GROUP MANAGEMENT REPORT

FIVE-YEAR OVERVIEW

	2015 € million	2016 € million	2017 € million	2018 € million	2019 € million
Sales	**6,129.8**	**6,471.0**	**6,788.9**	**6,908.1**	**7,471.3**
Cost of goods sold	**3,447.1**	**3,608.1**	**3,833.7**	**3,971.9**	**4,444.9**
Functional expenses	**2,150.3**	**2,250.6**	**2,366.6**	**2,403.0**	**2,551.1**
Selling, general and administrative expenses	1,887.9	1,959.2	2,050.7	2,079.5	2,186.6
Research and development expenses	262.4	291.4	315.9	323.5	364.5
Interim profit	**532.4**	**612.3**	**588.5**	**533.2**	**475.4**
Operating profit	**482.9**	**582.2**	**546.4**	**495.8**	**434.8**
Profit before taxes (adjusted)	**445.5**	**527.8**	**513.7**	**451.6**	**400.2**
Consolidated net income (adjusted)	**319.7**	**396.0**	**411.5**	**328.4**	**288.5**
EBIT (adjusted)	**516.9**	**597.4**	**574.9**	**520.6**	**480.0**
EBITDA	**878.1**	**975.0**	**985.1**	**952.5**	**1,079.1**
Assets	**7,266.1**	**7,981.8**	**8,525.9**	**9,224.4**	**10,088.4**
Intangible assets (incl. goodwill)	566.6	623.3	757.0	818.3	854.5
Property, plant, and equipment	3,642.3	3,987.3	4,196.4	4,589.3	5,244.1
Other financial investments	46.0	50.3	62.0	63.3	68.0
Inventories	1,056.7	1,135.4	1,178.5	1,344.4	1,370.2
Trade receivables	1,034.7	1,089.1	1,148.0	1,141.8	1,233.5
Equity	**2,900.4**	**3,172.0**	**3,436.4**	**3,649.0**	**3,720.6**
Liabilities	**4,365.8**	**4,809.9**	**5,089.6**	**5,575.4**	**6,367.8**
Pension obligations	1,079.7	1,300.8	1,269.0	1,332.1	1,580.0
Financial liabilities	1,923.4	1,992.1	2,224.5	2,502.1	3,034.2
Trade accounts payable	348.6	442.9	483.9	532.1	506.8
Investments in property, plant, and equipment, intangible assets and financial investments incl. business acquisitions	**787.0**	**806.7**	**969.2**	**921.6**	**894.6**
Depreciation and amortization of property, plant, and equipment and intangible assets	**361.1**	**377.7**	**410.2**	**431.9**	**599.2**
Personnel expenditures	**2,259.9**	**2,388.1**	**2,552.8**	**2,651.8**	**2,828.9**
Employees (annual average)	**54,770**	**56,849**	**59,851**	**62,675**	**64,210**
Employees (as of December 31)	**55,719**	**58,037**	**61,583**	**63,571**	**64,585**

ABOUT THE B. BRAUN GROUP

BUSINESS MODEL

B. Braun is a global manufacturer of medical technology and pharmaceutical products as well as provider of medical services. The Group employs 64,585 employees in 64 countries. B. Braun is a system provider that develops effective solutions and innovative standards in 16 therapeutic areas in the health care industry in close cooperation with users and partners. Its goal is to protect and improve the health of people around the world. The B. Braun product range comprises a total of 5,000 products, 95% of which are manufactured by the company. These include the solutions and consumables 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 for extracorporeal blood treatment, as well as products for ostomy care, and diabetes and wound management. The Group also operates its own renal care centers as well as offering services and consulting for optimizing hospital processes, making them safer and more efficient. B.Braun prepares patients and their families for at-home care. In addition to purely academic courses, the Aesculap Academy organizes and conducts training in the safe use of products as well as classic product training for hospitals and private practices. Under Bibliomed, a medical, nursing and health care management publisher, B. Braun regularly publishes professional journals for nursing and hospital staff. Bibliomed also organizes conventions, including the annual German hospital leadership summit and the German Nursing Convention. All 16 B. Braun therapeutic areas 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 considers itself the first choice for products and services by offering the best possible care to patients in the areas of infusion therapy, nutrition therapy and pain therapy. The portfolio includes infusion and nutrition solutions, as well as specific medications. Products for preparing medications, intravenous catheters with safety features and central venous catheters for vascular complete access as well as an extensive range of infusion pumps, consumables, and infusion devices and accessories for safe application complete the division's system portfolio. The products from the Hospital Care division are used for both

B. BRAUN THERAPY FIELDS AND APPLICATIONS

Abdominal Surgery	Neurosurgery
Cardio-Thoracic Surgery	Nutrition Therapy
Continence Care and Urology	Orthopaedic Surgery
Diabetes Care	Ostomy Care
Extracorporeal Blood Treatment	Pain Therapy
Infection Prevention	Spine Surgery
Infusion Therapy	Sterile Goods Management
Interventional Vascular Therapy	Wound Management

inpatient and outpatient care. By innovating constantly, we seek to increase the safety and efficiency of procedures, helping to achieve a better treatment outcome in the best interest of the patient. For example, the latest technology in the Xperius® Onvision® system, consisting of an ultrasound machine and the dedicated needles, is assisting doctors in administering regional anesthesia. This ultrasound-assisted procedure allows the needle tip to be tracked inside the body, which can improve patient safety. With Remune™, we are offering a new, juice-based product rich in omega-3s for oral enteral nutrition of cancer patients that can improve the course of treatment and is easily tolerated by the patient. The Hospital Care division is a leading supplier in all essential therapeutic areas worldwide. There is growing interest in concepts for system partnerships, where we work with our customers to improve processes in hospitals and along the entire clinical treatment pathway.

B. Braun Aesculap

The Aesculap division is a partner for surgical and interventional treatment concepts in inpatient and outpatient care. Aesculap focuses on the following therapeutic areas: abdominal surgery, cardiothoracic surgery, orthopaedic surgery, spine surgery, neurosurgery, interventional vascular therapy and sterile goods management. Sterile goods management offers both surgical instruments and sterile container solutions, as well as consultation services for process optimization and repair management. In the abdominal and cardiothoracic surgery therapeutic areas, we are developing minimally invasive treatment concepts that—with the EinsteinVision® 3D camera system and specialized suture materials and consumables, for example—can lead to better treatment results. The new treatment concept using polymer-free, drug-eluting balloon catheters in interventional vascular therapy is designed to make patient care safer and less invasive. In the orthopaedic surgery and spine surgery therapeutic areas, treatment can be improved using intraoperative navigation, minimally invasive surgical techniques and material coatings to prevent infection. Product platforms such as Ennovate®, CoreHip® and AS Knie are system solutions for orthopaedic implants. For neurosurgery, our products—aneurysm clips, Miethke shunts and the digital microscope—can lead to a better treatment procedure. Motor systems round out the division's offering in this therapeutic area. Process solutions for surgery planning, sterile goods processing and digital data integration can improve process efficiency. We are also establishing quality-based concepts; for example, for orthopaedic and colorectal treatment pathways. This means process reliability and quality can be combined with better treatment results and economical solutions.

B. Braun Out Patient Market

The Out Patient Market division is focused 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, pharmacies, and patients and their family members. The Out Patient Market division focuses on five strategic therapeutic areas: infection prevention, diabetes care, continence care and urology, wound management, and ostomy care. With the Be 1® product innovation, we offer an ostomy cap with an intelligently integrated pouch that deploys only when needed, giving patients control over their lives again. With its holistic approach to consulting and caregiving, the division strives to provide patients with a combination of high quality and cost-effective care, easing the pressure on everyone involved in the care environment. Customized educational programs, products and services working together can achieve the best possible quality of treatment as well as improve the quality of life of people with chronic diseases.

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 areas: hemodialysis, acute dialysis and apheresis, and offers products and services along the entire value chain. This breadth—combined with the entire B. Braun portfolio and the expertise of all divisions—makes it possible to provide extensive care to patients with kidney failure. 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 380 dialysis centers in Europe, Asia-Pacific, Latin America and South Africa, providing care for over 33,000 patients. At our clinics, medical specialists are available to advise dialysis patients with chronic kidney and metabolic disorders. We are striving to consolidate our market position, with the goal of high product quality and availability as well as an extensive program of user training, technical support and IT solutions. We aspire to improve patients' quality of life and to create new and efficient treatment processes.

CORPORATE GOVERNANCE

The higher-level family-owned holding company for strategic management includes the Group's accounting, controlling, treasury, tax, legal, internal audit, corporate human resources and corporate communications departments. This family-owned holding company constitutes the link between the family and the company. Under the family-owned holding company, B. Braun SE was founded as an operational parent company that holds the majority of shares of B. Braun Melsungen AG. The corporate bodies of B. Braun SE 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. On April 1, 2019, Anna Maria Braun became CEO of the Management Board, and is responsible for the Asia-Pacific region as well as the human resources and legal departments. The previous Chairman of the Management Board, Prof. Dr. Heinz-Walter Grosse, retired after 14 years on the Board, he was acting Chairman for eight years. At its meeting on December 3, 2019, the Supervisory Board appointed Dr. Stefan Ruppert as a Deputy Member of the Management Board in charge of human resources and legal affairs, and as the Director of Labor Relations. Dr. Ruppert will assume his new role on April 1, 2020, taking over for Anna Maria Braun. 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 Human Resources Committee is responsible for matters such as the Management Board members' employment contracts and compensation. The Audit Committee monitors the internal control systems, the integrated compliance management system, accounting processes and financial statement audits.

B. Braun wants to remain a private, family-owned company and 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 holds positions at various locations. The sustainable handling of economic, environmental and social resources is a crucial issue for B. Braun, and with a value-based corporate culture, B. Braun remains cognizant of its responsibility for the current and future generations. Key performance indicators for strategic management purposes include sales, EBITDA and defined balance sheet ratios. 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 organization, divided into centers of excellence (CoEs), enables a rapid response to changes in the market and ensures that know-how can be exchanged in a short period of time. Our Code of Conduct has defined how we conduct ourselves when doing business 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 and sustainability. A supervisory 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 SE Group includes 292 (previous year: 283) fully consolidated companies. 29 (previous year: 24) holdings are consolidated using the equity method of accounting. Major manufacturing locations are located in Melsungen, Berlin, Dresden and Tuttlingen (Germany), São Gonçalo (Brazil), Suzhou (China), Santo Domingo (Dominican Republic), Nogent (France), New Delhi (India), Mirandola (Italy), Tochigi (Japan), Penang (Malaysia), Nowy Tomyśl (Poland), Timişoara (Romania), Crissier, Escholzmatt and Sempach (Switzerland), Rubí (Spain), Gyöngyös (Hungary), Allentown, PA, Daytona Beach, FL and Irvine, CA (US), and Hanoi (Vietnam).

GROUP STRATEGY

The strategic period that started in 2015 ends after 2020. During the reporting year, we continued strategic initiatives and began preparing for the next strategic period. Using a moderated process, we will spend 2020 defining the strategic framework through to 2030, and determine concrete development trajectories for the divisions and central services for the next three years.

System partnership, collaboration and profitability are the core themes that will be pursued in all divisions and regions, with the support of central services and staff 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 to protecting and improving the health of people all over the world in the future. As a system partner, we aim to provide our customers with the best-possible comprehensive service. In many cases, added value is created by combining multiple B. Braun products and services, and our broad portfolio with the resulting product and service combinations forms the basis for this. This is a special strength of B. Braun. By aligning our offer with the goals and processes of our customers, we seek increase the value of our work, reduce costs for our partners and help them succeed. Cooperation within the company and with external partners is characterized by transparency, trust and appreciation. Our goal has been to increase sales by five to seven percent per year until 2020, with growth expected in all divisions and regions. We expect growth in B. Braun Avitum, the Asia-Pacific and US regions to be particularly dynamic. The target for the EBITDA margin is to be at least 14 percent in 2020. We plan to further improve structures and processes, as well as standardizing and automating processes, in order to improve the efficiency and effectiveness of our administrative and production activities—and therefore profitability—as well. Through increased profitability and the controlled development of working capital, we can fund major investments from our own resources.

SECURING THE FUTURE

In 2019, we again invested over €1 billion in new production, as well as in research and development projects, to grow and secure our business activities. Our German locations received 46.2 percent of this investment. We invested € 364.5 million (previous year: € 323.5 million) in research and development. Additions to financial assets and property, plant and equipment (including capitalized development expenditures) for the reporting year amounted to € 894.6 million (previous year: € 921.6 million).

Research and development

Research and development activities within B. Braun Group are concentrated in the CoEs, where research, development, production and approval for specific therapeutic areas are combined and closely coordinated. The individual departments work closely with one another. Key CoEs are located in Melsungen, Berlin and Tuttlingen (Germany), Boulogne (France), Penang (Malaysia), Sempach (Switzerland), Rubí (Spain) and Allentown, PA (USA).

The Hospital Care division is focusing its research and development activities on improving safety for patients and users. In addition, hospital processes are optimized and economical health care is ensured. To accomplish this, we are working on expanding our portfolio of specific drugs as ready-to-use versions in infusion containers or prefilled syringes as well as adding to and improving our range of vascular access products. Along with classical product development, we are focusing more and more on developing networked solutions for our medical devices. As an example of improved efficiency and patient safety, in 2019 we launched Xperius© and Onvision®, a product system for optimizing peripheral nerve block procedures using ultrasound-assisted regional anesthesia. 2019 also saw the European launch of our new three-chamber bag. By promptly implementing regulatory requirements for drugs (e.g., track and trace) as well as for medical devices (European Medical Device Regulation [MDR]), we are doing our part to ensure security of supply on the European market.

