

MANAGEMENT REPORT AND
ANNUAL FINANCIAL STATEMENTS
OF GERRESHEIMER AG
FOR THE FINANCIAL YEAR
DECEMBER 1, 2017 TO NOVEMBER 30, 2018

*Profitable
growth*

GERRESHEIMER

CONTENTS

2	GERRESHEIMER AG MANAGEMENT REPORT	26	Report on Opportunities and Risks
2	Gerresheimer AG	26	Uniform Group-wide management of opportunities and risks
2	Business activities	27	Internal control system in relation to the financial reporting process
2	Divisions	28	Opportunities of future developments
3	Branch offices	28	Risks of future developments
3	Corporate strategy and objectives	29	Overview of risks and their financial implications
5	Control system	29	Business strategy risks
6	Principles and objectives of financial management	29	External and industry-specific risks
6	Business Environment	30	Operational risks
6	Overall economic conditions	32	Financial risks
7	Sectoral development	33	Overall assessment of the risk situation of the Group and of Gerresheimer AG
7	Development on the currency markets	33	Events after the Balance Sheet Date
8	Energy and commodity market trends	34	Outlook
8	Changes in the regulatory environment	34	Group strategic objectives
8	Development of the Business	34	Development of the economic environment
8	Effect of economic conditions on business performance	34	Market and business opportunities for the Gerresheimer Group
9	Attainment of guidance in the financial year 2018 (Gerresheimer Group)	37	Megatrends
10	Management Board review of business performance	39	Expected net assets, financial position and results of operations
11	Results of Operations of the Gerresheimer AG	40	Expected financial situation and liquidity
12	Net Assets, Financial Condition and Liquidity of the Gerresheimer AG	40	Dividend policy
12	Net assets	40	Overall outlook assessment
13	Financial condition and liquidity	43	ANNUAL FINANCIAL STATEMENTS OF THE GERRESHEIMER AG
13	Management Board's overall assessment of the business situation	44	Income Statement
14	Innovation, Research and Development	45	Balance Sheet
14	Engineering	46	Notes to the Annual Financial Statements
15	Product innovations	56	List of Shareholdings
16	Customer-specific development	58	SUPERVISORY BOARD AND MANAGEMENT BOARD
17	Remuneration Report	60	RESPONSIBILITY STATEMENT
17	Management Board remuneration	61	INDEPENDENT AUDITORS' REPORT
21	Remuneration of the Supervisory Board	66	IMPRINT
22	Disclosures Pursuant to Section 289a (1) HGB and explanatory Report		
24	Corporate Governance Statement Pursuant to Section 289f HGB		
24	Declaration of compliance with the German Corporate Governance Code		
24	Information on Corporate Governance practices		
25	Diversity policy for the Management Board and Supervisory Board		

MANAGEMENT REPORT OF GERRESHEIMER AG FOR THE FINANCIAL YEAR 2018

GERRESHEIMER AG

Gerresheimer AG, based in Duesseldorf (Germany), serves as the holding company of the Gerresheimer Group. It manages its subsidiary Gerresheimer Holdings GmbH, Duesseldorf (Germany) and indirectly manages the subsidiaries and associates of Gerresheimer Holdings GmbH. From these subsidiaries and associates, Gerresheimer AG generates income from long-term equity investments. The net assets, financial position and results of operations of Gerresheimer AG are largely determined by this income from long-term equity investments and hence by the business performance of the entire Gerresheimer Group. Except where otherwise stated, the following relates to the business performance of the Gerresheimer Group.

BUSINESS ACTIVITIES

The Gerresheimer Group is a leading international manufacturer of high-quality specialty glass and plastic products for the global pharma and healthcare industry. Backed by in-house innovation and the latest production technologies, we provide primary pharma packaging, drug delivery systems, diagnostic systems and packaging for the cosmetics industry.

DIVISIONS

The Gerresheimer Group is managed through strategic business units organized as divisions. These are aggregated into reporting segments based on their specific production technologies and the materials we use in our products. Since the acquisition of Sensile Medical, our business model is organized in the three reporting and operating divisions Plastics & Devices, Primary Packaging Glass, and Advanced Technologies.

PLASTICS & DEVICES

Our product portfolio in the Plastics & Devices Division includes complex, customer-specific products for simple and safe drug delivery. These include insulin pens, inhalers and prefillable syringes. The division also covers diagnostics and medical technology products such as skin-prick aids and test systems as well as pharmaceutical plastic containers for liquid and solid medicines with closure and safety systems.

Activities in this division include developing and distributing complex systems and system components made of plastic on a project basis. Our target market is made up of customers in the pharma industry, diagnostics and medical technology. We provide tailored services for these customers, spanning every link in the value chain. Our medical plastic systems products range from inhalers for the treatment of respiratory diseases to lancets and insulin pen systems for diabetics as well as an extensive array of test systems and disposable products for laboratory and molecular diagnostics.

The Plastics & Devices Division also provides plastic system packaging for use with liquid and solid medication. Our broad range of high-quality primary drug packaging products includes application and dosage systems, such as eye droppers and nasal spray vials, as well as special containers for tablets and powders. In addition, the range includes tamper-evident multifunctional closure systems, child-resistant and senior-friendly applications, and integrated moisture absorbers.

A feature of the US market for prescription medication is the “pour-and-count” system. The precise amount of oral medication stated in a prescription is specially packaged for each patient in a plastic container. We again have a strong product portfolio for this segment, supplying national and regional pharmacy chains, supermarkets and wholesalers.

PRIMARY PACKAGING GLASS

In the Primary Packaging Glass Division, we produce primary packaging made of glass for medicines and cosmetics. This includes pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars, plus special glass containers for the food and beverage industry.

Our range for the pharmaceutical industry covers a broad array of glass primary packaging products. Molded glass products meet market and customer needs with a variety of injection, dropper and syrup bottles. We also produce high-quality specialty products such as ampoules, vials and cartridges made with borosilicate glass tubing. On this basis, we offer a virtually complete range of pharmaceutical packaging in flint and amber glass.

Our product portfolio for the cosmetics industry encompasses high-quality glass packaging such as vials and glass containers for perfumes, deodorants, skincare and wellness products. We process clear, colored and opal glass. All shaping, coloring, printing and exclusive finishing technologies are available to us for this purpose.

For the food and beverage industry, we supply both standard and custom miniature as well as other sizes of bottles and glass containers for products such as spirit miniatures. Our products include a range of variations such as amber, flint, colored and opal glass, diverse shape variants as well as numerous finishing options.

ADVANCED TECHNOLOGIES

The Advanced Technologies Division develops and manufactures intelligent drug delivery systems. The Swiss tech company Sensile Medical, which was acquired in the financial year 2018, forms the basis of this division, which offers pharmaceutical and biotech companies drug delivery systems with state-of-the-art digital and electronic capabilities. Its portfolio currently comprises patented micro pumps, which are used to self-administer medication for diabetes or Parkinson's for example.

BRANCH OFFICES

Gerresheimer AG does not have any branch offices.

CORPORATE STRATEGY AND OBJECTIVES

Healthcare demand is growing worldwide. The main drivers are six global megatrends (see under "megatrends" page 37):

- › Rise in chronic diseases and aging population
- › Rapid growth in generics
- › Growing healthcare provision in emerging markets
- › Stricter regulatory requirements
- › New drugs, especially in biosimilars and biotech
- › Growing trend toward self-medication

For us as a strategic partner in the development and production of quality specialty packaging and drug delivery systems for the pharma and cosmetics industry, all of this creates opportunities for further sustainable and profitable growth. With our global capabilities, we can meet our customers' increasing needs in terms of impeccable quality—in industrialized nations and emerging markets alike.

OUR VISION AND MISSION

We pursue the vision of becoming the leading global partner for enabling solutions that improve health and well-being. Our success is driven by the passion of our people.

We are aided in achieving our vision by the following guiding principles:

1. Understanding our customers and providing them with solutions to both their present and future needs.

Exceptional quality and delivery reliability, no matter how big the order, set us apart. These are key factors enabling our customers to meet exacting market requirements and regulatory standards. We also work with customers to break new ground, anticipating trends such as self-medication and biologically produced drugs, developing new products and processes, and driving innovation.

2. Living our commitment to excellent quality and continuous innovation.

We work constantly to enhance our product range—notably with a view to new drug developments and quality requirements—and invest in the key growth markets of the future. Our longstanding experience, the considerable expertise and motivation of our workforce and our systematic capital expenditure policy building on our sound financial base make us the partner of choice to the pharma industry.

3. Leveraging our technological leadership and competence by acting as one team.

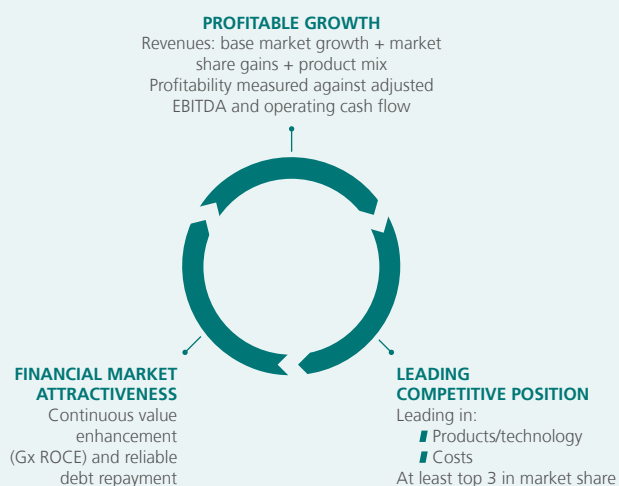
Decades in the business of making glass and plastic packaging give us very valuable expertise that we deploy to the benefit of our customers and supplement with further training. We standardize our production systems and processes across operating locations, ensure knowledge transfer between teams and measure outcomes against defined operational excellence performance indicators.

4. Becoming a preferred employer with highly motivated and passionate employees all over the world.

Our workforce of some 10,000 employees are the basis of our success today and going forward. In recognition of this, we place emphasis on good working conditions, employee development, talent management and comprehensive lifelong learning. At the same time, we aim for a healthy mix of young and experienced staff, and provide systematic initial and further training to foster employee development in step with increasingly demanding requirements as well as to secure workforce satisfaction.

These four elements of our mission underpin our overarching goal: Expanding our global reach and creating profitable and sustainable growth.

OUR STRATEGIC GOALS



1. Profitable growth

We target sustained profitable growth. To attain this goal, we plan to increase revenues with existing customers and invest in new products and technologies as well as to serve new regions, markets and customers. We also intend to acquire selected companies that meet our criteria to this end. Our focus here is on augmenting our portfolio with additions that gain us access to new regions or new products, or enable us to buy into new technologies. We want to grow with the market. In addition, we aim to achieve further organic growth through market share gains and an improved product mix.

We focus on profitable growth as mirrored in increasing adjusted EBITDA and higher operating cash flow. Key factors in this are our highly qualified workforce, efficient state-of-the-art technology, strict cost control and high standards of quality. We conduct targeted investment in training, production efficiency and quality. Reliable delivery of high-quality pharma and cosmetics packaging and drug delivery systems secures us a leading position as a globally recognized partner to our customers.

2. Leading competitive position

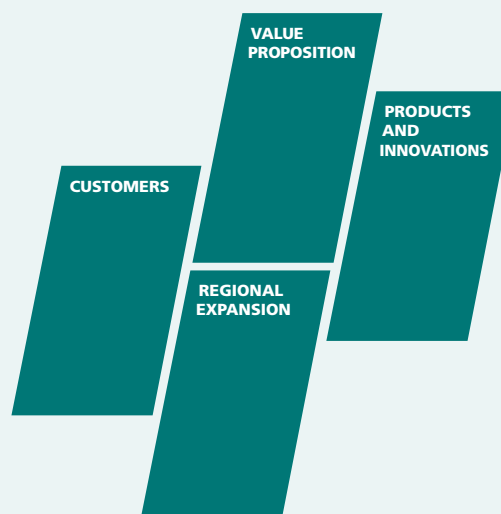
We aim to achieve a leading competitive position in the markets we serve, whether through our products, technologies or cost leadership. We only invest in areas where becoming one of the three leading companies by market share is attainable for us.

3. Financial market attractiveness

Our goal is to continuously enhance value. In the medium term, this should be reflected in improved Gerresheimer return on capital employed (Gx ROCE). Gx ROCE may be reduced in the short term as a result of acquisitions; however, the strategic sustainability of any acquisition must be clearly geared toward profitable growth. In this way, we intend to ensure that we represent an attractive investment for existing and future investors. We provide our shareholders with their due share of our success by distributing a dividend. For us, reliable debt repayment is a matter of course. Our solid financial base also makes us a strong, reliable partner to customers and suppliers in a market where stable, long-term relationships are highly valued.

Profitable growth is notably based on the following four growth drivers:

1. Unlocking further potential by expanding our **value proposition**, notably by adding products and services related to our current portfolio
2. Further developing and launching **products and innovations**
3. **Regional expansion**—developing business in new markets
4. Stronger growth with existing and new **customers**



The Management Board discussed the specific objectives for the coming financial year as well as the long-term strategic direction with the managers of the business units and presented them in numerous meetings with employees and customers. The course set for the coming years was also discussed with and adopted by the Supervisory Board as part of the annual operational and strategic planning. Further details can be found in the Outlook section beginning on page 34 et seq. of this Management Report.

Strategic projects such as the acquisition of Sensile Medical and the associated establishment of the Advanced Technologies Division, continuation of the machinery strategy for vials, new product launches, expansion of production capacity, systematic pursuit of automation and several others are described in detail in the Management Report. All of these moves significantly enhance our position as global partner to the pharma and cosmetics industry, boost our profitable growth and make Gerresheimer an attractive investment.

CONTROL SYSTEM

Our business activities are geared toward profitable growth and global market leadership in the pharma/healthcare and cosmetics segments. The most significant key performance indicators for control of the Gerresheimer Group are consequently revenue growth, adjusted EBITDA, operating cash flow, capital expenditure, net working capital and Gx ROCE. These performance indicators are explained in detail in the following. No additional non-financial performance indicators are used for management of the Group.

We measure growth on the basis of the organic period-to-period change in revenues for the Gerresheimer Group and its divisions. This growth rate is adjusted to factor out the effects of any acquisitions or divestments and of exchange rate movements. Acquisitions and active portfolio management are also part of our strategy for the onward development of the Gerresheimer Group.

Our principal measure of profitability is adjusted EBITDA. This is defined as net income before income taxes, net finance expense, amortization of fair value adjustments, depreciation and amortization, impairment losses, restructuring expenses, and one-off expenses and income. One-off income and expenses consist of termination benefits for members of the Management Board, costs of refinancing, reductions in the workforce and large-scale restructuring (structural and strategic) that do not meet the strict criteria of IAS 37, costs of acquisitions (up to the acquisition date) and divestments, corporate legacy costs such as costs of arbitration proceedings, and costs relating to the outcomes of tax audits. We aim for cost, technology, workforce and process leadership relative to our competitors. This enables us to excel in serving customers' quality, service, price and innovation needs and to generate an above-industry-average adjusted EBITDA margin.

We attach great importance to generating ample cash flow in order to meet the varied expectations of our stakeholder groups. This is measured as operating cash flow, which we define as follows: Adjusted EBITDA plus/minus the change in net working capital (inventories, trade receivables, trade payables and prepayments made and received), minus capital expenditure. We set individual target levels by division and business unit for the two KPIs adjusted EBITDA and operating cash flow. Rigorous control of capital expenditure is a further key factor in our success. We appraise each project

in each business unit against the same target parameters. Discounted cash flow analysis and payback periods are important elements of the appraisal process. Expansion and rationalization projects are expected to achieve a minimum 18% post-tax internal rate of return and a payback period of less than three years. Strategic projects are normally required to have a payback period of no more than five years. New plants and plant extensions may exceed this.

The third parameter in operating cash flow alongside adjusted EBITDA and capital expenditure is net working capital. This represents another ongoing focus of our many improvement measures, including changes in payment terms, improved receivables collection and production planning optimization to cut inventory. By reduction and systematic management of average net working capital measured on a monthly basis, we aim for a lasting decrease in tied-up capital.

Focusing on adjusted EBITDA, capital expenditure (and hence, indirectly, depreciation) and net working capital also means that we keep watch on the key operating parameters determining Gx ROCE. This is defined at Gerresheimer as adjusted EBITA over average capital employed, i.e. equity plus interest-bearing debt capital less cash and cash equivalents or, using the top-down formula, total assets less non-interest-bearing liabilities and cash and cash equivalents. Gx ROCE is a key medium to long-term target metric for us in addition to the indicators already covered. Based on the targeted 18% minimum post-tax internal rate of return for expansion and rationalization projects, Gx ROCE should be approximately 15% (previously at least 12%) for the Gerresheimer Group in the long term.

Alongside the indicators for monitoring the financial development of the business, non-financial management parameters are also instrumental to our business success. Of key importance from a Group perspective in this regard are our readiness to innovate, problem-solving expertise and notably our ability to attract and retain highly qualified staff.

The key performance indicator for Gerresheimer AG as the Group parent is retained earnings as defined in the German Commercial Code. Implementation of our long-term, earnings-driven dividend policy is notably secured by profit transfers and distributions from affiliated companies.

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

Control and optimization of the Gerresheimer Group's finances is primarily the responsibility of Group Treasury at Gerresheimer AG. Our overriding objective is to safeguard liquidity at all times through central procurement of funding as well as active control of currency and interest rate risk. We ensure an appropriate level of funding on an ongoing basis through rolling liquidity planning and central cash management.

In order to institutionalize decision and control processes in connection with safeguarding liquidity, financial planning and associated risk management, the Management Board has established an Investment Committee. Comprising the CFO as well as the heads of Controlling, Accounting, Strategy, Mergers & Acquisitions and Treasury, the Committee normally meets on a quarterly basis. The core remit of the Investment Committee is to discuss and monitor relevant financial operating conditions for the Gerresheimer Group. Potential changes in extraneous factors in line with current market projections are appraised along with the financing situation and strategic growth options. All ideas and upcoming projects with a major financial impact are combined, assessed to determine whether they are fundable and re-examined from a risk management standpoint. Documents from the Investment Committee are provided to the other members of the Management Board for information after each meeting. This means we have an additional early warning and control mechanism to supplement universal application of the dual control principle.

Our international focus means that we conduct many transactions in foreign currency. To counter the connected risk of exchange rates moving to our disadvantage, we use forward exchange contracts that hedge cash flows from outstanding orders denominated in foreign currency. Orders, receivables and payables are hedged as a rule with forward exchange contracts on inception. To counter interest rate risk, Group Treasury at Gerresheimer AG monitors interest rate trends on an ongoing basis and takes out corresponding interest rate hedges as needed.

BUSINESS ENVIRONMENT

OVERALL ECONOMIC CONDITIONS

In its October 2018 outlook, the International Monetary Fund (IMF)¹⁾ expects global economic growth at 3.7% for 2018.

The economic growth expectation for 2018 in the eurozone is now 2.0%. This downgrade is due to weaker than expected growth in the first half of 2018.

According to the Federal Ministry for Economic Affairs and Energy (BMWi), the upturn in the German economy was merely interrupted in the third quarter of the 2018 calendar year with a slight decline of -0.2% in economic output.²⁾ However, as this was solely attributable to non-recurring factors, the BMWi expects the German economy to have already regained the upward trend in the fourth quarter 2018. The IMF also predicts continued growth for Germany, although it downgraded its July forecast by 0.3 percentage points to 1.9%.

For the US, the IMF continues to expect a temporary strengthening of the economy's near-term momentum. The US growth projection for 2018 remains unaltered at 2.9%. Substantial fiscal stimulus combined with already robust private demand are highlighted by the IMF as the main growth drivers.

The IMF's July growth forecast for emerging and developing markets in 2018 was revised downward by 0.2 percentage points to 4.7% due to the anticipated negative impact of trade duties. Its economic growth forecast for China in 2018 is 6.6%, which corresponds to the expectation given in July. The economic growth estimate for India in 2018 remains unaltered relative to July at 7.3%. Following the significant downgrade to the growth forecast for Brazil in July due to the lingering effects of strikes and political uncertainties, the IMF reduced its forecast by a further 0.4 percentage points to 1.4% in its October report.

¹⁾ International Monetary Fund: World Economic Outlook, October 2018.

²⁾ Federal Ministry for Economic Affairs and Energy: Monthly report, December 2018.

SECTORAL DEVELOPMENT

According to IQVIA³⁾, volume growth on the global pharma market was just 0.3% in 2018. On this basis, IQVIA calculates an average annual growth rate of 1.7% for the years 2014 to 2018, with 3% growth in the period 2011 to 2016 as against 6% in the period 2006 to 2011. This calculated average annual growth rate of 1.7% for the years 2014 to 2018 is expected to play out with 3.9% in the pharmerging markets⁴⁾, 0.2% in developed markets and -1.8% in the remaining markets.

The generics subsegment recorded volume growth of 1.8% at global level in 2018. The average annual growth rate here in the years 2014 to 2018 was 3.0%. In a regional comparison, the pharmerging markets showed an average of 4.6% growth per year for the last five years, whereas average annual volume growth in the developed markets was just 2.5% and the other markets recorded a decline of 1.2%.

Based on this trend, IQVIA projects average annual volume growth in the global pharma market of 2.2% for the years 2019 to 2023, compared with the 3.0% that had been predicted for the years 2016 to 2021. The expectation for pharmerging markets is for an average of 3.7% per year in the next five years. While zero growth is expected for the developed markets, average volume growth of 1.8% is projected for other markets. For the generics subsegment, IQVIA expects volume growth at an average of 2.9% for the next five years, with 4.9% anticipated for the pharmerging markets. Zero growth is forecasted for the developed markets, while other markets are expected to grow by 1.7%.

Overall, the pharma sector is considered to be one of the most crisis-resistant industries. Despite the recent weakness, it continues to benefit from long-term growth drivers such as demographic change and the increase in life expectancy, which combine to create rising demand for healthcare. Widespread diseases such as diabetes, asthma, dementia, cancer and allergies also boost demand for healthcare. This is reflected in the megatrends relevant to Gerresheimer: rise in chronic diseases and aging population, rapid growth in generics, growing healthcare provision in emerging markets, stricter regulatory requirements, new drugs (especially in biosimilars and biotech), and the growing trend toward self-medication (see under "Megatrends", page 37).

This means the number of off-patent and biotech drugs is increasing. At the same time, the industry benefits from the rise in global population and the middle classes. Diseases of affluence such as cardiovascular disease, asthma and diabetes are on the increase, fueling higher spending on medical care. Besides innovative manufacturing processes, new compounds and new drugs call for further refinements in packaging and drug delivery systems. Protecting the high-quality contents as well as maintaining quality assurance and unrestricted functionality are a top priority. Growing numbers of innovative biotech drugs are coming onto the market that have to be injected and must therefore be supplied in the necessary concentrations in vials and/or prefilled syringes or other drug delivery devices. With respect to packaging for medications, this means that manufacturers must offer a wide range of technologies covering as much of the value chain as possible.

The more cyclical market for high-quality glass cosmetics packaging performed well in the financial year 2018. Sophisticated glass cosmetics packaging continues to be highly sought after, once again placing a premium on glass container design and additional finishing techniques in the past year.

DEVELOPMENT ON THE CURRENCY MARKETS

After starting the financial year 2018 at a rate of 1.19 US dollars to the euro, the US dollar weakened further during the first quarter due to concerns over the growing US budget deficit, and hit its weakest level for the financial year 2018 of 1.25 US dollars to the euro in early February. On the back of rising US base rates and the resulting yield advantage relative to the eurozone, the US dollar strengthened again in the second quarter, reaching a rate of 1.15 US dollars to the euro at the end of May. By the end of October, the currency was steady in a corridor of 1.13 to 1.18 US dollars to the euro and reached its strongest level for the financial year 2018 of US dollars 1.12 to the euro in mid-November, bolstered in particular by the dispute over the Italian budget. At the end of the financial year 2018, the exchange rate was 1.14 US dollars to the euro.

The average exchange rate in the financial year 2018 from December 1, 2017 to November 30, 2018 was consequently 1.18 US dollars to the euro, higher than the prior-year average of 1.12 US dollars to the euro.

Other currencies that entail translation effects on translation into euros—the Group reporting currency—for our quarterly and annual financial statements showed a mixed picture in the reporting period.

³⁾ IQVIA Institute, January 9, 2019.

⁴⁾ For a definition of pharmerging markets (emerging markets), please see Note (8) of the Notes to the Consolidated Financial Statements.

ENERGY AND COMMODITY MARKET TRENDS

A significant portion of production costs relates to raw materials for the manufacture of glass and plastic. We have substantial energy requirements on an ongoing basis, mainly due to the energy-intensive combustion and melting processes in our high-temperature furnaces. Any significant rise in energy prices could have an impact on the Gerresheimer Group's results of operations. Accordingly, we make use of the special compensation rule for electricity cost-intensive companies under section 64 of the German Renewable Energy Act (EEG). In addition, the Group extensively hedges against increases in energy (electricity and gas) prices in order to absorb rising energy costs. Gas prices in the Europe market rose by about 30% on average during the financial year 2018. This had a negative impact on results of operations of the Primary Packaging Glass Division notably in the second half of the financial year 2018, amounting to around EUR 5m compared with the prior year.

