Gerresheimer AG

Strategy presentation by the CEO and the CFO as part of the Capital Markets Day on 8 October 2014 at 4 pm

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Anke Linnartz: Good afternoon, Ladies and Gentlemen! Welcome to all of you and thank you for taking the time to participate in our Capital Markets Day presentation. We very much appreciate your interest.

As always, I would like to remind you that the presentations and discussions are conducted subject to the disclaimer. We will not read the disclaimer, but we propose we take it as read into the records for the purpose of this conference call.

With me today are our CEO, Uwe Röhrhoff, and our CEFO, Rainer Beaujean. Did I say "CEFO"? I need to correct myself, sorry for that: our CEO, Uwe Röhrhoff, and our CFO, Rainer Beaujean. My apologies!

Our agenda starts with the presentations. After that, we will enter into a Q&A session. It's now my pleasure to hand over to Uwe.

Uwe Röhrhoff: Thanks, Anke. – I would like to give you an overview today about our mid-term strategy, about our markets, what those market requirements will pose to Gerresheimer, how that translates into a strategy for Gerresheimer and eventually: What does that mean for an outlook, looking at the financials such as growth opportunities, revenue growth margins, capital requirements as such?

Our vision is, I would say, probably pretty well-known. What is important – we have discussed that a little bit earlier today – is that the rapidly increasing developments in the pharmaceutical environment, in the pharmaceutical markets – whether it's globalization, the regulatory aspect or the drive on innovation – require a certain change also for the suppliers in a rather stable industry if we look back at the last 20 years probably. And it is us or Gerresheimer employees that are being responsible to achieve a position to become a leading global supplier that provides those solutions for our customers, to improve health and well-being because, at the end of the day, what matters is that the product that arrives at the patient is packaged in a product that is free of any defect and ensures that the medication is delivered properly. To that we are committed to deliver with a lot of passionate people working in more than 40 plants worldwide and everybody has to contribute to that.

As I stated previously, it's my belief that we will achieve our vision and that, most important obviously, we need to have the people, the management team to do that. We are committed to deliver this. Our strategy at the end of the day is all about: standardize, reduce costs and complexity. That is very, very important for a supplier of packaging and devices to be successful in the industry. I will elaborate a little bit later in more detail on that.

Innovate products and processes. Both is very important. Globalize the businesses and the management teams. We are, as you know, a company with a lot of plants outside Germany, but we still have a very German management team. The pharmaceutical world globalizes, we need to globalize and we also need to globalize our management teams to be successful in those markets we will talk about a little bit.

Overall, you know our organization. We almost recorded 1.3 billion revenues last year. I think we have a pretty energetic and customer-focused organization. Lean is our business model. P&D, Plastics & Devices, is our growth engine, as you have learned a couple of hours ago again. Primary Packaging Glass and Life Science are our cash generators. That is their main role in that portfolio. And it is important to realize that the growth drivers have to be managed differently than the cash generators. That's a different approach to the market and a different approach also to the way you manage that particular business.

I want to offer you a little bit different look on our business. I said before: standardize. Why do we need to standardize? Because we are a volume producer. Regardless of what we do, even if we do devices, we are a volume producer. So 400 million syringes – you see the facility tomorrow – plastic bottles and caps, a lot of pieces. Actually, we measure that rather in tons than in pieces in our internal KPIs. Pharmaceutical containers and pharma glass bottles is basically what's produced in moulded glass – for those who are not familiar with the production processes. Moulded glass is pharma glass, bottles and cosmetics. Injection vials are tubular products.

So you see billions of products that we have to produce and the price for each product is quite different. Probably the lowest priced product types are maybe dental cartridges or small ampoules, while, obviously, in the inhalers section or in the device section you get up to products that cost significantly more.

At the end of the day, most of our plants operate 24/7, 355 or maybe up to 365 days a year around the clock, high volumes, as I said, mostly standardized business, particularly in the glass sector, primary packaging. And pennies matter. This is a business where you have to chase every penny to make a sufficient margin, particularly in the Primary Packaging Glass division.

Manufacturing is quality-driven. And the combination of all that makes the business complex. Complexity is also added, you know, through a lot of business in different regions. 58 percent Europe – obviously, the most important market for us for all product categories. US: 22 percent. I told you earlier today that the lion share of

those types of products are primary packaging glass products. Our share of devices in the US is still very low, hopefully soon – we will elaborate on that – a little larger.

17 percent of the products are in pharmerging markets. Here again, primary packaging products made of glass and plastics have the lion share of that.

And we need to produce locally because what our customers require is service. So the biggest issue a pharmaceutical customer can have is not having a product available for a patient. And no product makes it to the patient without a primary packaging part, obviously. Therefore, even though that most of the people do no recognize that, for us, it is extremely important to have an excellent service level to all the sites we supply around the world and that is why we need to be close to the filling plants of our customers.

We have a clear focus on pharma and healthcare; the 83 percent share has not changed much over the last years. The cosmetics business is pretty much an ideal supplement, having a moulded glass manufacturing operation because it's extremely complementary from a manufacturing perspective. It is a business that is a little bit more cyclical, but if offers good growth opportunities.

However, what's most important for us in our business is our well-diversified customer base. In this business, it's all about long-lasting relationships with leading global accounts. That's really the backbone of our business model. We deal with the same customers for years and years and years. That has not changed. We usually never lose one. We need to maintain the customers we have. We need to be close to them to anticipate their future demands.

As I said before, the most important thing for our customers, that a packaging or a device supplier needs to be aware of is to have security of supply. So our customers can never run out of supply of a primary packaging product or a device. And it is even more important to protect patients from defective products. And you can imagine that a glass product that breaks can affect sterility. This could lead to a failure of the medicine and could lead to death in the worst case. So the importance of the performance of a primary packaging product for the medicine should not be underestimated – and that for a product that generally is sold at a relatively low cost. So that is extremely important for our customers.

What you also need to know: The generic companies are getting more and more important to us. If you look here at the list, you do not find that many names you don't know, but maybe later in the presentation I will share some names with you about larger generic customers, regional customers that you have probably never heard of in your life. Maybe those are on the list five or ten years down the road.

The top ten customers make only about 34 percent of our revenues, the top three not more than 5 to 6. So we do not have a high concentration of a single customer and we do not have a high concentration to a single product. That makes our portfolio relatively resistant.

When it comes to the product portfolio, I think nobody else in the industry has such a broad portfolio. We are obviously trying to achieve a leading position for the global pharma and healthcare industry. We are not a material company. Even though we started out as a producer of beverage containers many, many years ago, we are today a company that offers solutions independently from the material. Whether it's glass or plastic, we try to offer the best possible solution for a product, for a parenteral product in most of the cases. And that can be anything from a glass syringe to a plastic container, to a COP container, to a normal glass vial. It really doesn't matter as long as the customer buys from us. And that differentiates us a little bit from most of our competitors that are focused on one material.

As I said before: No product ever makes it to a patient without that type of packaging. If you look at the quantities in many of the cases, then that is us. So if you go to a pharmacy or you go see your doctor to get a flu shot, it's not unlikely that the product is from Gerresheimer. If you use an eye-dropper bottle, the likelihood that it is a container that has been produced by Gerresheimer is even higher. If you go to a dental cartridge, when you see your dentist and you are as much as I afraid of pain, and you want to take a shot of N… before somebody uses the drill, it's most likely that this product is made by Gerresheimer. And we can go on and on. Asthma inhalers is another example; regardless what pharmaceutical company is distributing the product, is putting out the medicine, it is not unlikely that the inhaler has been produced in one of our facilities.

So a lot of those products that are in daily use and make people's life easier have a little bit of a Gerresheimer contribution in it and that contribution basically makes it usable for most of the patients.

Let's talk a little bit about the markets. This is a chart that I want to go through with you. There are six trends on the chart here that have a certain effect or a certain importance for Gerresheimer. The rise of the generics – what does that mean for us? I put it like: more containers for affordable medicine. That's at the end of the day what it is about. We saw at the initial chart: That means maybe 4 billion vials in the future instead of 3 billion because of those quantities you talk here. I will later ask the question: What do you think how many vials we produce already in China out of the 3 billion you saw on the initial chart? Maybe you start thinking about it already.

Developing healthcare systems in pharmerging countries. I call it always: This is more treatment options for patients. As the healthcare systems develop, more money is available. As the GDP grows to invest in healthcare, for those states or for those countries more treatment options will become available for more patients. This, again, is an opportunity, not only for volume, but also for value. An example would be – I use China: Most of the glass containers that are sold in China for primary packaging are not a DMF-registered type I glass container. That is a glass of a lower quality that would not be allowed in the Western world for primary packaging. Imagine those 10 billion containers are converted to type I pharma because the health-

care system in China would go to that international standard: These are tremendous opportunities for companies like us to benefit from that.

Or more sophisticated products: If you move up from the primary packaging standards like plastic containers, primary packaging containers or glass primary packaging containers just to a syringe or to inhalers or to products like an insulin pen for those countries, there are tremendous opportunities from a value perspective. I think there is still a long way to go to have a situation where those countries have the same level of medicine available for the population as we have, but eventually it will come. Who can withhold that from people since it is available?

Increasing regulatory requirements. We talked a lot about this this morning. I think that creates value opportunities. It might be sometimes a little nuisance since you do not sell enough containers in a quarter, but if you look at the larger picture, it provides opportunities. Our customers are supposed to look differently at their quality systems, at the quality of their products and they are forced by the regulatory authorities to think critically about the components they use. I think that offers more opportunity for more sophisticated products. We will talk about a few examples later on, what that could mean. For me, this is a clear value opportunity also on traditional products.

Increase in acute and chronic diseases. We have more and more people affected. Again, this is certainly a volume opportunity for high-value Gerresheimer products and it is certainly a value opportunity because devices will get more sophisticated to help particularly with therapy adherence.

Growing trend towards self-medication. Keep people out of the hospitals, reduce the cost of the healthcare system. A lot of medication is actually not taken as prescribed. So here, again, I see the opportunity for higher-value products for the packaging industry. On the following slides I will elaborate a little bit more on those trends.

The total pharma spending growth according to IMS is supposed to grow averagely about 5 percent to 2018. It's maybe not a very impressive number, but a pretty solid number. If you then look at the driver of generics that is supposed to grow at about 11 percent per year – here, obviously, the volume comes into play for a packaging supplier. You can imagine that the volume growth will be higher than the value growth for generic containers. And a volume-based company like us needs to have the correct value proposition for that, which is global supply and local manufacturing, a very cost-effective solution for generics and still to meet worldwide high quality standards.

Those are a number of customers that were not on the list that are regionally for us relatively important. Who knows customers in India like Mashkati (?) or Lusra (?) or Lupin? You will never find them on the list of packaging companies, but they become more and more important to companies like Gerresheimer. Or in China: Shangahi Luzhu (?) or Shenzen Shigu (?). You have to practice a little bit to learn the names and pronounce that correctly, but those are the volume customers in those countries. It is not a Hospira or it's not a Boehringer. The customers for generics in those re-

gions, in India or in China, are the ones that are not on the list that you have seen before. With those markets developing, those customers will become significantly more important for us – all under the subject: more containers for affordable medicine. This is what today is needed in those countries. In those countries, the primary concern is not to have the high-specialty treatment available, but to have treatment available for a lot of basic diseases in affordable medicine.

