

B. BRAUN ANNUAL REPORT 2017

# BARB

EAGLE GROVE | IOWA



# SHARING EXPERTISE

Effective solutions through constructive dialog,  
our promise to customers and partners.

# BARB + B. BRAUN

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



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## MANAGEMENT BOARD



From left to right

**Dr. Meinrad Lugan**  
– Hospital Care and Out Patient Market  
(OPM) Divisions

**Prof. Dr. Heinz-Walter Große**  
– Chairman of the Management Board,  
Human Resources, Legal Affairs and  
Director of Labor Relations

**Anna Maria Braun LL.M.**  
– Region Asia-Pacific

**Dr. Joachim Schulz**  
– Aesculap Division

**Dr. Annette Beller**  
– Finance, Taxes and Central Services

**Caroll H. Neubauer LL.M.**  
– Region North America

**Markus Strotmann**  
– B. Braun Avitum Division

# FOREWORD

## GROWING TOGETHER

*Dear Reader,*

"Growing Together" is the motto for our corporate strategy 2020, the second phase of which we have now entered. Three goals describe the direction of B. Braun in the coming years: system partnership, collaboration and profitability. Together we have made great strides towards meeting these goals, but it is also clear to us that further effort will be needed to achieve our self-set goals.

We do make a promise to our customers. In keeping with our "Sharing Expertise" philosophy, we want to develop effective solutions and create innovative standards in the field of health care. Only through this sustained commitment will we be able to continue to create demand for B. Braun products and services, and continue to grow organically as a family-owned business, as we did in 2017.

When we refer to innovation, we are not just referring to our product portfolio, but also to manufacturing and work processes. In 2017, we achieved a number of important milestones: we launched new manufacturing operations in Japan and Indonesia; introduced products such as the compact plus infusion pump to the market; and consistently pursued digitization processes, which we view as part of our ongoing evolution and as important means of ensuring our long-term competitiveness.

We also embarked on new investment projects. In Romania, we are planning a new site for production, research and development, and distribution. In addition, we will continue investing in the German locations and in our major sites in Malaysia, Spain, Hungary, and the USA. Our network of dialysis centers also continues to grow and we now serve more than 29,000 patients worldwide in our own facilities. All of these significant investments were made to secure the future of our company. At the same time, they are also a reason that although we were able to reach our sales targets in the past fiscal year, we did not manage to meet our planned earnings growth. For us, this is motivation to strengthen these efforts in 2018.

B. Braun's annual report focuses on a real life story. In this year's annual report, you will read about Barb Dooley from Eagle Grove, Iowa, USA as she shares her personal story. You will learn what is important to this retired nurse: the affection, appreciation, support and kindness she experiences from her family, friends and around her hometown – where she often volunteers her time and talents to give back to the community. "I want to help people live the best life they can," she says. This is what Barb and B. Braun have in common.

61,583 B. Braun employees are the driving force behind our continued success. They work hard every day to protect and improve the health of people all over the world. They contribute to a higher quality of life and support people like Barb Dooley in their well-being. In this annual report you will learn how we do it. I wish you an interesting and exciting read.

With best regards,

A handwritten signature in blue ink, appearing to read 'H. Große', is positioned below the closing text.

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

# STARS, STRIPES & HEALTH CARE

## FACTS AND FIGURES ON THE US ECONOMY

### Annual health expenditures per capita<sup>1</sup>

The USA has by far the largest health expenses per capita. Switzerland follows in 2nd place, at 7,919 USD.

**9,892 USD**

### B. Braun markets

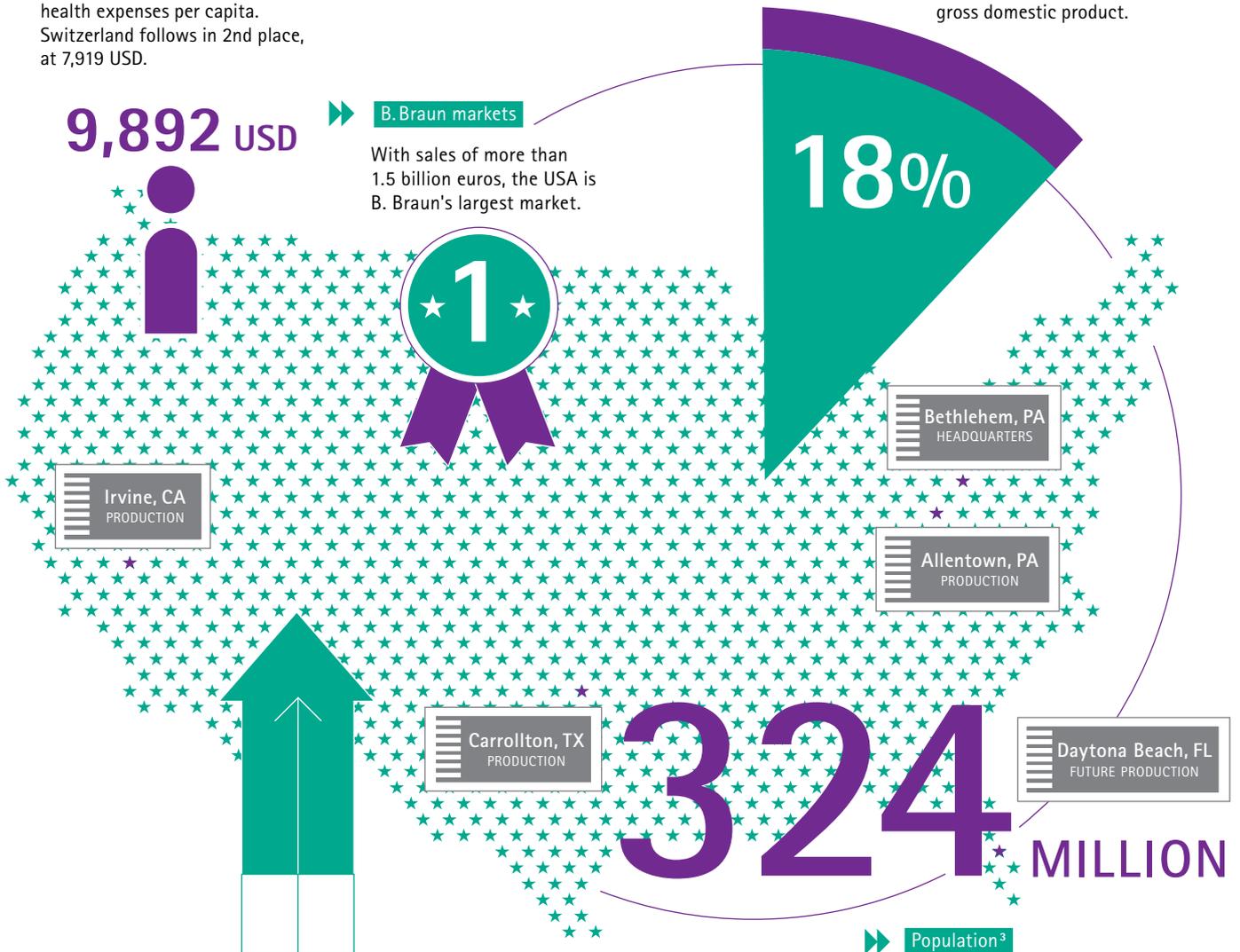
With sales of more than 1.5 billion euros, the USA is B. Braun's largest market.



### Share of the economy<sup>2</sup>

Health expenditures account for nearly one fifth of the US gross domestic product.

**18%**



**2.3%**

### Annual economic growth<sup>4</sup>

The economy in the USA has grown robustly over the last five years.

### Population<sup>3</sup>

The United States of America is the country with the third-largest population, behind China and India.

Sources: <sup>1</sup> James, C. (2017): Health at a Glance 2017: OECD Indicators. OECD <sup>2</sup> Centers for Medicare & Medicaid Services (2018): National Health Expenditures 1960–2016. National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis, and U.S. Bureau of the Census <sup>3</sup> United Nations (2017): World Population Prospects. Key findings & advanced tables. 2017 Revision. Department of Economic and Social Affairs. Population Division <sup>4</sup> Bureau of Economic Analysis (2018): GDP and the National Income and Product Account (NIPA). U.S. Department of Commerce

# Hello, I'm Barb

★ NAME

**Barb Dooley**

AGE

**60**

MARITAL STATUS

**Married, three children,  
three grandchildren**

OCCUPATION

**Retired nurse**

PLACE OF RESIDENCE

**Eagle Grove,  
Iowa**

and I'm from Eagle Grove, Iowa. I think that sentence says a lot about me, because Eagle Grove isn't just the place where I live: Eagle Grove is my home. Eagle Grove is my world. My ancestors came to the United States from Norway in 1881 and helped to found Eagle Grove. They built two farms. I was born on one of them and the other, just 100 steps away, is where I live today. You could say that I haven't gone particularly far in life, but that doesn't bother me at all. I like the quiet here, the nature, the cornfields; everyone here says the soil is more fertile here than anywhere else on Earth. I like the cold winters, the hot summers. I like the animals you see here: eagles, coyotes, pheasants, raccoons. I like the flat landscape. Nowhere else can you see so far; nowhere else is the sky so big – and

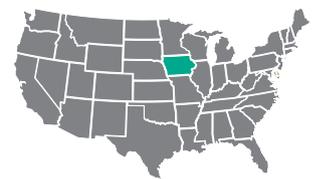


Barb Dooley comes from a family of farmers. That's one reason her mailbox looks like a corn plant.





# Iowa



Iowa is located in the "Midwest" of the USA and has more than three million residents.



Tim fell in love with Barb 45 years ago in this church – while singing in the choir.

# E

veryone knows everyone  
else here and greets  
each other by name.

so red, when the sun rises. We live a bit outside of Eagle Grove, but only 3500 people live in the town itself. Everyone knows everyone else here, greets each other by name, knows when someone has a severe illness or a child is born. I also met my husband Tim here. In the church choir. I sang soprano and Tim sang bass. He always stood directly behind me and prodded me in the calves with his feet. Our first date was at the roller skating rink. I was 15 at the time, he was 18. I married him when I was 21. I was 25 when Beth arrived, our first child. Today I'm 60 years old and it wouldn't be right to say that I love Tim as I did on the first day: I love him much more. He was the first man in my life. He's also the only one. He's my best friend, my soul mate. We still like to sing together, and Tim makes me laugh every day – it doesn't bother me at all that he always tells the same jokes. Beth is 34 years old now and is getting her doctorate at the University of Exeter in England. She is a lawyer – and also a great protector of the environment; maybe she gets her love for nature from me. Beth wants to work in environmental law one day. She often comes to visit. My two sons, Andrew, 30 and Ben, 26, still live here; Ben even lives at home with us. He helps me when I can't get in the internet again. Ben is an agricultural technician engineer. In his free time, he often helps Andrew out.



These flags wave at many locations in Iowa. The citizens are proud of their home, which joined the USA as the 29th state in 1846.



The stars and stripes of the American flag navigate through the three chapters of our Annual Report, in which Barb takes us along through her life: there are one, two or three stars at the top of the page, depending on the chapter number, for orientation.

We used to only call him Andrew when he was really in trouble; usually, we just call him Drew. Drew actually works as an electrician but is also now taking over my brother Scott's farming business. So Drew is continuing my family's legacy. He also has a son and twin daughters. It's a mystery to me how he does it all. But I'm happy that I have my favorite people around me. A lot of smart people drive themselves crazy trying to answer the question of how to find happiness in life. Maybe it's not so complicated at all. I'm happy when I sit down for dinner with my family, whether I cooked or Ben picked up a few pizzas. There's a gas station right nearby. Don't ask me why, but they make the best pizza in all of Iowa there. But it really doesn't matter what we're eating: the important thing is that we're eating together. Home is not just a place, after all. Home is also a feeling.



Eagle Grove was established in the 1880's. The settlers discovered many eagles' nests in the area. With a bit of luck, you can still observe these rare birds, because Iowa has preserved its peace and natural surroundings.



Winter wonderland in Iowa:  
Barb with her grandchild,  
Hayden, and son, Drew,  
on a Toboggan.





MY DAILY ROUTINE:  
*Always*  
keep m<sup>0</sup>ving







Sometimes I wake up in the morning, stretch and can hardly believe that nothing hurts, that I can move all of my limbs and that I'm completely healthy. I know not to take that for granted. And I know that I don't just have God, fate or myself to thank for it, but also some very good doctors. For example, I've already had back surgery. And surgery on my right hand when a nerve was damaged.

Barb loves to move – not just with her grandchildren and dog outdoors, but also with friends at the fitness center.



Barb is very active, even in retirement: here, she explains healthy food choices to school children.



E

 ★  
 ★  
 ★
 
 Everything about health has always fascinated me.

Most little girls dream of becoming movie stars. I had a little doctor's bag I used to treat my dolls and dreamed of one day becoming a nurse. And

that's exactly what happened. After my training, I first worked in a hospital and then I worked as a school nurse for 31 years. Besides treating students' major and minor illnesses and injuries, such as cuts, sprained ankles and broken legs, I also taught the children about the biology of the human body, how it falls ill and how it heals. I wanted to interest the children in modern medicine.

Sometimes I wonder how my sister Ann would be doing if she had lived only thirty or forty years earlier. Ann is four years older than I am. She was always my role model and also became



a nurse; that encouraged my career aspirations at the time as well. Ann lives in California, but we talk on the phone at least once a week, send each other photos and write each other messages. We visit once or twice a year. Ann has known me my whole life: she knows everything about me. And I know everything about her. In 1998, Ann could hardly stand, walk or lie down any longer due to pain. I remember how bad it was for her and how badly I felt for her. Ann received an artificial hip implant on the right side. In 2011, she also needed a prosthesis on the left. This time, the doctors made only a small incision in the groin, a minimally invasive operation that was still very new at the time.

Ann recovered much quicker than she did from the first operation. Today, she has virtually no problems anymore. My other sister Kathy, who is 14 years older, has two artificial knees. It looks like joint problems run in the family. I listen to my own body sometimes and ask myself whether my hip hurts, whether everything is okay with my knees, when I'm running after the dogs or lifting a case of water out of the car. I know that I'm not getting any younger. So far, though, I don't feel any pain. I'm very thankful for that. But even if I were to have problems after all, I wouldn't worry. I know that I would receive excellent help.



Straight-as-an-arrow roads, flat land, the sky beyond: that is Iowa. The state extends between the Missouri and Mississippi rivers, with endless corn fields and undulating plains. There are just 21 people per square kilometer. By comparison, in Germany, there are 231.



# Making pain-free walking possible again

**Orthopedic joint replacement** | After the knee, the hip is the second largest joint in the human body. We stress and burden it with nearly every movement. Over the years, the cartilage increasingly wears away from the femoral head, the acetabulum or both. Arthrosis often develops as a result, particularly in older people. Those affected suffer from pain and their mobility is frequently restricted. In the past, patients with advanced hip arthrosis were barely able to stand or walk. Today, modern medicine can help.

In patients with the onset of arthrosis, physical therapy and medications can have mitigating effects. Often, however, the joint degeneration progresses, the protective layer of cartilage is reduced, bone rubs on bone, the pain gets increasingly worse, and even sleeping can become very difficult. In the worst case, the joint stiffens entirely. These cases can be helped by hip joint replacement.<sup>1</sup> In the USA, for example, surgeons implant more than 600,000 artificial hips every year.<sup>2</sup> Patients who receive the surgery for the first time are 64 years old on average. Because people are living longer, the number of hip operations is also increasing. This is because the most frequent reason for a hip endoprosthesis,

in addition to arthrosis, is age-related: fractures on the femoral neck, caused by osteoporosis<sup>3</sup> – a disease in which bones lose their strength.

## New mobility

Hip replacement is not only one of the most frequent, but also one of the most successful surgical interventions of all: nine out of ten patients report a pain-free life and enjoy newfound mobility after such an operation. There are many reasons for these statistics, such as optimized postoperative care, but also technical progress and innovations, which we have promoted at B. Braun. For example, nowadays

a minimally invasive total hip arthroplasty is possible.

## Precision in demand

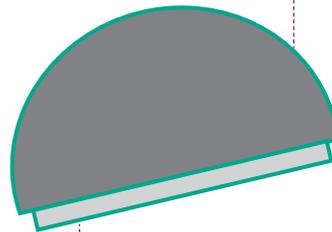
This protects muscles and tissues and enables faster rehabilitation. In close collaboration with surgeons, we have developed the instruments necessary for minimally invasive surgery, such as MIOS hip retractors for holding the operation site open. The stem implants have also been modified and shortened in order to facilitate tissue-sparing implantation. Innovative materials, such as the age-resistant polyethylene Vitelene®, also contribute to the long-term success of a total hip arthroplasty and are an outcome of our constant research and development.

Number of endoprosthetic hip interventions per 100,000 inhabitants in the USA over time <sup>2,3</sup>



**The cementless Plasmafit® acetabulum system**

Enables high stability even under difficult implantation conditions. With the Plasmapore® surface, we have developed a coating for strong bone adhesion. The cup inlay is inserted into the artificial cup.

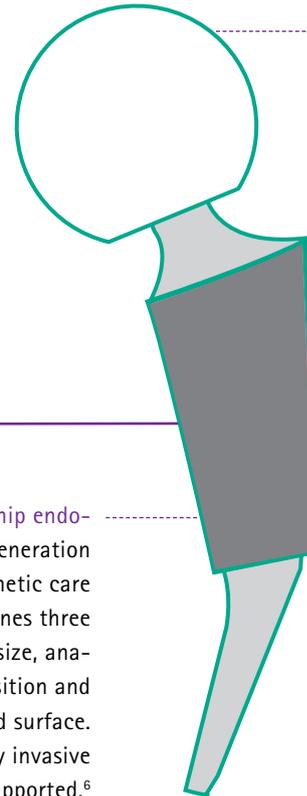


**Vitelene® cup insert**

Vitelene® (Highly crosslinked Polyethylene with vitamin E) is a material that is characterized by a high level of wear and oxidation resistance.<sup>4</sup>

**Biolox® delta ceramic head**

The head moves in the cup insert and together with the cup insert it composes the mobile part of the artificial joint. The bio-ceramic of the head is scratch-resistant and biocompatible. Together with the highly cross-linked polyethylene it offers excellent sliding properties.<sup>5</sup>



**The Metha® short stem hip endoprosthesis** represents a generation of implants for endoprosthetic care of the hip joint. It combines three advantages: small stem size, anatomically aligned stem position and a completely coated surface. As a result, a minimally invasive implantation is supported.<sup>6</sup>

**Sources:** <sup>1</sup> Endoprothesenregister Deutschland (2016): Jahresbericht 2016. Mit Sicherheit mehr Qualität <sup>2</sup> Statista (2018): Anzahl der Implantationen künstlicher Hüftgelenke in ausgewählten OECD-Ländern in den Jahren 2011 bis 2015 (je 100.000 Einwohner). <https://de.statista.com/statistik/daten/studie/182669/umfrage/hueftgelenkoperationen-in-ausgewaehlten-oecd-laendern/> (viewed on 1 March 2018) <sup>3</sup> Bleß, H.-H., & Kip, M. (Hrsg., 2016): Weißbuch Gelenkersatz. Versorgungssituation endoprothetischer Hüft- und Knieoperationen in Deutschland <sup>4</sup> Grupp, T.M., et al. (2014): Biotribology of a vitamin E-stabilized polyethylene for hip arthroplasty - Influence of artificial ageing and third-body particles on wear. Acta Biomater 10 (7): 3068-78 <sup>5</sup> Morlock, M.M., Bishop, N., & Kaddick, C. (2011): Welche Hüftgelenkgleitpaarung für welchen Patienten? Tribologie der Zukunft. Der Orthopäde 40 (12): 1061-67 <sup>6</sup> Schnurr, C., et al. (2017): Low short-stem revision rates: 1-11 year results from 1888 total hip arthroplasties. The Journal of Arthroplasty 32 (2): 487-93



MY FAMILY:

We  
stay  
together





My husband and our two sons, Drew and Ben, all have the same tattoo on their upper arm: a lion, a red shield, and the letters of our family name, Dooley. They got the tattoos in 2009, while they were working on our house. It took them then three years to completely finish it. They worked really hard at it. My husband took night shifts at the post office so that he could be on the construction site during the day. Drew came over after work. Ben was still in school and helped mostly during vacations. The close teamwork brought the three of them together. I don't have a tattoo, but I never forget that family is the most important thing in life. Family: that's not just my husband, not just my children. It's all of my other relatives too.

Family of course included Tim's mother, LaVonne. There is this cliché of the wife not getting along with the mother-in-law, but that was never the case with me. I've always admired LaVonne: a bold, cheerful woman who enjoyed life. She learned to drive a car at age 68. And when I think of her, I usually remember her cooking: cooking made her happy. LaVonne, standing in her kitchen and preparing a turkey. Cooking bacon on a gas stove while camping. LaVonne had a stroke, right on her 80th birthday. Part of her brain was irreparably damaged. Her right side was paralyzed. She could no longer walk, she could barely speak, she couldn't chew or swallow. Her husband Marv was already 83 at the time, but he took care of her at home

Tim and his sons Drew and Ben stick together through thick and thin – that's what the family crest stands for that they all have tattooed.





Because the land is sparsely settled and the distances are great, the automobile is very important in Iowa. It's not only a means of transportation, but also a guarantee of personal independence and freedom – values that count for a lot in Iowa. The state's motto is: "Our liberties we prize and our rights we will maintain."



for eleven long years. Because I was with LaVonne four days a week during the final months, I know how hard and difficult this work was. LaVonne couldn't control her bladder, so she had a catheter. She also frequently had problems with digestion. She had to be fed artificially, her clothes, diapers and linens had to be changed and her body had to be washed and moved. When LaVonne died in the spring of

2017, it was a release for her and for all of us. I think of her often. How her eyes sparkled once when I trimmed her fingernails and said: "The marvelous meals these hands have cooked." How she looked at her grandchildren from her wheelchair. How she made a half-amused, half-annoyed gesture with her hand when Marv joked with her and said, "Tomorrow we'll finally go camping again." And, of course, how lov-



ingly Marv attended to her, every single day, every second. We often suggested that he should put LaVonne in a nursing home. But for Marv, it was out of the question. He said: We stay together, in good times and bad.

