

GROUP MANAGEMENT REPORT

01 FIVE-YEAR OVERVIEW

02 ABOUT THE B. BRAUN GROUP

03 ECONOMIC REPORT

04 RISK AND OPPORTUNITIES REPORT

05 OUTLOOK

FIVE-YEAR OVERVIEW

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

* including employees of Familienholding SE & Co. KG

ABOUT THE B. BRAUN GROUP

BUSINESS MODEL

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

B. Braun Hospital Care

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

B. BRAUN THERAPY FIELDS AND APPLICATIONS

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

B. Braun Aesculap

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

B. Braun Out Patient Market

The focus of the Out Patient Market division is on meeting the needs of patients with chronic diseases outside the hospital setting. Our customers include physicians in private practice, outpatient and inpatient care services, and pharmacies. The Out Patient Market division focuses on five strategic therapeutic areas: infection prevention, diabetes care, continence care and urology, ostomy care and wound management. Adopting a holistic approach to consulting and caregiving, the division strives to

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

B. Braun Avitum

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

Aesculap Academy

In 2018, the Aesculap Academy continued to develop its course concept and implemented its expanded course portfolio worldwide. In addition to purely academic courses, the Aesculap Academy will soon be organizing and conducting training in the safe use of products as well as classical product training for hospitals and private practices. We ob-

serve the principle of separation between our training offers and our commercial activities. Also new are information events for patients and users on general health topics and economic activity in the health care industry.

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

Bibliomed

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

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

CORPORATE GOVERNANCE

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

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

with statutory requirements, also includes ethical values such as fairness, integrity, mutual openness and sustainability. An overarching Group Compliance Office and local compliance officers ensure that all employees conduct themselves in accordance with consistent standards.

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

GROUP STRATEGY

The strategic period that started in 2015 includes the period through to 2020. During this year, we continued the strategic initiatives already initiated and launched further initiatives to enable us to achieve our strategic goals. System partnerships, collaboration and profitability are the core themes which are to be pursued in all divisions and regions, with the support of the centralized units and departments. The goal is to grow together in order to ensure that our company will be able to operate independently over the long term. This will allow us to continue to contribute in the future to protecting and improving the health of people all over the world. As a system partner, we aim to provide our customers with the best possible comprehensive service. In many cases, added value for our customers is created through the synergies of several different B. Braun products and services. Our broad portfolio with the resulting product and service combinations formed the basis for this. This is a

special strength of B. Braun. We are convinced that high quality at fair prices, products which are customized to align with treatment methods and customer processes, as well as the reliable ability to supply, offer the added value which is in demand today and in the future. By aligning our products and services based on the goals and processes of our customers, we increase the beneficial value of our work, reduce costs for our partners and help them succeed. Relationships within the company and with patients, users and suppliers are characterized by transparency, trust and recognition. We have set a goal of increasing sales by five to seven percent per year through 2020. In that case, annual sales can be increased to approximately €8 billion at the end of the strategic period. We expect B. Braun Avitum to achieve very strong growth. The Asia-Pacific region and Latin America are also important growth regions. The EBITDA margin should climb to at least 16 percent in 2020. We plan to further improve structures and processes, as well as standardize and automate procedures, in order to improve the efficiency and effectiveness of our administrative and production activities, and therefore profitability. We expect key contributions in this regard from all divisions and regions. Through increased earnings and profitability and controlled development of working capital, we can fund major investments from our own resources. We will support B. Braun's growth within the strategic period through investments in the amount of approximately €5 billion.

SECURING THE FUTURE

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

We expended €352 million in research and development activities (previous year: €352 million). Additions to financial assets and property, plant and equipment (including capitalized development

costs) due to Group-wide investing activities amounted to €921.6 million during the fiscal year (previous year: €969.2 million).

Research and development

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

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

Aesculap combines internal and external innovations in its research and development activities. With this active innovation management, we tackle increasingly shorter product cycles and are able to offer our partners new and value-creating solutions which add value. In the reporting year, we revised our development processes so that we can get marketable new products even more quickly and integrate digital solutions into our products. Our internal development activities focus on the innovation areas miniaturization and biologization. With optimized, minimally invasive instruments,

more powerful 3D imaging and holistic process optimization, we want to contribute to a successful, accelerated end of treatment. Regenerative medicine and surface-functionalized implants, for example for infection prophylaxis, pave the way for new treatment concepts that can also contribute to optimal patient care. At the same time, we develop various digital product and service concepts for improving the hospital value chain and, in particular, increasing process reliability and therefore patient safety. With Ennovate®, we have developed a system that makes it possible to perform complex operations to correct malpositions in the spine. In handheld power systems, we added a handy and powerful model, Acculan 4, with optimized ergonomics to the Acculan family.

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

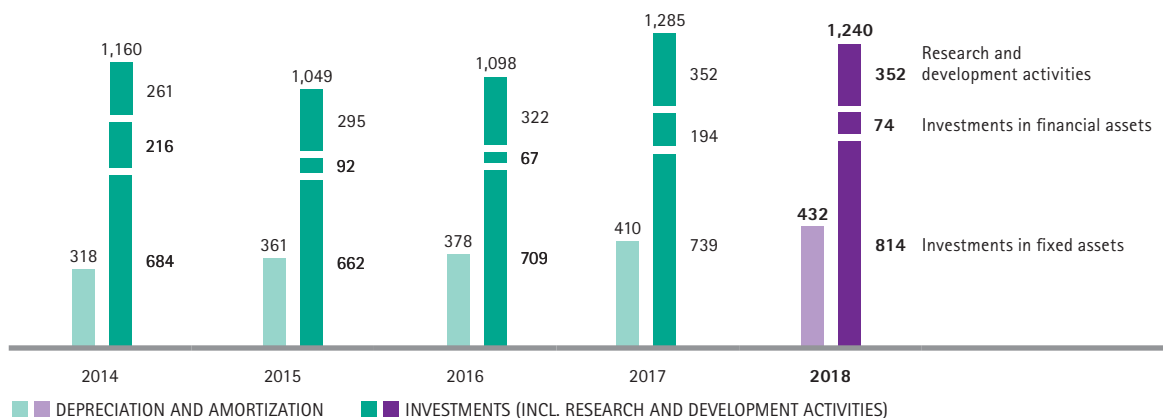
The aim of the research and development activities within the B. Braun Avitum division is to improve

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

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

INVESTMENTS IN FINANCIAL ASSETS, PROPERTY, PLANT, AND EQUIPMENT, AND RESEARCH AND DEVELOPMENT

In € million



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

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

Investments

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

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

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Performance of the global economy¹

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

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

ted in many companies investing in the expansion of their production capacity. Ultimately, the steady global economy boosted German exports.

