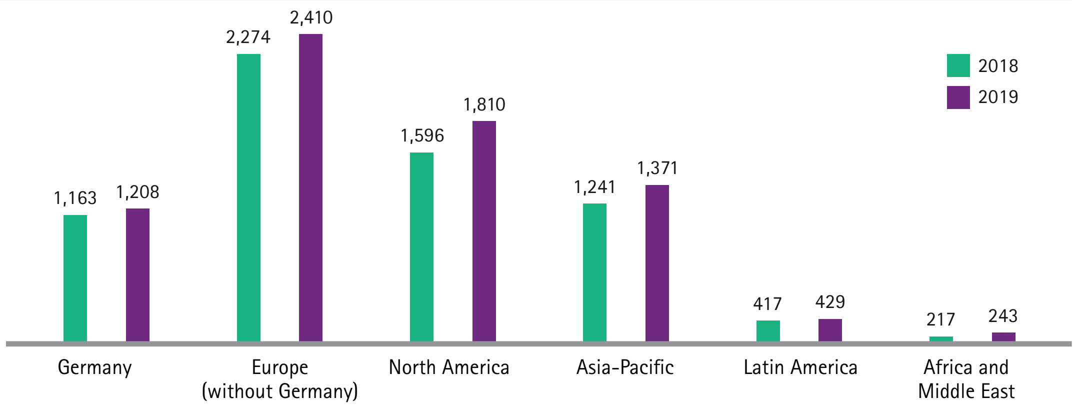
B|BRAUN
SHARING EXPERTISE

ANNUAL REPORT 2019

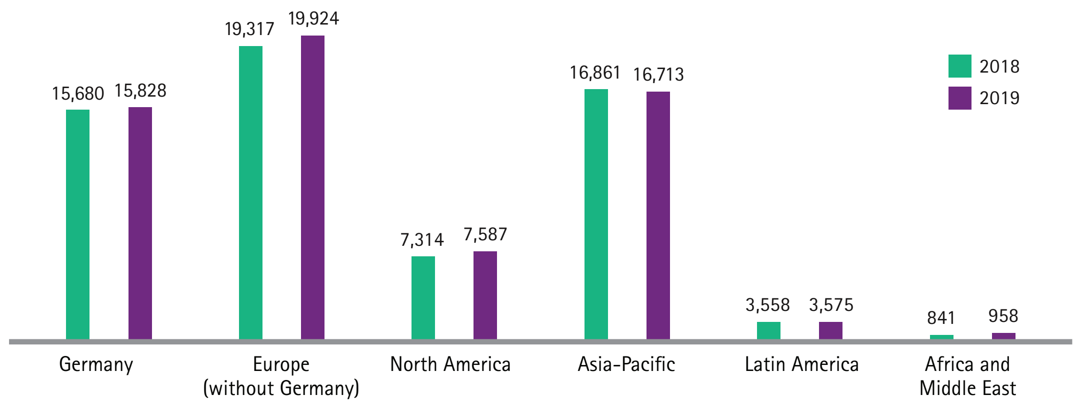
STATEMENT OF INCOME

	2018 € million	2019 € million	Change in %
Sales	6,908.1	7,471.3	8.2
Cost of goods sold	3,971.9	4,444.9	11.9
Gross profit	2,936.2	3,026.5	3.1
Functional expenses	2,403.0	2,551.1	6.2
Selling and general administrative expenses	2,079.5	2,186.6	5.2
Research and development expenses	323.5	364.5	12.7
Interim profit	533.2	475.4	-10.8
Profit before taxes (adjusted)	451.6	400.2	-11.4
Consolidated net income (adjusted)	328.4	288.5	-12.2
EBIT (adjusted)	520.6	480.0	-7.8
EBITDA	952.5	1,079.1	13.3

SALES BY REGION
(in € million)



EMPLOYEES BY REGION



CONTENT

MANAGEMENT BOARD

(Front from left to right)

DR. ANNETTE BELLER | Finance, Taxes and Central Services

DR. JOACHIM SCHULZ | Aesculap Division

ANNA MARIA BRAUN, LL.M. | CEO, Human Resources, Legal Affairs and Director of Labor Relations

(Back from left to right)

MARKUS STROTMANN | B. Braun Avitum Division

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

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

EMBARKING ON TO NEW PATHS TOGETHER

Dear Readers,

2019 was a challenging year for B. Braun, a year which saw us seizing opportunities and bringing about change. It was a year in which our sales increased by eight percent, to a total of more than 7.4 billion euros. We are especially pleased that all divisions and regions contributed to this positive development. This is a clear indicator that our products and services offer our customers compelling health care solutions.

We intend to further improve our products and services to provide for continued growth in the future. This is why we expanded our capacities in our core businesses in 2019. For example, remodeling and upgrading our facilities in Berlin, automating the manufacturing of sutures in Spain and expanding the production capacity of continence products in France. We continued our investment program in the U.S. and expanded our network of dialysis centers as well.

We focused particularly on digital product innovations such as wirelessly integrated infusion pumps, a surgical microscope with 3-D visualization and our new ultrasound system for improved treatment during peripheral nerve blocks. With our home dialysis concept, dialysis patients can experience the advantages of outpatient care, a report to be found here: ("New freedom") .

Our profitability in 2019 was within the expected range, but we were not satisfied with it. It was strained by mounting regulatory requirements, such as the traceability of drugs – "Track and Trace" - and the new European Medical Device Regulation –MDR- ("New world"). Additional resources were directed towards standardizing and harmonizing our manufacturing and distribution processes to enable us to increase our utilization of digital technologies.

In 2020, as in 2019, we will remain disciplined in deploying our resources while focusing on projects related to our core businesses and our digital

transformation. The standardization of processes in manufacturing, sales and human resources will support us in achieving these goals. These activities will free up resources for additional innovations, which we will utilize to provide our customers with convincing solutions. Together with health care providers and patients, we will explore new paths that will continue to place patients and their health at the center of our activities ("New perspectives").

More than 64,000 committed and qualified B. Braun employees will carry us through these exciting times. Their diversity provides the foundation for actively shaping change. On all our new paths, we are guided by Sharing Expertise, the exchange of experience, know-how and different perspectives in a transparent, trusting and appreciative corporate culture.

We will continue to grow from our own resources, with innovation, efficiency and sustainability to protect and improve the health of people around the world.

Anna Maria Braun
Chief Executive Officer

NEW PERSPECTIVES

Technological and demographic change is confronting the health care system with unprecedented challenges. In order to find out how much people in the 21st century are responsible for their own health and what they need to be aware of, we invited experts from medicine, health insurance companies and the health care industry to participate in a workshop with patients. In the “Neue Denkerei” innovation laboratory in Kassel, these multidisciplinary experts worked on novel solutions for new challenges—without limiting their thinking or wearing blinders.

Dr. Stefan Boesner doesn’t know the answer. But only when he’s asked about his presentation. The general practitioner and university professor from Marburg has just presented a new idea about how to get patients to take better care of their health with the help of pictures, slides and Lego blocks. The 53-year-old developed the product with a health insurance company representative, a stoma patient and an IT entrepreneur. Workshop leader Zwetana Penova wants to know what the product should be named. Bösner shrugs. His gesture seems to ask: Does it really matter? Isn’t it much more interesting to ask if the product would work in reality? “Healthpal”, suggests one of the group. Stefan Bösner smiles. Not bad.

Six hours earlier: Ten people from all over Germany meet for the first time in the “Neue Denkerei” co-creation space, a former print shop in the heart of Kassel. High walls, heavy steel beams, many movable walls with colorful graphics and workshop materials. Each participant has special expertise – Big Data, medical knowledge, user experience (UX), philosophy, management, and, above all, life experience. The questions: How can the system empower individuals to maintain their health? And how much responsibility does the individual actually bear?

Big questions. The workshop participants are looking for concrete and unexpected answers. The markers come out, ideas are thrown on the wall and clustered. Construction of the prototypes begins.

Educational programs? Training devices? Apps? If you would like to know which prototypes were developed in the workshop and how innovation can work in a sector as complex as the health care industry …

PLEASE CLICK HERE

WHAT THE PARTICIPANTS SAY ABOUT THE WORKSHOP

» It's a paradox: All too often, during discussions we think only in solutions. But this tunnel vision means that we lack the creativity needed to find truly innovative solutions to problems.

Prof. Dr. Dr. Dr. Dominik Groß, Director of the Institute for History, Theory and Ethics of Medicine at the University of Aachen, Germany

» We know what's good for health. Millions of people wear fitness bracelets, use health apps, and get "knowledge" from Dr. Google. We have more data than ever before. But are we drawing the right conclusions? Why don't we use this enormous knowledge? We have to find new ways to do this.

Dr. Meinrad Lugan, Member of the Management Board of B. Braun Melsungen AG, Board Member MedTech Europe, Chairman of BVMed (German Medical Technology Association)

» When the health system is debated in Berlin, everyone comes wearing armor and helmets and defends their own interests. It was truly liberating to work with experts without these barriers.

Dr. Julia Schröder, Head of Health Promotion, BKK (health insurance) umbrella organization

NEW FREEDOM

More and more people are taking care of themselves at home with therapies that used to involve intensive hospital stays. Many patients are regaining control over their lives – and saving health care system resources at the same time.

Claudia and Matthias Hatscher have a special hobby: the married couple in their forties love Marvel films. They used to go to the movies frequently together to watch "Iron Man" or "The Incredible Hulk". They also visited Cologne's gaming convention Gamescom every year. Beginning in 2018, this became almost impossible. After a heart attack and due to various pre-existing conditions, Matthias's kidneys grew weak. A kidney transplant failed and he needed dialysis ...

Do you want to know how home care therapies give freedom to people around the world and how the Hatschers were able to go to the movies again on a regular basis?

PLEASE CLICK HERE

WHAT DO THE EXPERTS SAY ABOUT HOME THERAPY?

» Home dialysis has major advantages, even from a medical perspective. People who receive their treatment at home can be healthier and can have better results than patients in dialysis centers.

Simone Klein, Head of the Home Hemodialysis Service
at B. Braun in Germany

» The key to successful treatment at home is the fact that the patients are not alone. Having family or friends to help out and competent caregivers to monitor the treatment is crucial.

Prof. Dr. Heike Spaderna, Professor for Health Psychology
at the University of Trier, Germany

» Patients who are supported by us at home and give themselves infusions not only have a better quality of life, but they are also less likely to have a relapse of their respective condition or suffer from complications, and they recover quicker overall.

Zbigniew Zapalowski, Business Manager at B. Braun Sheffield
and responsible for the Home Parenter-al Nutrition Program in Great Britain

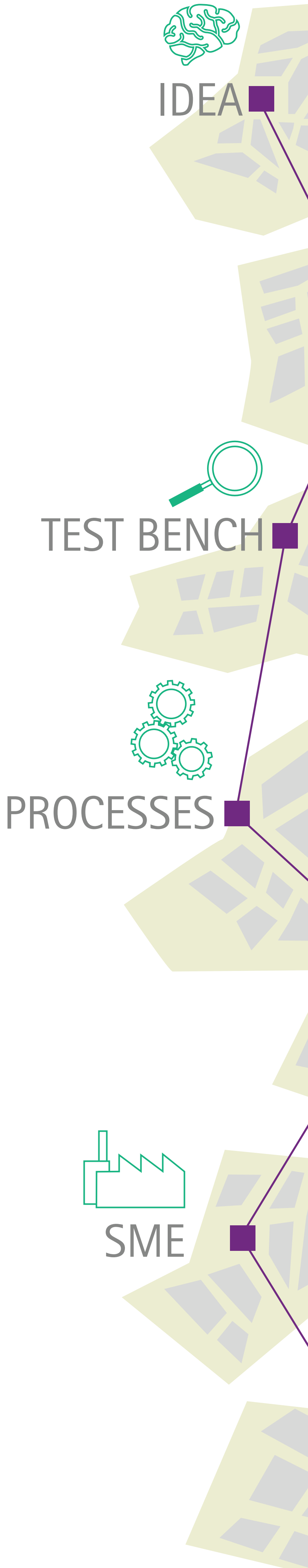
NEW WORLD

Starting May 26, 2020, the Medical Device Regulation (MDR) is expected to apply in the member states of the European Union. After years of discussion, the new framework will be a reality. And manufacturers, government agencies, regulatory bodies, and consumers must conform with it. Where do we stand? Does the MDR increase patient safety? Or is the innovative power of the industry weakened? And: What do we do now? An exclusive B. Braun survey at all levels of the health care system: One reform. Seven stations. Seven opinions.

STATION 1: THE IDEA

Andreas Schwab has been a member of the European Parliament since 2004. And the member of the German CDU party has been dealing with the MDR for almost the entire time. “The pressure on politicians was enormous,” says Schwab, “and the media coverage was quite biased. It has made our work difficult.” In May 2017 the MDR was adopted. The three-year transition period for the first device classes is expected to end. But Andreas Schwab knows that the topic will keep him busy for a long time to come.

» In 2010, defective breast implants from the manufacturer Poly Implant Prothèse caused outrage in France. The way this company conducted business did not comply with the regulations, even given the context of that time. However, the so-called PiP scandal made it clear that there was a lack of efficient controls. For the first time, the MDR now sets a uniform application of regulations in Europe. There are also unannounced inspections. We must ensure that all products meet the most modern standards in order to guarantee the best possible patient safety. Some time ago I raised concerns that the European Parliament was too ambitious in terms of the deadlines for implementation. But this has since been improved. What we need for the implementation of the MDR is a combination of orderliness and speed. «



STATION 2: THE STRATEGY

At the end of 2019, the European Commission postponed the deadlines for Class I devices, such as reusable surgical instruments, must be certified according to the new regulation. But does that help the manufacturers? The B. Braun Aesculap Division has been manufacturing medical devices in Tuttlingen since 1867. B. Braun board member Dr. Joachim Schulz explains why there is no way back.

» The MDR has clear advantages for patients. For example, I think it's true that manufacturers can no longer merely rely on the equivalence principle for the approval of Class III devices such as implants. They must carry out new clinical trials. However, if we have to prove that a design for surgical scissors, some of which we have been producing and supplying for over 100 years, can be sterilized through steam sterilization, unnecessary resources are tied up and our innovative strength is reduced.
The MDR has created a new world. 50 to 60 percent of our employees in the development and regulatory affairs departments are currently engaged in maintaining documentation for existing devices. As a large company, B. Braun at least has the opportunity to perform many of the tests now required in-house. And we do not intend to rest on our laurels, instead we look to the future. Technologies are changing rapidly: developments such as effective surfaces that prevent inflammation, or the robotization of the operating room, hold enormous potential. Honestly, we'd rather invent groundbreaking devices than pore over files.«

MDR is changing an entire industry: Would you like to know how the TÜV SÜD notified body is dealing with the rush of inquiries? Why do medical ethicists already consider the reform to be outdated today? And what effects do these regulations have on hospitals and medical practices? Join us on a journey with seven stops through the post-MDR world.

PLEASE CLICK HERE

GROUP
MANAGEMENT REPORT

FIVE-YEAR OVERVIEW

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

ABOUT THE B. BRAUN GROUP

BUSINESS MODEL

B. Braun is a global manufacturer of medical technology and pharmaceutical products as well as provider of medical services. The Group employs 64,585 employees in 64 countries. B. Braun is a system provider that develops effective solutions and innovative standards in 16 therapeutic areas in the health care industry in close cooperation with users and partners. Its goal is to protect and improve the health of people around the world. The B. Braun product range comprises a total of 5,000 products, 95% of which are manufactured by the company. These include the solutions and consumables required for infusion, nutrition and pain therapy, infusion pumps and systems, disinfection products, surgical instruments, suture materials, hip and knee implants, dialysis equipment and accessories for extracorporeal blood treatment, as well as products for ostomy care, and diabetes and wound management. The Group also operates its own renal care centers as well as offering services and consulting for optimizing hospital processes, making them safer and more efficient. B.Braun prepares patients and their families for at-home care. In addition to purely academic courses, the Aesculap Academy organizes and conducts training in the safe use of products as well as classic product training for hospitals and private practices. Under Bibliomed, a medical, nursing and health care management publisher, B. Braun regularly publishes professional journals for nursing and hospital staff. Bibliomed also organizes conventions, including the annual German hospital leadership summit and the German Nursing Convention. All 16 B. Braun therapeutic areas and applications are managed across four divisions: Hospital Care, Aesculap, Out Patient Market and B. Braun Avitum.

B. Braun Hospital Care

The Hospital Care division considers itself the first choice for products and services by offering the best possible care to patients in the areas of infusion therapy, nutrition therapy and pain therapy. The portfolio includes infusion and nutrition solutions, as well as specific medications. Products for preparing medications, intravenous catheters with safety features and central venous catheters for vascular complete access as well as an extensive range of infusion pumps, consumables, and infusion devices and accessories for safe application complete the division's system portfolio. The products from the Hospital Care division are used for both

B. BRAUN THERAPY FIELDS AND APPLICATIONS

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

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

B. Braun Aesculap

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

B. Braun Out Patient Market

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

B. Braun Avitum

B. Braun's Avitum division is one of the world's leading providers of products and services for people with chronic and acute kidney failure. As a system partner in dialysis, B.Braun Avitum focuses on three areas: hemodialysis, acute dialysis and apheresis, and offers products and services along the entire value chain. This breadth—combined with the entire B. Braun portfolio and the expertise of all divisions—makes it possible to provide extensive care to patients with kidney failure. Locally adapted treatment concepts help us to optimally balance first-class care and affordability, enabling us to make necessary dialysis treatments accessible to an increasing number of people around the world. We also operate a network of more than 380 dialysis centers in Europe, Asia-Pacific, Latin America and South Africa, providing care for over 33,000 patients. At our clinics, medical specialists are available to advise dialysis patients with chronic kidney and metabolic disorders. We are striving to consolidate our market position, with the goal of high product quality and availability as well as an extensive program of user training, technical support and IT solutions. We aspire to improve patients' quality of life and to create new and efficient treatment processes.

CORPORATE GOVERNANCE

The higher-level family-owned holding company for strategic management includes the Group's accounting, controlling, treasury, tax, legal, internal audit, corporate human resources and corporate communications departments. This family-owned holding company constitutes the link between the family and the company. Under the family-owned holding company, B. Braun SE was founded as an operational parent company that holds the majority of shares of B. Braun Melsungen AG. The corporate bodies of B. Braun SE are the Management Board, the Supervisory Board and the Annual Shareholders' Meeting. The members of the Management Board have clearly assigned spheres of responsibility and are jointly responsible for the company's success. On April 1, 2019, Anna Maria Braun became CEO of the Management Board, and is responsible for the Asia-Pacific region as well as the human resources and legal departments. The previous Chairman of the Management Board, Prof. Dr. Heinz-Walter Grosse, retired after 14 years on the Board, he was acting Chairman for eight years. At its meeting on December 3, 2019, the Supervisory Board appointed Dr. Stefan Ruppert as a Deputy Member of the Management Board in charge of human resources and legal affairs, and as the Director of Labor Relations. Dr. Ruppert will assume his new role on April 1, 2020, taking over for Anna Maria Braun. The Supervisory Board consists of 16 members, half of whom are selected by the company's shareholders and the other half of whom are elected by the employees. Committees have been established to efficiently support the work of the Supervisory Board. The Human Resources Committee is responsible for matters such as the Management Board members' employment contracts and compensation. The Audit Committee monitors the internal control systems, the integrated compliance management system, accounting processes and financial statement audits.

B. Braun wants to remain a private, family-owned company and the Braun family has made a long-term commitment to achieving this goal. Prof. Dr. h. c. Ludwig Georg Braun, who managed the company for 34 years, has served as Chairman of the Supervisory Board since 2011. Barbara Braun-Lüdicke has been a member of this board since 1992. The sixth generation of the founding family holds positions at various locations. The sustainable handling of economic, environmental and social resources is a crucial issue for B. Braun, and with a value-based corporate culture, B. Braun remains cognizant of its responsibility for the current and future generations. Key performance indicators for strategic management purposes include sales, EBITDA and defined balance sheet ratios. The key performance indicators interim profit and EBIT are used primarily to manage operations. In addition, we evaluate the development of working capital based on days sales outstanding (DSO), days payables outstanding (DPO) and coverage in weeks (CIW). Our divisional organization, divided into centers of excellence (CoEs), enables a rapid response to changes in the market and ensures that know-how can be exchanged in a short period of time. Our Code of Conduct has defined how we conduct ourselves when doing business since it was established in 1996. For us, corporate governance and compliance are not merely obligations, but a self-evident prerequisite for sustainable management. The legal and ethical conduct of our employees is central to our value system. Compliance with national and international regulations regarding product registration, production validation and product safety is an important obligation. B. Braun has a global compliance management system that, in addition to compliance with statutory requirements, also includes ethical values such as fairness, integrity and sustainability. A supervisory Group Compliance Office and local compliance officers ensure that all employees conduct themselves in accordance with consistent standards.

