GERRESHEIMER AG

ANNUAL REPORT 2017

Moving ahead

GERRESHEIMER

CHECKLIST

VISION

Gerresheimer will become the leading global partner for enabling solutions that improve health and well-being.

GOALS FOR 2017

GLOBAL MARKET LEADERSHIP IN OUR MARKETS

Innovation for new drugs and customer needs

Collaborations for further growth and setting market standards

Continuous improvement in quality—focus on the patient

Modern and standardized production technologies

Solutions for new markets such as biotech drugs

PROFITABLE AND ...

Guidance for adjusted EBITDA at constant exchange rates: EUR 320m with risk of minus EUR 10m

Maintain adjusted EBITDA margin despite market-induced revenue weakness

Operating cash flow target of roughly 13%

Cut net financial debt

Dividend of 20% to 30% of adjusted net income after non-controlling interests

... SUSTAINED GROWTH

Guidance for revenues at constant exchange rates: EUR 1.4bn with risk of minus EUR 30m

Further optimize our product mix

Additional investment in future growth

Ensure verifiably sustainable operations

Foster employee training and development

2017 RESULTS

GLOBAL MARKET LEADERSHIP IN OUR MARKETS

☑ Commercial launch of Gx® Elite Glass injection vials for drugs with highly exacting requirements

in progress

☑ Gx® InnoSafe™ integrated, passive safety system to prevent needle-prick injuries and Gx® RTF prefillable injection vials

in progress

☑ Internal global quality campaign to enhance quality awareness and new interactive quality improvement tools

in progress

☑ New decoration technologies for cosmetic glass; global machine strategy continued in Europe and Asia

in progress

☑ Gx Solutions—a specialty unit established with a focus on biotech drugs

keep at it

PROFITABLE AND ...

☑ Adjusted EBITDA at constant exchange rates increased to EUR 314.3m

target achieved

☑ 23.1% adjusted EBITDA margin above strong 22.4% prior-year figure

target achieved

☑ Operating cash flow margin at constant exchange rates at 15.3%, well above target of over 13%

target achieved

☑ Net financial debt cut by EUR 75.5m to EUR 712.7m; adjusted EBITDA leverage improved from 2.6x to 2.3x—attractive refinancing secured

target achieved

☑ Proposed dividend increase to EUR 1.10 per share (approx. 27% payout ratio)

in progress

... SUSTAINED GROWTH

☐ Revenues at constant exchange rates total EUR 1,361.6m

target missed

☑ Capacity expansion for inhaler contract at Peachtree City plant (GA/USA)

keep at it

☑ Capex program fully completed; 8.0% of revenues at constant exchange rates

target achieved

☑ Sustainability report compiled to DNK criteria

keep at it

☑ GxGo! global trainee program launched

keep at it

OVERALL ASSESSMENT FOR 2017

Financial year 2017

★★★☆☆

OVERVIEW

Gerresheimer is a leading global partner to the pharma and healthcare industry. With our specialty glass and plastic products, we contribute to health and well-being. We operate worldwide and, with some 10,000 employees, manufacture our products in local markets close to our customers. With our plants in Europe, North America, South America and Asia, we generate revenues of approximately EUR 1.4bn. Our comprehensive product portfolio includes pharmaceutical packaging and products for safe and simple drug delivery: insulin pens, inhalers, prefillable syringes, injection vials, ampoules, bottles and containers for liquid and solid medicines with closure and safety systems, as well as packaging for the cosmetics industry.

MOVING AHEAD

CONTENTS

LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS AND BUSINESS PARTNERS,
LADIES AND GENTLEMEN,

The year 2017 was characterized by uncertainty in the pharma and healthcare markets relevant to us. Growth in the global pharma market slowed considerably in 2017. Especially in the US—the world's largest and most important pharmaceuticals market—there was growing uncertainty, also stemming from the debates surrounding healthcare reform, trade policy and tax reform. While decisions on US corporate tax reform have now been made, the issues of healthcare reform and trade policy in the United States remain difficult to assess.

Owing in part to this general market uncertainty, we reported lower sales of glass packaging for injection drugs in the US. Additionally, in the medical plastic systems segment—and here notably in the case of inhalers—there was a drop in demand among some of the pharma customers for whom we are the sole supplier. When we look at the development of revenues over the course of 2017, we see that three weak quarters were followed—as anticipated—by a stronger fourth quarter. Ultimately, however, the good fourth quarter was not sufficient to fully offset the revenue decline in the previous three quarters. Consequently, 2017 revenues amounting to EUR 1,348.3m were down by 2% compared with the prior year. Revenues at constant exchange rates totaled EUR 1,361.6m, representing an organic decrease of 1.8%. Overall, we had expected more at the beginning of the year, and so consider this performance less than satisfying.

On the other hand, we succeeded in improving our other key performance indicators in spite of the reduction in revenues. Full-year adjusted EBITDA rose to EUR 310.8m, at constant exchange rates to EUR 314.3m. Our profitability, measured as our adjusted EBITDA margin, was 23.1%, considerably above the already strong prior-year figure of 22.4%. Adjusted net income from continuing operations after non-controlling interests stabilized at EUR 127.5m. Capital expenditures of EUR 118.6m were 4.8% higher than the investments in the prior year, but also included a total of EUR 10.3m for licenses purchased for needle safety systems and sterile prefillable injection vials. If this capital expenditure is rightly subtracted, we invested 8% of our revenues at constant exchange rates as planned. Our operating cash flow, at EUR 204.6m, was above the prior-year figure of EUR 197.4m. Adjusted EBITDA leverage (net financial debt to adjusted EBITDA) was 2.3x, below the prior-year figure of 2.6x. We thus achieved—and even passed below—our medium-term target of around 2.5x. Our net asset position remains very good. We successfully completed a EUR 250.0m promissory loan in fall 2017, ideally paving the way well in advance for the redemption of the EUR 300m bond in spring 2018. Our important long-term metric, the Gerresheimer return on capital employed (Gx ROCE), was 12.9%, exceeding our previous target of at least 12%. At 27.3% (prior year: 26.9%), the Gerresheimer return on net operating assets (Gx RONOA) remained at a high level. This key performance indicator is becoming increasingly important in comparisons with competitors because it excludes the effects of acquisitions.

Despite the slower growth in the global pharmaceuticals markets in 2017, the underlying megatrends and thus growth drivers still remain valid and applicable. These include:

- the aging society and the increase in chronic illnesses
- generic drugs growing faster than the overall market
- more and more people in emerging markets having access to the health system
- increasing regulatory rules and requirements and the associated opportunities for quality suppliers
- new medications such as biotech drugs coming onto the market
- the growing trend toward self-medication

It is up to us to create growth opportunities for Gerresheimer from these megatrends. That is why we laid important groundwork in our operating business as well as in the development of new products and solutions in 2017. To name just a few examples: For new products and innovations, we are increasingly cooperating with strong partners, also in order to set industry standards together. In collaboration with West Pharmaceutical Services, we developed Gx® InnoSafe™, an innovative passive needle safety system for syringes, and acquired the exclusive license to produce and sell the system. Owing to lengthy regulatory as well as customer-side testing and validation, this is not a product that will make a noticeable impact on revenues in the short term. But in the long term, it marks a strategically important expansion of our already strong syringe portfolio—not least because increasing statutory requirements necessitate solutions that protect healthcare staff from needle-prick injuries. With our metal-free prefillable syringes as well as the Gx RTF® Clearject® syringes made from our high-performance COP (cyclic olefin polymer) plastic, we can also offer solutions for the packaging of medicines with stringent requirements, often biotech drugs. In order to improve and more selectively tailor the marketing of new and existing products and solutions to our customers, we have set up the Gx Solutions unit, which is geared to the emerging biotech sector.

We additionally launched our Gx® RTF vials onto the market in 2017—sterile, prefillable injection vials that come in standardized nests and tubs. These greatly simplify subsequent filling at the pharma manufacturer and thus eliminate complex process steps for the customer. 2017 also saw the commercial launch of our especially break-resistant, high-quality Gx® Elite Glass injection vials for drugs with exacting requirements. And in pharmaceutical plastic packaging, we added several products to our already very broad portfolio, including additional solutions with child-resistant closure systems.

On the operating side, we increased inhaler production capacity at our US plant in Peachtree City in order to service an important project for a major customer in the North American market. After successfully concluding our global machine strategy for the production of injection vials in the US and Mexico, we recently continued it in Europe and Asia. At our molded glass plant in Essen (Germany), we started using packing robots for end-of-line packaging. At our cosmetic glass plants in Momignies (Belgium) and Tettau (Germany), we expanded our capabilities for sophisticated decorating options while at the same time enhancing the quality of opal glass production in Momignies. And throughout all of our production plants, we continuously work on further improving our product and process quality. This is achieved through a diverse array of measures, including an in-house campaign aimed at all 10,000 employees to strengthen each individual's awareness of and responsibility for quality. Since sustainability is another important topic for us, we have also initiated improvements in this area. For example, this Annual Report contains significantly expanded coverage of sustainability topics.

The share price fluctuated considerably during 2017. Our shares rose in the first few months of the year, reaching an all-time high of EUR 78.01 on June 2, 2017. In connection with the general weakening of the markets and overall more cautious announcements from pharma companies, the Gerresheimer share price also came under occasional pressure, reaching its lowest point of the financial year 2017 on September 5, 2017, at EUR 61.03. On the balance sheet date of November 30, 2017, the share price had recovered to EUR 67.06. As of January 18, 2018, Gerresheimer shares had regained considerable ground, closing at EUR 71.15.

It is important to us that our shareholders participate in our financial success. Although there was little change in net income, the Supervisory Board and Management Board will jointly propose to the Annual General Meeting that the dividend be increased from EUR 1.05 per share in the prior year to EUR 1.10 per share for the financial year 2017. Hence, 27.1% of the adjusted net income from continuing operations after non-controlling interests is to be distributed to shareholders.

At this point, we would like to draw attention to three matters publicized or decided after the balance sheet date of November 30, 2017. Dr. Lukas Burkhardt was appointed as a new member of the Management Board of Gerresheimer AG as of January 1, 2018. He assumed responsibility for the Primary Packaging Glass Division.

Chief Executive Officer Dr. Christian Fischer left Gerresheimer AG as of February 5, 2018. Dr. Fischer asked for an amicable premature termination of his services due to personal reasons. The decision was not based on diverging views regarding the strategy or business performance of the Company. The Supervisory Board accepted the request. Gerresheimer AG's business activities will be jointly managed by the remaining three Management Board members until a new CEO has been appointed. CFO Rainer Beaujean will assume the role of Speaker of the Management Board for the interim period.

Furthermore, the US corporate tax reform was signed into law at the end of 2017. This will result in a one-time deferred tax benefit with a positive effect on our net income of between USD 50m and USD 55m which is to be recognized as early as the first quarter of 2018. Moreover, there is a potential ongoing tax effect: Had the impact of the US tax reform already applied in the financial year 2017, there would have been a positive effect in the low single-digit million range on current income taxes and our net income for 2017.

We are confident that we can grow sustainably and profitably in the coming years and further expand our strong position in the markets for pharmaceuticals, healthcare and cosmetics as we move ahead, very much in the spirit of the title of this Annual Report. We took important steps in this direction in 2017 and set our strategic priorities for 2018.

Specifically, we have resolved the following:

- For our Group revenues, we anticipate a range in 2018 whose lower boundary corresponds with the figure for the financial year 2017.
  At the upper boundary, we expect Group revenues at constant exchange rates to be up to approximately EUR 1.4bn.
- For adjusted EBITDA at constant exchange rates, we expect a range of EUR 305m to EUR 315m in the financial year 2018.
- Capital expenditure in 2018 will amount to around 8% of revenues at constant exchange rates.
- We are increasing our long-term guidance for Gx ROCE from the previous level of at least 12% to approximately 15%.

We would like to thank all our employees for their outstanding work and commitment in the past year. Without their dedication, passion and skills, Gerresheimer would not be in the strong position it enjoys today. Furthermore, we would like to thank Uwe Röhrhoff, who served as Chief Executive Officer of Gerresheimer AG until August 31, 2017. In his 26 years at Gerresheimer, seven of those as CEO, he played an instrumental role in strategically positioning the Company as well as in securing key acquisitions, reshaping the Company's portfolio and launching numerous operational initiatives. He made a major contribution to the success of the Company. We would like to thank our business partners, our Supervisory Board and our works councils for their loyal cooperation, which we look forward to continuing. Likewise, we extend our thanks to all of our shareholders for their support.

In the coming years, we will continue to drive our profitable growth and keep on moving ahead with optimism.

With kind regards,

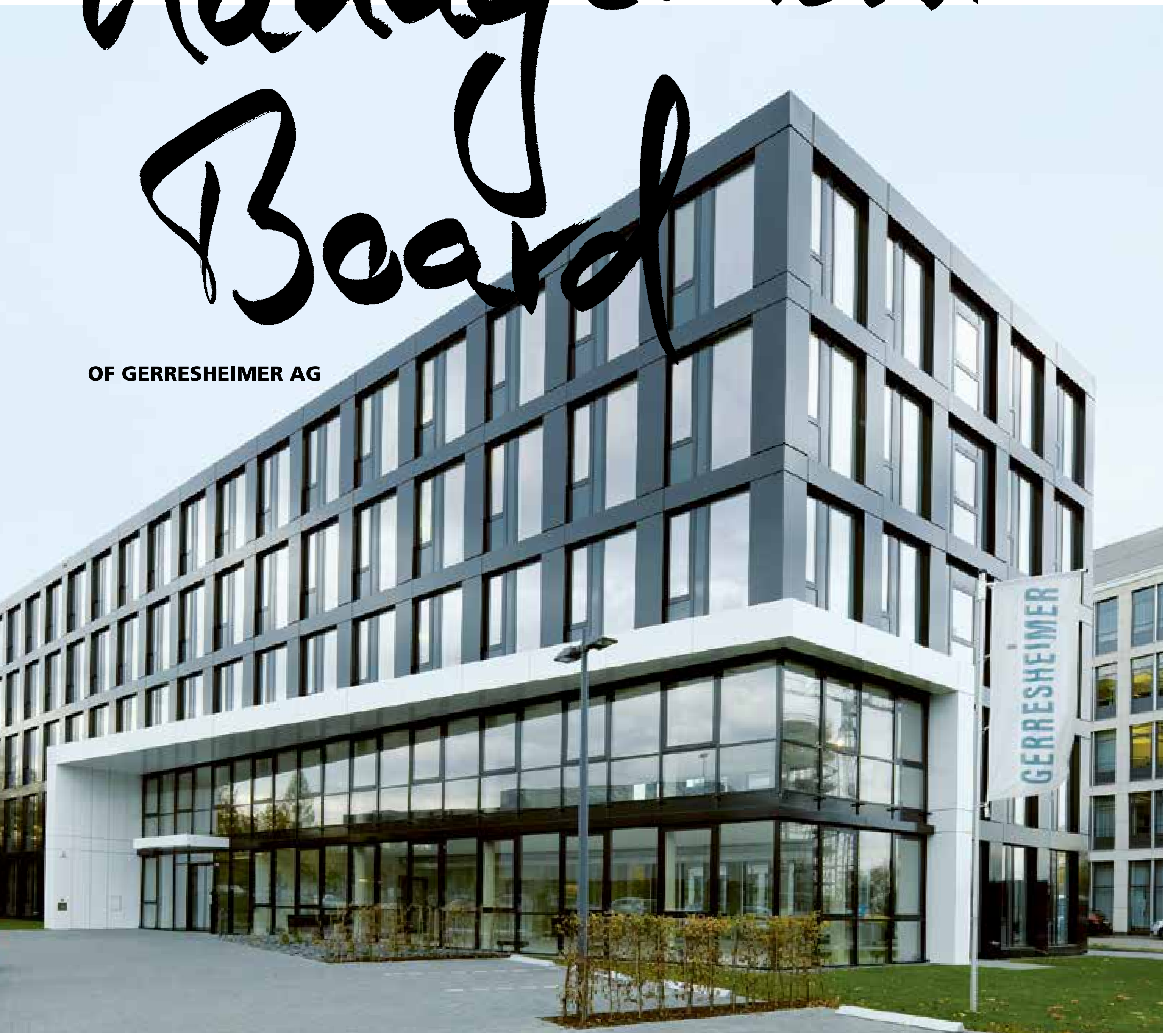
Rainer Beaujean
Chief Financial Officer and Speaker of the Management Board

Dr. Lukas Burkhardt
Management Board member responsible for Primary Packaging Glass

Andreas Schütte
Management Board member responsible for Plastics & Devices

The Management Board

OF GERRESHEIMER AG



RAINER BEAUJEAN

Chief Financial Officer and Speaker of the Management Board (since February 5, 2018)

- Strategy, Mergers & Acquisitions
- Communication & Marketing
- Human Resources
- Legal & Compliance
- Business Excellence & Continuous Improvement
- Finance
- Controlling
- Investor Relations
- Information Technology
- Internal Audit
- Risk Management & Insurances

Career

Born in 1968 / business administration degree / started career at Deutsche Telekom AG / Chief Financial Officer and CEO of T-Online International AG / Chief Financial Officer of Demag Cranes AG / Chief Financial Officer of Elster Group SE / joined Gerresheimer AG Management Board at the end of 2012 / Chief Financial Officer since the beginning of 2013 / Since February 05, 2018 Speaker of the Management Board (interim) / currently appointed to the Management Board until April 2019

DR. LUKAS BURKHARDT

Management Board member (since January 1, 2018) responsible for the Primary Packaging Glass Division

Career

Born in 1979 / Master and PhD in mechanical engineering / started career at Audi AG / managerial positions at Rieter Automotive, including six years in China and India / Chief Operating Officer of the Franke Group / joined Gerresheimer AG Management Board in 2018 / currently appointed to the Management Board until December 2020

ANDREAS SCHÜTTE

Management Board member responsible for the Plastics & Devices Division

- Key Account Management

Career

Born in 1962 / engineering degree and MBA / started career at VAW Aluminium AG / member of the Management Board at Hydro Aluminium / Chief Executive Officer of the Siteco Group / joined the Gerresheimer AG Management Board in 2009 / currently appointed to the Management Board until April 2022

AS WE MOVE AHEAD, WE INTEND TO RELY ON OUR PROVEN STRENGTHS. THESE NOT ONLY ENCOMPASS INNOVATIONS IN PRODUCTS, SOLUTIONS AND PROCESSES BUT ALSO, OF COURSE, OUR STRIVING FOR UNCOMPROMISING QUALITY. THIS IS, AFTER ALL, THE TOP PRIORITY FOR OUR CUSTOMERS AND PATIENTS. AND WE WOULD NOT BE ABLE TO DELIVER ON THIS PROMISE WITHOUT OUR DEDICATED EMPLOYEES. THEIR PASSION PAVES THE WAY FOR OUR SUCCESS.

Innovation

PAGE 10 TO 13

Quality

PAGE 14 TO 17

Employees

PAGE 18 TO 21


Innovation

SMALL DETAILS AND EYE-CATCHERS:

OUR INNOVATIONS

Innovations are instrumental to our future success. So what does it take? A culture of innovation. We want to develop and deploy innovative solutions, products and processes. Through global engagement and teamwork at Gerresheimer, but also in cooperation with partners. For when there's a meeting of many minds, they generate new ideas and their collective expertise turns those ideas into success stories.

Once again in 2017, plenty innovations saw the light of day at Gerresheimer. Many of them seemingly small details, changes and refinements. But some, of course, are also truly eye-catching and have the potential to set new market benchmarks in the coming years. Perhaps some of them are even deserving the new buzzword "disruptive." In other words, they are innovations that have what it takes to transform a certain market. Only time and the markets will tell.

PROTECTING THE NEEDLE
››› PROTECTING THE USER

No one likes injections. While fear of getting a shot is widespread, it is only really dangerous when someone other than the person for whom the medication is intended is accidentally pricked. Every day, millions of injections are administered, mostly by trained staff but increasingly by patients themselves. The golden rule is that the needle—or cannula, to use the medical term—must not injure anyone else before, during or after the shot is administered. No one should or has any desire to come into contact with the drug unintentionally. And no syringe may be used twice. So is there a safety system already on the market that provides all of this and is widely accepted by both pharmaceuticals manufacturers and users? No, although there are people working on it.

In 2017, we unveiled our solution, which we call Gx® InnoSafe™. We developed it in collaboration with West—a true specialist in the types of plastics and rubber used in syringes—and are now exclusively launching it on the market. So what's new and how does our little protective mechanism do things better? It's quite simple: The user, whether a doctor or patient, has to do (virtually) nothing aside from administering the injection as usual. And our little plastic device ensures that afterwards the cannula is permanently covered and locked. This process is irreversible, thus eliminating any possibility of reuse or further injury.

Gx® InnoSafe™

Remove closure cap

Place syringe on the skin

Inject

Empty syringe completely

Retract

Needle system locks automatically

But that's not all: We can already install the system when the prefillable syringe is produced. This means the pharmaceuticals manufacturer receives the pre-sterilized, ready-to-fill syringe with the protective mechanism in the usual packaging—nest and tub. All they have to do is fill in the drug and add the plunger. Exactly as they always do. No additional installations and no additional work for the drug manufacturer. Which is certainly a strong argument in favor of future success. We feel very confident.

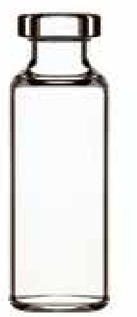
LEARNING FROM SYRINGES—PREFILLABLE INJECTION VIALS

When the syringe is not prefilled, the drug typically comes in an injection vial. We produce these vials in the billions as an entirely standard product. But what's not standardized is the way we ship these vials—to say nothing of pre-sterilized and ready-to-fill. While this is already an ingrained practice with syringes, it is still a future market for vials. One that we are today helping to actively shape. With the help of a partner, the Italian pharmaceuticals packaging manufacturer Ompi, with whom we collaborate closely. What we have already been doing with syringes for many years—called the ready-to-fill (RTF) process—we are now applying to vials. So what's behind it all?

Using the recognized Ompi EZ-Fill® packaging technology as a starting point, we wash the vials converted from glass tubes and then pack them in trays or nests and tubs. Next, everything is sterilized and sent to the pharma companies. There, they can get straight to filling the vials—no additional steps are necessary. The upshot: A once complex process conducted at the pharma company is dispensed with. There is no longer any need to unpack, wash and sterilize the vials before repacking them for the filling line. As a result, additional glass-to-glass contact, which carries the risk of breakage, scratches and other damage, is further minimized. And that's good news not only for conventional medicines but also for the many new biotech drugs.

Gx® RTF Vials
Sterile prefillable injection vials

Fundamentally simplifying processes for our customers



Gx® RTF Vials
- Gx® glass vials of the highest quality
- ISO standard or customized dimensions
- Type 1 borosilicate glass
- Washed with water for injection (WFI)

- Sterilized with ethylene oxide
- Standardized packaging using Ompi EZ-Fill® technology
- Two packaging solutions: nest and tub or trays
- No glass-to-glass contact

In nest and tub
- Suitable for filling and closure processes while in the nest

or tray

More information in the Group Management Report, page 57

PACKING ROBOTS LEND A HAND

Last but not least, an example from the production process: A plant like ours in Essen, Germany, produces several hundred million glass medicine containers each year. Everything must then be carefully packed, loaded onto pallets and quickly transported to the customer. Considering the quantities involved, this can be quite a challenge. Up until now, the procedure has been to securely shrink-wrap the bottles in little trays while still in the cleanroom. Next, the trays leave the cleanroom to be packed and loaded on pallets such that they can be transported without risk of breakage. Employees worked in shifts packing everything onto the transport pallets. The rapid pace calls for intense stamina and concentration and, due to the large number of packaging options—some 1,000 in Essen alone—can also lead to errors. It is becoming increasingly difficult to find suitable staff for this kind of work. Precision and accuracy are equally important during packaging. This is why we have introduced extensive automation at the Essen plant. Pairing packing robots with permanent, fully camera-based visual monitoring produces highly reliable results. Plus, it frees up employees from strenuous manual labor. More information in the Group Management Report, page 56

The packing robots in Essen boast both speed and a deft touch.

