B|BRAUN
SHARING EXPERTISE

XIAOQIAN | A LIFE STORY

ANNUAL REPORT 2016

What do we stand for?

We protect and improve people's health worldwide: From people's personal lives to providers settings such as hospitals, medical practices and care institutions.

What characterizes us?

Innovation, efficiency and sustainability. These values are our compass – in everything that we do.

What is important to us?

Listening, empathy and collaboration. It is through intensive communication with users and partners that we develop effective solutions and trend-setting standards.

Every single life is precious. That is why a life story is again our focus for the Annual Report this year. Accompany us as we follow the day-to-day life of Xiaoqian in Shanghai and discover where B. Braun makes a difference.

XIAOQIAN + B. BRAUN

For the sake of simplicity, the masculine form will be used exclusively to refer to employees and customers in this annual report. Of course, both genders are intended.

Discover B. Braun's Annual Report on your PC, tablet or smart phone and view additional videos and informational graphics.
www.bbraun.com/xiaoqian

MANAGEMENT BOARD

→ From left to right

Caroll H. Neubauer LL.M.	Region North America
Otto Philipp Braun	Out Patient Market (OPM) Division and Region Iberian Peninsula and Latin America
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Dr. Annette Beller	Finance, Taxes and Central Services
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FOREWORD

SYSTEM PARTNER FOR HEALTH CARE

Dear Reader,

2016 was an exciting year that brought new ideas and changes. For the B. Braun Group, it was also the first full year of implementation of our 2020 corporate strategy.

We have defined the course of our future with this strategy: As a "system partner for health care," we want to better understand the problems of our customers and partners to develop compatible approaches to solutions in collaboration with them. The goal is to achieve the best results through the interactions of people, products and processes. We are already seeing the first results in the market and consider this to be confirmation that we are on the right path with our initiatives.

Our more than 58,000 employees around the world form the foundation of our achievements and future success of the company. The drive to develop solutions that protect and improve lives of people around the entire world unites us all.

Many examples show us how this can be done, and numerous awards acknowledge our commitment. For example, B. Braun received the "Best Employer" award in China and Hungary and the "Top Workplace" title in Pennsylvania, USA. In 2016, we celebrated the opening of our office in Kenya and grew in South Africa through the acquisition of two production facilities. In China, we gave the go-ahead for the Aesculap Academy training center in Suzhou, and at our corporate location in Melsungen, Germany, we built a comprehensive school incorporating concepts for creative learning.

Furthermore, employees, the Workers' Council and corporate management supported the local integration of refugees with the "B. Braun for Refugees" initiative and provided help to more than 200 social and cultural projects worldwide. These initiatives stand for responsible collaboration and lay the foundation for continued success in the future.

The Management Board of B. Braun Melsungen AG is pleased to look back at a successful 2016 fiscal year. We recorded sales of € 6.5 billion and a sales increase of 5.6 percent. With a strong growth in earnings, we exceeded our goals for the year. This success is based on a targeted strategy and strong team performance. Therefore, I would like to sincerely thank all of our employees for their dedication, ideas and trust.

I am convinced that we will continue on our present course in the coming year. Proximity to customers remains our defining maxim. Collaboration and innovation will also help us to solve the tasks that lie ahead of us. Investments in research and development and the expansion of production capacity in Japan, Indonesia, and the USA are further important components of the implementation of our strategy.

The process of "digitalization" is an integral component of all projects, and something we consider to be part of our continual advancement and a guarantor of long-term competitiveness. More than ten years ago, we commissioned a fully IT-supported production process. For many years, we have also relied on automation and intelligent networking in logistics. By further harmonizing global processes, we aim to utilize synergies and to develop new potential.

Our goals are to achieve an annual growth rate of five to seven percent and annual sales of about € 8 billion by 2020. On the basis of our strong corporate culture, we will all contribute to achieving these goals.

The central character of this year's annual report takes us on a journey through her everyday life. We accompany Xiaoqian from Shanghai and gain insight into her life and a changing China. Xiaoqian represents the diversity and opportunities that life offers us and that we strive for every day at B. Braun. I wish you an interesting and exciting read.

With best regards,

Prof. Dr. Heinz-Walter Große
Chairman of the Management Board of B. Braun Melsungen AG

DYNAMIC CHINA

FACTS AND FIGURES

B. Braun subsidiaries

For 18 years, B. Braun has coordinated its business in China from Shanghai. In 2004, a factory in Suzhou was added, in 2014 another one in Zibo.

Population[3]

1.376 bn
people (July 2016), No. 1 worldwide

China's economic growth[1]

2010	2020
9 %	**19 %**
of the global GDP	of the global GDP

CHINA

People with health insurance

2006	2011
43 %	**> 95 %**

B. Braun markets

China follows the USA and Germany as the third largest national market for B. Braun.

Health expenditures[2]

2006	2011	2020
156 bn US $	**357 bn US $**	**1,000 bn US $**

Sources: [1]Atsom, Y., Magni, M., Li, L., & Liao, W. (2012): Meet the 2020 Chinese customer. McKinsey China [2]Le Deu, F., Parekh, R., Zhang, F., & Zhou, G. (2012): Healthcare in China: Entering 'uncharted waters'. McKinsey China [3]United Nations (2015): World population prospects. Department of Economic and Social Affairs, Population Division

我叫晓倩

I am Xiaoqian

My goal in life? To follow my own heart. In the end, that is all that matters.

First name: Xiaoqian | **Age:** 30
Marital status: Single | **Profession:** Human Resources Manager | **Place of residence:** Shanghai
Hobbies: Piano, fitness | **Personality:** Cheerful

Even in my mother's generation, this was not a given. I am lucky to have grown up in modern China. Shanghai, the city where I was born, is a cosmopolitan metropolis these days. It offers plenty of opportunities for anyone with ambition and ideas.

I have seen how China has rapidly changed since my childhood.

I grew up in a traditional neighborhood behind the Bund, the splendid promenade along the Huangpu River. As a child, from the balcony of our home I watched the ferries chug by. There were rice paddies on the other side of the river. Today, the tallest skyscrapers in Asia stand there.

My mother worked as a sales assistant in a supermarket; my father was a construction worker and chauffeur. I am the first one in our family to go to college. I now work as a human resources manager for an international corporation. I am thirty years old and single. I'm in no rush to start a family. In other parts of the country, some people would say that I've been "left on the shelf." However in Shanghai, women like me are fairly typical.

“I don’t have a lot of friends,” Xiaoqian says, “but the ones I have are very close. Even though our calendars are usually full, we get together regularly – and not just to goof around.”

Some karaoke bars in Shanghai are not only packed on weekends, but are also frequented during the week for after-work fun with coworkers. It's no surprise to Xiaoqian: "I really enjoy singing, dancing and having fun."

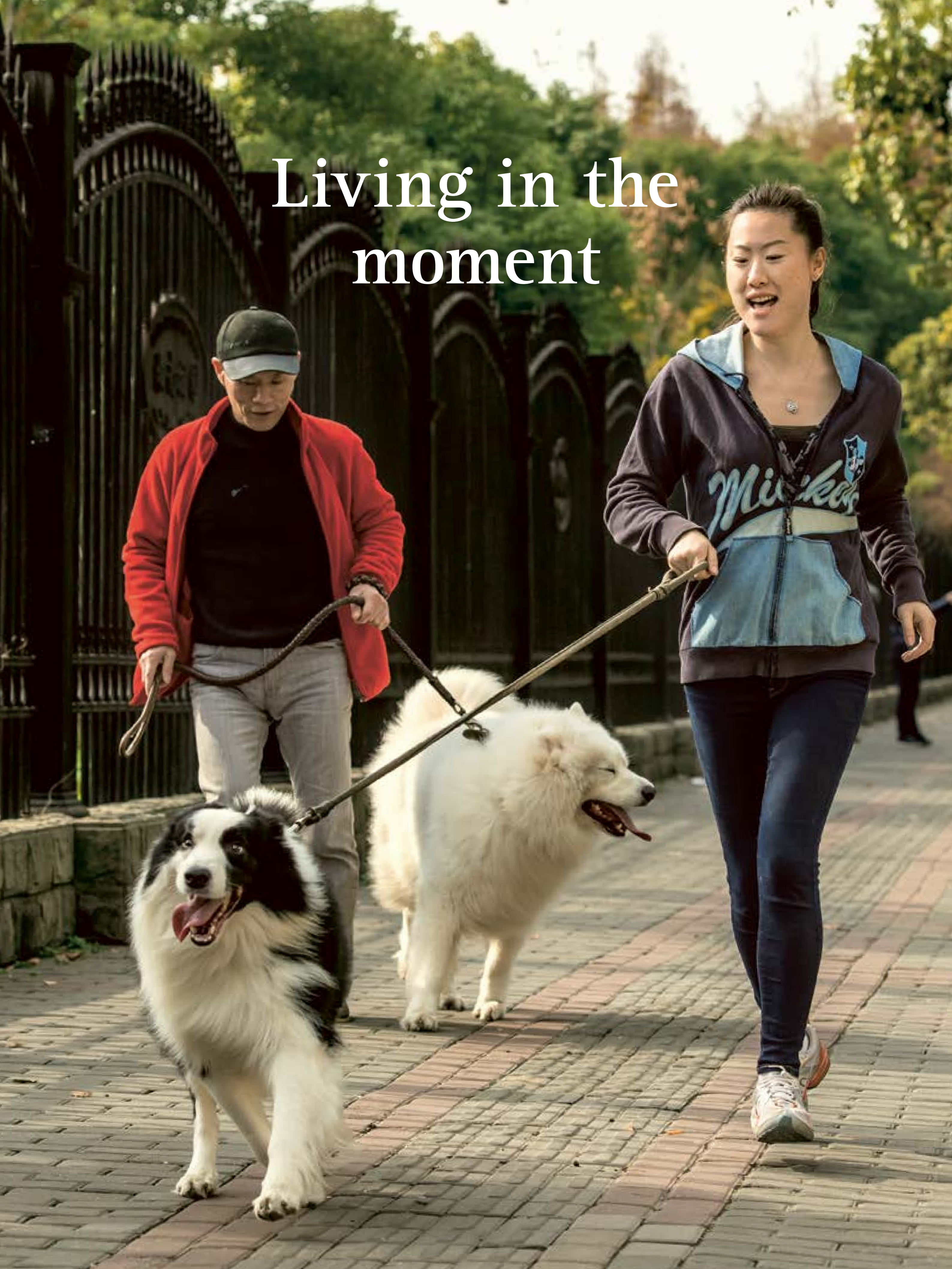
I love having time for myself. I box, play the piano, and go to exhibitions and to the movies. I don't mind going alone. I recently saw "Doctor Strange" and also "Inferno," the latest movie in the Dan Brown series. I love being out and about. My boyfriend, an American, moved back to Cincinnati after working in Shanghai for many years. For the past year and a half, we have maintained a long-distance relationship over 12,000 kilometers. Many people ask me whether that's too complicated. I think that in our globalized world, love should be able to survive something like this.

My career is important to me, but it's not the only thing in my life. Often, I have seen people working just for the money. For me, other values are more important.

Life is too short, and you have to enjoy yourself. I am happy with my work situation. I work with nice, young colleagues in an international environment. We sometimes go out together for a glass of wine in the evening. My working hours are flexible. Sometimes, I leave work early to work out or go to my piano lessons. Then I work some more from home in the evening, writing emails or calling our headquarters in America.

What's the most important thing in life? Health, I think. I want to be healthy in order to be able to explore the world and learn something new every day. I want to finish things I have started. Everything else, I just take as it comes. When will I have the chance to enjoy my life, if not now?

Living in the moment



走入尋常百姓家
柴米油鹽醬醋茶

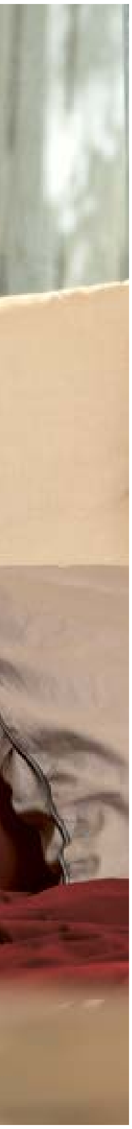
No family can put a sign on their home saying: We have no problems here. (Chinese proverb)

I live with my father in the district of Baoshan. Baoshan is in the north of Shanghai, 15 kilometers away from downtown. My father and I live in a three-room apartment in a large apartment complex. We share our apartment with Nannan, a Border Collie, and Milo, a Samoyed – a Siberian sled and herding dog. The two of them keep us pretty busy. Now that my father is retired, he often cooks for us. Sometimes my grandmother comes over and we spend a nice evening together.

In 2007, I went to the hospital with my mother for a routine check-up. “You have a lump,” the doctor said. “It's large. It doesn't look good.” I felt like someone had pulled the rug out from under my feet. The diagnosis: ovarian cancer. Cancer runs in our family. My aunt also died from ovarian cancer.

"Old Shanghai is like an elegant lady – the modern part of the city is as exciting and stunning as New York. I love this contrast," Xiaoqian says.

"I not only learned how to knit from my mother, but also to enjoy life and to do what really makes me happy. My memory of her is very vivid. When I miss her, I look at old photographs. But her love is not gone – she is with me, and I know that I can share her love with other people, too."



My mother was diagnosed with stage II cancer. We didn't know how much time we would still have with each other. She was a strong woman. She held on for seven years, until the summer of 2014. For the first few years, I was really scared. How could we carry on without her? I tried to reassure myself that everything would be okay. At some point, however, I had to face the facts.

But instead of endlessly worrying about what would happen after she was gone, I learned to appreciate the time we had left. I had just finished my English degree and moved back home. I hardly ever went out, spending every free moment with her. We had never been as close as we were during those years. We watched films and comedy shows together, played mahjong and went on trips to the countryside. Our favorite activity together was knitting. Every few months, we would decide which sweaters we wanted to knit next and with which colors we wanted to experiment. This meant that my mother always had a goal she could work towards.

She had two operations in 2007 and 2009, but the cancer couldn't be stopped. Every three weeks, I went with her to the hospital for chemotherapy. Later, I gave her daily injections of white blood cells at home. In early 2014, her condition worsened. For my sake, my mother wanted to hold on for as long as she could. "You are still so young," she said. She would have liked to see me get married and to have had grandchildren.

Xiaoqian enjoys playing mahjong. The game pieces are made of ivory and artistically decorated.

For years, I had prepared myself for the day when her body would give up the fight. When the day came, I was collected and calm inside. Her illness has made me very aware of how important our health is. At the same time, it also taught me to enjoy life for as long as possible.

Through my mother, I have learned to follow my heart, to take care of myself, and to do what makes me happy. I think that is all that matters, in the end.

After my mother's death, I felt as if I'd lost my bearings. Over time, it became clear to me that I could also offer the love I'd given her to other people. A Swiss musician I met through friends put me in touch with the Non-Governmental Organization (NGO) "Heart to Heart," which supports children with heart defects whose parents cannot afford operations. Here in Shanghai, we work together with two state hospitals, where we have furnished playrooms for the children. I visit the children there on weekends, bring them things they need, and play with them.

"My grandmother is unbelievable. She's still in such good shape at 93. When we cook together, we love to make dumplings – everyone likes them. Even my father, our master chef."

It makes me happy to be with the children before and after their operations, to spend time with them, to pay attention to them, and to watch them get healthy. Children handle a serious illness in a way that is completely different from the way adults deal with it. They don't ask, "Why me?" They don't feel self-pity or despair. Their bodies simply hurt, that's all. But no matter how much it hurts, their innocent enjoyment of life remains. I think that we, as adults, can learn a lot from them.

家和萬事興

A family in harmony will be a happy family. (Chinese proverb)

WHEN CELLS BECOME DISEASED

Infusion therapy against cancer

Incredible but true: An adult human body consists of up to 100 trillion cells. Every second, 50 million cells die in the body and are replaced by just as many new ones – a miracle that occurs every day in each human being. However, what if gene changes turn into cell division? Many such small mutations cause cells to change abnormally. Usually, the body is able to repair these mutations. Only when impacted cells divide in an uncontrolled manner so that nodules and growths are formed, do we speak of cancer.

Higher age – Higher prevalence of cancer

In 2012, 14 million people worldwide were diagnosed and fell ill to cancer. By 2025, the annual number of new cases could rise to 20 million.[1] This is mainly due to higher life expectancy. Elderly people are usually more affected by cancer than younger people. Data also shows that cancer rates are rising sharply in countries like Africa, Asia and Latin America. This is being attributed to lifestyle changes. People eat more unhealthy foods such as red meats and prepared foods, and they move less. Smoking is also very common in many of these countries and air pollution is a growing problem. Combustion gases, i.e., polycyclic aromatic hydrocarbons, are highly carcinogenic. In China, for example, around 12,000 people are diagnosed with cancer every day.[2] Ovarian cancer is ranked ninth in frequency.[3] It is particularly dangerous because it is often recognized in the later stages of development.

In recent years, medicine has made tremendous progress in the fight against cancer. For example, more than two-thirds of all patients diagnosed with cancer died in Germany in 1980. Today, more than half of all cancer patients can hope for lasting remission.[4] Therapy usually follows a similar pattern. The first step is the operation: Doctors remove the diseased tissue. The second step is radiation therapy. Radiation damages the cells' genetic make-up and the tumors become smaller or disappear. As a third step, chemotherapy is then used to treat the patient's entire body. Drugs distributed in the organs destroy scattered tumor cells. Often, a combination of surgery, radiation therapy and chemotherapy is recommended.

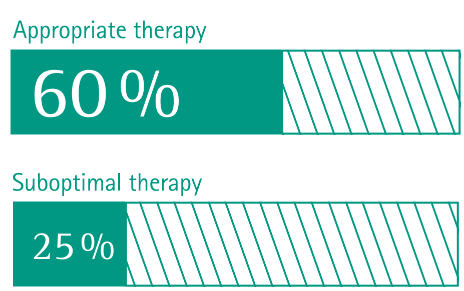
The active substances of chemotherapy, called the cytostatics, are extremely aggressive, must be accurately dosed and must not come into contact with the skin or the respiratory tract of the hospital staff. B. Braun offers an extensive infusion therapy system to administer medications in a controlled manner and as comfortable as possible for the patient. It is painful for the patient when the doctor punctures the vein for each medication administration – at the same time the risk

B. Braun + Infusion Therapy

Handling cytostatics and other toxic substances in infusion therapy is now part of everyday clinical practice. These drugs are used for treating tumor-based diseases and are defined as carcinogenic and mutagenic substances. Therefore, health risks for clinicians and patients during the preparation and application of these medicinal products require special care.

The most frequent symptoms of ovarian cancer[5]

- Increased urge to urinate
- Loss of appetite
- Abdominal pain
- Bleeding



A therapy in line with the guidelines significantly improves patients' survival after three years.[6]

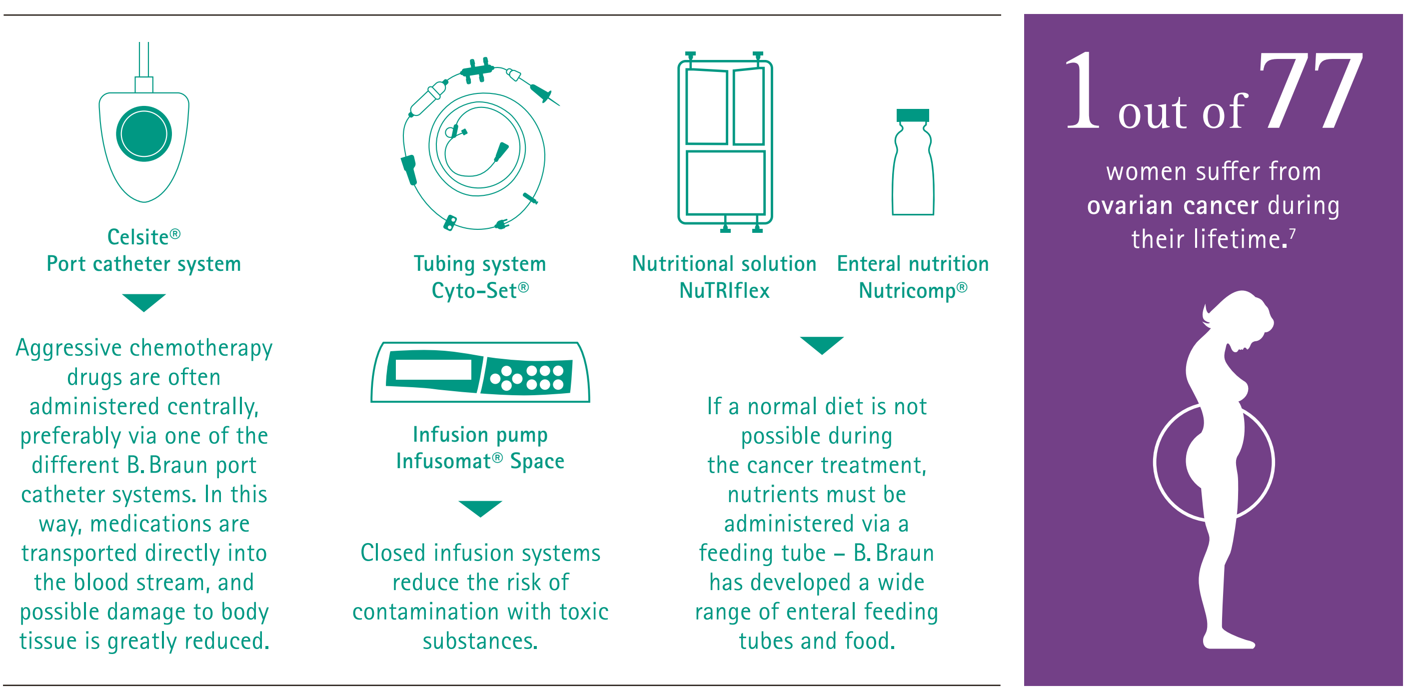
of infection increases. This is why the physician often places an implantable port below the patient's clavicle. This is a small chamber with a catheter, that flows into a vein near the heart. Doctors now administer cytostatics via the port with a special needle. Celsite® port catheter systems from B. Braun have a compact flat design and have a minimal impact on the patient's freedom of movement. Many other features, such as the X-ray visible CT marking, help facilitate treatment. The connection between the infusion container and the port is made secure by our Cyto-Set® Infusomat® Space tube system, which is made of a special crack-resistant material and can be easily vented. The Infusomat® Space pump reduces programming errors, because it can be operated intuitively. The pump also has a large drug database, which helps hospital staff determine the right dosage.

Oral nutrition or feeding tube

Swallowing difficulties, nausea and vomiting are often a result of chemotherapy. Antiemetics from B. Braun, i.e., medicines for nausea and vomiting, alleviate these symptoms. If patients have difficulty chewing and swallowing food, enteral nutrition is recommended. With Nutricomp®, B. Braun offers a range of high-calorie enteral nutrition products that vary in their nutrient composition and suit patients' individual needs. If the patient cannot be sufficiently fed in this way, nutrients must be supplied via a feeding tube. B. Braun has developed a comprehensive offering, including a wide selection of feeding tubes and enteral nutrition products.

Many cancer patients prefer to receive care at home. B. Braun not only develops suitable products for home care and therapy, but also offers comprehensive services at the interface between clinic and home care. Case managers from B. Braun analyze the patient's needs, then manage the necessary measures in close coordination with the patients, relatives, attending physicians and nursing staff, in an effort to ensure complete care. Whether at home or in the clinic, B. Braun is committed to the best patient care possible.

Sources: [1]International Agency for Research on Cancer (2012): http://globocan.iarc.fr/Pages/fact_sheets_cancer.aspx (viewed on 1 March 2017) [2]American Cancer Society (2016): http://pressroom.cancer.org/China2015 (viewed on 1 March 2017) [3]Chinese Journal of Cancer Research (2015): https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4329183/ (viewed on 1 March 2017) [4]Robert-Koch-Institut (2012): http://www.rki.de/DE/Content/Service/Presse/Pressemitteilungen/2012/01_2012.html (viewed on 1 March 2017) [5]Ovarian Cancer Action (2017): http://ovarian.org.uk/about-ovarian-cancer/what-are-the-symptoms-of-ovarian-cancer (viewed on 1 March 2017) [6]Burges, A., & Schmalfeldt, B. (2011): Ovarian cancer: Diagnosis and treatment. Deutsches Ärzteblatt International 108 (38): 635–641. The "Diagnostics and Therapy of Malignant Ovarian Tumors" guidelines were published by the Ovarian Commission of the Research Group on Gynaecological Oncology (AGO). [7]ISR Report (2015): Pharmaceutical Market Research. Infographic: Ovarian Cancer



Looking ahead

In 2014, my uncle Bing was diagnosed with type 2 diabetes. The news shocked me. We are very close. When I was a child, we often visited him and my aunt on weekends, and I played with my little cousin. Later, I also was their babysitter. I have memories of outings and trips to the movies together. Even now, Bing often comes to visit us. He is a quiet, educated man, a real family man who helps his wife a lot with domestic chores. The diagnosis was a complete surprise. My uncle is in his late forties and had never been seriously ill before. Sure, he liked to eat and was somewhat stout, but he wasn't obese. He smoked and occasionally had a drink, but nothing in excess. When I asked around, I discovered that diabetes is widespread among my acquaintances. Almost everyone knows someone in their family or circle of friends who suffers from it.

I noticed that diabetes is widespread among my acquaintances.

We were therefore even more relieved to learn that the diabetes was at an early stage and that his sugar levels were only slightly higher than normal. Bing had to make a few changes to his daily routines, but none of them restrict him in any way. He takes a pill each morning before breakfast now. He no longer drinks alcohol and eats less, avoiding sweets. Other than that, he just continues to lead a normal life. We are optimistic that my uncle will stay healthy for many more years to come. He has to go to the hospital every three months for a check-up. His health insurance pays for the treatment. Ever since he felt sick at the office one day, he has carried some grape sugar (dextrose) in his pocket for emergencies. And there is always sweetened yogurt in the refrigerator at home.

We are optimistic that my uncle will stay healthy for many more years to come.

Because the doctors didn't give my uncle very much information material about diabetes, we researched a lot together online. Colleagues who have experience with diabetes also give him advice. I think it's great that Bing is more active now and that he often walks instead of taking the subway or a taxi. He has also quit smoking. I hope my father will follow his example.

A breath of fresh air: Songnan Park is a green oasis in the mega-metropolis. Xiaoqian and her uncle Bing enjoy the peacefulness.

BLOOD GLUCOSE: OUT OF CONTROL

The global phenomenon of diabetes can lead to serious secondary diseases

Whatever we do: whether it's running or laughing, breathing or thinking – the highly efficient metabolism of our body provides us with necessary energy in every situation. Among other things, this is obtained from carbohydrates in our food, which are first broken down completely into glucose. Glucose enters body cells using the hormone insulin and is converted into energy there. But what if this control mechanism no longer works and the glucose accumulates in the blood? Then we are faced with dealing with diabetes.

A national disease – not just in industrialized countries

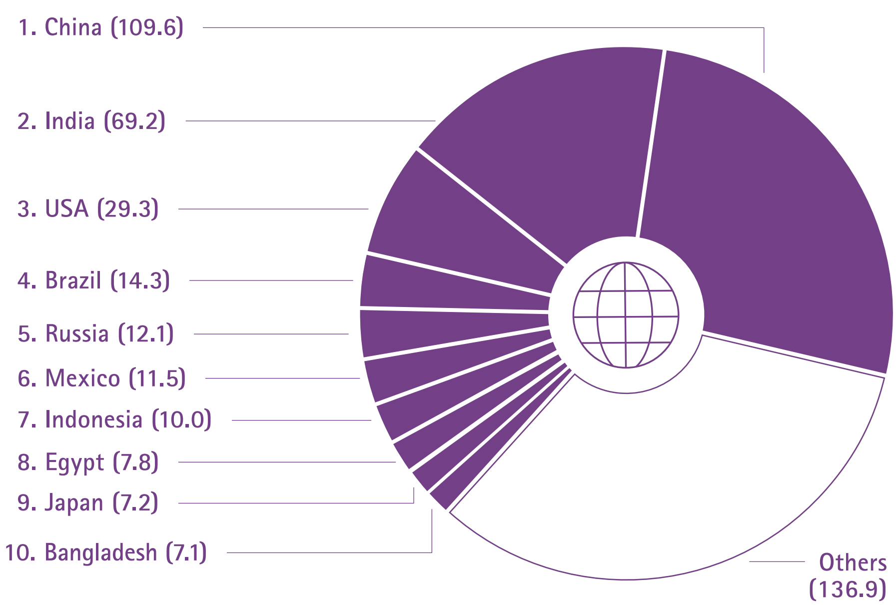
While around 415 million people were already living with diabetes worldwide in 2015, it is estimated there will be 642 million in 2040. Many would think that Europe and the US have the highest number of diabetics, however, China, with 109.6 million people affected, is the country with the most diabetics, and India follows with 69.2 million. The numbers also are growing rapidly in Africa and Latin America. In addition, one out of two patients does not know about his/her diabetes and remains untreated.[1]

The reason is that symptoms such as fatigue, thirst, or weight loss are often overlooked or considered harmless, and are therefore not associated with diabetes. There also are different forms of the disease: In the case of type 1 diabetes, the body cannot produce insulin. The trigger is usually an autoimmune reaction which leads to the destruction of

B. Braun + Diabetes

A good therapy program is crucial in order for patients with diabetes to lead a normal, self-determined life. To achieve this goal, we offer high-quality products and services in the areas of blood glucose measurement, capillary blood collection, insulin injection and data management.

Top 10 countries: Millions of adults with diabetes (2015)[1]



Deaths in 2015

5 million through diabetes[1]

1.1 million through HIV/AIDS[5]

1.8 million through tuberculosis[6]

0.4 million through malaria[7]

insulin-producing cells.[2] Those affected need to regularly supply the missing insulin – which is directly impacted by food intake, physical activity and various other influencing factors – from the outside. This is the only way to keep the blood glucose level within the normal range.

In the case of the significantly more frequent type 2 diabetes, there is a more or less pronounced insulin resistance of the cells. In this case, the insulin has a reduced effect. In contrast to type 1, type 2 is a classic lifestyle disease, which is primarily caused by obesity, a lack of exercise and a carbohydrate-rich diet. The good news: By means of a healthy lifestyle with a balanced diet and exercise, patients can significantly delay the progress of the disease.[1] If required, a medication is typically in pill form or by insulin injection.

Whoever has diabetes, should regularly measure blood glucose

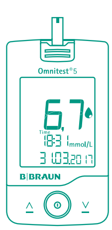
However, whether type 1 or 2: In both cases, regular monitoring of blood glucose levels is the basis for daily therapy and life management using precise measuring devices. The consequences of too high or low blood glucose levels equally affect both patient groups. If blood glucose is too low, there is a risk of unconsciousness. If blood glucose is too high, the patient may fall into a coma – which can be fatal. In addition, permanently elevated blood glucose levels lead to severe consequences such as cardiovascular disease, impaired renal function, ocular diseases, nerve damage or diabetic foot syndrome.[1,2]

Equally important as the monitoring is documenting the glucose levels as well as all other important influencing factors. In addition to the amount of insulin administered and the type and portion of the meals consumed, excessive physical stress also influence blood glucose levels. The more precisely these factors are documented, the better the causes of blood glucose fluctuations in everyday life can be detected and intercepted by appropriate adaptations of insulin therapy – the best conditions for a good therapy process and the reduction of the risk of possible long-term effects.

B. Braun has been committed to the field of diabetes for many years with its high-quality products and services. Our goal is to help patients with diabetes lead a normal, self-determined life despite their illness. They can use the Omnitest® measurement system to precisely determine their blood glucose

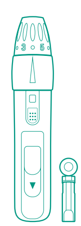
Products in the diabetes therapy field at a glance:

Blood glucose measurement and blood collection



Blood glucose measurement device Omnitest 5

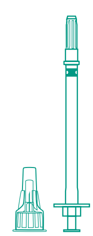
- Large, illuminated display
- High measurement accuracy according to ISO 15197:2013
- Only 5 seconds measuring time
- Easy to use
- Compatible with fresh capillary and venous whole blood samples



Lancing device Omnican Lance with lancet Omnican Lance soft

- One-hand operation
- 7 finely graduated penetration depths
- Gentle puncture and good blood flow
  – Silicon tip
  – 3-facet grinding

Insulin injection



Pen needle Omnican fine and insulin syringe Omnican

- Gentle penetration
  – Special silicone
- Pen cannulas with 3-facet grinding are compatible with all major pen manufacturers on the market
- Improved insulin flow thanks to thin-wall or extra-thin-wall technology according to ISO 9626: 2016

Data management

Diabetes diary Omnitest Center and Omnitest App

- Simple data management
- Better understanding of the data including different views such as tables, graphs, average day, statistics
- Data can be exported, for example for the next doctor's appointment

1 out of **11** adults worldwide has diabetes.[1]

levels within seconds. And thanks to the Omnican® Lance device, the necessary needle penetration is less painful. The Omnican® fine pen needle for insulin pens as well as various insulin syringes make injections comfortable for insulin-dependent patients. For easy-to-use and secure data management, we offer patients with diabetes the diabetes diary Omnitest® Center for smartphones, tablets or computers.

Diabetes can lead to kidney damage

However, even with the best possible therapy, diabetes may still attack the kidneys. In a healthy state, the kidneys filter waste products from approximately 1,500 liters of blood each day and secrete it via the urine.[3] In addition, they regulate body fluid composition and produce hormones. However, worldwide diseases such as hypertension or diabetes can lead to chronic renal failure. The fact that 30 to 40 percent of all diabetics eventually suffer from renal disease shows how strongly both diseases are linked.[4]

If, however, permanently elevated blood glucose damages the kidneys, they can gradually no longer fulfill their functions. The fact is the earlier the damage is detected, the more effectively the process can be slowed. In the first stages, nutritional therapies and medications help slow the loss of kidney function. Whether it leads to renal failure is, however, not fully controllable. In all stages of chronic renal failure, however, there are still opportunities to continue to live an active and self-determined life despite this illness – mainly thanks to modern methods such as hemodialysis.