Through its subsidiaries and holdings, B. Braun operates in 64 countries. The B. Braun SE Group includes 292 (previous year: 283) fully consolidated companies. 29 (previous year: 24) holdings are consolidated using the equity method of accounting. Major manufacturing locations are located in Melsungen, Berlin, Dresden and Tuttlingen (Germany), São Gonçalo (Brazil), Suzhou (China), Santo Domingo (Dominican Republic), Nogent (France), New Delhi (India), Mirandola (Italy), Tochigi (Japan), Penang (Malaysia), Nowy Tomyśl (Poland), Timişoara (Romania), Crissier, Escholzmatt and Sempach (Switzerland), Rubí (Spain), Gyöngyös (Hungary), Allentown, PA, Daytona Beach, FL and Irvine, CA (US), and Hanoi (Vietnam).

GROUP STRATEGY

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

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

SECURING THE FUTURE

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

Research and development

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

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

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

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

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

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

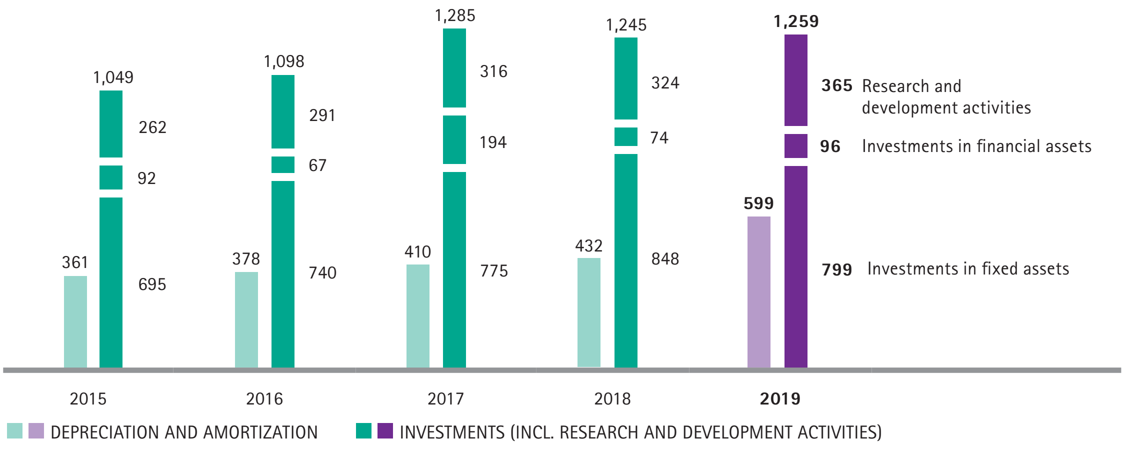
this development using new, digital processes in the areas of customer relationship management (CRM) and product lifecycle management (PLM).
At the same time, we are working on standardizing and further digitalizing our processes in conjunction with continued development of our ERP system (S4 Hana).

The Accelerator program and "werk_39" begun back in 2017, have also started or continued a variety of activities in the reporting year. The Accelerator program offers customized support to selected startups in the form of know-how, market access and financing. B. Braun and the startup founders test the ideas for customer demand, technical feasibility and market prospects. The goal is to translate innovative ideas into successful business models quicker and present them as market-ready solutions. "werk_39" in Tuttlingen offers an inspiring work setting for startups and B. Braun employees, with project spaces and workshops where they can develop mature solutions in an agile and creative way, as rapidly as possible. Customers who are medical specialists are brought into the development process early. Our exchange with startups strengthens our innovative capacity by focusing on business models, digital solutions and services.

Investments

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

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



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

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

Investment commitments in the amount of € 387.3 million had already made as of the reporting date. These investments are largely attributable to ongoing replacement and expansion investments in the above-mentioned locations.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Performance of the global economy[1]

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

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

CHANGE IN GROSS DOMESTIC PRODUCT

in %

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

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

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

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

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

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

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

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

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

Performance of the health care industry

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

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

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

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

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

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

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

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

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

PERFORMANCE AND FINANCIAL POSITION

Business performance

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

KEY PERFORMANCE INDICATORS

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

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

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

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

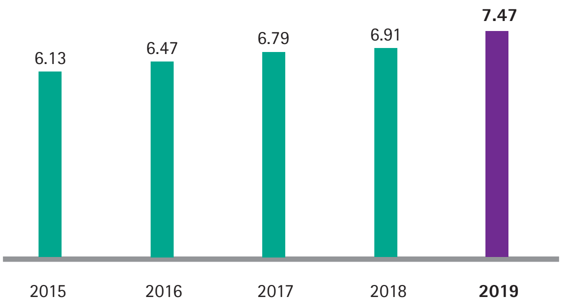
The health care industry's growing demand for consumer and capital goods allowed us to continue to achieve volume increases that resulted in good sales growth. We are not satisfied with our earnings. We were able to pass some cost increases on to the market as price increases. At the same time, continuous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

Earnings

B. Braun Group's sales growth

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

SALES DEVELOPMENT
in € billion



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

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

Business performance of the B. Braun Hospital Care division

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

Business performance of the B. Braun Aesculap division

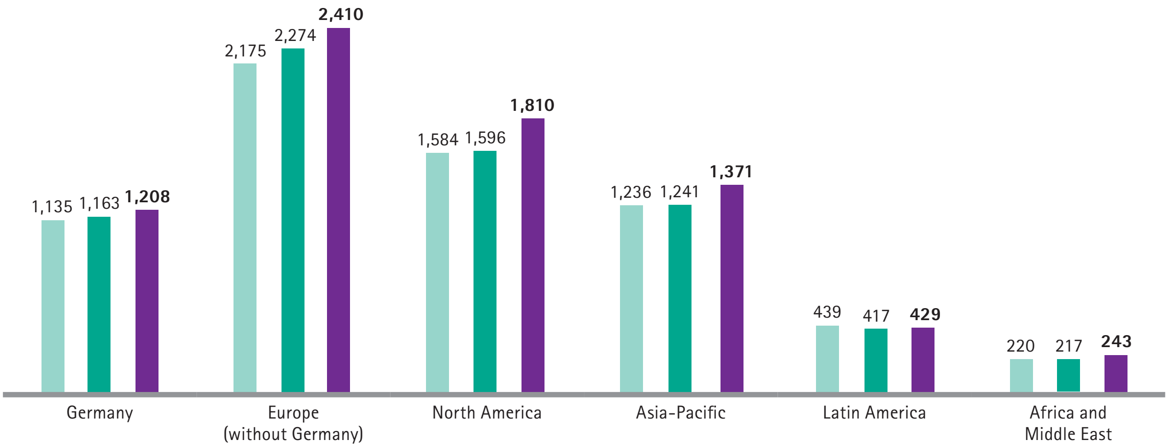
In the reporting year, the Aesculap division reported sales of € 1,968.2 million (previous year: € 1,824.4 million), rising 7.9% (6.6% at constant exchange rates) above the previous year. The main drivers of this sales growth were China, Russia and the US. Individual countries such as Australia, India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

Business performance of the B. Braun Out Patient Market division

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

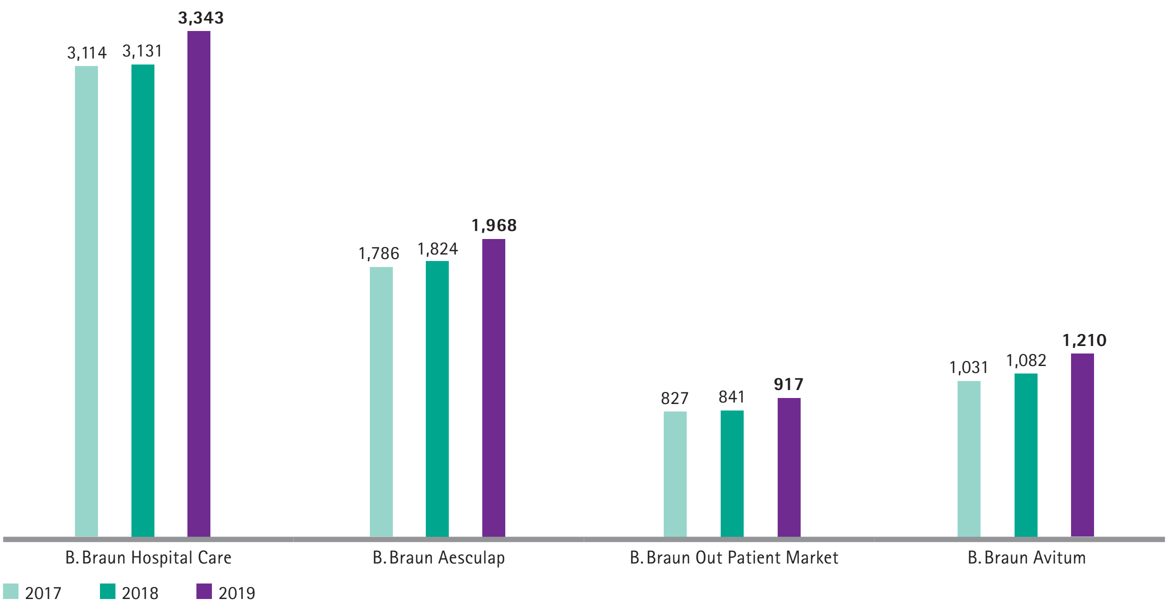
SALES BY REGION

In € million



SALES BY DIVISION

In € million



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

Business performance of the B. Braun Avitum division

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

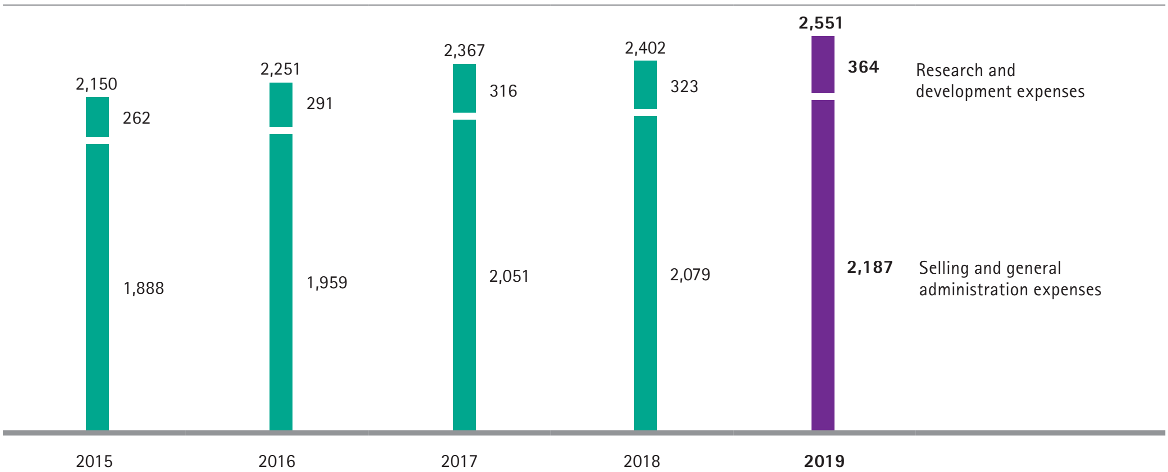
Development of gross profit

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

Development of functional expenses

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

FUNCTIONAL EXPENSES
In € million



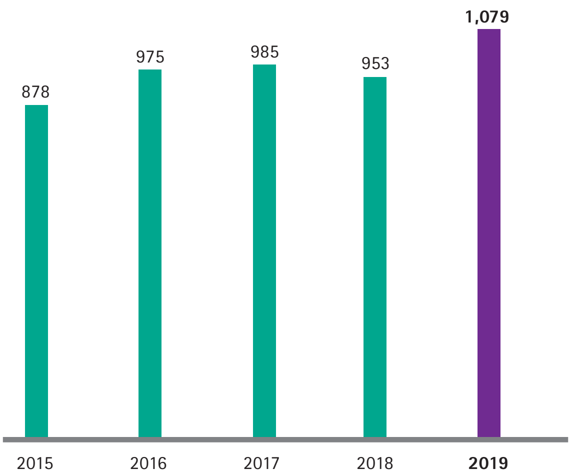
administrative expenses are 6.8% higher than the previous year. With the process optimization and cost reduction measures enacted, we intend to at least partially offset increases in personnel costs in the future. Consistently expanding our shared service organization in conjunction with further process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

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

Development of other operating income and expenses

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

EBITDA
In € million



Development of net financial income

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

Development of earnings figures

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

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

Financial position

Liquidity

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

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

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

Asset structure

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

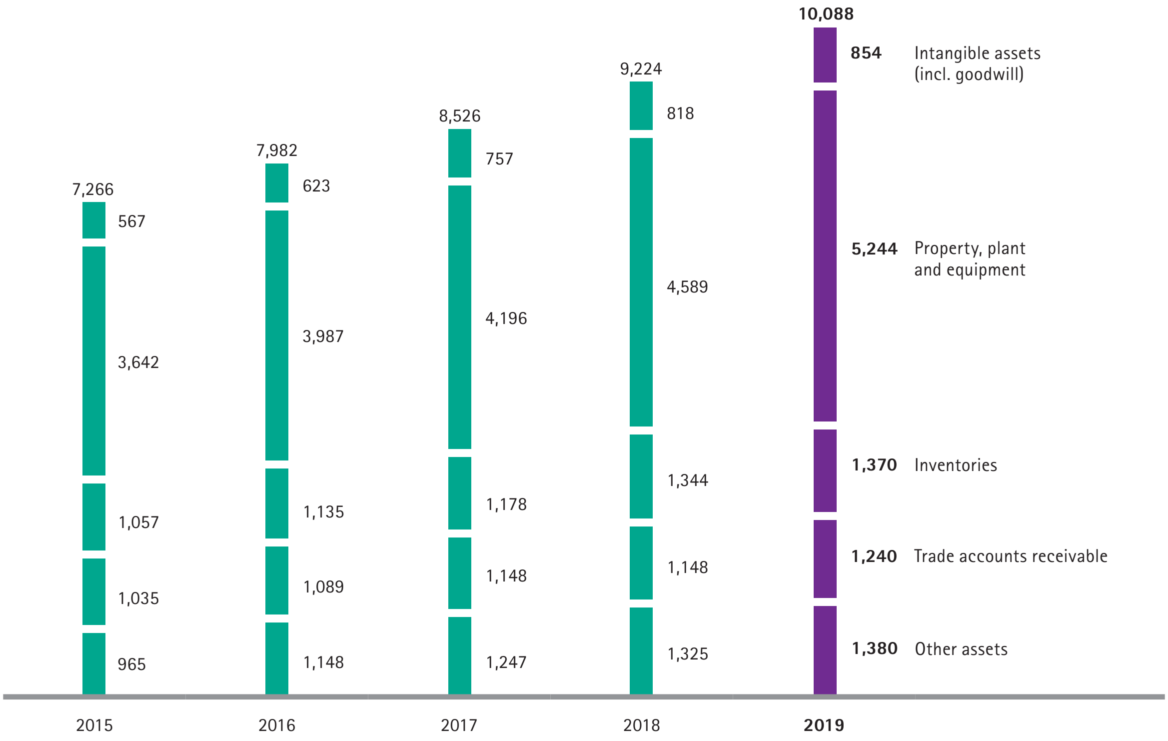
Non-current assets increased 11.4% to € 7,040.0 million (previous year: € 6,332.3 million). Due to consistently high levels of investment, the Group's property, plant, and equipment increased once again for the reporting year, rising 14.3% (13.2% at constant exchange rates) to € 5,244.1 million (previous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

Financing structure

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

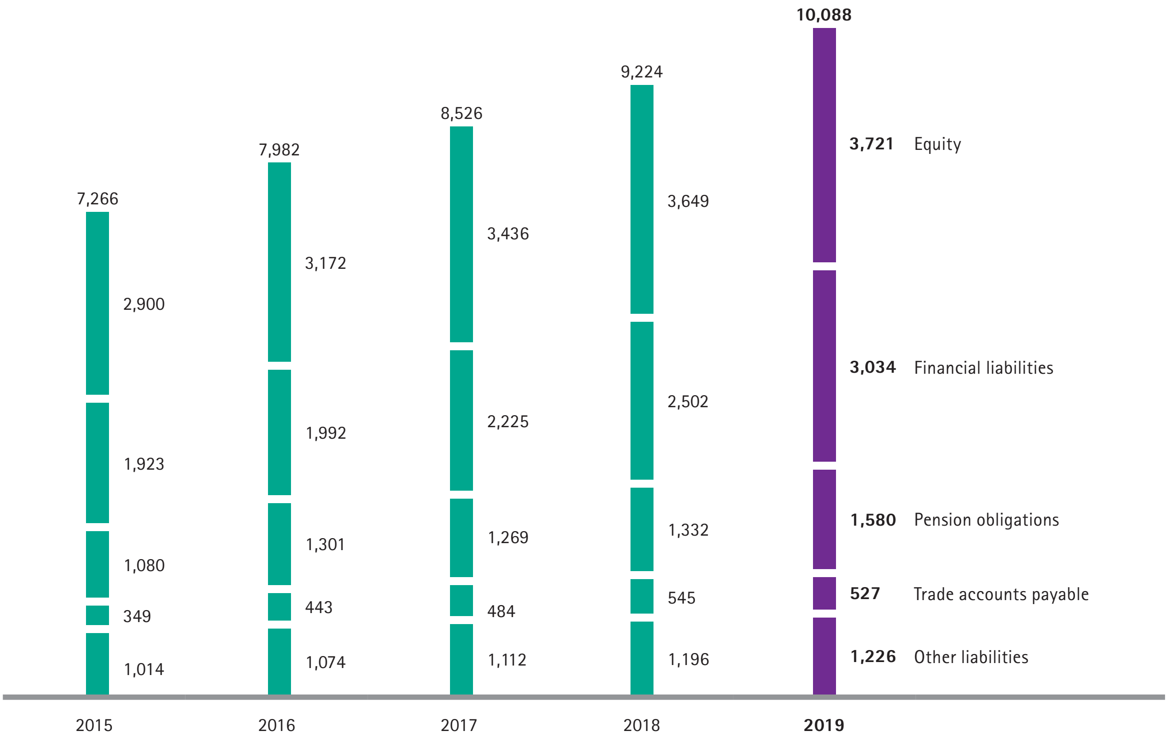
STRUCTURE OF STATEMENT OF FINANCIAL POSITION: ASSETS

In € million



STRUCTURE OF STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

In € million



Outside financing is obtained exclusively from banks we deem reliable and the range of measures includes syndicated and bilateral credit lines, promissory notes and an asset-backed securities program. As of the reporting date, B. Braun has available lines of credit in the amount of € 1,251.1 million (previous year: € 1,116.0 million). We have met all of the required financial performance benchmarks agreed upon with our banks.

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

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

Non-financial performance indicators

Number of employees

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

EMPLOYEES BY REGION

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

Vocational training

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

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

Quality and environmental management

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

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

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

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

All technical departments of the company must meet high statutory and regulatory requirements. These are expanded by B. Braun's own standards for occupational health and safety, and monitored in regular internal audits. For example, many international B. Braun locations are certified according to the Occupational Health and Safety Assessment Series 18001 management system. The Melsungen location has also obtained the "Seal of Approval—Systematic Safety" (German: "Sicher mit System") mark from the BG RCI (statutory accident insurance provider for the commodities and chemicals industry). Select European B. Braun renal care centers are certified under EN ISO 9001 and IEC/TR 62653 "Guideline for safe operation of medical devices used for hemodialysis treatments". Renal care centers qualified under these standards are authorized to use the "Good Dialysis Practice" certificate. Furthermore, B. Braun is a member of the German Chemical Industry Association and follows its guidelines for "responsible behavior", with the goal of independently improving occupational health and safety as well as environmental protection.

Customer accountability and product responsibility

In B. Braun's 2020 strategy, we have incorporated system partnerships with our customers. We offer users appropriate system solutions that are safe and efficient, allowing them to increase patients' quality of life. With the "B. Braun for Safety" project, which was launched in 2013, we have intensified our partnerships with a variety of organizations and associations. That includes cooperation with the "European Association of Hospital Managers," the umbrella organization for hospital management in Europe. Through joint projects, we increase awareness of the risks of use and contribute to safe and high-quality patient care over the long term.

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

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

Despite high quality standards and preventive measures, a product can, on a rare occasion, be defective or be used incorrectly. Complaints are received by our local sales organizations and coordinated centrally at the B. Braun headquarters in Melsungen. From Melsungen, investigations are ordered at the affected production locations, then our experts develop viable solutions on site. Our Data Protection staff department assists in complying with legal regulations and internal policies. The department organizes routine employee training sessions, provides advice in connection with the drafting of contracts or marketing activities and offers extensive infor-mation on data protection. The requirements of the General Data Protection Regulation, which have applied in the EU since May 2018, unify the rules for data processing. B. Braun has worked continuously for more than ten years on developing its data protection organization. This includes the introduction of global data protection management software for documenting all legally required and data protection-related processes, as well as standardized documents.

