



# GROUP MANAGEMENT REPORT

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## GROUP MANAGEMENT REPORT

### Five-Year Overview

	2010 € million	2011 € million	2012 € million	2013 € million	2014 € million
Sales	4,422.8	4,609.4	5,047.8	5,169.5	5,429.6
Cost of Goods Sold	2,341.7	2,469.7	2,752.7	2,824.8	3,041.6
Functional Expenses	1,595.9	1,686.5	1,817.9	1,860.0	1,950.0
Selling, General and Administrative Expenses	1,440.5	1,506.9	1,626.5	1,641.4	1,721.2
Research & Development Expenses	155.4	179.6	191.4	218.6	228.8
Interim Profit	485.2	453.1	477.2	484.8	437.9
Operating Profit	456.2	435.0	469.2	478.5	422.7
Profit before Taxes	389.6	363.0	403.1	422.5	407.6
Consolidated Net Income	277.4	257.7	288.6	315.5	316.3
EBIT	462.2	435.4	478.3	487.8	480.3
EBITDA	700.5	691.3	757.5	784.9	798.4
<b>Assets</b>	<b>4,686.1</b>	<b>5,140.5</b>	<b>5,483.5</b>	<b>6,079.5</b>	<b>6,766.8</b>
Intangible Assets (incl. Goodwill)	218.6	268.0	337.5	385.7	514.6
Property, Plant, and Equipment	2,305.0	2,541.7	2,736.8	2,896.6	3,302.6
Other Financial Investments	22.0	38.9	45.1	471.6	30.3
Inventories	780.0	833.4	873.6	901.5	1,005.7
Trade Receivables	933.5	1,016.3	952.2	971.1	993.7
<b>Equity</b>	<b>1,984.0</b>	<b>2,101.2</b>	<b>2,259.2</b>	<b>2,445.0</b>	<b>2,564.0</b>
<b>Liabilities</b>	<b>2,702.0</b>	<b>3,039.2</b>	<b>3,224.3</b>	<b>3,634.5</b>	<b>4,202.8</b>
Pension Obligations	513.3	650.3	816.7	798.5	1,098.5
Financial Liabilities	1,233.4	1,401.7	1,368.9	1,773.8	1,870.2
Trade Accounts Payable	216.8	219.7	243.0	273.4	311.9
Investments in Property, Plant, and Equipment, Intangible Assets, and Financial Investments, including Business Acquisitions	601.2	573.3	588.5	1,029.4	931.3
Depreciation and Amortization of Property, Plant and Equipment and Intangible Assets	238.2	252.9	279.1	297.2	318.1
Personnel Expenditures	1,581.7	1,648.9	1,834.4	1,885.3	2,031.3
Employees (annual average)	40,316	42,736	45,381	48,264	52,196

## About the B. Braun Group

### Business model

B. Braun develops, manufactures, and markets medical products and services, and is one of the world's leading suppliers of equipment to the healthcare industry. Hospitals, physician practices, pharmacies, nursing and emergency services, as well as homecare are our focus. The product range includes IV solutions, syringe pumps, and accessories for IV therapy, intensive care and anesthesia, as well as surgical instruments, sutures, hip and knee endoprostheses, equipment and accessories for dialysis, and wound care products. In total, the B. Braun product range comprises 5,000 products, 95 percent of which are manufactured by the company. By offering supplementary services and consulting, B. Braun is a system supplier that develops the best solution for patients in close partnership with customers, thereby making a significant contribution to medical advancements. The company's operations are organized into four divisions – Hospital Care, Aesculap, Out Patient Market, and B. Braun Avitum.

### B. Braun Hospital Care

The Hospital Care Division supplies hospitals, among others, with infusion equipment and supplies, infusion and injection solutions, intravenous catheters, products for clinical nutrition, as well as pumps and their associated systems. In addition, the division offers an extensive range of disposable medical and wound drainage products, as well as pharmaceuticals and products for drug admixture and regional anesthesia. With its infusion therapy and drug admixture product portfolio, Hospital Care provides hospitals with a unique system offering, focusing on continually improving efficiency, safety, and documentation of hospital procedures.

Hospital Care is the worldwide market leader for IV sets and accessories, and regional anesthesia. Globally, we rank second in the field of intravenous catheters. The division is also the European market leader in automated infusion systems and standard IV solutions. We continue to grow our position in

the area of primary care products for hospitals and automated infusion systems. We have particularly benefited from the growing market for medical safety products, and therefore continue to increase our presence in this area.

### B. Braun Aesculap

The Aesculap Division develops and distributes products and services for surgical, orthopedic and interventional treatment processes in the medical field. The extensive product range of the B. Braun Group enables the development of comprehensive cost-effective solutions, allowing us to build strategic partnerships as a result. We provide added value to our customers by helping them improve internal efficiency through process optimization.

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

### B. Braun Out Patient Market (OPM)

The focus of the Out Patient Market (OPM) Division is on meeting the needs of patients outside the hospital setting and of long-term patients. Our customers include physicians in private practice, outpatient and inpatient care services, and pharmacies.

Adopting a holistic approach to consulting and care-giving, the division strives to provide patients with a combination of high-quality and cost-effective healthcare. The key areas on which it focuses are the transfer of patients from one setting of care to another, outpatient IV therapy, diabetes, skin and wound management, stoma and incontinence care and infection protection.

In addition to these products, OPM offers a broad range of outpatient services. A major objective is to share expertise across all areas, for example when transferring parenterally-fed patients from inpatient to outpatient care. Our experienced employees relieve patients, relatives, hospitals, private practice physicians, and care services of administrative tasks and ensure that the quality and progress of treatment is optimized.

#### B. Braun Avitum

B. Braun Avitum is one of only a few full-range suppliers in the field of extracorporeal blood treatment worldwide. The division provides dialysis centers with all of the products and services necessary for the blood cleansing processes involved in dialysis and apheresis. Hemodialysis products and systems are the division's core business.

We also operate a network of more than 290 dialysis centers in Europe, Asia, Latin America and South Africa, and provide care for over 22,000 patients. Physicians and nursing staff are available in our clinics to assist and advise dialysis patients with chronic kidney and metabolic disorders.

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

#### Aesculap Academy

Through the Aesculap Academy, we have established a global forum specializing in training and continuing professional development for hospital-based physicians, surgeons, health-care professionals, as well as hospital management.

In 2014, the Aesculap Academy once again delivered training to approximately 80,000 medical experts worldwide. We are continuing to expand the range of indication-related workshops. In the field of laparoscopy, we have further expanded our virtual simulation techniques using a haptic simulation trainer. In cooperation with the Surgical Working Group for Minimally Invasive Surgery (CAMIC), e-learning units have also been integrated into the training courses.

In Germany, for example, Aesculap Academies offer training on standard approaches in trauma surgery and modules in cardiothoracic surgery. There are also seminars in visceral surgery and intensive care. Our unique offering covers a wide range of indications and enable subject-specific training.

Globally, we are consistently implementing strategic objectives and business priorities above all by means of standardized course concepts. The Hand Hygiene Excellence Award addresses the important issue of hygiene in hospitals, in Asia and Europe and now in Latin America. In order to make the latest scientific knowledge available globally, in 2014, we utilized modern technologies to webcast lectures from the European Society for Clinical Nutrition and Metabolism congress in Geneva, Switzerland to Russia, Mexico, Argentina, Thailand, South Africa and Pakistan. In addition, workshops with international speakers were conducted in Europe on "IV therapy and IV access" and broadcast to Asia and Latin America.

#### Corporate governance and control

Besides its own operating activities, B. Braun Melsungen AG also provides central services for the Group. In addition to the Group's management, several other areas are located here performing functions for the Group. In particular, these include Group accounting and controlling, international human resources, purchasing, IT and logistics, the legal and tax departments, and Group treasury. The company is wholly family-owned and is not listed on any stock exchange. The company's statutory agents include the Management Board, the Supervisory Board, and the Annual Shareholders' Meeting. The Management Board is comprised of seven members, each with specific individual responsibilities and joint respon-

sibility for the company's performance. The Supervisory Board consists of 16 members, half of whom are elected by the Annual Shareholders' Meeting and half by the company's employees. Committees have been established to efficiently support the work of the Supervisory Board. The Personnel Committee is responsible for such matters as the Management Board members' employment contracts and compensation. The Audit Committee monitors the internal controls systems, accounting processes, and financial statement audits.

Key strategic indicators for management purposes include EBITDA and defined balance sheet ratios. The key performance indicators interim profit and EBIT are used primarily to manage operations. In addition, we evaluate the development of working capital from the key figures of Days Sales Outstanding (DSO) and Coverage in Weeks (CIW).

B. Braun's commitment to the principles of responsible corporate governance and control reflects its adherence to recognized standards. The ultimate objective is the long-term success of B. Braun as a family-owned company. Our "Code of Conduct" has defined how we conduct ourselves toward customers since it was established 1996. For us, corporate governance and compliance are not only our duty, they are a basic requirement for the sustainable management of our business. 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 legal compliance, also includes ethical values such as fairness, integrity and sustainability. An overall 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 62 countries. The B. Braun Group includes 252 (previous year: 227) fully consolidated companies. 21 (previous year: 16) holdings are consolidated using the equity method of accounting.

Major manufacturing sites are located in Melsungen (Germany), Tuttlingen (Germany), São Gonçalo (Brazil), Suzhou (China), Boulogne (France), Penang (Malaysia), Nowy Tomysl (Poland), Sempach (Switzerland), Rubí (Spain), Budapest (Hungary), Allentown (USA), Dallas (USA), Irvine (USA), Santo Domingo (Dominican Republic) and Hanoi (Vietnam), among others.

### Group strategy

Our five-year strategy period ended with the year under review. During this period, we have been able to achieve key strategic objectives. With an average annual sales growth rate of 6.2 percent, we have exceeded our strategic range of 5 to 6 percent. We increased EBITDA, which is an important key performance indicator for us, by € 178 million between 2009 and 2014. The EBITDA margin was at a level of 15 percent during the strategy period. We were not able to achieve our strategic objective of an EBITDA margin of 17 percent of sales. In particular, external factors, such as a drop in prices due to an intensification of competition and reimbursement cuts in the public sector have prevented an increase in profitability. Start-up and integration costs related to our extensive expansion activities are also currently having a profit-reducing effect. More costly approval processes for medical and pharmaceutical products and additional requirements by the Food and Drug Administration (FDA) for existing production lines are also affecting profit margins. The company is not listed on any stock exchange and is wholly-owned by the family. The equity ratio was sustained above 40 percent, adjusted for the effects of the amendments to IAS 19 regarding the recognition of actuarial gains and losses, and at the end of the strategy period reached 42.9 percent. Therefore, we have not yet fully achieved our strategic goal of increasing the equity ratio to 45 percent; we have, however, already realized a significant step in this direction. We increased equity by more than €940 million within the five-year strategy period. We had intended to invest between € 2 to 2.5 billion to expand production capacities and to develop new markets. These investments were to be financed primarily from our own resources. We have actually invested € 3.2 billion in tangible assets, intangible assets and company acquisitions. We have financed approx-

imately 80 percent of these from our own resources. This laid the important groundwork for future volume growth and improved profitability.