The Aesculap division aligns its research and development activities on the needs of its customers, and on adding value by linking internal and external innovations. We have established a process that ensures continuous exchange with customers from the early development stage on, which can lead to faster results. . The safety and quality of patient treatment is paramount. Our customers benefit from professionally designed products that meet the ergonomic usage requirements of the application and are adapted to clinical processes. In the 2019 reporting year, we were able to bring critical development projects to completion. With the new AICON® container system and SQ.line®, the next generation of basic orthopaedic instruments, we are helping to consolidate our market position in the area of sterile goods management. We are utilizing the potential of digitalization to provide our customers with the AESCULAP© Aeos digital surgical microscope, a 3D visualization platform. With the fourth generation of the OrthoPilot®, we continue to develop orthopaedic navigation. By networking systems, we are setting the groundwork for data-driven treatment methods and customized treatment concepts.

In the Out Patient Market division, we continue to steadily develop the urology, ostomy care, hand disinfection and wound care product ranges. In the reporting year, for example, we finalized a product innovation called Be1® and launched it in the first round of countries. The main feature of this novel ostomy capsule is that a small, folded ostomy pouch in the capsule allows the wearer to take back control of their bowel evacuation and intestinal gas release.

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 2019, the division's product and service portfolio continued to be expanded and supplemented. New functionalities were launched for both the Dialog IQ® dialysis system and the OMNI acute dialysis system. This was accompanied by the finalization of consumables and system products as well as services. We seek to use a service concept for efficient and modern dialysis education and training to meet the demands caused by a shortage of skilled labor. The increase in digitalization and widespread acceptance of mobile devices have the potential for shaping innovative and resource-friendly teaching and learning concepts. This expansion of our product portfolio strengthens the position of B. Braun Avitum as a system provider. With our products and service concepts, we are looking to ensure safe, reliable and efficient dialysis treatment that is also economical.

Across divisions, we began or continued various digitalization projects during the reporting year. One of these is a "digital health cloud platform" where medical devices and online applications will be connected to store and analyze data as well as optimize logistics and treatment processes. Data protection and secured access concepts play an important role here. The "Internet of Medical Things" (IoMT) will see more and more online medical technology in the future. We will actively participate in

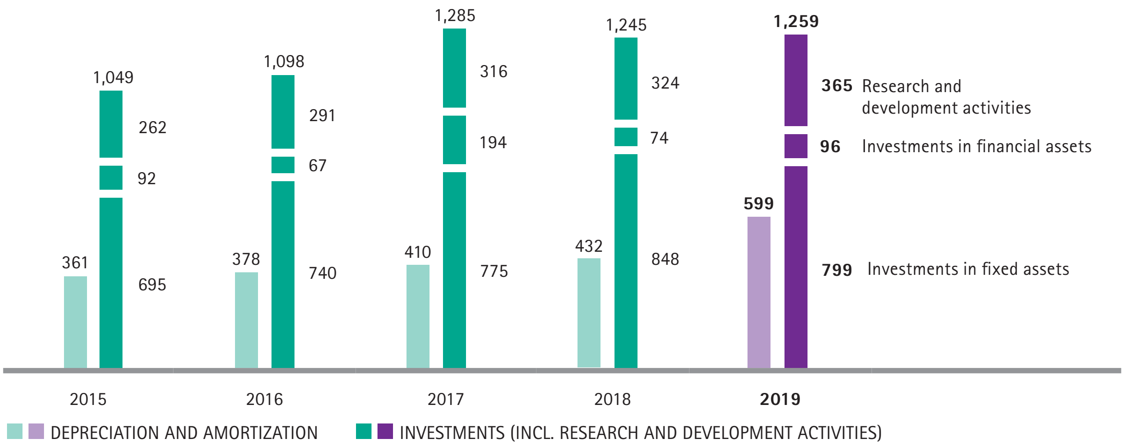
this development using new, digital processes in the areas of customer relationship management (CRM) and product lifecycle management (PLM).
At the same time, we are working on standardizing and further digitalizing our processes in conjunction with continued development of our ERP system (S4 Hana).

The Accelerator program and "werk_39" begun back in 2017, have also started or continued a variety of activities in the reporting year. The Accelerator program offers customized 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 quicker 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 mature solutions in an agile and creative way, as rapidly as possible. Customers who are medical specialists are brought into the development process early. Our exchange with startups strengthens our innovative capacity by focusing on business models, digital solutions and services.

Investments

In the 2019 reporting year, total additions to property, plant and equipment, intangible assets and financial assets, and additions to investments in associated companies and acquisitions of fully consolidated companies amounted to € 894.6 million (previous year: € 921.6 million). Due to an amendment to the IFRS 16 standard, rights of use totaling € 405.5 million were capitalized for the first time as of January 1, 2019. Additions for the extension of existing contracts and the conclusion of new contracts totaled € 70.0 million. This was offset by de-

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



preciation totaling € 599.2 million (previous year: € 431.9 million).

The Hospital Care division expanded global capacity for large-volume infusion solutions in Argentina and Spain. Additional funds were invested in Berlin to expand and renovate the location. In the US, extensive investments were made in the Allentown, PA, as well as in the new location in Daytona Beach, FL. Expansion of capacity for intravenous sets and other accessories continued worldwide. Expansion of capacity for IV catheters at the location in Penang, Malaysia continued. In Spain, the Aesculap division continued its automation of production in the closure technologies manufacturing. Holdings in startup companies (such as for agile sterile goods supply and functional neurosurgery) and investments for securing new technology strengthened the division's market position. In Midrand, South Africa, construction of a new factory for products in the Out Patient Market, Hospital Care and B. Braun Avitum divisions continued. In France, the Out Patient Market division continued to expand its manufacturing capacity for continence care products and the renovation of the sterilization facilities. B. Braun Avitum increased its market presence by expanding existing renal care centers, constructing new centers and acquiring centers in various countries.

Investment commitments in the amount of € 387.3 million had 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 global economic forecast was murky in 2019 with a growth rate of 3%, the lowest since the global financial crisis. The restrained upturn is a direct result of the increasing trade barriers, greater economic and political uncertainty, and structural factors such as low productivity growth and an aging population in developed nations. While growth in developed nations slowed to 1.7% in the reporting year, emerging and developing nations saw growth of 3.9%. The decline in manufacturing and global trade was particularly significant, since the prevailing uncertainty impacted both investments and demand for capital goods. By contrast, the service sector in many parts of the world is on track to grow, which is invigorating job markets and positively affecting wages in developed nations. Relaxed monetary policy in developed and emerging nations had a stimulating effect on the global economy, leading to favorable financing conditions. The negative effects of the ongoing trade conflict between the US and China on the global economy were mitigated by investment incentives from central banks as well as tax concessions in both countries.

The German economy grew 0.5% in 2019 (previous year: 1.5%). The less dynamic performance was due predominantly to weakened vehicle manufacturing. The Germany Association of the Automotive Industry adjusted its forecast downward back at the start of 2019 and even spoke of a decline in volumes produced in Germany. Foreign trade also stagnated, resulting in a reduced demand for capital goods in the wake of the generally weaker global economy. Since manufacturing companies above all depend on exports, sentiment in this industry grew dim over the course of the year. The more domestically oriented service sector and the construction industry, on the other hand, were very well utilized. The robust job market trend meant that consumer spending contributed positively to growth in the reporting year.

CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2018	2019
Europe	**2.3**	**1.4**
France	1.5	0.5
Germany	1.5	0.5
Great Britain	1.9	2.0
Greece	1.4	1.2
Italy	0.9	0.0
Poland	5.1	4.0
Russia	2.3	1.1
Spain	2.6	2.2
Turkey	2.8	0.2
North America	**2.7**	**2.1**
Canada	1.9	1.5
USA	2.9	2.4
Asia-Pacific	**5.5**	**5.0**
China	6.6	6.1
India	6.8	6.1
Indonesia	5.2	5.0
Japan	0.8	0.9
Malaysia	4.7	4.5
Latin America	**1.0**	**0.2**
Argentina	-2.5	-3.1
Brazil	1.1	0.9
Chile	4.0	2.5
Mexico	2.0	0.4
Africa and the Middle East	**2.8**	**2.4**
Iran	-4.8	-9.5
Kenya	6.3	5.6
South Africa	0.8	0.7

Europe's rate of growth has been slowing since mid-2018 due to lower foreign demand and the re-

[1] ifo Economic Growth Forecast, Fall and Winter 2019, and IMF: World Economic Outlook, October 2019

duction of inventories from poor industrial output, and reached just 1.4% in 2019 (previous year: 2.3%). Multiple countries contributed to this trend. Economic growth in France, for example, fell one percentage point from the previous year, to 0.5%. This decline is attributed to unexpectedly poor foreign demand in the first half of the year. After growing 0.9% in 2018, the Italian economy fell into a recession in the reporting year due to sagging consumer spending, lower fiscal stimulus and the weak external environment. In Spain, economic growth was less dynamic, though still strong, increasing by 2.2% (previous year: 2.6%). Growth was driven by constant domestic demand supported by consistently high consumer spending. One issue was the formation of a government following the Spanish parliamentary elections in April, where the Social Democrats were unable to win an absolute majority despite a landslide victory. The economic performance of the United Kingdom grew by 1.2% in 2019 (previous year: 1.4%). The decline in growth was mainly the result of uncertainty regarding what shape Brexit would finally take. The countries of Europe that showed strong growth in previous years also performed poorly in 2019. While Turkey experienced a significant decrease of 2.6 percentage points, several Central and Eastern European countries, including Poland and Hungary, recorded solid growth thanks to robust domestic demand and higher wages.

Russia's economy stagnated in 2019 for various reasons: VAT increased 2 percentage points at the start of the year, interest rates increased a total of 50 base points in September and December 2018, real income fell and the global economy weakened. Overall, the sentiment in Russia's real economy was rather restrained, with small and medium-sized enterprises suffering the most under the lower spending power and increasing state interference. While the official unemployment rate in March 2019 reached 4.6%, an historic low, this upward trend had no impact on real wages. Despite the downward trend in income, retail sales increased thanks to the Russian people spending their savings and taking out more consumer credit for their purchases. However, this also means more households were at risk of overborrowing.

In the US, economic performance dropped 0.5 percentage points to 2.4% in 2019. This was due primarily to the ongoing trade conflicts with important trade partners in Asia, Europe and North America. Extra tariffs and the uncertainty regarding how the overall tax and trade situation will play out over the short to medium term unsettled economic operators. This also impacted investment in manufacturing, which reached a temporary high in September 2018 before experiencing a significant slowdown later. Higher employment and robust consumer spending supported by policy incentives were the key sources of growth.

The countries in Asia remained the key drivers of the global economy in 2019, although growth slowed somewhat to 5.0% (previous year: 5.5%). At 0.9%, however, Japan's economy remained close to the previous year's growth rate. Strong consumer spending along with government spending outweighed the ongoing weakness of the export sector, which is closely related to the growing trade conflicts. Temporary fiscal measures cushioned the expected decline in private consumption that set in as a result of the sales tax increase in October 2019. In China, increasing tariffs and falling foreign demand exacerbated the slowdown in economic growth, which was 6.1% in 2019 (previous year: 6.6%). To ease the burden on the population, the Chinese government enacted several income tax reductions on January 1, 2019. India's economy also experienced slowed growth in the reporting year, reaching 6.1% (previous year: 6.8%). This was caused primarily by domestic challenges in addition to global risks. Structural problems, drops in sales in some manufacturing sectors and high unemployment had a negative impact on the economy. Additionally, the financial sector continues to be in serious crisis. Despite uncertain global economic prospects, Malaysia's economy remained robust and grew 4.5% (previous year: 4.7%). The shifting of production facilities to Malaysia due to the trade dispute between China and the US as well as consumer spending stabilized Malaysia's economy.

In Latin America, the larger national economies experienced noticeable slowdowns in the reporting year. Growth in the overall region fell 0.8 percenta ge points to 0.2%. This downward trend was heavily influenced by the developments in Mexico and Brazil. As a result of a mining disaster in January 2019, production in Brazil's commodities industry declined. The key services sector also recorded a drop, leaving Brazil's economic growth at just 0.9%. Mexico's economy was subdued in 2019, primarily due to weak investing. This was partially influenced by the sagging economy in the US and other export markets. Overall, the country's growth rate fell 1.6 percentage points to 0.4%. Even Argentina's economy shrunk 0.6 percentage points to -3.1% (previous year: -2.5%) in 2019 due to less confidence in the country and stricter external financing terms. Venezuela's profound humanitarian crisis and economic collapse continued to plague the country, with economic performance falling by more than a third.

The nations in Africa and the Middle East saw different levels of growth in 2019. In South Africa, the economy remained near the previous year's level, with a growth rate of 0.7%, due to the unexpectedly severe impact of strikes and energy supply problems in the mining industry. Weak agricultural production also had a negative effect. The 2019 economic performance of the countries in the Middle East was positively influenced predominantly by increased public spending and growing confidence in their governments. Oil production, on the other hand, provided only a weak stimulus for growth.

Performance of the health care industry

The global health care industry continued to grow in 2019. At the same time, changes within the health care industry persisted as well. For one, focus was placed on creating financial sustainability in uncertain times. New developments such as personalized medicine, digital technology, new competitors and diversified payment methods have increased the pressure on health care businesses. In this context, the health care industry also felt the need to reduce costs and increase efficiency in order to offset globally rising health care spending. As a result, mergers, acquisitions and partnerships continue to occur in the health care industry to optimize financial and operational performance and achieve economies of scale. Aside from critical innovations and patient preferences, financial needs have caused hospitals and health care facilities to shift certain inpatient services to outpatient care centers in the last fiscal year. In addition to outpatient services, companies in the health care industry increasingly invested in telemedicine, such as through the use of teleconferencing, mobile apps and other digital technology, in order to facilitate continuous and networked health care. These measures improve access to medical care for patients in rural and underserved areas.