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

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT AND CONTROLLING

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

RISKS

The risks described below, which could have an impact on B. Braun, do not constitute every single risk to which B. Braun is exposed or may be exposed. Risks that are not known or that are considered to be insignificant at the time this annual report was prepared may also impact the earnings and financial position of the B. Braun Group.

Macroeconomic risk

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

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

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

Industry risk

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

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

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

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

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

Procurement risk

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

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

Product risk

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

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

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

Human resources risk

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

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

IT risk

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

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

Financial risk

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

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

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

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

OPPORTUNITIES

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

Opportunities from positive economic development

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

Opportunities from growth

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

Opportunities from research and development

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

Opportunities from digitalization

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

Opportunities from our international presence

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

Opportunities from employees

Ideas from our employees are the driving force behind innovations and create benefits through close exchange with users and patients. Their strong identification with the company fosters their motivation and promotes individual responsibility, which we aim to encourage even further by providing employee development opportunities and transparent, regular communication. The successful performance of these activities can further improve the competitive situation of B. Braun and can have a positive impact on B. Braun's sales, earnings and cash flow.

OVERALL STATEMENT ON THE GROUP'S RISK AND OPPORTUNITY SITUATION

From today's viewpoint, no risks or dependencies are identifiable that could threaten the viability of the B. Braun Group for the foreseeable future. The Group's net risk position rose only slightly relative to the previous year and, once again, no risks were identified that could jeopardize the company's continued existence. However, there is a growing protectionist sentiment in parts of the world that can harm an international company like B. Braun. The establishment of trade barriers also increases uncertainty among investors and can harm economic growth for a prolonged period. The ongoing geopolitical conflict areas can also have a destabilizing effect. Volatility on foreign exchange markets may increase in 2020 compared to the previous year. While the risks on the procurement markets remain unchanged, IT risks may continue to rise. It should be assumed that advances in networking and digitalization, both on the user side as well as in production, could lead to an increase in IT risks. The MDR, passed in 2017, will make it much more difficult to bring new medical technology products to market, thus increasing development risk for B. Braun.

To the extent that it is possible and reasonable, we are insured against liability risks and natural disasters, as well as other risks. To minimize the financial impact of cyber risks, B. Braun has taken out a cyber insurance policy. This essentially covers risks such as losses from operating disruptions and third-party liability claims resulting from breaches of information security. Despite our extensive insurance coverage, obtaining full coverage for potential product liability risks is not feasible. In general, however, we are convinced that the continuing market risks will not have a substantial negative impact on the B. Braun Group's performance. Alongside these market risks, there are significant opportunities which may help the company continue to succeed.

OUTLOOK

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

EXPECTED MACROECONOMIC AND INDUSTRY-SPECIFIC ENVIRONMENT

Expected development of the global economy[3]

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

FORECASTED CHANGE IN GROSS DOMESTIC PRODUCT

in %

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

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

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

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

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

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

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

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

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

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

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

Expected development of the health care industry

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

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

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

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

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

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

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

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

BUSINESS AND EARNINGS OUTLOOK

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

The global health care market will continue to be divided in two. We expect increased volume in developing and emerging markets. We will be able to share in the growing demand thanks to our increased capacity and international presence. We expect the Asia Pacific and Latin America regions will be able to achieve a substantial increase. Latin America will also see strong growth in local currencies, however, exchange rate fluctuations will considerably limit the euro's growth. We forecast stable growth in Europe (including Germany) as well as the Africa and the Middle East region.

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

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

EXPECTED FINANCIAL POSITION

B. Braun will continue its solid financial policy of the last few years in the future, as well. We are striving for an equity ratio above 37 percent for 2020. At the same time, we will maintain our current dividend policy.

The financing volume for long-term maturities will be € 130 million for 2020 and a total of € 320 million in 2021. Due to longstanding banking relationships and the sustained earning power of B. Braun, we do not expect any significant risks in connection with the upcoming financing measures. Slightly higher interest rates are to be expected as central banks move away from an expansionary monetary policy. If geopolitical conflicts worsen, there may be an increase in uncertainty in the capital markets, resulting in higher risk premiums. On the whole, this could make it more expensive for B. Braun to obtain financing. However, we do not consider this a substantial risk to B. Braun at this time. The goal is to predominantly finance the investments in tangible assets planned for the coming years with the current cash flow.

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

OVERALL STATEMENT ON THE OUTLOOK FOR THE GROUP

Based on the assumptions presented with regard to the performance of the global economy and the health care market, we expect positive sales and earnings for B. Braun Group in 2020. We expect further growth beyond FY 2020. With our extensive investments in new plants, we can achieve our desired volume growth. The continuous improvement of internal processes in conjunction with optimal production capacity utilization will increase our profitability. At the same time, we are developing products and health solutions in dialog with users and patients that permit economical care, thus allowing us to secure competitive advantages for ourselves. With our sustainable economic activity in conjunction with our balanced product and service portfolio, we can protect and improve the health of people around the world on a long-term basis.

Melsungen, March 5, 2020

The Management Board

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

	Notes	2019 € '000	2018 € '000
Sales	1)	7,471,348	6,908,099
Cost of goods sold	2)	-4,444,875	-3,971,851
Gross profit		**3,026,473**	**2,936,248**
Selling expenses	3)	-1,823,132	-1,739,940
General and administrative expenses		-363,442	-339,522
Research and development expenses	4)	-364,481	-323,543
Interim profit		**475,418**	**533,243**
Other operating income	5)	315,844	279,313
Other operating expenses	6)	-356,510	-316,785
Operating profit		**434,752**	**495,771**
Profit from financial investments/equity method	7)	53,153	21,975
Financial income		7,691	6,980
Financial expenses		-87,515	-75,986
Net financial income (loss)	8)	-79,824	-69,006
Other financial income (loss)	9)	7,189	2,826
Profit before taxes		**308,964**	**451,566**
Income taxes	10)	-111,681	-123,159
Consolidated net income		**197.283**	**328,407**
Attributable to:			
B. Braun SE shareholders		(175,624)	(311,430)
Non-controlling interests		(21,659)	(16,977)
		288,483	**328,407**
Earnings per share (in €) for B. Braun SE shareholders in the fiscal year (diluted and undiluted)	11)	0.22	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019 € '000	2018 € '000
Consolidated net income	**197,283**	**328,407**
Items not reclassified as profits or losses		
Revaluation of pension obligations	-194,955	-29,090
Income taxes	56,947	8,940
Changes in amount recognized in equity	**-138,008**	**-20,151**
Items potentially reclassified as profits or losses		
Changes in fair value of securities	265	3,154
Income taxes	0	0
Changes in amount recognized in equity	**265**	**3,154**
Cash flow hedging instruments	-6,156	-1,765
Income taxes	1,818	240
Changes in amount recognized in equity	**-4,338**	**-1,525**
Changes due to currency translation	62,121	12,686
Income taxes	0	0
Changes in amount recognized in equity	**62,121**	**12,686**
Changes recognized directly in equity (after taxes)	-79,960	-5,836
Comprehensive income over the period	**208,522**	**322,571**
Attributable to:		
B. Braun SE shareholders	(95,723)	(301,780)
Non-controlling interests	(21,599)	(20,791)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Assets			
Non-current assets			
Intangible Assets	14), 16)	854,482	818,274
Property, plant, and equipment	15), 16)	5,244,095	4,589,293
Financial investments (equity method)	17)	435,377	468,129
Other financial investments	17)	67,968	63,262
financial assets		(67,968)	(63,262)
Trade receivables	18)	34,103	36,063
Other assets	19)	34,281	49,047
financial assets		(28,943)	(42,961)
Income tax receivables		3,823	2,955
Deferred tax assets		365,845	305,313
		7,039,974	**6,332,336**
Current assets			
Inventory	20)	1,370,188	1,344,425
Trade receivables	18)	1,205,937	1,111,507
Other assets	19)	307,384	301,792
financial assets		(138,672)	(140,076)
financial assets held for sale		(11,206)	-
Income tax receivables		82,577	59,561
Cash and cash equivalents	21)	82,350	74,809
		3,048,436	**2,892,094**
Total assets		**10,088,410**	**9,224,430**
Equity			
Subscribed capital	22)	800,000	800,000
Capital reserves and retained earnings	23)	2,603,768	2,597,776
Effects of foreign currency translation		-125,847	-178,587
Equity attributable to B. Braun SE shareholders		**3,277,921**	**3,219,189**
Non-controlling interests	24)	442,697	429,851
Total equity		**3,720,618**	**3,649,040**
Liabilities			
Non-current liabilities			
Provisions for pensions and similar commitments	25)	1,580,033	1,332,051
Other Provisions	26)	126,315	118,452
Financial liabilities	27)	2,298,203	1,673,103
Trade accounts payable	29)	2,075	2,947
Other liabilities	29)	56,207	51,552
financial liabilities		(8,231)	(10,711)
Deferred tax liabilities		131,614	130,045
		4,194,447	**3,308,150**
Current liabilities			
Other Provisions	26)	60,202	61,814
Financial liabilities	27)	736,009	828,959
Trade accounts payable	29)	524,932	542,386
Other liabilities	29)	803,097	793,876
financial liabilities		(316,248)	(338,752)
liabilities held for sale		(2,761)	-
Current income tax liabilities		49,105	40,205
		2,173,345	**2,267,240**
Total liabilities		**6,367,792**	**5,575,390**
Total equity and liabilities		**10,088,410**	**9,224,430**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

See notes 22–24	Subscribed capital	Capital reserves
	€ '000	€ '000
January 1, 2018	**800,000**	**10,226**
Profit distribution from B. Braun Melsungen AG	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
Changes recognized directly in equity (after taxes)		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
Comprehensive income over the period	**0**	**0**
Other changes	0	0
Effect of reorganization of Group structure	**0**	**69,794**
December 31, 2018/January 1, 2019	**800,000**	**80,020**
Profit distribution from B. Braun SE	0	0
Increase in subscribed capital	0	0
Consolidated net income	0	0
Changes recognized directly in equity (after taxes)		
Changes in fair value of securities	0	0
Cash flow hedging instruments	0	0
Revaluation of pension obligations	0	0
Changes due to currency translation	0	0
Comprehensive income over the period	**0**	**0**
Other changes	0	0
December 31, 2019	**800,000**	**80,020**

	Retained earnings € '000	Other reserves € '000	Treasury stock € '000	Equity attributable to owners € '000	Non-controlling interests € '000	Equity € '000
	2,601,115	**-198,945**	**0**	**3,212,397**	**223,988**	**3,436,384**
	-32,000	0	0	-32,000	0	-32,000
	0	0	0	0	0	0
	311,430	0	0	311,430	16,977	328,407
	0	3,162	0	3,162	-8	3,154
	0	-729	0	-729	-796	-1,525
	-20,902	0	0	-20,902	751	-20,151
	0	8,819	0	8,819	3,867	12,686
	290,528	**11,252**	**0**	**301,780**	**20,791**	**322,571**
	-9,291	0	0	-9,291	-17,764	-27,055
	-334,752	**11,261**	**0**	**-253,696**	**202,836**	**-50,860**
	2,515,600	**-176,432**	**0**	**3,219,504**	**429,851**	**3,649,040**
	-32,000	0	0	-32,000	0	-32,000
	0	0	0	0	0	0
	175,624	0	0	175,624	21,659	288,483
	0	242	0	242	22	264
	0	-4,038	0	-4,038	-300	-4,338
	-128,845	0	0	-128,845	-9,163	-138,008
	0	52,740	0	52,740	9,381	62,121
	129,049	**48,942**	**0**	**177,991**	**30,528**	**208,519**
	-4,991	0	0	-4,991	-8,753	-13,744
	2,525,388	**-127,488**	**0**	**3,277,922**	**442,697**	**3,720,618**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 € '000	2018 € '000
Operating profit		434,752	495,771
Income tax paid		-130,640	-108,593
Depreciation and amortization of property, plant, and equipment and and intangible assets (net of appreciation)		599,152	431,931
Change in non-current provisions		257,165	60,838
Interest received and other financial income		5,715	6,931
Interest paid and other financial expenditure		-50,623	-46,775
Other non-cash income and expenses		-247,029	-53,735
Gain/loss on the disposal of property, plant, and equipment, and intangible or other assets		703	-9,163
Gross cash flow	**34)**	**869,195**	**777,205**
Change in inventory		-7,180	-164,105
Change in receivables and other assets		-53,307	-56,098
Change in liabilities, current provisions and other liabilities (excluding financial liabilities)		6,273	69,474
Cash flow from operating activities (net cash flow)	**34)**	**814,981**	**626,476**
Investments in property, plant, and equipment, and intangible assets		-768,891	-794,130
Investments in financial assets		-30,935	-16,579
Acquisitions of subsidiaries, net of cash acquired		-28,582	-39,065
Proceeds from sale of subsidiaries and holdings		1,593	3,572
Proceeds from sale of property, plant, and equipment, intangible assets and other financial assets		12,397	32,227
Dividends and similar revenues received		15,256	16,636
Cash flow from investing activities	**35)**	**-799,162**	**-797,339**
Free cash flow		**15,819**	**-170,863**
Capital contributions		59	283
Dividends paid to B. Braun SE shareholders		-32,000	-32,000
Dividends paid to non-controlling interests		-12,455	-10,613
Deposits and repayments for profit-sharing rights		-3,461	-5,270
Loans		519,501	407,498
Loan repayments		-477,757	-201,304
Cash flow from financing activities	**36)**	**-6,112**	**158,593**
Change in cash and cash equivalents		**9,706**	**-12,269**
Cash and cash equivalents at the start of the year		74,809	66,372
Exchange gains (losses) on cash and cash equivalents		-2,165	20,706
Cash and cash equivalents at year end	**37)**	**82,350**	**74,809**

NOTES

GENERAL INFORMATION

The Consolidated Financial Statements of B. Braun SE—hereinafter also referred to as the B. Braun Group—as of December 31, 2019, have been prepared in compliance with Section 315e (3) of the German Commercial Code (HGB) according to the International Financial Reporting Standards (IFRS) applicable as of the reporting date published by the International Accounting Standards Board (IASB), London, as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as stipulated by the EU, and have been published in the online edition of the German Federal Gazette (Bundesanzeiger).

The Group's structure above B. Braun Melsungen AG was reorganized in the last fiscal year to ensure the continuation of B. Braun as a family-owned company. As part of this process, we transferred the Group's accounting, controlling, treasury, tax, legal, internal audit, corporate human resources and corporate communications departments into a higher-level family holding company for strategic management. This family holding company performs the Group's management functions and constitutes the link between the owning family and the company. In addition, B. Braun SE was founded under the family holding company as an operational parent company that holds the majority of shares of B. Braun Melsungen AG. This reorganization of the Group's structure constitutes a capital reorganization that does not fall under the scope of IFRS 3. The assets and liabilities of B. Braun Melsungen AG were carried forward at their carrying amounts. For the prior year, the carrying amounts of the assets and liabilities carried forward as well as the equity of B. Braun Melsungen were reported up to the time of reorganization. The legal equity of B. Braun SE was only reported from the time of reorganization. Differences arising from capital consolidation due to reorganization were offset by retained earnings. 6 %of the shares in B. Braun Melsungen AG were not transferred to B. Braun SE. The corresponding percentage of the net assets of B. Braun Melsungen AG were reclassified as non-controlling interests.

B. Braun SE is an international, family-owned company headquartered at Carl-Braun-Str. 1, 34212 Melsungen, Germany. B. Braun Melsungen AG is registered in the commercial register of the Fritzlar District Court (CR B 11549).

B. Braun Holding GmbH & Co. KG in Melsungen is the parent company of B. Braun SE as defined in Section 290 (1) HGB and is required to produce Consolidated Financial Statements that include the Consolidated Financial Statements of B. Braun SE. The Consolidated Financial Statements are submitted to the online edition of the German Federal Gazette.

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

The Management Board of B. Braun SE approved the Consolidated Financial Statements for submission to the company's Supervisory Board on March 5, 2020. The Audit Committee of the Supervisory Board plans to discuss the Consolidated Financial Statements at its meeting on March 16, 2020 and the Supervisory Board shall approve the Consolidated Financial Statements at its meeting on March 24, 2020.

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

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

The financial statements of B. Braun SE and its subsidiaries included in the Consolidated Financial Statements have been prepared using standardized Group accounting policies.

New and amended International Financial Reporting Standards and Interpretations whose application is mandatory for the first time for fiscal years beginning on or after January 1, 2019 (IAS 8.28)

IFRS 16—Leases

On January 13, 2016, the IASB published a new standard which fundamentally reforms the financial reporting of leases. Previously, all leases were recognized either as finance leases or as operating leases. This distinction no longer applies for the lessee. Under the new standard, all leases are recognized in the balance sheet in the form of right-of-use assets and the financial liabilities, comparable to the previous procedure for finance leases. The relevant values are based on the present value of the lease payments that, as of this time, have not yet been made. In the statement of income, the lessee discloses a depreciation expense for the lease assets and an interest expense on lease liabilities for each lease in lieu of straight-line lease expenses. The disclosure of leases can only deviate from these rules if one of two possible exemptions applies (short-term leases and low-value leases). The Group has opted to apply these exemptions, i.e., the new rules will not be applied to short-term leases up to one year and low-value leases up to € 5,000. Unlike lessees, lessors still have to classify leases as either finance leases or operating leases under IFRS 16. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Group did not opt for earlier, voluntary application. First-time application must be generally retrospective but an option is available for a modified retroactive approach, which the Group exercised. Refer to the section titled "Change in Accounting Methods" for how the new standard has affected the net assets, financial position and earnings situation of the B. Braun Group.

IFRIC 23—Uncertainty over Income Tax Treatments

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

Amendments to IAS 28—Investments in Associates and Joint Ventures: Long-Term Interests

The amendment was published by IASB to clarify that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. IFRS 9—Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28—Investments in Associates and Joint Ventures. However, the IFRS IC was informed that it was not clear whether that exclusion applied only to interests in associates and joint ventures to which the equity method is applied. It was clarified that a company applies IFRS 9, including impairment provisions, to long-term interests in an associate or joint venture that form part of the net investment in that associate and joint venture but to which the equity method is not applied. These amendments are effective for reporting periods beginning on or after January 1, 2019. The amendments must be applied retrospectively but transition aids similar to those in IFRS 9 are provided for companies that only apply the amendments after an initial application of IFRS 9. Full retrospective application is permitted if that is possible without the use of subsequent information. The amendment has no impact on the net assets, financial position and earnings situation of the B. Braun Group.

Amendments to IFRS 9—Prepayment Features with Negative Compensation

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

Amendments to IAS 19—Employee Benefits: Plan Amendment, Curtailment or Settlement

The amendment published on February 7, 2018 establishes the basis on which the current service cost and net interest (as expense or income) must be determined for the period between remeasurement and the end of the reporting period. In general, the current service cost must be determined based on actuarial assumptions at the start of the period. The net interest (expense or income) is determined by multiplying net financial debt (or net asset value) by the interest rate determined at the start of the period. Net financial debt (or net asset value) must only be adjusted by the payments and contributions made to the pension plan during the period. The accounting differs from this principle in case of an amendment to, or curtailment or settlement of a pension plan: The current service cost and net interest (expense or income) after remeasurement are determined based on actuarial assumptions and net financial debt (or net asset value) at the time of remeasurement. The amendments must be applied prospectively to plan amendments, curtailments and settlements in reporting periods starting on or after January 1, 2019. An option to apply the amendments before this date is permitted but was not exercised. The amendments may have a significant impact on determining the current service cost and net interest (expense or income) of the B. Braun Group in the event of a plan amendment, curtailment or settlement.

New and amended International Financial Reporting Standards and Interpretations that have already been published, but whose application is not yet mandatory for companies whose fiscal year ends on December 31, 2019 (IAS 8.30) and whose adoption is still pending in some EU countries

Amendments to IFRS 3—Business Combinations: Definition of a Business

Under these amendments, to be considered a business, there must be at least one substantive process that can be combined with financial resources (input) to create the possibility of generating output. Output will only be considered the supply of goods and services as well as the earning of capital and other income. Cost reductions by themselves will no longer be considered adequate to distinguish the acquisition of a business from the acquisition of a group of assets. The acquired inputs and processes must, as such, significantly contribute to the possibility of generating outputs. To easily determine whether a business or only a group of assets has been acquired, a concentration test is available in which it can optionally be tested whether the entire fair value of the acquired gross assets is essentially concentrated into one asset or a group of similar assets. If so, it is not a business. If not, or if the test is not performed, it must be determined whether a substantive process has been acquired. This requires distinguishing whether the acquired group of assets already generates outputs or it is not yet possible to convert inputs into outputs. If the latter is the case, it is only considered a business if the acquirer takes over an organized workforce with the capability and experience to conduct a process that is essential to generating output. It must also be determined whether resources that can be transformed into output by the workforce have been taken over. The amended definition must be applied to acquisitions occurring at or after the start of the first annual reporting period beginning on or after January 1, 2020. Earlier application is permitted subject to EU endorsement. EU adoption (endorsement) is currently expected in Q1 2020. The amendments may result in an altered determination of whether future acquisitions by the B. Braun Group constitute businesses.