In the manufacture of plastic products, we are reliant on primary products such as polyethylene, polypropylene and polystyrene. The prices of these products largely depend on oil price trends. Prices of resins that we rely on increased during the course of the financial year 2018, particularly in the North American market. For example, the price of polypropylene rose by some 20% on average during the period, which led to a temporary reduction in earnings in the Plastics & Devices Division. We have passed on such increases to customers in whole or in part and after a time lag on the basis of contractually agreed price escalation clauses or by means of price increases. This results in a net negative impact on our results of operations of around EUR 5m compared with the prior year.

As a manufacturer of high-quality primary pharma packaging, we mainly use quartz sand and soda lime as raw materials for glass products, along with various additives in relatively small quantities. These basic products are freely available and we procure them from a range of suppliers.

When we sold our glass tubing business to Corning in 2015, we signed a ten-year supply contract for borosilicate glass tubing to meet our long-term demand for this important intermediary product for the converting business. We also process borosilicate glass tubing from other producers at Gerresheimer.

Additional information on the Gerresheimer Group's management of fluctuations in energy and raw material prices is provided under the heading "Energy and Raw Material Prices" in the "Operational Risks" section.

CHANGES IN THE REGULATORY ENVIRONMENT

Policymakers, especially in European industrialized countries and the US, continue to attach great importance to proof of significant therapeutic added value before new drugs are approved. For this reason, the competent authorities usually carry out a detailed cost-benefit analysis before any new drug can be released onto the market. This once again lent momentum to generic drugs in industrialized countries in the financial year 2018.

Regulatory requirements tend to increase in quantity and scope from year to year. While delivering major benefits to patients, this presents major challenges for everyone in the market. Overall, however, the financial year 2018 did not bring any material change in the regulatory environment as regards the pharma markets relevant to Gerresheimer. The heavy demands placed on our business also serve as a tall barrier to entry for potential new competitors.

DEVELOPMENT OF THE BUSINESS

EFFECT OF ECONOMIC CONDITIONS ON BUSINESS PERFORMANCE

The financial year 2018 did not bring any material change in the regulatory environment for the pharma markets relevant to us and so there was no significant regulatory impact on the growth of our business. The more cyclical market for high-quality glass cosmetics packaging performed very well. Manufacturers reported growth in perfume and care products in particular.

We primarily market specialized, high-quality primary packaging products and drug delivery systems made of glass and plastic. Our aim is to gain or hold a position among the top three in the markets and product segments we serve.

ATTAINMENT OF GUIDANCE IN THE FINANCIAL YEAR 2018 (GERRESHEIMER GROUP)

The net assets, financial position and results of operations of Gerresheimer AG depend on the business performance of the Gerresheimer Group. Corporate strategy and management are exclusively based on Group performance indicators. Consequently, no forecast is made at the level of the single-entity financial statements. Instead, we report in this section exclusively on the development of our guidance for the Gerresheimer Group.

We give our shareholders, customers and all other partners the opportunity to assess our business development by publishing guidance at the beginning of each financial year and adjusting this as needed over the course of the year. Our guidance includes forward-looking statements on the development of revenues, adjusted EBITDA and capital expenditure as a percentage of revenues, all at constant exchange rates.

Development of published guidance during the financial year 2018

	Guidance FY 2018 February 22, 2018	Second quarter 2018 July 12, 2018	Third quarter 2018 October 11, 2018	2018 Results	
Revenues (constant FX rates)	Range from EUR 1.348bn to EUR 1.4bn	Upper end on the basis of the EUR 1.38bn to EUR 1.4bn range	Excluding the Advanced Technologies Division still between EUR 1.38bn and EUR 1.4bn	EUR 1,393.8m ¹⁾ 3.4% organic growth	✓
Adjusted EBITDA (constant FX rates)	Range from EUR 305m to EUR 315m	Confirmation of guidance FY 2018 February 22, 2018	Range of EUR 305m to EUR 315m Depending on the advancement of the necessary development work for the gained large projects may tend toward approximately EUR 305m	EUR 307.5m ²⁾	✓
Capital expenditure (constant FX rates)	Approximately 8% of revenues	Confirmation of guidance FY 2018 February 22, 2018	Confirmation of guidance FY 2018 February 22, 2018	8.4% ¹⁾	✓
Average NWC (as % of revenues) (constant FX rates)	Approximately 16% at the end of 2018	Confirmation of guidance FY 2018 February 22, 2018	Confirmation of guidance FY 2018 February 22, 2018	17.2%	✓
Long-term targets					
Gx ROCE	Approximately 15% (previously at least 12%)	Despite the acquisition of Sensile Medical unaltered at approximately 15%	Despite the acquisition of Sensile Medical unaltered at approximately 15%	10.7%	On track
Adjusted EBITDA Leverage	2.5x	Temporary increase due to the acquisition of Sensile Medical to above 3.0x	Temporary increase due to the acquisition of Sensile Medical to above 3.0x	3.1x	On track

¹⁾ Excluding the Advanced Technologies Division.

²⁾ Excluding the Advanced Technologies Division and the two negative one-off effects of the exemption from electricity network charges and final fair value measurement of the Triveni put option.

Sensile Medical

	Second quarter 2018 Initial, preliminary expectation July 12, 2018	Third quarter 2018 October 11, 2018	2018 Results	
Revenues (constant FX rates)	Approximately EUR 15m	Approximately EUR 15m	EUR 12.9m	✓
Adjusted EBITA (constant FX rates)	Approximately EUR -2m	Approximately EUR -2m	EUR 1.9m	✓

MANAGEMENT BOARD REVIEW OF BUSINESS PERFORMANCE

Gerresheimer AG completed the financial year 2018 with satisfactory earnings overall. Higher income from profit transfer agreements (EUR 90.8m; prior year: EUR 64.9m) was partly offset by, primarily, lower income from long-term loans in the amount of EUR 27.7m (prior year: EUR 45.8m) and, in the opposite direction, lower interest and similar expenses (EUR 15.8m; prior year: EUR 21.8m), as a result of which earnings after taxes increased by EUR 8.5m to EUR 67.9m. It must be borne in mind in this connection that we pursue a consistent management philosophy at Gerresheimer AG and—depending on planned capital expenditure in the various regions—do not expect any dividend from subsidiaries in some cases. Consequently, income from profit transfer agreements can vary substantially from year to year. Net income was EUR 67.8m, compared with EUR 59.3m in the prior year. Equity increased by EUR 33.3m to EUR 743.0m.

The Gerresheimer Group performed in line with its own expectations in the financial year 2018. Especially due to the very strong fourth quarter, revenues at constant exchange rates rose by 4.3% from EUR 1,348.3m to EUR 1,406.7m in the financial year under review. Reported revenues—after exchange rate changes and acquisitions—were up 1.4%, at EUR 1,367.7m in the financial year under review. Our revenues increased organically—adjusted for exchange rate effects, acquisitions and divestments—by 3.4% compared with the prior year. As Gerresheimer supplies leading pharma companies, we are notably also dependent on the development of the market served by the pharma industry, which saw volume growth of 0.3% on the global pharma market according to IQVIA. On this basis, we grew faster than the market in 2018. Adjusted EBITDA at constant exchange rates was EUR 308.0m in the financial year 2018 compared with EUR 310.8m in the prior year. However, three one-off effects compared with the prior year have to be taken into

account here. Firstly, we recognized an expense of EUR 1.4m in the financial year 2018 due to the European Commission's decision on the exemption from electricity network charges granted to large electricity-consuming enterprises in 2012 and 2013. Secondly, final fair value measurement of the put option for acquisition of the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India) resulted in recognition of an expense of EUR 1.1m in the financial year 2018 compared with income of EUR 3.6m in the financial year 2017. And thirdly, at constant exchange rates, adjusted EBITDA for the Advanced Technologies Division is EUR 3.0m for the financial year 2018. Excluding these three one-off effects, adjusted EBITDA at constant exchange rates would have been EUR 307.5m in the financial year under review and thus at the same level as in the prior year. Reported adjusted EBITDA in the financial year under review amounts to EUR 298.6m. Excluding the expense relating to the exemption from electricity network charges as well as the final fair value measurement of the Triveni put option and the Advanced Technologies Division, adjusted EBITDA would be EUR 298.1m, with an adjusted EBITDA margin of 22.0%. Net income, at EUR 131.1m in the financial year 2018, was significantly up on the EUR 103.1m prior-year figure. Adjusted net income was EUR 180.3m, compared with EUR 130.0m in the prior-year period, which was a good result overall. In the financial year under review, both net income and adjusted net income include the positive effects from the remeasurement of deferred taxes of our US subsidiaries included in the Consolidated Financial Statements due to the US tax reform signed on December 22, 2017, amounting to EUR 44.8m, as well as deferred tax income at a German subsidiary resulting from the future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group in the amount of EUR 8.7m.

RESULTS OF OPERATIONS OF THE GERRESHEIMER AG

Revenues decreased by EUR 2.0m year on year to EUR 3.6m. The decrease is mainly due to a change implemented in the financial year 2018 with regard to intra-Group charges for rights to use the umbrella brand, which from December 1, 2017 are made by GERRESHEIMER GLAS GmbH.

The EUR 1.6m decrease in other operating income to EUR 26.5m mainly relates to lower gains from currency translation and currency derivatives (EUR 12.6m; prior year: EUR 16.9m) on the US-dollar loan to Gerresheimer Glass Inc., Vineland (New Jersey/USA), which was repaid in full on July 17, 2018. This decrease was partially offset by the EUR 1.4m increase in income from intra-Group allocations to EUR 11.5m and the EUR 1.3m increase in income from the reversal of provisions, most of which related to the reversal of the provision recognized as of November 30, 2017 in respect of a post-contractual non-compete covenant for a former member of the Management Board.

Personnel expenses went up compared with the prior year (EUR 15.8m), to EUR 17.5m. The increase mainly relates to pension costs for active members of the Management Board of Gerresheimer AG.

Other operating expenses increased compared with the prior year by EUR 2.7m to EUR 40.8m. This is mainly due to expenses for severance payments—in connection with the unexpected departure of the former CEO from the Management Board of Gerresheimer AG for personal reasons—in the amount of EUR 4.0m (prior year: EUR 0.0m), the increase in legal and consulting expenses (EUR 4.8m; prior year: EUR 3.1m)—mostly relating to the acquisition of Sensile Medical AG (Olten/Switzerland) in the financial year 2018—and higher insurance expenses than in the prior year (EUR 3.0m; prior year: EUR 2.3m). In the opposite direction, there was a decrease in expenses from currency translation and currency derivatives (EUR 15.7m; prior year: EUR 20.2m) relating to the US-dollar loan to Gerresheimer Glass Inc., Vineland (New Jersey/USA), which was repaid in full on July 17, 2018.

Research and development activities are exclusively carried out by Gerresheimer AG's subsidiaries. These activities are closely geared to customer needs and accordingly often take place in collaboration with customers. In some cases, staff from pharmaceuticals companies work with us at our Competence Centers. The costs associated with these customer-specific research and development projects are largely borne by our customers. For further information, please see under "Innovation, research and development".

As in the prior year, the EUR 90.8m in income from profit transfer agreements (prior year: EUR 64.9m) relates in its entirety to the profit of Gerresheimer Holdings GmbH transferred under a domination and profit and loss transfer agreement. The transfer of profits in this connection primarily relates to profit transfers from Gerresheimer Group GmbH and its subsidiary GERRESHEIMER GLAS GmbH, which serves as intermediate holding company in the Gerresheimer Group.

Income from long-term loans, relating to long-term loans to GERRESHEIMER GLAS GmbH and Gerresheimer Holdings GmbH, totaled EUR 27.7m in the financial year 2018 (prior year: EUR 45.8m). The decrease is due to an interest rate adjustment on account of the more favorable refinancing of the bond issue repaid in May 2018.

The net finance expense of EUR 12.7m in the financial year 2018 (prior year: EUR 18.0m) comprises EUR 3.1m (prior year: EUR 3.8m) in other interest and similar income less EUR 15.8m in interest and similar expenses (prior year: EUR 21.8m). As in the prior year, the interest and similar income relates to loans to subsidiaries. The decrease in interest and similar expenses in the financial year 2018 is mainly due to the interest rate adjustment on account of the more favorable refinancing of the bond repaid in May 2018.

Income taxes amounted to EUR 8.5m in the financial year 2018 (prior year: EUR 12.9m). The EUR 4.4m decrease in tax expense is mainly due to lower current income taxes for the financial year 2018 compared with the prior year.

Gerresheimer AG's net income was EUR 67.8m, compared with EUR 59.3m in the prior year. The German Commercial Code (HGB)-basis retained earnings of Gerresheimer AG increased by EUR 33.3m in the prior year to EUR 185.9m. Dividend distributions to Gerresheimer AG shareholders totaled EUR 34.5m in the financial year 2018.

At the Annual General Meeting on June 6, 2019, the Management Board and Supervisory Board of Gerresheimer AG will propose that a dividend of EUR 1.15 per share be paid for the financial year 2018 (prior year: EUR 1.10 per share). This represents a total dividend distribution of EUR 36.1m and an increase of 4.5% against the prior-year dividend. The payout ratio amounts to 20.3% of adjusted net income after non-controlling interests. The distribution is in line with our dividend policy of distributing between 20% and 30% of adjusted net income after non-controlling interests to shareholders, according to our operating performance. Following the acquisition of Sensile Medical in the financial year 2018 and the resulting temporary increase in debt to an adjusted EBITDA leverage ratio of more than 3.0x, we consciously decided to keep the distribution at the lower end of this range. Nevertheless, Gerresheimer shareholders will participate once again this year in the business success of the Gerresheimer Group. Furthermore, a proposal will be made to carry forward the Company's remaining retained earnings to new accounts of EUR 149.8m.

NET ASSETS, FINANCIAL CONDITION AND LIQUIDITY OF THE GERRESHEIMER AG

NET ASSETS

Intangible assets went up by EUR 0.4m to EUR 5.2m in the financial year 2018. The increase is mostly attributable to the recognition of intangible assets for IT software and licenses in the financial year 2018.

Receivables and other assets decreased relative to the prior year by EUR 287.1m to EUR 193.9m as of November 30, 2018, which besides a decrease in receivables from cash pooling and higher receivables from profit transfers from Gerresheimer Holdings GmbH primarily relates, in the amount of EUR 251.4m, to the repayment of the US-dollar loan to Gerresheimer Glass Inc., Vineland (New Jersey/USA) on July 17, 2018.

Equity increased by EUR 33.3m from EUR 709.7m to EUR 743.0m as of November 30, 2018. Distributions to Gerresheimer AG shareholders in the amount of EUR 34.5m were compensated for by the net income of EUR 67.8m.

Defined-benefit pension plans in the amount of EUR 1.2m (after offsetting against EUR 1.8m in plan assets) for two active members of the Management Board were transferred from GERRESHEIMER GLAS GmbH to Gerresheimer AG effective December 1, 2017. The pension provisions as of November 30, 2018 comprise the EUR 4.0m settlement amount of the pension obligations after offsetting against the EUR 2.4m fair value of plan assets. The plan assets consist exclusively of reinsurance contracts, whose fair value corresponds to the coverage capital proven by the insurance company and hence to amortized cost

Tax provisions also increased by EUR 0.8m to EUR 6.0m. This increase relates to additions to tax provisions in connection with ongoing tax audits for the years 2013 to 2015.

Liabilities to banks increased relative to the prior year by EUR 45.6m to EUR 721.4m. The increase relates to drawings on the revolving credit facility in the financial year 2018

The matters set out above are the main reasons for the EUR 229.1m or 13.4% decrease in Gerresheimer AG's total assets in the financial year 2018 to EUR 1,486.3m (prior year: EUR 1,715.4m).

Consequently, the equity ratio stood at 50.0% as of the November 30, 2018 reporting date (prior year: 41.4%).

FINANCIAL CONDITION AND LIQUIDITY

Our overall financing includes a syndicated loan in the form of a EUR 450.0m revolving credit facility with a five-year term to maturity, which was signed as part of a refinancing arrangement on June 9, 2015. The revolving credit facility is subject to a mandatory standard financial covenant comprising the ratio of net financial debt to adjusted EBITDA (adjusted EBITDA leverage). The revolving credit facility carries a basic rate of interest equal to EURIBOR (for drawings in euros) or LIBOR (for drawings in US dollars) for the drawing period, plus a margin depending on attainment of the adjusted EBITDA leverage and a drawdown commission in line with the current loan status.

The acquisition of Centor (Ohio/USA) on September 1, 2015 was financed by Gerresheimer AG's successful EUR 425.0m promissory loans in November 2015 and pro rata from the proceeds of the sale of the glass tubing business. The Gerresheimer AG promissory loan signed on November 2, 2015 and paid out on November 10, 2015 comprises one five-year tranche in the amount of EUR 189.5m, one seven-year tranche in the amount of EUR 210.0m and one ten-year tranche in the amount of EUR 25.5m. Mostly, the separate tranches are fixed-interest, although a portion is variable-interest.

Making use of the favorable market environment, the bond that matured in May 2018 was refinanced ahead of schedule on September 27, 2017 by means of EUR 250.0m promissory loans. The promissory loans comprise one five-year tranche in the amount of EUR 95.5m, one seven-year tranche in the amount of EUR 109.0m and one ten-year tranche in the amount of EUR 45.5m. Mostly, the separate tranches are fixed-interest, although a small portion is variable-interest. This early refinancing transaction made it possible to clear the revolving credit facility in full as of May 18, 2018.

The USD 162.0m short-term loan provided to Gerresheimer Glass Inc. on November 30, 2017 was repaid on July 17, 2018 and the amount was used for repayment of the EUR 300.0m bond on May 21, 2018. Drawings on the revolving credit facility were EUR 264.4m as of November 30, 2018 (prior year: EUR 0.0m), of which EUR 46.0m was drawn by Gerresheimer AG. Consequently, EUR 185.6m was available to us under the revolving credit facility as of November 30, 2018 for capital expenditure, acquisitions and other operational requirements.

Safeguarding the Gerresheimer Group's liquidity while allowing sufficient reserves for special eventualities is an integral part of ongoing liquidity management. Intra-Group cash pooling and intercompany lending permit efficient use of liquidity surpluses at Group companies to meet the cash needs of other Group companies. Sufficient cash pool lines and intercompany loans meant that there were neither financing nor liquidity shortfalls in the financial year 2018.

MANAGEMENT BOARD'S OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Reported revenues were up 1.4% at EUR 1,367.7m compared with the prior year. Profitability, especially the adjusted EBITDA margin was 21.8%. Adjusted net income after non-controlling interests came to EUR 178.0m in the financial year 2018, significantly exceeding the prior-year figure of EUR 127.5m. This increase is primarily due to the positive effects from the remeasurement of deferred taxes of the US subsidiaries included in the Consolidated Financial Statements due to the US tax reform signed on December 22, 2017, amounting to EUR 44.8m, as well as deferred tax income at a German subsidiary resulting from the future usability of loss carryforwards recognized prior to the establishment of the tax group of EUR 8.7m.

Gerresheimer AG's net income was EUR 67.8m in the financial year 2018, compared with EUR 59.3m in the prior year. We thus once again confirmed our good prior-year earnings. The equity ratio was a very good 50.0% as of the reporting date.

INNOVATION, RESEARCH AND DEVELOPMENT

We aim to become the leading global partner for enabling solutions that improve health and well-being. At the same time, our customers' requirements are changing: Innovation and quality play an increasingly important role in the market. This makes issues such as rising quality expectations as well as innovative products and solutions part our growth strategy. We aim to continue investing both in enhancing production and product quality as well as in fine-tuning our product portfolio. This entails close collaboration with our customers and with our partners in industry, in the scientific community and in other institutions.

We manufacture specialized products—primary pharma packaging—that come into direct contact with pharmaceuticals and that patients use in everyday life to take their medication. Our primary packaging and drug delivery devices are consequently important products for the pharma industry. Primary packaging and drug delivery devices are subject to extremely strict requirements imposed by the national and international regulatory authorities, particularly with regard to manufacturing processes and product quality. Newly developed drugs also create more demanding requirements for primary packaging products and their quality. Simple and safe drug application is another increasingly important focus. Through continuous improvements in products and processes coupled with our innovations, we have established a strong position in the market and among our customers—a position that we aim to further enhance.

Research and development activities are exclusively carried out by Gerresheimer AG's subsidiaries. These activities are closely geared to customer needs and accordingly often take place in collaboration with customers. In some cases, staff from pharmaceuticals companies work with us at our Competence Centers. The costs associated with these customer-specific research and development projects are largely borne by our customers.

ENGINEERING

From our longstanding experience with glass and plastics as materials and with complex production processes, we have developed considerable engineering expertise for the continuous improvement of production processes and product quality. Each business unit has its own engineering and development capabilities.

We have four Technical Competence Centers (TCC) in our Medical Systems Business Unit. Experts at our TCC in Wackersdorf (Germany), Peachtree City (Georgia/USA) and Dongguan City (China) focus on the design and development of customer-specific plastic medical products. Development of prefillable syringes and safety accessories takes place at our TCC in Buende (Germany) and at the TCC Wackersdorf. Development and design for new products are also performed by Gerresheimer item GmbH. In the Advanced Technologies Division, our subsidiary Sensile Medical is working on developing the next generation of medical products for the delivery of liquid drugs. The aim is to develop easy-to-use, safe and precise liquid-drug delivery products that enable people to continue treatment in their familiar home surroundings.

An engineering team in the USA develops and improves production and quality processes in the Tubular Glass Business Unit—the process of making injection vials, ampoules, cartridges and syringes from glass tubing. The team's job is to continuously improve the machine and inspection systems we use to quality-control products. Products we develop in-house are linked into a meticulous inspection system that ensures maximum precision and quality assurance to the latest standards. Our Gx® G3 inspection system for prefillable syringes and injection vials enables all parts of a syringe barrel to be inspected with high-resolution cameras. Gx® RHOC is a proprietary Gerresheimer camera system offering high dimensional quality. Gx® THOR is a technology developed by Gerresheimer to reduce delamination susceptibility in vials. The technology is integrated into existing forming lines. Gx® FLASH is a proprietary Gerresheimer test procedure to predict the susceptibility of vials to delamination. Gx Tekion® is a system developed by Gerresheimer for cleaning glass tubes with ionized air.

The Tubular Glass Business Unit is also host to our multi-year global machine strategy project launched in 2014. In this, we aim to provide customers with significantly improved injection vials of the highest quality, irrespective of the plant and region where they are produced. We install two types of machines to produce injection vials that exceed the industry standard both cosmetically and dimensionally. The two machine types are supplemented with standardized control, inspection and packaging technology. After completing machine modernizations in the US and Mexico in 2016, the focus in 2017 and 2018 was on Europe and Asia. In the financial year under review, we were already able to start producing and shipping products made with the new machine generation in China.

We invest continuously in state-of-the-art production and inspection technology in our Moulded Glass Business Unit. By regularly renewing furnaces, we have substantially boosted capacity at our molded glass plants in the last ten years while significantly cutting energy consumption per ton of glass produced. Regularly increasing automation in raw material supply and batch-making in combination with modern furnace control systems makes for continuous efficiency gains at the “hot end”. In the financial year 2018, we invested, among other things, in additional production and finishing lines for glass cosmetics packaging in the plants in Tettau (Germany) and Momignies (Belgium). Moreover, packing robots are increasingly being used for the end-of-line packaging of glass products, ensuring high accuracy and the prevention of errors during final packing on pallets.

In the Primary Packaging Glass Division, we launched a new manufacturing execution system (MES) in the financial year 2018 to help us streamline and accelerate production while simultaneously improving production quality. The new system centers on real-time interconnection and data exchange across all stages of the production process. Introducing the MES in the molded and tubular glass plants in the Primary Packaging Glass Division will significantly improve communication flow between the various production sections. Specially adapted to our needs, the system aids early fault detection and troubleshooting. The MES was introduced at our molded glass plant in Chicago Heights (Illinois/USA) in 2018. It will be rolled out across all plants in the Primary Packaging Glass Division over the next few years. Several plants in the Medical Systems Business Unit already have the second generation of the MES in service. Defects, machine failures, line malfunctions and the like are automatically captured or simply entered into the MES. Everyone else involved is informed instantly. This ensures systematic fault detection and boosts quality and productivity.

In the manufacture of molded glass for drugs and cosmetics, the key lies in developing and producing molds to maximum precision. Gerresheimer stands out for its great versatility and product diversity in both pharma jars and cosmetic glass products. A perfect, even flow of molten glass inside molds is important in giving strength to the delicate products. To achieve this, we use advanced simulation software that we have fine-tuned to the special requirements of our product range. The simulation software calibrates production parameters on the basis of computational fluid dynamics. As a result, the molding process and mold design are optimized, taking into account all chemical and physical properties of the glass. In this way, the software not only improves our products, but makes for a decisive reduction in development time.

