to all our employees for their work and for their willingness to tackle new things. B. Braun relies on a culture of transparency, trust and appreciation. This will also be a foundation for positive business growth in the future. We would also like to thank the employee representatives and trade unions for their cooperation, which has always been fair and constructive.

Non-financial performance indicators

Quality and environmental management

Quality management is a multi-stage process which follows international material and product standards at B. Braun – from development to production to application of our medications and medical devices. In addition, there are standards for quality systems, environmental protection and occupational safety, which are monitored at B. Braun in an integrated management system. New or modified legal requirements and standards are implemented as part of department-spanning projects and integrated in the system.

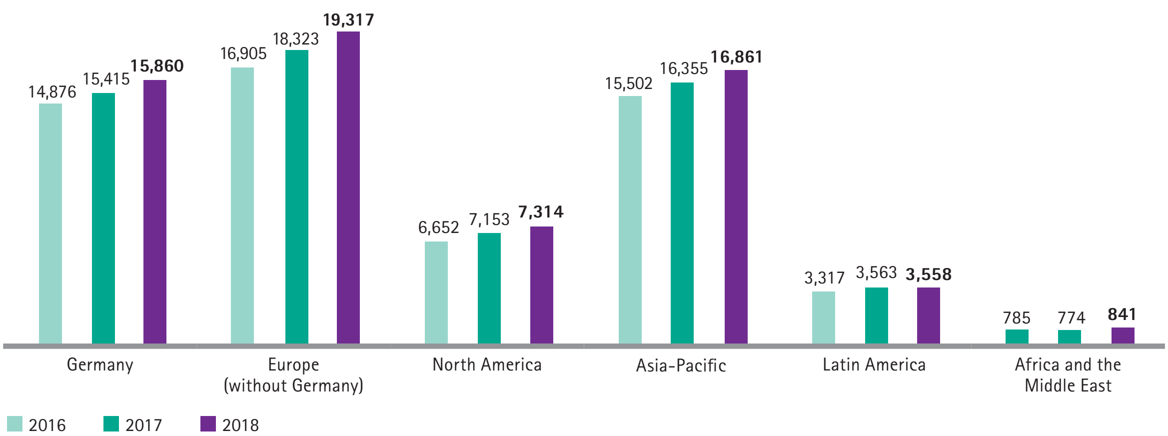
On the basis of national guidelines for quality assurance, regulatory authorities created the "Medical Device Single Audit Program" (MDSAP), which pursues a globally uniform certification of quality management in medical technology. B. Braun already extensively meets the future requirements of the MDSAP today. We also meet the criteria of ISO 9001 and ISO 13485, which describe a quality management system for development, manufacturing and sales of medical devices.

The new European Medical Device Regulation went into force in May of 2017 and replaces the previous guidelines for medical devices. The new regulations have effect on numerous corporate departments: for example, the scope of validation and qualification processes grows, the technical documentation becomes more complex, and the requirements for market monitoring increase. At B. Braun, the regulation will be implemented at the latest by the end of the transition period on May 26, 2020.

The binding certifications for all European B. Braun subsidiaries include ISO 14001 Environmental Management and ISO 50001 Energy Management. Even outside of Europe, numerous countries have already certified some of their locations according to these and other environmental and energy management systems.

All technical departments of the company must meet high statutory and regulatory requirements. These are expanded by B. Braun's own standards for health and occupational safety and monitored by regular internal audits. For example, many international B. Braun locations are certified according to the occupational safety management system OHSAS 18001. The Melsungen location has also obtained the "Seal of Approval – Systematic Safety" (German: "Sicher mit System") mark from the BG RCI (statutory accident insurer for the commodities and chemicals industry). Selected European B. Braun dialysis centers are certified under EN ISO 9001 and IEC/TR 62653 "Guideline for safe operation of medical devices used for hemodialysis treatments." Dialysis centers qualified under these standards are authorized to use the "Good Dialysis Practice" certificate. Furthermore, B. Braun is a member of the German Chemical Industry Associa-

EMPLOYEES BY REGION



tion (VCI) and follows its guidelines for "Responsible Care", with the goal of independently improving health and environmental protection and safety.

Customer and product responsibility

In B. Braun's 2020 strategy, we have incorporated system partnerships with our customers. For doctors, nurses, pharmacists and patients, this means we understand their needs and requirements. We offer them appropriate system solutions that are safe and high in quality.

With the "B. Braun for Safety" project, which was launched in 2013, we have intensified our partnerships with a variety of organizations and associations. That includes cooperation with the "European Association of Hospital Managers," the umbrella organization for hospital managers in Europe. Through joint projects, we increase awareness of risks and contribute to safe and high quality patient care over the long term.

As part of our client and product responsibility, we continually improve the design of our products and packaging: Easily visible, harmonized color codes symbolize the size of the product or indicate the material it is made of. Special labels with clear, differentiating colors and shapes facilitate the dosage of medications and provide for more noticeability, which is particularly important when it comes to critical substances. Multiple awards in the field of product design confirm our work.

B. Braun is actively working in the industry associations BVMed (Bundesverband Medizintechnologie e.V.), MedTech Europe and APACMed on new medical standards and rules, including on the topic of safety. B. Braun board member Dr. Meinrad Lugan is Chairman of the BVMed Management Board and works as a member of the MedTech Europe Executive Committee. Future B. Braun Management Board Chairwoman Anna Maria Braun is the deputy chairwoman of the management board of the Asia-Pacific Medical Technology Association (APACMed). B. Braun board member Caroll H. Neubauer is also on the board of the German American Chambers of Commerce.

Despite high quality standards and prevention measures, a product can, on rare occasion, be faulty or be used incorrectly. Complaints are received by our local sales organizations and coordinated centrally at the B. Braun headquarters in Melsungen. From Melsungen, evaluations are arranged at the affected production locations, then our experts develop viable solutions on site.

Our Data Protection staff department assists in complying with legal regulations and internal policies. The department organizes routine employee training sessions, provides advice in connection with the drafting of contracts or marketing activities and offers extensive information on data protection. The requirements of the General Data Protection Regulation (GDPR), which have applied since May 2018, unify the rules for data processing. B. Braun has worked continually for more than ten years on continued development of the data privacy organization. This includes the introduction of global data privacy management software for documenting all legally required and data privacy-related processes, as well as standardized documents.

Digitization and networking are advancing into more and more fields: More networking brings with it potential risks for critical infrastructure (CIP), such as hospitals and production facilities of industrial companies that are important to the community. Legislators are responding to these developments with new legal regulations, such as the German IT Security Act. We created the role of Chief Information Security Officer (CISO) at B. Braun in 2018. This officer has the responsibility of coordinating all activities and measures for information security. This includes establishing an Information Security Management System (ISMS) in accordance with the international standard ISO/IEC 27001.

Corporate social responsibility

Our values of innovation, efficiency and sustainability make us what we are: a family-owned company with a strong sense of economic, environmental and social responsibility. As a "corporate citizen," the company has been supporting social projects at its locations around the world for many years, with the goals of increasing knowledge, strengthening regions and creating opportunities. In all, we sponsored 236 social projects, primarily for education and health, in 39 countries in the year 2018.

With the initiative "B. Braun for Children," B. Braun wants to provide youth with the opportunity for a better future. In 2018, 108 projects of the initiative benefited a total of 49,000 children. For 5 projects,

5 athletic B. Braun employees came together on their racing bicycles and rode 1,650 kilometers from Rubí, Spain to Melsungen. On their tour along the Spanish coast, across France and into Germany, the cyclists collected donations benefiting one children's project in that country. In Belgium and the Netherlands, for example, donations were collected for children with burns, while in Spain, an association for families with children suffering from cancer was supported. In Germany, we sent donations to "Kleine Riesen Nordhessen e.V.," a palliative care team that assists terminally ill children and young adults at home, helping them and their families spend as much time together in their final days in a familial setting.

Exercise for a good cause was also the slogan of charity runs in Malaysia and China. In 2018, B. Braun organized runs in both countries to raise money for "B. Braun for Children" projects. More than 1,600 employees in Penang, Suzhou, Beijing, Zibo and other locations gathered at the starting line to support projects for children with cerebral palsy (China) and cancer (Malaysia) as well as facilitate medical care for socially disadvantaged people. In 2018, our employees in the United States participated in joint support for the "United Way of Greater Lehigh Valley" project. Over two weeks, they collected donations at various events to improve child education and senior care, as well as facilitate access to emergency medical services.

The B. Braun Prize for Social Innovation is awarded in cooperation with B. Braun subsidiary Aesculap in Tuttlingen and Zeppelin University in Friedrichshafen. In the "Social Entrepreneur" category, the prize was won this year by "Clothing the Gap", a fashion label with strong social character. The start-up designs and produces clothing for people in wheelchairs, giving them an offer that meets their individual needs. It also employs people with a migration background, opening the door for them to a career.

B. Braun also provides aid following natural disasters. When earthquakes in Nepal killed over 7,900 people and caused catastrophic damage in 2015, B. Braun employees donated to the Global Care organization; the company doubled the donated total. The money was used to rebuild Janakalyan Higher Secondary School in the Kaski District of central Nepal, which was opened during a ceremony in May 2018 and today is where more than 250 children spend their school days.

For over 60 years, B. Braun has been active in Africa, exporting medical devices to virtually every country on the continent. To B. Braun, economic commitment and responsibility also means creating opportunities, as shown in the following three examples. Since 2012, B. Braun has been involved in the initiative "Afrika kommt!" and has since sponsored 10 young, talented future leaders from sub-Saharan Africa to develop their skills at B. Braun in Melsungen before taking these skills back to their home countries. B. Braun Chairman Prof. Dr. Heinz-Walter Große is also the chairman of SAFRI, the sub-Saharan Africa Initiative of German business. Furthermore, as a supporting partner of a new initiative dedicated to better medical care in the Mumbwa District of West Zambia, B. Braun is making a trendsetting contribution for the medical care this region urgently needs. And, in drought-stricken Kenya in East Africa, B. Braun supported a charity drive by its employees, the total of which the company doubled. Thanks to the donation, which was sent to the "Diakonie Katastrophenhilfe," a humanitarian aid organization, water was provided to over 17,000 households of families in order to save their farm animals, which are their livelihood.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT AND CONTROLLING

All strategic and operational decisions at B. Braun are made taking into account the associated risks and opportunities. We have a fundamentally cautious corporate strategy and avoid any uncontrollable potential risks. Risk management and controlling are key management tasks and an essential part of Group management. The B. Braun Group's comprehensive risk management ensures that risks can be identified, documented, assessed, monitored, and managed. Risks resulting directly from business operations are quickly identified and assessed using our systematic controlling processes, which are implemented throughout the Group in all business areas, companies, and regions. We also identify and manage risks that do not result directly from business operations. The divisional and Group risk committees assess these risks and document appropriate countermeasures. Our risk management is complemented by an internal audit department and ultimately by the annual audit of financial statements.

RISKS

The risks described below, which could have an impact on B. Braun, do not form an exhaustive list of all the risks to which B. Braun is exposed or may be exposed. Risks that are not known or that are considered to be insignificant at the time of preparation of this annual report may also impact the earnings and financial position of the B. Braun Group.

Macroeconomic risk

Economic risks have increased overall. In addition to geopolitical uncertainty, the introduction of new tariffs announced by the United States will place greater strain on the world economy in the future. Escalation of currently simmering trade conflicts could negatively affect global value creation chains and threaten the international, rules-based trading system in the medium term. In particular, the development would constrain the growth of economies that engage in open and considerably in international trade. The slowing of China's growth rates in conjunction with its enormous debt also poses a risk to the economy as a whole. A possible recession in the country would be intensified by a financial crisis. The effects on the international capital markets could be substantially higher than the interdependence of China's capital market would initially let on, since foreign businesses continue to trade actively with China.

The monetary policy of the major central banks could also place strain on the growth of national economies. The ongoing low interest policy is inciting misallocation and weakening financial market stability. In the eurozone, good economic performance and higher inflation mean the ECB is increasingly likely to raise prime rates over the medium term. To counteract upheavals on the financial markets from a shift away from expansionary monetary policy, the ECB would need to adequately communicate the start of their normalization strategy in advance. A rapid transition to a more restrictive monetary policy in the United States could also lead to significant price adjustments on the international financial markets. The resulting turbulence could negatively impact global economic growth, with the growing global debt also increasing this risk.

Europe's economic development will be affected by the unclear progression of Great Britain's exit from the EU. An uncoordinated Brexit brings with it enormous risks, especially for Great Britain. These include the likely withdrawal of foreign direct investment, which is an important source of financing for the country, as well as the potential for further devaluation of the British pound. For the other Member States of the EU, the negative consequences of the exit primarily could take the form of potential financial market turbulence. As an importer, B. Braun would be negatively affected by a devaluation of the British pound as well as by possible customs duties and clearing formalities. Approval of pharmaceutical products and medical devices after Brexit could generate additional costs and outlay. To make up for possible trade hindrances, we have significantly increased our warehouse capacity in Great Britain. At the same time, B. Braun is sporadically ordering components/intermediate products from British suppliers. By increasing stocks outside Great Britain, we have taken precautions here as well to eliminate any impact on our production processes as much as possible. Due to the steps taken, we currently do not see a disorderly Brexit posing a significant risk to the B. Braun Group. However, we consider an impact on the earnings of our UK business to be likely.

The debt of many member states in the eurozone continues to be very high. Italy's national debt, for example, is more than 130 percent of its GDP. This could cause another euro crisis if the country's political uncertainty causes the financial markets to lose confidence in its public debt sustainability. In addition, the stability of the financial markets in some Member States is being weakened by the uncertainty of banks with regard to the current number of bad loans.

The probability of individual macroeconomic risks becoming reality appears high and can slow down the growth of B. Braun.

Industry risk

The health care industry overall is less cyclical, which is why sales of our portfolio of consumer goods are relatively stable. The capital goods produced by B. Braun, on the other hand, are more vulnerable to macroeconomic trends. Economic development usually also affects areas in which the patients must pay for health services out of pocket. The significant increase in costs within the industry has resulted in virtually every national health care system taking steps to save money. These cutbacks may have a negative impact on demand for our entire range of products and services. Additionally, the extension of payment terms and the introduction/increase of mandatory discounts and other charges in individual countries continue to grow. Some markets are seeing a trend of foreign manufacturers receiving no or only limited access to procurement opportunities. This is the case especially when domestic manufacturers can offer comparable products, as in Russia. Here, the government is seeking to raise the market share of local industry manufacturers to 90 percent. To face this trend, we are continuing to build up our regional presence in order to obtain long-term access to the world's growth markets.

Regarding the risk of hospitals in Germany declaring bankruptcy, the current "Hospital Rating Report" by the RWI Leibniz Institute for Economic Research shows that 7 percent of hospitals are facing an acute risk of bankruptcy this year, down from the 9 percent from the previous year. Overall, the report says hospital earnings are good. Average profit rose to 2.8 percent of sales from last year's 1.8 percent. Nevertheless, the report indicates that the €5.8 billion needed by the country's hospitals annually is still €3 billion higher than the €2.8 billion in funding provided by the federal states.

Increased formalization of the international product approval process is evident, which would entail both greater expenditure and higher costs for B. Braun. The "Medical Device Regulation (MDR)" in Europe, adopted in 2017, will introduce new clinical requirements as well as reporting and documentation requirements. It will take effect on May 26, 2020 after a 3-year transition period. However, important legal acts for implementing the MDR are still outstanding. For example, none of the independent "notified bodies" that play a decisive role in market access for the products, has been accredited. Businesses are thus facing the threat of being forced to halt the sale of medical devices in the EU in May 2020. This could threaten the economic livelihood of small and medium-sized enterprises, in particular. Ultimately, the rising costs could shrink research budgets and reduce innovation in the industry. This is especially noteworthy given an aging population, the rise in multimorbidities and a lack of skilled labor. Increasingly personalized treatment will be needed in the future, to which medical technology makes a substantial contribution. On the demand side of the health care industry, the creation of group purchasing organizations for high volume purchasing is strengthening the market power of clients. This could lead to a rise in pricing pressure and dependence on individual clients.

Overall, the structural risks for businesses operating within the health care industry remain. Should these risks become reality, it may impact the earnings of B. Braun.

Procurement risk

Risks generally result from commodity price changes and supply shortages in the procurement markets. The materialization of these potential risks may impact production supply, thereby impacting B. Braun's delivery capabilities. As in previous years, potential supply shortages arose in some instances. B. Braun, along with others, indirectly and directly faced a few instances of force majeure delays from several suppliers in the medical-grade plastics market in particular. In all cases, however, potential supply interruptions were avoided. Thanks to the procurement processes which have been implemented, as well as our global purchasing organization, countermeasures and strategies were developed to avoid risks so that production was never delayed or interrupted. Our longstanding, trusting and collaborative supplier relationships are a crucial foundation for ensuring consistent supply. We will continue to build on these supplier relationships in the future. Wherever possible, we use strategies for long-term price hedging as part of active price management. For example, pooling our demand, entering into long-term supply contracts to hedge commodity prices on intermediate goods, and concluding framework agreements. The goal is to reduce price and supply risks while maintaining consistently high quality. To minimize the risk of supplier defaults, we routinely perform risk assessments of our suppliers. If a supplier is identified as a high default risk, we have a range of processes and instruments in place to ensure continuous supply. These include disaster recovery plans, holding inventory either at B. Braun or at the supplier's location, second and dual sourcing, and the preservation of notarized documents about production processes and formulations. We will continue to expand our existing supplier base risk management. The situation in individual procurement market sectors continues to be challenging. Our procurement organization was able to use established processes to secure price and supply in order to consistently keep our risk position low, resulting in no discernible, fundamental procurement risks.

Product risk

We counter the risk of interactions and side effects using quality management systems at our production facilities. These are modeled on international standards and assure that all regulatory requirements are observed. Regular reviews of our quality management systems utilizing internal and external audits, together with continuous employee training, complement our quality management activities.

To minimize risks arising from product liability, B. Braun Melsungen AG has placed an international liability insurance program with a consortium consisting of four primary insurers. To ensure that the particular country-specific or legal requirements are met, a local policy was placed in each country in which B. Braun has its own company (majority interest). An excedent agreement in conjunction with this will offer a more extensive, globally uniform insurance coverage.

There are no risks arising from ongoing procedures that could jeopardize the company's continued existence.

HR risk

Demographic changes and the digital transformation are changing society and the world of work at a more rapid rate. Companies have to attract suitable specialists and executives over the long term in an environment of more intense competition. In addition to internal training and the hiring of new employees, the early succession planning and ongoing development of employees form an important part of strategic personnel planning, which has both a national and international dimension. To counteract a potential shortage of skilled workers at an early stage, we develop solutions that enable employees to manage their professional development in a proactive way. This allows primarily executives around the world to make their personal skills visible and match them up with internal vacancies. In this way jobs at B. Braun can be filled with qualified internal candidates through "active sourcing" and on the initiative of employees who are willing to change. In addition to the diverse offerings at the B. Braun Business School, employee development programs that are tailored to regional and local conditions enable early succession planning.

With our HR processes and initiatives, we are countering potential HR risks such that no significant impact from these risks is expected.

IT risk

The failure of essential IT systems as well as the loss or unauthorized alteration/disclosure of data can have serious consequences. These include interruptions of business processes, loss of reputation as well as fines and recourse claims.

To reduce the corresponding risks, a series of security measures were implemented. These include regular data back-ups, redundancies, virus protection, firewalls, authorization concepts and employee training. Furthermore an information security management system (ISMS) in accordance with international standard ISO/IEC 27001 is currently being implemented. This kind of ISMS systematically measures the degree of need for protection for IT systems and the information processed in them as well as the underlying risks, then defines reasonable protections. It is implemented as part of a cyclical "Plan–Do–Check–Act" process.

However, given increasing digitization and networking as well as a different threat situation, it will also be necessary in the future to continuously test and implement other security measures. These include measures to detect and defend against cyberattacks, in particular.

Reducing IT risks will continue to be a critical task in the future to ensure the smooth running of internal Group processes - especially in light of the fact that individual locations of B. Braun in Germany have since June 1, 2017 been subject to the IT Security Act for Critical Infrastructure Protection (CIP).

With the implemented protections, we see no extraordinary dangers to B. Braun from IT risks at this time.

Financial risk

B. Braun operates internationally and is therefore exposed to currency risk, which it hedges using derivative financial instruments. We pursue a rulesbased strategy known as "layered hedging," which allows us to achieve coverage of average prices for the period of our hedging horizon and reduce the effects of currency translation on the consolidated net income. However, these risks could arise in the event of enduring shifts in exchange rate parities, provided price adjustments are not enforceable under market conditions. Trading and management of derivative financial instruments are regulated by internal guidelines and are subject to continuous risk control. Payer swaps are at times used for variable rate financing to reduce interest rate risk.

To manage liquidity risk, we maintain sufficient reserves of short and long-term committed credit lines including in particular a syndicated loan with a volume of €520 million.

There is also the risk of a possible deterioration in the payment performance of our clients or public sector purchasers. Limited financing options can have a negative impact on liquidity and individual clients' ability to pay. There is also a risk that our suppliers' liquidity position could become strained and could, in the worst-case scenario, threaten their viability.

Our holdings in publicly traded companies exposes us to market price fluctuations that could lead to impairments in the event of a sustained decline in value. With our active investment controlling and established risk management and controlling processes, we continuously monitor and analyze how our holdings are developing. This allows us to detect risks early and take the necessary steps.

With regards to research and development projects, costs are capitalized as required. Write-offs can occur depending on the underlying business situation which can impact B. Braun's profitability for the year.Development projects are, by nature, subject to higher risk, but substantial opportunities come with it. There are currently no discernible risks beyond the ordinary level.

OPPORTUNITIES

In addition to risk, B. Braun regularly identifies and assesses opportunities for the company. Opportunities can generally arise from the refinement of medical standards or the launch of new products. Through close dialog with the users of our products, and thanks to the integrated research and development activities at our CoEs, we will continue to act quickly and create new sales opportunities.

Opportunities arising from positive economic development.

Economic conditions affect the development of B. Braun's business. Our statements with regard to the future development of the Group are based on the macroeconomic environment which is to be expected, as described in the forecast report. Should the global economy perform better than currently expected, our sales, earnings and financial position may exceed our forecasts.

Opportunities arising from the growth strategy

Increased capacity enables us to participate in the growing demand for health care and medical technology products. New, ultra-modern production processes further improve our competitiveness. In addition, our comprehensive product range and our extensive experience enable us to offer efficient solutions for our customers. Should the international health care markets develop at a faster rate than currently expected, this could have a positive impact on our sales, earnings and cash flow.

Opportunities arising from research and development

Our growth strategy is founded on product and process innovations. In close partnership with our customers and users, we work tirelessly to bring new and improved products and treatment concepts to market. If we are able to achieve a quicker time-to-market for our research and development projects than is currently expected, this too could positively affect our sales, earnings and cash flow.

Opportunities arising from digitization

New possibilities for mass data processing and analysis can affect our production and sales processes. The digitization of production can facilitate further optimization and improve earnings. At the same time, there are opportunities in different ways of interacting with our customers. A more comprehensive and faster exchange of customer needs and offered solutions, along with digital distribution channels, can positively affect our sales, earnings and cash flow.

Opportunities arising from our international presence

The opening of additional health care markets (e.g., in Asia-Pacific, Africa and the Middle East) to international medical technology companies, together with the trend toward privatization in the field of dialysis services, could present additional opportunities for B. Braun. Our international presence allows us to participate in these developments. This would lead to a sustained improvement in B. Braun Group's future sales and earnings.

Opportunities arising from employees

Ideas from our employees are the driving force behind innovations and, through close exchange with clients, users and patients, they create added value. Their strong identification with the company increases motivation and promotes individual responsibility. We aim to encourage this even further by providing employee development opportunities. The successful execution of these activities can improve the competitive situation of B. Braun and have a positive impact on B. Braun's sales, earnings and cash flow.

OVERALL STATEMENT ON THE GROUP'S RISK AND OPPORTUNITY SITUATION

From today's viewpoint, no risks or dependencies are identifiable that could threaten the viability of the B. Braun Group for the foreseeable future. The Group's net risk position rose only slightly relative to the previous year and, once again, no risks were identified that could jeopardize the company's continued existence. However, there is a growing protectionist sentiment in parts of the world that can harm an international company like B. Braun. The establishment of trade barriers also increases uncertainty among investors and can harm economic growth for a prolonged period. The centers of ongoing conflict in the Middle East can also have a destabilizing effect. Volatility on foreign exchange markets in 2019 is expected to be comparable to the previous year. While the risks on the procurement markets remain unchanged, we are seeing a continued rise in IT risks. It should be assumed that the advancing networking and digitization, both on the user side as well as in the productions, could lead to an increase in IT risks. The EU regulation "Medical Device Regulation (MDR)", which was adopted in 2017, will make it much more difficult to bring new medical technology products to market, thus increasing the development risk for B. Braun.

To the extent possible and appropriate, we are insured against liability risks and natural hazards, as well as other risks. To minimize the financial impact of cyber risks, B. Braun Melsungen AG took out a cyber insurance policy starting in 2019. This essentially covers risks such as loss from operating disruptions and third-party liability claims resulting from breaches of information security. Despite our extensive insurance coverage, obtaining full coverage for potential product liability risks is not feasible. In general, however, we are convinced that the continuing market risks will not have a substantial negative impact on the B. Braun Group's performance. Alongside these market risks are significant opportunities which may enable successful business performance.

OUTLOOK

The statements made here on economic and company performance are forward-looking statements. Actual results may therefore be materially different (positively or negatively) from the expectations as they relate to future developments. Our forecasts contain all material events that were known at the time the Group Management Report was drafted and that could impact the business development of the B. Braun Group. Expectations are based in part on the macroeconomic and industry-specific developments described.

EXPECTED MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Expected development of the global economy[4]

For the year 2019, the International Monetary Fund (IMF) predicts a constant global economic growth of 3.7 percent, though it must be assumed that the expansion has gradually reached its apex. Unlike in previous years, in which there was a general upturn in the world economy, growth in individual countries will increasingly vary in 2019. The moderate growth will be accompanied by cautious investment plans in many national economies due to increased political uncertainty. In addition, declining business dynamics in several countries as well as flagging reform efforts to roll back anticompetitive product market regulations will be detrimental to the global economy. The dwindling surplus capacity in the industrial nations will lead to a rise in wage and price levels. Oil prices are expected to rise, which will increase production costs and consumer prices around the world. The oil-producing countries, on the other hand, should profit from additional investing in the oil sector and higher export income. Growing tension in international trade and prevailing uncertainty in trade policy will gradually have a negative effect on employment trends and standards of living. This will impact low-income households in particular. Ultimately, these trends could also increase production costs for businesses, with the effects being especially severe in all production processes that are distributed across multiple countries along the global value creation chain. Although the direct macroeconomic consequences of restrictive trade measures will only slowly become felt, there have already been some distortionary effects in sectors where higher tariffs have already been applied or announced. These trends will continue in 2019, leaving a lasting effect on global economic growth.

FORECASTED CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2018	2019
Europe	**2.3**	**1.9**
France	1.6	1.6
Germany	1.9	1.9
Great Britain	1.4	1.5
Greece	2.0	2.4
Italy	1.2	1.0
Poland	4.4	3.5
Russia	1.7	1.8
Spain	2.7	2.2
Turkey	3.5	0.4
North America	**2.7**	**2.5**
Canada	2.1	2.0
USA	2.9	2.5
Asia-Pacific	**5.6**	**5.4**
China	6.6	6.2
India	7.3	7.4
Indonesia	5.1	5.1
Japan	1.1	0.9
Malaysia	4.7	4.6
Latin America	**0.6**	**1.9**
Argentina	-2.6	-1.6
Brazil	1.4	2.4
Chile	4.0	3.4
Mexico	2.2	2.5
Africa and the Middle East	**2.4**	**3.0**
Iran	-1.5	-3.6
Kenya	6.0	6.1
South Africa	0.8	1.4

[4] IMF: World Economic Outlook October 2018 and OECD Economic Outlook 2/2018

In 2019, a growth rate of 1.9 percent is expected for Germany, similar to the previous year's level. This economic growth will be driven by private consumption, bolstered by increasing employment and considerable income growth. Investment decisions will be aided by financing conditions that will remain favorable and the high degree of capacity utilization of many businesses suggests an expansion of production capacity. The expansion of government transfers and spending programs planned by the federal government and the projected relief on workers should also stimulate the German economy in 2019.