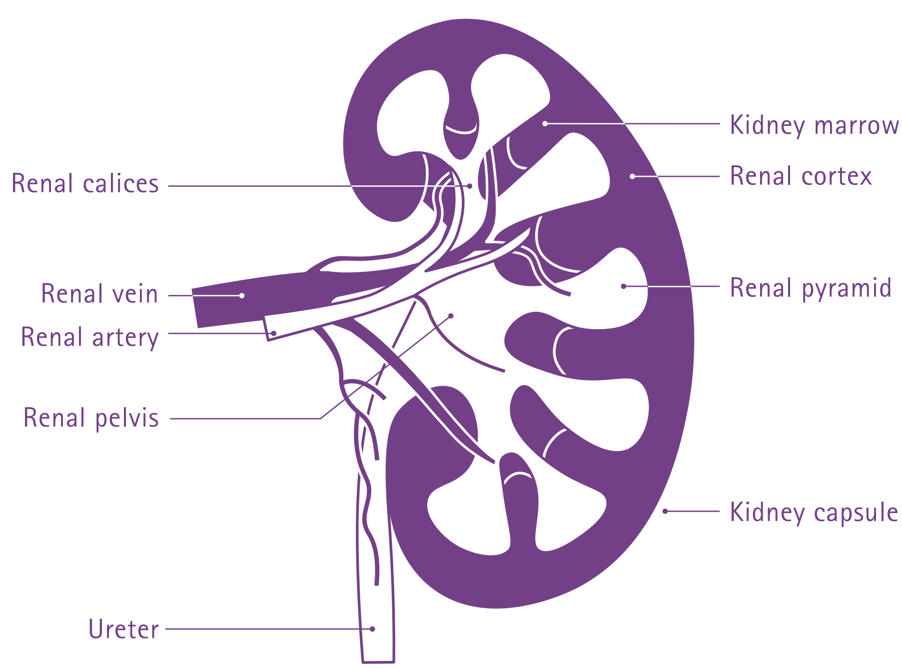
In this case, instead of the kidneys, a special filter – the dialyzer – cleans the blood. The patient is connected to a dialysis machine via a specially placed vascular access, and the blood flows through the filter by means of a tubing system. In addition to dialysis, many doctors prescribe medication to their patients. Adjustment of nutrition also may be necessary, for example in the form of altered protein and restricted potassium intake.

Much more than dialysis centers and machines

B. Braun has been for many decades helping renal patients. In this health care space, we are one of the largest suppliers worldwide. In more than 350 renal and dialysis centers in more than 30 countries in Africa, Asia, Europe and Latin America we provide patients with holistic medical care – from initial education, prevention and early diagnosis to dialysis.

B. Braun + Hemodialysis

Confidence in man and machine is of particular importance in extra-corporeal blood treatment. Different disease patterns can be treated with this therapy form. The therapies are vital because they replace many renal functions in the case of dialysis.
Our goal is to provide reliable medical care and high-quality products to help improve our patients' quality of life.



The kidneys have important functions for metabolism: They remove waste products from the body, regulate body fluid composition, and produce hormones. If the kidneys only work in a restricted way, treatment should begin at an early stage to prevent or delay complete renal failure.

For us, patients and clinicians are always our top priority: By taking care of organizational and logistical tasks in the centers – such as billing or personnel search – we help doctors and nurses concentrate on their patients. In order for our employees to continue to provide optimal service to patients and keep their expertise up-to-date, they regularly attend training courses.

We not only operate kidney and dialysis centers, but also manufacture equipment and consumables – for hemo- and acute-dialysis as well as for special blood purification procedures, for example for the therapy of fat metabolism disorders. It is important to us to offer an integrated system with coordinated components. In addition to dialysis machines, these include therapy options, software solutions, water treatment systems, technical service as well as process consulting, planning, documentation, installation, and further education.

Sharing expertise is B. Braun's philosophy

Even though technological possibilities are groundbreaking, they do not replace the exchange between people. This applies to doctors and their patients, as well as to us: By maintaining direct dialog with them, we recognize their needs to continue developing innovative solutions in diabetes management and dialysis.

Sources: [1]International Diabetes Federation (2015). IDF diabetes atlas: Seventh edition [2]World Health Organization (2016). Global report on diabetes [3]Kuhlmann, U., et al. (2015). Die Nephrologie. Georg Thieme Verlag, 6. Auflage [4]International Diabetes Federation (2013): IDF diabetes atlas: Sixth edition [5]World Health Organization (2016): http://www.who.int/mediacentre/factsheets/fs360/en/ (viewed on 1 March 2017) [6]World Health Organization (2016): http://www.who.int/mediacentre/factsheets/fs104/en/ (viewed on 1 March 2017) [7]World Health Organization (2016): http://www.who.int/mediacentre/factsheets/fs094/en/ (viewed on 1 March 2017) [8]Hecking, E., et al. (2004). Haemodialysis prescription, adherence and nutritional indicators in five European countries: Results from the Dialysis Outcomes and Practice Patterns Study (DOPPS). Nephrol Dial Transplant 19: 100–107 [9]Boschetti-de-Fierro, A., et al. (2015). MCO membranes: Enhanced selectivity in high-flux class. Sci Rep 5, 18448

Each day, about

1,500 liters

of blood flow through both kidneys.[3]

B. Braun operates more than

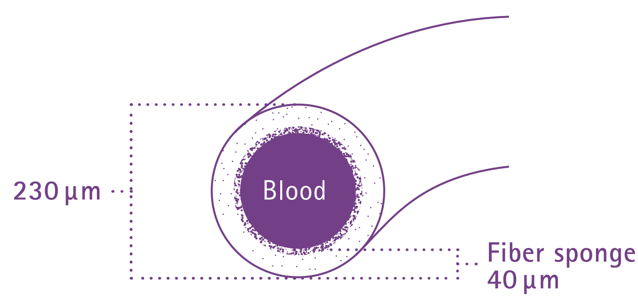
350

dialysis centers

in more than 30 countries.

Cross-section of a dialysis fiber

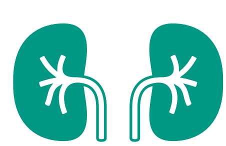
ratio 100:1



- 3–5 times thicker than a human hair
- A dialyzer has 10,000–20,000 fibers
- Blood flow rate: 200–500 milliliters per minute[8]
- Pore size: 1–8 nanometers[9]

30–40%

of diabetics also develop kidney disease.[4]

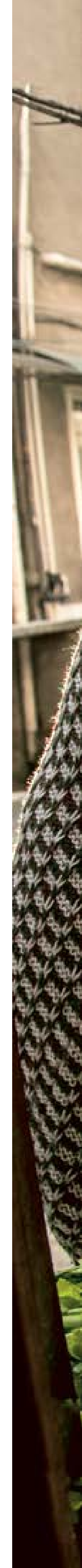


Enjoying good health

My day begins with a look at my smartphone smog app. The air quality in Shanghai is often very poor. That is the negative side of rapid economic growth. Some people stay at home when there is smog, but I don't want to let it affect my everyday life. All the more reason to make sure I live a healthy lifestyle.

For me, nutrition is everything, and we Chinese learn that at a very early age. My breakfast has to be nutritious: rice porridge with dumplings or fried eggs. That gives me energy. For lunch, I go out to eat with my co-workers, or I take a lunch pack with me from home to the office, since we sometimes have leftovers from the evening before. When my father cooks, he uses seasonal and fresh ingredients. We eat a lot of vegetables and fish, and not very much pork. For several years now, I have given up eating dinner altogether. That might seem unusual, but I feel much healthier when I do this. I would never smoke. However, I do have one weakness: cake.

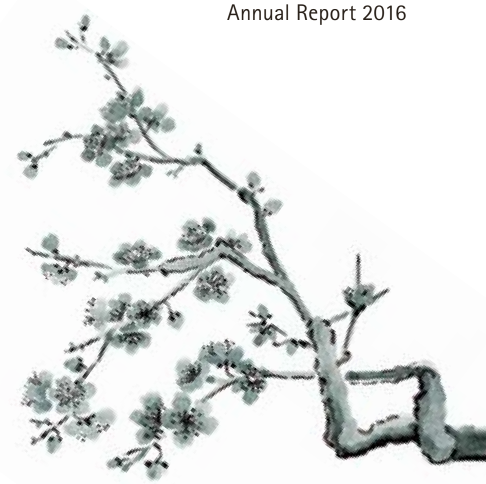
Healthy eating means everything to me. My breakfast has to be nutritious.



Fresh from the market: "Grandmother and I pick out the vegetables and chop them up, but my father does most of the cooking. He just makes the food taste better." In fact, in many households in Shanghai, it's the men who do the cooking.


1.5

Xiaoqian knows many people who prefer to relax at home in front of the television. "That's not the right thing for me, though," she says. "I need challenging physical exercise."



I go to the gym twice a week after work: one hour of strength training, one hour of boxing with a trainer. I take private lessons. I treat myself to this luxury. When I started boxing, I primarily wanted to get my body in shape. Now, I can't live without it. Whether I'm having a stressful time at work or have other things on my mind – after my boxing session, I always feel liberated, like a new person.

When I travel, I try to discover new sports. Last summer, in Malaysia, I took a diving course. In the winter, I visited a friend in Geneva and took a five-day ski course in the Alps. On the first day, I fell over all the time. I was exhausted physically and was really frustrated. On the second day, I was about to give up and pretended to have a headache so I wouldn't have to go. But I was determined to not give up and went back to the slope on the third day. I was confident that I could master this.

After my boxing session, I feel like a new person.

健康是福
金錢致富

He who has lots of money is wealthy. He who is healthy is happy. (Chinese proverb)

路是人走出来的

A path is made
by walking.
(Chinese proverb)

On the fourth and fifth day, I was able to race down the whole slope on my skis. I felt a great sense of achievement. Next on my to-do list: rock climbing, sky diving, and surfing.

In addition to my sessions at the gym and my activities on vacation, I integrate as much exercise as possible into my daily routine. On days when I don’t go to the gym, I get out of the subway one station earlier after work and walk the rest of the way home, which takes about 40 minutes. On the weekend, I take our dogs for walks in the morning and evening. When I am old, I want to be as fit as my grandmother. She is 93 years old and looks like she’s in her early seventies. She still does all her own laundry every day, chops and cooks vegetables, and sweeps the floor. I want to age like her.

I integrate as much exercise as possible into my daily routine.

In Shanghai, tai chi was long seen as something only old people did. Young people are now rediscovering it for themselves. Xiaoquan also enjoys shadow boxing.

A walk after work: “Shanghai offers plenty of opportunities for anyone with ambition and ideas. I am enjoying this stage of my life, and I look forward to what the future holds,” says Xiaoqian. So does her friend Lan.

SMALL MUSCLE, LOTS OF MOVEMENT

Modern therapy for the heart and vessels

The heart is a miracle of endurance. During 80 years of life, it beats around three billion times, pumping about 185 million liters of blood through the vessels. It provides the body with oxygen, nutrients, minerals, vitamins, hormones and other important substances. It must never rest, because even a small interruption can be life-threatening. But as tireless and resilient as the heart is: according to the World Health Organization (WHO), cardiovascular disease is the leading cause of death in adults.[1] The reasons for heart disease are diverse: little exercise, fatty food, alcohol and nicotine, medication, mental stress – but also simply because people are getting older.[2]

Heart vessels and valves are susceptible

One of the most common heart diseases is the calcification of the coronary arteries.[3] The heart doesn't work well when the heart muscle is not supplied adequately. In the case of sudden vascular occlusion, a heart attack may occur. The heart valves are also vulnerable. These valves ensure that the blood flows in the right direction. Heart valve defects are either congenital or form during the course of life. If heart disease is present, the blood is no longer transported efficiently through the body.

Fortunately, the treatment of hereditary diseases has made great progress in recent years. For a long time, the only option was opening the chest (thorax) in cardiac-thoracic surgery. In the meantime, interventions are less and less invasive. This is now also possible with operations on the heart valves. The surgeon tries to retain the heart valve if possible. If it cannot be reconstructed, he inserts a mechanical or biological heart valve. B. Braun innovations support the repair and maintenance of heart valves in various ways, including our Aesculap® EinsteinVision® 3D Full HD camera system, which offers great advantages for the surgeon as well as the patient. For certain indications, the surgeon does not have to open the chest – but still has the operating field in view. For this purpose, he places small surgical accesses between the ribs and uses special instruments, including an endoscope camera. Using the differentiated 3D imaging, the surgeon can now see the treatment location clearly and with depth, which allows the valve to be repaired or replaced in a confined space.

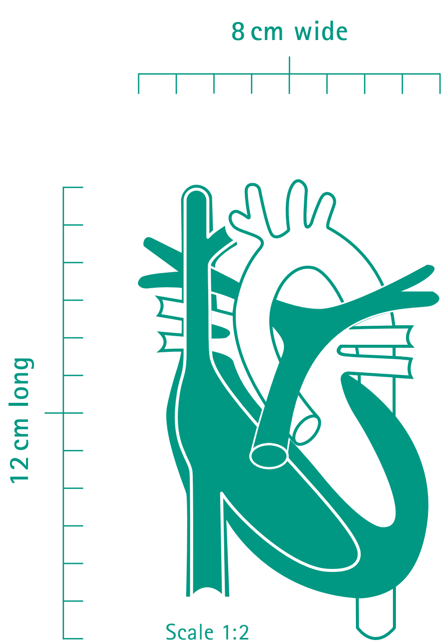
B. Braun + Cardio-Thoracic Surgery

For surgical heart procedures, it is not always necessary to completely open the chest. Today, minimally invasive therapies are possible in cardio-thoracic surgery. B. Braun supports this with high-precision instruments and advanced technologies for 3D visualization.

For minimally invasive operations with the Aesculap® EinsteinVision® 3D camera system, operating time is reduced by about

22 min.

as compared to 2D surgery – from an average of about 234 to about 212 minutes.[5]



The heart

weighs

230–350 gram[6]

is as big as a clenched **fist**

is a hollow muscle with **4** hollow chambers

In intensive and continuous interactions with surgeons and medical personnel, B. Braun has developed additional equipment that significantly simplify an operation and reduce the risk of possible secondary damage. For example, there are the XS instruments for minimally invasive heart valve surgery or Valve XS Atrium retractor system, which allows the surgeon free access and a clear view of the operating field. These minimally invasive procedures are typically much more gentle for patients than the classic open procedure.

Minimally invasive procedures instead of major operations

Methods of interventional cardiology are also developing. Until recently, surgeons have had to apply one or more bypass bridges in narrowed or blocked vessels, today there are procedures that in many cases can be used to avoid a major operation. For example, the doctor introduces a balloon catheter into the narrowed vessel and can thus expand the diseased areas deliberately. Stents are often implanted. These are wire meshes, which serve to splint the vessel from inside and keep it open.

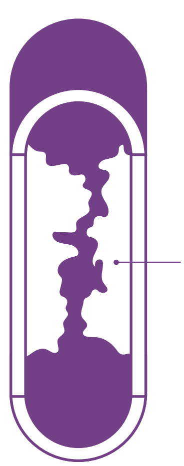
B. Braun has been involved in interventional cardiology for many years. It is our greatest desire to respond to the needs of physicians and patients alike in order to develop pioneering solutions such as innovative stents and balloon catheters. Despite technical progress, conventional methods and instruments prevent the formation of excessive scar tissue after vessel surgery which in turn limits blood flow. Therefore, we developed the Coroflex® ISAR stent system in cooperation with the German Heart Center Munich. It continuously releases a drug which prevents these undesirable reactions and as is often the case does not use polymer carriers, so no plastic remains in the patient's body.[4] Similarly, the drug-coated balloon catheter SeQuent® Please releases a growth-inhibiting agent and reduces scarring. As is the case with catheter treatments, this procedure is also performed under local anesthesia. The patient can leave the hospital after a short time. No matter where our diverse innovations are applied, one thing is always the same: B. Braun is committed to reducing risks, suffering and pain.

Sources: [1]World Health Organization (2016): http://www.who.int/mediacentre/factsheets/fs317/en (viewed on 1 March 2017) [2]Deutsche Herzstiftung (2017): http://www.herzstiftung.de (viewed on 1 March 2017) [3]Bundesministerium für Forschung und Bildung (2017): http://www.gesundheitsforschung-bmbf.de/de/herz-kreislauf-erkrankungen.php (viewed on 1 March 2017) [4]Massberg, S., et al. (2011): Polymer-free Sirolimus- and Probucol-eluting versus new generation Zotarolimus-eluting stents in coronary artery disease. Circulation. 124:624–632 [5]Perier, P., et al. (2016): 3D video-assistance: A giant leap for totally endoscopic minimally invasive mitral valve repair. Meeting presentation, EACTS, Barcelona [6]Deutsche Gesellschaft für Thorax-, Herz- und Gefäßchirurgie (2017): http://www.dgthg.de/de/node/310 (viewed on 1 March 2017), DocCheck Flexion (2017): http://flexikon.doccheck.com/de/Herz (viewed on 1 March 2017)

B. Braun + Interventional Vascular Diagnostics and Therapy

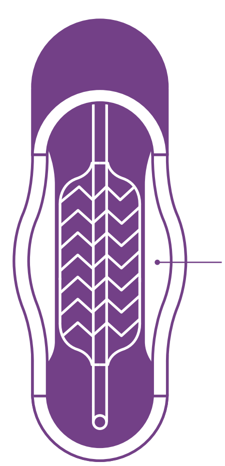
An aging society poses a challenge to medical care. Vascular disorders, particularly acute and chronic circulatory disorders, are increasing. This situation is our driving force for further developing and improving innovative system solutions in interventional vascular diagnostics and therapy.

SeQuent® Please NEO represents the latest generation of drug-coated balloon catheters from B. Braun. Clinically proven matrix coating technology enables homogeneous and targeted drug transport to the vessel wall.
Together with Stent Coroflex® ISAR NEO for drug delivery, B. Braun offers a complete product portfolio for treating complex stenoses in coronary arteries.



Before

Arteriosclerotic arteries with limited blood flow due to stenosis (plaque).



After

A stent allows long-term opening of the artery and markedly improved blood flow.

EBITDA

975.0

EUR MILLION
(+11.0%)

GROUP MANAGEMENT REPORT

FIVE-YEAR OVERVIEW

	2012 € million	2013 € million	2014 € million	2015 € million	2016 € million
Sales	**5,047.8**	**5,169.5**	**5,429.6**	**6,129.8**	**6,471.0**
Cost of goods sold	**2,752.7**	**2,824.8**	**3,041.6**	**3,447.1**	**3,608.1**
Functional expenses	**1,817.9**	**1,860.0**	**1,950.0**	**2,150.3**	**2,250.6**
Selling, general and administrative expenses	1,626.5	1,641.4	1,721.2	1,887.9	1,959.2
Research and development expenses	191.4	218.6	228.8	262.4	291.4
Interim profit	**477.2**	**484.8**	**437.9**	**532.4**	**612.3**
Operating profit	**469.2**	**478.5**	**422.7**	**482.9**	**582.2**
Profit before taxes	**403.1**	**422.5**	**407.6**	**445.5**	**527.8**
Consolidated net income	**288.6**	**315.5**	**316.3**	**319.7**	**396.0**
EBIT	**478.3**	**487.8**	**480.3**	**516.9**	**597.4**
EBITDA	**757.5**	**784.9**	**798.4**	**878.1**	**975.0**
Assets	**5,483.5**	**6,079.5**	**6,766.8**	**7,266.1**	**7,981.8**
Intangible assets (incl. goodwill)	337.5	385.7	514.6	566.6	623.3
Property, plant, and equipment	2,736.8	2,896.6	3,302.6	3,642.3	3,987.3
Other financial investments	45.1	471.6	30.3	46.0	50.3
Inventories	873.6	901.5	1,005.7	1,056.7	1,135.4
Trade receivables	952.2	971.1	993.7	1,034.7	1,089.1
Equity	**2,259.2**	**2,445.0**	**2,564.0**	**2,900.4**	**3,172.0**
Liabilities	**3,224.3**	**3,634.5**	**4,202.8**	**4,365.8**	**4,809.9**
Pension obligations	816.7	798.5	1,098.5	1,079.7	1,300.8
Financial liabilities	1,368.9	1,773.8	1,870.2	1,923.4	1,992.1
Trade accounts payable	243.0	273.4	311.9	348.6	442.9
Investments in property, plant, and equipment, intangible assets and financial investments incl. business acquisitions	**588.5**	**1,029.4**	**931.3**	**787.0**	**806.7**
Depreciation and amortization of property, plant, and equipment and intangible assets	**279.1**	**297.2**	**318.1**	**361.1**	**377.7**
Personnel expenditures	**1,834.4**	**1,885.3**	**2,031.3**	**2,259.9**	**2,388.1**
Employees (annual average)	**45,381**	**48,264**	**52,196**	**54,770**	**56,849**
Employees (as of December 31)	**46,607**	**49,889**	**54,017**	**55,719**	**58,037**

ABOUT THE B. BRAUN GROUP

BUSINESS MODEL

B. Braun is one of the leading manufacturers of medical technology and pharmaceutical products worldwide, as well as a provider of medical services. The company employs over 58,000 people in 64 countries. B. Braun is a system provider that develops effective solutions and trendsetting standards in 18 therapy fields of the health care industry in close partnership with users and partners. Its goal is the sustainable protection and improvement of people's health around the world. The B. Braun product range comprises a total of 5,000 products, 95 percent of which are manufactured by the company. These include solutions and the consumable materials required for infusion, nutrition and pain therapy, infusion pumps and systems, surgical instruments, suture materials, hip and knee implants, dialysis equipment and accessories, and stoma and wound care products. Also included are services and consulting for optimizing hospital processes and making them safer and more efficient. B. Braun prepares patients and their families for at-home care. All 18 B. Braun therapy fields and applications are managed across four divisions – B. Braun Hospital Care, B. Braun Aesculap, B. Braun Out Patient Market, and B. Braun Avitum.

B. Braun Hospital Care

The Hospital Care division views itself as customers' first choice for products and services which offer the best-possible care for patients, especially for infusion therapy, nutrition therapy and pain therapy. Its products include infusion and nutrition solutions, as well as specific medications. Products for preparing medications, patient access, the administration process, and discharge management products round out its unique system offering. Hospital Care supplies infusion equipment and supplies, infusion and injection solutions, intravenous catheters, products for clinical nutrition, and pumps and their associated systems for inpatient and outpatient care. It focuses on improving the safety and efficiency of therapy and optimizing treatment results in the interest of patients and partners.

THERAPY FIELDS AND APPLICATIONS

Acute Dialysis	Hemodialysis	Neurosurgery
Apheresis	Incontinence	Nutrition Therapy
Cardio-Thoracic Surgery	Infection Prevention	Orthopedic Joint Replacement
Degenerative Spine Surgery	Infusion Therapy	Pain Therapy
Diabetes	Interventional Vascular Diagnostics & Therapy	Stoma
General Open Surgery	Laparoscopy	Wound Management

Hospital Care is a leading supplier in all essential therapy fields around the globe. We have particularly benefited from the growing market for medical safety products, and therefore continue to increase our presence in this area. There is growing interest in system partnership concepts. Product networking across divisions gives our customers added benefit.

B. Braun Aesculap

The Aesculap division specializes in all treatment concepts for surgery, orthopedics and interventional vascular medicine. The extensive product range of the B. Braun Group enables the development of comprehensive cost-effective solutions, allowing us to build strategic partnerships as a result. Aesculap focuses on classic surgery, orthopedic joint replacement and regenerative therapy, neurosurgery, laparoscopy, interventional vascular diagnostics and therapy, degenerative spine surgery and cardio-thoracic surgery.

Aesculap is a leading manufacturer of surgical instruments and sterile container systems and a major global supplier in the fields of neurosurgery and wound closure. For degenerative knee and hip conditions, we have developed advanced product concepts for specific market segments. This includes instruments for minimally invasive procedures, short-stem hip prostheses and abrasion-optimized, anti-friction surfaces for knee implants. With the Einstein Vision® 3-D camera and bipolar "seal and cut" instruments, Aesculap offers products for precise endoscopic procedures. Our key areas of focus in the field of endoscopic surgery include general and visceral surgery, gynecology, urology, thoracic surgery, trauma surgery, arthroscopy and endoscopic vascular surgery. In the field of spinal surgery, we provide surgeons with innovative surgical solutions based on exclusive treatment concepts. Our suture portfolio focuses on suture material for specific applications, such as cardiovascular surgery or monofilament material for abdominal wall closure.

B. Braun Out Patient Market

The focus of the Out Patient Market division is on meeting the needs of patients with chronic diseases outside the hospital setting. Our customers include physicians in private practice, outpatient and inpatient care services and pharmacies. The division Out Patient Market focuses on five strategic therapy fields: infection prevention, diabetes, incontinence and urology, stoma and wound management.

Adopting a holistic approach to consulting and care-giving, the division strives to provide patients with a combination of high-quality and cost-effective health care. We have techniques for transferring patients from inpatient to outpatient care, and we organize outpatient care for patients. In addition to these products, we offer a broad range of outpatient services. A major objective is to share expertise across all areas, for example, when transferring parenterally fed patients from inpatient to outpatient care. Our experienced employees relieve patients, relatives, hospitals, private practice physicians, and nursing services of administrative tasks and ensure that the quality and progress of treatment is optimized.

B. Braun Avitum

B. Braun's Avitum division is one of the world's leading providers of products and services for people with chronic and acute kidney failure. As a system partner in dialysis, B. Braun Avitum focuses on three therapy fields: hemodialysis, acute dialysis and apheresis, and offers products and services along the entire value chain. This breadth, combined – with the complete B. Braun portfolio and the expertise of all divisions – makes it possible to provide holistic care to patients with renal insufficiency. Locally adapted treatment concepts help us to optimally balance first-class care and affordability, enabling us to make necessary dialysis treatments accessible to more and more people around the world.

We also operate a network of more than 350 dialysis centers in Europe, Asia, Latin America and South Africa, providing care for over 27,000 patients. Physicians and nursing staff are available in our hospital to assist and advise dialysis patients with chronic kidney and metabolic disorders.

We set ourselves apart from our competitors through consistently high product quality and supply, as well as an extensive range of user training courses, technical support, and IT solutions. We aspire to improve patients' quality of life and to create new and efficient treatment processes.

Aesculap Academy

In 2016, more than 70,000 medical experts attended the Aesculap Academy's advanced training courses all over the world. Its therapy-specific and application-specific courses are based on innovative and interdisciplinary course concepts and are offered globally at the highest quality level. One example is the Aesculap Academy in Great Britain, which works closely with the Royal College of Surgeons and celebrated its 20th anniversary in 2016. The Aesculap Academy is also setting the tone in Asia, where it oversees the global conference on Dengue fever in Malaysia and has hosted over 50 courses on hemodialysis in the Philippines. The newly formed scientific advisory council of the Aesculap Academy in Indonesia combines science with practical training. The opening of a medical training center in Suzhou, China, was another milestone. As part of its Sharing Expertise program, the Aesculap Academy relies on an active, global network for growing ideas and providing fresh momentum. The new courses in laparoscopy are one example that has been positively received by instructors and participants. The Aesculap Academy has also become an established partner for cooperation models with hospitals and their simulation centers, and has, for example, entered into strategic cooperation with the regional hospitals of Ludwigsburg. As part of our 2020 strategy, we plan to continuously develop the global concept of the Aesculap Academy.

CORPORATE GOVERNANCE AND CONTROLLING

In addition to its operational activities, B. Braun Melsungen AG also provides centralized services for the Group. Aside from Group management, other units which perform Group-wide tasks are based here. These include Group accounting and controlling, international human resources, purchasing, IT, logistics, the legal and tax department, the Group treasury and the Group Compliance Office. The company, which is not publicly traded, is completely family-owned. The corporate bodies are the Management Board, the Supervisory Board and the annual Shareholders' meeting. The Management Board members have clearly assigned spheres of responsibility and are jointly responsible for the company's success. Since April 1, 2016, Anna Maria Braun has represented the Management Board and has been responsible for the Asia-Pacific region. Otto Philipp Braun has resigned as member of the Management Board on best and mutual terms, effective February 21, 2017. The Supervisory Board expresses its thankful appreciation to Mr. Braun for his nine years of service to the B. Braun organization. The Supervisory Board consists of 16 members, half of whom are selected by the company's shareholders and the other half of whom are elected by the employees. Committees have been established to efficiently support the work of the Supervisory Board. The Personnel Committee is responsible for such matters as the Management Board members' employment contracts and compensation. The Audit Committee monitors internal controls systems, the integrated compliance management system accounting processes, and financial statement audits. B. Braun wants to stay a private and independent family-owned company. The Braun family has made a long-term commitment to achieving this goal. Prof. Dr. h. c. Ludwig Georg Braun, who managed the company for 34 years, has served as Chairman of the Supervisory Board since 2011. Barbara Braun-Lüdicke has been a member of this board since 1992. The sixth generation of the founding family has leading positions at various locations.

Sustainable handling of economic, environmental and social resources is a decisive issue for us, in that it promotes a values-based corporate culture, one which is cognizant of our responsibility for current and future generations. We are convinced that sustainable practices strengthen our company's organization, stimulate growth and play a key role in ensuring that we can remain an independent family business in the future as well.

Key performance indicators for management purposes include Sales, 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 organizations, integrated into Centers of Excellence (CoE), enable a rapid response to changes in the market and ensure that know-how can be exchanged in a short period of time. As a provider of complete systems, B. Braun intends to add value for customers by combining products and services. We are conscious of our obligations to our customers, patients, employees and, ultimately, the company. We take these obligations into account in our day-to-day and strategic decisions.

B. Braun's commitment to the principles of responsible corporate governance and control is reflected in its adherence to recognized standards. The ultimate objective is the long-term success of B. Braun as a family-owned company. Our "Code of Conduct" has defined how we conduct ourselves toward customers since it was established 1996. For us, corporate governance and compliance are not merely obligations, but a self-evident prerequisite for sustainable management. The legal and ethical conduct of our employees is central to our value system. Compliance with national and international regulations regarding product registration, production validation and product safety is an important obligation. B. Braun has a global compliance management system that, in addition to compliance with statutory requirements, also includes ethical values such as fairness, integrity, mutual openness and sustainability. An overarching Group Compliance Office and local compliance officers ensure that all employees conduct themselves in accordance with consistent standards.

> We are convinced that sustainable practices play a key role in ensuring that we can remain an independent family business in the future.

Through its subsidiaries and holdings, B. Braun operates in 64 countries. The B. Braun Group includes 263 (previous year: 262) fully consolidated companies. 25 (previous year: 22) holdings are consolidated using the equity method of accounting.

Major manufacturing sites are located in Melsungen (Germany), Tuttlingen (Germany), Berlin (Germany), Glandorf (Germany), Radeberg (Germany), São Gonçalo (Brazil), Suzhou (China), Santo Domingo (Dominican Republic), Boulogne (France), New Delhi (India), Mirandola (Italy), Tochigi (Japan), Penang (Malaysia), Nowy Tomyśl (Poland), Timisoara (Romania), Crissier (Switzerland), Escholzmatt (Switzerland), Sempach (Switzerland), Rubí (Spain), Gyöngyös (Hungary), Allentown and Irvine (USA), and Hanoi (Vietnam).

GROUP STRATEGY

The strategic period that started in 2015 includes the period through to 2020. System partnerships, collaboration and profitability are the core themes which are to be pursued in all divisions and regions, with the support of the centralized units and departments. The goal is to grow together in order to ensure that our company will be able to operate independently over the long term. This will allow us to continue to contribute in the future to protecting and improving the health of people all over the world.

As a system partner, we aim to provide our customers with the best-possible comprehensive service. In many cases, added value for our customers is created through the synergies of several different B. Braun products and services. This is due to our broad portfolio and the resulting combinations of products and services. This is a particular strength of ours. We are convinced that high quality at fair prices, products which are customized to align with treatment methods and customer processes, as well as the reliable ability to supply offer the added value which is in demand today and in the future. By aligning our products and services based on the goals and processes of our customers, we increase the beneficial value of our work, reduce costs for our partners and help them succeed. Relationships within the company and with patients, users and suppliers are characterized by transparency, trust and appreciation.

We have set a goal of increasing sales by five to seven percent per year through 2020. In that case, annual sales can be increased to about € 8 billion at the end of the strategic period. We expect B. Braun Avitum to achieve very strong growth. The Asia-Pacific region and Latin America are also important growth regions. The EBITDA margin should climb to at least 16 percent in 2020. We plan to further improve structures and processes, as well as standardizing processes, in order to improve the efficiency and effectiveness of our administrative and production activities, and therefore profitability as well. We expect key contributions in this regard from all divisions and regions.

We have set a goal
of increasing sales
by five to seven percent
per year through 2020.

In the current strategic period, our target equity ratio remains at 45 percent. Through increased profitability and controlled development of working capital, we can fund major investments from our own resources. We will support B. Braun's growth within the strategic period through investments in the amount of about € 4 billion.

SECURING THE FUTURE

In 2016, we also invested over € 1 billion in new productions as well as research and development projects to grow and secure our business activities. Our German locations received 44.2 percent of this investment.

We expended € 291.4 million (previous year: € 262.4 million) in research and development activities. Financial assets and property, plant and equipment for the fiscal year grew to € 806.7 million (previous year: € 787.0 million) due to Group-wide investment activities.