Recruiting, developing and retaining talent in health care remained difficult in 2019. An aging workforce, growing demand for medical services and the call for shorter working hours for doctors have further exacerbated this situation. This trend led to a shortage of properly qualified professional in both developed and developing nations. This is why more technology-based options were used in the reporting year to cover temporary staff shortages. This trend, along with digital innovations such as cloud-based computing, virtual health care, artificial intelligence, robotics and the Internet of Medical Things (IoMT), increased consumer expectations on digital and, thus, sustainable health care organizations. These tendencies will continue in the coming years at a considerably greater pace and to a much greater extent as progress continues, and will help reshape health care.

Germany's health sector was on solid ground in 2019, as a both aging and increasingly health-conscious society placed heavy demand on health care services. However, hospital case numbers fell and outpatient medical services rose. The "outpatientization" of health care services in Germany appears to be gaining more ground. Increasing prosperity in developing and emerging countries also led to a growing need for medical products. Nevertheless, many companies find themselves confronted with increasing risks. These were afflicted not only by uncertain economic conditions, particularly abroad, but also primarily by high labor costs and a growing shortage of skilled labor. Still, industry exports increased, since German medical technology enjoys great popularity worldwide due to its high quality. The e-Health trend also gave businesses the chance to establish innovative applications and products on the market.

Europe's health care industry was also able to take advantage of the opportunities digitalization revealed in the last year. In France, for example, where the government decided in 2018 to reimburse the costs of telemedicine services, the range of corresponding digital platforms from both domestic and foreign providers grew. The government also wants to promote other e-Health areas more. It established the legal basis for this by passing a law to revamp the health care system, which is slated to take place as part of the government program "Ma Santé 2022" ("My Health 2022"). Its goals are to create regional group practices and smaller clinics, more prevention and the digitalization of the health care system. The Spanish government's budget for health care expenditures in 2019 remained close to the previous year's level, at 6% of GDP. Investment mainly was allocated to upgrading public hospitals around Madrid to bring them up to the state of the art in the area of digitizing care and administration. In Poland, the digital transformation of health care was also advanced further through various telemedicine pilot projects. Of particular note is the high degree of acceptance regarding e-Health solutions in Poland, as shown in a study by software developer Lekseek: Two thirds of the population expect telemedicine to have a positive impact on their lives. Among doctors, this figure is 58%, although only around 8% of health care facilities were already actively using technology from this field in 2019. The reason for this is a lack of funding, since the National Health Fund currently only provides funds for cardiology and geriatrics teleconsultation. The market for e-Health solutions also grew at a rapid pace in the United Kingdom, since the government has set the necessary parameters for innovative enterprises and is forcing digital solutions for health care. British patients' affinity for technology also contributed to this growth. After introducing paperless health services, the National Health Service (NHS) invested more in cybersecurity and sought digital solutions to further improve medical care and reduce costs. Only the ongoing uncertainty over Brexit dimmed sentiment in British health care in the reporting year. In Turkey, the picture in the health care industry in 2019 was nuanced, due to the ongoing economic recession. Private medical facilities reported a decrease in patient visits of up to 50% and public hospitals were unable to meet their financial obligations. Medical tourism, on the other hand, had a stimulating effect on the industry, with the number of patients rising to around 1 million, bringing in revenues of $ 7 billion.

In Russia, the surge of investing in the medical industry continued, sparked by the National Health Care Project initiated by Russia's president. On this basis, the life expectancy of the Russian population is expected to increase from 73 to 78 years by the end of 2024, and the mortality rate for cardiovascular diseases to decrease by one third and for cancer by 10%. The program produced good sales opportunities in the reporting year, especially in the analytical technology industry. Pharmaceutical production also saw good growth rates, with the Russian government primarily promoting the settlement of domestic and foreign pharmaceutical companies with subsidies and public procurement advantages. Another emphases of Russia's health care policy was cancer screening, with a new immunohistochemistry testing center opening in Moscow at the start of 2019. The goal is to manufacture more of the necessary technology in-country, even with foreign partners, if possible.

The topic of e-Health was also driven forward in North America's health care industry through different measures. Although US hospitals were under considerable pressure in 2019 from out-of-control health care costs in recent years, the country still offered enormous sales potential for medical technology. This was based on the rash of new developments approved by the FDA in 2018 as well as on the introduction of diverse measures by the government itself to study and test innovative treatment technology. In addition, reusable materials were increasingly replaced with disposable products to minimize the risk of infection at US hospitals. The greatest drivers of growth in the US health care industry may be, as in previous years, the major US technology companies in Silicon Valley. In addition to apps, smartwatches and fitness trackers, these companies developed storage systems for health data.

In the Asia-Pacific region, the health care industry grew substantially in the reporting year due to an aging population, growing prosperity and the associated increase in health awareness. Japan's need for medical technology and pharmaceuticals continued to increase in 2019, sparked by its rapidly aging society. Domestic production, however, could not meet the growing demand, so a large percentage still needed to be imported. At the same time, money was invested in expanding local production. Finally, the archipelagic state struggled with offsetting the shortage of nurses by using the support of robotic nurses and assistants. After an almost 20% growth in 2018, China's health care industry saw gratifying growth rates in the reporting year as well, closing in on the world's largest medical technology market in the US. The constant expansion and revamping of health care increased the need for medical technology and therapeutic equipment. The program started by the government is designed to ensure extensive coverage of care for the population, especially in rural areas. Thus money was invested primarily in e-Health, geriatric care and increasing prevention. Indian patients bore the majority (68.4%) of costs for medical care themselves in 2019 as well, since only about 5–10% of the population was insured. The subcontinent's government wishes to change this in the future, which is why it provided the initial impetus for the largest publicly funded health care program in the world in 2018. The goal is to pay up to € 7,600 in health care costs per year for around 500 million people who need it. During the program, 27 million beneficiaries had been recorded thus far. The expansion of public health insurance in the ASEAN countries, along with others, resulted in growing demand for health care services and products. At the same time, private households themselves invested, if only at a low level, a greater share of their income in their health. This led to growing imports, since the region itself predominantly produces consumer goods, less-sophisticated medical electrical devices and hospital furniture, which are largely exported. Telemedicine also gained importance in Southeast Asia in 2019 in order to improve care in remote parts of the country. Overall, this basic care was provided by publicly funded facilities, which were also the source of the greatest demand for medical technology products. The strongest growth, on the other hand, came from private health care facilities, whose most important customer group was foreign patients. In Malaysia, private hospitals increased their market share to around 50%, though Singapore and Thailand also profited from medical tourism.

Latin America's health care systems struggled with increased cost pressure and higher demand. In Mexico, the new government advanced the plan introduced in December 2018 intended to unify a system that included some federally organized aspects and make it accessible to the entire public. This restructuring is designed to address the serious deficiencies in Mexico's health care, to which the state provided $1.3 billion. Brazil's aging population stimulated the nation's health care industry in the reporting year. Low-priced offers in particular enjoyed great popularity, resulting in a growing need for generics as well as inexpensive private health services. Sinking margins led to consolidations in the private health sector while the public health sector was increasingly overburdened. Argentina's recession was also felt in the health care industry in the reporting year, since the social security funds had fewer contributions due to declines in real income and employment. Nevertheless, to be able to efficiently utilize the existing infrastructure, the government relied more on measures to digitize health care. Colombia's health care system faced enormous challenges in 2019 from both an aging population and immigration from Venezuela. The country relied on imports to meet the growing need. Demand will continue to rise in the coming years with the construction of new hospitals.

The reporting year for Africa's health care systems was shaped by a lack of funds. While private clinics carried out their plans and focused investments on radiology and oncology, governments found it difficult to finance their own national health insurance plans and improvements to health care infrastructure that were announced, which are slated to be completed in 2022. In Kenya, the public health sector continued to be in crisis and the state was unable to achieve its health policy objectives. However, private health care facilities and foreign providers were able to benefit from these difficult circumstances. Activity in Ghana's health sector was also less than in the previous year. Still, some public hospital projects abandoned in the past due to a lack of funds are supposed to be resumed and finished in the near future. In the Middle East, the introduction of a health insurance mandate for the foreign population in some countries was a positive stimulus for the medical sector. These include the United Arab Emirates and Oman, which was then able to boost its lethargic health care industry. Similar initiatives are being planned in other Arab nations.

PERFORMANCE AND FINANCIAL POSITION

Business performance

In the 2019 reporting year, B. Braun sales grew 6.7% at constant exchange rates, which is within our strategic growth corridor of 5–7%. The euro was somewhat weaker against our key currencies over the past fiscal year. Appreciations of the US dollar and Russian ruble affected the development of the reporting currency as a result. These are contrasted by depreciations of the Argentine peso and the Malaysian ringgit. Sales in euros increased

KEY PERFORMANCE INDICATORS

	2018	2019	Change in %
Sales (in € million)	6,908.1	7,471.3	8.2
Gross margin (in %)	42.5	40.5	
Net margin after taxes (in %)	4.8	2.6	
Interim profit (in € million)	533.2	475.4	-10.8
Profit before taxes (in € million)	451.6	309.0	-31.6
Profit before taxes (adjusted in € million)	451.6	400.2	-11.4
Consolidated net income (in € million)	328.4	197.3	-39.9
Consolidated net income (adjusted in € million)	328.4	288.5	-12.2
EBIT (in € million)	520.6	388.8	-25.3
EBIT (adjusted in € million)	520.6	480.0	-7.8
EBITDA (in € million)	952.5	1,079.1	13.3
EBITDA margin (in %)	13.8	14.4	
Equity ratio (in %)	39.6	36.9	
Equity ratio including loans from shareholders (in %)	40.2	37.6	
Equity ratio net of effects of IAS 19 (in %)	44.1	42.4	
Net financial debt (in € million)	2,390.6	2,906.9	21.6
Debt-equity ratio (Net financial debt/EBITDA)	2.5	2.7	
Research and development expenses (in € million)	323.5	364.5	12.7
Investments in property, plant, and equipment, intangible assets and financial investments (in € million)	921.6	894.6	-2.9
Depreciation and amortization of property, plant, and equipment and intangible assets	431.9	599.2	38.7
Net working capital (in € million)	1,913.5	2,051.2	7.2
Personnel expenditures (in € million)	2,651.8	2,828.9	6.7
Employees (as of December 31)	63,571	64,585	1.6

8.2% to € 7.5 billion (previous year: € 6.9 billion). All divisions showed a good increase in sales, with products from the areas of basic care, hemodialysis, infusion systems and compounding selling very well.

The Asia-Pacific region performed well overall, with the main drivers being markets in China and the ASEAN region. Performance in Latin America was inconsistent, with good growth rates in Brazil and Colombia, and weaker performance in Mexico and Ecuador. Business performance in Argentina was seriously strained due to inflation and exchange rate trends. Sales in North America grew strongly in US dollar and achieved a double-digit growth rate in euro. In the Africa and Middle East region, we saw increased sales once again, however, the euro experienced negative exchange rate effects. Performance in Germany continued to be stable in the reporting year and we achieved a satisfactory increase in sales. Europe in general performed well.

We were unable to increase our operating profit in the reporting year, meaning we could not reach the goal of continuous profit growth that we set ourselves. Profit was impacted by increases in the cost of our production facilities, startup costs for new plants and, in particular, ever-increasing regulatory requirements (e.g., MDR). The regulatory upgrades for our plant in Irvine, CA (US) as required by the FDA in a warning letter in 2017, were properly implemented in coordination with the agency and were largely completed in 2019. EBITDA at constant exchange rates is 11.1% above the previous year, totaling € 1,058.4 million (previous year: € 952.5 million). In the reporting currency, we met our target of over a billion euros, coming in at € 1,079.1 million. EBITDA is positively affected by the application of IFRS 16, in the amount of € 116.9 million. Without this effect, EBITDA is € 962.2 million. The key performance indicators used to manage operations, interim profit and EBIT were below the projected target range of € 525–550 million for these reasons. At constant exchange rates and adjusted for extraordinary items, these performance indicators are € 466.6 million and € 468.1 million, respectively, and were therefore 12.5% and 14.7% below the previous year, respectively. Consolidated net income, at constant exchange rates and adjusted for extraordinary one-off items, fell to € 279.5 million (previous year: € 328.4 million). Given the development in the market rate of our investment in Rhön-Klinikum AG and the temporary burden placed on German hospitals by new legal regulations, such as the Nursing Incentive Act, we have adjusted the carrying value of our investment to the rate valid as of the end of the fiscal year in keeping with our conservative accounting principles. We nevertheless continue to project a good medium- to long-term potential in Germany's hospital sector and, in particular, in Rhön-Klinikum AG. The impairment led to an extraordinary, one-off item in the amount of € 91.2 million in 2019. Taking this extraordinary item into account, EBIT is € 376.9 million (previous year: € 520.6 million) at constant exchange rates and consolidated net income is € 188.3 million (previous year: € 328.4 million) at constant exchange rates.

The health care industry's growing demand for consumer and capital goods allowed us to continue to achieve volume increases that resulted in good sales growth. We are not satisfied with our earnings. We were able to pass some cost increases on to the market as price increases. At the same time, continuous measures to reduce internal costs and increase efficiency allowed us to counteract a greater decrease in earnings. This is why we are optimizing our sales structure to at least partially compensate for increasing freight and personnel expenditures. Selling expenses in percent of sales decreased by 0.8 percentage points. The B. Braun Group remains in good, stable financial condition. At present, we are not aware of any other factors that could materially impact the Group's position.