For Europe, a decline in economic output of 0.4 percentage points to 1.9 percent is forecast in 2019. Growth will be limited by sluggish increase in productivity and unfavorable demographic trends in the countries of Europe. Continued strong overall demand should have a positive effect, borne by stable consumer spending, job creation and supportive monetary policy. A slowing of growth is expected in both Italy and Spain, since it is expected that growing international trade barriers will reduce export income. The economic output of Great Britain is expected to stay the same, since the pending Brexit continues to paralyze the British economy. This is aggravated by forecasts of medium-term economic trends becoming difficult due to the unclear terms of the exit. Poland's economic growth is expected to come in at 3.5 percent in 2019, below the level of previous years. This trend will be due primarily to unfavorable demographic change and the country's structure bottlenecks. A recession is expected in Turkey until at least mid-2019, reducing the expected growth to 0.4 percent. Only afterward will inflation and, with it, interest rates drop. To this come improved relations with the United States and EU, who are likely to make concessions to Turkey.

The economic upturn in Russia is expected to continue in 2019. The rise is projected to be 1.8 percent, same as the previous year. Supporting factors will be rising oil prices as well as the Russian president's decree in May 2017 promising high government spending in the coming years. With the measures described in this decree, the federation should rise to be one of the five largest national economics in the world by 2024. A development fund of around €48 billion is planned for housing, transport and digitization projects. To finance these, the general VAT rate was raised from 18 to 20 percent starting on January 1, 2019 in order to generate additional tax income. The resulting increase in consumer prices, however, could result in lower consumer spending.

In North America, the IMF expects economic growth to decline slightly by 0.2 percentage points to 2.5 percent. In this context, the rate of increase in the United States of 2.5 percent will also be under that of the previous year. This will result monetary easing slowly subsiding and the normalization of monetary policy gradually continuing. Domestic demand, on the other hand, will continue to be supportive due to tax reforms, higher government spending, rising confidence and good labor market conditions. The higher tariffs, however, will drive up costs for business and could slow down investment growth. For Canada, constant economic growth is expected, with a growth rate of 2 percent. This growth will be borne primarily by domestic demand, which, however, could decline slightly over the middle term to the benefit of private and public investments. Despite the generally positive outlook for the Canadian economy, there is also uncertainty about the economy, especially from the United States.

The economy in the Asia-Pacific region in 2019 should continue to grow at a somewhat lower rate of growth of 5.4 percent. In Japan, economic output will continue to slow due to dampened international economic prospects and sagging domestic market growth. The IMF forecasts a growth rate of 0.9 percent. This could decline further over the medium term due to unfavorable demographic trends and the associated decline in the working population. In China, economic growth will slow since the economy is still transitioning to a more sustainable growth path with financial risk minimizing and environmental controls. Furthermore, sagging external demand will have a negative effect on the country's economy, since businesses on the other side of the Pacific already filled out their stocks in 2018 in expectation of further escalation of the trade conflict. These losses will not be able to be fully offset by economic measures on the part of the Chinese government. Nevertheless, a growth rate of 6.2 percent is expected in 2019. India's growth will likely continue to be positive in 2019 as well and climb to 7.4 percent. Ongoing structural reforms as well as heavy investing and robust private consumption in particular will have a supportive effect on the nation's economy. The tense situation in the financial sector could have a negative impact, however. Economic growth is predicted to continue in Malaysia. The somewhat lower growth rates are primarily due to efforts by the new government to reduce debt and distribute wealth more fairly. This will lead to more stable economic conditions in the long term. The robust domestic economy as well as the expansion course in the services sector and processing industry are expected to have positive effects. This will lead to constant demand for labor and, therefore, higher wages, which in turn will stimulate private consumption.

The IMF forecasts an economic upturn in Latin America, which will make it possible to achieve a growth rate of 1.9 percent. Mexico's GDP should grow by 2.5 percent. The outlook for the Mexican economy will dampen due to ongoing trade uncertainty affecting both investments and domestic demand. The growth rate in Brazil is expected to rise sharply by 1 percentage point to 2.4 percent. This recovery will be driven by private demand, which will come back up as the output gap is gradually closed. Argentina's economy is expected to continue shrinking in 2019. If inflation can be curtailed, it would be possible for private consumption to recover slightly in the second half of 2019. However, no positive boost is expected for investments due to prevailing uncertainty regarding the continuation of a market-friendly economic policy before the elections in October 2019.

Both in Africa and the Middle East, an increase in economic output is expected for 2019. South Africa's economy is expected to grow. To reduce the country's lack of investment, the new government announced a stimulus package in September 2018 focusing on job-creating measures. Together with the clearer conditions promised by South Africa's president, this can bring about a positive boost in 2019. For Kenya, a rate of growth similar to the previous year's level is predicted. Principal and interest payments due in 2019 on the domestic and foreign loans with which most of the upturn of recent years was dearly bought will have a detrimental effect. It will only be possible to make these payments by taking on new and even greater debt. Iran's future growth depends on the extent to which US sanctions impact its economy. Particularly strong influences will be felt in the oil and gas sector as well as in important sectors of the processing industry. Should the country withdraw from the non-proliferation treaty and return to significant expansion of its uranium enrichment activities, the lifted UN and EU sanctions would take effect once again. In this case, Iran's economic situation would continue to worsen.

Outlook for the Health Care Market

In times of volatile markets and innovation cycles becoming shorter and shorter, the global health care markets continue to converge with one another. They are undergoing increasing internationalization, acting more consistently and connecting to one another. Even today, the world's health care systems are more connected and consumeroriented than ever before. Nevertheless, in the face of similar developments in the various parts of the world, they can still learn from each another, as primarily demographic and societal changes such as urbanization and population aging increase cost pressure on the industry. This is why it is expected that the percentage of people in Japan over 65 will be nearly 30 percent by 2021. In Western Europe, the percentage by this time will already be 21 percent, meaning growing spending in the health care industries of industrialized nations will result mainly from rising care needs and therapeutic progress. In newly industrializing and developing countries, both rising population figures and a growing middle class with higher expectations for medical care are the largest drivers of cost. Furthermore, the health care systems must face the challenge of how they want to better treat and contain infectious diseases and chronic illnesses in the future. While the latter were once mainly a problem of industrialized nations, they are becoming more of a common health and cost problem in newly industrializing and developing countries due to changes in lifestyle. These trends will shape and significantly increase the requirements on the health economy.

Increasing digitization will also challenge international health care systems more. Across all age groups, some patients feel inadequately informed of the technical progress and offers of the mHealth market. They will demand more information about their treatment options in the future before they decide what medical interventions to have done. Actors in the health care industry are being called upon here to specifically raise transparency in the industry more. On the other hand, digital preventive care is providing solutions that can cover the growing need for better diagnostic functions and more personalized therapeutic tools. Technological innovations, such as cognitive computing, cloud-based, interactive electronic medical files and the Internet of things (IoT), will give health care organizations the chance to gather data from countless sources. Unfortunately, the lack of connectivity between systems is currently still limiting the possibilities of big data. However, they soon could contribute to lowering costs and improving coordination in care. With the emergence of open systems, the exchange of data should improve and the utilization of analyses increase. Data generated as a result, however, will also greatly increase the risk of cyberattacks in the industry and render the existing data systems unusable. The health care industry is already second in the number of annual cyberattacks, behind the financial sector.

The improvement to financial performance and operating margins will remain an important topic in the health care industry in coming years. Sales pressure, rising costs and stagnating or falling margins have put a strain on these for a few years now. It is expected that this trend will continue in both the public and private health sectors. This is caused by increasing demand, infrastructural upgrading, and progress in treatments and technology further increasing pressure on financial resources that are already limited. Health service providers are already using various strategies to counteract the trends that have been described. Hospitals and other health service providers in the United States in particular are entering more and more into mergers and takeovers in order to achieve scaling effects. One benefit to this growth strategy is that the stakeholders can more easily take in capital for investing in plants, technology and human resources. In another example, major medical facilities in China are attempting to build a "closed" supply chain by acquiring hospitals. In general, the number of joint ventures, public-private partnerships (PPP) and other cooperation agreements both within the health care industry and across industries constitute a growing trend in all geographical regions.

For the European health care industry in 2019, a slight increase in growth rates is expected due to an increase in many countries' budgets. In France, the supplemental premiums for hearing aids, glasses and dental prostheses will go down starting next year. The goal of reforming financing for public preventive care is to have national insurance as well as certain supplemental insurance gradually assume more of the co-payment for devices, materials and treatments. Starting in 2021, all costs will then be covered. It is expected that the ongoing economic growth in Spain as well as the upcoming local elections in 2019 will accelerate investment in the health care industry that is so important to the citizens. There is an acute need for upgrades due to the imposed budgetary rigors in the regions. For example, around 70 percent of CT and ultrasound scanners as well as 80 percent of life support equipment are over 5 years old. This is why annual investments of €350 million are expected until 2021. Great Britain's public health care system, the National Health Service (NHS), is responsible for around 85 percent of health care. In past years, the NHS found itself exposed to increasing requirements due to a growing and aging population, changing patient expectations and pressure on the social services and health budgets. To better meet these challenges in the future, the NHS has been working on a procurement transformation program (PTP) since 2017. The goal of the program is to collaborate more closely and use the NHS' collective purchasing power to find the best offers for medical products, reduce price and variability and save money. This is linked to the development of the corresponding operating model (the Future Operating Model, or FOM), the implementation of which will be forced in the coming years. The British government is also planning around €23.2 billion in additional funding for the health care industry in the next few years. This is intended primarily to advance topics such as digitization and telemedicine, and specifically fund individual areas of research. Poland will also require additional spending for the health care industry in the coming years due to an aging population and an increase in people with chronic conditions. For 2019, the financial plan of the National Health Fund (NFZ) includes additional spending of 6.4 percent. Some of these funds will be used to increase pay for doctors, nurses and paramedics. Other money will be earmarked for medical device supply as well as for the area of healing and rehabilitation. Turkey's medical equipment and device market will grow slightly in 2019 according to estimates by the US International Trade Administration. Even though the health care industry was partially impacted in 2018 by the currency crisis and the substantial devaluation of the Turkish lira, rising incomes and increasing health consciousness in the population have helped demand for health services grow. This trend is supported by an improved health insurance system and increased government benefits. More and more people are enjoying medical treatment and are able to use hospital services.

Providers of medical technology in Russia will soon benefit from more public spending on the health care system. Russia's health care program seeks to lower death rates from cardiovascular diseases by one third and from cancer by 10 percent. To achieve these goals, more than €4 billion will be provided in the coming years for constructing and equipping medical facilities. Positive stimuli are also expected in Russia from the private health sector. Despite stagnating incomes, disproportionate sales growth could be realized here since social strata with middle and high incomes have been affected less by the economic crisis in Russian than others. Russian patients are also accustomed to paying for preventive care out of pocket, which additionally promotes private medicine.

In North America, we expect the growth rates in the health care industry to vary in the future. For the US health care market, poorer growth rates are expected over the medium term despite the aging population. Forecasts show an annual growth of 1.6 percent until 2021. This trend is supported by the fact that the number of health care facilities will only increase slightly in the medium term. New hospitals will be offset by the merger or closure of health care facilities in urban centers. In addition, more focus is being placed on qualitative rather than quantitative improvements to health care. From these trends, it is expected that volume growth will stagnate and business will shift slightly toward services, maintenance and repair. Only the latest generation of devices are able to improve sales. The medical technology market in Canada will continue to grow robustly, especially in the area of digital health. This is also in the interest of the Canadian health ministry, which is looking to commit more to the recognition and implementation of digital technology. Given the long waiting times and a lack of primary care physicians, as well as the occasionally enormous distances between patients and doctors, the demand in Canada for health services via telemedicine is likely to grow continuously.

Health care expenditures in Asia-Pacific region will continue to grow in 2019. Japan's health economy will move constantly upward, since the need for high-tech health products continues to grow. To keep public health care expenditures from getting out of control, the Japanese government will soon rely more on price controls and private supplemental care. Generics, modern medical technology and telemedicine will continue to contribute to reducing costs. Forecasts show that the market volume has exceeded its peak level. China will continue to expand its health care system, however more attention will also be paid to controlling costs. For example, locally developed generics and medical devices will be used more and more often. Global topics such as digitization and artificial intelligence are still in the early stages. However, their significance to the Chinese health care industry will grow considerably. The growth prospects for India's health market continue to be good. Growth will be borne by the size of the population and the substantial catch-up demand within the health care industry. In the long term, a budding middle class will also drive spending upward. India's government is also focusing more on eHealth solutions, since they could improve the country's primary health care. When compared internationally, they are currently still well underdeveloped, but could be improved through digital health care. Accordingly, the predicted growth rates for telemedicine are positive. In Malaysia, the importance of the health care industry is being underlined by the budget bill for 2019. The biggest part of the budget will be used to upgrade and expand existing hospitals as well as procure pharmaceuticals and medical equipment.

In Latin America, rising demand will drive the growth of the health care industry. The Mexican health care industry will demand more medical devices in the coming years, although market growth will slow down. The professionalization of the industry will be further driven in the coming years by the construction of new hospitals in public-private partnerships. Rising sales volumes are expected for pharmaceuticals. Sales should increase by 6 percent in the coming years. However, there has been a shift toward generic drugs and counterfeiting is on the rise. Brazil is expecting rather marginal growth in the health care market over the medium term, since the major consumers are unable to increase their spending due to government restrictions. The health budget has been linked to inflation until 2026. Despite the crisis in the previous year, Argentina's health care market is one of the most promising in Latin America. Industry sales are expected to increase by nearly a quarter between 2018 and 2021. The outlook is particularly good for pharmaceuticals, sales of which should increase another 28 percent between 2018 and 2021.

The Gulf region and Africa will continue to offer major market potential for health care industry providers in 2019 due to the region's massive catch-up demand. South Africa's medical technology market will continue to grow, since both the public and the private health sectors have announced investments. Private hospital operators primarily wish to invest in radiology and oncology. The government is also providing additional funds to expand health care infrastructure. The public health sector of Kenya, by contrast, is in an ongoing slump, so no significant growth can be expected for the time being. Mismanagement and institutionalized misappropriation are common because the state cannot fulfill its health policy goals. In Iran, commitment by Western investors hoped for in the health care industry is unlikely. The need for investment, on the other hand, is abundant. The hospital sector, for example, is planning to increase capacity from around 2 beds to 3 beds per 1,000 inhabitants.

BUSINESS AND EARNINGS OUTLOOK

We expect the B. Braun Group to continue its sales growth in the 2019 fiscal year. Sales growth is expected to be between 5 and 7 percent, assuming exchange rates remain constant (2018: €6,908.1 million). Due to the expected changes in exchange rate parities, the rate of increase in euros will be lower. We expect more dynamic growth in the B. Braun Avitum and Out Patient Market divisions than in the rest of the Group. For B. Braun Avitum, product business will grow due to new product generations and greater demand for consumables. A strong increase is expected in provider business through the expansion of the centers in Russia as well as procurements won in Spain, Ireland and Sweden. Growth will also be supported by the initial consolidation of the Ambulantes Herzzentrum outpatient cardiac center in Kassel (Germany) that was acquired on January 1, 2009. This will add invasive and noninvasive cardiology to our provider business. We expect dynamic growth in the areas of continence care & urology and diabetes care as well as wound management in the Out Patient Market division. Aesculap will be able to grow considerably in the Asia-Pacific and Latin America regions. New vascular system, spine and orthopedic product launches will make further sales growth possible. In the Hospital Care division, growth in the areas of compounding, automatic infusion systems and pain treatment products will be above average. The global health care market will continue to be divided in two. We expect increased volume in developing and emerging markets. We will be able to share in the growing demand thanks to our increased capacity and international presence. We expect the Asia-Pacific region to achieve a significant increase in 2019 following restrained growth in the reporting year. China, India and the Philippines will experience above-average growth. Latin America can achieve a good sales increase at constant exchange rates but will be impacted greatly in euros due to the expected devaluation of the Argentine peso and the Brazilian real. Chile, Colombia and Mexico will be the region's drivers of growth. North America will be able to grow strongly in US dollars, but the increase in euros will be lower. In the established markets of Europe (not including Germany), we assume a slight increase in demand overall. Germany, on the other hand, will see a clear rise in sales, especially with products and services from the B. Braun Avitum and Aesculap divisions. In the Africa and Middle East region, we expect dynamic growth.

On the earnings side, we expect our key performance indicators, interim profit and EBIT, to finish within a range of €525 million to €550 million in 2019, assuming constant exchange rates (previous year: interim profit of €533.2 million and EBIT of €520.5 million). If exchange rates remain constant, we expect EBITDA to increase to over € 1 billion (2018: €952.5 million). Our goal is to increase the EBITDA margin. All divisions should contribute to improved earnings. The increase in profitability stems, in part, from the completion of major investment projects and increases in volume, which will drive improved production capacity utilization. The launch of new products will also have a positive impact on earnings. The strategic goal in connection with our proactive working capital management, at constant exchange rates, for CIW is approximately 16 weeks (2018: 17.5 weeks) and for DSO, we want to maintain the low level of the reporting year (65 days) in 2019 as well.

An increase in regulatory requirements, higher start-up costs than expected for our new plants, rising labor and raw materials costs as well as exchange rate trends can affect our forecast substantially. The effects of a disorderly Brexit are difficult to predict, but can also impact B. Braun. The political developments in the United States, Turkey and the Middle East also cannot be predicted with certainty. Existing uncertainty as well as the first indications of a slowing global economy can cause reticence in investors and consumers. Intense competition on the health care markets and the reform efforts of various governments to make health care more efficient will keep the pricing pressure high on all markets.

EXPECTED FINANCIAL POSITION

B. Braun will continue its solid financial policy of the last few years in the future as well. We are striving for an equity ratio of over 38 percent for 2019. At the same time, we will maintain our current dividend policy.

The financing volume for long-term maturities will be €260 million for 2019 and €130 million in 2020. Due to longstanding banking relationships and the sustained earning power of B. Braun, we do not expect any significant risks in connection with the upcoming financing measures. Slightly higher interest rates are to be expected as central banks move away from an expansionary monetary policy. If geopolitical conflicts worsen, there may be an increase in uncertainty in the capital markets, resulting in higher risk premiums. On the whole, this could make it more expensive for B. Braun to obtain financing. However, we do not consider this a substantial risk to B. Braun at this time. The goal is to finance the investments in tangible assets planned for the coming years predominantly with the current cash flow.

With the Group-wide cash pooling system, we will ensure optimal distribution of cash within the Group in the future as well. Furthermore, Group-wide inventory and receivable management projects permanently limit the need for financing.

OVERALL STATEMENT ON THE OUTLOOK FOR THE GROUP

Based on the assumptions presented with regard to the performance of the global economy and the health care market, we expect positive sales and earnings for B. Braun Group in 2019. We expect further sales growth over fiscal year 2019 and to meet our strategic targets. With our extensive investments in new plants, we can achieve our desired volume growth. The continuous improvement of internal processes in conjunction with optimal production capacity utilization will increase our profitability. At the same time, we are developing products and health solutions in dialog with users and patients that facilitate economical care and secure competitive advantages for us. This is supported by a digitized and agile operating method. Our system solutions, combined with the economic stability of B. Braun, are sustainably securing optimal patient care.

Melsungen, Monday, February 25, 2019

The Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

	Notes	2018 € '000	2017 € '000
Sales	1)	6,908,099	6,788,868
Cost of goods sold	2)	-3,984,180	-3,833,727
Gross profit		**2,923,919**	**2,955,141**
Selling expenses	3)	-1,734,326	-1,698,706
General and administrative expenses		-338,350	-351,969
Research and development expenses	4)	-318,034	-315,948
Interim profit		**533,209**	**588,518**
Other operating income	5)	279,309	237,553
Other operating expenses	6)	-316,775	-279,678
Operating profit		**495,743**	**546,393**
Profit from financial investments/equity method	7)	21,975	12,835
Financial income		6,980	6,979
Financial expenses		-75,973	-68,161
Net financial income (loss)	8)	-68,993	-61,182
Other financial income (loss)	9)	2,826	15,699
Profit before taxes		**451,551**	**513,745**
Income taxes	10)	-123,157	-102,267
Consolidated net income		**328,394**	**411,478**
Attributable to:			
B. Braun Melsungen AG shareholders		(311,417)	(393,234)
Non-controlling interests		(16,977)	(18,244)
		328,394	**411,478**
Earnings per share (in €) for B. Braun Melsungen AG shareholders in the fiscal year (diluted and undiluted)	11)	16.05	20.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 € '000	2017 € '000
Consolidated net income	**328,394**	**411,478**
Items not reclassified as profits or losses		
Revaluation of pension obligations	-29,091	59,101
Income taxes	8,940	-19,480
Changes in amount recognized in equity	**-20,151**	**39,621**
Items potentially reclassified as profits or losses		
Changes in fair value of securities	3,154	-31
Income taxes	0	0
Changes in amount recognized in equity	**3,154**	**-31**
Cash flow hedging instruments	-1,765	12,087
Income taxes	240	-3,338
Changes in amount recognized in equity	**-1,525**	**8,749**
Changes due to currency translation	12,686	-191,161
Income taxes	0	0
Changes in amount recognized in equity	**12,686**	**-191,161**
Changes recognized directly in equity (after taxes)	-5,836	-142,822
Comprehensive income in the reporting year	**322,558**	**268,656**
Attributable to:		
B. Braun Melsungen AG shareholders	(301,767)	(262,128)
Non-controlling interests	(20,791)	(6,528)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Assets			
Non-current assets			
Intangible assets	14) 16)	818,274	757,046
Property, plant, and equipment	15) 16)	4,589,293	4,196,433
Financial investments (equity method)	17)	468,129	455,965
Other financial investments	17)	63,262	61,989
of which financial assets		(63,262)	(61,988)
Trade receivables	18)	36,063	27,431
Other assets	19)	49,047	40,070
of which financial assets		(42,961)	(35,200)
Income tax receivables		2,955	1,905
Deferred tax assets		305,313	294,777
		6,332,336	**5,835,616**
Current assets			
Inventories	20)	1,344,425	1,178,480
Trade receivables	18)	1,105,722	1,120,559
Other assets	19)	307,585	260,059
of which financial assets		(145,869)	(127,749)
Income tax receivables		59,560	64,864
Cash and cash equivalents	21)	74,763	66,371
		2,892,055	**2,690,333**
Total assets		**9,224,391**	**8,525,949**
Equity			
Subscribed capital	22)	800,000	800,000
Capital reserves and retained earnings	23)	2,862,858	2,611,201
Effects of foreign currency translation		-189,986	-198,805
Equity attributable to B. Braun Melsungen AG shareholders		**3,472,872**	**3,212,396**
Non-controlling interests	24)	227,015	223,988
Total equity		**3,699,887**	**3,436,384**
Liabilities			
Non-current liabilities			
Provisions for pensions and similar obligations	25)	1,332,051	1,268,987
Other provisions	26)	118,452	113,318
Financial liabilities	27)	1,673,103	1,549,013
Trade accounts payable	29)	2,947	2,897
Other liabilities	29)	51,552	51,307
of which financial liabilities		(10,711)	(16,936)
Deferred tax liabilities		130,045	117,897
		3,308,150	**3,103,419**
Current liabilities			
Other provisions	26)	61,814	61,162
Financial liabilities	27)	777,958	675,508
Trade accounts payable	29)	529,176	481,009
Other liabilities	29)	807,201	726,243
of which financial liabilities		(338,741)	(319,960)
Current income tax liabilities		40,205	42,224
		2,216,354	**1,986,146**
Total liabilities		**5,524,504**	**5,089,565**
Total equity and liabilities		**9,224,391**	**8,525,949**

CONSOLIDATED ASSET ANALYSIS

	Costs of acquisition and manufacture					
	Jan. 1, 2018	Foreign currency translation	Additions to scope of consolidation	Disposals from scope of consolidation	Additions	Transfers
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Intangible assets						
Acquired goodwill	266,620	-2,348	47,412	0	1,925	999
Licenses, trademarks, and other similar rights	640,429	-5,145	4,245	0	23,872	43,935
Internally created intangible assets	118,562	5,439	0	0	14,522	0
Advance payments	111,179	-56	0	0	23,865	-41,228
Total	**1,136,790**	**-2,110**	**51,657**	**0**	**64,184**	**3,706**
Property, plant, and equipment						
Land and buildings	2,230,999	9,544	4,077	0	38,534	131,421
Technical plants and machinery	3,404,642	34,688	6,250	0	100,907	127,555
Other plants, operating and office equipment	1,084,003	-6,899	5,137	-27	95,478	63,488
Advance payments and assets under construction	731,820	10,373	219	0	515,058	-326,170
Total	**7,451,464**	**47,706**	**15,683**	**-27**	**749,977**	**-3,706**
Financial investments						
Financial investments (equity method)	455,965	31	-252	0	13,486	-876
Other holdings	33,329	0	517	-43,579	53,134	1,593
Loans to companies in which the Group holds an interest	2,159	-87	412	0	6,436	0
Securities	5,736	0	0	0	0	0
Other loans	23,439	19	0	0	770	-717
Total	**520,628**	**-37**	**677**	**-43,579**	**73,826**	**0**
	9,108,882	**45,559**	**68,017**	**-43,606**	**887,987**	**0**

Disposals	Changes in fair value	Dec. 31, 2018	Depreciation and amortization Accumulated 2017	Fiscal year 2018	Other changes*	Accumulated 2018	Carrying amounts Dec. 31, 2018	Dec. 31, 2017
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
-129	0	314,479	503	-234	326	595	313,884	266,117
5,052	0	712,388	356,877	49,484	5,199	411,560	300,828	283,552
0	0	138,523	22,364	4,298	1,082	27,744	110,779	96,198
-977	0	92,783	0	976	-976	0	92,783	111,179
3,946	**0**	**1,258,173**	**379,744**	**54,524**	**5,631**	**439,899**	**818,274**	**757,046**
-22,931	0	2,391,644	648,202	66,568	-10,079	704,691	1,686,953	1,582,797
-44,235	0	3,629,807	1,895,308	212,534	-30,351	2,077,491	1,552,316	1,509,334
-37,474	0	1,203,706	708,916	97,807	-24,512	782,211	421,495	375,087
-400	0	930,900	2,605	498	-732	2,371	928,529	729,215
-105,040	**0**	**8,156,057**	**3,255,031**	**377,407**	**-65,674**	**3,566,764**	**4,589,293**	**4,196,433**
-225	0	468,129	0	0	0	0	468,129	455,965
-2,493	3,972	46,473	29	-29	0	0	46,473	33,300
-746	0	8,174	0	0	0	0	8,174	2,159
0	-849	4,887	2,625	0	0	2,625	2,262	3,111
-17,021	0	6,490	20	0	117	137	6,353	23,419
-20,485	**3,123**	**534,153**	**2,674**	**-29**	**117**	**2,762**	**531,391**	**517,954**
-121,579	**3,123**	**9,948,383**	**3,637,449**	**431,902**	**-59,926**	**4,009,425**	**5,938,958**	**5,471,433**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

See notes 22–24	Subscribed capital € '000	Capital reserves € '000
January 1, 2017	**800,000**	**10,226**
Dividend of B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
Changes recognized directly in equity (after taxes)		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
Comprehensive income over the period	**0**	**0**
Other changes	0	0
December 31, 2017/Jan. 1, 2018	**800,000**	**10,226**
Dividend of B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
Changes recognized directly in equity (after taxes)		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
Comprehensive income over the period	**0**	**0**
Other changes	0	0
December 31, 2018	**800,000**	**10,226**

	Retained earnings € '000	Other reserves € '000	Treasury stock € '000	Equity atribut-able to owners € '000	Non-control-ling interests € '000	Equity € '000
	2,185,502	**-29,825**	**0**	**2,965,903**	**206,049**	**3,171,952**
	-32,000	0	0	-32,000	0	-32,000
	0	0	0	0	0	0
	393,234	0	0	393,234	18,244	411,478
	0	-31	0	-31	0	-31
	0	8,049	0	8,049	700	8,749
	38,014	0	0	38,014	1,607	39,621
	0	-177,138	0	-177,138	-14,023	-191,161
	431,248	**-169,120**	**0**	**262,128**	**6,528**	**268,656**
	16,365	0	0	16,365	11,411	27,776
	2,601,115	**-198,945**	**0**	**3,212,396**	**223,988**	**3,436,384**
	-32,000	0	0	-32,000	0	-32,000
	0	0	0	0	0	0
	311,417	0	0	311,417	16,977	328,394
	0	3,162	0	3,162	-8	3,154
	0	-729	0	-729	-796	-1,525
	-20,902	0	0	-20,902	751	-20,151
	0	8,819	0	8,819	3,867	12,686
	290,515	**11,252**	**0**	**301,767**	**20,791**	**322,558**
	-9,291	0	0	-9,291	-17,764	-27,055
	2,850,339	**-187,693**	**0**	**3,472,872**	**227,015**	**3,699,887**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 € '000	2017 € '000
Operating profit		495,743	546,393
Income tax paid		-108,592	-158,959
Depreciation and amortization of property, plant, and equipment and intangible assets (net of appreciation)		431,931	410,166
Change in non-current provisions		60,838	-17,213
Interest received and other financial income		6,931	4,812
Interest paid and other financial expenditure		-46,762	-42,253
Other non-cash income and expenses		-53,859	82,736
Gain/loss on the disposal of property, plant, and equipment and intangible or other assets		-9,163	2,398
Gross cash flow	**34)**	**777,067**	**828,080**
Change in inventories		-164,105	-98,573
Change in receivables and other assets		-56,085	-148,080
Change in liabilities, current provisions and other liabilities (excluding financial liabilities)		69,590	73,679
Cash flow from operating activities (net cash flow)	**34)**	**626,467**	**655,106**
Investments in property, plant, and equipment and intangible assets		-794,130	-747,294
Investments in financial assets		-16,579	-94,873
Acquisitions of subsidiaries, net of cash acquired		-39,065	-90,438
Proceeds from sale of subsidiaries and holdings		3,641	13,537
Proceeds from sale of property, plant, and equipment, intangible assets and other financial assets		32,227	4,499
Dividends and similar revenues received		16,636	23,933
Cash flow from investing activities	**35)**	**-797,270**	**-890,636**
Free cash flow		**-170,803**	**-235,530**
Capital contributions		282	5,935
Dividends paid to B. Braun Melsungen AG shareholders		-32,000	-32,000
Dividends paid to non-controlling interests		-10,613	-7,743
Deposits and repayments for profit-sharing rights		-5,270	-283
Loans		407,393	487,347
Loan repayments		-201,304	-268,480
Cash flow from financing activities	**36)**	**158,488**	**184,776**
Change in cash and cash equivalents		**-12,315**	**-50,754**
Cash and cash equivalents at the start of the year		66,371	90,456
Exchange gains (losses) on cash and cash equivalents		20,707	26,669
Cash and cash equivalents at year end	**37)**	**74,763**	**66,371**

NOTES

GENERAL INFORMATION

The consolidated financial statements of B. Braun Melsungen AG – hereinafter also referred to as the B. Braun Group – as of Monday, December 31, 2018 have been prepared in compliance with Section 315e (3) of the German Commercial Code (HGB) according to the International Financial Reporting Standards (IFRS) applicable as of the reporting date published by the International Accounting Standards Board (IASB), London, as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as stipulated by the EU, and have been published in the online edition of the German Federal Gazette (Bundesanzeiger).