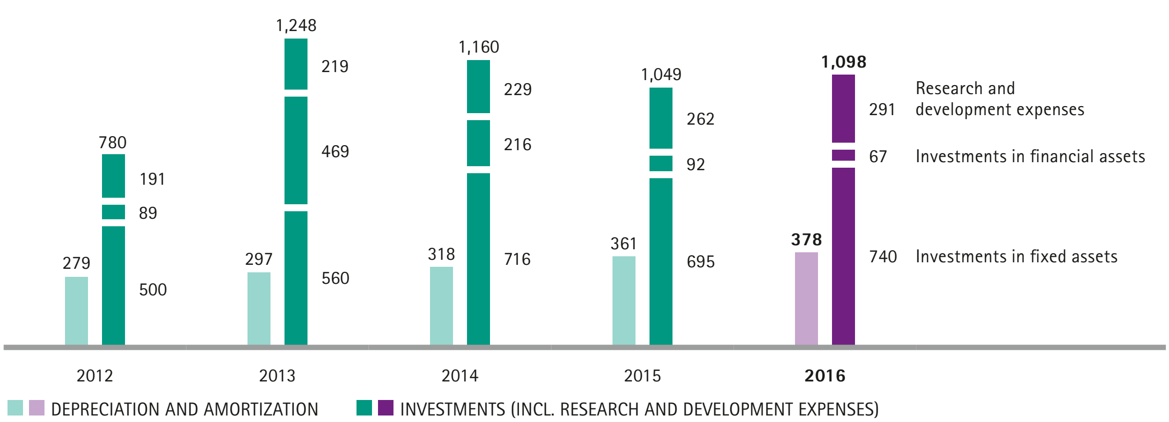
Research and development

Research and development activities within B. Braun Group are concentrated in multiple CoEs, where research, development, production and marketing activities for specific product groups are combined and closely coordinated. These CoEs have global responsibility for their product groups. Key CoEs are located in Melsungen (Germany), Tuttlingen (Germany), Boulogne (France), Penang (Malaysia), Sempach (Switzerland), Rubí (Spain) and Allentown (USA).

Research and development activities of the Hospital Care division focus on improving safety for patients and staff and improving hospital processes. In the infusion therapy segment, we focus on the integrated development of products and technologies for a new generation of infusion solution containers, closed infusion systems and infusion needles. Networking intelligent infusion systems with hospital IT systems is a key focus area. In addition, Hospital Care is developing products for clinical nutrition in flexible single and multi-chamber bags. New marking and sensor technologies should make precise placement of cannulae easier for peripheral nerve blocks. Aesculap combines internal and external innovations in its research and development activities. With this active innovation management, we tackle increasingly shorter product cycles and are able to continue to offer our partners new and economic solutions that add value. Investment in young companies and business incubators opens the door to a range of options. For example, "neuroloop" is working on a neuromodulation method against hypertension and "Advanced Osteotomy Tools" is developing a computer-supported laser system for bone surgery. Our internal development activities focus on miniaturization and biologization. With optimized, minimally invasive instruments, more powerful 3D imaging and holistic process optimization, we want to support and accelerate patient recovery as much as possible. Regenerative medicine and coated implants pave the way for new treatment concepts that can also contribute to optimal patient care. At the same time, we develop various digital product and service concepts for improving the hospital value chain and, in particular, increasing process reliability and therefore patient safety.

INVESTMENTS/DEPRECIATION AND AMORTIZATION

In € million



The Out Patient Market division is continuously optimizing urological, hand disinfection and wound care products. It is also working on a new rinsing pump for stoma and incontinence care.

The aim of research and development within the B. Braun Avitum division is to improve treatment quality and efficiency for extracorporeal blood treatment. The year 2016 saw the release of several new products, such as the Dialog iQ hemodialysis machine, the OMNI acute care system, the Diacap Pro dialysis machine and the Aquabase water treatment system. These products broaden our extensive portfolio and strengthen the position of B. Braun Avitum as a system provider. All of these products ensure safe, reliable, efficient and economical dialysis treatment.

Investments

Investments in fiscal year 2016 focused on increasing our production capacity and on new products and processes. We were also able to secure technology and market shares in strategically important business areas through targeted acquisitions.

Total additions to property, plant and equipment, intangible assets and financial assets, and additions to investments in associates and acquisitions of fully consolidated companies amounted to € 806.7 million (previous year: € 787.0 million). This was offset by depreciation totaling € 377.7 million (previous year: € 361.1 million).

The Hospital Care division expanded its global capacities for large-volume infusion solutions in Spain, Indonesia, Malaysia and the United States. This was accompanied by an increase in the production of intravenous sets and additional accessories at various locations in order to meet growing demand. In Berlin, investment continued in the manufacturing of small-volume injection solutions during the fiscal year. In Japan, we increased capacity in regional anesthesia with a new production building while improving earthquake safety. Infusion pumps continue to be optimized to strengthen our market position. In Spain, Aesculap has begun expanding an already acquired building to meet an increasing demand for production capacity. Additional funds were invested to continue renovating the division's headquarters and build a new company restaurant in Tuttlingen. The Out Patient Market division expanded its production capacity with investments in France and the production of pen needles in Malaysia. The new building for patient-specific nutritional solutions in Melsungen has been completed. B. Braun Avitum increased its market share by expanding existing dialysis centers, constructing new centers, and acquiring centers in various countries. The expansion of the location in Penang across multiple divisions now provides additional production space. In addition to extensive investments in our headquarters in Melsungen, additional funds were directed to production locations in the United States, Spain, Japan, Indonesia, France and Switzerland. This last fiscal year, we also increased our share in Rhön-Klinikum AG to 21.6 percent (previous year: 19.8 percent).

Investment commitments totaled € 198.9 million 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]

After a poor start to 2016, the global economy recovered as the year went on. Both the industrialized countries and the developing and emerging countries contributed to the upswing. At 3.1 percent, total economic growth remained at the previous year's level (3.2 percent). This growth was bolstered by stable commodity prices and recovering growth rates in China. The increase in the key interest rate in the United States at the end of 2015 had only a marginal effect on the global economy. The OPEC states also agreed at the end of 2016 to reduce the production of oil, causing a slight price increase. The year 2016 predominantly featured the elections in the United States, Great Britain and Italy, which drastically altered the political environment. The consequences for the global economy cannot yet be determined.

In Germany, economic growth in 2016 increased by 0.2 percentage points over the previous year. This growth was primarily due to private consumption and an increase in building sector investments. This increased consumption benefited from a growth in population due to immigration. Investments in capital equipment only increased slightly.

The economic situation in the eurozone further stabilized in 2016, even though the increase in GDP slowed somewhat. Higher consumption expenditures in the private and public sectors had a positive effect. Investment activity in the eurozone increased cautiously due to the political uncertainty brought about by the Brexit referendum. The British economy proved itself extremely robust, managing stable economic growth following a brief dip in the second half of the year.

CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2015	2016
Europe	**2.0**	**1.7**
Germany	1.5	1.7
France	1.3	1.3
Greece	– 0.2	0.1
Great Britain	2.2	2.0
Italy	0.7	0.9
Poland	3.6	3.1
Russia	– 3.7	– 0.6
Spain	3.2	3.2
Turkey	4.0	3.3
North America	**2.6**	**1.6**
Canada	0.9	1.3
USA	2.6	1.6
Asia-Pacific	**5.4**	**5.4**
China	6.9	6.7
India	7.6	6.6
Indonesia	4.8	4.9
Japan	1.2	0.9
Malaysia	5.0	4.3
Latin America	**0.1**	**– 0.7**
Argentina	2.5	– 1.8
Brazil	– 3.8	– 3.5
Chile	2.3	1.7
Mexico	2.6	2.2
Africa and the Middle East	**2.3**	**3.6**
Iran	0.4	4.5
Kenya	5.6	6.0
South Africa	1.3	0.3

However, the British pound fell sharply against the euro. While the Spanish economy is currently recovering well from its sovereign debt crisis, France and Italy are both suffering from a marked unwillingness to enact reforms to address structural

[1] International Monetary Fund: World Economic Outlook, October 2016, and ifo Institute: ifo Economic Growth Forecast 2016–2018, December 2016

problems. An example of this is the rejection of the referendum in Italy that would have made it easier to pass the necessary reforms. Macroeconomic growth in the emerging Eastern European countries remained stable in 2016. There are growing indications in Poland that basic democratic rights are experiencing increasing encroachment. This can impact personal rights and, ultimately, the health care system. The attempted coup in the middle of the year increased uncertainty regarding the political and economic situation in Turkey.

Compared to the previous year, the Russian GDP decreased slightly. Although the sanctions imposed by the United States and the European Union remained in effect, stabilizing oil prices helped improve the situation. The financing conditions in the country also saw positive development due to the increase in banks' capital buffers from public funds. The value of the Russian ruble increased slightly at the end of 2016.

In North America, economic growth slowed by nearly one percentage point. The United States in particular saw a decrease in dynamic economic growth. While consumption grew considerably, and the job market remained stable and wages grew, spending and investing by foreigners not located in the United States dropped. At the same time, a strong US dollar and high volatility in the financial markets resulted in a lack of financial investment activities by businesses. After the presidential election business and consumer sentiment improved and the US dollar continued to appreciate. Despite constant growth rates, the Canadian GDP was affected by a weaker US economy and recovery from damage caused by isolated incidents, such as the wildfire in Alberta. In October 2016, Canada and the EU concluded the CETA (Comprehensive Economic and Trade Agreement), which promises new export opportunities for both parties.

Economic growth in Asia remained constant over the previous year. The growth rate in China fell slightly by 0.2 percentage points. Expansive economic policy measures and a strong increase in loans ensured stability. In addition, solid consumption and a shift in activity from industry to services resulted in better overall economic conditions. India experienced ongoing strong growth attributable to factors such as improved trade conditions and effective political reforms. At the start of 2016, the Bank of Japan determined a negative key interest rate and signaled that it would maintain its course toward an expansive monetary policy past the end of the year. Despite full employment and total production capacity utilization, the strong economic growth at the start of the year fell and stagnated at the previous year's level.

The Latin American GDP fell in 2016. Brazil's economy continues to be in recession. The provisional government failed to take immediate steps to improve the economic situation. The economy responded favorably to the planned consolidation of public finances and the desire to increase privatization. However, businesses continued to be cautious in the face of the country's still-uncertain economic direction and postponed investment projects. The economy of Argentina was also in recession in 2016. Political measures to open up foreign trade, foreign exchange and the official exchange rate and to settle the debt conflict caused the inflation rate to increase and the Argentine peso to fall sharply against the US dollar. Mexico's growth rate also decreased slightly due to poor exports during the first half of the year.

GDPs in Africa and the Middle East increased in 2016 over the previous year. Kenya's GDP once again saw considerable growth. South Africa was only able to slightly improve its GDP in 2016 despite a stable global market. The Middle East also spent this year mired in political conflicts, however the GDP for the region increased. The United States, the European Union and Iran were able to resolve their nuclear dispute at the start of 2016. How the result of the US presidential election will affect the signing of the agreement remains to be seen.

Performance of the health care market

The global health care market once again grew in 2016. Many countries are confronting the challenge of dealing with the rising cost of health care. As a result, providers, clients, governments and other interested parties are striving toward efficient, effective and equitable health care. This is why the industry is currently shifting to business, hospital and operating models. In some countries, the privatization of health care is resulting in a consolidation of hospitals into networks that work with independent physicians. This is intended to save on costs in order to remain competitive. It is also leading to an increase in available patient services. The resulting networks make it possible to exchange large amounts of data and promote transparency between the individual actors.

Health care spending has increased slightly in Germany. However, the medical device market has been characterized by strong competitive and price pressure. While sales volumes and the range of new treatment methods are on the rise, profit margins in the German market are declining.

Western Europe continues to see a need to save on health care due to a slight drop in economic growth and persistent economic pressure. Accordingly, health care spending has grown only marginally. Greece, Italy, Ireland, Portugal and Spain in particular had low budgets that were affected by the sovereign debt crisis the most. In addition, health care in Great Britain is facing an immense challenge: While demand for health care services has increased, the budget for medical services has virtually stagnated.

In 2016, the Russian health care industry was also impacted by Russia's international dealings and the resulting economic challenges. Businesses in the medical technology sector found it difficult to win public supply contracts. On the one hand, the health care budget was reduced due to stagnating statutory insurance revenues and falling tax revenues. On the other hand, import prices increased over the preceding two years due to the weak ruble. Foreign businesses also frequently were ignored when awarding government contracts.

Health care spending in North America increased in 2016. Canadian health care in particular was strained by a progressing demographic shift. The expansion of insurance coverage due to health care reform (Affordable Care Act) in the United States also led to an increase in health care spending. How this trend will continue following changes in health care reform by the new government is uncertain. In 2016, health care companies found relief from a special tax on medical devices (Medical Device Excise Tax). The United States Congress suspended the tax for two years in 2015.

Health care spending in Asia increased in 2016 due to an expansion of state health care programs and the growing affluence of the population. India, in particular, saw an increase in spending due to a government resolution to improve health care facilities. Health care in China continued to grow rapidly. In addition to government initiatives, this growth was primarily due to the increasing affluence of the population and the demographic change. Japanese health care is under more and more pressure. The system was established in the '60s and is based on stable demographic development. The result is that financial resources and funding agencies can no longer sustain the increased spending due to an aging population, an increase in chronic diseases and the emergence of expensive, innovative treatment options.

The health care markets in Latin America grew in 2016. Despite budget cuts in many countries, governments endeavored to improve their public health care systems. Numerous hospitals are under construction in Peru and Chile, and even telemedicine saw increased use in 2016. Brazil, on the other hand, experienced a decrease in health care spending due to difficult economic conditions, failing consumer trust, and a restrictive monetary policy.

Health care spending increased in Africa and the Middle East. This was primarily due to elections in several countries (such as Ghana, Niger, Uganda, Zambia and Somalia), health care expansion and population growth. Demand for medical technology also increased greatly. Due to low domestic production, the region is reliant on imported medical products. The import quota in many countries is 80 to 90 percent. Following the settlement of the nuclear dispute between the United States, the European Union and Iran at the start of the year, there appeared to be new export opportunities to the Middle East for medical technology companies. However, after the election in the United States, it remains to be seen whether the agreement will persist.

The wave of consolidation among suppliers of pharmaceutical products and medical technology over the previous two years continued in 2016, albeit to a lesser extent. Larger manufacturers continue to focus on selected therapy fields. In doing so, they hope to stabilize their profit margins despite the competitive and price pressure.

PERFORMANCE AND FINANCIAL POSITION

Business performance

B. Braun achieved good sales and profitability in the fiscal year 2016. All financial goals for the fiscal year were met or exceeded. With sales growth of 7.9 percent at constant exchange rates, we are above our projected growth range of four to six percent. The exchange rate parities to the euro were not advantageous for us during this fiscal year. This development was essentially due to the devaluations in the British pound. Sales in euros increased by 5.6 percent to € 6.5 billion (previous year: € 6.1 billion). As expected, B. Braun's Avitum division posted very strong growth. The other divisions were also able to increase their sales. As forecasted in the previous year, North America achieved excellent growth both in US dollars and euros. Sales in local currencies increased strongly in the Latin America and Asia-Pacific regions, as was expected. However, exchange rate changes have burdened both regions. Europe (including Germany) posted stable increases, and Germany achieved very strong sales growth.

EBITDA growth during the fiscal year exceeded our expectations. We generated an EBITDA of € 995.4 million at constant exchange rates. Therefore, EBITDA at constant exchange rates was 11.8 percent above the previous year and exceeded the target range of € 920–960 million. Even with consideration to exchange rate effects, EBITDA, at € 975.0 million, exceeded our internal targets. Aside from absolute earnings growth, our goal is to increase profitability. The desired increase of the EBITDA margin was met in the fiscal year: We increased this measure by 0.8 percentage points to 15.1 percent (previous year: 14.3 percent). The key performance indicators used to manage operations, interim profit and EBIT, were above the projected target range of € 530–570 million. At constant exchange rates, these performance indicators are € 629.1 million and € 611.8 million, respectively, and were therefore 18.2 percent and 18.4 percent above the previous year, respectively.

The B. Braun Group is in good, stable financial condition.

Through the continuous expansion of our production capacity in conjunction with selected number of acquisitions, we were able to meet the growing demand for disposable and capital goods in the health care market and achieve strong volume growth. Price competition in the health care market remains high and is weighing down our earnings. Using treatment and service concepts that create value for our clients, as well as innovative products, we continue to develop our business model to meet this price and competitive pressure. Additionally, measures to reduce costs and increase internal efficiency were taken in previous years that produced results during the fiscal year. This active and strategic approach resulted in improved profitability in 2016, despite harsher market conditions. Overall, we are satisfied with performance for the fiscal year. The B. Braun Group is in good, stable financial condition. At the present time, we are not aware of any factors that could negatively impact on the Group's position.

Earnings

B. Braun Group's Sales Growth

In fiscal year 2016, sales of the B. Braun Group amounted to € 6,471.0 million (previous year: € 6,129.8 million), increasing sales over the previous year by 5.6 percent.

All divisions contributed to this strong result. Out Patient Market and B. Braun Avitum divisions achieved very strong growth rates of 5.5 percent

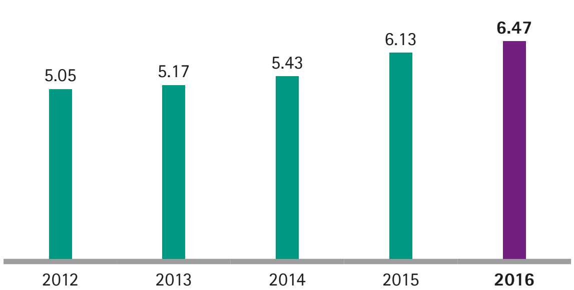
KEY PERFORMANCE INDICATORS

	2015	2016	Change in %
Sales (in € million)	6,129.8	6,471.0	5.6
Gross margin (in %)	43.8	44.2	
Net margin after taxes (in %)	5.2	6.1	
Interim profit (in € million)	532.4	612.3	15.0
Profit before taxes (in € million)	445.5	527.8	18.5
Consolidated net income (in € million)	319.7	396.0	23.9
EBIT (in € million)	516.9	597.4	15.6
EBITDA (in € million)	878.1	975.0	11.0
EBITDA margin (in %)	14.3	15.1	
Equity ratio (in %)	39.9	39.7	
Equity ratio including loans from shareholders (in %)	40.8	41.0	
Equity ratio net of effects of IAS 19 (in %)	44.1	45.2	
Net financial debt (in € million)	1,834.0	1,872.5	2.1
Debt-equity ratio (net financial debt/EBITDA)	2.1	1.9	
Research and development expenses (in € million)	262.4	291.4	11.1
Investments in property, plant, and equipment, intangible assets and financial investments (in € million)	787.0	806.7	2.5
Depreciation of property, plant, and equipment and intangible assets (in € million)	361.1	377.7	4.6
Net working capital (in € million)	1,722.6	1,754.0	1.8
Personnel expenditures (in € million)	2,259.9	2,388.1	5.7
Employees (as of December 31)	55,719	58,037	4.2

and 11.6 percent, respectively. Hospital Care, with a gain of 4.7 percent, and Aesculap, with an increase in 3.7 percent, also achieved good sales growth.

The Asia-Pacific region achieved strong growth in local currencies (10.8 percent) and is a growth engine for the Group, especially in China, Indonesia and Vietnam. Sales in euros increased by 8.3 percent. Latin America posted high sales growth in local currencies (15.3 percent). Argentina and Mexico experienced strong sales growth, while sales in Brazil stabilized. Due to the substantial declines of local currencies against the euro in some cases, Latin America posted no more than a moderate 2.3 percent growth rate in euros, the Group currency. North America posted excellent growth both in the US dollar, with 7.3 percent, and in the euro, with 7.6 percent. Burdened by exchange rate changes, Africa and the Middle East are just above the previous year with a growth of 1.0 percent. South Africa achieved impressive local currency growth and increased sales by 14.0 percent. Europe (not including Germany) achieved a strong 3.6 percent growth in sales. This growth was bolstered by Spain, Switzerland and Scandinavia. Turkey (22.5 percent) and Russia (30.4 percent) also achieved very considerable growth in local currency. However, exchange rate trends also resulted in less growth in euros in these two countries (11.6 percent and 16.9 percent). Germany posted strong sales growth of 5.9 percent.

SALES DEVELOPMENT
In € billion



Business performance of the B. Braun Hospital Care division

The Hospital Care division increased sales by 4.7 percent (7.3 percent at constant exchange rates) to € 2,990.8 million (previous year: € 2,855.9 million). This strong growth was achieved through automatic infusion pumps, infusion equipment, and regional anesthesia products. In contrast, demand for injection needles, syringes and IV drug products was stagnant. The development of business in the United States was very positive for the fiscal year. The Nutrilipid nutrition solution bag that has been sold in the United States since the previous year supported sales and profitability growth. Other infusion therapy products also show good sales growth. The European market also saw good growth rates. Most notably, the sale of automatic pumps and IV drug products in Germany and Spain contributed to sales and earnings growth. Latin America and Asia reported double-digit growth rates in local currency. However, this growth was reduced substantially in Latin America by the currency devaluations against the euro.

Business performance of the B. Braun Aesculap division

In the fiscal year, the Aesculap division reported sales of € 1,725.0 million (previous year: € 1,662.9 million), or 3.7 percent (5.4 percent at constant exchange rates) over the previous year. The essential drivers of growth have been China, Germany and the United States. Turkey, Russia, Indonesia, Argentina, France and Chile were other sources of growth. By contrast, projects in the Middle East have decreased due to less purchasing power caused by falling commodity prices and increased political uncertainty. Sales have increased in the area of angioplasty in particular, due to knee implants, endoscopy products, instrument containers and technical service. Strong sales growth was reported in Germany despite the continuing decline in prices for implants and stents. This decline in prices in Germany was offset by price increases in the Latin American markets.

Business performance of the B. Braun Out Patient Market division

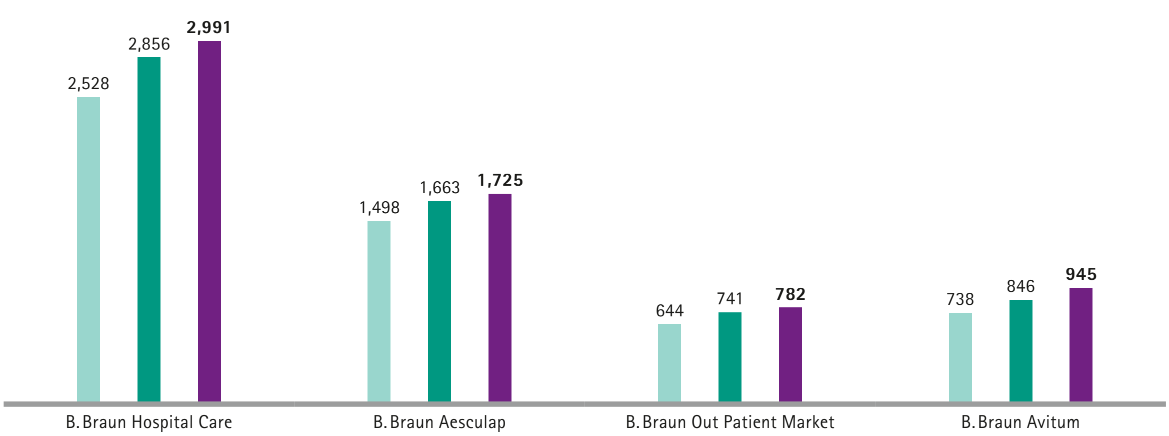
The Out Patient Market division reported sales of € 781.7 million (previous year: € 740.6 million), an increase of 5.5 percent (6.6 percent at constant exchange rates) over the previous year. Sales of elastomeric pumps, infusion solutions and infusion systems resulted in outstanding growth in the United States. While sales in Western Europe remained at the previous year's level, sales in Eastern Europe, the Asia-Pacific region and Latin America were strong in the fiscal year.

Business performance of the B. Braun Avitum division

The B. Braun Avitum division grew by 11.6 percent in the fiscal year (15.4 percent at constant exchange rates) and sales increased to € 944.8 million

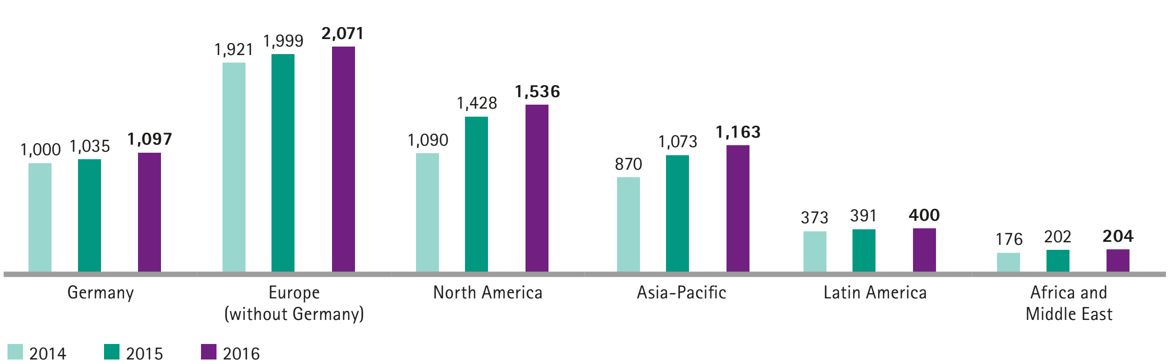
SALES BY DIVISION

In € million



SALES BY REGION

In € million



(previous year: € 846.3 million). In the product business segment, consumables and dialysis machines sold well. The essential drivers of growth have been Asia, Europe and the United States. Both the latest generation of the Dialog iQ hemodialysis machine and the new acute dialysis system were delivered to the first clients at the end of 2016. The division's earnings were also influenced by the high level of capacity utilization at its production facilities. The B. Braun dialysis centers also showed a very strong performance worldwide. This business segment successfully expanded through the acquisition and founding of new dialysis centers, which already had a positive impact on sales in the reporting year.

Development of gross profit

During the fiscal year, reporting changes were made to the effects of cash flow hedges in costs of goods sold. The figures from the previous year were adjusted accordingly. This reduced gross profit in the previous year by € 14.6 million.

Gross profit increased by 6.7 percent to € 2,862.9 million in 2016 (previous year: € 2,682.7 million). At the same time, the gross margin increased by 0.4 percentage points to 44.2 percent (previous year: 43.8 percent). This was primarily the result of higher sales volumes in conjunction with improved production capacity utilization.

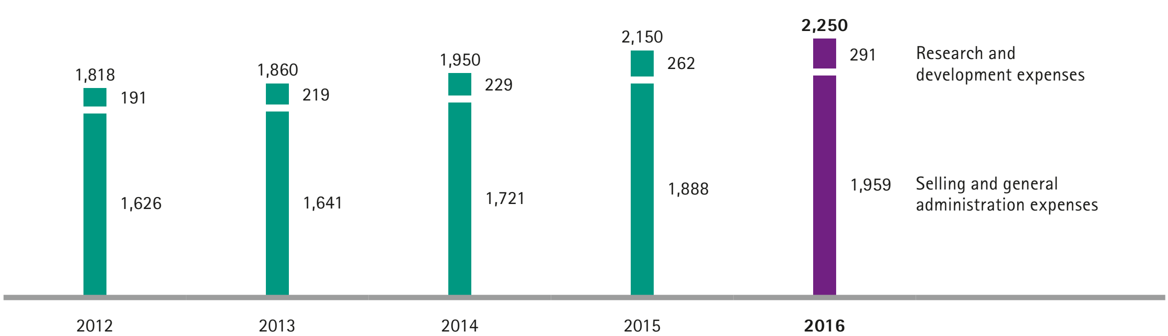
Development of functional expenses

Selling expenses climbed by 3.6 percent to € 1,635.2 million (previous year: € 1,579.0 million). This development was attributable to an increase of sales resources in growth markets, as well as higher volumes. Administrative expenses in the fiscal year came to € 324.0 million (previous year: € 308.9 million), 4.9 percent increase over the previous year. This was primarily due to higher IT costs to upgrade SAP and to introduce SAP HANA. Overall, selling and administrative expenses rose proportionally less than gross profit. In doing so, we have accomplished a key strategic target.

In addition, research and development spending went up again in 2016. Non-capitalized research and development expenses were up by 11.1 percent, to € 291.4 million (previous year: € 262.4 million). Furthermore, development expenditures totaling € 10.1 million (previous year: € 13.0 million) were capitalized as self-created intangible assets.

FUNCTIONAL EXPENSES

In € million



Development of other net income

The balance of operating income and expenses changed by € 19.4 million in the fiscal year to -€ 30.1 million (previous year: -€ 49.5 million). Currency hedging expenses decreased by € 7.5 million to -€ 14.9 million (previous year: –€ 22.4 million). Compared to the previous year, other operating expenses were impacted in particular by the completion of the comprehensive school in Melsungen, Germany.

Development of net financial income

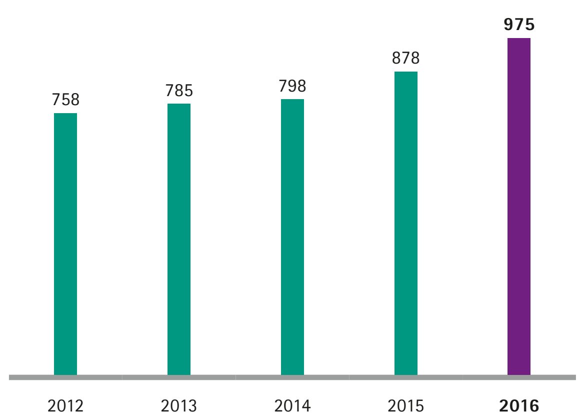
Net financial income, including investment income, was down by € 17.1 million in fiscal year 2016 to – € 54.4 million (previous year: – € 37.3 million). Interest expenses amounted to € 46.6 million, down by € 3.4 million from the previous year (€ 50.0 million). Interest income increased by € 1.2 million to € 6.4 million (previous year: € 5.2 million). Investment income (including income from equity method investments) also fell by € 16.3 million to € 17.8 million (previous year € 34.1 million).

Development of EBIT and EBITDA

Interim profit was € 612.3 million in the fiscal year, compared to € 523.4 million in the previous year. EBIT reached € 597.4 million for the fiscal year, up 15.6 percent from the previous year (€ 516.9 million). The gross margin increased due to higher sales volumes in conjunction with higher production capacity utilization. Because of the measures introduced to optimize processes and cut costs, and the implementation of these measures during the fiscal year, we have been able to limit the increase in selling and administrative expenses. Depreciation increased by 4.6 percent to € 377.7 million (previous year: € 361.1 million), resulting in an EBITDA of € 975.0 million. EBITDA increased 11.0 percent over the previous year. The EBITDA margin increased by 0.8 percent to 15.1 percent (previous year: 14.3 percent).

Profit before taxes increased 18.5 percent to € 527.8 million (previous year: € 445.5 million). Income taxes for the fiscal year amounted to € 131.8 million, up € 6 million from the previous year (€ 125.8 million). The effective tax rate in 2016 was 25.0 percent (previous year: 28.2 percent). Consolidated net income amounted to € 396.0 million, up 23.9 percent from the previous year (€ 319.7 million).

EBITDA
In € million



Financial position

Liquidity

Operating cash flow totaled € 822.8 million (previous year: € 687.5 million), up € 135.3 million from the previous year. Cash flow for investment activities increased[2] by € 70.2 million in the fiscal year to € 783.1 million (previous year: € 712.9 million), resulting in a positive free cash flow of € 39.7 million (previous year: -€ 25.4 million). Accordingly, cash flow for investments in plant, property and equipment, and intangible assets totaled € 739.8 million (previous year: € 695.6 million) and € 63.6 million (previous year: € 61.9 million) for investments in financial assets and business acquisitions. At the same time, B. Braun received dividends and dividend equivalents in the amount of € 13.3 million (previous year: € 29.4 million). Net borrowing for the fiscal year was € 49.4 million

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

(previous year: € 36.7 million). In all, cash and cash equivalents rose by € 27.5 million as of the reporting date to € 90.5 million (previous year: € 63.0 million).

Asset structure

As of December 31, 2016, the total assets of the B. Braun Group increased to € 7,981.8 million (previous year: € 7,266.1 million). This represents an increase of 9.8 percent and reflects the fact that investments in property, plant, and equipment exceeded depreciation.

Non-current assets increased by 11.7 percent to € 5,413.2 million (previous year: € 4,847.5 million). Due to consistently high levels of investment, property, plant, and equipment increased once again for the fiscal year, rising 9.5 percent (8.0 percent at constant exchange rates) to € 3,987.3 million (previous year: € 3,642.3 million). Inventories as of the reporting date amounted to € 1,135.4 million, up 7.4 percent (5.6 percent at constant exchange rates) over the previous year (€ 1,056.7 million). Inventory coverage as of the reporting date was 16.4 weeks (previous year: 15.9 weeks), putting it above coverage for the previous year; however, it is greatly affected by changes in exchange rates. At constant exchange rates, inventory coverage is 15.7 weeks, which is an improvement over the previous year. Trade accounts receivable increased by 5.3 percent (3.9 percent at constant exchange rates) to € 1,089.1 million (previous year: € 1,034.7 million). Trade receivables DSO remained unchanged at 67 days (previous year: 67 days). We therefore met our strategic target of 75 days.