Amendments to IAS 1 and IAS 8: Definition of "Material"

These amendments standardize the definition of "material" in all IFRS as well as the Conceptual Framework. The new definition states: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." It clarifies that the question of whether information is material depends on the type of information and/or the extent of its impact on the underlying facts. The materiality of a piece of information must be assessed in the overall context of the financial statement. Obfuscation occurs when the resulting impact is comparable to omitting or misstating this information. This is the case if, for example, facts are described inaccurately or vaguely, related information is divided and distributed throughout the entire financial statement, or dissimilar facts are not appropriately aggregated. Material information can also be obscured by superimposing it with immaterial information. To facilitate the application of the term "material", IASB also defined the group of primary users of financial statements, such as existing and future investors, lenders and other creditors that must rely on the information contained in the financial statements for lack of other, direct access. It was also clarified that financial statements are created for users with sufficient knowledge of business and other economic activities. These amendments have been adopted into EU law (endorsement).

Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of LIBOR and Other Interest Rate Benchmarks (LIBOR Reform)

The IASB has published amendments to IFRS 9, IAS 39 and IFRS 7 intended to facilitate certain areas of LIBOR reform. These refer to the accounting of hedge relationships, meaning LIBOR reform will not generally lead to the end of hedge accounting. Any ineffective hedges, however, must still be recognized in the statement of income. The amendments establish the following:

- Certain hedge accounting regulations have been changed with the effect that companies apply them under the assumption that the interest rate benchmark on which the hedged cash flows and the cash flows from the hedging instrument are based are not altered by the interest rate benchmark being reformed.
- The amendments must be applied to all hedge relationships affected by the reform of the interest rate benchmark.
- The purpose of the amendments is not to assist with other consequences of interest rate benchmark reform; if a hedge relationship no longer fulfills the hedge accounting regulations for reasons other than those specified in the amendments, hedge accounting may not be applied.
- Specific information on the extent to which the company's hedge relationships are affected by the amendments has been set forth.

The amendments take effect for reporting periods starting on or after January 1, 2020 and must be applied retroactively. Earlier application is permitted but the B. Braun Group has elected not to do so. These amendments have been adopted into EU law (endorsement). The amendments are expected to have no material impact on the net assets, financial position and earnings situation of the B. Braun Group.

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

Aside from the standards described above, the IASB has published an additional standard that does not affect the B. Braun Group:

IFRS 17—Insurance Contracts, which must be applied for reporting periods beginning on or after January 1, 2021. EU adoption (endorsement) of this rule is still pending.

Change in Accounting Methods

IFRS 16 was initially applied in a modified retroactive manner without adjusting last year's figures. All reclassifications and adjustments resulting from this initial application were recognized in the opening balance on January 1, 2019.

With its initial application of IFRS 16, the Group recognizes leasing liabilities for leases previously classified as operating leases under IAS 17. These are measured at the present value of the remaining lease payments at the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the leasing liability on January 1, 2019 is 2.7%. For leases previously classified as finance leases, the carrying amount of the leased asset under IAS 17 immediately before the initial application of IFRS 16 and the carrying amount of the leasing liability under IAS 17 are recognized as the initial carrying amount of the lease asset and the leasing liability under IFRS 16.

For contracts concluded before the transition point, the option not to review whether a contract contains a lease at the time of initial application was not exercised and the previous assessment made per IAS 17 and IFRIC 4 was upheld.

Based on the operating lease commitments as of December 31, 2018, the following was reconciled on the opening balance for leasing liabilities on January 1, 2019:

	Jan. 1, 2019 € '000
Commitment from operating leases as of Dec. 31, 2018	413,130
Plus: Liabilities from finance leases recognized as of Dec. 31, 2018	51,275
(Less): Short-term leases expensed on a straight-line basis	-1,928
(Less): Leases of low-value assets expensed on a straight-line basis	-13,645
(Less:) Discounting	-40,775
Plus: Other adjustments	45,379
Leasing liabilities recognized as of Jan. 1, 2019	**453,436**

The change in accounting method affected the following items as of January 1, 2019 as follows:

- Lease assets: Increased € 405.5 million
- Leasing liabilities: Increased € 402.2 million

Adjustments to the accounting of leased assets for which the Group is acting as the lessor were not necessary as part of the initial application of IFRS 16.

Starting in FY 2019, certain global costs of the Hospital Care division are no longer reported as cost of goods sold but as functional expenses in order to allow users of the financial statements to make a fairer assessment of the B. Braun Group's expenses divided by functional area. Accordingly, last year's figures in the Statement of Income were adjusted as follows: Reduction of cost of goods sold reduced (€ -12.3 million) and increase of selling (€ 5.6 million), administrative (€ 1.2 million), and research and development expenses (€ 5.5 million).

Critical Assumptions and Estimates for Accounting Policies

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

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

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

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

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

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

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

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

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

Scope of consolidation

In addition to B. Braun SE, the Consolidated Financial Statements include 74 domestic and 218 foreign subsidiaries for which B. Braun SE is exposed to variable returns and has the ability to influence them.

Subsidiaries are included in the Consolidated Financial Statements effective on the day control is assumed by the Group. Consolidation is discontinued as of the day on which such control ends.

The change in the number of Group companies as of December 31, 2019 and 2018 is shown below:

	2019	2018
Included as of Dec. 31 of previous year	283	270
Companies included for the first time	10	21
Company consolidations discontinued	-1	-4
Business combinations	0	-4
Included as of Dec. 31 of reporting year	**292**	**283**

Deconsolidated companies had no material impact on the Statement of Financial Position or the Statement of Income in FY 2019.

The impact of company acquisitions on the Statement of Financial Position at the time of initial consolidation and on the principal items in the Statement of Income for FY 2019 is shown below:

	Carrying amount € '000	Fair value € '000
Non-current assets	3,284	18,538
Current assets	6,673	6,673
Acquired assets	**9,957**	**25,211**
Non-current provisions and liabilities	368	2,025
Current provisions and liabilities	6,446	6,446
Acquired liabilities	**6,815**	**8,472**
Net assets acquired	**3,142**	**16,739**
Non-controlling interests	656	1,103
Prorated net assets	**2,486**	**15,636**
Goodwill		38,898
Cost of acquisition		**55,875**
Non-controlling interests		(1,340)
Cash and cash equivalents acquired		3,785
Cash outflow from acquisitions		**52,089**
Sales		19,987
Operating profit		725
Consolidated net income		1,257

The total cost of acquisitions made during the fiscal year that were not significant individually or in aggregate was € 55.9 million and was paid in cash. B. Braun SE's ability to influence variable return in all company acquisitions completed during the fiscal year is based on its possession of a majority of voting rights.

In the context of acquisitions, unrecognized assets in the amount of € 15.3 million have been recognized in the reporting year so far, which consisted largely of intangible assets. Receivables amounting to € 2.4 million (€ 2.4 million gross) were acquired. The goodwill remaining after purchase price allocation amounted to € 38.9 million. This amount is non-deductible and is largely attributable to sales and production synergies.

If all of the acquisitions had been made at the start of the current fiscal year, the Group's sales would have been € 23.5 million higher. Consolidated net income would have been € 1.7 million lower.

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

On June 17, 2019, 100% of shares in LLC STAVMED in St. Petersburg, Russia, was acquired in a share deal. The company operates six dialysis centers in Russia. The acquisition expands the Group's dialysis network in Russia.

On July 1, 2019, a nephrology clinic was acquired in asset deals. This acquisition expands the Group's dialysis network in Germany.

On July 3, 2019, 60% of shares in Uninephro S.A. in Matosinhos, Portugal was acquired in a share deal. The company operates a dialysis center in Portugal. The acquisition expands the Group's dialysis network in Portugal.

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

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

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

As part of an asset-backed securities program, trade receivables for individual Group companies are assigned to a structured unit. This structured unit is not consolidated in the B. Braun SE Consolidated Financial Statements. Please see Note 18 for further information.

The complete list of shareholdings belonging to the Group, and to B. Braun SE, is provided in Notes to the Consolidated Financial Statements.

The following companies are included in the Consolidated Financial Statements of B. Braun SE:

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

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

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

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

The companies listed above exercise their right to the exemptions.

PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

Subsidiary companies' accounting policies are, where necessary, adapted to those used to produce the Consolidated Financial Statements.

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

The Consolidated Financial Statements are stated in euros as this is the Group's functional and reporting currency.

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

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

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

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

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

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

COMPARISON OF SELECT CURRENCIES

ISO code	Closing mid-rate on reporting date			Average annual rate		
	Dec. 31, 2019	Dec. 31, 2018	+ - %	2019	2018	+ - %
1 EUR = USD	1.123	1.145	-2.0	1.120	1.182	-5.2
1 EUR = GBP	0.850	0.897	-5.2	0.877	0.885	-0.9
1 EUR = CHF	1.086	1.127	-3.6	1.113	1.155	-3.6
1 EUR = MYR	4.593	4.733	-3.0	4.638	4.763	-2.6
1 EUR = JPY	121.930	125.960	-3.2	122.089	130.416	-6.4

ACCOUNTING POLICIES

Sales

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

Property, plant, and equipment

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

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

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

*1-shift operation

Land is not depreciated. Property rights are amortized over the useful life of that property.

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

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

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

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

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

Leases

Assets and liabilities from leases are measured at present value when first recognized. Leasing liabilities include the present value of the following lease payments:

- Fixed payments, including de facto fixed payments less any leasing incentives
- Variable lease payments linked to an index or (interest) rate, initially valued with the index or (interest) rate on the provision date
- Expected payments from the utilization of residual value guarantees
- The strike price buying option whose exercising is deemed reasonably certain
- Penalties related to the termination of a lease provided the exercising of the termination option is deemed reasonably certain
- Lease payments based on utilization of extension options that is deemed reasonably certain

Lease payments are discounted at the lessee's incremental borrowing rate since the implicit interest rate on which the lease is based is typically not readily identifiable. The incremental borrowing rate is determined based on currency-specific and term-specific swap rates and contains margin and risk surcharges. Potential future increases in variable lease payments that may arise from a change in an index or (interest) rate are not factored into the leasing liability until they become effective. Once appropriate changes take effect on the lease payments, the leasing liability and lease asset are adjusted. Lease payments are divided into principal and interest payments. The interest portion is recognized in the statement of income over the term of the lease, allowing a constant periodic interest rate for the remaining amount of the liability for each period. Lease assets are valued at cost of acquisition, which is calculated as follows:

- The initially valued amount of the leasing liability
- All lease payments already made less any leasing incentives received
- All initial direct costs incurred by the lessee
- Estimated costs incurred by the lessee for removal of the underlying asset, restoration of the site where the asset is located or back-transfer of the underlying asset in the condition stipulated with the lessor

Lease assets are written down using the straight-line method over the shorter of two periods: the useful life of the lease asset or the term of the underlying lease agreement. If the exercising of a buying option is deemed reasonably certain, the lease asset is depreciated over its useful life.

The agreements can contain both leasing and non-leasing components. For agreements for property and vehicles, the Group allocates the transaction price to these components based on their relative individual sale prices. In all other instances, the Group exercises its option not to divide the agreement into leasing and non-leasing components, rather treating the entire agreement as a lease agreement. Payments for short-term leases of up to 12 months and leases for low-value assets up to € 5,000 are recorded in the statement of income. This also applies to variable lease payments not linked to an index or (interest) rate.

The Group distinguishes leases in which it is the lessor between:

- Finance leases when all risks and opportunities associated with the underlying asset are transferred in all material respects.
- Operating leases when not all risks and opportunities associated with the underlying asset are transferred in all material respects.

For a finance lease, the Group initially reports a receivable in the amount of the net investment in the lease agreement that corresponds to the cash value of the lease payments as well as the guaranteed residual value. The net investment is discounted at the interest rate on which the lease agreement is based. Financial income is reported according to a model of constant, periodic interest charged for the net investment in the lease agreement over the duration of the lease.

In an operating lease agreement, the asset on which the lease is based is depreciated over its usual economic lifetime. The lease payments are reported as linear income or on some other systematic basis when they are better suited to the model under which the benefit from using the underlying asset is reduced.

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

Equity investments are initially recognized at cost and in subsequent periods at the amortized prorated net assets. The carrying amounts are increased or decreased annually by the share in profit, distributions and other changes in equity. Goodwill is not reported separately but is included in the value of investment. Goodwill is not amortized. Equity investments are written down when the recoverable amount of an investment in an associate falls below its carrying amount. Listed shares are tested for impairment if they experience a long-term and significant reduction in market value below the average acquisition cost.

Categories of financial assets

Financial assets are divided into the following two categories:

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

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

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

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

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

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

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

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

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

A regular-way purchase or sale of financial assets is recognized using trade date accounting. Financial assets are derecognized when claims to the receipt of cash flows from the financial assets have been transferred or have expired and the Group has transferred all risks and opportunities of ownership in all material respects.

Impairment of financial assets

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

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

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

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

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

- The issuer or debtor facing significant financial difficulties
- A breach of contract, such as default or delinquency on interest or principal payments
- The creditor making concessions to the borrower for economic or contractual reasons in relation to the borrower's financial difficulties that the creditor would not otherwise make
- An increased probability that the borrower will enter bankruptcy or financial reorganization
- Disappearance of an active market for this financial asset due to financial difficulties
- The acquisition or issuance of a financial asset at a high discount that reflects the incurred credit losses

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

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

Assets and debts held for sale

Assets held for sale are assets that can be sold in their current condition and that are very likely to be sold. Sale is expected within one year of classification. Debts intended to be sold along with assets in a transaction are also reported separately. Assets held for sale are no longer depreciated, rather they are recognized at fair value less costs to sell if lower than the carrying amount. Results from valuing assets held for sale and sale groups are reported as results from continuing operations until finally sold. Results from valuing segments intended for sale are reported as results from discontinued operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

Accruals and deferrals are recognized under other liabilities.

Derivative financial instruments

Derivative financial instruments are recognized using trade date accounting. They are initially measured at their fair value on the date the contract is entered into. They are subsequently measured at their fair value as of each reporting date. The method of recording gains and losses depends on whether the derivative financial instruments in question have been designated as hedging instruments and, if so, on the nature of the hedged item. The fair values of the various derivative financial instruments used for hedging purposes are recognized under other assets/liabilities. Changes in the valuation reserve for cash flow hedges are shown in the consolidated statement of changes in equity. The full fair value of derivative financial instruments designated as hedge instruments is reported as a non-current asset or liability if the residual term of the hedged underlying transaction is more than 12 months after the reporting date and as a current asset or liability if it is shorter than that. Derivative financial instruments measured at fair value through profit or loss are reported as current assets/liabilities provided the residual term does not exceed 12 months. Otherwise, they are recognized as non-current assets/liabilities.

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

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

Deferred Taxes

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

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

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

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

1 Sales

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

Sales by division	2019 € '000	%	2018 € '000	%	+ – in %
Hospital Care	3,342,980	44.8	3,131,070	45.3	6.8
Aesculap	1,968,166	26.3	1,824,435	26.4	7.9
OPM	917,290	12.3	840,855	12.2	9.1
B. Braun Avitum	1,210,132	16.2	1,082,261	15.7	11.8
Other sales	32,780	0.4	29,478	0.4	11.2
	7,471,348	**100.0**	**6,908,099**	**100.0**	**8.2**

Sales by region	2019 € '000	%	2018 € '000	%	+ – %
Germany	1,208,394	16.2	1,163,280	16.8	3.9
Europe	2,409,873	32.2	2,273,774	33.0	6.0
North America	1,809,593	24.2	1,596,181	23.1	13.4
Asia-Pacific	1,371,480	18.4	1,240,647	18.0	10.5
Latin America	428,872	5.7	416,725	6.0	2.9
Africa and the Middle East	243,136	3.3	217,492	3.1	11.8
	7,471,348	**100.0**	**6,908,099**	**100.0**	**8.2**

Sales by type	2019 € '000	%	2018 € '000	%	+ – %
Sales of products	6,484,129	86.8	6,024,611	87.2	7.6
Sales of services	987,219	13.2	883,488	12.8	11.7
	7,471,348	**100.0**	**6,908,099**	**100.0**	**8.2**

Outstanding performance obligations total € 222.4 million (previous year: € 218.0 million). It is expected that this amount will be able to be recognized as sales within five years.

2 Cost of goods sold

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

3 Selling and administrative expenses

Selling expenses include expenditures for marketing, sales organization, and distribution. This category also contains the expenses related to client training and consulting on technical product use. General administrative expenses comprise administrative expenses unrelated to production or sales.

4 Research and development expenses

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

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

5 Other operating income

	2019 € '000	2018 € '000
Currency gains	239,097	190,077
Additional income	25,930	28,136
Derivative Financial Instruments	3,168	11,792
Income from other periods	6,632	4,425
Proceeds from appreciation of current financial assets	720	2,349
Proceeds from the disposal of assets	3,518	18,534
Proceeds from the release of provisions	3,086	2,521
Other	33,693	21,479
	315,844	**279,313**

Currency gains primarily include gains from currency fluctuations between transaction and payment days from receivables and payables denominated in foreign currencies as well as gains resulting from translation at the period-end exchange rate.

Additional income includes, in particular, cost reimbursements from third parties and income from cafeteria sales.

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

Other operating income includes primarily payments of damages as well as government grants related to income and other factors. Income-related grants are recognized in the period in which the corresponding expenses occur. They total € 410,000 (previous year: € 374,000). During the fiscal year, grants of € 245,000 (previous year: € 220,000) were recognized through profit and loss. The grants were predominantly made to support structurally weak areas in Germany.

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

6 Other operating expenses

	2019 € '000	2018 € '000
Currency losses	266,454	226,845
Losses from impairment of current financial assets	10,688	10,684
Additions to provisions	2,145	7,061
Losses on the disposal of assets	4,255	9,168
Expenses from other periods	3,454	3,670
Derivative Financial Instruments	9,267	2,820
Other	60,247	56,537
	356,510	**316,785**

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

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

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

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

7 Financial investments recognized using the equity method of accounting

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

	2019 € '000	2018 € '000
Income from financial investments using the equity method	32,182	22,414
Expenses from financial investments using the equity method	91,776	-439
	-59,594	**21,975**

Expenses for the fiscal year from financial investments using the equity method essentially comprise expenses from the adjustment of the carrying value of the investment in Rhön-Klinikum AG. This impairment in the amount of € 91.2 million is due to the drop in the investment's market rate in the reporting year.

8 Net financial income

	2019 € '000	2018 € '000
Interest and similar income	7,691	6,980
Interest and similar expenses	-58,335	-48,660
to affiliated companies	(255)	(13)
Interest expenses for pension provisions less expected income from plan assets	-29,180	-27,326
	-79,824	**-69,006**
measured at fair value in other income: Financial assets and liabilities		
Interest income from discounting	(1,465)	(1,151)
Accrued interest expense	(546)	(2,687)

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

9 Other net financial income

	2019 € '000	2018 € '000
Income from joint ventures (excluding income from financial investments recognized using the equity method)	7,500	3,104
Other net financial income	-311	-278
	7,189	**2,826**

10 Income taxes

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

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

	2019 € '000	2018 € '000
Actual income taxes	115,091	111,614
Deferred taxes resulting from temporary differences	-10,078	13,334
Deferred taxes resulting from losses carried forward and tax credits	6,669	-1,789
	111,681	**123,159**

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

	Dec. 31, 2019		Dec. 31, 2018	
	Assets € '000	Liabilities € '000	Assets € '000	Liabilities € '000
Intangible Assets	9,784	61,953	10,624	60,945
Property, plant, and equipment	8,065	220,095	6,002	207,935
Financial investments	57	1,776	61	7,232
Inventory	80,599	7,409	75,658	8,359
Receivables	12,144	12,991	9,464	10,045
Pension provisions	277,557	473	214,071	386
Other provisions	26,825	2,074	25,994	1,803
Liabilities	51,752	1,550	51,914	3,588
Other items	929	1,655	1,168	1,831
	467,712	**309,976**	**394,956**	**302,124**
Non-current	(319,087)	(289,786)	(255,247)	(281,600)
Net balance	-178,362	-178,362	-172,079	-172,079
	289,350	**131,614**	**222,877**	**130,045**
Valuation allowance on deferred tax assets from temporary differences	-51	-	-75	-
Deferred taxes on tax credits	51,765	-	54,898	-
Losses carried forward (net, after valuation allowances)	24,781	-	27,613	-
	365,845	**131,614**	**305,313**	**130,045**

The amount of temporary differences related to holdings in subsidiaries and associates, as well as interests in joint ventures for which, according to IAS 12.39, no deferred tax liabilities were recognized is € -16.6 million (previous year: € -20,000).