The next one: I want to talk about more treatment options. We will have 3 billion more people by 2100 and those most likely will not live or not be born in the Western world, but in the developing markets. The per-capita spending for medication in the emerging countries remains at about 90 dollars per person while it's ten times higher in the United States. This will be a fundamental driver for the industry. That's the reason why we have to invest and build infrastructure in the emerging markets and in the most of those important markets.

What we do is invest. Our third Technical Competence Center for devices will be established in China. It's probably nothing you are going to make money on in the next two years, but it is an investment in the future of the next five to ten.

More short-term obviously are the capacity expansions in glass and plastics in India in the facilities we have acquired over the last years. That certainly addresses the volume rather than the value portion. But we also will need to do capacity expansions in Brazil if you look at the trend over the next years. We will outgrow our existing footprint with the growth opportunities in those countries.

Obviously, what is important is – I said that before: In most of those markets that you see here on the slide nobody uses the same glass that we use in Europe or in North America to package a parenteral product. 80 percent of the containers are still packaged e.g. in a glass that would not be allowed for parenteral drugs in the Western world. And the reason why it is still allowed is cost. The only reason is cost. It is not a quality concern, it is cost. And here comes my question – maybe one of you has an idea: What do you think how many tubular vials we sell in China today? Any idea? – Out of the 3 billion we had on the initial slide, we supplied 1 billion already. But the price compared to the Western world is completely different. So if you look at the value, I would say, I generate less revenues in three plants in China for tubular glass than I generate in one small plant in the United States. That gives you an idea of the value opportunity for those markets.

It's an extremely inexpensive product, but those healthcare markets will develop and they will develop even within the primary packaging to a higher value. The total demand for injectable containers in China is unbelievably high. So the 1 billion that we sell is still a relatively low number, looking at the complete Chinese demand for parenteral containers. We actually also sell some ampoules, but compared to the vials the 300 million is still a relatively low number.

In India, where we have a moulded glass plant that mainly sells containers also for parenteral packaging, any guess how many we sell there? It's a very small plant, as

you know. Anybody an idea? Guess! – 700 million. Out of the 2.5 billion pharma containers you have seen there we sell already 700 million. The prices are extremely low, but the quality requirements in those markets will increase and the prices will increase as well over time. But today, again, you have to service those markets with affordable products that enable healthcare systems to fund that.

I don't want to bore you with more questions. In combination, between what we sell in plastic packaging containers in Brazil and India together, we are approaching already, just on material, about 15,000 tons of plastics being used in those two countries. So there is a tremendous volume opportunity that is developing over the years into a value opportunity as some of those containers will see higher quality requirements and, therefore, will see higher prices, just based on the regulation.

What do we do? We have strengthened our foothold in Brazil over the last years, 2008 and 2011. We will continue to invest here. Over the last years, we have invested in two facilities in India. And as we speak, we are building up our third facility. I don't have a picture here, but today you would just see a lot of steel, construction right now. So we will take a while to complete that facility. Then it will take a while to validate that facility for a number of customers, the largest customer actually producing product not far. In China, we are adding a lot of capacity already in the existing plants. We have actually built a new plant some years ago where we still have some space to fill.

So we have done a lot of things. The value impact on the total numbers today is much, much smaller than the volume impact if you measure it in containers you sell to the customer.

And we invest in our Triveni facility, the packaging facility in India, at the same time.

We have to focus on a number of markets, but you see: We focus on the markets that you see here on the slide. Clearly, China is the most important of those markets. Russia is obviously right now not very popular, even though somebody told me that I should invest now because it's cheap. But maybe cheap is not always the best advice to invest. We continue to focus on our strategy, on the growth in those markets.

FDA again, we talked about that. Maybe anybody has an idea how many recalls in the United States happened in 2013 for glass delamination. Glass delamination is an effect of having small particles in a parenteral drug that comes from a chemical attack of the medicine or components of the medicine to the glass surface. It's a hot topic on the FDA. Anybody an idea – we sell quite a number of containers in the United States, total usage: billions – how many cases of recalls for delamination, just to put it in perspective? Anybody a guess? – Three. Sterility for glass containers: 2013 – one.

The highest number on FDA recalls on packaging containers – that includes defects related to parenterals for plastics, glass, including closure, stoppers and what not – are particulates actually – particulates could be generated anywhere in that process – with 25.

It came up this morning a lot: How big is the scrutiny on packaging suppliers? If you look at the number of recalls, it shouldn't probably be very hot, but those are still hot topics to be discussed by the FDA. Packaging suppliers are asked: How can you eliminate that? How can you bring that to zero?

Actually, the only ones that have significantly increased are particulates.

Maybe any idea how many total containers have been recalled in the last five years? The number should be a little bigger. That number is actually much more impressive: 130 million total containers that have been recalled over the last five years from pharma companies for glass-I recalls and more than 85 percent of that were not related to any issue of the packaging – interesting. Actually, one eighth of those recalls called glass-I recalls had to do anything with those defects that I told you.

So what does that mean for us? Clearly, that we have to think about our value proposition for pharmaceutical companies. As I said, the most important thing for a pharmaceutical company is to protect the patient from a defective product. So one sterility issue is one too many, obviously. One delamination issue is one too many because it can cause, obviously, an effect after the injection and poses a risk. And one particulate too much could be also an issue – even though that there is a different risk assessment on each of those.

So for our customers, obviously, we need to think about: What are they willing to pay if we eliminate the last of those issues, the one defect that might lead to a recall? What is the value compared to what they are getting today from a quality perspective? Because those are the questions they have to answer with the FDA.

So what's the value of delamination-resistant glass? I will come later to that. We have done the largest study in the world actually on what causes glass delamination in parenteral vials made of tubular glass. We have some answers what we could do. I will get into that a little bit later. We have product offerings for that that actually would ask customers to go out of glass. We can offer multi-layer COP containers. So, obviously, that could, at least for some products, make that delamination issue or breakage issue go away. But, actually, there are still some cytotoxic medicines that delaminate even a COP container.

How important is a zero-defect manufacturing process for a customer? I think that is a much hotter topic than the theoretical zero delamination because that would actually address more the total cost of ownership: How many of the products do you lose in your filling line? How much can you increase your filling speed? How much can you standardize your container size and simplify your manufacturing process? How much can you improve the machinability of the glass or reduce the particle loads in your manufacturing process? Those are a lot of issues we are working on and we have addressed. Maybe we have not a solution for all of them yet, but I promise you: We will have a solution for most of them at least in a few years.

What is important is that the increasing quality requirements also will pose entry barriers into the pharma primary packaging sector because you will survive in that busi-

ness only if you deliver worldwide consistent and validated quality systems. If we produce in the future for the same customer in India, we cannot afford to have any difference in our quality system and in our manufacturing process than we have in the United States. So what would be required is obviously a completely identical quality system and absolutely identical equipment because the validation cost of the customer would increase with any complexity in our process. Otherwise, they would need to revalidate.

Most of you probably do not know: If you changed the machine oil in a converting machine – – You will see converting machines for glass barrels in Bünde tomorrow. If you changed the machine oil in contact with the material, it would have to be revalidated by our customer. We could not do that by ourselves – just if you change it from one grade to another or from one supplier to another. The industry is that much regulated.

That's why precision, accuracy and reliability matter. That is why I believe that players that cannot follow this trend eventually will have difficulties to stay in the market – if you cannot keep up with that request. That is one of the most important things for Gerresheimer to work on – we will come to that a little later – not only for primary packaging, but for all products, even for primary packaging, being a relatively cheap and not very innovative product since a 2 ml vial has not much changed over the last 20 years.

Here we come to the more sophisticated products in the market. Drug development has proven to be more and more challenging for our customers. Molecule sizes are getting bigger for specialized and specialty treatments and this requires more sophisticated packaging solutions to make sure that stability is achieved over the shelf life of those drugs. They are much easier to affect in their stability. Particulates become even more sensitive. To give you an example: For those types of products, the lubrication in the syringes is generally done by a silicone. So for those products, residual particles of the silicone are absolutely unacceptable, while they might be not that critical in a typical heparin e.g.

Additional requirements rise for the industry and, actually, innovative solutions are necessary to do that. You will see maybe tomorrow a little bit of a couple of solutions we have, but what is important is that most of those types of medicines actually are being administered as parenteral. And that is really where we are strong. We are the number one in parenteral packaging with the combination of the primary packaging container in form of a vial, syringe or a cartridge in combination with an injector. This is really our core business. And this offers value opportunities that are unique and that you can generate between the different materials and the different divisions.

That is one of the reasons – you might remember – why we have moved the syringe business out of the typical material approach in glass to the devices: to capture those opportunities. That is why here development know-how, industrialization expertise and even more regulatory know-how matter more than material know-how. For those types of products that are complex you are not going to be successful with material

know-how only. The regulatory know-how becomes more and more important as you have more sophisticated devices. Those new pharma developments are generally presented in more sophisticated devices. They might start in initial development in a vial, but later move to a cartridge, an auto-injector, a highly specialized syringe etc.

As I said, that offers growth opportunities for devices. What is important for devices is our competence in development. We want to integrate as early as possible with our customers in the development of a new product. For those types of products the device is often a differentiation criteria in the market because patients, for convenience, are used to a device and they basically recognize the medicine in this case by the design of the device and the use by the device. So people tend to use the same inhaler again and again and not to switch to another inhaler. People tend to use the same insulin pen all over again because that's the insulin pen they are used to. They know how it works. It is their day-to-day business.

So for us it is important to start extremely early in the process with the pharmaceutical company. That's why we have Technical Competence Centers, as we call our development centers. The large one I think some of you have seen a couple of years ago in Germany. We also have one established in the United States. That is basically now – I would say, "growth engine" is probably a little bit too big – the initial growth lab for our expansion in North America with the new business that we are ramping up for soon. And we will establish one now very much in the near future in China because that's probably the next most important market for us to start developing something.

As I said, those investments are not the ones that – like a machine for glass – you can fill tomorrow with a standard product and you can produce. With those development centers, we start acquiring engineering services, maybe some tooling. You start building relationships, you start building up business relationships and eventually you hopefully have business opportunities that arise out of that for industrialization. So that is a relatively longer term business, but it addresses those trends that we are elaborating on also in the emerging markets, even though the Western markets for devices are clearly more important. You will see later on that most of our pipeline obviously is geared to launches in the Western world.

A few examples here: obviously, diabetes. I want to remind you that we started this business basically from scratch. A few years ago, we didn't have any insulin pen business. We had a few lancing devices and some lancets, some pricking devices, as they are called. We made some cartridges for a few insulin customers and that was it. By now, we have a relatively decent insulin pen business that is still growing and what is growing here, obviously, is the market. There are 250 million people more that will need treatment for diabetes over the next 20 years. With insulin, most of you know, a lot of that is still undetected. A lot of people suffer from diabetes that is not even recognized because those people do not have access to appropriate diagnostics. And if it's still very mild, you might not recognize it.