B. Braun Melsungen AG is a globally engaged, family-owned company headquartered in Melsungen, Germany. The company's address is Carl-Braun-Str. 1, 34212 Melsungen. B. Braun Melsungen AG is registered in the commercial registry of the Fritzlar Administrative Court (HR B 11000).

B. Braun Holding GmbH & Co. KG in Melsungen is the parent company of B. Braun Melsungen AG, as defined in Section 290 (1) HGB, and is required to produce consolidated financial statements that include the consolidated financial statements of B. Braun Melsungen AG. The consolidated financial statements are submitted to the online edition of the German Federal Gazette (Bundesanzeiger).

B. Braun Melsungen AG and its subsidiaries manufacture, market, and sell a broad array of health care products and services for intensive care units, anesthesia and emergency care, extracorporeal blood treatment, and surgical core procedures. The major manufacturing facilities are located in the EU, Switzerland, the USA, Brazil, Vietnam and Malaysia. The company distributes its products via a worldwide network of subsidiaries and associated companies.

The Management Board of B. Braun Melsungen AG approved the consolidated financial statements for submission to the company's Supervisory Board on Monday, February 25, 2019. The Audit Committee of the Supervisory Board plans to discuss the consolidated financial statements at its meeting on Tuesday, March 5, 2019, and the Supervisory Board shall approve the consolidated financial statements at its meeting on Tuesday, March 19, 2019.

The consolidated financial statements have been prepared based on historical costs, except for financial assets/liabilities including derivative financial instruments measured at fair value through profit and loss. Unless otherwise indicated, the accounting policies were used consistently for all periods referred to in this report.

In the statement of financial position, a distinction is made between current and non-current assets and liabilities. The statement of income is presented using the cost-of-goods-sold method. Using this format, net sales are compared to expenses incurred to generate these sales, classified by the expense categories Cost of Goods Sold, Selling, General and Administrative, and Research and Development. To improve the informational content of the consolidated statement of financial position and consolidated statement of income, further details on individual entries have been provided in the notes to the consolidated financial statements. The consolidated financial statements have been prepared in euros. Unless otherwise stated, all figures are presented in thousands of euros (€ '000).

The financial statements of B. Braun Melsungen AG and its subsidiaries included in the consolidated financial statements have been prepared using standardized Group accounting policies.

New and amended International Financial Reporting Standards and Interpretations whose application is mandatory for the first time for fiscal years beginning on or after Monday, January 1, 2018 (IAS 8.28)

IFRS 9, Financial Instruments

The IASB completed its project to replace IAS 39, Financial Instruments: Recognition and Measurement in July 2014 with the publication of the final version of IFRS 9, Financial Instruments. In its final version, IFRS 9 contains in particular fundamentally revised regulations on classifying and measuring financial instruments, accounting for the depreciation of financial assets, and hedge accounting relationships. For classifying and measuring financial assets, IFRS 9 provides the models "Hold to Achieve Contractual Cash Flows," "Hold and Sell" and "Intention to Trade" as a function of the company's business model. The classification and measurement rules for financial liabilities have changed very little through IFRS 9. The revised measurement rules for financial assets and liabilities will have no material effect on the net assets, financial position and earnings situation of the B. Braun Group. Due to the new rules governing accounting for depreciation, their recognition fundamentally changes, since not only incurred losses (current incurred loss model), but also expected losses (so-called expected loss model) are to be recognized, whereby the scope of recognition of expected losses is differentiated further based on whether or not the credit risk of financial assets has deteriorated markedly since their addition. The new rules on accounting for impairment will also have no material effect on the net assets, financial position or earnings situation of the B. Braun Group. Also, the rules for hedge accounting have been completely revised. The primary aim of the new rules is to orient hedge accounting more strongly toward the company's economic risk management. A hedging relationship must therefore be maintained for accounting purposes as long as the documented risk management objective for this hedging relationship has not changed, and the other conditions for hedge accounting are met. Furthermore, individual risk components can be considered under IFRS 9 in isolation under certain conditions, even in non-financial transactions. In addition, the requirements for demonstrating the effectiveness of hedging transactions are changing. With regard to hedge accounting regulations, the B. Braun Group exercises the option to voluntarily continue to apply the relevant IAS 39 regulations after IFRS 9 has taken effect. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. Initial application will generally be retroactive under the application of various exemption options. Earlier voluntary application was permitted, but the B. Braun Group did not elect to do so.

IFRS 15, Sales from Customer Contracts

On the one hand, the objective of the revised standards is, in particular, to unify the previous, less extensive regulations in the IFRS, and on the other, to standardize the very detailed and somewhat industry-specific regulations under US GAAP, thus improving the transparency and comparability of financial information. Under IFRS 15, sales are then realized when the customer obtains control of the agreed goods and services, and can benefit from their use. The decisive factor is no longer a major transfer of risks and rewards, as under the old provisions of IAS 18, Sales. Sales are to be valued as quid pro quo, that is, the compensation that the company expects to receive. The new model provides a five-step scheme for determining sales recognition, whereby in the first step the customer agreement and the separate performance obligations contained therein must be identified. Subsequently, the transaction price of the customer's contract shall be determined and divided up among the individual obligations. Finally, sales should be realized according to the new model for each performance obligation at the allocated pro rata transaction price as soon as the agreed service has been performed or the customer has obtained the power of disposal over it. A distinction that is based on predefined criteria is made here between point-in-time-related and period-of-time-based performance fulfillments. The new standard does not distinguish between different job and activity types, but establishes standardized criteria for when a service that is rendered should be realized as a point-in-time or period-of-time. In the future, IFRS 15 provisions will replace both the contents of IAS 18, Sales and IAS 11, Construction

Contracts. In addition, a variety of other items are controlled for the first time and this could have implications for the current accounting policy, such as provisions for contract modifications or repurchase agreements. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Group did not opt for earlier, voluntary application. The B. Braun Group applies a modified version of the standard retroactively. For certain business models with multi-component contracts, the required separation of performance obligations and the resulting allocation of transaction price may alter the time line for recording sales in the future. However, the amendments currently have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

On December 8, 2016 the IFRS IC published an interpretation to clarify accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for reporting periods beginning on or after January 1, 2018. Earlier voluntary application was permitted, but the B. Braun Group did not elect to do so. The amendments have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

New and amended International Financial Reporting Standards and Interpretations that have already been published, but whose application is not yet mandatory for companies whose fiscal year ends on Monday, December 31, 2018 (IAS 8.30) and whose adoption is still pending in some EU countries

IFRS 16, Leases

On January 13, 2016, the IASB published a new standard which fundamentally reforms the financial reporting of leases. Previously, all leases had been recognized either as finance leases or as operating leases. This distinction will cease to apply in the future for the lessee. Under the new standard, all leases are recognized in the balance sheet in the form of right-of-use assets and the financial liabilities, comparable to the existing procedure for finance leases. The relevant values are based on the present value of the lease payments that at this time have not yet been made. In the income statement, the lessee will disclose a depreciation charge for the lease assets and an interest expense on lease liabilities for each lease, in lieu of straight-line lease expenses. The disclosure of leases can only deviate from these rules if one of two possible exemptions applies (short-term leases and low-value leases). The Group will opt for these exemptions. Unlike lessees, lessors will still have to classify leases as either finance leases or operating leases under IFRS 16. IFRS 16 is effective for reporting periods beginning on or after Tuesday, January 1, 2019. The Group does not opt for earlier, voluntary application. Initial application will generally be retroactive, and the Group will exercise the option of modified retroactive recognition. The B. Braun Group has established a Group-wide project for implementing IFRS 16. The analysis phase is complete and the contract has been drafted. When the exemptions are first applied, the B. Braun Group expects to capitalize usage rights totaling €405.5 million and recognize corresponding leasing liabilities totaling €402.2 million for leases previously classified as operating leases, which will reduce the equity ratio by around 1.7 percentage points. By apportioning previous leasing expenses into depreciations and interest expenses, EBITDA is expected to increase by around €100 million and operating profit by about €8 million.

IFRIC 23, Uncertainty over Income tax treatments

The interpretation published on June 7, 2017 by the IFRS IC includes recognition and measurement requirements for tax risk positions and closes previous gaps in the requirements in IAS 12 Income Taxes. An uncertain tax treatment under IFRIC 23 is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority and therefore is not limited to existing disputes with the tax authority. In order for a tax treatment to be recognized as an asset or a liability, a payment or a refund must be considered probable. The tax authority must have exhaustive access to the relevant information in making an assessment. Either the most likely amount or the expected amount should be used. The interpretation further clarifies that tax treatments can affect both the determination of actual tax amounts as well as deferred taxes and for that reason when making the determination is necessary to make estimates and assumptions in a consistent manner. The interpretation also contains references to existing requirements and mandatory information to be included in notes concerning important decisions, assumptions and estimates. The rules are to be applied either retrospectively, as required under IAS 8, or in simplified form in which the cumulative effect of the initial application is recognized as an adjustment to equity on the date of initial application. IFRIC 23 is effective for reporting periods beginning on or after Tuesday, January 1, 2019. Earlier voluntary application is permitted, but the B. Braun Group will not elect to do so. The amendments are expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

Amendments to IAS 28, Investments in Associates and Joint Ventures, long-term interests

The amendment was published by IASB to clarify that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. IFRS 9, Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28, Investments in Associates and Joint Ventures. However, IFRS IC has been informed that for some stakeholders that it is not clear whether that exclusion applies only to interests in associates and joint ventures to which the equity method is applied. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures. These amendments are effective for reporting periods beginning on or after Tuesday, January 1, 2019. The amendments are to be applied retrospectively, but transition aids are provided similar to those in IFRS 9 for companies that only apply the amendments after an initial application of IFRS 9. They also include relief from restating prior periods for entities electing, in accordance with IFRS 4 Insurance Contracts, to apply the temporary exemption from IFRS 9 Full retrospective application is permitted if that is possible without the use of hindsight. The amendments are expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

Amendments to IFRS 9, Prepayment Features with Negative Compensation

The IASB has published IFRS 9 to address the concerns about how IFRS 9, Financial Instruments, classifies particular prepayable financial assets. Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower. Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e., depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. The amendments to IFRS 9 are to be applied retrospectively to fiscal years beginning on or after January 1, 2019. The amendments are expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

As part of the ongoing improvement project of the IFRS, adjustments to wordings for clarification and amendments were also made. These have no major impact on the net assets, financial position, and earnings situation of the B. Braun Group.

Aside from the standards described in detail above, the IASB has published additional standards/amendments to standards that do not affect the B. Braun Group:

Amendments to IFRS 2, Share-Based Payment: This applies to reporting periods beginning on or after January 1, 2018.

Amendments to IAS 40, Investment Property: Changes of use: This applies to reporting periods beginning on or after January 1, 2018.

IFRS 17, Insurance Contracts; this applies to reporting periods beginning on or after January 1, 2018; EU adoption (endorsement) of this rule is still pending.

Critical assumptions and estimates for accounting policies

The preparation of financial statements in accordance with IFRS requires management to make assumptions and estimates that have an effect on the reported amounts and their related statements. While management makes these estimates to the best of its knowledge and abilities based on current events and measures, there is a possibility that actual results may differ. Estimates are necessary in particular when:

- Assessing the need for and the amount of write-downs and other value adjustments;
- Measuring pension obligations;
- Recognizing and measuring provisions;
- Establishing inventory provisions;
- Evaluating the probability of realizing deferred tax assets;
- Calculating the value in use of cash-generating units (CGU) for impairment testing.

The Group's management determines the expected useful life of intangible assets and property, plant, and equipment, and therefore their depreciation or amortization, based on estimates. These assumptions can change materially, for example as a result of technological innovations or changes in the competitive environment. Should their actual useful life be shorter than the estimate, management adjusts the amount of depreciation or amortization. Assets that are technologically outdated or no longer usable under the current business strategy are fully or partially written off.

The present value of pension obligations depends on a number of factors, which are based on actuarial assumptions. The assumptions used for the calculation of net pension expenses (and income) include the applicable discount rate for pension obligations. Any change in such assumptions will have an effect on the carrying amount of the pension provisions. Obligations from defined benefit pension plans, as well as pension expenses for the following year, are determined based on the parameters outlined under Note 25.

The method of determining interest rates is unchanged from the year before. An interest yield curve is derived from the analysis of corporate bonds. The discount rate is calculated by measuring a sample cash flow comparable to the circumstances of B. Braun using the interest yield curve and deriving an equivalent standard discount rate.

The recognition and measurement of other provisions is based on estimates regarding the probability of a future outflow of resources, as well as experience and known circumstances as of the reporting date. The actual liability may differ from the amounts of the provisions established.

The estimate of inventory provisions is based on the projected net realizable value (i. e. the estimated selling price, less the estimated cost of completion and the estimated selling expenses). Actual sales and actual costs incurred may differ from these estimates.

Deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available in the future. The actual taxable profits in future periods may differ from the estimates made on the date such deferred tax assets are capitalized.

Goodwill is tested for impairment annually based on a three-year forecast using projections of specific annual growth rates for the subsequent period. An increase or decrease in the projected annual growth rates would alter the estimated fair value of a given cash-generating unit.

Scope of consolidation

In addition to B. Braun Melsungen AG, the consolidated financial statements include 72 domestic and 210 foreign subsidiaries for which B. Braun Melsungen AG is exposed to variable returns and has the ability to influence them.

Subsidiaries are included in the consolidated financial statements effective on the day control is assumed by the Group. Consolidation is discontinued as of the day on which such control ends.

The change in the number of Group companies as of Monday, December 31, 2018 and 2017 respectively is shown below:

	2018	2017
Included as of December 31 of previous year	269	263
Companies included for the first time	21	17
Company consolidations discontinued	-4	-2
Business combinations	-4	-9
Companies now consolidated using the equity method due to the sale of shares	0	0
Included as of December 31 of reporting year	**282**	**269**

Deconsolidated companies had no material impact on the statement of financial position or the statement of income in fiscal year 2018.

The impact of company acquisitions on the statement of financial position at the time of initial consolidation and on the principal items in the statement of income for fiscal year 2018 is shown below:

	Carrying amount € '000	Fair value € '000
Non-current assets	16,401	29,103
Current assets	12,994	12,994
Acquired assets	**29,394**	**42,096**
Non-current provisions and liabilities	629	1,550
Current provisions and liabilities	9,479	9,479
Acquired liabilities	**10,108**	**11,029**
Net assets acquired	**19,286**	**31,067**
Non-controlling interests	126	126
Prorated net assets	**19,160**	**30,941**
Goodwill		49,611
Cost of acquisition		**81,918**
of which non-controlling interests		(1,366)
Cash and cash equivalents acquired		3,618
Cash outflow from acquisitions		**78,299**
Sales		17,996
Operating profit		1,158
Consolidated net income		1,029

The total cost of acquisitions made during the fiscal year that were not significant individually or in aggregate was €81.9 million and was paid in cash. B. Braun Melsungen AG's ability to influence variable return, in all company acquisitions completed during the fiscal year, is based on its possession of a majority of voting rights.

In the context of acquisitions, unrecognized assets in the amount of €12.7 million have been recognized in the reporting year so far, which consisted largely of intangible assets. Receivables amounting to €3.9 million (gross €3.7 million) were acquired. The goodwill remaining after purchase price allocation amounted to €49.6 million, which includes a partial amount of €9.4 million based on a temporary purchase price allocation for which the valuation of intangible assets remains incomplete because of how close the acquisition was to the reporting date. The goodwill is not deductible and is largely attributable to sales and production synergies.

If all of the acquisitions had been made at the start of the current fiscal year, the Group's sales would have been €25.5 million higher. After-tax earnings would have been €800,000 lower.

On January 23, 2018, 100% of shares in Uninephro S.A. in Matosinhos, Portugal were acquired in a share deal. The company operates three dialysis centers in Portugal. Entry into a new market expanded our network of dialysis centers around the world.

On February 20, 2018, the company Dextera Surgical Inc. in Redwood City, CA USA was acquired in an asset deal. This acquisition expanded our product portfolio in the area of cardiothoracic surgery.

On May 18, 2018, 100% of shares in Diaverum Pty Ltd. in Lindfield, Australia were acquired in a share deal. The company operates five dialysis centers in Australia and New Zealand. Entry into two new markets expanded our network of dialysis centers around the world.

On October 1, 2018, two nephrology clinics in Dresden and Dudweiler were acquired in asset deals. These acquisitions strengthened our network of dialysis centers in Germany.

On December 11, 2018, a pharmaceutical production facility owned by Ivee Infusions EPZ Limited in Nairobi, Kenya was acquired in an asset deal. The new facility will manufacture small- and large-volume intravenous fluids as well as eye drops for the East African market. This acquisition will strengthen the brand equity and perception of B. Braun in Africa.

These changes did not adversely impact the comparability of the financial statements with those of the previous year.

Holdings in two joint ventures and 25 associated companies are recognized in the consolidated financial statements as of the reporting date. Three associated companies were not measured using the equity method on materiality grounds.

REVIUM Rückversicherung AG is included in the consolidated financial statements of B. Braun Melsungen AG as a wholly owned subsidiary. The only business purpose of REVIUM Rückversicherung AG is to arrange reinsurance with companies (direct insurers) with which B. Braun Melsungen AG has taken out insurance contracts. It does not arrange any insurance contracts with third parties that extend beyond this and does not cover risks outside of the B. Braun Group. Due to its narrowly defined business purpose, REVIUM Rückversicherung AG has no material impact on the net assets, financial position, and earnings situation of the B. Braun Group as a whole.

As part of an asset-backed securities program, trade receivables for individual Group companies are assigned to a structured unit. This structured unit shall not be consolidated in the B. Braun Melsungen AG consolidated financial statements. Please see Note 18 for further information.

The complete list of shareholdings belonging to the Group, and to B. Braun Melsungen AG, is provided in Notes to the consolidated financial statements.

The following companies are included in the consolidated financial statements of B. Braun Melsungen AG:

B. Braun Facility Services GmbH & Co. KG, Melsungen
Hansepharm GmbH & Co. KG, Roth
Invitec GmbH & Co. KG, Duisburg
CeCaVa GmbH & Co. KG, Tübingen
B. Braun Miethke GmbH & Co. KG, Potsdam

They meet the conditions of Section 264 b of the German Commercial Code (HGB) and are thus exempted from the requirement to compile Notes and a management report as well as the publishing of financial statements.

The following companies meet the conditions of Section 264 (3) of the German Commercial Code (HGB) and are thus also exempted from the requirement to compile Notes and a management report as well as the publishing of financial statements:

Aesculap AG, Tuttlingen
Aesculap Akademie GmbH, Tuttlingen
Aesculap International GmbH, Tuttlingen
Aesculap Suhl GmbH, Suhl
BBM Group Insurance Broker GmbH, Melsungen
B. Braun Avitum AG, Melsungen
B. Braun Avitum Saxonia GmbH, Radeberg
B. Braun IT Service GmbH, Melsungen
B. Braun Medical AG, Melsungen
B. Braun Nordamerika Verwaltungsgesellschaft mbH, Melsungen
B. Braun Petzold GmbH, Melsungen
B. Braun prolabor GmbH, Hilter a.T.W.
B. Braun Surgical GmbH, Melsungen
B. Braun TravaCare GmbH, Hallbergmoos
B. Braun Vertriebs GmbH, Melsungen
B. Braun VetCare GmbH, Tuttlingen
Bibliomed medizinische Verlagsgesellschaft mbH, Melsungen
Inko Internationale Handelskontor GmbH, Roth
Nutrichem diät + pharma GmbH, Roth
Paul Müller Technische Produkte GmbH, Melsungen
PNS Professional Nutrition Services GmbH, Melsungen
PPC Projekt-Planung + Consulting GmbH, Melsungen
SteriLog GmbH, Tuttlingen
Transcare Gesundheitsservice GmbH, Melsungen

The companies listed above exercise their right to the exemptions.

PRINCIPLES OF CONSOLIDATION

a) Subsidiaries
Subsidiaries, that is, such corporations that are controlled by B. Braun Melsungen AG, are included in the scope of consolidation. B. Braun Melsungen AG controls an entity when it is exposed to variable returns from its involvement with the investee, has entitlements to these, and has the ability to affect those returns through its power over the investee.

Subsidiaries are initially consolidated on the first day on which B. Braun Melsungen AG assumes right of disposal of the acquired company; they are excluded from consolidation once B. Braun Melsungen AG forfeits such control. Right of disposal occurs when B. Braun Melsungen AG has the ability to direct the relevant activities of the investee because it possesses the majority of the voting rights or other contractual rights. The acquisition of subsidiaries is recognized using the purchase method. The cost of acquiring a subsidiary is calculated based on payments of cash and cash equivalents, together with the fair value of assets transferred, shares issued, and/or liabilities acquired when initial control is gained. Acquisition-related costs for a business combination are expensed. Conditional purchase price components are recognized at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent purchase price liability are recognized in profit or loss or in other comprehensive income. Acquisition costs that exceed the proportionate acquired share of the fair value of the subsidiary's net assets are recognized as goodwill.

Assets, debts, and contingent liabilities identifiable upon a merger of companies are valued on initial consolidation at the fair values attributable to them, regardless of the size of any non-controlling interests. For each company acquisition, it is determined on an individual basis whether the non-controlling interests in the company acquired are recognized at fair value or using the proportionate share of net assets of the acquired company. The option to recognize non-controlling interests at fair value is currently not exercised. Therefore, non-controlling interests are recognized at their proportionate share of net assets and no goodwill is recognized for non-controlling interests.

Goodwill generated by the acquisition of non-controlling interests in fully consolidated companies is offset against retained earnings. Where assets and liabilities are measured at fair value for the gradual acquisition of companies fully consolidated for the first time, the revaluation of the "old" tranches is recognized through profit or loss.

Intercompany receivables and payables, as well as expenditure and income are offset against each other. Unrealized gains on transactions between companies within the Group are eliminated in full; unrealized losses are eliminated insofar as the resulting costs of acquisition or manufacture do not exceed the recoverable amount of the underlying asset. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use.

Subsidiary companies' accounting policies are, where necessary, adapted to those used to produce the consolidated financial statements.

b) Associated companies
Associated companies are those companies over which the Group has significant influence but no control, generally accompanied by a holding of 20–50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investment in associated companies includes goodwill identified on acquisition (net of any accumulated impairments).

The Group's share of associated companies' post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition changes in retained earnings is recognized in the Group's retained earnings. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associated company.

Unrealized gains from transactions between the Group and its associated companies are, where material, eliminated to the extent of the Group's share in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of associated companies were adjusted, where necessary, to align them with the policies of the Group.

c) Joint agreements
Investments in joint agreements are classified as either a joint operation or a joint venture. The B. Braun Melsungen AG joint agreements represent joint ventures. These are included in the consolidated financial statements using the equity method. The shares are initially recognized at cost and subsequently updated in order to reflect the Group's share in the profits and losses in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in this company, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments

on behalf of the joint venture company. Unrealized gains arising from transactions with joint ventures are eliminated in the amount equal to the Group's share. Unrealized losses are also eliminated unless the transferred assets are impaired.

d) Owners of non-controlling interests
Transactions with owners of non-controlling interests are treated in the same way as transactions with parties within the Group. Sales of shares to owners of non-controlling interests result in gains or losses being recognized in the consolidated financial statements. Reciprocally, purchases of shares from owners of non-controlling interests result in the recognition of goodwill equivalent to the difference between the purchase price and the proportional carrying amount of the subsidiary's net assets.

FOREIGN CURRENCY TRANSLATION

a) Functional and reporting currency
Items included in the financial statements of each of the Group's subsidiaries are stated using the currency of the primary economic environment in which the company operates (functional currency).

The consolidated financial statements are stated in euros, that being the Group's functional and reporting currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the prevailing exchange rate on the date of the transaction. Foreign exchange losses and gains resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing on the reporting date are recognized in the statement of income.

Translation differences on monetary items, where fair value changes are directly recognized in equity, are reported as part of the gain or loss from fair value measurement. On the other hand, translation differences on non-monetary items, where fair value changes are directly recognized in equity, are included in the revaluation reserve in equity

c) Subsidiaries
All items in the statements of income and statements of financial position of all Group subsidiaries that are in a currency other than the Group reporting currency are translated into the reporting currency as follows:

– Assets and liabilities are translated at the closing rate on the reporting date;
– Gains and losses are translated at average exchange rates; and
– all resulting exchange differences are recognized as a separate component of equity (effects of foreign currency translation).