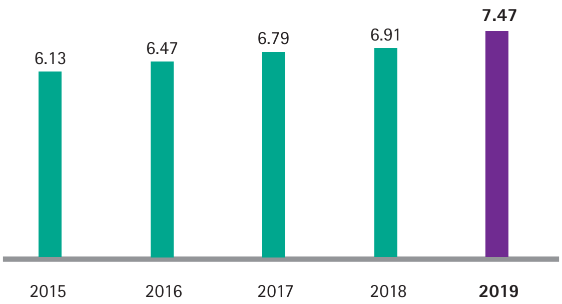
Earnings

B. Braun Group's sales growth

In FY 2019, B. Braun Group sales totaled € 7,471.3 million (previous year: € 6,908.1 million), increasing sales 8.2% over the previous year (6.7% at constant exchange rates).

SALES DEVELOPMENT

in € billion



All divisions contributed to this growth in sales. The Out Patient Market and B. Braun Avitum divisions posted very strong growth rates of 11.8% and 9.1%, respectively. Aesculap (7.9%) and Hospital Care (6.8%) also significantly increased their sales.

Europe (excluding Germany) achieved good sales growth at constant exchange rates, at +5.8%. The United Kingdom, Russia and Turkey in particular saw good growth locally. However, performance in these countries in euro was weaker due to currency exchange rate trends. B. Braun achieved stable growth rates in Spain, Italy and Scandinavia. Sales in France and Switzerland exceeded the previous year's level slightly. In Germany, performance was stable, with a growth rate of 3.9%, and B. Braun continued to hold its ground in a highly competitive market. We increased sales 8.0% at constant exchange rates in the Asia-Pacific region. The drivers of this growth were China, Indonesia, the Philippines and South Korea. Sales in Japan and Vietnam remained at the previous year's level in the local currencies. The Latin America region increased sales in local currencies by 9.1%, with encouraging sales growth in every country except Mexico. However, sales in euros increased just 2.9% compared to the previous year due to the devaluation of Latin American currencies. B. Braun sales in North America in US dollars grew well, at 7.5%. Sales in the reporting currency were considerably above the previous year, at +13.4%. In the Africa and Middle East region, our growth in local currencies was 12.8%. In the reporting currency, our sales in the region increased 11.8% compared to the previous year.

Business performance of the B. Braun Hospital Care division

Despite stiff competition, the Hospital Care division increased sales 6.8% to € 3,343.0 million (previous year: € 3,131.1 million). The division also profited from positive exchange rate changes. At constant exchange rates, sales growth was 5.3%. This good overall sales growth is supported by growth in every region. Performance in the markets in China, the United Kingdom, Indonesia and the Netherlands were particularly strong. In emerging countries, primarily Argentina and Turkey, it was possible to offset high currency losses with price adjustments. From a product perspective, the sale of automatic infusion systems, the preparation of patient-specific nutritional solutions and the area of parenteral nutrition in particular supplied corresponding increases. However, sales of infusion solutions fell below our expectations. In addition to high competitive pressure, increasing regulatory requirements and restrictions on production prevented better results.

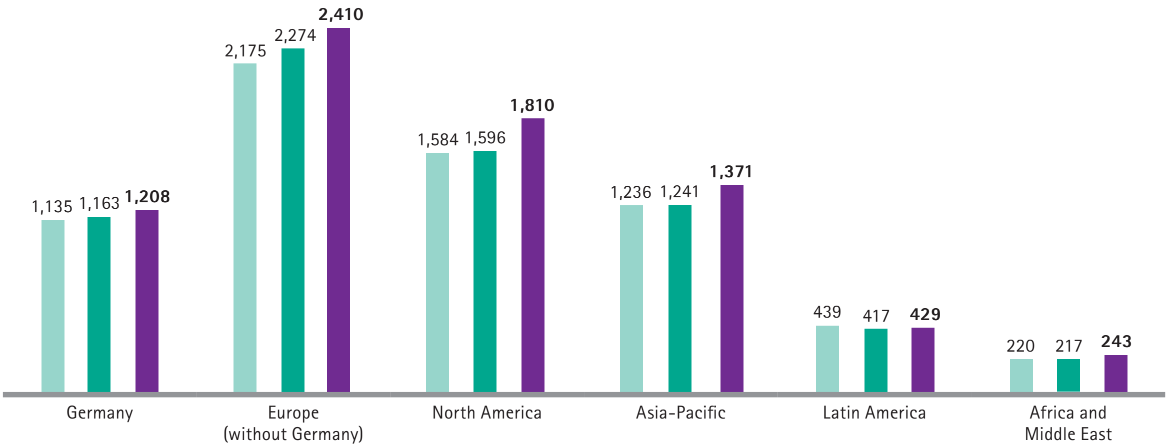
Business performance of the B. Braun Aesculap division

In the reporting year, the Aesculap division reported sales of € 1,968.2 million (previous year: € 1,824.4 million), rising 7.9% (6.6% at constant exchange rates) above the previous year. The main drivers of this sales growth were China, Russia and the US. Individual countries such as Australia, India and Mexico were unable to reach the previous year's sales level. In the US, especially the sterile goods management business contributed to growth, while in China, growth was primarily generated by a significant increase in the interventional therapies area. In Germany, poor sales of capital equipment for sterile goods management and hip implants negatively affected sales growth. Price pressure in orthopaedics and stents sales continued. The coronary angioplasty, angiography and spine surgery areas saw positive growth. Higher human resources costs due to negotiated wage agreement increases, startup costs for new production lines and low utilization in instrument and implant manufacturing at the beginning of the year prevented the division from achieving better results. Implementation of the MDR also put a strain on sales.

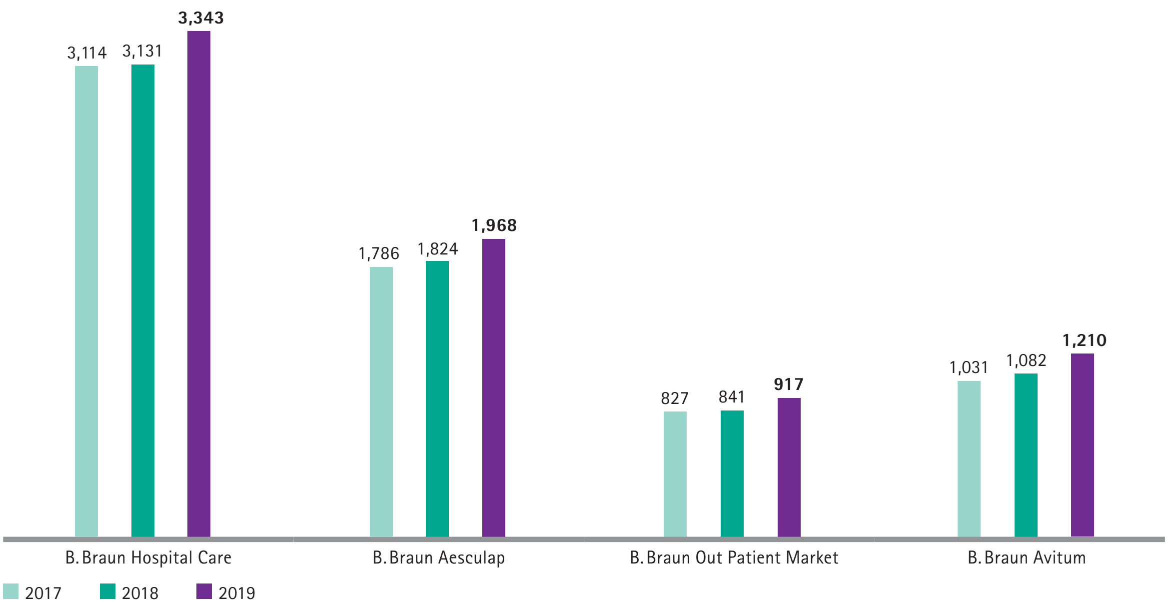
Business performance of the B. Braun Out Patient Market division

The Out Patient Market division reported sales of € 917.3 million (previous year: € 840.9 million), for an increase of 9.1% (6.9% at constant exchange rates) over the previous year. We increased sales particularly well in the US and, due to the development of the US dollar, the increase in the reporting currency was even higher. Other drivers of growth were China, Germany, the United Kingdom and Spain. The infection prevention and basic care segments saw strong growth, and sales of urologic care and wound treatment products also increased well. Sales of ostomy care products, on the other hand,

SALES BY REGION
In € million



SALES BY DIVISION
In € million



stagnated compared to the previous year. Increased production costs in Germany and the US impacted division growth in the reporting year.

Business performance of the B. Braun Avitum division

Sales in the B. Braun Avitum Division increased by 11.8% in the reporting year (10.7% at constant exchange rates) to € 1,210.1 million (previous year: € 1,082.3 million). Product sales saw considerably increased growth, with exports in particular contributing substantially. Among the countries with their own subsidiaries, Indonesia, the Philippines, Russia, Singapore and the US were the most successful. Sales in the US were driven by the sale of bloodlines from the takeover of the NxStage business. Other product areas with particularly high growth rates were concentrated dialysates, dialysis machines and water treatment systems. The B. Braun renal care centers continued to see good performance. This was mainly due to the expansion of our clinic network in Russia but also to the new centers in Germany and Portugal. We also added cardiology to our German clinic portfolio with the takeover of the Ambulantes Herzzentrum outpatient cardiac center in Kassel. However, increasing wage costs in the health sector, especially in Eastern European countries and Germany, as well as reductions in reimbursements, as in France, strained the division's growth.

Development of gross profit

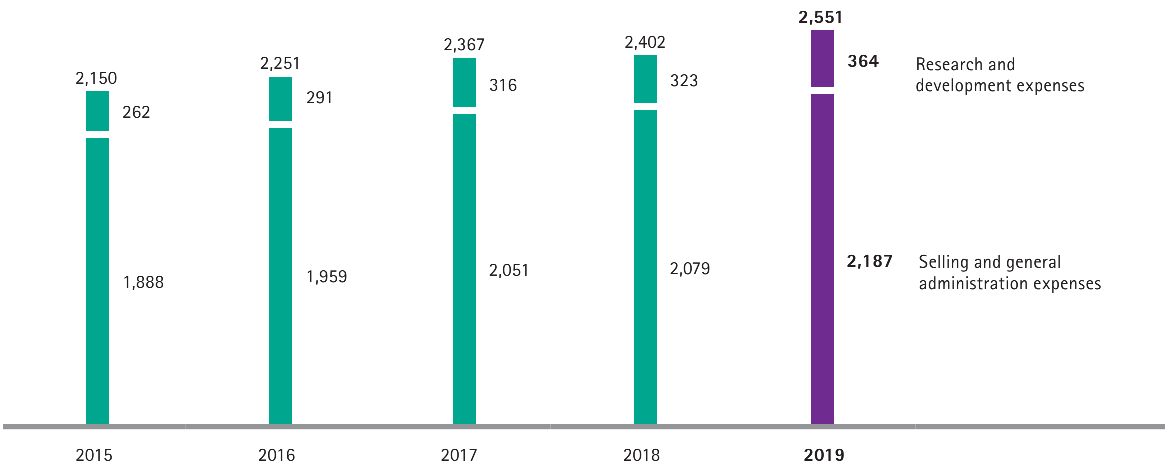
Gross profit in the 2019 reporting year increased 3.1% to € 3,026.5 million (previous year: € 2,936.2 million). Gross margin shrank 2.0 percentage points to 40.5% (previous year: 42.5%) due to startup costs for our new plants and increased production costs at the locations in Daytona Beach, FL, Irvine CA, (US) and Melsungen (Germany). Increased regulatory requirements and higher wage costs (particularly in Germany) are also putting strain on the gross margin.

Development of functional expenses

Selling expenses increased 4.8% to € 1,823.1 million (previous year: € 1,739.9 million). Higher freight costs and increased volume resulted in a rise in costs. At the same time, we optimized our distribution and logistics structures, which significantly reduced the percentage of sales going to selling expenses by 0.8 percentage points. Administrative expenses in the fiscal year came to € 363.4 million (previous year: € 339.5 million), for a 7.0% increase over the previous year. At constant exchange rates,

FUNCTIONAL EXPENSES

In € million



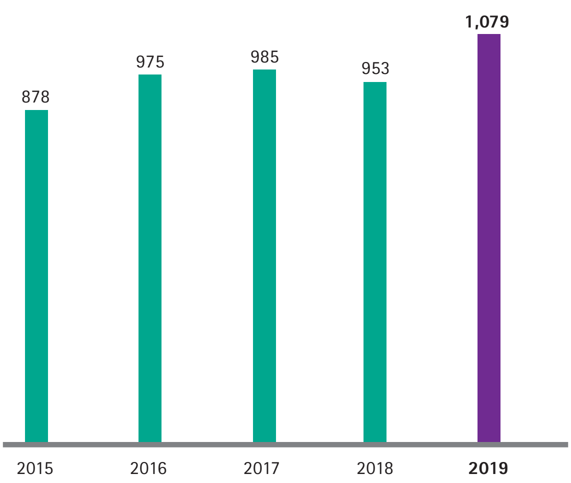
administrative expenses are 6.8% higher than the previous year. With the process optimization and cost reduction measures enacted, we intend to at least partially offset increases in personnel costs in the future. Consistently expanding our shared service organization in conjunction with further process automation (such as through robotic process automation) will allow us to optimize our cost structures.

Research and development spending stayed at a constant level in 2019. Non-capitalized research and development expenses were up by 12.7% to € 364.5 million (previous year: € 323.5 million), with € 14.2 million in unscheduled amortizations of development projects. In addition, development expenditures totaling € 21.4 million (previous year: € 33.7 million) were capitalized as intangible assets.