We offer various solutions: insulin pens for some of the large companies you know about – we are still ramping that up –, the lancets which is a relatively simple product and the pricking devices were we still make quite a number of those. But we also make components for more complex products that are finally assembled at our customers, that basically represent the transportation of the liquids to the human bodies if you talk about patches or anything else.

It's a very interesting business for us, for more product development actually. If you take a look at the development cycles of our customers in that business, some might think that with the new insulins you need less shots and that would actually translate into less devices being sold. It's probably also interesting to know that most of the new pens provide for fewer doses. So at the end of the day, it is actually not that likely that the number of pens sold will go down.

COP: Probably the area where we have the most expertise. If you look at the number of inhalers we make, you find pretty much Gerresheimer at all meaningful companies that address COP with a device or that is not a PMID. The number of people being affected by this will rise again significantly. This is basically recurring business also; there is no cure, only comfort. So once you are suffering from such a disease, you have to use a medication relatively regularly and in most of the cases for the rest of your life. So those revenues are recurring.

Our market-leading portfolio basically covers a wide variety of inhalers and customers all the way from the Blue Chips, but also to generic manufacturers.

Self-medication – I had said before – I like to call "keep people out of the hospitals" and make sure that they monitor therapy adherence. I have a perfect example at home: My father suffers from Parkinson and never ever takes the medication as prescribed. He drives me nuts. He always complains that he doesn't feel very well. Then he has either taken too many or not enough pills. But he doesn't seem to think that he has to take exactly the amount that the doctor prescribes. I don't know if that's a matter of age or that this is a general issue, but in 30 to 50 percent of the cases the medication is not being taken as prescribed. It poses a huge issue of inefficiency for the healthcare system. And therapy adherence suffers quite significantly. So therapy plans need to be extended, medicine is wasted, people go more often back to their doctors and ask about why they are not feeling better. This is a tremendous opportunity for the healthcare industry and for us as a supplier of devices to develop intelligent, sophisticated devices that help measuring the adherence to therapy plans and avoid the waste of medication not taken as prescribed.

From my perspective, that is probably the biggest challenge for the healthcare system, but also somewhat of a challenge for the pharma industry since it might result into selling less. But at the end of the day, the healthcare systems that, like in the United States, have costs of more than 900 or 900 dollars per patient on average just for the medication need to think about it. And with more specialized treatments for specific diseases increasing those treatment costs quite significantly, they have to think about how to improve therapy adherence and at the same time not to send

people to hospitals. And we still have significant differences also in Europe or in parts of Europe for the duration of a hospital stay compared to other parts or compared to the United States. So those discussions on the affordability of health care and how to organize it will also affect devices eventually and require devices that allow doctors to measure therapy adherence to get information through all potential channels either by simply measuring the amount of medication taken with counters or with intelligent submissions via telephone, wireless etc. to those doctors that monitor the therapy plans.

At the end of the day, it will require the challenge for us because in today's environment most of the devices are not electronically sophisticated and do not offer those types of features. But the technology is available and I think it's just a matter of time until we move to developments here.

How does that translate for us? Always the most important thing is actually to meet and exceed the demand of your already existing customers. It's always nice to think about new business or to think about new customers or to think about new regions, but the most important thing for a company like us – I come back to that initial chart with our customer list – is to please those you service because the highest cost a company like Gerresheimer can have is to lose one of those. The cost to reacquire a new one is significantly higher. The cost to establish that trust, to establish the relationship, the understanding is tremendous. Therefore, we obviously need to consistently improve our value proposition to those we already have. That's our focus number one. So when we talk about our strategy, that's the priority. But we also need to adapt to new markets and its requirements and to new customers in those or in established markets with tailored value propositions that need those.

But you should never forget the list that we had before. So keep that in mind when we go through that here. That looks a lot like the new things, but many of the new things are also solutions for existing customers.

In Plastics & Devices, we certainly have a growing foothold in the emerging countries. It is our growth engine, it will be our growth engine in the next years and I think that this is a significant step into the Gerresheimer future if you follow up on the opportunities that arise out of those six trends we have talked about before: again, safe dosage and administration of drugs. This is what standard primary packaging solutions are all about; that's what this business is all about.

Today, Europe and North America are the important markets for drug-delivery devices. If we see how quickly technology is adopted in the emerging countries, it really depends only on the development and the funding of the healthcare system there until we see that development in those regions as well. And what we do today is: We provide pretty much also the standardized containers, not to forget in that division, with caps, with dosage systems, with a lot of additional features for primary packaging solutions that are still extremely attractive in the emerging markets, particularly in South America where we are by far the market leader and not to forget about Asia where we are growing our footprint as we speak.

What should that slide tell you? I think that's a lot of names and markers, but the message is pretty much that, at the end of the day, we have the most comprehensive portfolio in that market. You find competitors that have some of that. You find a lot of specialized competitors that focus on a certain niche. But we are able to offer our customers pretty much a lot of solutions for what they need. That all comes out of that core TCC development center approach that we use and integrate directly into the development section of our customers once they think about the type of packaging or device offering they want to put in the market.

And then, when it comes to that, it basically matters: How good is your expertise to help customers design a product that can be manufactured at affordable cost? Because the most sophisticated device that actually adds 30 cents to your calculated cost base could put a significant burden on it if you sell it into healthcare systems that do not reimburse for that.

So even for those types of devices you always need to keep in mind that our customers are keen on taking into consideration the reimbursement situation in the markets they want to sell into and what those markets can afford. So it's very, very important on the devices also to understand the target costs that our customers are calculating with. And then it's important to have a network, a global manufacturing network to be able to produce locally or to produce in countries where we can keep costs at a reasonable level. That's one of the reasons why we have grown our Czech facility so much over the last years because these were the products that are targeted for customers with very tight cost budgets for those devices. If you manufactured them in Germany, your margin would be significantly lower or you would not have got the deal.

But we also do the simple stuff. The simple stuff, actually, is not as simple as it looks, quite honestly. That's a pretty complex product; it's a container with a cap for solid dosage packaging, so a pill or powder. Today, you have a different regulatory solution in the United States than in Europe for those types of container. So you cannot use the same container and the same cap today in those types of application. So the same customer would have to buy a different product in the United States for filling in a different product in Europe. You could not fill on one line and sell it into the respective market for the same.

So what have we done? We basically have thought about a unique solution that would enable our customers to use the same container in both regions. It's all about total cost of ownership at the end of the day, standardization of products. You go to one supplier, you get a higher volume, you might get a price advantage out of that and you get a higher speed in your filling line, you can use more containers, you can concentrate your filling. So a lot of opportunities and benefits.

That was the first time ever that the same container enclosure can be used on the same filling line in the US or in Europe and it is a container that is absolutely easy to use for patients, a very simple example for innovation, but one that is not very visible

and obviously not very sexy. But it's very effective for customer retention, I can tell you.

I have a couple of other examples here for you: You see the MultiShell vials, three layers of plastics, that we offer in the market and that we have developed – actually a relatively complex development. If you injection-mould a container with three layers, the layers have all different functions, mostly offered for the use in the biotech industry or for cytotoxic parenteral drugs. It's an alternative to a typical glass vial with additional features, particularly safety for break resistance, improved storage capabilities, reduced interaction with the product, but significantly more expensive, a lot more complex. And you cannot imagine how much development work it is to align the container and produce it in such a way that it meets all those requirements all the time for all the environmental conditions that all of our customers might have, plus, on top of it – here comes the regulatory again –: It needs to be validated. So each and every product goes through a stability test once you are in the market.

It's probably something we are working on now for a number of years. It looks pretty good. We will see how much we can sell. It's a clear alternative offering for high-value containers, particularly for biotech and specialized medication.

Our example 4 you are going to see tomorrow, so I shouldn't say much. As you see here, we actually have some windows you can look through. So it's not all hidden behind white walls and you have to trust us that we tell you what's behind that.

The new RTF line for us is a big step towards improved functionality and particularly to reduce particles for the pharmaceutical industry in our RTF process. That is because we use a new washing system, an innovative washing system. We reduce the glass to-glass contact. Maybe anybody has an idea how many particles that generates if you put a 2 mm scratch on a glass surface. – Make a guess! I was wrong, too, by far. – 15,000 particles. Any other idea? – 3,500. A 2 mm scratch – a tremendous amount of particles. So if you think about filling 400 million or on a line 100 million containers that have the potential to touch, the potential out of that friction to generate particles, you can imagine that first of all you want to avoid glass-to-glass contact. Secondly, we talked about the silicone, to have an improved washing process and siliconization process to reduce the residual silicone.

Those are just two features on that line besides others. What you see on the line is also that the complete assembly of the products, basically from the glass barrel with the glued-in needle – – At the end of the line you have the fully assembled product put in a tub sealed ready to go to sterilization.

It's a big step forward for us to meet the future demands of our customers. Maybe I can answer the following question on the next call: Have you generated significant revenues out of that line with a meaningful number hopefully? My colleague Andreas Schütte will have the opportunity tomorrow to give you a little bit more insight in that. That's why I want to stay brief here, not to take all the fun away from tomorrow.

Another value-added step for us: It's actually not only the auto-injector, it is the combination of a medical device plus a glass insert like a syringe or cartridge that has already the pharmaceutical medicine filled and the assembly of that together to the final product. That is a project we have worked on for a long time and we do now in one of our facilities. So we basically manufacture the auto-injector, we can manufacture the glass barrel, we receive the filled product and we enter the same facility in the pharmaceutical assembly of the final product. So we do not fill, but basically, instead of sending a large quantity of auto-injectors preassembled to our customer to put the cartridge in, he sends a much smaller cartridge to us or the smaller syringe to us and we put it directly into the auto-injector, package it and it's ready to go.

It's a big step for a small company like Gerresheimer because, initially, we were just doing the injection moulding. Then we went into the assembly and now we take the next step into the value chain integration. But I think that is one example for future developments for us where we can further integrate into the value chain of our customers. You can also imagine: Shipping a big inhaler versus a small cartridge for an inhaler can make the heck of a difference. So why not doing that in the future?

This is a project where I'd say: an innovation example not only for the product, but also an innovation example for extending our manufacturing process.

I have talked already a lot about our development centers. The one in the US is still small. We hope that we can grow that since this is a very attractive market in the future. But what is important is to get as early as possible in the development because here the decision is basically made on what product is being used and a lot of decisions are already the basis for how the functionality between the drug and delivery method shall work.

And we obviously, I would guess, conduct a lot more development projects on those types of devices than most of our customers do because we do it with a lot of customers. What, however, is important is to protect the customer's IP because we do not invent the product. The customer owns the IP. We are basically just a co-developer that is paid for their work. So we also have to make sure that within our facilities there are Chinese Walls between the different projects, so that no information what one customer might develop leaks out to another customer with a development in our house. It works quite well, but is important.

So today we run the two centers, a third one we will develop in China as we speak. What is important, however, is that only a friction of the developments we do actually turn into an industrialized product. We still do a lot of those that never make it past the clinical trial or not even to a clinical trial. In our TCC we basically try to select the products based on the marketability of the customer – there is no question –, but we also do a lot of projects that eventually do not make it.