**A**nd that's  
family too.

Barb's mother-in-law, LaVonne, is as memorable at the Dooleys as her cooking skills and legendary recipes.



# Offering a Better Way

**Continence care and urology** | Urinary disorders, incontinence or retention affect millions of people all over the world. In the USA, 14 percent of all men suffer from urinary incontinence and 51 percent of all women, who are affected more than men due to their anatomy.<sup>1</sup> Urinary disorders can have many different causes, can develop in varying degrees of severity, and occur in both acute and chronic forms. However, modern medicine offers remedies for even the most severe cases.

In many patients, the neurologic control of the sphincter and pelvic floor muscles is impaired or even non-existent. The reasons for this can be spinal cord injury, multiple sclerosis, spina bifida, prostate or bladder cancer, but also stroke or Alzheimer's disease. The consequences: the urine either remains in the bladder or is emptied uncontrollably – in either case, a urinary catheter is necessary.

## Three methods for bladder emptying

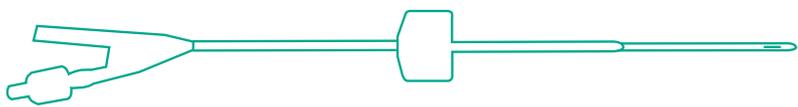
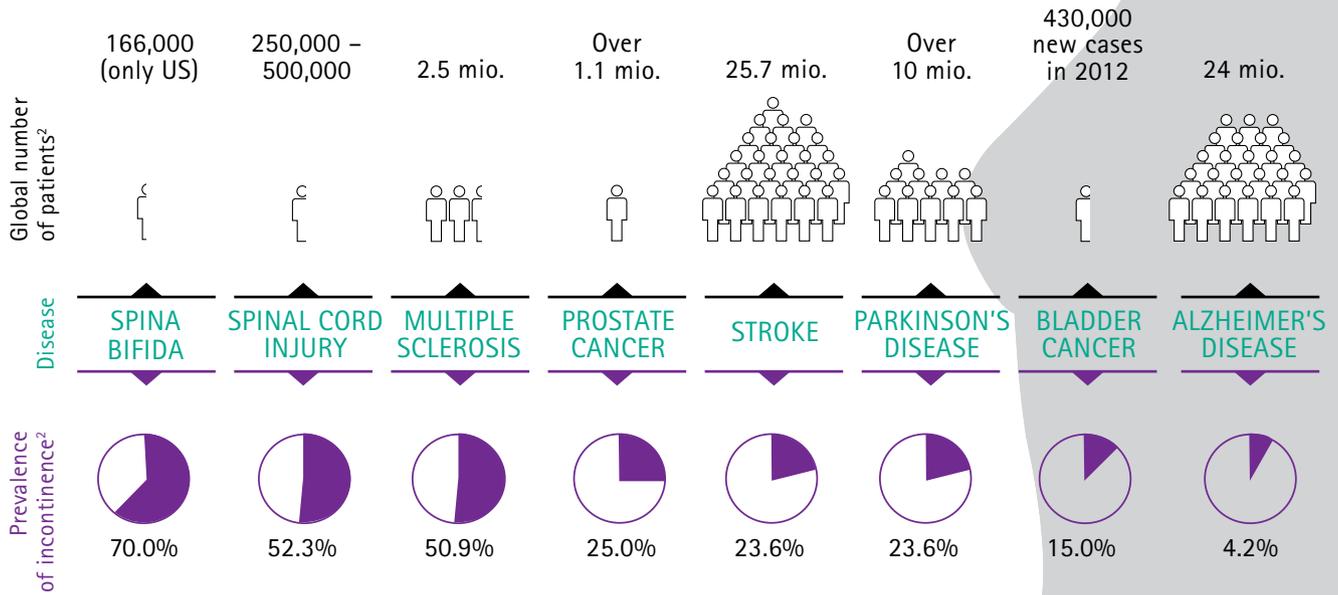
The most common is the so-called intermittent catheterization technique with a disposable catheter. Used four to six times a day, a thin tube with drainage eyes, called catheter, is inserted through the urethra to the bladder to empty it from urine. It could be performed by health care professionals or the patient himself. The second technique is with the indwelling foley catheter. This type of catheter is inserted through the urethra and fixed within the bladder with the balloon positioned on the top of the catheter. It should

be connected to a urine bag for continuous urine collection. This catheter can remain in place for days or weeks. However, permanent catheters are associated with a higher risk of urinary tract infection and should be used only when no other bladder management method is available. In the third catheterization method, the suprapubic method, the catheter is inserted through the abdominal wall instead of the urethra. This method is performed when the urethra is pathologically narrowed, blocked, or after surgical interventions, in particular within a posttraumatic context.

## B. Braun solutions for all three methods

When suprapubic catheters are used, it is particularly important to insert them as carefully as possible through the abdominal wall. The Cystofix® SG system enables this, with cannulae that have a diameter of only 1.3 millimeters. The Urimed®

Cath combined with the Uro-Tainer®, the urological flushing solution, has proven successful for use as a permanent catheter management reducing blockage and incrustations. For the intermittent method, we offer our Actreen® catheter product line. We also offer the set version (preconnected catheter and urine bag) specifically for patients looking for more autonomy and outdoor active life. Due to its discreet and light weight products, the Actreen® range can be easily transported by the patients for daily use. A no-touch-system enables safe insertion of the catheter without the user having to touch the catheter itself. The intermittent technique shows great advantages in terms of reduction of urinary tract infections compared to a permanent catheter. It improves the life of patients suffering from body shame. Those patients, who can practice self-catheterization with the help of solutions such as Actreen®, will no longer have to cope with embarrassment and thus can enjoy an active social life.



**Suprapubic catheterization**

A permanent catheter is surgically inserted through the abdominal wall and fixed to the bladder with a balloon.



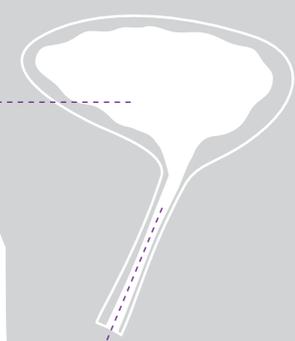
**Indwelling catheterization**

A permanent catheter is inserted through the urethra by a health care professional and fixed within the bladder with a balloon.



**Intermittent catheterization**

A disposable catheter is inserted through the urethra by the patient himself or another person into the bladder to empty it from urine.



Sources: <sup>1</sup> Markland, A.D., Richert, H.E., Fwu, C.-W., Eggers, P., & Kusek, J.W. (2011): Prevalence and trends of urinary incontinence in adults in the United States, 2001 to 2008. The Journal of Urology, 186 (2): 589-593. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3197263/> (viewed on 1 March 2018) <sup>2</sup>All data sources are available on the website [www.bbraun.com/ar2017/sources](http://www.bbraun.com/ar2017/sources)

# Protein, fat and glucose

**Nutritional therapy** | 33 million people in Europe suffer from malnutrition. And not because they have too little to eat, but rather because their body cannot absorb sufficient nutrients. Or because they need an unusual amount of energy due to illness. The elderly and people with cancer are particularly affected, as well as patients in intensive care units. Their bodies, already under attack, are further weakened. The energy requirements of an oncology patient are approximately tripled – and malnutrition is one of the most frequent causes of death.<sup>1</sup> Nutritional therapy can help.

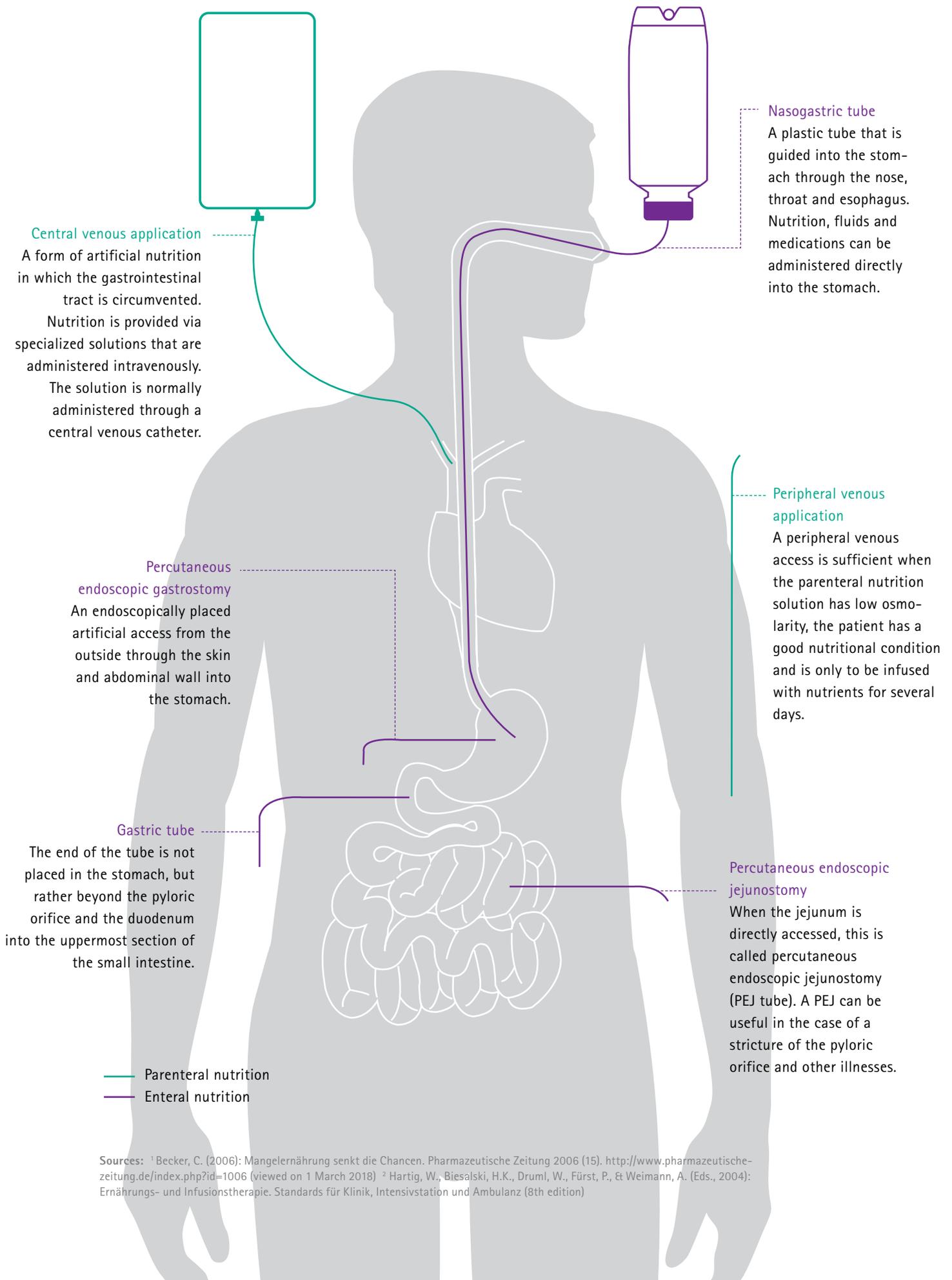
The goal of the therapy is always to establish or improve the nutritional state of the patient, so that the body has enough power and energy to live and to fight its disease. The necessary nutrients can be supplied in different ways (see illustration). For example, it is possible for patients to drink high caloric liquid nutrition in addition to normal nutrition – oral nutritional therapy. However, some patients cannot swallow or chew, suffer from severe nausea or are unable to keep food down. These cases can be helped by enteral therapy, in which the nutrition enters the stomach or small intestine directly via a tube. At B. Braun, with Nutricomp liquid and tube feed nutrition, we produce a full assortment for oral and enteral nutritional therapy. The corresponding treatments are not only performed in hospitals, but also

in nursing homes or private residences. It is therefore important that the food bottles are sturdy and easy to handle. That's why they are produced from a particularly durable material.

## **Oral, enteral, parenteral**

Oral or enteral nutritional therapy should always be the first method of choice. After some operations, however, the stomach can no longer transport food. With parenteral nutritional therapy, the basic components of food – glucose, protein and fat, as well as electrolytes, vitamins and trace elements – are injected directly into the bloodstream, circumventing the gastrointestinal tract.<sup>2</sup> Parenteral nutrition therapy was inconceivable

before the 1960s, and since then has saved countless human lives. The primary components of artificial nutrition must be stored separately from each other, to extend shelf life, and may only be mixed shortly before being administered. For a long time, the latter was the demanding task of a hospital pharmacist. Incidentally, the fight against malnutrition does not only help patients with acute ailments. Some illnesses, such as short bowel syndrome as a result of Crohn's disease, cause patients to be able to absorb only a portion of their nutrition via the intestine. The solution: parenteral nutrition, which can also be administered at night, or even while traveling, with a corresponding backpack. This allows patients to live an autonomous and active life despite what is actually a severe illness.





MY BEST YEARS:  
The blessings of  
growing  
older



I celebrated my 60th birthday two months before the actual date. My daughter Beth had to be in Exeter at the university in November, so she organized a surprise party for me in September. 90 people came: the family of course, my sisters from California, but also colleagues and friends. I liked celebrating my 60th birthday early. Maybe I'm an exception when it comes to this, but for me, this date couldn't have come quick enough – even though aging has its downsides, of course. You have to think more about your health, for example. My brother Scott has diabetes that was diagnosed several years ago. He takes medicine and is doing well. We hope he doesn't have any complications. I could possibly develop diabetes, so I limit sugary drinks and try to keep my weight down.

We have a friend, Jerry Schultz, who has to go to dialysis three times a week. He's actually my husband's former softball coach. We see

him often because we volunteer for "Meals on Wheels" and bring him his lunch. It's great that dialysis exists. But when you look at Jerry you can see how strenuous the treatments are. That is also incentive for me to live healthy. We make sure not to eat too much fat, red meat, or salt – and I only drink one cup of coffee per day, even though I really like the taste of coffee. We cook a lot of vegetables, partly because I have a garden. My husband makes a great salsa from our tomatoes, bell peppers and chilies. I also grow pumpkins, corn, zucchini, cucumbers, dill, basil and oregano. Another advantage of gardening is that you move around a lot. I also use the treadmill almost every morning, I work with the dumbbells, I walk the dogs, I play golf. But it's our twin grandchildren who keep me on the go the most. My husband and I watch Drew's twins at least two days a week, from morning to evening. When our own children were small, Tim and I





"I want to give something back to people," says Barb. In the community, she sews quilts with other women for mothers with young children in need. She also drives for Meals on Wheels.

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The many silos stand out particularly in Iowa's flat landscape. The state is the number one producer of corn and soybeans in the USA. Almost nowhere else in the world is the soil so fertile, say the residents. 20 percent of all employees in the state work in agriculture. Farm life dictates the daily routine with its own rhythms, as it always has.





On the go in Eagle Grove:  
shopping with friends or  
chatting in the  
hairdressing salon.





had to work. Now we are both retired and can enjoy the time with our grandchildren much more. You have to teach them a lot, but you can learn a lot from them, too. Joy about the little things, for example: how good an apple tastes, how funny the dog looks when he yawns. I once read that people never feel happier than when they are between 60 and 70 years old. That's true for me. Life is no longer stressful. I no longer have to worry about so many things. I know who I am and what I need; what's important.

**A**nd I'm looking  
forward to every-  
thing to come.

# Three times per week

**Hemodialysis** | This diagnosis is a shock for many who receive it. They now know that their kidneys are failing, that this illness has no cure and that it could lead to death without treatment. They know that the therapy will change their everyday routine, but can save their life as a result. Resignation, fear, grief and anger are frequent reactions. It's the responsibility of doctors, staff and medical service providers to accompany patients along the way.

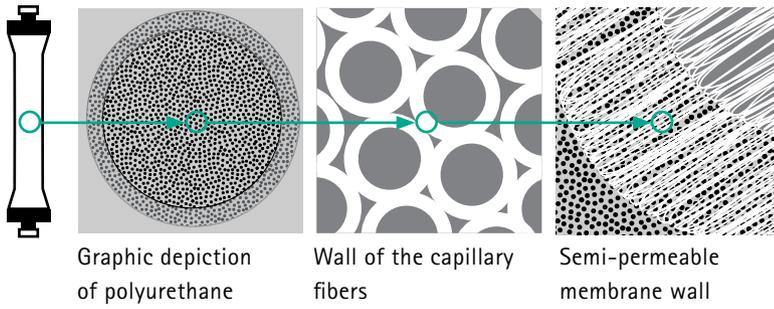
2.6 million patients around the world are currently dependent on regular dialysis<sup>1</sup> – this number could be 5.4 million by 2030.<sup>2</sup> The rising life expectancy, as well as the growing number of people who suffer from high blood pressure and diabetes contribute to this problem. Both are risk factors for chronic kidney disease. The most frequent form of renal replacement therapy is hemodialysis: the patient is connected to a dialysis machine via vascular access. The blood is pumped through tubes containing a dialyzer which serves as a cleaning filter (see illustration). Patients usually visit a renal care center three times per week for four to five hours for this treatment. As a result, the therapy often domina-

tes their everyday routine. Many of patients have to quit their job. About half of all employed dialysis patients can continue to work at least part-time in their job. Some activities or hobbies may not be possible. Patients must also maintain a strict diet and may only eat low-sodium food, for example.<sup>3</sup> Drinking too much can result in water retention. Patients often feel fatigued, lacking in motivation and overwhelmed after dialysis. Many complain of a loss in libido.

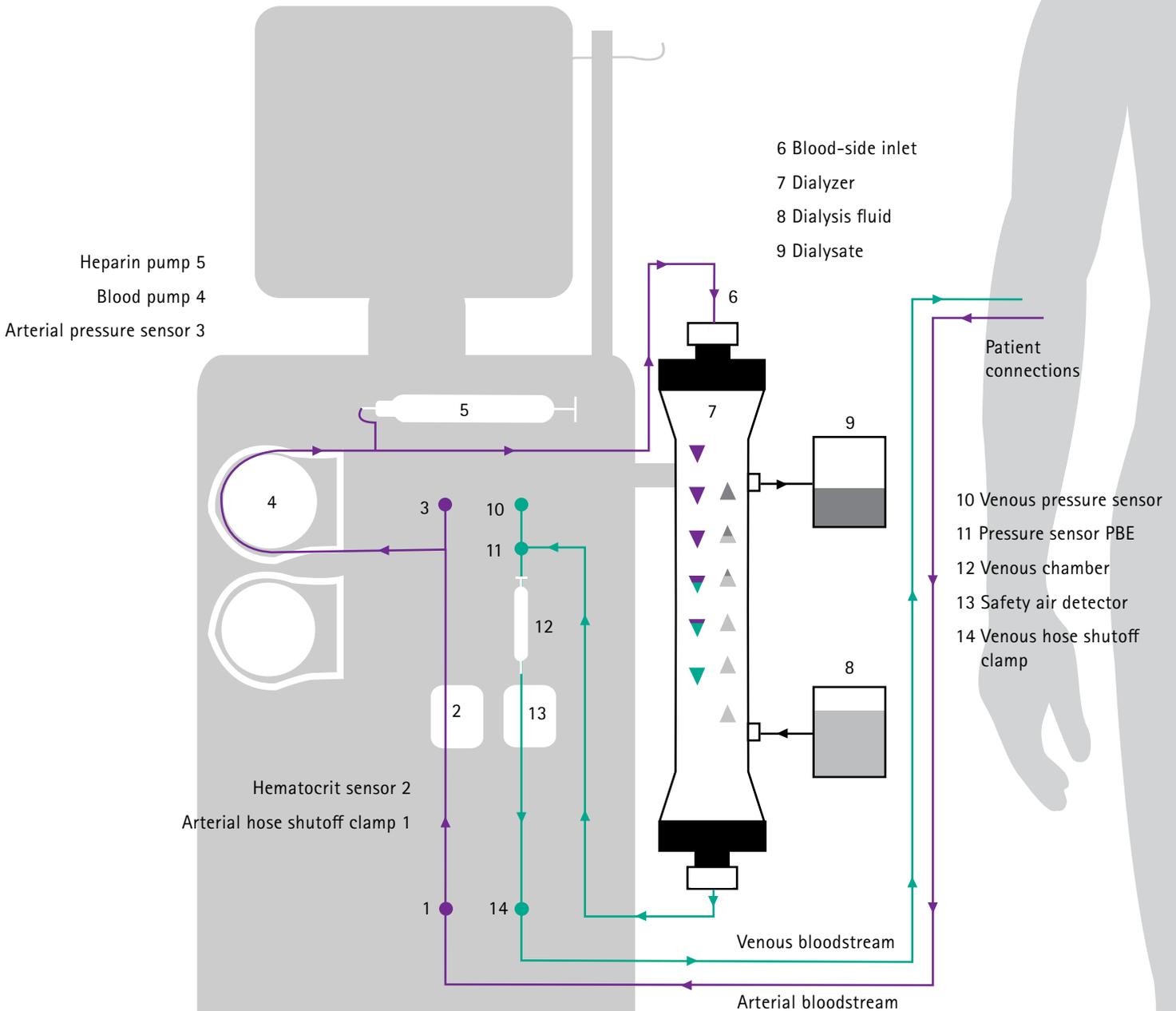
## Individual care

Particularly because dialysis results in significant physical and mental stress, it is important to have a customized and comprehensive patient care plan. That is

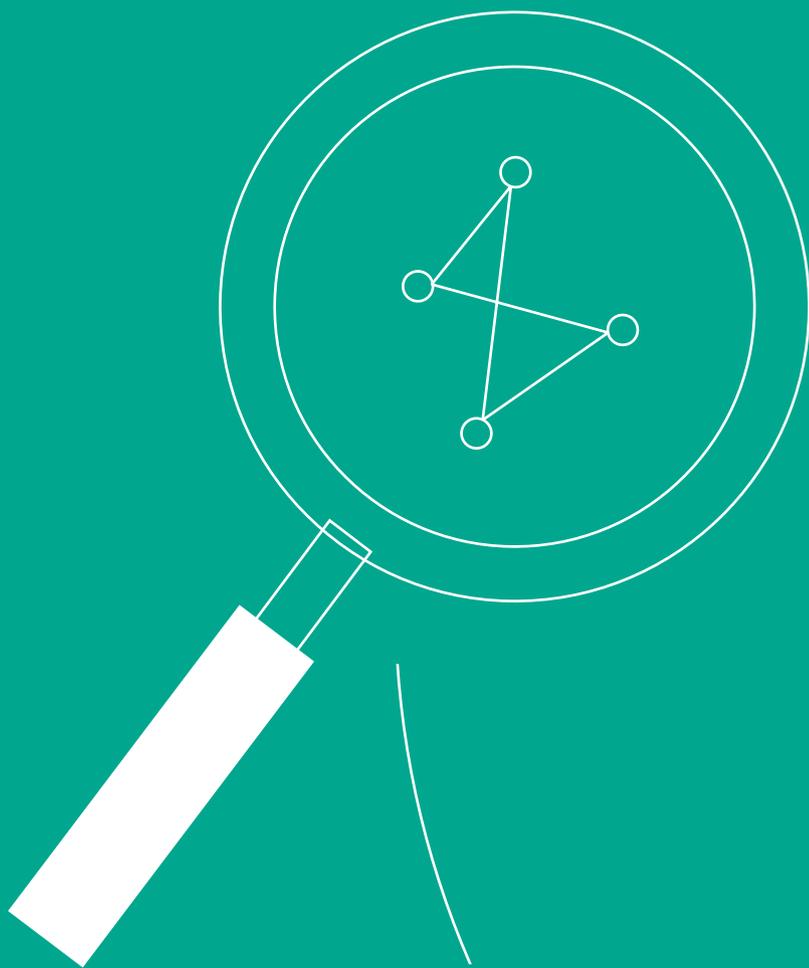
exactly what we do in 360 renal care and dialysis centers worldwide; from the first consultation, screening and early diagnosis to the dialysis itself. The goal is to keep restrictions to the patient's everyday routine to a minimum and to enable them to live a full and independent life. Just two examples of this: because B. Braun is represented in more than 30 countries, our patients can travel and receive treatments at their destination with the same quality they are accustomed to. Even dialysis performed at the home of patients, called home dialysis, can serve as an important relief for many patients. We already support home dialysis patients and are expanding this commitment.