After the successful completion of the 2014 strategy period, we have developed the strategy for the period 2015–2020. The B. Braun Group's strategy remains founded on the values of innovation, efficiency, and sustainability. Innovation, in this context, refers not only to the development and continuous improvement of new products, but also to innovative manufacturing processes and service offerings for our customers. Extensive investment and development activities underscore our intention to maintain our position as one of the leading healthcare companies in the future. We won a number of awards and distinctions in 2014, which again validated our Group strategy. The B. Braun subsidiary Aesculap received the "International Neurobionic Award 2014" for developing a basic set for neurosurgical instruments. This basic set also allows hospitals in economically deprived regions access to an instrument set that meets the global standard. The B. Braun IV catheter Introcan Safety® 3 and the IV needle Venofix Safety® have been awarded the prestigious "Good Design Award." The jury was impressed by the unique combination of innovative technology and product design. The B. Braun participation in CeGaT received the "Founder Champions 2014" KfW award and also won second place in the "Technology Fast 50 Award 2014" sponsored by the consulting firm Deloitte. Both awards honor B. Braun's innovative approach to decoding genetic information in connection with the medical interpretation of the data and the dynamic growth of the company.

By structuring our divisional organization into Centers of Excellence (CoE), we are able to respond rapidly to changes in the market and ensure the fast and efficient sharing of expertise within our Group. B. Braun intends to increase the benefits to its customers by combining products and services as a holistic system provider. In everything we do, we focus on the creation of sustainable value. We are well aware of

our responsibilities to our customers, patients, employees, and, not least, society as a whole, and also take these into account in our decisions.

### Research and Development

Within the B. Braun Group, research and development activities are carried out at various Centers of Excellence (CoEs), at which research, development, production, and marketing activities for specific product groups are brought together, providing a forum for close collaboration. Major Centers of Excellence (CoEs) are situated in Melsungen (Germany), Tuttlingen (Germany), Boulogne (France), Penang (Malaysia), Sempach (Switzerland), Rubí (Spain), and Allentown (US).

Research and development activities at the Hospital Care Division focus on improving safety for patients and staff and simplifying hospital processes. In the infusion therapy business segment, we want to expand the portfolio of infusion pumps with new products and features, as well as continue developing existing product generations. The Pharma sector is developing products for clinical nutrition and infusion containers from the Ecoflac® plus container generation. We have also relaunched the elastomeric infusion pumps. This single-use infusion pump enables medication to be safely and easily infused, independent of external power sources; this can even be performed at home.

The research and development activities of the Aesculap Division focus on endoscopy, orthopedics, spinal surgery, vascular systems, and modern wound closure technologies. The continued development of existing knee, hip and spine implants, the development of new implants, and the development of the necessary surgical instruments and devices are the main activities in the field of orthopedics. The Excia® hip arthroplasty, in conjunction with the Excia® implantation instruments, permit less invasive patient care. In addition, coating orthopedic implants with Plasmapore® provides solid secondary stability in the bone.<sup>1</sup> In April 2014, our Einstein Vision® system, a 3D endoscopy system, was also approved

<sup>1</sup> Tropiano / Diop / Dejou / Bronsard / Poitout: Interbody arthrodesis using a plasmapore titanium block. Mechanical and histological experimental study in sheep. *Chirurgie*. 1999; 124(1): 58 – 65 and Cheng: Biomechanical Pullout Strength and Histology of Plasmapore®XP Coated Implants: Ovine Multi Time Point Survival Study. Investigational Report 2013.

for use in cardiac surgery. The Vascular Systems business area focuses on developing catheter-based drug delivery systems and access port systems. The drug-eluting balloon catheter SeQuent® Please shows a significant reduction in restenosis and complication rates. A variety of medical studies have confirmed this<sup>2</sup>.

The OPM Division concentrated on expanding its stoma care portfolio. For example, a new generation of a two-part ostomy pouch that uses a mechanical coupling has been developed. In addition, we have also acquired patents and rights related to innovative ostomy products from an Israeli

company. Further developing urological products, hand disinfection and wound care has been another focus.

The aim of research and development within the B. Braun Avitum Division is to improve treatment quality and efficiency for dialysis. One focus is to further develop dialysis machines for hemodialysis and acute dialysis. In the area of consumables, our development efforts have been focused on optimizing ease of use and efficiency. We are concentrating on continuously optimizing hollow fiber membranes in the xevonta and Diacap® dialyzer families.

<sup>2</sup> For example: Unverdorben / Kleber / Heuer / Figulla / Vallbracht / Leschke / Cremers / Hardt / Buerke / Ackermann / Boxberger / Degenhardt / Scheller: Treatment of small coronary arteries with a paclitaxel-coated balloon catheter. Clin Res Cardiol. 2010 Mar;99(3): 165 – 74 and Wöhrle / Zadura / Möbius-Winkler / Leschke / Opitz / Ahmed / Barragan / Simon / Cassel / Scheller: SeQuentPlease World Wide Registry: Clinical results of SeQuent please paclitaxel-coated balloon angioplasty in a large-scale, prospective registry study. J Am Coll Cardiol. 2012 Oct 30;60(18): 1733 – 8.



## Economic report

### Macroeconomic and industry-specific environment

#### Performance of the global economy<sup>3</sup>

The global economy continued to recover throughout 2014. However, this recovery did not match the forecasts. Developed countries achieved slightly higher growth over the previous year. After a decline in the previous year, the eurozone's development improved slightly. The emerging markets again showed lower growth rates than in the previous year, failing to live up to expectations and resulting in a lack of stimuli for the recovery of the world economy. The consequences of the public debt crisis continued to have a negative effect on the economic climate. Geopolitical conflicts in Ukraine and in the Middle East reduced growth in the affected regions. This had a negative impact on exports in industrialized nations.

Change in gross domestic product in %	2013	2014
<b>Europe</b>	0.5	1.5
Germany	0.2	1.5
Spain	-1.2	1.4
Portugal	1.5	1.0
Greece	-3.9	0.6
Italy	-1.9	-0.4
Ireland	0.2	3.6
Turkey	4.0	3.0
Poland	1.6	3.2
Hungary	1.1	2.8
Russia	1.3	0.6
<b>North America</b>	2.1	2.2
USA	2.2	2.4
<b>Latin America</b>	2.8	1.2
Brazil	2.5	0.1
Argentina	2.9	-1.7
<b>Asia &amp; Australia</b>	5.5	5.5
China	7.8	7.4
India	5.0	5.8
Indonesia	5.8	5.2
Malaysia	4.7	5.9
Australia	2.3	2.8
Japan	1.5	0.9

Germany's growth benefited from strong domestic demand and construction output. The German labor market remained stable with unemployment significantly below the average for the eurozone.

Countries affected by the public debt crisis continued their recovery. The measures introduced to promote fiscal consolidation began to take effect and stimulated growth in Spain, Portugal and Greece. In Italy, there was less decline in economic output than in the previous year. The reforms that were introduced in Ireland took effect, which in turn led to a significant improvement in economic growth.

The recovery of Turkey's economy benefited from growth in consumer spending and a more relaxed monetary policy. Poland was able to increase growth through robust domestic demand. In Hungary, growth was also stronger than in the previous year driven by private consumption.

Development in Russia was negatively impacted for a number of reasons and growth rates declined significantly. Investor confidence was affected by the conflict in Ukraine and the sharp devaluation of the ruble, and resulted in an outflow of capital. Sanctions imposed by Western countries reduced economic growth, and the sharp decline in oil prices led to a decline in export revenues.

After a weak start to the year, the US economy increased its growth significantly from the second quarter onwards. Positive effects were due in particular to an improvement in the housing market and greater investments. In addition, wage increases improved the economic situation for private households. The positive momentum of an expansionary monetary policy took hold and ensured stable development. In October, the Federal Reserve decided to terminate the program of buying bonds in light of continued recovery. Overall, however, the growth momentum remained stable.

Latin America's economy showed lower growth than in the previous year. This was due to weak export growth and inflation that continued to rise. In Brazil, a lack of investor confidence and stricter monetary policy led to a decline in investments. The increase in interest rates and a less expansionary monetary policy from the central bank compounded

<sup>3</sup>International Monetary Fund: World Economic Outlook, October 2014 & Update January 2015

the trend. These factors, together with poor international industrial competitiveness, caused a significant decline in economic growth. In Argentina, the uncertainty regarding the repayment of government debt and an increasingly unstable public budget caused the investment climate to deteriorate. Together with rising unemployment, this signified that the Argentine economy was sliding into a recession.

In contrast, growth in Asia was stable in 2014. Increased investments in infrastructure and public housing in China also ensured stable development. In addition, small and medium-sized enterprises benefited from tax relief. India increased its economic growth through increased exports and investments. Indonesia's performance was weaker than in 2013, whereas Malaysia improved its economic performance. In Australia, the economy grew due to an increase in exports, among other things. Japan was hard hit in the second quarter due to its consumption tax raise.

#### Performance of the healthcare market

In 2014, the global healthcare market performed strongly. The impact the public debt crisis had on public budgets is declining, but was still felt around the world. The German healthcare industry grew slightly, benefiting from the overall economic situation. The price freeze imposed by the federal government continued through 2014, and continues to put a strain on B. Braun's margins in the German market.

The recovery of the healthcare market faltered in the southern European countries most affected by the sovereign debt crisis. Health expenditures declined slightly in Italy, Spain and Portugal. Public spending budgets remain depressed, which is a result of the continuing effects of the sovereign debt crisis. High unemployment and declining pensions continue to take their toll on private healthcare spending.

The development of the Russian healthcare market is dominated by political events. The healthcare provision is limited, and foreign companies are increasingly disadvantaged in public tenders.

In the US, the healthcare market experienced strong growth in 2014. The Affordable Health Care Act, however, puts greater pressure on all areas of the healthcare system to be more efficient. In particular, there was a significant price drop in the orthopedics business segment. Private healthcare spending increased overall however, driven by the continued growth of the US economy.

The healthcare industry in Latin America showed positive growth. In Brazil, health spending increased. One reason for this is the government's goal to provide lower income groups with better access to healthcare.

Within the Chinese healthcare market, the growth trend of recent years continued, moving well into double figures in the reporting year. The further opening of the healthcare market continued. Private capital is being increasingly used to expand healthcare, particularly in the hospital sector. In addition, the government increased its investment in hospital construction. Thus, in comparison with the overall healthcare sector, the hospital sector grew significantly above average. The healthcare industry in India again showed increased growth, and was clearly very dynamic. The factors driving growth in the Asian healthcare markets continue to be population growth combined with an aging society, and the expansion of the healthcare systems resulting from increasing prosperity. Due to budgetary constraints, healthcare spending increased only slightly in Japan.