Development of other operating income and expenses

The balance of other operating income and expenses fell in the reporting year by € 3.2 million to € -40.7 million (previous year: € -37.5 million). This included an increase in costs to hedge exposure in foreign currencies of € 5.7 million to € -33.5 million (previous year: € -27.8 million). Compared to the previous year, other operating expenses were also affected by the decline in expenditures for profit participation rights. In contrast, adjustments on receivables increased slightly compared to the previous year. At the same time, other operating income fell compared to the previous year.

EBITDA
In € million



Development of net financial income

Net financial income, including investment income, changed in FY 2019 by € 81.6 million to -€ 125.8 million (previous year: -€ 44.2 million). Interest expenses amounted to € 58.3 million, up € 9.6 million from the previous year (€ 48.7 million). At € 7.7 million, interest income was slightly higher compared to the previous year (€ 7 million). Additionally, investment profits (including profits from equity method investments) were € 70.8 million lower, totaling -€ 45.9 million (previous year: € 24.9 million). This resulted primarily from the impairment of the carrying amount of our investment in Rhön-Klinikum AG.

Development of earnings figures

Interim profit fell to € 475.4 million in the reporting year compared to € 533.2 million in the previous year. Adjusted for extraordinary items, EBIT reached € 480.0 million in the reporting year, down 7.8% from the previous year (€ 520.6 million). Taking these extraordinary items into account, EBIT is € 388.8 million (previous year: € 520.6 million). Depreciation increased, also due to the application of IFRS 16 (+€ 104.9 million), to € 690.3 million (previous year: € 431.9 million), for an EBITDA of € 1,079.1 million. EBITDA increased 13.3% over the previous year. The EBITDA margin increased by 0.6 percentage points to 14.4% (previous year: 13.8%).

Profit before taxes decreased 31.6% to € 309.0 million (previous year: € 451.6 million). Income taxes for the fiscal year amounted to € 111.7 million, down € 11.5 million from the previous year (€ 123.2 million). The effective tax rate in the reporting year was 36.1% (previous year: 27.3%). Consolidated net income totaled € 197.3 million, down 39.9% from the previous year (€ 328.4 million).

Financial position

Liquidity

Operating cash flow totaled € 815.0 million (previous year: € 626.5 million), up € 188.5 million from the previous year. Cash flow from investment activities[2] increased by € 1.8 million in the fiscal year to € 799.2 million (previous year: € 797.3 million) for a free cash flow of € 15.8 million (previous year: free cash flow of € -170.9 million). Accordingly, cash flow for investments in plant, property and

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

equipment, and intangible assets totaled € 768.9 million (previous year: € 794.1 million) and € 59.5 million (previous year: € 55.6 million) for investments in financial assets and business acquisitions. At the same time, B. Braun received dividends and dividend equivalents in the amount of € 15.3 million (previous year: € 16.6 million). Net borrowing for the reporting year was € 41.7 million (previous year: € 206.2 million). Overall, cash and cash equivalents rose by € 7.5 million as of the reporting date to € 82.4 million (previous year: € 74.8 million). Stable cash flow from operations in conjunction with open, firmly committed credit lines gives B. Braun adequate liquidity at all times.

Asset structure

As of December 31, 2019, the total assets of the B. Braun Group have increased to € 10,088.4 million (previous year: € 9,224.4 million). This represents an increase of 9.4% and reflects the fact that investments in property plant, and equipment as well as financial assets and the initial application of the IFRS 6 standard exceeded depreciation.

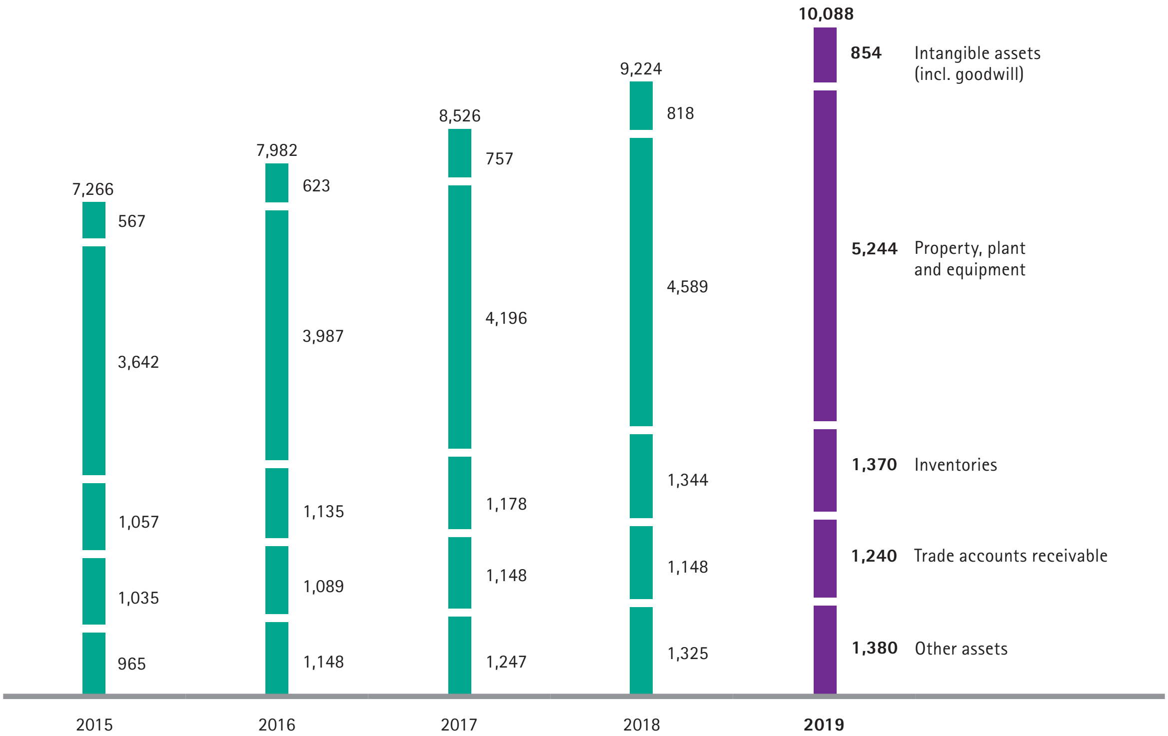
Non-current assets increased 11.4% to € 7,040.0 million (previous year: € 6,332.3 million). Due to consistently high levels of investment, the Group's property, plant, and equipment increased once again for the reporting year, rising 14.3% (13.2% at constant exchange rates) to € 5,244.1 million (previous year: € 4,589.3 million). Inventories as of the reporting date amounted to € 1,370.2 million, up 1.9% (0.5% at constant exchange rates) over the previous year (€ 1,344.4 million). Inventory coverage as of the reporting date was 16.0 weeks (previous year: 17.6 weeks). Trade receivables increased by 8.1% (6.9% at constant exchange rates) to € 1,240.0 million (previous year: € 1,147.6 million). Trade receivables DSO were reduced by 1 day to 65 days compared to the previous year (66 days).

Financing structure

Equity increased by 2.0% (0.4% at constant exchange rates) to € 3,720.6 million (previous year: € 3,649.0 million). The equity ratio was 36.9% (36.7% at constant exchange rates), 2.7 percentage points under the previous year's level (39.6%). Taking into account shareholder loans, this corresponds to an equity ratio of 37.6%. We therefore just missed our goal from the previous year of over 38%. In the reporting year, the actuarial interest rate for pension provisions dropped considerably, to 1.5% (previous year: 2.2%). Actuarial losses thus rose € 194.9 million. Accordingly, total provisions for pensions and similar commitments increased by 18.6% to € 1,580.0 million (previous year: € 1,332.1 million). Low interest rates have necessitated an increase in pension reserves in recent years. Adjusted for the effects in the period from 2011 to 2019 from the revaluation of pension commitments, equity totals € 4,275.0 million. This results in an equity ratio of 42.4%, which is close to our strategic target of 45%. Financial debt increased by 21.3% to € 3,034.2 million (previous year: € 2,502.1 million). Non-current financial debt rose 37.4% to € 2,298.2 million (previous year: € 1,673.1 million). The initial application of IFRS 16 (Leasing) on January 1, 2019 resulted in an increase in financial liabilities of € 402.2 million. Financial liabilities from leasing rose € 381.2 million in the reporting year. Additionally, non-current financial debt (excluding leasing) fell 4.1% to € 1,564.0 million (previous year: € 1,630.3 million). Current financial liabilities amounted to € 1,035.3 million as of the reporting date compared to € 820.5 million in the previous year. Most Group financing is conducted in euro. However, there are also small loans in various foreign currencies. As of the reporting date, 61.9% (previous year: 54.1%) of financial liabilities to banks and insurance providers carry a fixed interest rate. The higher financial debt is associated with increased cash and cash equivalents, meaning net financial debt (including IFRS 16) increased € 516.3 million to € 2,906.9 million (previous year: € 2,390.6 million). Without the effect of IFRS 16, this increase is just € 114.1 million to € 2,504.7 million (previous year: € 2,390.6 million). Trade payables fell 3.4% to € 524.9 million (previous year: € 542.4 million). At the same time, trade payables DPO dropped 7 days to 43 days (previous year: 50 days).

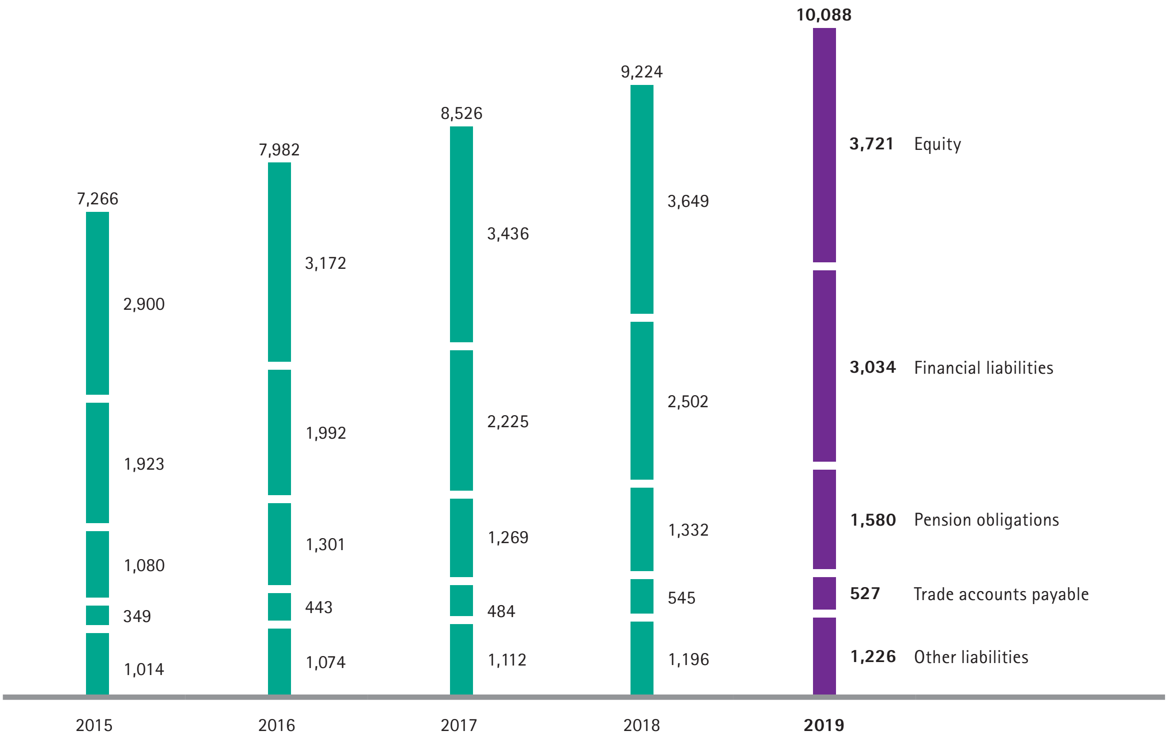
STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS

In € million



STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

In € million



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 € 1,251.1 million (previous year: € 1,116.0 million). We have met all of the required financial performance benchmarks agreed upon with our banks.

In 2019, we were able to place the planned financing instruments without difficulty. The financing measures in the reporting year included the taking out of bilateral loans in the amount of € 438 million. Of that amount, € 400 million is in fixed-interest rate loans in order to lock in attractive rates for the term of these loans.

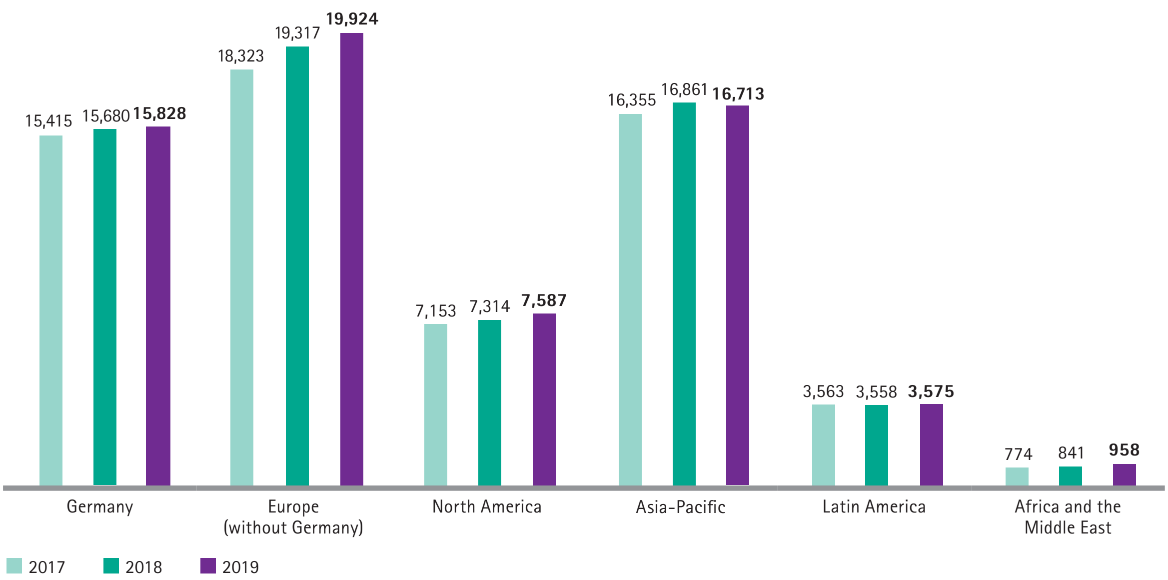
The asset-backed securities program was largely financed by the back-up line of credit during the fiscal year.