Goodwill and fair value adjustments arising from the acquisition of foreign companies are treated as assets and liabilities of the foreign company and translated at the closing rate.

Upon the sale of a foreign business operation, currency differences formerly recognized in equity are taken to the statement of income as gains or losses on disposal.

COMPARISON OF SELECTED CURRENCIES

ISO code	Closing mid-rate on reporting date			Average annual rate		
	Dec. 31, 2018	Dec. 31, 2017	+ - in %	2018	2017	+ - in %
1 EUR = USD	1.145	1.199	-4.5	1.182	1.129	4.6
1 EUR = GBP	0.897	0.887	1.1	0.885	0.876	1.0
1 EUR = CHF	1.127	1.169	-3.7	1.155	1.112	3.9
1 EUR = MYR	4.733	4.851	-2.4	4.763	4.850	-1.8
1 EUR = JPY	125.960	134.880	-6.6	130.416	126.667	3.0

ACCOUNTING POLICIES

Sales

Sales from customer contracts are recognized based on a five-stage framework model in which consideration is expected for the performance obligations assumed, i.e., the transfer of goods/the rendering of services. This comprises:

- Identification of the contract with a customer
- Identification of the discrete performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of sales upon fulfillment of the performance obligations by the Group.

The application of this model depends on the individual circumstances in the contract with a customer and requires discretionary decisions. The transaction price is the consideration the Group expects to receive from the customer for the transfer of goods or the rendering of services. In cases where a contract contains elements with a variable consideration (e.g., from deductions, rebates, discounts, bonuses, refunds), the amount of the variable consideration the Group expects to receive under the contract is estimated. Variable amounts are only included in the transaction price to the extent it is considered very likely that the subsequent loss of uncertainty with regard to the amount of these variable amounts does not lead to a substantial change in sales. If a contract comprises multiple performance obligations, the transaction price is allocated to the contractual performance obligations based on the individual sale prices. Deductions in price are also allocated based on the relevant individual sale prices. If the contract includes a significant financial agreement, the transaction price is adjusted by the fair value of the money unless the period between the rendering of the service and payment by the customer is likely to be less than 12 months. Sales are recognized when control, i.e., the ability to benefit from the rendered service and to determine further use, is transferred. This can occur either at a specific point in time or over a period of time. Sales are recognized over a period of time when one of the following criteria is met:

- By the company rendering the service, the customer both benefits from the rendered service and utilizes it simultaneously.
- With its service, the company produces or enhances an asset over which the customer has control while it is being produced or enhanced.
- With its service, the company produces an asset that cannot otherwise be used by the company; in the process, the company has a pecuniary claim for the services hitherto rendered and can also expect the remainder of the contract to be performed as stipulated.

If the performance obligation is not fulfilled over a period of time, it is fulfilled at a specific point in time. The following factors are used to determine the point at which control is transferred:

- The Group presently owns the right to payment for the asset
- The customer has legal ownership of the asset
- The company has physically transferred (i.e., possession) of the asset
- The principal risks and opportunities arising from possession of the asset lie with the customer
- The customer has accepted the asset

Intangible assets

a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets and liabilities of the acquired company on the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in the carrying amount for investments in affiliates. Goodwill is tested for impairment at least once a year and is carried at cost less accumulated impairment losses. Write-downs of goodwill are reported under other operating expenses. Write-ups in value are not permitted. Gains and losses on the sale of companies include the carrying amount of the goodwill relating to the company sold.

b) Development costs
The B. Braun Group invests a significant portion of its financial assets in research and development. In addition to internal research and development activities, the Group maintains numerous cooperative relationships with third parties.

Development expenses are defined as costs related to applying research findings or specialized knowledge for production planning and the manufacturing process before production or use has commenced. Development expenses are capitalized as intangible assets where it is regarded as likely that the project will be commercially successful, technically feasible, and the costs can be reliably measured. Other development costs that do not meet these criteria are expensed as they occur. Development costs that have previously been expensed are not capitalized in subsequent years. Capitalized development costs are shown as internally created intangible assets. Please see c below regarding the useful life, amortization method, and review of residual carrying amounts.

C) Other intangible assets
Acquired intangible assets are recognized at acquisition cost. Internally developed intangible assets where future economic benefit is likely to flow to the Group and the costs of the asset can be reliably measured are recognized at the cost incurred during the development phase. This includes all costs directly related to the development process, as well as appropriate portions of relevant overhead costs. Intangible assets with finite useful lives are amortized by the straight line method over a period of four to eight years. The defined benefit amortization method is used for reasonable exceptions.

Residual carrying amounts and expected useful lives are reviewed at each reporting date and adjusted if necessary.

A write-down is taken at the reporting date if the recoverable amount of an intangible asset falls below its carrying amount.

Amortization expense related to other intangible assets is recognized in the functional areas that are using the respective asset. Write-ups to a maximum of amortized acquisition or manufacturing cost are shown under other operating income.

Intangible assets with indefinite useful lives, if present, are tested for impairment at least once a year. Besides goodwill, the Group did not own any intangible assets with indefinite useful lives in the reporting periods presented.

Impairment of non-financial assets

At each reporting date, the carrying amounts of intangible assets and property, plant, and equipment are evaluated for indications of impairment. Where there is such an indication, an impairment test is conducted by comparing the carrying amount of the asset in question with its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use (net present value of expected free cash flows). The test can be conducted for a cash-generating unit (CGU) where the recoverable amount cannot be determined because the asset does not generate cash inflows that are largely independent of those from other assets. If an asset's recoverable amount is less than its carrying amount, an impairment is recognized through profit and loss. This impairment can be reversed through profit and loss at a later point in time if the recoverable amount of the asset is later found to be higher. However, the increased carrying amount due to reversal may not be higher than what it would have been if the impairment had not been recognized.

Property, plant, and equipment

Tangible assets that are utilized during the ordinary course of business for more than one year are recognized at their acquisition or manufacturing cost less depreciation using the straight line method. The manufacturing costs include all costs directly related to the manufacturing process and appropriate portions of relevant overhead costs. Scheduled depreciation of property, plant, and equipment is based on the straight-line method, in which the cost will be recognized over the estimated useful life until the residual value is reached. The useful lives applied correspond to the expected useful lives within the Group. The defined benefit amortization method is used for reasonable exceptions.

The following useful lives are the basis for depreciation of property, plant, and equipment:

Buildings	25 to 50 years
Technical plants and machinery*	5 to 20 years
Vehicles	6 years
Operating and office equipment	4 to 20 years

*1-shift operation

Land is not depreciated.

Acquisition and manufacturing costs that are incurred at a later point are recognized as part of the asset or as a separate asset only when it is likely that the future economic benefits associated with the asset will flow to the Group and that the cost of the asset can be reliably measured. All other repairs and maintenance are reported as expenses in the statement of income of the fiscal year in which they occur.

Residual carrying amounts and expected useful lives are reviewed at each reporting date and adjusted if necessary.

A write-down is taken at the reporting date if the recoverable amount of an item of property, plant, and equipment falls below its carrying amount.

Depreciation expense related to property, plant, and equipment is recognized in the functional areas that are using the respective asset. Write-ups to a maximum of amortized acquisition or manufacturing cost are shown under other operating income. Gains and losses from disposals of property, plant, and equipment are recognized in the statement of income.

Government grants are recognized at fair value if receipt of the grant and the Group compliance with any conditions associated with the grant are highly likely.
Outside borrowing costs directly attributable to the acquisition, construction, or development of a qualifying asset are recognized as part of its acquisition or manufacturing cost.

Finance leasing

Leasing contracts for intangible assets and property, plant, and equipment, where the Group carries the substantial risks and rewards of ownership of the leased asset, are classified as finance leases. At commencement of the lease term, finance leases are recognized as an asset at the lower of the fair value of the asset or the net present value of the minimum lease payments. Each leasing payment is apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the leasing liability. This liability is reported under financial liabilities excluding the interest payments. The interest portion of the leasing payment is recognized as expense through the statement of income. Assets held under finance leases are depreciated over the useful life of the asset. If there is no reasonable certainty that the Group will obtain ownership of an asset at the end of the lease, the asset is depreciated in full over the shorter of the lease term or the useful life of the asset.

Financial investments recognized using the equity method of accounting and other financial investments

Equity investments are initially recognized at cost and in subsequent periods at the amortized prorated net assets. The carrying amounts are increased or decreased annually by the share in profit, distributions, and other changes in equity. Goodwill is not reported separately, but is included in the value of participation. Goodwill is not amortized. Equity investments are written down when the recoverable amount of an investment in an associate falls below its carrying amount.

Categories of financial assets

Financial assets are classified using the following categories:

- Financial assets at amortized cost
- Financial assets at fair value

When financial assets are measured at fair value, losses and gains are recognized either completely in the balance sheet result (at fair value through profit and loss) or in other income (at fair value through other comprehensive income) with or without subsequent reclassification in the income statement.

The classification is determined when the financial asset is first recognized, i.e., when the B. Braun Group becomes counterparty to the contractual agreements of the instrument.

A debt instrument meeting the following two conditions is measured at amortized cost:

- Business model condition: The goal of the B. Braun Group business model is to hold financial assets in order to collect the contractual cash flows.
- Cash flow condition: The contractual conditions of the financial asset result at fixed times in cash flows that are only repayments of parts of the par value and the interest on the yet unpaid parts of the par value.

A debt instrument meeting the following two conditions is measured at fair value with changes in value recognized in other income and subsequent reclassification in the income statement:

- Business model condition: The goal of the B. Braun Group business model is accomplished both by collecting the contractual cash flows from financial assets and selling financial assets.
- Cash flow condition: The contractual conditions of the financial asset result at fixed times in cash flows that are only repayments of parts of the par value and the interest on the yet unpaid parts of the par value.

All other debt instruments are measured at fair value with changes in value recognized in the balance sheet result (at fair value through profit or loss).

All held equity instruments are recognized at fair value. Changes in value are recognized in the balance sheet result. When an equity instrument is not held for trading, the B. Braun Group can make the irrevocable decision to recognize it at fair value with changes in value recognized in other income. In this case, it cannot be subsequently reclassified in the income statement.

A receivable is derecognized when the Group loses the right to receive it or loses control of the contractual rights arising from the receivable, or these lapse.

In accordance with the transitional regulations of IFRS 9, financial instruments are categorized in the reference period based on the regulations of IAS 39.

Impairment of financial assets

Impairments of held debt instruments that are not measured at fair value through profit or loss are based on the premise of portraying expected losses. These are recognized with one of the following amounts:

- The "expected 12-month loss" (present value of the expected payment defaults resulting from potential default events within the next 12 months after the reporting date)
- The total loss expected over the residual term of the instrument (present value of the expected payment defaults as a consequence of all potential default events over the residual term of the financial instrument)

For trade receivables with and without significant financial components, contractual assets and leasing receivables, impairment is always determined based on the loss expected over the entire term. For all other instruments, impairment is only determined based on the loss expected over the entire term if the credit risk has increased substantially since initial recognition. Whether the risk of default has increased significantly or not is evaluated based on an increase in the probability of default since addition.

Otherwise, impairment is determined solely based on the expected losses that would result from a default event within 12 months after the reporting date. In this case, therefore, loss events that could occur later than 12 months after the reporting date are not included.

A financial asset objectively indicates impairment if one or more events have occurred that show a significant impact on the expected future cash flows of the financial asset. This includes observable data obtained about the following events:

- The issuer or debtor facing significant financial difficulties
- A breach of contract, such as default or delinquency on interest or principal payments
- The creditor making concessions to the borrower for economic or contractual reasons in relation to the borrower's financial difficulties that the creditor would not otherwise make
- An increased probability that the borrower will enter bankruptcy or financial reorganization

- Disappearance of an active market for this financial asset due to financial difficulties
- The acquisition or issuance of a financial asset at a high discount the reflects the incurred credit losses

For trade receivables, a write-down chart has been established to determine the expected losses over the residual term as a fixed percentage depending on the length of delinquency. Forward-looking macroeconomic information is not included, since the Group considers it not to have any substantial impact on the losses expected over the residual term.

Uncollectible receivables are written off when the Group becomes aware the receivable cannot be collected.

In accordance with the transitional regulations of IFRS 9, financial assets are impaired in the reference period based on the regulations of IAS 39.

Inventory

Under IAS 2, inventories include assets that are held for sale in the ordinary course of business (finished products and merchandise), assets that are in the production process for sale in the ordinary course of business (work in progress), and assets that are consumed in the production process or performance of services (raw materials and supplies). Inventories are measured at the lower of cost and net realizable value, which is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses, applying the weighted average cost formula. Related to this, the risks, in particular those arising from the storage period, reduced usability, etc., are taken into account by means of devaluations.

In addition to direct expenses, manufacturing costs include allocated raw material and production overheads and depreciation related to production plant and equipment. Allocated costs related to pensions and voluntary social contributions made by the company are also included. Administrative expenses are included in the costs if they relate to manufacturing.

Provisions for pensions and similar obligations

Our actuary calculates provisions for pensions and similar obligations using the projected unit credit method in accordance with IAS 19, taking into account future pay and pension increases and staffing fluctuations. Revaluations of net financial debt are recognized in equity in the period in which they occur.

Net interest on net financial debt is reported under financial income.

Any excess of plan assets over the pension obligations is recognized as an asset only if it represents the net present value of the economic benefits.

Other provisions

Provisions are recognized when a present legal or constructive obligation has arisen for the Group as a result of a past event, an outflow of resources to settle the obligation is likely, and the amount can be estimated reliably. If a number of obligations of a similar type exist, the provisions are recognized at the most probable value for the population of events.

Provisions are recognized for onerous contracts if the expected benefit from the contractual claim is less than the expected costs to settle the obligation. Any associated assets are tested for impairment before such a provision is created.

Provisions due after more than one year are measured at discounted present value.

Provisions are released against the expense items for which they were created. If additions to provisions were recognized under other operating expenses, the release of these amounts is shown under the corresponding other operating income item.

Financial liabilities

Financial liabilities are initially recognized at fair value less transaction costs. In subsequent periods, they are measured at amortized cost. Any difference between the amount disbursed (less transaction costs) and the repayment amount is spread across the term of the loan using the effective interest method and recognized in the statement of income.

Liabilities from loans are recognized as current liabilities unless the Group has the unconditional right to defer repayment of the liability to at least 12 months after the reporting date.

Liabilities

Financial liabilities comprise trade accounts payable and other liabilities, and are initially recognized at fair value less transaction costs.

Current liabilities have a residual maturity of up to one year and are stated at their repayment or settlement amount. Non-current liabilities that are not the underlying transaction in permissible hedge accounting are recognized at the cost of acquisition.

Accruals and deferrals are recognized under other liabilities.

Derivative financial instruments

Derivative financial instruments are recognized using trade date accounting. They are initially measured at their fair value on the date the contract is entered into. They are subsequently measured at their fair value as of each reporting date. The method of recording gains and losses depends on whether the derivative financial instruments in question have been designated as hedging instruments and, if so, on the nature of the hedged item. The fair values of the various derivative financial instruments used for hedging purposes are recognized under other assets/liabilities. Changes in the valuation reserve for cash flow hedges are shown in the consolidated statement of changes in equity. The full fair value of derivative financial instruments designated as hedge instruments is shown as a non-current asset or liability if the residual term of the hedged underlying transaction is more than 12 months after the reporting date, and as a current asset or liability if it is shorter than that. Derivative financial instruments held for trading are recognized as current assets or liabilities unless the residual term is more than twelve months, in which case they are recognized as non-current assets or liabilities.

When a hedging transaction designated as a cash flow hedge expires, is sold, or the designation is deliberately reversed, or no longer meets the criteria to be accounted for as a hedging transaction, gains or losses accumulated in equity up to that point remain in equity and are only taken to the statement of income when the future transaction originally hedged occurs and is recognized in the statement of income. If the future transaction is no longer expected to occur, gains or losses accumulated in equity must be immediately reclassified to the income statement.

Note 32 provides additional explanatory information about the use of derivative financial instruments as part of risk management.

Deferred taxes

Deferred taxes are recognized using the liability method for all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, unless deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the balance sheet result nor the taxable period result. Deferred taxes are measured using tax rates and laws that have been enacted or substantially enacted as of the reporting date and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled.

Deferred tax assets stem primarily from temporary differences between the tax bases of individual companies and the financial statements set forth using IFRS, and from consolidation. Deferred tax assets stemming from losses carried forward and tax credits are recognized to the extent that it is likely that future taxable income will be available against which the losses carried forward can be utilized.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associates are recognized except where the timing of the reversal of the temporary differences can be controlled by the Group and it is likely that the temporary differences will not be reversed in the foreseeable future. Please also see Note 10, "Income Taxes."

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

1 Sales

The following chart shows sales trends by division, region, and by type:

Sales by division	2018 € '000	%	2017 € '000	%	+ - in %
Hospital Care	3,131,070	45.3	3,114,043	45.9	0.5
Aesculap	1,824,435	26.4	1,786,413	26.3	2.1
OPM	840,855	12.2	827,452	12.2	1.6
B. Braun Avitum	1,082,261	15.7	1,031,333	15.2	4.9
Other sales	29,478	0.4	29,627	0.4	-0.5
	6,908,099	**100.0**	**6,788,868**	**100.0**	**1.8**

Sales by region	2018 € '000	%	2017 € '000	%	+ - in %
Germany	1,163,280	16.8	1,134,900	16.7	2.5
Europe	2,273,774	33.0	2,175,320	32.1	4.5
North America	1,596,181	23.1	1,584,230	23.3	0.8
Asia-Pacific	1,240,647	18.0	1,235,688	18.2	0.4
Latin America	416,725	6.0	439,015	6.5	-5.1
Africa and the Middle East	217,492	3.1	219,715	3.2	-1.0
	6,908,099	**100.0**	**6,788,868**	**100.0**	**1.8**

Sales by type	2018 € '000	%	2017 € '000	%	+ - in %
Sales of products	6,024,611	87.2	5,942,182	87.5	1.4
Sales of services	883,488	12.8	846,686	12.5	4.3
	6,908,099	**100.0**	**6,788,868**	**100.0**	**1.8**

Outstanding performance obligations total €218 million. It is expected that this amount will be able to be recognized as sales within five years.

2 Cost of goods sold

Cost of goods sold includes the manufacturing costs of goods sold and the acquisition costs of merchandise sold. In addition to direct costs such as material, personnel and energy costs, manufacturing costs contain production-related overhead expenses including depreciation of property, plant, and equipment. Cost of goods sold also includes inventory write-downs.

3 Selling expenses

Selling expenses include expenditures for marketing, sales organizations, and distribution. This category also contains the expenses related to customer training and consulting on technical product use.

4 Research and development expenses

Research and development expenses include costs for research, as well as for product and process development including expenditures for external services. All research costs are expensed at the time they are incurred.

Development costs are capitalized where all the conditions for capitalization under IAS 38 are met.

5 Other operating income

	2018 € '000	2017 € '000
Currency translation gains	190,077	180,608
Additional income	28,132	21,885
Derivative financial instruments	11,792	8,604
Income from other periods	4,425	5,264
Proceeds from appreciation of current financial assets	2,349	1,171
Proceeds from the disposal of assets	18,534	2,307
Proceeds from the release of provisions	2,521	1,460
Other	21,479	16,254
	279,309	**237,553**

Currency gains primarily include gains from currency fluctuations between transaction and payment days from receivables and payables denominated in foreign currencies, as well as gains resulting from translation at the exchange rate prevailing on the reporting date.

Ancillary revenues include, in particular, cost reimbursements from third parties and revenue from cafeteria sales.

Changes in the fair value of forward foreign exchange contracts that are not designated for hedge accounting are reported under derivative financial instruments.

Gains from the sale of assets include revenue from the sale of an administrative building in France in the amount of €14.403 million.

Other operating income includes primarily payments of damages as well as government grants related to income statement and miscellaneous items. Income-related grants are recognized in the period in which the corresponding expenses occur. They amount to €374,000 (previous year: €1.064 million). During the fiscal year, grants of €220,000 (previous year: €731,000) were recognized through profit and loss. The grants were predominantly made to support structurally weak areas in Germany.

Other income includes numerous types of income; however their individual valuations are not materially significant.

6 Other operating expenses

	2018 € '000	2017 € '000
Currency translation losses	226,845	204,376
Losses from impairment of current financial assets	10,684	12,970
Additions to provisions	7,061	3,308
Losses on the disposal of assets	9,168	4,779
Expenses from other periods	3,670	4,051
Derivative financial instruments	2,820	66
Other	56,527	50,128
	316,775	**279,678**

Currency losses primarily include losses from currency fluctuations between transaction and payment days from receivables and payables denominated in foreign currencies, as well as losses resulting from translation at the exchange rate prevailing on the reporting date.

Losses from impairment of current financial assets refer to value adjustments to trade receivables.

Changes in the fair value of forward foreign exchange contracts that are not designated for hedge accounting are reported under derivative financial instruments.

Other expenses include numerous types of expenses; however their individual valuations are not materially significant.

7 Financial investments recognized using the equity method of accounting

Net income from investments recognized using the equity method of accounting breaks down as follows:

	2018 € '000	2017 € '000
Income from financial investments recognized using the equity method	22,414	13,205
Expenses from financial investments recognized using the equity method	-439	-370
	21,975	**12,835**

8 Net financial income

	2018 € '000	2017 € '000
Income from dividends	0	0
Interest and similar income	6,980	6,979
Interest and similar expenses	-48,647	-42,362
of which to affiliated companies	(0)	(0)
Interest expenses for pension provisions, less expected income from plan assets	-27,326	-25,799
	-68,993	**-61,182**
of which financial assets and liabilities measured at fair value in other income:		
Interest income from discounting	(1,151)	(827)
Accrued interest expense	(2,687)	(2,036)

Interest and similar expenses are primarily comprised of interest expense on financial liabilities. Expenses resulting from accruing interest from non-current other provisions are also recognized here.

9 Other net financial income

	2018 € '000	2017 € '000
Income from joint ventures (excluding income from financial investments recognized using the equity method)	3,104	16,006
Other net financial income	-278	-307
	2,826	**15,699**

10 Income taxes

Income taxes include corporation tax and trade income taxes for German companies as well as comparable income-related taxes for companies in other countries. They are calculated on the basis of the tax regulations applicable to the individual company.

Deferred taxes stem from temporary differences between the tax base of the individual companies and the consolidated statement of financial position. They are measured using the liability method based on the application of anticipated future tax rates for the individual countries as of the realization date. Generally, these are based on the regulations in effect as of the reporting date. Deferred tax assets are offset only if the company has the legal right to settle current tax assets and current tax liabilities on a net basis and they are levied by the same tax authority. Income tax expenses and deferred taxes are as follows:

	2018 € '000	2017 € '000
Actual income taxes	111,612	133,690
Deferred taxes resulting from temporary differences	13,334	-13,667
Deferred taxes resulting from losses carried forward and tax credits	-1,789	-17,756
	123,157	**102,267**

Deferred tax assets and deferred tax liabilities apply to differences stemming from recognition and measurement in the following items in the statement of financial position:

	Dec. 31, 2018		Dec. 31, 2017	
	Assets	Liabilities	Assets	Liabilities
	€ '000	€ '000	€ '000	€ '000
Intangible assets	10,624	60,945	8,494	56,431
Property, plant, and equipment	6,002	207,935	5,509	195,621
Financial assets	61	7,232	230	6,026
Inventories	75,658	8,359	73,239	7,816
Trade accounts receivable	9,464	10,045	8,707	8,835
Pension provisions	214,071	386	204,152	323
Other provisions	25,994	1,803	26,300	1,352
Liabilities	51,914	3,587	47,094	160
Other items	1,168	1,832	1,020	2,046
	394,956	**302,124**	**374,745**	**278,610**
of which non-current	(255,248)	(281,600)	(238,470)	(263,186)
Net balance	-172,079	-172,079	-160,713	-160,713
	222,877	**130,045**	**214,032**	**117,897**
Valuation allowance on deferred tax assets from temporary differences	-75	-	-109	-
Deferred taxes on tax credits	54,898	-	56,254	-
Losses carried forward (net, after valuation allowances)	27,613	-	24,600	-
	305,313	**130,045**	**294,777**	**117,897**

The amount of temporary differences related to holdings in subsidiaries and associates, as well as interests in joint ventures for which, according to IAS 12.39, no deferred tax liabilities were recognized is €20,000 (previous year: -€2.825 million).

Existing but not recognized tax losses carried forward can be used as follows:

	Dec. 31, 2018	Dec. 31, 2017
	€ '000	€ '000
Within one year	1,143	0
Within two years	2,549	0
Within three years	1,138	0
Within four years	3,552	0
Within five years or longer	5,929	3,382
	14,311	**3,382**
Can be carried forward indefinitely	95,803	70,434
	110,114	**73,816**

Unrecognized tax credits total €16.6 million. Deferred tax assets for which utilization depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and where the company has incurred past losses amounted to €21.096 million (previous year: €11.609 million).

Recognition of these deferred tax assets is based on relevant forecasting, which justifies the expectation that they will be used.

Deferred taxes of €164.076 million (previous year: €152.378 million) were recognized directly in equity. This amount was primarily comprised of actuarial gains and losses related to pension obligations of €156.962 million (previous year: €147.965 million), changes in the fair value of securities of -€11,000 (previous year: -€11,000) and changes in the fair value of derivative financial instruments designated as cash flow hedges of €223,000 (previous year: €105,000).

The tax rate for B. Braun Melsungen AG is 29.2% (previous year: 29.0%). The tax expense which is calculated using B. Braun Melsungen AG's tax rate can be reconciled to actual tax expense as follows:

	2018 € '000	2017 € '000
Tax rate of B. Braun Melsungen AG	29.2%	29.0%
Profit before tax	451,551	513,745
Expected income tax at parent company's tax rate	-131,852	-148,986
Differences due to other tax rates	27,254	13,809
Changes to deferred tax assets and liabilities due to changes in tax rates	-231	16,995
Tax reductions due to tax-exempt income	22,517	32,825
Tax increases due to non-deductible expenses	-22,400	-23,810
Addition/deduction of trade tax and similar foreign tax items	-1,723	-1,460
Final withholding tax on profit distributions	-2,953	-3,507
Tax credits	41	14,690
Tax revenue/expense relating to previous periods	-103	2,566
Change to valuation allowances on deferred tax assets	-8,682	535
Profit (loss) of financial investments recognized using the equity method	2,233	1,320
Other tax effects	-7,258	-7,244
Actual tax expense	**-123,157**	**-102,267**
Effective tax rate	27.3%	19.9%

11 Earnings per share

Earnings per share are calculated according to IAS 33 by dividing the consolidated net income less non-controlling interests by the number of shares in issue. The number of shares entitled to receive dividends remained unchanged at 19,404,000 during the fiscal year. There were no outstanding shares as of Monday, December 31, 2018 or Sunday, December 31, 2017 that could have diluted the earnings per share. Earnings per share amounted to €16.05 (previous year: €20.27).

The dividends paid in 2018 for the previous fiscal year amounted to €32 million (previous year: €32 million). Dividends paid per share in 2018 were €1.65 (previous year: €1.65). The Management Board and Supervisory Board are proposing a dividend of €1.70 per share for fiscal year 2018. The proposed dividend must be ratified by the Annual Shareholders' Meeting on March 19, 2019. This dividend liability is not included in the consolidated financial statements.

12 Other notes on the consolidated statement of income

Material costs

The following material costs are included in the cost of goods sold:

	2018 € '000	2017 € '000
Expenses for raw materials, supplies and goods purchased	2,745,563	2,600,331

In the period under review, expenses related to inventory write-downs recognized in cost of goods sold were €39.392 million (previous year: €38.223 million) and reversals of write-downs from previous periods (increase in net realizable value) of €15.978 million (previous year: €13.675 million).

Payments under operating leases

	2018 € '000	2017 € '000
Payments made under operating leases	108,326	102,680

Payments under operating leases include €934,000 (previous year: €990,000). Leasing expenses are predominantly included in cost of goods sold.