So if you see those tooling revenues, not all of that actually translates into a product that we manufacture in an industrialized manner.

Mostly the ones that create those peaks that you have seen last month – – Because that is then when a lot of tools way past the clinical trial phase are being completed. But in the initial phase, when you spend a lot of engineering work and the tools you develop are only small, for small-batch production, out of those projects do not make it that many actually to an industrialized product. That is not surprising knowing the amount of product developments that our customers do that never make it to the market either.

We will give you a number of examples. I'd say this is only a selected pipeline of a few examples of complex devices that shall drive our value and also require significant investments, maybe not 100 million as in other places, but it still costs money.

How does that business work? I want to remind you: How does it work? So we start with the development right here, then we have basically maybe three-year development contracts. Sometimes it's one year, but most of the time it's a three-year development contract. For that development contract, the customer basically pays us for the resources, for the know-how we have, for the work we do. And if we have to build some specialized machines to assemble the product, they will pay for that, too. That is basically a typical development type of work.

Somewhere during the process the customers decides whether they are going to proceed with the product or not. If the customer doesn't proceed, we basically give the IP portion back to the customer, basically moulds and machines are shipped back or destroyed. What the customer pays for, is for the customer. We get a reimbursement.

… realization of the device, in most cases the decision is made that that product will go to market. At that point, the customer generally does not have passed all the clinical trials, but because of the lead time of the entire process and the validation, they already need to think about those types of investments because it takes a long time to develop those machines, to put the moulds in place, to validate everything. So at that time, customers have to work in parallel. That's the second phase where you enter into a contract.

Then you enter into an industrialization contract basically for the production of the parts in a high volume. Due to the significant investments that both parties have to do already at that time, those contracts run five, six, seven years. Five is actually short for an initial one because there are risks. The risks are: How quickly is the product going to the market? It depends on regulatory, it depends on the reimbursement situation of the healthcare system. Let's say, you want to launch it in 20 countries. It's 20 different reimbursement systems you have to address, 20 different filings, you have 20 different marketing campaigns. If it's a small company, you need to have a marketing partner. If it's a large company, you might have your own sales force. Then you need to wait for patient acceptance in a device business.

So there can be a lot of issues coming up that delay the project initially. And I tell you: In most cases, in my experience, the ramp-up curve has taken off always longer,

sometimes significantly longer than the customer has anticipated. The initial forecasts on the volumes are often higher. It doesn't matter if you get to that level one year or two years later; everything is good. But sometimes you never get to that level. It happens in that business.

So what do we do? We basically invest in everything that's standard in this case. We invest in the cleanrooms, we invest in the injection-moulding machines that we also could use if that product did not take off for other things. We would invest in the people. The customer would invest in all specialized equipment, any assembly equipment that is specially designed for his process, any inspection equipment that's designed just for his device, any moulds. Any replacement moulds are the investment of the customer. That is sometimes two, three, four-fold more than what we have to invest.

And then everybody hopes that the device is successful in the market. That is not in our hands anymore. That's how the business works.

In our numbers, it has looked a lot easier because over the last years you have seen that the Plastics & Devices business has put up relatively nice growth rates. So we had a relatively successful situation on launches. But some of those launches were actually launches that also happened a few years ago and did not do well in the first two years.

So, overall, keep in mind that this is a business that is different from a primary packaging container that is highly standardized, that you can scale up pretty easily. Here you have more variables to worry about. But you are also better protected, obviously. The entry barriers for such a business are significantly higher than on a standard primary packaging container because of all the specialized know-how that is in that project, all the regulatory steps that anybody would have to take moving it somewhere else – which also makes it easier if the contract runs out to actually get it extended because our customer would have to face significant costs of moving equipment to another manufacturer, most definitely.

If the product is very successful, then it depends pretty much on the strategy of our customer to qualify a second source of supply, which a lot of the customers do, or to say: They have gained a lot of experience, the second line they probably can even do cheaper from everything they have learned and maybe go through the experience curve and ask the Gerresheimer guys to do better on the price for a second line because now you can increase the volume maybe from 10 to 20 million and that helps you to further reduce the cost. Both options are there. Sometimes we win the second contract, sometimes we don't. That's how that business works.

So coming back to the products we launch here, some of that is obviously new business, some of that is business where we had a similar product with that customer before, not all is a brand-new product that just comes to the market. Some of this stuff you read here is also product that is growth. For those products, obviously, the risk is lower.

If you make the next insulin pen line for Sanofi for the Lantus, you have a product that's already in the market. It's much easier to predict the volumes, much easier to ramp that up, but much more opportunities for the customer to benchmark your cost. That's the downside because they might already have two suppliers and the next line is the one that is being the most effective in cost. So it's not a one-dimensional business approach here.

Maybe we stay on that: You see a number of nice products, a lot in the inhaler sector where we have the most expertise probably. Also some of the products you see here – patch pumps e.g. that I talked a little bit about – have the initial components of stuff that goes in the insulin sector. So that's an extension of the typical product offering we have done besides an insulin pen or a cartridge.

Last but not least, we thought that we need to make it easier for our customers to produce samples, trial batches in the first phase of the development in a very flexible environment, which in a production environment obviously is very difficult. So we just started – it's actually operational – what we call a small-batch production area in our Technical Competence Center which you can imagine as a cleanroom that houses specialized machines and equipment where we can manufacture individually for the customer small-volume business that can be used for clinical trials or for samples during their development process and offer a service that is much easier to realize than if you have to stop a large machine in your production area and sample on those.

So that's an area that is dedicated with people, equipment and tooling that do nothing else. So they are completely dedicated to service customers for those development projects. We believe that will enhance our opportunity to participate in more development projects early on because we can again improve time-to-market.

You are not going to see that tomorrow, by the way: Prefillable syringes made of plastic. As you know, we are pretty good at injection moulding. So today – we are working on it – we can make a COP syringe with a ... needle, as another alternative to a glass syringe. The product would certainly have a number of benefits: tungsten residuals for biotech types of drugs, break resistance would be improved. Unfortunately, it's not a very cheap production process. So, again, a high-tech material for a specialized application would be offered as an additional development to an RTF glass syringe. So it would not be the only solution we intend to offer.

Obviously, we also work on improving the quality of our glass product. But what is here important is: With that type of product you reach a reduced particle load, you achieve an improved break resistance and those were some of the hot topics the FDA is raising. So our strategy remains to offer the best potential solution for our customers and let the customers decide what they want to buy.

I don't know who takes eye drops for contact lenses or what not. I don't, but actually my son does and it's clear that preservatives in eye drops cause allergies. This is a known subject and we are all working on the development of a preservative-free solu-

tion for eye droppers. In pharmaceutical packaging for plastics, this is one of our most important development projects we are working on. We think that we will come up with a solution for the market here in the near future, but it shows you that product innovation on pretty standardized products is still possible and required.

Of course, this is a product mainly for the Western market, no question about it. But we believe that this is a clear demand from the pharmaceutical industry that also offers the opportunity to create a higher-value solution. I cannot say much about the details since you can imagine that this is relatively confidential. Obviously, some of our competitors are working on the same problem.

Primary Packaging Glass: We have a leading market position, as you know. I like to say – that's maybe just because I am coming from glass – that this is the gold standard of primary packaging, borosilicate glass packaging, widely proven to be effective, covers by far most of the applications in the market, highly standardized. I think it really addresses the total cost of ownership for our customers quite well. At the end of the day, glass is still the number one as the standard packaging material for parenteral drugs and we still see a growing demand.

We just talked about the emerging countries. We have a strong position today, particularly in Europe and in North America, I would say, a very good position in China and we will obviously improve our position in India and invest in China further to maintain our leadership position in that market.

We have the broadest glass portfolio in the industry because most of our competitors either do moulded or tubular containers. Again, we leave the decision to our customers, what's best for your solution. There is a good reason why people use a moulded parenteral container or a tubular parenteral container. At the end of the day, I personally do not really care what you buy as long as you buy it from Gerresheimer. But that is a very selfish position, obviously.

What makes us successful here? We obviously have a very, very deep process know-how and proprietary technology. Those are the key assets to be successful here. We have a global production network pretty much unmatched. And with our advanced technologies and process improvements we can basically very well address the high-volume market and at the same time try to offer specialized value propositions for more demanding parenteral packaging solutions.

As I said, the quality systems need to be aligned, regardless where you produce. Five years ago, nobody has really cared about how much the quality system in a Chinese manufacturing plant was aligned to one in Poland and aligned to one in North America or in Mexico. Today, that's different. The pharmaceutical auditors go everywhere and audit Gerresheimer with the same auditors and the same auditing procedures around the world. If your quality system is not aligned, you cannot sell. That's basically it. So it was one of our challenges over the last years to improve on.

What do we do? I said before, our strategy is also about standardize, reduce cost. This is mostly true for primary packaging: primary packaging tubular glass, ampoules,

vials, cartridges. We have just put in the first machines, basically in North America put in 30 new high-speed machines. That's a programme of standardization. That goes 2014, 2015 and is pretty much completed in 2016. So 30 high-speed completely automated lines with the newest inspection capabilities. That reduces the number of operators, so a higher output with fewer people. It means a higher level of standardization that allows our customers to validate with the same equipment again and again. So it's basically the same machine again and again and again in each factory which makes it much easier for the operators. It reduces the complexity to handle different generations of machines. It reduces the amount of mishandling mistakes that can be made and shall improve the product quality quite significantly.

15 of those will be implemented in Europe and about 40 new lines in the emerging countries which is somewhat replacement and additional capacity, type of a mixture, till 2018 in those countries. Even in our new facility in India we will only see one machine type, same as in the US, same technology, same camera, same packaging, same quality system. So this is all about standardization, standardization, standardization. This is something we have done in Moulded Glass already many years ago, but that has not been sufficiently implemented in the tubular glass sector.

And again improve quality, reduce cost and make it easier to operate those facilities with the same equipment.

Here comes the experience curve. I think that is widely proven and we have seen that in our capability. If we then develop something on the machine, a new feature on the machine, we can basically roll it out with the high level of standardization from one machine to the next to the next. So that is key.

Complexity in manufacturing drives cost. One of the biggest drivers of cost is actually complexity: complexity for your management, complexity for your operations people, complexity for your net working capital because you need to have spare parts of all different kinds. So complexity drives cost. And that is what we have also tried to address here.

We also tried to address the expansion portion: plants in Kosamba, the implementation of new technology in China and in Mexico. At the end of the day, a relatively big project on the implementation – as I said, pretty much North America. Every month a new line replaces an old one.

For pharmaceutical tubing, which is the material of which the vials, cartridges and ampoules are made, we focus basically on the quality improvements that the converted product requires. If we say, we want to reduce the number of flaws in a container, that would be no glass-to-glass, no glass-to-metal contact because everything I have told you with the scratches applies already in the tubing factory when you cut the tubes, you form the ends, you package that. So you want to extend that to that process, too, because that is the first step.

And you also want to standardize which means: same furnace technology, same technology on the forming side, same technology on the packaging of the tubes as

well. It is a little bit more complicated than it is with the forming machines because furnaces have a certain life and they are very expensive. So actually the opportunity to standardize is always at the end of a normal plant furnace life. So this goes obviously in the sequence with furnace repairs.