Financing structure

Shareholders' equity increased by 9.4 percent (7.0 percent at constant exchange rates) to € 3.172.0 million (previous year: € 2,900.4 million). The equity ratio was 39.7 percent (39.4 percent at constant exchange rates), on par with the previous year's level (39.9 percent). Taking into account shareholder loans, this corresponds to an equity ratio of 41.0 percent. We therefore met our target from the previous year of exceeding 40 percent. Low interest rates have necessitated an increase in pension provisions in recent years. Adjusted for the effects in the period from 2011 to 2016 from the revaluation of pension obligations, shareholders' equity amounts to € 3.607.8 million. This results in an equity ratio of 45.2 percent, meeting our strategic target level of 45 percent. In the fiscal year, the actuarial interest rate for pension provisions dropped to 2.0 percent (previous year: 2.7 percent). This led to an increase in actuarial losses by about € 184.5 million. Total provisions for pensions and similar obligations increased by 20.5 percent overall to € 1,300.8 million (previous year: € 1,079.7 million). Financial liabilities increased by 3.6 percent to € 1,992.1 million (previous year: € 1,923.4 million). Non-current financial liabilities rose by 2.7 percent to € 1,186.2 million (previous year: € 1,155.0 million). Current financial liabilities amounted to € 805.9 million as of the reporting date, compared to € 768.4 million in the previous year. Most loans are denominated in euros and US dollars. However, there are also small loans in various foreign currencies. As of the reporting date, 44.4 percent (previous year: 46.6 percent) of financial liabilities to banks carry a fixed interest rate. As a result of the slight increase in financial liabilities and rise in cash and cash equivalents, net financial debt increased by € 38.5 million to € 1,872.5 million (previous year: € 1,834.0 million). Trade payables increased by 27.0 percent to € 442.9 million (previous year: € 348.6 million). Trade payables DPO increased by eight days to 45 days (previous year: 37 days).

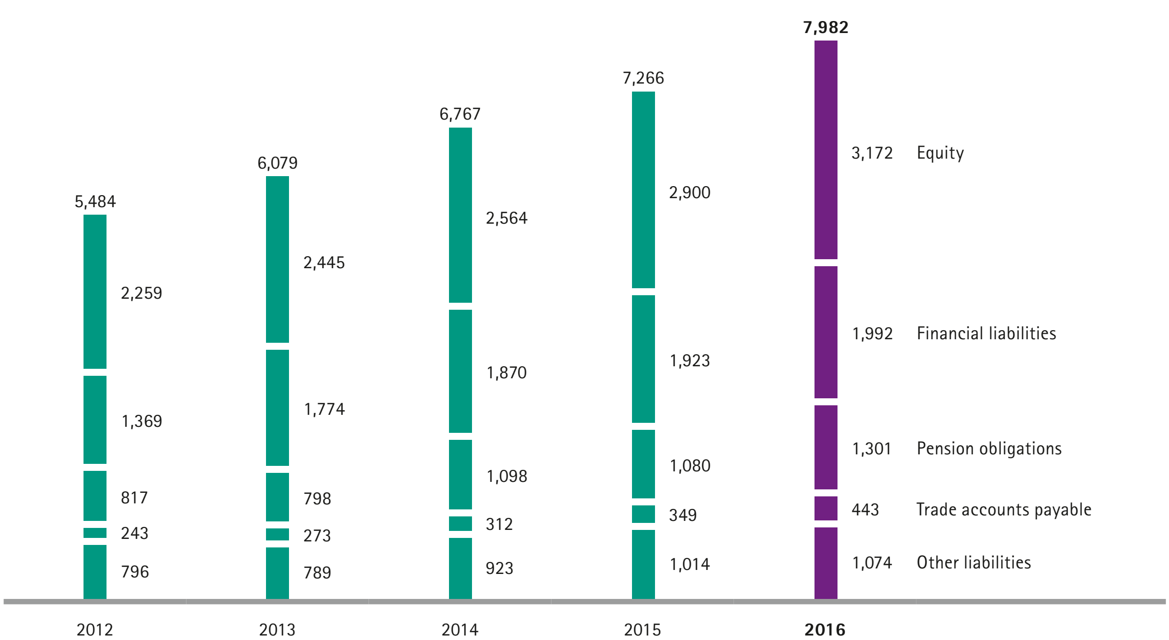
In 2016, we were able to place the planned financing instruments without a problem. Outside financing is obtained exclusively from banks we deem reliable, and the range of financing measures includes syndicated and bilateral credit lines, promissory notes, and an asset-backed securities program. As of the reporting date, B. Braun has available lines of credit in the amount of € 1,118.1 million

STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS

In € million

STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

In € million



(previous year: € 1,011.7 million). We have met all of the required financial performance benchmarks agreed upon with our banks.

The financing measures for the fiscal year included an increase and extension of the syndicated loan and the securing of bilateral loans in Germany and Asia. A new credit line in the United States was also opened.

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

Personnel report

Our employees are crucial to the success of B. Braun. We seek to recruit skilled and motivated employees, earn their loyalty, and offer them opportunities for advancement. Together with mutual trust and recognition, transparency in interaction forms the foundation for collaboration at all of our locations. With flexible working time models and preventive health care, we support our employees at their various stages of life. This is why offering family-friendly work hours is still a core component of our corporate culture. The culture and social diversity of our employees is reflected at all levels of the company. We are convinced that collegial interaction inside and outside the company strengthens B. Braun. This is why we cultivate constructive relationships with our social partners as well.

Together with mutual trust and recognition, transparency in interaction forms the foundation for collaboration at all of our locations.

For more than 10 years, agreements have existed between B. Braun and its social partners to protect jobs and secure the future of the Melsungen, Tuttlingen and Berlin locations. These agreements will remain in effect until 2020. They focus on avoiding layoffs for operational reasons and offering profit sharing to employees.

In order to promote cooperation between management and the European employee representatives at the B. Braun Group, the Europe Forum is held once per year. The Forum was held in Gyöngyös, Hungary, in September 2016. One of the topics was an agreement on introducing, implementing and monitoring uniform standards on environmental safety, health and occupational safety in all European subsidiaries of the B. Braun Group. The agreement took effect on October 1, 2016.

Digital personnel processes facilitate global cooperation among the B. Braun locations. We are using a standardized system in more and more of our companies for the management of employee data, time management, training, organizational and qualifications management, and payroll. A new, cloud-based e-learning management system helps us support lifelong learning at every location.

Number of employees

The B. Braun Group had 58,037 employees as of December 31, 2016. This is up 4.2 percent from the previous year (55,719 employees). The primary reason for this increase is the continual expansion of production as part of our strategic investment program. The Group also acquired and founded distribution companies and dialysis centers. Adjusted for the effect of acquisitions and the foundation of new companies, the number of employees increased by 3.7 percent.

In Germany, the number of employees climbed by 4.5 percent to 14,876 (previous year: 14,230). In addition to the further increase in production capacity and the hiring of new employees in the research and development, administration and engineering departments, this growth is attributable to the acquisition of a manufacturer of dialysis products and the acquisition of multiple dialysis centers.

In Europe, the number of employees climbed by 3.1 percent to 16,905 (previous year: 16,390). The main reason for this increase was the hiring of employees at production sites in Hungary, Poland, Italy and Switzerland. The opening of additional dialysis centers in Russia also contributed to this growth.

North America had 6,652 employees at the end of the reporting year (previous year: 6,053) working for B. Braun. This constitutes a 9.9 percent increase in employees over the previous year, resulting from a renewed increase in production capacity in the Hospital Care division.

The expansion of sales activities in China and of manufacturing in Malaysia resulted in an increase in the number of employees in the Asia-Pacific region. This growth was 5.6 percent, totaling 15,502 (previous year: 14,676).

The number of employees in Latin America decreased by 11.5 percent to 3,317 (previous year: 3,747). This development is primarily attributable to a reduction in the number of production employees in Brazil and Peru. The number of employees in sales and logistics decreased in Chile, Columbia and Mexico.

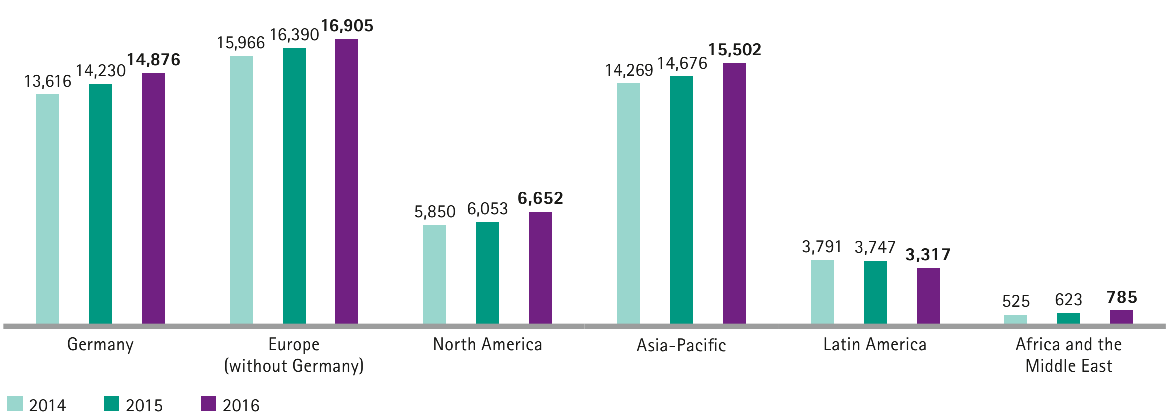
The number of employees in Africa and the Middle East increased to 785 (previous year: 623). This represents an increase of 26.0 percent over the previous year. This growth resulted primarily from the acquisition of a South African manufacturer of infusion and disinfectant solutions.

Participation of men and women in leadership positions

The equal participation of men and women in leadership positions at B. Braun is an important issue for the company. The percentage of women on the Supervisory Board in 2016 increased from 18.8 percent to 25.0 percent. We are therefore approaching the goal of 30 percent set in 2015. B. Braun voluntarily based this goal on the target set forth in the Act for the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors.

The appointment of Anna Maria Braun as a deputy member of the Management Board of B. Braun

EMPLOYEES BY REGION



Melsungen AG increased the percentage of women on the Management Board from 14.2 percent to 25.0 percent in April 2016. At the international level, women hold 15.1 percent of the leadership positions at B. Braun. This percentage remains unchanged from the previous year. The goal is to continuously increase the percentage of women in leadership positions. Global, regional and local concepts with a variety of measures – not just improving the work-life balance – will help increase the percentage of women in leadership positions.

Vocational training

In the face of demographic change, the qualification of junior staff is becoming increasingly important. With a growing number of available trainee positions and innovative learning approaches, B. Braun remains committed to vocational training. In the fiscal year, 373 trainees (previous year: 332) successfully completed their training at our locations in Brazil, Germany, Malaysia, Poland, Switzerland and Vietnam. Over the same period, the company took on 275 new trainees (previous year: 261). In Brazil, Germany, Malaysia, Poland, Switzerland and Vietnam, there are currently 1,065 (previous year: 1,092) young people in training with us. For many young people, combining vocational training with university studies is an attractive option. A total of 104 (previous year: 115) trainees in Germany are currently pursuing the dual system for vocational education. B. Braun also supports the development and implementation of innovative training approaches at a number of its international locations. These are aligned with the dual system for vocational education, but are adapted to meet local requirements. For example, electricians and mechanics for industrial maintenance, mechatronic specialists, metalworkers, experts in plastic processing, and those in industrial business management and logistics are participating in professional education.

Advanced training of employees

The sustainability of B. Braun hinges upon the qualification of junior staff and the individual development of employees. This is why B. Braun promotes the career of each and every employee with a diverse range of training and educational opportunities based on international standards. All training and development programs are organized by the B. Braun Business School. The basis for this is a harmonized course offering for all employees: the Global Curriculum. It serves to develop and promote the core B. Braun skills, and consists of eight different training courses that teach and promote value-based leadership and operational, social and individual skills.

We combine the values of a family with the opportunities of a global business. Regardless of location, we promote international assignments of our employees to strengthen our shared values and assist our employees in their development. With assignments abroad that are limited to a maximum five years, we ensure that the Group's knowledge is consistently applied across geographical borders. In fiscal year 2016, around 100 B. Braun employees in over 20 countries were working outside of their native country through our international assignment program, primarily in Germany, Malaysia, the United States and Vietnam. With individual approaches, we seek to expand international exchange and motivate more and more employees to work abroad.

As an innovative company, we also take modern approaches to human resources. These include holacratic concepts of cooperation as well as the application of new, agile leadership methods.

Performance-related remuneration

Under the B. Braun Incentive Scheme, a series of profit-sharing rights are offered to members of the

Management Board and eligible managers. This creates long-term loyalty and rewards success. The value of the profit participation rights depends on the development of the Group's equity. In fiscal year 2016, a total of 75,228 profit-sharing rights were issued (previous year: 64,761). Of the profit-sharing rights offered to eligible employees, 58 percent (previous year: 53 percent) were subscribed. As of December 31, 2016, a total of 689,615 profit-sharing rights had been issued (previous year: 690,351). The term for the B. Braun Incentive Scheme was extended in 2015 by five years, to 2020, by resolution of the shareholders' meeting.

Thank you to our employees

Our strong performance in the reporting year was made possible above all by a trustful collaboration of our employees and by their knowledge and commitment. We would like to convey our sincere thanks to our employees for all of their work. We are convinced that the abilities and energy of our employees will allow B. Braun Group to continue to succeed in the future. We would also like to thank the employee representatives and trade unions for their cooperation, which has always been fair and constructive.

We are convinced that the abilities and energy of our employees will allow B. Braun Group to continue to succeed in the future.

Non-financial performance indicators

Quality and environmental management

As a developer and manufacturer of medical and pharmaceutical products, B. Braun operates in highly regulated markets. Therefore, the quality and environmental management system we implement must comply with stringent statutory and regulatory requirements. We have also set our own standards for environmental safety, health and occupational safety, which we regularly monitor through internal audits. By paying close attention to clients' needs, we have identified and standardized key processes to ensure uniformly high levels of quality. All procedures, products, and IT-related documentation are subject to a continuous improvement process, taking into account environmental sustainability and productivity.

As a member of the German Chemical Industries Association (Verband der Chemischen Industrie, VCI), B. Braun adheres to the Association's guidelines on "Responsible Care" and takes responsibility for improving the protection of the environment, as well as health and safety in the workplace under the global "Responsible Care" initiative.

A total of 21 B. Braun Group locations in Europe are EN ISO 14001-certified. In addition, environmental management in Rubí and Jaén (Spain) has received certification under the EU's Eco-Management and Audit Scheme (EMAS). Our occupational health and safety management system at our locations in Germany (Melsungen, Tuttlingen and Bad Arolsen), France (Nogent-le-Rotrou, Chaumont, Chasseneuil-du-Poitou, Saint Jean de Luz and Boulogne), Spain (Rubí and Jaén), Switzerland (Escholzmatt, Sempach and Crissier), Romania (Timisoara), Russia (Tver), Malaysia and Brazil, as well as B. Braun Avitum in Italy, is certified for compliance with international standard OHSAS 18001. The Melsungen location has also obtained the "Seal of Approval – Systematic Safety" (German: "Sicher mit System") mark from the BG RCI (statutory accident insurer for the commodities and chemicals industry). Select European dialysis centers belonging to our B. Braun Avitum division are certified under EN ISO 9001 and IEC/TR 62653 "Guideline for safe operation of medical devices used for hemodialysis treatments." Dialysis centers qualified under these standards are authorized to use the "Good Dialysis Practice" certificate.

All B. Braun medical devices conform to the Essential Requirements of the European Council Directive on Medical Devices and the German Medical Devices Act (Medizinproduktegesetz, MPG). In the United States, we adhere to the guidelines in Title 21 of the Code of Federal Regulations, which details the requirements of the FDA (Food and Drug Administration) for pharmaceuticals and medical devices. In addition, all of our divisions comply with the specific requirements of, for example, ISO or eco-audit directives and a large number of national laws and regulations.

Customer and product responsibility

We develop, manufacture and distribute high-quality, safe and reliable products and services. Our actions are directed toward the safety of patients and medical professionals: B. Braun's treatment systems are designed to help medical professionals treat their patients in a medically flawless manner, and with maximum efficiency and minimum risk. As a result, our products meet the highest quality standards and satisfy all statutory and official requirements, as well as our internal safety and quality requirements. Each B. Braun company ensures that national and international quality assurance requirements are implemented and that all complaints are received and fully addressed in a timely manner. We fully and thoroughly comply with our product surveillance obligations. In line with our "Sharing Expertise" philosophy, new B. Braun products are developed together with customers in order to enable optimal use in clinical practice. In addition to the therapeutic benefit of its products, B. Braun attaches great value to user-friendliness and user safety. Even during the development stage, the use of substances and materials which are hazardous to human health and/or harmful to the environment is subjected to critical scrutiny in the form of risk analyses, and risks are eliminated or minimized whenever possible. Its broad product portfolio puts B. Braun in a position to cover entire treatment areas and processes, thus reducing potential risks in application processes. The design and functionalities of our products improve the safety of both users and patients.

In line with our "Sharing Expertise" philosophy, new B. Braun products are developed together with customers in order to enable optimal use in clinical practice.

We protect the data of our customers, patients, employees and applicants from unauthorized access by third parties, handling this data with care and in accordance with the applicable rules. We take special precautionary measures to protect personal information. Our data security teams also organize routine employee training sessions, provide advice in connection with the drafting of contracts and marketing activities, and offer an extensive information platform for data protection.

B. Braun manufactures primarily single-use products in large quantities. The development, production and market surveillance of our medicinal products and medical devices conform to international material and product standards, as well as standards for quality assurance systems, environmental protection and worker safety. At B. Braun, these standards are incorporated into an "integrated management system" (quality, environmental protection, worker safety) with harmonized processes for development, production, testing and market surveillance. Constant risk management ensures that all relevant information is collected and evaluated, and that action is taken when necessary. If, despite all of these preventive measures, a problem with our products or services arises, we can quickly respond to customer complaints. A centralized complaint database ensures a link with our global distribution organization. As a result, a qualified and medically sound assessment of the circumstances of the case can be made by experts in centralized fashion, regardless of the production location, and the appropriate action can be taken if necessary.

Corporate social responsibility

Our values of innovation, efficiency and sustainability make us what we are: a family-owned company with a strong sense of economic, environmental and social responsibility. As a "corporate citizen," B. Braun has been supporting social projects at its locations around the world for many years, with the goal of increasing knowledge, strengthening regions, and creating prospects. This is why we are committed to education, health, and the coming generations. Overall, we sponsored 232 social projects in 41 countries in 2016.

After two years of planning and construction, the Melsungen Comprehensive School, located where the company was founded, opened on September 8, 2016. The result is a bright, learning-friendly and barrier-free school that facilitates inclusive learning and all-day classes. With the reconstruction of the comprehensive school, we have created something sustainable for the region to commemorate the 175th anniversary of B. Braun. A total of approx. € 12 million was invested in the project.

As a "corporate citizen," B. Braun has been supporting social projects at its locations around the world for many years, with the goal of increasing knowledge, strengthening regions, and creating prospects.

The international initiative "B. Braun for Children" focuses on the future of children and youths. It requires not only personal dedication, but also financial support. Since 2004, B. Braun has been promoting projects around the world as part of the initiative – the focus being on education projects. In 2016, we implemented 115 "B. Braun for Children" projects, benefiting over 54,000 children. Since the start of this year, B. Braun employees at the Melsungen, Tuttlingen, Berlin, Glandorf and Radeberg locations can also donate the "extra cents" from their monthly pay. This money is used to help support one of the many "B. Braun for Children" projects the company has been promoting for years.

Sustainable social development is the focus of the "Pulsar" project, which promotes disabled sports. Together with the German Sport University Cologne (DSHS) and the SUPERAR Institute for Disabled Sports, the German-Brazilian Chamber of Industry and Commerce (AHK) has developed a training program for physical educators that offers an additional qualification in disabled sports. This initiative, launched to commemorate the 100th anniversary of the AHK Rio de Janeiro and supported by B. Braun, is continuing into 2017.

Opportunity is also at the center of our collaboration with the startup initiative Weconomy, which connects innovative, technology-oriented startups with established businesses. Important topics such as market entry, organizational development, and business development play a role in exchanges on equal footing with top managers in the German economy. In 2016, the initiative organized a Weconomy Weekend, where representatives of winning startups exchanged ideas with managers, including B. Braun management board chairman Prof. Dr. Heinz-Walter Große, at the Bosch Research Campus in Renningen.

B. Braun is dedicated not only to long-term projects, but also in cases where help is needed immediately.

Every day, thousands of refugees in conflict zones leave everything behind to seek protection from war and persecution. In numerous emergency shelters, volunteers provide the essentials: a roof overhead, a shower, clothing and hot meals. As a family-owned company, B. Braun supports these measures at its locations. The Management Board provided € 50,000 in immediate aid for constructing refugee centers and for refugee organizations. B. Braun also set up a donation account under the slogan "B. Braun for Refugees," to which employees from various countries donated around € 33,000. The company doubled the donations, reaching a total of € 66,000. The money is going to various projects through which B. Braun, together with local associations, intends to support the integration of refugees into the community and of young people into the job market.

B. Braun, together with local associations, supports the integration of refugees into the community and of young people into the job market.

Here are some examples: In Melsungen, the B. Braun Vocational Training department, the Association for a Sustainable Melsungen, the city integration office, and the Radko Stöckl Vocational School started the "Initiative for the Professional Orientation of Refugees." This, in turn, developed the "Professional Technical Qualification for Refugees" (QuaTeF) pilot project, which is intended to help prepare refugees for the demands of the job market through professional orientation internships at B. Braun, schooling and language courses.

At our Tuttlingen location, we are training young refugees as machine and equipment operators. With the money collected for the "B. Braun for Refugees" relief campaign, we also support Mutpol, a youth welfare association. Another portion of the donations goes to the Berlin branch of the Workers' Samaritan Federation to provide medical care to refugees. We also support the "Radeberger Land Hilft" alliance in Radeberg. The goal of all of these projects is to give refugees a positive outlook in their new home.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT AND CONTROLLING

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

We have a fundamentally cautious corporate strategy that quickly identifies risks and systematically takes advantage of new opportunities.

RISKS

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

Macroeconomic risk[3]

The radically altered political landscape poses a substantial risk to the global economy. This has considerably increased the level of uncertainty in the world, making negative effects on investing and the purchase of consumer durables possible. Overall, this can have a lasting effect of weakening the development of the global economy.

There is great uncertainty whether Great Britain's decision to leave the European Union will result in new restrictions on trade and the movement of capital. This would put a considerable strain on trade in Europe. In addition, the growing populist parties in individual European countries are demanding protectionist measures, including an exit from the European Union. This could jeopardize the survival of the European Union in its current form, and economic trade within Europe would change drastically. This would have dramatic consequences for export-oriented economies in particular, such as Germany. There are also indications that the fiscal consolidation in the European countries greatly affected by the financial and economic crisis will no longer be pursued consistently. The rejection of the referendum in Italy that would have paved the way for further reforms is one example. The future economic, international and security policies of the United States are uncertain following the presidential election. The expansion of public infrastructure investments and the reduction in taxes promised during the campaign could initially have a positive effect on the economic growth of the United States. However, a protectionist

[3] ifo Institute: ifo Economic Growth Forecasts 2016–2018, December 2016

foreign trade policy and a significantly lower level of security commitment from the United States would have a negative impact on global trade and on the willingness to invest in developing economies. This has the potential to further hinder already slowing growth in emerging countries, especially China, and poses a risk to global economic development.

The new government in Brazil is expected to initiate structural reforms in 2017, making it possible for the country's economic situation to improve slightly. Given its high national debt, fiscal and monetary policy will continue to be restrictive. Members of the government are also facing suspicions of corruption. This could cause potential investors to be cautious and greatly limit the ability of the current government to take action.

Industry risk

The health care market remains largely immune to economic fluctuations. Consequently, the development of our disposable goods business is generally not greatly dependent on macroeconomic trends. In contrast, the capital goods produced by B. Braun are cyclical. A dependence on economic trends generally exists even where patients have to pay for health care services themselves. Far-reaching austerity measures in some countries have resulted in cuts to public health care budgets, which may have a negative impact on demand for our entire range of products and services. This is compounded by the fact that some countries are also extending payment periods and introducing or increasing compulsory discounts and other levies.

In some markets, it is becoming evident that foreign manufacturers will have no or only limited opportunity to participate in the bidding process if domestic manufacturers offer comparable products. This is the case, for example, in Russia. Tender and import rules for German manufacturers in that country continue to be characterized by protectionist policies. We are intensifying our relationships with local manufacturers and continuing to expand our regional presence in order to maintain lasting access to growth markets all over the world.

Increased formalization of the international product approval process is evident, this entails higher costs for B. Braun. Longer processing times and more extensive requirements for documentation and study submissions can delay and drive up the cost of product launches, and increase the overall research and development risk. On the demand side, the creation of group purchasing organizations for high volume purchasing is strengthening the market power of customers, in turn increasing the risk of further price pressure and our dependence on individual clients. The complete vertical integration of hospitals or other customers by pharmaceutical or medical technology companies presents an additional risk, one which could impact market access for other companies.

Overall, the structural risks for businesses operating within the health care market 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 occurrence of these potential risks may impact production supply, thereby impacting B. Braun's delivery capabilities. Potential supply shortages arose in some instances during the fiscal year. B. Braun, along with others, faced a few instances of force majeure delays from several suppliers in the plastics market in particular. In all cases, however, potential supply interruptions were avoided. Thanks to the procurement processes which have been implemented, as well as our global purchasing organization, countermeasures and strategies were developed to avoid risks so that production was never delayed or interrupted. Our longstanding, trusting and collaborative supplier relationships are a crucial foundation for ensuring consistent supply. We will continue to build on these supplier relationships in the future. Wherever possible, we use strategies for long-term price hedging as part of active price management. These include pooling our demand, entering into long-term supply contracts to hedge commodity prices on intermediate goods, and concluding master agreements. The goal is to reduce price and supply risks while maintaining consistently high quality. To minimize the risk of supplier defaults, we routinely perform risk assessments of our suppliers. If a supplier is identified as a high default risk, we have a range of established processes and instruments to ensure continuous supply. These include disaster recovery plans, holding inventory either at B. Braun or at the supplier's location, second and dual sourcing, and the preservation of notarized documents about production processes and formulations. We will continue to expand our existing supplier base risk management.

The situation in individual procurement market sectors continues to be challenging. Our procurement organization was able to use established processes to secure price and supply in order to consistently keep our risk position low, resulting in no discernible, fundamental procurement risks.

Product risk

We counter the risk of interactions and side effects in infusion therapy, drug admixture, and orthopedics using quality management systems at our production facilities. These are modeled on international standards and assure that all regulatory requirements are observed. Regular reviews of our quality management systems utilizing internal and external audits, together with continuous employee training, complement our quality management activities. There are no risks arising from ongoing procedures that could jeopardize the company's continued existence.

HR risk

The main risks facing HR relate to demographic changes and a lack of sufficiently qualified skilled workers and managers at the regional level. B. Braun addresses these developments with various measures for increasing its appeal as an employer. Aspects of our HR strategy include initiatives to improve employees' work-life balance, a strong commitment to training and continuing education, performance-based pay, and flexible working time models. This approach means no discernible negative impact on the development of B. Braun due to HR risks. B. Braun is also securing its long-term need for skilled workers abroad by gradually introducing the German training model.

Continuing education and opportunities for advancement are also important parts of our HR strategy. This is why B. Braun is continuously developing its human resources development programs. The goal of these programs is to encourage employee loyalty from an early stage and promote identification with the company. This should reduce risks caused by fluctuation and loss of knowledge. B. Braun is also expanding its international training offerings, including the Executive Development Program for international managers. Early succession planning is also an integral part of the HR strategy at B. Braun. This ensures that vacant managerial positions can be swiftly filled by suitable candidates from the company.

IT risk

Important business processes rely on IT systems. A failure of essential IT systems or a large-scale loss of data could lead to a serious disruption in business operations, including in manufacturing. Our continued investment in IT infrastructure and a redundant system architecture help to 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. Our systems are also protected by robust anti-malware programs. Due to these measures, we do not anticipate any significant negative effects from IT risks. However, the challenges of ensuring IT security continue to increase. Greater networking as part of digitization and Industry 4.0, as well as increasing instances of hacking, indicate increased IT risk. For this reason, we are reinforcing the above-mentioned measures and expanding them as needed. Reducing IT risk remains a critical task in the future as well, in order to guarantee the smooth flow of Group-internal processes.

Financial risk

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

To manage liquidity risk, we maintain sufficient reserves of short- and long-term committed credit lines, including, in particular, a syndicated loan with a volume of € 520 million. In this fiscal year, we extended this loan by another year, to 2021.

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

Our holdings in publicly traded companies 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 and established risk management and controlling processes, we continuously monitor and analyze how our shareholdings are developing. This allows us to detect risks early and take the necessary steps.

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

OPPORTUNITIES

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

Opportunities arising from positive economic development.

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

Opportunities arising from the growth strategy

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

Opportunities arising from research and development

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

Opportunities arising from our international presence

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

Opportunities arising from employees

Our employees are the driving force behind our innovations. Through close exchange with clients, users and patients, they create added value for B. Braun. Their strong identification with the company increases motivation and promotes individual responsibility. We aim to encourage this even further by providing employee development opportunities. Should the associated measures and methods result in faster and better progress than expected, this could further strengthen our competitive position and have a positive impact on B. Braun's sales, earnings and cash flow.

OVERALL STATEMENT ON THE GROUP'S RISK AND OPPORTUNITY SITUATION

From today's viewpoint, no risks or dependencies are identifiable that could threaten the viability of the B. Braun Group for the foreseeable future. There were no material changes in the Group's net risk position relative to the previous year and, once again, no risks were identified that could jeopardize the company's continued existence. However, we have observed increasing volatility in some areas. Examples include the continuing distortions on the foreign exchange markets and the heightened procurement risks in some cases. In addition, the economic effects of the current political/economic developments in the United States, Great Britain and Turkey, but also, for example, in France, Italy, Russia and Brazil, cannot be assessed. This increases uncertainty for companies active in regulated markets or those whose sales are partly dependent on state budgets.

To the extent possible and appropriate, we are insured against liability risks and natural hazards, as well as other risks. Despite our extensive insurance coverage, obtaining full coverage for potential product liability risks is not feasible. In general, however, we are convinced that the continuing market risks will not have a substantial negative impact on the B. Braun Group's performance. Alongside these market risks are significant opportunities, which may enable successful business performance.

OUTLOOK

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

EXPECTED MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Expected development of the global economy[4]

The International Monetary Fund (IMF) projects a slight increase in economic growth of 0.3 percentage points to 3.4 percent for 2017. Industrialized countries as well as emerging and developing countries will contribute to this growth. However, the political decisions made in Great Britain, the United States and Italy have made the future of the economy uncertain in many places, and uncertainty on the global market is growing. While China is growing somewhat more slowly than in previous years, commodity-exporting economies such as Brazil and Russia will overcome their recessions in the upcoming year. It is also expected that the increase in the key interest rate by the US Federal Reserve at the end of 2016 and the increases expected in 2017 will hamper financing conditions, especially in developing countries. The global economy will once again be characterized by fluctuating exchange rates.

CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2016	2017
Europe	**1.7**	**1.6**
Germany	1.7	1.5
France	1.3	1.3
Greece	0.1	2.8
Great Britain	2.0	1.5
Italy	0.9	0.7
Poland	3.1	3.4
Russia	– 0.6	1.1
Spain	3.2	2.3
Turkey	3.3	3.0
North America	**1.6**	**2.2**
Canada	1.3	1.9
USA	1.6	2.3
Asia-Pacific	**5.4**	**5.3**
China	6.7	6.5
India	6.6	7.2
Indonesia	4.9	5.3
Japan	0.9	0.8
Malaysia	4.3	4.6
Latin America	**– 0.7**	**1.2**
Argentina	– 1.8	2.7
Brazil	– 3.5	0.2
Chile	1.7	2.0
Mexico	2.2	1.7
Africa and the Middle East	**3.6**	**2.9**
Iran	4.5	4.1
Kenya	6.0	6.1
South Africa	0.3	0.8

The total economic growth rate in Germany will fall 0.2 percentage points in 2017 to 1.5 percent. We

[4] International Monetary Fund: World Economic Outlook, October 2016, and ifo Institute: ifo Economic Growth Forecast 2016–2018, December 2016

continue to expect favorable financing conditions, which will have a positive impact on construction investments. Increasing private consumption will also help drive growth. Increased wages, higher transfer payments and a rise in employment will contribute to greater demand. Increased public consumption will drop in connection with the reduced number of new immigrants.

Moderate economic growth of 1.6 percent is expected for the eurozone. Private consumption, in particular, will contribute to growth. Rising energy prices will reduce this effect slightly in 2017 compared to the two previous years. Rapid economic growth will also be slowed by a lack of structural reforms in some Member States of the European Union, a marginal improvement in price competitiveness, and increased political uncertainty. The growth rate in Italy will only be half that of the entire eurozone. The Italian banking sector will be characterized by a high number of impaired loans. The refusal to amend the constitution makes it impossible to predict whether the necessary economic reforms will be passed soon. In 2017, Great Britain plans to submit its request to leave the European Union. The negotiations over the next two years will show to which extent this step will affect GDPs in the eurozone and Great Britain.

Central and Eastern European economies expect moderate growth of an average of 3.1 percent. Despite restrained eurozone growth, Central and Eastern European exports will increase. The Turkish economy is currently being bolstered by a government stimulus; nevertheless, growth is slowing due to increased uncertainty brought on by the attempted coup and the terrorist attacks in 2016.

For the Russian economy, the IMF forecasts a 1.1 percent growth for 2017. The increase in oil prices and the recovery of commodity prices will allow the Russian economy to pull out of the recession it experienced in 2015 and 2016. Despite this, 2017 will depend greatly on its foreign affairs. The current sanctions and structural problems in the country are negatively impacting growth.

The North American GDP will grow once again in 2017. Following the US election, it is not certain whether the new president will intervene in the US economy with higher government spending or by lowering taxes. A combination of the two also appears to be possible. In any case, 2017 will see an initial increase in economic growth. It remains to be seen how campaign promises to deregulate the financial sector, introduce a protectionist trade policy, and invest public funds into infrastructure will be implemented. It also remains to be seen whether the negotiations between the United States and the European Union on the planned transatlantic trade and investment partnership (TTIP) will proceed under current conditions. The next steps in resolving the nuclear dispute with Iran currently cannot be assessed.