Little things make a big difference

Often it is not just the head-turning developments but also the many small details that drive progress. Two examples: Our packaging solution for solid medication is the successful Duma® line of plastic containers, which we have been providing for a remarkable 50 years in a range of variants, sizes and closure options. Our handy, oval Duma® Pocket family, for instance, looks nothing like pill bottles but rather resembles containers for sweeteners or peppermint lozenges. Something patients appreciate. That's why we have developed two new sizes and brought them to market. Naturally, with an all-important child-resistant closure.

Speaking of closures, the mechanisms referred to by the technical term tamper-evident seals are used to ensure that bottles are not opened prior to use. The influential US Food and Drug Administration (FDA), for instance, has made them compulsory, stipulating that the small plastic ring that guarantees this must be firmly affixed to the bottle. What we could already do with type B eye drop bottles, we can now also do with type A eye drop bottles. As well as combining them with child-resistant screw caps. Small, helpful details that do a lot of good. More information in the Group Management Report, page 57

Tamper-evident seals on eye drop vials


Quality

PEOPLE’S HEALTH, THERE’S

NO ROOM FOR COMPROMISE

When it comes to healthcare, nothing is more crucial than quality. And that includes the pristine condition of medication and its safe delivery. There is simply no room for compromise on health. Tablets that come out of a plastic container must not become damp and the closure must have a child-resistant mechanism. The effects of sunlight cannot be allowed to make cough syrups turn cloudy and eye drop bottles must have a tamper-evident seal. A syringe has to ensure perfect injection, insulin pens must reliably convey insulin into the body and an autoinjector has to be counted on to provide relief within three moves when a bee sting causes anaphylactic shock.

But it’s not just the products themselves—the related processes, logistics and filling also all have to be spot on. Our products play a key role because without our glass and plastic vials, containers, syringes, pens, inhalers and ampoules, medications would not reach patients safely. Clearly, quality is vital for us at all levels because it is the top priority also for our customers as well as for patients.

QUALITY IN EVERYTHING— OUR 360-DEGREE CAMPAIGN

Quality is everyone's business—at Gerresheimer, each and every one of us shoulders responsibility for it. This is how we all play a part in ensuring that medication is safely administered. Quality cannot simply be left to the quality assurance department or the plant managers. Since each of us is involved and we all carry our share of responsibility for it, we want to ensure it is at all times front of mind among our 10,000 employees. After all, quality takes precedence over everything else.

"Let's look to ourselves first! We must all do our best day in, day out to detect errors as well as to fix and prevent them. Only then have we done our part in personally ensuring quality excellence."

Volker Rekowski, Chairman of the Gerresheimer Quality Council

That is why, in 2017, we launched a campaign spread over twelve months, aimed at all our employees. The patron of the campaign dubbed "Quality in everything" is, of course, our CEO. So what does it involve? Storytelling based on real-life examples of what could have gone wrong and how it was prevented. It is about learning from our mistakes and knowing what to do when a mistake is made. Communicated primarily through a regular newsletter, the stories and factual information are conveyed in simple language and accompanied by lots of pictures. At the same time, the topic is addressed through eye-catching posters and leaflets displayed in the plants' cafeterias, break rooms and changing rooms. Over the course of the campaign, videos will help to raise awareness and initiatives at the plants will galvanize staff into action while offering practical tips. Of central importance in all of this is impressing the significance and sense of personal responsibility on everyone. Given a 10,000-strong workforce, that is a big task—and one that can only be achieved if the messages are taken to heart by plant managers, shift leaders, night-shift machine operators, warehouse workers and lab staff. In the small world that is Gerresheimer, that means over 40 sites in 16 countries, where eleven languages ranging from German through Danish to the Indian regional language of Gujarati are spoken. In other words, our entire campaign must also be executed and communicated in 11 languages. More information in the Group Management Report, page 59

QUALITY
in everything

GERRESHEIMER

Campaign Newsletter | 01 | September 2017

QUALITY
in everything

It is a warm day in late summer, the sun is shining and the Glasmacher family is finally taking that long-awaited trip to the countryside. But, out of nowhere there's a shrill cry. Seven-year-old Anna has been stung by a bee and suddenly goes into anaphylactic shock. Now the family have to act quickly. They call the emergency doctor and he's there in a few minutes to give little Anna the injection that will save her.

But, what would have happened if the injection vial had been defective?

Start of the Quality Awareness Campaign

Quality has priority over everything else.

The example above clearly illustrates how important quality is – especially in the pharmaceutical industry. We make pharmaceutical primary packaging products. This means that they come into direct contact with medicinal substances. There can be no mistakes because, in the worst case scenario, a small error in production can cost someone their life.

The requirements and specifications in the market are also becoming more strict when it comes to the quality of supplied products and pharmaceutical companies face numerous challenges. Inquiries conducted by regulatory authorities such as the FDA, drug recalls, and medicine short-ages are happening all over the world because of product and service errors. Customers are also more quality-conscious. Correspondingly, defective deliveries lead to lower levels of customer satisfaction.

Quality is a long-term task for us all.

The customer, or rather the patient, is the main focus of everything we do here at Gerresheimer. **Achieving the highest level of quality is our number one priority.** We are launching a global **quality campaign** so we do not lose this focus in our everyday work, and to continue to raise awareness about quality issues. The campaign is being sponsored by our CEO Christian Fischer. Over a period of twelve months, we will be informing people about various quality issues using different methods and actions such as newsletters, posters, videos, and "Quality Days".

Quality in everything

In fact, **everyone** is responsible, not just the quality manager: the plant manager, the machine operators, the packers, and the logistics staff, no matter whether it's the day shift or the night shift. Every employee should show initiative so quality defects do not occur in the first place. But if they do, production should be stopped and the defective products should not be shipped, so as to avoid further damage, because any internal incident is preferable to a complaint.

Responsible employees and a high quality culture are the keys to meeting the demand for excellent quality. Lend your support!

The campaign newsletter for all employees vividly describes examples and communicates Gerresheimer's quality aspirations.

VIDEO MANUAL FOR TROUBLESHOOTING

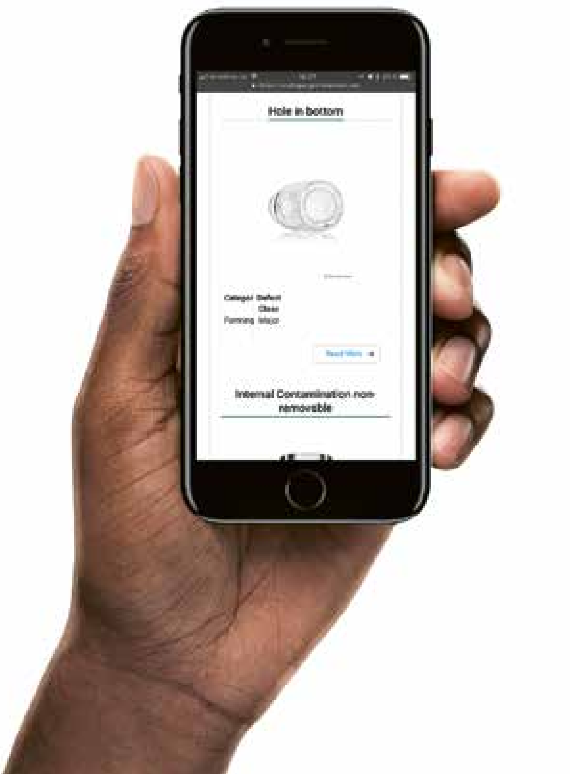
Among our most important products are injection vials that we manufacture in the United States, Mexico, France, Poland, China and India. At almost all of our sites, we now produce them on the same machines. In the process of converting glass tubes into small vials, problems can occur. Our inspection systems weed out defective products. But what is even more important is ensuring that flaws do not occur in the first place. This is where manuals come in, explaining how to troubleshoot our specific machines and products. These manuals must therefore be continually updated—an elaborate process.

Only in this day and age, we no longer consult manuals at home but instead quickly click through Internet links, putting together the relevant information, or watch YouTube tutorials on the topic. This is why we have now prepared reference materials for fixing the 15 most common problems in the vial manufacturing process. Machine operators can search for the relevant error on a touchscreen or tablet. A brief description of the problem and how to resolve it is provided. Another click opens a short video that guides the operator step by step through the appropriate actions and machine settings, with subtitles in the local language. This is not the kind of material that comes ready-made. So we had to do the job ourselves, spending many days shooting on site with the training instructors and machines before editing the footage, adding subtitles and integrating the video into an intuitive interface. Now, with just a few clicks on a device right next to his machine, the machine operator can watch a video tutorial about what to do next.

Perfect for interacting with our customers

Defect catalogue: The error app

If there is a defect in a product, it’s important to know what kind of defect it is. In this case, all of us around the world need to be speaking the same language—and not just within Gerresheimer but also when dealing with our customers. That is why we have started building an app cataloguing defects. While intended primarily for internal use and training purposes, it can also be selectively harnessed in interacting with our quality assurance counterparts on the customer side. In the initial version, we have concentrated on injection vials—standardizing the existing global defect catalogs, reconstructing all vial defects, compiling, photographing and linking the corresponding defect patterns to the relevant characteristics. The result is a defect app—or to put it more accurately, a database. With the app, users can search for and filter defects as well as view and enlarge photos. If necessary, this can be shared with customers, giving our sales team and quality assurance managers the best means to discuss specific defects with them.




Employees

OUR EMPLOYEES

MAKE THE DIFFERENCE

What good is a cutting-edge machine or inspection system without employees who can operate them? Not much. The key to success is our seasoned and dedicated team of machine operators, packers, quality assurance experts as well as shift leaders and production managers. The competition to retain and further train the best in the field, in addition to recruiting good new people, is always fierce. What many refer to as the "war for talent" we see as a challenge to be an attractive employer who offers interesting work and goes the extra mile to ensure that our employees remain enthusiastic and loyally committed to us.

PRACTICE MAKES THE STUDY PERFECT: OUR NEW TRAINEE PROGRAM

The dual work/degree program involving training at our plants is a firm feature and has enjoyed years of success at Gerresheimer. As of 2017, we are taking things a step further with the new GxGo! trainee program. No more rigid, one-size-fits-all programs. Instead, an 18-month concept tailored to the individual trainees. With a master's degree under their belts, young people come to us to get a feel for the corporate world and finally put what they have learned into practice. While each trainee tests the waters in various parts of the Company at home and abroad, they have a fixed home base in one business unit. Depending on whether their focus is on sales, finance or technology. And in the background, a coach and mentor offer guidance. The initiative got under way in 2017 and the first trainees graduate in 2018. We intend to keep on expanding since the start has been very promising. More information in the Group Management Report, page 54

The 16th Gerresheimer soccer tournament was hosted by the plant in Pfreimd (Germany).

Twelve soccer teams and five women's volleyball teams took part in 2017.

Playing soccer and celebrating together

There's a clear rule at Gerresheimer: Global management conferences every now and then are all well and good. But the most important event of the year is always the Gerresheimer global soccer tournament in June. Launched 16 years ago as a small playoff between three more or less neighboring plants, the tournament has for many years been a firm fixture in the small world of Gerresheimer. Wherever a plant can field enough players for a team, the squad is sent to compete in the soccer weekend. And accompaniment by colleagues to lend moral support and cheer the team on is always welcome. The event moves between the various plants each year, with Pfreimd in the German region of Upper Palatinate playing host in 2017. Teams from several European countries participate and have meanwhile been joined by mixed international teams with players from our plants in Brazil and the US. Around 400 to 500 employees from around the world come together. And after a good game of soccer, everyone enthusiastically kicks up their heels in the party tent on Saturday night. Even though not everyone speaks the same language, having a good time together forges bonds. A women's beach volleyball tournament has been staged in tandem since 2015. Incidentally, the Belgian squad from Momignies won the soccer tournament and the host team from Pfreimd carried the day in the beach volleyball. Plans for the 2018 dates, venue and team registrations have, of course, long been in the making.

MES
Manufacturing Execution System

MAN AND MACHINE—LEARNING FROM SMARTPHONES

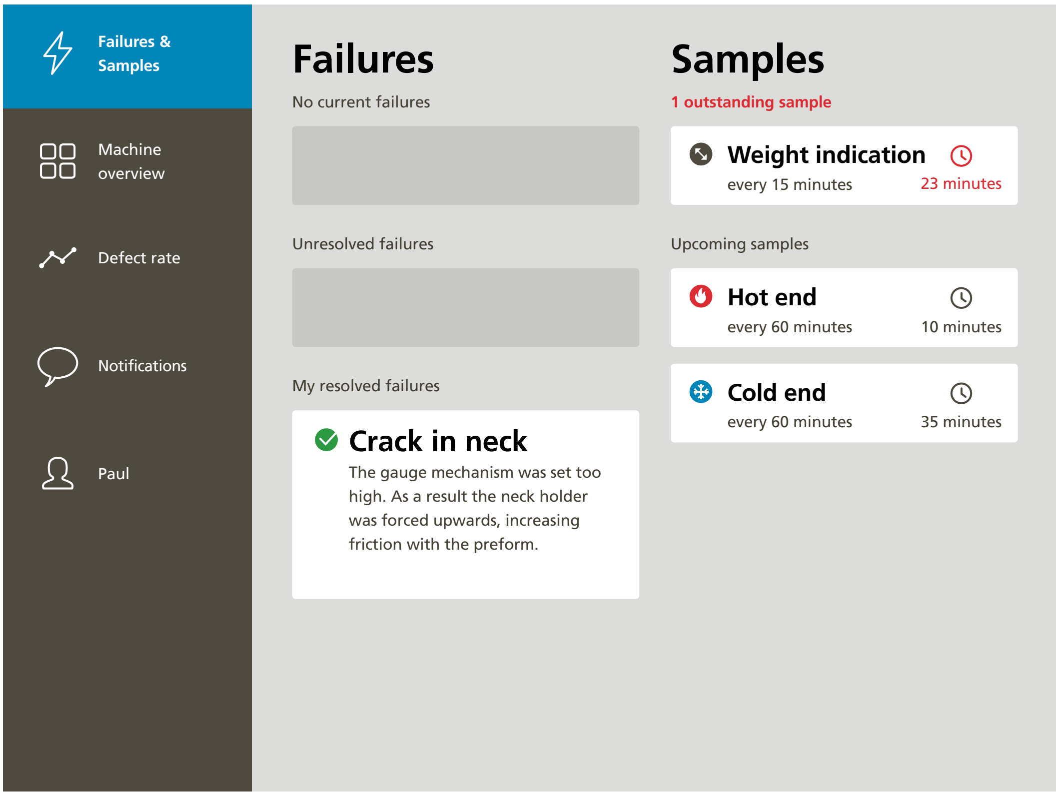
“Manufacturing execution system” sounds terrible. And the abbreviation MES is not much better. Mentioning production oversight, real-time networking as well as data and information exchange across all production stages may make things a little clearer. It’s not quite Industry 4.0—but takes us a major step closer. Plus, it’s very valuable and useful when done right.

In Medical Plastic Systems, we are already replacing the successfully implemented first-generation MES with the second, while the technology is being introduced for the first time to the glassworks. Considering the many steps involved and further processing in glass production, this is a serious undertaking. And we can only look forward to success and productive results if all employees are on board. To ensure this, operating the system must be intuitive. Unfortunately, many off-the-shelve solutions are so complex it’s as if an IT expert from the eighties programmed them. Our team of machine operators in 2017 wouldn’t know what to make of them. And we all agreed that if the MES is not embraced, it’s doomed to failure.

Which is why our very first decision was to define the key criteria for success: Namely, the system has to make life easier for the machine operators and other experts in the plant, speed up communications and provide the necessary data. After all, the MES is there to help employees do their jobs and not the other way around. To this end, ease of operation and the user interface were deciding factors. And had to be as simple to use as an app on a smartphone.

In order to achieve this, we put together a dozen people from the most diverse Gerresheimer departments, including users such as machine operators, and specialists from the digital scene in Berlin to design a prototype. It met our needs and the machine operators could test it immediately. A few final finishing touches and the blueprint was ready. This was a big help in selecting MES software suppliers and has since served as a benchmark for implementation and use in the plant. Ultimately, we want the system to be used and accepted. After all, the employees are the most important factor in production. Networking, data and software help and support the machine operators. Which is why the new MES has to be as simple as WhatsApp on a phone.

As simple as a smartphone app: The prototype for the user interface



REPORT OF THE SUPERVISORY BOARD

› Dr. Axel Herberg
Chairman of the Supervisory Board

In the financial year 2017, the Supervisory Board devoted considerable time and attention to the Company's position and fulfilled its obligations under the law, the Company's Articles of Association and the Rules for the Supervisory Board. Those obligations include consultations on the basis of prompt, regular and comprehensive information provided by the Management Board, involvement of the Supervisory Board in decisions of material importance for the Company and the necessary supervision of management.

The Supervisory Board ensured that it was informed in detail about the Company's business development and financial position, including the risk situation, risk management and compliance. After thorough examination and discussion, the Supervisory Board voted in four meetings and twice by means of written circular resolutions on the reports and proposed resolutions submitted by the Management Board to the extent required by law, the Company's Articles of Association and the Rules for the Management Board. In addition, the Chairman of the Supervisory Board was in regular contact with the Management Board and in particular its respective Chairman. He was regularly and promptly informed by them about important developments and upcoming decisions.

PERSONNEL CHANGES ON THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In the financial year 2017, the Supervisory Board consisted of Dr. Axel Herberg as Chairman, Francesco Grioli as Deputy Chairman, Andrea Abt, Lydia Armer (until April 26, 2017), Heike Arndt (since April 26, 2017), Dr. Karin Dorrepaal, Franz Hartinger (since April 26, 2017), Eugen Heinz (until April 26, 2017), Seppel Kraus (until April 26, 2017), Dr. Peter Noé, Markus Rocholz, Paul Schilling (since April 26, 2017), Katja Schnitzler, Theodor Stuth and Udo J. Vetter.

Uwe Röhrhoff left the Company as Chairman of the Management Board effective August 31, 2017. At its meeting on February 13, 2017, the Supervisory Board appointed Dr. Christian Fischer as a member of the Management Board effective August 1, 2017 and elected him as its Chairman effective September 1, 2017. Dr. Christian Fischer's appointment as a member of the Management Board was terminated by mutual agreement with the consent of the Supervisory Board effective February 5, 2018. Rainer Beaujean and Andreas Schütte were the other members of the Company's Management Board throughout the financial year 2017. The Supervisory Board appointed Rainer Beaujean as Speaker of the Management Board on February 5, 2018.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

The Supervisory Board met four times in the year under review. The regular discussions held by the full Supervisory Board covered the revenue and earnings performance of the Company as a whole and of the individual divisions. Additionally, the Supervisory Board passed two resolutions by means of written circular resolutions.

At the Supervisory Board meeting on February 13, 2017, the Annual Financial Statements and Management Report of Gerresheimer AG, the Consolidated Financial Statements and the Group Management Report for the financial year 2016, the proposal for appropriation of retained earnings and the Report of the Supervisory Board were approved. The Annual Financial Statements were thereby adopted. Additionally, the Supervisory Board appointed Dr. Christian Fischer as a member of the Management Board effective August 1, 2017 and elected him as its Chairman effective September 1, 2017. At the same time, the Supervisory Board terminated the appointment of Uwe Röhrhoff as a member of the Management Board and his nomination as the Chairman of the Management Board effective August 31, 2017 by mutual agreement. At the same meeting, the Supervisory Board adopted its proposals for resolutions to be put to the Annual General Meeting on April 26, 2017.

In its constitutive meeting directly after the Annual General Meeting on April 26, 2017, the Supervisory Board once again elected Dr. Axel Herberg as its Chairman, Francesco Grioli as its Deputy Chairman and all the members and chairmen of the Mediation Committee, the Presiding Committee, the Audit Committee and the Nomination Committee. The Supervisory Board also resolved a new target for the proportion of women on the Company's Management Board of one female member by April 26, 2022.

The subject of the written circular resolution on July 7, 2017 was approval for a licensing agreement to be entered into with West Pharmaceutical Services Inc. relating to an integrated passive syringe safety system.

By way of a written circular resolution on August 9, 2017, the Supervisory Board approved a promissory loan of up to EUR 250.0m to refinance the existing corporate bond. The cash funds raised were to be used temporarily to repay the revolving credit facility under the syndicated facility.

At its meeting on September 5, 2017, the Supervisory Board appointed Dr. Lukas Burkhardt as a member of the Management Board effective January 1, 2018 and amended the Rules for the Management Board as of the same date. Dr. Lukas Burkhardt will thus assume responsibility for the Primary Packaging Glass Division. At this meeting, the Supervisory Board also dealt with the annual declaration of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz), the amendment to the Rules for the Supervisory Board and the engagement of the auditor for the financial year 2017.

The main items dealt with at the Supervisory Board meeting on November 22, 2017 were the Group's medium-term planning and the approval of the budget for the financial year 2018.

With the exception of Seppel Kraus and Heike Arndt, who were each unable to attend one meeting of the Supervisory Board and gave the reasons for their absence, all members of the Supervisory Board attended all the meetings of the Supervisory Board in the financial year 2017 and participated in the two written circular resolutions.

After the end of the reporting period, the Supervisory Board resolved in a conference call on February 5, 2018 to approve an agreement to be entered into by the Company and Dr. Christian Fischer concerning the immediate termination of the latter's Board of Management position and the termination of his employment contract.

MEETINGS AND RESOLUTIONS OF THE COMMITTEES

To ensure that its duties are performed efficiently, the Supervisory Board has set up four committees: the Mediation Committee in accordance with section 27 (3) of the German Codetermination Act (Mitbestimmungsgesetz), the Presiding Committee, the Audit Committee and the Nomination Committee. These committees prepare topics for resolution by the full Supervisory Board and, in certain cases, also have authority to take decisions autonomously. The Mediation Committee and the Presiding Committee each consist of two shareholder representatives and two employee representatives. The Audit Committee also has an equal number of shareholder and employee representatives and comprises six members. The Nomination Committee has three members and consists solely of shareholder representatives.

The Presiding Committee prepares the Supervisory Board's personnel-related decisions, notably the appointment and dismissal of Management Board members as well as decisions regarding the remuneration of Management Board members. In place of the Supervisory Board, the Presiding Committee decides on entering into, amending and terminating the service contracts of Management Board members, except in the case of remuneration issues requiring the approval of the full Supervisory Board. During the year under review, the Presiding Committee met three times, on December 19, 2016, February 7, 2017 and July 20, 2017, and primarily addressed succession planning for the Chairman of the Management Board and the appointment of Dr. Lukas Burkhardt as a member of the Management Board. By way of a written circular resolution on March 9, 2017, the Presiding Committee also approved the position of Uwe Röhrhoff as a member of the supervisory board of a non-Group Company. After the end of the reporting period, the Presiding Committee discussed, in the course of a conference call on January 30, 2018, the possible early termination of Dr. Christian Fischer's activity for the Company and resolved to convene a Supervisory Board meeting regarding this subject on February 5, 2018.

The responsibilities of the Audit Committee include in particular preparing Supervisory Board decisions on the adoption of the Annual Financial Statements and the approval of the Consolidated Financial Statements as well as discussing the quarterly financial reports and the half-year financial report. Additionally, the Audit Committee deals with supervision of the accounting and accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. The Audit Committee is also responsible for approving the award of non-audit services to the auditor. The Audit Committee met four times, on February 13, 2017, April 5, 2017, July 12, 2017 and October 10, 2017. Its discussions focused on the reports on the audit of the Annual Financial Statements and Consolidated Financial Statements for the financial year 2016 as well as the quarterly financial reports and half-year financial report for 2017. The Audit Committee also examined the independence of the auditor, submitted the recommendation to the Annual General Meeting regarding the election of the auditor, issued the audit engagement to the auditor for financial year 2017, and defined and monitored the audit process as well as the areas of emphasis of the audit, including the agreement on the audit fee. Another subject of the deliberations was the effectiveness of the internal audit system and the Company's compliance. Additionally, the Audit Committee approved the engagement of the auditor for certain non-audit services by way of a written circular resolutions on March 17, 2017.