Non-financial performance indicators

Number of employees

As of December 31, 2019, the B. Braun Group employs 64,585 personnel, 1.6% more than in the previous year (63,571). The primary reason for this increase is the continual expansion of our production. The Group also acquired and founded distribution companies and renal care centers. At the end of the year, 15,828 people were working for B. Braun in Germany (+0.9%). In Europe (excluding Germany), the number of employees climbed 3.1% to 19,924 (previous year: 19,317). This was due to the expansion of business activities, primarily in Eastern Europe, with B. Braun Avitum taking over and opening a series of renal care centers in Romania and Russia. In Poland, we needed more employees in the Shared Service Center, and to expand Aesculap production. In Hungary, we hired workers to start up the new production plant in Gyöngyös. In North America, we increased production capacity and expanded our research and development activities. This resulted in a 3.7% increase in personnel to 7,587 (previous year: 7,314). In the Asia-Pacific region, the number of the employees remained virtually constant at 16,713 (previous year: 16,861). The number of employees in Latin America also remained stable at 3,575 (previous year: 3,558). In Africa and the Middle East, 958 people were working at B. Braun at the end of the reporting year, 13.9% more than the previous year

EMPLOYEES BY REGION



(841). We took on the employees of a production plant in Kenya and adjusted the number of employees to meet our expanded sales activities in the entire region.

Vocational training

B. Braun offers a diverse range of commercial, technical and scientific occupations that require training. At our German locations, we are currently training 802 (previous year: 801) young people in 26 different vocations. With a dual education system, it is possible to gain both theoretical knowledge and practical experience. The theoretical knowledge is taught in the respective vocational schools. The practical portion of training is performed in the different departments of the company. At the same time, a course of study in one of 14 different majors can also be completed. In the reporting year, 91 (previous year: 94) trainees attended a university or technical college in addition to their training. Of the 232 training graduates overall (previous year: 229), 201 (previous year: 204) took advantage of offers to join B. Braun.

In addition to training offers in Germany, B. Braun also trains young people in Brazil, Malaysia, Poland, Switzerland and Vietnam. In these countries, 303 (previous year: 277) people were undergoing vocational training in the reporting year. A total of 137 young people (previous year: 156) completed their training and 84 (previous year: 82) accepted offers to join B. Braun.

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, public health authorities in Australia, Brazil, Canada, Japan and the US created the Medical Device Single Audit Program (MDSAP), which pursues a globally uniform certification of quality management in medical technology. To a great extent, B. Braun already meets the future requirements of the MDSAP. We also meet the criteria of ISO 9001 and ISO 13485, which describe a quality management system for the development, manufacturing and sales of medical devices.

The current MDR entered into force in May of 2017 and replaces the previous European directives on medical devices. The regulation affects numerous areas of the company: For example, the scope of validation and qualification processes grows, technical documentation becomes more complex and requirements for market surveillance increase. At B. Braun, we are striving to implement the regulation by the end of the transition period on May 26, 2020 at the latest. There is currently no indication that we will be unable to meet the requirements on time.

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 occupational health and safety, and monitored in regular internal audits. For example, many international B. Braun locations are certified according to the Occupational Health and Safety Assessment Series 18001 management system. The Melsungen location has also obtained the "Seal of Approval—Systematic Safety" (German: "Sicher mit System") mark from the BG RCI (statutory accident insurance provider for the commodities and chemicals industry). Select European B. Braun renal care centers are certified under EN ISO 9001 and IEC/TR 62653 "Guideline for safe operation of medical devices used for hemodialysis treatments". Renal care 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 Association and follows its guidelines for "responsible behavior", with the goal of independently improving occupational health and safety as well as environmental protection.

Customer accountability and product responsibility

In B. Braun's 2020 strategy, we have incorporated system partnerships with our customers. We offer users appropriate system solutions that are safe and efficient, allowing them to increase patients' quality of life. 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 management in Europe. Through joint projects, we increase awareness of the risks of use and contribute to safe and high-quality patient care over the long term.

Part of our safety concept is to continuously improve the design of our products and packaging: Easily visible, harmonized color codes indicate the size of the product or what material is used to manufacture it. Special labels with clear, differentiating colors and shapes facilitate the dosage of medications and ensure greater noticeability, which is particularly important when it comes to critical ingredients. This work has been confirmed by multiple awards in the field of product design.

B. Braun is actively working in the German Medical Technology Association (BVmed), the European Medical Technology Association (MedTech Europe) and the Asia Pacific Medical Technology Association (APACMed) on new medical standards and rules, including on the topic of safety. B. Braun Management Board member Dr. Meinrad Lugan is Chairman of the Board of BVMed and sits on MedTech Europe's Operations Management Committee. Lam Chee Hong, President of the Asia-Pacific region, represents B. Braun on the Management Board of APACMed. B. Braun Management Board member Caroll H. Neubauer also sits on the AdvaMed (Advanced Medical Technology Association) Management Board and is the President of the German American Chamber of Commerce in New York.

Despite high quality standards and preventive measures, a product can, on a rare occasion, be defective or be used incorrectly. Complaints are received by our local sales organizations and coordinated centrally at the B. Braun headquarters in Melsungen. From Melsungen, investigations are ordered 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 infor-mation on data protection. The requirements of the General Data Protection Regulation, which have applied in the EU since May 2018, unify the rules for data processing. B. Braun has worked continuously for more than ten years on developing its data protection organization. This includes the introduction of global data protection management software for documenting all legally required and data protection-related processes, as well as standardized documents.

Digitalization and networking are making inroads into more and more areas: More networking brings with it potential risks to critical infrastructure, such as at hospitals and the production facilities of industrial companies, which are important to the community. Lawmakers are responding to these developments with new legal regulations, such as the IT Security Act in Germany. At B. Braun, a Chief Information Security Officer (CISO) coordinates all information security activities and measures. We have set a goal of establishing an Information Security Management System (ISMS) in accordance with international standard ISO/IEC 27001.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT AND CONTROLLING

All strategic and operational decisions at B. Braun are made with consideration of the risks and opportunities involved. 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 constitute every single risk 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 this annual report was prepared may also impact the earnings and financial position of the B. Braun Group.

Macroeconomic risk

The intensification of trade conflicts pose a significant risk to the growth of the global economy. The conflict between the US and China is of particular note. The resulting burden could put substantial pressure on the debt-financed growth and financial stability of China. In addition, there a structural weakening has been observed in China's economic growth. This may reduce the growth opportunities for foreign companies in China for a considerable time. The relationship between the US and the EU is also fraught with risk. The US is planning to place additional tariffs on automotive imports, since these allegedly threaten national security. While it may be true that this act would only affect Europe's automotive industry at first, retaliatory measures could trigger a spiral of protectionist action. Additionally, the stability of the financial markets is threatened by an ongoing low-interest policy. In past years, the low interest rates in the eurozone have resulted in an increase in asset prices, particularly real estate prices. This trend is leading to an increased risk of price corrections, also since the global economic environment is difficult overall. Subsequently, the low-interest environment also affects the valuation of securities on property loans and the interest margins of banks. The latter are particularly affected, since they have drawn down their risk provisioning in recent years due to the positive economic trend. If the economy continues to deteriorate, there may be need for adjustment and banks may need to increase their risk provisioning again. This could, however, impact the banks' profitability, burden their equity and ultimately limit lending options. Lastly, low interest rates are making it difficult for life insurance providers to make good on the guarantees promised in the past. Another risk to Europe's economic growth is, as before, the high numbers of bad loans. While some of these loans could be paid down in recent years thanks to a good economy, the current economic decline could lead to their numbers rising again.

One risk that is still high is heavy debt among countries and businesses. Developments in Italy over recent years, for example, have shown that misgivings about the sustainability of state finances can lead to an abrupt increase in risk premiums. As a direct consequence, turbulence in the financial markets cannot be ruled out and the positive effects of an expansive fiscal policy on short-term economic growth can be undone. Furthermore, the level of debt for businesses has risen substantially since the global financial crisis. It is worth noting that the portfolio of loans to heavily indebted companies rated less as being creditworthy continues to increase. The volume of outstanding corporate bonds grew at the same time. The deterioration of the economic environment lowered the creditworthiness of businesses in the eyes of the ratings agencies. As a result, investors compelled to heed such ratings would be forced to adjust their portfolios and there could be an excess supply of low-quality bonds. Under these conditions, friction in the financial markets cannot be ruled out.

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

Industry risk

The health care industry is of significant importance to national economies while also being largely unaffected by economic trends. This means the health care industry can have a stabilizing effect on aggregate demand and on the labor market. The industry also finds itself on a perpetual course of expansion, for example in Germany, and has considerably outpaced GDP in terms of growth in the last 10 years. This makes it clear that stable sales can be earned with the range of consumable goods offered by B. Braun, whereas the capital goods it produces are more vulnerable to macroeconomic development. 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. China, for example, has introduced a volume-based procurement policy that can limit the sales opportunities of foreign providers. Individual countries also continue extending payment targets. Some markets are seeing a trend of foreign manufacturers receiving no or only limited access to public procurement opportunities. This is especially the case when domestic manufacturers can offer comparable products. Such a policy is currently being pursued in Russia, for example, where the government wants to increase the market share of local manufacturers in the sector to 90%. To secure access to global sales markets, B. Braun is continuing to expand its regional presence. The creation of group purchasing organizations for high-volume purchasing is strengthening the market power on the demand side of the health care industry. This could lead to a rise in price pressure and dependence on individual clients.

Following the positive trends of the previous year, the latest "Hospital Rating Report" by the RWI Leibniz Institute for Economic Research shows that the economic situation of German hospitals has deteriorated. A total of 12% of these hospitals were at increased risk of insolvency, whereas only 6% were the previous year. At the same time, earnings positions have experienced a downturn. A total of 28% of hospitals recorded an annual loss at the corporate level, while just 13% had the previous year. The economic performance of the hospitals was largely influenced by the falling number of inpatient cases sparked by growing outpatientization, staff shortages, a high degree of saturation (especially for cardiology and orthopaedic services) and more frequent reviews by the medical advisory and appraisal service for Germany's statutory health insurance providers. Large hospitals traditionally get a better rating than small ones and a high degree of specialization also has a positive effect on the rating. Furthermore, charity and private hospitals score better than public hospitals. The report also refers to the insufficient hospital infrastructure in many regions, with the institute specifically criticizing high site density, numerous small units and low levels of specialization. The report predicts an acceleration of outpatientization in the future, which will result in the number of inpatient cases not seeing any serious increase over the short to medium term. In the long term, this number may still grow by around 5% due to demographic change until 2025. Should the current circumstances, a high basic wage rate and past wage trends continue as they have in the past, the institute predicts an increase in the number of hospitals at risk of insolvency to a moderate 18% by 2025. Assuming, though, that case numbers remain low, the basic wage rate falls and wages increase considerably, 40% of hospitals could be facing insolvency by 2025. However, should the optimization of hospital structures, the increased productivity of hospitals (especially following increased digitalization) and the outpatientization of medicine be promoted in this scenario, this rate could climb to just 21% by 2025.

At the same time, the potential of digitalization, particularly in health management, has not yet been sufficiently exploited. Many health care facilities are still mostly analog in organization, or use isolated digital applications or in-house developments, leaving synergetic effects and process simplifications between the various health care players unutilized. Introducing a comprehensive nationwide digital infrastructure brings with it the challenge of getting everyone to play along and network with one another. At the same time, solutions for the specific needs of individual interest groups must be integrated, while ultimately meeting all data protection requirements.

May 25, 2020 will mark the end of the transition period for implementing the MDR, which was passed in 2017. The new regulations lead to increased formalization of the international product approval process, which involve both increased expenditure and rising costs for B. Braun. The process involves new clinical requirements as well as reporting and documentation requirements. Ultimately, the rising costs could shrink research budgets and reduce innovation in the industry. This is especially noteworthy given that demographic change is one of society's most significant trends. This will lead to a continuous increase in the age and comorbidity of patients on the one hand, and the lack of highly specialized experts, especially in geriatric and intensive care, on the other. Under these conditions, increased research activities are essential for taking the strain off industry players. Innovations in the form of new products as well as continued development of existing products are the foundation of growth in the medical technology industry. In many cases, products are protected by patents. There has been a growing risk of patent conflicts, which can delay product launches and, especially, make them more expensive. This can even affect existing products.

Overall, the structural risks for businesses operating in the health care industry remain elevated. 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 risks may impact production supply, thereby impacting B. Braun's supply capabilities. In some instances, potential supply shortages were recorded in the reporting year. In the medical-grade plastics market in particular, B. Braun, along with others, indirectly and directly faced force majeure delays from several suppliers. In all cases, potential supply interruptions were avoided. To the procurement processes that 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. Building on this, we will continue to strive toward more 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 conduct 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, building up inventory either at B. Braun or at the supplier's location, second and dual sourcing, and the notarized storage of documents about production processes and formulations. Our current supplier base risk management is being continuously expanded. The situation in some procurement market sectors continues to be challenging. Our purchasing organization is responding with the established processes of price and supply hedging.