Growth in the Asia-Pacific region will remain slightly below the previous year's level in 2017. There is a marginal declining trend in the economic growth of China. This is due to factors such as a drop in the potential labor force and the slowing of capital accumulation. The Chinese economy will continue to focus on increasing consumption and expanding the services sector. This will be based on an improved social safety net and deregulation in the services sector. Gains from improved trade conditions, economic policy measures and structural reforms in recent years will help to greatly increase India's GDP. The growth rate in Japan will remain at the previous year's level. The postponement of a VAT increase and planned measures to improve growth will help, although appreciation in the Japanese yen may hinder development.

According to the IMF, the GDP in Latin America will increase to 1.2 percent in 2017. The stabilization of commodity prices combined with a 0.2 percent growth will allow the Brazilian economy to overcome its recession. The inflation rate should also noticeably decrease in 2017. After a year of economic restructuring, a growth rate of 2.7 percent is forecasted for Argentina. The upswing will be assisted by an increase in consumption, investing and exports due to the reforms passed in 2016, a moderate inflation rate, and a more helpful monetary and fiscal policy. In Mexico, a drop in economic growth of 0.5 percentage points is expected. As a result of low oil revenues in 2016, the state budget of Mexico will be reduced for 2017. It is also feared that the US election will worsen trade conditions with the United States. As an initial reaction, the Mexican peso already devaluated at the end of 2016.

The growth rates in Africa and the Middle East should continue to increase in 2017. Continuing industrialization and expanding infrastructure will provide new business opportunities in Africa. Nevertheless, the economy will continue to be greatly impacted by political instability, health risks and security problems. The conflicts in the Middle East will have a negative effect on the economies in the region in 2017. Low oil prices in 2016 are likely to cause a decrease in investments in this sector. Further reforms, lower tax progression, and increased demand from abroad should contribute to growth.

OUTLOOK FOR THE HEALTH CARE MARKET

Positive growth rates are expected for the global health care industry in 2017. Health care spending in industrialized nations will increase moderately. Demand for health care services in industrialized countries is growing, due primarily to the increase in chronic diseases, demographic changes, increased life expectancy and an associated increase in morbidity, and the availability of expensive, innovative treatment options. Positive global growth will be primarily supported by the markets in Asia and the Middle East. Population growth, increasing affluence and the expansion of the health care system are contributing to this growth. As incomes rise, demand for higher-quality care in these countries is growing.

Sales growth is possible for B. Braun not only for its existing product portfolio, but also through product innovation and differentiation. This will have a positive impact on many of our product segments. The dialysis market is also expected to continue to grow. This is due to the rising number of diabetes cases in recent years. Since these can result in chronic renal failure, the need for dialysis will continue to increase. Due to low population growth, the rate of increase in industrialized countries will be lower than in the rest of the world.

Companies whose products have the potential to improve process efficiency for clients will have a particularly strong competitive advantage in the future. Subjects such as user safety, ease of use, and targeted product improvements will become more important. In addition, digital innovations will continue to help physicians make diagnoses and choose the right treatment. New technologies create better links between the individual actors in the health care sector, resulting in more efficient processes and lower costs. As the trend toward globalization continues, more price transparency is to be expected which, along with the increasing professionalization of purchasing behavior, may result in a decline in prices and, therefore, margins.

Digitization and Industry 4.0 are keeping health care manufacturing companies busy in various ways. Internal processes will be influenced in particular by changing production possibilities, along with the collection and analysis of big data. These include preventive maintenance and automated machine-to-machine (M2M) information exchange along the value chain. Increased production flexibility and faster response to client and market demands appear possible. Medical technology products are also being built with more digital components and integrated into networks. This may produce new diagnostic and treatment options. At the same time, demands on IT security are increasing, since health care services are classified as "critical infrastructures" (Kritis). This means protection against unauthorized access to medical components in a network must be factored in during product development. Companies factoring in digitization both in internal processes and products may experience competitive advantages.

Moderate growth rates are forecast for the European health care markets. Higher health care spending is predicted in Germany, Great Britain and Sweden than in Portugal, Spain, Iceland, Greece and Italy, whose household budgets are relatively low. Many Western European countries are also combating the consequences of demographic change. The demand for treatments for age-related illnesses and the need for senior care services will increase gradually in the coming years. Numerous new hospitals are expected in Turkey. In 2017, Great Britain plans to submit its request to leave the European Union. The medical technology sector predicts that any trade restrictions could impact the export business of German manufacturers. It currently cannot be estimated whether there will be less investment in British health care over the medium term or whether there will be other negative effects from exchange rate trends.

The restrictions on importing medical technology products by western manufacturers into Russia are likely to continue. The Russian Ministry of Industry and Trade is also planning to replace imports with domestic production. By 2020, domestic production should cover 40 percent of the demand for medical products. The market share of Russian producers is currently at almost 20 percent. Furthermore, there are established increasingly more privately financed and operated medical facilities in Russia. Private organizations are not affected by the import substitutions, meaning new export opportunities in this sector in the future.

The North American health care market will continue to expand. The conclusion of CETA between Canada and the European Union will open up new sales opportunities for European manufacturers of medical and medical technology products in the Canadian market due to the lifting of export duties. Health care spending in the United States is expected to grow in 2017. However, with the new president, it remains to be seen how much of the health care reform passed by his predecessor, the "Patient Protection and Affordable Care Act" (ACA), will be retained. How future decisions will impact the development of the health care market cannot yet be predicted.

The health care market in the Asia-Pacific region will grow considerably in 2017. The growing affluence of the population as well as the expansion of government health care programs will contribute to this growth. The strongest growth rates are still expected in India and China. While China has been focusing on health care expansion, attention should shift more to the efficient provision of services and their quality in the future. The Chinese government is also focusing more on innovative solutions, such as mHealth (medical care support through, for example smartphones, tablets or applications that can be controlled through sensors). In 2015, the Indian government passed a health care reform that would provide health care to all residents. Spending in the amount of US$18.5

billion over the coming years has been predicted to implement the reform. Due to the high cost, the government plans to improve the reform. Japan is currently planning steps to make the health care system more efficient in the future.

Health care spending in Latin America will increase slightly. After the health care industry in Argentina went through a recession in 2016, the Argentine government intends to further integrate private businesses in the health care market. Investments in the health care sector are expected to increase in 2017. The intended health care and social security reforms should spur growth. Due to the restrained economic situation in Brazil, the state will be forced to reduce its budget for health care spending, meaning that positive growth is only expected in the private sector of the Brazilian health care industry.

Relatively high increases in health care spending are expected in the Middle East and Africa. This growth will continue to be influenced by the expansion of health care in some countries and sustained population growth. Health care in Africa varies greatly. In Algeria, several hospitals are under construction to alleviate a shortage of medical care, and the South African government is planning to upgrade hospitals and introduce national health insurance by 2025. Nevertheless, many countries in Africa will remain dependent on aid from international organizations in the future. High demand for medical technology is expected in the Middle East in 2017. Iran is also planning to build several new hospitals.

BUSINESS AND EARNINGS OUTLOOK

We expect the B. Braun Group to achieve sales and profitability growth in the 2017 fiscal year. Sales growth will be five to seven percent, assuming exchange rates remain constant (2016: € 6,471.0 million). We expect more dynamic growth in the B. Braun Avitum dialysis division and the Out Patient Market division than in the rest of the Group.

The global health care market will continue to be divided into two groups. We expect increased volumes in developing and emerging markets. We will be able to participate in the growing demand thanks to our capacity expansions and international presence. We expect that business results in the Asia-Pacific region will continue to improve. China, India, Vietnam and Indonesia will be the primary growth markets. In Latin America, we predict good sales increases in local currency, especially in Mexico, Columbia and Peru. Given the expected exchange rate development, sales in euros must again be expected to be in line with last year's levels.

In the established markets of Europe, including Germany, we expect demand to remain constant, as products which take into account both safety and efficiency aspects become more relevant. Innovations and continuous product extensions will open growth opportunities in these markets as well.

In the Africa and Middle East region, we expect dynamic growth in 2017, especially in South Africa. North America will continue to support the Group's growth with strong increases in sales, both in US dollars and in euros.

On the earnings side, we expect our key performance indicators, interim profit and EBIT, to close within a range of € 620–660 million in 2017, assuming constant exchange rates (previous year: € 612.3 million interim profit and € 597.4 million EBIT). If exchange rates remain constant, we expect EBITDA to increase to over a billion euros (2016: € 975.0 million). Our target is once again to increase the EBITDA margin.

All divisions should contribute to improved earnings. The increase in profitability stems, in part, from the completion of major investment projects and increases in volume, which will drive improved production capacity utilization. The launch of new products will also have a positive impact on earnings.

The strategic target in connection with our proactive working capital management, at constant exchange rates, is to keep DSO less than 65 days (2016: 67 days) and CIW less than 16.0 weeks (2016: 16.4 weeks). Overall, we expect to meet our strategic working capital goals in 2017.

The significantly shifting global political landscape poses risks. The decision by Great Britain to leave the European Union and the result of the US presidential election have considerably increased uncertainty in the markets. This can result in investor and consumer reticence, slowing global economic growth. The US Federal Reserve's decision to abandon its expansive monetary policy could amplify this effect. Due to the reform efforts of various governments to make health care more efficient and partly due to intensive competition, price pressure will continue across all markets.

EXPECTED FINANCIAL POSITION

B. Braun will continue its solid financial policy of the last few years in the future as well. We are striving for an equity ratio of over 40 percent for 2017. At the same time, we will maintain our current dividend policy.

The financing volume for long-term maturities will be € 190 million for this year and € 168 million in 2018. Because of our financing activities in the reporting year, we are well prepared to realize these financing volumes in the next two years.

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 expansive 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 as a substantial risk to B. Braun at this time. The planned investments in plant, property and equipment in the coming years will be financed primarily from operating cash flow.

The solid financial condition of B. Braun will also allow us to continue to protect health worldwide and sustainably improve people's lives.

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 another positive fiscal year, driven by a sales growth of five to seven percent. We expect further sales growth over fiscal year 2017 and to meet our strategic targets. A sustainable improvement in the profitability of the B. Braun Group is our goal through the investment projects and measures initiated for internal process optimization.

The solid financial condition of B. Braun will also allow us to continue to protect health worldwide and sustainably improve people's lives. With innovative and economical treatment concepts, we are helping users provide optimal patient care.

Melsungen, March 8, 2017
The Management Board

INVESTMENTS

806.7

EUR MILLION

(+2.5%)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

	Notes	2016 € '000	2015 € '000
Sales	1)	6,470,978	6,129,770
Cost of goods sold	2)	– 3,608,096	– 3,447,085
Gross profit		**2,862,882**	**2,682,685**
Selling expenses	3)	– 1,635,202	– 1,579,030
General and administrative expenses		– 323,989	– 308,890
Research and development expenses	4)	– 291,416	– 262,395
Interim profit		**612,275**	**532,370**
Other operating income	5)	299,783	410,899
Other operating expenses	6)	– 329,886	– 460,409
Operating profit		**582,172**	**482,860**
Profit from financial investments/equity method	7)	17,724	18,913
Financial income		6,436	5,198
Financial expenses		– 76,050	– 76,625
Net financial income (loss)	8)	– 69,614	– 71,427
Other financial income (loss)	9)	– 2,509	15,173
Profit before taxes		**527,773**	**445,519**
Income taxes	10)	– 131,771	– 125,802
Consolidated net income		**396,002**	**319,717**
Attributable to: B. Braun Melsungen AG Shareholders		(373,321)	(305,410)
Non-controlling interests		(22,681)	(14,307)
		396,002	**319,717**
Earnings per share (in €) for B. Braun Melsungen AG shareholders in the fiscal year (diluted and undiluted)	11)	19,24	15,74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 € '000	2015 € '000
Consolidated net income	**396,002**	**319,717**
Items not reclassified as profits or losses		
Revaluation of pension obligations	– 184,460	71,500
Income taxes	51,840	– 18,555
Changes in amount recognized in equity	**– 132,620**	**52,945**
Items potentially reclassified as profits or losses		
Changes in fair value of securities	165	– 258
Income taxes	0	0
Changes in amount recognized in equity	**165**	**– 258**
Changes in fair value of financial derivatives	– 6,638	– 138
Income taxes	2,113	120
Changes in amount recognized in equity	**– 4,525**	**– 18**
Changes due to currency translation	67,386	10,481
Income taxes	0	0
Changes in amount recognized in equity	**67,386**	**10,481**
Changes recognized directly in equity (after taxes)	– 69,594	63,150
Comprehensive income in the reporting year	**326,408**	**382,867**
Attributable to: B. Braun Melsungen AG shareholders	(302,248)	(357,353)
Non-controlling interests	(24,160)	(25,514)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Assets			
Non-current assets			
Intangible assets	14) 16)	623,335	566,648
Property, plant, and equipment	15) 16)	3,987,336	3,642,325
Financial investments (equity method)	17)	389,369	338,942
Other financial investments	17)	50,305	45,984
of which financial assets		(50,305)	(45,984)
Trade receivables	18)	27,534	20,186
Other assets	19)	45,289	28,144
of which financial assets		(40,990)	(23,853)
Income tax receivables		1,412	1,873
Deferred tax assets		288,616	203,439
		5,413,196	**4,847,541**
Current assets			
Inventories	20)	1,135,378	1,056,725
Trade receivables	18)	1,061,545	1,014,515
Other assets	19)	235,204	238,300
of which financial assets		(99,599)	(126,733)
Income tax receivables		46,029	46,093
Cash and cash equivalents	21)	90,456	62,958
		2,568,612	**2,418,591**
Total assets		**7,981,808**	**7,266,132**
Equity			
Subscribed capital	22)	800,000	800,000
Capital reserves and retained earnings	23)	2,187,570	1,996,404
Effects of foreign currency translation		– 21,667	– 86,408
Equity attributable to B. Braun Melsungen AG shareholders		**2,965,903**	**2,709,996**
Non-controlling interests	24)	206,049	190,380
Total equity		**3,171,952**	**2,900,376**
Liabilities			
Non-current liabilities			
Provisions for pensions and similar obligations	25)	1,300,833	1,079,705
Other provisions	26)	112,694	98,235
Financial liabilities	27)	1,186,183	1,154,991
Trade accounts payable	29)	4,639	4,502
Other liabilities	29)	37,795	39,842
of which financial liabilities		(11,346)	(19,251)
Deferred tax liabilities		108,702	99,740
		2,750,846	**2,477,015**
Current liabilities			
Other provisions	26)	48,670	49,632
Financial liabilities	27)	805,945	768,374
Trade accounts payable	29)	438,240	344,113
Other liabilities	29)	716,917	681,183
of which financial liabilities		(309,985)	(286,486)
Current income tax liabilities		49,238	45,439
		2,059,010	**1,888,741**
Total liabilities		**4,809,856**	**4,365,756**
Total equity and liabilities		**7,981,808**	**7,266,132**

CONSOLIDATED ASSET ANALYSIS

Group	Costs of acquisition and manufacture						
	Jan. 1, 2016 € '000	Foreign currency translation € '000	Additions to scope of consolidation € '000	Disposals from scope of consolidation € '000	Additions € '000	Transfers € '000	
Intangible assets							
Acquired goodwill	183,629	1,794	19,179	206	0	0	
Licenses, trademarks, and other similar rights	473,620	6,650	8,961	– 157	30,192	32,048	
Internally created intangible assets	108,400	3,369	0	0	10,097	0	
Advance payments	111,912	36	0	0	24,627	– 30,104	
Total	**877,561**	**11,849**	**28,140**	**49**	**64,916**	**1,944**	
Property, plant, and equipment							
Land and buildings	1,978,173	22,774	215	0	52,380	100,058	
Technical plants and machinery	2,911,868	33,206	162	0	70,222	225,134	
Other plants, operating and office equipment	937,932	22,527	1,198	0	78,100	33,422	
Advance payments and assets under construction	619,974	5,509	0	0	445,214	– 360,558	
Total	**6,447,947**	**84,016**	**1,575**	**0**	**645,916**	**– 1,944**	
Financial investments							
Financial investments (equity method)	338,942	– 3	0	0	50,430	0	
Other holdings	30,497	0	0	– 7,744	15,319	0	
Loans to companies in which the Group holds an interest	402	70	0	0	0	0	
Securities	5,185	0	0	0	0	0	
Other loans	9,949	1	0	0	671	0	
Total	**384,975**	**68**	**0**	**– 7,744**	**66,420**	**0**	
	7,710,483	**95,933**	**29,715**	**– 7,695**	**777,252**	**0**	

* Other changes include foreign currency translation effects, changes to the consolidation scope, transfers and disposals.

			Depreciation and amortization				Carrying amounts	
Disposals	Changes in fair value	Dec. 31, 2016	Accu-mulated 2015	Fiscal year 2016	Other changes*	Accu-mulated 2016	Dec. 31, 2016	Dec. 31, 2015
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
0	0	204,808	503	0	0	503	204,305	183,126
– 6,574	0	544,740	294,420	38,131	2,937	335,488	209,252	179,200
0	0	121,866	15,990	1,571	583	18,144	103,722	92,410
– 415	0	106,056	0	0	0	0	106,056	111,912
– 6,989	**0**	**977,470**	**310,913**	**39,702**	**3,520**	**354,135**	**623,335**	**566,648**
– 4,508	0	2,149,092	552,198	61,416	1,632	615,246	1,533,846	1,425,975
– 45,230	0	3,195,362	1,639,494	191,363	– 24,115	1,806,742	1,388,620	1,272,374
– 33,104	0	1,040,075	610,636	81,323	– 11,795	680,164	359,911	327,296
– 694	0	709,445	3,294	3,849	– 2,657	4,486	704,959	616,680
– 83,536	**0**	**7,093,974**	**2,805,622**	**337,951**	**– 36,935**	**3,106,638**	**3,987,336**	**3,642,325**
0	0	389,369	0	0	0	0	389,369	338,942
– 1,336	0	36,736	29	0	0	29	36,707	30,468
– 80	0	392	0	0	0	0	392	402
0	188	5,373	0	2,519	0	2,519	2,854	5,185
– 249	0	10,372	20	0	0	20	10,352	9,929
– 1,665	**188**	**442,242**	**49**	**2,519**	**0**	**2,568**	**439,674**	**384,926**
– 92,190	**188**	**8,513,686**	**3,116,584**	**380,172**	**– 33,415**	**3,463,341**	**5,050,345**	**4,593,899**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

See notes 22–24	Subscribed capital € '000	Capital reserves € '000
January 1, 2015	**800,000**	**10,226**
Dividend of B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
Changes recognized directly in equity (after taxes)		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
Comprehensive income over the period	**0**	**0**
Other changes	0	0
December 31, 2015/January 1, 2016	**800,000**	**10,226**
Dividend of B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
Changes recognized directly in equity (after taxes)		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
Comprehensive income over the period	**0**	**0**
Other changes	0	0
December 31, 2016	**800,000**	**10,226**

	Retained earnings	Other reserves	Equity attributable to owners	Non-controlling interests	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000
	1,660,984	**– 87,629**	**2,383,581**	**180,436**	**2,564,017**
	– 32,000	0	– 32,000	0	– 32,000
	0	0	0	0	0
	305,410	0	305,410	14,307	319,717
	0	– 254	– 254	– 4	– 258
	0	– 140	– 140	122	– 18
	0	0	54,797	– 1,852	52,945
	54,797	– 2,460	– 2,460	12,941	10,481
	0	**– 2,854**	**357,353**	**25,514**	**382,867**
	1,062	0	1,062	– 15,570	– 14,508
	1,990,253	**– 90,483**	**2,709,996**	**190,380**	**2,900,376**
	– 32,000	0	– 32,000	0	– 32,000
	0	0	0	0	0
	373,321	0	373,321	22,681	396,002
	0	155	155	10	165
	0	– 4,237	– 4,237	– 288	– 4,525
	– 131,731	0	– 131,731	– 889	– 132,620
	0	64,740	64,740	2,646	67,386
	241,590	**60,658**	**302,248**	**24,160**	**326,408**
	– 14,341	0	– 14,341	– 8,491	– 22,832
	2,185,502	**– 29,825**	**2,965,903**	**206,049**	**3,171,952**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 € '000	2015 € '000
Operating profit		582,172	482,860
Income tax paid		– 145,883	– 124,171
Depreciation and amortization of property, plant, and equipment and intangible assets (net of appreciation)		377,653	361,127
Change in non-current provisions		232,131	– 6,338
Interest received and other financial income		5,215	855
Interest paid and other financial expenditure		– 43,540	– 47,624
Other non-cash income and expenses		– 259,230	94,760
Gain/loss on the disposal of property, plant, and equipment and intangible or other assets		4,691	6,223
Gross cash flow	**34)**	**753,209**	**767,692**
Change in inventories		– 57,988	– 34,823
Change in receivables and other assets		– 16,782	– 78,820
Change in liabilities, current provisions and other liabilities (excluding financial liabilities)		144,340	33,456
Cash flow from operating activities (net cash flow)	**34)**	**822,779**	**687,505**
Investments in property, plant, and equipment and intangible assets		– 739,826	– 695,580
Investments in financial assets		– 42,898	– 22,809
Acquisitions of subsidiaries, net of cash acquired		– 20,705	– 39,049
Proceeds from sale of subsidiaries and holdings		3,265	4,034
Proceeds from sale of property, plant, and equipment, intangible assets and other financial assets		3,804	11,151
Dividends and similar revenues received		13,277	29,355
Cash flow from investing activities	**35)**	**– 783,083**	**– 712,898**
Free cash flow		**39,696**	**– 25,393**
Capital contributions		2,271	237
Dividends paid to B. Braun Melsungen AG shareholders		– 32,000	– 32,000
Dividends paid to non-controlling interests		– 9,451	– 10,052
Deposits and repayments for profit-sharing rights		– 88	– 1,154
Loans		340,316	340,888
Loan repayments		– 290,929	– 304,223
Cash flow from financing activities	**36)**	**10,119**	**– 6,304**
Change in cash and cash equivalents		**49,815**	**– 31,697**
Cash and cash equivalents at the start of the year		62,958	84,332
Exchange gains (losses) on cash and cash equivalents		– 22,317	10,323
Cash and cash equivalents at year end	**37)**	**90,456**	**62,958**

NOTES

GENERAL INFORMATION

The consolidated financial statements of B. Braun Melsungen AG – hereinafter also referred to as the B. Braun Group – as of December 31, 2016, have been prepared in compliance with Section 315a (3) of the German Commercial Code (HGB) according to International Financial Reporting Standards (IFRS) applicable as of the reporting date published by the International Accounting Standards Board (IASB), London, as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as stipulated by the EU, and have been published in the online edition of the German Federal Gazette (Bundesanzeiger).

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

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

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

The Management Board of B. Braun Melsungen AG approved the consolidated financial statements for submission to the company's Supervisory Board on March 8, 2017. The Audit Committee of the Supervisory Board plans to discuss the consolidated financial statements at its meeting on March 20, 2017, and the Supervisory Board shall approve the consolidated financial statements at its meeting on March 28, 2017.

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

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

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

New and amended International Financial Reporting Standards and Interpretations whose application is mandatory for the first time for fiscal years beginning on or after February 1, 2015 (IAS 8.28)

Amendments to IAS 19 Employee Benefits – Employee Contributions

The amendment to IAS 19R (2011) adds an option to the standard with regard to accounting for defined benefit pension plans in which employees (or third parties) are involved through mandatory contributions. IAS 19R (2011) provides for assigning employee contributions, which are set out in the formal terms of a defined benefit plan and linked to job performance, to the service periods as negative benefits. Taking into account the now-published amendment to IAS 19R (2011), it is permissible to continue recognizing employee contributions linked to job performance that are not linked to the number of years of service during that period in which the corresponding work is done without applying the calculation-and-distribution method, using the "projected unit credit method." However, if the employee contributions – depending on the number of years of service – vary, it is mandatory that the calculation-and-distribution method using the "projected unit credit method" be followed. This amendment should be applied for fiscal years beginning on or after February 1, 2015. The B. Braun Group did not opt to apply the amendment earlier. The amendment is expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

New and amended International Financial Reporting Standards and Interpretations whose application is mandatory for the first time for fiscal years beginning on or after January 1, 2016 (IAS 8.28)

Amendments to IFRS 11 Joint Arrangements – Acquisition of Shares in a Joint Operation

The amendment clarifies that acquisitions and subsequent acquisitions of interests in jointly controlled operations, which constitute a business as defined by IFRS 3, Business Combinations, should be accounted for according to the principles of accounting for business combinations under IFRS 3 and other applicable IFRS, provided these do not conflict with the provisions in IFRS 11. The changes do not apply if the reporting entity and the parties thereto are under common control of the same ultimate controlling party. The new rules apply prospectively for share purchases that take place in reporting periods beginning on or after January 1, 2016. The amendment is expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

Amendments to IAS 16 Property, Plant, and Equipment, and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization

The aim of these amendments is to clarify which methods are appropriate with regard to the depreciation of property, plant and equipment and intangible assets. In principle, the depreciation of property, plant and equipment and intangible assets shall reflect the company's expected consumption of future economic benefits generated by the asset. In this regard, the IASB has now clarified that a depreciation of property, plant, and equipment on the basis of the sales of goods that it manufactures does not follow this approach, and thus is not appropriate, because the revenues depend not only on consumption of the asset, but also on other factors, such as sales volume, price or inflation. With some exceptions, this clarification is also included in IAS 38 for amortizing intangible assets with finite useful lives. For both property, plant and equipment and intangible assets, the clarification also states that the decline in the sale prices of goods and services produced with them might be an indication of their economic obsolescence, and therefore an indication of a decline in the economic benefit potential of the assets that are necessary for production. This amendment applies to reporting periods beginning on or after January 1, 2016. It is expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The objective of the information initiative is to eliminate obstacles that authors are faced with while exercising discretion when presenting financial statements. With respect to materiality, the amendments clarify that information should not be obscured by aggregating, that materiality must be applied to all elements of financial statements, and that, even then, significance shall be taken into account when the disclosure of certain information is prescribed in a standard. With regard to the statement of financial position and the representation in the income statement or in other comprehensive income, it is clarified that the list of ID lines can be split up or combined in the components of the financial statement on grounds of relevance and that additional guidance regarding subtotals in the financial statement components apply. It is clarified that a company's share of the other comprehensive income of associates or joint ventures that is accounted for using the equity method and aggregated as single ID lines on the basis of whether they are later recycled in the income statement should be identified. In terms of information, additional examples of possible sequences of information are included to clarify that understandability and comparability should be considered when the order of the information is being determined, and that the information does not have to be given in the order that is currently shown in IAS 1.114. In addition, those rules and examples referring to naming the significant accounting and valuation methods were eliminated if they were perceived as potentially unhelpful. These amendments are effective for fiscal years beginning on or after January 1, 2016. As the amendment merely affects the presentation of the financial statement, it will have no impact on the net assets, financial position and earnings situation of the B. Braun Group.

Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associate Corporations and Joint Ventures

The amendments have resolved a previously existing inconsistency between the two standards. IFRS 10 currently requires recognizing the full profit or loss resulting from the loss of control of a subsidiary which is introduced in a joint venture or an associate concern. In contrast, IAS 28 only provides for profit or loss realization in the amount of shares held by other investors for non-financial assets introduced in associated companies or joint ventures. According to the published changes, in the future, the investor always has to realize a profit or loss in full if the transaction involves a business as defined in IFRS 3. If the transaction involves assets that do not constitute a business, then only the pro rata success shall be recognized. The changes should be applied prospectively to corresponding transactions beginning on or after January 1, 2016. However, the IASB published a draft standard in August 2015 which calls for postponing mandatory first-time application indefinitely. This action was taken because of the finding of an unintended conflict between the proposed new rule and the existing rule in IAS 28.32. Nevertheless, voluntary earlier application of the rules will continue to be allowed. However, the amendment is not yet applicable because there has been no endorsement made for IFRS EU accounting. The rule is expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

New and amended International Financial Reporting Standards and Interpretations that have already been published, but whose application is not yet mandatory for companies whose fiscal year ends on December 31, 2016 (IAS 8.30), and whose adoption is still pending in some EU countries

Amendments to IAS 12, Income Taxes

The IASB has published final amendments to IAS 12, Income Taxes, in order to address the diversity in practice around the recognition of a deferred tax asset that is related to an asset measured at fair value, which is mainly attributable to uncertainty about the application of some of the principles in IAS 12. The amendments clarify that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes result in a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling it. They clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. They also clarify that a business must assess a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the realization of tax losses, a business would assess a deferred tax asset in combination with other deferred tax assets of the same type. These amendments are effective for reporting periods beginning on or after January 1, 2017. Early application is permitted. Widespread EU adoption (endorsement) of these amendments is expected for Q2 2017. The amendments are expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

Disclosure Initiative (Amendments to IAS 7, Consolidated Statement of Cash Flows)

The final amendments in the Disclosure Initiative (Amendments to IAS 7) pursue the IASB's objective that a company must provide disclosures that allow users of financial statements to evaluate changes in liabilities due to financing activities. To achieve this objective, the following changes in liabilities due to financing activities must be disclosed: (i) changes from financing cash flows; (ii) changes due to obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. Financial liabilities are defined as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities." The new disclosure requirements also relate to changes in financial assets if they meet the same definition. One way to fulfill the new disclosure requirements is to provide a reconciliation between the opening and closing balances for liabilities due to financing activities. Finally, the amendments state that changes in liabilities due to financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017. Widespread EU adoption (endorsement) of these amendments is expected for Q2 2017. As the amendment merely affects the presentation of the financial statement, it will have no impact on the net assets, financial position and earnings situation of the B. Braun Group.

IFRS 9, Financial Instruments

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

IFRS 15, Sales from Customer Contracts

On the one hand, the objective of the revised standards is, in particular, to unify the previous, less extensive regulations in the IFRS and, on the other, to standardize the very detailed and somewhat industry-specific regulations under US GAAP, thus improving the transparency and comparability of financial information. Under IFRS 15, sales are then realized when the customer obtains control of the agreed goods and services and can benefit from their use. The decisive factor is no longer a major transfer of risks and rewards, as under the old provisions of IAS 18, Revenue. Sales are to be valued as quid pro quo, that is, the compensation that the company expects to receive. The new model provides a five-step scheme for determining the revenue recognition, whereby in the first step the customer agreement and the separate performance obligations contained therein must be identified. Subsequently, the transaction price of the customer's contract shall be determined and divided up among the individual obligations. Finally, revenue should be realized according to the new model for each performance obligation at the allocated pro rata transaction price as soon as the agreed service has been performed or the customer has obtained the power of disposal over it. A distinction that is based on predefined criteria is made here between point-in-time-related and period-of-time-based performance fulfillments. The new standard does not distinguish between different job and activity types, but establishes standardized criteria for when a service that is rendered should be realized as a point-in-time or period-of-time. In the future, IFRS 15 provisions will replace both the contents of IAS 18, Sales and IAS 11, Construction Contracts. In addition, a variety of other items are controlled for the first time and this could have implications for the current accounting policy, such as provisions for contract modifications or repurchase agreements. In September 2015, the IASB published an amendment to the standard postponing mandatory first-time application of the standard to reporting periods beginning on or after January 1, 2018. Voluntary early application of these requirements is permitted. In April 2016, some clarifications to IFRS 15 were published that primarily address the identification of separate performance obligations, principal versus agent considerations, and licensing. The B. Braun Group will apply a modified, retroactive version of the standard for the fiscal year starting on January 1, 2018, i.e., the standard will only retroactively apply to the most recent reporting period. For certain business models with multi-component contracts, the required separation of performance obligations and the resulting allocation of transaction price will likely alter the timeline for recording sales revenues. However, the amendments are expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

IFRS 16, Leases

On January 13, 2016, the IASB published a new standard which fundamentally reforms the financial reporting of leases. Previously, all leases had been recognized either as finance leases or as operating leases. This distinction will cease to apply in the future for the lessee. Under the new standard, all leases are recognized in the balance sheet in the form of right-of-use assets and the financial liabilities, comparable to the existing procedure for finance leases. The relevant values are based on the present value of the minimum lease payments over the term of the lease. In the income statement, the lessee will disclose a depreciation charge for the lease assets and an interest expense on lease liabilities for each lease, in lieu of straight-line lease expenses. The disclosure of leases can only deviate from these rules if one of two possible exemptions applies (short-term leases and low-value leases). Unlike lessees, lessors will still have to classify leases as either finance leases or operating leases under IFRS 16. IFRS 16 is to be applied for the first time in reporting periods beginning on or after January 1, 2019. First-time application is generally to be retrospective, but various simplification options are available. Voluntary early application is permitted if IFRS 15 (revenue from contracts with customers) is also fully applied (early). EU adoption (endorsement) of the these rules is expected for the second half of 2017. The B. Braun Group is currently reviewing the impact on the net assets, financial position, and earnings situation.

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

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

Amendments to IAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements: These apply to reporting periods beginning on or after January 1, 2016.

Amendments to IAS 16, Property, Plant and Equipment, and IAS 41, Agriculture – Bearer Plants: These apply to reporting periods beginning on or after January 1, 2016.

Amendments to IFRS 10, IFRS 12, and IAS 28, Investment Entities: Applying the Consolidation Exception: These apply to reporting periods beginning on or after January 1, 2016.

IFRS 14, Regulatory Deferral Accounts: This applies to reporting periods beginning on or after January 1, 2016; EU adoption (endorsement) of this rule still pending.

Amendments to IFRS 2, Share-based Payment: This applies to reporting periods beginning on or after January 1, 2018; EU adoption (endorsement) of this rule is still pending.

Critical Assumptions and Estimates for Accounting Policies

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

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

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

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

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

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

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

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

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

Scope of consolidation

In addition to B. Braun Melsungen AG, the consolidated financial statements include 68 domestic and 195 foreign subsidiaries for which B. Braun Melsungen AG is exposed to variable returns and has the ability to influence them.