The blood flows through the smallest capillaries, which are surrounded by the dialysis fluid in the opposite direction. There is a semi-permeable membrane between the blood and the dialysis fluid. The waste material and excess water can enter the dialysis fluid from the blood through the membrane.



Sources: <sup>1</sup> Liyanage, T., et al. (2015): Worldwide access to treatment for end-stage kidney disease: A systematic review. *Lancet* 385: 1975-82 <sup>2</sup> Coresh, J., Et Jafar, T.H. (2015): Disparities in worldwide treatment of kidney failure. *Lancet* 385: 1926-28 <sup>3</sup> McMahon, E.J., et al. (2013): A randomized trial of dietary sodium restriction in CKD. *Journal of the American Society of Nephrology* 24 (12): 2096-2103



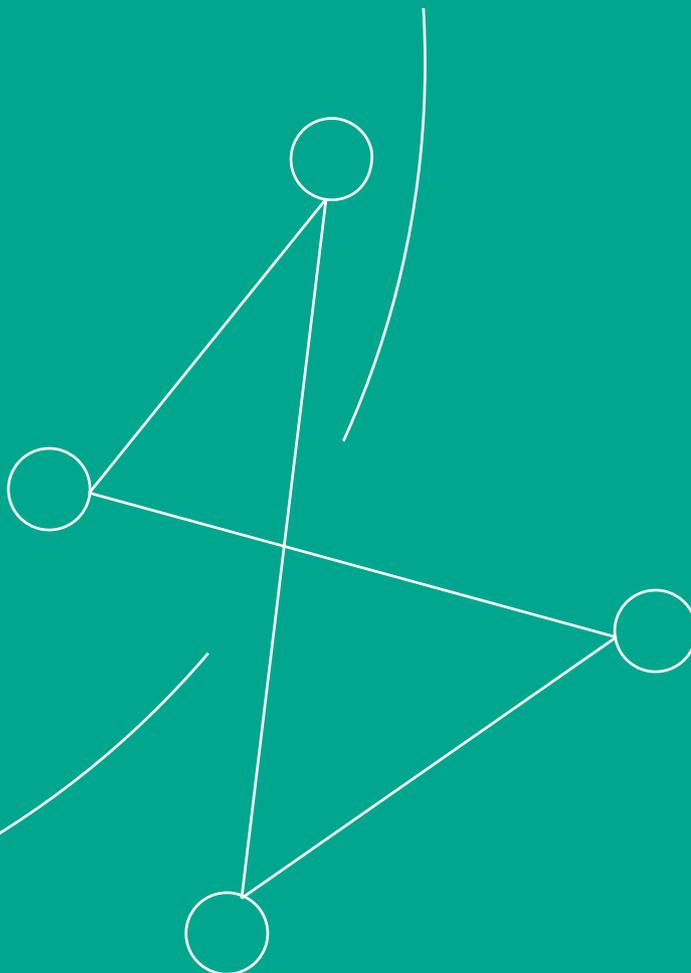
RESEARCH AND  
DEVELOPMENT ACTIVITIES

352.0

EUR MILLION

# GROUP MANAGEMENT REPORT

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## FIVE-YEAR OVERVIEW

	2013 € million	2014 € million	2015 € million	2016 € million	2017 € million
<b>Sales</b>	<b>5,169.5</b>	<b>5,429.6</b>	<b>6,129.8</b>	<b>6,471.0</b>	<b>6,788.9</b>
<b>Cost of goods sold</b>	<b>2,824.8</b>	<b>3,041.6</b>	<b>3,447.1</b>	<b>3,608.1</b>	<b>3,833.7</b>
<b>Functional expenses</b>	<b>1,860.0</b>	<b>1,950.0</b>	<b>2,150.3</b>	<b>2,250.6</b>	<b>2,366.6</b>
Selling, general and administrative expenses	1,641.4	1,721.2	1,887.9	1,959.2	2,050.7
Research and development expenses	218.6	228.8	262.4	291.4	315.9
<b>Interim profit</b>	<b>484.8</b>	<b>437.9</b>	<b>532.4</b>	<b>612.3</b>	<b>588.5</b>
<b>Operating profit</b>	<b>478.5</b>	<b>422.7</b>	<b>482.9</b>	<b>582.2</b>	<b>546.4</b>
<b>Profit before taxes</b>	<b>422.5</b>	<b>407.6</b>	<b>445.5</b>	<b>527.8</b>	<b>513.7</b>
<b>Consolidated net income</b>	<b>315.5</b>	<b>316.3</b>	<b>319.7</b>	<b>396.0</b>	<b>411.5</b>
<b>EBIT</b>	<b>487.8</b>	<b>480.3</b>	<b>516.9</b>	<b>597.4</b>	<b>574.9</b>
<b>EBITDA</b>	<b>784.9</b>	<b>798.4</b>	<b>878.1</b>	<b>975.0</b>	<b>985.1</b>
<b>Assets</b>	<b>6,079.5</b>	<b>6,766.8</b>	<b>7,266.1</b>	<b>7,981.8</b>	<b>8,525.9</b>
Intangible assets (incl. goodwill)	385.7	514.6	566.6	623.3	757.0
Property, plant, and equipment	2,896.6	3,302.6	3,642.3	3,987.3	4,196.4
Other financial investments	471.6	30.3	46.0	50.3	62.0
Inventories	901.5	1,005.7	1,056.7	1,135.4	1,178.5
Trade receivables	971.1	993.7	1,034.7	1,089.1	1,148.0
<b>Equity</b>	<b>2,445.0</b>	<b>2,564.0</b>	<b>2,900.4</b>	<b>3,172.0</b>	<b>3,436.4</b>
<b>Liabilities</b>	<b>3,634.5</b>	<b>4,202.8</b>	<b>4,365.8</b>	<b>4,809.9</b>	<b>5,089.6</b>
Pension obligations	798.5	1,098.5	1,079.7	1,300.8	1,269.0
Financial liabilities	1,773.8	1,870.2	1,923.4	1,992.1	2,224.5
Trade accounts payable	273.4	311.9	348.6	442.9	483.9
<b>Investments in property, plant, and equipment, intangible assets and financial investments incl. business acquisitions</b>	<b>1,029.4</b>	<b>931.3</b>	<b>787.0</b>	<b>806.7</b>	<b>969.2</b>
<b>Depreciation and amortization of property, plant, and equipment and intangible assets</b>	<b>297.2</b>	<b>318.1</b>	<b>361.1</b>	<b>377.7</b>	<b>410.2</b>
<b>Personnel expenditures</b>	<b>1,885.3</b>	<b>2,031.3</b>	<b>2,259.9</b>	<b>2,388.1</b>	<b>2,552.8</b>
<b>Employees (annual average)</b>	<b>48,264</b>	<b>52,196</b>	<b>54,770</b>	<b>56,849</b>	<b>59,851</b>
<b>Employees (as of December 31)</b>	<b>49,889</b>	<b>54,017</b>	<b>55,719</b>	<b>58,037</b>	<b>61,583</b>

## 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 61,583 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 disposables required for infusion, nutrition and pain therapy, infusion pumps and systems, surgical instruments, suture materials, hip and knee implants, dialysis equipment and accessories, and stoma and wound care products. Also included are services and consulting for optimizing hospital processes and making them safer and more efficient. B. Braun prepares patients and their fami-

lies 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.

### THERAPY FIELDS AND APPLICATIONS

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

Hospital Care is a leading supplier in all essential therapy fields around the globe. We have particularly benefited from the growing market for medical safety products and 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 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, laparoscopy, interventional vascular diagnostics and treatment, degenerative spine surgery 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 abdominal 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 disposables 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.

The patient-oriented linking of the B. Braun Group's broad therapeutic and product line enables us to work, together with our customers, on developing

holistic solutions which add value. This form of system partnership has proven effective over time, 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 fields: infection prevention, diabetes, incontinence and urology, stoma 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 increasing numbers of people around the world. We also operate a network of more than 350 dialysis centers

in Europe, Asia-Pacific, Latin America and South Africa, providing care for over 29,000 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 2017, approximately 70,000 medical experts from around the globe attended the Aesculap Academy's advanced training courses. Its therapy-specific and application-specific courses are based on innovative and interdisciplinary course concepts that are implemented worldwide to meet high quality standards. Examples of this are our Aesculap academies in Mexico and the Czech Republic, which in 2017 celebrated their 15-year anniversaries and are working together successfully with prominent, local medical societies. In this sense, the newly founded scientific advisory board in Poland forms a bridge between science and our innovative course concepts.

The Aesculap Academy also made a mark in the Asia-Pacific region during this fiscal year. The Aesculap Academy in the Philippines was accredited as a "Continuing Professional Development (CPD)" provider. An additional milestone is the introduction of the Hand Hygiene Excellence Award at the beginning of the year for the Middle East and North Africa region.

As part of its Sharing Expertise program, the Aesculap Academy relies on an active, global network for growing ideas and for implementing and teaching best-in-class solutions. In the field of nutrition – whether for stoma or oncology patients – we expanded our portfolio of events. Furthermore, we are working with the University of Basel in the "Virtual Reality" field. In the future, our speakers will have the opportunity at specific events to show the participants anatomical conditions and clinical cases in 3D based on real CT data using a VR rendering system. In this way our courses and the scholarly discourse complement each other in a highly realistic

and practical way. This creates added value for our course participants and differentiates us significantly from the training concepts of other providers.

## CORPORATE GOVERNANCE AND CONTROLLING

In addition to its operational activities, B. Braun Melsungen AG also provides centralized services for the Group. Aside from Group management, other units which perform Group-wide tasks are based here. These include Group accounting and controlling, international human resources, purchasing, IT, logistics, the legal and tax department, the Group treasury, corporate communication and the Group Compliance Office. The company, which is not publicly traded, is completely family-owned. The corporate bodies are the Management Board, the Supervisory Board and the annual Shareholders' meeting. The members of the Management Board have clearly assigned spheres of responsibility and are jointly responsible for the company's success. Otto Philipp Braun has resigned as member of the Management Board on best and mutual terms, effective February 21, 2017. On April 1, 2017, Anna Maria Braun was admitted as a full member of the Management Board of B. Braun Melsungen AG. On April 11, 2017 Prof. Dr. Hanns-Peter Knaebel has resigned from his position as member of the Management Board of B. Braun Melsungen AG for personal reasons. Dr. Joachim Schulz was appointed to the Management Board of B. Braun Melsungen AG on August 1, 2017. 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. Key performance indicators for management purposes include EBITDA and defined balance sheet ratios. The key performance indicators interim profit and EBIT are used primarily to manage operations. In addition, we evaluate the development of working capital based on Days Sales Outstanding (DSO), Days Payables Outstanding (DPO) and Coverage in Weeks (CIW). Our divisional organizations, integrated into Centers of Excellence (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, ultimately, the company. We take these obligations into account in our day-to-day and strategic decisions. B. Braun is committed to the principle of responsible corporate governance and control. Our "Code of Conduct" has defined how we conduct ourselves toward customers since it was established 1996. For us, corporate governance and compliance are not merely obligations, but a self-evident prerequisite for sustainable management. The legal and ethical conduct of our employees is central to our value system. Compliance with national and international regulations regarding product registration, production validation and product safety is an important obligation. B. Braun has a global compliance management system that, in addition to compliance with statutory requirements, also includes ethical values such as fairness, integrity, mutual openness and sustainability. An overarching Group Compliance Office and local compliance officers ensure that all employees conduct themselves in accordance with consistent standards.

Through its subsidiaries and holdings, B. Braun operates in 64 countries. The B. Braun Group includes 269 (previous year: 263) fully consolidated companies. 26 (previous year: 25) holdings are consolidated using the equity method of accounting. Major manufacturing are located in Melsungen, Tuttlingen, Berlin, Glandorf and Radeberg (all Germany), São Gonçalo (Brazil), Suzhou (China), Santo Domingo (Dominican Republic), Nogent (France), New Delhi (India), Mirandola (Italy), Tochigi (Japan), Penang (Malaysia), Nowy Tomyśl (Poland), Timișoara (Romania), Crissier, Escholzmatt and Sempach (all Switzerland), Rubí (Spain), Gyöngyös (Hungary), 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 charac-

terized 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 about € 8 billion at the end of the strategic period. We expect B. Braun Avitum to achieve very strong growth. The Asia-Pacific region and Latin America are also important growth regions. The EBITDA margin should climb to at least 16 percent in 2020. We plan to further improve structures and processes, as well as standardize and automate processes, in order to improve the efficiency and effectiveness of our administrative and production activities, and therefore profitability as well. We expect key contributions in this regard from all divisions and regions. In the current strategic period, our target equity ratio remains at 45 percent. 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 about € 5 billion.

## SECURING THE FUTURE

In 2017, we also invested over a billion euros in new productions as well as research and development projects to grow and secure our business activities. Our German locations received 44.2 percent of this investment.

We expended € 352.0 million in research and development activities (previous year: € 322.7 million). Additions to financial assets and property, plant and equipment (including capitalized development costs) due to Group-wide investing activities amounted to € 969.2 million during the fiscal year (previous year: € 806.7 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 marketing activities for specific product groups are combined and closely coordinated. These CoEs have global responsibility for their product groups. Key CoEs are located in Melsungen, Berlin

and Tuttlingen (all Germany), Boulogne (France), Penang (Malaysia), Sempach (Switzerland), Rubí (Spain) and Allentown, PA (USA).

The Hospital Care division focuses its research and development activities on improving safety for patients and staff and improving hospital processes. In the infusion therapy segment, we focus on the integrated development of products and technologies for a new generation of infusion solution containers, closed infusion systems and infusion needles. With intelligent infusion systems, the emphasis is on networking with hospital IT. In addition, Hospital Care is developing products for clinical nutrition in flexible single and multi-chamber bags. New marking and sensor technologies should make precise placement of needles easier for peripheral nerve blocks.

Aesculap combines internal and external innovations in its research and development activities. With this active innovation management, we tackle increasingly shorter product cycles and are able to offer our partners new and economic solutions which add value. Investment in young companies and business incubators opens the door to a range of options. "270 Vision Limited", for example, works in the area of monitoring rehabilitation after knee or hip operations and the joint venture "B. Braun Miethke GmbH & Co. KG," formed together with Christoph Miethke, is dedicated to the development of innovative implants for "targeted drug delivery." 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 successful treatment outcomes and their acceleration. 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 are developing various digital product and service concepts for improving the hospital value chain and, in particular, increasing process reliability and therefore patient safety.

In the Out Patient Market division, we focus on the continuous development of the product areas urology, stoma care, hand disinfection and wound care.

Additional areas of focus are the development of pen needles for the diabetes care business and an ambulatory pump for the US market.

The aim of research and development within the B. Braun Avitum division is to improve the treatment quality and efficiency of extracorporeal blood treatment. In 2017, the focus was on developing the OMNI acute care system for additional treatment options and on marketing an innovative dry concentrate system in cooperation with the company Intermedt. This represents an expansion of the broad product portfolio and strengthens the position of B. Braun Avitum as a system provider. Our products ensure safe, reliable, efficient and economical dialysis treatment.

B. Braun had already launched projects prior to the reporting year with startups in the digital medical field. In 2017, these activities were strengthened with the launch of an Accelerator program and the inauguration of "Werk 39." 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. Since April 2017, "Werk 39" in Tuttlingen has offered an inspir-

ing work setting for startups, with project spaces and workshops where they can develop realizable solutions in an agile and creative way and as rapidly as possible. Customers from the medical field are brought early into 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.

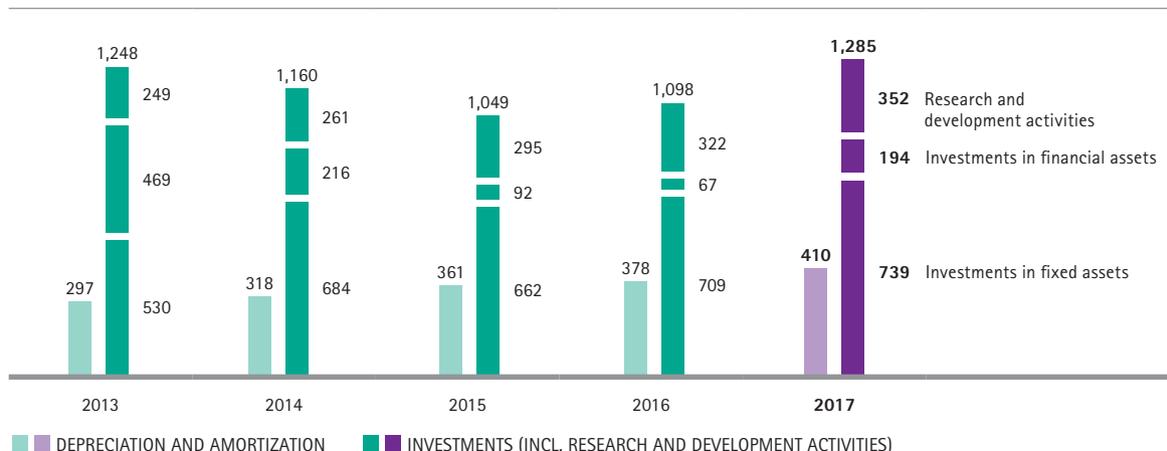
### Investments

Investment activities in fiscal year 2017 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 € 969.2 million (previous year: € 806.7 million). This was offset by depreciation totaling € 410.2 million (previous year: € 377.7 million).

The Hospital Care division expanded global capacities for large-volume infusion solutions in Spain, Indonesia, Malaysia and Germany. In addition to the continuing investments in the E<sup>3</sup>® IV Container and the DUPLEX® container, further investments were

## INVESTMENTS/DEPRECIATION AND AMORTIZATION

In € million



made in the USA at the sites in Allentown, PA and Daytona Beach, FL. The expansion of the capacities of intravenous sets and additional accessories continued at various locations. Investments in new production lines in Penang (Malaysia) are expanding production capacities there, including for intravenous catheters. The development of infusion pumps continued in order to strengthen our market position. In Italy, shares were acquired in a strategically important producer of films for the production of containers for infusion solutions. With the acquisition of a company in Canada, the injectable portfolio was expanded.

In Spain, the Aesculap division continued upgrading a previously acquired building to further allow automation of production in the field of Closure Technologies. Additional funds were invested to continue renovating the division's headquarters and open a new cafeteria in Tuttlingen.

The OPM division invested in the production of pen needles at the Penang site. In France, the first steps

were taken in the site master plan, and planning continued for the Sempach site in Switzerland.

B. Braun Avitum increased its market share by expanding existing dialysis centers, constructing new centers, and acquiring centers in various countries. The construction of a new modern filter production factory in Wilsdruff (Germany) is underway and has seen great progress.

The relocation of the company headquarters to the renovated administration building in the Stadtwald Park in Melsungen has been completed. In addition to extensive investments in Germany, additional funds were directed to production locations in the United States, Malaysia, Spain, Italy, Indonesia, France and Switzerland. This last fiscal year, we also increased our share in Rhön-Klinikum AG to 25.2 percent (previous year: 21.6 percent). Investment commitments in the amount of € 243.2 million were already made as of the reporting date. These investments are largely attributable to ongoing replacement and expansion investments in the above-mentioned locations.

## ECONOMIC REPORT

### MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

#### Performance of the global economy<sup>1</sup>

The upturn in the global economy, which began in the second half of 2016, continued in 2017. Global economic growth rose by 0.5 percentage points year-on-year to 3.7 percent. The positive development was supported by the increasing growth of the economies in Europe, the USA, Japan and China as well as stability in the financial markets. The low level of production capacity utilization following the financial crisis has increased significantly. This was due in large part to domestic demand in the national economies. The supportive monetary policy of the developed economies also had a positive effect on global growth. The economies of commodity exporting countries, on the other hand, were heavily influenced by price adjustments and the resulting lower revenues. In addition, the year 2017 was marked by the political changes that had already become apparent in the previous year. While the exit negotiations between the European Union and the UK were a challenge, the populist parties in France and the Netherlands were not able to prevail in the elections. Plans for a revision of existing free trade agreements and increased protectionism by the US president for the time being have not yet been realized. In late 2017, however, a comprehensive tax reform was passed by the US Congress. This reform will likely provide relief especially to US companies.