CHANGE IN GROSS DOMESTIC PRODUCT

in %

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

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

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

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

In his decrees from May 2018, Russia's president set 12 national development targets for his term in office with which he seeks to improve the economic and social situation in Russia. However, basic reforms that would be necessary for higher growth were not included. Nevertheless, the country's economic upturn continued in the reporting year. The growth rate in the Russian Federation increased by 0.2 percentage points to 1.7 percent. This growth was underpinned by higher oil prices, which added €6 billion to the nation's income. Private consumption was also a driver of growth in the Russian economy in 2018, stimulated by low inflation and a

stable, low prime rate. On the other hand, consumers made more purchases in the reporting year due to the increase in VAT scheduled for January 1, 2019. Russia's foreign trade also experienced a positive stimulus at the beginning of the year. However, this could not be sustained as a result of devaluation of the ruble following sanctions.

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

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

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

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

In the region of Africa and the Middle East, economic results were differing in 2018. South Africa's economic growth fell to 0.8 percent (previous year: 1.3 percent) despite efforts by the newly formed government. The new government was unable to overcome the structural hurdles preventing strong

growth in 2018. In Kenya, the economy grew by 1.1 percentage points to 6 percent. Drivers of growth were an improved water supply due to adequate rainfall and growing consumer demand. Growing urbanization and investments in infrastructure also benefited the upturn. Resumption of US sanctions threw Iran into a recession. The nation's GDP fell by 1.5 percent (previous year: 3.7 percent growth). As in previous years, the entire region was affected by political unrest in 2018.

Performance of the health care industry

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

The business climate in Germany's health care industry was very good in 2018. The upturn was

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

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

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

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

The health care industry in the Asia-Pacific region saw positive trends in 2018. Japan's need for medical technology and pharmaceuticals continued to be at high levels in the reporting year even though the population shrank overall. As in previous years, public health spending rose despite applicable price

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

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

In many African countries, the health care industry continued to suffer from investment backlogs in

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

PERFORMANCE AND FINANCIAL POSITION

Business performance

In the 2018 reporting year, B. Braun sales grew by 5.3 percent at consistent exchange rates, which is within our strategic growth corridor of five to seven percent. The euro was strong against most currencies over the past fiscal year. Primarily the devaluations of the US dollar, Russian ruble, Brazilian real and Argentinian peso influenced the development. Sales in euros thus increased 1.8 percent to €6.9 billion (previous year: €6.8 billion). As forecasted, B. Braun's Avitum and Aesculap divisions business was very dynamic. Also as expected, the Hospital Care division was hit hardest by exchange rate trends. The Out Patient Market division's sales continued to grow, with encouraging sales of diabetes and disinfection products. The Asia-Pacific

region did not meet our high growth expectations across the board. While sales increases in some local currencies were good, the region was only just above the previous year in euros. Latin America and North America grew in local currencies as we expected. However, currency movements also impacted growth in euros. The Africa and Middle East region once again saw increased sales. Germany was stable in the reporting year and saw a satisfactory increase in sales. Growth in Europe was very encouraging and exceeded our expectations. Uncertainty about the terms of Great Britain's exit from the EU has so far not had a significant effect on B. Braun.

We were unable to increase our operating profit in the reporting year, meaning we could not reach our goal of continuous profit growth that we placed on ourselves. Profit was impacted by increases in the cost of production, start-up costs for new plants, ever increasing regulatory requirements and, finally,

price competition once again intensifying. In 2017, we received a warning letter from the US FDA regarding our plant in Irvine, CA (USA). The upgrades required by the FDA were made as prescribed and in coordination with the regulatory agency. We expect to complete the necessary work in the 2019 fiscal year. EBITDA at constant exchange rates is 2.2 percent below the previous year at €964.3 million (previous year: €985.1 million). This means we missed our target of over a billion euros. The key performance indicators used to manage operations, interim profit and EBIT, were below the projected target range of between €585 million and €625 million. At constant exchange rates, these performance indicators are €542.9 million and €522.5 million respectively, and were therefore 7.7 percent and 8.9 percent below the previous year respectively. Consolidated net income at constant exchange rates fell to €327.2 million (previous year: €411.5 million). In the previous year, earnings after taxes were positively affected by a lower tax

KEY PERFORMANCE INDICATORS

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

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

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

Earnings

B. Braun Group's Sales Growth

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

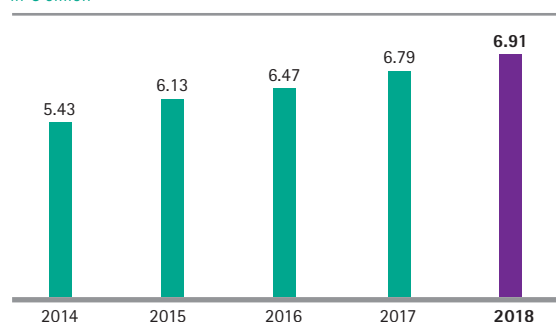
All divisions contributed to this growth in sales. The B. Braun Avitum and Aesculap divisions achieved strong growth rates of 4.9 percent and 2.1 percent, respectively. Out Patient Market also saw a satisfactory increase in sales of 1.6 percent. Hospital Care was slightly above the previous year with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

Europe (not including Germany) achieved very good sales growth at constant exchange rates with +7.1 percent. The Czech Republic, Slovakia, Poland, the Netherlands, Belgium and Switzerland performed particularly well. Russia also performed very well in the local currency. However, the devaluation of the Russian ruble strained growth in euros considerably. Germany achieved stable growth with an

increase in sales of 2.5 percent, reasserting itself in a highly competitive environment. The Asia-Pacific region increased its sales by 4.4 percent at constant exchange rates, driven by China, the Philippines and Vietnam. Indonesia, Thailand and Japan performed poorly in the reporting year and did not meet our expectations. The Latin America region increased greatly in local currencies by 9.2 percent, with all countries except Paraguay achieving encouraging sales growth. However, sales in euros dropped by 5.1 percent compared to the previous year due to the devaluation of Latin American currencies. North America sales grew well in US dollars, at 5.4 percent. Sales in the reporting currency were only slightly above the previous year at +0.8 percent. The Africa and Middle East region remained at the previous year's level in local currencies, with a gain of 0.4 percent. Currency movements reduced the region's sales in euros by 1 percent compared to the previous year.