The Nomination Committee recommends suitable candidates to the Supervisory Board for the proposed resolutions the latter puts to the Annual General Meeting for the election of Supervisory Board members as shareholder representatives. In the year under review, the Nomination Committee met on January 25, 2017 and adopted recommendations on resolutions relating to the election of members of the Supervisory Board by the Annual General Meeting on April 26, 2017.

The Mediation Committee did not meet during the past financial year.

With the exception of Dr. Axel Herberg, who was unable to attend one meeting of the Audit Committee, giving reasons for his absence, all committee members attended all meetings of the Supervisory Board committees and participated in the written circular resolution of the Audit Committee in the financial year 2017.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored the development of corporate governance standards. The Company's Management Board and Supervisory Board report on corporate governance in the Gerresheimer Group on pages 25 to 27 of the Annual Report. On September 5, 2017, the Management Board and Supervisory Board submitted the annual compliance declaration in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz) and made it permanently available to shareholders on the Company's website.

CONFLICTS OF INTEREST

Under number 5.5.2 of the German Corporate Governance Code, members of the Supervisory Board are required to disclose any conflicts of interest to the Supervisory Board. No conflicts of interest arose in the financial year 2017.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2017

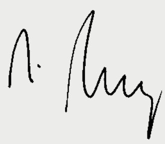
The Annual Financial Statements and Management Report of Gerresheimer AG and the Consolidated Financial Statements and Group Management Report drawn up by the Management Board for the financial year from December 1, 2016 to November 30, 2017 were audited by and received an unqualified auditor's opinion from Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf.

The Annual Financial Statements and Management Report of Gerresheimer AG, the Consolidated Financial Statements, the Group Management Report, the proposal for appropriation of retained earnings and the auditor's reports for the financial year 2017 were made available to the Supervisory Board for examination. The Audit Committee discussed and examined the documents in detail at its meeting on February 20, 2018 and issued recommendations on resolutions to the Supervisory Board. The latter examined the Annual Financial Statements and Management Report of Gerresheimer AG, the Consolidated Financial Statements, the Group Management Report, the proposal for appropriation of retained earnings and the auditor's reports on these at the Supervisory Board meeting on February 20, 2018. The auditor attended the meetings of the Audit Committee and the Supervisory Board, reported on the conduct and main findings of the audit and was available to answer questions.

On completion of the examination by the Audit Committee and on completion of its own examination, the Supervisory Board approves the auditor's findings and declares that there are no objections to be raised. The Supervisory Board adopted the Annual Financial Statements and approved the Consolidated Financial Statements. The Supervisory Board concurred with the Management Board's proposal for appropriation of retained earnings.

The Supervisory Board thanks the Management Board and all employees of the Gerresheimer Group for their contribution to the Gerresheimer Group's successful performance in the financial year 2017.

Duesseldorf, February 20, 2018



Dr. Axel Herberg
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Gerresheimer AG identifies with the objectives of the German Corporate Governance Code and the principles of transparent and responsible management and supervision of the Company with the goal of value enhancement. The Management Board, the Supervisory Board as well as all executives and employees of Gerresheimer AG are obligated to pursue these objectives and principles. With one exception, Gerresheimer AG complies with all recommendations of the German Corporate Governance Code as amended on February 7, 2017.

MANAGEMENT BOARD

The Management Board of Gerresheimer AG consists of a minimum of two members. In other respects, the Supervisory Board decides on the number of Management Board members. The Supervisory Board appoints one Management Board member as chairman of the Management Board or as its spokesperson. The Management Board manages the Company autonomously. In so doing, it is bound to act in the Company's best interests and obligated to increase shareholder value on a sustainable basis.

The Management Board informs the Supervisory Board regularly, promptly and comprehensively on all issues relevant to the Company with regard to strategy, planning, business performance, the risk situation, risk management and compliance. Some of the key transactions and measures provided for in the Rules for the Management Board require the prior consent of the Supervisory Board.

The composition of the Management Board in the financial year 2017 is presented on page 149 of the Annual Report.

SUPERVISORY BOARD

The Supervisory Board of Gerresheimer AG consists of twelve members, half of whom represent the shareholders and half the employees. The shareholder representatives are elected by the Annual General Meeting and the employee representatives by the employees. The term of office of the current Supervisory Board members started at the end of the Annual General Meeting on April 26, 2017.

The Supervisory Board monitors and advises the Management Board in running the business. To fulfill its duties, the Supervisory Board regularly discusses business performance as well as planning, strategy and strategy implementation with the Management Board. The Supervisory Board approves the annual budget drawn up by the Management Board and decides on adoption of the Annual Financial Statements as well as approval of the Consolidated Financial Statements of Gerresheimer AG, notably taking the auditor's reports into account. The Supervisory Board also decides on the appointment and dismissal of Management Board members and their remuneration. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes if a new ballot on the same matter is held and there is still a tie.

The composition of the Supervisory Board in the financial year 2017 is presented on page 148 of the Annual Report.

The work of the Supervisory Board is supported by committees. According to the Rules for the Supervisory Board, the following Supervisory Board committees must be formed:

The Mediation Committee, set up in accordance with section 27 (3) of the German Codetermination Act, presents proposals to the Supervisory Board for the appointment of Management Board members if the required majority of two-thirds of the votes of the Supervisory Board members is not obtained in the first ballot. In the past financial year, the Mediation Committee consisted of Dr. Axel Herberg (Chairman), Dr. Karin Dorrepaal, Francesco Grioli, Franz Hartinger (since April 26, 2017) and Eugen Heinz (until April 26, 2017).

The Presiding Committee prepares the Supervisory Board's personnel-related decisions. In place of the Supervisory Board, the Presiding Committee decides on the signing, amendment and termination of the service contracts and pension agreements of Management Board members, except in the case of remuneration issues requiring the approval of the full Supervisory Board. Furthermore, the Presiding Committee is responsible for approving transactions between the Company and members of the Management Board. The Presiding Committee also decides on the approval of contracts with Supervisory Board members in accordance with section 114 of the German Stock Corporation Act and on granting loans to the group of persons specified in sections 89 and 115 of the German Stock Corporation Act. In the past financial year, the Presiding Committee was composed of Dr. Axel Herberg (Chairman), Lydia Armer (until April 26, 2017), Francesco Grioli, Markus Rocholz (since April 26, 2017) and Udo J. Vetter.

The Audit Committee prepares, among other things, the Supervisory Board's decisions on adoption of the Annual Financial Statements, approval of the Consolidated Financial Statements, the proposal for the election of auditors at the Annual General Meeting, and the agreement with the auditor. Furthermore, the Audit Committee discusses the quarterly financial reports and the half-year financial report. It takes appropriate measures to establish and monitor the independence of the auditor. The Audit Committee is also responsible for approving the award of non-audit services to the auditor. Additionally, the Audit Committee supports the Supervisory Board in monitoring the management. In this context, the Audit Committee deals with supervision of the accounting and accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. In the past financial year, the members of the Audit Committee were Theodor Stuth (Chairman), Andrea Abt (since April 26, 2017), Francesco Grioli, Dr. Axel Herberg, Seppel Kraus (until April 26, 2017), Dr. Peter Noé (until April 26, 2017), Markus Rocholz and Katja Schnitzler (since April 26, 2017).

The Nomination Committee presents proposals to the Supervisory Board regarding suitable candidates for its election proposals to the Annual General Meeting with regard to Supervisory Board members as shareholder representatives. In the past financial year, the Nomination Committee comprised Dr. Axel Herberg (Chairman), Dr. Karin Dorrepaal (until April 26, 2017), Dr. Peter Noé (since April 26, 2017) and Udo J. Vetter.

Pursuant to the German Corporate Governance Code and the Rules for the Management Board and the Supervisory Board, the members of the Management Board and the Supervisory Board must disclose any conflicts of interest to the Chairman of the Supervisory Board. In the event of significant conflicts of interest that are not merely temporary in nature, the Supervisory Board member in question must resign from office. In its report to the Annual General Meeting, the Supervisory Board provides information on any conflicts of interest that have arisen and how they have been handled. No conflicts of interest arose during the reporting period with regard to Management Board or Supervisory Board members.

In compliance with number 5.4.1 of the German Corporate Governance Code, the Supervisory Board stipulated the following specific objectives in its Rules with regard to the composition of the Supervisory Board and developed the following profile of skills and expertise for the entire Supervisory Board, supplementary to the requirements for Supervisory Board members under the law and the German Corporate Governance Code:

Knowledge, skills and professional experience

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and professional experience required to properly complete its tasks. Candidates proposed must have the integrity, commitment, independence and personality to enable them to perform the duties of a Supervisory Board member in the parent company of an internationally operating group and to uphold its good reputation among the public.

The various functional areas of the Company should be represented by individual members of the Supervisory Board of Gerresheimer AG. Collectively, they must be familiar with the sector in which the Company operates. Each Supervisory Board member should be as specialized as possible in areas of relevance to the Company's business operations. Proposals for candidates to the Supervisory Board should be made such as to ensure a balanced composition with the desired areas of expertise represented on the Supervisory Board as broadly as possible. The objective is for

› at least two representatives of the shareholders to have experience in the fields of business management, strategy and human resources;
› at least one representative of the shareholders to have Company-specific knowledge of the industry; and
› at least one representative of the shareholders to have specific industry knowledge on the customer side.

Independence and conflicts of interest

The Supervisory Board should include independent members in a number it deems to be sufficient. A Supervisory Board member is regarded as independent if that member has no business or personal connection with the Company or its Management Board that constitutes a conflict of interest. In the judgment of the Supervisory Board, former members of the Company's Management Board are not deemed to be independent until five years after leaving office. The existence of an employment relationship between a Supervisory Board member and Gerresheimer AG or a Group Company or the existence of pension commitments with one of these companies for the benefit of a Supervisory Board member does not in itself constitute such a conflict of interest. In this connection, the Supervisory Board stipulates the following objectives for its composition:

› Supervisory Board members should not perform any functions in a controlling body or any advisory functions for significant competitors of the Company or a Group Company;
› Supervisory Board members should not take on any active role with customers or suppliers of the Company or a Group Company;
› no more than two members of the Supervisory Board should be former Management Board members; and
› at least four out of six representatives of the shareholders on the Supervisory Board should be independent.

Age limit

The term of office of a Supervisory Board member ceases at the end of the first Annual General Meeting following the member's seventieth birthday. The Supervisory Board supports election proposals for candidates who will turn seventy during the statutory election period; however, their terms of office also cease at the end of the first Annual General Meeting following their seventieth birthday.

Internationalism

At least one representative of the shareholders should have several years' professional international business experience or be of foreign nationality.

Diversity

The minimum percentages of women and men on the Supervisory Board follow statutory requirements, as amended.

In its current composition, the Supervisory Board meets the profile of skills and experience for the Supervisory Board as a whole. In particular, the Supervisory Board believes that all current shareholder representatives on the Supervisory Board, i.e. Dr. Axel Herberg, Andrea Abt, Dr. Karin Dorrepaal, Dr. Peter Noé, Theodor Stuth and Udo J. Vetter, are independent.

ANNUAL GENERAL MEETING

The Annual General Meeting is the representative body of the shareholders and makes fundamental decisions for Gerresheimer AG. These include profit appropriation, formal approval of the acts of the Management Board and Supervisory Board, election of the shareholder representatives to the Supervisory Board and election of the auditor. In addition, the Annual General Meeting decides on amendments to the Articles of Association and key corporate measures, particularly intercompany agreements and conversions, the issue of new shares, convertible bonds and bonds with warrants as well as the authorization to purchase own shares.

The shareholders have the opportunity to exercise their voting rights at the Annual General Meeting themselves or to arrange for these to be exercised through a proxy of their choice or a Company-designated proxy who is bound by instructions. The Annual General Meeting is chaired by the Chairman of the Supervisory Board.

FINANCIAL ACCOUNTING AND AUDITING

Financial accounting in the Gerresheimer Group is based on the International Financial Reporting Standards (IFRS) as well as the regulations under commercial law as set forth in section 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch/HGB). The Annual Financial Statements of Gerresheimer AG are prepared in accordance with the German Commercial Code (Handelsgesetzbuch/HGB) and the German Stock Corporation Act (Aktiengesetz/AktG).

The auditor is elected by the Annual General Meeting in accordance with statutory provisions. Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf, was appointed as auditor for the financial year 2017. The Supervisory Board engages the auditor elected by the Annual General Meeting and determines the key audit priorities as well as the fee. It ensures that the auditor's work is not impaired by any conflicts of interest.

RISK MANAGEMENT

Good corporate governance includes responsible management of risks to the enterprise. For this purpose, Gerresheimer AG has set up a systematic risk management system above and beyond the legally required early warning system for going concern risk. The risk management system ensures timely risk identification, evaluation and control. It is subject to continuous improvement, which helps to optimize risk positions.

TRANSPARENCY

Gerresheimer AG communicates openly, actively and comprehensively. It informs shareholders, shareholder associations, analysts and interested members of the public regularly, without delay and on an equal-entitlement basis of the Company's position and of key business changes. The Company's website (www.gerresheimer.com) is one of the primary media used for this purpose. The website contains the annual and interim reports, press releases, ad hoc announcements and other notifications in accordance with the Market Abuse Regulation, the financial calendar and other relevant information. In addition, Gerresheimer AG regularly organizes analyst and press conferences as well as events for investors.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the Supervisory Board in the financial year 2017 is presented and published in the remuneration report included in the Group Management Report. In order to avoid unnecessary duplication, the presentation in the Group Management Report is expressly incorporated by reference in this Corporate Governance Report.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration paid to the Management Board in the financial year 2017 is likewise presented and published in the remuneration report included in the Group Management Report. The Company has entered into long-term, variable share-based payment agreements ("Phantom Stock Program") with all members of the Management Board, which is also presented and published in the remuneration report. In order to avoid unnecessary duplication, the presentation in the Group Management Report is again expressly incorporated by reference in this Corporate Governance Report.

On April 30, 2015, the Annual General Meeting of the Company approved the remuneration system for the members of the Management Board. There have been no changes to the system since.

DECLARATION OF COMPLIANCE

Pursuant to section 161 of the German Stock Corporation Act, the management boards and supervisory boards of listed German stock corporations are required to make an annual declaration of whether the recommendations of the "Government Commission on the German Corporate Governance Code" as published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Law Gazette (Bundesanzeiger) have been and will continue to be complied with, or which recommendations have not been or are not being applied, and the reasons for this.

On September 5, 2017, the Management Board and the Supervisory Board of Gerresheimer AG approved the following, most recent, Declaration of Compliance:

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

With the exception of the recommendation of number 5.4.1, paragraph 2 sentence 1 Gerresheimer AG has complied with all recommendations of the 'Government Commission on the German Corporate Governance Code' as amended on May 5, 2015, since its last declaration on September 8, 2016.

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

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

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

This Declaration of Compliance and earlier Declarations of Compliance are available on the Company's website at www.gerresheimer.com.

GERRESHEIMER ON THE CAPITAL MARKETS

THE 2017 STOCK MARKET YEAR

Driven by the healthy global economic environment, both the European and the US equity markets recorded positive growth in the financial year 2017, even though the tax and healthcare reforms announced by the US government failed to go through during the reporting period. As well as the general economic environment, the positive growth in the euro area was buoyed by favorable political decisions such as the French presidential election, the electoral law reform in Italy and the prolongation of the Greek debt program. Political uncertainties such as the ongoing Brexit negotiations were ultimately less important. European stock indices temporarily drifted lower in the summer due to the weakening of the US dollar. Prices picked up again noticeably starting in September and both the DAX and the MDAX reached new all-time highs in early November.

GERRESHEIMER SHARES

Gerresheimer's share price was able to sustain its upward trend from the start of the reporting period through to early June 2017, reaching an all-time high of EUR 78.01 on June 2, 2017. The share price slipped back again in the following weeks, tracking the general consolidation on the stock markets. This trend was also underpinned by forecasts from pharma companies, indicating moderate revenue growth and delayed product launches in the third quarter and thus directly impacting our business performance as a supplier to, among others, the world's ten largest pharma companies. In this weaker market environment, Gerresheimer shares came under pressure at times, reaching their low of EUR 61.03 for the financial year 2017 on September 5, 2017.

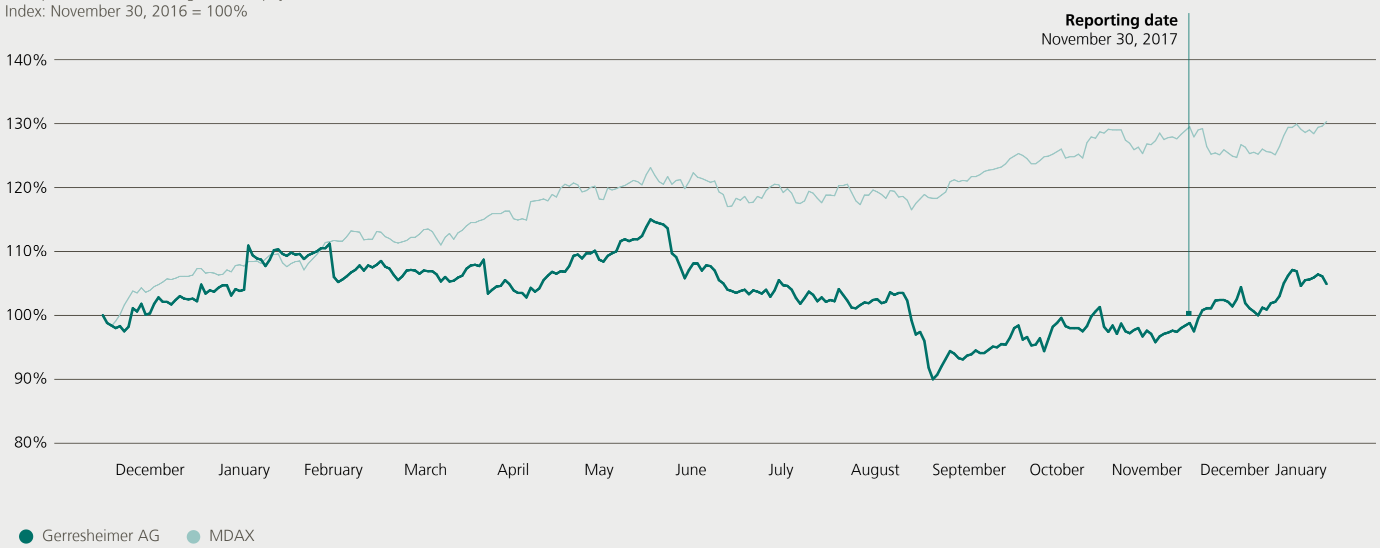
With a closing price of EUR 67.06 as of the November 30, 2017 reporting date, Gerresheimer shares recovered noticably by +9.9% in the period from September 5, 2017 to November 30, 2017, following the upward trend on the markets. The MDAX gained 9.4% over the same period.

Taking into account the dividend payout, Gerresheimer shares lost 1.2% in the financial year 2017, lagging behind the growth of the MDAX benchmark index. Viewed over the longer term, our share continues to follow a clear upward trajectory since the IPO in 2007. Including reinvested dividends, a long-term investor could generate a return in excess of 100% between our IPO and November 30, 2017.

As of January 18, 2018, the Gerresheimer share price closed at EUR 71.15, marking a visible recovery and a gain of 6.1% since the balance sheet date.

GERRESHEIMER AG SHARES VERSUS MDAX

Total performance including dividend payout
Index: November 30, 2016 = 100%



BUY AND HOLD ANALYST RECOMMENDATIONS PREDOMINATE

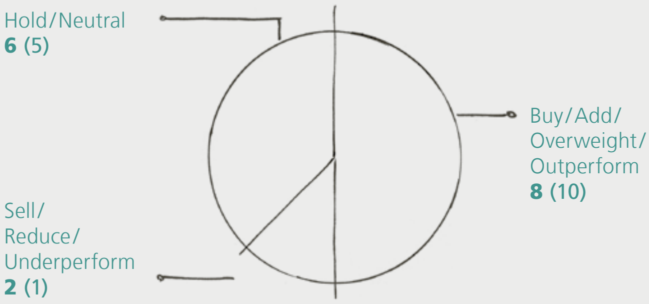
Of the 16 bank analysts covering Gerresheimer shares as of January 18, 2018, eight gave a buy and six a hold recommendation. Only two analysts recommended selling. As of January 18, 2018, the average price target was EUR 72.29. The charts that follow provide an overview of the banks covering Gerresheimer as of January 18, 2018, together with their recommendations:

Analyst Coverage

Bankhaus Lampe	equinet Bank	Kepler Cheuvreux
Berenberg Bank	Goldman Sachs	LBBW
Commerzbank	Hauck & Aufhäuser	MainFirst
Credit Suisse	HSBC	Metzler
Deutsche Bank	Independent Research	
DZ Bank	J.P. Morgan Cazenove	

Overview of Analyst Recommendations as of January 18, 2018

Number (prior year)



ANNUAL GENERAL MEETING: AGAIN VERY STRONG SHAREHOLDER ATTENDANCE; DIVIDEND RAISED TO EUR 1.05 PER SHARE

The Annual General Meeting on April 26, 2017 resolved to pay a dividend of EUR 1.05 per share, which was distributed to shareholders on May 2, 2017. This represented an increase of 23.5% per no-par-value share carrying dividend rights—the sixth dividend increase in a row. Our shareholders received a dividend of EUR 0.85 per share in the prior year. A proposal will be made to the 2018 Annual General Meeting to pay a dividend of EUR 1.10 per share to our shareholders.

Overall, 77.7% of the capital stock was represented at the Annual General Meeting—again a very high proportion that reflects the success of our efforts to encourage our shareholders to vote. The shareholders approved all proposed resolutions by a large majority and re-elected all shareholder representatives to the Supervisory Board. All key documents and information relating to the Annual General Meeting are available at www.gerresheimer.com/en/investor-relations/annual-general-meeting.html.

Starting with the 2018 Annual General Meeting, we plan to send the documents (notifications pursuant to section 125 of the German Stock Corporation Act) to our shareholders electronically wherever possible. Only those shareholders whom we cannot reach electronically will continue to receive the documents in printed form. We would like to take this opportunity to thank our shareholders sincerely for their cooperation and willingness to help preserve the environment and cut costs.

Gerresheimer Shares: Key Data

	2017	2016
Number of shares at reporting date in million	**31.4**	31.4
Share price[1)] at reporting date in EUR	**67.06**	68.85
Market capitalization at reporting date in EUR m	**2,105.7**	2,161.9
Share price high[1)] during reporting period in EUR	**78.01**	76.86
Share price low[1)] during reporting period in EUR	**61.03**	57.10
Earnings per share in EUR	**3.21**	3.87
Dividend per share in EUR	**1.10**[2)]	1.05

[1)] Xetra closing price.
[2)] Proposed appropriation of retained earnings.

Share Reference Data

ISIN	DE000A0LD6E6
WKN	A0LD6E
Bloomberg reference	GXI
Reuters reference	GXIG.DE
Stock index membership	MDAX, CDAX, HDAX, Prime All Share, Classic All Share, EURO STOXX TMI and further sector and size indexes
Listings	Berlin, Duesseldorf, Frankfurt (Xetra and floor trading), Hamburg, Hanover, Munich, Stuttgart, Tradegate Exchange

STABLE SHAREHOLDER STRUCTURE

Based on available sources, our shareholder structure demonstrates that our capital stock continues to have a strong international distribution. Looking at our top 25 investors, North American investors again accounted for the largest share of the free float at around 32% as of January 18, 2018, followed by investors in the Netherlands with around 22%. British investors accounted for around 16% and German investors for around 8%. As in the prior year, the free float remained at 100% as per January 18, 2018. Based on our top 25 shareholders, growth investors are the most common investor type, followed by value investors.