The supply side was characterized by a strong wave of consolidation in the pharmaceutical and medical device industry. Major manufacturers are beginning to focus on individual fields of therapy. This is intended to stabilize and re-expand achievable margins despite price pressure and mandatory discounts.

## Business performance and financial position

### Business performance

Within the 2014 reporting year, performance of the B. Braun Group was satisfactory. With an increase in sales at constant exchange rates of 7.3 percent, we exceeded our anticipated range of three to seven percent. As expected, the B. Braun Avitum business performance was the most dynamic. At constant exchange rates, the other divisions show increased sales within our strategic goals, but to a certain extent are heavily impacted by fluctuations in the exchange rate. In local currencies, the regions Latin America as well as Asia & Australia achieved strong sales growth. This is in line with our expectations from the previous year. However, these increases are significantly reduced when converted to euros. The European (including Germany) and North American markets developed well. The negative effects of fluctuating exchange rates again influenced sales development for the year under review, meaning that sales in euros increased by 5.0 percent.

As of December 31, 2014, we have invested €931.3 million (previous year: €1,029.4 million) in building new factories, dialysis centers and holdings. This helped further strengthen our position within the global healthcare market and pave the way for future growth.

The development of the EBITDA performance indicator within the reporting year is in line with our expectations. We generated an EBITDA of €811.8 million at constant exchange rates. Therefore, EBITDA was 3.3 percent above the previous year and reached the target range of €800–840 million. However, our key performance indicators used to manage operations, interim profit and EBIT, missed the target range of €490–530 million. At constant exchange rates, these performance indicators are €448.3 million or €488.7 million and were thus 7.5 percent below and 0.2 percent above the previous year. Price competition in the healthcare market has continued to increase and has had an above-average effect on our earnings. In addition, statutory regulations on marketing medical and pharmaceutical products have be-

Key performance indicators	2013	2014	Change in %
Sales (in € million)	5,169.5	5,429.6	5.0
Gross Margin (in %)	45.4	44.0	
Net Margin after Taxes (in %)	6.1	5.8	
EBITDA (in € million)	784.9	798.4	1.7
EBITDA Margin (in %)	15.2	14.7	
Equity Ratio (in %)	40.2	37.9	
Equity Ratio including Loans from Shareholders (in %)	40.9	38.4	
Equity Ratio Net of Effects of IAS (in %)	42.8	42.9	
Net Financial Debt (in € million)	1,715.8	1,762.3	2.7
Net Financial Debt/EBITDA	2.2	2.2	
Research and Development Expenses (in € million)	218.6	228.8	4.7
Investments in Property, Plant, and Equipment and Intangible Assets (in € million)	1,029.4	931.3	-9.5
Depreciation of Property, Plant, and Equipment and Intangible Assets (in € million)	297.2	318.1	7.0
Working Capital (in € million)	1,575.9	1,667.7	5.8
Personnel Expenditures (in € million)	1,885.3	2,031.3	7.7
Employees (as of December 31)	49,889	54,017	8.3

come stricter worldwide. Due to start-up and integration costs, our investments and acquisitions have not yet reached their full earnings potential. To increase our earnings, we have taken steps to reduce costs and increase internal efficiency. These measures did not however fully compensate for the negative factors that influenced our earnings for the year under review.

Overall, the B. Braun Group is in a good, stable financial condition. At the present time, we are not aware of any factors that could significantly impact the Group's position.

### Results of operations

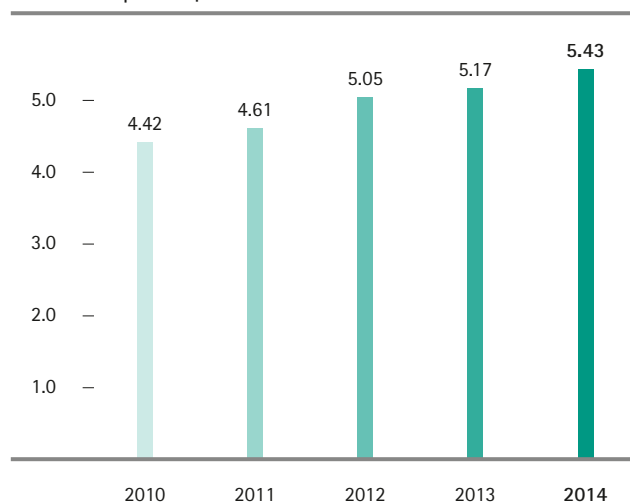
#### Sales development of the B. Braun Group

In fiscal year 2014, sales of the B. Braun Group overall amounted to € 5,429.6 million (previous year: € 5,169.5 million), representing year-on-year growth of 5.0 percent.

The B. Braun Avitum Division reported particularly good sales growth (20.5 percent). The OPM Division also achieved solid growth (5.7 percent). In contrast, sales in our Hospital Care Division (2.2 percent) and our Aesculap Division (3.7 percent) were only slightly higher than the previous year.

The regions Latin America (18.3 percent) as well as Asia & Australia (10.3 percent) recorded a high level of sales growth in their local currencies. In euros, however, as a result of the in some cases heavily devalued local currencies, growth rates were more moderate: Latin America at 6.2 percent and Asia & Australia at 7.3 percent. Europe (excluding Germany) experienced stable growth of 3.8 percent, despite the market environment continuing to be challenging. Germany achieved a solid sales growth of 5.0 percent. In US dollars, the North America region generated growth of 4.3 percent over the previous year. A stronger US Dollar at the end of the reporting year contributed to a sales increase in euros of 4.2 percent. In the region Africa & the Middle East, growth was very dynamic at 11.3 percent.

Sales development | IN € BILLION



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

The Hospital Care Division increased sales by 2.2 percent (4.7 percent at constant exchange rates) to € 2,527.8 million (previous year: € 2,474.4 million). During the period under review, the demand by hospitals for basic care products used in infusion therapy, such as intravenous catheters and infusion devices, was particularly strong. Volume replacement therapy has been negatively affected by the restriction of therapy indications for HES (hydroxyethyl starch).

The countries in Europe that primarily contributed to sales growth were Great Britain, Germany and Spain. Sales in North America grew at a steady rate. While China and South Korea achieved good sales growth, other Asian markets showed different trends. Latin America achieved good growth rates in local currencies; this did not, however, lead to any growth momentum due to adverse fluctuations in exchange rates.

**Business performance of the B. Braun Aesculap Division**

In the reporting year, the Aesculap Division reported sales of €1,497.7 million (previous year: €1,444.2 million) and is therefore 3.7 percent (5.8 percent at constant exchange rates) above the previous year. The strength of the euro in the first half of the year compared to many other currencies, including in particular the sharply devalued yen, negatively impacted sales performance in all business areas within the division. Growth came from the Closure Technologies and Surgery sectors. The Orthopedics sector fell slightly below the previous year due to a difficult market environment.

There were mixed results in Europe, including a decline in sales in Eastern Europe in some areas. Asia exhibited good

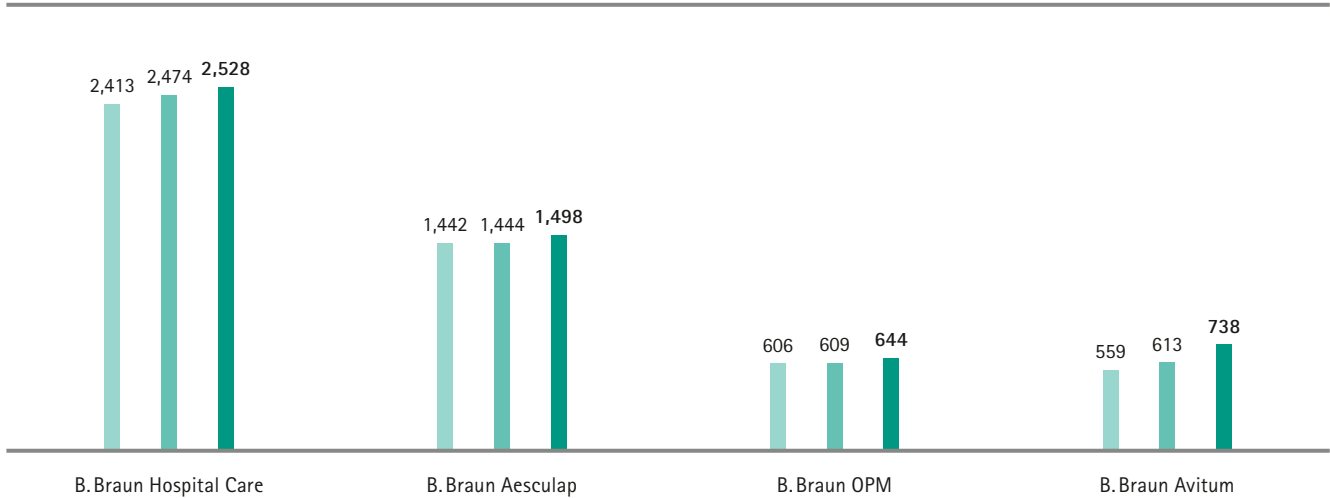
development. Double-digit growth rates were achieved in China and in other markets. Sales also increased in North America.

**Business performance of the B. Braun Out Patient Market (OPM) Division**

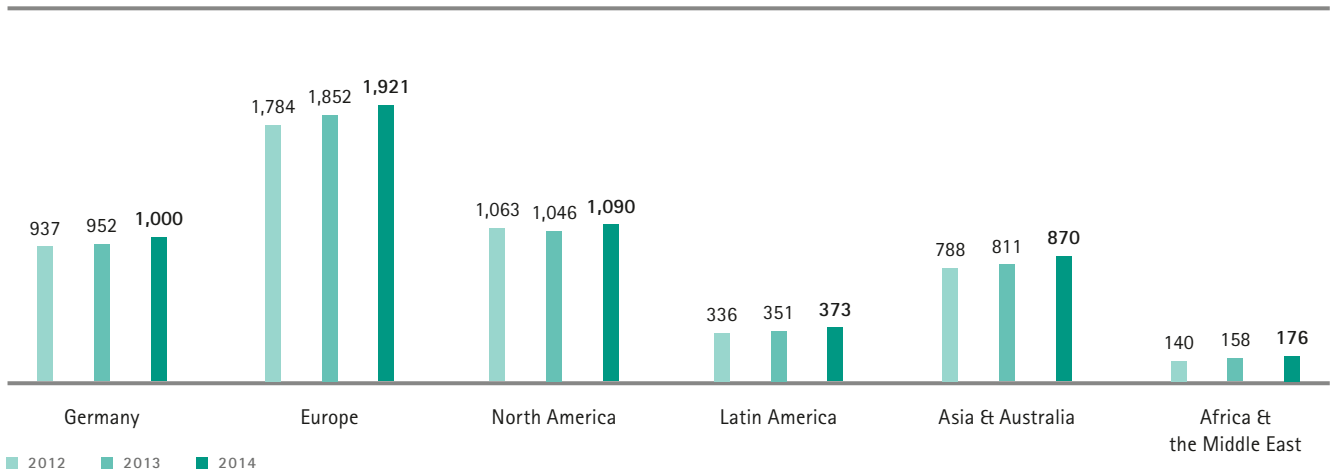
Our OPM Division reported sales of €643.9 million (previous year: €609.0 million), posting a 5.7 percent increase over the previous year (6.2 percent at constant exchange rates). Wound care and incontinence care achieved above-average growth.