When it comes to Moulded Glass we basically have a huge project in our parenteral glass facility in the US, in Chicago. We are heavily investing in a programme that reduces glass defects and particulates, probably in a way nobody has ever attempted it. That is at least what we believe. So we will stop production here for approximately two months and basically redesign everything from the infrastructure to the packaging of the facility to address a number of those glass defects we have talked about, but particularly also particles since you have only that opportunity once you have a furnace down. So that is probably our biggest project, innovation project in Moulded Glass.

And actually you can innovate, believe it or not, on the material. It is a little bit difficult. The glass composition for parenterals hasn't been changed over a long time and, obviously, that hasn't been changed because all products are validated with that. But I said before, we have done a study on what causes delamination. And believe it or not: Gerresheimer today can basically produce a container that delaminates intentionally and we can also produce a container at conditions where we know that it will not delaminate due to a manufacturing defect. It can still delaminate because you put something in that is toxic, but it cannot delaminate because it's a manufacturing defect. I don't want to bore you with all the details what can cause that unless somebody here is very interested in that. But we basically address that.

We address what we call the load-bearing strength of a container. That is what causes breakage. Basically what causes breakage in a container is a surface flaw and a tensile stress. Tensile stress happens mainly in a filling line where you fill containers at a high speed and those containers stop and are released and you have backpressure and pressure to those stoppers that can be relatively significant stress. And if you have surface flaws, those containers can break, even though they had no visible defect before.

So we work on reducing the ability to scratch the surface which is called surface compression, and we are working on the reduction of preproduction surface flaws that probably come directly out of our factory because, if we have glass-to-glass contact or glass-to-metal contact anywhere in the forming process, that is a potential to do that.

Without any surface flaws and a protection from scratches, glass actually is pretty much unbreakable, particularly if you add some chemical strengthening to it which is something we do already offer for cartridges, for cartridges that go basically into EpiPen e.g. The combination of the offering basically can create a high-value product. It increases significantly the cost of the glass, but it can basically make the glass almost unbreakable. So we are working on that.

At the end of the day, we will come out hopefully with a number of solutions that give the customer certain value points with or without the strengthening, with the newest delamination technology, depending on what the customer wants to fill. So basically, it's all about tailored value propositions for the use and all in a standardized container where you do not have to change your line.

Again, it will probably take us a little bit to have it on the market, but I am quite confident that maybe in 2015 we will see the first contracts on that.

Last but not least, cosmetics. It's a value product at the end of the day. Here, what we do is: We basically produce cosmetic glass in the same way we produce pharmaceutical glass under relatively clean circumstances. Initially, that is extremely successful e.g. for jars where the customer requirements are extremely close to pharmaceutical cleanliness, but the industrial competence is mainly important for what we call masstige products. These are products in the middle segment of the market. So basically, what you find in the perfumeries in the range of 25 to 60 euros per container. Unfortunately, Gerresheimer would only get a very small friction of it, but it's still a nice container.

By mixing both pharma glass and cosmetic glass on our lines that gives us the opportunity to better utilize our facilities. It's a long-term growing business and what is important is basically the value added. It's not that much anymore about the glass because on the glass here you have more the cosmetic aspects that matter, not the functionality that is on the front page of the quality agreements. The filling speeds are a lot lower, you have much more varieties of different shapes of containers. So here the optical aspects of a container play much more a role. And what plays a much bigger role than in the past are the decoration options. So you basically multiply your product complexity by different technologies for decoration, like acid etching, any type of printings, spraying, metallization and what not. So there is a huge variety of different value-added treatments of the container after it's made of glass that in most cases add actually more value to the container than the initial glass value is.

The only focus we do is basically: We make that industrial. A lot of companies are out there that do that, I would say, with an artistic focus. That is not us. So if you want to have the super-exotic difficult-to-manufacture container, that's not Gerresheimer. Gerresheimer is: You want to have a container that you can make high speed industrial and then put a lot of decoration on it. There are some examples here that you can buy.

We basically do 130 new products a year, which is quite a bit, and then multiply that with the different forms of decoration. It's a lot of different containers. At the end of the day, we are a one-stop shop pretty much only for the top cosmetic customers that are basically very successful in that market. What we do not do is the top line of the small-quality, highest-value containers because that is not our core business.

With that, I finish my section and hand it over to Rainer. I think we will start with Life Science and all the innovation there.

Rainer Beaujean: Thanks, Uwe. – A warm welcome again to all of those who haven't listened before. Let's start with our smallest division which is Life Science. As you perhaps all know, we are producing here laboratory glassware, mostly for the North American market. We are clearly market leader in this market. We have a joint venture there. We own 51 percent, Thermo Fisher owns 49 percent. It is a business which is not branded with Gerresheimer. If you search that, that's normally Kimble Chase. You find the name Kimble Chase in this market and you find our products under this name. The market overall is growing, although pretty slow. Our cost position overall is pretty good. We have two low-cost manufacturings which is Mexico and China. On top of them we have our US plants which generate most of our revenues.

Overall, Life Science is one of our very good cash generators. We have operating margins, operating cash flow which you would figure out if you look on our quarterly report, even for the first nine months of above 10 percent. Therefore, it's good.

As we discussed before and Uwe already explained, we have cash generators and on the other side growth generators. Plastics & Devices is our growth generator and Life Science as well as Primary Packaging Glass are responsible for generating cash.

We have talked a lot – and Uwe has explained hopefully a lot – about our organic growth. So let's talk a little bit about the other area which we are also focusing on, which are acquisitions. We have this two-fold growth strategy which is also based on acquisitions. So let me remind you first of all, perhaps very important for you: Our M&A strategy is unchanged. That means: We focus on the regional diversification on the one side. Here we clearly want to increase our regional footprint of our divisions, for sure. Perhaps you are not expecting us to buy something for Life Science. You would more expect us to let our business grow in Primary Packaging Glass and as well in Plastics & Devices.

When we focus on the pharmerging market countries with Primary Packaging Glass and Plastics & Devices we also, like in the past, are looking in the US market for the Plastics & Devices business.

For sure we always keep monitoring the markets. Averagely, we did one acquisition a year. Perhaps you also have a short look at this slide. Slide 45 recaps a little bit our track record on acquisitions. We have done eleven acquisitions in ten years. Especially when you look in the past we were concentrating on the pharmerging markets. Our recent track record also shows that. As you perhaps remember – we already discussed this a little bit earlier today – we bought Triveni in India the year before, we bought Neutral Glass, we also bought in Brazil and especially in South America we have done a lot in the last years.

But at the same time, we allowed ourselves for some divestments, disposals of businesses which don't fit or which are not consumer healthcare business. This is part of our strategy and we also look on that because, as Uwe already mentioned, we have

to concentrate on standardization, we have to concentrate on costs and, therefore, for us a diversification is pretty difficult. So always have in mind: M&A is not only buying stuff, it's also divestments and we always look on our portfolio on that basis.

Before I go over to the outlook let me reiterate the key messages from our strategy today: 1) We think we have a unique position, a unique combination of product offerings for the pharma and healthcare industry.

2) We have a strong pipeline for innovative devices and we continue to drive expansion of our capabilities.

3) We are seeing continued success with our growth drivers of geographic expansion and acquisitions.

Let's now move on with me to a little bit a backlook. You can see on this slide – I start outlooking a little bit from the past performance – how our performance looked in the past: Organic growth, growth through acquisitions and then, for sure, our foreign exchange neutral growth are the basis of the things which we have done in the past. M&A activities added roughly 2 percent, the Compounded Annual Growth Rate in the last three years stood for the organic growth at 5 percent and overall foreign exchange-neutral growth came in at overall 7 percent during the last years. Keep these 5 percent organic growth in mind because I will come to this point a little bit later.

Roughly four hours ago, we started to discuss the third quarter of this year. We are through three out of four quarters and we mentioned already that we believe that our revenue growth will be about 4 percent, while we are up to now, after three quarters, at 4.1 percent. Uwe already explained to you that our markets are fully intact and we will continue in our opinion to benefit from the megatrends in the pharma and healthcare business. And then, if we are turning to our Adjusted EBITDA, we are guiding now more specifically for the year end towards 255 to 258 million euros which addresses pretty the mid point of our original guidance of 250 to 265 million euros.

With regard to capex, our guidance here is unchanged. We are guiding 9 to 10 percent of revenues at constant foreign exchange rates, as we continue to execute our mid-term growth strategy.

Let us now move to a first indication for 2015 and our strategic targets up to 2018. First of all, let us a little bit reiterate our key initiatives for the full year 2015 and 2016 – what is it all about? We will streamline our portfolio, as Uwe already explained. We will speed up the standardization of our technologies and optimize our cost base and, as stated, we continue to globalize and expand our US, Czech and Indian footprint. And we also will spend money on our development projects for product and processes and we already shared a couple of these projects a couple of minutes before.

We expect revenue growth between 1 to 3 percent for the full year 2015. If you remember our CAGR of about 5 percent in the last four years, you could argue that we missed approximately 3 percent if you take the mid point of our guidance of 1 to 3

percent. 3 percent roughly translates to 45 million euros on revenues. What are the reasons for that?

First of all, we have a slower uptake of one of the projects in Q3 launches. One of our big pharma customers already told us that he will take up a little bit slower than he originally thought.

Secondly, we have this modernization and capacity enhancement of our Chicago plant. Uwe already said that we have to stop production for two months. That's also an amount which will impact our US revenues business during next years. On top of that, for sure we have the difficult FDA environment which also will last in the year 2015.

The third effect which we have, which comes on top is – we already said that a couple of times, also during here: We have high tool revenues in the year 2014 and these will also be lower in the year 2015.

All the three effects together stand for roughly 45 million euros of revenues. Adjusted EBITDA on that basis of revenue growth in our opinion will slightly go up. We expect a maximum of roughly 10 million euros year over year. Capex, with all the things which we have in mind, will stay at around 9 to 10 percent at foreign exchange-neutral and the average working capital will be nearly on the same level which we forecast on average for this year of 18.5 percent.

Please don't forget: That's only a first indication which we provide you with. We will present our full-year guidance on our press conference and our analyst call in February 2015.

As you have heard a lot about all the things, all the initiatives which we want to do, for us very important is: What does it pay in mid-term? Clearly, for us, all the actions which we undertake, especially in 2015, where some actions will be then in 2016, follow clearly our strategy and are necessary to reach our mid-term targets. Here we expect an organic revenue growth of 4 to 6 percent at constant currencies. Just remember: This is then again in line with our 5 percent compounded average growth, organic growth figure during the last four years, as we have shown before. We target an Adjusted EBITDA margin of up to 21 percent, which reflects really our strong confidence, but it also has to do with portfolio optimization because we really would like to focus on things which really help us to increase our profitability to a different area.

Capex – because we also believe going further on that the growth will go on further – will stay on that level of 9 to 10 percent at foreign exchange-neutral and our average working capital, due to having less complex situations going on further, should approximately be at 18 percent. All this results in an operating cash flow – and there we are pretty optimistic – which will be above 10 percent. This is our goal, as I said, and we are convinced that we can get there. – With this said, Uwe, I take it back to you.