SALES DEVELOPMENT

in € billion



Business performance of the B. Braun Hospital Care division

The Hospital Care division asserted itself in a highly competitive environment and increased sales 0.5 percent to €3,131.1 million (previous year: €3,114 million). However, its sales were greatly impacted by currency movements. At constant exchange rates, sales growth was 4.7 percent. The USA, Russia, Brazil and Argentina were affected the most by the foreign currency movements. Although growth was satisfactory in local currencies, sales in euros in some of these countries were below the previous year. Germany and Great Britain both saw good sales growth. The Czech Republic, the Netherlands and Belgium saw very good growth in the

reporting year, and direct business in the Middle East improved very well. By contrast, Indonesia and Russia stayed below expectations. From a product perspective, strong growth was achieved in the compounding areas for the production of specific solutions for clinical nutrition and automatic infusion pumps. We also increased sales of regional anesthesia products. Sales of pharmaceuticals and multichamber bags for clinical nutrition in 2018 were unsatisfactory. Intense price competition, regulatory requirements and limitations in our production prevented better results.

Business performance of the B. Braun Aesculap division

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

Business performance of the B. Braun Out Patient Market division

The Out Patient Market (OPM) Division achieved sales of €840.9 million (previous year: €827.5 million), up 1.6 percent (at constant exchange rates: 4.3 percent) over the previous year. We increased sales notably in the USA, however movement of the US dollar meant the increase in euros was considerably less. Other drivers of growth included China, Great Britain, Turkey and the Czech Republic. Sales in Germany remained at the same level as last year. The areas of wound care and continence care & urology performed weaker here. On the other hand,

B. Braun prolabor, a wholesaler and service provider for medical supply, medical technology, home care and palliative care acquired in 2017, performed very well. Logistics problems in France and a production stoppage in Sligo, Ireland impacted division growth in the reporting year. However, we were able to overcome these difficulties before the end of the fiscal year.

Business performance of the B. Braun Avitum division

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

Development of gross profit

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

Development of functional expenses

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

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

Research and development spending stayed at a constant level in 2018. Uncapitalized research and

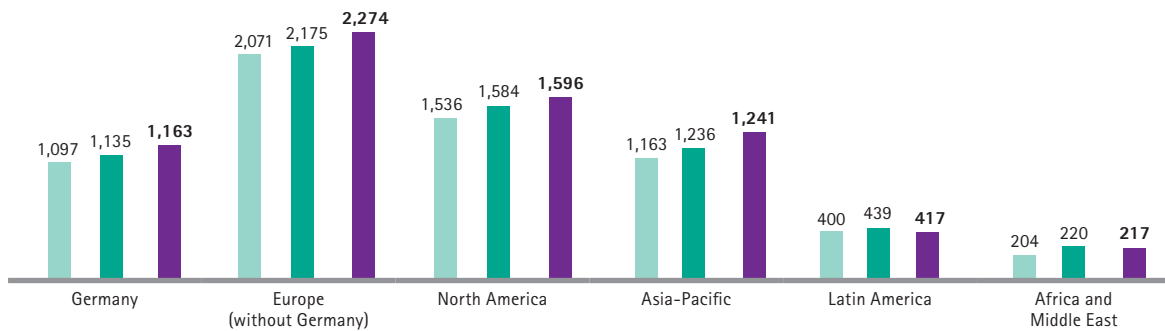
development expenses were up by 0.7 percent, to €318.0 million (previous year: €315.9 million). Furthermore, development expenditures totaling €32.6 million (previous year: €36.1 million) were capitalized as self-created intangible assets.