According to the notifications we received, the following major shareholders have an interest of more than 5% in Gerresheimer AG according to the German Securities Trading Act (Wertpapierhandelsgesetz):

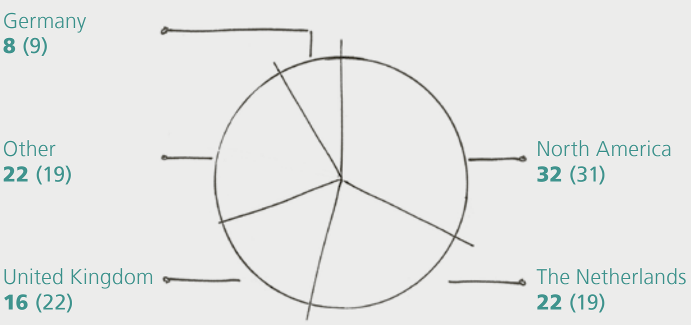
Company	Share in %	Date of Notification
NN Group N.V.	5.20	September 17, 2014
Stichting Pensioenfonds ABP	5.10	July 30, 2015
BNP Paribas Investment Partners S.A.	5.07	December 16, 2016

These three major shareholders together hold a combined 15.4% of the free float.

All voting right notifications can be accessed at www.gerresheimer.com/en/investor-relations/corporate-governance/voting-rights-announcements.html on our website.

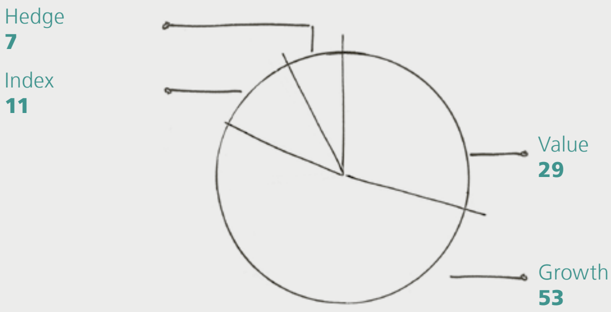
Shareholder Structure: Top 25 Investors by Region

in % (prior year)



Shareholder Structure: Top 25 Investors by Investment Style

in %



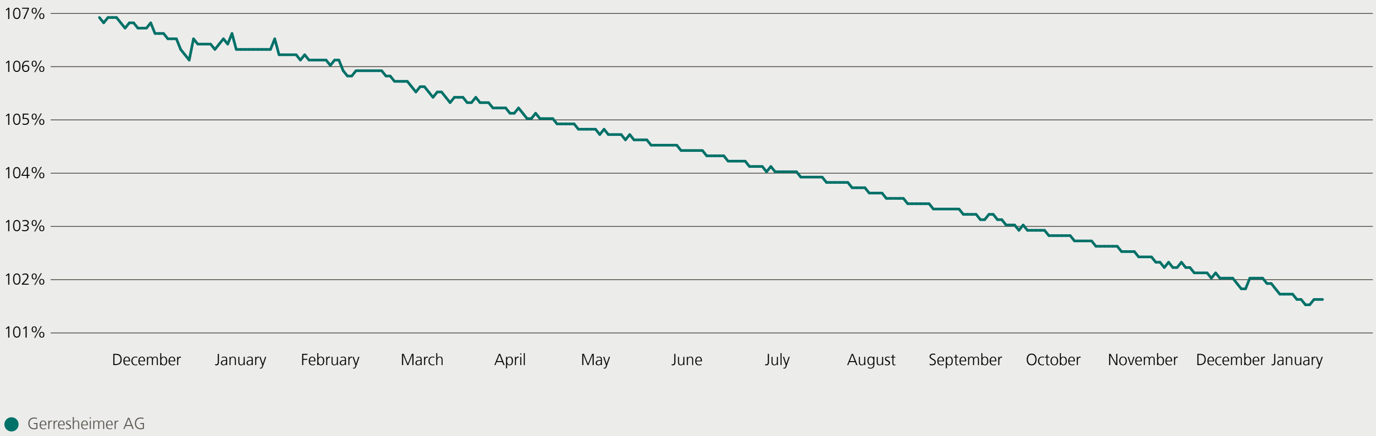
GERRESHEIMER BOND

The Gerresheimer bond price (ISIN: XS0626028566) remained at a high level throughout the year. As of January 18, 2018, it stood at 101.6%. The background to the change in the price is the repayment of the bond on May 19, 2018. The very low effective annual yield to maturity of around 0.3% as of January 18, 2018 from an investment in the bond shows that investors continue to view the Gerresheimer bond as a highly secure investment.

Standard & Poor's and Moody's, the two major rating agencies, continue to rate the Gerresheimer bond at investment grade ratings of BBB-, stable outlook and Baa3, negative outlook, respectively. The Standard & Poor's rating has been unchanged since February 2011. The agency attributed the rating upgrade at that time from BB+ to BBB- to Gerresheimer AG's leading market position and the stability of its business model. Other reasons included improved financial ratios and strong cash flow generation. Both Standard & Poor's and Moody's confirmed their investment grade rating in May and June 2017, respectively, again highlighting the strong cash flow generation. Additional mention was given to Gerresheimer's leading position in a stable pharmaceutical market environment, multinational footprint, very good margins and the high barriers to entry for potential competitors. The bond can be traded in floor trading in Frankfurt as well as on regional exchanges in Germany.

Gerresheimer AG Corporate Bond: Price Performance

Market price November 30, 2016 = 106.9%



Taking advantage of the favorable market environment, the bond set to mature in May 2018 was refinanced early on September 27, 2017 by a EUR 250.0m promissory loan. As a result of this early refinancing transaction, we were able to temporarily repay the revolving credit facility in full until the repayment of the bond.

Bond reference data

ISIN	XS0626028566
WKN	A1H3VP
Issuer	Gerresheimer AG
Volume	EUR 300.0m
Coupon/coupon date	5% p.a./May 19
Maturity date	May 19, 2018
Bond price[1] at reporting date	102.2%
Effective annual interest rate (yield to maturity)[2] at reporting date	0.6% p.a.
Bond rating at reporting date	Standard & Poor's: BBB-, stable outlook Moody's: Baa3, negative outlook
Corporate rating at reporting date	Standard & Poor's: BBB-, stable outlook Moody's: Baa3, negative outlook
Denomination	EUR 1,000.00 par value
Listings	Berlin, Duesseldorf, Frankfurt (floor trading), Hamburg, Hanover, Munich, Stuttgart

[1] Closing price, Stuttgart Stock Exchange.
[2] Based on the closing price on Stuttgart Stock Exchange.

INVESTOR RELATIONS ACTIVITIES

Many institutional investors and analysts again made use of the opportunity for an intensive dialog with the Management Board and the Investor Relations team so that they could get to know our Company. We held roadshows and attended investor conferences in both international and national financial centers such as Frankfurt, London, Paris and New York. We were also available, for example, for follow-up discussions with capital market participants in a large number of conference calls. Private investors had the chance to get acquainted with our Company at shareholder forums supported by Investor Relations.

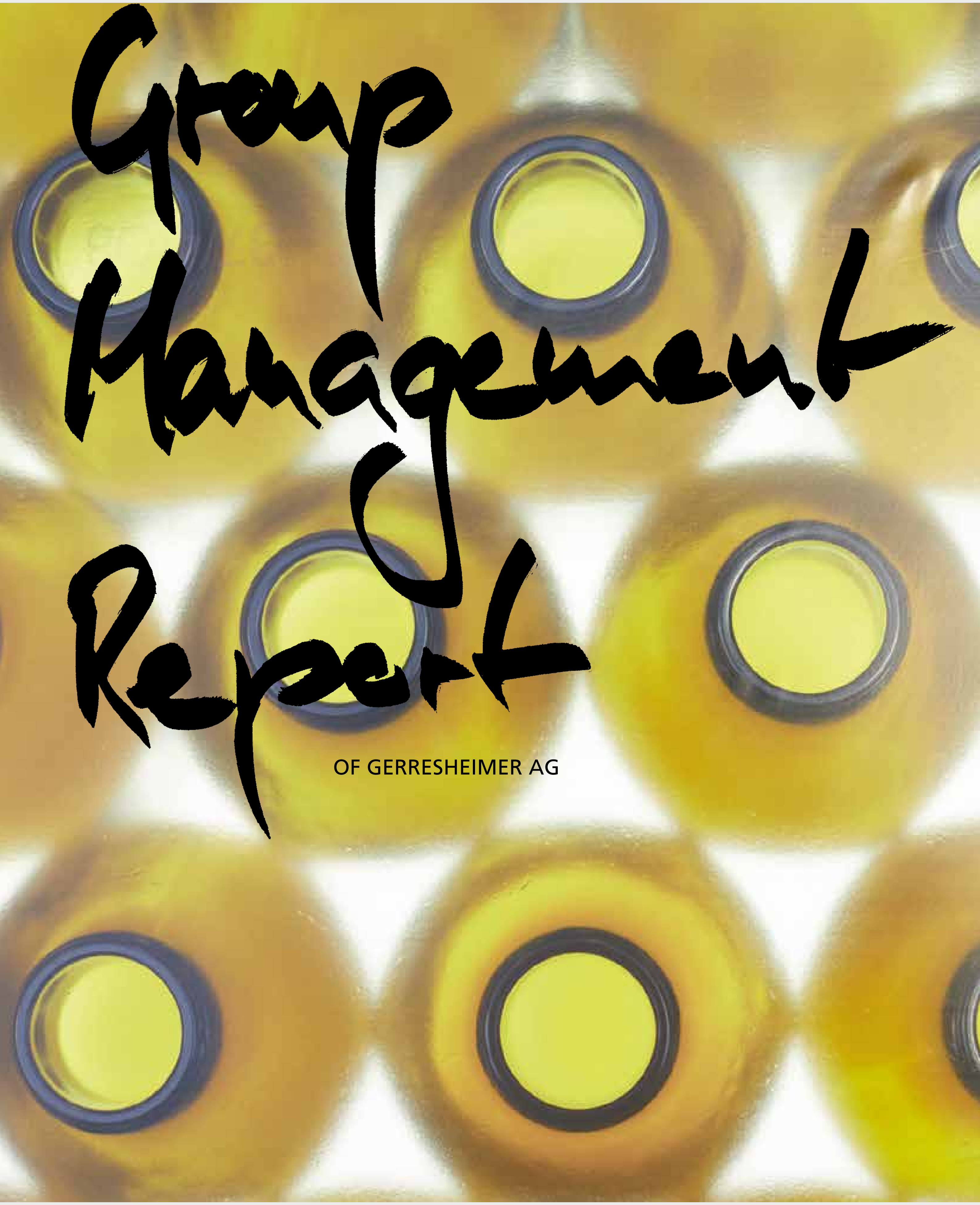
Our reports, webcasts and presentations can be accessed on our website at www.gerresheimer.com/en/investor-relations/reports.html and www.gerresheimer.com/en/investor-relations/presentations.html.

In line with our corporate philosophy, we will sustain our in-depth, ongoing dialog with investors and analysts in the coming financial year.

You will find our financial calendar and an overview of events at which we will be presenting the Company on our website at www.gerresheimer.com/en/investor-relations/dates/financial-calendar.

Financial Calendar

February 22, 2018	Annual Report 2017
April 12, 2018	Interim Report 1st Quarter 2018
April 25, 2018	Annual General Meeting 2018
July 12, 2018	Interim Report 2nd Quarter 2018
October 11, 2018	Interim Report 3rd Quarter 2018



Group Management Report

OF GERRESHEIMER AG

FINANCIAL YEAR 2017 AT A GLANCE

Margin improved despite slight fall in revenues

- Revenues climbed by 4.7% in the fourth quarter 2017 relative to the fourth quarter of the prior year, and on an organic basis by no less than 6.7%. This means that revenues ended the year with a decrease of just 2.0% to EUR 1,348.3m. Revenues at constant exchange rates totaled EUR 1,361.6m for an organic decrease of 1.8%
- Full-year adjusted EBITDA rose to EUR 310.8m; at constant exchange rates to EUR 314.3m
- At 23.1%, the adjusted EBITDA margin is once again above the strong prior-year figure of 22.4%

Higher operating cash flow and improved Gx ROCE

- Excluding purchases of licenses, the ratio of capital expenditure to revenues at constant exchange rates was 8.0%
- Average net working capital as a percentage of revenues comes to 16.5%; as of the November 30, 2017 reporting date, net working capital as a percentage of revenues is 13.8%
- The operating cash flow margin at constant exchange rates amounts to 15.3%, above the medium-term target of over 13%
- Gx ROCE, at 12.9%, is above our long-term target of at least 12%

Net financial debt reduced and adjusted EBITDA leverage improved

- Successful completion of EUR 250.0m promissory loan on September 27, 2017, with a positive impact on net finance expense from May 2018 following bond redemption
- Net financial debt reduced from EUR 788.2m to EUR 712.7m. Adjusted EBITDA leverage was consequently 2.3x as of the reporting date (prior year: 2.6x)
- Proposed dividend of EUR 1.10 per share (2016: EUR 1.05 per share)—some 27.1% of adjusted net income from continuing operations after non-controlling interests

THE GERRESHEIMER GROUP

BUSINESS ACTIVITIES

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

The Group consists of Gerresheimer AG, with its registered office in Duesseldorf, Germany, together with its direct and indirect subsidiaries and associates. At the end of the financial year 2017, the Group had 43 locations in Europe, North and South America and Asia, with 9,749 employees worldwide. This represents a 1.6% reduction in our workforce compared with November 30, 2016.

Gerresheimer AG is the parent Company of the Gerresheimer Group and manages its direct and indirect subsidiaries and associates.

DIVISIONS

The Gerresheimer Group is managed through strategic business units organized as divisions. These are aggregated into reporting segments based on their specific production technologies and the materials we use in our products. Our business model is divided into two operating divisions for reporting purposes: Plastics & Devices and Primary Packaging Glass.

Our segment reporting follows the management approach in accordance with IFRS 8. External reporting is consequently based on internal reporting.

PLASTICS & DEVICES

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

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

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

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

PRIMARY PACKAGING GLASS

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

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

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

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

BRANCH OFFICES

Gerresheimer AG and the subsidiaries included in the consolidated financial statements do not have any branch offices.

GROUP STRATEGY AND OBJECTIVES

Global healthcare demand continues to grow. Key drivers include global trends such as rising life expectancy, world population growth, increasing prosperity, environmental change, and the development of new drugs and therapies. Increasing numbers of out-of-patent drugs and the trend toward self-medication spell ongoing growth potential for the pharma and healthcare industry going forward. Quantitative demand growth is accompanied by rising quality requirements for pharma packaging and products for safe and simple drug delivery. This is especially the case for drugs with complex molecular structures—such as those produced using biotechnology—and poses challenges for everyone in the market.

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

OUR VISION AND MISSION

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

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

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

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

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

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

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

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

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

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

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

With our plants in Europe, North America, South America and Asia, we can already boast a global presence and serve customers and markets with local production in many parts of the world. There is nonetheless scope for further extending our global reach, enabling us to serve all customers the world over in equal measure with our full portfolio. We especially aim to expand our presence in Asian growth markets—such as India and China—and in South America in order to supply our products to existing international customers as well as new customers in these countries.

OUR STRATEGIC GOALS

1. Sustained growth

We target sustained growth. To attain this goal, we plan to increase revenues with existing customers and launch new products as well as to serve new regions, markets and customers. We also intend to make selective acquisitions to this end. Our focus here is on augmenting our portfolio with additions that gain us access to new regions or enable us to buy into new technologies. In the process, we always aim to occupy leading positions in the markets we serve.

2. Rising profitability

We focus on profitable growth—as mirrored in increasing adjusted EBITDA, higher operating cash flow and, in the medium term, improved Gerresheimer return on capital employed (Gx ROCE). Key factors in this are our highly qualified workforce, efficient state-of-the art technology, strict cost control and high standards of quality. We conduct targeted investment in training, production efficiency and quality. Reliable delivery of high-quality pharma and cosmetics packaging secures us a leading position as a globally recognized supplier and sets us apart from our competitors.

3. Attractive investment and strong partner

Sustained growth and rising profitability make us an attractive investment for existing and future investors. We provide our shareholders with their due share of our success by distributing a dividend. Our solid financial base also makes us a strong, reliable partner to customers and suppliers in a market where stable, long-term relationships are highly valued.

In annual operating and strategic planning, we set targets for the years ahead and specific guidance for the next financial year. We publish this guidance for each year at the beginning of the financial year.

Our strategy was reflected and successfully implemented in a number of strategic projects once again in the financial year 2017. Strategic projects such as our machinery strategy for vials, new product launches, expansion of production capacity and many others are described in greater detail in the Group Management Report. All of these moves significantly enhance our position as global partner to the pharma industry, boost our profitability and make Gerresheimer an attractive investment.

CONTROL SYSTEM

Our business activities are geared toward profitable growth and global market leadership in the pharma/healthcare and cosmetics segments. The most significant key performance indicators for control of the Gerresheimer Group are consequently revenue growth, adjusted EBITDA, operating cash flow, capital expenditure, net working capital and Gx ROCE. These performance indicators are explained in detail in the following.

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

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

We attach great importance to generating ample cash flow in order to meet the varied expectations of our stakeholder groups. This is measured as operating cash flow, which we define as follows: Adjusted EBITDA plus/minus the change in net working capital (inventories, trade receivables, trade payables and prepayments made and received), minus capital expenditure. We set individual target levels by division and business unit for the two KPIs adjusted EBITDA and operating cash flow. Rigorous control of capital expenditure is a further key factor in our success. We appraise each project in each business unit against the same target parameters. Discounted cash flow analysis and payback periods are important elements of the appraisal process. Expansion and rationalization projects are expected to achieve a minimum 18% post-tax internal rate of return and a payback period of less than three years. Strategic projects are normally required to have a payback period of no more than five years. New plants and plant extensions may exceed this.

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

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

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

BUSINESS ENVIRONMENT

OVERALL ECONOMIC CONDITIONS

In its January 2018 outlook, the International Monetary Fund (IMF)[1] expects global economic growth at 3.7% for 2017. This corresponds to an increase of 0.1 percentage points relative to the October forecast and is attributed by the IMF to improved global growth momentum.

For the euro area, the IMF raised its economic growth expectation for 2017 by 0.3 percentage points compared with the October forecast, to 2.4%. This increase is based on an improvement in exports based on growing world trade and continuously rising domestic demand, supported by favorable financial conditions together with declining political risks and uncertainties.

According to the Federal Ministry for Economic Affairs and Energy (BMWi), the German economy is in a dynamic upswing. Besides industrial production, which the BMWi expects to remain buoyant, both consumption propensity and retail sentiment are positive.[2] The IMF also sees a positive trend for Germany and has raised its estimate for German economic growth in 2017 from 2.0% in October to 2.5%.

For the USA, the IMF expects growth of 2.3% for 2017. It thus increased its October forecast by 0.1 percentage points. As reasons for this, the IMF cites stronger than expected economic activity combined with an anticipated increase in external demand.

The IMF's October growth forecast for emerging and developing economies in 2017 was revised upward by 0.1 of a percentage point to 4.7%. Its expectation for Chinese economic growth in 2017 is 6.8%, which corresponds to the expectation given in October. China had profited from monetary policy easing and supply-side reforms. The economic growth estimate for India remains unaltered relative to October, at 6.7%. This represents a 0.4 percentage point decrease on the growth recorded in 2016. The IMF gave the reasons as ongoing disruption in retailing due to the November 2016 currency exchange initiative and costs associated with the July 2017 goods and services tax changes. After growth in Brazil was once again positive in the first half of 2017, the IMF raised the expectation for 2017 in January by 0.4 percentage points to 1.1%.

SECTORAL DEVELOPMENT

Global pharma market growth weakened significantly in 2017. As well as in price erosion reported by various pharma groups, this also made itself felt in volume growth, which is the indicator relevant to Gerresheimer and which according to IQVIA[3] came to only 0.1% in 2017. On this basis, IQVIA calculates an average annual growth rate of 2.1% for the years 2012 to 2017, with 3% growth in the period 2011 to 2016 as against 6% in the period 2006 to 2011. Whereas the pharmerging markets[4] recorded average volume growth of 3.9% in the years 2012 to 2017, the corresponding trend in other markets was substantially more negative. These even saw volumes fall by an average of 0.2% a year over the last five years.

The generics subsegment, which is subject to very strong price pressure in the North American market especially, recorded volume growth of 1.0% at global level in 2017. The average annual growth rate here in the years 2012 to 2017 was 3.1%. On a regional comparison, the pharmerging markets showed an average of 3.9% growth per year for the last five years, whereas average annual volume growth in other markets was just 0.8%.

Based on this trend, IQVIA projects average annual volume growth in the global pharma market of 2.0% for the years 2017 to 2022, compared with the 3.0% expected in 2016 for the years 2016 to 2022. The expectation for pharmerging markets is for an average of 3.0% per year in the next five years, whereas average volume growth of 1.7% is projected for other markets. This expectation underscores IQVIA's opinion that the current weakness in other pharma markets is likely to be temporary in nature. For the generics subsegment, IQVIA expects volume growth at an average of 2.7% for the next five years, with 3.1% anticipated for the pharmerging markets and 1.7% for other markets.

Overall, the pharma sector is considered to be one of the most crisis-resistant industries. Despite the recent weakness, it continues to benefit from long-term growth drivers such as demographic change and the increase in life expectancy, which combine to create rising demand for healthcare. Widespread diseases such as diabetes, asthma, dementia, cancer and allergies also boost demand for healthcare. This is reflected in the megatrends relevant to Gerresheimer: the trend toward generic drugs, growth of healthcare in pharmerging markets, increasing regulatory requirements, the development of new drugs, the rise of acute and chronic illnesses, and the growing trend toward self-medication (see also the Megatrends section starting on page 86).

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

The more cyclical market for high-quality cosmetic glass packaging performed well in the financial year 2017. Glass packaging with an exclusive look and feel continues to be highly sought after, once again placing a premium on glass container design and additional finishing techniques in the past year.

[1] International Monetary Fund: World Economic Outlook Update, January 2018.
[2] Federal Ministry for Economic Affairs and Energy: Monthly report, January 2018.
[3] IQVIA (formerly Quintiles IMS), January 10, 2018
[4] For a definition of pharmerging markets (emerging markets), please see Note (8) of the Notes to the Consolidated Financial Statements.

CURRENCY MARKET TRENDS

Driven by euphoria in connection with the US presidential elections, the US dollar already consolidated during the election run-up in the fall of 2016 and stood at 1.06 US dollars to the euro at the beginning of December 2016, the start of our financial year. This came against the backdrop of announcements by the newly elected US government to cut taxes and raise government expenditure, leading to expectations of a more rapid increase in the Federal Funds Rate. As a result, the US dollar held firm through to mid-April in a corridor between 1.04 and 1.08 US dollars to the euro. After the reforms initially failed to materialize and also various economic indicators proved unexpectedly negative, the US dollar depreciated continuously to a level of 1.20 US dollars to the euro in September. Thereafter, the currency moved in a range from 1.20 down to 1.16 US dollars to the euro and closed the financial year 2017 at 1.18 US dollars to the euro on November 30, 2017.

The average exchange rate in the financial year 2017 from December 1, 2016 to November 30, 2017 was consequently 1.12 US dollars to the euro, higher than the prior-year average of 1.10 US dollars to the euro.