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

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Within one year	19,069	1,143
Within two years	1,103	2,549
Within three years	3,593	1,138
Within four years	2,631	3,552
Within five years or longer	45,748	5,929
	72,144	**14,311**
Can be carried forward indefinitely	139,825	95,803
	211,969	**110,114**

Unrecognized tax credits total € 8.1 million (previous year: € 16.6 million). Deferred tax assets for which utilization depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and where the company has incurred past losses amounted to € 23.4 million (previous year: € 21.1 million). Recognition of these deferred tax assets is based on relevant forecasting, which justifies the expectation that they will be used.

Deferred taxes of € 222.6 million (previous year: € 164.1 million) were recognized directly in equity. This amount was primarily comprised of actuarial gains and losses related to pension commitments of € 200.6 million (previous year: € 147.6 million), changes in the fair value of securities of € -10,000 (previous year: € -10,000) and changes in the fair value of derivative financial instruments designated as cash flow hedges of € 1.9 million (previous year: € 210,000).

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

	2019 € '000	2018 € '000
B. Braun SE tax rate	29.2%	29.2%
Profit before tax	308,964	451,566
Expected income tax at parent company's tax rate	-90,100	-131,856
Differences due to other tax rates	23,470	27,254
Due to changes in tax rates	-995	-231
Tax reductions due to tax-exempt income	27,291	22,517
Tax increases due to non-deductible expenses	-20,453	-22,402
Addition/deduction of trade tax and similar foreign tax items	-1,608	-1,724
Final withholding tax on profit distributions	-3,124	-2,954
Tax credits	-1,970	41
Tax income/expense relating to previous periods	-2,203	-103
Change to valuation allowances on deferred tax assets	-18,220	-8,682
Profit (loss) of financial investments recognized using the equity method	-17,967	2,233
Other tax effects	-5,802	-7,252
Actual tax expense	**-111,681**	**-123,159**
Effective tax rate	36.1%	27.3%

11 Earnings per share

Earnings per share is calculated according to IAS 33 by dividing the consolidated net income less non-controlling interests by the number of shares in issue. The number of shares entitled to receive dividends remained unchanged at 800,000,000 during the fiscal year. There were no outstanding shares as of December 31, 2019 or December 31, 2018 that could have diluted the earnings per share. Earnings per share is € 0.22 (previous year: € 0.39).

Dividends paid in 2019 for the previous fiscal year totaled € 32 million (previous year: € 32 million). Dividends paid per share in 2019 totaled € 0.04 (previous year: € 0.04). The Management Board and Supervisory Board are proposing a dividend of € 0.04 per share for FY 2019. The proposed dividend must be ratified by the Annual Shareholders' Meeting on March 24, 2020. This dividend liability is not included in the Consolidated Financial Statements.

12 Other notes on the consolidated statement of income

Material costs

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

	2019 € '000	2018 € '000
Expenses for raw materials, supplies and goods purchased	3,083,419	2,745,563

In the reporting period, expenses in the cost of goods sold that are related to inventory write-downs to factor in risks arising in particular from storage period and reduced usability total € 34.2 million (previous year: € 39.4 million). The amount of reversals of write-downs during the fiscal year (increase in net realizable value) due to the elimination of these risks totals € 33.5 million (previous year: € 16.0 million).

Personnel expenditures/employees

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

Personnel expenditures	2019 € '000	2018 € '000
Wages and salaries	2,355,039	2,204,449
Social security payments	358,975	338,530
Welfare and pension expenses	114,842	108,814
	2,828,856	**2,651,793**
Employees by function (average for the year, including temporary employees)		
Production	42,402	41,228
Marketing and sales	13,591	13,423
Research and development	2,278	2,162
Technical and administration	5,939	5,862
	64,210	**62,675**
Part-time	(5,879)	(5,501)

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

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

In regard to first-time consolidated companies, an annual average of 177 employees was reported for 2019, compared to 207 for 2018.

13 Total audit fee

The following fees were recognized as expense for services provided worldwide by the auditors of PricewaterhouseCoopers in 2019:

	2019 € '000	2018 € '000
Audit fees	5,300	5,641
By PricewaterhouseCoopers GmbH, Germany	(1,192)	(1,491)
Other certification services	68	11
By PricewaterhouseCoopers GmbH, Germany	-	(2)
Tax advisory services	1,391	1,405
By PricewaterhouseCoopers GmbH, Germany	(150)	(401)
Other services	829	1,164
By PricewaterhouseCoopers GmbH, Germany	(15)	(587)
	7,588	**8,221**
By PricewaterhouseCoopers GmbH, Germany	(1,357)	(2,481)

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

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14 Intangible assets

Cost of acquisition or manufacture	Acquired Goodwill	Licenses, trademarks and other similar rights	Internally Created intangible assets	Advance payments	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Jan. 1, 2018	**266,620**	**640,429**	**118,562**	**111,179**	**1,136,790**
Foreign currency translation	-2,348	-5,145	5,439	-56	-2,110
Additions to scope of consolidation	47,412	4,245	0	0	51,657
Additions	1,925	23,872	14,522	23,865	64,184
Transfers	999	43,935	0	-41,228	3,706
Disposals	-129	5,052	0	-977	3,946
Dec. 31, 2018/Jan. 1, 2019	**314,479**	**712,388**	**138,523**	**92,783**	**1,258,173**
Foreign currency translation	-43	10,857	2,742	68	13,624
Additions to scope of consolidation	39,536	15,567	0	0	55,103
Additions	30	15,453	5,506	26,081	47,070
Transfers	0	17,619	0	-10,508	7,111
Disposals of assets held for sale	0	-801	0	0	-801
Disposals	20	-8,647	0	-6,274	-14,901
Dec. 31, 2019	**354,022**	**762,436**	**146,771**	**102,150**	**1,365,379**
Accumulated amortization 2019	784	471,634	38,479	0	510,897
Accumulated amortization 2018	595	411,560	27,744	0	439,899
Carrying amounts Dec. 31, 2019	**353,238**	**290,802**	**108,292**	**102,150**	**854,482**
Carrying amounts Dec. 31, 2018	**313,884**	**300,828**	**110,779**	**92,783**	**818,274**
Amortization in the fiscal year	0	58,335	10,242	6,274	74,851
Unscheduled	0	3,245	4,241	6,274	13,760

Amortization of intangible assets for the fiscal year was € 74.9 million (previous year: € 54.5 million) recognized in the statement of income as functional expenses The unscheduled amortization during the fiscal year pertains mainly to amortization of internally created intangible assets in the area of outpatient pumps in the US and of acquired product developments in the area of wound treatment in Germany.

The B. Braun Group capitalized € 5.5 million (previous year: € 14.5 million) in development costs for the fiscal year. All the prerequisites for capitalization were met.

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

A summary of the distribution of goodwill by CGU and the assumptions for their impairment testing are listed below:

	Hospital Care € '000	Aesculap € '000	OPM € '000	B. Braun Avitum € '000	Total € '000
Dec. 31, 2018					
Carrying amount of goodwill	86,127	19,471	22,308	185,978	313,884
Annual growth rate	2.6%	2.4%	2.2%	2.8%	
Discount rate	8.3%	8.1%	7.7%	8.8%	
Dec. 31, 2019					
Carrying amount of goodwill	85,580	19,469	22,308	225,881	353,238
Annual growth rate	2.4%	2.3%	2.1%	2.5%	
Discount rate	7.5%	7.4%	6.8%	8.0%	

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

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

If the actual future gross margin had been 10% less than the gross margin estimated by Management on December 31, 2019, no impairment of goodwill would have occurred. The same holds true if the discount amount that was used to calculate the discounted cash flow had been 10% higher than Management's estimates.

15 Property, plant, and equipment

Cost of acquisition or manufacture	Land and buildings € '000	Technical plants and machinery € '000	Other Plants, operating and office equipment € '000	Leased plants € '000	Advance payments and assets under construction € '000	Total € '000
Jan. 1, 2018	**2,230,999**	**3,404,642**	**1,084,003**	**-**	**731,820**	**7,451,464**
Foreign currency translation	9,544	34,688	-6,899	-	10,373	47,706
Additions to scope of consolidation	4,077	6,250	5,137	-	219	15,683
Disposals from scope of consolidation	0	0	-27	-	0	-27
Additions	38,534	100,907	95,478	-	515,058	749,977
Transfers	131,421	127,555	63,488	-	-326,170	-3,706
Disposals	-22,931	-44,235	-37,474	-	-400	-105,040
Dec. 31, 2018/Jan. 1, 2019	**2,391,644**	**3,629,807**	**1,203,706**	**-**	**930,900**	**8,156,057**
Foreign currency translation	35,512	42,788	14,204	0	7,977	100,481
Additions to scope of consolidation	328,290	48,400	49,777	0	34	426,501
Additions	67,775	94,656	74,710	49,539	427,640	714,320
Transfers	52,911	205,996	-360,081	429,099	-335,036	-7,111
Disposals of assets held for sale	-18,550	0	-8,276	0	0	-26,826
Disposals	-11,782	-37,026	-24,038	-27,262	2,425	-97,683
Dec. 31, 2019	**2,845,800**	**3,984,621**	**950,002**	**451,376**	**1,033,940**	**9,265,739**
Accumulated depreciation 2019	830,931	2,285,902	610,702	291,755	2,354	4,021,644
Accumulated depreciation 2018	704,691	2,077,491	782,211	-	2,371	3,566,764
Carrying amounts Dec. 31, 2019	**2,014,869**	**1,698,719**	**339,300**	**159,621**	**1,031,586**	**5,244,095**
Carrying amounts Dec. 31, 2018	**1,686,953**	**1,552,316**	**421,495**	**-**	**928,529**	**4,589,293**
Depreciation in the fiscal year	137,332	247,154	100,424	36,938	2,453	524,301
Unscheduled	3,822	2,870	335	0	2,443	9,470

The unscheduled depreciation during the fiscal year pertains mainly to depreciation of a building in Malaysia purchased with intent to demolish and on infusion therapy production plants taken out of service in Germany.

The capitalized borrowing costs in the fiscal year total € 5.5 million (previous year: € 5.5 million). An interest rate of 2.0% was utilized (previous year: 2.0%).

In the Statement of Financial Position, government grants for investments in the amount of € 764,000 (previous year: € 1.9 million) have been deducted from the carrying amounts of the relevant assets. The current carrying amount of property, plant, and equipment acquired with government grants is € 69.5 million (previous year: € 59.5 million). As of the reporting date, there were no unfulfilled conditions or uncertainties with regard to market success, which would have required a modification of recognition in the Statement of Financial Position.

The carrying amount of property, plant, and equipment with restricted title is € 20.2 million (previous year: € 20.2 million).

16 Finance leasing

This section contains information on leases in which the Group is the lessee. For information on leases in which the Group is the lessor, refer to Section 18 "Trade Receivables".

The Group leases various property, production plants, vehicles and other operating and office equipment. Leasing terms are negotiated individually and contain a number of varying terms. The lease agreements are typically concluded for a fixed term but may contain extension options.

The following items are reported on the Statement of Financial Position in relation to leases:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Licenses, trademarks and similar rights	480	458
Buildings	391,990	90,408
Technical plants and machinery	44,278	1,019
Other plants, operating and office equipment	46,625	3,732
Net carrying amount	**483,373**	**95,617**

Additions to rights of use during FY 2019 totaled € 69.9 million.

The statement of income contains the following figures in relation to leases:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Amortization of rights of use		-
Licenses, trademarks and similar rights	-13	-
Buildings	-67,317	-
Technical plants and machinery	-12,085	-
Other plants, operating and office equipment	-30,829	-
	-110,244	**-**
Interest expenses	-11,998	-
Expenses relating to short-term leases	-9,563	-
Expenses relating to leases for low-value assets not contained in the above short-term leases	-9,434	-
Expenses relating to variable lease payments not contained in the leasing liabilities	-10,248	-
Income from subleasing rights of use	748	-
Profits from leaseback transactions	137	-

All lease payments in the fiscal year totaled € 153.3 million.

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

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

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

	Assets € '000	Liabilities € '000	Equity € '000	Sales € '000	Profit/ loss € '000	Total earnings € '000	Financial dividends € '000
2019							
Rhön-Klinikum AG	1,645,803	489,894	1,155,909	1,139,450	37,782	39,530	4,900

Since Rhön-Klinikum AG's net income for 2019 was not available at the B. Braun Group's reporting date, the net income was estimated based on third quarter earnings. The balance sheet values correspond to the values in the third quarter financial statement. The market value of the investment as of the reporting date was € 295.3 million.

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

	Net carrying amount Jan. 1, 2019 € '000	Profit/ loss € '000	Change In equidy capital € '000	Dividend payout € '000	Net carrying amount Dec. 31 2019 € '000	Share in capital 25,2% € '000	Change due to change in equity € '000	Impairment € '000	Carrying amount Dec. 31, 2019 € '000
2019									
Rhön-Klinikum AG	1,138,003	44,943	1,621	-19,412	1,165,155	293,980	65,138	36,230	395,348

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

	2019 € '000	2018 € '000
Other associated companies		
Carrying value of shares	130,368	78,508
Share of profit/loss	23,319	-2,865
Share of net income	23,319	-2,865
Joint ventures		
Carrying value of shares	860	683
Share of profit/loss	155	-8
Share of net income	155	-8

As of December 31, 2019, the goodwill of holdings in associated companies totaled € 62.7 million (previous year: € 62.7 million). Liabilities to affiliated companies were € 6.8 million (previous year: € 5.7 million) and to joint ventures € 5.4 million (previous year: € 2.8 million).

Cost of acquisition	Finacial investments recognized using the equity method of accounting € '000	Other holdings € '000	Loans to companies in which the Group holds an interest € '000	Securities € '000	Other Loans € '000	Total € '000
Jan. 1, 2018	**455,965**	**33,329**	**2,159**	**5,736**	**23,439**	**520,628**
Foreign currency translation	31	0	-87	0	19	-37
Additions to Scope of Consolidation	-252	517	412	0	0	677
Disposals from Scope of Consolidation	0	-43,579	0	0	0	-43,579
Additions	13,486	53,134	6,436	0	770	73,826
Transfers	-876	1,593	0	0	-717	0
Disposals	-225	-2,493	-746	0	-17,021	-20,485
Fair value adjustments	0	3,972	0	-849	0	3,123
Dec. 31, 2018/Jan. 1, 2019	**468,129**	**46,473**	**8,174**	**4,887**	**6,490**	**534,153**
Foreign currency translation	147	-3	103	0	4	251
Disposals from Scope of Consolidation	0	-23,186	0	0	0	-23,186
Additions	57,583	34,765	1,719	135	1,198	95,400
Transfers	718	1,106	-1,824	0	0	0
Disposals	0	-1,362	-6,002	1	-1,900	-9,263
Fair value adjustments	0	0	0	48	0	48
Dec. 31, 2019	**526,577**	**57,793**	**2,170**	**5,071**	**5,792**	**597,403**
Accumulated depreciation 2019	91,200	96	0	2,625	137	94,058
Accumulated depreciation 2018	0	0	0	2,625	137	2,762
Carrying amounts Dec. 31, 2019	**435,377**	**57,697**	**2,170**	**2,446**	**5,655**	**503,345**
Carrying amounts Dec. 31, 2018	**468,129**	**46,473**	**8,174**	**2,262**	**6,353**	**531,391**
Depreciation in the fiscal year	91,200	96	0	0	0	91,296

18 Trade receivables

Age Analysis of Trade Receivables

a) Non-impaired trade receivables

€ '000	Total	Not yet due	Overdue up to 30 days	Overdue of 31–60 days	Overdue of 61–90 days	Overdue of 91–180 days	Overdue more than 180 days
Dec. 31, 2018							
Trade receivables	932,716	734,003	68,173	29,815	19,630	32,555	48,540
Leasing	17,728	17,728					
Lifetime ECL	-1,823	-1,573	-87	-30	-27	-83	-23
Carrying amount	930,893	732,430	68,086	29,785	19,603	32,472	48,517
€ '000							
Dec. 31, 2019							
Trade rec.							
Trade receivables	1,045,544	803,295	87,594	39,255	22,666	39,024	53,710
Leasing	21,400	21,400	-	-	-	-	-
Lifetime ECL	-1,283	-1,255	-2	-3	-8	-6	-9
Carrying amount	1,044,261	802,040	87,592	39,252	22,658	39,018	53,701

Lifetime ECL was calculated using gross receivables less receivables up for sale as part of the ABS program as well as credit default rates ranging from 0.02% to 0.16% (previous year: 0.05% to 0.25%). A significant proportion of the non-impaired and overdue trade receivables are attributable to receivables from social security providers, government or government-sponsored companies.

b) Impaired trade receivables

€ '000	Total	Not yet due	Overdue up to 30 days	Overdue of 31–60 days	Overdue of 61–90 days	Overdue of 91–180 days	Overdue more than 180 days
Dec. 31, 2018							
Trade receivables	253,406	142,909	27,238	9,697	7,047	14,437	52,078
Impairment provisions	-36,729	-6,966	-1,410	-721	-656	-1,615	-25,361
Carrying amount	**216,677**	**135,943**	**25,828**	**8,976**	**6,391**	**12,822**	**26,717**
€ '000							
Dec. 31, 2019							
Trade receivables	234,870	130,390	25,834	9,562	7,780	13,812	47,492
Impairment provi-	-39,092	-7,220	-1,501	-589	-561	-1,717	-27,504
Carrying amount	**195,778**	**123,170**	**24,333**	**8,973**	**7,219**	**12,095**	**19,988**

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

Impairments on trade receivables have changed as follows:

	2019 € '000	2018 € '000
Amount of impairment provisions as of Jan. 1	38,552	37,464
Foreign currency translation	264	-1,204
Additions	11,606	9,076
Utilization	-6,040	-3,636
Releases	-4,008	-3,148
Amount of impairment provisions as of Dec. 31	**40,374**	**38,552**
For specific impairments	(39,091)	(36,729)
Lifetime ECL	(1,283)	(1,823)

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

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

	2019 € '000	2018 € '000
Expenses for complete derecognition of trade receivables	6,344	2,975
Income from trade receivables previously derecognized	141	165

Fair value of collateral received totaled € 8.9 million (previous year: € 9.5 million). This collateral consists primarily of payment guarantees.

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

As of December 31, 2019, B. Braun Group companies had sold receivables worth up to € 98.9 million (previous year: € 99.8 million) under an asset-backed securities (ABS) program with a maximum volume of € 100 million. The basis for the transaction is the assignment of trade receivables of individual B. Braun companies to a structured entity as part of an undisclosed assignment. A structured entity should be consolidated under IFRS 10 if the criteria for control of this company have been met (IFRS 10.B2). The existence of a controlling relationship requires decision-making power and variable returns as well as a link between the two. Since B. Braun does not participate in the variability of the structured entity, this company is not consolidated in the Consolidated Financial Statements.

The requirements for a receivables transfer according to IFRS 9.3.2.1 are met, since the receivables are transferred according to IFRS 9.3.2.4(a). In the previous fiscal year, verification in accordance with IFRS 9.3.2.6 showed that virtually all risks and rewards were neither transferred nor retained. The control of receivables remains with B. Braun, as a further sale of the receivables is economically detrimental to the structured entity. Consequently, B. Braun's continuing involvement must be recognized. This includes, firstly, the maximum amount that B. Braun could conceivably have to pay back under the senior and third-ranking default guarantee assumed (€ 1.9 million; previous year: € 1.9 million). Secondly, the maximum expected interest payments until payment is received for the carrying amount of the receivables transferred are recognized in the Statement of Financial Position (€ 96,000; previous year: € 122,000). The fair value of the guarantee/interest payments to be acquired were estimated at € 222,000 (previous year: € 94,000) and recognized as another liability on the statement of income.

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

	Dec. 31, 2019	Dec. 31, 2018
Min. lease payments for receivables from finance lease agreements	€ '000	€ '000
Less than 1 year	8,751	7,065
In Year 2	6,536	
In Year 3	3,738	11,940
In Year 4	2,385	
In Year 5	1,120	
After 5 years	971	746
Gross investment	**23,501**	**19,751**
Interest amount	2,155	2,023
Total discounted, non-guaranteed residual value	53	0
Net investment	**21,399**	**17,728**

Gains realized by sale in the fiscal year totaled € 374,000.