In Germany, the economy once again performed strongly with growth of 2.5 percent (previous year: 1.9 percent). The sustained upturn since 2013 was primarily a result of greater domestic demand. This resulted, on the one hand, from the rise in private consumption due to strong job growth.

### CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2016	2017
<b>Europe</b>	<b>1.8</b>	<b>2.4</b>
Germany	1.9	2.5
France	1.2	1.8
Greece	0.0	1.8
Great Britain	1.9	1.7
Italy	0.9	1.6
Poland	2.6	3.8
Russia	-0.2	1.8
Spain	3.3	3.1
Turkey	3.2	5.1
<b>North America</b>	<b>1.5</b>	<b>2.4</b>
Canada	1.4	3.0
USA	1.5	2.3
<b>Asia-Pacific</b>	<b>5.4</b>	<b>5.6</b>
China	6.7	6.8
India	7.1	6.7
Indonesia	5.0	5.2
Japan	0.9	1.8
Malaysia	4.2	5.4
<b>Latin America</b>	<b>-0.7</b>	<b>1.3</b>
Argentina	-2.2	2.5
Brazil	-3.5	1.1
Chile	1.6	1.4
Mexico	2.9	2.0
<b>Africa and the Middle East</b>	<b>4.7</b>	<b>2.4</b>
Iran	12.5	3.5
Kenya	5.8	5.0
South Africa	0.3	0.9

On the other hand, higher government spending related to increased migration fueled this development. The low interest rate policy of the European Central Bank, which stimulated demand in the construction industry, also had a positive impact on growth.

<sup>1</sup> International Monetary Fund: World Economic Outlook, October 2017 and ifo Institute: ifo Economic Growth Forecast 2017/2018, June 2017

In Europe, the expansionary phase continued in 2017, reflected in an increasing economic growth by 0.6 percent-age points year-on-year to 2.4 percent. The expansionary monetary policy of the European Central Bank and the continued easing in the labor market in particular were contributing factors here. Due to increasing capacity utilization, companies have expanded their investment activities so that all major member states expanded in 2017. The structural deficits and the lack of willingness to reform in recent years in France and Italy had a dampening effect on economic development. In Spain, the dynamic expansion course that has existed since 2013 continued despite the separatist movements in Catalonia. Following the decision to leave the European Union, the UK economy continued to perform at a stable level, although uncertainty over the outcome of Brexit negotiations made planning for companies difficult. Nonetheless, imports increased despite the weaker British currency. The economic situation in Turkey improved as a result of rising exports and an expansionary fiscal policy. Poland also showed a positive development in 2017 with the launch of new EU funding programs.

After three years of recession, the Russian economy turned positive. Economic performance in 2017 grew by 1.8 percent. The stabilization of oil prices and the favorable financing options were contributing factors here. Due to the low interest rate, both government and private investments increased. In an effort to make the economic recovery more sustainable, the Russian government promoted the advancement of digitization in its economy and the export of manufactured goods. In addition, the TechNet program was launched for the modernization and automation of industrial production to improve labor productivity in the country.

In 2017 economic growth in North America increased significantly by 0.9 percent to 2.4 percent. In the US, continued favorable financing conditions, as well as strong producer confidence and US consumer spending sentiment, were contributing factors. In addition, unemployment was declining and real wages rose solidly. In addition, the equipment and construction industries achieved robust growth. After

two restrained years, economic performance improved in Canada by 3.0 percent in 2017 (previous year: 1.4 percent). Increased government expenditures and looser monetary policy were primary contributors to the upswing. The devaluation of the Canadian dollar had a positive impact on exports. Domestic consumer demand also rose significantly. This is due, among other things, to the introduction of tax-exempt child allowance.

At 5.6 percent, the growth of the Asian economy was 0.2 percentage points higher than the previous year. Japan's economic expansion was based on increased foreign demand as a result of the devaluation of the Japanese yen, and fiscal measures also helped. The growth rate in China remained almost constant at 6.8 percent compared to the previous year (6.7 percent). This development is a result of numerous prior infrastructure and spending programs. India's economy continued expanding at 6.7 percent due to expansive government expenditures. In Malaysia, economic performance also improved, though this was imperceptible on the medical devices market. Due to the dynamic development of the global economy, the export-oriented economy saw an upturn in foreign trade. Solid domestic consumption also supports the increase.

Following a downturn in 2016, economic output picked up in Latin America and grew by 1.3 percent in 2017. The Brazilian economy came out of its recession and experienced an upswing of 1.1 percent. This development was supported by a record harvest in the country and the stabilization of industrial production. High unemployment and debt, however, prevented higher levels of consumer spending, while central bank rate cuts boosted economic growth. The Argentine economy also showed clearly positive growth in 2017, thus ending the negative trend of the previous year. Higher real wages increased consumption, investment increased especially due to public work projects, and stronger demand from abroad favored export trade. By contrast, economic growth in Mexico weakened slightly. Uncertainty surrounding the renegotiation of the North American Free Trade Agreement with the US has had little effect thus far.

In the region of Africa and the Middle East, economic results were differing in 2017. In South Africa, economic growth increased slightly to 0.9 percent (previous year: 0.3 percent). Despite improved export prices for raw materials and strong production in agriculture, there was little confidence on the part of suppliers and consumers because of the political uncertainty. In Kenya, economic growth weakened slightly, but at 5.0 percent it is still high. A rapidly growing population and credit financed infrastructure projects, in particular, are boosting the economy. In the Middle East, economic growth fell by half from the previous year. In Iran, this is due to the OPEC ceiling on oil prices, which is resulting in a shortage on the global market. The region continues to be affected by political disturbances.

### Performance of the health care market

In the year 2017, the global health care market showed a positive development. As in previous years, the sector was shaped by the growing demand for health and care services in an aging society, as well as an increase in chronic diseases and secondary disorders. Market participants in the health care sector are still facing cost pressure and are confronted with persistent uncertainty in political and economic conditions as well as high-cost innovations in the hospital sector. In addition, there is also increased attention and knowledge in patients, thereby increasing the expectations with regard to the quality of health services. Established companies, new market players and governments are therefore exploring new approaches and disruptive innovations to improve the access and quality of most cost-effective health care. To achieve savings, individual hospitals are merging to form hospital networks, and there is an increasing number of collaborations for the provision of outpatient care services between hospitals and doctors in private practice. 2017 also saw a trend in which the players in the health care sector acted to optimize, bundle and automate their processes, and to make greater use of digital technologies.

In Germany, the health care market continued to face cost pressure arising from demographic change. Due to advancing digitization in the industry, the greatest increases were seen in the life science and digital health care sectors. The providers are increasingly under pressure to enhance their products and

to provide innovation. Overall, stable growth of the German health care market is expected.

In many European countries, expenditures for health care increased in 2017. Demographic change and rising life expectancies had a positive effect on demand for medical products in Italy and Spain. But in France, the health care system was affected by cost-cutting measures. In the Czech Republic, the health care sector benefited from higher receipts from the state budget as well as health insurance funds and European funding programs. There was also increased demand for high quality medical care. During the past fiscal year, the British health care market was increasingly burdened by the planned EU exit and related uncertainties. In addition, the weak British pound also resulted in higher prices for British health care imports, which also had a negative impact on demand. In Turkey, increasing health awareness and the expansion of health insurance benefits encouraged investment in health care. After five years of negotiations, the new "Medical Device Regulation" (MDR) was adopted at the European level. This regulation will regulate the approval of medical devices in Europe. This is to ensure that approved products meet the required safety standards.

In 2017, the Russian health care market was impacted by declining health spending and a continued policy of import substitution. This impacted demand for medical technology and medical disposables in particular. This trend was intensified by the weak ruble, which increases import prices. As a result, more and more companies established local manufacturing facilities in Russia.

In North America, spending in the health care sector increased in 2017. Here also the advancing demographic change is a primary reason for this development. The announced complete elimination of the "Affordable Care Act" health care reform by the US president was unsuccessful. The proposed new bill did not succeed in securing the support of a majority of US senators. In addition, there has been considerable pressure in recent years to cut costs in health care. The US health care system is still one of the most expensive in the world. As a result, digitization has been advanced as a means of achieving efficiencies through the sharing of patient data. The Cana-

dian government has also striven over the past year to expand the eHealth sector. In particular, the introduction of an electronic medical record is expected to yield to an annual savings potential of a total of 200 million Canadian dollars.<sup>2</sup>

In the Asia-Pacific region, a positive trend was observed in the development of health care markets. In India, demand in the health care market increased with private sector investment in the modernization of health care. At the same time, the government intervened in the market with price caps for selected products, which led to considerable cost pressure. The Chinese health care sector continued its growth trend. This was primarily due to the considerable need for modernization in health care in the country. With the 13th Five-Year Plan for health care adopted in 2016, the government set high targets in the areas of prevention, reduction of mortality, privatization of the hospital system and an expansion in the offering of eHealth services. In Japan, the aging population with its strong purchasing power ensured a high level of demand in the health care market. With economic growth relatively low, the government has adopted tough measures to cut medical costs. This will be achieved by adjusting pharmaceutical prices on an annual basis, promoting generics and disclosing the cost of manufacturing medicines at the start of production. Doctors and pharmaceutical companies fear a resulting fall in revenues and increased complexity in pricing.

The health care markets in Latin America showed positive developments in 2017, reflecting the region's economic performance. With the upturn in Brazil, demand for medical services and medicines also increased. In Mexico, sales of medical technology products developed positively despite the weaker economic growth. The strong demand for health services in the country is on the one hand the result of chronic diseases and the aging of the society, while on the other hand the rise in insured persons in public and private health insurance was a contributor. In Chile, the government has made limited progress in its plans to boost medical care in the country through heavy investments. The Zika virus and its consequences in newborns remains one of the major challenges for health care systems in the region.

The development of the health care markets within the Africa and Middle East region was highly variable. There was significant growth in the medical device market in South Africa, with more than 90 percent of the products imported from abroad.<sup>3</sup> In particular, the private hospital sector is modernizing its facilities on a regular basis. 2017 also saw an expansion by the largest private clinic operators. In Botswana and Zambia efforts are underway to build public hospitals. In Kenya, German medical device makers benefited from the modernization of hospitals through support from Arab investors. The performance of health care markets in the Middle East was rather subdued in 2017 compared to previous years. This is due to low oil prices, among other factors. Due to the decline in revenues, governments scrutinized pending projects and there was an increased effort to find ways to reduce costs, for example by involving private investors.

The wave of consolidation among suppliers of pharmaceutical products and medical technology continued in 2017. Larger manufacturers continue to focus on individual therapy fields. In doing so, they aim to stabilize their profit margins despite the competitive and price pressure. In addition, as digitization advances in the health care and medical research areas, established companies in the field are increasingly engaging in start-up companies, directly or through fund structures, and working with technology centers. The aim is to make innovations more rapidly and easily accessible to the market and to permanently strengthen the growth of the cooperation partners.

## PERFORMANCE AND FINANCIAL POSITION

### Business performance

B. Braun performed well in a challenging fiscal year 2017. With sales growth of 5.7 percent at constant exchange rates, we are within our projected growth range of five to seven percent. The euro was strong against most currencies over the past fiscal year. Primarily the devaluations of the US dollar, British pound and Chinese renminbi influenced the development. Sales in euros increased 4.9 percent to € 6.8 billion (previous year: € 6.5 billion). As forecasted, the business in the divisions Out Patient Market and

<sup>2</sup> Germany Trade & Invest, March 2017 and ifo Institut: Economic Growth Forecasts 2017/2018, June 2017

<sup>3</sup> Germany Trade & Invest, August 2017

B. Braun Avitum developed very dynamic. But the two divisions Hospital Care and Aesculap also contributed to sales growth with good performances. Sales in local currencies increased strongly in the Latin America and Asia-Pacific regions, as was expected. The Asia-Pacific region was affected by exchange rate changes, while Latin America benefited from changes in exchange rate parities. Europe (including Germany) showed positive growth rates and thus is slightly above our expectations. The Africa and Middle East region is developing steadily, with South Africa growing very dynamically. North America is once again achieving strong sales growth in local currency. However, the devaluation of the US dollar reduces the growth rate in euros.

In terms of operating results, we fell short of our goal of improving profitability in the reporting year. Higher start-up costs at new plants, production stoppages at our plant in Irvine, CA (USA) and legal costs in the USA, as well as intense price competition prevent an increase in profitability. We have received a "Warning Letter" from the US Food and Drug Administration (FDA) for the plant in Irvine, CA (USA). Efforts to respond to the points in the letter are also weighing on profits. Nevertheless, we were able to increase the ratio of EBITDA at constant exchange rates by 2.1 percent to € 995.4 million, thus nearly reaching the target level of greater than € 1 billion. The EBITDA margin comes to 14.5 percent, compared to 15.1 percent the previous year. The key performance indicators used to manage operations, interim profit and EBIT, were below the projected target range of between € 620 and 660 million. At constant exchange rates, these performance indicators are € 595.8 million and € 582.1 million respectively, and were therefore 2.7 percent and 3.7 percent below the previous year respectively. Consolidated net income increased by 3.9 percent to € 411.5 million (previous year: € 396.0 million). A lower tax rate positively affects the after-tax results. In particular, we benefit from the corporate tax reform in the USA. Through the continuous expansion of our production capacity in conjunction with select acquisitions, we were able to meet the growing demand for disposable and capital goods in the health care market and achieved strong volume growth, which is reflected in a satisfactory sales growth. At the same time, we posted absolute increases in EBITDA and consolidated net

income. As a result of the aforementioned factors, we were not able to achieve an improvement in profitability in the fiscal year. The cost reduction measures that have been underway since 2016 and the measures for increased efficiency likewise could not offset these effects. We are using a structured process to deal with the challenges in production. In addition, we are focusing our activity more intensively on the reduction of costs and optimization of internal processes. Even though we were unable to achieve our self-set earnings targets in individual areas, the B. Braun Group is generally in a good and stable financial condition. At the present time, we are not aware of any other factors that could negatively impact the Group's position.

## Earnings

### B. Braun Group's Sales Growth

In fiscal year 2017, sales of the B. Braun Group amounted to € 6,788.9 million (previous year: € 6,471.0 million), representing year-on-year growth of 4.9 percent.

All divisions contributed to this strong sales growth. Out Patient Market and B. Braun Avitum divisions posted very strong growth rates of 9.2 percent and 5.9 percent, respectively. Hospital Care, with a gain of 4.1 percent, and Aesculap, with an increase in 3.6 percent, also achieved good sales growth.

The Latin America region was strong both in local currencies (+8.9 percent) and in euros (+9.7 percent). In particular, Brazil, Chile, Colombia and Mexico performed very well. Only Argentina fell below our expectations. The Asia-Pacific region also achieved strong sales growth in local currencies (+9.2 percent). China, South Korea and the Philippines are achieving strong sales increases, while Japan, Malaysia and India are showing weaker growth. North America achieved excellent sales growth both in the US dollar, with 5.2 percent, and in the euro, with 3.1 percent. The Africa and Middle East region performed very well in local currencies, with a gain of 9.2 percent. Exchange rate changes are reducing growth in the region in euros to 7.5 percent. Europe (not including Germany) achieved a strong 5.1 percent growth in sales. This development was supported by Spain, Italy, Switzerland and Austria. In addition, a significant increase in local currency was

achieved in Russia. Germany, with sales growth of 3.5 percent, showed very positive results in a very competitive environment.

### Business performance of the B. Braun Hospital Care division

The Hospital Care Division increased sales by 4.1 percent (5.0 percent at constant exchange rates) to € 3,114.0 million (previous year: € 2,990.8 million). Strong growth was achieved in the areas Compounding for the production of specific solutions for clinical nutrition and IV administration sets. There were also increases in sales of large-volume standard solutions. By contrast, there was a decline in demand for syringes, central venous catheters and automatic infusion pumps. The development of sales in the US business was satisfactory in the reporting year 2017. Stable growth in the European market continued. At the country level, revenue growth was achieved primarily in Germany, Russia and Spain. Solid growth rates were achieved in local currencies in Latin America, particularly Mexico, and Asia-Pacific, espe-

cially China. The increases in the euro, however, were in part reduced by exchange rate changes.

### Business performance of the B. Braun Aesculap division

In the reporting year, the Aesculap division reported sales of € 1,786.4 million (previous year: € 1,725.0 million), up 3.6 percent (4.6 percent at constant exchange rates) from the year before. The major drivers of growth have been China, Germany and Japan. Additional growth support came primarily from Turkey, Indonesia, South Korea, Italy, Mexico, Argentina and Poland. The project business in the Middle East, which decreased in 2016 due to lower purchasing power, recovered during the reporting period. By contrast, sales declined in Malaysia, the Czech Republic and the Slovak Republic. The UK saw an increase in sales in the local currency, but due to exchange rate effects, sales in euros were down from the previous year. Sales development in angioplasty products, surgical instruments, shunts, access ports and knee prostheses was very good. In Germany,

## KEY PERFORMANCE INDICATORS

	2016	2017	Change in %
Sales (in € million)	6,471.0	6,788.9	4.9
Gross margin (in %)	44.2	43.5	
Net margin after taxes (in %)	6.1	6.1	
Interim profit (in € million)	612.3	588.5	-3.9
Profit before taxes (in € million)	527.8	513.7	-2.7
Consolidated net income (in € million)	396.0	411.5	3.9
EBIT (in € million)	597.4	574.9	-3.8
EBITDA (in € million)	975.0	985.1	1.0
EBITDA margin (in %)	15.1	14.5	
Equity ratio (in %)	39.7	40.3	
Equity ratio including loans from shareholders (in %)	41.0	40.9	
Equity ratio net of effects of IAS 19 (in %)	45.2	45.0	
Net financial debt (in € million)	1,872.5	2,126.1	13.5
Debt-equity ratio (net financial debt/EBITDA)	1.9	2.2	
Research and development expenses (in € million)	291.4	315.9	8.4
Investments in property, plant, and equipment, intangible assets and financial investments (in € million)	806.7	969.2	20.1
Depreciation of property, plant, and equipment and intangible assets (in € million)	377.7	410.2	8.6
Net working capital (in € million)	1,754.0	1,815.1	3.5
Personnel expenditures (in € million)	2,388.1	2,552.8	6.9
Employees (as of December 31)	58,037	61,583	6.1

sales growth was solid despite continuing price pressure in the market.

**Business performance of the B. Braun Out Patient Market division**

The Out Patient Market (OPM) Division achieved sales of € 827.5 million (previous year: € 781.7 million), up 5.9 percent (at constant exchange rates: 6.7 per-cent) over the previous year. Strong sales growth was achieved in the United States with the sale of elastomeric pumps, parenteral nutrition and intravenous needles. Other growth drivers were Germany, South Africa, Portugal and Brazil. Growth was very

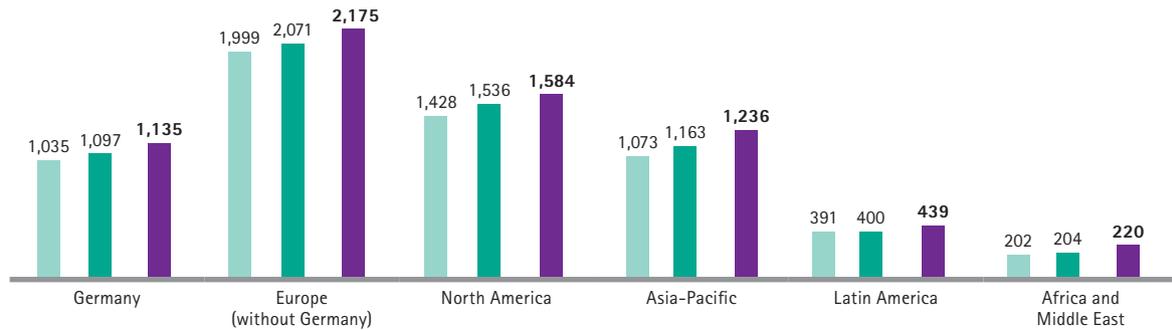
solid in the areas of Basic Care, Wound Care and Disinfection.

**Business performance of the B. Braun Avitum division**

Sales in the B. Braun Avitum Division increased by 9.2 percent in the reporting year (at constant exchange rates: 9.0 percent) to € 1,031.3 million (previous year: € 944.8 million). In the product business, sales performance was positive for consumer products and dialysis machines, and business expanded with water treatment systems. The B. Braun dialysis centers achieved a good performance worldwide. Our

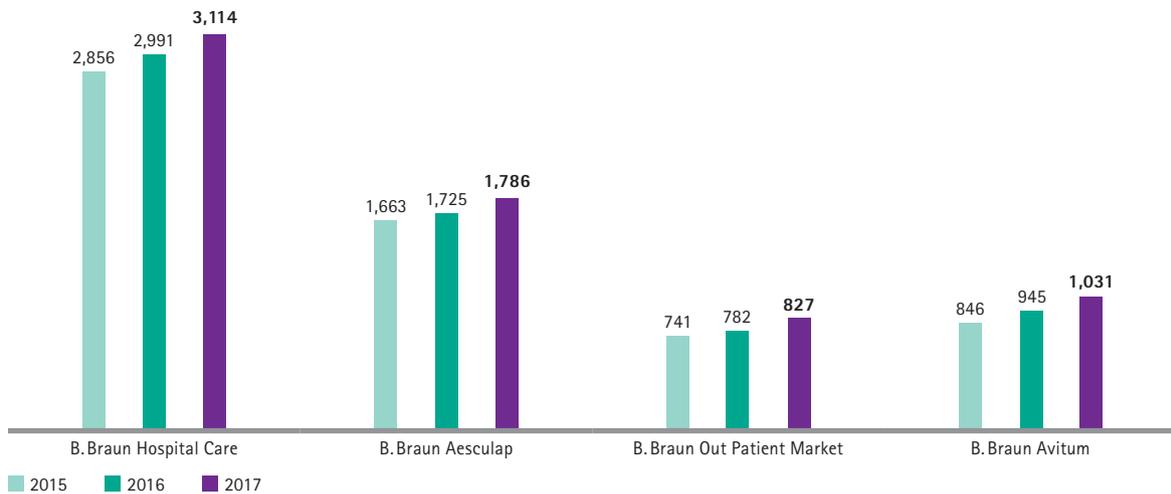
**SALES BY REGION**

In € million



**SALES BY DIVISION**

In € million



clinics in Eastern Europe and Africa showed particularly strong results. The expansion of the business segment continued with the acquisition and founding of new dialysis centers, which already had a positive impact on sales during the fiscal year.