Development of other net income

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

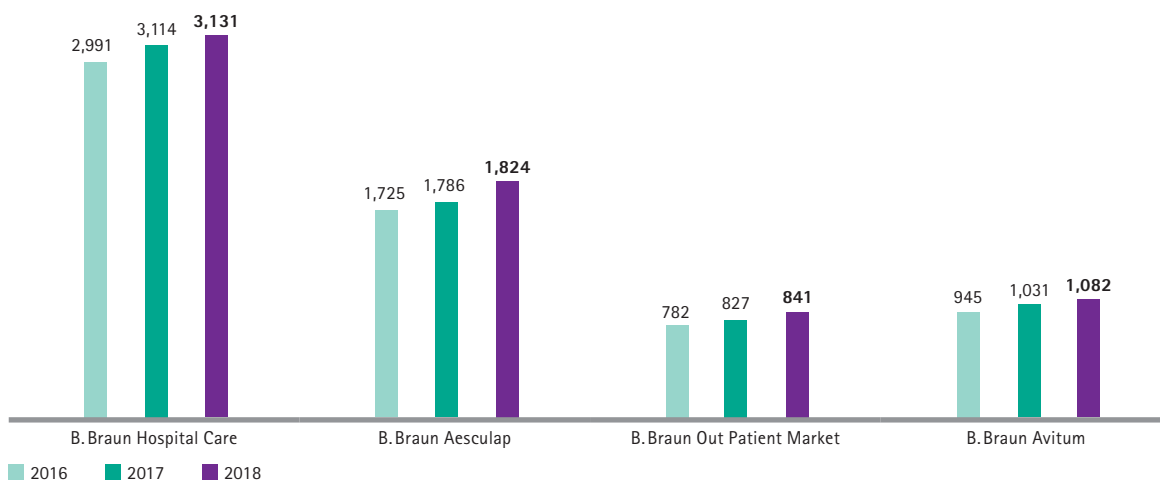
SALES BY REGION

In € million



SALES BY DIVISION

In € million



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

Development of net financial income

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

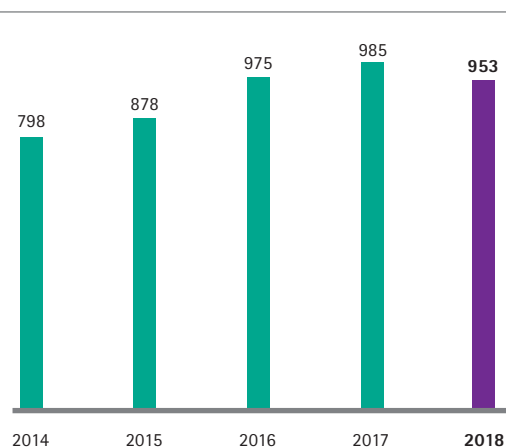
Development of EBIT and EBITDA

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

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

EBITDA

In € million



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

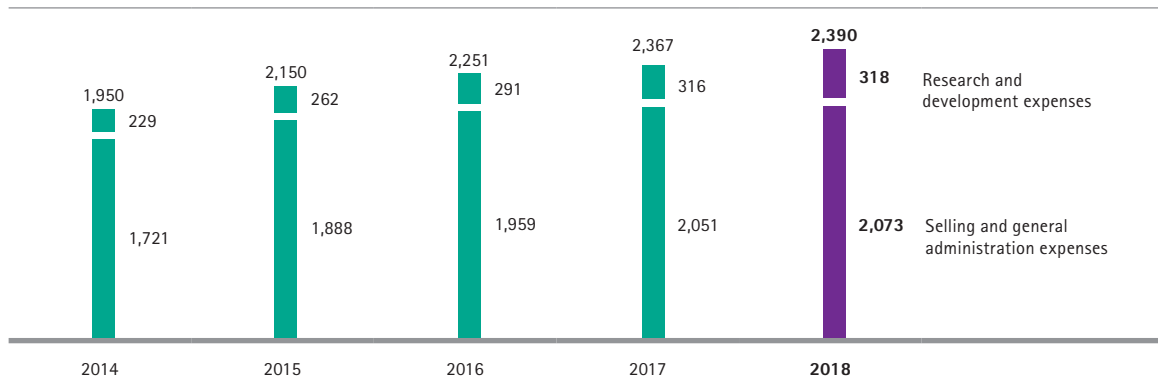
Financial position

Liquidity

Operating cash flow totaled €626.5 million (previous year: €655.1 million), down €28.7 million from the previous year. Cash flow for investment activities² fell €93.4 million in the reporting year to €797.3 million (previous year: €890.6 million) and thus resulted in a negative free cash flow of -€170.8 million (previous year: negative free cash flow of -€235.5 million). Accordingly, cash flow for investments in plant, property and equipment, and intan-

FUNCTIONAL EXPENSES

In € million



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

Asset structure

Total assets of the B. Braun Group increased as of December 31, 2018 to €9,224.4 million (previous year: €8,525.9 million). This represents an increase of 8.2 percent and reflects the fact that investments in property, plant, and equipment and financial assets exceeded depreciation.

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

Financing structure

Shareholders' equity increased by 7.7 percent (7.1 percent at constant exchange rates) to €3,699.9 million (previous year: €3,436.4 million). The equity ratio was 40.1 percent (39.8 percent at constant exchange rates), on par with the previous year's level (40.3 percent). Taking into account shareholder loans, this corresponds to an equity ratio of 40.7

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

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

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

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

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

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

Personnel report

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

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

The change in the world of work is not only taking established and reliable processes to their limits, it is also outpacing classical organizational charts that often do not reflect real working life. The goal of our corporate human resources strategy is to develop new modes of working and implement them in the organization. Since the start of 2017, some

pilot areas have been collaborating under an approach called "Tasks and Teams", independent of organizational charts and silos, and with high standards for networking, personal responsibility and active participation. Rather than holding one person accountable for a set of duties, work is distributed differently in the teams to create the flexibility needed for the organization to adapt to changing circumstances. In a rapidly changing environment, the traditional patterns of communication and decision-making are often too slow, and knowledge sharing is limited by a "silo" mentality. In addition, the expectations of our employees have changed. At the same time, we are looking for ways to check the constantly growing number of employees at the company. More agile forms of cooperation could also provide answers here. With successful introduction in the pilot areas, internal and external interest in "Tasks and Teams" has grown considerably, making it our desire to spread this new form of collaboration further into the company and gradually establish it in other areas and divisions. In 2018, selected colleagues from Corporate Human Resources and Corporate Communications were trained as meeting pilots and process captains who assist areas with implementing "Tasks and Teams".

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

Number of employees

The B. Braun Group (including the family holding company) had 63,751 employees as of December 31, 2018. This is up 3.5 percent from the previous year (61,583 employees). The primary reason for this