Other currencies that entail translation effects on translation into euros—the Group reporting currency—for our quarterly and annual financial statements showed a mixed picture in the reporting period. Taking all exchange rate effects into account, the euro appreciated during the reporting period so that translation from other currencies into euros as the reporting currency had the effect of reducing revenue growth. For this reason, we state revenue growth in the "Revenue Performance" section on an organic basis, i.e. adjusted for exchange rate effects, acquisitions and divestments. The USD exchange rate assumed for budgeting purposes for the financial year 2017 was USD 1.10 per EUR 1.00. The reporting date and average exchange rates of major currencies for the Gerresheimer Group in the financial year 2017 and the prior year are additionally set out in Note (4) of the Notes to the Consolidated Financial Statements.

ENERGY AND COMMODITY MARKET TRENDS

A significant portion of production costs relates to raw materials for the manufacture of glass and plastic. We have substantial energy requirements on an ongoing basis, mainly due to the energy-intensive combustion and melting processes in our high-temperature furnaces. Any significant rise in energy prices could have a considerable impact on the Gerresheimer Group's results of operations. Accordingly, we make use of the special compensation rule for electricity cost-intensive companies under section 64 of the German Renewable Energy Act (EEG). In addition, the Group aims to extensively hedge against increases in energy (electricity and gas) prices in order to absorb rising energy costs.

In the manufacture of plastic products, we are reliant on primary products such as polyethylene, polypropylene and polystyrene. The prices of these products largely depend on oil price trends.

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

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

On the whole, we have negotiated escalation clauses in contracts with major customers that largely offset cost changes. Additional information on the Gerresheimer Group's management of fluctuations in energy and raw material prices is provided under the heading "Energy and Raw Material Prices" in the "Operational Risks" section.

CHANGES IN THE REGULATORY ENVIRONMENT

Policymakers, especially in European industrialized countries and the USA, continue to attach great importance to proof of significant therapeutic added value before new drugs are approved. For this reason, the competent authorities usually carry out a detailed cost-benefit analysis before any new drug can be released onto the market. This once again lent momentum to generic drugs in industrialized countries in the financial year 2017.

Regulatory requirements tend to increase in quantity and scope from year to year. While delivering major benefits to patients, this presents major challenges for everyone in the market. Overall, however, the financial year 2017 did not bring any material change in the regulatory environment as regards the pharma markets relevant to Gerresheimer. The heavy demands placed on our business also serve as a tall entry barrier for potential new competitors.

DEVELOPMENT OF THE BUSINESS

EFFECT OF ECONOMIC CONDITIONS ON BUSINESS PERFORMANCE

Business with the pharma and healthcare industry is especially important to the Gerresheimer Group as such business accounts for 83% of total revenues.

The financial year 2017 did not bring any material change in the regulatory environment for the pharma markets relevant to us and so there was no significant regulatory impact on the growth of our business. The more cyclical market for high-quality cosmetic glass packaging showed a positive trend. Manufacturers reported growth in perfume and care products in particular.

We primarily market specialized, high-quality primary packaging products and drug delivery systems made of glass and plastic. Our aim is to be, or become and remain, first or second in the markets and product segments we serve.

ATTAINMENT OF GUIDANCE IN THE FINANCIAL YEAR 2017

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

Changes in our guidance reflect customer-side market dynamics in the course of the financial year 2017, which were driven by moderate revenue growth and delayed product launches. On the basis of these dynamics, we gave more specific guidance in July and October and added a risk scenario, which with regard to revenues has materialized in a slightly greater than expected magnitude. Group revenues at constant exchange rates in the financial year 2017 were thus EUR 1,361.6m, marking an organic revenue decrease of 1.8%. Adjusted EBITDA at constant exchange rates came to EUR 314.3m. Deducting EUR 3.6m in other operating income from fair value measurement of the Triveni put option, adjusted EBITDA at constant exchange rates was EUR 310.7m and hence slightly above our forecast. Adjusted earnings per share at constant exchange rates after non-controlling interests, at EUR 4.10, was slightly better than on the basis of the most recently expected risk scenario. Excluding purchases of licenses, the ratio of capital expenditure to revenues at constant exchange rates was 8.0%, which was within our guidance range.

We are already able to report successful progress in the financial year 2017 with a view to the figures projected for 2018. Whereas average net working capital equaled 16.5% of revenues at constant exchange rates and was thus in line with our announced medium-term expectation of approximately 16%, we were already able to exceed our corresponding expectations for the operating cash flow margin and Gx ROCE in 2017. The operating cash flow margin at constant exchange rates thus amounted to 15.3%, while on Gx ROCE we attained 12.9%.

Development of published guidance during the financial year 2017

	Guidance FY 2017 Feb. 15, 2017	Updated guidance FY 2017 July 13, 2017	Introduction of a risk scenario based on expected deviations from FY 2017 guidance October 11, 2017	2017 Results
Revenues (constant FX rates)	Lower end on the basis of the EUR 1,430m +/- EUR 25m range	~ EUR 1,400m	~ EUR -30m	EUR 1,361.6m -1.8% organic growth
Adjusted EBITDA (constant FX rates)	EUR 320m (+/- EUR 10m)	~ EUR 320m	~ EUR -10m	EUR 314.3m[1]
Adjusted earnings from continuing operations per share in EUR after non-controlling interests (constant FX rates)	Range of EUR 4.20 to EUR 4.55	~ EUR 4.25	~ EUR -0.17	EUR 4.10
Capital expenditure[2] (constant FX rates)	8% of revenues	Confirmation of guidance FY 2017 Feb. 15, 2017	Confirmation of guidance FY 2017 Feb. 15, 2017	8.0%
Other performance figures				
Average NWC (as % of revenues) (constant FX rates)	approx. 16% in FY 2018	Confirmation of guidance FY 2017 Feb. 15, 2017	Confirmation of guidance FY 2017 Feb. 15, 2017	16.5%
Operating cash flow margin (constant FX rates)	approx. 13% in FY 2018	Confirmation of guidance FY 2017 Feb. 15, 2017	Confirmation of guidance FY 2017 Feb. 15, 2017	15.3%
Gx ROCE	> = 12% in FY 2018	Confirmation of guidance FY 2017 Feb. 15, 2017	Confirmation of guidance FY 2017 Feb. 15, 2017	12.9%

[1] Excluding the EUR 3.6m in other operating income from fair value evaluation of the Triveni put option, adjusted EBITDA is EUR 310.7m.
[2] Excluding capital expenditure on intangible assets in relation to licensing agreements.

MANAGEMENT BOARD REVIEW OF BUSINESS PERFORMANCE

The Gerresheimer Group performed in line with its own expectations in the financial year 2017. Notably as a result of the good fourth quarter—when revenues climbed relative to the prior-year period by 6.7% on an organic basis and 4.7% after exchange rate effects—revenues ended the year with a decrease of just 2.0% to EUR 1,348.3m. At constant exchange rates, revenues totaled EUR 1,361.6m and thus decreased on an organic basis solely by 1.8%. Our revenues with the pharma sector thus once again proved generally robust in the financial year 2017. Since Gerresheimer supplies leading pharma groups as a producer of primary packaging, we are notably also dependent on the development of the market served by the pharma industry, which was atypical owing to the uncertainties in the financial year 2017. Adjusted EBITDA at constant exchange rates was EUR 314.3m. The reported adjusted EBITDA figure was EUR 310.8m, representing a very strong margin of 23.1%. Net income from continuing operations, at EUR 103.1m in the financial year 2017, was slightly down on the EUR 104.5m prior-year figure. Adjusted net income from continuing operations was EUR 130.0m, compared with EUR 130.4m in the prior-year period, which in sum was a good result and reflected the Gerresheimer Group's rigorous focus on attaining profitability despite the 2.0% revenue decrease.

REVENUE PERFORMANCE

Notably as a result of the good fourth quarter—when revenues climbed relative to the prior-year period by 6.7% on an organic basis and 4.7% after exchange rate effects—revenues ended the year with a decrease of just 2.0% or EUR 27.2m, from EUR 1,375.5m in the financial year 2016 to EUR 1,348.3m in the financial year 2017. Adjusted for exchange rate effects, acquisitions and divestments, full-year revenues amounted to EUR 1,361.6m; on an organic basis, revenues thus went down by 1.8%.

in EUR m	2017	2016	Change in %
Revenues			
Plastics & Devices	757.2	765.4	-1.1
Primary Packaging Glass	592.0	610.6	-3.0
Subtotal	**1,349.2**	**1,376.0**	**-1.9**
Intra-Group revenues	-0.9	-0.5	69.1
Total revenues	**1,348.3**	**1,375.5**	**-2.0**

Revenues in the Plastics & Devices Division fell slightly by EUR 8.2m from EUR 765.4m in the prior-year period to EUR 757.2m in the financial year 2017. This corresponds to a reduction of 1.1%, or 1.4% on an organic basis. The main reason for the decrease is to be found in the Medical Plastic Systems business. As we already announced at the beginning of the financial year, there was lower demand from a number of pharma customers where Gerresheimer is sole supplier. This effect was compounded by a fall in demand in the inhalation business. However, revenues with our new inhaler project in Peachtree City (Georgia/USA) grew very positively in the fourth quarter of 2017. In the engineering and tooling business, mainly due to the billing of large-scale customer projects, we were able to achieve the expected substantial increase in the fourth quarter of 2017. Sales of plastic packaging for liquid and solid drugs showed solid growth rates across all regions in the financial year 2017 and closed the year with strong growth in the fourth quarter. Syringe sales also contributed to the good divisional growth in the fourth quarter.

The Primary Packaging Glass Division generated revenues of EUR 592.0m in the financial year 2017, compared with EUR 610.6m in the prior-year period. This corresponds to a reduction of 3.0%, or 2.2% on an organic basis. The main reason for the lower revenues compared with the prior year was a decrease in North America. Greater uncertainty with regard to the new US government led there to a relatively marked reticence among our large pharma customers to place orders. Combined with inventory stocking by some of our customers, this resulted in a decline in demand. Outside of North America, revenues in the Primary Packaging Glass Division were at a slightly higher level than in the prior year, driven among other things by growth in the cosmetics business, which as expected showed strong growth in the fourth quarter.

REVENUES BY REGION

We generate the vast majority of revenues outside Germany. International revenues came to EUR 1,035.2m or 76.8% of total revenues in the financial year 2017 (2016: EUR 1,051.4m or 76.4%). Europe and the Americas remain Gerresheimer's most important geographical sales regions. Another ongoing focus is on revenues in emerging markets as a growth region.

IQVIA, formerly Quintiles IMS, modified its definition of emerging markets in the financial year 2017 such that 22 countries are now classified as emerging markets. Egypt and Thailand have been added and Romania has been removed from the definition. We have adjusted our reporting in line with the modified definition and restated the prior-year figures for comparison purposes. According to the current definition employed by the IQVIA Institute, emerging market revenues comprise revenues in Algeria, Argentina, Bangladesh, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Kazakhstan, Mexico, Nigeria, Pakistan, Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey and Vietnam. For further information, please see Note (8) of the Notes to the Consolidated Financial Statements.

	2017		2016	
	in EUR m	in %	in EUR m	in %
Europe[1]	428.9	31.8	460.3	33.5
Germany	313.1	23.2	324.1	23.6
Americas[1]	373.7	27.7	363.1	26.4
Emerging markets	206.5	15.3	202.8	14.7
Other	26.1	2.0	25.1	1.8
Total revenues	**1,348.3**		**1,375.5**	

[1] The stated revenues in Europe exclude revenues in Germany, Poland, Russia and Turkey and the revenues in the Americas exclude Argentina, Brazil, Chile, Colombia and Mexico.

Europe region revenues fell by EUR 31.4m or 6.8% to EUR 428.9m. The decrease mainly related to lower revenues in Ireland and Sweden. Revenues in these two countries were some 42% down on the prior year. The proportion of revenues attributable to the Europe region dropped slightly in the financial year under review to 31.8%, as against 33.5% in the prior year. Revenues in Germany fell by EUR 11.0m or 3.4% from EUR 324.1m in the prior year to EUR 313.1m in the financial year under review. Germany's share of total revenues remained at a constant level.

In the Americas region, revenues went up by 2.9%, from EUR 363.1m to EUR 373.7m in the financial year 2017. The increase in this region was primarily attributable to our new inhaler project in Peachtree City (Georgia/USA). With a 27.7% share of total revenues (2016: 26.4%), the Americas region remains an important market for the Gerresheimer Group. Due to the presence of global pharma giants and the country's demographic potential, the USA in particular will remain a core region for our business activities.

Emerging market revenues contributed 15.3% (2016: 14.7%) to total Group revenues in 2017.

RESULTS OF OPERATIONS

In the financial year 2017, the Gerresheimer Group generated adjusted EBITDA of EUR 310.8m, thus exceeding the prior-year figure by another 1.0%—despite the 2.0% revenue decrease. The adjusted EBITDA margin was a very good 23.1% and likewise above the prior-year margin of 22.4%. At constant exchange rates, adjusted EBITDA went up to EUR 314.3m in the financial year 2017.

in EUR m	**2017**	2016	Change in %	**Margin in % 2017**	Margin in % 2016
Adjusted EBITDA					
Plastics & Devices	215.2	204.0	5.5	28.4	26.6
Primary Packaging Glass	116.0	124.7	-7.0	19.6	20.4
Subtotal	**331.2**	**328.7**	**0.8**	**–**	**–**
Head office/ consolidation	-20.4	-20.9	-2.2	–	–
Total adjusted EBITDA	**310.8**	**307.8**	**1.0**	**23.1**	**22.4**

Adjusted EBITDA in the Plastics & Devices Division was EUR 215.2m in the financial year 2017, well above the EUR 204.0m recorded in the prior year. The adjusted EBITDA margin rose from 26.6% in the prior year to 28.4% in the financial year 2017. Deducting the positive effect in the amount of EUR 3.6m (2016: negative effect of EUR 1.4m) from fair value measurement of the put option on Triveni Polymers Private Ltd., New Delhi (India), leaves an increase in adjusted EBITDA by EUR 6.2m to EUR 211.6m and an adjusted EBITDA margin of 27.9% (2016: 26.8%). Volume-based price escalation clauses in device contracts and a different product mix, significantly improved productivity and thus reduced quality costs in syringe systems, all combined with proactive cost management overall, resulted in an increase in the already very high adjusted EBITDA margin. In the fourth quarter of 2017, very strong revenue growth led to a EUR 16.6m rise in adjusted EBITDA, with all business units increasing their adjusted EBITDA margin.

Adjusted EBITDA in the Primary Packaging Glass Division, at EUR 116.0m, was EUR 8.7m or 7.0% down on the prior-year figure. At 19.6%, the adjusted EBITDA margin was slightly below the prior-year figure of 20.4%. The lower adjusted EBITDA was due to impacts of the revenue decrease in our North American pharma business. Cost and capacity adjustments were made here to a lesser degree than usual in order to maintain delivery capability at all times when demand picked back up. Although revenues were slightly down on the prior year, the adjusted EBITDA margin in the fourth quarter of 2017 was in line with the prior-year quarter.

The head office expenses and consolidation item comes to EUR 20.4m, a slight decrease of EUR 0.5m on the prior year. This is due in the financial year under review to substantially smaller additions to bonus provisions and to changes on the Management Board of Gerresheimer AG. However, it also reflects a larger expense in the prior year due to a pension obligation for a member of the Gerresheimer AG Management Board.

The table below shows the reconciliation of adjusted EBITDA to results of operations:

in EUR m	**2017**	2016	Change
Adjusted EBITDA	**310.8**	**307.8**	**3.0**
Depreciation	-91.3	-86.9[1]	-4.4
Adjusted EBITA	**219.5**	**220.9**	**-1.4**
Refinancing	-0.3	–	-0.3
Sale of the glass tubing business	–	0.3	-0.3
Acquisition of Centor	–	-0.1	0.1
Portfolio optimization	-2.7	-3.5	0.8
One-off income and expenses[2]	-2.2	-0.5	-1.7
Total of one-off items	**-5.2**	**-3.8**	**-1.4**
Amortization of fair value adjustments[3]	-33.5	-36.6	3.1
Results of operations	**180.8**	**180.5**	**0.3**

[1] Including EUR 0.2m in impairment losses unrelated to portfolio optimization.
[2] The one-off income/expenses item consists of one-off items that cannot be taken as an indicator of ongoing business. These include, for example, various expenses for reorganization and structure changes that are not reportable as restructuring expenses in accordance with IFRS.
[3] Amortization of fair value adjustments relates to the intangible assets identified at fair value in connection with the acquisitions of Gerresheimer Regensburg in January 2007; the pharma glass business of Comar Inc., USA, in March 2007; the acquisitions of Gerresheimer Zaragoza and Gerresheimer Sao Paulo in January 2008; the acquisition of Vedat in March 2011; the acquisition of Neutral Glass in April 2012; the acquisition of Triveni in December 2012; and the acquisition of Centor in September 2015.

Adjusted EBITA amounted to EUR 219.5m (2016: EUR 220.9m) based on adjusted EBITDA of EUR 310.8m (2016: EUR 307.8m) less depreciation of EUR 91.3m (2016: EUR 86.9m). This is reconciled to the results of operations amounting to EUR 180.8m (2016: EUR 180.5m) by adding one-off items totaling EUR 5.2m (2016: EUR 3.8m) and deducting amortization of fair value adjustments in the amount of EUR 33.5m (2016: EUR 36.6m). One-off items mainly relate to portfolio optimization and other one-off income and expenses.

The EUR 0.3m in one-off items in connection with refinancing comprises consulting expenses related to the September 2017 promissory loan for early refinancing of the bond issue maturing in May 2018.

Portfolio optimization in the financial year 2017 amounted to a total of EUR 2.7m (2016: EUR 3.5m). This mainly related to restructuring expenses as a result of the previously decided and announced US glass plant closure in the Primary Packaging Glass Division and to further portfolio optimization in connection with the initiated process of location standardization and optimization. For further details, please see Note (12) and (13) of the Notes to the Consolidated Financial Statements.

The one-off expenses and income mostly relate to the withdrawal of Mr. Röhrhoff from the Management Board of Gerresheimer AG as of August 31, 2017. However, as Mr. Röhrhoff remained available to the Group in an advisory capacity in the period September 1, 2017 to November 30, 2017—notably for the induction of Mr. Fischer—he continued to be paid his basic salary through to the end of the financial year 2017 on November 30, 2017. In addition, Mr. Röhrhoff has a contractually agreed non-compete covenant for the duration of his contract and two years after its termination. He receives compensation for this post-contractual non-compete covenant in the amount of 50% of his contractually agreed basic salary. On account of the contract termination, a provision for this post-contractual non-compete covenant was recognized in the corresponding amount as of November 30, 2017. One-off expenses and income further include EUR 0.7m for expenses in connection with analysis for an acquisition project in Italy that did not come to fruition because of irreconcilable differences on price.

Amortization of fair value adjustments totals EUR 33.5m in the financial year under review, compared with EUR 36.6m in the prior-year period.

in EUR m	2017	2016	Change
Results of operations	**180.8**	**180.5**	**0.3**
Net finance expense	-35.3	-33.5	-1.8
Income taxes	-42.4	-42.5	0.1
Net income from continuing operations	**103.1**	**104.5**	**-1.4**

NET FINANCE EXPENSE

The net finance expense for the financial year 2017 was EUR 35.3m, EUR 1.8m higher than the prior-year figure of EUR 33.5m. This increase is the net outcome of EUR 1.0m higher interest expenses, a EUR 0.3m reduction in interest income and a EUR 0.5m rise in other net finance expenses that was mainly due to larger exchange differences.

INCOME TAXES

Income taxes came to EUR 42.4m in the financial year 2017, compared with EUR 42.5m in the prior year. As of November 30, 2017, the effective tax rate was 29.2%, marginally higher than the forecast rate of 29.0% and slightly above the prior-year effective tax rate of 28.9%.

NET INCOME FROM CONTINUING OPERATIONS AND ADJUSTED NET INCOME FROM CONTINUING OPERATIONS

The Gerresheimer Group generated net income from continuing operations of EUR 103.1m in the period December 1, 2016 to November 30, 2017. This represents a slight decrease of EUR 1.4m on the prior-year figure.

in EUR m	2017	2016	Change
Net income from continuing operations	**103.1**	**104.5**	**-1.4**
Refinancing	-0.3	–	-0.3
Related tax effect	0.1	–	0.1
Sale of the glass tubing business	–	0.3	-0.3
Related tax effect	–	-0.1	0.1
Acquisition Centor	–	-0.1	0.1
Related tax effect	–	–	–
Portfolio optimization	-2.7	-3.5	0.8
Related tax effect	1.1	1.1	–
One-off income and expenses	-2.2	-0.5	-1.7
Related tax effect	0.6	0.2	0.4
Amortization of fair value adjustments	-33.5	-36.6	3.1
Related tax effect	11.7	12.6	-0.9
One-off effects in the net finance expense	-0.6	-0.2	-0.4
Related tax effect	0.2	0.1	0.1
Tax special effects	-1.1	0.7	-1.8
Related interest effect	-0.2	0.1	-0.3
Adjusted net income from continuing operations	**130.0**	**130.4**	**-0.4**
Attributable to non-controlling interests	**2.2**	**2.2**	**–**
Amortization of fair value adjustments	-0.5	-0.6	0.1
Related tax effect	0.2	0.2	–
Adjusted net income from continuing operations attributable to non-controlling interests	**2.5**	**2.6**	**-0.1**
Adjusted net income from continuing operations after non-controlling interests	**127.5**	**127.8**	**-0.3**

Adjusted net income from continuing operations (defined as net income from continuing operations, including net income attributable to non-controlling interests, before non-cash amortization of fair value adjustments, all one-off items and related tax items) came to EUR 130.0m in the financial year 2017, compared with EUR 130.4m in the prior-year period. The adjusted net income from continuing operations after non-controlling interests amounted to EUR 127.5m in the period December 1, 2016 to November 30, 2017, as against EUR 127.8m in the prior year.

One-off items included in net finance expense consist of EUR 0.6m in expenses due to the early refinancing of the bond maturing in May 2018. This included the use of the funds from the September 2017 promissory loan to grant a US dollar intercompany loan to an American subsidiary in order to temporarily clear the revolving credit facility until bond redemption in May 2018. In accordance with internal guidelines, the intercompany loan was hedged against exchange rate changes at the time it was granted. The hedge guarantees that a USD/EUR exchange rate fixed at the time of issue will apply when the intercompany loan is repaid. The hedge accounts for an expense of EUR 0.5m. This item also includes expenses for bank commitment fees charged in respect of the temporarily cleared revolving credit facility and for negative interest on the surplus cash from the early refinancing, in each case for the time from the new promissory loan in September 2017 to the November 30, 2017 reporting date.

INCOME STATEMENT: KEY ITEMS

in EUR m	**2017**	**in % of revenues**	2016	in % of revenues
Revenues	**1,348.3**		**1,375.5**	
Cost of sales	-934.4	-69.3	-943.7	-68.6
Selling expenses	-168.1	-12.5	-166.6	-12.1
General administrative expenses	-87.5	-6.5	-88.8	-6.5
Restructuring expenses	-2.6	-0.2	-2.3	-0.2
Other operating expenses and income	25.1	1.9	6.4	0.5
Results of operations	**180.8**	**13.4**	**180.5**	**13.1**
Net finance expense[1]	-35.3	-2.6	-33.5	-2.4
Income taxes	-42.4	-3.1	-42.5	-3.1
Net income from continuing operations	**103.1**	**7.6**	**104.5**	**7.6**
Net income from discontinued operations	–		63.7[2]	
Net income	**103.1**		**168.2**	
Attributable to non-controlling interests	2.2		46.6	
Attributable to equity holders of the parent	**100.9**		**121.6**	

[1] Net finance expense comprises interest income and expenses related to the net financial debt of the Gerresheimer Group. It also includes net interest expenses for pension provisions together with exchange rate effects from financing activities and from related derivative hedges.
[2] In addition to net income from operating activities, net income from discontinued operations also includes the EUR 74.3m accounting profit on the sale of the Life Science Research Division, less EUR 4.4m in project and other costs associated with the transaction and the related tax expense of EUR 13.8m.