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

The change in the number of Group companies as of December 31, 2016 and 2015, respectively is shown below:

	2016	2015
Included as of December 31 of previous year	262	252
Companies included for the first time	7	20
Company consolidations discontinued	– 4	– 1
Business combinations	– 2	– 9
Companies now consolidated using the equity method due to the sale of shares	0	0
Included as of December 31 of reporting year	**263**	**262**

Deconsolidated companies had no material impact on the statement of financial position or the statement of income in fiscal year 2016.

The impact of company acquisitions on the statement of financial position at the time of initial consolidation and on the principal items in the statement of income for fiscal year 2016 is shown below:

	Carrying amount € '000	Fair value € '000
Non-current assets	1,586	10,536
Current assets	1,380	1,380
Acquired assets	**2,966**	**11,916**
Non-current provisions and liabilities	0	0
Current provisions and liabilities	0	0
Acquired liabilities	**0**	**0**
Net assets acquired	**2,966**	**11,916**
Non-controlling interests	0	0
Prorated net assets	**2,966**	**11,916**
Goodwill		18,947
Cost of acquisition		**30,671**
of which non-controlling interests		(0)
Cash and cash equivalents acquired		0
Cash outflow from acquisitions		**30,671**
Sales		15,185
Operating profit		1,575
Consolidated net income		1,090

The total cost of acquisitions made during the fiscal year that were not significant individually or in aggregate was € 30.7 million and was paid in cash.

In the context of acquisitions, unrecognized assets in the amount of € 9.0 million have been recognized in the reporting year so far. Receivables amounting to € 0.9 million (gross € 0.9 million) were acquired. The goodwill remaining after purchase price allocation amounted to € 18.9 million. This amount is non-deductible and is largely attributable to sales and production synergies.

If all of the acquisitions had been made at the start of the current fiscal year, the Group's sales would have been € 19.3 million higher. After-tax earnings would have been € 4.4 million higher.

The acquisitions made during the fiscal year relate primarily to the expansion of the dialysis center network of the B. Braun Avitum division in Germany and the expansion of product offerings in South Africa.

On January 1, 2016, two nephrology clinics in Oldenburg and Suhl were acquired in asset deals. On April 1, 2016, two more nephrology clinics in Landau and Wolfenbüttel were acquired in asset deals. These acquisitions strengthened our network of dialysis centers in Germany.

On July 1, 2016, the businesses Dismed Pharmaceutical (Pty) Ltd and Dismed Criticare (Pty) Ltd in South Africa were acquired in an asset deal. The businesses specialize in the production of hand disinfectants and infusion solutions. This acquisition further expanded our offering of medical and pharmaceutical products in South Africa and strengthened our position as a system partner in South Africa.

On October 10th, 2016, another 45.97 percent of shares in Sialy Ser S.A.S. in Columbia were acquired. The purchase price was € 4.7 million. The B. Braun Group now holds 94.0 percent of shares. The carrying value of the acquired, non-controlling interest at the time of acquisition was € 1.1 million. The difference of € 5.9 million was recognized in the Group's equity.

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

Holdings in two joint ventures and 20 associated companies are recognized in the consolidated financial statements as of the reporting date. Three associated companies were not measured using the equity method on materiality grounds.

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

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

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

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

– B. Braun Facility Services GmbH & Co. KG, Melsungen,
– Hansepharm GmbH & Co. KG, Roth,
– Invitec GmbH & Co. KG, Duisburg,
– MAT Adsorption Technologies GmbH & Co. KG, Elsenfeld,
– medical experts online GmbH & Co. KG, Melsungen.

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

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

– Aesculap AG, Tuttlingen,
– Aesculap Akademie GmbH, Tuttlingen,
– Aesculap International GmbH, Tuttlingen,
– Aesculap Suhl GmbH, Suhl,
– Avitum Transcare Germany GmbH, Melsungen,
– BBM Group Insurance Broker GmbH, Melsungen,
– B. Braun Medical AG, Melsungen,
– B. Braun Avitum AG, Melsungen,
– B. Braun Avitum Saxonia GmbH, Radeberg,
– B. Braun IT Service GmbH, Melsungen,
– B. Braun Surgical GmbH, Melsungen,
– B. Braun Petzold GmbH, Melsungen,
– B. Braun Mobilien GmbH, Melsungen,
– B. Braun Nordamerika Verwaltungsgesellschaft mbH, Melsungen,
– B. Braun International GmbH, Melsungen,
– B. Braun TravaCare GmbH, Hallbergmoos,
– B. Braun Vertriebs GmbH, Melsungen,
– B. Braun VetCare GmbH, Tuttlingen,
– Bibliomed medizinische Verlagsgesellschaft mbH, Melsungen,
– Inko Internationale Handelskontor GmbH, Roth,
– Nierenzentrum Bad Kissingen MVZ, GmbH, Bad Kissingen,
– Nutrichem diät + pharma GmbH, Roth,
– Paul Müller Technische Produkte GmbH, Melsungen,
– PNS Professional Nutrition Services GmbH, Melsungen,
– SteriLog GmbH, Tuttlingen,
– Transcare Gesundheitsservice GmbH, Melsungen.

The companies listed above exercise their right to the exemptions.

PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

currencies at the exchange rates prevailing on the reporting date are recognized in the statement of income.

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

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

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

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

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

COMPARISON OF SELECTED CURRENCIES

	Closing mid-rate on reporting date			Average annual rate		
ISO code	Dec. 31, 2016	Dec. 31, 2015	+ – in %	2016	2015	+ – in %
1 EUR = USD	1.056	1.089	– 3.0	1.107	1.110	– 0.3
1 EUR = GBP	0.859	0.735	16.8	0.819	0.726	12.8
1 EUR = CHF	1.075	1.082	– 0.7	1.090	1.068	2.1
1 EUR = MYR	4.737	4.676	1.3	4.584	4.332	5.8
1 EUR = JPY	123.510	131.120	– 5.8	120.304	134.285	– 10.4

ACCOUNTING POLICIES

Intangible assets
a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets and liabilities of the acquired company on the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in the carrying amount for investments in affiliates. Goodwill is tested for impairment at least once a year and is

carried at cost less accumulated impairment losses. Write-downs of goodwill are reported under other operating expenses. Write-ups in value are not permitted. Gains and losses on the sale of companies include the carrying amount of the goodwill relating to the company sold.

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

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

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

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

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

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

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

Impairment of non-financial assets
At each reporting date, the carrying amounts of intangible assets and property, plant and equipment are evaluated for indications of impairment. Where there is such an indication, an impairment test is conducted by comparing the carrying amount of the asset in question with its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use (net present

value of expected free cash flows). The test can be conducted for a cash-generating unit (CGU) where the recoverable amount cannot be determined because the asset does not generate cash inflows that are largely independent of those from other assets. If an asset's recoverable amount is less than its carrying amount, an impairment is recognized through profit and loss. This impairment can be reversed through profit and loss at a later point in time if the recoverable amount of the asset is later found to be higher. However, the increased carrying amount due to reversal may not be higher than what it would have been if the impairment had not been recognized.

Property, plant, and equipment

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

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

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

* 1-shift operation

Land is not depreciated.

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

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

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

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

Government grants are recognized at fair value if receipt of the grant and the Group compliance with any conditions associated with the grant are highly likely.

Outside borrowing costs directly attributable to the acquisition, construction, or development of a qualifying asset are recognized as part of its acquisition or manufacturing cost.

Finance leasing

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

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

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

Categories of financial assets

Financial assets are classified using the following categories:

- Financial assets at fair value through profit and loss,
- Loans and receivables,
- Held-to-maturity financial assets,
- Available-for-sale financial assets.

The categorization depends on the purpose for which the assets were acquired. Management determines the categorization of financial assets at initial recognition and re-evaluates this categorization on each reporting date.

a) Financial assets at fair value through profit and loss
Financial assets are measured at fair value through profit and loss if the financial asset is either held for trading or designated as being measured at fair value.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of earning profits from short-term price changes. This category also includes derivatives that have not been designated as hedging instruments.

To date, the Group has not exercised the option of designating financial assets upon initial recognition as financial assets at fair value through profit and loss.

b) Loans and receivables
Loans and receivables with fixed or determinable payments that are not quoted on an active market are categorized as loans and receivables. At initial recognition, loans and receivables are measured at fair value plus transaction costs. They are subsequently measured using the effective interest method at amortized cost less any impairments. With the exception of current receivables, where the interest rate effect is not material, interest income is recognized using the effective interest method.

c) Held-to-maturity financial assets
Bills of exchange and debt instruments with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity, are categorized as "investments held-to-maturity." At initial recognition, held-to-maturity investments are measured at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less impairments.

d) Available-for-sale financial assets
Listed shares and redeemable bonds held by the Group that are traded on an active market are recognized as available-for-sale financial assets and, at initial recognition, are measured at fair value plus transaction costs. Investments in unlisted shares held by the Group that are not traded on an active market are also recognized at fair value as available-for-sale financial assets, to the extent that this can be reliably measured. Otherwise, they are subsequently measured at the cost of acquisition. Gains and losses arising from changes in fair value are included directly in the revaluation reserve (equity) rather than in other net financial income. Exceptions are impairment losses, interest calculated using the effective interest method, and income and expenses from foreign currency translation of monetary items, which are recognized in the income statement. If a financial asset is disposed of or is acknowledged to have an impairment, its accumulated gains and losses recognized in the revaluation reserve for financial investments up to that point are reclassified as profits or losses.

Dividends from equity instruments classified as available-for-sale financial assets are recognized in the statement of income as soon as the Group has acquired a right to the dividend.

Impairment of financial assets
With the exception of financial assets measured at fair value through profit and loss, financial assets are examined at each reporting date for the presence of any indications of impairment. Financial assets are considered impaired if, following one or more events that occurred after the initial recognition of the asset, there is objective evidence that the estimated future cash flows of the investment have changed adversely.

In the case of listed and unlisted equity investments that were categorized as available-for-sale, any significant or prolonged reduction in the fair value of the assets below their acquisition cost must be regarded as objective evidence of impairment.

For all other financial assets, the following may be objective evidence of impairment:

– Either the issuer or the counterparty is facing significant financial difficulties,
– Default or delinquency in payments of interest or principal, and
– A high probability that the debtor will enter bankruptcy or financial reorganization.

For some classes of financial assets, such as trade receivables, asset values for which no impairment has been determined on an individual basis are tested for impairment on a portfolio basis. Objective evidence of impairment on a portfolio of receivables is based on the past experience of the Group regarding payments received, an increase in the frequency of payment defaults within the portfolio over the average borrowing period, and observable changes in the national or local economic environment with which the defaults can be linked.

In the case of financial assets valued at amortized cost, the impairment loss corresponds to the difference between the carrying amount of the asset and the net present value of expected future cash flows determined on the basis of the original effective interest rate on the asset.

An impairment leads to a direct reduction in the carrying amount of all the relevant financial assets, with the exception of trade receivables, whose carrying amount is reduced through a valuation adjustment account. If a trade receivables item is considered to be irrecoverable, it is written off against the valuation adjustment account. Changes in the carrying amount of the valuation adjustment account are recognized in the statement of income.

In the event that a financial asset, classified as available-for-sale, is considered to be impaired, gains and losses previously recognized in the revaluation reserve (equity) are reclassified to the statement of income in the period in which the impairment occurred.

If the level of impairment of a financial asset that is not an available-for-sale equity instrument decreases in a subsequent reporting period, and if the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment is reversed through the statement of income. The increased carrying amount due to reversal may not be higher than what the amortized cost would have been if the impairment had not been recognized.

In the case of equity instruments classified as available-for-sale, any impairments recognized in the past are not reversed. Any increase in the fair value after an impairment was recognized is recorded in the revaluation reserve (equity).

Inventory

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

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

Provisions for pensions and similar obligations

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

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

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

Other provisions

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

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

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

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

Financial Debt

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

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

Liabilities

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

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

Accruals and deferrals are recognized under other liabilities.

Derivative financial instruments

Derivative financial instruments are recognized using trade date accounting. They are initially measured at their fair value on the date the contract is entered into. They are subsequently measured at their fair value as of each reporting date. The method of recording gains and losses depends on whether the derivative financial instruments in question have been designated as hedging instruments and, if so, on the nature of the hedged item. On entering into a transaction, the Group documents the hedge relationship between the hedging instrument and the underlying transaction, the goal of its risk management, and the underlying hedging strategy. In addition, the assessment of whether the derivatives employed effectively compensate for the changes in the fair values or in the cash flows of the underlying transactions is documented at the time the hedging relationship is created and subsequently on an ongoing basis. The fair values of the various derivative financial instruments used for hedging purposes are recognized under other assets/liabilities. Changes in the valuation reserve for cash flow hedges are shown in the consolidated statement of changes in equity. The full fair value of derivative financial instruments designated as hedge instruments is shown as a non-current asset or liability if the residual term of the hedged underlying transaction is more than 12 months after the reporting date, and as a current asset or liability if it is shorter than that. Derivative financial instruments held for trading are recognized as current assets or liabilities unless the residual term is more than 12 months, in which case they are recognized as non-current assets or liabilities.

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

Certain derivative financial instruments are not eligible for hedge accounting. Note 32 provides additional explanatory information about the use of derivative financial instruments as part of risk management.

Deferred taxes

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

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

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

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME (LOSS)

1 Sales

Sales include the fair value received for the sale of goods and services excluding sales tax, rebates and discounts, and after eliminating intercompany sales. Sales are recognized as follows:

Sales resulting from the sale of products are recorded when the main risks and rewards associated with ownership have been transferred to the buyer and the collection of the associated receivables can be assumed with sufficient likelihood.

Estimates for sales reductions are based on experience. Adjustments are made if required by a change in conditions. No significant returns were recorded in the reporting period.

Sales resulting from the sale of services are recorded in the fiscal year during which the service is performed using the percentage of completion basis.

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

Sales by division	2016 € '000	%	2015 € '000	%	+ – in %
Hospital Care	2,990,791	46.2	2,855,924	46.6	4.7
Aesculap	1,724,994	26.7	1,662,905	27.1	3.7
OPM	781,654	12.1	740,611	12.1	5.5
B. Braun Avitum	944,803	14.6	846,256	13.8	11.6
Other sales	28,736	0.4	24,074	0.4	19.4
	6,470,978	**100.0**	**6,129,770**	**100.0**	**5.6**

Sales by region	2016 € '000	%	2015 € '000	%	+ – in %
Germany	1,096,657	16.9	1,035,239	16.9	5.9
Europe	2,070,653	32.0	1,999,285	32.6	3.6
North America	1,536,115	23.7	1,428,257	23.3	7.6
Asia-Pacific	1,162,878	18.0	1,073,426	17.5	8.3
Latin America	400,238	6.2	391,089	6.4	2.3
Africa and the Middle East	204,437	3.2	202,474	3.3	1.0
	6,470,978	**100.0**	**6,129,770**	**100.0**	**5.6**

Sales by type	2016 € '000	%	2015 € '000	%	+ – in %
Sales of products	5,684,729	87.8	5,431,627	88.6	4.7
Sales of services	786,249	12.2	698,143	11.4	12.6
	6,470,978	**100.0**	**6,129,770**	**100.0**	**5.6**

2 Cost of goods sold

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

3 Selling expenses

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

4 Research and development expenses

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

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

5 Other operating income

	2016 € '000	2015 € '000
Currency translation gains	244,093	335,692
Additional income	18,431	18,044
Derivative financial instruments	4,026	21,526
Income from other periods	4,215	4,660
Proceeds from appreciation of current financial assets	1,422	2,502
Proceeds from the disposal of assets	1,926	2,792
Proceeds from the release of provisions	924	1,582
Other	24,746	24,101
	299,783	**410,899**

Currency gains primarily include gains from currency fluctuations between transaction and payment days from receivables and payables denominated in foreign currencies, as well as gains resulting from translation at the exchange rate prevailing on the reporting date. Starting this fiscal year, the gains and losses from cash flow hedges that were initially recognized in equity are no longer transferred to other operating income/expenses, rather to costs of goods sold. Figures from the previous year were adjusted accordingly by € 14.6 million.

Ancillary revenues include, in particular, revenues from the sale of put options, cost reimbursements from third parties and revenue from cafeteria sales.

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

Other operating income includes primarily payments of damages as well as government grants related to income statement and miscellaneous items. Income-related grants are recognized in the period in which the corresponding expenses occur. These amounted to € 1,277,000 (previous year: € 537,000). During the fiscal year, grants of € 620,000 (previous year: € 510,000) were recognized through profit and loss. The grants were predominantly made to support structurally weak areas in Germany.

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

6 Other operating expenses

	2016 € '000	2015 € '000
Currency translation losses	236,136	376,190
Losses from impairment of current financial assets	9,215	16,728
Additions to provisions	3,891	5,243
Losses on the disposal of assets	6,608	6,359
Expenses from other periods	5,247	6,115
Derivative financial instruments	26,865	3,466
Other	41,924	46,308
	329,886	**460,409**

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

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

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

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

7 Financial investments recognized using the equity method of accounting

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

	2016 € '000	2015 € '000
Income from financial investments recognized using the equity method	19,264	19,093
Expenses from financial investments recognized using the equity method	– 1,540	– 180
	17,724	**18,913**

8 Net financial income

	2016 € '000	2015 € '000
Interest and similar income	6,436	5,198
Interest and similar expenses	– 46,620	– 50,013
of which to affiliated companies	(0)	(0)
Interest expenses for pension provisions, less expected income from plan assets	– 29,430	– 26,612
	– 69,614	**– 71,427**
of which financial assets and liabilities not measured at fair value through profit and loss:		
Interest income from discounting	(971)	(1,144)
Accrued interest expense	(– 2,547)	(– 2,833)

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

9 Other net financial income

	2016 € '000	2015 € '000
Income from joint ventures (excluding income from financial investments recognized using the equity method)	80	15,191
Other net financial income	– 2,589	– 18
	– 2,509	**15,173**

Interest on derivative financial instruments is shown under net interest income.

10 Income taxes

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

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

	2016 € '000	2015 € '000
Actual income taxes	151,780	123,536
Deferred taxes resulting from temporary differences	– 1,299	3,851
Deferred taxes resulting from losses carried forward and tax credits	– 18,710	– 1,585
	131,771	**125,802**

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

	Dec. 31, 2016		Dec. 31, 2015	
	Assets € '000	Liabilities € '000	Assets € '000	Liabilities € '000
Intangible assets	9,964	56,400	8,635	49,553
Property, plant, and equipment	6,454	209,897	4,294	193,260
Financial assets	198	8,051	491	8,036
Inventories	83,825	8,513	75,486	8,656
Trade accounts receivable	7,862	10,518	7,568	10,013
Pension provisions	221,358	325	165,536	368
Other provisions	28,136	867	24,163	863
Liabilities	60,941	434	53,308	534
Other items	355	2,595	17	3,474
	419,093	**297,600**	**339,498**	**274,757**
of which non-current	(263,027)	(279,101)	(201,641)	(256,226)
Net balance	– 188,899	– 188,898	– 175,017	– 175,017
	230,194	**108,702**	**164,481**	**99,740**
Valuation allowance on deferred tax assets from temporary differences	– 148	–	– 922	–
Deferred taxes on tax credits	42,458	–	29,387	–
Losses carried forward (net, after valuation allowances)	16,112	–	10,493	–
	288,616	**108,702**	**203,439**	**99,740**

The amount of temporary differences related to holdings in subsidiaries and associates, as well as interests in joint ventures for which, according to IAS 12.39, no deferred tax liabilities were recognized, is € 20,000 (previous year: € 4,557,000).

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Within one year	444	347
Within two years	539	378
Within three years	495	4,889
Within four years	463	0
Within five years or longer	5,292	3,714
	7,233	**9,328**
Can be carried forward indefinitely	74,062	67,029
	81,295	**76,357**

Deferred tax assets for which utilization depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and where the company has incurred past losses, amounted to € 16,165,000 (previous year: € 6,655,000). Recognition of these deferred tax assets is based on relevant forecasting, which justifies the expectation that they will be used.

Deferred taxes of € 180,873,000 (previous year: € 125,321,000) were recognized directly in equity. This amount was primarily comprised of actuarial gains and losses related to pension obligations, totaling € 166,835,000 (previous year: € 115,502,000), of changes in the fair value of securities, totaling – € 11,000 (previous year: – € 11,000), and of changes in the fair value of derivative financial instruments designated as cash flow hedges, totaling € 3,338,000 (previous year: € 1,278,000).

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

	2016 € '000	2015 € '000
Tax rate of B. Braun Melsungen AG	29.0%	29.0%
Profit before tax	527,773	445,519
Expected income tax at parent company's tax rate	– 153,054	– 129,201
Differences due to other tax rates	10,435	6,745
Changes to deferred tax assets and liabilities due to changes in tax rates	– 576	1,515
Tax reductions due to tax-exempt income	21,684	26,766
Tax increases due to non-deductible expenses	– 18,655	– 23,398
Addition/deduction of trade tax and similar foreign tax items	– 1,502	– 1,861
Final withholding tax on profit distributions	– 880	– 1,567
Tax credits	14,442	4,110
Tax expense relating to previous periods	– 945	– 577
Change to valuation allowances on deferred tax assets	– 1,175	– 11,248
Profit (loss) of financial investments recognized using the equity method	1,312	1,375
Other tax effects	– 2,857	1,539
Actual tax expense	**– 131,771**	**– 125,802**
Effective tax rate	25.0%	28.2%

11 Earnings per share

Earnings per share are calculated according to IAS 33 by dividing the consolidated net income less non-controlling interests by the number of shares in issue. The number of shares entitled to receive dividends remained unchanged at 19,404,000 during the fiscal year. There were no outstanding shares as of December 31, 2016, or December 31, 2015, that could have diluted the earnings per share. Earnings per share amounted to € 19.24 (previous year: € 15.74).

The dividends paid in 2014 for the previous fiscal year amounted to € 32 million (previous year: € 32 million). Dividends paid per share in 2016 were € 1.65 (previous year: € 1.65). The Management Board and Supervisory Board are proposing a dividend of € 1.65 per share for fiscal year 2016. The proposed dividend must be ratified by the Annual Shareholders' Meeting on March 28, 2017. This dividend liability is not included in the consolidated financial statements.

12 Other notes to the consolidated statement of income

Material costs

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

	2016 € '000	2015 € '000
Expenses for raw materials, supplies and goods purchased	2,465,157	2,343,855

In the period under review, expenses related to inventory write-downs recognized in cost of goods sold were € 34,859,000 (previous year: € 30,836,000), and reversals of write-downs from previous periods (increase in net realizable value) were € 9,199,000 (previous year: € 8,737,000).

Payments under operating leases

	2016 € '000	2015 € '000
Payments made under operating leases	102,339	89,686

Payments under operating leases include € 956,000 (previous year: € 925,000). Leasing expenses are predominantly included in cost of goods sold.

Personnel expenditures/employees

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

Personnel expenses	2016 € '000	2015 € '000
Wages and salaries	1,996,540	1,878,992
Social security payments	304,352	288,002
Welfare and pension expense	87,230	92,924
	2,388,122	**2,259,918**
Employees by function (average for the year, including temporary employees)		
Production	36,760	35,070
Marketing and sales	12,518	12,309
Research and development	1,902	1,814
Technical and administration	5,669	5,577
	56,849	**54,770**
of which part-time	(4,042)	(3,309)

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

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

In regard to first-time consolidated companies, an annual average of 274 employees was reported for 2016, compared to 475 for 2015.

13 Total auditor's fee

The following fees were recognized as expenses for services provided worldwide by the auditors of PricewaterhouseCoopers in 2016:

	2016 € '000	2015 € '000
Audit fees	5,214	5,086
of which PricewaterhouseCoopers GmbH, Germany	(1,437)	(1,298)
Other certification services	62	44
of which PricewaterhouseCoopers GmbH, Germany	(23)	(4)
Tax advisory services	1,245	1,056
of which PricewaterhouseCoopers GmbH, Germany	(326)	(271)
Other services	535	595
of which PricewaterhouseCoopers GmbH, Germany	(71)	(22)
	7,056	**6,781**
of which PricewaterhouseCoopers GmbH, Germany	(1,857)	(1,594)

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14 Intangible assets

Cost of acquisition or manufacture	Acquired goodwill € '000	Licenses, trademarks, and other similar rights € '000	Internally created intangible assets € '000	Advance payments € '000	Total € '000
January 1, 2015	**169,517**	**421,528**	**85,705**	**108,870**	**785,620**
Foreign currency translation	252	8,346	9,734	– 12	18,320
Additions to scope of consolidation	13,276	10,338	0	0	23,614
Disposals from scope of consolidation	0	0	0	0	0
Additions	556	16,907	12,961	26,822	57,246
Transfers	28	20,605	0	– 19,814	819
Appreciation	0	0	0	0	0
Disposals	0	– 4,104	0	– 3,954	– 8,058
December 31, 2015/January 1, 2016	**183,629**	**473,620**	**108,400**	**111,912**	**877,561**
Foreign currency translation	1,794	6,650	3,369	36	11,849
Additions to scope of consolidation	19,179	8,961	0	0	28,140
Disposals from scope of consolidation	206	– 157	0	0	49
Additions	0	30,192	10,097	24,627	64,916
Transfers	0	32,048	0	– 30,104	1,944
Appreciation	0	0	0	0	0
Disposals	0	– 6,574	0	– 415	– 6,989
December 31, 2016	**204,808**	**544,740**	**121,866**	**106,056**	**977,470**
Accumulated amortization 2016	503	335,488	18,144	0	354,135
Accumulated amortization 2015	503	294,420	15,990	0	310,913
Carrying amounts December 31, 2016	**204,305**	**209,252**	**103,722**	**106,056**	**623,335**
Carrying amounts December 31, 2015	**183,126**	**179,200**	**92,410**	**111,912**	**566,648**
Amortization in the fiscal year	0	38,131	1,571	0	39,702
of which unscheduled	(0)	(97)	(0)	(0)	(97)

Depreciation on intangible assets for the fiscal year was € 39.7 million (previous year: € 39.4 million), recognized in the income statement in functional expenses.

The B. Braun Group capitalized € 10.1 million (previous year: € 13.0 million) in development costs for the fiscal year. All the prerequisites for capitalization were met.

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

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

	Hospital Care	Aesculap	OPM	B. Braun Avitum	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Dec. 31, 2015					
Carrying amount of goodwill	43,235	9,640	19,153	111,098	183,126
Annual growth rate	1.4%	1.2%	1.0%	1.4%	
Discount rate	7.6%	7.5%	7.2%	7.9%	
Dec. 31, 2016					
Carrying amount of goodwill	44,624	10,528	19,153	130,000	204,305
Annual growth rate	1.9%	1.7%	1.5%	2.0%	
Discount rate	6.7%	6.5%	6.0%	7.0%	

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

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

If the actual future gross margin had been 10 percent less than the gross margin estimated by management on December 31, 2016, no impairment of goodwill would have occurred. The same holds true if the discount amount that was used to calculate the discounted cash flow had been 10 percent higher than management's estimates.

15 Property, plant, and equipment

Cost of acquisition or manufacture	Land and buildings € '000	Technical plants and machinery € '000	Other plants, operating and office equipment € '000	Advance payments and assets under construction € '000	Total € '000
January 1, 2015	**1,750,434**	**2,579,375**	**864,494**	**634,051**	**5,828,354**
Foreign currency translation	21,083	15,906	– 401	10,215	46,803
Additions to scope of consolidation	19,035	5,876	2,883	53	27,847
Disposals from scope of consolidation	0	– 2,720	– 1,076	0	– 3,796
Additions	63,790	127,312	74,089	372,482	637,673
Transfers	140,084	220,141	30,724	– 391,768	– 819
Disposals	– 16,253	– 34,022	– 32,781	– 5,059	– 88,115
December 31, 2015/January 1, 2016	**1,978,173**	**2,911,868**	**937,932**	**619,974**	**6,447,947**
Foreign currency translation	22,774	33,206	22,527	5,509	84,016
Additions to scope of consolidation	215	162	1,198	0	1,575
Additions	52,380	70,222	78,100	445,214	645,916
Transfers	100,058	225,134	33,422	– 360,558	– 1,944
Disposals	– 4,508	– 45,230	– 33,104	– 694	– 83,536
December 31, 2016	**2,149,092**	**3,195,362**	**1,040,075**	**709,445**	**7,093,974**
Accumulated depreciation 2016	615,246	1,806,742	680,164	4,486	3,106,638
Accumulated depreciation 2015	552,198	1,639,494	610,636	3,294	2,805,622
Carrying amounts December 31, 2016	**1,533,846**	**1,388,620**	**359,911**	**704,959**	**3,987,336**
Carrying amounts December 31, 2015	**1,425,975**	**1,272,374**	**327,296**	**616,680**	**3,642,325**
Depreciation in the fiscal year	61,416	191,363	81,323	3,849	337,951
of which unscheduled	(2,154)	(50)	(487)	(3,849)	(6,540)

Capitalized borrowing costs for the fiscal year were € 6,454,000 (previous year: € 6,291,000). This was based on an interest rate of 2.5 percent (previous year: 2.7 percent).

In the statement of financial position, government grants for investments in the amount of € 925,000 (previous year: € 9,205,000) have been deducted from the carrying amounts of the relevant assets. The current carrying amount of property, plant and equipment acquired with government grants is € 65,928,000 (previous year: € 41,021,000). On the reporting date, no unfulfilled conditions or uncertainties with regards to market success existed, which would have required a modification of recognition in the statement of financial position.

The carrying amount of property, plant and equipment with restricted title is € 15,706,000 (previous year: € 13,523,000).

16 Finance leasing

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Licenses, trademarks, and similar rights	1,021	1,033
Accumulated amortization	– 371	– 323
Buildings	133,571	133,521
Accumulated depreciation	– 47,196	– 44,634
Technical plants and machinery	7,238	7,410
Accumulated depreciation	– 5,977	– 5,321
Other plants, operating and office equipment	14,953	12,840
Accumulated depreciation	– 10,517	– 9,164
Net carrying amount	**92,722**	**95,362**

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

	Dec. 31, 2016			Dec. 31, 2015		
	Nominal value € '000	Discount amount € '000	Net present € '000	Nominal value € '000	Discount amount € '000	Net present € '000
Less than one year	13,295	2,140	11,155	10,979	2,481	8,498
Between one and five years	32,065	5,406	26,659	33,007	6,459	26,548
Over five years	19,837	1,187	18,650	29,608	2,142	27,466
	65,197	**8,733**	**56,464**	**73,594**	**11,082**	**62,512**

The two largest finance leasing agreements relate to the real estate for the Hospital Care division's LIFE facility (carrying amount: € 22.8 million), and the Aesculap division's benchmark factory (carrying amount: € 15.4 million). These agreements have varying terms and conditions, interest rate adjustment clauses, and purchase options.

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

The B. Braun Group has a 21.6 percent share in Rhön-Klinikum AG, which is headquartered in Bad Neustadt an der Saale. Rhön-Klinikum AG is a publicly traded private operator of hospitals, clinics and medical centers. The B. Braun Group has significant influence over the company based on its percentage of voting rights and representation on its Supervisory Board.

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

	Assets	Liabilities	Equity	Sales	Profit/ loss	Total earnings	Received dividends
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
2016							
Rhön-Klinikum AG	1,492,595	355,377	1,137,218	1,036,418	82,372	82,181	10,714

Since Rhön-Klinikum AG's net income for 2016 was not available at the B. Braun Group's reporting date, the net income was estimated based on third quarter earnings. The balance sheet values correspond to the values in the third quarter financial statement. The fair value of the investment as of the reporting date was € 370.4 million.

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

	Net carrying amount January 1, 2016	Profit/ loss	Change in Equity	Dividend payout	Net carrying amount Dec. 31, 2016	Share in capital 21.6%	Change due to change in equity	Goodwill	Carrying amount Dec. 31, 2016
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
2016									
Rhön-Klinikum AG	1,060,204	64,381	16,299	– 53,550	1,087,334	234,538	66,011	14,231	314,780

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

	2016 € '000	2015 € '000
Other associated companies		
Carrying value of shares	73,885	56,599
Share of profit/loss	1,472	2,960
Share of other income/expense	0	0
Share of net income	1,472	2,960
Joint ventures		
Carrying value of shares	704	1,550
Share of profit/loss	– 122	– 178
Share of other income/expense	0	0
Share of net income	– 122	– 178

As of December 31, 2016, the goodwill of holdings in associated companies totaled € 35.6 million (previous year: € 16.5 million).