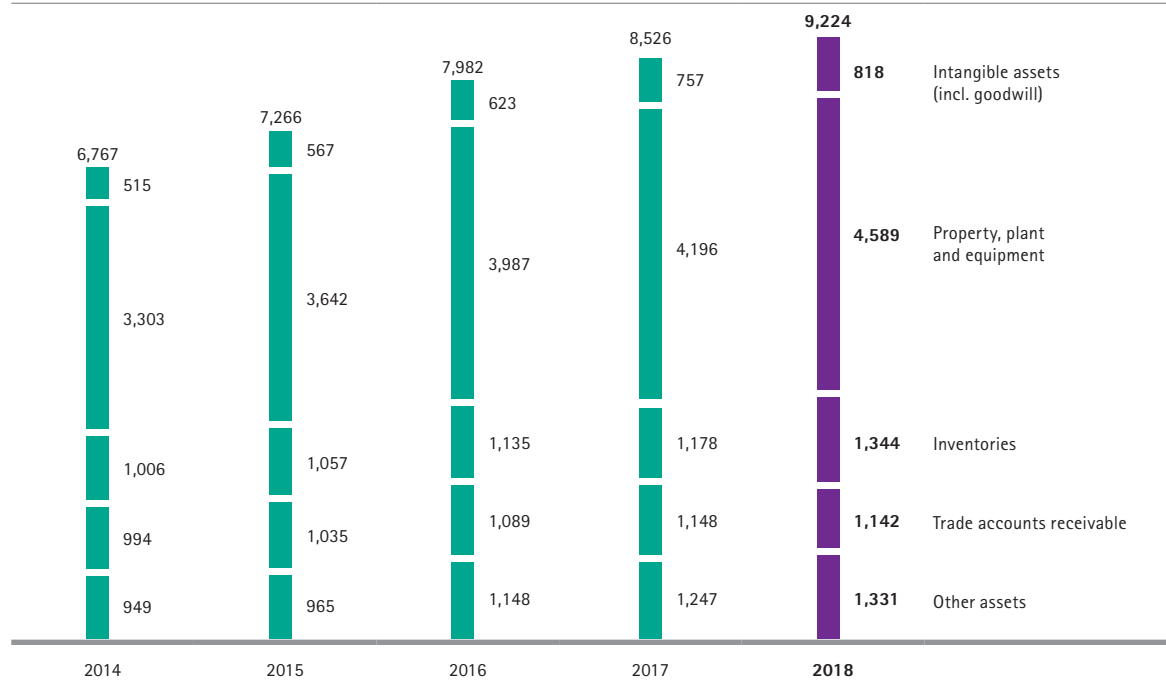
increase is the continual expansion of production. The Group also acquired and formed distribution companies and dialysis centers.

In Germany, the number of employees (including

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

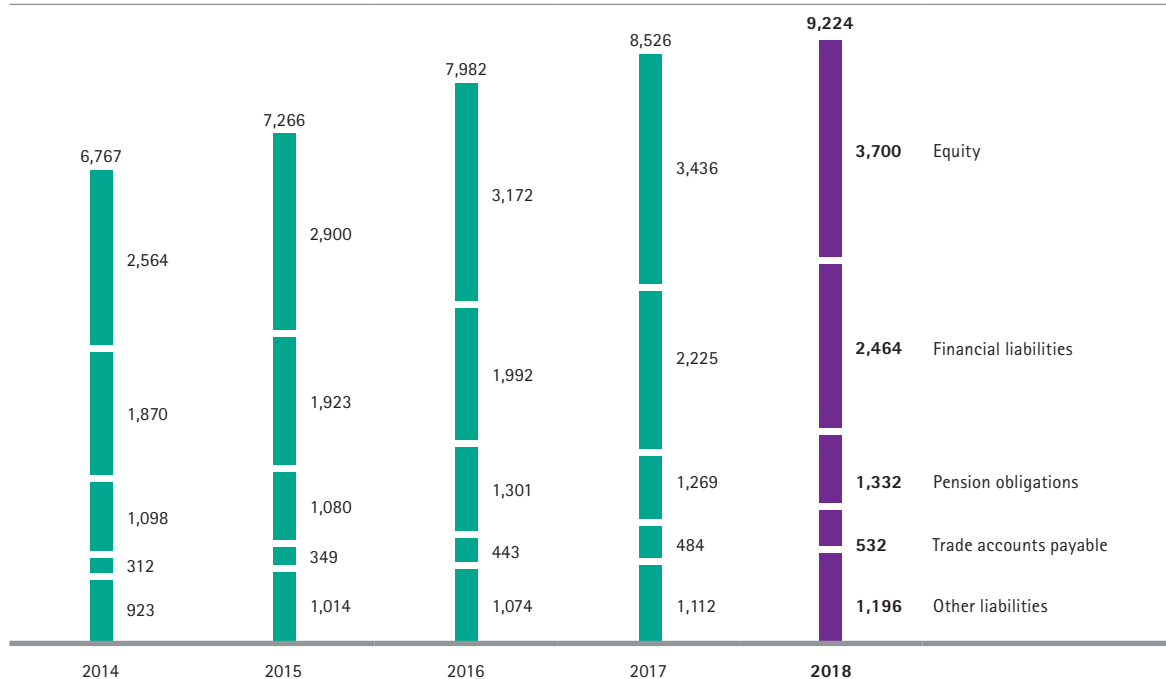
STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS

In € million



STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

In € million



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

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

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

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

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

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

Participation of men and women in leadership positions³

The percentage of women on the Management Board was the same as the previous year at 29 percent. The percentage of women at the first

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

Vocational training

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

Advanced employee training

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

³ Additional information supplementing the Group Management Report

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

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

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

dispensable part of the business activities in the B. Braun Group.

Performance-related remuneration

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

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

Thank you to our employees

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

Non-financial performance indicators

Quality and environmental management

Quality management is a multi-stage process which

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

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

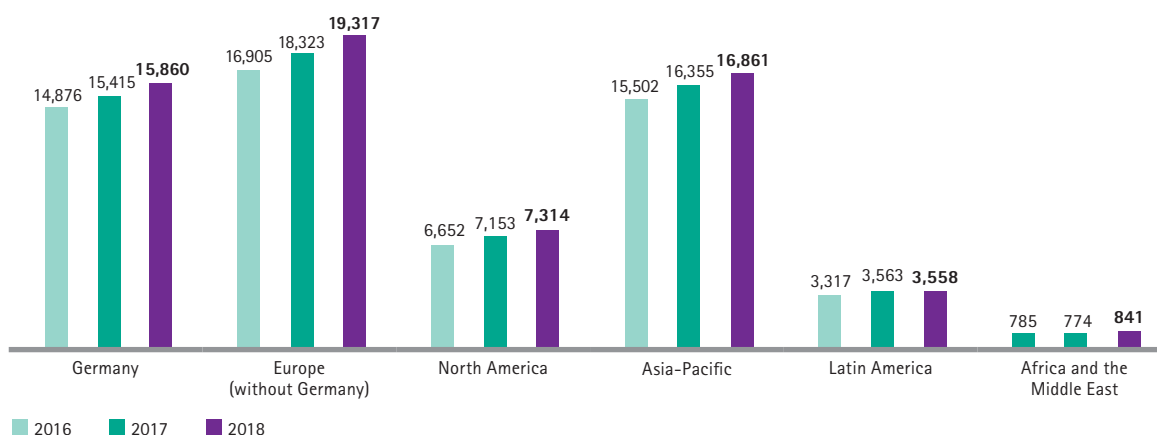
The new European Medical Device Regulation went into force in May of 2017 and replaces the previous guidelines for medical devices. The new regulations have effect on numerous corporate departments: for example, the scope of validation and qualification processes grows, the technical documentation becomes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

the regulation will be implemented at the latest by the end of the transition period on May 26, 2020.