PRODUCT INNOVATIONS

By acquiring the Swiss tech company Sensile Medical in the summer of 2018, Gerresheimer not only supplemented its product range with wearable micro pumps but also paved the way for the Group's new Advanced Technologies Division. The new division pools Gerresheimer's development and production of smart drug delivery systems.

Sensile Medical's innovations build on its proprietary micro pump technology, which provides the basis for the full range of infusion devices. Subject to ongoing development and improvement, this pump technology is safeguarded by patents through to the 2030s. Sensile's liquid-drug delivery systems are all based on this same technology platform and allow flexible, precise and reliable administration of liquid drugs in various indication areas, including self-treatment for diabetes and Parkinson's. Alongside this core technology, Sensile Medical has developed additional modules that can be slotted into custom solutions as needed in a fully modular technology system. In this way, Sensile Medical is able to develop solutions adapted to treatment and patient needs.

Sensile Medical currently has several projects with global pharma groups at various stages of development. Additional areas of innovation include device connectivity and other digital solutions for the entire care chain. In September 2018, a wearable micro pump from Sensile Medical for treatment at the advanced stage of Parkinson's disease gained CE certification for the European market.

Many new drugs—above all biotech and oncology drugs—set the bar even higher for primary pharma packaging. We are developing an extensive portfolio of new and improved products for this fast-growing market. The Gx RTF® ClearJect® syringe is a perfect complement to the broad portfolio of prefillable Gx RTF® glass syringes. It combines the existing syringe portfolio made from cyclic olefin polymer (COP)—a high-performance plastic—with the ready-to-fill concept featured on Gerresheimer's prefillable glass syringes. The first product in the new line, a 1ml syringe with integrated cannula, is being manufactured by Gerresheimer in Europe. COP offers numerous advantages as a material. In particular, there is no need during processing for additives such as tungsten or adhesive for the cannula. This makes the Gx RTF® ClearJect® syringe especially well-suited to drugs with exacting requirements.

The prefillable glass syringes marketed by Gerresheimer as Gx RTF® syringes also undergo continuous enhancement to make them the primary packaging of choice for new drugs. One problem associated with syringe use is that traces of tungsten or other metals occasionally leave residue behind in the bore when the syringe cone is shaped. Especially for drugs based on biotech products, prefillable syringes are needed that ideally preclude the possibility of metal contamination.

With their exposed needles, used syringes are an ever-present hazard at doctors' practices, laboratories and hospitals. Existing needle safety systems reduce the risk of injury for the end user. However, they require more assembly after filling is carried out by the pharma company and potentially additional activation steps when the syringe is used by medical specialists. With Gx InnoSafe®, we are going to provide a syringe with an integrated passive safety system that avoids inadvertent needleprick injuries, precludes reuse and is optimized both for pharma industry production workflows and for simple, intuitive use by medical personnel. As part of the manufacturing process, the Gx InnoSafe® safety system is installed like a standard needle shield on Gx RTF® glass syringes in the cleanroom. The syringe barrel is completely visible so that the presence of the active ingredient, its purity and its administration can easily be verified by sight. These syringes are packed in the same way as standard RTF syringes. The injection itself is also administered as usual. The system is activated only when the cannula is inserted. It automatically ensures that the safety mechanism is permanently locked when the syringe is removed from the injection site. This guarantees that the cannula is reliably covered and the syringe cannot be reused.

The Gx® Elite vials developed by Gerresheimer represent a new quality standard for type 1 borosilicate glass vials. They are the result of comprehensive optimization measures in the converting process that have focused on designing out risks of product flaws being caused during production, including the removal of all glass-to-glass contact beginning with the tubing material all the way through to final packaging of the vials. The chemical composition of the borosilicate glass is still the same. The highly shatter-resistant injection vials are extremely durable and free of cosmetic defects. They also boast high dimensional accuracy.

The new Gx® RTF vials combine the two Gerresheimer core competencies—molding vials from glass tubing and the ready-to-fill process for prefillable syringes—with a corresponding packaging technology. Gx® RTF vials are washed, packed in trays or nests and tubs, sterilized and shipped to pharma customers, who can then start filling straightaway without any additional process steps. The product is available in several formats for nest and tub packaging. With this packaging technology, the vials can be used at any time from the development phase of new medications to small-batch production or even industrial-scale production.

We likewise provide easy-to-fill vials for use by pharma customers in the US market. Gx® ETF vials are molded from type 1 borosilicate glass tubing, washed and sterilized, packed in compatible tubs and sealed. As an option, they can additionally be sterilized with ethylene oxide. Customers then only have to open the tubs and place them on the filling line.

Under the BioPack name, we have launched an extensive portfolio of plastic packaging for drugs and cosmetics made from biomaterial in place of conventional polyethylene (PE) or polyethylene terephthalate (PET). Innovation and environmental protection go hand in hand. As a case in point, Gerresheimer has developed a plastic container for a major cosmetics customer that can be produced with less plastic due to a novel shape and easily stacked thanks to an indentation in the base. This saves space and CO₂e emissions during shipment. The container is also refillable.

CUSTOMER-SPECIFIC DEVELOPMENT

For customer-specific plastic medical products, development, machine construction, mold making and industrialization are co-located in our Competence Centers in the Plastics & Devices Division. These are sited at Wackersdorf (Germany), Peachtree City (Georgia/USA) and Dongguan City (China). We also offer integrated small-batch production to support customers in the multi-stage approval process for pharmaceutical and medical technology products. The development and approval process requires us to repeatedly produce small numbers of units as clinical samples or stability batches. To this end, we have set up a separate small-batch production line at our development center in Wackersdorf so that we can flexibly react to customer inquiries and integrate this into our development process. We started with small-batch production for medical plastic products and have now added a small-batch production line for prefillable glass syringes.

Customer-specific development also plays a major part in glass cosmetics packaging such as perfume flacons and cream jars. Like ourselves, our customers require high standards in both process and product quality. Most of our glass cosmetics packaging is produced in our molded glass plants in Tettau (Germany) and Momignies (Belgium). Each year, we develop a large number of new glass packaging products for the cosmetics industry. In addition, we produce several hundred variants of these different types of glass cosmetic packaging, in some cases applying elaborate finishing technologies such as spray coating and metallization. Expansion in finishing technologies in these plants in particular has been and remains a notable focus of capital investment for the growing high-quality cosmetics packaging market.

REMUNERATION REPORT

The Remuneration Report complies with the requirements of the German Commercial Code (Handelsgesetzbuch/HGB), the recommendations of the German Corporate Governance Code (DCGK), German Accounting Standard 17 (GAS 17) and International Financial Reporting Standards (IFRS). The new Management Board remuneration system approved at the Annual General Meeting on April 30, 2015 applies as a matter of policy to all members of the Gerresheimer AG Management Board.

MANAGEMENT BOARD REMUNERATION

STRUCTURE OF REMUNERATION

The total remuneration of active members of the Management Board consists of several components. These are a fixed salary and the customary fringe benefits, short-term variable cash remuneration, long-term variable cash remuneration, long-term share-price-based variable cash remuneration and pension benefits.

NON-PERFORMANCE-BASED REMUNERATION

The non-performance-based components are a fixed salary and non-cash fringe benefits. The latter mainly comprise insurance premiums (including group accident insurance and invalidity insurance) as well as the use of a company car. There is also directors and officers liability (D&O) insurance for members of the Management Board; this provides for a deductible in accordance with section 93 (2) sentence 3 of the German Stock Corporation Act (Aktiengesetz/AktG).

PERFORMANCE-BASED REMUNERATION

Short-term variable cash remuneration

The short-term variable cash remuneration is tied to attainment of annual targets agreed in each member's contract of employment. The target figures are derived from a budget approved by the Supervisory Board. They relate to variously weighted financial KPIs, namely adjusted EBITDA, net working capital and revenues. The net working capital target component is calculated as average net working capital as a percentage of revenues. If all targets are met, the short-term variable cash remuneration is 50% of the individual fixed salary. Limited to a maximum of 70% of the individual fixed salary, the short-term variable cash remuneration is paid out in the subsequent year following approval of the Consolidated Financial Statements by the Supervisory Board.

Long-term variable cash remuneration

The component with a long-term incentive effect consists of a rolling bonus system tied to attainment of specific targets over a three-year period. The key performance indicators relevant to target attainment are organic revenue growth and return on capital employed (Gx ROCE).

For long-term variable cash remuneration, the relevant key performance indicators are set each year for the next three years based on the business plan. The bonus payable on target attainment due to the sustainability component is 40% of the individual fixed salary. The sustainability component is capped at 55% of the individual fixed salary. Bonuses are paid out three years after the base year.

Target attainment was previously measured against the arithmetic mean of the annual figures in the three-year period. The bonus payable on target attainment is 30% of the individual fixed salary. It is capped (on 133% target attainment) at just under 40% of the individual fixed salary. Bonuses are paid out three years after the base year. This previous arrangement applies for the last time to Mr. Schütte in respect of long-term variable remuneration for the financial year 2016 and pro rata for the financial year 2017 and to Mr. Beaujean pro rata for the financial year 2016.

Long-term share-price-based variable cash remuneration (phantom stocks)

The Company has additionally agreed long-term share-price-based variable cash remuneration with all members of the Management Board. Under these agreements, members receive a value-based allocation, according to the share price, for each year of Management Board service. Management Board members are awarded an entitlement (in a specific amount) to a payment in the event that the exercise and payment conditions are met. After a five-year vesting period, a Management Board member is entitled, within an ensuing period of 24 months, to demand payment in the amount of the appreciation in the stock market price of Gerresheimer shares between the issue date and the exercise (maturity) date. Payment is conditional on the percentage appreciation being at least 20% or being greater than the percentage increase in the MDAX over the maturity period and on the Management Board member, as of the exercise date, still being in active service in the company and a member of the Management Board on the basis of their Management Board contract. The target-based remuneration is to be 40% of the individual fixed salary for each member of the Management Board on attainment of an exercise target comprising a 20% increase in the share price. If the share price rises during the set period by 40% or more, the entitlement awarded to the members of the Management Board is capped at 80% of their individual fixed salary. All entitlements to the issue of further phantom stock expire without substitution or compensation on departure of the respective member of the Management Board. This also applies to the year of early contract termination itself if the contract is terminated before the issue date in that year. Any exercisable phantom stock entitlements that are within the defined exercise period, and all entitlements arising from phantom stock already issued but yet to mature that are within the defined waiting period remain unaffected and can be exercised by the holder in accordance with the general stipulations of the phantom stock agreement. However, any phantom stock entitlements for tranches already issued are reduced pro rata temporis in the year of departure. The issue price for tranche 12 in the financial year 2018 is EUR 67.42 and only takes into account commitments under the new system.

Under the previous arrangements, members were granted a specific number of stock appreciation rights (phantom stocks), according to the share price, for each year of service on the Management Board. Each stock appreciation right entitled the holder to a payment based on the change in the share price, subject to a performance threshold: At the exercise date, this dictated that the Company's share price must exceed the initial price for the relevant

tranche by at least 12% or must have increased by a larger percentage than the MDAX. It was possible to exercise stock appreciation rights during a 16-month exercise period following a four-year waiting period. The payment amount was equal to the absolute increase in the share price between the issue date of the stock appreciation rights and the exercise date. However, the payment amount for each tranche was capped at 25% of the initial price of all stock appreciation rights in the same tranche. At the time of termination of the Management Board contract, all exercisable stock appreciation rights, all entitlements resulting from stock appreciation rights already granted but yet to mature and all entitlements to the issue of further stock appreciation rights expired without substitution or compensation. If the day on which the holder's employment contract ended was after the first anniversary of the issue date of stock appreciation rights in a tranche already issued, but before the exercise date for that tranche, the stock appreciation rights in that tranche remained unaffected. The foregoing now only applies to tranche 9 for Mr. Beaujean and tranches 9 and 10 for Mr. Schütte.

Pension benefits

After leaving the Gerresheimer Group, the current members of the Management Board are normally eligible to receive pension benefits from age 65. The annual pension entitlement is between 2.00% and 2.22% of the final fixed salary, depending on age on joining the pension plan. This percentage increases with years of service as a member of the Management Board to a maximum of 40%. Surviving dependants' pensions are provided for at 60% of the deceased's pension for the spouse and 20% per child for any surviving children. Surviving dependants' pensions are limited in total to 100% of the deceased's pension. These defined-benefit arrangements relate to two active members of the Management Board—Mr. Beaujean and Mr. Schütte—and in the case of Mr. Schütte are handled through a provident fund.

On February 10, 2015, the Supervisory Board of Gerresheimer AG also modified the pension system as an integral part of the new remuneration system for newly appointed Management Board members. The previous defined-benefit company pension arrangement for Management Board members has been discontinued and is modified as follows.

Under the new arrangements, the amount to be furnished by the Company for new Management Board members' pensions is to be determined as 20% of the fixed salary plus 20% of the short-term variable cash remuneration attained. New Management Board members may choose from three options as to how this amount is used: (1) 20% of the fixed salary paid into an

insurance policy and 20% of the short-term variable cash remuneration paid into an investment; (2) 20% of the fixed salary paid into an insurance policy and 20% of the short-term variable cash remuneration paid out for personal pension provision; (3) 20% of the fixed salary and 20% of the short-term variable cash remuneration paid out for personal pension provision. This new form of pension plan relates to two active members of the Management Board—Mr. Siemssen and Dr. Burkhardt—both of whom have elected the above option (3).

In the case of the insurance policy in the above options (1) and (2) under the new pension arrangements, a Management Board member earns entitlement on retirement to payment of an annuity-based old-age, invalidity and surviving dependants' pension. Alternatively, a Management Board member can elect to have the accumulated capital paid out on retirement. The pension entitlement then lapses.

In the capital-based option, the Company has a top-up obligation up to the amount paid in on retirement (claim event) if the value of the investment falls, as the Company must guarantee capital maintenance to ensure qualification as a company pension arrangement. Any notional underfunding prior to the claim event must therefore be accounted for—if only temporarily, as appropriate.

If a Management Board member has the scheduled annual contribution amount paid out while still in service, as an additional salary component for personal pension provision, the Company has no further obligation once payment has been made.

Termination benefits

Termination benefits in the event of premature termination of a Management Board member's contract other than for cause are capped as recommended in the German Corporate Governance Code. Severance payments, including fringe benefits, in the event of premature termination of a Management Board member's contract other than for cause are therefore capped to a maximum of two years' remuneration and do not compensate more than the remaining term of the contract. The cap on termination benefits is determined with reference to total remuneration.

In the event of a change of control, Management Board members have a once-only special right to terminate their contracts at six months' notice effective as of the end of the month and to resign as of the end of the notice period. The special right of termination applies solely within three months of the point in time at which the Management Board member gained—or were it not for gross negligence would have gained—knowledge of the change of control. The special right of termination only applies if, at the date notice is given, the contract has a remaining term of nine months or more. If a Management Board member exercises his or her special right of termination, the Company is required to pay termination benefit equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as remuneration for the full financial year, including short-term and long-term variable cash remuneration, but excluding long-term share-price-based variable cash remuneration.

In connection with the withdrawal of Mr. Schütte from the Management Board of Gerresheimer AG as of February 28, 2019, a one-year post-contractual non-compete covenant was agreed with effect from March 1, 2019. For the duration of the post-contractual non-compete covenant, Mr. Schütte will receive a compensation payment in the total amount of EUR 495,000.00, payable in twelve equal monthly installments. No post-contractual non-compete covenant has been agreed with any other active member of the Management Board.

MANAGEMENT BOARD REMUNERATION IN THE FINANCIAL YEAR

The recommendations of the German Corporate Governance Code on determining Management Board remuneration have been implemented.

Total remuneration of active Management Board members during the financial year 2018 came to EUR 11,119k (prior year: EUR 8,872k). This comprised EUR 6,209k in non-performance-based remuneration (prior year: EUR 2,219k) and EUR 2,302k in performance-based remuneration (prior year: EUR 3,672k). Pension expenses amounted to EUR 924k in the financial year 2018 (prior year: EUR 1,200k). Vested stock appreciation rights in the financial year under review came to EUR 1,684k (prior year: EUR 1,781k).

Remuneration of individual Management Board members in the financial year 2018 is presented in the tables below:

Benefits granted in EUR k	Dietmar Siemssen CEO from November 1, 2018				Dr. Christian Fischer CEO to February 5, 2018			
	2018	2018 Min.	2018 Max.	2017	2018	2018 Min.	2018 Max.	2017
Fixed remuneration	79	79	79	–	4,257 ²⁾	4,257 ²⁾	4,257 ²⁾	317
Non-cash remuneration	3	3	3	–	3	3	3	6
Total	82	82	82	–	4,260	4,260	4,260	323
Short-term variable cash remuneration	40	40 ¹⁾	55	–	–	–	–	158
Long-term variable cash remuneration	32	32	2,324	–	–	–	–	127
Plan 2017 – 2020	–	–	–	–	–	–	–	127
Plan 2018 – 2021	32	32 ¹⁾	44	–	–	–	–	–
Phantom Stocks	–	–	2,280	–	–	–	–	–
Total	154	154	2,461	–	4,260	4,260	4,260	608
Pension expenses	24	24	24	–	–	–	–	95
Total remuneration	178	178	2,485	–	4,260	4,260	4,260	703

¹⁾ Because Mr. Siemssen took up his duties as of November 1, 2018, he is guaranteed pro rata temporis short-term variable cash remuneration and long-term variable cash remuneration for the financial year 2018 based on assumed target achievement of 100%.

²⁾ In connection with his unexpected departure from the Management Board of Gerresheimer AG for personal reasons, Dr. Fischer received an amount of EUR 4,020k.

In the financial year 2018, Mr. Siemssen and Dr. Burkhardt received new phantom stock entitlements (tranches 13 to 15 and tranches 12 to 14, respectively) in connection with their appointment to the Management Board. The tranches are described in detail in the section “Long-term share-price-based variable cash remuneration (phantom stocks)”. Given that it is a value-based commitment, there is no fair value at the grant date.

Benefits granted in EUR k	Dietmar Siemssen CEO from November 1, 2018		Dr. Christian Fischer CEO to February 5, 2018		Rainer Beaujean Speaker of the Management Board from February 5, 2018 to October 31, 2018 and CFO		Andreas Schütte Plastics & Devices		Dr. Lukas Burkhardt Primary Packaging Glass from January 1, 2018	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed remuneration	79	–	4,257 ¹⁾	317	650	630	648	630	523	–
Non-cash remuneration	3	–	3	6	20	20	21	21	5	–
Total	82	–	4,260	323	670	650	669	651	528	–
Short-term variable cash remuneration	–	–	158	–	245	308	261	309	–	–
Long-term variable cash remuneration	–	–	127	–	786	801	725	734	–	–
Plan 2014 – 2017	–	–	–	–	–	178	–	168	–	–
Plan 2015 – 2018	–	–	–	–	114	–	114	–	–	–
Plan 2017 – 2020	–	–	127	–	–	–	–	–	–	–
Phantom Stocks	–	–	–	–	672	623	611	566	–	–
Total	82	–	4,545	323	1,701	1,759	1,655	1,694	528	–
Pension expenses	24	–	–	95	373	388	370	367	157	–
Total remuneration	106	–	4,545	418	2,074	2,147	2,025	2,061	685	–

¹⁾ In connection with his unexpected departure from the Management Board of Gerresheimer AG for personal reasons, Dr. Fischer received an amount of EUR 4,020k.

Rainer Beaujean Speaker of the Management Board from February 5, 2018 to October 31, 2018 and CFO				Andreas Schütte Plastics & Devices				Dr. Lukas Burkhardt Primary Packaging Glass from January 1, 2018			
2018	2018 Min.	2018 Max.	2017	2018	2018 Min.	2018 Max.	2017	2018	2018 Min.	2018 Max.	2017
650	650	650	630	648	648	648	630	523	523	523	–
20	20	20	20	21	21	21	21	5	5	5	–
670	670	670	650	669	669	669	651	528	528	528	–
325	–	455	315	324	–	453	315	261	–	366	–
260	–	358	252	259	–	356	226	209	–	1,655	–
–	–	–	252	–	–	–	226	–	–	–	–
260	–	358	–	259	–	356	–	209	–	287	–
–	–	–	–	–	–	–	–	–	–	1,368	–
1,255	670	1,483	1,217	1,252	669	1,478	1,192	998	528	2,549	–
373	373	373	388	370	370	370	367	157	157	157	–
1,628	1,043	1,856	1,605	1,622	1,039	1,848	1,559	1,155	685	2,706	–

Long-term share-price-based variable cash remuneration

The table on Management Board remuneration includes share-based payment at fair value at the grant date.

Pension benefits

The pension expenses attributable to each member of the Management Board are shown in the Management Board remuneration table.

Both Mr. Siemssen and Dr. Burkhardt opted for pension option (3) comprising 20% of the fixed salary and 20% of the short-term variable cash remuneration. The 20% of the fixed salary is paid on February 28 of each year and the 20% of the short-term variable cash remuneration is paid along with short-term variable cash remuneration.

REMUNERATION OF THE SUPERVISORY BOARD

Supervisory Board remuneration is governed by Gerresheimer AG's Articles of Association.

All Supervisory Board members receive fixed annual remuneration of EUR 30,000.00. The Chairman of the Supervisory Board is granted two and a half times and the Deputy Chairman one and a half times this amount. The Chairman of the Audit Committee receives an additional fixed remuneration of EUR 20,000.00 and further members of the Audit Committee each receive an additional fixed remuneration of EUR 10,000.00. Chairmen of other committees receive an additional fixed remuneration of EUR 10,000.00 for

each chairmanship and further members of other committees each receive an additional remuneration of EUR 5,000.00 for each committee membership. This provision does not apply to the committee in accordance with section 27 (3) German Codetermination Act (MitbestG). Remuneration for the chairmanship and membership of the Nomination Committee is restricted to years in which the Committee meets. In addition to their annual remuneration, Supervisory Board members each receive a EUR 1,500.00 attendance fee for meetings of the Supervisory Board and of Supervisory Board committees to which they belong, capped at a maximum of EUR 1,500.00 per calendar day. Reasonable expenses are reimbursed against receipts.

Supervisory Board members additionally receive variable remuneration. This comprises EUR 100.00 for each EUR 0.01 of Gerresheimer AG's average adjusted earnings per share in the financial year under review and the two preceding financial years, provided that this amount is at least EUR 0.50. If Gerresheimer AG's average adjusted consolidated earnings per share exceeds EUR 3.00, the excess is not taken into account in calculating the variable remuneration. Adjusted earnings per share is defined as net income in the Consolidated Financial Statements before non-cash amortization of fair value adjustments, the non-recurring effect of restructuring expenses, portfolio adjustments and the net sum of one-off income/expense (including significant non-cash expenses) inclusive of related tax effects, based on net income attributable to non-controlling interests, divided by shares issued at the reporting date. The Chairman of the Supervisory Board is granted two and a half times and the Deputy Chairman one and a half times the amount of this variable remuneration.

Total remuneration of Supervisory Board members for their activity on the Supervisory Board of Gerresheimer AG in the financial year 2018 came to EUR 1,140,500.00.

The remuneration of individual Supervisory Board members is made up as follows:

Name	Attendance fees	Fixed remuneration	Variable remuneration	Total
Andrea Abt	12,000.00	40,000.00	30,000.00	82,000.00
Heike Arndt	12,000.00	30,000.00	30,000.00	72,000.00
Dr. Karin Dorrepaal	10,500.00	30,000.00	30,000.00	70,500.00
Francesco Grioli	27,000.00	60,000.00	45,000.00	132,000.00
Franz Hartinger	12,000.00	30,000.00	30,000.00	72,000.00
Dr. Axel Herberg	28,500.00	95,000.00	75,000.00	198,500.00
Dr. Peter Noé	12,000.00	30,000.00	30,000.00	72,000.00
Markus Rocholz	27,000.00	45,000.00	30,000.00	102,000.00
Paul Schilling	12,000.00	30,000.00	30,000.00	72,000.00
Katja Schnitzler	13,500.00	40,000.00	30,000.00	83,500.00
Theodor Stuth	13,500.00	50,000.00	30,000.00	93,500.00
Udo J. Vetter	25,500.00	35,000.00	30,000.00	90,500.00
	205,500.00	515,000.00	420,000.00	1,140,500.00

Supervisory Board member Franz Hartinger was appointed to the Supervisory Board of Gerresheimer Regensburg GmbH as of January 2, 2017. He receives appropriate remuneration for this Supervisory Board membership after the end of each financial year. The remuneration amount is determined by resolution of the ordinary shareholders' meeting of Gerresheimer Regensburg GmbH. The shareholders' meeting set the amount of remuneration for the duration of his appointment in the financial year 2017 at EUR 5,000.00, which was paid out in the financial year 2018.