Cost of acquisition	Financial investments recognized using the equity method of accounting € '000	Other holdings € '000	Loans to companies in which the Group holds an interest € '000	Securities € '000	Other loans € '000	Total € '000
January 1, 2015	**331,483**	**18,406**	**1,792**	**723**	**9,447**	**361,851**
Foreign currency translation	581	0	– 89	0	0	492
Additions to scope of consolidation	514	1,275	0	0	34	1,823
Disposals from scope of consolidation	0	– 65,567	– 1,275	0	0	– 66,842
Additions	8,739	77,858	0	4,634	852	92,083
Transfers	– 2,375	2,375	0	0	0	0
Appreciation	0	0	0	0	0	0
Disposals	0	– 3,850	– 26	0	– 384	– 4,260
Fair value adjustments	0	0	0	– 172	0	– 172
December 31, 2015/ January 1, 2016	**338,942**	**30,497**	**402**	**5,185**	**9,949**	**384,975**
Foreign currency translation	– 3	0	70	0	1	68
Additions to scope of consolidation	0	0	0	0	0	0
Disposals from scope of consolidation	0	– 7,744	0	0	0	– 7,744
Additions	50,430	15,319	0	0	671	66,420
Transfers	0	0	0	0	0	0
Appreciation	0	0	0	0	0	0
Disposals	0	– 1,336	– 80	0	– 249	– 1,665
Fair value adjustments	0	0	0	188	0	188
December 31, 2016	**389,369**	**36,736**	**392**	**5,373**	**10,372**	**442,242**
Accumulated amortization 2016	0	29	0	2,519	20	2,568
Accumulated amortization 2015	0	29	0	0	20	49
Carrying amounts December 31, 2016	**389,369**	**36,707**	**392**	**2,854**	**10,352**	**439,674**
Carrying amounts December 31, 2015	**338,942**	**30,468**	**402**	**5,185**	**9,929**	**384,926**
Amortization in the fiscal year	0	0	0	2,519	0	2,519

18 Trade receivables

Age analysis of trade receivables

A) Non-impaired trade receivables

	Total	Not yet due	Overdue up to 30 days	Overdue 31 to 60 days	Overdue 61 to 90 days	Overdue 91 to 180 days	Overdue more than 180 days
Dec. 31, 2015							
Trade receivables	1,008,396	755,998	81,477	36,356	27,732	48,256	58,577
Dec. 31, 2016							
Trade receivables	1,072,962	818,436	90,584	36,369	24,907	42,034	60,632

A significant proportion of the non-impaired and overdue trade receivables are attributable to receivables from social security providers, government or government-sponsored companies.

b) Trade receivables for which specific impairments have been established

	Total	Not yet due	Overdue up to 30 days	Overdue 31 to 60 days	Overdue 61 to 90 days	Overdue 91 to 180 days	Overdue more than 180 days
Dec. 31, 2015							
Trade receivables	54,204	14,905	1,861	788	2,769	5,180	28,701
Impairment provisions	– 27,899	– 3,862	– 1,004	– 345	– 1,508	– 3,630	– 17,550
Carrying amount	**26,305**	**11,043**	**857**	**443**	**1,261**	**1,550**	**11,151**
Dec. 31, 2016							
Trade receivables	45,347	7,979	1,603	637	540	2,010	32,578
Impairment provisions	– 29,230	– 3,617	– 997	– 302	– 382	– 840	– 23,092
Carrying amount	**16,117**	**4,362**	**606**	**335**	**158**	**1,170**	**9,486**

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

Impairments on trade receivables have changed as follows:

	2016 € '000	2015 € '000
Amount of impairment provisions as of January 1	34,767	28,166
Foreign currency translation	837	– 320
Additions	9,762	14,699
Utilization	– 5,058	– 4,445
Releases	– 2,641	– 3,333
Amount of impairment provisions as of December 31	**37,667**	**34,767**
of which specific	(29,230)	(27,899)
of which general	(8,437)	(6,868)

The total amount of additions consists of specific and general provisions for impairment.

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

	2016 € '000	2015 € '000
Expenses for complete derecognition of trade receivables	8,612	7,610
Income from trade receivables previously derecognized	43	63

Fair value of collateral received totaled € 8,035,000 (previous year: € 5,800,000). This collateral consists primarily of payment guarantees.

With regard to trade receivables, there is no concentration with respect to individual customers, currencies, or geographic attributes. The largest receivable from a single customer is equivalent to approx. 1 percent of all trade receivables reported.

As of December 31, 2016, B. Braun Group companies had sold receivables worth € 94.9 million under an asset-backed securities (ABS) program with a maximum volume of € 100 million (previous year: € 92.2 million). The basis for the transaction is the assignment of trade receivables of individual B. Braun companies to a structured entity within the framework of an undisclosed assignment. A structured entity should be consolidated under IFRS 10 if the criteria for control of this company have been met (IFRS 10. B2). The existence of a controlling relationship requires decision-making power and variable returns as well as a link between the two. Since B. Braun does not participate in the variability of the structured entity, this company is not to be consolidated in the consolidated financial statements.

The requirements for a receivables transfer according to IAS 39.15 are met, since the receivables are transferred according to IAS 39.18 a. In previous years, verification in accordance with IAS 39.20 showed that virtually all risks and rewards were neither transferred nor retained. The control of receivables remained with B. Braun, as a further sale of the receivables has been economically detrimental for the structured entity. Therefore, according to IAS 39.30, B. Braun's continuing involvement must be recognized. This included, firstly, the maximum amount that B. Braun could conceivably have to pay back under the senior and third-ranking default guarantee assumed (previous year: € 1,774,000). Secondly, the maximum expected interest payments until payment is received for the carrying amount of the receivables transferred were recognized in the statement of financial position (previous year: € 208,000). The fair value of the guarantee/interest payments to be acquired were estimated at € 113,000 and recorded under other liabilities. In the previous fiscal year, verification in accordance with IAS 39.20 showed that virtually all risks and rewards were neither transferred nor retained. B. Braun's continuing involvement therefore no longer has to be recognized. The maximum amount that B. Braun could conceivably have to pay back under the senior and third-ranking default guarantee assumed is € 1,877,000 as of the reporting date; the maximum expected interest payments until payment is received is € 141,000. The fair value of the guarantee/interest payments to be assumed is € 96,000.

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

	Dec. 31, 2016			Dec. 31, 2015		
Maturity	Gross investment value € '000	Interest portion included € '000	Present value € '000	Gross investment value € '000	Interest portion included € '000	Present value € '000
Less than one year	7,727	1,087	6,640	8,506	975	7,531
Between one and five years	14,370	1,517	12,853	13,312	1,239	12,073
Over five years	167	3	164	397	26	371
Total	**22,264**	**2,607**	**19,657**	**22,215**	**2,240**	**19,975**

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

	Dec. 31, 2016	Dec. 31, 2015
Maturity	Minimum lease payments € '000	Minimum lease payments € '000
Less than one year	4,616	2,192
Between one and five years	6,186	2,216
Over five years	3,295	1,665
Total	**14,097**	**6,073**

19 Other assets

	Dec. 31, 2016		Dec. 31, 2015	
	Residual term < 1 year € '000	Residual term > 1 year € '000	Residual term < 1 year € '000	Residual term > 1 year € '000
Other tax receivables	68,302	0	63,335	0
Receivables from social security providers	12,007	552	594	558
Receivables from employees	4,712	187	4,480	135
Advance payments	18,326	3	12,520	1
Accruals and deferrals	32,259	3,556	30,639	3,597
	135,606	**4,298**	**111,568**	**4,291**
Receivables from derivative financial instruments	10,095	0	27,533	0
Available-for-sale financial assets	10,442	0	9,456	0
Held-for-trading financial assets	18,683	0	16,976	0
Other receivables and assets	60,379	40,990	72,768	23,853
	99,599	**40,990**	**126,733**	**23,853**
	235,205	**45,288**	**238,301**	**28,144**

Granted loans are mainly reported under other receivables and assets.

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

20 Inventories

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Raw materials and supplies	278,055	252,247
Impairment provisions	– 20,800	– 17,661
Raw materials and supplies – net	**257,255**	**234,586**
Work in progress	175,296	179,403
Impairment provisions	– 7,817	– 6,226
Work in progress – net	**167,479**	**173,177**
Finished products, merchandise	786,206	716,866
Impairment provisions	– 75,562	– 67,904
Finished products, merchandise – net	**710,644**	**648,962**
	1,135,378	**1,056,725**

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

21 Cash and cash equivalents

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

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

22 Subscribed capital

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

The Management Board is authorized, with the consent of the Supervisory Board, to increase the subscribed capital by up to € 100 million by issuing new bearer shares for cash on one or more occasions before December 31, 2018.

23 Capital reserves and retained earnings

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

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

Changes in other provisions	Reserve for cash flow hedges € '000	Fair value of available-for-sale financial assets € '000	Reserve for currency translation differences € '000	Total € '000
January 1, 2015	**– 3,693**	**11**	**– 83,947**	**– 87,629**
Changes recognized directly in equity (after taxes)				
Changes in fair value of securities	0	– 254	0	– 254
Cash flow hedging instruments	– 140	0	0	– 140
Changes due to currency translation	0	0	– 2,460	– 2,460
Total	**– 140**	**– 254**	**– 2,460**	**– 2,854**
December 31, 2015/January 1, 2016	**– 3,833**	**– 243**	**– 86,407**	**– 90,483**
Changes recognized directly in equity (after taxes)				
Changes in fair value of securities	0	155	0	155
Cash flow hedging instruments	– 4,237	0	0	– 4,237
Changes due to currency translation	0	0	64,740	64,740
Total	**– 4,237**	**155**	**64,740**	**60,658**
December 31, 2016	**– 8,070**	**– 88**	**– 21,667**	**– 29,825**

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

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

24 Non-controlling interests

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

	Assets € '000	Liabilities € '000	Sales € '000
2015			
Almo-Erzeugnisse E. Busch GmbH, Germany	57,475	34,255	66,763
B. Braun Austria Ges.m.b.H., Austria	73,945	24,481	57,869
B. Braun Medical AG, Switzerland	360,618	127,717	298,191
	492,038	186,453	422,823
2016			
Almo-Erzeugnisse E. Busch GmbH, Germany	56,379	31,840	68,476
B. Braun Austria Ges.m.b.H., Austria	79,654	24,194	60,537
B. Braun Medical AG, Switzerland	365,522	121,942	301,249
	501,555	177,976	430,262

25 Provisions for pensions and similar obligations

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Provisions for pension obligations	1,300,833	1,079,705

Payments of € 42.4 million are expected in fiscal year 2017 (previous year: € 41.5 million). Of this, € 14.1 million is attributable to contributions to external plans (previous year: € 14.1 million) and € 28.3 million (previous year: € 27.4 million) to benefits that will be paid directly by the employer to beneficiaries.

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

For defined contribution plans, the Group has no further payment obligations once the contributions have been paid. They are recognized as an operating expense in the amount of the contributions paid. In the previous fiscal year, this amount was € 26.5 million (previous year: € 24.2 million). In addition,

Profit/ loss	Other earnings (OCI)	Total earnings	Cash flow	Non-controlling interests	attributable to	
					Profit/ loss	Dividends
€ '000	€ '000	€ '000	€ '000	in %	€ '000	€ '000
2,621	– 1,668	953	1	40	1,048	536
13,865	– 872	12,993	– 31	40	5,546	3,200
13,153	– 33,502	– 20,349	44	49	6,445	5,659
29,639	– 36,042	– 6,403	14		13,039	9,395
3,901	– 2,910	991	– 1	40	1,560	536
15,075	– 1,444	13,631	15	40	6,030	3,400
19,299	– 32,763	– 13,464	– 1,430	49	9,457	5,350
38,275	– 37,117	1,158	– 1,416		17,047	9,286

the Group makes contributions to statutory basic provision plans for employees in many countries (including Germany). However, since this covers various forms of social security benefits, no precise statement can be made with regard to the part that solely relates to retirement payments. These expenses are shown under social security payments, under Note 12 "Personnel Expenditures/Employees."

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

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

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

Retirement benefits in Germany are predominantly financed by pension provisions.

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

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

Retirement benefits in Switzerland and the US are financed by external pension funds, as is customary for both regions. Minimum funding requirements apply in both countries, which could, in rare cases, impact the definition of future financial contributions.

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

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

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Present value of pension obligations	1,609,146	1,373,148
Fair value of external plan assets	– 308,313	– 293,443
Excess cover/shortfall	**1,300,833**	**1,079,705**
Effect of asset ceiling	0	0
Pension provision (net)	**1,300,833**	**1,079,705**
of which assets	(763)	(799)
of which liabilities	(1,301,596)	(1,080,504)

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

	2016 € '000	2015 € '000
Current service costs	51,339	54,895
Plan changes/past service costs	– 3,990	– 605
(Profit)/losses from plan settlements/lapsing	– 1,312	– 2,153
Service costs	**46,037**	**52,137**
Interest expense on pension obligations	36,594	33,883
Interest income from external plan assets	– 7,165	– 7,271
Interest income from reimbursement claims	0	0
Interest on asset ceiling	0	0
Net interest expense on pension obligations	**29,429**	**26,612**
Administrative expenses and taxes	1,061	783
Pension expense on defined benefit plans	**76,527**	**79,532**
of which operating profit	(47,098)	(52,920)
of which financial income	(29,429)	(26,612)
Pension expense on defined contribution plans	26,503	24,202
Pension expense	**103,030**	**103,734**

Pension obligations and external plan assets are reconciled as follows:

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Present value of the obligation at the beginning of the year	1,373,148	1,366,903
Current service costs	51,339	54,895
Plan changes (past service costs)	– 3,990	– 605
Effects of plan settlements/lapsing	– 1,312	– 2,153
Interest expense on pension obligations	36,594	33,883
Benefits paid excluding administrative costs	– 42,020	– 38,234
Settlement payments	– 1,760	– 3,291
Employee contributions	4,489	4,408
Effects of changes in financial assumptions	199,329	– 83,976
Effects of changes in demographic assumptions	– 3,807	– 1,315
Effects of experience adjustments	– 3,252	10,065
Effects of transfers	– 264	1,765
Effects of changes in the scope of consolidation	0	0
Effects of foreign currency translation	652	30,803
Present value of the obligation at end of year	**1,609,146**	**1,373,148**

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Fair value of plan assets at the beginning of the year	293,443	268,429
Interest income from external plan assets	7,165	7,271
Revaluation of external plan assets	7,813	– 6,522
Employer contributions	13,962	11,671
Employee contributions	4,489	4,408
Benefits paid and fund capital payments made	– 15,710	– 12,976
Settlement payments	– 1,760	– 3,287
Effects of changes in scope of consolidation and transfers	– 349	1,738
Effects of foreign currency translation	– 740	22,711
Fair value of plan assets at the end of the year	**308,313**	**293,443**

The plan assets consist of the following:

	Dec. 31, 2016 in %	Dec. 31, 2015 in %
Equities and similar securities	21	22
Bonds and other fixed-income securities	14	13
Real estate	0	0
Insurance contracts	56	55
Liquid assets	1	1
Derivatives	0	0
Investment funds	8	9
Other assets	0	0
	100	**100**

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

	Dec. 31, 2016 in %	Dec. 31, 2015 in %
Equities and similar securities	21	22
Bonds and other fixed-income securities	14	13
Real estate	0	0
Insurance contracts	0	0
Liquid assets	1	1
Derivatives	0	0
Investment funds	8	9
Other assets	0	0
	44	**45**

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

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

In fiscal years 2016 and 2015, the pension provisions changed as follows:

	2016 € '000	2015 € '000
Pension provisions (net) January 1	1,079,705	1,098,474
Transfers	85	27
Payments	– 41,337	– 37,720
Pension expense	76,527	79,532
Revaluations recognized in equity (OCI)	184,460	– 68,700
of which effects from changes to financial assumptions of the pension obligation	(199,329)	(– 83,976)
of which effects from changes to demographic assumptions of the pension obligation	(– 3,807)	(– 1,315)
of which effects from experiential adjustments of the pension obligation	(– 3,252)	(10,065)
of which revaluation of external plan assets	(– 7,813)	(6,522)
of which other effects	(3)	(4)
Effects of changes in the scope of consolidation	0	0
Effects of foreign currency translation	1,393	8,092
Pension provisions (net) December 31	**1,300,833**	**1,079,705**

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

	Dec. 31, 2016 in %	Dec. 31, 2015 in %
Discount rate	2.0	2.7
Future salary increases	2.8	2.8
Future pension increases	1.5	1.5

Pension expense was calculated using the following assumptions:

	2016 in %	2015 in %
Discount rate for calculating interest expense	2.7	2.5
Discount rate for calculating current service costs	3.0	2.6
Future salary increases	2.8	2.9
Future pension increases	1.5	1.5

The percentages shown are weighted average assumptions. For the eurozone, a uniform discount rate of 2.0 percent (previous year: 2.8 percent) was applied to determine the pension obligations.

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

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

The results of the sensitivity analysis were as follows:

Obligation-increasing effect	2016 in %	2015 in %
Discount rate reduced by 25 basis points	4	4
Future salary increases increased by 25 basis points	1	1
Future pension increases increased by 25 basis points	2	2
Life expectancy increased by 1 year	3*	3*

* Effect within Germany

Obligation-reducing sensitivities have a comparable effect.

The weighted duration of the obligation is 19 years (previous year: 18 years).

26 Other provisions

The major provisions categories changed as follows:

Other non-current provisions	Personnel expenditures € '000	Uncertain liabilities € '000	Other € '000	Total € '000
January 1, 2015	**64,497**	**6,918**	**8,243**	**79,659**
Foreign currency translation	2,055	– 842	– 162	1,052
Changes in scope of consolidation	0	0	0	0
Accrued interest	0	0	0	0
Transfers	0	0	0	0
Utilization	– 3,199	– 1,529	– 466	– 5,194
Reversals	– 385	– 14	0	– 399
Additions	18,770	1,976	2,373	23,118
December 31, 2015/January 1, 2016	**81,738**	**6,509**	**9,988**	**98,235**
Foreign currency translation	622	232	186	1,039
Translation scope of consolidation	0	0	0	0
Accrued interest	0	52	0	52
Transfers	0	0	0	0
Utilization	– 5,764	– 877	– 2,807	– 9,448
Reversals	– 3,204	– 332	– 308	– 3,844
Additions	23,520	1,295	1,844	26,660
December 31, 2016	**96,911**	**6,879**	**8,904**	**112,694**

Other current provisions	Personnel expenditures	Warranties	Uncertain liabilities	Other	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
January 1, 2015	**1,965**	**8,732**	**7,460**	**21,473**	**39,630**
Foreign currency translation	86	240	382	– 190	518
Transfers	0	0	0	0	0
Translation scope of consolidation	842	0	0	2,893	3,735
Utilization	– 1,603	– 6,126	– 1,656	– 10,812	– 20,198
Reversals	– 568	– 1,378	– 464	– 5,387	– 7,797
Additions	2,411	8,310	6,895	16,128	33,744
December 31, 2015/January 1, 2016	**3,133**	**9,778**	**12,617**	**24,105**	**49,632**
Foreign currency translation	11	– 25	201	– 85	103
Transfers	0	0	0	0	0
Translation scope of consolidation	0	0	0	0	0
Utilization	– 2,090	– 4,690	– 8,290	– 13,167	– 28,238
Reversals	– 422	– 1,277	– 604	– 2,778	– 5,081
Additions	3,067	6,982	5,383	16,821	32,254
December 31, 2016	**3,699**	**10,768**	**9,307**	**24,896**	**48,670**

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

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

The release of provisions affecting net income is primarily attributable to the release of provisions for personnel expenditures in Germany (€ 2,840,000) and for warranties in the United States (€ 1,113,000).

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

27 Financial liabilities

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Non-current liabilities		
Profit participation rights	98,116	90,897
Liabilities to banks	1,027,728	977,593
Liabilities under finance leases	24,476	29,990
Liabilities under finance leases with affiliated companies	20,833	24,003
Liabilities under borrowings from non-banks	15,030	32,508
Other financial liabilities	0	0
	1,186,183	**1,154,991**
Current liabilities		
Profit participation rights	13,319	11,238
Liabilities to banks	587,531	604,385
Liabilities under finance leases	7,985	5,457
Liabilities under finance leases with affiliated companies	3,170	3,062
Liabilities under borrowings from non-banks	151,836	103,920
Liabilities under bills of exchange	14,746	20,375
Other financial liabilities	27,358	19,937
	805,945	**768,374**
Total financial liabilities	**1,992,128**	**1,923,365**

Other financial liabilities include € 21,178,000 in advance payments received for orders (previous year: € 13,427,000).

Term structure of financial liabilities:

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Due within one year	805,945	768,374
Due in one to five years	877,266	693,201
Due in over five years	308,917	461,790
	1,992,128	**1,923,365**

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

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

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

As of December 31, 2016, a total of 689,615 rights had been issued. The years of issue are as follows:

Year of issue	Number
2007	66,107
2008	79,149
2009	69,123
2010	80,217
2011	69,202
2012	54,071
2013	69,276
2014	62,481
2015	64,761
2016	75,228
	689,615

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

In 2016, B. Braun Melsungen AG secured a bilateral bank loan of € 100 million at a fixed interest rate that will be due in 2020. In addition, Group companies in Asia have secured long-term, bilateral loan agreements equivalent to approx. € 120 million with terms of up to 10 years. These borrowed funds were used to refinance expired loans and finance the capital requirements of each Group company.

As of December 31, 2016, the Group had unused credit lines in different currencies totaling € 1,118.7 million (previous year: € 1,011.7 million).

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

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
EUR	1,470,994	1,445,151
USD	184,251	214,735
Other	336,883	263,479
	1,992,128	**1,923,365**

Liabilities from finance leasing are recognized at the net present value of the leasing payments. These are fully secured by property liens on leased property. Of the other liabilities, € 19,904,000 (previous year: € 18,040,000) are secured by property liens. Liabilities under borrowings from non-banks include loans from B. Braun Melsungen AG shareholders in the amount of € 75,638,000 (previous year: € 65,416,000). Borrowings from non-banks are unsecured.

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

		Cash outflows within one year	
	Carrying amount € '000	Interest € '000	Repayments € '000
Dec. 31, 2015			
Profit participation rights	102,135	152	11,238
Liabilities to banks	1,581,978	24,504	604,385
Liabilities under finance leases	35,447	1,626	5,457
Liabilities under finance leases with affiliated companies	27,065	854	3,062
Liabilities under borrowings from non-banks	136,428	958	103,920
Liabilities from ABS transactions and other financial liabilities	60,086	0	60,086
Financial liabilities trade accounts payable	348,615	0	344,113
Liabilities from derivative financial instruments	18,523	0	358,252
Dec. 31, 2016			
Profit participation rights	111,435	152	13,319
Liabilities to banks	1,615,259	25,501	587,531
Liabilities under finance leases	32,461	1,395	7,985
Liabilities under finance leases with affiliated companies	24,003	746	3,170
Liabilities under borrowings from non-banks	166,866	889	151,836
Liabilities from ABS transactions and other financial liabilities	53,891	0	53,891
Trade accounts payable	442,879	0	438,240
Liabilities from derivative financial instruments	34,233	– 2	410,970

All instruments held as of December 31, 2016 and for which payments had already been contractually agreed upon are included. Amounts in foreign currency were each translated at the closing rate on the

Cash outflows within one to two years		Cash outflows within two to five years		Cash outflows within five to ten years		Cash outflows after ten years	
Interest	Repayments	Interest	Repayments	Interest	Repayments	Interest	Repayments
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
135	12,173	293	35,514	185	43,210	0	0
21,504	182,344	34,918	416,896	14,535	378,353	0	0
1,338	7,014	2,821	9,241	1,489	13,176	42	559
746	3,170	1,560	9,802	613	11,031	0	0
770	18,304	494	11,715	0	2,420	0	69
0	0	0	0	0	0	0	0
0	81	0	2,350	0	2,071	0	0
– 1	1,597	1	685	0	0	0	– 342,011
134	15,984	290	34,248	198	47,884	0	0
24,405	147,623	39,133	653,546	12,172	226,559	0	0
1,135	4,106	2,407	9,563	868	10,429	12	378
634	3,282	1,232	9,707	307	7,844	0	0
117	1,934	26	10,261	0	2,835	0	0
0	0	0	0	0	0	0	0
0	1,599	0	1,464	0	1,576	0	0
– 2	4,352	– 2	602	0	0	0	– 381,691

reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2016. Financial liabilities that can be repaid at any time are always assigned to the earliest possible period.

28 Additional disclosures on financial instruments

Carrying amount and fair value by measurement category

	Assessment category under IAS 39	Carrying amount Dec. 31, 2016 € '000	Fair value Dec. 31, 2016 € '000	Carrying amount Dec. 31, 2015 € '000	Fair value Dec. 31, 2015 € '000
Assets					
Trade receivables	LaR	1,089,079	–	1,034,701	–
Other receivables	LaR	128,429	–	116,316	–
Available-for-sale financial assets	AfS	13,296	13,296	14,641	14,641
Other holdings	AfS	36,707	–*	30,468	–*
Financial assets held for trading	FAHfT	18,683	18,683	16,976	16,976
Derivatives not in a hedge	FAHfT	7,136	7,136	20,283	20,283
Derivatives in a hedge	n. a.	2,959	2,959	7,250	7,250
Cash and cash equivalents	LaR	90,456	–	62,958	–
Liabilities					
Profit participation rights	FLAC	111,435	–**	102,135	–**
Liabilities to banks	FLAC	1,615,259	1,645,604	1,581,978	1,609,099
Liabilities under finance leases	n. a.	56,464	56,956	62,512	63,695
Liabilities under borrowings from non-banks	FLAC	166,866	167,321	136,428	137,521
Other financial liabilities	FLAC	35,924	–	33,802	–
Trade accounts payable	FLAC	442,879	–	348,615	–
Other liabilities	FLAC	285,719	–	258,600	–
Purchase price liabilities from business combinations	FLHfT	1,379	1,379	28,614	28,614
Derivatives not in a hedge	FLHfT	19,538	19,538	6,794	6,794
Derivatives in a hedge	n. a.	14,695	14,695	11,729	11,729
Summary by IAS 39 measurement category:					
Loans and receivables	LaR	1,307,964	1,311,157	1,213,975	1,214,918
Available-for-sale financial assets	AfS	50,003	50,003	45,109	45,109
Financial assets held for trading	FAHfT	25,819	25,819	37,259	37,259
Financial liabilities measured at amortized cost	FLAC	2,658,082	2,688,882	2,461,558	2,489,772
Financial liabilities measured at fair value	FLHfT	20,917	20,917	35,408	35,408

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

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

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

Net gains or losses by measurement category are as follows:

Net gains or losses from	2016 € '000	2015 € '000
– available-for-sale financial assets	– 2,589	– 18
– financial assets and liabilities held for trading	– 34,259	– 7,882
	– 36,848	– 7,900

Available-for-sale financial assets comprise:

Equities and similar securities	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Listed securities	13,296	14,641
of which non-current	(2,854)	(5,185)

These are reported under other financial investments and other financial assets. No available-for-sale financial assets were impaired in 2016 or 2015. There is no plan to dispose of these assets or the remaining holdings.

Other assets include other receivables and other financial assets in the amount of € 119,698,000 (previous year: € 109,142,000) and other loans in the amount of € 10,744,000 (previous year: € 10,331,000).

The maximum credit risk for each measurement category of financial assets corresponds to its carrying amount. Trade receivables are partly secured with reservation of title, which reduces the maximum default risk in this assessment category by € 29,807,000 (previous year: € 36,946,000).

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

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

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

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

- Level 1 – Measurement at fair value based on (unadjusted) quoted prices on active markets for identical financial assets or liabilities.
- Level 2 – Measurement at fair value based on parameters, which are not quoted prices for assets or liabilities as in level 1, but which are either directly derived from them (i. e., as prices) or indirectly derived from them (i. e., derived from prices).
- Level 3 – Measurement at fair value using models that include parameters not based on observable market data to value assets and liabilities.

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
December 31, 2015				
Financial assets of category "At fair value through profit and loss"				
Derivative financial assets not in a hedge	0	20,283	0	20,283
Derivative financial assets in a hedge	0	7,250	0	7,250
Financial assets held for trading	16,976	0	0	16,976
Financial assets of category "Available-for-sale"				
Financial assets	14,641	0	0	14,641
Financial liabilities of category "At fair value through profit and loss"				
Purchase price liabilities from business combinations	0	0	– 28,614	– 28,614
Derivative financial assets not in a hedge	0	– 6,794	0	– 6,794
Derivative financial assets in a hedge	0	– 11,729	0	– 11,729
	31,617	9,010	– 28,614	12,013
December 31, 2016				
Financial assets of category "At fair value through profit and loss"				
Derivative financial assets not in a hedge	0	7,136	0	7,136
Derivative financial assets in a hedge	0	2,959	0	2,959
Financial assets held for trading	18,683	0	0	18,683
Financial assets of category "Available-for-sale"				
Financial assets	13,296	0	0	13,296
Financial liabilities of category "At fair value through profit and loss"				
Purchase price liabilities from business combinations	0	0	– 1,379	– 1,379
Derivative financial assets not in a hedge	0	– 19,538	0	– 19,538
Derivative financial assets in a hedge	0	– 14,695	0	– 14,695
	31,979	– 24,138	– 1,379	6,462

Purchase price liabilities from business combinations categorized as Level 3 are conditional purchase price liabilities recorded at net present value, the final amount of which is partially performance-dependent based on the sale of acquired companies in the years following acquisition. If sales turn out to be 10 percent higher (lower) than was assumed when the liability was determined, then the liability would increase (decrease) by € 138,000.

The € 27,235,000 decrease in liabilities over the previous year is attributable to the repayment of purchase price liabilities (– € 21,986,000) and the revaluation of measurement parameters (– € 5,249,000).

The table below shows financial instruments that are subsequently measured at fair value, but recognized at amortized cost.

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
December 31, 2015				
Financial liabilities of category "Measured at amortized cost"				
Liabilities to banks	0	1,609,099	0	1,609,099
Liabilities under finance leases	0	63,695	0	63,695
Liabilities under borrowings from non-banks	0	137,521	0	137,521
	0	1,810,315	0	1,810,315
December 31, 2016				
Financial liabilities of category "Measured at amortized cost"				
Liabilities to banks	0	1,645,604	0	1,645,604
Liabilities under finance leases	0	56,956	0	56,956
Liabilities under borrowings from non-banks	0	167,321	0	167,321
	0	1,869,881	0	1,869,881

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

				Corresponding amounts that were not offset		
	Gross carrying amount € '000	Offset amount € '000	Net carrying amount € '000	Financial instruments € '000	Financial collateral held € '000	Net amount € '000
December 31, 2015						
Loans and receivables (LaR)	1,213,975	0	1,213,975	– 7,323	0	1,206,652
Financial assets held for trading (FAHfT)	37,259	0	37,259	– 22,303	0	14,956
Financial liabilities measured at amortized cost (FLAC)	2,461,558	0	2,461,558	– 20,593	16	2,440,981
Financial liabilities held for trading (FLHfT)	35,408	0	35,408	– 9,033	0	26,375
December 31, 2016						
Loans and receivables (LaR)	1,307,964	0	1,307,964	– 11,563	0	1,296,401
Financial assets held for trading (FAHfT)	25,819	0	25,819	– 6,688	0	19,131
Financial liabilities measured at amortized cost (FLAC)	2,658,082	0	2,658,082	– 7,519	0	2,650,563
Financial liabilities held for trading (FLHfT)	20,917	0	20,917	– 10,732	0	10,185

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

29 Trade accounts payable and other liabilities

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Non-current liabilities		
Trade acounts payable	4,639	4,502
Liabilities to social security providers	2,931	1,839
Liabilities to employees, management, and shareholders	23,438	18,750
Accruals and deferrals	80	0
	26,449	**20,589**
Other liabilities	11,346	19,253
Subtotal other liabilities	**37,795**	**39,842**
of which financial liabilities	(11,346)	(19,251)
Current liabilities		
Trade accounts payable	438,240	344,113
Liabilities to social security providers	32,477	32,235
Liabilities to employees, management, and shareholders	277,226	268,904
Accruals and deferrals	12,310	16,109
Other tax liabilities	78,671	72,284
	400,684	**389,532**
Liabilities from derivative financial instruments	34,233	18,523
Other liabilities	282,000	273,128
	316,233	**291,651**
Subtotal other liabilities	**716,917**	**681,183**
of which other financial liabilities	(309,985)	(286,486)
Total liabilities	**1,197,591**	**1,069,640**

The Group has designated several payer interest rate swaps ("static pay – variable receipts") as cash flow hedges in order to hedge the variable interest payments on a nominal credit volume of € 125,000,000 (previous year: € 125,000,000). Changes in the cash flows of the underlying transaction resulting from changes in the reference interest rate are compensated for by the changes in the cash flows of the interest rate swap. The hedging measures are designed to hedge the cash flow from bank liabilities against an increase in the reference interest rate. Credit risks are not covered through the hedge. The related cash flows are likely to occur through fiscal year 2019. The effectiveness of hedges was measured prospectively and retrospectively using the dollar offset method. The hedges were effective. The effective portion of changes in the fair value of the designated interest rate swap is recognized in equity and amounts to a total of – € 717,000 (previous year: – € 847,000). The ineffective portion of changes in value is recognized directly in the statement of income under net financial income and is € 0 (previous year: € 0). Amounts accrued under equity are transferred to the statement of income as income or expense in the period in which the hedged underlying transaction is recognized in the statement of income.

From hedges that were terminated or became ineffective in the fiscal year, losses that were recognized in the capital equity on an accumulative basis remained in the capital equity at the time of terminating this hedge, and they are recognized on entry of the originally hedged transaction in the statement of income. In 2016, this resulted in an expense of € 555,000 (previous year: € 555,000), which was transferred from equity to the statement of income.

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

30 Contingent liabilities

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Uncertain liabilities	22,162	39,364
Guarantees	12,820	21,225
Warranties	137	1,973
Contractual performance guarantees	39,257	46,496
	74,376	**109,058**

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

31 Other financial liabilities

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

Future minimum lease payments expected in connection with non-terminable sub-leases on the reporting date amount to € 9,541,000 (previous year: € 12,080,000).

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

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Obligations under rental and leasing agreements		
Due within one year	79,681	68,125
Due within one to five years	147,037	110,531
Due in over five years	84,525	63,778
	311,243	**242,434**
Obligations from the acquisition of intangible assets	349	18
Obligations from the acquisition of property, plant, and equipment	198,892	171,172
Total	**510,484**	**413,624**

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

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Obligations under sale and leaseback agreements		
Due within one year	10,390	8,325
Due within one to five years	19,216	13,586
Due in over five years	0	0
	29,606	**21,911**

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

32 Financial risk management

Financial risk factors

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

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

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

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

If the exchange rate of the US dollar compared to other currencies on December 31, 2016, had been 10 percent stronger (weaker), profit before taxes – with all other variables remaining constant – would have been € 0.5 million (previous year: € 4.8 million) lower (higher). The remaining components of equity would have been approx. € 6.5 million (previous year: € 12.3 million) lower (higher). If the euro rises in value by 10 percent against all other currencies (euro 10 percent weaker), the changes in the value of the cash flow hedges would have the effect of increasing (decreasing) shareholders' equity by about € 19.7 million (previous year: € 19.3 million).