The strong growth in the US was a major contributor to the division's sales development. Europe, Germany, Great Britain and Spain also showed positive growth. In Asia, double-digit

Sales by division | IN € MILLION



Sales by region | IN € MILLION



growth rates were achieved in major markets, and sales development in China was especially dynamic.

#### Business performance of the B. Braun Avitum Division

In the reporting year, sales in the B. Braun Avitum Division increased by 20.5 percent (23.9 percent at constant exchange rates) to €737.9 million (previous year: €612.5 million). The product business segment posted a good sales performance. Dialyzers, filters and dialysis machines were particularly successful.

The division achieved double-digit growth rates in all regions. Germany, Russia, Colombia and the Netherlands, where additional dialysis clinics were acquired, were the primary growth drivers in the provider business segment. We also treated more patients than in the previous year in existing centers. In the product business segment, China in particular as well as the direct business in the region Africa & the Middle East contributed to the increase in sales.

#### Development of the gross profit

In the reporting year, gross profit increased by 1.8 percent to €2,388.0 million (previous year: €2,344.8 million). At the same time, the gross margin fell by 1.4 percentage points to 44.0 percent (previous year: 45.4 percent). Startup costs for new production sites and a difficult market environment in Germany negatively impacted the gross margin. In addition, fluctuations in currency rates reduced gross profit by €44.3 million. The medical device excise tax, which took effect in the US in 2013, caused an expense of approximately 9 million US Dollars for the Group.

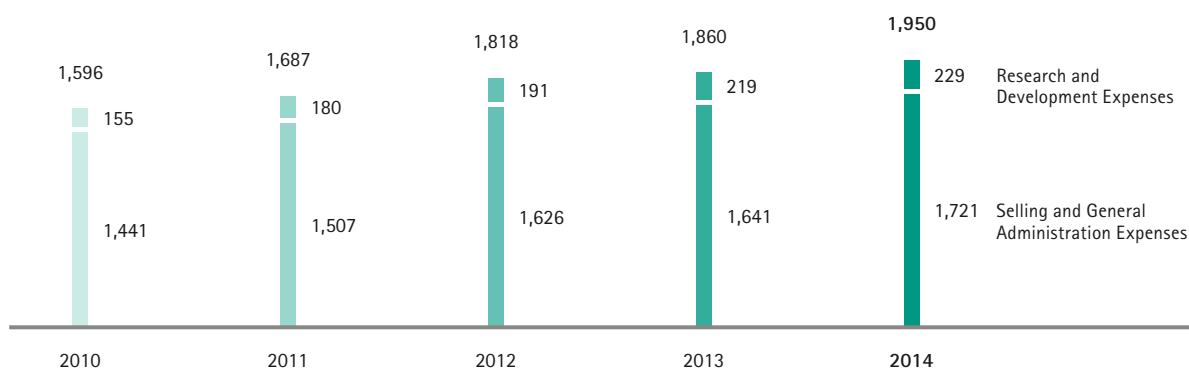
#### Development of functional expenses

Selling expenses rose 4.0 percent to €1,437.0 million (previous year: €1,381.1 million). This development was attributable to an increased allocation of sales resources to growth markets, as well as higher logistics costs as a result of increased business volume. General and administrative expenses increased to €284.2 million (previous year: €260.3 million), an increase of 9.2 percent over the previous year. This is due to higher IT, legal and consulting costs, as well as project costs for expanding central purchasing.

In 2014, we did not achieve our strategic objective of keeping the relative increase in selling and administrative expenses significantly below the relative increase in gross profit.

We further increased spending on research and development in 2014. Non-capitalized research and development expenses rose 4.7 percent to €228.8 million (previous year: €218.6 million). Furthermore, development expenditures totaling €10.7 million (previous year: €8.3 million) were capitalized as internally generated intangible assets.

Functional expenses | IN € MILLION



### Development of other net income

The balance of other operating income and expenses changed by € 8.9 million to € - 15.2 million (previous year: € - 6.3 million). There was an € 7.8 million increase in currency translation losses, which stood at € - 19.4 million in the reporting year (previous year: € - 11.6 million). Compared to last year, insurance reimbursements were lower in connection with a fire in our Thai manufacturing plant, and reduced other operating income. Due to the Rhön-Klinikum AG share repurchase program, we received income similar to dividends in the amount of € 12.1 million from put options.

### Development of net financial income

In the financial year 2014, net financial income including income from investment increased by € 40.9 million to € - 15.1 million (previous year: € - 56.0 million). The interest expenses were € 45.4 million, € 5.6 million above the previous year (€ 39.8 million). Interest income decreased by € 2.1 million and amounted to € 3.1 million (previous year: € 5.2 million). In addition, investment income increased by € 4.6 million and amounts to € 13.9 million (previous year: € 9.4 million). Through our investment in Rhön-Klinikum AG, we received a dividend of € 6.2 million. In addition, the use of the equity method of accounting for this investment led to an increase in income of € 3.3 million. We reduced our investment in Rhön-Klinikum AG to keep our ownership interest constant. This was necessary due to Rhön-Klinikum AG's share repurchase program related to the distribution of proceeds from the sale of 43 hospitals. As a result, we realized income similar to dividends in the amount of € 44.5 million. The interest component of pension provisions amounted to € 30.4 million for the reporting year, compared to € 30.7 million the previous year.

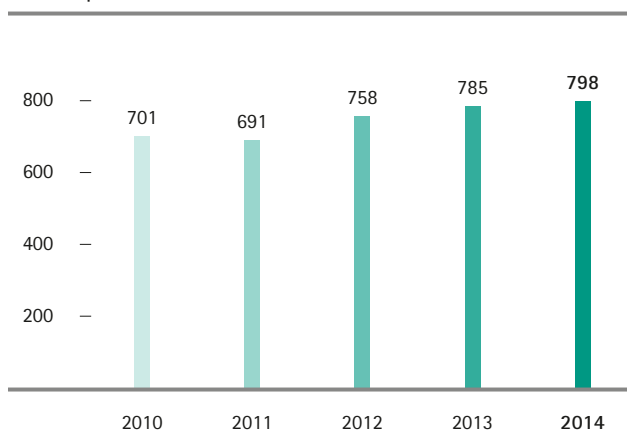
### Development of EBIT and EBITDA

Interim profit amounted to € 437.9 million for the reporting year, compared to € 484.8 million the previous year. EBIT of € 480.3 million in the reporting year was lower than in the previous year by 1.5 percent (€ 487.8 million). Increased production costs that we were not able to pass on to the market in addition to falling prices in some markets due to

the intensification of competition, put pressure on gross profit margin. Functional expenses are developing slightly more slowly than sales and have increased by 4.8 percent compared with the previous year. Depreciation and amortization increased 7.0 percent to € 318.1 million (previous year: € 297.2 million), resulting in an EBITDA of € 798.4 million. Therefore, EBITDA increased by 1.7 percent compared to the previous year which stood at € 784.9 million. At 14.7 percent, the EBITDA margin is lower by 0.5 percentage points (previous year: 15.2 percent).

Profit before taxes decreased by 3.5 percent to € 407.6 million (previous year: € 422.5 million). Income taxes in the reporting year were € 91.3 million, € 15.7 million below the previous year's level (€ 107.0 million). The tax rate in 2014 was 22.4 percent (previous year: 25.3 percent). Consolidated net income totaled € 316.3 million, and is at the level of the previous year (€ 315.5 million).

EBITDA | IN € MILLION



### Financial position

#### Investments

Production capacities were once again expanded in the reporting year to meet the sustained demand for B. Braun products. In addition, we selectively expanded our global market presence through strategic acquisitions.

Additions to fixed assets, intangible assets, and financial investments, as well as additions to investments in associates and acquisitions of fully consolidated companies, amounted to €931.3 million (previous year: €1,029.4 million). At the same time, depreciation and amortization totaled €318.1 million (previous year: €297.2 million).

In Malaysia, we have continued our cross-divisional expansion of our Penang site. The Hospital Care Division is undertaking a global investment initiative to expand capacities for IV sets. We have continued modernizing the Tuttlingen (Germany) site of our Aesculap Division. Sections of it were completed and dedicated in 2014. The OPM Division acquired rights and patents for innovative ostomy products from an Israeli manufacturer. We further expanded the B. Braun Avitum provider business by acquiring hospitals in Germany, Russia, Colombia and the Netherlands.

Investment commitments of €274.8 million were already made as of the reporting date, which were primarily attributable to ongoing replacement and expansion investments at our locations in Malaysia and Germany.

### Liquidity

Cash flows from operating activities totaled €520.7 million (previous year: €534.1 million), €13.4 million lower than in the previous year. Net cash used for investing activities<sup>4</sup> was lower in the reporting year by €499.1 million to €515.6 million

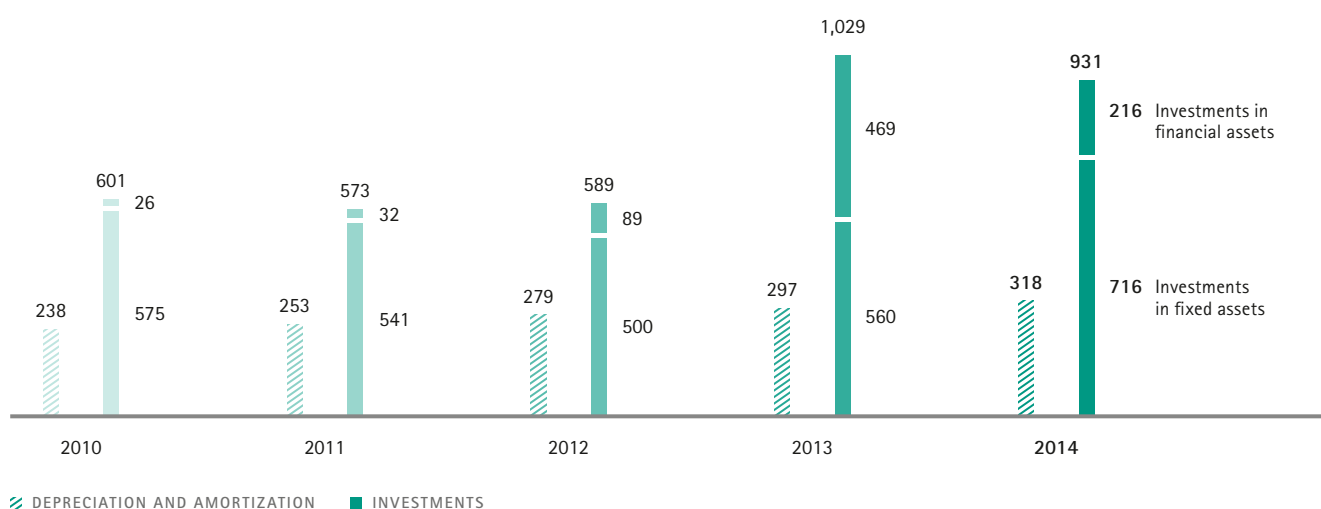
(previous year: €1,014.8 million) and in conjunction with a higher operating cash flow, resulted in a free cash flow of €5.1 million (previous year: €-480.7 million). Cash outflows for investments in property, plant, and equipment and intangible assets amounted to €662.9 million (previous year: €566.7 million) and for investments in financial assets and company acquisitions €185.9 million (previous year: €456.6 million). At the same time, we received dividends and cash inflows similar to dividends of €315.5 million (previous year: €6.8 million). Net borrowing amounted to €74.8 million for the reporting year (previous year: €412.9 million). Total cash and cash equivalents as of the reporting date increased €45.4 million to €84.3 million (previous year: €38.9 million).