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

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

EMPLOYEES BY REGION



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

Customer and product responsibility

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

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

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

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

Despite high quality standards and prevention measures, a product can, on rare occasion, be faulty or

be used incorrectly. Complaints are received by our local sales organizations and coordinated centrally at the B. Braun headquarters in Melsungen. From Melsungen, evaluations are arranged at the affected production locations, then our experts develop viable solutions on site.

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

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

Corporate social responsibility

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

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

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

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

The B. Braun Prize for Social Innovation is awarded in cooperation with B. Braun subsidiary Aesculap in Tuttlingen and Zeppelin University in Friedrichshafen. In the "Social Entrepreneur" category, the prize was won this year by "Clothing the Gap", a fashion label with strong social character. The start-up designs

and produces clothing for people in wheelchairs, giving them an offer that meets their individual needs. It also employs people with a migration background, opening the door for them to a career.

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

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

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT AND CONTROLLING

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

RISKS

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

Macroeconomic risk

Economic risks have increased overall. In addition to geopolitical uncertainty, the introduction of new tariffs announced by the United States will place greater strain on the world economy in the future. Escalation of currently simmering trade conflicts could negatively affect global value creation chains and threaten the international, rules-based trading

system in the medium term. In particular, the development would constrain the growth of economies that engage in open and considerably in international trade. The slowing of China's growth rates in conjunction with its enormous debt also poses a risk to the economy as a whole. A possible recession in the country would be intensified by a financial crisis. The effects on the international capital markets could be substantially higher than the interdependence of China's capital market would initially let on, since foreign businesses continue to trade actively with China.

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

Europe's economic development will be affected by the unclear progression of Great Britain's exit from the EU. An uncoordinated Brexit brings with it enormous risks, especially for Great Britain. These include the likely withdrawal of foreign direct investment, which is an important source of financing for the country, as well as the potential for further devaluation of the British pound. For the other Member States of the EU, the negative consequences of the exit primarily could take the form of potential financial market turbulence. As an importer, B. Braun would be negatively affected by a

devaluation of the British pound as well as by possible customs duties and clearing formalities. Approval of pharmaceutical products and medical devices after Brexit could generate additional costs and outlay. To make up for possible trade hindrances, we have significantly increased our warehouse capacity in Great Britain. At the same time, B. Braun is sporadically ordering components/intermediate products from British suppliers. By increasing stocks outside Great Britain, we have taken precautions here as well to eliminate any impact on our production processes as much as possible. Due to the steps taken, we currently do not see a disorderly Brexit posing a significant risk to the B. Braun Group. However, we consider an impact on the earnings of our UK business to be likely.

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

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

Industry risk

The health care industry overall is less cyclical, which is why sales of our portfolio of consumer goods are relatively stable. The capital goods produced by B. Braun, on the other hand, are more vulnerable to macroeconomic trends. Economic development usually also affects areas in which the patients must pay for health services out of pocket. The significant increase in costs within the industry has resulted in virtually every national health care system taking steps to save money. These cutbacks may have a negative impact on demand for our entire range of products and services. Additionally, the extension of payment terms and the introduction/increase of mandatory discounts and other charges in individual countries continue to grow. Some markets are seeing a trend of foreign manufacturers receiving no or only limited access to pro-

urement opportunities. This is the case especially when domestic manufacturers can offer comparable products, as in Russia. Here, the government is seeking to raise the market share of local industry manufacturers to 90 percent. To face this trend, we are continuing to build up our regional presence in order to obtain long-term access to the world's growth markets.

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

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

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

Procurement risk

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

keep our risk position low, resulting in no discernible, fundamental procurement risks.

Product risk

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

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

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

HR risk

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

sourcing" and on the initiative of employees who are willing to change. In addition to the diverse offerings at the B. Braun Business School, employee development programs that are tailored to regional and local conditions enable early succession planning.

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

IT risk

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

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

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

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

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

Financial risk

B. Braun operates internationally and is therefore exposed to currency risk, which it hedges using derivative financial instruments. We pursue a 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 enduring shifts in exchange rate parities, provided price adjustments are not enforceable under market conditions. Trading and management of derivative financial instruments are regulated by internal guidelines and are subject to continuous risk control. Payer swaps are at times used for variable rate financing to reduce interest rate risk.

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

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

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

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

OPPORTUNITIES

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

Opportunities arising from positive economic development.

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

Opportunities arising from the growth strategy

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

Opportunities arising from research and development

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

Opportunities arising from digitization

New possibilities for mass data processing and analysis can affect our production and sales processes. The digitization of production can facilitate further optimization and improve earnings. At the same time, there are opportunities in different ways of

interacting with our customers. A more comprehensive and faster exchange of customer needs and offered solutions, along with digital distribution channels, can positively affect our sales, earnings and cash flow.

Opportunities arising from our international presence

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

Opportunities arising from employees

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

OVERALL STATEMENT ON THE GROUP'S RISK AND OPPORTUNITY SITUATION

From today's viewpoint, no risks or dependencies are identifiable that could threaten the viability of the B. Braun Group for the foreseeable future. The Group's net risk position rose only slightly relative to the previous year and, once again, no risks were identified that could jeopardize the company's continued existence. However, there is a growing protectionist sentiment in parts of the world that can harm an international company like B. Braun. The establishment of trade barriers also increases uncertainty among investors and can harm economic growth for a prolonged period. The centers of ongoing conflict in the Middle East can also have a destabilizing effect. Volatility on foreign exchange markets in 2019 is expected to be comparable to the previous year. While the risks on the procurement markets remain

unchanged, we are seeing a continued rise in IT risks. It should be assumed that the advancing networking and digitization, both on the user side as well as in the productions, could lead to an increase in IT risks. The EU regulation "Medical Device Regulation (MDR)", which was adopted in 2017, will make it much more difficult to bring new medical technology products to market, thus increasing the development risk for B. Braun.