Uwe Röhrhoff: Alright, so it's up to me to conclude the presentation before we enter into Q&A. I am sure you cannot wait to ask your questions.

First of all, I want to tell you that, clearly, we believe that our mid-term strategy provides a solid foundation to move forward and achieve those mid-term goals we have put up here. We most certainly will also look into acquisitions, as we have done in the past, to enhance our leverage on those strategic initiatives that you have seen. We also might enter into one or the other partnership to push necessary initiatives that we have shared with you if we feel that this is necessary to reduce risk or to share cost to market. All that is potentially possible because we believe that, with our track record and our know-how and product offering, we are pretty well positioned to be successful and achieve the vision that I have initially shared with you.

The fiscal years 2015 and 2016 will require substantial investments in bricks and technologies and products. That's completely in line with our strategy. That's a lot to do. We are increasing our footprint in the emerging markets. We are standardizing the production technologies and quality systems, as you have seen. We are standardizing our approach to the markets and we are developing innovative product offerings and manufacturing processes. I think that is one of the core points here for the future that product innovation and process innovation is the answer to those market requirements that have come up over the last years and of which the regulatory environment is one, but also the development of new medicine is another one.

We are well positioned. We believe in the strength of our company and the reliability of our markets. Keep in mind that this is not a guidance for 2015, it's a first indication. We haven't even finished our budget process for 2015 yet, but we did not want you to leave this room today understanding what we believe 2015 might mean before we have finished our budgeting process. And we did not think that we would wait and share that with you in February of next year. So we are looking forward to your questions. Thank you for your attention.

Anke Linnartz: Thank you very much for your presentation. I am afraid we are running a bit late now. I would like to remind you that there will be plenty of time, of course, to discuss with Management during dinner. But, of course, let us now enter into our Q&A.

The first question comes from Chris …, please.

Chris …: Can I come back to this capital question I had earlier on, basically now focusing on capex? If I look at your medium-term guidance, it essentially implies that you need about twice as much capex relative to the sales growth you can generate.

If I remember right, back at the IPO etc. we were talking about the ratio of 1:1. What do you think has changed fundamentally in your business that it has become so much more capital-intense? That would basically be the first question.

The second question on M&A: I was just wondering whether you maybe can elaborate on the pipeline you see at the moment. I understand that you have your acquisition strategy and prices are high, but basically, we haven't seen any major acquisition for two years from you now. It was a substantial part of your growth strategy in the past. I was just wondering if you could comment on that.

Uwe Röhrhoff: I think you are absolutely right with the capital requirements. I think, based on my presentations, we clearly see that this is higher. That has a number of reasons. Number one: We have seen that our capital requirements in the Plastics & Devices division have been higher on the projects that we have already acquired. It has taken into consideration the amount of capital we had to invest to achieve the growth on the projects we have implemented, like the inhaler growth in Horsovsky Tyn.

If you take a look at our facilities, we basically need to invest – you have seen that – more in bricks and in cleanroom space than we initially thought, I think, some years ago. From my perspective, that is a reality. We see that at other companies in that business as well. I think that needs to be reflected in the numbers. If P&D is going to be the growth engine, these are capital commitments that come with that growth. That is clearly the case, particularly looking at our pipeline and the facility expansion that would be required to achieve that growth. That's number one.

Number two: I would say, short-term we have the additional investment that we feel we need to do to improve our cost position and meet the demands of the pharma industry in the primary packaging sector. I mentioned the Chicago Heights project which is probably an investment that you do once in 20 years from a perspective of adjusting the infrastructure. That requires more capital, but that should put us in an excellent position to service the parenteral market and our machine standardization programme. That is probably one of the biggest drivers for improving our margin and achieving the level of standardization that we believe shall give us a competitive edge.

So if you factor in those three or those years, that would require that at the end of the day it's always pretty difficult to say, is it 9 or is it 8.5 or is it 9.5, but our best guess at this time is that this is the amount of capital we require to execute the projects that we have shown and shared with you in that presentation.

Chris …: Can you elaborate on M&A?

Uwe Röhrhoff: As I said before, I cannot go into the detail here, but what I said before is that we are looking at a number of options to extend our product offering, to maybe partner on one or the other development. M&A business needs to support

that. From that perspective, it's still hot. Still the biggest focus will be on emerging countries; there is not question about that.

We have chosen to do a little bit more organic than we have actually done in the past with the greenfield in India e.g. But what remains important for us is also additional technologies on the device side and I never keep my eye off the US market for the device side as well. So from that standpoint, that remains a target. There is nothing new. We would not do anything differently. We are looking, but we are still conservative when it comes to prices – because we are spending already enough money on other things, as you can imagine.

Daniel Wendorff (Commerzbank): Two product-related questions and one general question for the Primary Packaging Glass division. Maybe I start with that one: I just read somewhere in a magazine that actually sand has become quite an expensive product, at least some types of sand. Are you affected by that at all?

The second and third question on two products: The auto-injector you just presented, is that a tailor-made solution developed for one client or is it a product line you just like to offer to a number of clients?

On the MultiShell product: It sounds quite exciting to me, I have to say. But I am not the expert in the field. How is the competition there? Is that you only supplying such a product? How much more expensive would it become for your customers to buy that from you?

Uwe Röhrhoff: I start with the last one, the MultiShell. There is at least one other product out there in the market that is being in stability tests with the MultiShell approach. Most other products are mono-layer COP-type of products that miss the barrier for certain products. If you consider market entry, a lot is in stability and not a lot is sold. So everybody is testing it, but because those products are significantly more expensive than glass, I think there is still a certain resistance of the pharma companies to start using that at a higher volume.

So for us, I would say: I still see that product being available for a niche market, only for high-value products. This is a little bit a different opinion than some of our competitors have. They see a larger market-segment opportunity for that type of product, but my experience with the pharma industry is: It's still pretty resistant to change and it remains very cost-conscientious. So for me, it's a niche-market product.

The auto-injector is a custom-made product, absolutely. But, as I mentioned, we might enter into some partnership to develop something for a market in a partnership that is actually not custom-made. But our focus is on custom-made projects and anything with the additional step like pharma assembly we would basically focus on only for custom-made; otherwise that would add too much complexity at this point to our organization.

The price of sand: An excellent pickup. Actually, sand – which has never been an issue – has become an issue, particularly in the US, at least for certain qualities, as you say, since it is heavily used in the fracking industry.

For us – we have actually entered into longer term agreements with our suppliers – it is not a big issue. We see some moderate price increases on sand, but it is still a relatively inexpensive material. If I am honest, in most plants the freight cost is higher than the commodity price. So it's not that significant, but we are watching it as well, particularly in the US.

Scott Bardo (Berenberg Bank): Thanks very much. A few points of clarification on the guidance, please. First of all, when you describe a 10 percent operating cash flow margin, is that including or excluding your capex expenditures?

Rainer Beaujean: Including. Operating cash flow in our definition means Adjusted EBITDA minus capex plus/minus working capital.

Scott Bardo (Berenberg Bank): Great. – And when you provided the outlook between 2016 and 2018, is this something that we should expect from 2016 onwards or is this more of an aspiration towards the latter part of the decade?

Uwe Röhrhoff: As average for the year, absolutely. Not at the end. That is what we want to achieve. On the margin, obviously, that is a more gradual improvement. Do not expect us to jump to 21 in 2016 because we are probably too lame to achieve that. But on the growth side, definitely what we have seen in the past is what we continue to deliver in the future on average. So you will see a higher year and in 2015 you see a lower year.

Scott Bardo (Berenberg Bank): There was a big focus on EBITDA and, obviously, capex will continue to be at a very high level. Can you help us understand a little bit how you envisage EBIT or Adjusted EBIT progressing? I know there is a lot of fair value amortization coming off, but presumably your normalized depreciation steps up. How does that flow through to Gerresheimer in the next five years?

Uwe Röhrhoff: Clearly, I don't want to introduce another thing we are going to guide, but the EBIT should go up, there is no question about it. If you look at it from an EBIT perspective, that is what we have been doing. A larger portion of the investments goes into buildings and bricks and you have seen in the past that this goes over a longer depreciation period. So that is not hitting the depreciation as much as the ma-

chine investment, obviously. So from that perspective, we clearly believe that we see a translation into the EBIT.

Scott Bardo (Berenberg Bank): So your depreciation and amortization ratio should come down basically over the next periods?

Uwe Röhrhoff: I didn't say that, no. That deprecation comes down, no.

Scott Bardo (Berenberg Bank): I think you have stepped up or will step up investments even more significantly certainly than was outlined a couple of years ago by the company. However, your growth expectations a couple of years ago have not stepped up, despite these … investments that you expect to make.

I think there was a lot of discussion about the general market growing 5 percent and emerging market volumes growing clear double digits and you have a good exposure to that. So, I guess, the question is: Why aren't you … higher growth given the overall market dynamic and the investments you make?

Uwe Röhrhoff: That depends a lot on the success of the projects that I have outlined. It is like everything in life: Not everything is going to be a success. It's just like the pipeline that we put up. If you have the first project that probably is a year, maybe two years behind, that doesn't mean that it is not realized, but it takes longer. I think that we tried to account for that risk in that guidance.

You have seen that there is a lot of innovation … things that the overall market development – –

Scott, we still sell a lot in the Western market, also on primary packaging products. I believe that the volume growth in those markets – and that is what we see – is not the same as five, six years ago. And I do not believe that this is going to happen. You are absolutely right: A lot depends on our ramp-up on the emerging markets. A lot depends on our ramp-up on the new products in the Plastics & Devices business, how we can achieve that.

Do not forget … Maybe we get a little help from the cosmetic industry. Who knows that at this point! We have seen that in the past. That's difficult to predict.

I think that is on average a good number. We have achieved that in the last five years, with a little bit on top of M&A activities. So what we guide now is not that much different, but we clearly say – I think that is the message – that we need more capital to do that. It's harder to achieve, I think, with less capital.

Q: Just a couple of questions on your guidance: Could you talk about the 1 to 3 percent growth in terms of price, volume and mix in the underlying business?

Secondly, how much will you be moving from efficiency investments?

Thirdly, within the divisions, how should we reading you about the margin developments? Life Science flat, Plastics & Devices should be improving as a result of mix. So Primary Packaging should be flat or do you think this is going for improvement?

Uwe Röhrhoff: Number one – I need to reiterate: This is not a guidance, this is a first indication. We have not finished our budget rounds. Obviously, if you look at the Primary Packaging sector, if you look at the volume, this is going to be a year where the volume still is under restrictions of those two points that Rainer has mentioned: The Chicago Heights furnace repair at a higher extent plus the FDA issues, we think, will continue somewhat and dampen our growth opportunities. At least that is clear.

On the price side, I expect, if you talk about Primary Packaging, a pretty normal year which means that our price increases are not high enough to offset our cost increases and that we need a certain amount of efficiency improvements to maintain our margins. So that would mean: If we want to achieve a margin extension, we would have to have higher efficiencies than the offsetting negative effect of cost price versus price involvement.

We do a lot of work during 2015; that should drive that. But I think it is fair to assume that most of the activities in Primary Packaging go into efficiency improvement.