FUNCTION COSTS

The 1.0% decrease in cost of sales to EUR 934.4m (2016: EUR 943.7m) was mainly due to the lower cost of materials. By contrast, personnel expenses are at a similar level to the prior-year period. As a percentage of revenues, cost of sales went up slightly by 0.7 percentage points. Selling expenses as a percentage of revenues, at 12.5%, likewise rose slightly by 0.4 percentage points. In absolute terms, selling expenses showed a slight increase attributable to marginally higher personnel expenses in this functional area. Administrative expenses as a percentage of sales are at an identical level to the financial year 2016.

Net other income and expenses came to EUR 25.1m, compared with EUR 6.4m in the prior-year period. The increase mainly relates to fair value measurement of the put option on Triveni Polymers Private Ltd., under which the non-controlling interests have the right to collectively tender the remaining 25% shareholding for purchase between April 1 and April 30 each year. EUR 3.6m was recognized in other operating income for this purpose in the financial year 2017 (2016: EUR 1.4m other operating expense). We also received larger tax and insurance refunds in the financial year 2017. Income from the reversal of provisions, at EUR 9.2m, was also higher in the financial year 2017 than in the prior-year period (EUR 5.5m). It is important to note in this connection, however, that we recognized an expense of EUR 21.5m in function costs in the financial year 2017 for the recognition of new provisions. With regard to the provisions for warranties in particular, it is to be noted that the need for such provisions has been reduced by our investment in quality improvement initiatives in recent years, among other things in the form of modernization measures. For changes in other provisions, please see Note (30) of the Notes to the Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT COSTS

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

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

A total of EUR 3.5m (2016: EUR 3.2m) was spent on research and development in the financial year under review. We also capitalized a further EUR 3.6m of development costs in the financial year 2017 (2016: EUR 1.1m). Research and development activities are exclusively carried out by Gerresheimer AG's subsidiaries. These activities are closely geared to customer needs and accordingly often take place in collaboration with customers. In some cases, staff from pharmaceuticals companies work with us at our Competence Centers. The costs associated with these customer-specific research and development projects are largely borne by our customers. For further information, please see under "Innovation, research and development".

PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS (PROPOSED DIVIDEND)

At the Annual General Meeting on April 25, 2018, the Management Board and Supervisory Board of Gerresheimer AG will propose that a dividend of EUR 1.10 per share be paid for the financial year 2017 (2016: EUR 1.05 per share). This represents a total dividend distribution of EUR 34.5m and an increase of 4.8% against the prior-year dividend. The dividend ratio amounts to 27.1% of adjusted net income after non-controlling interests. This distribution is in line with our dividend policy of distributing to our shareholders between 20% and 30% of adjusted net income after non-controlling interests, depending on our operating performance. In this way, Gerresheimer shareholders will this year once again participate in the business success of the Gerresheimer Group. The increased dividend shows that the Management Board and the Supervisory Board firmly believe the decrease in revenues and hence income in the financial year 2017 to be non-typical of the Group's business performance. Furthermore, a proposal will be made to carry forward the Company's remaining retained earnings of EUR 118.1m.

PERFORMANCE INDICATORS IN RELATION TO CAPITAL EMPLOYED

Gerresheimer return on capital employed (Gx ROCE) is implemented as a profitability metric at Group level and indicates how efficiently we put the capital employed in the business to work. It is a key medium to long-term target indicator for the Gerresheimer Group. Gx ROCE is defined, as in the prior year, as adjusted EBITA over average capital employed, which is calculated as total assets less non-interest-bearing liabilities and cash and cash equivalents. Calculated on the basis of the published figures from the consolidated financial statements (as the average of the reporting date amounts for the prior year and the year under review), Gx ROCE was 12.9% in 2017 and 12.6% in 2016.

Numerator	Adjusted EBITA
Denominator	Average capital employed

A further indicator we track is Gerresheimer Return on Net Operating Assets (Gx RONOA). This is defined as the ratio of adjusted EBITA to average net operating assets, comprising the sum of property, plant and equipment and net working capital. Calculated on the basis of the published figures from the consolidated financial statements (as the average of the reporting date amounts for the prior year and the year under review), Gx RONOA was 27.3% in the financial year 2017 and 26.9% in the prior-year period. This performance indicator is also suitable for comparison with other companies, notably because it excludes acquisition effects (such as goodwill).

Numerator	Adjusted EBITA
Denominator	Average net operating assets

NET ASSETS

BALANCE SHEET

The Gerresheimer Group's net assets changed as follows in the financial year 2017:

Assets in EUR m	**Nov. 30, 2017**	Nov. 30, 2016	Change in %[1]
Intangible assets, property, plant and equipment and investment property	1,709.5	1,809.8	-5.5
Investment accounted for using the equity method	0.3	0.3	-3.8
Other non-current assets	19.1	21.5	-11.1
Non-current assets	**1,728.9**	**1,831.6**	**-5.6**
Inventories	148.4	155.4	-4.5
Trade receivables	242.7	232.1	4.6
Other current assets	324.1	155.2	> 100.0
Current assets	**715.2**	**542.7**	**31.8**
Total assets	**2,444.1**	**2,374.3**	**2.9**

Equity and Liabilities in EUR m	**Nov. 30, 2017**	Nov. 30, 2016	Change in %[1]
Equity and non-controlling interests	**789.5**	**763.3**	**3.4**
Non-current provisions	155.3	167.5	-7.3
Financial liabilities	681.3	744.6	-8.5
Other non-current liabilities	144.6	157.8	-8.4
Non-current liabilities	**981.2**	**1,069.9**	**-8.3**
Financial liabilities	337.7	185.4	82.1
Trade payables	176.3	157.0	12.3
Other current provisions and liabilities	159.4	198.7	-19.8
Current liabilities	**673.4**	**541.1**	**24.5**
Total equity and liabilities	**2,444.1**	**2,374.3**	**2.9**

[1] Change calculated on a EUR k basis.

Total assets in the Gerresheimer Group rose by EUR 69.8m or 2.9% year on year to EUR 2,444.1m as of November 30, 2017.

BALANCE SHEET STRUCTURE AND RATIOS

Non-current assets decreased to EUR 1,728.9m (2016: EUR 1,831.6m). This corresponds to a reduction of EUR 102.7m or 5.6%. Compared with the prior year, non-current assets increased to 70.7% of total assets (2016: 77.1%). Current assets amounted to EUR 715.2m as of the reporting date, up 31.8% on the prior-year figure (2016: EUR 542.7m). They thus account for 29.3% of total assets (2016: 22.9%). The asset side of the balance sheet was mainly affected by significantly higher cash and cash equivalents due to the early refinancing of the bond maturing in May 2018 and lower intangible assets due to amortization and exchange rate changes.

NON-CURRENT ASSETS

Intangible assets, property, plant and equipment and investment property amounted to EUR 1,709.5m as of the reporting date (2016: EUR 1,809.8m). Relative to November 30, 2016, intangible assets went down by EUR 92.7m to EUR 1,101.2m. This primarily related to a EUR 31.0m decrease in goodwill due to exchange rate changes and a EUR 77.8m reduction in customer relationships, comprising EUR 33.2m relating to amortization of fair value adjustments and EUR 44.6m attributable to exchange rate changes. Capital expenditure on intangible assets came to EUR 19.7m and mainly relates to purchased licenses, among other things in connection with development of the new product portfolio of prefillable, sterile injection vials Gx® RTF vials and of an integrated passive syringe safety system. Property, plant and equipment amounted to EUR 602.6m as of the November 30, 2017 reporting date, compared with EUR 610.2m as of the prior-year reporting date. The change mostly relates to capital expenditure on property, plant and equipment in the amount of EUR 98.9m, less depreciation in the amount of EUR 88.9m, exchange rate effects of EUR 15.9m and disposals of EUR 1.7m. No material impairment losses were recognized in the financial year 2017 (2016: EUR 1.2m).

Other non-current assets went down from EUR 21.5m as of the prior-year reporting date to EUR 19.1m as of November 30, 2017. These primarily comprise deferred tax assets in the amount of EUR 11.0m.

CURRENT ASSETS

The largest change within current assets compared with the prior-year reporting date is the increase in cash and cash equivalents. This increase is due to the early refinancing of the bond issue maturing in May 2018 by means of a EUR 250.0m promissory loan. In addition, inventories went down by 4.5% relative to the prior-year reporting date, while trade receivables rose by 4.6%. Inventories came to EUR 148.4m as of the reporting date (2016: EUR 155.4m). Trade receivables amounted to EUR 242.7m (2016: EUR 232.1m). Inventories and trade receivables made up 16.0% of total assets as of the reporting date, compared with 16.3% as of the prior-year reporting date.

EQUITY

Gerresheimer Group equity, including non-controlling interests, rose by EUR 26.2m to EUR 789.5m. The increase reflects the positive net income, which more than offset the profit distributions of EUR 33.0m to Gerresheimer AG shareholders and EUR 2.0m to non-controlling interests. Exchange differences reduced equity by EUR 45.4m. The equity ratio was 32.3% as of November 30, 2017, compared with 32.1% as of the end of the financial year 2016.

NON-CURRENT LIABILITIES

Non-current liabilities came to EUR 981.2m (2016: EUR 1,069.9m). This represents a decrease of EUR 88.7m on the prior-year reporting date. The decrease is mainly due to a change in financial liabilities and notably the change in the accounting presentation of the EUR 300.0m bond issue that matures in May 2018 and is therefore now classified within current liabilities. Conversely, the EUR 250.0m promissory loan completed on September 27, 2017 to refinance the bond issue maturing in May 2018 had the effect of increasing non-current financial liabilities. Non-current financial liabilities consequently comprise the EUR 425.0m promissory loan launched in the financial year 2015 and the EUR 250.0m promissory loan launched in the financial year 2017. By contrast, non-current provisions went down by EUR 12.2m relative to the prior-year reporting date, mainly as a result of the reduction in provisions for pensions and similar obligations. Other non-current liabilities fell by EUR 13.2m compared with November 30, 2016, primarily due to the reduction in deferred tax liabilities.

CURRENT LIABILITIES

Current liabilities totaled EUR 673.4m as of the reporting date, an increase of 24.5% on the prior-year reporting date. They thus make up 27.5% of total equity and liabilities (2016: 22.8%). The increase mostly relates to the classification of the bond issue maturing in May 2018 within current financial liabilities. This was partly offset by the temporary clearing of the revolving credit facility using the funds from the September 27, 2017 promissory loan. Current financial liabilities consequently stood at EUR 337.7m as of November 30, 2017, compared with EUR 185.4m as of the prior reporting date. Other current provisions and liabilities came to EUR 159.4m as of the reporting date (2016: EUR 198.7m).

NET WORKING CAPITAL

The Gerresheimer Group's net working capital stood at EUR 185.7m as of November 30, 2017, a decrease of EUR 14.6m compared with November 30, 2016.

in EUR m	**Nov. 30, 2017**	Nov. 30, 2016
Inventories	148.4	155.4
Trade receivables	242.7	232.1
Trade payables	176.3	157.0
Prepayments received	29.1	30.2
Net working capital	**185.7**	**200.3**

The decline in net working capital compared with November 30, 2016 mainly reflected the increase in trade payables and the decrease in inventories. These were partly offset by the increase in trade receivables and a reduction in prepayments received.

As a percentage of revenues in the last twelve months, average net working capital came to 16.5% as of November 30, 2017.

OFF-BALANCE-SHEET ARRANGEMENTS

There were operating lease obligations totaling EUR 39.8m as of the reporting date (2016: EUR 44.2m). These relate to rentals and operating leases for buildings, machinery, vehicles and IT.

INFLUENCE OF ACCOUNTING POLICIES

No accounting policies or related accounting options were applied in the 2017 consolidated financial statements that differ from prior years and that, if applied differently, would have had a material effect on the Group's net assets, financial position and results of operations. Information on the use of estimates and on the assumptions and judgments applied is provided in Note (5) of the Notes to the Consolidated Financial Statements.

FINANCIAL CONDITION AND LIQUIDITY

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

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

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

As we operate worldwide, we use a range of tools to ensure effective financial management. In this way, we minimize any negative impact of default, currency and interest rate risk on the Gerresheimer Group's net assets, financial position and results of operations or cash flows.

The maximum credit risk from receivables faced by the Gerresheimer Group is the aggregate carrying amount of the receivables. We extend trade credit in the ordinary course of business and carry out regular assessments for specific financial status levels (credit checks). Bad debt allowances are recognized for doubtful receivables. Specific customer credit risk is measured using past collection experience and other information such as credit reports. We counter default risk by restricting contractual partners to those of good to very good credit standing. This is based on national and international agency ratings and rigorous observance of risk limits stipulated under trade credit insurance or internally.

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

Safeguarding the Gerresheimer Group's liquidity while allowing sufficient reserves for special eventualities is an integral part of ongoing liquidity management. Intragroup cash pooling and intercompany lending permit efficient use of liquidity surpluses at Group companies to meet the cash needs of others. Sufficient cash pool lines and intercompany loans meant that there were neither financing nor liquidity shortfalls in the financial year 2017.

FINANCING INSTRUMENTS

Our overall financing comprises, firstly, a EUR 300.0m bond issue launched on May 19, 2011 at a price of 99.4%, with a 5.0% coupon and seven-year term ending in May 2018.

Secondly, a syndicated loan in the form of a EUR 450.0m revolving credit facility with a five-year term to maturity was signed in a refinancing arrangement on June 9, 2015. This enabled the line of credit taken out in March 2011 to be replaced on June 15, 2015. Our current syndicated loan is subject to a mandatory financial covenant comprising the ratio of net financial debt to adjusted EBITDA (adjusted EBITDA leverage). The revolving credit facility carries a basic rate of interest equal to EURIBOR for the drawing period plus a margin of between 0.45% and 1.30% depending on attainment of the adjusted EBITDA leverage and plus a drawdown commission in line with the current loan status.

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

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

Our foreign subsidiaries also have finance in the shape of approved bilateral borrowings, including bank overdrafts, in an amount equivalent to EUR 16.7m.

For information on the terms governing these financing instruments, please see Note (31) of the Notes to the Consolidated Financial Statements.

FINANCIAL LIABILITIES AND CREDIT FACILITIES

Net financial debt developed as follows:

in EUR m	Nov. 30, 2017	Nov. 30, 2016
Financial debt		
Syndicated facilities		
Revolving credit facility (since June 15, 2015)[1]	–	162.7
Total syndicated facilities	**–**	**162.7**
Senior notes – euro bond	300.0	300.0
Promissory loans – November 2015	425.0	425.0
Promissory loans – September 2017	250.0	–
Local borrowing incl. bank overdrafts[1]	16.7	11.7
Finance lease liabilities	8.0	7.2
Total financial debt	**999.7**	**906.6**
Cash and cash equivalents	287.0	118.4
Net financial debt	**712.7**	**788.2**

[1] The exchange rates used for the translation of US dollar loans to euros were as follows: as of November 30, 2017: EUR 1.00/USD 1.1849; as of November 30, 2016: EUR 1.00/USD 1.0635.

Net financial debt decreased year on year and amounted to EUR 712.7m as of November 30, 2017, compared with EUR 788.2m as of the prior-year reporting date. Adjusted EBITDA leverage in accordance with the credit line agreement as of November 30, 2017 was 2.3x as of the reporting date (2016: 2.6x).

The revolving credit facility (with a facility amount of EUR 450m) was drawn by EUR 0.0m as of November 30, 2017 (2016: EUR 162.7m). Consequently, the entire EUR 450.0m facility amount under the revolving credit facility was available to us as of November 30, 2017 for capital expenditure, acquisitions and other operational requirements.

ACQUISITIONS AND DIVESTMENTS

Gerresheimer did not make any acquisitions or divestments in the financial year 2017. However, the product portfolio was supplemented by the purchase of licenses, notably for an integrated passive syringe safety system and prefillable, sterile injection vials Gx® RTF vials.

ANALYSIS OF CAPITAL EXPENDITURE

Gerresheimer undertook capital expenditure on property, plant and equipment and intangible assets as follows in the financial year 2017:

in EUR m	2017	2016	Change in %[1]
Plastics & Devices	70.9	51.6	37.4
Primary Packaging Glass	41.3	58.8	-29.8
Life Science Research	–	1.4	-100.0
Head Office	6.4	1.4	>100.0
Total capital expenditure	**118.6**	**113.2**	**4.8**

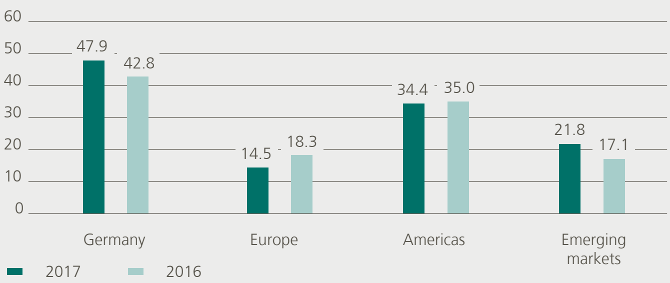
[1] Change calculated on a EUR k basis.

The Plastics & Devices Division accounted for the lion's share of capital expenditure. This primarily comprised the purchase of an exclusive license for an integrated, passive syringe safety system and a packaging design for RTF vials. A further focus was on creating additional production capacity in Peachtree City (Georgia/USA) and Horsovsky Tyn (Czech Republic).

Capital expenditure in the Primary Packaging Glass Division mainly related to plant modernization and automation and further development of finishing capabilities. As in previous years, we also invested in vial machinery, molds and tooling.

Capital expenditure by region

in EUR m



From a regional perspective, 40.4% of capital expenditure in the financial year 2017 was accounted for by Germany (2016: 37.8%), 29.0% by the Americas (2016: 30.9%), 18.4% by the emerging markets (2016: 15.1%) and 12.2% by the Europe region (2016: 16.2%).

Capital expenditure in Germany primarily related to onward development of the product portfolio, the purchase of an exclusive license for an integrated, passive syringe safety system and a packaging design for RTF vials in the Plastics & Devices Division. In the Europe region, capital expenditure mainly targeted vial machinery in the Primary Packaging Glass Division and the expansion of production capacity in the Plastics & Devices Division. The main focus of capital expenditure in the Americas was on further capital expansion in the Plastics & Devices Division.

OPERATING CASH FLOW

in EUR m	2017	2016
Adjusted EBITDA	**310.8**	**320.6**[1]
Change in net working capital	10.3	-12.5
Capital expenditure[2]	-116.5	-110.7
Operating cash flow	**204.6**	**197.4**
Net interest paid	-24.0	-24.1
Net taxes paid	-49.7	-92.8
Pension benefits paid	-12.3	-12.7
Other	-12.9	-3.1
Free cash flow before acquisitions	**105.7**	**64.7**
Acquisitions/divestments	1.4	116.7
Financing activity	60.5	-161.0
Changes in financial resources	**167.6**	**20.4**

[1] The presentation of adjusted EBITDA in connection with the calculation of operating cash flow includes the adjusted EBITDA of the discontinued operation comprised by the Life Science Research Division.
[2] Additions due to finance leases in the amount of EUR 2.1m (2016: EUR 2.5m), being a non-cash item, are not included here but are included in capital expenditure.

At EUR 204.6m, operating cash flow was up EUR 7.2m on the prior-year figure of EUR 197.4m. This improvement is mainly due to the positive development of net working capital. The operating cash flow margin—relative to revenues at constant exchange rates—was 15.3% in the financial year 2017.

CASH FLOW STATEMENT

in EUR m	2017	2016
Cash flow from operating activities	219.2	173.5
Cash flow from investing activities	-112.1	7.9
Cash flow from financing activities	60.5	-161.0
Changes in financial resources	**167.6**	**20.4**
Effect of exchange rate changes on financial resources	-3.7	0.2
Financial resources at the beginning of the period	107.7	87.1
Financial resources at the end of the period	271.6	107.7

Cash flow from operating activities increased by 26.3% to EUR 219.2m in the financial year 2017. The increase mainly relates to lower tax payments compared with the prior year.

The EUR 112.1m net cash outflow from investing activities is significantly down on the prior-year figure (net cash inflow of EUR 7.9m). This is mostly due to the sale of the Life Science Research Division and the associated payment of the purchase price in the prior year. Capital expenditure on intangible assets and property, plant and equipment consumed EUR 116.5m, a higher amount than in the prior year (EUR 110.7m). We received a payment of EUR 1.4m during the financial year 2017 in connection with purchase price adjustment on the sale of the Life Science Research Division. In addition, there were proceeds from asset disposals totaling EUR 3.1m in the period December 1, 2016 to November 30, 2017, as against EUR 1.9m in the prior-year period.

The net cash inflow from financing activities in the reporting year amounted to EUR 60.5m (2016: net cash outflow of EUR 161.0m). This is primarily a result of the EUR 250.0m promissory loan in September 2017 and, in the opposite direction, the temporary clearing of the revolving credit facility. Distributions to third parties totaled EUR 34.9m in the financial year 2017, as against EUR 92.9m in the prior year, although the latter figure largely consisted of distributions to non-controlling interests in connection with the sale of the Life Science Research Division.

The Gerresheimer Group had EUR 271.6m in financial resources as of November 30, 2017 (2016: EUR 107.7m). As of the end of the reporting period, Gerresheimer additionally had at its disposal a EUR 450.0m revolving credit facility, drawings on which were zero as of the November 30, 2017 reporting date. Consequently, the entire facility amount under the revolving credit facility is available to the Gerresheimer Group for capital expenditure, acquisitions and other operational requirements.

MANAGEMENT BOARD'S OVERALL ASSESSMENT OF THE BUSINESS SITUATION

We are not satisfied with the 2.0% decline in revenues relative to the prior year. However, compared with the prior year, it has been possible to further improve profitability and notably the adjusted EBITDA margin at 23.1%. Adjusted net income from continuing operations after non-controlling interests also stabilized, at EUR 127.5m.

At EUR 118.6m, capital expenditure was 4.8% higher than in the prior year. Operating cash flow, at EUR 204.6m, was above the prior-year figure of EUR 197.4m. Adjusted EBITDA leverage—the ratio of interest-bearing net financial debt to adjusted EBITDA in accordance with the credit line agreement as of November 30, 2017—stood at 2.3x, below the prior-year figure of 2.6x. Our net asset position remains very solid. Equity and non-current liabilities provided 97.6% coverage of non-current assets (2016: 99.9%). The equity ratio increased from 32.1% in the prior year to 32.3% in the year under review.

NON-FINANCIAL GROUP DECLARATION PURSUANT TO THE CSR DIRECTIVE IMPLEMENTATION ACT

The following information on non-financial success factors and sustainability has been compiled by us on a voluntary basis and was not included in the audit.

EMPLOYEES

OUR GLOBAL HUMAN RESOURCES MANAGEMENT PRIORITIES

Our employees are the most important foundation for the success of our business. Their passion, willingness to take on responsibility and motivation ensure that we reach our long-term and ambitious goals. Our global human resources activities support processes within the Group and thus represent a fundamental strategic success factor.

As a Group operating worldwide in a dynamic environment, the diversity and continuous development of our workforce is a key priority for us. Our human resources activities are organized along decentralized lines and support the various cultures and ways of thinking of our workforce at 43 sites in 15 countries. Our overarching principle, One Gerresheimer, ensures that we form a strong, unified force despite our decentralization. Our corporate values—integrity, responsibility, excellence, teamwork and innovation—precisely guide our future-oriented actions.