#### Development of gross profit

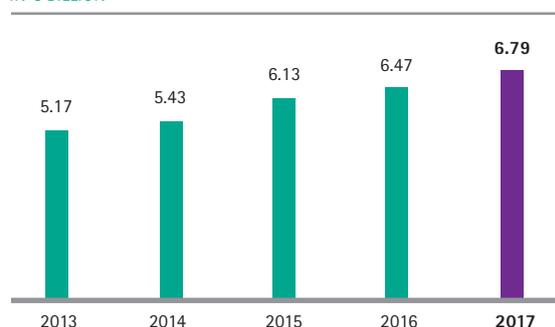
Gross profit increased by 3.2 percent to € 2,955.1 million in 2017 (previous year: € 2,862.9 million). At the same time, the gross margin was down 0.7 percentage points to 43.5 percent (previous year: 44.2 percent). Higher start-up costs at our new plants, as well as production stoppages at our site in Irvine, CA (USA), reduced significantly the gross profit. Quality problems with a supplier and production disruptions at our spinning machine in Berggießhübel (Germany) adversely affected the production of dialyzers. In addition, the experts of the Pharmacovigilance Risk Assessment Committee (PRAC) have recommended that approvals of the plasma substitute hydroxyethyl starch (HES) should be suspended for the European market. A full sales ban in Europe thus appears likely, and for that reason we were forced to incur write-offs of € 5.2 million in production for this area. Continued intensive price competition likewise is preventing better results in the gross margin.

#### Development of functional expenses

Selling expenses climbed by 3.9 percent to € 1,698.7 million (previous year: € 1,635.2 million). This development was attributable in part to an increased allocation of sales resources to growth markets, as well as higher volumes. In addition, interruptions to production in Irvine, CA (USA) led to higher freight costs to compensate for delivery backlogs. Nevertheless, we succeeded in keeping the increase in sales costs significantly lower marginally than sales. Administrative expenses in the fiscal year totaled € 352.0 million (previous year: € 324.0 million), up 8.6 percent from the year before. This primarily results from higher IT costs and increases in cost of labor. Overall, selling and administrative expenses rose proportionally more than gross profit. For that reason we fell short of achieving an important strategic target in the reporting year. The measures initiated during 2017 to curb further cost increases

## SALES DEVELOPMENT

IN € BILLION



were already having an effect by the end of the reporting year. We are therefore confident that in the future we will again achieve a lower marginal cost increase, thereby meeting the strategic target.

In addition, research and development spending went up again in 2017. Uncapitalized research and development expenses were up by 8.4 percent, to € 315.9 million (previous year: € 291.4 million). Furthermore, development expenditures totaling € 36.1 million (previous year: € 30.8 million) were capitalized as self-created intangible assets.

#### Development of other net income

The balance of other operating income and expenses changed by € 12.0 million in the reporting year to € -42.1 million (previous year: € -30.1 million). This included a € 0.3 million increase in costs for hedging exposure in foreign currencies, to € -15.2 million (previous year: € -14.9 million). Compared to the previous year, other operating expenses were influenced in particular by various bad debt expenses. In addition, other operating income was lower in the fiscal year, as individual items from the previous year were not matched by comparable income in 2017.

#### Development of net financial income

Net financial income, including investment income, increased by € 21.8 million in the fiscal year 2017, to € -32.6 million (previous year: € -54.4 million). Interest expenses amounted to € 42.4 million, down by € 4.2 million from the previous year (€ 46.6 million).

Interest income increased by € 0.5 million to € 7.0 million (previous year: € 6.4 million). Investment income (including income from equity method investments) also increased by € 8.2 million to € 26.0 million (previous year: € 17.8 million).

#### Development of EBIT and EBITDA

Interim profit was € 588.5 million in the fiscal year, compared to € 612.3 million in the previous year. EBIT reached € 574.9 million in the reporting year, down 3.8 percent from the previous year (€ 597.4 million). The gross margin is negatively impacted by higher start-up costs and write-offs related to HES, as well as production interruptions at the site in Irvine, CA (USA). The measures introduced to optimize processes and cut costs, and the implementation of these measures during the fiscal year, did not limit the increase in selling and administrative expenses. Higher IT costs as well as increases in cost of labor influence the cost development. Depreciation increased by 8.6 percent to € 410.2 million (previous year: € 377.7 million), resulting in an EBITDA of € 985.1 million. EBITDA increased 1.0 percent over the previous year. The EBITDA margin was down by 0.6 percent to 14.5 percent (previous year: 15.1 percent).

Profit before taxes decreased 2.7 percent to € 513.7 million (previous year: € 527.8 million). Income taxes for the fiscal year amounted to € 102.3 million, down € 29.5 million from the previous year (€ 131.8 million). The effective tax rate was 19.9 percent in 2017 (previous year: 25.0 percent) and is primarily influenced by the tax reform bill in the US. Consolidated net income amounted to € 411.5 million, up 3.9 percent from the previous year (€ 396.0 million).

## Financial position

### Liquidity

Operating cash flow totaled € 655.1 million (previous year: € 822.8 million), down € 167.7 million from the previous year. Cash flow for investment activities<sup>4</sup> increased by € 107.6 million in the reporting period to € 890.6 million (previous year: € 783.1 million) and thus resulted in a negative free cash flow of € -235.5 million (previous year: positive free cash flow of € 39.7 million). Accordingly, cash flow for investments in plant, property and equipment and intangible assets totaled € 747.3 million (previous year: € 739.8 million) and cash flow for investments in financial assets and business acquisitions was € 185.3 million (previous year: € 63.6 million). At the same time, B. Braun received dividends and dividend equivalents in the amount of € 23.9 million (previous year: € 13.3 million). Net borrowing in the reporting year was € 218.9 million (previous year: € 49.4 million). In all, cash and cash equivalents fell by € 24.1 million as of the reporting date, to € 66.4 million (previous year: € 90.5 million).

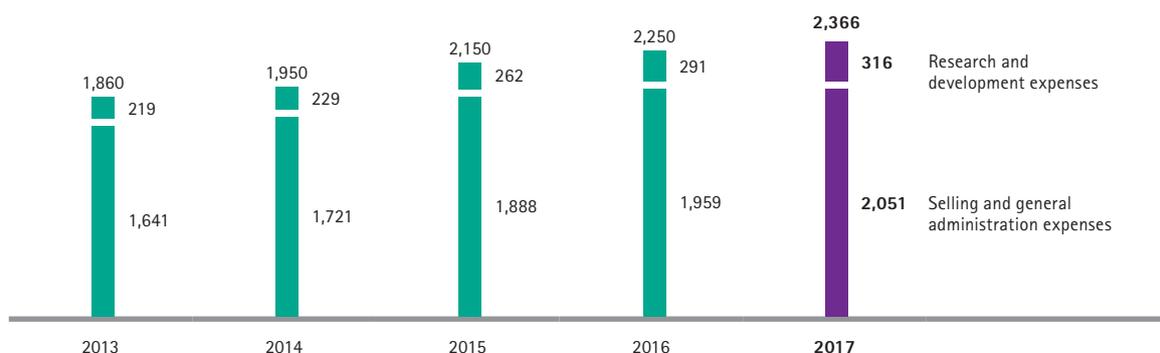
### Asset structure

Total assets of the B. Braun Group increased as of December 31, 2017 to € 8,525.9 million (previous year: € 7,981.8 million). This represents an increase of 6.8 percent and reflects the fact that investments in property, plant, and equipment, and financial assets exceeded depreciation.

Non-current assets increased by 7.8 percent to € 5,835.6 million (previous year: € 5,413.2 million). Due to consistently high levels of investment, property, plant, and equipment increased once again in

## FUNCTIONAL EXPENSES

In € million



<sup>4</sup>The difference between additions to fixed assets and cash outflow from investing activities is attributable to cash relevant investments and currency translation effects.

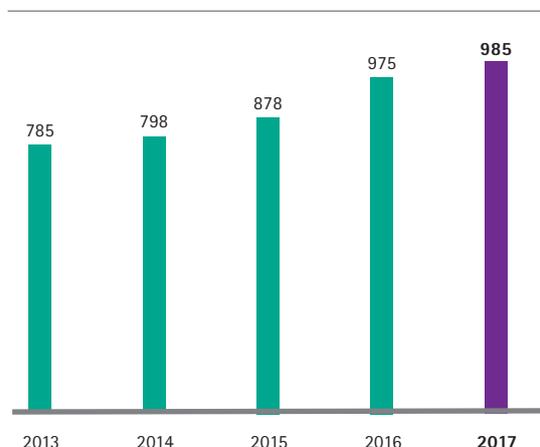
the reporting year, rising 5.2 percent (9.6 percent at constant exchange rates) to € 4,196.4 million (previous year: € 3,987.3 million). Inventories as of the reporting date amounted to € 1,178.5 million, up 3.8 percent (9.2 percent at constant exchange rates) over the previous year (€ 1,135.4 million). Inventory coverage as of the reporting date was 16.0 weeks (previous year: 16.4 weeks) and is positively influenced by changes in exchange rates. Trade accounts receivable increased by 5.4 percent (10.8 percent at constant exchange rates) to € 1,148.0 million (previous year: € 1,089.1 million). Trade receivables DSO remained unchanged at 67 days (previous year: 67 days). We managed it therefore successfully to keep the DSO below our strategic target of 75 days.

### Financing structure

Shareholders' equity increased by 8.3 percent (14.8 percent at constant exchange rates) to € 3,436.4 million (previous year: € 3,172.0 million). The equity ratio was 40.3 percent (41.0 percent at constant exchange rates), 0.6 percent above the previous year's level (39.7 percent). Taking into account shareholder loans, this corresponds to an equity ratio of 40.9 percent. We therefore met our goal from the previous year of exceeding 40 percent. During the reporting year, the actuarial interest rate for pension provisions increased to 2.2 percent (previous year: 2.0 percent). This led to a reduction in actuarial losses by € 59.1 million. Total provisions for pensions and similar obligations decreased by 2.4 percent overall to € 1,269.0 million (previous year: € 1,300.8 million). Low interest rates have necessitated an increase in pension provisions in recent years. Adjusted for the effects from the revaluation of pension obligations in the period from 2011 to 2017, shareholders' equity amounts to € 3,832.6 million. This results in an equity ratio of 45.0 percent, meeting our strategic target level of 45 percent. Financial liabilities increased by 11.7 percent to € 2,224.5 million (previous year: € 1,992.1 million). Non-current financial liabilities increased by 30.6 percent, to € 1,549.0 million (previous year: € 1,186.2 million). Current financial liabilities amounted to € 675.5 million as of the reporting date, compared to € 805.9 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,

### EBITDA

In € million



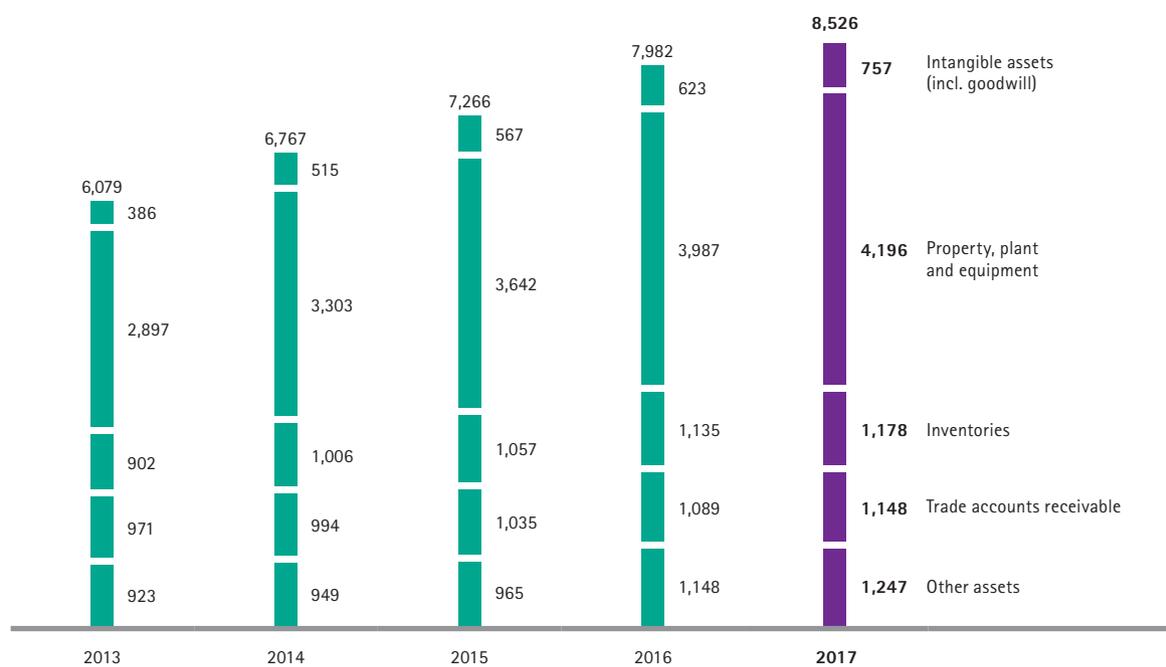
53.6 percent (previous year: 44.6 percent) of financial liabilities to banks and insurance companies carry a fixed interest rate. As a result of the higher level of financial liabilities and decreased cash and cash equivalents, net financial debt increased by € 253.6 million to € 2,126.1 million (previous year: € 1,872.5 million). Trade payables increased by 9.3 percent, to € 483.9 million (previous year: € 442.9 million). Trade payables DPO increased by two days to 47 days (previous year: 45 days).

In 2017, we were able to place the planned financing instruments without a problem. Outside financing is obtained exclusively from banks we deem reliable, and the range of 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 € 1,087.1 million (previous year: € 1,118.1 million). We have met all of the required financial performance benchmarks agreed upon with our banks.

The financing measures in the fiscal year included the conclusion of bilateral loans in Germany and Asia-Pacific. In addition, we successfully completed a promissory notes transaction in the amount of € 400 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.

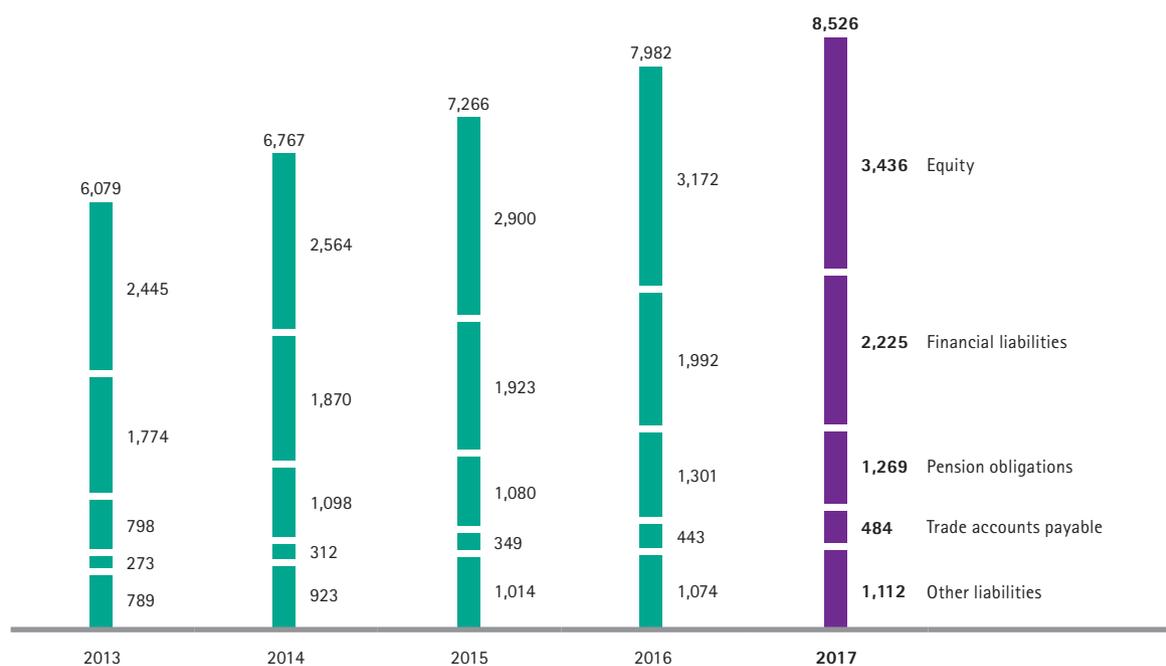
## STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS

In € million



## STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

In € million



## Personnel report

Innovation, efficiency and sustainability are the foundation of our work. These values are only made real through our employees. They are the most important success factor for B. Braun. For us, innovation means proactively shaping the challenges that come from a more complex environment - for example, by developing working time models or establishing agile forms of work within the company. Here digitization also plays an important role. Our goal is to utilize the capabilities of the digital transformation to streamline processes and become more efficient. Here transparency, mutual trust and recognition characterize our working culture and are the basis for our collaboration at all locations. We seek to recruit skilled and motivated employees and to earn their loyalty over the long-term. Various opportunities for advancement and flexible terms for finding a work-life balance are essential to this. In this way we work with our employees in each phase of life and, through a high degree of flexibility with job organization, family-friendly working time models and preventive health care, we make it possible to combine work and family responsibilities.

Regular coordination with local Workers' Councils, the joint and Group Workers' Councils and employee representatives of the Group are the expression of a lively social dialog with the common goal of further improving working conditions from an already high level. For more than 10 years, agreements have existed between B. Braun and its social partners to protect jobs and secure the future of the Melsungen, Tuttlingen and Berlin locations. Layoffs for operational reasons are excluded for the duration of the agreement. Employees build up and work down hours on their working time account and receive a prorated performance-based compensation. To promote cooperation with the European Workers' Council, a joint meeting of European Workers' Councils is held regularly with the "Europe Forum."

The digitization of work will create many new tasks for the personnel area. Using global benchmarking, we analyze development potentials, learn from the best in class and further adapt the personnel function to the future. Harmonized HR master data should create the basis for streamlined, digital pro-

cesses worldwide. A global e-learning management system supports life-long learning at all locations world-wide.

Employees are confronted with ever more rapid changes, which we want to prepare them for. Here, modern working environments that promote cooperation and transparency and support creativity are also important. An example is the development of the office concept already introduced at B. Braun in 2000 in the Stadtwald Park in Melsungen. Starting in November 2014, in the old sanatorium building we have been developing an innovative office building with about 200 workspaces, with consistent involvement from all affected employees. The result is a work environment that is very conducive to sharing knowledge, entirely in the spirit of the principle of "Sharing Expertise." Employees find an idea site for concentrating, working in a team or interacting across departments. In April 2017, the new main building was opened in the Stadtwald, in which, along with the Management Board, the central departments Finance & Controlling, Tax, Legal and Human Resources will find modern and inspiring working environments. The advanced office concept will also be used in future construction projects, for example in the construction of the dialysis filter factory at the Wilsdruff site in Germany.

The transformation of the world of work is pushing proven processes that have worked for a long time to their limits. Rigid structures hamper the flexibility that is required for the organization to adapt to changing conditions. Organizational charts often do not reflect the day-to-day life of work and set limits instead of making connections. 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. Our response here is more agile forms of organizing work and of collaboration. In some departments, a flexible work culture based on the principle of "task and teams," free of boxes and silos, as well as a horizontally networked communication and decision-making culture with a high level of self-responsibility and employee involvement are already a reality.

### Number of employees

The B. Braun Group had 61,583 employees as of December 31, 2017. This is up 6.1 percent from the pre-

vious year (58,037 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 climbed by 3.6 percent to 15,415 (previous year: 14,876). In addition to a further expansion of production capacities and recruitment in the areas of research and development, this is due to the acquisition of prolabo GmbH and an additional dialysis clinic.

In Europe, the number of employees climbed by 8.4 percent to 18,323 (previous year: 16,905). The main reason for this increase was the hiring of employees at production sites in Hungary, Poland and Spain. The opening of additional dialysis centers in Russia also contributed to this growth.

North America had 7,153 employees at the end of the reporting year (previous year: 6,652) working for B. Braun. 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 increased by 7.5 percent to 7,153 employees (previous year: 6,652). The expansion of sales activities in China and of manufacturing in Malaysia and Vietnam resulted in

an increase in the number of employees in the Asia-Pacific region to 16,355. This represents an increase of 5.5 percent over the previous year (15,502).

The number of employees in Latin America increased by 7.4 percent to 3,563 (previous year: 3,317). This development is primarily attributable to an increase in the number of production employees in Brazil and Colombia. The number of employees in Africa and the Middle East decreased to 774 (previous year: 785). This represents a decrease of 1.4 percent from the previous year. The decline is mainly due to a reduction in the number of employees in production in South Africa.

### Participation of men and women in leadership positions<sup>5</sup>

We actively promote equal participation of women and men in leadership positions. The percentage of female members on the Management Board is 29 percent (previous year: 25 percent); at the first and second levels of management below this the percentage of female executives is 13.3 percent (previous year: 15.1 percent). For Germany, the company has set the goal of increasing the percentage of women to at least 20 percent at the first level of management after the Management Board by June 30, 2022. In implementing these plans at the German locations of B. Braun, the project "Women in Leadership" project was initiated in March 2017. In this project, measures are being developed specifically for Germany to make the track into senior management

## EMPLOYEES BY REGION



<sup>5</sup> Additional information supplementing the Group Management Report

easier for female employees. A comprehensive communication concept has been developed for the project and will help to bring about the necessary cultural change.