Personnel expenditures/employees

The following personnel expenditures are recognized in the statement of income:

Personnel expenditures	2018 € '000	2017 € '000
Wages and salaries	2,204,332	2,118,651
Social security payments	338,511	326,363
Welfare and pension expense	108,814	107,768
	2,651,657	**2,552,782**
Employees by function (average for the year, including temporary employees)		
Production	41,228	38,991
Marketing and sales	13,470	13,041
Research and development	2,162	2,061
Technical and administration	5,995	5,758
	62,855*	**59,851**
of which part-time	(5,562)	(4,843)
*Including the 180 employees transferred to B. Braun Service SE & Co. KG		

Personnel expenditures do not include interest accruing to pension provisions, which is recognized under net interest income.

The annual average is prorated based on the date of first consolidation or final consolidation, as appropriate. Employees of joint venture companies are included in the total according to the percentage of interest.

In regard to first-time consolidated companies, an annual average of 207 employees was reported for 2018, compared to 436 for 2017.

13 Total auditor´s fee

The following fees were recognized as expense for services provided worldwide by the auditors of PricewaterhouseCoopers in 2018:

	2018 € '000	2017 € '000
Audit fees	5,641	5,438
of which PricewaterhouseCoopers GmbH, Germany	(1,491)	(1,327)
Other certification services	11	10
of which PricewaterhouseCoopers GmbH, Germany	(2)	0
Tax advisory services	1,405	1,428
of which PricewaterhouseCoopers GmbH, Germany	(401)	(577)
Other services	1,164	1,134
of which PricewaterhouseCoopers GmbH, Germany	(587)	(592)
	8,221	**8,010**
of which PricewaterhouseCoopers GmbH, Germany	(2,481)	(2,496)

The audit fees include all fees paid and outstanding to PricewaterhouseCoopers plus reimbursable expenses for the audit of the Group's consolidated financial statements and the audit of the financial statements of B. Braun Melsungen AG and its subsidiaries. Fees for certification services mainly relate to certifications performed as part of acquisitions and divestitures, the examination of internal control systems, particularly IT systems, and expenses related to statutory or judicial requirements. The item tax advisory services mainly relates to fees for advice on completing tax returns, checking tax assessments, support for company audits or other inquiries conducted by the tax authorities as well as tax advice related to transfer pricing.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14 Intangible assets

Cost of acquisition or manufacture	Acquired goodwill € '000	Licenses, trademarks and other similar rights € '000	Internally created intangible assets € '000	Advance payments € '000	Total € '000
January 1, 2017	**204,808**	**544,740**	**121,866**	**106,056**	**977,470**
Foreign currency translation	-2,980	-20,952	-14,364	-19	-38,315
Additions to scope of consolidation	61,393	55,465	0	0	116,858
Disposals from scope of consolidation	0	-28	0	0	-28
Additions	1,823	29,455	11,060	37,603	79,941
Transfers	1,576	35,972	0	-32,414	5,134
Appreciation	0	0	0	0	0
Disposals	0	-4,223	0	-47	-4,270
December 31, 2017/January 1, 2018	**266,620**	**640,429**	**118,562**	**111,179**	**1,136,790**
Foreign currency translation	-2,348	-5,145	5,439	-56	-2,110
Additions to scope of consolidation	47,412	4,245	0	0	51,657
Disposals from scope of consolidation	0	0	0	0	0
Additions	1,925	23,872	14,522	23,865	64,184
Transfers	999	43,935	0	-41,228	3,706
Appreciation	0	0	0	0	0
Disposals	-129	5,052	0	-977	3,946
December 31, 2018	**314,479**	**712,388**	**138,523**	**92,783**	**1,258,173**
Accumulated depreciation 2018	595	411,560	27,744	0	439,899
Accumulated depreciation 2017	503	356,877	22,364	0	379,744
Carrying amounts Dec. 31, 2018	**313,884**	**300,828**	**110,779**	**92,783**	**818,274**
Carrying amounts Dec. 31, 2017	**266,117**	**283,552**	**96,198**	**111,179**	**757,046**
Depreciation in the fiscal year	-234	49,484	4,298	976	54,524
of which unscheduled	0	0	0	976	976

Depreciation on intangible assets for the fiscal year was €54.5 million (previous year: €48.5 million) recognized in the income statement in functional expenses.

The B. Braun Group capitalized €14.5 million (previous year: €11.1 million) of development costs during the year under review. All the prerequisites for capitalization were met.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Each of these cash- generating units represents the Group's investment by the primary reporting segment and the country of operation.

A summary of the distribution of goodwill by cash-generating unit and the assumptions for their impairment testing are listed below:

	Hospital Care € '000	Aesculap € '000	OPM € '000	B. Braun Avitum € '000	Total € '000
Dec. 31, 2017					
Carrying amount of goodwill	77,423	10,527	22,308	155,859	266,117
Annual growth rate	2.4%	2.3%	2.1%	2.9%	
Discount rate	7.8%	7.5%	7.0%	8.0%	
Dec. 31, 2018					
Carrying amount of goodwill	86,127	19,471	22,308	185,978	313,884
Annual growth rate	2.6%	2.4%	2.2%	2.8%	
Discount rate	8.3%	8.1%	7.7%	8.8%	

The recoverable amount of a CGU is determined by calculating its value in use. These calculations are based on projected cash flows derived from the three-year forecast approved by management.

Management has determined the budgeted gross margin based on past trends and expectations about future market trends. The weighted average growth rates largely correspond to the predictions from industry reports. The discount rates used are pre-tax rates and reflect the specific risks of the relevant cash-generating units.

If the actual sales growth rate had been 10% less than the sales growth estimated by management on December 31, 2018, no impairment of goodwill would have occurred. The same holds true if the discount amount that was used to calculate the discounted cash flow had been 10% higher than management's estimates.

15 Property, plant, and equipment

Cost of acquisition or manufacture	Land and buildings € '000	Technical plants and machinery € '000	Other plants, operating and office equipment € '000	Advance payments and assets under construction € '000	Total € '000
January 1, 2017	**2,149,092**	**3,195,362**	**1,040,075**	**709,445**	**7,093,974**
Foreign currency translation	-69,876	-117,298	-50,887	-35,195	-273,256
Additions to scope of consolidation	13,362	12,092	2,367	5	27,826
Disposals from scope of consolidation	0	-97	-326	0	-423
Additions	44,003	116,497	78,303	455,635	694,438
Transfers	99,959	246,801	41,233	-393,127	-5,134
Disposals	-5,541	-48,715	-26,762	-4,943	-85,961
December 31, 2017/Jan. 1, 2018	**2,230,999**	**3,404,642**	**1,084,003**	**731,820**	**7,451,464**
Foreign currency translation	9,544	34,688	-6,899	10,373	47,706
Additions to scope of consolidation	4,077	6,250	5,137	219	15,683
Disposals from scope of consolidation	0	0	-27	0	-27
Additions	38,534	100,907	95,478	515,058	749,977
Transfers	131,421	127,555	63,488	-326,170	-3,706
Disposals	-22,931	-44,235	-37,474	-400	-105,040
December 31, 2018	**2,391,644**	**3,629,807**	**1,203,706**	**930,900**	**8,156,057**
Accumulated depreciation 2018	704,691	2,077,491	782,211	2,371	3,566,764
Accumulated depreciation 2017	648,202	1,895,308	708,916	2,605	3,255,031
Carrying amounts December 31, 2018	**1,686,953**	**1,552,316**	**421,495**	**928,529**	**4,589,293**
Carrying amounts December 31, 2017	**1,582,797**	**1,509,334**	**375,087**	**729,215**	**4,196,433**
Depreciation in the fiscal year	66,568	212,534	97,807	498	377,407
of which unscheduled	2,434	0	73	498	3,005

Capitalized borrowing costs for the fiscal year were €5.452 million (previous year: €5.711 million). An interest rate of 2.0% was utilized (previous year: 2.1%).

In the statement of financial position, government grants for investments in the amount of €1.881 million (previous year: €2.481 million) have been deducted from the carrying amounts of the relevant assets. The current carrying amount of property, plant, and equipment acquired with government grants is €59.500 million (previous year: €68.198 million). On the reporting date, no unfulfilled conditions or uncertainties with regards to market success existed, which would have required a modification of recognition in the statement of financial position.

The carrying amount of property, plant, and equipment with restricted title is €20.206 million (previous year: €17.206 million).

16 Finance leasing

Intangible assets and property, plant, and equipment include the following amounts for which the Group is lessee under a finance lease:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Licenses, trademarks, and similar rights	644	646
Accumulated depreciation	-186	-174
Buildings	123,434	128,494
Accumulated depreciation	-33,026	-42,637
Technical plants and machinery	6,147	6,969
Accumulated depreciation	-5,128	-5,708
Other plants, operating, and office equipment	14,743	15,510
Accumulated depreciation	-11,011	-11,304
Net carrying amount	**95,617**	**91,796**

The minimum lease payments for liabilities under finance leases have the following maturities:

	Dec. 31, 2018			Dec. 31, 2017		
	Nominal value € '000	Discount amount € '000	Net Present value € '000	Nominal value € '000	Discount amount € '000	Net Present value € '000
Less than one year	10,426	1,972	8,454	10,987	2,198	8,789
Between 1 and 5 years	35,290	5,189	30,101	35,767	6,257	29,510
Over 5 years	15,404	2,685	12,719	24,902	3,678	21,224
	61,120	**9,846**	**51,274**	**71,656**	**12,133**	**59,523**

The two largest finance leasing agreements relate to the real estate for the Hospital Care division's LIFE facility (carrying amount: €16.8 million), and the Aesculap division's benchmark factory (carrying amount: €14.1 million). These agreements have varying terms and conditions, interest rate adjustment clauses, and purchase options.

17 Financial investments and joint ventures recognized using the equity method of accounting and other financial investments

The B. Braun Group has a 25.2% share in Rhön-Klinikum AG, which is headquartered in Bad Neustadt an der Saale. Rhön-Klinikum AG is a publicly traded private operator of hospitals, clinics, and medical centers. The B. Braun Group has significant influence over the company based on its percentage of voting rights and representation on its Supervisory Board.

The company's summarized financial information breaks down as follows:

	Assets € '000	Liabilities € '000	Equity € '000	Sales € '000	Profit/ loss € '000	Total earnings € '000	Received dividends € '000
2018							
Rhön-Klinikum AG	1,482,103	326,194	1,155,909	1,062,874	47,560	47,749	3,717

Since Rhön-Klinikum AG's net income for 2018 was not available at the B. Braun Group's reporting date, the net income was estimated based on third quarter earnings. The balance sheet values correspond to the values in the third quarter financial statement. The fair value of the investment as of the reporting date was €372.7 million.

The reconciliation of financial information on the carrying value of the Group's share is as follows:

	Net carrying amount Jan. 1, 2018 € '000	Profit/ loss € '000	Change In equity € '000	Dividend payout € '000	Net carrying amount Dec. 31, 2018 € '000	Share in capital 25,2% € '000	Change due to change in equity € '000	Goodwill € '000	Carrying amount Dec. 31, 2018 € '000
2018									
Rhön-Klinikum AG	1,094,868	59,118	-1,257	-14,726	1,138,003	287,118	65,590	36,230	388,938

The Group's holdings in its other associated companies and joint ventures are as follows:

	2018 € '000	2017 € '000
Other associated companies		
Carrying value of shares	78,508	77,373
Share of profit/loss	-2,865	3,735
Share of other income/expense	0	0
Share of net income	-2,865	3,735
Joint ventures		
Carrying value of shares	683	671
Share of profit/loss	-8	-27
Share of other income/expense	0	0
Share of net income	-8	-27

As of December 31, 2018, the goodwill of holdings in associated companies totaled €62.7 million (previous year: €62.7 million). Liabilities to affiliated companies were €5.7 million (previous year: €6.1 million) and to joint venture €2.8 million (previous year: €2.7 million).

Cost of acquisition	Financial investments recognized using the equity method of accounting € '000	Other holdings € '000	Loans to companies in which the Group holds an interest € '000	Securities € '000	Other loans € '000	Total € '000
January 1, 2017	**389,369**	**36,736**	**392**	**5,373**	**10,372**	**442,242**
Foreign currency translation	-332	0	-7	0	-4	-343
Additions to scope of consolidation	0	0	0	0	0	0
Disposals from scope of consolidation	0	-102,969	0	0	0	-102,969
Additions	82,495	96,855	1,774	372	13,792	195,288
Transfers	-15,567	15,567	0	0	0	0
Appreciation	0	0	0	0	0	0
Disposals	0	-12,860	0	-9	-721	-13,590
Fair value adjustments	0	0	0	0	0	0
December 31, 2017 /Jan. 1, 2018	**455,965**	**33,329**	**2,159**	**5,736**	**23,439**	**520,628**
Foreign currency translation	31	0	-87	0	19	-37
Additions to scope of consolidation	-252	517	412	0	0	677
Disposals from scope of consolidation	0	-43,579	0	0	0	-43,579
Additions	13,486	53,134	6,436	0	770	73,826
Transfers	-876	1,593	0	0	-717	0
Appreciation	0	0	0	0	0	0
Disposals	-225	-2,493	-746	0	-17,021	-20,485
Fair value adjustments	0	3,972	0	-849	0	3,123
December 31, 2018	**468,129**	**46,473**	**8,174**	**4,887**	**6,490**	**534,153**
Accumulated depreciation 2018	0	0	0	2,625	137	2,762
Accumulated depreciation 2017	0	29	0	2,625	20	2,674
Carrying amounts December 31, 2018	**468,129**	**46,473**	**8,174**	**2,262**	**6,353**	**531,391**
Carrying amounts December 31, 2017	**455,965**	**33,300**	**2,159**	**3,111**	**23,419**	**517,954**
Amortization in the fiscal year	0	-29	0	0	0	-29

18 Trade receivables

Age analysis of trade receivables

a) Non-impaired trade receivables

	Total	Not yet due	Overdue up to 30	Overdue 31 to 60 days	Overdue 61 to 90 days	Overdue 91 to 180 days	Overdue more than 180 days
Dec. 31, 2017							
Trade receivables	921,875	716,596	72,408	35,306	20,558	35,684	41,323
Dec. 31, 2018							
Trade receivables	926,931	728,218	68,173	29,815	19,630	32,555	48,540
of which leasing	17,728	17,728	-	-	-	-	-
Lifetime ECL	-1,823	-1,573	-87	-30	-27	-83	-23
Carrying amount	925,108	726,645	68,086	29,785	19,603	32,472	48,517

To calculate lifetime ECL, credit loss percentages between 0.05% and 0.25% were used. A significant proportion of the non-impaired and overdue trade receivables are attributable to receivables from social security providers, government or government-sponsored companies.

b) Trade receivables for which specific impairments have been established

	Total	Not yet due	Overdue up to 30	Overdue 31 to 60 days	Overdue 61 to 90 days	Overdue 91 to 180 days	Overdue more than 180 days
Dec. 31, 2017							
Trade receivables	258,759	139,876	28,165	9,844	6,542	17,252	57,080
Impairment provisions	-32,644	-4,072	-1,172	-388	-280	-1,344	-25,388
Carrying amount	**226,115**	**135,804**	**26,993**	**9,456**	**6,262**	**15,908**	**31,692**
Dec. 31, 2018							
Trade receivables	253,406	142,909	27,238	9,697	7,047	14,437	52,078
Impairment provisions	-36,729	-6,966	-1,410	-721	-656	-1,615	-25,361
Carrying amount	**216,677**	**135,943**	**25,828**	**8,976**	**6,391**	**12,822**	**26,717**

With regard to trade receivables that are neither impaired nor in arrears, there were no indications as of the reporting date that the debtors in question are not able to meet their payment obligations.

Impairments on trade receivables have changed as follows:

	2018 € '000	2017 € '000
Amount of impairment provisions as of December 31, 2017 under IAS 39	39,391	37,667
IFRS 9 changes	-1,927	-
Amount of impairments on January 1, 2018 under IFRS 9	37,464	-
Foreign currency translation	-1,204	-2,444
Additions	9,076	11,145
Utilization	-3,636	-4,877
Releases	-3,148	-2,100
Amount of impairment provisions as of December 31, 2018	**38,552**	**39,391**
of which specific	(36,729)	(32,644)
of which general	-	(6,747)
of which lifetime ECL	(1,823)	-

The total amount of additions consists of specific impairments and lifetime expected credit losses.

The following table shows expenses for the complete derecognition of trade receivables due to being uncollectible and income from previously derecognized trade receivables:

	2018 € '000	2017 € '000
Expenses for complete derecognition of trade receivables	2,975	4,620
Income from trade receivables previously derecognized	165	129

Fair value of collateral received totaled €9.548 million (previous year: €10.915 million). This collateral consists primarily of payment guarantees.

With regard to trade receivables, there is no concentration with respect to individual customers, currencies, or geographic attributes. The largest receivable from a single customer is equivalent to approx. 2 % of all trade receivables reported.

As of December 31, 2018, B. Braun Group companies had sold receivables worth €99.8 million (previous year: €92.3 million) under an asset-backed securities (ABS) program with a maximum volume of €100 million. The basis for the transaction is the assignment of trade receivables of individual B. Braun companies to a structured entity within the framework of an undisclosed assignment. A structured entity should be consolidated under IFRS 10 if the criteria for control of this company have been met (IFRS 10.B2). The existence of a controlling relationship requires decision-making power and variable returns as well as a link between the two. Since B. Braun does not participate in the variability of the structured entity, this company is not to be consolidated in the consolidated financial statements.

The requirements for a receivables transfer according to IFRS 9.3.2.1 are met, since the receivables are transferred according to IFRS 9.3.2.4(a). In the previous fiscal year, verification in accordance with IFRS 9.3.2.6

showed that virtually all risks and rewards were neither transferred nor retained. B. Braun's continuing involvement therefore does not have to be recognized. The maximum amount that B. Braun could conceivably have to pay back under the senior and third-ranking default guarantee assumed is €1.927 million (previous year: €1.825 million) as of the reporting date; the maximum expected interest payments until payment is received is €122,000 (previous year: €110,000). The fair value of the guarantee/interest payments to be assumed is €94,000 (previous year: €87,000).

Trade receivables include the following amounts in which the Group is a lessor in a finance lease:

	Dec. 31, 2018			Dec. 31, 2017		
Maturity	Gross investment value € '000	Interest portion included € '000	Present value € '000	Gross investment value € '000	Interest portion included € '000	Present value € '000
Less than one year	7,065	886	6,179	6,557	886	5,671
Between one and five years	11,940	1,027	10,913	11,274	1,125	10,149
Over 5 years	746	110	636	355	9	346
Total	**19,751**	**2,023**	**17,728**	**18,186**	**2,020**	**16,166**

The Group leases dialysis machines, infusion pumps and instrument sets in various operating leases. Total future lease payments under interminable operating leases are as follows:

	Dec. 31, 2018	Dec. 31, 2017
Maturity	Minimum lease payments € '000	Minimum lease payments € '000
Less than one year	35,077	19,024
Between 1 and 5 years	80,796	59,508
Over 5 years	18,584	18,693
Total	**134,457**	**97,225**

19 Other assets

	Dec. 31, 2018		Dec. 31, 2017	
	Residual term < 1 year € '000	Residual term > 1 year € '000	Residual term < 1 year € '000	Residual term > 1 year € '000
Other tax receivables	87,215	0	70,186	0
Receivables from social security providers	2,168	5	2,614	133
Receivables from employees	3,383	192	3,259	185
Advance payments	23,187	86	18,092	3
Accruals and deferrals	45,763	5,803	38,159	4,549
	161,716	**6,086**	**132,310**	**4,870**
Receivables from derivative financial instruments	15,969	0	12,755	0
Securities at amortized cost	14,703	0	10,835	0
Held-for-trading financial assets	21,903	0	21,177	0
Other receivables and assets	93,294	42,961	82,982	35,200
	145,869	**42,961**	**127,749**	**35,200**
	307,585	**49,047**	**260,059**	**40,070**

Granted loans are mainly reported under other receivables and assets.

With regard to other receivables, as of the reporting date there were no indications that the debtors in question will not be able to meet their payment obligations. No material amounts of receivables were overdue or impaired as of the reporting date.

20 Inventories

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Raw materials and supplies	315,226	276,143
Impairment provisions	-22,007	-19,392
Raw materials and supplies – net	**293,219**	**256,751**
Work in progress	213,836	197,780
Impairment provisions	-9,663	-9,867
Work in progress – net	**204,173**	**187,913**
Finished products, merchandise	939,630	816,590
Impairment provisions	-92,597	-82,774
Finished products, merchandise – net	**847,033**	**733,816**
	1,344,425	**1,178,480**

As in the previous year, no inventories were pledged as collateral for liabilities.

21 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, other short-term highly liquid financial assets with residual maturities of three months or less that are subject to no more than insignificant fluctuations in value, and bank overdraft facilities. In the statement of financial position, utilized bank overdraft facilities are shown under current financial liabilities as Liabilities to Banks.

Changes in cash and cash equivalents are shown in the Consolidated Statement of Cash Flows.

22 Subscribed capital

B. Braun Melsungen's share capital of € 800 million is divided into 19,404,000 no-par-value bearer shares that are fully paid up. Each share without nominal value represents a calculated share of € 41.23 of the subscribed capital.

23 Capital reserves and retained earnings

The capital reserve includes the premium from previous capital increases of B. Braun Melsungen AG.

Retained earnings include past earnings of consolidated companies where these were not distributed, and the consolidated net income, net of the share attributable to non-controlling interests. The statutory reserve included in retained earnings amounts to € 29.4 million.

Changes in other provision	Reserve for cash flow hedges € '000	Fair value of available-for-sale financial assets € '000	Reserve for currency translation differences differences € '000	Total € '000
January 1, 2017	**-8,070**	**-88**	**-21,667**	**-29,825**
Changes recognized directly in equity (after taxes)				
Changes in fair value of securities	0	-31	0	-31
Cash flow hedging instruments	8,049	0	0	8,049
Changes due to currency translation	0	0	-177,138	-177,138
Total	**8,049**	**-31**	**-177,138**	**-169,120**
December 31, 2017/Jan. 1, 2018	**-21**	**-119**	**-198,805**	**-198,945**
Changes recognized directly in equity (after taxes)				
Changes in fair value of securities	0	3,162	0	3,162
Cash flow hedging instruments	-729	0	0	-729
Changes due to currency translation	0	0	8,819	8,819
Total	**-729**	**3,162**	**8,819**	**11,252**
December 31, 2018	**-750**	**3,043**	**-189,986**	**-187,693**

Changes in the other equity capital components are shown in the Consolidated Statement of Changes in Equity.

Claims of shareholders to dividend payments are reported as liabilities in the period in which the corresponding resolution is passed.

24 Non-controlling interests

Non-controlling interests relate to third-party interests in the equity of consolidated subsidiaries. They exist in particular at Almo-Erzeugnisse E. Busch GmbH, Bad Arolsen, B. Braun Medical AG, Emmenbrücke, Switzerland, and B. Braun Austria Ges.m.b.H., Maria Enzersdorf, Austria. The summarized financial information of these subsidiaries before inter-company elimination is as follows:

	Assets	Liabilities	Sales	
	€ '000	€ '000	€ '000	
2017				
Almo-Erzeugnisse E. Busch GmbH, Germany	56,722	29,826	68,433	
B. Braun Austria Ges.m.b.H., Austria	86,907	21,668	61,763	
B. Braun Medical AG, Switzerland	342,126	112,460	298,915	
	485,755	163,954	429,111	
2018				
Almo-Erzeugnisse E. Busch GmbH, Germany	58,992	34,496	62,979	
B. Braun Austria Ges.m.b.H., Austria	94,238	22,533	64,849	
B. Braun Medical AG, Switzerland	366,996	120,527	309,238	
	520,226	177,556	437,066	

						attributable to	
	Profit/loss € '000	Other earnings (OCI) € '000	Total earnings € '000	Cash flow € '000	Non-controlling interests in %	Profit/loss € '000	Dividends € '000
	4,130	-2,182	1,948	-1	40	1,652	1,000
	12,562	-1,231	11,331	13	40	5,025	1,200
	13,059	-29,614	-16,554	10,838	49	6,397	5,485
	29,751	-33,027	-3,275	10,850		13,074	7,685
	-843	-2,239	-3,082	0	40	-337	600
	11,594	-1,363	10,231	11	40	4,638	2,000
	18,468	-29,273	-10,805	-5,717	49	9,049	4,957
	29,219	-32,875	-3,656	-5,706		13,350	7,557

25 Provisions for pensions and similar obligations

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Provisions for pension obligations	1,332,051	1,268,987

Payments of €42.8 million are expected in 2019 (previous year: €39.5 million). Of this, €10.3 million (previous year: €9.5 million) is attributable to contributions to external plans and €32.5 million (previous year: €30 million) to benefits that will be paid directly by the employer to beneficiaries.

The Group's pension obligations relate to commitments under defined contribution and defined benefit plans.

For defined contribution plans, the Group has no further payment obligations once the contributions have been paid. They are recognized as an operating expense in the amount of the contributions paid. In the previous fiscal year, this amount was €29.6 million (previous year: €18.4 million). In addition, the Group makes contributions to statutory basic provision plans for employees in many countries (including Germany). However, since this covers various forms of social security benefits, no precise statement can be made with regard to the part that solely relates to retirement payments. These expenses are shown under social security payments, under Note 12 "Personnel Expenditures/Employees."

Employees' claims under defined benefit plans are based on legal or contractual provisions.

Defined benefit plans based on legal regulations consist primarily of benefit obligations outside Germany at the time of employment termination and are fulfilled in the form of a capital sum. The benefit amount depends mainly on employees' length of service and final salary.

Pension commitments for employees in Germany account for approx. 70% of Group pension obligations. These primarily consist of annuity payments made in the event of disability, death, or an employee reaching the retirement age. The main pension plans for employees in Germany who joined the company in 1992 or later are age-dependent defined contribution plans with a modular form. Employees who joined the company before 1992, with a small number of exceptions, received commitments linked to their final salaries.

Retirement benefits in Germany are predominantly financed by pension provisions.

Pension commitments for employees in Switzerland account for approx. 10% of Group pension obligations. The benefits consist of annuity payments made in the event of disability, death, or an employee reaching the retirement age. The pension commitments are defined contribution plans with legally prescribed annuity rates based on implicit interest rate guarantees.

Pension commitments for employees in the US account for approx. 10% of Group pension obligations. In this case, the pensions have a lump-sum payment option. Payments are made in the event of disability, death, or an employee reaching the retirement age. The pension amount is calculated largely on the basis of the employee's average salary up to 1998. A cash balance scheme applies to any earnings increase after this time.

Retirement benefits in Switzerland and the US are financed by external pension funds, as is customary for both regions, which are managed by various bodies (e.g. a board of trustees, etc.) under local legislation. Minimum funding requirements apply in both countries, which could, in rare cases, impact the definition of future financial contributions.

In addition to the longevity risk and the risk of future pension and salary increases, risks faced by the B. Braun Group associated with the benefits payable also include capital market risks, which could impact both income from plan assets and the discount rate.

The liability recognized in the statement of financial position for defined benefit pension plans is the net present value of the defined benefit obligation (DBO) at the reporting date, allowing for future trend assumptions, less the fair value of external plan assets at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The interest rate used to determine the net present value is usually the yield on prime corporate bonds of similar maturity.