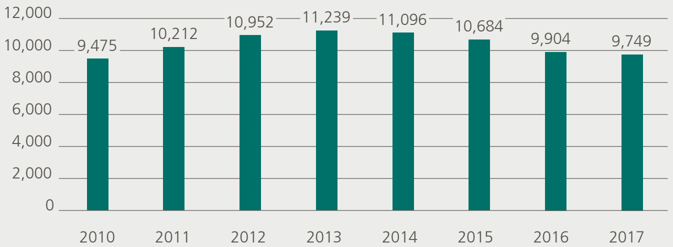
Thanks to our motivating corporate culture and the individualized development of our employees, Gerresheimer was named by the magazine Focus as a “Top National Employer” in Germany in 2017 for the third time, having previously received the honor in 2014 and 2016.

WORKFORCE STRUCTURE

At the end of the financial year 2017, the workforce of the Gerresheimer Group comprised 9,749 employees (2016: 9,904 employees). This represents a decrease of 1.6% compared with the financial year 2016-end.

Employees Gerresheimer Group

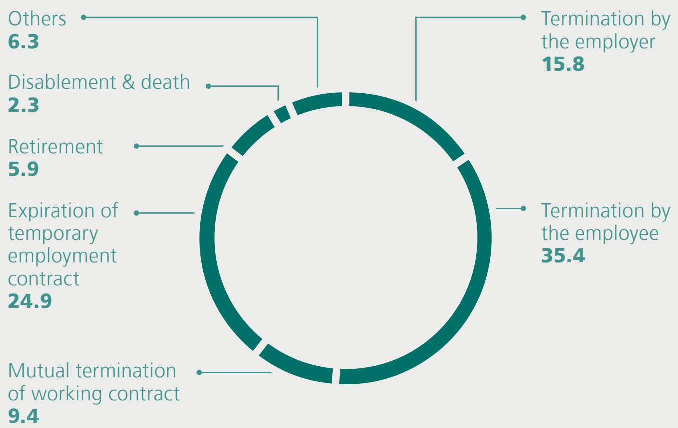
Number



In 2017, 1,716 employees left the Company (2016: 1,404 employees). The main reasons for the departures were the expiration of temporary employment contracts, voluntary termination of employment, termination by the Company, termination of the employment relationship by mutual agreement and retirement.

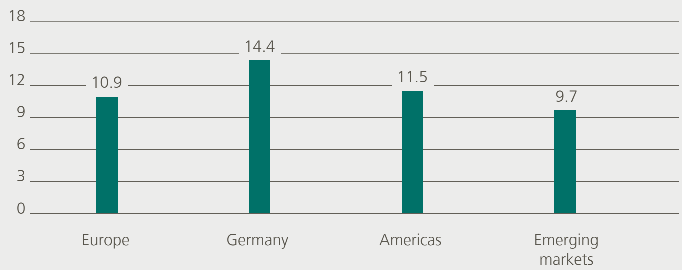
Reasons for leaving the Group

in %



Average length of service by region

in years

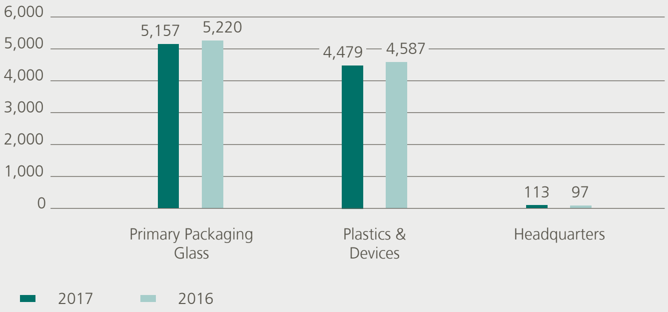


EMPLOYEES BY DIVISION

The Primary Packaging Glass Division had 5,157 employees as of the end of the financial year 2017 (2016: 5,220). This corresponds to a slight reduction of 1.2%. The workforce at the Plastics & Devices Division also shrunk slightly to 4,479 employees at the end of the financial year 2017 (2016: 4,587 employees). In both divisions, the decline in production was the main reason for the slight reduction in the number of employees. There were 113 employees working at headquarters as of the financial year-end (2016: 97 employees). This increase was primarily attributable to eight trainees who are allocated to headquarters. Gerresheimer AG had 98 employees as of the reporting date (2016: 91 employees).

Employees by division

Number

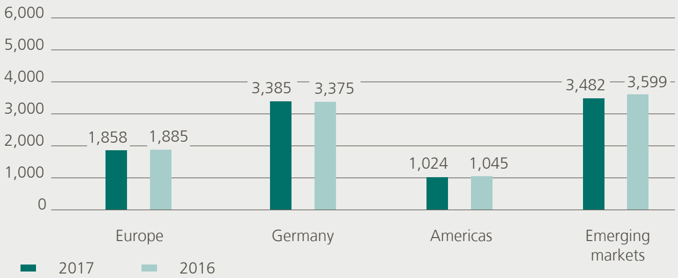


EMPLOYEES BY REGION

In line with our strategy, we produce in the regions where our customers and markets are located: in 35 plants on four continents, with 1,858 employees in Europe, 1,024 in the Americas and 3,482 in emerging markets. As a Company with a long tradition in Germany, we remain committed to Germany as a business location, with 3,385 employees working at ten operating locations as of the financial year-end 2017 (2016: 3,375 employees).

Employees by region

Number



GLOBAL ACTIVITIES

Despite its decentralized organizational structure, Gerresheimer fosters a feeling of solidarity across national borders and throughout its divisions, plants and departments. In the reporting year, we held the third consecutive One Gerresheimer Week in our plants worldwide. The focus of the One Gerresheimer Week in May and June 2017 was on integrity, one of our five core values. All sites worldwide demonstrated the versatile and passionate ways the value "integrity" can be put into practice. They also organized a large number of creative activities, ranging from trust workshops to sports activities and recycling programs. Many of these were charitable activities, such as blood drives, and once again numerous donations were collected for a good cause.

The sixteenth Gerresheimer soccer "world cup" also took place in June 2017. Twelve teams from different international sites met in Pfreimd for exciting sports matches. At the same time, enthusiastic players faced off in women's beach volleyball games.

GLOBAL HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

In order to achieve our ambitious goals and secure our long-term success, we constantly invest in the professional, methodological and personal development of our workforce. Our goal is to identify needs, develop employees in a systematic and targeted way, and create a modern and motivating environment. In doing so, we always aim for compatibility between our corporate goals and the individual's career aspirations. We therefore offer coaching, training and development programs worldwide in addition to designing and managing projects. Furthermore, we offer customized development programs to employees in management positions in order to prepare them for the current and future challenges of their roles. Besides "Leadership powered by values", the five-module, long-term mandatory management training for our executive management which is oriented on our five values (integrity, excellence, innovation, responsibility and teamwork), employees from production ("Leading Blue") and non-production areas ("Leading White") can take part in management training tailored to their specific needs. To continue the leadership training of our executive management, in the reporting year we launched the "Leadership Journey" where we focus on a different value each year. In 2017 this value was "trust". To address employees' ever-increasing expectations of their own responsibilities and the resulting strain on work-life balance, we developed the module "one Life", which is targeted at all employees. Furthermore, a customized "Train the Trainer" concept for management development was developed and rolled out in one business unit in order to meet the particular needs of this business unit.

CHANGE MANAGEMENT

In the near future, Industry 4.0 and digitalization will result in the creation of different jobs with new working environments, which will lead to changing demands on the organization. As part of change management, global HR development is supporting the current project of introducing a manufacturing execution system (MES) in the Primary Packaging Glass Division worldwide. The aim of HR development is to provide clarity about the nature of the change and to work with the plants to develop a change architecture.

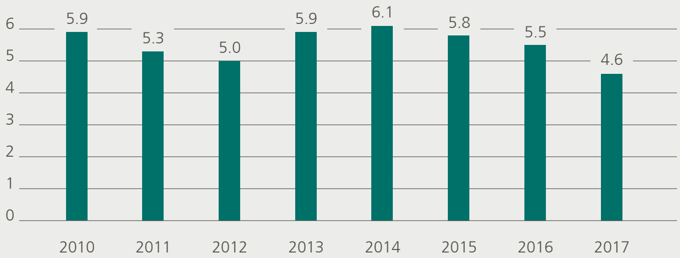
Another HR development priority in terms of organizational development and change management is supporting the refinement of leadership structures in production and the resulting consequences. The aim of this project is to further increase work quality, product quality and productivity. It should create and implement a framework for good work and high-value products. Building on the foundation of organizational analysis and potential assessment, the next step is the development of a target organization and the definition of a new job description. The plants also work closely with HR development during the implementation of the new target organizations and beyond in order to ensure sustainable change.

APPRENTICESHIPS AND CAREER ENTRY

In line with our sustainable and values-oriented corporate policies and against the backdrop of demographic change, we see initial vocational training as a social responsibility. The vocational training is always aligned with the various business strategies of our business units and their specific requirements for employee qualification. Our training programs prepare our young employees specifically for their future responsibilities. In 2017 we offered a total of 16 training occupations in Germany, ranging from mechatronics engineer to combined training as foreign language correspondent and industrial clerk. As of November 30, 2017 there were 155 trainees (2016: 187 trainees) employed at Gerresheimer in Germany, representing a decline of 17.1%. The qualitative success of our training programs was once again demonstrated in the reporting year by the fact that three of our trainee process technicians were among the best in the industry in Germany. One of our trainees from Wackersdorf won first place among 2,500 competitors. The training rate in Germany was 4.6% (2016: 5.5%).

Training rate

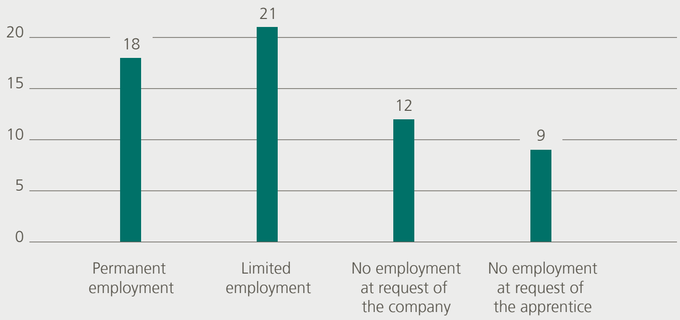
in %



In addition, we offer six co-op education programs, such as a Bachelor of Engineering with an industrial engineering major. In 2017 we employed 28 co-op students in Germany. This form of training intelligently combines theory and practice. Three of our co-op students achieved top spots in the ranking by the German Association of Plastics Converters and were awarded a stipend by the organization.

Subsequent employment of trainees and students

Number



In the financial year 2017, Gerresheimer began offering an 18-month global trainee program called "GxGo!" for graduates with a Master's degree in business and technical fields. The program is coordinated and organized by headquarters in Duesseldorf in cooperation with the local human resources departments. The aim is to prepare the young university graduates for positions of responsibility. One special feature of this trainee program is that trainees can co-design their own assignment plan and thus their program. Assignments in various areas of the Company as well as abroad are obligatory components of the program. The eight participants who started the trainee program in 2017 have the unique opportunity through their assignments at various sites worldwide to get to know the entire depth and breadth of the Gerresheimer Group. The first trainees will complete the program in October 2018.

DIVERSITY AND INCLUSION

Gerresheimer fosters a culture of different viewpoints, experiences and cultural backgrounds. Our 9,749 employees work in 15 different countries. The diversity of these countries and cultures is also reflected at Gerresheimer. An open and respectful corporate culture and the mix of different nationalities, genders, vocational training courses, life experiences and age structures are significant factors contributing to our Company's success. At Gerresheimer we have created an inclusive working environment in which everyone is treated equally and fairly in order to utilize their full potential. In accordance with these principles and in observance of the General Act on Equal Treatment (AGG) in Germany, we fill our vacancies worldwide solely based on qualifications and without regard to ethnic heritage, gender, religion, sexual identity or any disability.

Gerresheimer's employees come from a total of 52 nations and 65% of them work outside of Germany. The proportion of female employees is 33.3% (2016: 34.6%). Owing to the sometimes intense physical demands of work on the factory floor, there are unfortunately only a relatively small number of female applicants for such positions. In the non-industrial workforce, the proportion of female employees is 35.7% (2016: 36.4%) and in the industrial workforce the figure is 33.4% (2016: 34.1%). The proportion of women in the first two levels of management was 18.8% (2016: 16.7%), up slightly from the prior year. We continue to strive to increase the proportion of women overall.

As a globally operating Company, we also rely on an international management team. As of November 30, 2017, 58% of top-level managers were citizens of countries other than Germany. There are twelve nations represented in our executive management.

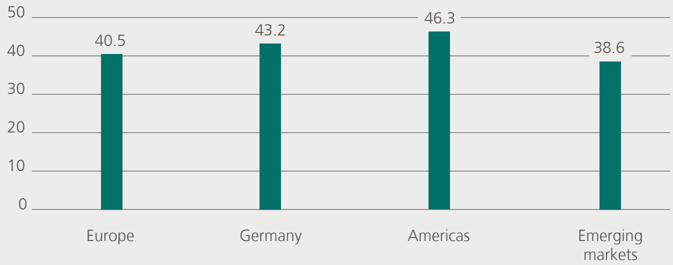
With measures such as part-time programs, mobile working and flexible work hours, we continue our efforts to support employees in balancing work and family life by making it easier for them to care for children and family members.

DEMOGRAPHIC CHANGE

Demographic change worldwide not only affects our customers and creates increasing demand for medical compounds, it also presents us with challenges. The average age of the Gerresheimer workforce is 41.5 years (2016: 40.8 years). This is particularly noticeable at our sites in the Americas, where the average age is 46.3 years. Investing in the health of our workforce is therefore important to us. The average length of service is 11.6 years (2016: 11.9 years).

Average age of workforce by region

in years



OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

The health and safety of our workforce is an extremely high priority for us, which is why we undertake measures to prevent potential accidents and health hazards. In this regard, the human resources activities support our plants in the optimal implementation and sustainable execution of legally required standards as well as the prevention of occupational accidents. Regular training ensures workers at our plants have the necessary qualifications and up-to-date expertise. Around the world, a total of 149 employees participate in formal occupational safety committees. During safety audits, action plans are developed which also address the changing requirements for workplaces as a result of digitalization. The global rate of occupational accidents per million hours worked was 15.8 (2016: 21.2), representing a considerable decline of 5.4. The number of serious occupational accidents decreased by 11.6% to 183 (2016: 207). One occupational accident required a significant halt to production (2016: six accidents). In total, occupational accidents resulted in 4,844 days' absence (2016: 4,166 days). Due to their activities, 159 employees have a high risk of job-related illnesses.

To maintain the health of our workforce throughout their working lives and beyond, at many plants we offer a broad spectrum of measures to keep employees physically and mentally fit. These include "Take Your Bike to Work" day in cooperation with the German statutory health insurance company AOK, ergonomically designed workplaces and health days with stress tests and spinal screening. Furthermore, we held information events about vaccinations and courses in autogenic training.

INNOVATION, RESEARCH AND DEVELOPMENT

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

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

ENGINEERING

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

We have four Technical Competence Centers (TCC) in our Medical Systems Business Unit. Experts at our TCC in Wackersdorf (Germany), Peachtree City (Georgia/USA) and Dongguan City (China) focus on the design and development of customer-specific plastic medical products. Development of prefillable syringes and safety accessories takes place at our TCC in Buende (Germany) and at the TCC Wackersdorf. Development and design for new products are also performed by Gerresheimer item GmbH.

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

The Tubular Glass Converting Business Unit is also host to our multi-year global machine strategy project launched in 2014. In this, we aim to provide customers with significantly improved injection vials of the highest quality, irrespective of the plant and region where they are produced. We install two types of machines to produce injection vials that exceed the industry standard both cosmetically and dimensionally. The two machine types are supplemented with standardized control, inspection and packaging technology. After the plants in the USA and Mexico were equipped with the new machinery, new machines were installed in 2017 in Europe and installation was started in Asia.

We invest continuously in state-of-the-art production and inspection technology in our Moulded Glass Business Unit. By regularly renewing furnaces, we have substantially boosted capacity at our molded glass plants in the last ten years while significantly cutting energy consumption per ton of glass produced. Regularly increasing automation in raw material supply and batch-making in combination with modern furnace control systems makes for continuous efficiency gains at the “hot end”. In the financial year 2017 we invested in particular in a furnace in Momignies (Belgium) as well as in additional production and finishing lines for glass cosmetics packaging in the plants in Tettau (Germany) and Momignies. Moreover, packing robots are increasingly being used for the end-of-line packaging of glass products, ensuring high accuracy and the prevention of errors during the final packing on pallets.

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

PRODUCT INNOVATIONS

Many new drugs—above all biotech and oncology drugs—set the bar even higher for primary pharma packaging. We are developing an extensive portfolio of new and improved products for this fast-growing market.

The innovative Gx RTF® ClearJect® syringe is a perfect complement to the broad portfolio of prefillable Gx RTF® glass syringes. It combines the existing syringe portfolio made from cyclic olefin polymer (COP)—a high-performance plastic—with the ready-to-fill concept featured on Gerresheimer’s prefillable glass syringes. The first product in the new line, a 1 ml syringe with integrated cannula, is being manufactured by Gerresheimer in Europe. COP offers numerous advantages as a material. In particular, there is no need for additives during processing such as tungsten or adhesive for the syringe. This makes the Gx RTF® ClearJect® syringe especially well suited to drugs with exacting requirements.

The prefillable glass syringes marketed by Gerresheimer as Gx RTF® syringes undergo continuous enhancement to make them the packaging of choice for new drugs. One problem associated with syringe use is that traces of tungsten or other metals occasionally leave residue behind the bore when the syringe cone is shaped. Especially for drugs based on biotech products, prefillable syringes are needed that ideally preclude the possibility of metal contamination. With the development of an innovative patent-pending production technology, we have been able to make the metal-free 1 ml Gx RTF® long Luer Lock syringe ready for series production. This process can also be transferred to other Luer Lock syringe sizes or to Luer cone syringes of various sizes. With this new technology, the pin used to shape the cone is now made of a special ceramic material instead of the conventional tungsten or an alternative metal. External tests confirm that we are thus able to manufacture residue-free syringes for the packaging of extremely demanding medications.

A further example with regard to the enhancement of prefillable glass syringes relates to the silicone coating typically applied inside the syringe barrel to improve the gliding properties of the plunger. Many new biological drugs subject to exceptionally stringent requirements necessitate a new system approach. By combining our proprietary baked-on siliconization Gx Baked-On RTF® with novel plungers, we can minimize particle loads to meet the strict requirements for therapeutic protein products. In addition, we can equip our syringes with thin-walled cannulas that ease the administering of the often highly viscous medications thanks to their improved flow properties.

With their exposed needles, used syringes are an ever-present hazard at doctors’ practices, laboratories and hospitals. Existing needle safety systems reduce the risk of injury for the end user but they require more assembly after filling is carried out by the pharma company and potentially additional activation steps when the syringe is used by medical specialists. With Gx® InnoSafe™ we now provide a syringe with an integrated passive safety system that avoids inadvertent needleprick injuries, precludes reuse and is optimized both for pharma industry production workflows and for easy and intuitive use by medical personnel.

As part of the manufacturing process, the Gx® InnoSafe™ safety system is installed like a standard needle shield on Gx RTF® glass syringes in the cleanroom. The syringe body is completely visible so that the presence of the active ingredient, its purity and its administration can be optimally observed and monitored. These syringes are packed in the same way as standard RTF syringes. Drug producers do not have to switch their filling lines over to a new format. The injection itself is also administered as usual. The system is only activated when the cannula is inserted and it automatically ensures that the safety mechanism is permanently locked when the syringe is removed from the injection site. This guarantees that the cannula is reliably covered and the syringe cannot be reused. Gx® InnoSafe™ is based on a joint development partnership with West Pharmaceuticals. Gerresheimer has the exclusive marketing rights for this innovative system, which will set a new standard in the market.

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

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

In a joint venture with Corning, Gerresheimer also develops additional high-quality primary pharma packaging products made from the innovative Valor™ Glass for special applications. Valor™ Glass is a glass container engineered for the storage and delivery of injectable drugs. Its superior strength, chemical durability and damage resistance result in better protection for drug products. Valor™ Glass also enables increased throughput and higher levels of quality assurance for pharmaceutical companies, and higher-quality medicines for patients. Corning and Gerresheimer have been working together since 2015 to accelerate Corning innovations for the pharmaceutical glass packaging market.

Under the BioPack name, we have launched an extensive portfolio of plastic packaging for drugs and cosmetics made from biomaterial in place of conventional polyethylene (PET). Instead of crude oil, biomaterials are made from renewable raw materials such as sugar cane. Packaging made from biomaterials is fully recyclable, has the same properties as conventional packaging and can be used on existing filling and packaging lines.

We continuously work on improvements of existing products, which are often crucial for our customers and end users. New requirements from the US Food and Drug Administration (FDA) stipulate that the tamper-evident ring must stay firmly affixed to a bottle once it has been opened. Thanks to experience with a different eye drop bottle which has a ring affixed to the bottle, this product change could be transferred to another bottle type.

Patients often prefer packaging that is not recognizable as medication at first glance. The containers in the Duma® Pocket family have a compact oval shape which makes them look like a box of sweeteners or something similar. Duma® Pocket is available in a wide range of filling sizes and colors and with a variety of closures. In 2017 we added new filling sizes with child-resistant closures to the portfolio. The Duma® Pocket family is part of the extensive Duma range, which was launched exactly 50 years ago with the renowned 50 ml Duma standard bottle.

CUSTOMER-SPECIFIC DEVELOPMENT

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

Customer-specific development also plays a major part in glass cosmetics packaging such as perfume flacons and cream jars. Like ourselves, our customers require high standards in both process and product quality. Most of our glass cosmetics packaging is produced in our molded glass plants in Tettau (Germany) and Momignies (Belgium). We developed some 100 new glass packaging products for the cosmetics industry in the year under review. At the same time, we produce several hundred variants of these different types of glass cosmetic packaging, in some cases applying elaborate finishing technologies such as spray coating and metallization. Expansion in finishing technologies in these plants in particular has been and remains a notable focus of capital investment for the growing high-quality cosmetics packaging market.

For further information on quality, see under "Quality Management".

VALUE CHAIN

PROCUREMENT

The Gerresheimer Group's total cost of materials (including raw materials, consumables and supplies, energy costs, packaging materials and purchased services) in the financial year under review was EUR 489.2m (2016: EUR 494.7m). The procurement rate—the cost of procuring materials as a percentage of revenues—thus stood at 36.3%, slightly above the prior-year rate of 36.0%. As our divisions deploy different production technologies and production is distributed worldwide across Europe, North America, South America and Asia, our procurement is largely decentralized. Energy and goods or services not relevant to production, such as access to data networks as well as hardware and software, are largely sourced centrally.

Our interactions with suppliers are governed by the Gerresheimer Compliance Program as well as by purchasing policies and procedural guidelines. It is also extremely important for us that our suppliers comply with the high quality and sustainability requirements of our business. This is why we prefer to work with suppliers who are certified in accordance with the relevant ISO standards and also comply with the guidelines on quality assurance in the production of drugs and active ingredients (good manufacturing practice, or GMP). We ensure that our suppliers adhere to the Gerresheimer Principles for Responsible Supply Chain Management (available on our website at: www.gerresheimer.com/en/company/corporate-social-responsibility/customers-suppliers.html). In addition to key precepts relating to occupational health and ethical business conduct, this also addresses the issue of environmental protection. For example, our suppliers must adhere to all applicable environmental regulations and must have implemented systems that ensure safe management of waste, emissions and wastewater and that prevent and minimize chance or accidental contamination and releases into the environment. We regularly conduct supplier audits as required under our Gerresheimer Management System (GMS) in order to review and communicate our requirements to our suppliers.