To the extent possible and appropriate, we are insured against liability risks and natural hazards, as well as other risks. To minimize the financial impact

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

OUTLOOK

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

EXPECTED MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Expected development of the global economy⁴

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

FORECASTED CHANGE IN GROSS DOMESTIC PRODUCT

in %

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

processes that are distributed across multiple countries along the global value creation chain. Although the direct macroeconomic consequences of restrictive trade measures will only slowly become felt, there have already been some distortionary effects in sectors where higher tariffs have already been applied or announced. These trends will continue in 2019, leaving a lasting effect on global economic growth.

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

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

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

The economic upturn in Russia is expected to continue in 2019. The rise is projected to be 1.8 percent, same as the previous year. Supporting factors will be rising oil prices as well as the Russian president's decree in May 2017 promising high government spending in the coming years. With the measures

described in this decree, the federation should rise to be one of the five largest national economies in the world by 2024. A development fund of around €48 billion is planned for housing, transport and digitization projects. To finance these, the general VAT rate was raised from 18 to 20 percent starting on January 1, 2019 in order to generate additional tax income. The resulting increase in consumer prices, however, could result in lower consumer spending.

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

The economy in the Asia-Pacific region in 2019 should continue to grow at a somewhat lower rate of growth of 5.4 percent. In Japan, economic output will continue to slow due to dampened international economic prospects and sagging domestic market growth. The IMF forecasts a growth rate of 0.9 percent. This could decline further over the medium term due to unfavorable demographic trends and the associated decline in the working population. In China, economic growth will slow since the economy is still transitioning to a more sustainable growth path with financial risk minimizing and environmental controls. Furthermore, sagging external demand will have a negative effect on the

country's economy, since businesses on the other side of the Pacific already filled out their stocks in 2018 in expectation of further escalation of the trade conflict. These losses will not be able to be fully offset by economic measures on the part of the Chinese government. Nevertheless, a growth rate of 6.2 percent is expected in 2019. India's growth will likely continue to be positive in 2019 as well and climb to 7.4 percent. Ongoing structural reforms as well as heavy investing and robust private consumption in particular will have a supportive effect on the nation's economy. The tense situation in the financial sector could have a negative impact, however. Economic growth is predicted to continue in Malaysia. The somewhat lower growth rates are primarily due to efforts by the new government to reduce debt and distribute wealth more fairly. This will lead to more stable economic conditions in the long term. The robust domestic economy as well as the expansion course in the services sector and processing industry are expected to have positive effects. This will lead to constant demand for labor and, therefore, higher wages, which in turn will stimulate private consumption.

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

Both in Africa and the Middle East, an increase in economic output is expected for 2019. South Afri-

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

Outlook for the Health Care Market

In times of volatile markets and innovation cycles becoming shorter and shorter, the global health care markets continue to converge with one another. They are undergoing increasing internationalization, acting more consistently and connecting to one another. Even today, the world's health care systems are more connected and consumer-oriented than ever before. Nevertheless, in the face of similar developments in the various parts of the world, they can still learn from each other, as primarily demographic and societal changes such as urbanization and population aging increase cost pressure on the industry. This is why it is expected that the percentage of people in Japan over 65 will be nearly 30 percent by 2021. In Western Europe, the percentage by this time will already be 21 percent, meaning growing spending in the health care industries of industrialized nations will result mainly from rising care needs and therapeutic progress. In newly industrializing and developing countries, both rising population figures and a growing middle

class with higher expectations for medical care are the largest drivers of cost. Furthermore, the health care systems must face the challenge of how they want to better treat and contain infectious diseases and chronic illnesses in the future. While the latter were once mainly a problem of industrialized nations, they are becoming more of a common health and cost problem in newly industrializing and developing countries due to changes in lifestyle. These trends will shape and significantly increase the requirements on the health economy.

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

The improvement to financial performance and operating margins will remain an important topic in the health care industry in coming years. Sales pressure, rising costs and stagnating or falling margins have put a strain on these for a few years now. It is expected that this trend will continue in both the public and private health sectors. This is caused by increasing demand, infrastructural upgrading,

and progress in treatments and technology further increasing pressure on financial resources that are already limited. Health service providers are already using various strategies to counteract the trends that have been described. Hospitals and other health service providers in the United States in particular are entering more and more into mergers and takeovers in order to achieve scaling effects. One benefit to this growth strategy is that the stakeholders can more easily take in capital for investing in plants, technology and human resources. In another example, major medical facilities in China are attempting to build a "closed" supply chain by acquiring hospitals. In general, the number of joint ventures, public-private partnerships (PPP) and other cooperation agreements both within the health care industry and across industries constitute a growing trend in all geographical regions.

For the European health care industry in 2019, a slight increase in growth rates is expected due to an increase in many countries' budgets. In France, the supplemental premiums for hearing aids, glasses and dental prostheses will go down starting next year. The goal of reforming financing for public preventive care is to have national insurance as well as certain supplemental insurance gradually assume more of the co-payment for devices, materials and treatments. Starting in 2021, all costs will then be covered. It is expected that the ongoing economic growth in Spain as well as the upcoming local elections in 2019 will accelerate investment in the health care industry that is so important to the citizens. There is an acute need for upgrades due to the imposed budgetary rigors in the regions. For example, around 70 percent of CT and ultrasound scanners as well as 80 percent of life support equipment are over 5 years old. This is why annual investments of €350 million are expected until 2021. Great Britain's public health care system, the National Health Service (NHS), is responsible for around 85 percent of health care. In past years, the NHS found itself exposed to increasing requirements due to a growing and aging population, changing patient expectations and pressure on the social services and health budgets. To better meet these challenges in the future, the NHS has been working on a procurement transformation program (PTP) since 2017. The goal of the program is to collaborate more closely and use the NHS' collective