### Asset structure

As of December 31, 2014, total assets of the B. Braun Group rose to €6,766.8 million (previous year: €6,079.5 million). This increase of 11.3 percent reflects the fact that investments in property, plant, and equipment were higher than depreciation and amortization.

Non-current assets increased by 11.7 percent to €4,436.9 million (previous year: €3,971.5 million). Due to continuing high levels of investment, property, plant and equipment increased again in the reporting year, rising 14.0 percent (11.8 percent at constant exchange rates) to €3,302.6 million (previous year: €2,896.6 million). Initial recognition of our participation in Rhön-Klinikum AG under the equity method

### Investments/Depreciation and Amortization | IN € MILLION



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



led to a reduction of other financial assets to €30.3 million (previous year: €471.6 million) and, at the same time, an increase in investments accounted for using the equity method by €283.6 million to €331.5 million (previous year: €47.9 million). With €1,005.7 million, inventories at the balance sheet date are 11.6 percent (8.6 percent at constant exchange rates) above the previous year (€901.5 million). The inventory range for the reporting date was 17.2 weeks (previous year: 16.6 weeks), which is above our target range. Trade accounts payable increased by 2.3 percent (1.2 percent at constant exchange rates) to €993.7 million (previous year: €971.1 million). The trade receivables DSO by 3 days to 71 days (previous year: 74 days), surpassing our strategic goal of no more than 75 days. Receivables in Italy, Portugal, and Spain were reduced, but remain at a high level. There was an increase in cash and cash equivalents, which rose by €45.4 million to €84.3 million (previous year: €38.9 million).

#### Financing structure

Shareholders' equity increased by 4.9 percent (1.5 percent at constant exchange rates) to €2,564.0 million (previous year: €2,445.0 million). The equity ratio, at 37.9 percent (37.3 percent at constant exchange rates) lower than the previous year (40.2 percent) by 2.3 percentage points. This is attributable both to the balance sheet expansion resulting from our investment activities and the increase in financial liabilities. In addition, the low interest rates made an increase in pension provisions by €269 million necessary in the year under review. In addition, the deferred rates affected a decrease in equity capital of €196 million. However, we are confident that we will be able to increase the equity ratio continuously over the next few years. In total, provisions for pensions and similar obligations increased 37.6 percent to €1,098.5 million (previous year: €798.5 million). Financial expenses rose 5.4 percent to €1,870.2 million (previous year: €1,773.8 million). Non-current liabilities

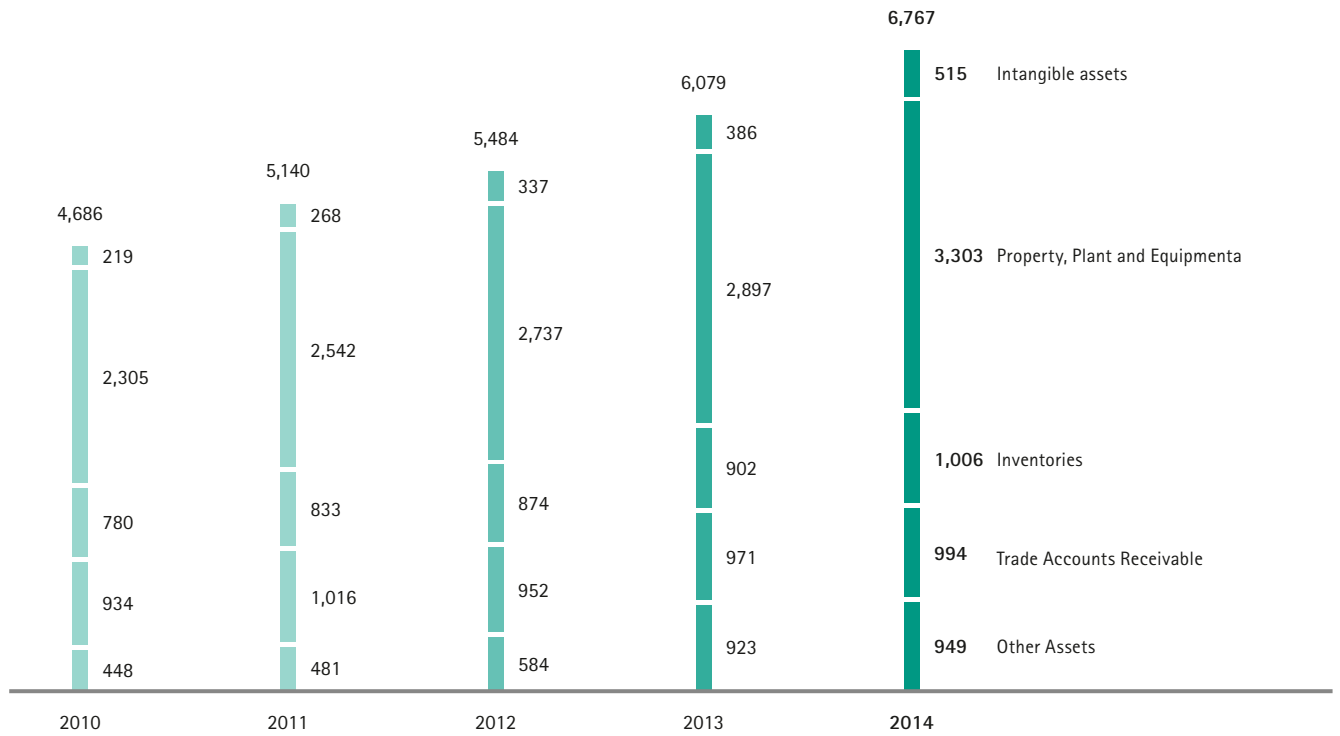
increased by 27.8 percent to €1,284.4 million (previous year: €1,004.9 million). Current liabilities amounted to €585.7 million as of the reporting date, compared to €768.8 million in the previous year. The majority of the loans were agreed in euros and US dollars. However, a number of smaller loans also exist in various foreign currencies. As of the reporting date, 59.6 percent (previous year: 46.9 percent) of bank borrowings carried a fixed interest rate and 40.4 percent (previous year: 53.1 percent) carried a variable interest rate. As a result of increased financial liabilities and simultaneously higher level of cash and cash equivalents, net financial debt fell by €46.5 million to €1,762.3 million (previous year: €1,715.8 million). Trade accounts payable increased by 14.1 percent to €311.9 million (previous year: €273.4 million).

In 2014, we were able to make all of our planned refinancing arrangements. Debt financing activities are conducted only with banks considered reliable. 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 €1,164.6 million (previous year: €859.1 million). We have met all of the required financial performance benchmarks agreed upon with our banks.

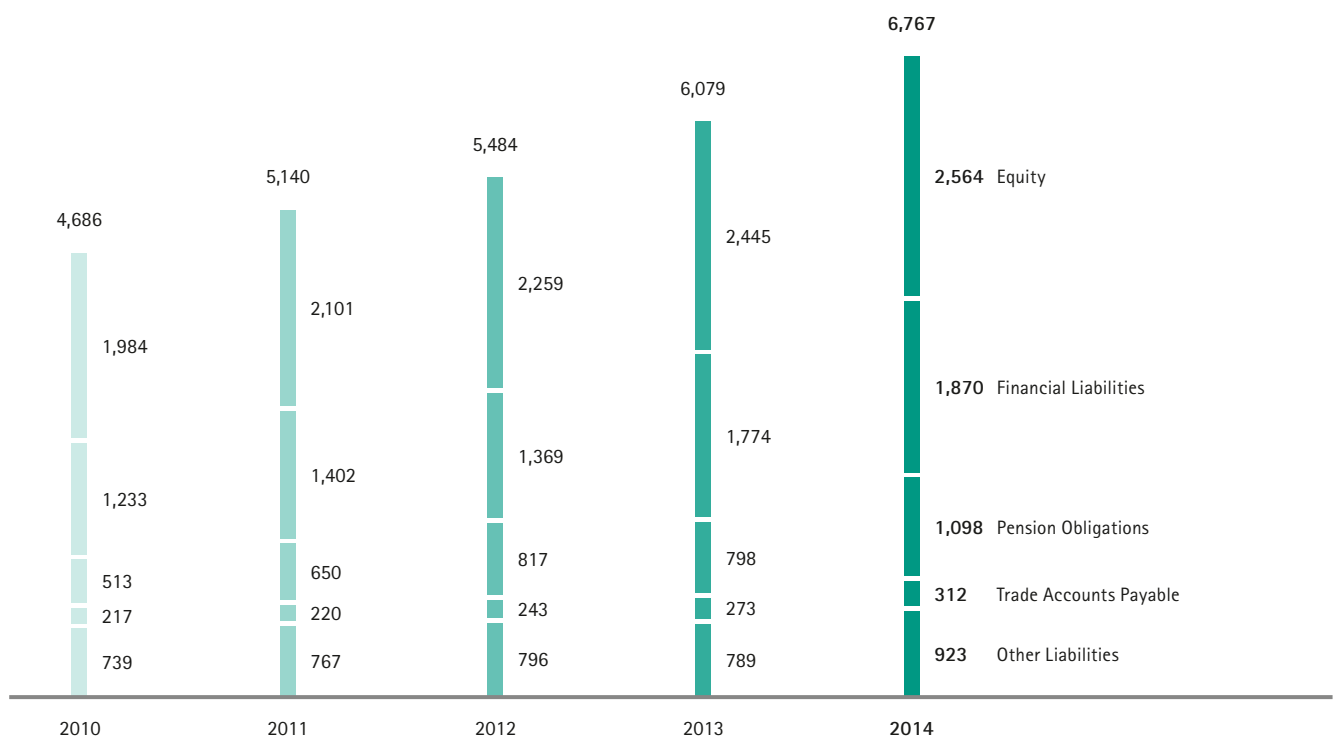
Regarding financing measures for the reporting year, the issuance of promissory notes are part of a total of €400 million. The promissory notes are equipped with fixed or variable interest rates and have maturities of three (€23 million), five (€115 million), seven (€187 million) and ten (€75 million) years. The funds raised are used to refinance short-term liabilities in order to secure the currently attractive market conditions in the longer term.