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

	Dec. 31, 2019	Dec. 31, 2018
Maturity	Minimum lease payments € '000	Minimum lease payments € '000
Less than 1 year	44,886	35,077
In Year 2	29,612	
In Year 3	23,346	80,796
In Year 4	18,395	
In Year 5	12,595	
Over 5 years	19,903	18,584
Total	**148,737**	**134,457**

19 Other assets

	Dec. 31, 2019		Dec. 31, 2018	
	Residual term < 1 year € '000	Residual term > 1 year € '000	Residual term < 1 year € '000	Residual term > 1 year € '000
Other tax receivables	95,397	0	87,215	0
Receivables from social security providers	2,796	7	2,168	5
Receivables from employees	3,608	695	3,383	192
Advance payments	23,431	45	23,187	86
Accruals and deferrals	43,480	4,591	45,763	5,803
	168,712	**5,338**	**161,716**	**6,086**

	Dec. 31, 2019		Dec. 31, 2018	
	Residual term < 1 year € '000	Residual term > 1 year € '000	Residual term < 1 year € '000	Residual term > 1 year € '000
Receivables from derivative financial instruments	9,888	0	15,969	0
Securities at amortized cost	16,007	0	14,703	0
Securities held for trading	28,957	0	21,903	0
Assets held for sale	11,206	0	0	0
Other receivables and assets	72,614	28,943	87,501	42,961
	138,672	**28,943**	**140,076**	**42,961**
	307,384	**34,281**	**301,792**	**49,047**

The financial assets held for sale comprise assets for operating dialysis centers of the B. Braun Avitum division in Poland. In July of the fiscal year, the division decided to sell these assets in order to optimize the portfolio of its global dialysis center network. The appropriate contracts were signed in December 2019. Closing will take place in the coming fiscal year. The assets held for sale pertain to the following asset classes:

	Dec. 31, 2019 € '000
Intangible Assets	73
Land and buildings	9,789
Other assets	1,343
	11,206

Granted loans are mainly reported under other receivables and assets.

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

20 Inventories

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Raw materials and supplies	324,005	315,226
Impairment provisions	-23,790	-22,007
Net raw materials and supplies	**300,215**	**293,219**
Work in progress	239,583	213,836
Impairment provisions	-11,223	-9,663
Net work in progress	**228,360**	**204,173**
Finished products, merchandise	928,537	939,630
Impairment provisions	-86,924	-92,597
Net finished products, merchandise	**841,613**	**847,033**
	1,370,188	**1,344,425**

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

21 Cash and cash equivalents

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

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

22 Subscribed capital

B. Braun SE's share capital of € 800 million is divided into 800,000,000 no-par value bearer shares that are fully paid up. Each share without nominal value represents a calculated share of € 1.00 of the subscribed capital.

23 Capital reserves and retained earnings

The capital reserves include the premium from the capital increase relating to the contribution of shares in B. Braun Melsungen AG as well as payments from shareholders.

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

Changes in other provision	Reserve for cash flow hedges € '000	Fair value of available-for-sale financial assets € '000	Reserve for currency translation differences € '000	Total € '000
Jan. 1, 2018	**-21**	**-119**	**-198,805**	**-198,945**
Changes recognized directly in equity (after taxes)				
Changes in fair value of securities	0	3,162	0	3,162
Cash flow hedging instruments	-729	0	0	-729
Changes due to currency translation	0	0	8,819	8,819
Effect of reorganization of Group structure	45	-183	11,399	11,261
Total	**-684**	**2,979**	**20,218**	**22,513**
Dec. 31, 2018/Jan. 1, 2019	**-705**	**2,860**	**-178,587**	**-176,432**
Changes recognized directly in equity (after taxes)				
Changes in fair value of securities	0	242	0	242
Cash flow hedging instruments	-4,038	0	0	-4,038
Changes due to currency translation	0	0	52,740	52,740
Total	**-4,038**	**242**	**52,740**	**48,944**
Comprehensive income over the period	**-4,743**	**3,102**	**-125,847**	**-127,488**

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

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

24 Non-controlling interests

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

	Assets	Liabilities	Sales
	€ '000	€ '000	€ '000
2018			
Almo-Erzeugnisse E. Busch GmbH, Germany	58,992	34,496	62,979
B. Braun Austria Ges.m.b.H., Austria	94,238	22,533	64,849
B. Braun Medical AG, Switzerland	366,996	120,527	309,238
	520,226	177,556	437,066
2019			
Almo-Erzeugnisse E. Busch GmbH, Germany	57,526	33,843	66,963
B. Braun Austria Ges.m.b.H., Austria	97,670	23,739	68,297
B. Braun Medical AG, Switzerland	426,667	161,563	331,868
	581,863	219,145	467,128

					Attributable to	
Profit/loss € '000	Other earnings (OCI) € '000	Total earnings € '000	Cash flow € '000	Non-controlling interests in %	Profit/loss € '000	Dividends € '000
-843	-2,239	-3,082	0	40	-337	600
11,594	-1,363	10,231	11	40	4,638	2,000
18,468	-29,274	-10,805	-5,717	49	9,049	4,957
29,219	-32,876	-3,656	-5,706		13,350	7,557
1,283	-2,875	-1,592	1	40	513	600
12,752	-1,883	10,869	17	40	5,101	4,000
18,944	-27,926	-8,982	-4,737	49	9,283	5,185
32,979	-32,684	295	-4,719		14,897	9,785

25 Provisions for pensions and similar commitments

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Provisions for pension commitments	1,580,033	1,332,051

Payments of € 49.4 million are expected in FY 2020 (previous year: € 42.8 million). Of this, € 16.2 million is attributable to contributions to external plans (previous year: € 10.3 million) and € 33.2 million (previous year: € 32.5 million) to benefits that will be paid directly by the employer to beneficiaries.

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

For defined contribution plans, the Group has no further payment obligations once the contributions have been paid. They are recognized as an operating expense in the amount of the contributions paid. In the previous fiscal year, this amount was € 31.1 million (previous year: € 29.6 million). In addition, the Group makes contributions to statutory basic provision plans for employees in many countries (including Germany). However, since this covers various forms of social security benefits, no precise statement can be made with regard to the part that solely relates to retirement payments. These expenses are shown under social security payments, under Note 12 "Personnel Expenditures/Employees."

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

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

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

Retirement benefits in Germany are predominantly financed by pension provisions.

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

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

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

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

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

The amount of pension provisions in the Statement of Financial Position is derived as follows:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Present value of pension commitments	1,966,720	1,671,040
Fair value of external plan assets	-386,687	-338,994
Excess cover/shortfall	**1,580,033**	**1,332,046**
Effect of asset ceiling	0	5
Pension provision (net)	**1,580,033**	**1,332,051**
Assets	(1,909)	(1,239)
Liabilities	(1,581,942)	(1,333,290)

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

	2019 € '000	2018 € '000
Current service costs	61,176	61,767
Plan amendments/past service costs	-216	-434
(Profit)/losses from plan settlements/lapsing	217	17
Service costs	**61,177**	**61,350**
Interest expense on pension commitments	36,952	33,847
Interest income from external plan assets	-7,772	-6,521
Net interest expense on pension commitments	**29,180**	**27,326**
Administrative expenses and taxes	1,126	565
Pension expenses on defined benefit plans	**91,483**	**89,241**
Operating profit	(62,303)	(61,916)
Financial income	(29,180)	(27,325)
Pension expenses on defined contribution plans	31,150	29,568
Pension expenses	**122,633**	**118,809**

Pension commitments and external plan assets are reconciled as follows:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Present value of the commitment at the beginning of the year	1,671,040	1,593,550
Current service costs	61,177	61,767
Plan amendments (/past service costs)	-216	-434
Effects of plan settlements/lapsing	217	17
Interest expenses on pension commitments	36,952	33,847
Benefits paid	-47,628	-37,763
Settlement payments	-217	-602
Employee contributions	5,045	4,757
Effects of changes in financial assumptions	249,195	-15,567
Effects of changes in demographic assumptions	-17,683	12,975
Effects of experience adjustments	-4,091	19,322
Effects of transfers	297	-13,716
Effects of changes in the scope of consolidation	0	410
Effects of foreign currency translation	12,632	12,477
Present value of the commitment at end of year	**1,966,720**	**1,671,040**

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Fair value of plan assets at start of year	338,993	324,563
Interest income from external plan assets	7,772	6,521
Revaluation of external plan assets	32,501	-12,360
Employer contributions	10,884	14,801
Employee contributions	5,045	4,757
Benefits paid and fund capital payments made	-18,429	-8,763
Settlement payments	0	-458
Effects of changes in scope of consolidation and transfers	-41	218
Effects of foreign currency translation	9,962	9,714
Fair value of plan assets at end of year	**386,687**	**338,993**

The plan assets consist of the following:

	Dec. 31, 2019 %	Dec. 31, 2018 %
Equities and similar securities	20	19
Bonds and other fixed-income securities	12	13
Insurance contracts	58	58
Liquid assets	1	1
Investment funds	9	9
	100	**100**

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

	Dec. 31, 2019 %	Dec. 31, 2018 %
Equities and similar securities	20	19
Bonds and other fixed-income securities	12	13
Liquid assets	1	1
Investment funds	9	9
	42	**42**

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

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

In FY 2019 and FY 2018, the pension provisions changed as follows:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Pension provisions (net) Jan. 1	1,332,051	1,268,987
Transfers	340	-13,933
Payments	-41,428	-44,507
Pension expense	91,483	89,241
Revaluations recognized in equity (OCI)	194,917	29,090
Effects from changes to financial assumptions of the pension commitment	(249,195)	(-15,567)
Effects from changes to demographic assumptions of the pension commitment	(-17,683)	(12,975)
Effects from experience adjustments of the pension commitments	(-4,091)	(19,322)
Revaluation of external plan assets	(-32,501)	(12,360)
Other effects	(3)	-
Effects of changes in the scope of consolidation	-	410
Effects of foreign currency translation	2,670	2,763
Pension provisions (net) Dec. 31	**1,580,033**	**1,332,051**

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

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

	Dec. 31, 2019 %	Dec. 31, 2018 %
Discount rate	1.5	2.2
Future salary increases	2.8	2.8
Future pension increases	1.5	1.5

Pension expense was calculated using the following assumptions:

	Dec. 31, 2019 %	Dec. 31, 2018 %
Discount rate for calculating interest expense	2.2	2.2
Discount rate for calculating current service costs	2.5	2.3
Future salary increases	2.8	2.8
Future pension increases	1.5	1.5

The percentages shown are weighted average assumptions. For the eurozone, a uniform discount rate of 1.5% (previous year: 2.2%) was applied.

The Heubeck Mortality Tables 2018 G served as the biometric calculation basis for measuring German defined-benefit pension obligations.

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

The results of the sensitivity analysis were as follows:

Increasing effects on pension obligations	Dec. 31, 2019 %	Dec. 31, 2018 %
Discount rate reduced by 25 basis points	5	5
Future salary increases increased by 25 basis points	1	1
Future pension increases increased by 25 basis points	3	2
Life expectancy increased by 1 year	3	3

Sensitivities related to decreasing effects on pension obligations are comparable.

The weighted-average duration of the obligation is 20 years (previous year: 19 years).

26 Other provisions

The major provisions categories changed as follows:

Other non-current provisions		Personnel expenditures	Uncertain liabilities	Other	Total
		€ '000	€ '000	€ '000	€ '000
Jan. 1, 2018		**99,155**	**4,942**	**9,221**	**113,318**
Foreign currency translation		1,207	-743	13	477
Transfers		192	0	0	192
Utilization		-4,809	-55	-189	-5,053
Reversals		-72	-1,374	-636	-2,082
Additions		9,903	1,571	126	11,600
Dec. 31, 2018/Jan. 1, 2019		**105,576**	**4,341**	**8,535**	**118,452**
Foreign currency translation		662	-417	14	259
Utilization		-6,724	-183	-1,709	-8,616
Reversals		-24	-235	-10	-269
Additions		14,255	858	1,376	16,489
Dec. 31, 2019		**113,745**	**4,364**	**8,206**	**126,315**

Other non-current provisions		Personnel expenditures	Uncertain liabilities	Other	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Jan. 1, 2018	**5,108**	**10,872**	**16,794**	**28,389**	**61,163**
Foreign currency translation	119	-9	170	-1,013	-733
Transfers	-192	0	0	0	-192
Changes in scope of consolidation	93	21	0	7	121
Utilization	-1,955	-1,826	-2,518	-19,554	-25,853
Reversals	-256	-872	-5,573	-1,826	-8,527
Additions	2,478	5,452	5,577	22,328	35,835
Dec. 31, 2018/Jan. 1, 2019	**5,395**	**13,638**	**14,450**	**28,331**	**61,814**
Foreign currency translation	65	61	40	6	171
Utilization	-1,808	-6,211	-4,804	-15,588	-28,411
Reversals	-650	-550	-2,021	-2,292	-5,513
Additions	4,346	7,196	3,646	16,953	32,141
Dec. 31, 2019	**7,348**	**14,134**	**11,311**	**27,410**	**60,202**

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

Other provisions mainly consist of provisions for other obligations in the area of human resources and social services, guarantees, possible losses from contracts, legal and consulting fees, and a number of identifiable individual risks. The remaining other provisions refer predominantly to outstanding invoices, bonuses, actuarial provisions and provisions for open insurance claims of REVIUM Rückversicherung AG, Melsungen.

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

27 Financial liabilities

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Non-current liabilities		
Profit participation rights	112,047	112,551
Liabilities to banks	1,806,667	1,478,436
Liabilities from lease agreements	299,782	29,025
Liabilities from lease agreements with affiliated companies	32,320	13,796
Liabilities from borrowings from non-banks	47,387	39,295
	2,298,203	**1,673,103**
Current liabilities		
Profit participation rights	14,991	12,482
Liabilities to banks	466,859	675,692
Liabilities from lease agreements	83,892	4,979
Liabilities from lease agreements with affiliated companies	16,516	3,475
Liabilities from borrowings from non-banks	70,881	57,609
Liabilities from borrowings from affiliated companies	67,583	56,744
Liabilities from bills of exchange	12,051	15,449
Other financial liabilities	3,236	2,529
	736,009	**828,959**
Total financial liabilities	**3,034,212**	**2,502,062**

Term structure of financial liabilities:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Due within 1 year	736,009	828,959
Due in 1–5 years	1,531,091	918,725
Due in over 5 years	767,112	754,378
	3,034,212	**2,502,062**

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

Each profit participation right has a 10-year term. Interest on the rights is linked to the dividends paid to shareholders in B. Braun Melsungen AG, and the repayment amount is linked to the Group's equity.

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

As of December 31, 2019, a total of 652,207 rights had been issued. The years of issue are as follows:

Year of issue	Number
2010	60,619
2011	69,202
2012	54,071
2013	69,276
2014	62,481
2015	64,761
2016	75,228
2017	80,380
2018	68,591
2019	47,598
	652,207

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

In November 2019, B. Braun SE took out several bilateral bank loans totaling € 400 million. The loans have a term of three years and have a fixed interest rate. The borrowed funds were internally funneled to B. Braun Melsungen AG and mainly served to refinance expired loans.

As of December 31, 2019, the Group had unused credit lines in different currencies totaling € 1.1187 billion (previous year: € 1.116 billion).

Interest rates on euro loans were up to 3.89% per annum for non-current loans, depending on the length of the interest rate lock-in period.

The carrying amounts of the financial liabilities are as follows for the currencies below:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
EUR	2,314,969	1,973,992
USD	147,867	130,990
Other	571,376	397,079
	3,034,212	**2,502,061**

Of the other liabilities, € 20.4 million (previous year: €22.3 million) are covered by property liens. The borrowings from non-banks are unsecured loans.

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

	Carrying amount € '000	Cash outflow within 1 year € '000	Cash outflow within 1–2 years € '000	Cash outflow within 2–5 years € '000	Cash outflow within 5–10 years € '000	Cash outflow within 10 years € '000
Dec. 31, 2018						
Profit participation rights	125,033	12,627	14,428	35,921	62,843	0
Liabilities to banks	2,154,128	699,521	155,295	740,675	687,551	0
Liabilities from lease agreements	34,004	6,773	6,135	16,095	14,318	0
Liabilities from lease agreements with affiliated companies	17,271	3,653	3,290	9,771	1,086	0
Liabilities from borrowings from non-banks	96,903	58,033	2,361	31,499	7,106	0
Liabilities from ABS transactions and other financial liabilities	57,717	57,717	0	0	0	0
Trade accounts payable	545,333	542,386	241	2,266	440	0
Liabilities from derivative financial instruments	11,362	271,839	8	183	0	-260,019
Dec. 31, 2019						
Profit participation rights	127,038	15,131	14,089	36,796	61,761	0
Liabilities to banks	2,273,526	490,012	316,493	993,338	583,148	0
Liabilities from lease agreements	383,674	93,528	73,500	148,238	80,021	38,183
Liabilities from lease agreements with affiliated companies	48,836	16,459	12,813	20,568	818	0
Liabilities from borrowings from non-banks	118,268	71,401	4,186	37,037	7,081	0
Liabilities from ABS transactions and other financial liabilities	48,365	48,365	0	0	0	0
Trade accounts payable	527,007	525,079	4	2,071	0	0
Liabilities from derivative financial instruments	15,581	14,678	57	846	0	0

All instruments held as of December 31, 2019 and for which payments had already been contractually agreed upon are included. Amounts in foreign currency were each translated at the closing rate on the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2019. Financial liabilities that can be repaid at any time are always assigned to the earliest possible period.

28 Additional disclosures on financial instruments

Carrying amounts and fair value by measurement category/classification:

	Measurement category per IFRS 9	Carrying amount Dec. 31, 2019 € '000	Fair value Dec. 31, 2019 € '000	Carrying amount Dec. 31, 2018 € '000	Fair Value Dec. 31, 2018 € '000
Assets					
Trade receivables	AmC	1,197,236	-	1,105,260	-
	FVPL	42,804	42,804	42,310	42,310
Other receivables	AmC	104,830	-	138,860	-
Other financial assets	FVOCIw/o	50,443	50,443	41,607	41,607
	AmC	16,007	16,007	14,703	14,703
	FVPL	9,719	9,719	7,127	7,127
Financial assets held for trade	FVPL	28,957	28,957	21,903	21,903
Derivatives not in a hedge	FVPL	8,267	8,267	12,276	12,276
Derivatives in a hedge	N/A	1,621	1,621	3,693	3,693
Cash and cash equivalents	AmC	82,350	-	74,809	-
Liabilities					
Profit participation rights	AmC	127,040	-*	125,033	-*
Liabilities to banks	AmC	2,273,526	2,318,722	2,154,128	2,184,461
Liabilities from lease agreements	N/A	432,510 **	-	51,275 **	34,352
Liabilities from borrowings from non-banks	AmC	118,268	118,595	96,903	96,987
Other financial liabilities	AmC	12,085	-	15,535	-
Trade accounts payable	AmC	527,007	-	545,333	-
Other liabilities	AmC	309,808	-	338,105	-

	Measurement category per IFRS 9	Carrying amount Dec. 31, 2019 € '000	Fair value Dec. 31, 2019 € '000	Carrying amount Dec. 31, 2018 € '000	Fair Value Dec. 31, 2018 € '000
Purchase price liabilities from business combinations	FVPL	4,766	4,766	7,520	7,520
Derivatives not in a hedge	FVPL	8,578	8,578	6,218	6,218
Derivatives in a hedge	N/A	7,003	7,003	5,144	5,144
Summary by measurement category:					
Assets					
Amortized cost	AmC	1,400,423	16,007	1,333,632	14,703
Fair value through profit and loss	FVPL	89,747	89,747	83,616	83,616
	FVOCIw/o	50,443	50,443	41,607	41,607
Liabilities					
Amortized cost	AmC	3,367,734	2,437,317	3,275,037	2,281,448
Fair value through profit and loss	FVPL	13,344	13,344	13,738	13,738

AmC Financial assets or liabilities measured at amortized cost | **FVPL** Financial assets or liabilities measured at fair value through profit and loss | **FVOCIw/o** Financial assets measured at fair value through other comprehensive income without recycling

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

** Corresponds to the value on the Statement of Financial Position per IFRS 16 (2019)/IAS 17 (2018).

Net gains or losses by measurement category are as follows:

Net gains or losses from financial assets and liabilities	2019 € '000	2018 € '000
- Measured at amortized cost	-89	-87
- Equity instruments measured in other comprehensive income as FVCOI	-222	-191
- Measured at FVPL by regulation	-20,979	-3,360
	-21,290	**-3,638**

Trade receivables totaling € 42.8 million were designated at fair value through profit and loss since they are held for sale as part of an asset-backed securities program, meaning they do not meet the business model condition for classification as financial assets measured at amortized cost.

Financial investments in foreign currency instruments totaling € 16.0 million were designated financial assets measured at amortized cost since both the relevant business model condition and the cash flow condition are met. These investments are in covered bonds and loans.

Financial investments in equity instruments totaling € 50.4 million were designated at fair value through other comprehensive income since, as strategic, long-term investments, they are not held with the intention of realizing a short-term gain. These are primarily fund-based early-stage financing investments. Dividends in the amount of € 7.4 million were recognized from these financial investments in 2019.