### Vocational training

Making qualification possible through a wide range of vocational training programs is very important to us. In Germany, but also at our international locations, we actively promote vocational training programs. In the fiscal year, 342 trainees successfully completed their training at our locations in Brazil, Germany, Malaysia, Poland and Switzerland (previous year: 373). During the same period we have accepted 261 trainees (previous year: 275). In Brazil, Germany, Malaysia, Poland and Switzerland, there are currently 1,091 (previous year: 1,065) young people in training with us. For many young people, combining vocational training with university studies remains an attractive option for entering a career. 104 trainees in Germany are currently pursuing the dual system for vocational education (previous year: 104). We are committed to ensuring that appropriate training concepts are also being implemented at our international locations. The focus here is on following the dual vocational training system and adapting to local requirements.

### Advanced training of employees

The long-term development of our employees has paramount importance for us. The basis for all personnel management processes, from initial hire to succession planning, are the global B. Braun Core Competencies. They provide a common understanding of the skills and abilities that enable us to solve tasks independently. In a world of increasing complexity and uncertainty, we would like to equip and strengthen our employees for these changes.

A wide range of training and education options, based on B. Braun's core competencies, ensures optimal support and development for each employee. The B. Braun Business School encompasses all global and local training and development programs in the B. Braun Group. The basis for this forms a standardized range of courses for all employees: the Global Curriculum. It consists of a variety of training programs that promote and foster a value-based leadership, as well as company, social and individual competences. In the future, the B. Braun Business

School will increasingly be adding new content and learning programs to its global program on the topics digitalization and innovation. Additional e-learning and "Learning Nuggets" will expand the B. Braun Business School Portfolio and more intensively support self-organized learning.

For B. Braun Melsungen AG the newly developed leadership training program "Leadership Excellence" was launched as a pilot program during the fiscal year. Special issues such as digital transformation or team-oriented networking play an important role here. In the "B. Braun Executive Development Program" that has been ongoing since 2012, which is targeted to international managers, participants are taught in three modules on topics such as B. Braun, corporate strategy and leadership and innovation. The third module, which deals in particular with the topics innovation and leadership, was completed for the first time in 2017. As a special feature of this program, it covers new agile methods and includes visiting and sharing information with medical technology startups at various B. Braun locations worldwide. Around 250 international executives from the first and second level of management overall have completed this development program since 2012.

As a family-owned business with locations in 64 countries, international assignments make up an important part of the continuing development program for 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 competencies 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 Group-wide. In the fiscal year 2017, a total of 100 employees in 27 countries participated in our international assignment program at a B. Braun facility outside their home country. The most popular destinations are Germany, Malaysia and the USA. To ensure that we are also able to meet international challenges in the future, international employee assignments will remain an important part of business activities in the B. Braun Group. We have made options for assignments abroad more flexible in our new guidelines for international assignments. With short-term assignments (over three to six

months), employees can better reconcile family and professional responsibilities during an assignment abroad. A mentoring concept is part of every international assignment and offers additional opportunities for the assigned employee to share experiences, for coaching and also to prepare for the return home or to the next assignment.

#### Performance-related remuneration

Under the B. Braun Incentive Scheme, a series of profit-sharing rights are offered to members of the Management Board and eligible managers. This creates long-term loyalty and rewards success. The value of the profit participation rights depends on the development of the Group's equity. In fiscal year 2017, 80,380 profit-sharing rights were issued (previous year: 75,228). 61 percent of the profit participation rights offered (previous year: 58 percent) were subscribed by the entitled employees. As of December 31, 2017, a total of 687,716 profit-sharing rights had been issued (previous year: 689,615).

#### Thank you to our employees

The past fiscal year was characterized by teamwork and sharing among our employees. We have trust in the skills and the energy of our employees. We extend our sincere thanks to all our employees for their work and for their willingness to tackle new things. B. Braun counts on a culture of cooperation that is grounded in trust and on the diverse competencies of our employees. This will also be the foundation in the future for further positive business growth in the B. Braun Group. 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

As a developer and manufacturer of medical and pharmaceutical products, B. Braun operates in highly regulated markets. Therefore, the quality and environmental management system we implement must comply with stringent statutory and regulatory requirements. We have also set our own standards for environmental safety, health and occupational safety, which we regularly monitor through internal audits. By paying close attention to clients' needs, we have identified and standardized key processes to

ensure uniformly high standards of quality. All procedures, products, and IT-related documentation are subject to a continuous improvement process, taking into account environmental sustainability and productivity.

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

A total of 25 B. Braun Group locations in Europe are EN ISO 14001-certified. In addition, environmental management in Rubí and Jaén (Spain), as well as Austria, has received certification under the EU's Eco-Management and Audit Scheme (EMAS). Our occupational health and safety management system at our locations in Germany (Melsungen, Tuttlingen, Berlin, Radeberg, Berggießhübel and Bad Arolsen), France (Nogent-le-Rotrou, Chaumont, Chasse-neuil-du-Poitou, Saint Jean de Luz, Ludres and Boulogne), Spain (Rubí and Jaén), Switzerland (Escholzmatt, Sempach and Crissier), Romania (Timișoara), Russia (Tver), Malaysia and Brazil, as well as B. Braun Avitum in Italy, is certified for compliance with international standard OHSAS 18001. The Melsungen location has also obtained the "Seal of Approval – Systematic Safety" (German: „Sicher mit System") mark from the BG RCI (statutory accident insurer for the commodities and chemicals industry). Selected European dialysis centers belonging to our B. Braun Avitum division are certified under EN ISO 9001 and IEC/TR 62653 "Guideline for safe operation of medical devices used for hemodialysis treatments." Dialysis centers qualified under these standards are authorized to use the "Good Dialysis Practice" certificate.

All B. Braun medical devices conform to the Essential Requirements of the European Council Directive on Medical Devices and the German Medical Devices Act (Medizinproduktegesetz, MPG). In the United States, we adhere to the guidelines in Title 21 of the Code of Federal Regulations, which details the requirements of the FDA (Food and Drug Administration) for pharmaceuticals and medical devices. In

addition, all of our divisions comply with the specific requirements of, for example, ISO or eco-audit directives and a large number of national laws and regulations.

### Customer and product responsibility

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

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

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

### Corporate social responsibility

Our values of innovation, efficiency and sustainability make us what we are: a family-owned company with a strong sense of economic, environmental and social responsibility. As "citizens of society," B. Braun has been supporting social projects at its locations around the world for many years, with the goal of increasing knowledge, strengthening regions and creating opportunities. This is why we are committed to education, health and the future generations. In all, we sponsored 239 social projects in 36 countries in the year 2017.

With the initiative "B. Braun for Children," B. Braun wants to provide youth with the opportunity for a better future. Since 2004, B. Braun has promoted projects around the world as part of the initiative – the focus is mostly on education, while in other projects it is on nutrition, medical aid, or orphans and parents find a new home through the assistance. It requires not only personal dedication, but also financial assistance. We have implemented 107 "B. Braun for Children" projects, benefiting 59,000 children. In 2017, as part of the "Round Up

Donation," employees of B. Braun across Germany made donations by rounding the amount in their monthly paycheck up to the next euro and donating the balance. € 18,444 were raised over the course of the year through the program. With the money raised, the company is supporting five of the many "B. Braun for Children" projects supported over the long term in Argentina, China, Spain, Sri Lanka and the Czech Republic. Seesaws, swings, slides and other playground equipment are being purchased for a children's playground in Argentina or for better furnishing of a school in Sri Lanka.

B. Braun has also extended its cooperation with the "Knowledge Factory" and entered into an additional educational partnership. The "Knowledge Factory" is an initiative of 130 companies and foundations which, working together with scientific partners, is developing innovative education projects in order to implement them throughout Germany in day care centers and schools. As part of a new education partnership, B. Braun, working together with the comprehensive school Melsungen, has launched the project "IT2School – Developing IT Together," where children will learn about the natural sciences and digital technology through in a vivid, visual way.

The young generation were also the focus at the International Science Fair at our Malaysian location in Penang. Each year at the fair, the young researchers meet scientists to exchange ideas, learn from each other and experimen. In November 2017, over

50,000 visitors, many of them children and adolescents, participated in the fair under the motto "First Aid Saves Life." B. Braun is not only the main sponsor of the event organized by the Penang State Government and the Penang Science Cluster, but also offers workshops for children and adolescents. In the virtual "Operating Room of the Future" children and adults were allowed to see for themselves what it's like to be a surgeon.

Since 2012, B. Braun has been participating in the initiative "Africa is Coming!" (German: „Afrika kommt!") and providing young talented junior executives from sub-Saharan Africa the opportunity to expand their skills at B. Braun and then to contribute them in their home country. In 2017 alone there were five professionals from this training program, which was launched by 19 leading German companies, working at B. Braun. The German Society for International Cooperation (GIZ) is coordinating the organization and implementation of the program. Participants not only benefit from the program through the newly acquired specialized knowledge, but they also become attractive potential employees internationally due to their new linguistic and intercultural skills. The companies gain new opportunities for collaboration, meet potential new employees and can thereby strengthen their involvement in the African market. In 2017, all of the graduates of the program employed at B. Braun were working in business development in various African markets for the company.

# RISK AND OPPORTUNITIES REPORT

## RISK MANAGEMENT AND CONTROLLING

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

## 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<sup>6</sup>

An important risk for the global economy arises from the political decisions coming up in 2018 and their still unpredictable ramifications. This has considerably increased the level of uncertainty in the world, possibly causing negative effects on investing and the purchase of consumer durables. Overall, this can

have a lasting effect of weakening the development of the global economy.

Negotiations between the United Kingdom and the European Union on the withdrawal set for March 2019 presented a challenge for both sides. It is still not clear what a new agreement will look like. Setting up new barriers to trade in goods and capital flows would have a perceptibly negative effect on Europe's economic performance in the medium-term. The crisis of the monetary union has not yet been entirely resolved. Some Member States are still heavily indebted; their economic growth is marginal and their structural problems are still yet to be resolved. This is correspondingly also reflected in the high levels of non-performing loans on bank balance sheets. The task of forming a government in Germany has also proved difficult. This is delaying the resolution of conflicts at the European level. This could jeopardize the survival of the European Union in its current form and economic trade within Europe would change drastically. This would have extensive consequences for export-oriented economies in particular, such as Germany. In addition, there is great uncertainty concerning the economic, foreign and security policy orientation of the USA. In the medium-term, the reform introduced at the end of 2017 to reduce income taxes for US-based companies could negatively affect the relative competitiveness of companies outside the country. Also, a possible move to greater protectionism carries the risk of harm to global economic growth in the future and a potential decline in technological spillovers to other regions of the world. This also has the potential to further hinder already slowing growth in emerging countries, especially China, and thus poses a risk to the global economic development. If US efforts to loosen regulations on the financial market are implemented, this could leave the global financial system more vulnerable to crises. This could also put a strain on international cooperation, as the effectiveness of global controls is weakened.

<sup>6</sup> ifo Institute: ifo Economic Growth Forecasts 2017/2018, June 2017

A possible retreat by the US from its security role in NATO or in international crises and conflicts could also negatively impact the global economy. This would lead to growing uncertainty in the countries concerned and reduce investment activity within these regions. In addition, there has been an increase recently in the strains that lead to geopolitical crises. Among other things, the trend towards more protectionism in the industrialized nations could lead to capital outflows from developing countries and could become a source of further international conflict.

### Industry risk

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

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

In Germany, according to the current "Hospital Rating Report" from the RWI Leibniz Institute for Economic Research, about ten percent of hospitals are in acute danger of bankruptcy and about a quarter of them are losing money. Too much hospital density, too little specialization and too many small clinics are cited as causes. Consolidation in the German hospital landscape may bring about changes in the

purchasing behavior of hospitals and, in particular, increase price pressure on medical disposables and capital goods. There may also be an elevated bad debt risk for suppliers.

Increased formalization of the international product approval process is evident, this entails 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. Longer processing times and more extensive requirements for documentation and study submissions can delay and drive up the cost of product launches. In addition, an expected relocation of the European Medicines Agency from London to Amsterdam as a result of Brexit may result in further delays in drug approvals, thus increasing the overall research and development risk. On the demand side, the creation of group purchasing organizations for high volume purchasing is strengthening the market power of customers, in turn increasing the risk of further price pressure and our dependence on individual customers.

The complete vertical integration of hospitals or other customers by pharmaceutical or medical technology companies presents an additional risk, which could impact market access for other companies.

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

### Procurement risk

Risks generally result from commodity price changes and supply shortages in the procurement markets. The occurrence of these potential risks may impact production supply, thereby impacting B. Braun's delivery capabilities. Market-related supply shortages arose in some instances during the fiscal year. In all cases, however, potential supply interruptions were avoided. Thanks to the implemented procurement processes and an advanced global product group management system, countermeasures and strategies were developed to avoid risks so that production was never delayed or interrupted. Our longstanding, trusting and collaborative supplier relationships are a crucial foundation for ensuring consistent supply.

We will continue to build on these supplier relationships in the future. Wherever possible, we use strategies for long-term price hedging as part of active price management. These includes 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 keep our standards of quality, availability, risk and costs at a consistently good level, resulting in no discernible, fundamental procurement risks.

### Product risk

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

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 a own entity (majority interest). An excess policy 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 face the challenge to attract suitable specialists and managers 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 that are willing to change.

In addition to the diverse offerings at the B. Braun Business School, employee development programs that are optimally tailored to regional and local conditions enable early succession planning. An example of this is the NEXTER program, which was launched in 2016 by B. Braun in China. The goal is to identify high-performing young talents and to promote the development of young, talented managers. The curriculum of the program, which consists of ten modules contains, on the one hand, theoretical business content. On the other hand, the participants get to hone their understanding of the global activities of the Group through practice-oriented lectures as well as through a visit and workshop at the B. Braun headquarters in Melsungen, and benefit from the sharing of international experience.

### IT risk

Important business processes rely on IT systems. A failure of essential IT systems or a large-scale loss of

data could lead to a serious disruption in business operations, including in manufacturing. Our continued investment in IT infrastructure and a redundant system architecture help to minimize this risk. Other measures to reduce risk include regular data backups and employee training. A coordinated user permissions policy helps to protect against data misuse and compliance is assured through the internal audit department and data security officers. In this way we are prepared for the new EU Data Protection Regulation (DSGVO), which takes effect on May 25, 2018. We are purposefully restricting local administrator rights to prevent the installation of malicious software. The use of different protection programs also helps guard against malicious software. Greater networking as part of digitization and Industry 4.0, as well as increasing instances of hacking and especially CEO fraud, indicate increased IT risk. For this reason we are intensifying and expanding the measures that have already been taken. These include the implementation of an Information Security Office and the establishment of an Information Security Management System (ISMS). Document classification is supported with appropriate software solutions. A defined incident management procedure in conjunction with global response teams, will further allow a quick response in the event of a cyberattack. Due to these measures, we do not anticipate any significant negative effects from IT risks. However, the challenges of ensuring IT security continue to increase. 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 sites of B. Braun in Germany have since June 1, 2017 been subject to the IT security law for Critical Infrastructure Protection (CRITIS).

### 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 en-

during 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 them. There are currently no discernible risks beyond the ordinary level.

### OPPORTUNITIES

In addition to risk, B. Braun regularly identifies and assesses opportunities for the company. Opportunities can generally arise from the refinement of medical standards or the launch of new products.

Through close dialog with the users of our products, and thanks to the integrated research and development activities at our Centers of Excellence (CoEs), we will continue to act quickly and create new sales opportunities.

#### **Opportunities arising from positive economic development**

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

#### **Opportunities arising from the growth strategy**

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

#### **Opportunities arising from research and development**

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

#### **Opportunities arising from our international presence**

The opening of additional health care markets (e.g., in the 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 for B. Braun. Their strong identification with the company increases motivation and promotes individual responsibility. We aim to encourage this even further by providing employee development opportunities. 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. There were no material changes in the Group's net risk position relative to the previous year and, once again, no risks were identified that could jeopardize the company's continued existence. In some areas, however, there is growing uncertainty. Volatility on foreign exchange markets is expected to be higher in 2018 than previously expected. In addition, the economic impact of current political and economic developments in the US and UK is difficult to assess. The ongoing conflicts on the Korean peninsula and in the Middle East could also be destabilizing. While the risks on the procurement markets remain unchanged, we are seeing a significant 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 further increases 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.

Despite our extensive insurance coverage, obtaining full coverage for potential product liability risks is

not feasible. In general, however, we are convinced that the continuing market risks will not have a substantial negative impact on the B. Braun Group's performance. Alongside these market risks are significant opportunities which may enable successful business performance.

## OUTLOOK

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

### EXPECTED MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

#### Expected development of the global economy<sup>7</sup>

The International Monetary Fund (IMF) projects a marginal increase in global economic growth of 0.2 percentage points to 3.9 percent for 2018. Both the industrialized countries and the developing economies will contribute equally to this development. In the industrialized economies, more rapid growth will in the future be dampened by demographic changes. Countries are confronted with the problem that in the future workers will reach retirement age in greater numbers than the needed new workers become available. The slowing growth trend in China and the move by the government in Japan towards more restrictive monetary policy will also weigh on the global economy. Growth in Brazil and Russia will positively impact global economic performance. With the stabilization of oil prices and the rise in other commodity prices, both countries expect after the end of the recession in 2017 positive growth in 2018. Global trade will remain one of the main drivers of global economic growth. It therefore remains to be seen what protectionist measures will be taken by the US and what the consequences will be of the negotiations on Britain's exit from the European Union.

### CHANGE IN GROSS DOMESTIC PRODUCT

in %

	2017	2018
<b>Europe</b>	<b>2.4</b>	<b>2.2</b>
Germany	2.5	2.3
France	1.8	1.9
Greece	1.8	2.6
Great Britain	1.7	1.5
Italy	1.6	1.4
Poland	3.8	3.3
Russia	1.8	1.7
Spain	3.1	2.4
Turkey	5.1	3.5
<b>North America</b>	<b>2.4</b>	<b>2.6</b>
Canada	3.0	2.3
USA	2.3	2.7
<b>Asia-Pacific</b>	<b>5.6</b>	<b>5.5</b>
China	6.8	6.6
India	6.7	7.4
Indonesia	5.2	5.3
Japan	1.8	1.2
Malaysia	5.4	4.8
<b>Latin America</b>	<b>1.3</b>	<b>1.9</b>
Argentina	2.5	2.5
Brazil	1.1	1.9
Chile	1.4	2.5
Mexico	2.0	2.3
<b>Africa and the Middle East</b>	<b>2.4</b>	<b>3.4</b>
Iran	3.5	3.8
Kenya	5.0	5.5
South Africa	0.9	0.9

In 2018, the economic upturn in Germany will slightly slow down. The forecasts assume economic growth of 2.3 percent (previous year: 2.5 percent). As in 2017, the expansion will be driven by private consumer demand and construction investment. Added to this is an increase in exports, which should have a positive effect on the industrial economy and cor

<sup>7</sup> International Monetary Fund: World Economic Outlook, October 2017 and ifo Institute: ifo Economic Growth Forecast 2017/2018, June 2017

porate investments. In the wake of the federal elections held in the fall of 2017 and the difficulties in forming a government, the future direction of fiscal policy remains unclear.

Moderate economic growth of 2.2 percent is expected for the eurozone in 2018. The expansionary monetary policy, together with the increasing upswing in the labor market, should positively influence this development. The latter should give rise to increased pressure for wage increases and further strengthen household consumption. An increase in investment is also expected due to high capacity utilization in industry. Structural weaknesses and demographic change in some member states will negatively impact the economic situation in the eurozone in the coming year. Italy and Portugal will continue to have high levels of bank lending at risk of default and the competitiveness of the French and Italian economies remains low. For Great Britain, just a 1.5 percent increase in economic output is expected. The future economic performance of the country will also depend on the outcome of the exit negotiations with the European Union regarding barriers to trade, migration and cross-border financial transactions. Poland is one of the most dynamically developing economies in Europe. In 2018, the country is forecast to grow by 3.3 percent. But to remain competitive, investment must continue to grow and steps must be taken to counteract the growing shortage of skilled workers. In Turkey, the economy is expected to grow by 3.5 percent in 2018. This expectation is based on the expansionary fiscal policy being pursued in the country.

The upturn in the Russian economy should continue in 2018. At 1.7 percent, economic growth will decline from the previous year. While the stable price of oil will support the economy, negative demographic trends and other structural barriers in the country are preventing higher growth.

In North America, constant economic growth is expected. For the USA, a slight improvement in economic growth from 0.4 percentage points to 2.7 is forecasted. In particular, the positive economic conditions will support growth. Strong increases in pro-

duction output are being driven by private consumption. With the adoption of the reform to lower income taxes on corporations and consumers, corporate earnings in the country are also expected to improve, resulting in further investment. Even though the US Federal Reserve is slowly raising its key interest rates, financing conditions will remain favorable next year, and with the rise in the price of crude oil, investments to support this sector will again become profitable. After an economic upturn in 2017, slower growth is expected in the Canadian economy in 2018. The stagnating wages, weak labor productivity and rising real estate prices are accordingly viewed as reasons for declining growth in the future. The uncertain trade policy of the US, which is considered to be the country's most important economic partner, will have effects on performance going forward.

In the Asia-Pacific region, the economy will also continue growing in 2018 at current rates. In China, economic growth will continue to slow as the country de-velops over time from an emerging market economy into an industrialized country. To reach its growth targets, the Chinese government is expected to use expansionary policies to stimulate the slackening areas. In Japan, a slower rate of economic expansion is expected for 2018. This is due to structural factors such as a shrinking labor force potential and relatively low productivity growth. In addition, the positive impact of the recent stimulus package on the Japanese economy is gradually dissipating. At 7.4 percent, the growth of the Indian economy will again be above the previous year's level due to sound fiscal and monetary policies from the government. The expansion of the export-oriented Malaysian economy will continue in 2018 due to the continued dynamic of the global economy. However, the upcoming elections in 2018 increase uncertainty among investors and private consumers. This may slow down the rate of growth in Malaysia.