Supervisory Board member Markus Rocholz receives remuneration of EUR 5,000.00 after the end of each financial year for his membership of the Supervisory Board of Gerresheimer Tettau GmbH. The remuneration for the financial year 2017 was paid out in the financial year 2018.

Supervisory Board member Paul Schilling was appointed to the Supervisory Board of Gerresheimer Bünde GmbH as of May 25, 2018. Appropriate remuneration for the financial year 2018 for this Supervisory Board membership from Mr. Schilling's appointment date and for the remainder of the financial year 2018 will be paid out in the financial year 2019.

DISCLOSURES PURSUANT TO SECTION 289a (1) HGB AND EXPLANATORY REPORT

Gerresheimer AG is a German stock corporation (Aktiengesellschaft) and has issued voting stock that is listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard), a regulated market within the meaning of section 2 (7) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz/WpÜG).

Structure of subscribed capital

The subscribed capital (capital stock) of Gerresheimer AG totaled EUR 31.4m as of November 30, 2018. It is divided into 31.4 million ordinary no-par-value bearer shares with a nominal share in capital stock of EUR 1.00 each. The Company's capital stock is fully paid in.

Restrictions on voting rights or on the transfer of securities

As of the balance sheet date, there were no restrictions on voting rights or on the transfer of Gerresheimer AG shares by law, under the Articles of Association, or otherwise to the knowledge of the Management Board. All no-par-value shares in Gerresheimer AG issued as of November 30, 2018 are fully transferable, carry full voting rights and grant the holder one vote in General Meetings.

Shareholdings exceeding 10% of voting rights

As of November 30, 2018, we are not aware of any direct or indirect shareholdings in the Company's capital stock exceeding 10% of voting rights.

Shares carrying special rights with regard to control

None of the shares issued by Gerresheimer AG have rights which confer special control to their bearer.

System of control of any employee share scheme where the control rights are not exercised directly by the employees

We have no information with regard to the system of control of any employee share scheme where the control rights are not exercised directly by the employees.

Legal provisions and provisions of the Articles of Association on the appointment and replacement of Management Board members and on amendments to the Articles of Association

The Management Board is the legal management and representative body of Gerresheimer AG. In accordance with the Company's Articles of Association, it comprises at least two members. In all other respects, the Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint deputy members of the Management Board. It appoints one member of the Management Board as CEO or speaker.

In accordance with section 84 of the German Stock Corporation Act (Aktien-gesetz/AktG), members of the Management Board are appointed by the Supervisory Board for a maximum of five years. Repeat appointments or extensions of the term of office are permissible, in each case for a maximum of five years. The Supervisory Board may revoke the appointment of a Management Board member prior to the end of the term of office either for cause such as gross breach of duty or if the General Meeting withdraws its confidence in the member concerned.

The Company is represented either by two members of the Management Board or by one member of the Management Board and an authorized signatory (Prokurist).

In accordance with section 179 AktG, amendments to the Articles of Association normally require a resolution of the Annual General Meeting. Excepted from this rule are amendments to the Articles of Association that relate solely to their wording. The Supervisory Board is authorized to make such changes. Unless otherwise required by law, Annual General Meeting resolutions are adopted by simple majority of votes cast. If a majority of capital is additionally required by law, resolutions are adopted by simple majority of the capital stock represented upon adoption of the resolution.

Authority of the Management Board to issue or buy back shares

Under section 4 (4) of the Articles of Association, the Management Board is authorized, subject to Supervisory Board approval, to increase the Company's capital stock by issuing new no-par-value bearer shares for cash or non-cash consideration in one or more issues up to a total of EUR 6.28m by or before April 25, 2019. Increases in the capital stock effected as a result of exercising other authorizations based on authorized or conditional capital during the period of this authorization are taken into account against the increase. Shareholders must normally be granted subscription rights. The subscription right may also be granted in such a way that the shares are taken up by one or more banks or equivalent undertakings within the meaning of the first sentence of section 186 (5) of the AktG with an obligation to offer them to the Company's shareholders for subscription (indirect subscription right).

The Management Board is authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights in the following instances:

- ▶ to exclude fractional amounts from the subscription right;
- ▶ to the extent necessary to grant holders of conversion rights or warrants or parties under obligation to exercise conversion rights or warrants attached to bonds or yet to be issued by the Company or a Group company a subscription right to new shares to the same extent as they would be entitled to as shareholders after exercise of the warrant or conversion right or fulfillment of the obligation to exercise the warrant or conversion right;
- ▶ in the event of capital increases for non-cash consideration in connection with business combinations or acquisitions of companies in whole or part or of shareholdings, including increases in existing shareholdings or other assets;

- ▶ in the event of capital increases for cash consideration if the issue price of the new shares is not substantially below that of the existing, listed shares at the time of final fixing of the issue price by the Management Board within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 AktG, and the percentage of capital stock attributable to the new shares for which the subscription right is excluded does not exceed 10% of the capital stock in existence at the time the authorization comes into effect or at the time the authorization is exercised, whichever amount is smaller.

The total sum of shares issued for cash or non-cash consideration subject to exclusion of subscription rights under this authorization may not exceed a EUR 3.14m share of capital stock (10% of the current capital stock). Shares issued or sold during the period of this authorization under exclusion of shareholders' subscription right in direct or analogous application of section 186 (3) sentence 4 AktG are to be set against the maximum limit of 10% of the capital stock. The same set-off rule applies to shares to be issued to service bonds with a conversion right or warrant or obligation to exercise a conversion right or warrant to the extent that the bonds are issued during the period of this authorization under exclusion of the subscription right by analogous application of section 186 (3) sentence 4 AktG.

The Management Board is authorized, subject to Supervisory Board approval, to stipulate other details of the capital increase and its execution, including the substantive details of rights attached to shares and the conditions of issue.

We further refer in this connection to our disclosures under "Restrictions on Voting Rights or on the Transfer of Securities".

The capital stock is conditionally increased by up to EUR 6,280,000 by the issue of up to 6,280,000 new no-par-value bearer shares. The conditional capital increase serves the purpose of granting no-par-value bearer shares to holders of convertible bonds or warrant bonds (or combinations of these instruments) (together "bonds") with conversion rights or warrants or obligations to exercise conversion rights or warrants, which on the basis of the authorization approved by resolution of the Annual General Meeting on April 26, 2017 are issued by or before April 25, 2019 by the Company or a Group company within the meaning of section 18 AktG. Increases in the capital stock effected as a result of exercising other authorizations for the issue of shares based on authorized or conditional capital during the period of this authorization are taken into account against the increase. The new shares will be issued at the conversion or warrant price to be determined in each case in accordance with the authorization resolution described above. The conditional capital increase is to be carried out only to the extent that conversion rights or warrants are used or obligations to exercise a conversion right or warrant are fulfilled and no other forms of fulfillment are employed. New shares issued because of the exercise of conversion rights or warrants or fulfillment of obligations to exercise conversion rights or warrants participate in earnings from the beginning of the financial year in which they are issued. The Management Board is entitled to stipulate further details with regard to execution of the conditional capital increase subject to Supervisory Board approval.

Material agreements conditional on a change of control following a takeover bid

The loans under the credit facilities with a total facility amount of EUR 450.0m, of which EUR 264.4m was drawn at the reporting date, may be terminated by the lenders, and would consequently be repayable early and in full by the borrowers, if a third party or several third parties acting in concert were to acquire 50.01% or more of voting rights in Gerresheimer AG.

Bond holders are each entitled to call due their bonds if any party, or any group of parties acting in concert, directly or indirectly acquires the right to appoint the majority of members of the Supervisory Board of Gerresheimer AG or directly or indirectly acquires more than 50% of the shares or voting rights in Gerresheimer AG.

A change of control following a takeover bid may impact a number of our operating contracts featuring change-of-control provisions. These are standard change-of-control clauses that give the other party to the contract a right to terminate the contract prematurely in the event of a change of control.

Compensation agreements for the event of a takeover bid

In the event of a change of control, Management Board members have a once-only special right to terminate their contracts at six months' notice effective as of the end of the month and to resign as of the end of the notice period. The special right of termination applies solely within three months of the point in time at which the Management Board member gained—or were it not for gross negligence would have gained—knowledge of the change of control. The special right of termination only applies if, at the date notice is given, the contract has a remaining term of nine months or more. If a Management Board member exercises his or her special right of termination, the Company is required to pay termination benefit equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as remuneration for the full financial year, including short-term and long-term variable cash remuneration, but excluding long-term share-price-based variable cash remuneration.

COPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289f HGB

The declaration on corporate governance under section 289f of the German Commercial Code (Handelsgesetzbuch/HGB) is part of the Management Report. However, in accordance with section 317 (2) sentence 6 HGB, this information was not included in the audit of the financial statements.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Gerresheimer AG most recently adopted the following Declaration of Compliance in accordance with section 161 AktG on September 6, 2018:

"Declaration of the Management Board and the Supervisory Board of Gerresheimer AG on the recommendations of the "Government Commission on the German Corporate Governance Code" according to section 161 of the German Stock Corporation Act.

With the exception of the recommendation of number 5.4.1, paragraph 2 sentence 2 Gerresheimer AG has complied with all recommendations of the "Government Commission on the German Corporate Governance Code" as amended on February 7, 2017 since its last declaration on September 5, 2017.

Gerresheimer AG will in the future comply with the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on February 7, 2017, again with the following exception:

Number 5.4.1, paragraph 2 sentence 2: The Supervisory Board has not defined a regular limit for length of membership on the Supervisory Board.

Justification: Suitability for performing the duties of the Supervisory Board depends in our opinion solely on the respective requirements of the Company and the individual competencies of the Supervisory Board members. We do not consider it to be meaningful to set a regular limit for length of membership of the Supervisory Board as the expert knowledge of experienced Supervisory Board members should be available to the company."

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

RISK MANAGEMENT SYSTEM

The Gerresheimer Group considers effective risk management a key factor in sustaining value for the long term. The management of opportunities and risks is therefore integral to our organizational structure and processes. The risk management system centers on identifying and mitigating operational risks through the monitoring, planning, management and control systems in place within the entities and at headquarters.

We have defined guidelines on risk reporting for subsidiaries and key head office functions. Furthermore, we continuously expand our early warning system and adapt it to the latest developments. Core elements of the risk management system are described in the “Report on Opportunities and Risks” section of the Management Report, which is also available on our website at www.gerresheimer.com/en/investor-relations/reports.

CORPORATE RESPONSIBILITY

Gerresheimer is one of the leading partners to the pharma and healthcare industry worldwide. As manufacturers of products made from glass and plastic for drug packaging and delivery, we make a meaningful and significant contribution to health and well-being.

In this age of increasing globalization as well as growing social and environmental challenges, we are conscious of our corporate responsibility, which goes far beyond the realm of our products. We meet this responsibility actively, comprehensively and sustainably, and are happy to be measured against our principles. In our business activities, we acknowledge our responsibility toward society, our employees, investors, customers, suppliers and the environment.

Our principles are set out in the publication “Our Corporate Responsibility”, which is available for viewing on our website at www.gerresheimer.com/en/company/corporate-social-responsibility.

DESCRIPTION OF MANAGEMENT BOARD AND SUPERVISORY BOARD PROCEDURES AND OF THE COMPOSITION AND PROCEDURES OF THEIR COMMITTEES

The composition of the Management Board and Supervisory Board can be found in the Annual Report under “Supervisory Board and Management Board”. The working practices of the Management Board and Supervisory Board as well as the composition and working practices of Supervisory Board committees are described in the Annual Report as part of the Corporate Governance Report. The Annual Report is also available on our website at www.gerresheimer.com/en/investor-relations/reports.

STIPULATION OF TARGETS TO PROMOTE THE PARTICIPATION OF WOMEN IN MANAGEMENT POSITIONS IN ACCORDANCE WITH SECTIONS 76 (4), 96 AND 111 (5) AKTG

Under the German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector of April 24, 2015, certain companies in Germany are required to stipulate targets for the percentage of women on the Supervisory Board, Management Board and the two management levels under the Management Board, and also to specify by what point in time the quotas are to be attained. The companies subject to this requirement disclose whether the stipulated targets are attained during the reference period and if not, why not. At its meeting on April 26, 2017, the Supervisory Board agreed on a target for the percentage of women on the Gerresheimer AG Management Board of one woman by April 26, 2022.

By resolution of June 28, 2017, the Management Board of Gerresheimer AG stipulated targets of 25% each by June 30, 2018 for the two management levels under the Management Board. At the first management level under the Management Board, the percentage of women was just 20% as of June 30, 2018. This was due to an absence of changes in management during the reference period, which prevented the percentage of women at this level from increasing above the 20% at the time the target was adopted. At the second management level under the Management Board, the percentage of women as of June 30, 2018 was 33%, thus surpassing the target for this level. On May 28, 2018, the Management Board set new targets for June 30, 2023 for the two management levels under the Management Board. These targets are 20% for the first management level under the Management Board and 33% for the second management level under the Management Board.

With regard to the percentage of women on the Supervisory Board for companies such as Gerresheimer AG that are both listed on the stock exchange and subject to codetermination, a statutory minimum quota of 30% women and 30% men has been in place since January 1, 2016. These requirements have already been met by Gerresheimer AG since its Annual General Meeting on April 30, 2015. The Supervisory Board formed at the end of the Annual General Meeting on April 26, 2017 consists of four women (33.3%) and eight men (66.7%).

DIVERSITY POLICY FOR THE MANAGEMENT BOARD AND SUPERVISORY BOARD

DIVERSITY POLICY FOR THE MANAGEMENT BOARD

The Supervisory Board considers numerous factors when filling Management Board positions, notably including the following:

- Members of the Management Board are expected to have held management responsibility for several years
- The Management Board as a whole is required to have several years of experience in the areas of production, sales, finance, planning, human resources management, legal affairs and compliance
- At least one member of the Management Board is required to have capital market experience
- Members of the Management Board are expected to have international experience
- Management Board members step down from the Management Board at the age of 65

At the recommendation of the Presiding Committee, the Supervisory Board decides on a case-by-case basis who is to be appointed to a given position on the Management Board.

The Management Board members appointed at the end of the financial year 2018, some of whom will not take up office until the financial year 2019, collectively meet the above criteria.

Currently, the Management Board consists exclusively of men. The Supervisory Board has agreed on a target for the proportion of women on the Management Board of one woman by April 26, 2022.

DIVERSITY POLICY FOR THE SUPERVISORY BOARD

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and professional experience required to properly complete its tasks. When proposing candidates for the Supervisory Board, care is taken to ensure a balanced composition, notably taking into account the following elements:

- › At least two representatives of the shareholders are required to have experience in the fields of business management, strategy and human resources
- › At least one representative is required to have Company-specific knowledge of the industry
- › At least one shareholder representative is required to have specific knowledge on the customer side
- › Supervisory Board members should not have any function in a controlling body or any advisory functions for significant competitors of the Company or a Group company
- › Supervisory Board members should not take on any active role with customers or suppliers of the Company or a Group company
- › No more than two members of the Supervisory Board should be former Management Board members of the Company
- › At least four out of six representatives of the shareholders on the Supervisory Board should be independent
- › The term of office of Supervisory Board members ceases at the end of the first Annual General Meeting following a member's seventieth birthday
- › At least one representative of the shareholders should have several years' professional international business experience or be of foreign nationality
- › The minimum percentages of women and men on the Supervisory Board follow statutory requirements, as amended

In its current composition, the Supervisory Board meets the aforementioned criteria for the Supervisory Board as a whole.

Further information about the profile of skills and experience for the composition of the Supervisory Board is provided under "Corporate Governance Report".

REPORT ON OPPORTUNITIES AND RISKS

UNIFORM GROUP-WIDE MANAGEMENT OF OPPORTUNITIES AND RISKS

As a globally operating Company, we are regularly confronted with developments and events that can have either a positive or a negative effect on our net assets, financial position and results of operations. It is only our willingness to enter into entrepreneurial risks that enables us to seize opportunities. Up to a defined risk tolerance level, we therefore consciously enter into risks if they offer a balanced opportunity-risk profile.

We fundamentally address risk management and opportunity management separately. Our risk management system identifies, assesses and documents risks and supports their monitoring. Opportunities, on the other hand, are identified and communicated as an integral part of regular communications between the subsidiaries and the control function at Gerresheimer AG in its capacity as holding company.

The central element of the risk management system consists in identifying and mitigating operational risks through the monitoring, planning, management and control systems in place within the entities and the management holding company. In our risk management strategy, we aim to identify risks as early as possible, to assess them, to prevent or mitigate potential impacts by taking suitable actions and, where applicable, to transfer identified risks to third parties. Not even a risk management system can provide an absolute guarantee that risks will be avoided. But it does help us in limiting them and hence in attaining our business targets.

Responsibility for establishing and effectively maintaining the risk management system lies with the Management Board and Supervisory Board of Gerresheimer AG. The legal representatives of our operating companies and the management of key head office functions are additionally involved in monitoring, promptly identifying, analyzing, managing and communicating risks. We have drawn up guidelines on risk reporting for our subsidiaries and key head office functions. Furthermore, we continuously fine-tune our risk management system and adapt it to current developments and conditions.

To coordinate risk management throughout the Group and foster an integrated risk management philosophy, the Management Board of Gerresheimer AG has established a Risk Committee. This is composed of the Chief Financial Officer, who chairs the committee, and the heads of Controlling, Internal Audit, Legal Affairs & Compliance, Accounting, and Global Risk Management & Insurance. Its primary remit is to scrutinize risks in the risk report and to further improve and monitor methods and tools in the risk management system. The Risk Committee meets on a quarterly basis in step with the schedule for risk reporting to the Management Board and Supervisory Board.

The main elements of the Group-wide risk management system are as follows:

- ▶ Uniform, periodic risk reporting to head office by subsidiaries
- ▶ Regular risk assessment in key central departments
- ▶ Risk segmentation into corporate-strategy, external and industry-specific, operational and financial risks
- ▶ Quantification of risks in terms of potential financial impact and probability
- ▶ Recording of effects on profit or loss by business unit
- ▶ Mitigation and risk reduction by damage prevention and risk transfer

Where identified risks are already included in operational and strategic plans, in our forecast or in monthly, quarterly or annual financial statements, they are not included in risk reporting. This avoids double counting in Gerresheimer AG's risk management system. Risks are similarly excluded where no further assessment is needed to determine that the probability of occurrence is effectively nil (such as the risk of disastrous earthquakes in Germany). Risk reporting covers risks but not opportunities.

The Gerresheimer Group applies a number of risk management principles. These stipulate zero risk tolerance for breaches of official regulations and laws or the Company's compliance requirements, as well as for defective products and product quality shortfalls.

As a process-independent element of our risk management system, the Internal Audit Department appraises the effectiveness and proper functioning of the early warning system at regular intervals. In addition, the external auditors assess the early warning system as part of the audit of the Annual Financial Statements and report on this to the Management Board and Supervisory Board. Our early warning system is in full conformity with statutory requirements and also with the German Corporate Governance Code.

INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Annual Financial Statements of Gerresheimer AG are prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act (Aktiengesetz/AktG). The Consolidated Financial Statements of the Gerresheimer Group are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the European Union and with the supplementary requirements applicable under section 315e (1) of the German Commercial Code (Handelsgesetzbuch/HGB).

The overriding objective of our internal control and risk management system in relation to the financial reporting process is to ensure compliance in financial reporting. Establishing and effectively maintaining adequate internal controls over financial reporting is the responsibility of the Management Board and Supervisory Board of Gerresheimer AG, which assess the adequacy and effectiveness of the control system at each financial year-end. The internal controls over financial reporting were found to be appropriate and effective as of November 30, 2018.

We prepare the Annual Financial Statements of Gerresheimer AG using the SAP software system. Day-to-day accounting and the preparation of the Annual Financial Statements are divided into functional process steps. Either automated or manual controls are integrated into all process steps. The organizational arrangements ensure that all business transactions and the preparation of the Annual Financial Statements are completed in a timely and accurate manner and are processed and documented within the appropriate time frame. The relevant data from Gerresheimer AG's single-entity financial statements is transferred into the consolidation system and adjusted as necessary to comply with IFRS. Gerresheimer AG has responsibility for the uniform Group-wide chart of accounts, for carrying out central consolidation adjustments as well as for scheduling and organizing the consolidation process.

The professional aptitude of employees involved in the financial reporting process is examined during their selection process, after which they receive regular training. We fundamentally apply the dual control principle. Other control mechanisms include target-actual comparisons as well as analyses of the content of and changes in the individual items. Accounting ensures that function-related information is reported by the relevant departments and incorporated into the Annual Financial Statements. Our Internal Audit Department reviews the effectiveness of the controls implemented at the subsidiaries and head office in order to ensure compliance with financial reporting guidelines. As part of the 2018 year-end audit, the auditors examined our early warning system in accordance with section 317 (4) HGB in conjunction with section 91 (2) AktG and confirmed its compliance.

The Supervisory Board is also involved in the control system through its Audit Committee. In particular, the Audit Committee oversees the financial reporting process, the effectiveness of the control, risk management and internal audit systems as well as the audit of the financial statements. It is also responsible for checking the documents related to Gerresheimer AG's single-entity financial statements and the Consolidated Financial Statements, and discusses Gerresheimer AG's single-entity financial statements, the Consolidated Financial Statements and the management reports on those financial statements with the Management Board and the auditors.

OPPORTUNITIES OF FUTURE DEVELOPMENTS

The Gerresheimer Group has a wide range of opportunities open to it due to its extensive, global business activities. We aim to continue making the best possible use of opportunities into the future.

Notable potential for opportunities is offered by our Technical Competence Centers (TCC). These development centers are an important resource that sets us apart and enables us to create decisive added value for customers. By investing in our technology center for glass syringes and medical plastic systems, for example, we aim in the future to enhance existing products in collaboration with customers and to further diversify our product portfolio as a whole. We also plan to create a portfolio tailored to the biotech sector, comprising existing Gerresheimer products supplemented on a targeted basis by further enhancements and new developments. More details on our research and development activities are given in the "Innovation, Research and Development" section.

We also see strategic opportunities in the further globalization of our business. As part of this, we plan to benefit from the dynamic growth of emerging markets by extending our local presence and significantly increasing revenues in such markets in the years ahead. In recent years, we have paved the way for further growth through selective investment in Brazil, India and China. Expanding the business activities of our Plastics & Devices Division in North America promises additional growth.

Generic drug makers will gain in importance going forward. We aim to secure a share of the expected volume growth, because generics also require proper packaging and administration. Drug packaging that enhances safety and ease of use is another segment set to grow in importance.

We see additional growth opportunities in demographic change as well as in increased demand for healthcare among older people, advances in medical technology and in the field of biotech drugs.

RISKS OF FUTURE DEVELOPMENTS

As the holding company of the Gerresheimer Group, Gerresheimer AG is exposed to a wide range of risks due to its extensive, global business activities. To the extent that the criteria for accounting recognition are met, appropriate provision has been made for all identifiable risks.

The following sections describe risks that could affect the Gerresheimer Group's net assets, financial position and results of operations. The probability of occurrence of these risks is assessed according to the following criteria:

- › Improbable = Probability of occurrence <10%
- › Possible = Probability of occurrence between 10% and 50%

Risks with a probability of occurrence of more than 50% are recognized and are taken into account in planning where possible.

The potential financial implications of these risks are assessed by the following criteria:

- › Moderate = Net loss of up to EUR 10m
- › Significant = Net loss of more than EUR 10m

The net loss relates to the potential loss in the event of a risk materializing, taking into account the effects of risk mitigation measures.

OVERVIEW OF RISKS AND THEIR FINANCIAL IMPLICATIONS

	Probability	Possible implications
Business strategy risks		
Risks from acquisitions	improbable	significant
Risks from product launches	possible	significant
External and industry-specific risks		
Customer market risk	possible	moderate
Macroeconomic risks	possible	significant
Risks of change in regulatory environment	possible	significant
Risks from the future development of state healthcare systems	possible	significant
Tax risks	possible	moderate
Operational risks		
Production risks	possible	moderate
Product liability risks	possible	significant
Risks from energy and raw material prices	possible	significant
Human resources risks	possible	moderate
IT risks	possible	moderate
Legal risks	possible	moderate
Financial risks		
Currency and interest rate risk	improbable	moderate
Credit risk	improbable	significant
Liquidity risk	improbable	moderate

Existing risks are discussed in detail in the following.

BUSINESS STRATEGY RISKS

RISKS FROM ACQUISITIONS

Potential impacts:

Acquisitions are an integral part of our strategy. Corporate acquisitions harbor the risk of not all material risks being identified in due diligence. Despite careful due diligence, changes in circumstances can mean that initial targets are not met in whole or in part.