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

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

If market interest rates had been 100 basis points higher as of December 31, 2016, profit before taxes – with all other variables remaining constant – would have been approx. € 4.5 million lower for the full year (previous year: € 5.2 million). If market interest rates had been 100 basis points lower as of December 31, 2016, profit before taxes – with all other variables remaining constant – would have been approx. € 4.5 million higher for the full year (previous year: € 2.6 million). This would have been mainly attributable to higher or lower interest expense for variable-rate interest-bearing financial liabilities. The other components of equity would have changed only slightly.

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

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

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

The goal of significantly exceeding an equity ratio of at least 25 percent, as per the terms of the syndicated loan, was met in fiscal year 2016, as well.

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

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

	Nominal volume		Nominal volume residual term > 1 year		Fair value	
	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Forward foreign exchange contracts	959,793	1,028,930	46,282	57,191	– 21,697	10,793
Currency options	125,000	125,000	100,000	125,000	– 2,782	– 3,438
Embedded derivatives	6,500	7,636	0	0	106	339
	1,091,293	**1,161,566**	**146,282**	**182,191**	**– 24,373**	**7,694**

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

See Note 29 regarding cash flow hedges recognized under other liabilities.

The Group designates forward foreign exchange contracts to hedge future foreign currency inflows and outflows from the operating business of the B. Braun Group that are not denominated in the functional currency and are expected to arise with high probability. In addition, the Group allocates currency hedges to certain plant construction projects and intercompany loans that are not contracted in the functional currency of each Group company. The purpose of the hedges is to reduce the profit or loss volatility resulting from foreign exchange receipts and payments (and their measurement) with respect to foreign exchange risk. The effectiveness of hedges is measured prospectively using the critical terms match method and retroactively using the dollar offset method.

As of December 31, 2016, the Group had designated forward foreign exchange contracts with a net fair value of – € 9,534,000 (previous year: – € 1,560,000) as cash flow hedges. All hedges were effective within the range specified under IAS 39.

Gains of € 9,891,000 (previous year: € 30,165,000) and losses of € 26,292,000 (previous year: € 46,722,000) from changes in the fair value of foreign exchange derivatives related to cash flow hedges were recognized in equity in fiscal year 2016. Gains of € 11,075,000 (previous year: € 19,817,000) and losses of € 19,870,000 (previous year: € 34,428,000) recognized in equity were transferred to other operating income/other operating losses for the fiscal year. The earnings from currency hedging on plant construction projects – € 1,053,000 (previous year: – € 8,730,000) were eliminated from currency earnings. As of the reporting date, the hedging measures had no ineffective portions. B. Braun expects gains of € 2,959,000 and losses of € 12,493,000 recognized in equity to be transferred to the statement of income within the next 12 months. The earnings from the hedges from internal commercial lending is shown in net interest income.

33 Related party transactions

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

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

The following transactions were completed with related persons and entities:

	2016 € '000	2015 € '000
Sale of goods and services		
Related entities	21,784	15,771
of which B. Braun Holding GmbH & Co. KG	(12,826)	(13,732)
of which holdings	(8,958)	(2,039)
Goods and services purchased		
Related entities	57,430	86,356
of which B. Braun Holding GmbH & Co. KG	(21,981)	(22,178)
of which joint ventures	(22,064)	(21,488)
of which holdings	(13,385)	(42,690)

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

	Dec. 31, 2016 € '000	Dec. 31, 2015 € '000
Outstanding items from the sale of goods and services		
Related entities	1,666	4,120
of which B. Braun Holding GmbH & Co. KG	(529)	(3,577)
of which joint ventures	(384)	(408)
of which holdings	(753)	(135)
Procurement obligations	156	216
Outstanding items from goods and services purchased and from loans		
Related entities	40,680	32,639
of which B. Braun Holding GmbH & Co. KG	(27,095)	(27,064)
of which joint ventures	(1,875)	(1,740)
of which holdings	(11,710)	(3,835)
Key management personnel	75,639	66,099
	116,319	**98,738**
Procurement obligations	1,605	1,951

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

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

- Other assets
- Financial liabilities
- Other liabilities

The loans granted by related individuals are short-term. Their interest rates are based on covered bond (Pfandbrief) yields.

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

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

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

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

	2016 € '000	2015 € '000
Fixed remuneration	4,000	3,956
Variable renumeration	6,172	5,079
Pension expense	1,030	1,030
Bonuses	468	273
Other	437	438
	12,107	**10,776**

Of the total, € 636,000 was attributable to the Chairman of the Management Board as fixed renumeration and € 909,000 as variable remuneration from profit-sharing.

Pension obligations totaling € 25,564,000 exist to active board members. Profit-sharing bonus obligations to board members reported under liabilities to employees, management and shareholders total € 5,995,000. A total of € 28,207,000 has been allocated for pension obligations to former board members and their surviving dependents; current pension payments total € 2,064,000. Supervisory Board remuneration totaled € 698,000.

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

The Group has not made any loans to current or former members of the Management Board or Supervisory Board. Liabilities stemming from profit participation rights for board members were € 15,530,000 (previous year: € 13,409,000). See Note 27 for detailed information about bonuses.

The members of the Supervisory Board and the Management Board are listed on pages 2 and 163.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

34 Gross cash flow from operating activities

The gross cash flow of € 753.2 million is the cash surplus from operating activities before any changes in working capital, a decrease of € 14.5 million from the previous year. The change is due primarily to the change in non-current provisions and other non-cash income and expenses.

Cash flow from operating activities of € 822.8 million represents changes in current assets, current provisions, and liabilities (excluding financial liabilities).

The increase in liabilities and short-term provisions less the increase in inventories, receivables and other assets have led to a cash inflow of € 69.6 million. Net cash from operating activities is therefore € 135.3 million above the previous year's level.

35 Cash flow from investing activities

For the purchase of property, plant and equipment, intangible assets, financial assets, and business acquisitions, a total of € 803.4 million was spent in 2016. This was offset by proceeds from the sale of property, plant and equipment and the disposal of holdings (€ 7.1 million), as well as dividends and similar revenues received (€ 13.3 million), resulting in a net cash outflow from investing activities of € 783.1 million. Compared to the previous year, this resulted is a € 70.2 million increase in cash outflow.

Investments made during the year were fully covered by cash flow from operating activities. The remaining free cash flow was – € 39.7 million (previous year: – € 25.4 million).

Additions to property, plant and equipment and intangible assets under finance leasing do not result in cash outflows and are therefore not included under investing activities. In the reporting year, these additions totaled € 0.4 million (previous year: € 0.5 million).

36 Cash flow from financing activities

In 2016, cash flow from financing activities amounted to € 10.1 million (previous year: – € 6.3 million cash outflow). The net balance of proceeds from and repayments of loans was € 49.4 million (previous year: € 36.7 million). Dividend payments and capital contributions by non-controlling interests resulted in a total cash outflow of € 39.2 million (previous year: € 41.8 million). The € 16.4 million change in cash inflows as compared with the previous year is primarily due to lower loan repayments.

37 Cash and cash equivalents

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

As of December 31st, 2016, restrictions on cash availability totaled € 1.766 million (previous year: € 1.386 million). These restrictions are primarily related to security deposits and collateral for tender business.

SUBSEQUENT EVENTS

No facts came to light after completion of the financial year through to the date of preparation of the consolidated financial statements that have a material effect on the earnings, assets and financial position for fiscal year 2016.

INDEPENDENT AUDITORS' REPORT

The complete annual financial statements and management report for publication in the online edition of the German Federal Gazette (Bundesanzeiger) have been supplemented with the following confirmation note:

We have audited the consolidated financial statements prepared by B. Braun Melsungen AG, Melsungen, Germany, comprising the statement of financial position, statement of income (loss), statement of comprehensive income, statement of cash flows, statement of changes in equity, and notes to the consolidated financial statements, together with the Group management report for the fiscal year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) of the German Commercial Code (HGB), is the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, determining the scope of consolidation, the accounting and consolidation principles used, and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB and provide a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and, as a whole, provides an appropriate view of the Group's position and appropriately presents the opportunities and risks of future development.

Kassel, Germany, March 8, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
German Public Auditor

Dr. Bernd Roese
German Public Auditor

MAJOR SHAREHOLDINGS

	As of December 31, 2016			
Company name and location	Holding in %[1]	Equity € '000	Sales € '000	Employees
Germany				
Aesculap AG, Tuttlingen[2)]	100.0	76,084	771,231	3,551
Aesculap International GmbH, Tuttlingen[2)]	100.0	205,777	0	0
Aesculap Suhl GmbH, Suhl[2)]	100.0	3,680	14,165	121
Almo-Erzeugnisse E. Busch GmbH, Bad Arolsen	60.0	24,538	68,476	384
B. Braun Avitum AG, Melsungen[2)]	94.0	87,088	411,604	884
B. Braun Avitum Saxonia GmbH, Radeberg[2)]	94.0	13,181	92,497	756
B. Braun Facility Services GmbH & Co. KG, Melsungen	100.0	– 3,557	19,247	85
B. Braun Nordamerika Verwaltungsgesellschaft mbH, Melsungen[2)]	100.0	149,309	0	0
B. Braun Surgical GmbH, Melsungen[2)]	100.0	154,447	0	0
B. Braun TravaCare GmbH, Hallbergmoos[2)]	100.0	42	40,827	66
B. Braun Vet Care GmbH, Tuttlingen[2)]	100.0	– 148	14,904	19
DTZ Dialyse Trainings-Zentren GmbH, Nuremberg[2)]	94.0	41,875	30,604	352
Inko Internationale Handelskontor GmbH, Roth[2)]	100.0	4,563	14,206	25
Nutrichem diät + pharma GmbH, Roth[2)]	100.0	29,815	47,110	311
TransCare Service GmbH, Neuwied	55.0	3,072	13,379	106
Europe				
Aesculap Chifa Sp. z o.o., Nowy Tomyśl / Poland	98.9	108,906	160,516	2,088
Aesculap SAS, Chaumont / France	100.0	11,638	14,663	118
Avitum S.R.L., Timisoara / Romania	94.0	1,337	23,437	445
B. Braun Adria d.o.o., Zagreb / Croatia	36.0	8,970	13,067	35
B. Braun Austria Ges. m.b.H., Maria Enzersdorf / Austria	60.0	55,460	60,537	145
B. Braun Avitum France SAS, Gradignan / France	94.0	14,755	16,120	19
B. Braun Avitum Hungary Egeszsegügyi Szolgaltato Zrt., Budapest / Hungary	94.0	19,894	29,430	703
B. Braun Avitum Italy S.p.A., Mirandola / Italy	94.0	30,754	62,849	247
B. Braun Avitum Poland Sp.z o.o., Nowy Tomyśl / Poland	95.1	9,184	33,642	424
B. Braun Avitum Russland Clinics OOO, St. Petersburg / Russia	94.0	7,011	23,758	666
B. Braun Avitum Russland OOO, St. Petersburg / Russia	94.0	60,405	48,994	53
B. Braun Avitum s.r.o., Bratislava / Slovakia	93.7	1,177	14,025	215

[1] Effective share

[2] Entities with profit-and-loss transfer agreement

Company name and location	As of December 31, 2016			
	Holding in %[1]	Equity € '000	Sales € '000	Employees
B. Braun Avitum s.r.o., Prague / Czech Republic	93.7	7,922	27,234	365
B. Braun Avitum Servicios Renales S.A., Rubí / Spain	96.4	9,479	15,519	197
B. Braun Avitum Turkey Sanayi Ticaret Anonim Sirketi, Ankara / Turkey	94.0	7,553	7,282	15
B. Braun Avitum (UK) Ltd., Sheffield / England	94.0	4,336	28,718	249
B. Braun Hospicare Ltd., Co. Sligo / Ireland	100.0	3,663	15,887	115
B. Braun Medical AB, Danderyd / Sweden	100.0	3,583	50,171	53
B. Braun Medical AG, Sempach / Switzerland	51.0	248,347	301,249	951
B. Braun Medical A/S, Frederiksberg / Denmark	100.0	2,436	19,407	33
B. Braun Medical A/S, Vestskogen / Norway	100.0	2,370	22,151	34
B. Braun Medical B.V., Oss / Netherlands	100.0	6,817	61,999	159
B. Braun Medical EOOD, Sofia / Bulgaria	60.0	4,652	14,250	57
B. Braun Medical International S.L., Rubí / Spain	100.0	168,798	5,337	23
B. Braun Medical Kft., Budapest / Hungary	60.0	38,389	80,719	1,128
B. Braun Medical Lda., Barcarena / Portugal	100.0	33,358	53,904	147
B. Braun Medical LLC, St. Petersburg / Russia	100.0	42,849	123,856	440
B. Braun Medical Ltd., Dublin / Ireland	100.0	4,292	26,333	47
B. Braun Medical Ltd., Sheffield / England	100.0	51,666	163,429	534
B. Braun Medical N.V., Diegem / Belgium	100.0	2,887	34,467	75
B. Braun Medical Oy, Helsinki / Finland	100.0	3,704	39,443	52
B. Braun Medical S.A., Rubí / Spain	100.0	247,925	258,071	1,286
B. Braun Medical S.A.S., Boulogne-Billancourt / France	100.0	86,041	310,291	1,283
B. Braun Medical s.r.o., Bratislava / Slovakia	70.0	8,029	27,401	29
B. Braun Medical s.r.o., Prague / Czech Republic	70.0	24,020	64,008	184
B. Braun Medikal Dis Ticaret A.S., Sariyer Istanbul / Turkey	100.0	6,435	14,809	83
B. Braun Milano S.p.A., Milan / Italy	100.0	35,792	123,204	224
B. Braun Sterilog (Birmingham) Ltd., Sheffield / England	100.0	– 5,088	13,849	229
B. Braun Sterilog (Yorkshire) Ltd., Sheffield / England	100.0	– 4,259	9,489	166
B. Braun Surgical SA, Rubí / Spain	100.0	129,516	169,399	803
B. Braun VetCare S.A., Rubí / Spain	100.0	7,656	12,691	26
Gematek OOO, St. Petersburg / Russia	100.0	16,417	10,927	245
MCP-Medicare LLC, St. Petersburg / Russia	94.0	6,156	14,732	288
SC B. Braun Medical S.R.L., Remetea Mare / Romania	61.9	5,217	25,911	100
Suturex & Renodex S.A.S., Sarlat / France	100.0	15,488	16,708	162

[1] Effective share

Company name and location	Holding in %[1]	Equity € '000	Sales € '000	Employees
	As of December 31, 2016			
North America				
Aesculap Inc., Center Valley / USA	95.5	108,209	206,037	473
Aesculap Implant Systems LLC, Center Valley / USA	95.5	– 28,488	49,601	108
B. Braun Interventional Systems Inc., Bethlehem / USA	95.5	38,954	39,605	43
B. Braun Medical Inc., Bethlehem / USA	95.5	458,122	1,088,140	5,203
B. Braun of America Inc., Bethlehem / USA	95.5	93,983	0	0
B. Braun of Canada Ltd., Mississauga / USA	95.5	2,772	19,986	17
Central Admixture Pharmacy Services Inc., Santa Fe Springs / USA	95.5	103,940	193,052	551
Asia-Pacific				
Ahlcon Parenterals (India) Limited., New Delhi / India	96.1	10,305	17,081	810
B. Braun Aesculap Japan Co Ltd., Tokyo / Japan	100.0	53,988	129,621	584
B. Braun Australia Pty. Ltd., Sydney / Australia	100.0	16,768	58,570	109
B. Braun Avitum Philippines Inc., Taguig City / Philippines	100.0	10,051	34,894	226
B. Braun Avitum (Shanghai) Trading Co. Ltd., Shanghai / China	94.0	44,764	124,065	244
B. Braun Korea Co. Ltd., Seoul / South Korea	100.0	14,163	73,934	134
B. Braun Medical (H.K.) Ltd., Hong Kong / China	100.0	76,103	194,202	30
B. Braun Medical (India) Pvt. Ltd., Mumbai / India	100.0	23,400	63,372	960
B. Braun Medical Industries Sdn. Bhd., Petaling Jaya / Malaysia	100.0	465,233	453,194	7,361
B. Braun Medical (Shanghai) International Trading Co. Ltd., Shanghai / China	100.0	16,204	203,885	977
B. Braun Medical Supplies Inc., Taguig City / Philippines	100.0	11,342	27,287	169
B. Braun Medical Supplies Sdn. Bhd., Petaling Jaya / Malaysia	100.0	30,824	51,745	165
B. Braun Medical (Suzhou) Company Limited, Suzhou / China	100.0	15,473	51,672	426
B. Braun Pakistan (Private) Ltd., Karachi / Pakistan	100.0	941	21,880	121
B. Braun Singapore Pte. Ltd., Singapore	100.0	61,317	25,460	48
B. Braun Taiwan Co. Ltd., Taipei / Taiwan	100.0	5,983	19,839	46
B. Braun (Thailand) Ltd., Bangkok / Thailand	100.0	10,405	30,892	132
B. Braun Vietnam Co. Ltd., Hanoi / Vietnam	100.0	59,950	75,115	1,071
PT. B. Braun Medical Indonesia, Jakarta / Indonesia	99.0	60,390	82,562	526
Latin America				
B. Braun Aesculap de México S.A. de C.V., Mun. Santa Cruz Atizapán / Mexico	100.0	11,011	29,308	242
B. Braun Medical de México S.A.PI. DE C.V., Mun. Santa Cruz Atizapán / Mexico	51.0	1,496	11,094	54
B. Braun Medical Peru S.A., Lima / Peru	100.0	19,259	27,711	435
B. Braun Medical S.A., Bogotá / Columbia	100.0	9,055	32,335	239
B. Braun Medical S.A., Buenos Aires / Argentina	100.0	15,780	48,403	374
B. Braun Medical S.A., Quito / Ecuador	100.0	16,455	24,127	112
B. Braun Medical SpA, Santiago de Chile / Chile	86.1	7,231	40,502	154
Laboratorios B. Braun S.A., São Gonçalo / Brazil	100.0	150,041	147,410	1,486

[1] Effective share

	As of December 31, 2016			
Company name and location	Holding in %[1]	Equity € '000	Sales € '000	Employees
Africa and the Middle East				
B. Braun Avitum (Pty) Ltd., Johannesburg / South Africa	100.0	1,948	10,433	314
B. Braun Medical (Pty) Ltd., Johannesburg / South Africa	100.0	7,564	40,685	243
E. Owen and Partners, Johannesburg / South Africa	100.0	278	16,761	14
Other shareholdings				
Babolat VS, Lyon / France [3)]	28.0	69,084	123,716	236
Medical Service und Logistik GmbH, Recklinghausen [3)]	50.0	565	41,130	8
Rhön-Klinikum AG, Bad Neustadt an der Saale [3) 4)]	21.6	1,137,218	885,304	16,377
Schölly Fiberoptic GmbH, Denzlingen [3)]	28.0	48,233	103,856	328

[1] Effective share

[3] Consolidated at equity

[4] Values taken from published Q3 interim report

Values correspond to financial statements prepared in accordance with IAS/IFRS. Amounts for foreign entities are converted using the mid-rate on December 31 for equity and the average annual rate for sales.

REPORT OF THE SUPERVISORY BOARD

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

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

Specific topics of the Supervisory Board's deliberations were reports on the implementation of the 2020 strategy in the USA, the current situation in Brazil, and ongoing major investment projects. Furthermore, the quality report, the importance of new production methods, and the development of digitalization in the B. Braun Group were presented. In its session on November 29, 2016, the Supervisory Board proposed modifying the terms of profit participation rights for passing a resolution to the general assembly. In addition, the Supervisory Board received the 2015 personnel report. The Supervisory Board discussed and adopted the 2016 earnings expectations, and also deliberated on transactions which require its approval in accordance with the articles of incorporation.

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

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

The subjects of the two consultations of the audit committee were, in particular, the individual and consolidated 2016 financial statements of B. Braun Melsungen AG, prepared by the Management Board, the current course of business development, explanations for the development of other intangible assets from the area of research and development, the annual report from internal auditing on performed audits, and the auditing plan and priorities. In addition, the audit committee received the compliance report of B. Braun Melsungen AG and the Management Board's risk report. Other topics included a report on current issues in international taxation and on the effects of the statutory auditor reform law for B. Braun Melsungen AG, as well as status reports on the current situations in Brazil and Columbia and selected investment projects. Planning for the year-end audit was also presented. The audit committee reported on these topics during the Supervisory Board sessions and put forward its recommendations.

The personnel committee of the Supervisory Board met three times in 2016. At its meeting on March 22, 2016, it proposed to the Supervisory Board the allocation of profit participation rights according to the B. Braun Incentive Scheme to the members of the Management Board, a resolution on the annual objectives of individual board members, and the determination of the annual fixed salary of a board member. The Supervisory Board approved the allocation and the resolutions in its session on the same date. In its meeting on July 7, 2016, the personnel committee recommended to the Supervisory Board that Prof. Dr. Hanns-Peter Knaebel be re-appointed as a full member of the Management Board until March 31, 2022. The Supervisory Board formulated the resolution accordingly in its subsequent session and confirmed the appointment. Discussions regarding general human resources topics in particular were another component of the 2016 human resources committee sessions.

Mr. Otto Philipp Braun has resigned as member of the Management Board on best and mutual terms,

→ Front row from left:

Kathrin Dahnke
Member of the Management Board of Wilh. Wehrhahn KG, Neuss

Alexandra Friedrich*
Vice Chairman of the Workers' Council of B. Braun Melsungen AG, Melsungen

Edeltraud Glänzer*
Member of the Managing Board of IG BCE, Hanover

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

Prof. Dr. h. c. Ludwig Georg Braun
Chairman, Former Chairman of the Management Board of B. Braun Melsungen AG, Melsungen

Michael Guggemos*
Management Spokesman of the Hans Böckler Foundation, Dusseldorf

→ Second row from left:

Barbara Braun-Lüdicke
Businesswoman, Melsungen

Rainer Hepke*
Chairman of the Workers' Council of B. Braun Melsungen, Melsungen

Prof. Dr. Dr. h. c. Markus W. Büchler
Medical Director, Department of General, Visceral and Transplantation Surgery, Heidelberg University Hospital

→ Third row from left:

Manfred Herres*
Production Director, B. Braun Avitum, B. Braun Melsungen AG, Melsungen

Prof. Dr. Oliver Schnell
Managing Director of Sciarc GmbH, Baierbrunn

Peter Hohmann*
Vice Chairman, Chairman of the Workers' Council of B. Braun Germany, Chairman of the Workers' Council of B. Braun Melsungen AG, Melsungen

Dr. Joachim Rauhut
Chief Financial Officer of Wacker Chemie AG, Munich

→ Back row from left:

Mike Schwarz*
Member of the Workers' Council of B. Braun Melsungen AG, Melsungen

Hans-Carsten Hansen
President Human Resources of BASF SE, Ludwigshafen

Prof. Dr. Thomas Rödder
Tax Advisor and Certified Public Accountant, Partner, Flick Gocke Schaumburg, Bonn

*Chosen by the employees

effective February 21, 2017. This was confirmed by the Supervisory Board on the same day by circular resolution. The Supervisory Board expresses its thankful appreciation to Mr. Braun for his nine years of service to the B. Braun organization.

B. Braun Melsungen AG's financial statements and management report for the fiscal year 2016, prepared by the Management Board, the Group's consolidated financial statements, and the consolidated management report were audited by the PricewaterhouseCoopers AG accounting firm, Kassel, Germany, which was appointed the auditor of annual accounts at the annual meeting on March 22, 2016. The auditor raised no objections and issued an unqualified audit opinion.

The term of office of the Supervisory Board ended at the end of the general assembly on March 22, 2016. Dr. h. c. August Oetker left the Supervisory Board at this time.

The general assembly elected Ms. Kathrin Dahnke, member of the Management Board of Wilh. Werhahn KG, Neuss, as a new Supervisory Board member to replace Dr. August Oetker. As additional representatives of the shareholders, Prof. Dr. h. c. Ludwig Georg Braun, Ms. Barbara Braun-Lüdicke, Prof. Dr. Dr. h. c. mult. Markus Büchler, Mr. Hans-Carsten Hansen, Dr. Joachim Rauhut, Prof. Dr. Thomas Rödder, and Prof. Dr. Oliver Schnell were re-elected to the Supervisory Board.

Ms. Alexandra Friedrich, Ms. Edeltraud Glänzer, Mr. Michael Guggemos, Mr. Rainer Hepke, Mr. Manfred Herres, Mr. Peter Hohmann, Mr. Ekkehard Rist, and Mr. Mike Schwarz were elected to the Supervisory Board as employee representatives.

Following the general assembly, the Supervisory Board elected Prof. Dr. h. c. Ludwig Georg Braun as Chairman and Mr. Peter Hohmann as Vice Chairman in its constituent assembly.

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

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

The Management Board created a report on the relationships with associated companies for the 2016 fiscal year, in accordance with § 312 AktG. The Supervisory Board has reviewed this report; no objections have been raised. The independent auditor has reviewed the report and issued the following audit certificate:

"On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,

2. the company's compensation with respect to the transactions listed in the report was not inappropriately high."

The Supervisory Board is in agreement with the results of the independent auditor's report. In accordance with the final results of the Supervisory Board's review, no objections are to be raised to the final declaration by the Management Board which is included in the report.

The Supervisory Board would like to thank the Management Board for its excellent and successful collaboration, and all employees of the B. Braun Group for the contributions they made in the reporting period.

Melsungen, March 2017
The Supervisory Board

GLOSSARY

A

Angioplasty
Expansion of a restricted blood vessel by a catheter inserted into the vascular system.

Apheresis
Blood purification method for removing individual components (fats, antibodies or toxins) from the blood.

Arthroscopy
A minimally invasive procedure in which joints are treated through a small surgical incision using an endoscope for diagnosis and treatment.

Asset-backed securities (ABS)
Bonds or notes secured by accounts receivable.

B

Biologization
Amalgamation of technical and biological components within a device or a medical process.

Bipolar instruments
Instruments which enable physicians to safely control bleeding with minimal risk to the patient using high-frequency electricity.

C

Cardio-thoracic surgery
Organ surgery in the region of the chest.

Cash flow hedges
Financial instruments that are used to secure cash flows against the risk of possible fluctuations that can influence the period result.

Cash pooling
A cash management technique that allows the internal balancing of liquidity within the Group.

Centers of Excellence (CoE)
Centers within the global B. Braun organization, incorporating research, development, manufacturing and marketing for specific product groups.

CETA
Acronym for Trade Agreement between Canada and the European Union (Comprehensive Economic and Trade Agreement).

CIW
Key performance indicator. Acronym for Coverage in Weeks. This KPI refers to the delivery capacity in weeks covered by the current inventory on hand.

Code of conduct
This sets the rules for the company's global operations and defines ethically proper conduct for all employees in terms of the global B. Braun compliance management system.

Compliance
Adherence to rules, laws and the company's voluntary codes of conduct.

Corporate governance
The organizational framework for management and supervision of the company which is largely defined by lawmakers and the company's owners.

Cytostatics
Toxic substances for treating tumor diseases.

D

Derivative financial instruments
Forward transactions for securing interest and currency positions against risks that result from market interest and exchange rate fluctuations.

Dialysis
A blood cleansing process used in the treatment of kidney failure.

DPO
A key performance indicator; short for Days Payables Outstanding. Describes the period of time between the date the invoice is received and the date payment is made.

DSO
A key performance indicator; short for Days Sales Outstanding. Describes the period of time between the invoicing date and the date payment is received.

Dual sourcing
An element of procurement strategy in which the same goods are purchased from different suppliers in order to minimize the risk of supply interruptions.

E

EBIT
A key performance indicator; short for Earnings before Interest and Taxes.

EBITDA
A key performance indicator; short for Earnings before Interest, Taxes, Depreciation and Amortization.

EBITDA margin
Key performance indicator. EBITDA as a percentage of sales.

EMAS
Acronym for Eco Management and Audit Scheme, also known as the eco audit. EMAS was developed by the European Union and consists of environmental management and an environmental audit for organizations that want to improve their environmental performance.

EN ISO 9001
An international standard that establishes globally recognized requirements for quality management systems.

EN ISO 9626:2016
An international standard that specifies global requirements and testing procedures for tubes that are manufactured in the form of cannulae for use as components in medical products.

EN ISO 14001
An international environmental management standard that establishes globally recognized requirements for environmental management systems.

Endoprosthesis
An implant that is placed inside the body to permanently replace a missing body part.

Endoscopy
A method for observing body cavities and hollow organs using small, tube-shaped optical devices.

Equity method
Accounting method for recognition of long-term investments in the financial statements of a company that has significant control over another company. The carrying amount – as based on the acquisition costs of the investment – is subsequently adjusted to account for the investor's share in the company's income or loss.

F

FDA
Acronym for Food & Drug Administration, a US government agency.

Fiscal policy
Instruments employed by the government to manage fluctuations in the economy by means of taxes and government spending.

Force majeure
Synonym for "act of god." Force majeure exists if damage occurs which is not in the nature of the object in question and the event could not have been prevented through the exercise of reasonable care.

G

GDP
Acronym for Gross Domestic Product.

Goodwill
This represents an intangible asset resulting from the purchase of another company or the purchase of shares in another company.

H

Hemodialysis
A special blood cleansing process that utilizes the principle of osmosis, i. e. the equalization of concentrations of small-molecule substances in two liquids separated by a semi-permeable membrane.

I

IAS
Abbreviation for International Accounting Standards for businesses, issued by the International Accounting Standards Board (IASB).

IEC/TR 62653
Guideline for safe operation of medical equipment used for hemodialysis treatment.

IFRS
Abbreviation for International Financial Reporting Standards. International financial reporting guidelines published by the International Accounting Standards Board (IASB).

IMF
Acronym for International Monetary Fund. The IMF is a United Nations organization based in Washington, D.C. in the USA.

Interventional medicine
Form of therapy that requires an acute, urgent intervention into the progression of a disease.

L

Laparoscopy
An operation performed in the abdomen or pelvis through small incisions with the aid of special endoscopes.

M

Medical Device Excise Tax
A special tax on medical devices which has been in effect in the US since 2013. In December 2015, this tax was suspended for the years 2016 and 2017.

Minimally invasive surgery
A surgical method designed to minimize injury to the skin and soft tissue.

Monetary policy
Measures taken by the central bank to manage fluctuations in the economy, such as raising or lowering interest rates.

Monofilament suture material
Suture material consisting of only one thread, enabling easier passage through tissue.

Morbidity
Frequency of complications and secondary diseases.

N

Net financial liabilities
The portion of interest-bearing borrowed capital that is still owed after deducting all available liquid funds. The B. Braun Group calculates net financial liabilities as follows: Financial liabilities minus liquid funds and securities.

Neuromodulation
Therapeutic method for treating severe chronic pain and circulatory disorders.

O

OHSAS 18001
Abbreviation for Occupational Health and Safety Assessment Series. OHSAS 18001 is a standard that establishes globally recognized requirements for occupational health and safety management systems.

P

Parenteral nutrition
Supplying nutrients intravenously by bypassing the gastrointestinal tract.

Patient Protection and Affordable Care Act (ACA)
A federal law adopted by the US government in 2010 to regulate access to health insurance.

Payer swap
Also known as an interest rate swap (IRS). An instrument in which a party agrees to pay a fixed interest rate and receive a floating rate.

Pen needle
A needle for subcutaneous (under the skin) injection of medications in predefined quantities using an injection pen or device.

Peripheral nerve blockage
Blockage of the nerves that emerge from the brain and the spinal cord and are connected to muscles or the skin in order to transfer information (e.g. pain) to the brain.

R

Regenerative medicine
Scientific field of medicine that deals with therapy for various illnesses, with the primary goal of reestablishing and repairing damaged or entirely destroyed biological material, such as cells, tissue, bone, or organs.

Regional anesthesia
Umbrella term for the administration of anesthesia with the object of eliminating pain in a certain region of the body without rendering the patient unconscious.

S

Second Sourcing
Purchasing strategy in which two manufacturers or suppliers are qualified for delivery of the same product or goods.

Stenosis
Restriction of blood vessels or other hollow organs.

Stent
A small mesh tube (scaffold) that is used to hold open an artery.

Stoma
Surgically created connection between a hollow organ and the skin and having an opening to the outside. A stoma is permanently or temporarily placed.

T

Telemedicine
Diverse medical care concepts in which medical health care services in the fields of diagnostics, therapy, rehabilitation, and medical decision consulting are provided over geographical distances (or offset time). Information and communication technology are used for this.

TTIP
Acronym for Transatlantic Trade and Investment Partnership, a free trade and investment treaty currently being negotiated between the EU and the US.

V

VCI
Acronym for Verband der Chemischen Industrie (German Chemical Industry Association).

Visceral surgery
The surgical treatment of abdominal organs.

W

Working capital
Key performance indicator. Inventories plus current trade accounts receivable less current trade accounts payable.

IMPRINT

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SALES
6,471.0
EUR MILLION

CONSOLIDATED NET INCOME
396.0
EUR MILLION

RESEARCH EXPENSES
291.4
EUR MILLION

SALES BY DIVISION

B. Braun Hospital Care
2,991
EUR million

B. Braun Aesculap
1,725
EUR million

B. Braun OPM
782
EUR million

B. Braun Avitum
945
EUR million

EBITDA
975.0
EUR MILLION

58,037
EMPLOYEES

232
CORPORATE SOCIAL RESPONSIBILITY PROJECTS

INVESTMENTS
806.7
EUR MILLION

SALES BY REGION

Germany
1,097
EUR million

Europe without Germany
2,071
EUR million

North America
1,536
EUR million

Asia-Pacific
1,163
EUR million

Latin America
400
EUR million

Africa and the Middle East
204
EUR million

Through its subsidiaries and holdings, B. Braun operates in
64 countries.

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