The amount of pension provisions in the statement of financial position is derived as follows:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Present value of pension obligations	1,671,040	1,593,550
Fair value of external plan assets	-338,994	-324,563
Excess cover/shortfall	**1,332,046**	**1,268,987**
Effect of asset ceiling	5	0
Pension provision (net)	**1,332,051**	**1,268,987**
of which assets	(1,239)	(1,191)
of which liabilities	(1,333,290)	(1,270,178)

Pension expenses included in the statement of income consist of the following:

	2018 € '000	2017 € '000
Current service costs	61,767	62,819
Plan changes/past service costs	-434	-244
(Profit)/losses from plan settlements/lapsing	17	-57
Service costs	**61,350**	**62,518**
Interest expense on pension obligations	33,847	31,756
Interest income from external plan assets	-6,521	-5,957
Interest income from reimbursement claims	0	0
Interest on asset ceiling	0	0
Net interest expense on pension obligations	**27,326**	**25,799**
Administrative expenses and taxes	566	1,103
Pension expense on defined benefit plans	**89,241**	**89,420**
of which operating profit	(61,916)	(63,621)
of which financial income	(27,325)	(25,799)
Pension expense on defined contribution plans	29,568	18,409
Pension expense	**118,809**	**107,829**

Pension obligations and external plan assets are reconciled as follows:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Present value of the obligation at the beginning of the year	1,593,550	1,609,146
Current service costs	61,767	62,819
Plan changes/(past service costs)	-434	-244
Effects of plan settlements/lapsing	17	-57
Interest expense on pension obligations	33,847	31,756
Benefits paid	-37,763	-43,454
Settlement payments	-602	-646
Employee contributions	4,757	4,561
Effects of changes in financial assumptions	-15,567	-51,574
Effects of changes in demographic assumptions	12,975	-501
Effects of experience adjustments	19,322	4,560
Effects of transfers	-13,716	10,579
Effects of changes in the scope of consolidation	410	0
Effects of foreign currency translation	12,477	-33,395
Present value of the obligation at end of year	**1,671,040**	**1,593,550**

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Fair value of plan assets at start of year	324,563	308,313
Interest income from external plan assets	6,521	5,957
Revaluation of external plan assets	-12,360	11,546
Employer contributions	14,801	26,992
Employee contributions	4,757	4,561
Benefits paid and fund capital payments made	-8,763	-17,050
Settlement payments	-458	0
Effects of changes in scope of consolidation and transfers	218	8,634
Effects of foreign currency translation	9,714	-24,390
Fair value of plan assets at end of year	**338,993**	**324,563**

The plan assets consist of the following:

	Dec. 31, 2018 in %	Dec. 31, 2017 in %
Equities and similar securities	19	20
Bonds and other fixed-income securities	13	12
Real estate	0	0
Insurance contracts	58	55
Liquid assets	1	5
Derivatives	0	0
Investment funds	9	8
Other assets	0	0
	100	**100**

The plan assets for which traded market prices exist are as follows:

	Dec. 31, 2018 in %	Dec. 31, 2017 in %
Equities and similar securities	19	20
Bonds and other fixed-income securities	13	12
Real estate	0	0
Insurance contracts	0	0
Liquid assets	1	5
Derivatives	0	0
Investment funds	9	8
Other assets	0	0
	42	**45**

Plan assets are not invested in the Group's own financial instruments.

94% of the equities and similar securities are attributable to plan assets in the United States. A pension committee oversees plan assets in the United States and ensures adequate investment diversification.

In fiscal years 2018 and 2017, the pension provisions changed as follows:

	2018 € '000	2017 € '000
Pension provisions (net) January 1	1,268,987	1,300,833
Transfers	-13,933	1,944
Payments	-44,507	-55,146
Pension expense	89,241	89,420
Revaluations recognized in equity (OCI)	29,090	-59,060
of which effects from changes to financial assumptions of the pension obligation	(-15,567)	(-51,574)
of which effects from changes to demographic assumptions of the pension obligation	(12,975)	(-501)
of which effects from experiential adjustments of the pension obligation	(19,322)	(4,560)
of which revaluation of external plan assets	(12,360)	(-11,546)
of which other effects	-	(1)
Effects of changes in the scope of consolidation	410	0
Effects of foreign currency translation	2,763	-9,004
Pension provisions (net) Dec. 31	**1,332,051**	**1,268,987**

The transfers contain obligations to employees in the amount of €13.3 million that was transferred from B. Braun Melsungen AG to B. Braun Service SE & Co. KG.

The calculation of pension obligations was based on the following assumptions:

	Dec. 31, 2018 in %	Dec. 31, 2017 in %
Discount rate	2.2	2.2
Future salary increases	2.8	2.8
Future pension increases	1.5	1.5

Pension expense was calculated using the following assumptions:

	2018 in %	2017 in %
Discount rate for calculating interest expense	2.2	2.0
Discount rate for calculating current service costs	2.3	2.2
Future salary increases	2.8	2.8
Future pension increases	1.5	1.5

The percentages shown are weighted average assumptions. For the eurozone, a uniform discount rate of 2.2% (previous year: 2.2%) was applied to determine the pension obligations.

The Heubeck Mortality Tables 2018 G (previous year: 2005 G) served as the basis for measuring German-defined benefit (pension) obligations.

The results of the sensitivity analysis were determined using the previous year's methods, changing one assumption at a time and leaving the other assumptions unchanged. No account was taken of any possible correlations between the individual assumptions.

The results of the sensitivity analysis were as follows:

Obligation-increasing effect	2018 in %	2017 in %
Discount rate reduced by 25 basis points	5	4
Future salary increases increased by 25 basis points	1	1
Future pension increases increased by 25 basis points	2	2
Life expectancy increased by 1 year	3	3*

* Effect in Germany

Obligation-reducing sensitivities have a comparable effect.

The weighted duration of the obligation is 19 years (previous year: 19 years).

26 Other provisions

The major provisions categories changed as follows:

Other non-current provisions		Personnel expenditures € '000	Uncertain liabilities € '000	Other € '000	Total € '000
January 1, 2017		**96,911**	**6,879**	**8,904**	**112,694**
Foreign currency translation		-3,269	-690	-18	-3,977
Changes in scope of consolidation		0	0	0	0
Accrued interest		0	35	0	35
Transfers		0	0	0	0
Utilization		-3,963	-1,473	-802	-6,238
Reversals		-1,609	-319	-320	-2,249
Additions		11,086	510	1,457	13,053
December 31, 2017/January 1, 2018		**99,155**	**4,942**	**9,221**	**113,318**
Foreign currency translation		1,207	-743	13	477
Changes in scope of consolidation		0	0	0	0
Accrued interest		0	0	0	0
Transfers		192	0	0	192
Utilization		-4,809	-55	-189	-5,053
Reversals		-72	-1,374	-636	-2,082
Additions		9,903	1,571	126	11,600
December 31, 2018		**105,576**	**4,341**	**8,535**	**118,452**

Other current provisions	Personnel expenditures € '000	Warranties € '000	Uncertain liabilities € '000	Other € '000	Total € '000
January 1, 2017	**3,699**	**10,768**	**9,307**	**24,896**	**48,670**
Foreign currency translation	-68	-354	-222	-1,631	-2,276
Transfers	0	0	0	0	0
Changes in scope of consolidation	92	0	0	101	193
Utilization	-2,507	-2,225	-1,594	-12,141	-18,466
Reversals	-264	-405	-1,499	-4,008	-6,176
Additions	4,156	3,087	10,802	21,172	39,217
December 31, 2017/January 1, 2018	**5,108**	**10,871**	**16,794**	**28,389**	**61,162**
Foreign currency translation	119	-8	170	-1,013	-732
Transfers	-192	0	0	0	-192
Changes in scope of consolidation	93	21	0	7	121
Utilization	-1,955	-1,826	-2,518	-19,554	-25,853
Reversals	-256	-872	-5,573	-1,826	-8,527
Additions	2,478	5,452	5,577	22,328	35,835
December 31, 2018	**5,395**	**13,638**	**14,450**	**28,331**	**61,814**

Non-current provisions for personnel expenditures primarily consist of provisions for partial retirement plans and anniversary payments.

Other provisions mainly consist of provisions for other obligations in the area of personnel and social services, guarantees, possible losses from contracts, legal and consulting fees, and a number of identifiable individual risks. The additional other provisions refer predominantly to outstanding invoices, bonuses, actuarial provisions, and provisions for not yet settled insurance claims of REVIUM Rückversicherung AG, Melsungen.

The majority of non-current provisions will result in payments due within five years.

27 Financial liabilities

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Non-current liabilities		
Profit participation rights	112,551	103,360
Liabilities to banks	1,478,436	1,379,723
Liabilities under finance leases	29,025	33,510
Liabilities under finance leases with affiliated companies	13,796	17,269
Liabilities under borrowings from non-banks	39,295	15,151
Other financial liabilities	0	0
	1,673,103	**1,549,013**
Current liabilities		
Profit participation rights	12,482	17,329
Liabilities to banks	675,692	546,786
Liabilities under finance leases	4,979	5,306
Liabilities under finance leases with affiliated companies	3,475	3,436
Liabilities under borrowings from non-banks	57,608	83,345
Liabilities under bills of exchange	15,449	14,400
Other financial liabilities	8,273	4,906
	777,958	**675,508**
Total financial liabilities	**2,451,061**	**2,224,521**

Term structure of financial liabilities:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Due within 1 year	777,958	675,508
Due in 1 to 5 years	916,372	897,711
Due in over 5 years	756,731	651,302
	2,451,061	**2,224,521**

Under the B. Braun Incentive Plan, B. Braun Melsungen AG offers a series of profit participation rights, which may be acquired by eligible managers on a voluntary basis. With the issuance of profit participation rights, the company grants employees profit-sharing rights in the form of participation in the profit and losses of B. Braun Melsungen AG in return for their investment of capital.

Each profit participation right has a ten-year term. Interest on the rights is linked to the dividends paid to shareholders in B. Braun Melsungen AG, and the repayment amount is linked to the Group's equity.

As an incentive for the investment made by employees, the company offers an entitlement bonus of 25% in the form of additionally assigned participation rights. The entitlement bonus is paid to employees two years after their investment. The additional profit participation rights are recognized as expenses in the corresponding periods.

As of December 31, 2018, a total of 657,560 rights had been issued. The years of issue are as follows:

Year of issue	Number
2009	52,951
2010	60,619
2011	69,202
2012	54,071
2013	69,276
2014	62,481
2015	64,761
2016	75,228
2017	80,380
2018	68,591
	657,560

The B. Braun Melsungen AG, together with several subsidiaries and 12 banks, concluded a new syndicated loan agreement for € 400 million in March 2012. The loan may be used by the borrowers as revolving credit in euros, or alternatively in partial sums in US dollars and British pounds, and bears a variable interest rate based on Euribor and Libor for the currency in question. In addition, the agreement allows for an adjustment to the interest margin depending on the B. Braun Group's net financial debt (leverage ratio). In May 2014, the parties agreed to extend the term of the original credit agreement that was supposed to end on March 23, 2017 to May 21, 2019. In addition, B. Braun has been granted the right to extend the contract by one year on two separate occasions upon consent of the banks. In 2016, a second extension (until May 2021) and an increase in the committed credit volume to € 520 million were granted. Under the terms of the syndicated loan agreement, B. Braun is required to comply with certain financial ratios, including in particular a minimum equity ratio, which is calculated by taking the entity's total assets and dividing them by its total equity, and maximum leverage ratio, in other words the net financial debt to EBITDA ratio. Both of these ratios will be calculated on the basis of consolidated figures for the B. Braun Group, subject to adjustments as agreed under the syndicated loan. Under the agreement, the equity ratio must not fall below 25% and the leverage ratio must not exceed 3.25. During the fiscal year and as of the reporting date, both ratios were fully complied with.

In July 2018, B. Braun Melsungen AG issued bonds totaling €300 million in a promissory note transaction. The notes mature after 5 years (€85 million), 8 years (€165 million) and 10 years (€50 million) and have a fixed interest rate. The promissory notes were predominantly underwritten by German banks. In addition, Group companies in Asia and Latin America have secured long-term, bilateral loan agreements equivalent to approx. €135 million with terms of up to 5 years. These borrowed funds were used to refinance expired loans or short-term liabilities, and finance the capital requirements of the respective Group company.

As of December 31, 2018, the Group has unused credit lines in different currencies totaling €1,116.0 million (previous year: €1,087.1 million).

Interest rates on euro loans were up to 5.40% per annum for non-current loans, depending on the length of the interest rate lock-in period.

The carrying amounts of the interest-bearing liabilities are as follows for the currencies below:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
EUR	1,922,992	1,671,418
USD	130,990	175,866
Other	397,079	377,237
	2,451,061	**2,224,521**

Liabilities from finance leasing are recognized at the net present value of the leasing payments. These are fully secured by property liens on leased property. Of the other liabilities, €22.316 million (previous year: €20.302 million) are covered by property liens. Borrowings from non-banks are unsecured.

The carrying amount of financial assets used as collateral for liabilities or contingent liabilities was €33,000 (previous year: €34,000). The collateral provided was assigned receivables. The following table shows the contractually agreed upon (undiscounted) interest and repayments on financial liabilities, other financial liabilities, and derivative financial instruments with negative fair value:

		Cash outflows within one year	
	Carrying amount € '000	Interest € '000	Repayments € '000
Dec. 31, 2017			
Profit participation rights	120,689	151	17,329
Liabilities to banks	1,926,509	26,296	546,883
Liabilities under finance leases	38,816	1,182	5,306
Liabilities under finance leases with affiliated companies	20,705	215	3,436
Liabilities under borrowings from non-banks	98,496	508	83,345
Liabilities from ABS transactions and other financial liabilities	55,583	0	55,583
Trade accounts payable	483,906	0	481,009
Liabilities from derivative financial instruments	14,040	1	384,134
Dec. 31, 2018			
Profit participation rights	125,033	145	12,482
Liabilities to banks	2,154,128	23,829	675,692
Liabilities under finance leases	34,004	1,794	4,979
Liabilities under finance leases with affiliated companies	17,271	178	3,475
Liabilities under borrowings from non-banks	96,903	425	57,608
Liabilities from ABS transactions and other financial liabilities	57,717	0	57,717
Trade accounts payable	532,123	7	529,176
Liabilities from derivative financial instruments	11,362	649	271,187

Cash outflows within one to two years		Cash outflows within two to five years		Cash outflows within five to ten years		Cash outflows after ten years	
Interest	Repayments	Interest	Repayments	Interest	Repayments	Interest	Repayments
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
130	11,557	297	34,146	215	57,657	0	0
22,718	270,976	44,645	550,952	25,419	557,698	0	0
1,771	6,439	4,007	10,154	2,849	12,183	793	4,734
178	3,475	315	9,487	35	4,307	0	0
144	6,794	72	6,594	0	1,763	0	0
0	0	0	0	0	0	0	0
0	12	0	1,857	0	1,028	0	0
2	838	0	0	0	0	0	-370,932
130	14,298	299	35,622	212	62,631	0	0
23,940	131,355	53,075	687,600	28,070	659,481	0	0
1,560	4,575	3,281	12,814	2,682	11,636	0	0
141	3,149	207	9,564	3	1,083	0	0
352	2,009	1,047	30,452	272	6,834	0	0
0	0	0	0	0	0	0	0
0	241	0	2,266	0	440	0	0
0	8	0	183	0	0	0	-260,016

All instruments held as of December 31, 2018 and for which payments had already been contractually agreed upon are included. Amounts in foreign currency were each translated at the closing rate on the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2018. Financial liabilities that can be repaid at any time are always assigned to the earliest possible period.

28 Additional disclosures on financial instruments

Reconciliation of the carrying values of financial assets and the corresponding assessment categories from IAS 39 with the classifications by IFRS 9 at time of initial application:

	Carrying amount Dec. 31, 2017 € '000	Assessment category under IAS 39	Revaluation effects € '000	Carrying amount Jan. 1, 2018 € '000	Assessment category under IFRS 9
Assets					
Trade receivables	1,147,990	LaR	-43,113	1,104,877	AmC
			45,040	45,040	FVPL
Other receivables	157,021	LaR		157,021	AmC
Other financial assets	13,946	AfS	-33,300	35,834	FVOCIw/o
Other holdings	33,300	AfS	-33,300	0	FVOCI
				10,836	AmC
				576	FVPL
Financial assets held for trading	21,177	FAHfT		21,177	FVPL
Derivatives not in a hedge	8,135	FAHfT		8,135	FVPL
Derivatives in a hedge	4,620	N/A		4,620	N/A
Cash and cash equivalents	66,371	LaR		66,371	AmC
Total financial assets	**1,452,560**		**1,927**	**1,454,487**	

LaR Loans and Receivables | **AfS** Available-for-Sale Financial Assets | **FAHfT** Financial Assets Held-for-Trading

AmC Financial Assets measured at Amortized cost | **FVPL** Financial Assets measured at Fair Value through Profit & Loss | **FVOCI** Financial Assets measured at Fair Value through Other Comprehensive Income with recycling | **FVOCIw/o** Financial Assets measured at Fair Value through Other Comprehensive Income without recycling

Trade receivables totaling €45.04 million were designated at fair value through profit and loss since they are held for sale as part of an asset-backed securities program, meaning they do not meet the business model condition for classification as financial assets measured at amortized cost.

Financial investments in foreign currency instruments totaling €10.836 million were designated financial assets measured at amortized cost since both the relevant business model condition and the cash flow condition are met. These investments are in covered bonds and loans.

Financial investments in equity instruments totaling €35.834 million were designated at fair value through other comprehensive income since, as strategic, long-term investments, they are not held with the intention of realizing a short-term gain. These are primarily fund-based early-stage financing investments. Dividends in the amount of €3.016 million were recognized from these financial investments in 2018.

Carrying amounts and fair value by measurement category/classification:

	Assessment category under IFRS	Carrying Dec. 31, € '000	Fair value Dec. 31, € '000	Assessment category under IAS	Carrying Dec. 31, € '000	Fair value Dec. 31, € '000
Assets						
Trade receivables	AmC	1,099,475	-	LaR	1,147,990	-
	FVPL	42,310	42,310	-	-	-
Other receivables	AmC	138,860	-	LaR	157,021	-
Other financial assets	FVOCIw/o	41,607	41,607	-	-	-
	AmC	14,703	14,703	-	-	-
	FVPL	7,127	7,127	-	-	-
Total other financial assets		63,437	63,437	AfS	13,946	13,946
Other holdings		-	-*	AfS	33,300	-*
Financial assets held for trading	FVPL	21,903	21,903	FAHfT	21,177	21,177
Derivatives not in a hedge	FVPL	12,276	12,276	FAHfT	8,135	8,135
Derivatives in a hedge	N/A	3,693	3,693	N/A	4,620	4,620
Cash and cash equivalents	AmC	74,763	-	LaR	66,371	-
Liabilities						
Profit participation rights	AmC	125,033	-**	FLAC	120,689	-**
Liabilities to banks	AmC	2,154,128	2,184,461	FLAC	1,926,509	1,947,212
Liability under finance leases	N/A	51,275	34,352	N/A	59,521	39,266
Liabilities under borrowings from non-banks	AmC	96,903	96,987	FLAC	98,496	98,587
Other financial liabilities	AmC	15,535	-	FLAC	14,415	-
Trade accounts payable	AmC	532,123	-	FLAC	483,906	-
Other liabilities	AmC	338,094	-	FLAC	322,856	-
Purchase price liabilities from business combinations	FVPL	7,520	7,520	FLHfT	7,302	7,302
Derivatives not in a hedge	FVPL	6,218	6,218	FLHfT	9,702	9,702
Derivatives in a hedge	N/A	5,144	5,144	N/A	4,338	4,338

	Assessment category under IFRS	Carrying Dec. 31, € '000	Fair value Dec. 31, € '000	Assessment category under IAS	Carrying Dec. 31, € '000	Fair value Dec. 31, € '000
Summary by IAS 39 measurement category:						
Loans and receivables				LaR	1,371,382	-
Financial assets held for trading				FAHfT	29,312	29,312
Financial liabilities measured at amortized cost				FLAC	2,966,871	2,045,799
Financial liabilities held for trading				FLHfT	17,004	17,004
Summary by IFRS 9 measurement category:						
Amortized cost	AmC	1,327,801	14,703			
Fair value through profit and loss	FVPL	83,616	83,616			
	FVOCIw/o	41,607	41,607			
Liabilities						
Amortized cost	AmC	3,261,816	2,281,448			
Fair value through profit and loss	FVPL	13,738	13,738			

LaR Loans and Receivables | **AfS** Available-for-Sale Financial Assets | **FAHfT** Financial Assets Held-for-Trading | **FLAC** Financial Liabilities measured at Amortized Cost | **FLHfT** Financial Liabilities Held-for-Trading

AmC Financial Assets measured at Amortized cost | **FVPL** Financial Assets measured at Fair Value through Profit & Loss | **FVOCIw/o** Financial Assets measured at Fair Value through Other Comprehensive Income without recycling

*The remaining holdings consist of shares in partnerships and corporations for which no active market exists. Since future cash flows cannot be reliably determined, the fair value of these instruments also cannot be reliably measured.

**Interest on the rights is linked to the dividends paid to shareholders in B. Braun Melsungen AG, and the repayment amount is linked to the Group's equity. A fair value for this instrument cannot be reliably measured.

Net gains or losses by measurement category are as follows:

Net gains or losses from financial assets and liabilities	2018 € '000	2017 € '000
- Loans and receivables		0
- Held-to-maturity financial assets		0
- Available-for-sale financial assets		-307
- Financial assets and liabilities held for trading		-5,393
- Measured at amortized cost	-87	
- Equity instruments measured in other comprehensive income as FVOCI	-191	
- Measured at FVPL by regulation	-3,360	
	-3,638	**-5,700**

Other assets include other receivables and other financial assets in the amount of €159.528 million (previous year: €136.277 million) and other loans in the amount of €14.528 million (previous year: €25.578 million).

Cash and cash equivalents, trade receivables, and other receivables have predominantly short residual terms, thus their carrying amounts are close to fair value as of the reporting date.

Trade accounts payable and other financial liabilities and debt regularly have short residual terms; the values reported on the statement of financial position are close to fair value.

The fair values of liabilities to banks and other lenders, promissory notes, finance leases and other financial liabilities are calculated as the net present value of the payments associated with the liabilities, based on the relevant yield curve in each case. In determining the fair value, the credit risk has been taken into account.

The table below shows financial instruments where subsequent measurement and accounting is at fair value. These are categorized into levels 1 to 3, depending on the extent to which fair value can be measured:

– Level 1 – Measurement at fair value based on (unadjusted) quoted prices on active markets for identical financial assets or liabilities.

– Level 2 – Measurement at fair value based on parameters, which are not quoted prices for assets or liabilities as in level 1, but which are either directly derived from them (i.e., as prices) or indirectly derived from them (i.e., derived from prices).

– Level 3 – Measurement at fair value using models that include parameters not based on observable market data to value assets and liabilities.

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
December 31, 2017				
Financial assets of category "At fair value through profit and loss"				
Derivative financial assets not in a hedge	0	8,135	0	8,135
Derivative financial assets in a hedge	0	4,620	0	4,620
Financial assets held for trading	21,177	0	0	21,177
Financial assets of category "Available for sale"				
Financial assets	13,946	0	0	13,946
Financial liabilities of category "At fair value through profit and loss"				
Purchase price liabilities from business combinations	0	0	-7,302	-7,302
Derivative financial assets not in a hedge	0	-9,702	0	-9,702
Derivative financial assets in a hedge	0	-4,338	0	-4,338
	35,123	-1,285	-7,302	26,536
December 31, 2018				
Financial assets of category FVPL				
Derivative financial assets not in a hedge	0	12,276	0	12,276
Derivative financial assets in a hedge	0	3,693	0	3,693
Financial assets held for trading	29,030	0	0	29,030
Trade receivables	0	42,310	0	42,310
Financial assets of category FVOCIw/o				
Financial assets	0	41,607	0	41,607
Financial liabilities of category FVPL				
Purchase price liabilities from business combinations	0	0	-7,520	-7,520
Derivative financial assets not in a hedge	0	-6,218	0	-6,218
Derivative financial assets in a hedge	0	-5,144	0	-5,144
	29,030	88,524	-7,520	110,034

Purchase price liabilities from business combinations categorized as level 3 are conditional purchase price liabilities recorded at net present value, the final amount of which is partially performance dependent based on various factors. The amount stated represents the fair value that was calculated for the actual purchase price liability on the basis of the agreed adjustment parameters. A partial amount of €1.417 million is performance-dependent based on the sales of the acquired company in the years following the acquisition. If sales turn out to be 10% higher (lower) than was assumed when the liability was determined, then the liability would increase (decrease) by €142,000. Another partial amount of €5.465 million is performance-dependent based on the number of patients treated, the refund amount and the rate of inflation. If these parameters develop 10% more favorably (unfavorably) than expected, then the liability would increase by €2.192 million (decrease by €2.413 million).

The €218,000 increase in liabilities over the previous year is attributable to the creation of new liabilities following business combinations in the reporting year (€170,000) and discounting effects (€48,000).

The table below shows the fair values of financial instruments that are recognized at amortized cost.

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
December 31, 2017				
Financial liabilities of category "Measured at amortized cost"				
Liabilities to banks	0	1,947,212	0	1,947,212
Liabilities under finance leases	0	39,266	0	39,266
Liabilities under borrowings from non-banks	0	98,587	0	98,587
	0	2,085,065	0	2,085,065
December 31, 2018				
Financial liabilities of category AmC				
Liabilities to banks	0	2,184,461	0	2,184,461
Liabilities under finance leases	0	34,352	0	34,352
Liabilities under borrowings from non-banks	0	96,987	0	96,987
	0	2,315,800	0	2,315,800

The following financial assets and liabilities are subject to offsetting arrangements:

				Corresponding amounts that were not offset		
	Gross carrying amount € '000	Offset amount € '000	Net carrying amount € '000	Financial instruments € '000	Financial collateral held € '000	Net amount € '000
December 31, 2017						
Loans and receivables (LaR)	1,371,382	0	1,371,382	-1,355	0	1,370,027
Financial assets held for trading (FAHfT)	29,312	0	29,312	-9,838	0	19,474
Financial liabilities measured at amortized cost (FLAC)	2,966,871	0	2,966,871	-6,418	0	2,960,453
Financial liabilities held for trading (FLHfT)	17,004	0	17,004	-4,775	0	12,229
December 31, 2018						
Financial assets measured at cost	1,327,801	0	1,327,801	-3,359	20	1,324,462
Assets measured at fair value	125,223	0	125,223	-10,173	0	115,050
of which FVPL	83,616	0	83,616	-10,173	0	73,443
of which FVOCIw/o	41,607	0	41,607	0	0	41,607
Financial liabilities at amortized cost	3,261,816	0	3,261,816	-8,521	0	3,253,295
Liabilities measured at fair value through profit and loss (FVPL)	13,738	0	13,738	-5,010	0	8,728

Offsetting of amounts that were not offset is permitted in the event of bankruptcy or default of one of the contractual parties.

29 Trade accounts payable and other liabilities

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Non-current liabilities		
Trade accounts payable	2,947	2,897
Liabilities to social security providers	3,479	4,037
Liabilities to employees, management, and shareholders	36,899	30,247
Accruals and deferrals	80	87
	40,458	**34,371**
Other liabilities	11,094	16,936
Subtotal other liabilities	**51,552**	**51,307**
of which financial liabilities	(10,711)	(16,936)
Current liabilities		
Trade accounts payable	529,176	481,009
Liabilities to social security providers	35,027	32,879
Liabilities to employees, management, and shareholders	278,357	274,445
Accruals and deferrals	19,355	11,607
Other tax liabilities	89,715	81,882
	422,454	**400,813**
Liabilities from derivative financial instruments	11,362	14,040
Other liabilities	373,385	311,390
	384,747	**325,430**
Subtotal other liabilities	**807,201**	**726,243**
of which financial liabilities	(338,741)	(319,960)
Total liabilities	**1,390,876**	**1,261,456**

Other liabilities mainly include remaining payments related to company acquisitions, liabilities from ABS transactions, bonus obligations, and liabilities related to outstanding invoices.

30 Contingent liabilities

Liabilities result exclusively from obligations to third parties and consist of:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Uncertain liabilities	17,374	4,954
Guarantees	18,972	14,878
Warranties	0	0
Contractual performance guarantees	38,582	37,712
	74,928	**57,544**

All cases relate to potential future obligations, which may arise upon the occurrence of corresponding events and are entirely uncertain as of the reporting date.

31 Other financial liabilities

The Group leases numerous office buildings and warehouses under non-terminable operating lease agreements. These agreements have varying terms and conditions, escalation clauses, and renewal options.

Future minimum lease payments expected in connection with non-terminable sub-leases on the reporting date amount to €17.153 million (previous year: €17.708 million).

The Group also leases manufacturing facilities and machinery under terminable operating lease agreements.