Other assets include other receivables and other financial assets in the amount of € 125.0 million (previous year: € 153.7 million) and other loans in the amount of € 7.8 million (previous year: € 14.5 million).

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

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

The fair values of liabilities to banks and other lenders are calculated as the net present value of the payments associated with the liabilities based on the applicable yield curve. In determining the fair value, the credit risk has been taken into account.

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

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

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
Dec. 31, 2018				
Financial assets of category FVPL				
Derivative financial assets not in a hedge	0	12,276	0	12,276
Derivative financial assets in a hedge	0	3,693	0	3,693
Other financial assets	7,127	0	0	7,127
Financial assets held for trading	21,903	0	0	21,903
Trade receivables	0	42,310	0	42,310
Financial assets of category FVOCIw/o				
Financial assets	0	41,607	0	41,607
Financial liabilities of category FVPL				
Purchase price liabilities from business combinations	0	0	-7,520	-7,520
Derivative financial assets not in a hedge	0	-6,218	0	-6,218
Derivative financial assets in a hedge	0	-5,144	0	-5,144
	29,030	88,524	-7,520	110,034

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
Dec. 31, 2019				
Financial assets of category FVPL				
Derivative financial assets not in a hedge	0	8,267	0	8,267
Derivative financial assets in a hedge	0	1,621	0	1,621
Other financial assets	9,719	0	0	9,719
Financial assets held for trading	28,957	0	0	28,957
Trade receivables	0	42,804	0	42,804
Financial assets of category FVOCIw/o				
Financial assets	0	50,443	0	50,443
Financial liabilities of category FVPL				
Purchase price liabilities from business combinations	0	0	-4,766	-4,766
Derivative financial assets not in a hedge	0	-8,578	0	-8,578
Derivative financial assets in a hedge	0	-7,003	0	-7,003
	38,676	87,554	-4,766	121,464

Purchase price liabilities from business combinations categorized as Level 3 are conditional purchase price liabilities recorded at net present value, the final amount is partially performance-dependent based on various factors. The amount stated represents the fair value that was calculated for the actual purchase price liability on the basis of the agreed adjustment parameters. A partial amount of € 1.5 million is performance-dependent based on the sales of the acquired company in the years following the acquisition. If sales turn out to be 10% higher (lower) than was assumed when the liability was determined, then the liability would increase (decrease) by € 146,000. Another partial amount of € 2.7 million is performance-dependent based on the number of patients treated, the refund amount and the rate of inflation. If these parameters develop 10% more favorably (unfavorably) than expected, then the liability would increase by € 3.4 million (decrease by € 2.7 million).

The € -2.8 million decrease in liabilities over the previous year is attributable to the repayment of liabilities (€ -3.3 million), the creation of new liabilities following business combinations in the reporting year (€ 477,000) and discounting effects (€ 71,000).

The table below shows financial instruments not measured at fair value whose fair value is still specified.

	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
Dec. 31, 2018				
Liabilities to banks	0	2,184,461	0	2,184,461
Liabilities from finance leases	0	34,352	0	34,352
Liabilities from borrowings from non-banks	0	96,987	0	96,987
	0	2,315,800	0	2,315,800
Dec. 31, 2019				
Liabilities to banks	0	2,318,722	0	2,318,722
Liabilities from borrowings from non-banks	0	118,595	0	118,595
	0	2,437,317	0	2,437,317

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

				Corresponding amounts that were not offset		
	Carrying amount	Off-set amount	Carrying amount	Financial instruments	Financial collateral held	Net amount
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Dec. 31, 2018						
Assets measured at cost	1,333,632	0	1,333,632	-3,359	20	1,330,293
Assets measured at fair value	125,223	0	125,223	-10,173	0	115,050
FVPL	83,616	0	83,616	-10,173	0	73,443
FVOCIw/o	41,607	0	41,607	0	0	41,607
Financial liabilities at amortized cost	3,275,037	0	3,275,037	-8,521	0	3,266,516
Liabilities measured at fair value (FVPL)	13,738	0	13,738	-5,010	0	8,728
Dec. 31, 2019						
Assets measured at cost	1,400,423	0	1,400,423	-3,355	47	1,397,115
Assets measured at fair value	140,190	0	140,190	-9,188	0	131,002
FVPL	89,747	0	89,747	-9,188	0	80,559
FVOCIw/o	50,443	0	50,443	0	0	50,443
Financial liabilities at amortized cost	3,367,734	0	3,367,734	-7,171	0	3,360,563
Liabilities measured at fair value (FVPL)	13,344	0	13,344	-5,414	0	7,930

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

29 Trade accounts payable and other liabilities

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Non-current liabilities		
Trade accounts payable	2,075	2,947
Liabilities to social security providers	4,450	3,479
Liabilities from derivative financial instruments	903	0
Liabilities to employees, Management and shareholders	42,473	36,899
Accruals and deferrals	80	80
	47,906	**40,458**
Other liabilities	8,301	11,094
Subtotal other liabilities	**56,207**	**51,552**
financial liabilities	(8,231)	(10,711)
Current liabilities		
Trade accounts payable	524,932	542,386
Liabilities to social security providers	36,178	35,027
Liabilities to employees, Management and shareholders	300,557	278,357
Accruals and deferrals	16,015	19,355
Other tax liabilities	114,049	89,731
	466,799	**422,470**
Liabilities from derivative financial instruments	14,678	11,359
Liabilities held for sale	2,761	0
Other liabilities	318,859	360,047
	336,298	**371,406**
Subtotal other liabilities	**803,097**	**793,876**
financial liabilities	(316,248)	(338,752)
Total liabilities	**1,386,311**	**1,390,761**

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

The financial liabilities held for sale comprise the liabilities relating to the sale of the kidney centers of the B. Braun Avitum division in Poland (see notes in Section 19). These pertain to the individual liability classes as follows:

	Dec. 31, 2019 € '000
Trade accounts payable	1,134
Liabilities to employees, Management and shareholders	648
Liabilities to social security providers	254
Other tax liabilities	110
Other liabilities	614
	2,761

30 Contingent liabilities

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

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Uncertain liabilities	2,795	17,374
Guarantees	15,611	18,972
Contractual performance guarantees	40,567	38,582
	58,973	**74,928**

All cases relate to potential future obligations, which may arise upon the occurrence of corresponding events and are entirely uncertain as of the reporting date. During the normal course of business, B. Braun is subject to potential obligations stemming from lawsuits and enforced claims. Estimates of possible future liabilities of this kind are uncertain. No material negative consequences for the economic or financial situation of the B. Braun Group are anticipated.

31 Other financial liabilities

As of the reporting date, there are obligations to acquire intangible assets in the amount of € 264,000 (previous year: € 921,000) and to acquire property, plant, and equipment in the amount of € 359.8 million (previous year: € 290.3 million).

32 Financial risk management

Financial risk factors

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

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

a) Market risk
Foreign exchange risk
The Group operates internationally and is therefore exposed to currency risk arising from fluctuations in the exchange rates between various foreign currencies, primarily the US dollar. Risks arise when future transactions or assets or liabilities recognized in the Statement of Financial Position are denominated in a currency

that is not the functional currency of the company. To hedge such risks, the Group uses forward foreign exchange contracts.

The Group's risk management policy is to hedge assets and liabilities recognized in the Statement of Financial Position. The Group therefore performs a scenario analysis to ascertain the impact of changes in exchange rate on the Group's earnings and shareholders' equity (before taxes in each case). This analysis takes into account balance sheet items (particularly accounts receivable and payable from operations as well as loans and borrowings) along with foreign exchange transactions executed in order to hedge balance sheet items and future cash flows denominated in foreign currencies (cash flow hedges). In December 2019, it was decided not to continue to pursue this hedging strategy. The layered hedging of expected and not yet recognized receivables and payables in the Group's key currencies that it had previously implemented routinely is now only used in isolated instances. However, current hedges will be continued until they mature.

If the exchange rate of the US dollar compared to other currencies on December 31, 2019 had been 10% stronger (weaker), profit before taxes—with all other variables remaining constant—would have been € 600,000 lower (higher; previous year: € 1.9 million higher [lower]). The remaining components of equity would have been approx. € 6.3 million (previous year: € 7.6 million) lower (higher). If the euro rises in value by 10% against all other currencies (euro 10% weaker), the changes in the value of the cash flow hedges would have the effect of increasing (decreasing) shareholders' equity by about € 24.9 million (previous year: € 24.1 million).

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

The Group has, in the past, also hedged its cash flow interest rate risk with interest rate swaps. The payer interest rate swaps transacted for this purpose expired during the fiscal year as scheduled.

If market interest rates had been 100 basis points higher as of December 31, 2019, profit before taxes—with all other variables remaining constant—would have been approx. € 5.4 million lower for the full year (previous year: € 5.9 million). If market interest rates had been 50 basis points lower as of December 31, 2019, profit before taxes—with all other variables remaining constant—would have been approx. € 2.2 million higher for the full year (previous year: € 2.0 million). This would have been mainly attributable to higher or lower interest expenses for variable-rate interest-bearing financial liabilities. The other components of equity would have changed only slightly.

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

The maximum credit risk for each measurement category of financial assets corresponds to its carrying amount. Trade receivables are partly secured with reservation of title, which reduces the maximum default risk in this assessment category by € 38.7 million (previous year: € 38.1 million).

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

	Level 1	Level 2	Level 3	Simplified approach
Dec. 31, 2018 € '000	12-month ECL	Lifetime ECL (non-impaired)	Lifetime ECL (impaired)	Lifetime ECL
Not at risk	228,372	0	0	932,716
At risk	0	0	0	253,406
Total	228,372	0	0	1,186,123

	Level 1	Level 2	Level 3	Simplified approach
Dec. 31, 2019 € '000	12-month ECL	Lifetime ECL (non-impaired)	Lifetime ECL (impaired)	Lifetime ECL
Not at risk	203,187	0	0	1,045,544
At risk	0	0	0	234,869
Total	203,187	0	0	1,280,413

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

Capital risk management

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

The goal of significantly exceeding an equity ratio of at least 25%, as per the terms of the syndicated loan, was met in FY 2019, as well.

Derivative financial instruments

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

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

	Nominal volume		Nominal volume Residual term > 1 year		Fair value	
	Dec. 31, € '000	Dec. 31, € '000	Dec. 31, € '000	Dec. 31, € '000	Dec. 31, € '000	Dec. 31, € '000
Forward foreign exchange contracts	1,363,993	1,050,039	17,760	15,038	-5,520	7,469
Interest rate swaps	0	100,000	0	0	0	-716
Embedded derivatives	8,300	8,500	0	0	-40	-219
	1,372,293	**1,158,539**	**17,760**	**15,038**	**-5,560**	**6,534**

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

The Group's risk management policy was to hedge up to 60% of the net cash flow expected over the following 12 months on a continuous basis in key currencies from the B. Braun Group's ordinary business operations. In December 2019, it was decided not to continue to pursue this hedging strategy. The layered hedging of expected and not yet recognized receivables and payables in the Group's key currencies that it had previously implemented routinely is now only used in isolated instances. However, current hedges will be continued until they mature. This is why the Group has yet to designate forward foreign exchange contracts to hedge highly probable future foreign currency receipts and payments not in the functional currency, which are expected in the future:

	Nominal volume		Average hedging rate	
ISO code	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000	Dec. 31, 2019	Dec. 31, 2018
EUR/USD	62,332	72,012	1.1458	1.1876
EUR/CHF	34,833	32,103	1.1035	1.1472
EUR/GBP	38,651	39,621	0.8901	0.8985
EUR/JPY	16,681	17,416	121.4400	129.8000
EUR/CNY	85,634	74,829	8.0107	8.1606
EUR/RUB	56,101	56,802	77.0296	80.4300
EUR/BRL	23,850	12,354	4.7042	4.7279

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

As of December 31, 2019, the Group had designated forward foreign exchange contracts with a fair value of € 1.6 million (previous year: € 3.7 million) as other assets and of € 9.4 million (previous year: € 4.7 million) as other liabilities as part of its cash flow hedges.

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

	2019 € '000	2018 € '000
As of Jan. 1	-1,025	1,370
Profit or loss from effective hedges	-20,560	-3,363
Reclassifications due to altered expectations regarding occurrence of underlying transaction	N/A	N/A
Reclassifications due to realization of underlying transaction	13,828	961
Reclassification due to a basis adjustment	N/A	N/A
As of Dec. 31	**-7,751**	**-1,025**

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

B. Braun expects gains of € 1.6 million and losses of € 9.4 million recognized in equity to be transferred to the statement of income within the next 12 months.

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

In addition, the Group allocates currency hedges to certain plant construction projects and intercompany loans that are not contracted in the functional currency of each Group company. The earnings from currency hedging on plant construction projects in the amount of € 15,000 (previous year: € -741,000) were eliminated from currency earnings. The earnings from the hedges from internal commercial lending is shown in net interest income.

The Group had concluded several payer interest rate swaps ("static pay, variable receipts") in order to hedge the variable interest payments on a nominal credit volume of € 100 million. These interest rate swaps expired during the 2019 fiscal year as scheduled. The Group had designated these payer interest rate swaps as cash flow hedges. The hedging measures were designed to hedge the cash flow from bank liabilities against an increase in the reference interest rate. The effectiveness of hedges was measured prospectively and retrospectively using the dollar offset method. The hedges were effective.

As of December 31, 2019, the Group had thus designated payer interest rate swaps with a fair value of € 0 (previous year: € -716,000) as cash flow hedges. The reserve for cash flow hedges for these interest rate swaps reported in equity under other reserves developed over the fiscal year as follows:

	2019 € '000	2018 € '000
As of Jan. 1	-423	-1,088
Profit or loss from effective hedges	-47	-50
Reclassifications due to altered expectations regarding occurrence of underlying transaction	N/A	N/A
Reclassifications due to realization of underlying transaction	470	715
Reclassification due to a basis adjustment	N/A	N/A
As of Dec. 31	**0**	**-423**

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

As in the previous year, there were no ineffective portions of the change in value recognized in the statement of income under net financial income.

33 Related party transactions

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

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

The following transactions were completed with related parties:

	2019 € '000	2018 € '000
Sale of goods and services		
Related parties	16,719	20,361
B. Braun Holding GmbH & Co. KG	(4,739)	(7,909)
Associates	(11,980)	(12,452)
Goods and services purchased		
Related parties	105,895	71,219
B. Braun Holding GmbH & Co. KG	(64,554)	(24,274)
Unconsolidated subsidiaries of B. Braun Holding	(0)	(11,612)
Joint ventures	(24,455)	(22,842)
Associates	(16,886)	(12,491)
Key management personnel	17	0
	105,912	**71,219**

Outstanding items from the purchase/sale of goods and services and from borrowings at the end of the fiscal year:

	Dec. 31, 2019 € '000	Dec. 31, 2018 € '000
Outstanding items from the sale of goods and services		
Related parties	9,207	6,111
Braun Holding GmbH & Co. KG	(7,267)	(588)
Unconsolidated subsidiaries of B. Braun Holding	(0)	(3,414)
Joint ventures	(19)	(35)
Associates	(1,921)	(2,074)
Procurement obligations	184	112
Outstanding items from goods and services purchased and from borrowings		
Related parties	44,691	30,043
B. Braun Holding GmbH & Co. KG	(39,450)	(17,836)
Unconsolidated subsidiaries of B. Braun Holding	(0)	(7,147)
Joint ventures	(1,995)	(1,870)
Associates	(3,246)	(3,190)
Key management personnel	42,542	32,995
	87,233	**63,038**
Procurement obligations	0	34

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

The following items in the Statement of Financial Position contain outstanding balances with related parties:

– Other assets
– Financial liabilities
– Other liabilities

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

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

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

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

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

	2019 € '000	2018 € '000
Fixed remuneration	3,285	3,761
Variable renumeration	3,849	4,994
Pension expense	1,345	1,075
Bonuses	609	459
Other	314	550
	9,402	**10,839**

Of the total, € 352,000 was attributable to the Chairman of the Management Board as fixed renumeration and € 564,000 as variable remuneration from profit-sharing.

Pension commitments totaling € 27.4 million exist to active board members. Profit-sharing bonus commitments to Management Board members reported under liabilities to employees, management and shareholders total € 3.095 million. A total of € 3.7 million has been allocated for pension commitments to former Management Board members and their surviving dependents. Total remuneration amounted to € 106,000. Supervisory Board remuneration totaled € 837,000.

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

The Group has not made any loans to current or former members of the Management Board or Supervisory Board. Liabilities stemming from profit participation rights for Management Board members totaled € 19.9 million (previous year: € 18.6 million). See Note 27 for detailed information about bonuses.

The members of the Supervisory board and the Management Board are listed on the pages 4,5 and 133.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

34 Gross cash flow from operating activities

The gross cash flow of € 869.2 million is the cash surplus from operating activities before any changes in working capital and increased € 92.0 million over the previous year. The change is due primarily to higher depreciation of property, plant, and equipment, amortization of intangible assets, change in long-term provisions, and other non-cash expenses and income

Cash flow from operating activities totaling € 815.0 million represents changes in current assets, current provisions and liabilities (excluding financial liabilities).

The increase in liabilities and short-term provisions less the increase in inventories, receivables and other assets have led to a cash outflow of € -54.2 million. Net cash from operating activities is therefore € 188.5 million above the previous year's level.

35 Cash flow from investing activities

For the purchase of property, plant, and equipment, intangible assets, financial assets, and business acquisitions, a total of € 828.4 million was spent in 2019. This was offset by proceeds from the sale of property, plant, and equipment, and the disposal of holdings (€ 14.0 million), as well as dividends and similar income received (€ 15.3 million), resulting in a net cash outflow from investing activities of € 799.2 million. Compared to the previous year, this resulted in a € 1.8 million increase in cash outflow.

Investments made during the year were fully covered by cash flow from operating activities. The remaining free cash flow was € 15.8 million (previous year: € -170.9 million).

Additions to property, plant, and equipment as well as intangible assets from leases do not result in cash outflows and are therefore not included under investing activities. In the reporting year, these additions totaled € 69.9 million (previous year: € 9.4 million).

36 Cash flow from financing activities

In FY 2019, cash flow from financing activities amounted to € -6.1 million (previous year: € 158.6 million cash outflow). The net balance of cash flowing in and out for borrowings and repayment of debt was € 41.7 million (previous year: € 206.2 million). Dividend payments and capital contributions by non-controlling interests resulted in a total cash outflow of € 44.4 million (previous year: € 42.3 million). The € 164.7 million change in cash inflows as compared with the previous year is primarily due to less borrowing.

The liability items in the Consolidated Statement of Financial Position in which associated payments were recognized in cash flows from financing activities changed during the fiscal year as follows:

	Jan. 1, 2019	Cash changes	Non-cash changes			Dec. 31, 2019
			Acquisitions	Exchange gains (losses)	Change in the fair value	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Non-current financial liabilities	1,517,731	328,341	368	7,614	0	1,854,054
Current financial liabilities	808,022	-191,109	1,596	2,101	0	620,610
Non-current leasing liabilities	42,821	215,544	0	73,737	0	332,102
Current leasing liabilities	8,454	91,084	0	870	0	100,408
Non-current profit participation rights	112,551	5,910	0	0	-6,414	112,047
Current profit participation rights	12,482	-9,370	0	0	11,879	14,991
Total liabilities from financing activities	**2,502,061**	**440,400**	**1,964**	**84,322**	**5,465**	**3,034,212**

37 Cash and cash equivalents

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

As of December 31, 2019, restrictions on cash availability totaled € 1.6 million (previous year: € 2.1 million). These restrictions are primarily related to security deposits and collateral for tender business.

SUBSEQUENT EVENTS

No facts came to light after completion of the fiscal year through to the date of preparation of the Consolidated Financial Statements that have a material effect on net assets, financial position and earnings situation for FY 2019.