It's a little bit different on the Plastics & Devices side. Number one is: If you do not get the volume on a new business that you expect, you get only reimbursed for the cost you are stranded with. That never helps your margin overall. What does help your margin is that the revenues on the tooling and engineering will be lower than in the previous year.

So from my perspective, that should help a little bit on the margin. On the price side, in that business it always depends a little bit on the contracts. I cannot give you a number because that is a relatively complicated mix situation. But generally, here we also need on the Primary Packaging side a little bit of efficiency because we only can pass the material cost increases to the customers, which is true for the containers. The device business pretty much has fixed price agreements in place. So a lot of what we are going to do in the next year then translates into the improvement on the bottom line that Rainer has mentioned, that can go up to 10 million. So do not expect here, obviously, a significant margin uplift. That goes by mathematics then, I think.

Q: I have a couple of questions, following on from points other people have made. I think when we have spoken previously, the guidance you have given is that you generally get 18 percent return on capital on investments you make. Based on the com-

ments you have made today, has that changed at all? I might have got that number wrong.

The second one is just following on from the last comment around pricing power: A lot of the things you spoke about today are about how regulation really helps the business and how customers … into contracts. I just wonder why you aren't seeing more ability to pass on prices to customers, particularly from what you said on the Plastics & Devices business.

I guess those two points are linked together: Is this because of the competition in the market or is there a pushback from customers that has changed the dynamics somewhat? Is there sort of a shift in the market dynamics somewhere?

Uwe Röhrhoff: On the device side, I do not see a shift in the market dynamics. Our assumptions on pricing for those products are not different than in the last four to five years. We had one incident where we had to give some concessions to maintain a contract, but overall, I would say, that is pretty much unchanged.

I think the ability to pass on price increases in Plastics & Devices is something you basically do when you start a new project. That is when you set the pricing point. I try to explain that later.

When you are in the renewal of the contract and the volume increases, you face some competition. Normally, due to what customers expect – experience curve effects – your cost and the prices should go down if you increase volumes, let's say, from 10 to 20 million containers. That is pretty much the reality in that industry. That is completely unchanged.

On the regulatory environment, I think, that is a valid point that, if we are successful implementing that, we might have the opportunity to get more on price and on value. But I would anticipate that this is not a hot subject for 2015. I think there is more work in implementation work to be done till the market position would justify that to be included in such a first indication.

But generally, on the pricing side, we do not anticipate that to be different than the years before. It's pretty much unchanged: no new competitors, same competitive environment.

…

Uwe Röhrhoff: Can you repeat the question?

Anke Linnartz: Internal rate of return, I think, was the question about.

Rainer Beaujean: The basis of that is: For new investments for sure we want to get our money back as soon as possible. But if we have a replacement, then we for sure also have lower numbers into it. If you look on our return on capital employed overall for the Group and if you made a calculation, you would figure out that, right now, we are above 12 percent. You see that especially for the new investments for sure we try to get as much as possible as soon as possible. These 18 percent is an orientation for new investments, but if you look at replacement, that's a different story because in replacement you have to do whatever is necessary because otherwise you have to stop. So it's a mix between those.

Sven Kürten (DZ Bank): I have a question on the generics business. I was wondering if you can tell us the revenue share which Gerresheimer currently makes with clients from the generics industry and how this is going to evolve until, let's say, 2018.

A question related to that is: How high do you see the risk that increasing regulatory requirements, especially in the pharmerging markets, will burden the margin with a generics line, especially mid-term?

Uwe Röhrhoff: I can honestly not tell you exactly what our share is with generic companies since we sell to a number of companies that fill both and it's very hard to predict what is a generic product versus a patented product.

But I still can answer your question. I gave you that example from the emerging markets. Today, if we sell a product in the emerging markets, that is made of locally registered glass, same product, let's say a 2 ml vial, the price point – if you made the product according to the Western specification – is significantly higher, which means that my margin on those products is on average higher.

So we believe actually that the regulatory aspects in the generic markets are not negative for the margin, that they continue to be favourable for the margin. The reason is: I have much more competitors competing on the low-quality type of vials because you do not need expensive equipment, you do not need cleanrooms for packaging, you do not need to buy expensive glass and you do not need all those quality requirements that you have. Once you have that, only actually a few, even in a market, let's say, like China, can compete on that. So basically out of maybe 30 competitors you are down to five that actually can compete on that. And that explains why the price points for those types of products are higher – actually in almost all of the emerging markets.

Sven Kürten (DZ Bank): So you are not expecting a significant change in that situation going forward mid-term, in the next five years?

Uwe Röhrhoff: In our mid-term guidance not, no, not a significant change. We continue to assume a gradual push towards it, but we also recognize that, as I said before, the cost sensitivity of the healthcare systems in those regions is to make compromises for affordable medication. I think that is the biggest hurdle.

For example, if you take China where the authorities have announced multiple times that they would push for parenteral packaging to go completely to DMF-registered glass, it's actually never happening because I think that the healthcare system still cannot completely afford that.

So our assumption is a continued gradual improvement on that only.

Q: Primary Packaging Glass, what is the average margin differential between the pharmerging markets and the developed markets?

As you are putting the same machinery in place in the pharmerging markets, you have basically machinery which is too good for the moment. Does that imply that going forward, when regulation in the pharmerging markets becomes more stringent, the incremental returns on your capital expenditure there significantly increase?

Uwe Röhrhoff: To answer the last question first: Yes. Initially, the incremental returns, because it's going up gradually, will decrease, but you do that in steps. Basically, you first invest in inspection technology and secondly you invest in the high-quality machines which we are not putting in at the same speed, obviously, as in North America.

We have so many machines. One third of the volume of containers is in China and basically all the machines go to the West that are new in that facility. So it's actually a negligible effect, but the margins today are very similar. Margins on converting in China are right now in the Chinese plants probably in the top four of all of our converting plants. So that is not bad. If you look at the margins of our Indian moulded plant, that is very comparable to our European plants. So there is not a significant margin delta, but when it comes in Moulded for example to the initial investment, when we now in India actually upgrade to Western standards in Moulded, you increase your capacity significantly, then you make that investment for one furnace which means at least two or three production lines. So actually here you invest more initially and then you gradually fill it.

So initially you run that facility not completely with Western product, you basically grow into the Western product. That is much more related to the point you make where your gradual capital return diminishes a little bit when you make that investment.

On a converting site, you can basically scale that up machine by machine. That is maybe 20 to 30 million pieces on one machine. So that is not that much. That is easi-

ly scalable; let's put it this way. Therefore, the effect is much smaller. Sorry when I was a little deviating.

Q: I start with a very nitty-gritty question. When it comes to the 21 percent margin target, I was hearing "up to 21" and I think I was reading "21". Which one is actually correct?

Rainer Beaujean: Up to.

Q: Up to 21 percent. And that is then basically an indication for 2018 or on average for the years 2016 to 2018?

Rainer Beaujean: "Up to" means "up to" because we can't increase it directly at the beginning. First of all, we want to reach it. To see the next steps, we have to do our investments and to initiate all the things which we said before, in 2015 and 2016. Clearly, our target is to get it up to 21 percent and not on average.

Q: When you talk about a first indication for 2015, shall I understand that as a kind of certain floor guidance or how shall we think about that?

Rainer Beaujean: I tried to explain to you: You know that we have three effects which we perhaps already know right now. When you put numbers on the three effects, they come up for 45 million euros, which is roughly 3 percent of revenue growth.

The first effect, for sure, is the, I would say, not as fast as perhaps three years ago expected uptake of one big pharma company of the launch which it was doing in Q3. This stands, if you put a revenue number on that, at roughly perhaps 20 million euros overall. That's a product from a customer where they already invested a lot and from their marketing campaign they won't be as far.

So we are not afraid that this product will be successful longer term because the capacity is there. But the launch will be a little bit slower.

The second effect is that what Uwe already said – and you also can put a number on that which is roughly, I would say, 15 million euros: This concerns mostly the Chicago Heights effect, the increase of the furnace to a different quality standard as well as the capacity increase which we are planning there. For this, we have to stop the production for two months. That's also an effect, based on the, as we said, discussed budget for next year which you can predict pretty well. So these 15 million are also something which is not out of reach. There will be a little up and down.

The third effect, for sure, is the tool effect, tool revenues. We would assume roughly 10 million euros … As we always said during this year, also at the beginning of this year, we have in 2014 really high tool revenues. Even if it's not going back to a normal year – –

I read the Capital Markets Day two years ago. There was a guidance in place which was: In two years, we will have 120 million euros in tool revenues. So you can see that these 10 million is not something which – – For sure, we can't predict it really precisely, but we have also a very good knowledge where we can say: This is a number where we also feel pretty comfortable.

When you put then EBITDA percentages on that and you make out of the 45 million an EBITDA effect, you can say: For sure, tool revenues don't have a high margin, the 10 million. I don't know what your assumption is, but if it's 5 percent or up to 10 percent at maximum, you have the number. If you count then everything together, out of these 45 million euros, we would perhaps then have an EBITDA effect of roughly 12 million euros, I would say.

This is the effect which we are missing due to the growth which we are not getting in 2015. That's the reason, when we look at our EBITDA guidance, why we think it's at max. up to 10 million euros, based on – – That's the reason why it's a first indication: to say that this is exactly the number is pretty difficult if you don't know … in for the year end.

For sure, we are only one quarter away and we feel pretty comfortable. But, again, we are a business – Uwe explained that at the beginning – with a 24/7, 35 or even up to 36 days' work.

Uwe Röhrhoff: 360.

Rainer Beaujean: 360 days' work, sure. – At the end of the day, that's also something which you have to have in mind.

Our last quarter is our strongest quarter because here we don't have a lot of vacation. And we are right now at the beginning of October. So there is a little bit to come, but we feel pretty comfortable. That's the reason why we also have said that we want to target up to the year end 255 to 258 EBITDA, which is a pretty tight number. That's the basis. And then on that basis we have to deliver. That's the reason why we call it a first indication.

We have to finish our budget discussion. That's also one of the things which we have to do. We are in the middle of it. As we said already, we would like to discuss that as early as possible. We would like to give you an indication what we know right now, but we are pretty sure that this is not so far away.

Q: Right. That's very helpful. Two quick follow-ups if I may – probably I missed it earlier: On depreciation, if we exclude fair-value amortization, shall we basically model that it's about to grow in line with sales or what of kind of growth for normalized depreciation charges should we model going forward?

The last question would then actually be: Can you just share with us your thoughts on the deal of Consort Medical? They are basically acquiring a company that does drug manufacturing. Is that something that strategically would also make sense for Gerresheimer going forward?

Uwe Röhrhoff: I start with the last one: Personally, I think contract manufacturing, particularly on the filling side, should not be part of our core business. It's a different class of experience and skills you need. We are a packaging company and a device company. I think that is what we should stick to.

The depreciation question I have to give to Rainer; otherwise, you probably get a completely wrong answer.