The minimum payments of non-discounted future lease payments under operating lease are due as follows:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Obligations under rental and leasing agreements		
Due within one year	102,326	86,639
Due within one to five years	204,967	166,846
Due in over five years	105,837	99,119
	413,130	**352,604**
Obligations from the acquisition of intangible assets	921	127
Obligations from the acquisition of property, plant, and equipment	290,322	282,597
Total	**704,373**	**635,328**

Some Group companies enter into sale and leaseback agreements with B. Braun Holding GmbH & Co. KG as part of their operating activities. These agreements are intended for sales financing, not to realize profits earlier.

The portion of total obligations under rental and lease agreements accounted for by obligations under sale and leaseback agreements is provided in the table below:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Obligations under sale and leaseback agreements		
Due within one year	13,423	12,196
Due within one to five years	21,172	20,776
Due in over five years	134	0
	34,729	**32,972**

During the normal course of business, B. Braun is subject to potential obligations stemming from lawsuits and enforced claims. Estimates of possible future liabilities of this kind are uncertain. No material negative consequences for the economic or financial situation of the B. Braun Group are anticipated.

32 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks. These include currency, interest rate, credit, and liquidity risks. The B. Braun Group's policy strives to minimize these risks via systematic risk management, which involves the use of derivative financial instruments.

Risk management is performed centrally by Group Treasury in accordance with policies approved by the Management Board. Group Treasury identifies, measures, and hedges financial risks in close cooperation with the Group's operating units. The Management Board provides written principles for Group-wide risk management together with written policies covering specific areas such as foreign exchange, interest rate, and credit risk and the use of derivative and non-derivative financial instruments.

a) Market risk

Foreign exchange risk

The Group operates internationally and is therefore exposed to currency risk arising from fluctuations in the exchange rates between various foreign currencies, primarily the US dollar. Risks arise when future transactions or assets or liabilities recognized in the statement of financial position are denominated in a currency that is not the functional currency of the company. To hedge such risks, the Group uses forward foreign exchange contracts.

The Group's risk management policy is to hedge the assets or liabilities recognized in the statement of financial position and to hedge up to 60% of the net cash flow expected over the following 12 months on a continuous basis in key currencies. The Group therefore performs a scenario analysis to ascertain the impact of changes in exchange rate on the Group's earnings and shareholders' equity (before taxes in each case). This analysis takes into account balance sheet items (particularly accounts receivable and payable from operations, as well as loans and borrowings) as well as foreign exchange transactions executed in order to hedge balance sheet items and future cash flow denominated in foreign currencies (cash flow hedges).

If the exchange rate of the US dollar compared to other currencies on December 31, 2018 had been 10 % stronger (weaker), profit before taxes—with all other variables remaining constant—would have been €1.9 million higher (lower) (previous year: €1.3 million). The remaining components of equity would have been approximately €7.6 million (previous year: €6.8 million) lower (higher). If the Euro rises in value by 10% against all other currencies (Euro 10% weaker), the changes in the value of the cash flow hedges would have the effect of increasing (decreasing) shareholders' equity by about € 24.1 million (previous year: €22 million).

b) Interest rate risk

As the Group has no significant interest-bearing assets, changes in market interest rates affect its income and operating cash flow primarily via their impact on its interest-bearing liabilities. The liabilities with variable interest rates expose the Group to cash flow interest rate risk. Fair value interest rate risk arises from fixed-interest liabilities. Group policy is to maintain approx. 50% of its borrowings in fixed-rate instruments.

The Group also hedges its cash flow interest rate risk using interest rate swaps. Under these payer interest rate swaps, the Group agrees with other parties to exchange a fixed interest rate for a floating reference rate at specified intervals based on the agreed nominal volume in each case. Interest rate swaps of this nature have the economic effect of converting variable-rate into fixed-rate loans.

If market interest rates had been 100 basis points higher as of December 31, 2018, profit before taxes—with all other variables remaining constant—would have been approximately €5.9 million lower for the full year (previous year: €6.2 million). If market interest rates had been 50 basis points lower as of December 31, 2018, profit before taxes—with all other variables remaining constant—would have been approximately €2 million higher for the full year (previous year: €2.2 million). This would have been mainly attributable to higher or lower interest expense for variable-rate interest-bearing financial liabilities. The other components of equity would have changed only slightly.

c) Credit risk
The Group has no significant concentrations of credit risk related to trade receivables. It has organizational guidelines that ensure that products are sold only to customers with a good payment history. Contracts on derivative financial instruments and financial transactions are solely concluded with financial institutions with a good credit rating and contain, as a rule, a provision that allows mutually offsetting positive and negative fair market values in the event of the insolvency of a party.

The maximum credit risk for each measurement category of financial assets corresponds to its carrying amount. Trade receivables are partly secured with reservation of title, which reduces the maximum default risk in this assessment category by €38.088 million (previous year: €34.866 million).

The gross carrying amounts for financial assets for each default risk class are as follows:

	Level 1	Level 2	Level 3	Simplified approach
Dec. 31, 2018 € '000	**12-month ECL**	**Lifetime ECL (non-impaired)**	**Lifetime ECL (impaired)**	**Lifetime ECL**
Not at risk of default	228,326	0	0	926,931
At risk of default	0	0	0	253,406
Total	228,326	0	0	1,180,337

d) Liquidity risk
Prudent liquidity risk management includes maintaining sufficient reserves of cash, as well as ensuring the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the environment in which the Group operates, Group Treasury aims to maintain the necessary flexibility in funding by ensuring sufficient unused credit lines are available.

Capital risk management
The Group's capital management seeks to ensure continuation as a thriving, independent, family-run company, in order to guarantee that shareholders continue to receive dividends and other interested parties receive the amounts owed them, as well as maintaining an optimal equity structure to reduce the cost of capital.

The goal of significantly exceeding an equity ratio of at least 25%, as per the terms of the syndicated loan, was met in fiscal year 2018, as well.

Derivative financial instruments
The fair value of derivative financial instruments is calculated using directly observable market input factors. The fair value of interest rate swaps is calculated from the net present value of estimated future cash flows using the relevant yield curve on the reporting date. The fair value of forward foreign exchange contracts is calculated based on forward exchange rates on the reporting date. The company's own credit risk or counterparty credit risk is not included in this calculation due to a lack of materiality.

Changes in the fair value of derivative financial instruments that represent economically effective hedges under the Group strategy are recognized through profit and loss, unless they are used in hedge accounting. When applying hedge accounting for cash flow hedges, the fair market value changes from the effective portion are recognized in equity. The fair value changes in hedging instruments more or less match the fair value changes in the hedged underlying transactions.

	Nominal volume		Nominal volume Residual term > 1 year		Fair value	
	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Forward foreign exchange contracts	1,050,039	906,918	15,038	34,725	7,469	995
Interest rate swaps	100,000	100,000	0	100,000	-716	-1,383
Embedded derivatives	8,500	11,000	0	0	-219	-628
	1,158,539	**1,017,918**	**15,038**	**134,725**	**6,534**	**-1,016**

Depending on the fair value on the reporting date, derivative financial instruments are included under other assets (if fair value is positive) or other liabilities (if fair value is negative).

The Group's risk management policy is to hedge up to 60% of the net cash flow expected over the following 12 months on a continuous basis in key currencies from the B. Braun Group's ordinary business operations. This is why the Group has designated forward foreign exchange contracts to hedge foreign currency receipts and payments not in the functional currency that are expected in the future with high probability:

	Nominal volume		Average hedging rate	
ISO code	Dec. 31, 2018 €´000	Dec. 31, 2017 €´000	Dec. 31, 2018	Dec. 31, 2017
EUR/USD	72,012	69,562	1.1876	1.1768
EUR/CHF	32,103	32,431	1.1472	1.1190
EUR/GBP	39,621	31,990	0.8985	0.8908
EUR/JPY	17,416	16,681	129.8000	128.6500
EUR/CNY	74,829	70,962	8.1606	8.0941
EUR/RUB	56,802	56,549	80.4300	72.4100
EUR/BRL	12,354	6,300	4.7279	4.0432

The purpose of the hedges is to reduce the volatility of foreign exchange receipts and payments (and their measurement) with respect to foreign exchange risk. The effectiveness of hedges is measured prospectively using the critical terms match method and retroactively using the dollar offset method. As of the reporting date, the hedging measures had no ineffective portions.

As of December 31, 2018, the Group had designated forward foreign exchange contracts with a fair value of €3.693 million (previous year: €4.62 million) as other assets and of €4.718 million (previous year: €3.25 million) as other liabilities as cash flow hedges.

All hedges were effective. The reserve for cash flow hedges for these forward foreign exchange contracts reported in equity under other reserves developed over the fiscal year as follows:

	2018 € '000	2017 € '000
As of January 1	1,370	-9,534
Profit or loss from effective hedges	-3,363	4,174
Reclassifications due to altered expectations regarding occurrence of underlying transaction	N/A	N/A
Reclassifications due to realization of underlying transaction	961	6,640
Reclassification due to a basis adjustment	N/A	N/A
As of December 31	**-1,025**	**1,370**

Realization of the underlying transaction resulted in a reclassification from other reserves to cost of goods sold.

B. Braun expects gains of €3.693 million and losses of €4.718 million recognized in equity to be transferred to the statement of income within the next 12 months.

The ineffective portion of changes in value is recognized directly in the statement of income under net financial income and is €0 (previous year: €0). As in the previous year, there were no reclassifications from other reserves due to a hedge that was terminated or became ineffective, or a cash flow hedge that was terminated early.

In addition, the Group allocates currency hedges to certain plant construction projects and intercompany loans that are not contracted in the functional currency of each Group company. The earnings from currency hedging on plant construction projects in the amount of -€741,000 (previous year: €3.486 million) were eliminated from the currency earnings. The earnings from the hedges from internal commercial lending is shown in net interest income.

The Group has concluded several payer interest rate swaps ("static pay, variable receipts") in order to hedge the variable interest payments on a nominal credit volume of €100 million (previous year: €100 million). The objective is to increase the percentage of fixed-interest liabilities in accordance with the Group's financial risk policy. The Group has designated these payer interest rate swaps as cash flow hedges. Changes in the cash flows of the underlying transaction resulting from changes in the reference interest rate are compensated for by the changes in the cash flows of the interest rate swap. The hedging measures are designed to hedge the cash flow from bank liabilities against an increase in the reference interest rate. Credit risks are not covered through the hedge. The related cash flows are likely to occur in fiscal year 2019. The effectiveness of hedges was measured prospectively and retrospectively using the dollar offset method. The hedges were effective.

As of December 31, 2018, the Group had designated payer interest rate swaps with a fair value of € -716,000 (previous year: € -1.383 million) as cash flow hedges. The reserve for cash flow hedges for these interest rate swaps reported in equity under other reserves developed over the fiscal year as follows:

	2018 € '000	2017 € '000
As of January 1	-1,088	-2,573
Profit or loss from effective hedges	-50	-188
Reclassifications due to altered expectations regarding occurrence of underlying transaction	N/A	N/A
Reclassifications due to realization of underlying transaction	715	1,673
Reclassification due to a basis adjustment	N/A	N/A
As of December 31	**-423**	**-1,088**

Realization of the underlying transaction resulted in a reclassification from other reserves to net interest income.

The ineffective portion of changes in value is recognized directly in the statement of income under net financial income and is €0 (previous year: € 0). From hedges that were terminated or became ineffective in the fiscal year, losses that were recognized in the capital equity on an accumulative basis remained in the capital equity at the time of terminating this hedge, and they are recognized on entry of the originally hedged transaction through profit and loss in the statement of income. In 2018, this resulted in an expense of €0 (previous year: €370,000), which was transferred from equity to the statement of income.

33 Related party transactions

Related party transactions are presented for persons or entities not already included as consolidated companies in the consolidated financial statements. A person or a close member of that person's family is related to a reporting entity if that person has control or joint control over the reporting entity, has significant influence over the reporting entity, or is a member of key management personnel of the reporting entity. An entity is related to a reporting entity if the entity and the reporting entity are members of the same group or one entity is an associate or joint venture of the other entity.

The B. Braun Group purchases materials, inventories, and services from numerous suppliers around the world in the ordinary course of its business. These suppliers include a small number of companies in which the Group holds a controlling interest and companies that have ties to members of B. Braun Melsungen AG's Supervisory Board. Business transactions with such companies are conducted on normal market terms. From the perspective of the B. Braun Group, these are not materially significant. The B. Braun Group did not participate in any transactions significant for it or for related entities that were in any way irregular, and does not intend to do so in the future.

Effective September 1, 2018, Group departments with central functions were transferred to B. Braun Service SE & Co. KG headquartered in Melsungen, which for its part performs this strategic service in the way of management for the newly founded managing B. Braun Familienholding SE & Co. KG. These departments include Consolidated Accounting & Reporting, Taxes, Treasury, Corporate Communications, Legal and Corporate HR. The 180 employees entrusted with these duties have also been transferred to the new service company. The corresponding pension obligations of €10.149 million, anniversary obligations of €461,000 and other personnel obligations of €1.165 million have also been transferred to B. Braun Service SE & Co. KG in exchange for cash.

The following transactions were completed with related persons and entities:

	2018 € '000	2017 € '000
Sale of goods and services		
Related entities	20,361	14,044
of which B. Braun Holding GmbH & Co. KG	(7,909)	(4,973)
of which associated companies	(12,452)	(9,071)
Goods and services purchased		
Related entities	71,219	59,680
of which B. Braun Holding GmbH & Co. KG	(24,274)	(24,109)
of which unconsolidated subsidiaries of B. Braun Holding	(11,612)	(0)
of which joint ventures	(22,842)	(21,295)
of which associated companies	(12,491)	(14,276)

Outstanding items from the acquisition/sale of goods and services and from loans at the end of the fiscal year:

	Dec. 31, 2018 € '000	Dec. 31, 2017 € '000
Outstanding items from the sale of goods and services		
Related entities	6,111	3,460
of which B. Braun Holding GmbH & Co. KG	(588)	(546)
of which unconsolidated subsidiaries of B. Braun Holding	(3,414)	(117)
of which joint ventures	(35)	(31)
of which associated companies	(2,074)	(2,766)
Procurement obligations	112	186
Outstanding items from goods and services purchased and from loans		
Related entities	30,043	26,836
of which B. Braun Holding GmbH & Co. KG	(17,836)	(21,715)
of which unconsolidated subsidiaries of B. Braun Holding	(7,147)	(0)
of which joint ventures	(1,870)	(1,679)
of which associated companies	(3,190)	(3,442)
Key management personnel	32,995	27,443
	63,038	**54,279**
Procurement obligations	34	7

Key management personnel are members of the Management Board and members of the Supervisory Board of B. Braun Melsungen AG. In addition to B. Braun Holding GmbH & Co. KG, the affiliated Group includes joint ventures and companies controlled by key management personnel or their close family members. The names of associated companies and joint ventures are listed under Major Shareholdings.

The following items in the statement of financial position contain outstanding balances with related persons and entities:

– Other assets
– Financial Debt
– Other liabilities

The loans granted by related individuals are short-term. Their interest rates are based on covered bond (Pfandbrief) yields. There are no provisions for doubtful accounts associated with outstanding balances and no expenditures are recognized for impaired receivables from associated persons.

Please see Note 27 for details of leasing liabilities to related entities.

Remuneration for members of the Management Board consists of a fixed and a variable, performance-related component. They also receive pension commitments and benefits in kind. Benefits in kind consist mainly of the value assigned for the use of company cars under German tax laws.

In addition to the duties and performance of Management Board members, the criteria for remuneration include the Group's financial position, results, and future projections.

The total remuneration of Management Board members consists of the following:

	2018 € '000	2017 € '000
Fixed remuneration	3,761	3,704
Variable renumeration	4,994	5,376
Pension expense	1,075	1,029
Bonuses	459	440
Other	550	427
	10,839	**10,976**

Of the total, € 623,000 was attributable to the Chairman of the Management Board as fixed renumeration and € 784,000 as variable remuneration from profit-sharing.

Pension obligations to active board members total €26.854 million. Profit-sharing bonus obligations to board members reported under liabilities to employees, management and shareholders total € 4.112 million. A total of € 25.177 million has been allocated for pension obligations to former board members and their surviving dependents. Total remuneration amounted to € 3.957 million. Supervisory Board remuneration totaled € 693,000.

The remuneration of Supervisory Board members is governed by the articles of incorporation and is approved at the Annual Shareholders' Meeting. The remunerations made to employee representatives on the Supervisory Board for work outside their supervisory activities are in line with the market standards.

The Group has not made any loans to current or former members of the Management Board or Supervisory Board. Liabilities stemming from profit participation rights for Management Board members were € 18.595 million (previous year: € 18.034 million). See Note 27 for detailed information about bonuses.

The members of the Supervisory board and the Management Board are listed on pages 164 and 5.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows details changes in the B. Braun Group's cash and cash equivalents during the course of the fiscal year. In accordance with IAS 7, cash flows are categorized as those from operating, investing, and financing activities. Cash flow from operating activities is calculated using the indirect method.

34 Gross cash flow from operating activities

The gross cash flow of €777.1 million is the cash surplus from operating activities before any changes in working capital. It is €51 million less than in the previous year. The change is due primarily to the change in non-current provisions and other non-cash income and expenses.

Cash flow from operating activities of €626.5 million represents changes in current assets, current provisions, and liabilities (excluding financial liabilities).

The increase in liabilities and current provisions less the increase in inventories, receivables and other assets have led to a cash outflow of -€150.6 million. Net cash from operating activities is therefore €28.6 million below the previous year's level.

35 Cash flow from investing activities

For the purchase of property, plant, and equipment, intangible assets, financial assets, and business acquisitions, a total of €849.8 million was spent in 2018. This was offset by proceeds from the sale of property, plant, and equipment, and the disposal of holdings (€35.9 million), as well as dividends and similar income received (€16.6 million), resulting in a net cash outflow from investing activities of €797.3 million. Compared to the previous year, this resulted in a €93.4 million reduction in cash outflow.

Investments made during the year were not fully covered by cash flow from operating activities. The remaining free cash flow was -€170.8 million (previous year: -€235.5 million).

Additions to property, plant, and equipment, and intangible assets under finance leasing do not result in cash outflows and are therefore not included under investing activities. In the reporting year, these additions totaled €9.4 million (previous year: €300,000).

36 Cash flow from financing activities

In 2018, cash flow from financing activities amounted to €158.5 million (previous year: €184.8 million cash outflow). The net balance of proceeds from and repayments of loans was €206.1 million (previous year: €218.9 million). Dividend payments and capital contributions by non-controlling interests resulted in a total cash outflow of €42.3 million (previous year: €33.8 million). The €26.3 million change in cash inflows as compared with the previous year is primarily due to less borrowing.

The liability items in the consolidated statement of financial position in which associated payments were recognized in cash flows from financing activities changed during the fiscal year as follows:

	Jan. 1, 2018	Cash changes	Non-cash changes			Dec. 31, 2018
			Acquisitions	Exchange gains (losses)	Change in the fair value	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current financial liabilities	1,394,874	120,704	0	2,153	0	1,517,731
Current financial liabilities	649,437	106,700	2,277	-1,392	0	757,022
Non-current leasing liabilities	50,779	-16,932	0	8,974	0	42,821
Current leasing liabilities	8,742	-299	0	11	0	8,454
Non-current profit participation rights	103,360	9,444	0	0	-253	112,551
Current profit participation rights	17,329	-14,715	0	0	9,868	12,482
Total liabilities from financing activities	**2,224,521**	**204,902**	**2,277**	**9,746**	**9,615**	**2,451,061**

37 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and other short-term highly liquid financial assets with residual maturities of three months or less that are subject to no more than insignificant fluctuations in value.

As of December 31, 2018, restrictions on cash availability totaled €2.139 million (previous year: €1.599 million). These restrictions are primarily related to security deposits and collateral for tender business.

SUBSEQUENT EVENTS

On January 1, 2019, Ambulantes Herzzentrum outpatient cardiac center in Kassel, Germany was acquired in an asset deal. This acquisition will add invasive and noninvasive cardiology to our provider business.

No other facts came to light after completion of the fiscal year through to the date of preparation of the consolidated financial statements that have a material effect on the earnings, assets, and financial position for fiscal year 2018.

MAJOR SHAREHOLDINGS

Company name and headquarters	As of Dec. 31, 2018 Holding Capital in %1	Equity € '000	Sales € '000	Employees[5)]
Germany				
AESCULAP AG, Tuttlingen[2)]	100.0	175,824	803,767	3,636
AESCULAP INTERNATIONAL GMBH, Tuttlingen[2)]	100.0	205,777	0	0
AESCULAP SUHL GMBH, Suhl[2)]	100.0	3,711	13,806	110
ALMO-Erzeugnisse E. Busch GmbH, Bad Arolsen	60.0	24,496	62,979	382
B. Braun Avitum AG, Melsungen[2)]	94.0	95,960	488,217	1,004
B. Braun Avitum Saxonia GmbH, Radeberg[2)]	94.0	15,983	105,882	957
B. Braun Facility Services GmbH & Co. KG, Melsungen	100.0	-3,160	64	100
B. Braun Nordamerika Verwaltungsgesellschaft mbH, Melsungen[2]	100.0	149,309	0	0
B. Braun prolabor GmbH, Hilter a.T.W. [2)]	100.0	2,719	14,570	106
B. Braun Surgical GmbH, Melsungen[2)]	100.0	154,428	0	0
B. Braun TravaCare GmbH, Hallbergmoos[2)]	100.0	44	38,260	63
B. Braun Vet Care GmbH, Tuttlingen[2)]	100.0	212	15,393	18
DTZ Dialyse Trainings-Zentren GmbH, Nuremberg[2)]	94.0	36,946	18,183	219
Inko Internationale Handelskontor GmbH, Roth[2)]	100.0	4,556	12,508	20
Nutrichem Diät + Pharma GmbH, Roth[2)]	100.0	30,440	51,645	347
TransCare Service GmbH, Neuwied	100.0	1,520	13,485	135
Europe				
Aesculap Chifa Sp. z o.o., Nowy Tomyśl/Poland	98.9	130,542	178,499	2,189
Aesculap SAS, Chaumont/France	100.0	12,205	14,243	120
Avitum S.r.l., Timișoara/Romania	94.0	5,582	24,599	545
B. Braun Adria d.o.o., Zagreb/Croatia	36.0	13,220	16,153	36
B. Braun Austria Ges. m.b.H., Maria Enzersdorf/Austria	60.0	71,705	64,849	143
B. Braun Avitum France SAS, Gradignan/France	94.0	16,758	0	0
B. Braun Avitum Hungary Egészségügyi Szolgáltató Zrt., Budapest/Hungary	94.0	20,411	30,643	706
B. Braun Avitum Italy S.p.A., Mirandola/Italy	94.0	36,981	78,039	365
B. Braun Avitum Poland Sp.z o.o., Nowy Tomyśl/Poland	95.1	12,056	34,106	574
B. Braun Avitum Russland Clinics OOO, St. Petersburg/Russia	94.0	4,287	29,967	787
B. Braun Avitum Russland OOO, St. Petersburg/Russia	94.0	61,067	67,825	54
B. Braun Avitum s.r.o., Bratislava/Slovakia	93.7	2,345	16,059	248
B. Braun Avitum s.r.o., Prague/Czech Republic	93.7	5,410	32,947	425
B. Braun Avitum Servicios Renales S.A., Rubí (Barcelona)/Spain	96.4	12,779	15,101	202
B. Braun Avitum Turkey Sanayi Ticaret Anonim Şirketi, Ankara/Turkey	94.0	4,575	4,848	17
B. Braun Avitum (UK) Ltd., Sheffield/England	94.0	3,402	27,654	248
B. Braun Hospicare Ltd., Co. Sligo/Ireland	100.0	-6,738	11,067	117
B. Braun Medical AB, Danderyd/Sweden	100.0	2,757	50,668	59
B. Braun Medical AG, Sempach/Switzerland	51.0	250,278	309,238	983

Company name and headquarters	As of Dec. 31, 2018			
	Holding Capital in %1	Equity € '000	Sales € '000	Employees[5)]
Europe				
B. Braun Medical A/S, Frederiksberg/Denmark	100.0	3,704	27,565	35
B. Braun Medical A/S, Vestskogen/Norway	100.0	1,315	22,602	36
B. Braun Medical B.V., Oss/Netherlands	100.0	9,505	67,029	155
B. Braun Medical EOOD, Sofia/Bulgaria	60.0	5,196	14,823	76
B. Braun Medical International S.L., Rubí/Spain	100.0	151,806	9,607	25
B. Braun Medical Kft., Budapest/Hungary	60.0	34,743	93,457	1,345
B. Braun Medical Lda., Barcarena/Portugal	100.0	35,397	57,027	146
B. Braun Medical LLC, St. Petersburg/Russia	100.0	39,089	135,672	487
B. Braun Medical Ltd., Dublin/Ireland	100.0	5,111	29,682	56
B. Braun Medical Ltd., Sheffield/England	100.0	57,438	169,400	598
B. Braun Medical N.V., Diegem/Belgium	100.0	2,404	38,616	76
B. Braun Medical Oy, Helsinki/Finland	100.0	5,109	42,730	52
B. Braun Medical S.A., Rubí/Spain	100.0	276,405	284,076	1,383
B. Braun Medical S.A.S., Saint-Cloud/France	100.0	107,125	345,296	1,301
B. Braun Medical s.r.o., Bratislava/Slovakia	70.0	9,770	26,961	31
B. Braun Medical s.r.o., Prague/Czech Republic	70.0	26,587	75,235	207
B. Braun Medikal Dis Ticaret A.S., Sarıyer Istanbul/Turkey	100.0	2,905	28,695	139
B. Braun Milano S.p.A., Milan/Italy	100.0	37,478	130,732	236
B. Braun Sterilog (Birmingham) Ltd., Sheffield/England	100.0	-2,478	12,943	213
B. Braun Sterilog (Yorkshire) Ltd., Sheffield/England	100.0	-2,598	8,925	152
B. Braun Surgical S.A., Rubí/Spain	100.0	152,954	193,692	957
B. Braun VetCare S.A., Rubí/Spain	100.0	10,201	13,590	27
Gematek OOO, St. Petersburg/Russia	100.0	14,567	11,548	225
LLC MCP-Medicare, St. Petersburg/Russia	94.0	3,548	16,829	368
LLC "Nephros", Krasnodar/Russia	52.2	8,612	17,371	335
SC B. Braun Medical S.R.L., Remetea Mare/Romania	62.6	4,672	29,938	100
Suturex & Renodex S.A.S., Sarlat/France	100.0	19,145	20,477	182
North America				
Aesculap Inc., Center Valley/USA	95.5	126,619	207,405	500
Aesculap Implant Systems LLC, Center Valley/USA	95.5	-40,209	45,668	102
B. Braun Interventional Systems Inc., Bethlehem/USA	95.5	39,469	39,754	49
B. Braun Medical Inc., Bethlehem/USA	95.5	530,449	1,115,677	5,864
B. Braun of America Inc., Bethlehem/USA	95.5	63,628	0	0
B. Braun of Canada Ltd., Mississauga/Canada	95.5	3,880	18,583	19
Central Admixture Pharmacy Services Inc., Santa Fe Springs/USA	95.5	131,366	230,524	660
Asia-Pacific				
Ahlcon Parenterals (India) Limited., New Delhi/India	96.1	3,028	19,562	881
B. Braun Aesculap Japan Co Ltd., Tokyo/Japan	100.0	58,513	131,839	591
B. Braun Australia Pty. Ltd., Sydney/Australia	100.0	17,517	63,265	117
B. Braun Avitum Philippines Inc., Taguig City/Philippines	100.0	15,822	42,073	365

Company name and headquarters	Holding Capital in %1	Equity € '000	Sales € '000	Employees[5)]
	As of Dec. 31, 2018			
Asia-Pacific				
B. Braun Avitum (Shanghai) Trading Co. Ltd., Shanghai/China	94.0	21,102	148,040	344
B. Braun Korea Co. Ltd., Seoul/South Korea	100.0	17,114	79,233	140
B. Braun Medical (H.K.) Ltd., Hong Kong/China	100.0	54,832	85,752	32
B. Braun Medical (India) Pvt. Ltd., Mumbai/India	100.0	16,476	60,784	931
B. Braun Medical Industries Sdn. Bhd., Pulau Pinang/Malaysia	100.0	578,385	493,105	7,723
B. Braun Medical (Shanghai) International Trading Co. Ltd., Shanghai/China	100.0	36,890	263,991	1,095
B. Braun Medical Supplies Inc., Taguig City/Philippines	100.0	15,090	30,100	180
B. Braun Medical Supplies Sdn. Bhd., Petaling Jaya/Malaysia	100.0	30,287	46,073	161
B. Braun Medical (Suzhou) Company Limited, Suzhou/China	100.0	20,831	53,319	485
B. Braun Pakistan (Private) Ltd., Karachi/Pakistan	100.0	-2,364	19,761	131
B. Braun Singapore Pte. Ltd., Singapore	100.0	62,215	26,642	49
B. Braun Taiwan Co. Ltd., Taipei/Taiwan	100.0	5,149	22,540	46
B. Braun (Thailand) Ltd., Bangkok/Thailand	100.0	14,237	33,576	142
B. Braun Vietnam Co. Ltd., Hanoi/Vietnam	100.0	72,329	88,951	1,264
PT. B. Braun Medical Indonesia, Jakarta/Indonesia	99.0	64,344	50,883	514
Latin America				
B. Braun Aesculap de México S.A. de C.V., Mun. Santa Cruz Atizapán/Mexico	100.0	16,375	30,326	275
B. Braun Medical de México S.A.PI. DE C.V., Mun. Santa Cruz Atizapán/Mexico	100.0	4,779	18,971	53
B. Braun Medical Peru S.A., Lima/Peru	100.0	18,411	30,673	453
B. Braun Medical S.A., Bogotá/Colombia	100.0	10,808	37,135	261
B. Braun Medical S.A., Buenos Aires/Argentina	100.0	-834	31,433	324
B. Braun Medical S.A., Quito/Ecuador	100.0	14,928	24,442	122
B. Braun Medical SpA, Santiago de Chile/Chile	86.1	11,245	49,675	168
Laboratorios B. Braun S.A., São Gonçalo/Brazil	100.0	121,408	152,117	1,447
Africa and the Middle East				
B. Braun Avitum (Pty) Ltd., Johannesburg/South Africa	100.0	3,624	13,023	330
B. Braun Medical (Pty) Ltd., Johannesburg/South Africa	100.0	5,960	53,240	322
E. Owen and Partners, Johannesburg/South Africa	100.0	-126	20,714	14
Other shareholdings				
Babolat VS, Lyon/France[3)]	33.3	70,408	119,337	210
Medical Service und Logistik GmbH, Recklinghausen[3)]	50.0	466	466	8
Rhön-Klinikum AG, Bad Neustadt an der Saale[3) 4)]	25.2	1,155,909	928,498	16,829
Schölly Fiberoptic GmbH, Denzlingen[3)]	28.0	34,403	145,904	375

1 Indirect holding
2 Entities with profit-and-loss transfer agreement
3 Consolidated at equity
4 Values taken from published Q3 interim report
5 Average

Values correspond to financial statements prepared in accordance with IAS/IFRS. Amounts from foreign companies were converted using the closing mid-rate on December 31 for equity and average exchange rate of the reporting year for sales.