In Latin America, the economy will continue to gain momentum and economic growth of 1.9 percent appears possible. In 2018, uncertainty over the renegotiation of the bilateral trade agreement between the US and Mexico will again have a negative effect on its economic performance. The implementation of

the reform agenda for the resolution of structural problems should result in increased economic growth over the long-term. The Brazilian economy will continue to grow. While on the one hand it is supported by rising commodity prices, faster growth in 2018 will be hampered by a lack of willingness on the part of companies to invest, due to the precarious political situation ahead of the presidential election. In Argentina, constant growth is expected. Private consumption will continue to increase through continued rises in employment as well as wages and pensions.

Both in Africa and the Middle East, an increase in economic output is expected. Due to increased commodity prices and a strong agricultural sector, the economy will continue to grow in South Africa. On the other hand, political uncertainty in the country will further reduce consumer and producer confidence. In Kenya, economic growth will remain strong in 2018. Nevertheless, economic performance in the African countries will in the future be greatly impacted by political instability, health risks and security problems. In the Middle East also the economic situation will ease again after 2017, and economic output in the region will increase by 3.2 percent. This development is positively influenced by rising domestic demand from non-oil exporting countries. In addition, the supply of crude oil in the region by OPEC should be restricted by the end of 2018. Regional uncertainties and conflicts will continue to negatively impact the economies.

## OUTLOOK FOR THE HEALTH CARE MARKET

2018 will see continued growth in the global health care market. Growth in health care spending in developed countries will remain positive, but the major growth will come from the health care markets of emerging markets. Chronic diseases will grow with the changing lifestyle. It is accordingly estimated that by 2020 around half of global health care spending will be devoted to the treatment of cardiovascular, cancer and respiratory diseases. With higher life expectancies comes a growth in the population over age 65. This leads to rises in other

age-related diseases such as dementia, incontinence, osteoarthritis and chronic wounds. Another recognizable trend is that certain diseases are disproportionately impacting regional health care systems. The spread of HIV will continue to affect the African health care system in the future, and in Latin America the consequences of the Zika virus will continue to be costly. High-cost, innovative treatment options will increase health care expenditures in the future.

Sales growth is possible for B. Braun not only for its existing product portfolio, but also through product innovations and differentiation. This will have a positive impact on a many of our product segments. The dialysis market is also expected to continue to grow. This is due to the rising number of diabetes cases in recent years. Since these can result in chronic renal failure, the need for dialysis will continue to increase. The greatest growth is expected in China and India, with more than a third of diabetic patients coming from both countries.

Companies whose products have the potential to improve process efficiency for customers will have a particularly strong competitive advantage in the future. Subjects such as user safety, ease of use and targeted product improvements will become more important. In addition, digital innovations will continue to help physicians make diagnoses and choose the right treatment. New technologies create better links between the individual actors in the health care sector, resulting in more efficient processes and lower costs. As the trend toward globalization continues, more transparent pricing is to be expected which, along with the increasing professionalization of purchasing, may result in a decline in prices and, therefore, margins. Digitization and Industry 4.0 are keeping health care manufacturing companies busy in various ways. Internal processes will be influenced in particular by changing production possibilities along with the collection and analysis of big data. These include preventive maintenance and automated machine-to-machine (M2M) information exchange along the value chain. Increased production flexibility and faster response to client and market demands appear possible. Medical technology products are also being built with more digital components and

integrated into networks. This may produce new diagnostic and treatment options. Cognitive IT solutions, such as IBM Watson, will help with diagnosis in the future. This should improve the success of treatment and the safety of treatment. At the same time, demands on IT security are increasing, since health care services are classified as "critical infrastructures" (Kritis). This means protection against unauthorized access to medical components in a network must be factored in during product development. Companies factoring in digitization both in internal processes and products may experience competitive advantages.

For the European health care sector, moderate growth rates are expected in 2018, precisely because health systems in many countries are under pressure to cut costs. In France, the government has calculated 4.2 billion euros in necessary savings for the coming year. Spending on pharmaceutical, medical and orthopedic products will increase, however, in Germany and Spain. The same applies to Italy, where there is an increased need for substitution of large medical equipment. Under the reformed Polish health system, private medical facilities will receive less in government subsidies in the future. The affected units will in the future likely specialize in areas such as diagnostics, stomatology, orthodontics or ophthalmology. But as the number of patients increases, there is a greater need for capacity expansion in the private sector. In the Czech Republic, investments in the health care system will continue in 2018. The continued growth of the Czech economy is currently resulting in rising revenues for health insurance companies and could reinforce this trend. The planned withdrawal from the European Union is dampening the prospects of the UK health care sector because of the threat of import barriers and tariffs. In addition, the country is becoming less attractive for immigrants and population growth will therefore be less robust in the future than before the referendum. In consequence, there is a risk of a shortage of nursing staff. In Turkey, the hospital sector is one of the fastest growing areas. With city hospitals going into operation, there will be an increased need for hospital equipment, medical technology, disposables and hospital management.

As a result of globalization and the limited availability of certain drugs, there has been a growing trend of counterfeit pharmaceutical products in recent years. Industry actors, policymakers and pharmacists are currently working to create an infrastructure in Europe by 2019 that will provide consumers with more protection against the purchase of potentially ineffective medicines.

In Russia, rising health spending is expected for 2018 in the run-up to the upcoming presidential elections. The additional expenditures will be invested primarily in building hospitals and in purchases of medical technology and pharmaceuticals. In addition, the Russian government wants to become less dependent on imports and to increase the share of domestic products. But the private health care market remains unaffected by this, and hence there are still good opportunities for foreign suppliers.

The health care market in North America will also grow in 2018. An increase in health expenditures in the US is due, in particular, to the increasing share of older people in the population and the rise in health care costs. The US health care reform "Affordable Care Act" is expected to remain in place for the next two years. The decision on whether to adopt stabilization measures in support of the reform is still pending. The "Medical Device Tax", which was suspended in 2016 and 2017, will be suspended for another two years (2018 and 2019). Whether there will be a permanent repeal of the additional tax or not, cannot be predicted at present. If the tax would take effect again, this would significantly impact medical device makers. In Canada, investment in eHealth will increase significantly by 2020. One area of focus will be the telemedicine sector, since a large share of the population lives in remote areas of the country and thus has only limited access to medical care. In addition, the medical technology market will continue to open up for European companies. The Comprehensive Economic and Trade Agreement (CETA) requires public institutions to include European bidders in tenders.

Health care expenditures in Asia-Pacific will continue to grow in 2018. This is largely due to government

health programs in the region. At the same time, individual governments in the region are implementing price reductions for medical products, which can place a long-term strain on the margins of manufacturers of such products. Following the 13th Five-Year Health Care Program, the Chinese government will invest heavily in this area in 2018. The main goal of the program is to promote innovation, which includes building a nationwide health platform for the population by 2020. At the same time, competition should be strengthened and prices lowered. In India, we expect that the needed actions will be taken to improve the still inadequate health care infrastructure. However, price control measures will work against the increase in government consumption. In Japan, the health care sector will focus even more on future technologies such as care robots and telemedicine in the interests of cost reduction. For 2018, the construction of an electronic information system is planned in all parts of the country.

Health care spending in Latin America will only increase slightly. In Brazil, the government raised the budget for health care spending, and therefore spending on health services in 2018 is expected to increase. The funds should be used for new equipment and personnel in health care and for the procurement of medical devices. In Mexico, demand for medical technology will remain high in 2018. The reasons for the increase include the aging society, the increasing number of chronically ill and the increase in the number of insured.

In Africa and the Middle East, high increases in health expenditures are expected for 2018. In South Africa in particular, high growth rates in health care are expected, as a statutory health insurance program for the entire population should be introduced by 2025. The existing public hospitals and health centers should also be expanded. In Namibia, the construction of new hospitals is expected to start in 2018. These are funded by the Namibian government, which means there are opportunities for public-private partnerships (PPP). The level of health care also

varies widely across Africa, and many countries are still dependent on assistance from international organizations. In the Middle East, health care spending will likewise increase. The Gulf States will remain a lucrative market for medical technology. There is also considerable growth potential in medical services and in the use of new technologies such as eHealth.

## BUSINESS AND EARNINGS OUTLOOK

In the fiscal year 2018, we expect that the B. Braun Group will continue its sales growth and we also expect the earnings side to return to its usual growth path. Sales growth will be between five and seven percent assuming exchange rates remain constant (2017: € 6,788.9 million). Due to the expected changes in exchange rate parities, the growth rate in euros will be significantly lower. We expect more dynamic growth in the B. Braun Avitum dialysis division than in the rest of the Group. The growth of the provider business will continue at a consistently high level. In addition, product launches and portfolio expansions will drive growth at B. Braun Avitum and also the Aesculap division. In the Hospital Care division, the effects of changes in exchange rates will be most noticeable, although all divisions will be affected. Wound Management and Diabetes Care will drive growth in the Out Patient Market division. 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 that the Asia-Pacific region will be the driver of growth in the Group in 2018. China, Indonesia and India will experience above-average growth. In Latin America, we predict good sales increases in local currency, especially in Brazil and Mexico. Given the expected exchange rate trend, sales in Euros must be expected to be just above last year's levels. 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, including Germany, we expect de-

mand to remain constant, as the linking of products and processes in comprehensive solutions becomes more relevant. Innovations and continuous product extensions, as well as our therapy approach, will open growth opportunities in these markets as well. We expect the greatest contribution here from Germany, France and Spain. In the Africa and Middle East region, we again expect dynamic growth.

On the earnings side, we expect our key performance indicators, interim profit and EBIT, to finish within a range of € 585 to 625 million in 2018, assuming constant exchange rates (previous year: interim profit of € 588.5 million and EBIT of € 574.9 million). If exchange rates remain constant, we expect EBITDA to increase to over a billion euros (2017: € 985.1 million). Our target 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 target in connection with our proactive working capital management, at constant exchange rates, is to keep DSO less than 75 days (2017: 67 days), and CIW around 16.0 weeks (2017: 16.0 weeks).

The development of startup costs in our new plants and the handling of production issues could significantly impact our forecast. The effects related to the rapidly shifting global political environment still cannot be fully anticipated. Even though in 2017 the global economy was quite robust overall, uncertainty in the markets continued to rise.

This can result in investor and consumer reticence, slowing global economic growth. The US Federal Reserve's decision to abandon its expansionary monetary policy, which is already being put into effect, could amplify this effect. Due to the reform efforts of various governments to make health care more efficient and to partly intensive competition, price pressure will continue across all markets.

## EXPECTED FINANCIAL POSITION

B. Braun will continue its solid financial policy of the last few years in the future as well. We are striving for an equity ratio of over 40 percent for 2018. At the same time, we will maintain our current dividend policy.

The financing volume for long-term maturities will be € 152 million for this year, and € 260 million in 2019. 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 to be a substantial risk to B. Braun at this time. The planned investments in plant, property and equipment in the coming years will be financed primarily from operating cash flow. 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 the B. Braun Group in 2018. We expect

further sales growth over fiscal year 2018 and to meet our strategic targets. The investment projects already begun, in conjunction with measures for internal process optimization, will enable the targeted growth for the B. Braun Group. Through the combination of products and services, and our intensive dialog with users and patients, we are able to offer innovative and economical health solutions. Our goal is to sustainably improve people's lives.

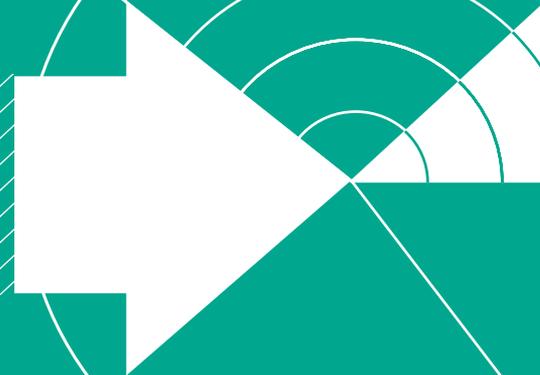
Melsungen, February 26, 2018

The Management Board

SALES

6.788.9

EUR MILLION  
(+4.9%)





## CONSOLIDATED FINANCIAL STATEMENTS



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## CONSOLIDATED STATEMENT OF INCOME

	Notes	2017 € '000	2016 € '000
Sales	1)	6,788,868	6,470,978
Cost of goods sold	2)	-3,833,727	-3,608,096
<b>Gross profit</b>		<b>2,955,141</b>	<b>2,862,882</b>
Selling expenses	3)	-1,698,706	-1,635,202
General and administrative expenses		-351,969	-323,989
Research and development expenses	4)	-315,948	-291,416
<b>Interim profit</b>		<b>588,518</b>	<b>612,275</b>
Other operating income	5)	237,553	299,783
Other operating expenses	6)	-279,678	-329,886
<b>Operating profit</b>		<b>546,393</b>	<b>582,172</b>
Profit from financial investments/equity method	7)	12,835	17,724
Financial income		6,979	6,436
Financial expenses		-68,161	-76,050
Net financial income (loss)	8)	-61,182	-69,614
Other financial income (loss)	9)	15,699	-2,509
<b>Profit before taxes</b>		<b>513,745</b>	<b>527,773</b>
Income taxes	10)	-102,267	-131,771
<b>Consolidated net income</b>		<b>411,478</b>	<b>396,002</b>
Attributable to:			
B. Braun Melsungen AG shareholders		(393,234)	(373,321)
Non-controlling interests		(18,244)	(22,681)
		<b>411,478</b>	<b>396,002</b>
Earnings per share (in €) for B. Braun Melsungen AG shareholders in the fiscal year (diluted and undiluted)	11)	20.27	19.24

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 € '000	2016 € '000
<b>Consolidated net income</b>	<b>411,478</b>	<b>396,002</b>
<b>Items not reclassified as profits or losses</b>		
Revaluation of pension obligations	59,101	-184,460
Income taxes	-19,480	51,840
<b>Changes in amount recognized in equity</b>	<b>39,621</b>	<b>-132,620</b>
<b>Items potentially reclassified as profits or losses</b>		
Changes in fair value of securities	-31	165
Income taxes	0	0
<b>Changes in amount recognized in equity</b>	<b>-31</b>	<b>165</b>
Changes in fair value of financial derivatives	12,087	-6,638
Income taxes	-3,338	2,113
<b>Changes in amount recognized in equity</b>	<b>8,749</b>	<b>-4,525</b>
Changes due to currency translation	-191,161	67,386
Income taxes	0	0
<b>Changes in amount recognized in equity</b>	<b>-191,161</b>	<b>67,386</b>
Changes recognized directly in equity (after taxes)	-142,822	-69,594
<b>Comprehensive income in the reporting year</b>	<b>268,656</b>	<b>326,408</b>
Attributable to:		
B. Braun Melsungen AG shareholders	(262,128)	(302,248)
Non-controlling interests	(6,528)	(24,160)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Dec. 31, 2017 € '000	Dec. 31, 2016 € '000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14) 16)	757,046	623,335
Property, plant, and equipment	15) 16)	4,196,433	3,987,336
Financial investments (equity method)	17)	455,965	389,369
Other financial investments	17)	61,989	50,305
of which financial assets		(61,988)	(50,305)
Trade receivables	18)	27,431	27,534
Other assets	19)	40,070	45,289
of which financial assets		(35,200)	(40,990)
Income tax receivables		1,905	1,412
Deferred tax assets		294,777	288,616
		<b>5,835,616</b>	<b>5,413,196</b>
<b>Current assets</b>			
Inventories	20)	1,178,480	1,135,378
Trade receivables	18)	1,120,559	1,061,545
Other assets	19)	260,059	235,204
of which financial assets		(127,749)	(99,599)
Income tax receivables		64,864	46,029
Cash and cash equivalents	21)	66,371	90,456
		<b>2,690,333</b>	<b>2,568,612</b>
<b>Total assets</b>		<b>8,525,949</b>	<b>7,981,808</b>
<b>Equity</b>			
Subscribed capital	22)	800,000	800,000
Capital reserves and retained earnings	23)	2,611,201	2,187,570
Effects of foreign currency translation		-198,805	-21,667
<b>Equity attributable to B. Braun Melsungen AG shareholders</b>		<b>3,212,396</b>	<b>2,965,903</b>
Non-controlling interests	24)	223,988	206,049
<b>Total equity</b>		<b>3,436,384</b>	<b>3,171,952</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	25)	1,268,987	1,300,833
Other provisions	26)	113,318	112,694
Financial liabilities	27)	1,549,013	1,186,183
Trade accounts payable	29)	2,897	4,639
Other liabilities	29)	51,307	37,795
of which financial liabilities		(16,936)	(11,346)
Deferred tax liabilities		117,897	108,702
		<b>3,103,419</b>	<b>2,750,846</b>
<b>Current liabilities</b>			
Other provisions	26)	61,162	48,670
Financial liabilities	27)	675,508	805,945
Trade accounts payable	29)	481,009	438,240
Other liabilities	29)	726,243	716,917
of which financial liabilities		(319,960)	(309,985)
Current income tax liabilities		42,224	49,238
		<b>1,986,146</b>	<b>2,059,010</b>
<b>Total liabilities</b>		<b>5,089,565</b>	<b>4,809,856</b>
<b>Total equity and liabilities</b>		<b>8,525,949</b>	<b>7,981,808</b>

## CONSOLIDATED ASSET ANALYSIS

	Costs of acquisition and manufacture					
	Jan. 1, 2017	Foreign currency translation	Additions to scope of consolidation	Disposals from scope of consolidation	Additions	Transfers
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Intangible assets</b>						
Acquired goodwill	204,808	-2,980	61,393	0	1,823	1,576
Licenses, trademarks, and other similar rights	544,740	-20,952	55,465	-28	29,455	35,972
Internally created intangible assets	121,866	-14,364	0	0	11,060	0
Advance payments	106,056	-19	0	0	37,603	-32,414
<b>Total</b>	<b>977,470</b>	<b>-38,315</b>	<b>116,858</b>	<b>-28</b>	<b>79,941</b>	<b>5,134</b>
<b>Property, plant, and equipment</b>						
Land and buildings	2,149,092	-69,876	13,362	0	44,003	99,959
Technical plants and machinery	3,195,362	-117,298	12,092	-97	116,497	246,801
Other plants, operating and office equipment	1,040,075	-50,887	2,367	-326	78,303	41,233
Advance payments and assets under construction	709,445	-35,195	5	0	455,635	-393,127
<b>Total</b>	<b>7,093,974</b>	<b>-273,256</b>	<b>27,826</b>	<b>-423</b>	<b>694,438</b>	<b>-5,134</b>
<b>Financial investments</b>						
Financial investments (equity method)	389,369	-332	0	0	81,792	-15,567
Other holdings	36,736	0	0	-102,969	96,855	15,567
Loans to companies in which the Group holds an interest	392	-7	0	0	1,774	0
Securities	5,373	0	0	0	372	0
Other loans	10,372	-4	0	0	13,792	0
<b>Total</b>	<b>442,242</b>	<b>-343</b>	<b>0</b>	<b>-102,969</b>	<b>194,585</b>	<b>0</b>
	<b>8,513,686</b>	<b>-311,914</b>	<b>144,684</b>	<b>-103,420</b>	<b>968,964</b>	<b>0</b>

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

Disposals	Changes in fair value	Dec. 31, 2017	Depreciation and amortization				Carrying amounts	
			Accumulated 2016	Fiscal year 2017	Other changes*	Accumulated 2017	Dec. 31, 2017	Dec. 31, 2016
			€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
0	0	266,620	503	0	0	503	266,117	204,305
-4,223	0	640,429	335,488	41,908	-20,519	356,877	283,552	209,252
0	0	118,562	18,144	6,613	-2,393	22,364	96,198	103,722
-47	0	111,179	0	0	0	0	111,179	106,056
<b>-4,270</b>	<b>0</b>	<b>1,136,790</b>	<b>354,135</b>	<b>48,521</b>	<b>-22,912</b>	<b>379,744</b>	<b>757,046</b>	<b>623,335</b>
-5,541	0	2,230,999	615,246	61,918	-28,962	648,202	1,582,797	1,533,846
-48,715	0	3,404,642	1,806,742	208,065	-119,499	1,895,308	1,509,334	1,388,620
-26,762	0	1,084,003	680,164	89,998	-61,246	708,916	375,087	359,911
-4,943	0	731,820	4,486	1,664	-3,545	2,605	729,215	704,959
<b>-85,961</b>	<b>0</b>	<b>7,451,464</b>	<b>3,106,638</b>	<b>361,645</b>	<b>-213,252</b>	<b>3,255,031</b>	<b>4,196,433</b>	<b>3,987,336</b>
703	0	455,965	0	0	0	0	455,965	389,369
-12,860	0	33,329	29	0	0	29	33,300	36,707
0	0	2,159	0	0	0	0	2,159	392
-9	0	5,736	2,519	106	0	2,625	3,111	2,854
-721	0	23,439	20	0	0	20	23,419	10,352
<b>-12,887</b>	<b>0</b>	<b>520,628</b>	<b>2,568</b>	<b>106</b>	<b>0</b>	<b>2,674</b>	<b>517,954</b>	<b>439,674</b>
<b>-103,118</b>	<b>0</b>	<b>9,108,882</b>	<b>3,463,341</b>	<b>410,272</b>	<b>-236,164</b>	<b>3,637,449</b>	<b>5,471,433</b>	<b>5,050,345</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

See notes 22–24	Subscribed Capital	Capital reserves
	€ '000	€ '000
<b>January 1, 2016</b>	<b>800,000</b>	<b>10,226</b>
Dividend of B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
<b>Changes recognized directly in equity (after taxes)</b>		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
<b>Comprehensive income over the period</b>	<b>0</b>	<b>0</b>
Other changes	0	0
<b>December 31, 2016/January 1, 2017</b>	<b>800,000</b>	<b>10,226</b>
Dividend of B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
<b>Changes recognized directly in equity (after taxes)</b>		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
<b>Comprehensive income over the period</b>	<b>0</b>	<b>0</b>
Other changes	0	0
<b>December 31, 2017</b>	<b>800,000</b>	<b>10,226</b>