Countermeasures:

Functional departments and, where applicable, outside specialists are involved from an early stage to ensure close scrutiny of acquisition projects during due diligence. The process as a whole is managed by our Group Strategy, Mergers & Acquisitions Department in collaboration with the divisions. We aim to identify risks as early as possible by closely and continuously monitoring the market and competition, and to mitigate or minimize them by taking suitable countermeasures.

RISKS FROM PRODUCT LAUNCHES

Potential impacts:

The market launch of innovative products—in close consultation with our customers—is a key component of our growth strategy. In the context of our management responsibility, we are fully aware that this entails risks as well as opportunities. Despite our best efforts, we cannot guarantee that all products will be commercially successful on the market.

Countermeasures:

On the basis of comprehensive market analyses and contracts with customers, we ensure that the opportunities arising from a successful product launch are maximized and potential risks minimized.

EXTERNAL AND INDUSTRY-SPECIFIC RISKS

CUSTOMER MARKET RISK

Potential impacts:

Business cycle risks relating to macroeconomic developments can restrict our market prospects and thus put sales at risk. Demand could also develop negatively due to conscious purchasing restraint on the part of our customers. If the market were not ready to absorb additional supply volumes, competitive pressure could increase for an interim period as a result. Furthermore, within the scope of existing capacity, competitors could try to gain additional or lost market share by increasing supply. A fall in demand could also lead to increasing competitive pressure. Significant changes in capacity and capacity utilization, increases in supply by individual competitors within the scope of existing capacity and longer-run reductions in demand could have a substantial impact on pricing and/or on sales opportunities.

Countermeasures:

To improve competitiveness, we are working among other things to further improve our cost structure and organizational structure and to expand our product portfolio. We watch the market and aim to make targeted use of opportunities. In the event of sustained changes, we apply measures such as focusing capacity utilization on high-productivity production plants.

MACROECONOMIC RISKS

Potential impacts:

For the Gerresheimer Group, the performance of the global economy has a key impact on growth. Currently, in its October forecast, the IMF expects global economic growth of 3.7% for 2018 and similarly global economic growth of 3.7% for 2019. Any slowdown in global economic growth therefore represents a risk for the Gerresheimer Group's revenue and earnings performance.

Countermeasures:

We meet this risk by constantly monitoring global economic trends. In the event of any change, we apply measures such as focusing capacity utilization on high-productivity production plants.

RISKS OF CHANGE IN THE REGULATORY ENVIRONMENT**Potential impacts:**

Regulatory requirements tend to increase in quantity and scope from year to year. While delivering major benefits to patients, this presents major challenges for everyone in the market. Especially in European industrialized countries and the USA, policymakers attach great importance to proof of significant therapeutic added value before new drugs are approved. For this reason, the competent authorities usually carry out a detailed cost-benefit analysis before any new drug can be released onto the market. This creates risk with regard to the timing and volume of new drug launches and corresponding risk to sales of our primary packaging. Furthermore, rising quality expectations among our customers can create a need for increased capital expenditure.

Countermeasures:

We address these risks by working continuously on our own quality requirements. In addition, we back up our customers' sales forecasts with our own analysis.

RISKS FROM THE FUTURE DEVELOPMENT OF STATE HEALTHCARE SYSTEMS**Potential impacts:**

In the financial year 2018, Gerresheimer generated some 82% of revenues in the pharma and healthcare segment. Governments and health insurance funds in Europe and the US have endeavored to curb the rate of increase in healthcare costs in recent years. The result has been increased price pressure in the pharma industry, where the need for cost control has intensified due to limited patent protection and the constant rise in product development costs. This trend can similarly lead to increasing price pressure on our products, although generally only a small percentage of the total price a consumer pays for medication relates to pharmaceutical primary packaging. If the price pressure is not offset by cost reductions or enhanced efficiency, this could have a significant negative impact on our net assets, financial position and results of operations.

Countermeasures:

Early identification of such developments as they emerge and active portfolio management are therefore important elements of corporate management. The Gerresheimer Group's international and multi-market presence also means that it is better placed to make up for cyclic fluctuations in individual markets and countries than other companies lacking such a global lineup.

TAX RISKS**Potential impacts:**

Due to the globalization of its business, the Gerresheimer Group must take into account a wide variety of international and country-specific rules laid down by tax authorities. Tax risks can arise from failing to fully comply with tax rules or due to differences in the tax treatment of specific matters and transactions. In particular, tax audits and any resulting audit findings involving interest and additional tax payments may have a negative impact on the Group.

Countermeasures:

Tax risks are regularly and systematically examined and assessed. Any resulting risk mitigation measures are agreed between Gerresheimer AG Group Tax and subsidiaries. In addition, Group-wide tax compliance guidelines introduced in the financial year 2017 serve to document and verify effective tax compliance management with the aim of systematically and preventively ensuring compliance with statutory requirements and obligations together with internal Group tax guidelines.

OPERATIONAL RISKS

Our definition of operational risks includes operating, human resources and safety risk. Such risks are mitigated by taking out adequate insurance cover and by placing stringent requirements on production, project and quality management.

PRODUCTION RISKS**Potential impacts:**

Unfavorable circumstances and developments can lead to business interruptions and damage at our plants. Alongside the cost of damage repair, the main risk is of a business interruption leading to production downtime and thus jeopardizing the fulfillment of our contractual obligations to customers.

Countermeasures:

To counter the risk of unplanned, longer-run production plant stoppage or downtime, the Gerresheimer Group has established ongoing plant inspections and preventive maintenance. We also continuously modernize our existing production systems and invest in new, more modern plant and machinery. The Gerresheimer Group uses insurance policies to guard against the financial impacts of potential damage and associated production downtimes together with any liability risk. By transferring risk to insurers in this way, we ensure that the financial impact is limited to the agreed deductible. The financial implications for the Group are therefore assessed as moderate. We currently insure possible own loss or damage at replacement value under all-risk property and other insurance policies. An all-risk business interruption policy, which like the all-risk property policy is subject to appropriate

deductibles, currently protects us against potential loss of earnings in the event of business interruption at our plants. The scope and substance of these insurance policies are continually reviewed and modified as needed by our Global Risk Management & Insurance department. We assess the probability of occurrence and hence the potential impact of uninsured events as improbable and moderate, respectively.

PRODUCT LIABILITY RISKS

Potential impacts:

Despite internal measures to ensure product quality and safety, the Gerresheimer Group cannot rule out the possibility of loss or damage for customers and consumers from the use of packaging products and systems manufactured. More exacting customer requirements in the direction of zero defect tolerance pose special challenges for quality assurance. Potential product liability risks are illustrated by the following examples: The supply of defective products to customers could result in damage to production facilities or even cause business interruption. For us, this could also mean loss of reputation for the Gerresheimer Group. Furthermore, in combination with medicines and ingredients sold by its pharma and healthcare industry customers, faulty products produced by the Gerresheimer Group could pose a health hazard to consumers. It cannot be ruled out that the Group might lose customers as a result of any such event. Gerresheimer could also be exposed to related liability claims such as claims for damages from customers or product liability claims from consumers. Any product liability claims made against Gerresheimer, especially in class actions in the USA, could be substantial. There is also the risk of the Group potentially having to bear substantial costs for recalls. Moreover, there is no guarantee that Gerresheimer will be able to obtain adequate insurance cover in the future at present terms and conditions. As these examples show, negative impacts on the Gerresheimer Group's net assets, financial position and results of operations cannot be ruled out.

Countermeasures:

To avoid product liability claims, the Gerresheimer Group applies extensive quality assurance measures. The quality assurance and defect resolution process applied to our products is subject to continuous improvement and refinement. In addition, product liability and recall cost insurance is intended to largely cover any claims and liability risks incurred.

RISKS FROM ENERGY AND RAW MATERIAL PRICES

Potential impacts:

Our energy requirements are consistently high, due in particular to the energy-intensive combustion and melting processes in our high-temperature furnaces. A significant rise in energy prices can have a substantial impact on the Gerresheimer Group's results of operations.

Another significant portion of production costs relates to raw materials for the manufacture of glass and plastic. In the manufacture of plastic products, we are reliant on primary products such as polyethylene, polypropylene and polystyrene. The prices of these products largely depend on oil price trends.

Countermeasures:

To cushion against rising energy costs, we make use of the special compensation arrangement in Germany for energy-intensive companies under section 64 of the Renewable Energy Act (EEG) and also hedge against increases in energy prices. We have also agreed price escalation clauses in a number of contracts with customers. Over and above these, price fluctuations in the procurement markets for raw materials are largely offset by hedging, productivity gains and price increases.

HUMAN RESOURCES RISKS

Potential impacts:

A skilled workforce is a key success factor in implementing our growth-driven corporate strategy. If in future years we do not succeed in training, recruiting and securing the long-term loyalty of sufficient numbers of qualified personnel for our Company, this could have a considerable impact on our business success. Demographic change and the resulting potential skills shortage pose additional personnel risks in the medium to long term.

Countermeasures:

We counter these risks by positioning ourselves as an attractive employer worldwide. Elements in this include competitive pay, occupation-specific continuing education and training, structured succession planning and selective fostering of young talent. We also operate diversity-oriented personnel policies and employ target group-specific personnel marketing.

IT RISKS

Potential impacts:

Increasing use is made of computer-aided business and production processes as well as of IT systems for internal and external communications. Major disruption to—or even failure of—such systems can cause data loss and obstruct business and production processes.

Countermeasures:

IT systems are standardized, harmonized, reviewed and improved Group-wide to safeguard and enhance the security and efficiency of our business processes. Minimum sectoral IT standards such as backups, redundant data links and distributed data centers help to minimize downtime risk for mission-critical systems such as SAP, websites and IT infrastructure components. In the course of instituting measures for the General Data Protection Regulation (GDPR), technical and organizational minimum standards were established for all locations.

Implementation of the Group IT strategy approved by the Management Board continued apace in the financial year 2018. This included the ongoing rollout of the SAP 2 client strategy. In the area of applications, this notably involved the migration of subsidiary Gerresheimer Boleslawiec S.A. (Poland) to the strategic SAP template client and the related introduction of standardized business processes. Other standardization activities included the ongoing rollout of the SAP central customer relationship management (CRM) system and the launch of an implementation project at the Medical Systems Business Unit in the Plastics & Devices Division. The Plastics & Devices Division also replaced its previous manufacturing execution system with ZEISS GUARDUS, thus providing it with a state-of-the-art production control system. In the Primary Packaging Glass Division, a new solution is being configured on the basis of SAP Manufacturing Integration and Intelligence (MII). Concerning infrastructure, we implemented further security-related and innovative infrastructure and information security projects such as continuation of the Future Client project with a global Gerresheimer Workplace using Microsoft Office 2016 or Microsoft Office 365 for specific user groups, a collaboration platform for improved in-house collaboration, and migration of the mail system from IBM Lotus Notes to Microsoft Exchange Online and Outlook. This project also includes global user training on Microsoft products featured in the project and an IT security awareness campaign in eight languages. The rollout of One Active Directory was completed as a requirement for the Future Workplace project. An optimization of long-distance traffic connections has been implemented in preparation for new requirements as well as to improve efficiency and fault tolerance. This implementation safeguards everyday operations from impacts of network failures.

Gerresheimer continues to harmonize ERP systems around SAP ERP Central Component (SAP ECC) 6.0 on an ongoing basis as well as to standardize IT network, hardware, communications and security infrastructure. IT Governance and IT Compliance functions aim to ensure that statutory, internal corporate and contractual requirements applying to Gerresheimer AG are met and implemented.

LEGAL RISKS**Potential impacts:**

As an international enterprise, the Gerresheimer Group must comply with differing laws in different jurisdictions. This can result in a wide range of risks relating to contract, competition, environment, trademark and patent law.

Countermeasures:

We limit such risks by means of legal appraisal by our internal legal departments and by consulting external specialists on national law in the jurisdictions concerned.

We have established a global compliance program to ensure compliance with laws and regulations worldwide, especially in the areas of corruption prevention, cartel law and capital market law. All board members and employees of Gerresheimer AG and of all subsidiaries must abide by our compliance guidelines. Adherence to the law and conformity with the guidelines under the Gerresheimer Compliance Program are of paramount importance to Gerresheimer AG and its affiliated companies.

We have no knowledge of risks from legal disputes that could have a significant impact on the Gerresheimer Group's net assets, financial position and results of operations.

FINANCIAL RISKS

We are exposed to financial risks in our operating activities. The responsible Group Treasury Department centrally monitors the financial risks facing the Group by means of Group-wide financial risk management. The Group manages identified risk exposures by using appropriate hedging strategies on the basis of clearly defined guidelines.

CURRENCY AND INTEREST RATE RISK**Potential impacts:**

As a company headquartered in Germany, our Group and reporting currency is the euro. Given that we conduct a large part of our business outside of the eurozone, exchange rate fluctuations can have an impact on earnings. The greater volatility of exchange rates in recent years has increased related opportunities and risks. We are additionally exposed to interest rate risk in borrowing. Interest rate fluctuations can alter the interest burden on existing debt and the cost of refinancing.

Countermeasures:

We limit exchange rate risks in operating activities by using forward exchange contracts. The Group uses derivative financial instruments exclusively to hedge risk in connection with commercial transactions. We contain interest rate risk where necessary by entering into interest rate swaps.

CREDIT RISK

Potential impacts:

Credit risk on primary and derivative financial instruments comprises the risk of counterparties being potentially unable to meet their contractual payment and fulfillment obligations.

Countermeasures:

Through our credit and receivables management function as well as operating company sales functions, we monitor credit risks resulting from the Group's trade relationships. Our customers undergo internal credit checks on an ongoing basis in order to avoid losses on receivables. Receivables from customers lacking a top credit rating are insured where insurance cover is available. To avoid credit risks from financial instruments, such instruments are only entered into with parties having top credit ratings.

LIQUIDITY RISK

Potential impacts:

There is the risk of not being able to fulfill existing or future payment obligations due to insufficient availability of funds.

Countermeasures:

The Group's liquidity situation is monitored and managed on the basis of multi-year financial planning and monthly liquidity planning. To safeguard liquidity, the Gerresheimer Group additionally has available a revolving credit facility and promissory loans issued in September 2017 and November 2015. Reference is also made here to the quarterly meetings of the Investment Committee and its liquidity monitoring function.

OVERALL ASSESSMENT OF THE RISK SITUATION OF THE GROUP AND OF GERRESHEIMER AG

The basis for the Management Board's overall assessment of the risk situation is provided by our risk management system. The risk reporting process collates all risks reported by subsidiaries and head office functions. Risk reporting to the Management Board and the Supervisory Board follows a regular cycle.

There was no significant change in the Gerresheimer Group's risks in the financial year 2018 compared with the prior year. Based on our overall risk assessment, there are currently no risks that raise doubt about the ability of the Gerresheimer Group or Gerresheimer AG to continue as a going concern or that could have a material effect on its net assets, financial position and results of operations.

The revolving credit facility is subject to a financial covenant in line with prevailing market practices. This is described under "Financial Condition and Liquidity". The stipulated financial covenant was complied with in the financial years 2017 and 2018. Based on our multiple-year budget, we project that the financial covenant will continue to be met in the future.

EVENTS AFTER THE BALANCE SHEET DATE

Effective December 1, 2018, due to the termination of the existing profit and loss transfer agreement between Gerresheimer Holdings GmbH and Gerresheimer Group GmbH, two tax groups have been formed for income tax purposes: A tax group comprising Gerresheimer AG with Gerresheimer Holdings GmbH and another comprising Gerresheimer Group GmbH with the remaining German subsidiaries. Formation of the tax group with Gerresheimer Group GmbH allows tax loss carryforwards of Gerresheimer Group GmbH to be utilized in subsequent financial years. As a result of the termination of the profit and loss transfer agreement, Gerresheimer Holdings GmbH will recognize the income from the tax group with Gerresheimer Group GmbH phase-shifted in the following year.

Beyond that there were no further events after the balance sheet date that are expected to have a material impact on the net assets, financial position or results of operations of the Gerresheimer AG.

OUTLOOK

GROUP STRATEGIC OBJECTIVES

The following statements on the future business performance of the Gerresheimer Group and of Gerresheimer AG, and the assumptions about the economic development of the market and industry deemed significant for this purpose, are based on our assessments, which we consider realistic at the present time based on the information we have available. Those assessments are subject to uncertainty, however, and entail the unavoidable risk that actual performance may vary in direction or magnitude from the projected performance.

DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

GLOBAL AND REGIONAL ECONOMIC DEVELOPMENT⁵⁾

Expected growth in gross domestic product

Change in %	2019	2018
World	3.7	3.7
US	2.5	2.9
Eurozone	1.9	2.0
Germany	1.9	1.9
Emerging markets	4.7	4.7
China	6.2	6.6
India	7.4	7.3
Brazil	2.4	1.4
Russia	1.8	1.7

Source: International Monetary Fund: World Economic Outlook, October 2018.

The IMF⁵⁾ forecasts global economic growth of 3.7% in 2019, the same rate as is expected for 2018. This corresponds to a 0.2 percentage point downgrade from the July forecast and, alongside US duties on Chinese imports, is attributable to corrections in a number of regions where growth was weaker than expected in the first half of the year.

For the US, the IMF expects growth to decrease from 2.9% in 2018 to 2.5% in 2019 and attributes this to the unwinding of stimulus from the US tax reform.

As to the eurozone, estimates for 2019 likewise project a marginal decrease in economic growth to about 1.9%—compared with growth of about 2.0% in 2018. Growth in this region was most recently below expectations according to the IMF. For Germany, by contrast, the IMF expects growth in 2019 to match the prior-year level of 1.9%.

The IMF's growth rate forecast for emerging markets in 2019 is 4.7%, which is again equal to the figure expected for 2018. Specifically, the IMF expects 6.2% GDP growth for China (2018: 6.6%) and an increase of 7.4% for India (2018: 7.3%); in Brazil, GDP is projected to show growth of 2.4% (2018: 1.4%).

MARKET AND BUSINESS OPPORTUNITIES FOR THE GERRESHEIMER GROUP

PROSPECTS FOR THE FINANCIAL YEAR 2019 AND SUBSEQUENT YEARS

The IMF forecasts solid further growth for the global economy in 2019 and the ensuing years. Independently of that, and also in light of a slightly improved market environment in the US, we expect that we will be able to further expand our core business with primary packaging and drug delivery systems for the pharma and healthcare industry in the financial year 2019.






As part of a strategic analysis in the financial year 2018, we once again conducted an overall review of all markets in which we already have a presence today, including glass and plastic pharmaceutical primary packaging, cosmetic glass, syringes, and drug delivery devices such as inhalers and insulin pens. In addition, we looked at other markets we could target with our existing capabilities and, last but not least, adjacent markets that we have not yet been able to develop today but that may nonetheless hold potential. Examples include the market for connected drug delivery devices, meaning smart drug delivery products with digital interfaces.

⁵⁾ International Monetary Fund: World Economic Outlook Update, October 2018.

⁶⁾ International Monetary Fund: World Economic Outlook, October 2018.

The table below provides an overview of the size of all potential markets that we are capable of serving. This shows a total market potential of some EUR 15bn.

Gerresheimer operates in large and attractive markets

	COSMETIC GLASS 	PHARMA GLASS¹⁾ 	PHARMA PLASTIC 	SYRINGES 	DRUG DELIVERY SYSTEMS 
ESTIMATED MARKET SIZE 2017²⁾ (in EUR bn)	~ 1.8	~ 2.2	~ 5.8	~ 0.9	~ 4.0
MARKET GROWTH CAGR '17-'22²⁾ (in %)	LOW SINGLE DIGIT			MID SINGLE DIGIT	

¹⁾ Tubular glass and molded glass.

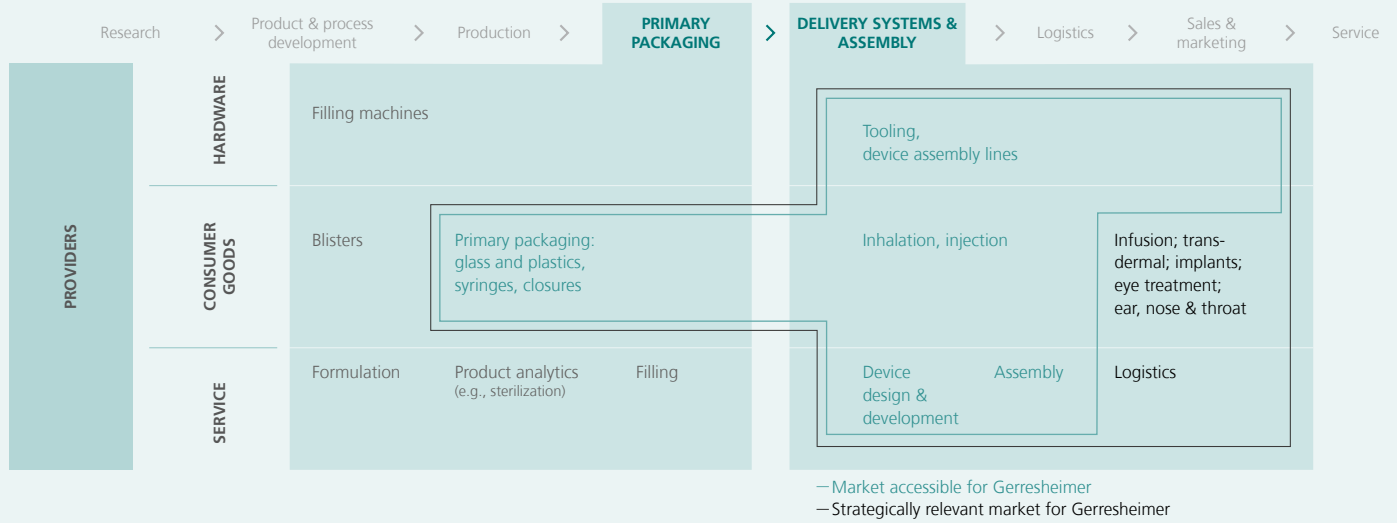
²⁾ Strategically relevant markets, Gerresheimer estimates.

Generally, the markets referred to here are markets of considerable size and attractiveness, and in many areas we already have large market shares. However, there are also areas where Gerresheimer has below-average or even zero exposure and which therefore present us with attractive growth opportunities. The market as a whole features segments with mid-single-digit rates of growth, such as prefillable syringes, and segments with low-single-digit growth rates, such as plastic pharmaceutical containers. This latter segment is so large, however, that areas still exist where there are opportunities for us to achieve above-average growth. The precise shape of the related business models and the margins that can be expected are matters that we appraise in detail market by market and project by project. Around 2.2% annual volume growth is expected across all markets for the next five years. The emerging markets will grow more rapidly than all other markets, by about 3.7%. By contrast, IQVIA Institute projects zero growth for developed economies and 1.8% for the rest of the world.

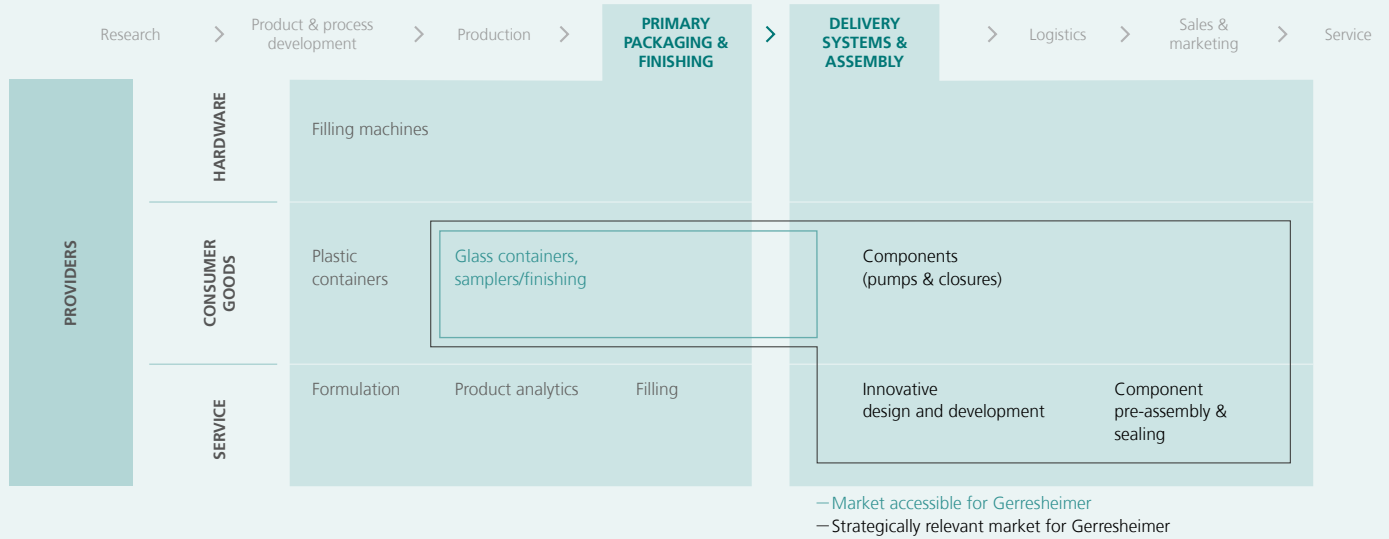
At the same time, the requirements placed on primary pharma packaging are changing. Biotech-based drugs need special primary packaging that meets high quality standards with regard to drug compatibility. Consumer safety is also more and more a key factor, especially with self-medication becoming increasingly widespread. Compatibility of glass and plastic systems is important, notably for sophisticated products such as autoinjectors. Our customers also attach importance to total cost of ownership, which takes in manufacturing costs across the entire pharmaceutical process. These are the trends and developments on which we base our strategic decisions for additional investment and resource allocation today and in the future.