MAJOR SHAREHOLDINGS

Company name and headquarters	As of Dec. 31, 2019 Share in capital %[1]	Equity € '000	Sales € '000	Employees[5]
Germany				
AESCULAP AG, Tuttlingen[2]	94.0	167,633	853,966	3,619
AESCULAP INTERNATIONAL GMBH, Tuttlingen[2]	94.0	45,777	0	0
AESCULAP SUHL GMBH, Suhl[2]	94.0	3,706	14,416	107
ALMO-Erzeugnisse E. Busch GmbH, Bad Arolsen	56.4	23,683	66,963	383
B. Braun Avitum AG, Melsungen[2]	88.3	92,289	514,483	1,081
B. Braun Avitum Saxonia GmbH, Radeberg[2]	88.3	17,243	103,641	984
B. Braun Facility Services GmbH & Co. KG, Melsungen	94.0	-4,129	68	114
B. Braun Melsungen AG, Melsungen[2]	94.0	1,292,103	2,198,698	7,160
B. Braun Nordamerika Verwaltungsgesellschaft mbH, Melsungen[2]	94.0	149,309	0	0
B. Braun prolabor GmbH, Hilter a.T.W.[2]	94.0	2,469	16,289	104
B. Braun Surgical GmbH, Melsungen[2]	94.0	154,434	0	0
B. Braun TravaCare GmbH, Hallbergmoos[2]	94.0	29	40,041	62
B. Braun Vet Care GmbH, Tuttlingen[2]	94.0	122	15,606	19
DTZ Dialyse Trainings-Zentren GmbH, Nuremberg[2]	88.4	35,284	18,079	234
Inko Internationale Handelskontor GmbH, Roth[2]	94.0	4,550	12,962	18
Nutrichem diät + pharma GmbH, Roth[2]	94.0	30,592	59,594	338
TransCare Service GmbH, Neuwied[2]	94.0	1,649	15,175	172
Europe				
Aesculap Chifa Sp. z o.o., Nowy Tomyśl/Poland	93.0	140,129	195,799	2,318
Aesculap SAS, Chaumont/France	94.0	12,148	14,293	114
Avitum S.R.L., Timisoara/Romania	88.3	7,533	26,985	580
B. Braun Adria d.o.o., Zagreb/Croatia	33.8	15,568	17,156	36
B. Braun Austria Ges. m.b.H., Maria Enzersdorf/Austria	56.4	73,932	68,297	145
B. Braun Avitum France SAS, Saint-Cloud/France	88.3	16,783	0	0
B. Braun Avitum Hungary Egészségügyi Szolgáltató Zrt., Budapest/Hungary	88.3	19,955	32,139	718
B. Braun Avitum Italy S.p.A., Mirandola/Italy	88.3	42,797	81,653	339
B. Braun Avitum Poland Sp.z o.o., Nowy Tomyśl/Poland	89.4	13,238	35,574	571
B. Braun Avitum Russland Clinics OOO, St. Petersburg/Russia	88.3	3,753	33,157	865
B. Braun Avitum Russland OOO, St. Petersburg/Russia	88.3	81,480	73,640	56
B. Braun Avitum s.r.o., Bratislava/Slovakia	88.1	2,839	15,615	251
B. Braun Avitum s.r.o., Prague/Czech Republic	88.1	6,266	34,602	430
B. Braun Avitum Servicios Renales S.A., Rubí/Spain	90.6	11,701	13,973	177
B. Braun Avitum Turkey Sanayi Ticaret Anonim Sirketi, Ankara/Turkey	88.3	5,842	5,686	16
B. Braun Avitum (UK) Ltd., Sheffield/England	88.3	3,153	26,028	216
B. Braun Hospicare Ltd., Co. Sligo/Ireland	94.0	-14,132	12,323	110
B. Braun Medical AB, Danderyd/Sweden	94.0	2,580	43,433	62
B. Braun Medical AG, Sempach/Switzerland	47.9	269,483	331,868	1,002
B. Braun Medical A/S, Frederiksberg/Denmark	94.0	3,591	44,137	36
B. Braun Medical A/S, Vestskogen/Norway	94.0	1,700	23,972	37
B. Braun Medical B.V., Oss/Netherlands	94.0	10,800	69,209	150

Company name and headquarters	As of Dec. 31, 2019 Share in capital %[1]	Equity € '000	Sales € '000	Employees[5]
Europe				
B. Braun Medical EOOD, Sofia/Bulgaria	56.4	5,097	15,251	82
B. Braun Medical International S.L., Rubí/Spain	94.0	180,815	629	25
B. Braun Medical Kft., Budapest/Hungary	56.4	34,723	105,347	1,574
B. Braun Medical Lda., Barcarena/Portugal	94.0	27,400	59,025	146
B. Braun Medical LLC, St. Petersburg/Russia	94.0	53,223	154,199	525
B. Braun Medical Ltd., Dublin/Ireland	94.0	5,479	31,552	56
B. Braun Medical Ltd., Sheffield/England	94.0	62,229	187,291	665
B. Braun Medical N.V., Diegem/Belgium	94.0	1,694	42,138	81
B. Braun Medical Oy, Helsinki/Finland	94.0	5,108	42,777	51
B. Braun Medical S.A., Rubí/Spain	94.0	276,770	290,574	1,371
B. Braun Medical S.A.S., Saint-Cloud/France	94.0	86,632	352,569	1,358
B. Braun Medical s.r.o., Bratislava/Slovakia	65.8	11,635	30,090	32
B. Braun Medical s.r.o., Prague/Czech Republic	65.8	27,141	76,206	218
B. Braun Medikal Dis Ticaret A.S., Sariyer Istanbul/Turkey	94.0	11,843	30,826	148
B. Braun Milano S.p.A., Milan/Italy	94.0	41,793	135,892	236
B. Braun Sterilog (Birmingham) Ltd., Sheffield/England	94.0	-1,368	13,805	222
B. Braun Sterilog (Yorkshire) Ltd., Sheffield/England	94.0	-2,132	9,149	162
B. Braun Surgical S.A., Rubí/Spain	94.0	148,183	196,626	906
B. Braun VetCare S.A., Rubí/Spain	94.0	11,558	13,547	26
Gematek OOO, St. Petersburg/Russia	94.0	18,496	13,667	228
LLC MCP-Medicare, St. Petersburg/Russia	88.4	3,034	15,652	379
LLC "Nephros", Krasnodar/Russia	57.4	7,947	18,110	366
SC B. Braun Medical S.R.L., Remetea Mare/Romania	58.8	5,951	43,893	104
Suturex & Renodex S.A.S., Sarlat/France	94.0	18,734	18,546	173
North America				
Aesculap Inc., Center Valley/USA	89.8	148,452	237,972	503
Aesculap Implant Systems LLC, Center Valley/USA	89.8	-52,430	50,903	100
B. Braun Interventional Systems Inc., Bethlehem/USA	89.8	44,195	42,270	51
B. Braun Medical Inc., Bethlehem/USA	89.8	568,074	1,250,843	5,941
B. Braun of America Inc., Bethlehem/USA	89.8	64,118	0	0
B. Braun of Canada Ltd., Mississauga/Canada	89.8	4,620	21,323	22
Central Admixture Pharmacy Services Inc., Santa Fe Springs/USA	89.8	162,003	275,755	726
Asia-Pacific				
Ahlcon Parenterals (India) Limited., New Delhi/India	90.4	989	21,830	925
B. Braun Aesculap Japan Co Ltd., Tokyo/Japan	94.0	59,841	133,038	560
B. Braun Australia Pty. Ltd., Sydney/Australia	94.0	17,623	68,227	131
B. Braun Avitum Philippines Inc., Taguig City/Philippines	94.0	21,291	54,625	443
B. Braun Avitum (Shanghai) Trading Co. Ltd., Shanghai/China	88.3	24,423	154,023	380
B. Braun Korea Co. Ltd., Seoul/South Korea	94.0	19,298	85,250	133
B. Braun Medical (H.K.) Ltd., Hong Kong/China	94.0	65,188	154,006	32
B. Braun Medical (India) Pvt. Ltd., Mumbai/India	94.0	13,477	59,506	896
B. Braun Medical Industries Sdn. Bhd., Petaling Jaya/Malaysia	94.0	641,862	480,112	7,672
B. Braun Medical (Shanghai) International Trading Co. Ltd., Shanghai/China	94.0	24,211	283,929	1,105

Company name and headquarters	As of Dec. 31, 2019			
	Share in capital %[1]	Equity € '000	Sales € '000	Employees[5]
Asia-Pacific				
B. Braun Medical Supplies Inc., Taguig City/Philippines	94.0	17,386	30,593	183
B. Braun Medical Supplies Sdn. Bhd., Petaling Jaya/Malaysia	94.0	31,649	53,396	165
B. Braun Medical (Suzhou) Company Limited, Suzhou/China	94.0	27,791	63,603	499
B. Braun Pakistan (Private) Ltd., Karachi/Pakistan	94.0	-4,079	20,024	125
B. Braun Singapore Pte. Ltd., Singapore	94.0	65,811	29,007	50
B. Braun Taiwan Co. Ltd., Taipei/Taiwan	94.0	7,055	23,044	50
B. Braun (Thailand) Ltd., Bangkok/Thailand	94.0	18,042	39,958	153
B. Braun Vietnam Co. Ltd., Hanoi/Vietnam	94.0	83,645	97,663	1,342
PT. B. Braun Medical Indonesia, Jakarta/Indonesia	93.1	61,481	66,346	456
Latin America				
B. Braun Aesculap de México S.A. de C.V., Mun. Santa Cruz Atizapán/Mexico	94.0	18,559	39,285	342
B. Braun Medical de México S.A.PI. DE C.V., Mun. Santa Cruz Atizapán/Mexico	94.0	5,998	30,683	0
B. Braun Medical Peru S.A., Lima/Peru	94.0	20,293	32,122	445
B. Braun Medical S.A., Bogotá/Colombia	94.0	12,724	37,669	225
B. Braun Medical S.A., Buenos Aires/Argentina	94.0	35,394	33,705	299
B. Braun Medical S.A., Quito/Ecuador	94.0	15,540	24,597	128
B. Braun Medical SpA, Santiago de Chile/Chile	80.9	11,262	48,207	162
Laboratorios B. Braun S.A., Sao Goncalo/Brazil	94.0	117,084	161,877	1,437
Africa and the Middle East				
B. Braun Avitum (Pty) Ltd., Johannesburg/South Africa	94.0	4,538	12,734	329
B. Braun Medical (Pty) Ltd., Johannesburg/South Africa	94.0	6,514	58,404	333
E. Owen and Partners, Johannesburg/South Africa	94.0	141	21,112	17
Other shareholdings				
Babolat VS, Lyon/France[3]	31.3	69,981	112,000	218
Medical Service und Logistik GmbH, Recklinghausen[3]	47.0	521	41,852	8
Rhön-Klinikum AG, Bad Neustadt an der Saale[3,4]	23.7	1,155,907	326,600	17,444
Schölly Fiberoptic GmbH, Denzlingen[3]	26.3	114,090	165,767	437

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

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

INDEPENDENT AUDITOR'S REPORT

To B. Braun SE, Melsungen

AUDIT OPINION

We have audited the consolidated financial statements of B. Braun SE, Melsungen, and its subsidiaries (the Group) – comprising the consolidated statement of financial position as of December 31, 2019, the consolidated statement of income (loss), the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity from January 1 to December 31, 2019 and the notes to the consolidated financial statements, including a summary of important accounting policies. In addition, we have audited the group management report of B. Braun SE for the fiscal year from January 1 to December 31, 2019.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, provide a true and fair view of the net assets, and financial position of the Group as of December 31, 2019, and of its results of operations for the financial year from January 1 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, is compliant with German legal requirements and accurately presents the opportunities and risks of future development.

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

BASIS FOR THE AUDIT OPINIONS

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

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

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for a financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

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

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. Based on sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a significant unavoidable risk that future events will fundamentally differ from the prospective information.

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

Kassel, Germany, March 5, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

REPORT OF THE SUPERVISORY BOARD

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

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

Items of special interest at the Supervisory Board deliberations were the introduction of new product developments in the Hospital Care division as well as the product portfolio of the B. Braun Avitum division. The Supervisory Board also received status reports on digitalization, audit management and the implementation of the EU's Medical Devices Regulation (MDR). Furthermore, the Supervisory Board received an overview of the enhancement of the transfer price system, the status of the UNO project and transactions requiring approval under the articles of incorporation.

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

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

The subjects of the audit committee were the current course of business development, the annual report from internal audit on performed audits, and the audit plan and its priorities. In addition, the audit committee received the compliance report of the B. Braun Group and the Management Board's risk report. The audit committee reported on these topics during the Supervisory Board sessions and put forward its recommendations.

The working committee of the Supervisory Board met three times in 2019. In its session on July 9, 2019, the working committee recommended to the Supervisory Board an amendment to the employment contract of a member of the Management Board. The Supervisory Board approved the amendment in its subsequent session. In its session on October 18, 2019, the working committee recommended to the Supervisory Board the reappointment of Dr. Joachim Schulz as a full member of the Management Board until March 31, 2022; the Supervisory Board approved this recommendation in its subsequent session. In its session on December 3, 2019, the working committee recommended to the Supervisory Board the appointment of Dr. Stefan Ruppert as a deputy member of the Management Board for a period of three years starting on April 1, 2020. The Supervisory Board adopted the resolution accordingly in its subsequent session and confirmed the appointment. Discussions regarding general human resources topics were other notable components of the 2019 working committee sessions.

B. Braun SE's financial statements and management report for the fiscal year 2019, the Group's consolidated financial statements, and the con-

→ 1. row from left:

BARBARA BRAUN-LÜDICKE
Businesswoman, Melsungen

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

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

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

EDELTRAUD GLÄNZER*
Chairwoman of the Board of August Schmidt Foundation, Bochum

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

MANFRED HERRES*
Senior Vice President CoE Active Medical Devices of B. Braun Avitum AG, Melsungen

→ 2. row from left:

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

ALEXANDRA FRIEDRICH*
Vice Chairwoman of the Workers' Council for the Melsungen location of B. Braun Melsungen AG, Melsungen

MICHAEL GUGGEMOS*
Management Spokesman of Hans Böckler Foundation, Düsseldorf

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

→ 3. row from left:

MIKE SCHWARZ*
Chairman of the SE Workers' Council of B. Braun SE, Melsungen

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

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

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

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

* Chosen by the employees

solidated management report as prepared by the Management Board were audited by the accounting firm PricewaterhouseCoopers GmbH, Kassel, Germany, which had been awarded the audit engagement at the Annual Shareholders' Meeting on March 20, 2019. 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 SE, as well as the consolidated financial statements and the Group management report, led to no objections in correspondence with the results of the independent auditor's report. We have therefore approved the financial statements compiled by the Management Board, which are thereby recorded in accordance with § 172 AktG.

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

The Management Board created a report on the relationships with associated companies for the 2019 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 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 2020

The Supervisory Board

GLOSSARY

A

Abdominal surgery
Surgical procedures involving gaining access to the organs in the abdominal area. Also known as visceral surgery.

Accelerator
Accelerator is the name used for B. Braun startup initiatives.

AdvaMed
AdvaMed (the Advanced Medical Technology Association) is a U.S. trade association for medical device manufacturers based in Washington, D.C.

AI
Artificial intelligence. AI is a separate area of study in computer science that deals with human thought, decision-making and problem-solving processes in order to reproduce and replicate them using computer-based processes.

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

Angiography
The visualization of blood vessels (arteries, veins, lymphatic vessels) using diagnostic imaging techniques such as X-rays or magnetic resonance imaging.

APACMed
The Asia Pacific Medical Technology Association. The goal of this association is to improve patient care through innovative collaboration between members and stakeholders, and to jointly shape the future of health care in the Asia Pacific region.

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

ASEAN
Association of Southeast Asian Nations, an association in Jakarta, Indonesia, that works to improve economic, political and social cooperation. It currently also addresses security, cultural and environmental matters.

B

BVMed
The German Medical Technology Association (Bundesverband Medizintechnologie e.V.), a trade association representing over 230 industrial and commercial enterprises in the medical technology industry. BVMed's members include the 20 largest medical device manufacturers in the world in the consumer goods sector.

C

Centers of Excellence (CoEs)
Centers within the global B. Braun organization, responsible for research, development, manufacturing and registration of specific product groups.

CEO Fraud
CEO fraud is a type of fraud in which false identities are used to manipulate companies into transferring money.

CISO
Chief Information Security Officer. This person is responsible for all information security within an organization.

CIW
A key performance indicator; short for Coverage in Weeks. This KPI refers to the delivery capacity in weeks covered by the current inventory on hand.

Cloud-based computing
Cloud computing is a model that makes it possible to conveniently access a shared pool of configurable computer resources on a network from anywhere at any time when needed (e.g., networks, servers, storage systems, applications and services). This can be provided rapidly and with minimal management costs or little service provider interaction.

colorectal
Relating to or affecting the large intestine (colon) and rectum.

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

Coronary angioplasty
Angioplasty describes the widening of a narrowed blood vessel using a catheter inserted into the vascular system. Coronary means "relating to the coronary (heart) arteries".

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

Customer Relationship Management (CRM)
CRM is a strategic approach used to fully plan, manage and execute all interactive processes with the customer. CRM applies to the entire company and the entire customer lifecycle.

D

Dialysis
A blood cleansing process used to treat renal failure.

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

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

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.

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

EN ISO 9001
An international standard that establishes globally recognized requirements for quality management systems.

ERP system
An enterprise resource planning system simultaneously supports all business processes within a company. It contains modules for purchasing, production, sales, asset management, human resources, finance and accounting, etc., which are connected to each other by a common database.

EU
European Union – conglomerate of 27 member nations, currently.

Extracorporeal blood treatment
Blood treatment occurring outside the body using an "artificial kidney" (dialyzer) connected directly to the circulatory system.

F

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

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

Force Majeure
Synonym for "act of god". Force majeure exists if damage occurs which is not in the nature of the object in question and the event could not have been prevented through the exercise of reasonable care.

Friction
Also called market friction, an economics term used to broadly describe anything that hinders coordination or trade.

G

GDP
Acronym for Gross Domestic Product.

GDPR
General Data Protection Regulation (EU).

H

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

I

IFRS
Abbreviation for International Financial Reporting Standards. International financial reporting guidelines for corporations published by the International Accounting Standards Board (IASB).

Internet of Medical Things (IoMT)
The IoMT is an Internet for telemedicine. It consists of medical equipment and applications that are connected via the Internet to health care clouds or IT systems.

ISMS
Information security management system. This includes the establishment of rules and procedures within an organization to permanently define, control, monitor, maintain and continuously improve information security.

ISO 13485
An international standard for quality management of medical devices created by the International Organization for Standardization (ISO). It addresses the requirements manufacturers and providers of medical devices must meet when developing, implementing and maintaining management systems for the medical device industry.

ISO 14001
An international standard for environmental management created by the International Organization for Standardization (ISO). It defines the requirements of an environmental management system with which an organization can improve its environmental performance, meet legal and other obligations, and achieve environmental protection targets.

ISO 50001
An international standard for energy management systems created by the International Organization for Standardization (ISO). The revised version, ISO 50001:2018, has been available since August 2018. The standard sets a framework in which individual commitment by the company or organization is required.

ISO 9001
An international standard for quality management created by the International Organization for Standardization (ISO). It defines the requirements of a quality management system for prevention, detection and evaluation of risks as well as correcting and continuously improving a company's performance.

ISO/IEC 27001
ISO 27001 is an international standard for information security in private, public or non-profit organizations. It describes the requirements for setting up, implementing, operating and optimizing a documented information security management system.

IV
Intravenous. A route of administering a drug, fluid or suspension into a vein.

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

K

KRITIS
IT security law for the protection of critical infrastructures.

M

MDK
Medizinischer Dienst der Krankenversicherung, the medical advisory and appraisal service for Germany's statutory health insurance providers.

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).

Medical Device Single Audit Program (MDSAP)
The goal of the MDSAP is to develop, manage and monitor a common standard for regulatory quality management audits of manufacturers of medical devices that is recognized by several countries.

MedTech Europe
A European trade association representing the medical technology industry with the goal of making innovative medical technology accessible to a larger group of patients.

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

N

National Health Service (NHS)
The NHS is the publicly funded health care system of the United Kingdom.

O

Obesity
Body fat in excess of the normal amount resulting in a body mass index ≥ 30 kg/m2 (for adults according to the World Health Organization). Obesity is a risk factor for metabolic and cardiovascular complications.

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

P

Parenteral nutrition
Supplying nutrients intravenously by bypassing the gastrointestinal tract.

Potential growth
In economics, potential growth describes the long-term change in gross domestic product at a normal level of production capacity utilization.

Product Lifecycle Management (PLM)
PLM is a concept for integrating all information obtained over the life cycle of a product. It includes all departments, from drafting and design to production and sale/service.

R

ready-to-use
Requiring no preliminary steps or preparation for use.

S

Societas Europaea (SE)
Form of organization for corporations in the European Union and the European Economic Area. Since 2004, it has made it possible for companies within the EU to be founded under largely consistent legal principles.

Second and Dual Sourcing
Purchasing strategy in which two manufacturers or suppliers are qualified for delivery of the same product or goods.

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

Track and Trace
A process implemented to meet the requirements of the Falsified Medicines Directive (FMD) that took effect in the EU on February 9th, 2019. Its goal is to protect the market and, ultimately, patients from the risks of counterfeit medicines.

W

Working Capital
A key performance indicator. Inventories plus current trade accounts receivable less current trade accounts payable.

IMPRINT

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NOTES

We thank all B. Braun employees who collaborated on the Annual Report. We are certain the most sustainable report is the one that is not printed. Therefore, this annual report is only published digitally. Photographic rights belong to B. Braun SE.

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