This "asset-backed securities" program was financed primarily by the back-up liquidity line in the reporting year.

Structure of Statement of Financial Position: Assets | IN € MILLION



Structure of Statement of Financial Position: Equity and Liabilities | IN € MILLION



**Personnel report**

Through active HR management and a trust-based relationship with social partners, B. Braun is protecting jobs within our company. This calls for a proactive and forward-looking approach to shaping employment throughout the different stages of people’s lives and their changing occupational requirements. We consider it our duty to help employees take personal responsibility to preserve their long-term employability. Through innovative forms of employment and preventive healthcare, we are facilitating longer working lives. Our actions are based on a corporate culture that appreciates and balances the business interests of the company with the interests of our employees and our customers.

Since 2010, B. Braun has provided the staff employed under the terms of a collective agreement in Berlin, Melsungen and Glandorf with the option of working part-time up to four years before their retirement. Compensation for this option is 80 percent of the original gross earnings. This is based on the collective agreement, “Working life and demography” in conjunction with the corresponding bargaining agreements. Labor councils and management have thus created an innovative program that has garnered a great deal of attention, especially in the chemical industry. More than 100 employees have accepted the offer of a smooth transition into retirement by means of the “60Plus” part-time model.

**Number of employees**

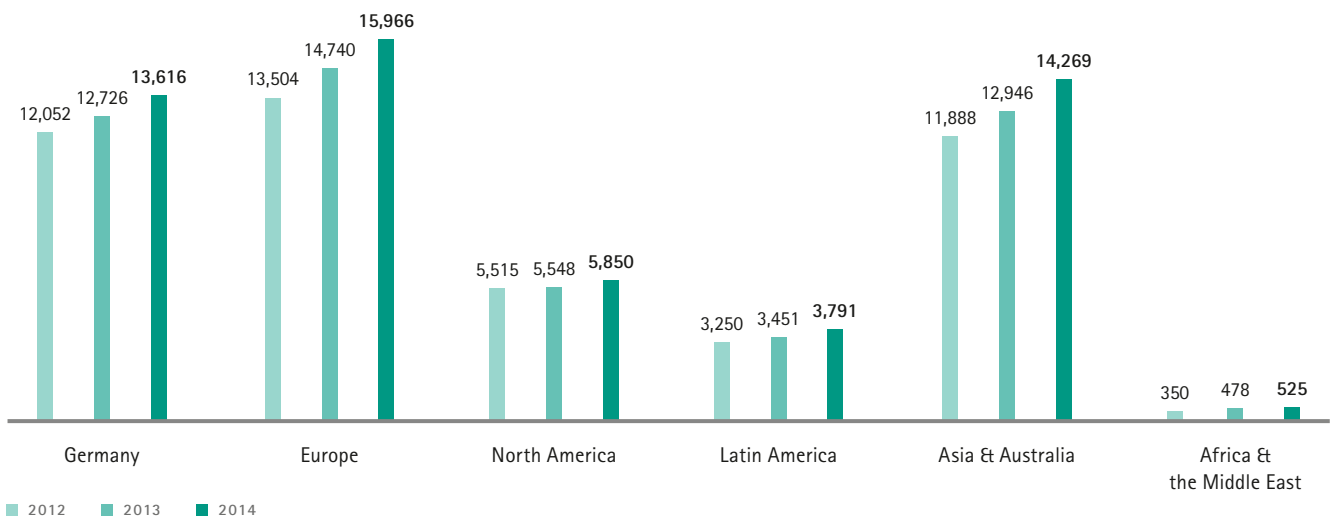
As of December 31, 2014, the B. Braun Group had 54,017 employees globally, representing an increase of 8.3 percent over the previous year’s 49,889. The main reason for this increase is the expansion of production capacities in all regions. This includes new distribution companies and the acquisition and founding of companies. Adjusted for the effects of acquisitions and the foundation of new companies, the number of employees would have risen 6.9 percent.

In Germany, the number of employees increased by 7.0 percent to 13,616 (previous year: 12,726). This increase was largely the result of new hires in the area of production and the acquisition of additional dialysis centers.

In Europe excluding Germany, the number of employees increased by 8.3 percent to 15,966 (previous year: 14,740). This increase was mainly due to the expansion and acquisition of dialysis centers in Russia as well as recruitment for the production facilities in Spain, Hungary, Poland, Switzerland and the Czech Republic.

The expansion of production capacity in Malaysia at the Penang location and the opening of a new production facility in China resulted in a 10.2 percent increase in the number of employees in Asia & Australia, bringing the number to 14,269 (previous year: 12,946).

**Employees by region**



At year end, there were 5,850 employees in North America (previous year: 5,548). This represents an increase of 5.4 percent in comparison with 2013. This is partly due to the increase in production capacity for medical devices.

In Latin America, the workforce grew by 9.9 percent to 3,791 (previous year: 3,451) primarily due to production capacity expansions in Brazil, Peru and Mexico.

In Africa & the Middle East, the workforce grew to 525 employees (previous year: 478). This represents an increase of 9.8 percent over the previous year.

#### Location retention

The location retention agreements in Melsungen, Berlin, and Tuttlingen (Germany) have proved an effective means of securing employment and improving competitiveness. The agreements also provide for training under overtime conditions. Agreements have been in place in Melsungen and Berlin since 2009, and in Tuttlingen since 2011, with all agreements in effect for five years. During this period, each employee may be asked to work up to 104 additional hours per year to enable the company to respond flexibly to market requirements. Employees participate in the company's success based on the latest annual results. No redundancy lay-offs are allowed for the term of the agreements. 6,532 employees in Melsungen, 3,445 employees in Tuttlingen and 805 employees in Berlin currently benefit from this agreement. Since the location retention agreements have been in effect, we have invested almost €2 billion among the three locations.

The location retention agreements for Melsungen and Berlin, ended in the year under review, and have been renegotiated with comparable terms for the period from January 1, 2015 to December 31, 2020. In the future, up to 75 hours per year can be paid through profit sharing.

Profit-sharing pay-outs depend on the number of hours worked by the individual employee and for fiscal year 2014 were capped at €1,136 (previous year: up to €1,345).

#### Vocational training

For many years, B. Braun has had a strong commitment to vocational training, as evidenced by a range of innovative approaches in this area and the growing number of trainee positions provided. Guaranteeing robust training for our

junior staff is a key element of our HR strategy, and is one of our most important obligations in the coming years as a result of the demographic shift.

300 (previous year: 420) trainees successfully completed their training at our German, Polish, and Swiss locations. In the reporting year, the company accepted 224 new trainees (previous year: 217).

In Brazil, Germany, Poland, and Switzerland, there are currently 1,149 (previous year: 1,002) young people in training with us; an increase of 14.7 percent year on year. For many young people, combining vocational training with university studies or studies at a university of cooperative education is an attractive option. 111 (previous year: 116) trainees are currently pursuing Germany's dual system for vocational education. A combination of theoretical and practical training is also provided in Brazil for professions such as electrician and maintenance engineer. Thus trainees are optimally prepared for their future careers and also receive a salary from B. Braun while becoming fully qualified.

B. Braun also supports the development and implementation of innovative training approaches at a number of its other international locations. These are aligned with the dual system for vocational education, but are adapted to meet local requirements. In Malaysia, for example, we trained 57 young people in the reporting year in cooperation with the Penang Skills Development Center and the University of Malaysia Perlis. In 2014, we continued our mechatronics curriculum at our site in Vietnam in cooperation with the Society for International Cooperation and the University of Technology Hung Yen. The first class of twelve students graduated from the program.

#### Performance-related remuneration

Under the B. Braun Incentive Scheme, a series of profit participation rights are offered to members of the Management Board and eligible managers. The value of the profit participation rights depends on the development of the Group's equity. In financial year 2014, 62,481 profit-sharing rights were issued (previous year: 69,276). 47 percent (previous year: 50 percent) of the profit participation rights offered to eligible employees were subscribed. As of December 31, 2014, a total of 699,893 profit-sharing rights had been issued (previous year: 696,349).

### Thank you to our employees

Together, we achieved many successes in 2014, a year characterized by a variety of challenges. The B. Braun Group has seen stable development thanks to our employees' competence and commitment. We would like to take this opportunity to thank our employees for their work. We look forward to achieving our future strategic goals collaboratively and we will continue to rely on the knowledge and dedication of our employees.

We would also like to thank the employee representatives and trade unions for their cooperation, which is always fair and constructive.

### Non-financial performance indicators

#### Quality and environmental management

As a developer and manufacturer of medical and pharmaceutical products, B. Braun operates in highly regulated markets. Therefore, the quality and environmental management system we implement must comply with the stringent statutory and regulatory requirements. In addition, we have established our own standards in the fields of environmental protection and health and safety in the workplace, which we subject to regular internal audits. By paying close attention to customers' needs, we have identified and standardized key processes to ensure uniformly high standards of quality. All procedures, products, and IT-related documentation are subject to a continuous improvement process, which considers environmental sustainability and productivity.

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

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

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

#### Corporate social responsibility

To B. Braun, assuming social responsibility means sharing knowledge and creating opportunities. As a corporate citizen, the company is involved around the world in activities that extend beyond its own core business, and is particularly committed to educational projects in regions in which B. Braun conducts business.

Children are at the heart of the global "B. Braun for Children" initiative founded in 2004. Therefore, it is important to us that we invest in our young people and begin encouraging even the youngest of our children to take an interest in science and technology, and provide them with career prospects. B. Braun's 14-day Children's and Youth Weeks, which take place in Melsungen, are a sustainable education project for the region. The company invites Melsungen nursery schools and schools to workshops set up in research tents on the premises. Since 2008, more than 13,000 children and families have participated in the event. Over 3,000 visitors attended the event in 2014. Since 2012, B. Braun has sponsored the program "A taste ride" at its location in France. "Chef of the Year" Anne-Sophie Pic helps children between three and nine years old, who until recently could only be drip-fed, to rediscover their sense of taste and the joy of eating. B. Braun has helped children in more than 30 countries. One example is in Rodriguez, in the Philippines, where B. Braun has launched a lunch program for 100 malnourished students. At our location in Allentown, Pennsylvania (USA) 220 teenagers and young adults participated in a "Career Awareness Course," which provides training in how to choose and apply for jobs, and equips attendees with practical skills, preparing them for the workplace.

The company chose to make the future of children and young people a cornerstone of its social commitment on the tenth anniversary of the "B. Braun for Children" initiative: in 2014, B. Braun donated approximately € 6.2 million to modernize the secondary school in Melsungen, where open and accessible spaces have been created so that all children can learn together.