We have clearly identified Gerresheimer's position in our customers' value chain, classifying the various sub-markets into markets we can already target today and strategically relevant markets in the broader sense.

Gerresheimer positioning in the pharma value chain



Gerresheimer positioning in the cosmetics value chain



MEGATRENDS

In forecasting our market and business opportunities, we primarily endeavor to identify highly probable trends in our markets. Of particular importance in this regard are long-term global trends—also referred to as megatrends. In general, these are very stable trends not especially susceptible to setbacks. It is crucial for us to pinpoint such trends in order to be able to make strategic decisions for our Company. They relate to issues such as the development of new growth markets as well as changes in the nature and scale of demand for our products. In order to evaluate these issues, it is necessary to look into which of the currently evident trends are based on short-term developments and which are expected to be long-term and largely unaffected by political or economic events. There are six main megatrends which we expect to have a positive impact on our business development.

Megatrends

RISE IN CHRONIC DISEASES AND AGING POPULATION



Daily medicinal drug consumption growing

RAPID GROWTH IN GENERICS



Growing market

GROWING HEALTHCARE PROVISION IN EMERGING MARKETS



More people with access to healthcare

STRICTER REGULATORY REQUIREMENTS



Need for “high-quality” solutions

NEW DRUGS, ESPECIALLY IN BIOSIMILARS AND BIOTECH



Demand for innovative solutions

GROWING TREND TOWARD SELF-MEDICATION



Focus on quality and convenience

1. RISE IN CHRONIC DISEASES AND AGING POPULATION

The prevalence of chronic illnesses is growing. Some 425 million people suffer from diabetes today. It is estimated that this figure could reach 630 million by 2040. Whereas approximately 9% of the world adult population suffer from diabetes at present, this percentage is likely to rise beyond 10% by 2040 in parallel with further growth in the global population from 7.65 billion in 2018 to an expected 9.5 billion in 2040. Added to this, only every second diabetes sufferer is so far diagnosed as such.⁷⁾ The relative share of elderly people in the population as a whole is also increasing in many parts of the world—a trend that further abets the prevalence of chronic illnesses. Increasing quantities of drugs are thus needed to treat growing numbers of patients, and each individual pharmaceutical product requires a suitable packaging and delivery solution. We therefore work together with customers to develop insulin pens, skin-prick aids for diabetics and asthma inhalers that are used every day in their millions—and rising. Pharmaceuticals companies wish to attract patients with safe drug delivery products that are not only user-friendly but have an appealing look and feel. Developing such products in close harness with customers is one of our major strengths.

2. RAPID GROWTH IN GENERICS

IQVIA projects average volume growth in generics of 2.9% a year for the years 2019 to 2023.⁸⁾ Generics revenues will show strong growth notably in pharmerging markets, as medicines become affordable for many patients once patent protection no longer applies. In traditional markets further along the development cycle, too, drug licensing and control authorities as well as health insurance funds place emphasis on good outcomes in cost-benefit analysis, in many cases leading to generic drugs being approved and increasingly also prescribed. This is a favorable trend for us, as the selling price of a drug is a secondary concern from our perspective. What counts most for us is volume growth, and so the growth of the generic drugs market drives our revenues and hence net income.

3. GROWING HEALTHCARE PROVISION IN EMERGING MARKETS

For the pharmerging markets, IQVIA forecasts that medicine spending will increase by an average of 3.7% a year over the next five years.⁸⁾ The most important markets include China, followed by India and Brazil. Even densely populated China, however, attains only relatively small volumes in terms of pharma revenues compared with the US. Given the population densities in pharmerging markets, we see huge growth potential in the increasing strength of their healthcare systems and improving access to healthcare for the population, and we already have a strong presence with numerous plants in China, India, Brazil and Mexico.

4. STRICTER REGULATORY REQUIREMENTS

Healthcare authorities—especially those in the US—continue to impose ever more exacting regulatory requirements. These have long since ceased to relate solely to drug making and nowadays are equally relevant to pharmaceutical packaging. Primary packaging must protect and preserve medication while preventing loss of or variation in efficacy. This is why healthcare authorities license new drugs only in conjunction with approval for the associated primary packaging—which underscores the need for high-quality solutions. Ultimately, the primary concern is patients' health. We consequently invest in quality worldwide and, in doing so, set ourselves apart from potential competitors, as barriers to entry are raised higher as a result.

5. NEW DRUGS, ESPECIALLY IN BIOSIMILARS AND BIOTECH

New drugs tend as a rule to place fresh demands on packaging. In light of intensive research and development by pharma companies, IQVIA experts anticipate a record 45 new active substances to be launched on average per year for the years 2016 to 2021. Demand for innovative solutions is growing, with expected developments notably including innovative treatment methods and new platforms. Here, we can offer innovative solutions based around new materials such as high-performance COP (cyclic olefin polymer) plastic or highly shatter-resistant glass (Gx® Elite Glass). One of our key competitive advantages is our in-depth materials expertise combined with our very extensive product range compared with competitors. This makes the specific means of delivery used for a new drug irrelevant to us, as our exceptionally broad product portfolio offers almost every conceivable glass and plastic packaging solution for drugs in liquid, solid or powder form. Similarly, we have an extensive range of packaging for pharmaceuticals produced in traditional chemical processes, for biotech-based drugs and likewise for generics, as well as for all types of over-the-counter pharmaceuticals.

6. GROWING TREND TOWARD SELF-MEDICATION

When patients have to self-medicate, they need simple, reliable solutions. We offer a wealth of smart self-medication products for this purpose, with the prime focus on quality and convenience. At the same time, these products make medication easier to take, help avoid medication errors, and give patients greater freedom and enhanced quality of life. They also help cut costs in the healthcare system because many of them serve to reduce the quantity and duration of outpatient or inpatient care that would otherwise be needed.

⁷⁾ IDF: Diabetes Atlas, 8th Edition, 2017.

⁸⁾ IQVIA Institute, January 9, 2019.

EXPECTED NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

As the Group parent, Gerresheimer AG derives income from its main German subsidiaries under profit and loss transfer agreements. The termination of the profit and loss transfer agreement between Gerresheimer Holdings GmbH and Gerresheimer Group GmbH effective December 1, 2018 will have a significant negative impact on net income of Gerresheimer AG in the financial year 2019. This is because the earnings of Gerresheimer Group GmbH for the financial year 2019 will be recognized phase-shifted, meaning in the financial year 2020. For this reason, we expect a net loss in the low double-digit million range for the financial year 2019. In line with our dividend policy, until a new profit and loss transfer agreement is entered into as planned for the financial year 2020, we will temporarily distribute the dividend out of the retained earnings of EUR 185.9m as of November 30, 2018.

The overarching Group objective is to become the leading global partner for enabling solutions that improve health and well-being. To achieve this, we aim to expand our global presence and generate profitable, sustained growth.

PLASTICS & DEVICES

In the Plastics & Devices Division, we expect only modest growth in 2019. Our prescription drug delivery devices remain the main revenue driver in this segment. These primarily comprise insulin pens and inhalers, but also syringes. Regionally speaking, our business with prescription drug delivery devices will retain its European focus. Overall, our business in this division is firmly on track for growth thanks to clear, intact megatrends, and will continue to grow in 2020, especially in terms of syringe sales. In the short term, however, the growth trend will be slowed by the loss of a larger customer for inhalers as well as by plant modifications and relocations, notably in preparation for business based on the newly acquired Sensile Medical micro pumps. This is also reflected in capital expenditure for expansion at our locations—in Buende (Germany) for a large syringe order and in Horsovsky Tyn (Czech Republic) due to a large inhaler order awarded in 2018—as well as initial investment spending on a new production site in Eastern Europe.

Revenues from our plastic primary packaging products are expected to continue performing well in the financial year 2019 in Europe, the US and emerging markets. There, too, investment is planned in light of the strong demand in China, Brazil and also India.

PRIMARY PACKAGING GLASS

In our Primary Packaging Glass Division, we anticipate slightly above market revenue growth with our glass primary packaging, such as pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars. We will once again be deploying various measures to further boost productivity in 2019. These mainly involve investment in standardizing our glass production machinery and in adding to glass production capacity. We expect revenue growth above all in our emerging market operations. We also anticipate a positive operating environment for the cosmetics business, and likewise expect to slightly increase revenues with glass cosmetic products in the financial year 2019.

ADVANCED TECHNOLOGIES

By adhering to our four growth drivers—stronger growth with existing and new customers, ongoing product development and innovation, regional expansion, and additions to our service and value portfolio—we have now succeeded in taking a further major step forward. We acquired Sensile Medical while at the same time establishing our new Advanced Technologies Division in 2018. With this strategic acquisition, we gain access to a highly innovative technology, thereby enhancing our capability and product portfolio. Sensile Medical's leading position in micro pump technology combined with drug delivery devices featuring electronic and connected capabilities for medical applications progresses to market readiness in specific customer projects with pharma companies. By contrast to the contract manufacturing model in the medical plastic systems business, Sensile Medical is involved at pharma producers in an earlier phase of drug and therapy development. In an already well-advanced collaboration, for example, pharma company Sanofi contributes its many years of experience with insulin and solutions for the treatment of diabetes. Verily, a company in the Alphabet group, likewise contributes its expertise in integrating microtechnology and digital health technology. Sensile Medical holds a large number of patents and is remunerated by the pharma companies it partners with on attainment of specified milestones in the development phase and by way of royalties after product launch. It generates additional revenue from the sale of devices, where the products can be manufactured either by external producers or by Gerresheimer's Medical Systems Business Unit. As a result, the new division has little capital expenditure and low net working capital.

Sensile Medical, however, is just one building block in our long-term onward development. More acquisitions and collaborations with universities and other trading partners and customers will follow in order to further enhance Gerresheimer's positioning as the solutions provider for the pharma and healthcare industry.

EXPECTED FINANCIAL SITUATION AND LIQUIDITY

The Gerresheimer Group had EUR 80.6m in cash and cash equivalents as of November 30, 2018 (prior year: EUR 287.0m). We had EUR 185.6m available as of the reporting date (prior year: EUR 450.0m) under the revolving credit facility provided to Gerresheimer AG. This puts us in a sound financial position, and we will continue to have sufficient liquidity in the financial year ahead to finance our planned capital expenditure and meet our other financial obligations.

The table below provides an overview of when the revolving credit facility and promissory loans are due for refinancing.

	Amount in EUR m	Maturity
Revolving credit facility	450.0	June 2020
Promissory loans – November 2015		
5 year tranche	189.5	November 2020
7 year tranche	210.0	November 2022
10 year tranche	25.5	November 2025
Promissory loans – September 2017		
5 year tranche	95.5	September 2022
7 year tranche	109.0	September 2024
10 year tranche	45.5	September 2027

DIVIDEND POLICY

At the Annual General Meeting on June 6, 2019, the Management Board and Supervisory Board of Gerresheimer AG will propose the distribution of a dividend of EUR 1.15 per share for the financial year 2018. This represents an increase of 4.5% on the prior-year dividend. The payout ratio amounts to 20.3% of adjusted net income after non-controlling interests. This distribution is in line with our dividend policy of distributing to our shareholders between 20% and 30% of adjusted net income after non-controlling interests, depending on our operating performance. Following the acquisition of Sensile Medical in the financial year 2018 and the resulting temporary increase in debt to an adjusted EBITDA leverage ratio of more than 3.0x, we consciously decided to keep the distribution at the lower end of this range. In line with our operating performance, we plan to retain our dividend policy in the financial year 2019 and distribute to our shareholders between 20% and 30% of adjusted net income after non-controlling interests.

OVERALL OUTLOOK ASSESSMENT

Our Company is well equipped for the financial years ahead. We have a sound financial base, long-range financing and a clear-cut corporate strategy founded on long-term megatrends. We will continue to globalize our Company, consolidate markets and take attractive technologies into our portfolio. The goal in all activities is to further sharpen our focus on the pharma/healthcare and cosmetics industries. Alongside organic growth that we plan to finance out of operating cash flow, acquisitions subject to careful appraisal of opportunities and risks will continue to play an instrumental role. We are very well placed to systematically act on the potential opportunities arising from a consolidation of our industry.

OVERALL GROUP

The Gerresheimer Group pursues a successful, clear-cut strategy geared to sustained and profitable growth. Our expectations for the financial year 2019, in each case assuming constant exchange rates and excluding acquisitions and divestments, are set out in the following. In the table below, we list our exchange rate assumptions for our key currencies as applied in all forecasts provided. All forecasts are stated on a neutral basis in relation to these currencies and excluding acquisitions and divestments.

1 EUR	Currency	
Argentina	ARS	43.0000
Brazil	BRL	4.3500
Switzerland	CHF	1.1400
China	CNY	7.9500
Czech Republic	CZK	25.5000
India	INR	85.0000
Mexico	MXN	21.8500
Poland	PLN	4.2500
United States of America	USD	1.1500

The most important currency after the euro continues to be the US dollar with a share of just under 30% of revenues and just below 40% of adjusted EBITDA in 2019. As before, about a one cent rise or fall in the US dollar against the euro has an impact of around EUR 4m on revenues and EUR 1m on adjusted EBITDA.

Outlook for the financial year 2019:

Based on our current visibility, we expect consolidated revenues for the financial year 2019 to be in a range of around EUR 1.4bn to EUR 1.45bn, against a comparative figure of EUR 1,359.7m for the financial year 2018.⁹⁾ Attainment of the upper end of our forecast will also decisively depend on the performance of our new Advanced Technologies Division. We expect adjusted EBITDA to be approximately EUR 295m (plus or minus EUR 5m), versus a comparative figure for adjusted EBITDA of EUR 289.1m¹⁰⁾ in the financial year 2018. Aside from low margins on development orders for the new Advanced Technologies Division, this is notably due to the Plastics & Devices Division, which is causing a temporary decrease in the Group adjusted EBITDA margin due to higher revenues in the low-margin engineering and tooling business, newly awarded large orders and increased expenditure for relocation, employee training and production start-up/ramp-up. In addition, in the financial year 2019, other operating income of approximately EUR 90m¹¹⁾ arises from the derecognition of contingent consideration from the acquisition of Sensile Medical. This results from a customer's announcement after the balance sheet date that he will not continue a project with Sensile Medical. Gerresheimer hedged this risk economically by agreeing to a contingent purchase price.

Preliminary indication for subsequent years in terms of revenues and adjusted EBITDA:

In terms of base-level organic growth, we expect for the financial years 2019 and 2020 initially to grow with the market for products relevant to us. This growth is to be increased by one percentage point by means of further improvements in the product mix, to be achieved through a shift toward more high-quality products such as syringes for biotech-based drugs, new innovative developments like Gx® Elite Glass, and also glass cosmetics packaging finishing. In addition, the new Advanced Technologies Division and within it the Sensile Medical Business Unit will lead to a further increase in revenues in 2020 to 2022. All in all, we assume that—based on revenues for the financial year 2019—we will grow on average between 4% and 7% p.a. on group level until the end of 2022.

We secured a large inhaler order for Europe from a major international pharma producer in 2018. The order was based on our good performance in production—at our plant in Peachtree City (Georgia/USA)—of the same inhaler sold by this customer on the North American market. Following tooling revenues in 2019 and 2020, we expect to begin supplying the inhaler under the European contract from the fourth quarter 2020. At full production—at the earliest from the financial year 2023—we anticipate revenues from the contract in a magnitude of up to EUR 30m a year. To fulfill the order, we are going to invest in our Horsovsky Tyn plant in the Czech Republic during the financial years 2019 and 2020.

Furthermore, we have succeeded for the first time in becoming the main supplier to one of the largest heparin producers and are to supply this customer with prefillable syringes under a multi-year contract. This is an outcome of systematically pursuing our syringes strategy and the resulting good performance together with our good cost position in the syringe business. We expect initial revenues from this contract in the financial year 2019 and, at full production, that they will reach up to EUR 20m a year in 2021. To generate growth in medical devices and syringes generally, we plan to build a new plant in Eastern Europe for manufacturing medical devices and possibly also syringes. At the same time, we will continue to accelerate automation across all plants.

As a result of the previously described higher revenues in the low-margin engineering and tooling business, we expect the adjusted EBITDA margin in the business year 2020 to be reduced by the newly awarded large orders and increased expenditures for relocation, employee training and production start-up/ramp-up of in the Plastics & Devices Division, so that the adjusted EBITDA margin for the Group should be around 21%. The Gerresheimer Group's adjusted EBITDA margin should then increase by around 2 percentage points in the financial years 2021 and 2022 compared to the financial years 2019 and 2020 to around 23% as a result of the measures described above and the large projects.

⁹⁾ Based on the EUR 1,367.7m revenues for the financial year 2018 less revenues of approximately EUR 8m for the loss of the inhaler customer at our plant in Kuessnacht (Switzerland).

¹⁰⁾ Based on adjusted EBITDA for the financial year 2018 in the amount of EUR 298.6m, plus EUR 1.1m for the expense relating to the fair value measurement of the Triveni put option, plus EUR 1.4m for the expense relating to the exemption from electricity network charges, less a total of EUR 12m for the adjusted EBITDA from the revenues and for the non-recurring compensation payments relating to the loss of the inhaler customer at our plant in Kuessnacht, (Switzerland).

¹¹⁾ We are currently analyzing any impact on the recoverability of the acquired goodwill and technology. Irrespective of the outcome of our analysis, this will not have any significant impact on adjusted EBITDA.

The growth in the financial years 2021 and 2022 requires additional capital expenditure for immediate capacity expansion which, on our indicative estimates, will raise capital expenditure as a percentage of revenues at constant exchange rates by up to 4 percentage points in the financial years 2019 and 2020. Group capital expenditure will thus be at approximately 12%. This temporarily increased capital expenditure already includes all expenditure required for the plant to be built in Eastern Europe and for automation across all plants in the Group. From the financial year 2021, we then anticipate that capital expenditure will return to its normal level of approximately 8% of consolidated revenues at constant exchange rates.

As to net working capital, we target about 16% of revenues in all years. Fluctuations in the order situation and customer requirements with regard to safety stocks can influence this value.

Our long-term target for the entire Group remains as follows:

- › Gx ROCE of approximately 15%.
- › We continue to consider a net financial debt to adjusted EBITDA ratio of 2.5x to be right, with temporary variation above or below this permitted because M&A activity cannot be planned in exact detail.

ANNUAL FINANCIAL STATEMENTS OF THE GERRESHEIMER AG

44 INCOME STATEMENT

45 BALANCE SHEET

46 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- 46 (1) Preliminary note
- 46 (2) Classification principles
- 46 (3) Accounting policies

47 Notes to the Income Statement

- 47 (4) Revenues
- 47 (5) Other operating income
- 48 (6) Personnel expenses
- 48 (7) Amortization of intangible assets and depreciation of property, plant and equipment
- 48 (8) Other operating expenses
- 48 (9) Income from profit transfer agreements
- 48 (10) Income from long-term loans
- 48 (11) Other interest and similar income
- 48 (12) Interest and similar expenses
- 48 (13) Income taxes

49 Notes to the Balance Sheet

- 49 (14) Fixed assets
- 50 (15) Receivables and other assets
- 50 (16) Cash and cash equivalents
- 50 (17) Prepaid expenses
- 51 (18) Subscribed capital
- 51 (19) Authorized capital
- 51 (20) Capital reserve
- 51 (21) Retained earnings
- 51 (22) Provisions for pensions
- 51 (23) Tax provisions
- 51 (24) Other provisions
- 51 (25) Liabilities
- 52 (26) Deferred tax liabilities

53 Other Notes

- 53 (27) Contingent liabilities
- 53 (28) Other financial commitments
- 53 (29) Employees
- 53 (30) Members of the Governing Bodies
- 54 (31) Shareholdings
- 54 (32) Notifications from shareholders of the company in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz/WpHG)
- 55 (33) Services of the independent auditor
- 55 (34) Corporate Governance
- 55 (35) Proposal for appropriation of retained earnings
- 55 (36) Events after the balance sheet date
- 55 (37) Group relationships

INCOME STATEMENT

for the financial year from December 1, 2017 to November 30, 2018

	Notes	Dec. 1, 2017 – Nov. 30, 2018 in EUR	Dec. 1, 2016 – Nov. 30, 2017 in EUR k
Revenues	(4)	3,647,089.98	5,616
Other own work capitalized		35,676.03	223
Other operating income	(5)	26,531,437.08	28,150
Personnel expenses	(6)	-17,502,778.82	-15,776
Depreciation and amortization	(7)	-1,364,085.58	-683
Other operating expenses	(8)	-40,804,690.39	-38,071
Income from profit transfer agreements	(9)	90,843,307.36	64,940
Income from long-term loans	(10)	27,652,387.40	45,803
Other interest and similar income	(11)	3,129,951.69	3,795
Interest and similar expenses	(12)	-15,841,732.39	-21,764
Income taxes	(13)	-8,470,610.58	-12,857
Earnings after taxes		67,855,951.78	59,376
Other taxes		-36,287.84	-70
Net income		67,819,663.94	59,306
Retained earnings carried forward		118,067,004.84	93,301
Retained earnings	(21)	185,886,668.78	152,607

BALANCE SHEET

as of November 30, 2018

ASSETS			
	Notes	Nov. 30, 2018 in EUR	Nov. 30, 2017 in EUR k
Fixed assets			
Intangible assets	(14)	5,202,250.64	4,842
Property, plant and equipment	(14)	257,044.00	335
Financial assets	(14)	1,286,176,294.85	1,111,176
		1,291,635,589.49	1,116,353
Current assets			
Receivables and other assets	(15)	193,912,992.95	481,003
Cash and cash equivalents	(16)	11,587.34	117,250
		193,924,580.29	598,253
Prepaid expenses	(17)	713,494.26	786
Total assets		1,486,273,664.04	1,715,392
EQUITY AND LIABILITIES			
	Notes	Nov. 30, 2018 in EUR	Nov. 30, 2017 in EUR k
Equity			
Subscribed capital			
Authorized capital EUR 6,280,000.00 (prior year: EUR 6,280k)	(18)	31,400,000.00	31,400
Capital reserve	(20)	525,720,605.98	525,721
Retained earnings	(21)	185,886,668.78	152,607
		743,007,274.76	709,728
Provisions			
Provisions for pensions	(22)	1,581,039.09	–
Tax provisions	(23)	6,012,196.54	5,192
Other provisions	(24)	12,136,443.43	12,801
		19,729,679.06	17,993
Liabilities	(25)	723,536,710.22	987,007
Deferred tax liabilities	(26)	–	664
Total equity and liabilities		1,486,273,664.04	1,715,392

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

of Gerresheimer AG for the financial year 2018 (December 1, 2017 to November 30, 2018)

(1) Preliminary note

Gerresheimer AG is a large corporation according to section 267 (3) in conjunction with section 264d of German Commercial Code (Handelsgesetzbuch/HGB). The company's registered office is located at Klaus-Bungert-Strasse 4 in 40468 Duesseldorf and the company is entered in the Commercial Register at the District Court of Duesseldorf (HRB 56040). Gerresheimer AG serves as holding company and its main activity is the management of the subsidiaries of the Gerresheimer Group.

There is a domination- and a profit and loss transfer agreement between Gerresheimer AG and Gerresheimer Holdings GmbH. Under this agreement, Gerresheimer Holdings GmbH is required to transfer all profits to Gerresheimer AG. In return, Gerresheimer AG must absorb any net loss.

(2) Classification principles

The annual financial statements of Gerresheimer AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). For the sake of a clearer presentation, several items of the balance sheet and the income statement have been combined. These items are disclosed separately in the relevant sections of the notes. The income statement was prepared using the nature of expense method.

(3) Accounting policies

Purchased **intangible assets** are carried at acquisition cost less scheduled amortization. Purchased industrial property rights and similar rights are amortized over three to five years unless a different contractual useful life applies. Internally generated intangible assets are not capitalized. An impairment loss is recognized if there is a reduction in value of an intangible asset for a prolonged period of time and recognized at the lower attributable value.

Other own work capitalized is valued at production cost, which comprise direct personnel cost and reasonable shares of overheads incurred in connection with software implementation projects.