The risk position remains at a consistently low level, meaning no material procurement risks are identifiable.

Product risk

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

To minimize risks from product liability, B. Braun 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 taken out in each country where B. Braun has its own company (majority interest). In conjunction with this, an excess liability policy will offer more extensive, globally uniform insurance coverage.

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

Human resources risk

Demographic changes and the digital transformation are changing society and the world of work at a rapid pace. Companies need to attract suitable specialists and executives over the long term in an environment with more intense competition. In addition to internal training and hiring new employees, the early succession planning and continued development of employees is an important part of strategic human resources planning, which has both a national and international dimension. The extensive offering at the B. Braun Business School, as well as regional and local employee development programs, offer professional development prospects and facilitate early succession planning. The development of our employees is supported by new forms of learning. A digital portfolio makes it possible to shape individual learning pathways in a needs-based, self-regulated and flexible manner. Extensive formats serve our purposes here, so students can specifically learn with and from one another, and share knowledge.

With our HR processes and initiatives, we are countering potential human resources risks in such a way that no material impact from these risks is expected.

IT risk

A failure of essential IT systems or a large-scale loss of data could lead to a serious disruption in business operations, including in production. Our continued investment in IT infrastructure and a redundant system architecture help minimize this risk. Other measures to reduce risk include regular data backups and employee training. A coordinated user permissions policy helps to protect against data misuse and compliance is assured through the internal audit department and data security officers. We are purposefully restricting local administrator rights to company computers to prevent the installation of malicious software. The use of a variety of protection programs also helps guard against malicious software. Greater networking as part of digitalization and industry 4.0 as well as increasing instances of hacking, especially attempts at CEO fraud, have led to increased IT risk. This is why we are intensifying and expanding the steps that have already been taken. These include establishing an Information Security Management System (ISMS) in accordance with the international standard ISO/IEC 27001. Classifying the confidentiality of documents is supported by appropriate software solutions. A defined incident management procedure will also allow an orderly response in the event of a cyberattack. The challenges of ensuring IT security continue to mount. Reducing IT risks will continue to be a critical task in the future to ensure the smooth running of internal Group processes—even in light of the fact that individual locations of B. Braun in Germany have been subject to the IT Security Act for Critical Infrastructure Protection (CIP) since June 1, 2017.

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. The Group regularly hedges its net position from recognized receivables and payables against currency risks with foreign currency derivatives. The layered hedging of expected and not yet recognized receivables and payables in our key currencies, which we routinely implemented previously, is now only used in isolated instances. Even layered hedging cannot completely reduce the risks when currency parities are constantly shifting, given our international focus. This is why we decided in December 2019, after having weighed the costs and benefits, to discontinue the previous strategy under the prevailing market conditions. We are leaving in place hedges already set up with maturities until autumn 2020. Trading and management of derivative financial instruments are regulated by internal guidelines and are subject to continuous risk monitoring.

To manage liquidity risk, we maintain sufficient reserves of short and long-term committed credit lines. Notably, this includes a syndicated loan for € 520 million.

There is also the risk of a possible deterioration in the payment behavior of our customers or public payers. Limited financing options can have a negative impact on liquidity and an individual customers' ability to pay. We currently see no elevated risk of default. However, we consider an extension of payment targets likely. There is also a risk that our suppliers' liquidity situation could become strained and could, in the worst-case scenario, threaten their viability.

Our holdings in publicly traded companies expose us to market price fluctuations that could lead to impairments in the event of a sustained decline in value. With our active investment controlling as well as established risk management and controlling processes, we continuously monitor and analyze how our holdings are developing. As part of development projects, costs will be capitalized to some extent, which can result in write-offs in the event of negative developments. This could impact the earnings situation of B. Braun. Development projects are, by nature, subject to higher risk but substantial opportunities come with it.

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 quickly exploit opportunities and use these innovations to create new sales opportunities.

Opportunities 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 expected macroeconomic environment 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 from growth

Increased capacity enables us to share in the growing demand for health care and medical technology. 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 industries develop at a faster rate than currently expected, this could have a positive impact on our sales, earnings and cash flow.

Opportunities from research and development

Our growth strategy is founded on product and process innovations. In close partnership with our customers and users, we work 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 from digitalization

New possibilities for mass (bulk) data processing and analysis can affect our production and sales processes. The digitalization of production can open the door to further optimization and improve earnings. At the same time, opportunities present themselves when modifying the way we interact with our customers. A more comprehensive and faster exchange of customer needs and offered solutions, along with digital distribution structures, can positively affect our sales, earnings and cash flow.

Opportunities from our international presence

The opening of additional health care markets (such as in Africa and the Middle East) to international medical technology companies, together with the trend toward privatization in the field of health 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 the B. Braun Group's future sales and earnings.

Opportunities from employees

Ideas from our employees are the driving force behind innovations and create benefits through close exchange with users and patients. Their strong identification with the company fosters their motivation and promotes individual responsibility, which we aim to encourage even further by providing employee development opportunities and transparent, regular communication. The successful performance of these activities can further improve the competitive situation of B. Braun and can 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 ongoing geopolitical conflict areas can also have a destabilizing effect. Volatility on foreign exchange markets may increase in 2020 compared to the previous year. While the risks on the procurement markets remain unchanged, IT risks may continue to rise. It should be assumed that advances in networking and digitalization, both on the user side as well as in production, could lead to an increase in IT risks. The MDR, passed in 2017, will make it much more difficult to bring new medical technology products to market, thus increasing development risk for B. Braun.

To the extent that it is possible and reasonable, we are insured against liability risks and natural disasters, as well as other risks. To minimize the financial impact of cyber risks, B. Braun has taken out a cyber insurance policy. This essentially covers risks such as losses 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, there are significant opportunities which may help the company continue to succeed.

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 of 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[3]

According to predictions by the International Monetary Fund (IMF), the rate of global economic growth in 2020 will slightly improve, to 3.4%. At first glance, global economic growth thus appears robust. Developed nations will grow 1.7%, while unemployment rates will fall to historic lows. Emerging and developing nations will grow 4.6%. Particular emphasis is placed here on the regions in Eastern and Southern Asia, which continue to find themselves on a path of strong growth, and the commodity-exporting countries will also gradually recover. Despite these marginally positive trends, risk will dominate the development of the global economy in the next few years. Short-term risks that can seriously disrupt economic activity and significantly harm longer-term development prospects are growing. These include escalating trade disputes, financial burdens and increasing volatility, as well as heightened geopolitical tensions. In the face of the considerable increase in public and private debt worldwide, political flexibility has shrunk significantly around the globe. The spread of coronavirus at the start of 2020 has led to temporary closures of Chinese businesses, severing international supply chains. This will strain the Chinese economy and may even weaken global economic development. Since the extent and duration of the epidemic cannot be estimated, it is currently impossible to predict the economic effects.

FORECASTED CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2019	2020
Europe	**1.4**	**1.8**
France	0.5	1.2
Germany	0.5	1.3
Great Britain	2.0	2.2
Greece	1.2	1.4
Italy	0.0	0.5
Poland	4.0	3.1
Russia	1.1	1.9
Spain	2.2	1.8
Turkey	0.2	3.0
North America	**2.1**	**2.0**
Canada	1.5	1.8
USA	2.4	2.1
Asia-Pacific	**5.0**	**5.1**
China	6.1	5.5
India	6.1	7.0
Indonesia	5.0	5.1
Japan	0.9	0.4
Malaysia	4.5	4.4
Latin America	**0.2**	**1.8**
Argentina	-3.1	-1.3
Brazil	0.9	2.0
Chile	2.5	3.0
Mexico	0.4	1.3
Africa and the Middle East	**2.4**	**3.4**
Iran	-9.5	0.0
Kenya	5.6	6.0
South Africa	0.7	1.1

Germany is expected to see moderate growth of 1.2% in 2020. This means the forecast is slightly below the estimated potential growth of around 1.5%, which would be in line with the advanced stage of this economic cycle. This surge in growth, however, is primarily due to the high number of

[3] ifo Economic Growth Forecast, Fall and Winter 2019, and IMF: World Economic Outlook, October 2019

working days. Additionally, the negative sentiment in the manufacturing sector could affect the currently robust services sector. With unemployment at a record low and solid wage growth, consumer spending may continue to contribute to growth.

For Europe, a 0.4% increase in economic performance to 1.8% is expected in 2020, since external demand is likely to rise again and the effect of temporary negative factors from previous years to ease back off. These trends have led to a predicted 1.3% growth for the French economy. Favorable labor market conditions and fiscal measures will also have a conducive effect on spending power in the country. Italy's economic activity is also expected to recover moderately, to 0.5%. Spain's prospects, on the other hand, are somewhat poorer than in previous years. It is assumed that growth will slow to 1.8%, with domestic demand and consumption remaining the main drivers, whereas net exports will not stimulate growth. The economy of the United Kingdom is expected to grow 1.4% in 2020. This growth will be negatively affected by weaker growth worldwide. The recently announced higher public spending, on the other hand, may have a positive effect on the economy. Although in Poland forecasts may be lower than previous years, economic growth is still expected to increase 3.1%. This growth will primarily be attributed to strong wage growth and favorable job market development, which will allow consumer confidence to rise. Additionally, the tax transfers and reductions enacted will drive disposable household income upward.

After an economic layover in the previous year, Russia's economy is forecast to grow another 1.9% in 2020. This rise will be largely due to massive public investment in the national projects that are currently affecting the economy. In total, the Russian government plans to invest around € 350 billion in public and private funds into infrastructure, schools, hospitals, industry and increasing labor productivity by 2024. According to statements from Russia's Ministry of Economic Development, this will particularly benefit the manufacturing, construction, IT and telecommunications industries.

According to the IMF's expectations, economic growth in the United States will drop 0.3 percentage points, to 2.1% in 2020. This is due to the waning effect of the tax reforms enacted at the end of 2017. Foreign trade is also not expected to stimulate growth due to the weak outlook for the global economy. US trade policy and the strong foreign exchange value of the US dollar will place additional burden on the exports of US businesses.

In the Asia Pacific region, the economy is expected to grow at a constant rate of 5.1% in 2020. The IMF predicts that Japan's economy will grow by just 0.4%. Consequently, it is assumed that the Summer Olympics, which will be hosted in Tokyo in summer 2020, will not produce any dramatic stimulus for growth in the island nation. Temporary fiscal measures should cushion the expected decline in consumer spending after sales tax was increased in October 2019. The structural weakening in China may continue in 2020, resulting in economic growth shrinking further at a rate of 5.5%. Whether the relaxed monetary and fiscal policy authorized by the Chinese government in response to a more challenging external environment can affect China's economic situation will be determined over the course of the year. The effects of coronavirus on the Chinese economy are also a cause of great uncertainty. Due to the closures of many companies at the start of 2020 to curtail the spread of the virus, it must be expected that China's economy will slow down. India's economy will grow by up to 7% in 2020. This growth will be the result of the delayed effects of monetary loosening, the drop in corporate tax rates, the latest measures to manage regulatory uncertainty and state economic recovery programs. Malaysia's growth rate will remain virtually the same as the previous year, at 4.4%. International institutions believe the government's consolidation efforts will have a stabilizing effect on the country's economy, even if growth rates will temporarily be lower than expected as a result.

Growth will also be driven by an increase in consumer spending of 6–7% predicted for 2020, which is attributable to a stable labor market and government support measures.

The IMF forecasts an economic upturn in Latin America, which will make it possible to achieve a growth rate of 1.8%. Mexico's GDP will grow by 1.3%. Since overall conditions will not change dramatically at either the global or national level, this forecast assumes the investments planned in previous years will finally be made. However, the funding for these investments remains limited. The IMF predicts Brazil's economy will grow 2%, due largely to growing foreign trade. Unlike the global trend toward isolation, Brazil seeks to open its market and is removing trade obstacles, which should also contribute to an increase in foreign trade in 2020. Argentina's economy is expected to remain in recession for the forecast period. Investments may continue to be withheld given weak business sentiment and high interest rates, while inflation will impact consumer spending. Only foreign trade could stimulate economic growth.

Growth in Africa is expected to improve over the forecast period. In South Africa, growth may accelerate 0.4 percentage points to 1.1%. This economic growth will depend on government reforms to stabilize the business environment taking effect. More favorable external financing conditions and increasing investments should also offset waning exports to Europe and stabilize the economic situation in the country. Angola is also expected to grow 1.2%, following years of recession. This improved outlook is due to an attractive oil sector as a result of capacity expansions. International institutions forecast that Nigeria will experience stable growth of 2.5%. The oil-exporting nations in the Middle East are expected to see a recovery in their economic situation in 2020. Expansion is expected in the larger national economies in particular. These predictions are based on reforms in the business climate, increasing investments, a stable tourism industry and reduced political risks in the affected countries. However, the growth outlook of smaller countries in the region, such as Jordan, Lebanon, the West Bank and Gaza, is extremely uncertain, since the business and consumer confidence depends on reform efforts in these locations. The weakness of the banking industry and high public debt also have an extremely negative effect on the economy of these countries. Tourism, bilateral trade agreements and political initiatives to resolve current conflicts could provide stimulus.