In 2013, the extensive renovations to Kloster Haydau, a monastery near Melsungen, were completed, and in 2014, B. Braun launched the "kitchen garden" integration project in collaboration with "bdks – Baunataler diakonia Kassel" on a site next to the "Hotel Kloster Haydau" seminar and

training center. Here, twelve employees with and without disabilities grow organic fruits and vegetables following old gardening traditions. Beginning in 2015, they will sell their produce in a new store located within the historic walls.

Worldwide, B. Braun is focused on innovation and as such invests in science. This is not only a matter of training qualified specialists, but also a matter of developing the next generation of employees. In 2014, the company was the main sponsor of the Penang International Science Fair, where leading companies presented their technologies to inspire young people to pursue a career in science. With 50,000 visitors annually, the Penang International Science Fair has turned into the largest science fair in Malaysia after only three years.

The quality of care in hospitals and raising public awareness regarding issues related to hygiene and healthcare are the mission of "B. Braun for Africa" in Kenya. Since 2010, children, teachers and parents in 80 schools have been learning to become health conscious and how to prevent disease. As part of the joint project with the German Agency for International Cooperation (GIZ), more than 1,000 nurses and medical students have been trained in patient and user safety. The newly-founded B. Braun subsidiary in Kenya will continue to support the campaigns and activities that have been launched there.

B. Braun opened an account for donations for the employees who wanted to help the victims of Typhoon Haiyan in the Philippines, which killed more than 7,000 people on November 8, 2013, and inflicted catastrophic damage. As has been done before in the face of other disasters, such as those that befell Haiti, Pakistan and Japan, the company matched employee donations and in June 2014 presented the donations to Diakonie Katastrophenhilfe (DKH), which funds a psychosocial program for traumatized typhoon victims, among other activities.

## Subsequent events

On January 15, 2015, the Swiss National Bank announced that it no longer would purchase foreign currencies that held the Swiss franc at a fixed exchange rate with the euro. At the same time, it further reduced its prime interest rate. Following this decision, the Swiss franc soared, followed by large currency fluctuations. The reason the Swiss National Bank provided for giving up the minimum exchange rate was the devaluation of the euro against the US dollar and the associated weakening of the Swiss franc. Forecasts regarding the exact exchange rate have been mixed, but an exchange rate that is below the previous minimum exchange rate is generally expected.

For the B. Braun Group in 2015, we expect a negative effect on income – in the millions – assuming exchange rate parity between the euro and the Swiss franc and the previous volume of the affected commodity flows. In 2014, completed hedging transactions are already taken into account, and these reduce the negative impact on earnings. In the medium term, a strong franc is burdening the international competitiveness of our Swiss production location.

Besides this event, no other events occurred between the end of the reporting period and the date on which the consolidated financial statements were prepared that had a material effect on the results of operations, financial position or net assets for the fiscal year 2014.

## Risk and opportunities report

### Risk management and controlling

All key strategic and operational decisions at B. Braun are made taking into account the associated risks and opportunities. We have a fundamentally cautious corporate strategy and avoid any uncontrollable potential risks. Risk management and controlling are key management tasks and an essential part of Group management. The B. Braun Group's comprehensive risk management ensures that risks can be identified, documented, assessed, monitored, and controlled. Risks resulting directly from business operations are quickly identified and assessed in monthly reports using our systematic controlling processes, which extend throughout the Group in all business areas, companies, and regions. We also identify and control 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 the annual audit of financial statements.

### Risks

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

#### Macroeconomic risk<sup>5</sup>

The main risk for the global economy is increasing geopolitical tensions, particularly in the Ukraine and the Middle East. How things progress in these regions will decide whether the sanctions that have already been imposed need to be tightened. In Russia, there is the risk of government interventions, such as expropriations or moratoria. To protect ourselves against these politically motivated events, we have taken out a guarantee from the Federal Republic of Germany for direct investments abroad. The guarantee applies to our subsidiary B. Braun Avitum Russia and covers losses from capital contributions, investment-like loans and related earnings.

<sup>5</sup>International Monetary Fund: World Economic Outlook, October 2014 & Update January 2015

An additional risk facing the US is of a relapse into crisis as they taper their expansionary monetary policies. The eurozone also shows declining inflation rates that are significantly below the targets of the European Central Bank. The decline in oil prices could increase this further and lead to a deflationary trend. The slowdown seen in emerging economies represents an additional serious concern. The IMF also perceives the risk of unsustainable growth models, particularly in China. The increasing use of monetary policy instruments increases the vulnerability of economic development. This fact, combined with the sluggish Western economies, would mean that the global economy was lacking key drivers for growth.

#### Industry risk

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

In some markets, it is becoming evident that foreign manufacturers will have no or only limited opportunity to participate in the bidding process if domestic manufacturers offer comparable products. This trend has been observed in particular in Russia in the reporting year. In response to this, we are strengthening our relationships with local manufacturers and further increasing our regional presence to ensure that we will continue to have access to global growth markets. In China, legal proceedings were initiated against several foreign manufacturers of dialysis machines for price dumping and then ceased without any findings. There is a risk in the dialysis provider business segment that the privatization of clinics will be reversed. Overall, the structural risks for businesses operating within the healthcare market remain at an elevated level. We expect that these risks will

continue in the medium term, and that this may impact the financial performance of B. Braun.

Increased formalization of the international product approval process is evident, and this entails higher costs for B. Braun. Longer processing times and more extensive requirements for documentation and study submissions can delay and drive up the cost of product launches and increase the overall research and development risk. On the demand side, the creation of group purchasing organizations for high volume purchasing is strengthening the market power of customers, in turn increasing the risk of further price pressure and our dependence on individual customers. Aggressive price competition has also been observed in some markets. The complete vertical integration of hospitals or other customers by pharmaceutical or medical technology companies presents an additional risk, which could impact market access for other companies. In addition, we have observed in some countries that the entire volume of a tender is awarded as a sole-source contract to the winning bidder, thereby eliminating other suppliers from the market.

#### Procurement risk

Risks generally result from commodity price changes and supply shortages in the procurement markets. The occurrence of these potential risks could have an effect on our ability to produce and deliver and, ultimately, on B. Braun's sales and earnings development.

After successfully establishing a Corporate Procurement department for the Group in 2013, we introduced a Procurement Performance Management system (PPM) during the reporting period. Using the PPM, we have global transparency for all expenditure and suppliers, as well as uniform measuring methods. This means that we are able to control and monitor the Group-wide purchasing volume effectively. This forms the basis for collaboration in purchasing across locations and for reducing procurement risks. Wherever possible, we use strategies for long-term price hedging in the context of active price management: for example, globally pooling our demand, entering into long-term supply contracts in connection with hedging commodity prices on intermediate goods, and master agreements with a term of



at least one year. To minimize the risk of supplier defaults, we perform risk assessments of our suppliers. If a supplier is identified as a high default risk, we have a range of processes and instruments in place to ensure continuous supply. These include disaster recovery plans, holding inventory either at B. Braun or at the supplier's location, second and dual sourcing, as well as the preservation of notarized documents about production processes and formulations.

Our purchasing organization and our established processes to secure price and supply reduce our net risk position significantly and, therefore, we do not foresee any major risks from procurement.

#### Product risk

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

#### HR risk

The main risks facing HR relate to the demographic shift and a lack of sufficiently qualified skilled workers and managers at a regional level. B. Braun is pursuing a number of measures to counter these trends and optimize its perceived attractiveness as an employer. As a result no significant effects from HR risks have been identified in the medium term.

Through comprehensive personnel development programs, B. Braun strives to encourage employee loyalty from an early stage and promote identification with the company to keep staff turnover to a minimum and thereby avoiding the risk of 'brain drain.' Succession planning is another integral element of B. Braun's HR strategy, its purpose being to ensure that vacant managerial positions are swiftly filled by suitable candidates. Key aspects of B. Braun's human resources strategy include, for example, initiatives to improve the work-life balance of employees, a strong commitment to staff training and continuing education, performance-related remuneration, and flexible work models.

#### IT risk

Important business processes rely on IT systems. A failure of essential IT systems or a large-scale loss of data could lead to a serious disruption in business operations, even in manufacturing. Our continued investment in IT infrastructure and a redundant system architecture help to minimize this risk. Other measures to reduce risk include regular data backups and employee training. A coordinated user permissions policy helps to protect against data misuse and compliance is assured through the internal audit department and data security officers. Our systems are also protected by robust anti-malware programs. Due to these measures, we do not anticipate any significant negative effects from IT risks.

#### Financial risk

B. Braun operates internationally and is therefore exposed to currency risk, which it hedges using derivative financial instruments. We pursue a rule-based strategy known as "layered hedging," which allows us to achieve coverage of average prices for the period of our hedging horizon and reduce the effects of currency translation on the consolidated net income. Trading and management of derivative financial instruments are regulated by internal guidelines and are subject to continuous risk control.

Payer swaps are at times used for variable-rate bank loans to minimize interest rate risk.

To manage liquidity risk, we maintain sufficient reserves of short and long-term committed credit lines, including in particular a syndicated loan with a volume of € 400 million. We extended this loan agreement in 2014.

There is also the risk of a possible deterioration in the payment performance of our customers or public sector purchasers. Limited financing options can have a negative impact on liquidity and individual customers' ability to pay. But we believe that this is less likely. There is also a risk that our suppliers' liquidity position could remain strained such that it could, in the worst case scenario, threaten their viability.

## Opportunities

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

### Opportunities arising from positive economic development

Economic conditions influence the business performance of B. Braun. Our statements regarding the further development of the Group are based on the economic environment to be expected as described in the forecast report. Should the global economy fare better than current predictions suggest, our sales, earnings, and financial position may exceed our forecasts.

### Opportunities arising from the growth strategy

Capacity expansion enables us to participate in the growing demand for healthcare and medical technology products. The new, highly innovative production processes continue to improve our competitiveness. Our comprehensive product range and extensive experience enable us to offer efficient solutions to our customers. Should the international healthcare markets develop at a faster rate than is currently expected, this could have a positive impact on our sales, earnings, and cash flows.

### Opportunities arising from research and development

Our growth strategy is founded on product and process innovations. In close partnership with our customers and the users of our products, we work tirelessly to bring new and improved products onto the 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 flows.

### Opportunities arising from our international presence

The opening up of additional healthcare markets (in Africa, Asia or the Middle East, for example) to international medical technology companies, in addition to the trend toward privatization in the field of dialysis services, could present

additional opportunities for B. Braun. Our international presence enables us to participate in such developments, which would lead to a sustained improvement in the future sales and earnings of the B. Braun Group.

### Opportunities arising from employees

Our employees are the driving force behind our innovations and, through close exchange with customers, users and patients, they create added value for B. Braun. Employees' strong identification with the company increases motivation and promotes individual responsibility. We aim to encourage this even further through the provision of personnel development opportunities. Should the associated measures and methods result in faster and better progress than currently predicted, this could also improve our competitiveness and result in improved sales, earnings, and cash flows.