Property, plant and equipment are carried at acquisition cost less depreciation. Property, plant and equipment are depreciated over their expected useful lives of three to 13 years on a straight-line basis. As of January 1, 2018, low-value assets with acquisition cost between EUR 250 (until December 31, 2017: EUR 150) and not more than EUR 1,000, are grouped on an annual basis and depreciated over five years in accordance with tax regulations. As of January 1, 2018, low-value assets with acquisition costs up to EUR 250 (until December 31, 2017: EUR 150) are recognized immediately as an expense. An impairment loss is recognized if there is a reduction in value of property, plant and equipment for a prolonged period of time.

Financial assets are carried at acquisition cost or at the lower attributable fair value. If the attributable value exceeds the carrying amount of a financial asset for a prolonged period of time, an impairment loss is recognized. Whenever the reasons for an impairment cease to exist, a write-up limited to the historical cost is recognized.

Receivable and other assets are carried at nominal value. Foreign currency receivables with a maturity of up to one year are translated at the spot rates at the balance sheet date. Where foreign currency receivables are hedged, the hedge and the hedged items are accounted for as a valuation unit. The valuation units are accounted for using the gross hedge presentation method. The fair values of the effective components of financial derivatives are recorded as other assets or provisions.

Cash and cash equivalents are carried at nominal value.

Prepaid expenses consist of accrued payments made prior to the balance sheet date, as far as these constitute expenses for a specific period of time after that date.

Equity items are carried at nominal value.

Provisions for pensions are calculated according to generally accepted actuarial principles using the projected unit credit method. The provisions are measured by applying the 2018 G mortality tables published by Professor Dr. Klaus Heubeck. For simplification purposes, the discount rate used was the average market interest rate over the past ten years of 3.25%, as determined and published by the German Central Bank (Deutsche Bundesbank) in November 2018, for an assumed residual term of 15 years. Furthermore, future salary and wage increases of 3.25% were taken into account.

Assets that are not accessible to any other creditors and that may only be used to meet liabilities from pension obligations or similar long-term obligations (plan assets) are offset against the corresponding obligation in accordance with section 246 (2) sentence 2 of the German Commercial Code. Plan Assets are recognized at fair value.

Expenses and income from the accrual of interest on the relevant obligations are offset with expenses and income from plan assets and shown within net interest result.

Provisions are recognized at the required settlement value in accordance with reasonable commercial judgment. Future increases in prices and costs are taken into consideration if there are sufficient objective indications for their occurrence. Provisions with a residual period of more than one year are discounted using the average market interest rate of the last seven years as published by the German Central Bank (Deutsche Bundesbank).

The provision for phantom stocks is recognized at the intrinsic (share based compensation) respectively at the fair value (value based compensation) and is accumulated over the period from the grant date to the earliest exercise date.

Liabilities are recognized at their settlement amounts.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the financial statement according to HGB and their tax bases. With effect from December 1, 2018, two german tax groups were created: one tax group consisting of Gerresheimer AG and Gerresheimer Holdings GmbH and one tax group consisting of Gerresheimer Group GmbH and its remaining direct and indirect german subsidiaries. The creation of the Gerresheimer Group GmbH tax group allows Gerresheimer Group GmbH to use tax loss carryforwards in the following financial years. Gerresheimer AG also provides for the deferred taxes of the company in its tax group. Deferred taxes are provided for on the basis of the combined income tax rate expected at the time of the settlement of the differences of 29.0%, which comprises corporate income tax (15.0%), trade tax (13.0%) and the solidarity surcharge (5.5%). Deferred tax assets and deferred tax liabilities are netted against each other. Any net overall tax liability is recognized in the balance sheet as a deferred tax liability. The option to capitalize any resulting net deferred tax asset is not exercised.

NOTES TO THE INCOME STATEMENT

(4) Revenues

Revenues in the financial year 2018 came to EUR 3,647k (prior year: EUR 5,616k) and are mainly attributable to IT-services and other management services rendered to affiliated companies, which were provided exclusively by using own employees.

The services in the financial year 2018 were rendered to affiliated companies that are based in the following countries or regions:

in EUR k	2018	2017
Germany	1,607	2,594
Americas ¹⁾	785	1,101
Europe ¹⁾	753	1,144
Emerging countries ²⁾	502	776
Total	3,647	5,616

¹⁾ The revenues shown here for Europe exclude revenues in Germany, Poland, Russia and Turkey, and the revenues shown for the Americas exclude revenues in Argentina, Brazil, Chile, Colombia and Mexico.

²⁾ These comprise Algeria, Argentina, Bangladesh, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Kazakhstan, Mexico, Nigeria, Pakistan, Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey and Vietnam.

The decrease in revenues in the amount of EUR 1,969k is mainly due to the transfer of the rights to use the umbrella brand from Gerresheimer AG to GERRESHEIMER GLAS GmbH.

(5) Other operating income

in EUR k	2018	2017
Income from intra-group allocations	11,482	10,062
Income from currency translation	6,965	1,447
Income from currency derivatives	5,671	15,430
Income from the reversal of provisions	2,107	847
Sundry other income	306	364
Total	26,531	28,150

Income from intra-group allocations in the financial year 2018 only relates to insurance premiums as well as other costs which were charged to group companies and did not include own services rendered.

(6) Personnel expenses

In the financial year 2018 expenses of EUR 15,286k (prior year: EUR 14,730k) were incurred for salaries. Additionally, the expenses for social security contributions totaled EUR 1,104k (prior year: EUR 1,045k) and for retirement benefits EUR 1,113k (prior year: EUR 1k). The increase of the expenses for retirement benefits is attributable to defined contribution as well as defined benefit obligations to two members of the Management Board. The defined benefit obligations were transferred from GERRESHEIMER GLAS GmbH to Gerresheimer AG with effect from December 1, 2017.

(7) Amortization of intangible assets and depreciation of property, plant and equipment

With regard to amortization and depreciation, we refer to the statement of movements in fixed assets.

(8) Other operating expenses

in EUR k	2018	2017
Expenses from currency derivatives	8,099	2,974
Expenses from currency translation	7,560	17,266
IT-related expenses	5,071	4,702
Legal and consulting expenses	4,848	3,067
Expenses for severance payments	4,020	–
Expenses for insurance	2,969	2,345
Travel, representation and advertising expenses	2,130	2,027
Supervisory Board remuneration	1,141	1,072
Rental expenses	1,132	1,089
Expenses from intra-group allocations	166	269
Sundry other expenses	3,669	3,260
Total	40,805	38,071

Expenses from currency translation and expenses from currency derivatives amounting to EUR 15,659k (prior year: EUR 20,240k) are mainly attributable to expenses resulting from the hedge of the USD-loan granted to Gerresheimer Glass Inc., which was repaid in full on July 17, 2018.

Expenses for severance payments are entirely attributable to the unexpected departure of the former Chairman for personal reasons from the Management Board of Gerresheimer AG.

Other operating expenses include expenses relating to prior periods in the amount of EUR 3k (prior year: EUR 57k). These expenses result from the derecognition of tax receivables.

(9) Income from profit transfer agreements

Income from profit transfer agreements of EUR 90,843k (prior year: EUR 64,940k) relates to the profit transferred by Gerresheimer Holdings GmbH under the existing profit and loss transfer agreement.

(10) Income from long-term loans

In the financial year 2018 income from long-term loans amounts to EUR 27,652k (prior year: EUR 45,803k) and relates, as in the prior year, entirely to affiliated companies. The decrease in this income in comparison to the prior year is due to the adjustment of the loan conditions resulting from refinancing the bond on more favorable terms after redemption in May 2018.

(11) Other interest and similar income

Other interest and similar income amount to EUR 3,130k (prior year: EUR 3,795k) and mainly relate to interest income from affiliated companies of EUR 3,011k (prior year: EUR 3,795). Furthermore, interest and similar income comprise the net income in the amount of EUR 119k (prior year: EUR 0k) resulting from offsetting income from plan assets (EUR 174k, prior year: EUR 0k) with the corresponding expenses from the accrual of interest on the pension provisions (EUR 55k; prior year: EUR 0k).

(12) Interest and similar expenses

In the financial year 2018 interest and similar expenses amount to EUR 15,842k (prior year: EUR 21,764k) and mainly relate to interest expenses for the bond redeemed on May 21, 2018 and the promissory loans. In addition, expenses resulting from the discounting of provisions of EUR 61k (prior year: EUR 102k) and interest expenses from taxes of EUR 299k (prior year: EUR 196k) were incurred.

(13) Income taxes

Tax expense for the financial year 2018 comprises as follows:

in EUR k	2018	2017
Income taxes	9,135	13,797
Deferred taxes	-664	-940
Total	8,471	12,857

Income tax expenses consist of income taxes for the current year as well as for the prior year. Income tax expenses include corporate income tax of EUR 3,904k (prior year: EUR 6,139k), trade tax of EUR 3,705k (prior year: EUR 5,878k) and the solidarity surcharge in the amount of EUR 214k (prior year: EUR 338k) for the German tax group. Furthermore taxes relating to the prior year in the amount of EUR 1,269k (prior year: EUR 1,393k) and withholding taxes in the amount of EUR 43k (prior year: EUR 48k) were incurred.

As of November 30, 2018, a future tax benefit (prior year: tax burden) arises from temporary valuation differences resulting from the different valuation of pension provisions and other provisions under commercial and tax law. The option to capitalize any resulting net deferred tax asset according to section 274 (1) sentence 2 HGB is not exercised, therefore neither deferred tax liabilities nor deferred tax assets are shown in the balance sheet as of November 30, 2018 (prior year: deferred tax liabilities in the amount of EUR 664k).

NOTES TO THE BALANCE SHEET

(14) Fixed assets

A disaggregation of items combined in the balance sheet and changes in those items in the financial year 2018 are shown in the following statement of movements in fixed assets:

in EUR k	Acquisition cost				Nov. 30, 2018
	Dec. 1, 2017	Additions	Disposals	Reclassifications	
Intangible assets					
Industrial property rights and similar rights	6,593	1,416	–	501	8,510
Advance payments	757	178	–	-501	434
	7,350	1,594	–	–	8,944
Property, plant and equipment					
Operating and office equipment	1,017	54	8	–	1,063
	1,017	54	8	–	1,063
Financial assets					
Shares in affiliated companies	418,780	175,000	–	–	593,780
Loans to affiliated companies	692,396	–	–	–	692,396
	1,111,176	175,000	–	–	1,286,176
	1,119,543	176,648	8	–	1,296,183

in EUR k	Accumulated depreciation and amortization			Nov. 30, 2018
	Dec. 1, 2017	Additions	Disposals	
Intangible assets				
Industrial property rights and similar rights	2,508	1,233	–	3,741
Advance payments	–	–	–	–
	2,508	1,233	–	3,741
Property, plant and equipment				
Operating and office equipment	682	131	7	806
	682	131	7	806
Financial assets				
Shares in affiliated companies	–	–	–	–
Loans to affiliated companies	–	–	–	–
	–	–	–	–
	3,190	1,364	7	4,547

in EUR k	Carrying amount	
	Nov. 30, 2018	Nov. 30, 2017
Intangible assets		
Industrial property rights and similar rights	4,769	4,085
Advance payments	434	757
	5,203	4,842
Property, plant and equipment		
Operating and office equipment	257	335
	257	335
Financial assets		
Shares in affiliated companies	593,780	418,780
Loans to affiliated companies	692,396	692,396
	1,286,176	1,111,176
	1,291,636	1,116,353

The additions to intangible assets amounting to EUR 1,594k mainly relate to software and licences for software.

In the financial year 2018 additions to property, plant and equipment amount to EUR 54k and are attributable to office equipment and low-value assets.

The increase in shares in affiliated companies of EUR 175,000k results from the addition to the capital reserve of Gerresheimer Holdings GmbH according to section 272 (2) No. 4 HGB carried out on July 17, 2018. Further information on shares in affiliated companies are included in the list of shareholdings at the end of the notes.

Loans to affiliated companies relate to a loan of EUR 296,100k (prior year: EUR 296,100k) granted to GERRESHEIMER GLAS GmbH and a loan granted to Gerresheimer Holdings GmbH amounting to EUR 396,296k (prior year: EUR 396,296k). At the reporting date, the accrued interest relating to both loans are included in receivables from affiliated companies.

(15) Receivables and other assets

in EUR k	2018	2017
Trade receivables	5	5
Receivables from affiliated companies	186,409	480,245
Other assets	7,499	753
	193,913	481,003

Receivables from affiliated companies consist of cash pooling receivables from GERRESHEIMER GLAS GmbH in the amount of EUR 93,266k (prior year: EUR 162,116k) and of receivables from profit transfer agreements from Gerresheimer Holdings GmbH in the amount of EUR 90,843k (prior year: EUR 64,940k). In comparison to prior year the decrease in receivables from affiliated companies is mainly attributable to the repayment of the USD-loan granted to Gerresheimer Glass Inc. on July 17, 2018 in the amount of EUR 251,376k. The remaining receivables from affiliated companies in the amount of EUR 2,300k (prior year: EUR 1,813k) result from deliveries of goods and services. As in the prior year, all receivables fall due within one year. The increase in other assets mainly relates to higher value added tax refund claims resulting from various investment projects at the end of the financial year 2018. As in the prior year other assets fall due within one year.

(16) Cash and cash equivalents

This position comprises cash on hand as well as bank balances. In comparison to the prior year, no short-term cash deposits that can be terminated at any time exist as of November 30, 2018.

(17) Prepaid expenses

As of November 30, 2018, prepaid expenses only include prepayments. At the prior-year balance sheet date the prepaid expenses included the unamortized discount in connection with the corporate bond issued on May 19, 2011 in the amount of EUR 120k. The unamortized discount has been amortized in equal annual installments over the term of the corporate bond until May 19, 2018.

(18) Subscribed capital

As of November 30, 2018, the capital stock totals EUR 31,400k (prior year: EUR 31,400), divided into 31,400,000 no-par-value shares with a nominal of EUR 1.00 each. The capital stock of the company is conditionally increased up to EUR 6,280,000 by issuing up to 6,280,000 new, no-par-value bearer shares.

(19) Authorized capital

The Management Board is authorized, by way of resolution of the Annual General Meeting dated April 26, 2017, to increase the company's capital stock by or before April 25, 2019, subject to the approval of Supervisory Board, by issuing new no-par-value bearer shares for cash or non-cash consideration in one or more issues up to a total of EUR 6,280k.

(20) Capital reserve

As of November 30, 2018, the capital reserve has not changed and amounts to EUR 525,721k.

(21) Retained earnings

In the financial year 2018, retained earnings developed as follows:

in EUR k	
Net income for the financial year 2018	67,820
Profit carried forward	118,067
Retained earnings as of November 30, 2018	185,887

(22) Provisions for pensions

With effect from December 1, 2017, defined benefit obligations of two current members of the Management Board were transferred from GERRESHEIMER GLAS GmbH to Gerresheimer AG.

As of November 2018, the provisions for pensions in the amount of EUR 1,581k (prior year: EUR 0k) comprise the offsetted settlement value of the pension obligations of EUR 3,988k and the fair value of the plan assets in the amount of EUR 2,407k (prior year: EUR 0k). Plan assets only consists of reinsurance contracts, whose fair value corresponds to the coverage capital proven by the insurance company and hence to the amortized cost.

As of November 30, 2018, the difference between the carrying amount of the provisions for pensions using an average market interest rate for the past ten years and an average market interest rate for the past seven years amounts to EUR 897k (prior year: EUR 0k). According to section 253 (6) sentence 2 HGB, this amount is generally subject to a distribution limitation.

(23) Tax provisions

Tax provisions relate to provisions for corporate income tax and solidarity surcharge in the amount of EUR 2,758k (prior year: EUR 1,998k) and for trade tax in the amount of EUR 3,254k (prior year: EUR 3,195k). Of the total amount of tax provisions, EUR 3,296k (prior year: EUR 2,430k) are attributable to provisions relating to the tax audits for the years 2013 to 2015.

(24) Other provisions

Other provisions comprise mainly provisions for personnel expenses and Supervisory Board remuneration, the Annual General Meeting, the annual report, outstanding invoice for several projects and year-end closing costs. Additionally, a provision for partial retirement in the amount of EUR 273k (prior year: EUR 0k) has been set up at the reporting date.

(25) Liabilities

in EUR k	Nov. 30, 2018	Nov. 30, 2017
Bond	–	308,055
Liabilities due to banks	721,357	675,848
Trade payables	1,676	2,285
Liabilities from affiliated companies	8	–
Other liabilities	496	819
<i>thereof from taxes</i>	488	814
<i>thereof social security contributions</i>	1	2
Total	723,537	987,007

The remaining terms of the liabilities are as follows:

in EUR k		Remaining term		Total	thereof more than 5 years
		less than or equal 1 year	more than 1 year		
Bond	Nov 30, 2018	–	–	–	–
	Nov 30, 2017	308,055	–	308,055	–
Liabilities due to banks	Nov 30, 2018	46,357	675,000	721,357	180,000
	Nov 30, 2017	848	675,000	675,848	180,000
Trade payables	Nov 30, 2018	1,676	–	1,676	–
	Nov 30, 2017	2,285	–	2,285	–
Liabilities from affiliated companies	Nov 30, 2018	8	–	8	–
	Nov 30, 2017	–	–	–	–
Other liabilities	Nov 30, 2018	496	–	496	–
	Nov 30, 2017	819	–	819	–
thereof from taxes	Nov 30, 2018	488	–	488	–
	Nov 30, 2017	814	–	814	–
thereof social security contributions	Nov 30, 2018	1	–	1	–
	Nov 30, 2017	2	–	2	–
Total	Nov 30, 2018	48,537	675,000	723,537	180,000
	Nov 30, 2017	312,007	675,000	987,007	180,000

The bond of EUR 300,000k issued by Gerresheimer AG was repaid in full on May 21, 2018.

The acquisition of Centor US Holding Inc. on September 1, 2015 was financed by Gerresheimer AG's successful EUR 425,000k promissory loan in November 2015 and pro rata from the proceeds of the sale of the glass tubing business. The Gerresheimer AG promissory loan signed on November 2, 2015 and paid out on November 10, 2015 comprises one five-year tranche in the amount of EUR 189,500k, one seven-year tranche in the amount of EUR 210,000k and one ten-year tranche in the amount of EUR 25,500k. Mostly, the separate tranches are fixed-interest, although a portion is variable-interest.

Making use of the favorable market environment, the bond issue described above that matures in May 2018 was refinanced ahead of schedule on September 27, 2017 by means of a EUR 250,000k promissory loan. The promissory loan comprises one five-year tranche in the amount of

EUR 95,500k, one seven-year tranche in the amount of EUR 109,000k and one ten-year tranche in the amount of EUR 45,500k. Mostly, the separate tranches are fixed-interest, although a small portion is variable-interest.

Furthermore, liabilities due to banks include drawings on the revolving syndicated loan (facility amount: EUR 450,000k) of EUR 46,000k (prior year: EUR 0k).

(26) Deferred tax liabilities

As of November 30, 2018, a future tax benefit (prior year: tax burden) arises from temporary valuation differences in the amount of EUR 1,240k (prior year: tax burden in the amount of EUR 664k). The option to capitalize any resulting net deferred tax asset according to section 274 (1) sentence 2 HGB is not exercised, therefore neither deferred tax liabilities nor deferred tax assets are shown in the balance sheet as of November 30, 2018. In the prior year the offsetting of deferred tax assets and liabilities resulted in a net liability which was accounted for in accordance with section 274 (1) sentence 1 HGB.

OTHER NOTES

(27) Contingent liabilities

As security for affiliated companies' liabilities to banks, Gerresheimer AG has assumed joint liability in the form of a limited amount guarantee for EUR 450,000k. The resulting total joint liability for Gerresheimer AG in relation to affiliated company bank loans is EUR 222,228k (prior year: EUR 315k) as of the balance sheet date. To the best of our knowledge, no recourse is to be expected given the solid balance sheet and long-term financing of Gerresheimer AG and its subsidiaries.

(28) Other financial commitments

As of November 30, 2018 other financial commitments of EUR 5,782k (prior year: EUR 5,969k) relate to obligations from lease or rental agreements for buildings, vehicles and IT-equipment.

Lease or rental obligations are due as follows:

in EUR k	2018	2017
due within 1 year	1,183	1,043
due in 1 to 5 years	3,076	2,739
due after 5 years	1,523	2,187
Total	5,782	5,969

(29) Employees

On average, Gerresheimer AG had 100 salaried employees (thereof 10 managing and 90 other employees) in the financial year 2018. In prior year Gerresheimer AG had 97 salaried employees (thereof 10 managing and 87 other employees). All employees fulfilled administrative functions.

(30) Members of the Governing Bodies

The members of the Management Board of Gerresheimer AG were:

- › Mr. **Dietmar Siemssen**, Bonn, Chairman (since November 1, 2018)
- › Mr. **Rainer Beaujean**, Meerbusch, Speaker of the Management Board (from February 5, 2018 to October 31, 2018) and Chief Financial Officer
- › Mr. **Dr. Lukas Burkhardt**, Zurich (Switzerland), member of the Management Board responsible for Primary Packaging Glass (since January 1, 2018)
- › Mr. **Andreas Schütte**, Meerbusch, member of the Management Board responsible for Plastics & Devices
- › Mr. **Dr. Christian Fischer**, Duesseldorf, Chairman (until February 5, 2018)

Each Management Board member may represent the Company jointly with another Management Board member or an authorized signatory (Prokurist).

Management Board remuneration consisting of fixed salary (including fringe benefits) and performance-linked bonuses and came in the financial year 2018 to a total of 8,511k (prior year: EUR 5,740k).

Details on Management Board remuneration for the financial year 2018 are provided in the Remuneration Report in the Management Report.

The total remuneration paid to former members of the Management Board of Gerresheimer AG came to EUR 5,109k (prior year: EUR 345k) and mainly relates to the unexpected departure of the former CEO for personal reasons from the Management Board of Gerresheimer AG.

A list of the members of the Supervisory Board in the financial year 2018 is included in these notes to the financial statements.

The total remuneration paid to members of the Supervisory Board for the financial year 2018 came to EUR 1,141k (prior year: EUR 1,072k). Details on Supervisory Board remuneration for the financial year 2018 are provided in the Remuneration Report in the Management Report.

(31) Shareholdings

An overview of the company's shareholdings is included at the end of the notes of the financial statements.

(32) Notifications from shareholders of the company in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz/WpHG)

Section 160 (1) No. 8 AktG requires the disclosure of any shareholdings notified in accordance with section 20 (1) or (4) AktG or section 33 (1) or (2) of German Securities Trading Act (WpHG). The required disclosure includes the content of the notification published in accordance with section 20 (6) AktG or section 40 (1) WpHG. In cases where individual shareholdings reached, exceeded or deceeded the thresholds of the regulations stated above on several occasions, only the most recent notification is mentioned. All notifications which Gerresheimer AG received has been made available permanently on the Company's website (www.gerresheimer.com/en/investor-relations/corporate-governance/voting-rights-announcements.html).

Names of shareholder(s)	Registered office	Notification date	Date on which threshold was crossed or reached	Threshold	exceeding/ shortfall of threshold levels	Aggregation according to WpHG	Voting rights	% of voting rights attached to shares
WS Management LLLP/ Gilchrist B. Berg	Jacksonville, USA	February 1, 2010/ February 16, 2010	January 25, 2010	3%	exceeding	section 22 (1) sentence 1 no. 1, 6 in con- junction with section 22 (1) sentence 2	974,402	3.10
Eton Park Overseas Fund, Ltd.	Camana Bay, Grand Cayman, Cayman Island	July 18, 2012	July 10, 2012	5%	shortfall	section 25	1,544,217	4.92
NN Group N.V.	Amsterdam, The Netherlands	September 17, 2014	September 10, 2014	5%	exceeding	section 22 (1) sentence 1 no. 1	1,632,500	5.20
Stichting Pensioenfond ABP	Heerlen, The Netherlands	July 30, 2015	July 27, 2015	5%	exceeding	section 22 (1) sentence 1 no. 1	1,602,791	5.10
BNP Paribas Investment Partners S.A.	Paris, France	December 16, 2016	December 7, 2016	5%	exceeding	section 22	1,593,164	5.07
BlackRock Inc.	Wilmington, Delaware, USA	November 7, 2018	October 2, 2018	3%	shortfall	section 34	930,034	2.96
Templeton Investment Counsel LLC	Wilmington, Delaware, USA	November 8, 2018	November 5, 2018	3%	shortfall	section 34	936,057	2.98

(33) Services of the independent auditor

The services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf, mainly comprise services in connection with the audit of the annual financial statements and to a smaller extent other assurance services.

For details on the auditor's fee for the financial year 2018, please refer to the consolidated financial statements of Gerresheimer AG as of November 30, 2018.

(34) Corporate Governance

The Management Board and Supervisory Board of Gerresheimer AG jointly issued the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG) on September 6, 2018. The declaration has been made available permanently to the public on the Company's website (www.gerresheimer.com/en/investor-relations/corporate-governance/statements-of-compliance).