	Retained earnings	Other reserves	Treasury stock	Equity attributable to owners	Non-controlling interests	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
	<b>1,990,253</b>	<b>-90,483</b>	<b>0</b>	<b>2,709,996</b>	<b>190,380</b>	<b>2,900,376</b>
	-32,000	0	0	-32,000	0	-32,000
	0	0	0	0	0	0
	373,321	0	0	373,321	22,681	396,002
	0	155	0	155	10	165
	0	-4,237	0	-4,237	-288	-4,525
	-131,731	0	0	-131,731	-889	-132,620
	0	64,740	0	64,740	2,646	67,386
	<b>241,590</b>	<b>60,658</b>	<b>0</b>	<b>302,248</b>	<b>24,160</b>	<b>326,408</b>
	-14,341	0	0	-14,341	-8,491	-22,832
	<b>2,185,502</b>	<b>-29,825</b>	<b>0</b>	<b>2,965,903</b>	<b>206,049</b>	<b>3,171,952</b>
	-32,000	0	0	-32,000	0	-32,000
	0	0	0	0	0	0
	393,234	0	0	393,234	18,244	411,478
	0	-31	0	-31	0	-31
	0	8,049	0	8,049	700	8,749
	38,014	0	0	38,014	1,607	39,621
	0	-177,138	0	-177,138	-14,023	-191,161
	<b>431,248</b>	<b>-169,120</b>	<b>0</b>	<b>262,128</b>	<b>6,528</b>	<b>268,656</b>
	16,365	0	0	16,365	11,411	27,776
	<b>2,601,115</b>	<b>-198,945</b>	<b>0</b>	<b>3,212,396</b>	<b>223,988</b>	<b>3,436,384</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 € '000	2016 € '000
Operating profit		546,393	582,172
Income tax paid		-158,959	-145,883
Depreciation and amortization of property, plant, and equipment and intangible assets (net of appreciation)		410,166	377,653
Change in non-current provisions		-17,213	232,131
Interest received and other financial income		4,812	5,215
Interest paid and other financial expenditure		-42,253	-43,540
Other non-cash income and expenses		82,736	-259,230
Gain/loss on the disposal of property, plant, and equipment and intangible or other assets		2,398	4,691
<b>Gross cash flow</b>	<b>34)</b>	<b>828,080</b>	<b>753,209</b>
Change in inventories		-98,573	-57,988
Change in receivables and other assets		-148,080	-16,782
Change in liabilities, current provisions and other liabilities (excluding financial liabilities)		73,679	144,340
<b>Cash flow from operating activities (net cash flow)</b>	<b>34)</b>	<b>655,106</b>	<b>822,779</b>
Investments in property, plant, and equipment and intangible assets		-747,294	-739,826
Investments in financial assets		-94,873	-42,898
Acquisitions of subsidiaries, net of cash acquired		-90,438	-20,705
Proceeds from sale of subsidiaries and holdings		13,537	3,265
Proceeds from sale of property, plant, and equipment, intangible assets and other financial assets		4,499	3,804
Dividends and similar revenues received		23,933	13,277
<b>Cash flow from investing activities</b>	<b>35)</b>	<b>-890,636</b>	<b>-783,083</b>
<b>Free cash flow</b>		<b>-235,530</b>	<b>39,696</b>
Capital contributions		5,935	2,271
Dividends paid to B. Braun Melsungen AG shareholders		-32,000	-32,000
Dividends paid to non-controlling interests		-7,743	-9,451
Deposits and repayments for profit-sharing rights		-283	-88
Loans		487,347	340,316
Loan repayments		-268,480	-290,929
<b>Cash flow from financing activities</b>	<b>36)</b>	<b>184,776</b>	<b>10,119</b>
<b>Change in cash and cash equivalents</b>		<b>-50,754</b>	<b>49,815</b>
Cash and cash equivalents at the start of the year		90,456	62,958
Exchange gains (losses) on cash and cash equivalents		26,669	-22,317
<b>Cash and cash equivalents at year end</b>	<b>37)</b>	<b>66,371</b>	<b>90,456</b>

## INFORMATION ABOUT THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The annual report 2017 only include an abbreviated version of B. Braun's Consolidated Financial Statements. The complete Notes to the Consolidated Financial Statements can be found on the B. Braun website at <http://www.bbraun.com/ar2017>. The link and QR code below will take you directly to the annual report section on our website.



[www.bbraun.com/ar2017](http://www.bbraun.com/ar2017)



## NOTE CONCERNING THE INDEPENDENT AUDITORS' REPORT

Our complete Consolidated Financial Statements and Group Management Report, each intended for publication in the online edition of the German Federal Gazette (Bundesanzeiger), were certified with an unqualified audit opinion by our auditors, PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft on February 26, 2018. The independent auditors' report did not contain any objections.

## REPORT OF THE SUPERVISORY BOARD

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

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

Special topics of the Supervisory Board's deliberations were reports on ongoing major investment projects, on the investment in Rhön-Klinikum AG, the presentation of the Africa strategy and the resolution concerning further implementation of the "German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector." Furthermore, the start-up costs of selected projects and new product launches in the Hospital Care division were presented. In addition, the Supervisory Board received the 2016 personnel report. The Supervisory Board discussed and adopted the 2017 earnings expectations, and also deliberated on transactions that required its approval in accordance with the articles of incorporation.

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

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

The subjects of the audit committee's two consultations were, in particular, the individual and consolidated 2017 financial statements of B. Braun Melsungen AG, prepared by the Management Board, the current course of business development, the working through of audit findings, and the annual report from internal auditing on performed audits, and the auditing plan and priorities. In addition, the audit committee received the compliance report of B. Braun Melsungen AG and the Management Board's risk report. Other topics were status reports on the current situation in Brazil and Columbia. Planning for the year-end audit was also presented. The audit committee reported on these topics during the Supervisory Board sessions and put forward its recommendations.

The personnel committee of the Supervisory Board met three times in 2017. At its meeting on March 27, 2017, it proposed to the Supervisory Board the allocation of profit participation rights according to the B. Braun Incentive Scheme to the members of the Management Board, a resolution on the annual objectives of individual board members, and the determination of the annual fixed salary of the board members. The Supervisory Board approved the allocation and the resolutions in its session on March 28, 2017. In addition, the personnel committee proposed to the Supervisory Board that Ms. Anna Maria Braun be appointed as a full member of the Management Board effective April 1, 2017. The Supervisory Board confirmed the appointment, as well. In its meeting on July 11, 2017, the personnel committee recommended that Dr. Joachim Schulz be appointed as a full member of the Management Board for three years effective August 1, 2017. The Supervisory Board confirmed the appointment in its subsequent session. In its meeting on December 5, 2017, the personnel committee recommended to the Supervisory Board that Dr. Meinrad Luga be reap-



→ Front row from left:

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

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

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

**BARBARA BRAUN-LÜDICKE**  
Businesswoman, Melsungen

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

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

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

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

→ Second row from left:

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

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

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

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

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

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

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

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

\* Chosen by the employees

pointed as a full member of the Management Board until September 30, 2023. The Supervisory Board formulated the resolution accordingly in its subsequent session and confirmed the appointment. Discussions regarding general human resources topics and the further implementation of the "German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector" were other components of the 2017 personnel committee sessions.

Prof. Hanns-Peter Knaebel has resigned as a member of the Management Board for personal reasons, effective April 11, 2017. This was confirmed by the Supervisory Board on the same day by circular resolution. The Supervisory Board expresses its thankful appreciation to Prof. Knaebel for his eight years of service to the B. Braun organization.

B. Braun Melsungen AG's financial statements and management report for the fiscal year 2017, prepared by the Management Board, the Group's consolidated financial statements, and the consolidated management report were audited by the PricewaterhouseCoopers AG accounting firm, Kassel, Germany, which was appointed the auditor of annual accounts at the annual meeting on March 28, 2017. The auditor raised no objections and issued an unqualified audit opinion.

The statutory auditor participated in the discussions of the Supervisory Board and the audit committee regarding the financial statements and the consolidated financial statements, and reported on the main findings of its audit. The Supervisory Board's review of the financial statements, the management report, and the proposal for appropriation of the net profit of B. Braun Melsungen AG, as well as the consolidated financial statements and the Group management report, led to no objections in corre-

spondence with the results of the independent auditors' report. We have therefore approved the financial statements compiled by the Management Board, which are thereby recorded in accordance with § 172 AktG.

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

The Management Board created a report on the relationships with associated companies for the 2017 fiscal year, in accordance with § 312 AktG. The Supervisory Board has reviewed this report; no objections have been raised. The independent auditor has reviewed the report and issued the following audit certificate:

"On completion of our audit in accordance with professional standards, we confirm that 1. the factual statements made in the report are correct, 2. the company's compensation with respect to the transactions listed in the report was not inappropriately high."

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

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

Melsungen, March 2018  
The Supervisory Board

## GLOSSARY

### A

#### **Active sourcing**

Measures for identifying promising employees on the external labor market.

#### **Affordable Care Act**

Federal law in the United States enacted under the Obama administration in 2010 (Obamacare) to regulate access to health insurance.

#### **Aneurysmen-Clips**

Product for clamping aneurysms, an expansion of the cross-section of arteries due to congenital or acquired changes to vessel walls.

#### **Angioplasty**

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

#### **Asset Backed Securities (ABS)**

Bonds or notes secured by accounts receivable.

### B

#### **BG RCI**

Professional association of the raw materials and chemicals industry.

#### **Biologization**

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

#### **Brexit**

Withdrawal of the United Kingdom from the European Union.

### C

#### **Cardio-thoracic surgery**

Organ surgery in the region of the chest.

#### **Cash Pooling**

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

#### **Centers of Excellence (CoEs)**

Centers within the global B. Braun organization, incorporating research, development, manufacturing and marketing for specific product groups.

### **CEO Fraud**

CEO fraud is a scam method in which companies are manipulated into transferring money by the use of false identities.

### **CETA**

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

### **CIW**

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

### **Code of Conduct**

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

### **Compliance**

Adherence to rules, laws and the company's voluntary codes of conduct.

### **Compounding**

Manufacturing of patient-specific solutions.

### **Continuing Professional Development provider (CPD)**

Provider for establishing processes for continuous further development of individuals and groups in order to integrate both technical as well as organizational and ethical-societal competencies and professionalism.

### **Corporate Governance**

The organizational framework for management and supervision of the company which is largely defined by lawmakers and the company's owners.

### **CT**

Computer tomography (CT) is an imaging examination procedure used for diagnostics purposes.

## D

### **Derivative financial instruments**

Forward transactions for securing interest and currency positions against risks that result from market interest and exchange rate fluctuations.

### **Dialysis**

A blood cleansing process.

### **Disaster recovery plan**

A defined plan for handling a company with a possible disaster in order to minimize effects and to be able to quickly resume critical business processes.

### **DPO**

A key performance indicator; short for Days Payables Outstanding. Describes the period of time between the date the invoice is received and the date payment is made.

## **DSO**

A key performance indicator; short for Days Sales Outstanding. Describes the period of time between the invoicing date and the date payment is received.

### **Dual Sourcing**

An element of procurement strategy in which the same goods are purchased from different suppliers in order to minimize the risk of supply interruptions.

## E

### **EBIT**

A key performance indicator; short for Earnings before Interest and Taxes.

### **EBITDA**

A key performance indicator; short for Earnings before Interest, Taxes, Depreciation and Amortization.

### **EBITDA margin**

Key performance indicator. EBITDA as a percentage of sales.

## **eHealth**

Collective term for the use of digital technologies in health care.

### **Elastomeric Pumps**

Infusion pump for one-time use, which enables the safe and simple infusion of medications at home, independently of external power sources.

### **EMAS**

Abbreviation for Eco Management and Audit Scheme, also known as Eco Audit. EMAS was developed by the European Union and covers environmental management and environmental auditing for organizations who want to improve their environmental performance.

### **EN ISO 14001**

An international environmental management standard that establishes globally recognized requirements for environmental management systems.

## **EN ISO 9001**

An international standard that establishes globally recognized requirements for quality management systems.

### **Endoprosthesis**

An implant that is placed inside the body to permanently replace a missing body part.

### **Enteral nutrition**

Artificial food supply and intake via the gastrointestinal tract by means of a tube or a stoma, without the natural use of the oral and pharyngeal cavity.

### **Equity method**

Accounting method for recognition of long-term investments in the financial statements of a company that has significant control over another company. The carrying amount – as based on the acquisition costs of the investment – is subsequently adjusted to account for the investor's share in the company's income or loss.

## EU

European Union  
– conglomerate of 28 member nations, currently.

## F

### FDA

Acronym for Food & Drug Administration, a US government agency.

### Fiscal policy

Instruments employed by the government to manage fluctuations in the economy by means of taxes and government spending.

## G

### GDP

Acronym for Gross Domestic Product.

### GDPR

General Data Protection Regulation or Datenschutz-Grundverordnung (DSGVO).

### GIZ

German Federal Enterprise for International Cooperation.

### Goodwill

This represents an intangible asset resulting from the purchase of another

company or the purchase of shares in another company.

## H

### Hemodialysis

A special blood cleansing process that utilizes the principle of osmosis, i. e. the equalization of concentrations of small-molecule substances in two liquids separated by a semi-permeable membrane.

## HES

Hydroxyethyl starch (HES) is an artificially produced polymer, which is used as blood plasma replacement.

## I

### IAS

Abbreviation for International Accounting Standards for businesses, issued by the International Accounting Standards Board (IASB).

### IEC/TR 62653

Guideline for safe operation of medical equipment used for hemodialysis treatment.

## IMF

Acronym for International Monetary Fund. The IMF is a United Nations organization based in Washington, D.C. in the USA.

### Incident management

Incident management or fault management encompasses the entire organizational and technical process of responding to known or suspected safety incidents or faults, as well as preparatory measures and processes.

### ISO guidelines

Guidelines that are developed and published by the International Organization for Standardization (ISO).

## K

### KRITIS

IT security law for the protection of critical infrastructures.

## L

### Lumbar and cervical pedicle screw systems

Lumbar means "belonging to the loin region"

or "relating to the loin." Cervical means relating to "the neck" or "the cervical vertebra."

## M

### Medical Device Regulation (MDR)

On May 25, 2017, a new regulation (EU) 2017/745 on medical products went into force. This is also called Medical Device Regulation (MDR).

### Miethke shunts

Artificial bypass connection with fluid overflow between separate vessels or cavities.

### Minimally invasive surgery

A surgical method designed to minimize injury to the skin and soft tissue.

## N

### NATO (North Atlantic Treaty Organization)

International alliance of 29 European and North American member nations on the basis of the North Atlantic Treaty with the goal of domestic security and global stability.

**Net financial liabilities**

The portion of interest-bearing borrowed capital that is still owed after deducting all available liquid funds. The B. Braun Group calculates net financial liabilities as follows: financial liabilities minus liquid funds and securities.

**North America Free Trade Agreement**

(NAFTA): economic treaty between Canada, USA and Mexico.

**O**

**OEM business**

Manufacturing of products that are not sold under one's own brand.

**OHSAS 18001**

Abbreviation for Occupational Health and Safety Assessment Series. OHSAS 18001 is a standard that establishes globally recognized requirements for occupational health and safety management systems.

**Oncology**

Subfield of medicine that deals with tumor diseases.

**OPEC (Organization of Petroleum Exporting Countries)**

OPEC is an international organization founded in 1960, with headquarters in Vienna.

**P**

**Parenteral nutrition**

Supplying nutrients intravenously by bypassing the gastrointestinal tract.

**Payer Swap**

Also known as an interest rate swap (IRS). An instrument in which a party agrees to pay a fixed interest rate and receive a floating rate.

**Pen needle**

A needle for subcutaneous (under the skin) injection of medications in predefined quantities using an injection pen or device.

**Peripheral nerve blockage**

Blockage of the nerves that emerge from the brain and the spinal cord and are connected to muscles or the skin in order to transfer information (e.g. pain) to the brain.

**R**

**Regenerative medicine**

Scientific field of medicine that deals with therapy for various illnesses, with the primary goal of reestablishing and repairing damaged or entirely destroyed biological material, such as cells, tissue, bone, or organs.

**Renal insufficiency**

Decreased function of one or both kidneys.

**S**

**Stent**

A small mesh tube (scaffold) that is used to hold open an artery.

**Stoma**

Surgically created connection between a hollow organ and the skin and having an opening to the outside. A stoma is permanently or temporarily placed.

**T**

**Targeted drug delivery**

Targeted and selective enrichment or release of a medication at one or more desired target sites for increasing effectiveness and impact and reducing systematic side effects.

**Telemedicine**

Diverse medical care concepts in which medical health care services in the fields of diagnostics, therapy, rehabilitation, and medical decision consulting are provided over geographical distances (or offset time). Information and communication technology are used for this.

V

**VCI**

Acronym for Verband der Chemischen Industrie (German Chemical Industry Association).

**Virtual reality**

Virtual reality (VR) is a computer-generated reality with imaging (3D).

**Visceral surgery**

The surgical treatment of abdominal organs.

**VR render system**

A system for generating a "virtual reality" (see above) through image synthesis, the creation of a graphic from a diagram, model or raw data.

W

**Working capital**

Key performance indicator. Inventories plus current trade accounts receivable less current trade accounts payable.

# IMPRINT

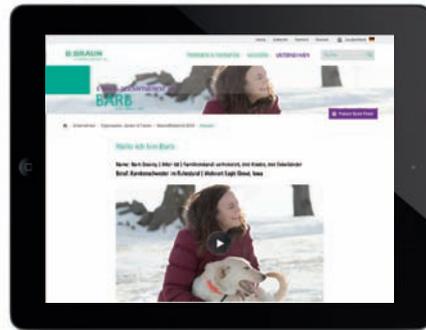
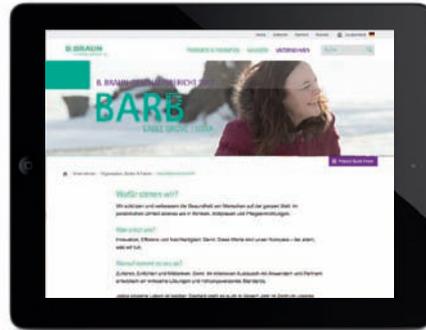
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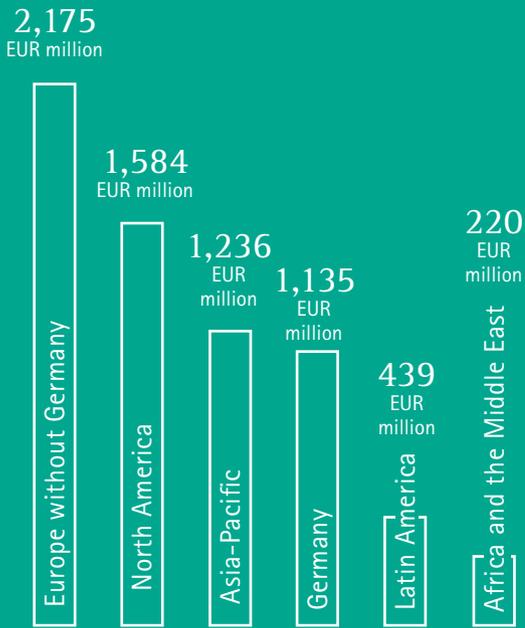
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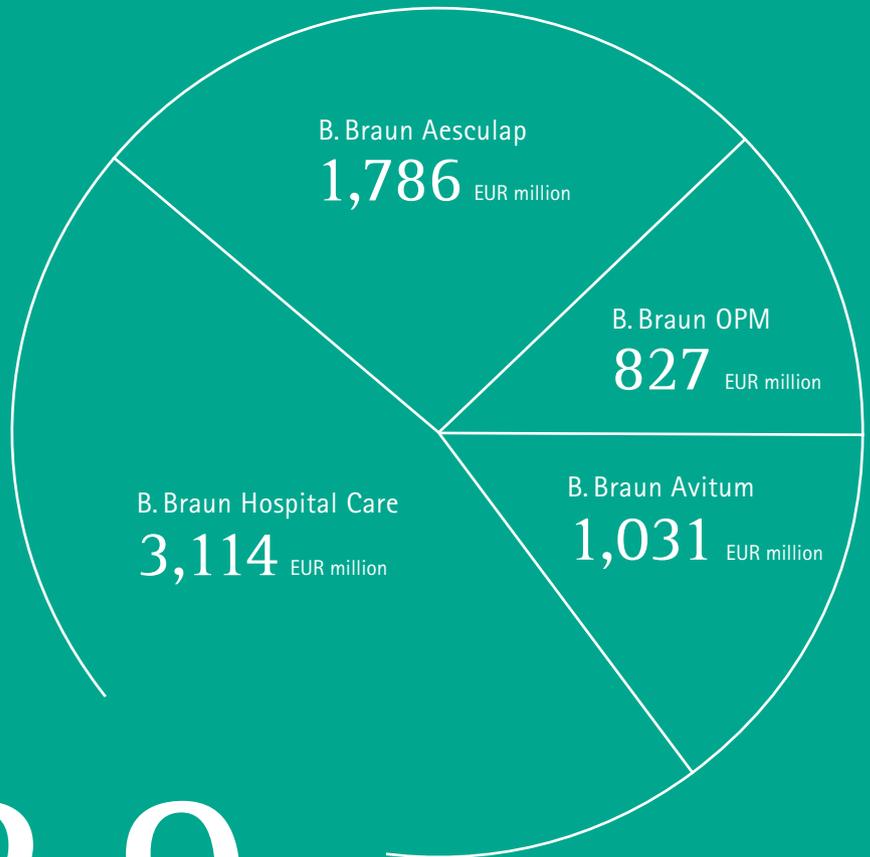
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## SALES BY REGION



## SALES BY DIVISION



## SALES

**6,788.9** EUR million



CORPORATE SOCIAL RESPONSIBILITY PROJECTS

## COUNTRIES



**61,583**  
EMPLOYEES



## RESEARCH AND DEVELOPMENT ACTIVITIES



## INVESTMENTS