Rainer Beaujean: I don't think so. – When we look at the depreciation, first of all, I have to put the capex into two parts, the maintenance capex and on top of that the new investment capex. The new investment capex roughly stands for – –

When you take the 9 to 10 percent as a number, roughly 60 percent of the overall amount is growth and the 4 percent or 40 percent roughly is the maintenance capex.

So what you can see right now in our depreciation on that basis, that looks pretty okay. It's mostly a maintenance capex because when you look at bricks and stones for the next years – – Uwe said already that we are building a lot in buildings. In buildings, overall, I have a longer period to write off. So I would build my model around that, but I don't want to be too precise on that.

Uwe Röhrhoff: We can tell you once we have done the budget.

Rainer Beaujean: Yes. We have to finish the budget first. At the end of the day, that's too early, I would say. But, overall, to keep it somewhere around the actual situation is not so totally wrong, based on the situation that we have investment capex and maintenance capex. The split is not changing a lot.

Q: I would have two questions, one on your guidance for the mid-term of 21 percent EBITDA margin. You were talking a lot about standardization and increasing flexibility etc. But I have a little bit the feeling that that is to a large extent necessary to cover cost inflation etc.

I guess, the question is: To what extent the increase in the margin is actually driven by or dependent on growth, probably primarily coming from Plastics & Devices?

A second question maybe a little bit related to that is: To what extent do you consider exiting the Life Science Research business and basically reallocating these resources to your actual growth business which would be the Plastics & Devices business? If you did that, would you change your guidance also in terms of margins?

Uwe Röhrhoff: I think your observation is absolutely valid. If you take a look at the Primary Packaging business, there are definitely – I can tell you that quite well – opportunities to further improve the margin from the levels we have. But since we do not get a price that covers inflation, there is always a large portion that already is necessary to cover that. So that is why the margin improvement in that business can only come gradually.

I told you that we put in equipment that has a higher output. Plus: The equipment requires fewer people. So you can easily calculate probably that this will improve the cost position and drive up the margin, probably makes the largest contribution to that proportion of the business. Plus: We also expect from the Chicago Heights investment a major contribution to a margin improvement.

As I have said before, the stand-alone Moulded Glass business other than Chicago Heights is already pretty good and has been pretty good. So I think that is rather difficult to improve.

On the P&D mid-term, it has to come out of the sector of the tubular glass, the converting business that is in that business and the Chicago Heights portion.

I think you are absolutely right: On Plastics & Devices, due to the structure of the contracts, basically growth here is important with the price points of new contracts to drive the margin. Because once you have a contract, the margin is pretty much set and then only depends on the volume you get out of that contract. If the volume is a little bit lower, it has a negative impact on your margin because you are only covered for a certain amount of your cost that the customer reimburses when they do not reach the target. If you overachieve, you certainly have a benefit. So that business is certainly much more driven – on the device business – by the growth opportunities of the respective devices. If they are there, then certainly you have a positive effect on the margin.

Basically, what we have figured in here for the mid-term guidance – you saw the pipeline – is a normal success rate and we have figured a success rate on the implementation curve that is in line with what we say on a normalized level. We certainly have made, I would say, a realistic assumption on that level in our mid-term guidance.

Rainer Beaujean: In Life Science Research, the idea right now is that it's included.

Q: …

Rainer Beaujean: There is always the question for an opportunity before you discuss what you want to do. For us, for sure, Life Science is a business – if you listen to the criteria which we have seen here – which is not as much attractive as the other ones. But as long as it generates good margins, operating cash flow margins, it for sure helps us right now. But, again, it's opportunity-driven.

Daniel Wendorff (Commerzbank): Thanks for taking a follow-on question. I'd like to go back to your initial 2015 thoughts. You went quite into detail what is going to be missed on the top line. Can you comment on what this fourth RTF line is going to add compared to 2013? I have to go back to this one unfortunately. In your initial thoughts, what you think could come from the fourth line? That would be helpful.

Uwe Röhrhoff: We cannot give you that figure as of today. I can only tell you: There are preliminary discussions on the budget. We have obviously not reduced our forecast based on RTF development. But I would say that it is fair to assume that we have a realistic expectation for the contribution of that line. But that always depends a little bit on how quickly the qualifications go and how the line is accepted by customers.

What is more important for the RTF business is that we use that line for qualifying new products, actually for new business. Maybe with the additional features that I pointed out we have the opportunity to capture some businesses for the future with higher margin points, which would be nice and actually should give us the full benefit of the line.

So from my perspective, the line will also be used for quite a bit of development work to address higher value syringe businesses. But there is no negative assumption. That's why you didn't find it on the three.

Daniel Wendorff (Commerzbank): Okay, thanks.

Q: I am completely new to your business model, so this might be a naïve question. But I thought the idea was that it's a very much diversified customer base. Therefore, I am quite surprised that a slower product launch is actually taking off more than 1 percent of your sales growth. Can you just explain how you get the forecast? Do you get a feeding from your clients what they expect for the product? You say, this

product is still expected to be a very big product, it's just a slow launch. Is that the gut feeling which you get from your client or is it your own assessment?

Uwe Röhrhoff: That's why we put it up. We got a revised forecast that is completely different from the last forecast we got from that client. And it's completely different from the launch forecast that we have agreed with the customer.

On those particular products where we have invested a lot, the customer has invested a lot – this is supposed to be one of our top sellers – obviously we are in the closest possible contact with the customers to do that. This is a product that only we manufacture. That is the reason in Devices.

Just to give you a little bit more colour: In Devices, you find basically the single products that have the highest single revenue by product. You'll never find that e.g. in Primary Packaging because every product does not make that much of a significant revenue. But if you come to an inhaler where you might be able to sell 30, 40, 50, maybe 60 million units, an auto-injector or an insulin pen where you can sell up to 100 million to a single customer – those are the typical products where we have the highest revenue contributions. That is why on that particular product, which was one of our top-launch products and actually one of our biggest investment products over the last two years – it has a significant impact. But we do not have that many of those.

Q: But how comfortable can you be with their guidance that it ultimately will be such a big product? The problem in respiratory is that it's such a complex field with a lot of new products being launched. It's just not that clear, at least to me, who is the winner, who is the loser, what role generics play.

Uwe Röhrhoff: I think you are absolutely right. I had a very, very similar case in 2009 with now one of our top-selling products. A few years after we have launched it with a high capacity installation, we still sold only, I would say, homeopathic doses of inhalers to that customer where that customer actually had invested a huge amount, really a huge amount of money into this product – which is now a very successful product in the market. But it has taken them a number of years actually to fill the first line.

We definitely never know more than our customer; that is the case. We are not the experts for the inhalation market and to assess the capacity of a drug in the market, but we use our best estimate to see what type of commitment the customer is making. Sometimes we even have the launch schedules for the different regions.

In this case, there is no guarantee. Do I know if the next forecast is the right one? What we can tell you is that the customer has put a lot into it. They want to make it successful. The nature of the industry, as you know, is: Not every launched product is going to be a success. Maybe I sit here in three years and have to tell you: I am still

selling homeopathic doses, but I have the nicest line in the world that is not running. This is possible, absolutely possible, but I hope it's not happening.

Scott Bardo (Berenberg Bank): Just following on from Isabel's question: If I recall the last update we had in Czechoslovakia, it was a combination asthma device that you were launching in 2013. Given the significance of that particular product to your own P&L, can you confirm for us that it's a combination inhalation device?

Uwe Röhrhoff: No, I cannot comment on any customer and any product.

Scott Bardo (Berenberg Bank): Understood. – Part of the equity story, certainly from my perspective, for Gerresheimer has been that the high investments that you make in capex and some of the tooling business being somewhat of a precursor to product business means that you get the benefit somewhere down the line.

Has this sort of slightly disappointing launch thus far made the organization reassess how you strike the business model, perhaps to have some fixed commitment on an absolute basis from your customer that then takes the risk of whether that product is a success or not or whether one should always expect Gerresheimer to share in this risk model as part of the business construct?

Uwe Röhrhoff: Scott, honestly, I didn't completely understand the question.

What we do is basically what the industry requires. I don't think we do anything more or less or more or less risk sharing than other competitors do. So basically, that is determined by the market. You have competition that offers certain things. You have customers that request certain things. If you want to do business, you have got to assess the risk and you have got a major commitment. I tell you: Sometimes you are right and sometimes you are wrong.

I would say, so far, in many cases we are right, but in some cases we are probably not smart enough to be right all the time. But that is part of the business.

Generally, what I can tell you on the device side, is that our customers' commitment on capital and cost reimbursement on those types of products is huge. So if I am whining about that issue, my customer is screaming about that issue because that means for him much, much more. So now I can share. It doesn't really help me now to make him scream a little bit more. At the end of the day, I am only successful if the customer is successful and then you have to go through that once you started that – on the device side.

You mentioned the Primary Packaging side: I dove back into this business on the tubular side a little bit less than a year ago, as you might recall. I think I have done a

tremendous assessment of what's going on in the market and what we need to do. I obviously have a different opinion on what needs to be done that the management before.

I am pretty confident that this is the right thing to do. I can tell you that the plants where we have highly standardized our equipment, where we have reduced the complexity and where we have the most modern machines are the plants with our highest margin and the lowest amount of issues. The same we have in Moulded Glass. So I think that is the right thing to do. If that costs a little bit more money in the next couple of years, I gladly do this. Then let's judge once that is done if that gives the result. But I tell you: I am pretty confident that this works.

Scott Bardo (Berenberg Bank): Just one last point of clarification for Rainer, on this operating cash flow target because I think it's quite important to understand that a little bit better. The operating cash flow is not free cash flow as such because it doesn't include your tax and interest rate expenses?

Rainer Beaujean: Correct. That's the private equity cash flow which you normally use, which is the Adjusted EBITDA plus/minus working capital minus capex.

Scott Bardo (Berenberg Bank): Understood, thank you. – And then just following on from that: I think in periods of slightly higher growth from Gerresheimer and actually at times when margins were a bit better for Gerresheimer, my understanding is that you haven't achieved that 10 percent operating cash flow. So the question is: If capex is going to be very high and growth perhaps a little bit pressured next year, what gives you that confidence? I just need a bit more information detail as to things you are going to do on the cash side to reach that target.

Rainer Beaujean: First of all, you have to also look at what we already mentioned in Q3: that you have a look on the payables management also. When you reach a target by putting in a couple of amounts, based on that, the question is: Is that then above?

Clearly, what we are doing right now is first of all – that's what we have started two years ago – that we try to get the working capital on a comparable level. That's the reason why we also guide the working capital on an average. Perhaps that is helpful to get down to this first part of the question.

The second one is: For sure, when you read the EBITDA – that's also mathematics a little bit – with 20, 21 percent, then you have a capex of 9 and nearly no deviation on working capital, from a mathematical point of view you get there.

Anke Linnartz: I was wondering whether there are further questions. With regard to the time that we have left until dinner starts, I suggest that we allow for 15 minutes now and then have a short break and continue our discussion during dinner. – I thought there was a question from Chris … still pending. – No. Other questions, please? – So then our break is a little longer until we would be happy to have dinner with you. It's served on the same floor.

But first of all, we would like to thank our participants on the call and on the web for joining us for our Capital Markets Day. We would like to say good-bye to those of your on the call. Thank you so much.