(35) Proposal for appropriation of retained earnings

We will propose to the Annual General Meeting that the retained earnings for the financial year 2018 of Gerresheimer AG shall be appropriated as follows:

in EUR k	
Retained earnings before dividend distribution	185,887
Payment of dividend of EUR 1.15 per no-par-value share	36,110
Carryforward to new account	149,777

(36) Events after the balance sheet date

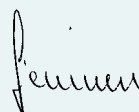
Effective December 1, 2018, due to the termination of the existing profit and loss transfer agreement between Gerresheimer Holdings GmbH and Gerresheimer Group GmbH, two tax groups have been formed for income tax purposes: A tax group comprising Gerresheimer AG with Gerresheimer Holdings GmbH and another comprising Gerresheimer Group GmbH with the remaining German subsidiaries. Formation of the tax group with Gerresheimer Gerresheimer Group GmbH allows loss carryforwards of Gerresheimer Group GmbH to be utilized in subsequent financial years. As a result of the termination of the profit and loss transfer agreement, Gerresheimer Holdings GmbH will recognize the income from the tax group with Gerresheimer Group GmbH phase-shifted in the following year.

Beyond that there were no further events after the balance sheet date that are expected to have a material impact on the net assets, financial position or results of operations of Gerresheimer AG.

(37) Group relationships

As the parent company of Gerresheimer Group, Gerresheimer AG prepares consolidated financial statements on the basis of the International Financial Reporting Standards (IFRS), in accordance with section 315e (1) HGB. For this reason, no consolidated financial statements in accordance with the requirements of the German Commercial Code are prepared. The consolidated financial statements will be published in German Federal Gazette (Bundesanzeiger).

Duesseldorf, February 4, 2019



Dietmar Siemssen



Rainer Beaujean



Dr. Lukas Burkhardt



Andreas Schütte

LIST OF SHAREHOLDINGS

Financial year 2018 (December 1, 2017 to November 30, 2018)

in Euro/local currency/according to local commercial law	Investment (direct and indirect)	Currency	Equity	Net income/loss
Direct equity investments				
Gerresheimer Holdings GmbH, Duesseldorf (Germany) ^{a)}	100.00%	Mio. EUR	593.8	^{b)}
Indirect equity investments				
Asia				
Gerresheimer Medical Plastic Systems Dongguan Co. Ltd., Wang Niu Dun Town, Dongguan City (China) ^{b)}	100.00%	Mio. CNY	113.6	25.58
Gerresheimer Pharmaceutical Packaging Mumbai Private Ltd., Mumbai (India)	100.00%	Mio. INR	13.1	-208.94
Gerresheimer Plastic Packaging (Changzhou) Co., LTD., Changzhou City, Jiangsu (China)	100.00%	Mio. CNY	20.8	0.03
Gerresheimer Singapore Pte. Ltd., Singapore (Singapore)	100.00%	Mio. SGD	0.2	0.06
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	60.00%	Mio. CNY	185.9	16.95
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	60.00%	Mio. CNY	97.1	23.64
Neutral Glass & Allied Industries Private Ltd., Mumbai (India)	100.00%	Mio. INR	398.7	-501.42
Triveni Polymers Private Ltd., New Delhi (India)	100.00%	Mio. INR	1,663.8	246.68
Europe				
DSTR S.L.U., Epila (Spain)	100.00%	Mio. EUR	0.5	-0.01
Gerresheimer Boleslawiec S.A., Boleslawiec (Poland)	100.00%	Mio. PLN	182.7	13.20
Gerresheimer Bünde GmbH, Buende (Germany) ^{a)}	100.00%	Mio. EUR	12.7	^{b)}
Gerresheimer Chalon SAS, Chalon-sur-Saone (France)	100.00%	Mio. EUR	0.9	-1.71
Gerresheimer Denmark A/S, Vaerloese (Denmark)	100.00%	Mio. DKK	240.3	62.55
Gerresheimer Essen GmbH, Essen (Germany) ^{a)}	100.00%	Mio. EUR	4.2	^{b)}
GERRESHEIMER GLAS GmbH, Duesseldorf (Germany) ^{a)}	100.00%	Mio. EUR	668.8	^{b)}
Gerresheimer Group GmbH, Duesseldorf (Germany) ^{a)}	100.00%	Mio. EUR	593.7	^{b)}
Gerresheimer Hallenverwaltungs GmbH, Duesseldorf (Germany) ^{a), c)}	100.00%	Mio. EUR	–	^{b)}
Gerresheimer Hallenverwaltungs GmbH & Co. Objekt Düsseldorf KG, Duesseldorf (Germany) ^{d), e)}	100.00%	Mio. EUR	2.1	0.21
Gerresheimer Horsovsky Tyn spol. s r.o., Horsovsky Tyn (Czech Republic)	100.00%	Mio. CZK	1,714.4	632.1
Gerresheimer item GmbH, Muenster (Germany) ^{a)}	100.00%	Mio. EUR	0.1	^{b)}
Gerresheimer Küssnacht AG, Kuessnacht (Switzerland)	100.00%	Mio. EUR	26.1	10.17
Gerresheimer Lohr GmbH, Lohr/Main (Germany) ^{a)}	100.00%	Mio. EUR	5.3	^{b)}
Gerresheimer Medical Plastic Systems GmbH, Regensburg (Germany) ^{a), c)}	100.00%	Mio. EUR	–	^{b)}
Gerresheimer Momignies S.A., Momignies (Belgium)	100.00%	Mio. EUR	25.7	1.50
Gerresheimer Moulded Glass GmbH, Tettau (Germany) ^{a), c)}	100.00%	Mio. EUR	–	^{b)}
Gerresheimer Plastic Packaging SAS, Besancon (France)	100.00%	Mio. EUR	0.5	0.33
Gerresheimer Regensburg GmbH, Regensburg (Germany) ^{a)}	100.00%	Mio. EUR	278.0	^{b)}
Gerresheimer Spain S.L.U., Epila (Spain)	100.00%	Mio. EUR	0.4	–
Gerresheimer Tettau GmbH, Tettau (Germany) ^{a)}	100.00%	Mio. EUR	12.4	^{b)}
Gerresheimer Vaerloese A/S, Vaerloese (Denmark)	100.00%	Mio. DKK	147.1	40.53
Gerresheimer Valencia S.L.U. in LIQ, Masalaves (Spain)	99.91%	Mio. EUR	-1.4	-0.69
Gerresheimer Werkzeugbau Wackersdorf GmbH, Wackersdorf (Germany) ^{a)}	100.00%	Mio. EUR	0.5	^{b)}
Gerresheimer Wertheim GmbH, Wertheim (Germany) ^{a)}	100.00%	Mio. EUR	1.1	^{b)}
Gerresheimer Zaragoza S.A., Epila (Spain)	99.91%	Mio. EUR	0.6	-1.4
Sensile Medical AG, Olten (Switzerland)	99.89%	Mio. EUR	3.3	-5.8

in Euro/local currency/according to local commercial law	Investment (direct and indirect)	Currency	Equity	Net income/loss
Americas				
Centor Inc., Perrysburg, OH (USA)	100.00%	Mio. USD	687.4	87.10
Centor Pharma Inc., Perrysburg, OH (USA) ^{d, f)}	100.00%	Mio. USD	–	–
Centor US Holding Inc., Perrysburg, OH (USA)	100.00%	Mio. USD	731.2	–
Gerresheimer Buenos Aires S.A., Buenos Aires (Argentina)	99.91%	Mio. ARS	5.9	-22.90
Gerresheimer Glass Inc., Vineland, NJ (USA)	100.00%	Mio. USD	625.7	-14.27
Gerresheimer Mexico Holding LLC, Wilmington, DE (USA)	100.00%	Mio. USD	18.7	5.38
Gerresheimer MH Inc., Wilmington, DE (USA) ^{d)}	100.00%	Mio. USD	–	5.37
Gerresheimer Peachtree City (USA) L.P., Peachtree City, GA (USA)	100.00%	Mio. USD	-2.8	-1.90
Gerresheimer Peachtree City Inc., Peachtree City, GA (USA) ^{d)}	100.00%	Mio. USD	–	-0.02
Gerresheimer Plasticos Sao Paulo Ltda., Embu (Brazil)	100.00%	Mio. BRL	262.9	9.90
Gerresheimer Queretaro S.A., Queretaro (Mexico) ^{h)}	100.00%	Mio. MXN	692.4	0.14
Gerresheimer Sistemas Plasticos Mediciniais Sao Paulo Ltda., Indaiatuba (Brazil)	100.00%	Mio. BRL	38.4	11.00
Kimble Chase Holding LLC., Vineland, NJ (USA)	51.00%	Mio. USD	8.1	-0.03
Associated Companies				
Gerresheimer Tooling LLC, Peachtree City, GA (USA) ^{h)}	30.00%	Mio. USD	1.1	0.31
PROFORM CNC Nastrojarna spol. s r.o., Horsovsy Tyn (Czech Republic) ^{f), h)}	40.59%	Mio. CZK	0.9	1.18
Not consolidated companies				
Nouvelles Verreries de Momignies Inc., Larchmont, NY (USA) ^{g)}	100.00%	Mio. USD	–	–
Corning Pharmaceutical Packaging LLC, Wilmington, DW (USA) ^{f), h)}	25.00%	Mio. USD	0.3	–

^{a)} Pursuant to sec. 264 (3) HGB, the company is exempt from the obligation to prepare a management report as well as to audit and to publish financial statements.

^{b)} A profit transfer agreement is in place.

^{c)} Equity less than 50 (currency in '000).

^{d)} GERRESHEIMER GLAS GmbH, Duesseldorf (Germany) is limited partner.

^{e)} The company made use of the exemption offered by sec. 264 b HGB.

^{f)} Result less than EUR 5k.

^{g)} The company no longer prepares financial statements.

^{h)} Financial statements as of November 30, 2017 or December 31, 2017.

1 EUR	Currency	Closing rate		Average rate	
		Nov. 30, 2018	Nov. 30, 2017	2018	2017
Argentina	ARS	42.9161	20.6670	31.6806	18.5051
Brazil	BRL	4.3843	3.8668	4.2536	3.5972
Switzerland	CHF	1.1340	1.1699	1.1562	1.1060
China	CNY	7.8897	7.8377	7.8098	7.5925
Czech Republic	CZK	25.9570	25.4910	25.6253	26.4608
Denmark	DKK	7.4622	7.4417	7.4507	7.4383
India	INR	79.0815	76.3875	80.0276	73.3309
Mexico	MXN	23.0910	22.0035	22.6646	21.3084
Poland	PLN	4.2900	4.1955	4.2538	4.2764
Singapore	SGD	1.5581	1.5986	1.5937	1.5518
United States of America	USD	1.1359	1.1849	1.1834	1.1200

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Financial year 2018

Dr. Axel Herberg

Chairman of the Supervisory Board
 Managing Partner of CCC Investment GmbH
 a) Leica Camera AG
 b) Leica Group (photography and sport optics)
 Lisa Germany Holding GmbH
 Vetter Pharma-Fertigungs GmbH & Co. KG

Francesco Grioli

Deputy Chairman of the Supervisory Board
 Member of the Governing Board of IG Bergbau, Chemie, Energie
 a) Continental AG (since November 1, 2018)
 BASF SE (until May 4, 2018)
 Villeroy & Boch AG (until March 23, 2018)
 b) Steag New Energies GmbH (Deputy Chairman)
 (until December 31, 2017)
 Villeroy & Boch Fliesen GmbH (until May 31, 2018)

Andrea Abt

Master of Business Administration
 Former Head of Supply Chain Management of the Siemens AG
 Sector Infrastructure
 b) SIG plc., United Kingdom
 John Laing Group plc., United Kingdom (since May 10, 2018)
 Petrofac Ltd., Jersey

Heike Arndt

Regional Deputy Director Westphalia of IG Bergbau, Chemie, Energie
 a) RAG Verkauf GmbH
 b) DTM GmbH & Co. KG (Deputy Chairwoman of the Supervisory Board)
 (until December 31, 2018)

Dr. Karin Dorrepaal

Consultant
 Former Member of the Management Board of Schering AG
 a) Paion AG (Deputy Chairwoman)
 b) Triton Beteiligungsberatung GmbH
 Almirall S.A., Spain
 Kerry Group plc, Ireland
 Humedics GmbH (Chairwoman)
 Julius Clinical Research BV, The Netherlands

Franz Hartinger

Chairman of the Company Works Council of
 Gerresheimer Regensburg GmbH
 a) Gerresheimer Regensburg GmbH

Dr. Peter Noé

Degree in Business Administration
 Former Member of the Management Board of Hochtief AG
 b) BlackRock Asset Management Schweiz AG, Switzerland

Markus Rocholz

Chairman of the Company Works Council of Gerresheimer Essen GmbH
 a) Gerresheimer Tettau GmbH

Paul Schilling

Chairman of the Company Works Council of Gerresheimer Bünde GmbH
 a) Gerresheimer Bünde GmbH (since May 25, 2018)

Katja Schnitzler

Group Director Business Excellence and Continuous Improvement of
 Gerresheimer AG

Theodor Stuth

Auditor and Certified Tax Advisor
 b) Wicked Holding GmbH
 Wickeder Profile Walzwerk GmbH
 Linet Group SE, The Netherlands

Udo J. Vetter

Pharmacist and General Partner of UV-Cap GmbH & Co. KG
 a) ITM AG (Chairman)
 b) Vetter Pharma-Fertigungs GmbH & Co. KG (Chairman)
 HSM GmbH & Co. KG
 Navigo GmbH (Chairman) (since December 1, 2017)
 OncoBeta International GmbH (Chairman) (since December 1, 2017)
 OncoBeta GmbH (Chairman) (since December 1, 2017)
 Paschal India Pvt. Ltd., India (Chairman)

a) Membership in Supervisory Boards according to German legal regulations

b) Membership in comparable domestic and foreign control boards of economic enterprises

MANAGEMENT BOARD

Financial year 2018

Dietmar Siemssen (since November 1, 2018)

Chairman

a) BFC Fahrzeugteile GmbH

Rainer Beaujean

Speaker of the Management Board

(from February 5, 2018 until October 31, 2018)

and Chief Financial Officer

a) Gerresheimer Tettau GmbH (Deputy Chairman)

Gerresheimer Regensburg GmbH (Deputy Chairman)

Gerresheimer Bünde GmbH (Deputy Chairman) (since April 16, 2018)

b) Gerresheimer Glass Inc., USA (Chairman)

Corning Pharmaceutical Packaging LLC, USA (Chairman)

(since February 10, 2018)

Gerresheimer Momignies S.A., Belgium (until February 15, 2018)

Sensile Medical AG, Switzerland (since August 8, 2018)

Kimble Chase Holding LLC, USA (Chairman)

Centor US Holding Inc., USA

Centor Inc., USA

Centor Pharma Inc., USA

Dr. Lukas Burkhardt (since January 1, 2018)

Member of the Management Board

responsible for Primary Packaging Glass

a) Gerresheimer Tettau GmbH (Chairman) (since February 10, 2018)

b) Gerresheimer Momignies S.A., Belgium (Chairman)

(since February 15, 2018)

Gerresheimer Glass Inc., USA (since February 10, 2018)

Corning Pharmaceutical Packaging LLC, USA (since February 10, 2018)

Gerresheimer Queretaro S.A., Mexico (Chairman)

(since February 9, 2018)

Gerresheimer Pharmaceutical Packaging Mumbai Pvt. Ltd., India

(since June 30, 2018)

Neutral Glass and Allied Industries Pvt. Ltd., India (since June 30, 2018)

Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd.,

China (Chairman) (since February 10, 2018)

Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang)

Co. Ltd., China (Chairman) (since February 10, 2018)

Andreas Schütte

Member of the Management Board

responsible for Plastics & Devices

a) Gerresheimer Regensburg GmbH (Chairman)

Gerresheimer Bünde GmbH (Chairman) (since April 16, 2018)

b) Gerresheimer Denmark A/S, Denmark (Chairman)

Gerresheimer Vaerloese A/S, Denmark (Chairman)

Gerresheimer Zaragoza S.A., Spain (Deputy Chairman)

Gerresheimer Plasticos Sao Paulo Ltda., Brazil

Gerresheimer Boleslawiec S.A., Poland (Chairman)

Sensile Medical AG, Switzerland (Chairman) (since August 8, 2018)

Triveni Polymers Pvt. Ltd., India

Centor US Holding Inc., USA (Chairman)

Centor Inc., USA (Chairman)

Centor Pharma Inc., USA (Chairman)

Dr. Christian Fischer (until February 5, 2018)

Chairman

a) Gerresheimer Tettau GmbH (Chairman) (until February 9, 2018)

Gerresheimer Regensburg GmbH (Chairman) (until February 9, 2018)

b) Gerresheimer Glass Inc., USA (Chairman) (until February 10, 2018)

Gerresheimer Queretaro S.A., Mexico (Chairman)

(until February 9, 2018)

Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd.,

China (Chairman) (until February 10, 2018)

Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang)

Co. Ltd., China (Chairman) (until February 10, 2018)

Corning Pharmaceutical Packaging LLC, USA (until February 10, 2018)

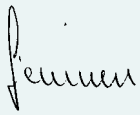
a) Membership in Supervisory Boards according to German legal regulations

b) Membership in comparable domestic and foreign control boards of economic enterprises

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Duesseldorf, February 4, 2019



Dietmar Siemssen



Rainer Beaujean



Dr. Lukas Burkhardt



Andreas Schütte

INDEPENDENT AUDITORS' REPORT

To Gerresheimer AG, Düsseldorf/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of Gerresheimer AG, Düsseldorf/Germany, which comprise the balance sheet as at 30 November 2018 and the income statement for the business year from 1 December 2017 to 30 November 2018 as well as the notes to the financial statements, including the summary of significant accounting and valuation policies. In addition, we have audited the management report of Gerresheimer AG, Düsseldorf/Germany, for the business year from 1 December 2017 to 30 November 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Section 289f German Commercial Code (HGB).

In our opinion, based on our knowledge obtained during the audit

- the accompanying annual financial statements comply with the German legal regulations applicable to firms organized in a corporate form in all material respects, and give a true and fair view of Company's net assets and financial position as at 30 November 2018 as well as its results of operations for the business year from 1 December 2017 to 30 November 2018 in accordance with the German principles of proper accounting, and
- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with the German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we state that our audit has not led to any reservations with respect to the propriety of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014, hereinafter "EU Audit Regulation"), and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer] (IDW). Our responsibilities under these requirements and principles are further described in the section "Auditor's responsibility for the audit of the annual financial statements and the management report" of our auditor's report. We are independent of the Company in accordance with European and German commercial law and rules of professional conduct and we have fulfilled our other ethical responsibilities applicable in Germany in accordance with these requirements. In addition, pursuant to Article 10 (2) Lit. f EU Audit Regulation, we state that we have not provided any prohibited non-audit services pursuant to Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the business year from 1 December 2017 to 30 November 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate opinion on these matters.

Details on the key audit matters which, from our point of view, are of most significance are provided below:

- 1 Recoverability of shares in affiliated companies
- 2 Determination of income under profit and loss transfer agreements

Our presentation of these key audit matters was structured as follows:

- a Description of matters (including reference to related disclosures in annual financial statements)
- b Audit procedure

1 Recoverability of shares in affiliated companies

- a In the annual financial statements of Gerresheimer AG, shares in affiliated companies totaling mEUR 593.8 (40.0% of the balance sheet total) are disclosed. These are measured at the lower of acquisition cost or fair value as at the balance sheet date. As at the reporting date, Gerresheimer AG tested the shares for impairment by internally measuring the fair present value of the entities. The fair value of the shares in affiliated companies was determined as the present value of the future cash flows by means of discounted cash flow methods based on the corporate planning prepared by management and taken note of by the Executive Board. This determination also took into account expectations concerning the future market trend and country-related assumptions concerning the trends of macroeconomic variables. The discounting was made by means of weighted capital costs. Since the result of these measurements depends to a large extent on the assessment of the future cash inflows through the Executive Board and on the discount factor used and thus involves a high degree of uncertainty, this matter was of most significance in our audit.

The Company's disclosures on the shares in affiliated companies are included in the section "Accounting and valuation methods" as well as in Note 14 of the notes to the financial statements.

- b In auditing the fair values of the shares in affiliated companies, we verified, calling in our valuation experts, among other things, the methodical measurement procedure and assessed the determination of weighted capital costs. In addition, we satisfied ourselves that, in connection with the weighted capital costs recognized, the future cash inflows underlying the valuation, in the aggregate, constitute an appropriate basis for the impairment test of the shares in affiliated companies. Our assessment of the results of the measurement was based, among other things, on a reconciliation with general and industry-related market expectations as well as on comprehensive information obtained from the Executive Board about the material value drivers underlying the anticipated cash inflows. Knowing that even relatively minor changes in the discount factor used may have major effects on the amount of the fair present value of the entity determined, we intensively dealt with the parameters used in determining the discount factor used, including the weighted capital costs, and verified the computation formula.

2 Determination of income under profit and loss transfer agreements

- a In the annual financial statements of Gerresheimer AG, income under profit and loss transfer agreements totaling mEUR 90.8 is disclosed. This income under profit and loss transfer agreements results from the direct subsidiary Gerresheimer Holdings GmbH, which in turn directly and indirectly realized the profits and/or losses of its direct and indirect investees. From our point of view, this item was of most significance in our audit on account of the central importance to the Company's results from operations and its distribution potential. The Company's disclosures on the income under profit and loss transfer agreements are included in Note 9 of the notes to the financial statements.
- b As part of our audit, we satisfied ourselves of the correct determination and recognition of the income under profit and loss transfer agreements. For this purpose, we assessed, among other things, as to whether the profit and loss transfer agreement with the direct subsidiary as well as the agreements and resolutions at levels below this Company are performed in compliance with the applicable financial reporting framework. To verify the amounts recognized, the sets of annual financial statements or reporting packages provided with unmodified opinion for the material group companies were available to us or we conducted the audits ourselves.

Other information

The Executive Board is responsible for the other information. The other information comprises:

- › the statement on corporate governance included in the management report, and
- › the assurance of the Executive Board pursuant to Section 264 (2) Sentence 3 German Commercial Code (HGB) regarding the annual financial statements and the assurance of the Executive Board pursuant to Section 289 (1) Sentence 5 German Commercial Code (HGB) regarding the management report.

Our audit opinions on the annual financial statements and the management report do not extend to cover the other information, and accordingly we do not issue an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- › is materially inconsistent with the annual financial statements, the management report or our knowledge obtained in the audit, or
- › otherwise appears to be substantially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the annual financial statements and the management report

The Executive Board is responsible for the preparation of the annual financial statements, which comply with the German legal regulations applicable to firms organized in a corporate form in all material respects, so that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German principles of proper accounting. In addition, the Executive Board is responsible for the internal controls it has identified as necessary in accordance with the German principles of proper accounting in order to enable the preparation of annual financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the annual financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Furthermore, it has the responsibility to disclose matters related to going concern, as applicable. In addition, it is responsible for using the going concern basis of accounting, unless there are any conflicting actual or legal conditions.

In addition, the Executive Board is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position, is consistent with the annual financial statements in all material respects, complies with the German legal regulations and suitably presents the opportunities and risks of future development. Furthermore, the Executive Board is responsible for such arrangements and measures (systems) which it has deemed necessary in order to enable the preparation of a management report in accordance with the German legal regulations to be applied and to furnish sufficient and appropriate evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's responsibility for the audit of the annual financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether intentional or unintentional, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the findings of the audit, is in accordance with the German legal regulations, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

As part of an audit, we exercise professional judgment and maintain professional skepticism. We also

- › identify and assess the risks of material misstatements in the annual financial statements and in the management report, whether intentional or unintentional, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- › obtain an understanding of internal control relevant to the audit of the annual financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- › evaluate the appropriateness of the accounting policies used by the Executive Board and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- › conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and management report, or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- › evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Company in accordance with the German principles of proper accounting.
- › evaluate the consistency of the management report with the annual financial statements, its legal consistency and the view provided of the Company's position.
- › perform audit procedures on the forward-looking information presented by the Executive Board in the management report. On the basis of sufficient appropriate audit evidence, we particularly evaluate the significant assumptions underlying the forward-looking information by the Executive Board and evaluate the correct derivation of forward-looking information from these assumptions. We do not issue an independent opinion on the forward-looking information or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking information.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control, which we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or other legal regulations preclude public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other information pursuant to Article 10 EU Audit Regulation

We were appointed by the annual general meeting on 25 April 2018 to audit the financial statements. We were engaged by the Supervisory Board on 6 September 2018. Our total uninterrupted period of engagement as auditor of the financial statements covers the period since the business year 2008/2009, we have been engaged continuously as the auditor of Gerresheimer AG, Düsseldorf/Germany.

We confirm that the audit opinions contained in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is René Kadlubowski.

Düsseldorf/Germany, 4 February 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: André Bedenbecker
Wirtschaftsprüfer
[German Public Auditor]

Signed: René Kadlubowski
Wirtschaftsprüfer
[German Public Auditor]

IMPRINT

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