Expected development of the health care industry

United Nations forecasts show the world's population will increase by nearly 25% in the next 30 years, to around 9.7 billion people. At the same time, the percentage of the population over 64 will grow 95% to over 1.4 billion people. These developments will lead to very good growth rates in the global health care industry in the coming years, which may reach an average of 6% per year according to Fitch Solutions. Currently, the US constitutes around half of the global market for health services and products, Western Europe one quarter and the Asia markets one fifth. Consequently, the Middle East and Africa account for just 2.5% of the market, so the greatest growth potential can be found here. Various studies have identified the following market drivers that will benefit from a positive trend in the industry: Occupational mobility requirements on the employed population will break up traditional family structures around the world. As a result, the need for institutionalized care and well-trained nurses will continue to grow in the future. Novel production processes as part of industry 4.0 will result in an increase in the efficiency and quality of medical products. In addition, the use of new, biobased materials will help improve implants, pharmaceuticals and medical equipment, increasing patient demand for novel products. The growing digitalization of health information will improve the quality of medical care while keeping costs low due to efficiency increases through e-Health. The growing prosperity of the world's population will increase patient demand, increasing demands on the public and private health sector. Lastly, the increasing globalization of the health sector will also benefit the industry's continuous growth in the coming years. With the numerous opportunities that will arise in the medical industry, however, will come challenges for which solutions need to be found. One core task in this regard is to resolve the shortage of skilled labor. This will be intensified by the changing demographic of the talent pool due to an aging workforce and growing competition for qualified nurses. This is in addition to the entry of millennials into the job market. They have different expectations regarding work–life balance, flexible careers, pay and incentives, as well as with their relationships with their employer. What may also be a challenge is integrating the latest digital and cognitive technology, artificial intelligence, robotics and automation into existing health care models and employing them to benefit the patients. In summary, the global health care system of the future will have the following features: People should stay healthy, technology-based care will be in demand, medications and devices are personalized and adapted to an individual's needs, and costs and effects of treatment and care options are transparent. To achieve these features, it will be necessary in the coming years for all industry players—providers, governments, insurance providers and consumers—to take part in their implementation, work together and make investments.

In Germany, the health care industry still needs to catch up in terms of "medicine of the future", when compared internationally. Even if some innovations have already been initiated, the digitalization of health care will produce changes for everyone involved. The German health minister presented a bill for a digitalization law in the middle of 2019 that calls for health insurance companies to reimburse the costs of health apps, giving patients easier access to video consultations and for hospitals and pharmacies to be connected to the central health information network. In addition, starting in 2021, every health insurance provider will have to provide policyholders with an electronic health record that can be accessed from a mobile device. This record will collect the information scattered among the various stakeholders in the medical sector. However, whether the plans can actually be implemented in the desired time frame is uncertain, since connecting practices to the secure health information network is progressing rather slowly. Moreover, connecting hospitals and pharmacies has not even started and the technical standards for the electronic record still need to be developed.

Europe's health care industry will be dominated by the digital transformation in the coming years, with the electronic health record being a central theme. This has already been introduced by most Member States of the European Union or is currently in the introduction stage. The next step will be to facilitate the exchange of data across national borders. With this integration, EU citizens will be able to have doctors in other European countries view their records and get electronic prescriptions from their home country be filled. Uniform data structures also facilitate collaboration in research and development, as well as in fighting disease. France is also striving to digitize its health care in the coming years, for which the government made some legal changes in addition to its "Ma Santé 2022" health reform. France's social security program, for example, has been paying for the costs of telemedicine consultations since September 2018. Public hospitals will also receive more funding in the coming years to finance the now growing demand of health care facilities for digital equipment. Lastly, around 1,000 group practices and an as yet unknown number of regional clinics are planned to combat the shortage of doctors by 2021. In Spain, the government is also providing around € 100 million annually until 2028 to upgrade and digitize public hospitals. According to estimates from the trade association Fenin, this is urgently needed, since, as they state, there is an enormous need for public investment in high-tech equipment. Polish health care will become even more digital in the coming years in the course of the EU"s "Digital Poland" program. The government sees the opportunity to take the pressure off the country's few doctors thanks to electronic health care services, which is why more and more processes are being digitized. As of 2021, only electronic doctor's notes sent directly to employers and social security will be valid, and electronic referrals, such as to specialists, will become mandatory. Paper prescriptions were already replaced with digital versions at the end of 2019/ start of 2020. Upon completion of the first phase of digitalization at the end of 2020, the use of other modern technology, such as block chain and artificial intelligence, will be considered. The United Kingdom's National Health Service released its "Long Term Plan" in January 2019 according to which the national government is earmarking GBP 20.5 billion in additional health care funding over the next 5 years. This money will go primarily to e-Health investments, although the focus will be on expanding the IT and communications infrastructure.

Russia will invest € 23.6 billion in its health care in the coming years, with half going to cancer research. The goal of the Russian president's broad program is to increase life expectancy five years by 2024. Another investment target is the digitalization of medical care, with which telemedicine could reach a market volume of € 1.2 billion by 2030. Based on these developments, the Russian medical technology market could grow 2–3% per year. This positive outlook will be tarnished by the industry ministry's decision to further reduce Russia's dependence on imports.

Despite strong cost pressure in US hospitals, the market will also provide significant sales potential in the coming years, since, among other factors, the number of small and specialized health care facilities will increase. The greatest growth factor in the next years, however, may be the heavy investment in cutting-edge artificial intelligence research. Adding to this, more and more US technology companies are expanding into the health care industry. Artificial intelligence in health care can help to diagnose diseases faster, to develop drugs and personalize treatments. Estimates show that the use of artificial intelligence in the US can save almost $ 150 billion by 2026. While the FDA is approving more and more AI-based medical products, a binding legal framework for their use is still missing. Canada's highly developed and sophisticated health care system will experience increased demand in the coming years due to the progression of chronic illnesses and an aging population. In this context, doctors will demand high-quality medical technology from the digitalization segment, since virtual house calls where problems can be diagnosed and medication can even be digitally prescribed are becoming more and more popular in Canada. In the coming years, more than 30,000 Canadian companies want to offer 24-hour access to medical care via telemedicine.

The population in the Asia Pacific region can and wants to spend more on their health, meaning demand for health services and products will grow dynamically in the next few years. Japan's health care sector will need to steadily shift its focus to the needs of seniors due to demographic change. Companies offering appropriate products and services will have good market opportunities. By just 2025, half of the Japanese population will be over 50, with 30% over 65. At the same time, it is expected that seniors will live even longer in a healthy state, and remain active. The shortage of nurses will continue to get worse. According to estimates from the ministry of economics, there will be a shortage of around 380,000 nurses by 2025. This is why the government is relying on the use of robot nurses and, in the coming years, will set aside additional funds for their development. China will continue to expand and revamp its health care. The country's long-term goal is to ensure extensive coverage of care for the population, even in rural areas. To this end, China is investing in improving district hospitals, which will allow the growth trend of the past year to continue. Additionally, the continued aging of the Chinese population will also increase demand for digital diagnostic products and therapeutic equipment for use in nursing homes and private residences. China's statutory basic health insurance, which has now entered into force, will cover three quarters of medical costs, yet more affluent Chinese citizens are now taking out private supplemental insurance, which will grow the health insurance market. India's government has committed to creating a favorable business environment in the coming years in order to position health care as one of the strongest industries in terms of sales and employment. To do this, it is planning to increase health care spending to 2.5% of the country's GDP by 2025. Based on this, experts predict very good growth and employment opportunities in India's health care market. Public funds and campaigns such as "Make in India" and "Digital India" want to awaken the Indian population's entrepreneurial spirit, promote the rise of high-quality startups and advance awareness of health care digitalization. As a result, the Indian health care industry is developing significant innovations that may drive the market and the technological growth of the entire industry forward. At the same time, the Indian government has also imposed an import tax on select medical products that will burden foreign providers. Access to high-quality health care and social security are the main themes of the Malaysian government that has been in office since 2018. To improve the prosperity and quality of life of the population, the state will devote nearly 10% of the entire budget to health care per year, with the largest portion going to the development, maintenance and upgrading of existing public health care facilities as well as the procurement of medical equipment and drugs. At the same time, an e-Health strategy was enacted that should advance the integration of existing information and communications systems in the health care sector into a standard, nationwide system. This measure is intended to improve health information management as well as support research, development and marketing initiatives.

In Latin America, various factors are contributing to the growth of the health care industry. For one thing, the region has the fastest-aging population in the world, with 80% of the population over 60 suffering from at least one chronic illness. And, the people in Latin America are also the most obese in the world. This excessive weight, in turn, promotes various diseases, such as high blood pressure, diabetes and gout. Some countries are already attempting to fight obesity with laws promoting health. Nevertheless, experts assume the health care systems of the region will have to battle the consequences of obesity for at least 30 years. Lastly, Latin America's health care is also in need of investment. This is why the goal of Mexico's government is to make the health care system accessible to the entire population by the end of the 2024 legislative session. To do this, more money will be budgeted and the management of the partly federally organized system will be consolidated. The additional funding will go to a fund for upgrading medical facilities and additional personnel. Additionally, the state wants to use the money to buy medication that will be given to patients for free. In order to come up with the additional funds for health services, those responsible are rearranging the joint purchasing of numerous public facilities. More funds will be saved by capping drug prices.

Health care in Africa will still have an enormous amount of catching up to do in the coming years. In particular, the investment gap in the public health care sector needs to be closed in order to compete with private but expensive facilities with excellent, state-of-the-art equipment. International donor programs could make a big contribution in this regard. In the countries of the Middle East, attention is being paid to expanding the hospital sector. In the United Arab Emirates, however, this expansion will slow somewhat in 2020, since seven hospital projects with around 1,400 beds were finished over the past few years. Qatar's health care system, by contrast, will receive more funding, especially from the government. After bed capacity was doubled to 3,177 from 2010 to 2018, the goal is to increase that figure to 4,500 beds. In Oman, the completion of five public projects in the coming years will bring nearly 2,000 additional hospital beds in the years to come. Additionally, 3 private hospitals with a total of 360 beds are under construction. Kuwait wants to continue increasing its hospital bed capacity in public facilities to 16,000 over the medium term. Projects valued at around 10 billion US dollars are already under construction or in planning.

BUSINESS AND EARNINGS OUTLOOK

We expect the B. Braun Group to continue its sales growth in fiscal year 2020. Sales growth is expected to be 5–7%, assuming exchange rates remain constant (2019: € 7,471.3 million). Due to the forecast fluctuations in exchange rate parities, the rate of increase in euro will be lower. We expect dynamic growth in the current product groups of the Hospital Care division in 2020. This growth will be assisted by additions to the portfolio, such as a pediatric version of ibuprofen and a new version of our safe intravenous catheters. North America will contribute significantly to growth with standard IV solutions as well as with the compounding business. We also expect sales to increase in the Asia Pacific and Latin America regions. However, development in China remains uncertain due to the new volume-based procurement policy. Aesculap will be able to grow considerably in the Asia Pacific and Latin America regions. At the same time, we expect conditions to deteriorate in some parts of China (also due to the volume-based procurement policy), the US and Germany. This will slow the rate of growth for this division. Numerous product launches, such as the AESCULAP® Aeos digital microscope, the latest generation of OrthoPilot® and the "HandX" robotic arm, will produce additional growth potential over the medium term. In the short term, hip and spine innovations already on the market and the latest version of the EinsteinVision® camera system may have a positive effect on growth. The Out Patient Market division is also expected to see good growth, facilitated in particular by wound management and infection prevention products, in addition to IV solutions. In North America, Latin America and especially in Asia Pacific, we see very good growth opportunities for our OPM products. We expect good growth for B. Braun Avitum, even if adverse exchange rate trends will hit us hardest here. Product sales will be able to thrive thanks to the expansion of its portfolio and the availability of dialyzer cartridges from our new plant in Wilsdruff, near Dresden. The provider business, on the other hand, will see restrained growth in the coming fiscal year. This will be affected by reimbursement reductions in some markets and the sale of the Polish clinic network. After a multi-year growth phase, the continuation of integrating the new centers as well as further optimization of our global provider network will be the focus in 2020.

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 and Latin America regions will be able to achieve a substantial increase. Latin America will also see strong growth in local currencies, however, exchange rate fluctuations will considerably limit the euro's growth. We forecast stable growth in Europe (including Germany) as well as the Africa and the Middle East region.

After a weaker 2019, our 2020 earnings should improve significantly. We expect our performance indicators of interim profit and EBIT to each end up somewhere between € 500 million and € 550 million (2019: interim profit of € 475.4 million and EBIT of € 388.8 million) at constant exchange rates. We forecast EBITDA to grow to around € 1.2 billion at constant exchange rates (2019: € 1,079.1 million). Our goal is for the EBITDA margin to improve slightly. 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 effect on our earnings position. Active cost management across all sectors and optimization of internal processes are expected also to contribute to earnings. The strategic goal in connection with our proactive working capital management, at constant exchange rates, is for CIW to be around 16 weeks (2019: 16.0 weeks) and for DSO to remain in 2020 at the low level of this reporting year (65 days).

An increase in regulatory requirements, rising labor and raw materials costs as well as exchange rate trends can affect our forecast substantially. The trade developments in the US and China also cannot be predicted with certainty. This also applies to the relationship between the US and the EU. Current uncertainty as well as indications of a slowing global economy can cause restraint in investors and consumers. More intense competition in the health care markets and the reform efforts of various governments to make health care more efficient will keep price pressure high in all markets. The turn toward digital structures in health care systems also requires extensive investment on the part of providers in order to be successfully positioned in the market for the long term.

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 above 37 percent for 2020. At the same time, we will maintain our current dividend policy.

The financing volume for long-term maturities will be € 130 million for 2020 and a total of € 320 million in 2021. 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 predominantly finance the investments in tangible assets planned for the coming years 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 2020. We expect further growth beyond FY 2020. 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 permit economical care, thus allowing us to secure competitive advantages for ourselves. With our sustainable economic activity in conjunction with our balanced product and service portfolio, we can protect and improve the health of people around the world on a long-term basis.

Melsungen, March 5, 2020

The Management Board