INDEPENDENT AUDITOR'S REPORT

To B. Braun Melsungen AG, Melsungen

AUDIT OPINION

We have audited the consolidated financial statements of B. Braun Melsungen Aktiengesellschaft, Melsungen, and its subsidiaries (the Group) – comprising the consolidated statement of financial position as of December 31, 2018, the consolidated statement of income (loss), the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity from January 1 to December 31, 2018 and the notes to the consolidated financial statements, including a summary of important accounting policies. In addition, we have audited the group management report of B. Braun Melsungen Aktiengesellschaft for the fiscal year from January 1 to December 31, 2018.

In our judgment, based on the information obtained during the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, provide a true and fair view of the net assets, and financial position of the Group as of December 31, 2018, and of its results of operations for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, is compliant with German legal requirements and accurately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, financial position, and results of operations of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors 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 a financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The Supervisory Board is responsible for overseeing the Group's financial reporting processes for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

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

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

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of failing to discover material misstatement resulting from fraud is greater than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and 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 may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. Based on 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 express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a significant unavoidable risk that future events will fundamentally differ from the prospective information.

We communicate with those in charge of oversight such matters as the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal controls that we identify during our audit.

Kassel, Germany, February 25, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Michael Conrad
German Public Auditor	German Public Auditor

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of B. Braun Melsungen AG has performed its statutory duties and obligations in accordance with the applicable laws, articles of incorporation, and bylaws, and to advise and monitor management.

In four ordinary sessions, the Management Board reported to the Supervisory Board on the recent performance of the company, its financial status, and major investment projects.

Special topics of the Supervisory Board's deliberations were reports on ongoing major investment projects and the current status of investments and cost structures, the presentation of the strategy and innovations of the Aesculap division, and cooperation with start-ups. Furthermore, there was an overview of the investments over the last five years, acquisition strategies and preparations for the Brexit in Great Britain were discussed, and the development of the Hospital Care core products was presented. In addition, the Supervisory Board received the 2017 personnel report. The Supervisory Board discussed and adopted the 2018 earnings expectations, and also deliberated on transactions that required its approval in accordance with the articles of incorporation.

The Chairman of the Supervisory Board also routinely exchanged information and thoughts with the Chairman of the Management Board with regard to major developments in the business performance of the company and the Group, as well as upcoming decisions.

This year as well, the Supervisory Board also performed an efficiency audit on a voluntary basis. This self-evaluation by the Supervisory Board revealed that the Supervisory Board is efficiently organized and that the Management and Supervisory Boards work very well together.

The subjects of the audit committee's two consultations were, in particular, the individual and consolidated 2018 financial statements of B. Braun Melsungen AG, prepared by the Management Board, the current course of business development and the working through of audit findings, the annual report from internal auditing on performed audits, and the auditing plan and its priorities. In addition, the audit committee received the compliance report of B. Braun Melsungen AG and the Management Board's risk report. Planning for the year-end audit was also presented. The audit committee reported on these topics during the Supervisory Board sessions and put forward its recommendations.

The personnel committee of the Supervisory Board met four times in 2018. At its meeting on March 20, 2018, it proposed to the Supervisory Board the allocation of profit participation rights according to the B. Braun Incentive Scheme to the members of the Management Board as well as a resolution on the annual objectives of individual board members. The Supervisory Board approved the allocation and the resolution in its session on March 20, 2018. At its meeting on July 10, 2018, the personnel committee proposed to the Supervisory Board the reappointment of Ms. Anna Maria Braun and Dr. Annette Beller as full members of the Management Board until March 31, 2024; the Supervisory Board confirmed the appointment in its subsequent session. At its meeting on October 18, 2018, the personnel committee proposed to the Supervisory Board the reappointment of Prof. Dr. Heinz-Walter Große as a full member of the Management Board as well as Chairman of the Management

→ Front row from left:

MICHAEL GUGGEMOS*
Management Spokesman of the Hans Böckler Foundation, Düsseldorf

KATHRIN DAHNKE
Member of the Management Board of Wilh. Werhahn KG, Neuss

ALEXANDRA FRIEDRICH*
Vice Chairman of the Workers' Council of B. Braun Melsungen AG, Melsungen

BARBARA BRAUN-LÜDICKE
Businesswoman, Melsungen

PROF. DR. H.C.
LUDWIG GEORG BRAUN
Chairman, Former Chairman of the Management Board of B. Braun Melsungen AG, Melsungen

RAINER HEPKE*
Chairman of the Workers' Council of B. Braun Melsungen, Melsungen

MANFRED HERRES*
Production Director, B. Braun Avitum, B. Braun Melsungen AG, Melsungen

EDELTRAUD GLÄNZER*
Member of the Managing Board of IG BCE, Hanover

→ Second row from left:

MIKE SCHWARZ*
Member of the Workers' Council of B. Braun Melsungen AG, Melsungen

PROF. DR. THOMAS RÖDDER
Tax Advisor and Certified Public Accountant, Partner, Flick Gocke Schaumburg, Bonn

PETER HOHMANN*
Vice Chairman, Chairman of the Workers' Council of B. Braun Germany, Chairman of the Workers' Council of B. Braun Melsungen AG, Melsungen

PROF. DR. OLIVER SCHNELL
Managing Director of Sciarc GmbH, Baierbrunn

PROF. DR. DR. H.C.
MARKUS W. BÜCHLER
Medical Director, Department of General, Visceral and Transplantation Surgery, Heidelberg University Hospital

EKKEHARD RIST*
Vice Chairman of the Workers' Council of B. Braun Germany, Chairman of the Workers' Council of Aesculap AG, Tuttlingen

HANS-CARSTEN HANSEN
Former President Human Resources of BASF SE, Ludwigshafen

DR . JOACHIM RAUHUT
Former Chief Financial Officer of Wacker Chemie AG, Munich

* Chosen by the employees

Board and Chief Human Resources Officer until March 31, 2019. Also at this meeting, the personnel committee recommended to the Supervisory Board the appointment of Ms. Anna Maria Braun as Chairwoman of the Management Board and Chief Human Resources Officer as of April 1, 2019, for the duration of her appointment to the Management Board; the Supervisory Board formulated the resolutions accordingly in its subsequent session and confirmed the appointments. Discussions regarding general human resources topics in particular were other components of the 2018 personnel committee sessions.

B. Braun Melsungen AG's financial statements and management report for the fiscal year 2018, prepared by the Management Board, the Group's consolidated financial statements, and the consolidated management report were audited by the PricewaterhouseCoopers AG accounting firm, Kassel, Germany, which was appointed the auditor of annual accounts at the annual meeting on March 20, 2018. The auditor raised no objections and issued unqualified audit opinions.

The statutory auditor participated in the discussions of the Supervisory Board and the audit committee regarding the financial statements and the consolidated financial statements, and reported on the main findings of its audit. The Supervisory Board's review of the financial statements, the management report, and the proposal for appropriation of the net profit of B. Braun Melsungen AG, as well as the consolidated financial statements and the Group management report, led to no objections in correspondence with the results of the independent auditor's report. We have therefore approved the financial statements compiled by the Management Board, which are thereby recorded in accordance with § 172 AktG.

The Supervisory Board concurs with the proposal of the Management Board to appropriate the consolidated net income.

The Management Board created the reports on the relationships with associated companies for the 2018 fiscal year, in accordance with § 312 AktG. The Supervisory Board has reviewed these reports; no objections have been raised. The independent auditor has reviewed the reports and issued the following audit certificate:

"On completion of our audit in accordance with professional standards, we confirm that 1. the factual statements made in the report are correct, 2. the company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Supervisory Board is in agreement with the results of the independent auditor's report. In accordance with the final results of the Supervisory Board's review, no objections are to be raised to the final declaration by the Management Board, which is included in the report.

The Supervisory Board would like to thank the Management Board for its excellent and successful collaboration, and all employees of the B. Braun Group for the contributions they made in the reporting period.

Melsungen, March 2019

The Supervisory Board

GLOSSARY

A

Active sourcing
Measures for identifying promising employees on the external labor market.

Aneurysmen-Clips
Product for clamping aneurysms, an expansion of the cross-section of arteries due to congenital or acquired changes to vessel walls.

Angioplasty
Expansion of a restricted blood vessel by a catheter inserted into the vascular system.

Apheresis
Blood purification method for removing individual components (fats, antibodies or toxins) from the blood.

Artificial intelligence (AI)
Branch of computer science that deals with the automation of intelligent behavior and with machine learning.

ASEAN
Association of Southeast Asian Nations, an association in Jakarta, Indonesia that works to improve economic, political and social cooperation. It currently also addresses security, cultural and environmental matters.

Asset Backed Securities (ABS)
Bonds or notes secured by accounts receivable.

B

BG RCI
Professional association of the raw materials and chemicals industry.

Biologization
Amalgamation of technical and biological components within a device or a medical process.

Blended learning
Learning model in which computer-aided learning and classical instruction are combined.

Brexit
Withdrawal of the United Kingdom from the European Union.

C

Cardio-thoracic surgery
Organ surgery in the region of the chest.

Cash Pooling
A cash management technique that allows the internal balancing of liquidity within the Group.

Centers of Excellence (CoEs)
Centers within the global B. Braun organization, incorporating research, development, manufacturing and marketing for specific product groups.

CIW
Key performance indicator. Acronym for Coverage in Weeks. This KPI refers to the delivery capacity in weeks covered by the current inventory on hand.

Code of Conduct
This sets the rules for the company's global operations and defines ethically proper conduct for all employees in terms of the global B. Braun compliance management system.

Cognitive computing
Artificial intelligence technology for simulating human thought processes. Its goal is to use experience to develop organic solutions and strategies. The systems interact with their surroundings in real time and process large volumes of data.

Compliance
Adherence to rules, laws and the company's voluntary codes of conduct.

Compounding
Manufacturing of patient-specific solutions.

Corporate Governance
The organizational framework for management and supervision of the company which is largely defined by lawmakers and the company's owners.

D

Derivative financial instruments
Forward transactions for securing interest and currency positions against risks that result from market interest and exchange rate fluctuations.

Dialysis
A blood cleansing process.

Disaster recovery plan
A defined plan for handling a company with a possible disaster in order to minimize effects and to be able to quickly resume critical business processes.

DPO
A key performance indicator; short for Days Payables Outstanding. Describes the period of time between the date the invoice is received and the date payment is made.

DSO
A key performance indicator; short for Days Sales Outstanding. Describes the period of time between the invoicing date and the date payment is received.

Dual Sourcing
An element of procurement strategy in which the same goods are purchased from different suppliers in order to minimize the risk of supply interruptions.

E

EBIT
A key performance indicator; short for Earnings before Interest and Taxes.

EBITDA
A key performance indicator; short for Earnings before Interest, Taxes, Depreciation and Amortization.

EBITDA-margin
Key performance indicator. EBITDA as a percentage of sales.

ECB
European Central Bank, the central bank of the 19 Member States of the European Union that introduced the euro.

eHealth
Collective term for the use of digital technologies in health care.

Elastomeric Pumps
Infusion pump for one-time use, which enables the safe and simple infusion of medications at home, independently of external power sources.

EN ISO 9001
An international standard that establishes globally recognized requirements for quality management systems.

Endoprosthesis
An implant that is placed inside the body to permanently replace a missing body part.

Endoscopy
A method for observing body cavities and hollow organs using small, tube-shaped optical devices.

Equity method
Accounting method for recognition of longterm investments in the financial statements of a company that has significant control over another company. The carrying amount – as based on the acquisition costs of the investment – is subsequently adjusted to account for the investor's share in the company's income or loss.

EU
European Union – conglomerate of 28 member nations, currently.

F

FDA
Acronym for Food & Drug Administration, a US government agency.

Fiscal policy
Instruments employed by the government to manage fluctuations in the economy by means of taxes and government spending.

Force majeure
Synonym for "act of god." Force majeure exists if damage occurs which is not in the nature of the object in question and the event could not have been prevented through the exercise of reasonable care.

G

GDP
Acronym for Gross Domestic Product.

Goodwill
This represents an intangible asset resulting from the purchase of another company or the purchase of shares in another company.

H

Hemodialysis
A special blood cleansing process that utilizes the principle of osmosis, i. e. the equalization of concentrations of smallmolecule substances in two liquids separated by a semi-permeable membrane.

Heparin
Active pharmaceutical ingredient that prevents blood from coagulating.

I

IAS
Abbreviation for International Accounting Standards for businesses, issued by the International Accounting Standards Board (IASB).

IEC/TR 62653
Guideline for safe operation of medical equipment used for hemodialysis treatment.

IFRS
Abbreviation for International Financial Reporting Standards. International financial reporting guidelines published by the International Accounting Standards Board (IASB).

IMF
Acronym for International Monetary Fund. The IMF is a United Nations organization based in Washington, D.C. in the USA.

Internet of Things (IoT)
Umbrella term for technology in a global infrastructure of information societies that makes it possible to connect physical and virtual objects and allow them to work together through information and communication technology.

Interventional medicine
Form of therapy that requires an acute, urgent intervention into the progression of a disease.

ISO guidelines
Guidelines that are developed and published by the International Organization for Standardization (ISO).

ISO/IEC 27001
ISO 27001 is an international standard for information security in private, public or non-profit organizations. It describes the requirements for setting up, implementing, operating and optimizing a documented information security management system.

K

KRITIS
IT security law for the protection of critical infrastructures.

L

Laparoscopy
An operation performed in the abdomen or pelvis through small incisions with the aid of special endoscopes.

Lumbar and cervical pedicle screw systems
Lumbar means "belonging to the loin region" or "relating to the loin." Cervical means relating to "the neck" or "the cervical vertebra."

M

Medical Device Regulation (MDR)
On May 25, 2017, a new regulation (EU) 2017/745 on medical products went into force. This is also called Medical Device Regulation (MDR).

Miethke shunts
Artificial bypass connection with fluid overflow between separate vessels or cavities.

Minimally invasive surgery
A surgical method designed to minimize injury to the skin and soft tissue.

Monetary policy
Measures taken by the central bank to manage fluctuations in the economy, such as raising or lowering interest rates.

Multimorbidities
Co-occurrence of multiple diseases in a patient.

N

Net financial liabilities
The portion of interest-bearing borrowed capital that is still owed after deducting all available liquid funds. The B. Braun Group calculates net financial liabilities as follows: financial liabilities minus liquid funds and securities.

North America Free Trade Agreement
(NAFTA): economic treaty between Canada, USA and Mexico.

O

OHSAS 18001
Abbreviation for Occupational Health and Safety Assessment Series. OHSAS 18001 is a standard that establishes globally recognized requirements for occupational health and safety management systems.

Oncology
Subfield of medicine that deals with tumor diseases.

P

Parenteral nutrition
Supplying nutrients intravenously by bypassing the gastrointestinal tract.

Payer Swap
Also known as an interest rate swap (IRS).
An instrument in which a party agrees to pay a fixed interest rate and receive a floating rate.

Pen needle
A needle for subcutaneous (under the skin) injection of medications in predefined quantities using an injection pen or device.

"Plan-Do-Check-Act"-process
Approach for continuously improving structures, processes, services, products.

Process mining
Process management technique that allows business processes to be reconstructed and analyzed based on digital traces in IT systems. The individual steps of a process are saved in the system and connected in order to visualize the process in its entirety.

R

Radiology
Branch of medicine that deals with the application of electromagnetic radiation and (in, e.g., ultrasound diagnostics) mechanical waves for diagnostic, therapeutic and scientific purposes.

Regenerative medicine
Scientific field of medicine that deals with therapy for various illnesses, with the primary goal of reestablishing and repairing damaged or entirely destroyed biological material, such as cells, tissue, bone, or organs.

Renal insufficiency
Decreased function of one or both kidneys.

RWI – Leibniz Institute for Economic Research
Leading center for economic research and evidence-based policy advice in Germany as well as a member of the Leibniz Association (formerly the Rheinisch-Westfälisches Institut für Wirtschaftsforschung).

S

Second Sourcing
Purchasing strategy in which two manufacturers or suppliers are qualified for delivery of the same product or goods.

Societas Europaea (SE)
Form of organization for corporations in the European Union and the European Economic Area. Since 2004, it has made it possible for companies within the EU to be founded under largely consistent legal principles.

Stent
A small mesh tube (scaffold) that is used to hold open an artery.

Stoma
Surgically created connection between a hollow organ and the skin and having an opening to the outside. A stoma is permanently or temporarily placed.

T

Telemedicine
Diverse medical care concepts in which medical health care services in the fields of diagnostics, therapy, rehabilitation, and medical decision consulting are provided over geographical distances (or offset time). Information and communication technology are used for this.

U

USMCA
Free trade agreement between the United States, Mexico and Canada intended to replace the previous North American Free Trade Agreement (NAFTA). It is currently signed but not ratified.

V

VCI
Acronym for Verband der Chemischen Industrie (German Chemical Industry Association).

Visceral surgery
The surgical treatment of abdominal organs.

W

Working capital
Key performance indicator. Inventories plus current trade accounts receivable less current trade accounts payable.

IMPRINT

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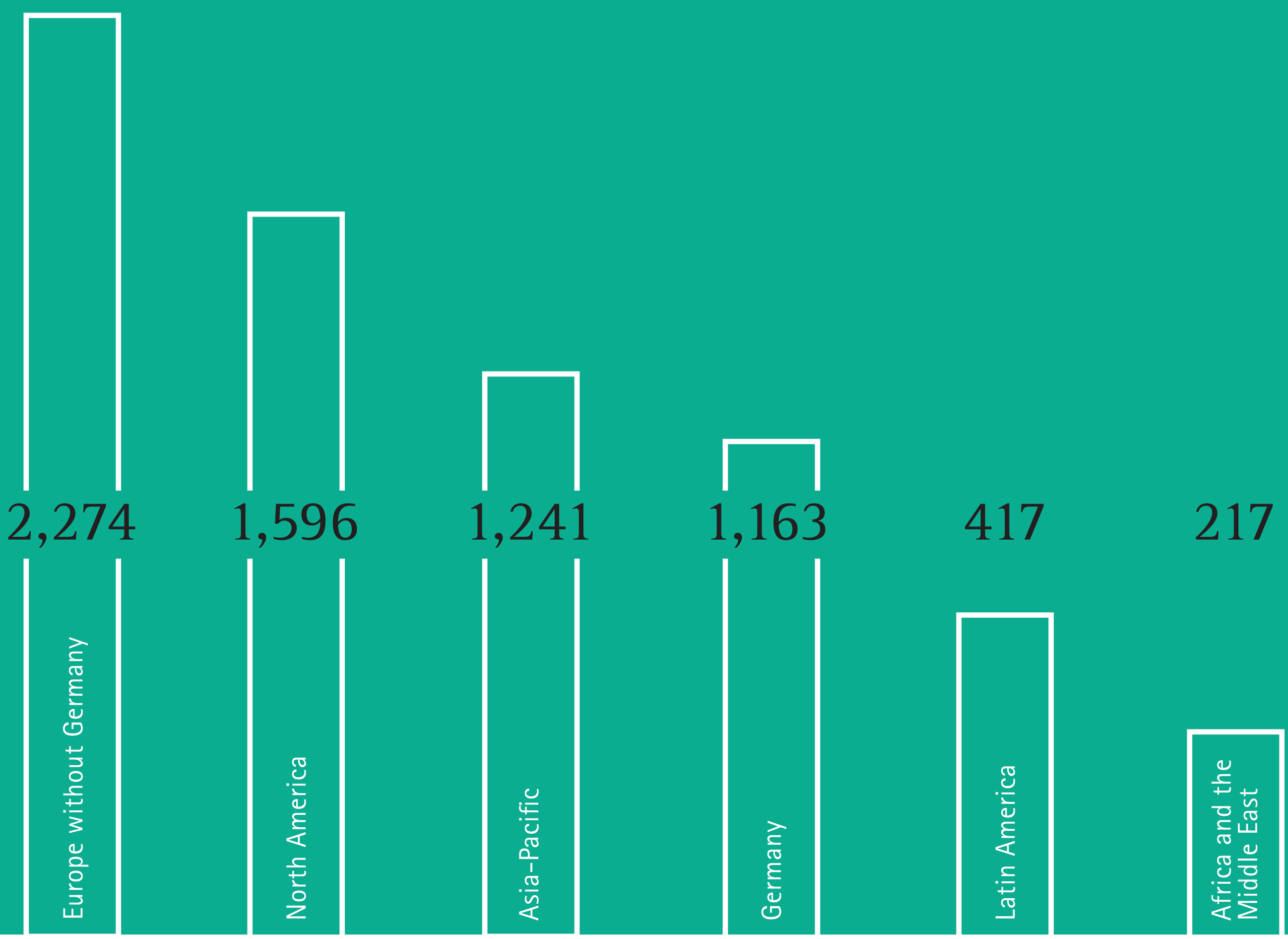
NOTES

We thank all B. Braun employees who collaborated on the Annual Report.
For simplification, we use only the masculine form as designation for employees and customers. All genders are naturally implied.
We are certain the most sustainable report is the one that is not printed. Therefore, this annual report is only published digitally.

SALES BY REGION (EUR million)



952.5

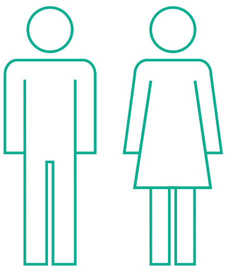
EUR MILLION EBITDA

236

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

64

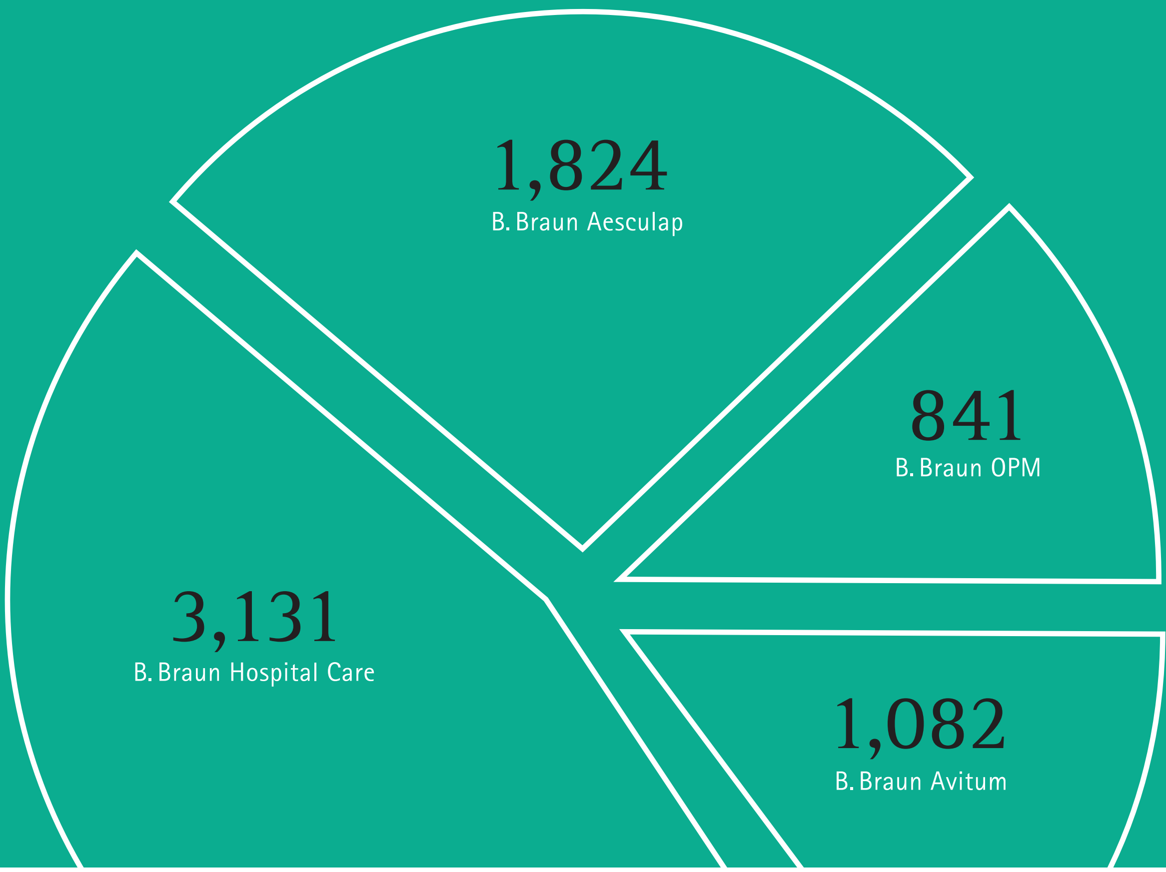
COUNTRIES



63,751

EMPLOYEES

SALES BY DIVISION (EUR million)



6,908.1

EUR MILLION SALES

352.0

EUR MILLION RESEARCH AND DEVELOPMENT ACTIVITIES

921.6

EUR MILLION INVESTMENTS

328.4

EUR MILLION CONSOLIDATED NET INCOME

B. Braun Melsungen AG
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