purchasing power to find the best offers for medical products, reduce price and variability and save money. This is linked to the development of the corresponding operating model (the Future Operating Model, or FOM), the implementation of which will be forced in the coming years. The British government is also planning around €23.2 billion in additional funding for the health care industry in the next few years. This is intended primarily to advance topics such as digitization and telemedicine, and specifically fund individual areas of research. Poland will also require additional spending for the health care industry in the coming years due to an aging population and an increase in people with chronic conditions. For 2019, the financial plan of the National Health Fund (NFZ) includes additional spending of 6.4 percent. Some of these funds will be used to increase pay for doctors, nurses and paramedics. Other money will be earmarked for medical device supply as well as for the area of healing and rehabilitation. Turkey's medical equipment and device market will grow slightly in 2019 according to estimates by the US International Trade Administration. Even though the health care industry was partially impacted in 2018 by the currency crisis and the substantial devaluation of the Turkish lira, rising incomes and increasing health consciousness in the population have helped demand for health services grow. This trend is supported by an improved health insurance system and increased government benefits. More and more people are enjoying medical treatment and are able to use hospital services.

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

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

Health care expenditures in Asia-Pacific region will continue to grow in 2019. Japan's health economy will move constantly upward, since the need for high-tech health products continues to grow. To keep public health care expenditures from getting out of control, the Japanese government will soon rely more on price controls and private supplemental care. Generics, modern medical technology and telemedicine will continue to contribute to reducing costs. Forecasts show that the market volume has exceeded its peak level. China will continue to expand its health care system, however more attention will also be paid to controlling costs. For example, locally developed generics and medical devices will be used more and more often. Global topics such as digitization and artificial intelligence are still in the early stages. However, their significance to the Chinese health care industry will grow considerably. The growth prospects for India's health market continue to be good. Growth will be borne by the size of the population and the substantial catch-up demand within the health care

industry. In the long term, a budding middle class will also drive spending upward. India's government is also focusing more on eHealth solutions, since they could improve the country's primary health care. When compared internationally, they are currently still well underdeveloped, but could be improved through digital health care. Accordingly, the predicted growth rates for telemedicine are positive. In Malaysia, the importance of the health care industry is being underlined by the budget bill for 2019. The biggest part of the budget will be used to upgrade and expand existing hospitals as well as procure pharmaceuticals and medical equipment.

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

The Gulf region and Africa will continue to offer major market potential for health care industry providers in 2019 due to the region's massive catch-up demand. South Africa's medical technology market will continue to grow, since both the public and the private health sectors have announced investments. Private hospital operators primarily wish to invest in radiology and oncology. The government is also providing additional funds to expand health care infrastructure. The public health sector of Kenya, by contrast, is in an ongoing slump, so no significant growth can be expected for the time being. Mismatch

and institutionalized misappropriation are common because the state cannot fulfill its health policy goals. In Iran, commitment by Western investors hoped for in the health care industry is unlikely. The need for investment, on the other hand, is abundant. The hospital sector, for example, is planning to increase capacity from around 2 beds to 3 beds per 1,000 inhabitants.

BUSINESS AND EARNINGS OUTLOOK

We expect the B. Braun Group to continue its sales growth in the 2019 fiscal year. Sales growth is expected to be between 5 and 7 percent, assuming exchange rates remain constant (2018: €6,908.1 million). Due to the expected changes in exchange rate parities, the rate of increase in euros will be lower. We expect more dynamic growth in the B. Braun Avitum and Out Patient Market divisions than in the rest of the Group. For B. Braun Avitum, product business will grow due to new product generations and greater demand for consumables. A strong increase is expected in provider business through the expansion of the centers in Russia as well as procurements won in Spain, Ireland and Sweden. Growth will also be supported by the initial consolidation of the Ambulantes Herzzentrum outpatient cardiac center in Kassel (Germany) that was acquired on January 1, 2009. This will add invasive and noninvasive cardiology to our provider business. We expect dynamic growth in the areas of continence care & urology and diabetes care as well as wound management in the Out Patient Market division. Aesculap will be able to grow considerably in the Asia-Pacific and Latin America regions. New vascular system, spine and orthopedic product launches will make further sales growth possible. In the Hospital Care division, growth in the areas of compounding, automatic infusion systems and pain treatment products will be above average. The global health care market will continue to be divided in two. We expect increased volume in developing and emerging markets. We will be able to share in the growing demand thanks to our increased capacity and international presence. We expect the Asia-Pacific region to achieve a significant increase in 2019 following restrained growth in the reporting year. China, India and the Philippines will experience above-average growth. Latin America can

achieve a good sales increase at constant exchange rates but will be impacted greatly in euros due to the expected devaluation of the Argentine peso and the Brazilian real. Chile, Colombia and Mexico will be the region's drivers of growth. North America will be able to grow strongly in US dollars, but the increase in euros will be lower. In the established markets of Europe (not including Germany), we assume a slight increase in demand overall. Germany, on the other hand, will see a clear rise in sales, especially with products and services from the B. Braun Avitum and Aesculap divisions. In the Africa and Middle East region, we expect dynamic growth.

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

An increase in regulatory requirements, higher start-up costs than expected for our new plants, rising labor and raw materials costs as well as

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

EXPECTED FINANCIAL POSITION

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

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

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

OVERALL STATEMENT ON THE OUTLOOK FOR THE GROUP

Based on the assumptions presented with regard to the performance of the global economy and the health care market, we expect positive sales and earnings for B. Braun Group in 2019. We expect further sales growth over fiscal year 2019 and to meet our strategic targets. With our extensive in-

vestments in new plants, we can achieve our desired volume growth. The continuous improvement of internal processes in conjunction with optimal production capacity utilization will increase our profitability. At the same time, we are developing products and health solutions in dialog with users and patients that facilitate economical care and secure competitive advantages for us. This is supported by a digitized and agile operating method. Our system solutions, combined with the economic stability of B. Braun, are sustainably securing optimal patient care.

Melsungen, Monday, February 25, 2019

The Management Board