## Overall statement on the Group's risk and opportunity situation

From today's viewpoint, no risks or dependencies are identifiable that could threaten the viability of the B. Braun Group for the foreseeable future. There were no material changes in the Group's net risk position in 2014 and, once again, no risks were identified that could jeopardize the company's continued existence. However, we have observed increasing volatility in some areas. Examples are the increased political risk in the Russian market and the distortions on the foreign exchange markets.

To the extent possible and appropriate, we have insured ourselves against liability risks and natural hazards, as well as other risks. Despite higher liability coverage, it is not feasible to fully insure ourselves against every potential risk related to product liability. However, in general, we are confident that the continuing market risk will not have a negative effect on the B. Braun Group's performance. In contrast to these market risks, we see significant opportunities that may make successful business performance possible.

## Outlook

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

### Expected macroeconomic and industry-specific environment

#### Expected development of the global economy<sup>6</sup>

For 2015, the IMF forecasts further recovery in the global economy, driven by significant growth in the emerging markets. Improvement in domestic demand and overcoming structural barriers to growth are expected. The effects of the public debt crisis are still noticeable. Although economic growth can be achieved in the majority of countries, the economic dynamics in many countries are not at the same level they were prior to the crisis.

The development of the European economy will be stabilized through the consolidation of public finances. For 2015, a slight uptick in growth is expected, supported by a continued favorable monetary environment. The German economy will benefit from increased external demand and a weaker euro.

The countries affected by the public debt crisis will continue their recovery; the crisis appears to be over. Spain's and Portugal's growth will stabilize at the level of the other euro-zone countries. Forecasts for Greece are currently subject to high levels of uncertainty due to the results of the elections. However, it is to be assumed that Greece's economic performance will continue to remain at a low level and that the unemployment rate will remain among the highest in Europe. For the first time since the crisis, Italy is forecast to again see an increase in economic output. Positive development of the labor market will again be a major driver.

Change in gross domestic product in %	2014	2015
<b>Europe</b>	<b>1.5</b>	<b>1.9</b>
Germany	1.5	1.3
Spain	1.4	2.0
Portugal	1.0	1.5
Greece	0.6	n/a
Italy	-0.4	0.4
Poland	3.2	3.3
Hungary	2.8	2.3
Turkey	3.0	3.0
Russia	0.6	-3.0
<b>North America</b>	<b>2.2</b>	<b>3.1</b>
USA	2.4	3.6
<b>Latin America</b>	<b>1.2</b>	<b>1.3</b>
Brazil	0.1	0.3
Argentina	-1.7	-1.5
<b>Asia &amp; Australia</b>	<b>5.5</b>	<b>5.6</b>
China	7.4	6.8
India	5.8	6.3
Australia	2.8	2.9
Japan	0.9	0.8

The labor market will stabilize in Poland, signifying that the economy will continue its growth virtually unchanged from the previous year. In Hungary, rising inflation will cause a slight downturn in economic growth. Turkey's economic output will increase based on the impetus provided by the country's monetary policy.

In Russia, the IMF expects a decline in economic output in 2015. This expectation is strongly influenced by the continuing crisis in Ukraine. This uncertainty will have a negative impact on the business climate and lead to less investment. This development could be enhanced if the devaluation of the ruble continues and Russia encounters a permanent monetary crisis. A low oil price would be an additional burden on Russia.

The US economy will continue to gain growth momentum in 2015. Positive effects are resulting from further improvements in the financial position of private households and

<sup>6</sup>International Monetary Fund: World Economic Outlook, October 2014 & Update January 2015

a decline in the unemployment rate. In 2015, the Federal Reserve is expected to back away from its low interest rate policy. Currently, the economic situation seems stable enough not to fall back into recession. Excessive rate hikes could also lead to higher risk premiums worldwide due to a rise in the price of government bonds.

Growth will increase slightly in Latin America. Gains from structural reforms are conducive to investment. However, recovery will be slowed by less favorable trading conditions. The region's high dependency on commodity price developments, however, remains a risk. Brazil's economic performance will improve. Another economic downturn is expected in Argentina. The inflation rate is expected to remain high. This, together with uncertainties about the development of the currency, leads to renewed deterioration in the investment climate.

Asia & Australia will achieve stable growth in 2015. Solid economic development is forecast for China. A slowdown in private construction activity will result in last year's growth not being achieved. The IMF is expecting economic growth to stabilize at this level, as well as the transition of the Chinese economy to a more sustainable growth model. In India, the dynamic trend will continue and a slight decline is expected in the inflation rate. A stabilization of the Australian labor market will provide the necessary impetus to maintain the rate of increase in economic output equal to that of the previous year. Japan will continue to be affected by its consumption tax raise.

#### Outlook for the healthcare market

The global healthcare market in 2015 will continue to increase in momentum, which affects all regions. The growth stimuli in emerging and developing countries will be population growth, increasing prosperity and the expansion of social security systems. Demand for higher quality healthcare services will grow as incomes continue to rise. In industrialized countries, the demand for health services is increasing, mainly due to the rise in diseases of civilization, the aging population and the associated increase in morbidity.

B. Braun can expect to increase sales with existing products, as well as through product innovations and product differen-

tiation, which will benefit many of our specific focus business areas. Continued growth is also expected in the area of dialysis. A growing global population and the rise in diabetes-related diseases in recent years, which are a major cause of chronic renal failure, mean that demand for dialysis will continue to rise. This increase will be less marked in the industrialized countries than in emerging and developing countries because of the lower population growth. Discussions about the possible re-nationalization of dialysis centers in some countries are a grave cause for concern.

In the future, as per capita healthcare budget spending cuts begin to take their toll in many countries, the competitive advantage will belong to those companies that are able to provide their customers with products that genuinely improve process efficiency, with factors such as safe operation, ease of use, and targeted product improvements increasingly taking center stage. Within the context of progressive globalization, increasingly transparent prices are once again expected, which may also lead to mounting professionalization of buying behavior, and also to a decline in price and therefore margin.

The European healthcare markets are expected to show good growth. The health budgets in southern Europe are no longer burdened by the debt crisis, and Italy, Spain and Portugal are expected to increase spending. In general, it can be assumed that measures to limit the cost increase will be effected in national health systems.

It is expected that in 2015, there will be a dip in the Russian medical technology market. Among other things, hospitals will close and workers will be released. The state is currently severely cutting back on providing capital goods. Prospects are worsened further by the policy of import substitution in the public health sector. Domestic products are targeted for preferential selection in the government bidding process. This is intended to support the development of an effective national medical device industry. This rule applies to all imports, whereas products manufactured by foreign investors in Russia are not affected. Whether this discrimination against foreign companies in the government bidding process continues or increases depends on the future course of political conflicts.

The healthcare market in the US will continue to grow, but at a slower pace. The measures introduced to limit healthcare costs are among the reasons for this slowdown.

In Latin America, the healthcare market is expected to see good growth. However, some countries are facing the challenge of improving care and stabilizing public finances at the same time. Good prospects are seen mainly in Chile, Colombia and Mexico.

It is further assumed that the Asian healthcare market will continue to develop dynamically. China will remain the primary driver of growth in the region and will achieve double-digit growth rates. Demand for better healthcare services is expected to continue to rise as the sustained economic growth is maintained. The growth rates for medical technology imports has in the past lost some of its momentum. One reason for this is that more and more medical technology is being manufactured in China, not the least of which by subsidiaries or joint ventures of Western corporations. Strong growth is expected in India. The government's objective to improve the care of the rural population provides additional impetus. The Japanese healthcare market is affected by the tense situation of public finances and will be weak in the coming years.

### Business and earnings outlook

For fiscal year 2015, we expect the B. Braun Group's sales and earnings will continue to grow. At constant exchange rates, sales development will range from four to six percent (2014: € 5,429.6 million). The B. Braun Avitum Division, which focuses on dialysis, is expected to again experience stronger growth than the rest of the Group. The global healthcare market will continue to be divided. Volume growth is expected in the regions Latin America and Asia & Australia. Our capacity expansions and international presence put us in a position to benefit from the rising demand anticipated in these developing and emerging markets. In the established markets of Europe and the US, we believe demand will remain constant, with products that offer added safety and efficiency becoming increasingly relevant. We are confident that by continuing to provide innovative products and continuously enhancing our product range, we will be able to capitalize on growth opportunities in these markets as well.

From an earnings perspective, we expect interim profit and EBIT, at constant exchange rates, to be between € 450 million and € 480 million by the end of 2015. At constant exchange rates, we expect EBITDA to rise to between € 810 million and € 840 million (2014: € 798.4 million). We consider a slight improvement of the EBITDA margin to be possible. All divisions will contribute to the improvement in earnings. The increase in profitability will result from, among others, the completion of major investment projects and capacity expansions and the associated improved production utilization. In addition, introducing new products will have a positive impact on earnings. With regards to our active working capital management, we expect that trade receivable DSOs will remain at current levels in 2015 and that it is possible to improve the inventory coverage in weeks (CIW) performance indicator. The strategic target for DSO, at constant rates, is less than 75 days (2014: 71 days) and for CIW less than 17 weeks (2014: 17.2 weeks).

Risks are posed by the politically problematic areas in Ukraine and the Middle East. Increasing volatility in the global financial and currency markets must also be taken into account. In connection with a possible slowdown in global economic recovery, it is possible that there will be more budget cuts, mandatory discounts and similar measures in the coming years, and these may also influence B. Braun's sales and earnings growth.

### Expected financial position

In the future, B. Braun will continue to pursue its robust fiscal policy of recent years. For 2015, we are aiming to achieve an equity ratio of 40 percent. At the same time, we will continue to pursue our existing dividend policy.

Our long-term refinancing volume is € 149 million for the next year and € 179 million for 2016. As a result of our refinancing activities in the reporting year, we are well-positioned to meet this financing volume in the next two years. We expect no fundamental risks in pending financing measures due to our banking relationships, which have grown over many years, and the lasting profitability of B. Braun. A deterioration in lending due to renewed difficulties with banks and national budgets could make the price of refinancing for B. Braun more difficult and, in particular, more expensive.

We do not perceive any significant risk to B. Braun in this regard. The planned capital investments over the next few years will predominantly be funded by cash flows from operating activities.

Systematic use of our Group-wide cash pooling system will enable us to continue to ensure optimum cash allocation within the Group in the future. In addition, our Group-wide projects related to inventory and receivables management are having a lasting effect on limiting our financing requirements.

#### Overall statement on the outlook for the Group

On the basis of the assumptions presented regarding the development of the global economy and of the healthcare

market as a whole, we anticipate the B. Braun Group will experience positive business development in 2015. We also expect continued sales growth beyond 2015 and believe that our earnings growth will return to previous levels. Our investments in capacity expansions and the continuous improvement of our products and processes will allow us to expand our position in the global healthcare markets. Improving patient quality of life and the safety of healthcare professionals remain our primary objectives.

Melsungen, March 4, 2015  
The Management Board