As a manufacturer of high-quality primary pharma packaging, our molded glass plants use quartz sand, soda and soda lime as raw materials to make glass, along with other additives in relatively small quantities. These basic products are freely available and we procure them from a range of suppliers. There were consequently no disruptions to supply or shortages with a significant impact on our business development in the reporting period. Making glass also uses large quantities of energy, mostly in the form of gas and electricity. Some customer contracts provide for automatic adjustment after a specific time when energy prices change. As our contracts with pharmaceutical glass container and cosmetic glass customers rarely carry an agreed term of more than two years, adjustments for any changes in energy prices are generally made where necessary when agreements are extended. We minimize any residual risks as far as possible using hedges (see under "Financial Risks").

The production of plastic pharmaceutical primary packaging and of complex drug delivery systems like insulin pens and inhalers requires energy and above all specialist plastic granules made from polyethylene, polypropylene and polystyrene, for example. These basic products are also freely available and procured from a range of suppliers. Here, too, there were consequently no disruptions to supply or shortages with a significant impact on our business development in the reporting period. The purchase prices for plastic granules depend, to a large extent, on the world market price for oil. In our contracts with customers for plastic pharma packaging and drug delivery devices, we therefore generally include provision for adjustments when granule and energy prices change, so as to minimize the risk of price changes in these basic products.

PRODUCTION

The same exceptionally high quality standards that are applied in the production of drugs also apply to the production of primary pharma packaging. Our in-house experts, our customers, external appraisers and supervisory bodies regularly verify our compliance with these standards, which are grouped under the heading of good manufacturing practice (GMP). Whatever form the production processes in the two divisions take, the principles of the Gerresheimer Management System (GMS—see under "Business Excellence") and the requirements of the Gerresheimer quality initiative (see under "Quality Management") apply at every Gerresheimer plant worldwide. This is how we ensure that management systems and quality standards stay uniform.

Each division's production capacities are generally planned centrally based on the order situation, delivery deadlines and regulatory issues, and distributed among the plants in each division at a regional or global level in line with the orders on hand. Efficiency and optimum capacity utilization are instrumental here. Notably in the Primary Packaging Glass Division, high capacity utilization in molded glass plants is crucial to profitability because these production processes involve melting various raw materials into glass in energy-intensive furnaces. Another key profitability factor is minimizing idle time. Set-up times indicate how long it takes to retool for the next product to be manufactured. Notably in our Primary Packaging Glass Division, we have continuously improved over the last few years in terms of optimizing furnace capacity utilization and reducing set-up times. Given the large number of different products in this division, this is a decisive competitive advantage and it also has a positive impact on energy consumption and thus on CO_2 emissions.

Security of supply and delivery reliability are critical factors for the pharma industry. Accordingly, we use standardized—or at least comparable—technologies at all plants worldwide and consistently apply our GMS. This has the advantage that many of our products can be produced at another site if local production bottlenecks arise. As a result, our customers enjoy significantly enhanced security of supply—and we enjoy a critical competitive edge. As part of our global machine strategy, we are equipping all our injection vial production plants worldwide with the same state-of-the-art machinery. This will enable us to supply our customers with improved injection vials that meet the highest quality standards from any of our sites. After completing the machinery upgrades in the USA and Mexico and beginning to install the first machines in Europe in 2016, in 2017 we continued implementing the machine strategy in Europe and started installing the first machinery in Asia.

SALES

We sell our primary packaging solutions mostly to companies in the global pharma and healthcare and cosmetics industries, with 83% of our revenues being generated in the pharma and healthcare sector. Furthermore, our US subsidiary Centor markets its products to wholesalers and pharmacies. In addition to our own high standards with regard to quality and sustainability, as a supplier to the pharma and cosmetics industries, we are also subject to the stringent requirements of these companies. As such, we are regularly reviewed in supplier audits by our customers and we must comply with customer-specific requirements. Moreover, participating and achieving particular results in the Carbon Disclosure Project (CDP) is a prerequisite for having a supplier relationship with certain customers. More information about this can be found in the chapter “Environmental Issues: Climate-relevant Emissions – The Carbon Disclosure Project” on page 65 of this Annual Report.

The end users of our products are always patients, or in the case of cosmetic products, consumers. Patient safety is always of the utmost importance for us. Therefore, in addition to sustainability aspects—including both social and environmental issues—our top priority is ensuring the highest quality along every link in the value chain, from the raw materials producers to delivery of orders.

QUALITY MANAGEMENT

High standards of quality across all products and processes are maintained as a matter of course at all our production locations. In attaining our self-imposed quality requirements and targets, an important part is played by our Gerresheimer Management System (GMS), which is mandatory for all of our plants worldwide. In a Group-wide quality initiative launched in 2011, we have developed binding quality requirements and key performance indicators (KPIs), and implemented them at all divisions and plants the world over. Using these indicators, we continuously monitor processes to secure production, process and customer service quality levels. This considerably shortens our reaction time to any variance from self-imposed targets. Monitoring and measurement of internal metrics is supplemented with direct feedback from customers and regular global customer satisfaction surveys (see under “Customer Satisfaction”). In addition to our own quality targets, we also develop other, customer-specific quality agreements.

In the financial year 2017 we launched “Quality in everything”, a global internal campaign for all employees. The aim of this 12-month campaign is to increase each employee’s awareness of their responsibility for quality in its many facets. The quality campaign is being rolled out in several phases via various media channels, such as newsletters, posters, flyers, videos, activity days and more, in all plants.

We support our customers in regulatory processes such as compliance with GMP and FDA guidelines as well as preparing and submitting documentation for medical products and pharmaceutical primary packaging (including Type III Drug Master Files (DMFs) and EU files). Most of our primary packaging solutions meet the requirements of the European Pharmacopoeia (Ph. Eur.) and United States Pharmacopeia (USP) and to some extent also the Japanese Pharmacopoeia (JP). For this purpose, we provide a high level of documentation for our products. As a result, we have FDA registrations, Drug Master Files, product registrations and product approvals in numerous countries to provide our customers with full information about our products.

A key element of our continuous quality improvement is the increased use of cleanroom technology, which we are constantly extending and enhancing. In many of our plants, products are made, processed and wrapped in cleanrooms. Automated product inspection is also crucial. Most plants make widespread use of automated inspection systems to measure and control each and every product. Advanced, fully automated high-resolution camera and sorting systems play an important part. These include our proprietary quality systems, such as Gx® G3, Gx® FLASH, Gx® RHOC, Gx® THOR and Gx® Tekion®. Further information on innovation and quality improvements in products and processes is provided under “Innovation, Research and Development”.

Initial and regularly renewed certification serves as objective proof that our production operations and processes conform to specific criteria and standards. All of our production facilities have ISO 9001 quality management systems certification. Fifteen plants are certified to ISO 15378 as meeting the special requirements for the manufacture of pharmaceutical primary packaging materials. Eleven plants possess ISO 13485 certification, which stipulates the requirements for a comprehensive management system for the design and manufacture of medicinal products. In addition, 13 locations have ISO 14001 certification for environmental management and eleven have ISO 50001 certification for state-of-the-art energy management systems. Our plant in Pfreimd (Germany) additionally has a manufacturing license in accordance with the German Medicines Act for pharmaceutical secondary packaging in large-scale production and for the production of clinical samples. With regard to the transfer of the demanding GMP rules from the pharmaceutical sector to cosmetics packaging, we meet ISO 22716 at our cosmetic glass plant in Tettau (Germany).

COMPLIANCE

It is vital for the success of the Gerresheimer Group that all of the Group's companies are managed in accordance with ethical business principles, responsibly and in compliance with the laws and rules of fair competition.

The Gerresheimer Compliance Management System (CMS) was introduced in 2009 and has been subject to ongoing development ever since. From the outset, the main focus of compliance has been on combating corruption and adhering to the provisions of antitrust and capital market law. Violations in these areas can result in major loss or damage that must be avoided in all circumstances. It goes without saying that Gerresheimer promotes conduct aligned with the rules of compliance in all other areas as well.

The core elements of the CMS include the Gerresheimer Compliance Program, on-site training, web-based e-learning programs, and a whistleblower system that allows reports to be made anonymously if desired.

COMPLIANCE ORGANIZATION

Performance of the management function in the area of compliance is the duty of the entire Management Board of Gerresheimer AG. On the Management Board, the Chief Executive Officer holds a special responsibility for compliance.

Responsibilities of the latter notably include preparing Management Board resolutions in relation to compliance issues, deciding measures to investigate and sanction compliance violations, reporting to the Management Board and to the Supervisory Board Audit Committee on compliance cases, action taken and revision of the Compliance Guidelines, and functional supervision of the Compliance Officer.

The role of the Compliance Officer as appointed by the Management Board is held by the General Counsel. Organizational responsibility is held by the Compliance Officer for implementing and updating the guidelines issued by the Management Board and for providing training, and serves as point of contact for questions and suggestions on the Gerresheimer Compliance Program and for reporting on any violations of compliance rules. In the event of infringements, the Compliance Officer carries out investigations and disciplinary action on the instruction of the CEO. Possible legal consequences of compliance violations comprise sanctions under labor law, enforcing damages claims, and pressing criminal charges.

Each Gerresheimer Group Company has a designated individual who is responsible for compliance in that company. These individuals each have responsibility for monitoring compliance and, in consultation with the Compliance Officer, for providing compliance training in their company.

GERRESHEIMER COMPLIANCE PROGRAM

The Gerresheimer Compliance Program is designed to help our employees to apply the law and company guidelines correctly and to safeguard them against committing any infringements in this regard. All three focal areas selected for the Gerresheimer Compliance Program (combating corruption, antitrust law and capital market law) are covered by binding guidelines supplemented by instructions. Infringements are not tolerated in any of these areas.

Specifically, the Gerresheimer Compliance Program comprises the following elements:

› Mission Statement
› Group Guideline on the Compliance Organization
› Group Guideline on Combating Corruption
› Group Guideline on the Employment of Consultants and Agents
› Group Guideline on Compliance with Antitrust Regulations
› Group Guideline on Insider Law
› Instructions on the Group Guideline on Combating Corruption
› Instructions on Compliance with Antitrust Regulations
› Instructions on Conduct in the Case of Official Searches
› Instructions on Managers' Transactions (Insider Guideline)
› Instructions on Consequences of Compliance Infringements

All compliance guidelines are publicly available on the website, www.gerresheimer.com.

ON-SITE TRAINING

All Gerresheimer Group companies run on-site training courses to introduce the Gerresheimer Compliance Program. Attendance is mandatory for all managing directors, senior staff, sales and purchasing employees, and—in consultation with the local managing directors—any other employees who could potentially become involved in corruption or antitrust matters. This ensures that employees are able to take notice of the guidelines issued by the Management Board and apply them in their day-to-day work.

In Germany, the on-site training is led by the Compliance Officer or one of his or her colleagues; in other countries, it is led by local attorneys.

E-LEARNING PROGRAMS

The electronic training programs are intended to supplement the on-site sessions in order to refresh employees' memories about the content of the Gerresheimer Compliance Program at irregular intervals. Our staff are required to complete these training programs and can do so at work as part of their working day. There are currently training programs on the focal areas of combating corruption and antitrust law.

These programs are available in several languages for the same employees who attend the on-site sessions. Approximately 930 employees worldwide are required to take part in the on-site training courses and e-learning programs.

WHISTLEBLOWER SYSTEM

Another key element of the CMS is the electronic whistleblower system. It is geared toward exposing white-collar crime and thus protecting Gerresheimer against damage and loss.

The whistleblower system provides a direct, online channel to the Compliance Officer that is available around the clock and anywhere in the world. Whistleblowers can choose to give their name or remain anonymous. This reporting procedure is open to employees, customers, and suppliers as well as other third parties. The whistleblower system can be used in all the languages relevant to the Gerresheimer Group in order to make it as easy as possible to access.

BUSINESS EXCELLENCE

In our vision, we have set our sights on becoming the leading global partner to our customers: "Our success is driven by the passion of our people." One of the paths to attaining that vision is the Gerresheimer Management System (GMS). GMS has been used to set Group-wide standards as well as to define methods and tools for continuous process improvement at every link in the value chain while establishing lean production as well as rigorous quality and customer focus. The system breaks down strategic corporate targets into quantifiable location and department targets. These are then linked via performance indicators to process parameters and variables. In this way, the methods and tools available in GMS can be mixed and matched in accordance with local needs and implemented accordingly. As employees play a key role in implementation, the GMS training is subject to ongoing development.

A new generation of the Gerresheimer Management System—GMS 3.0—was published and rolled out throughout the Group in 2017. GMS 3.0 directs the focus of the overall system away from the mere application of "lean tools" and the implementation of a "program" towards influencing and changing the behaviour of our managers and employees in the sense of a culture of continuous improvement. The largest substantive changes in terms of content arose in the creation of a new "Framework", as well as in the areas of "Employee Systems" and "Quality Systems". In addition, a new logo and design elements were used to create new visual accents and strengthen the recognition value for the employees.

The success of GMS is based on its acceptance, universal adoption and implementation at all organizational levels throughout the Group. We develop and define plant-specific plans for improvement as part of the operational and strategic planning process. Drawing on operational excellence indicators and a standardized evaluation system, we regularly measure and verify whether we have met our goals and complied with the GMS-defined standards. To this end, over 200 employees have been trained as GMS auditors who make a lasting contribution to the implementation of the system. These Company-trained auditors are linked up in a network and provide an outstanding basis for sharing solutions between plants and divisions as well as for intra-Group expert consultation. Based on the evaluations, site-specific recommendations and action plans are developed to ensure further targeted, continuous improvement. The evaluation system is currently undergoing a fundamental overhaul in terms of its structure, content and evaluation components and is also being transferred to a new digital platform. In addition to carrying out evaluations, documenting deviations and recommendations, developing and tracking action plans, this platform enables all sites to benchmark with other plants. Overall, this leads to improved transparency regarding the respective status and further progress of the overall system.

More than 70 participants from 13 countries came to this year's annual GMS conference to discuss recent developments in GMS in presentations, workshops and plant visits, set up and expand networks as well as exchange implementation experience and success stories. The event this year centered on GMS 3.0 with its new content and focal areas, and the conferment of the GMS Awards by the Management Board to four project teams and one plant in recognition of their excellent implementation projects.

Enterprise-wide learning by linking experts and sharing successful solutions within and between locations is an important goal of GMS. In order to promote and facilitate this collaboration, the worldwide GMS experts have been working and communicating since September 2017 as one of the first user groups on our new Enterprise Collaboration platform "Gx connect".

CUSTOMER SATISFACTION

Continuous improvement of products and services for our customers is the focus of our global customer satisfaction surveys, which we conduct on a regular basis with the aid of a renowned market research institute. Our aim in this is to gain a more in-depth understanding of customer needs, and thus to enhance customer satisfaction and customer loyalty. For this purpose, we carry out a standardized online survey, which is available in ten different languages. Insights gained are leveraged to improve customer service and derive specific recommendations for process optimization.

The survey is conducted Group-wide, covering our operating companies—together with their respective customers—in Argentina, Brazil, Mexico and the USA as well as our European plants and our locations in China and India. In particular, the survey focuses on our development work, the product portfolio, customer-specific system solutions, order processing and logistics, the expertise and dedication of our sales staff as well as our technical support and complaints handling. Our customers' responses highlight focal areas that are especially important to them—both where they are already happy with our performance and in what areas we need to improve. To learn even more about our customers and the market in general, we have supplemented our survey to ask customers for their relative opinion of the competition.

Following the worldwide surveys in 2011, 2013 and 2016, the next is planned for 2019. The findings of the most recent global survey are being put to use in order to drive continues improvement measures across all divisions and plants. Regularly conducting our Group-wide global customer satisfaction survey gives us an ongoing insight into customer wishes as well as an assessment of our products and services. In the process, we also comply with the requirements of the ISO audits and our own guidelines under GMS. This means the surveys additionally allow us to track over the years whether improvements made from one survey to the next were successful and whether they made a difference for customers.

Between iterations of the Group-wide customer satisfaction survey, we additionally conduct regional and project-based customer surveys. These enable us to respond rapidly to specific wishes and questions raised on an issue-driven basis.

SUSTAINABILITY

STRATEGIC ANALYSIS, MEASURES, MATERIALITY AND TARGETS

Sustainability and corporate responsibility are firmly rooted in our corporate philosophy. The principles of sustainability and corporate responsibility are integral to our vision, our mission statement and our five values of integrity, responsibility, excellence, teamwork and innovation. At all our sites around the world, we work and act in accordance with those principles. Further information about our vision, mission and values is provided on our website at www.gerresheimer.com/en/company/vision-mission-values.

To clearly structure and present the various aspects of sustainability, the sections below are based on the requirements of the German Sustainability Code (DNK) and thus, in the case of specific performance indicators, on the globally recognized G4 Global Reporting Initiative (GRI). However, the section on sustainability was not audited or certified in relation to the German Sustainability Code or GRI in 2017.

Sustainability is important to us, in every sense of the word. Our main focus is on our products and the benefits they provide. By developing and manufacturing products for the packaging of drugs as well as their simple and safe dosage and administration, we make a valuable contribution to the health and well-being of society. Responsible development and production processes are therefore a high priority. Continuous improvement of our quality standards, conservation of natural resources, avoidance of waste and the manufacture of products that are easy to use and deliver maximum safety define our way forward.

However, we have a far broader understanding of corporate responsibility and sustainable business that has led us to adopt our own CSR principles. These describe our corporate responsibility toward society, our workforce, investors, customers and suppliers, and the environment. We are happy to be publicly measured against these principles. Many of our international pharma and cosmetics customers regularly audit our sustainability strategy and our approach to corporate social responsibility. We also engage in ongoing dialogue with our investors about our sustainability strategy.

To improve the effectiveness of our existing sustainability strategy, we introduced a systematic process in 2017 to record and prioritize the demands placed on us by external and internal stakeholders using the internationally recognized sustainability materiality matrix method. The findings will help us to review our sustainability strategy and ensure it is geared consistently to the principles of materiality. This process involves linking short-term and long-term targets that reflect the requirements of society, our customers and our workforce.

Our approach to corporate responsibility and sustainability takes in environmental, social and economic aspects. In this connection, the responsible use of resources is always our top priority. As a manufacturing enterprise, we use large amounts of energy. In 2008, we therefore set ourselves corresponding targets for the reduction of CO_2 emissions, which are measured annually through the internationally recognized Carbon Disclosure Project (CDP). By achieving these CO_2 reduction targets, we are making an important contribution to conserving resources and protecting the environment, and we are meeting the requirements of our customers and other stakeholders. Our CO_2 reduction targets are strategically monitored at the central level and reviewed annually by the Management Board. In line with our decentralized organizational structure, the other components of our sustainability strategy are the responsibility of our divisions, business units and plants.

Compliance with statutory requirements is, in every respect, a matter of course for us and is monitored by the Management Board within the framework of our compliance management system. This covers social and environmental dimensions and—above all—the fair and respectful treatment of all employees. Because our understanding of sustainability goes above and beyond national statutory requirements in many ways and applies equally in all Gerresheimer locations, we set and continuously refine our own standards. We consider compliance with these standards to be essential and business-critical.

Our sustainability principles are enshrined in the Gerresheimer Management System (GMS) and provide guidance for production, purchasing and improvement processes at all locations worldwide. Our plants are audited regularly for compliance with our GMS and together with the sustainability and procurement issues it covers. For additional information, see under "Business Excellence".

DEPTH OF THE VALUE CHAIN

Sustainability aspects also play an important role in the value chain. This has been incorporated into the Gerresheimer Management System (GMS) and in our principles for responsible supply chain management for many years. For further details, see under "Value Creation".

RESPONSIBILITIES, RULES AND PROCESSES, CONTROLS, INCENTIVE SYSTEMS

Our key sustainability targets and processes are defined in the Gerresheimer Management System (GMS). Based on this system and following the usual allocation of responsibilities, responsibility for achieving targets and complying with processes—including in the area of sustainability—lies with the managers of the divisions and plants and with all employees. Our sustainability targets are monitored and audited as part of the regular GMS audits of plants and locations and the GMS audits of suppliers.

Achievement of our CO_2 emissions targets, which we consider to be our most important sustainability target, is reviewed annually by the Management Board as part of our participation in the Carbon Disclosure Project. No further, regular controls are carried out by the Management Board or by the Supervisory Board, notwithstanding individual controls of specific compliance issues.

Because the achievement of our sustainability targets and compliance with sustainability rules are part of our normal business processes and are part of the responsibilities carried out daily as a matter of course by management and all employees, no separate incentive system currently exists for this (for example, within bonus arrangements) for the Management Board, management or employees. Moreover, there are currently no plans to introduce such a system.

PARTICIPATION OF STAKEHOLDER GROUPS

We have refined our sustainability strategy in recent years based on feedback from our key stakeholder groups. Our main focus in this regard is on the requirements of our customers, workforce and investors, as well as those of institutions, lawmakers and the public.

Many of our international pharma and cosmetics customers regularly audit our sustainability strategy and our approach to corporate social responsibility, according to common international practice. The main lines of these customer audits provide the basis for refining our sustainability strategy. As part of our involvement in the Carbon Disclosure Project (CDP), we have also continuously improved our commitment to the environment in line with developments in the CDP. For example, for the last two years our CO_2 reporting for the CDP has been certified by an independent party (TÜV). Through ongoing dialogue with investors, we are constantly challenged to measure up to their needs and different criteria for sustainability. This is also factored into the ongoing development of our sustainability strategy. Employee feedback is collected regularly through both the global employee survey and continuous dialogue with employees, employee representatives and trade unions. Priorities in this area include workplace-related issues, training, occupational safety and health, codetermination and various other social issues.

To improve the effectiveness of our sustainability strategy, we introduced a systematic process in 2017 to record and prioritize the demands placed on us by external and internal stakeholders.

INNOVATION AND PRODUCT MANAGEMENT

For sustainability issues relating to innovation and product management, see “Innovation, Research and Development”.

ENVIRONMENTAL ISSUES: USE OF NATURAL RESOURCES AND RESOURCE MANAGEMENT

Responsible use of natural resources, protecting the environment as well as avoiding emissions and waste are core elements of our corporate responsibility. Our approach to sustainability takes in economic, social and above all environmental aspects. As a manufacturing enterprise, we have a special responsibility toward the environment. Our environmental initiatives often clearly surpass the statutory requirements in the countries in which we operate. Green production, waste and emissions reduction and the sustainable use of resources are implemented in our global Gerresheimer Management System (GMS) as well as being reflected in our corporate responsibility principles and our principles for responsible purchasing management.

Due to the substantial variation in production processes in our different business units, local managers are responsible for ensuring the sustainable use of resources at their own locations. The production plants regularly exchange information so that they can learn from each other and have the opportunity to adopt and adapt effective measures. We introduce new initiatives on an ongoing basis. This enables us to go on improving in the areas of environmental protection and resource conservation. The majority of environmental improvements also bring long-term economic benefits.

Certification of our production plants is hugely important to us as a means of documenting and verifying our environmental progress to customers and the general public. So far, 13 of our major production locations have been certified for state-of-the-art environmental management in accordance with ISO 14001. We also attach great importance to implementing advanced energy management systems, especially in our energy-intensive molded glass plants. Eleven locations are certified in accordance with ISO 50001 (energy management), including the German plants in Lohr, Tettau, Essen, Buende, Pfreimd and headquarters in Duesseldorf and our large plant in Horsovsky Tyn (Czech Republic). All certification is subject to regular review and renewal at fixed intervals. Training on energy efficiency and environmental protection is provided at all plants as a matter of course.

Under the BioPack name, we have launched a wide portfolio of plastic packaging products for drugs and cosmetics made from biomaterial in place of conventional polyethylene. Instead of crude oil, biomaterials are made from renewable raw materials such as sugar cane. Packaging made from biomaterials is fully recyclable, has the same properties as conventional packaging and can be used on existing filling and packaging lines.

Centor supplies US pharmacies with plastic containers for packaging drugs and, alongside its other products, also makes bottles and vials out of 100% recycled PET. Available in various sizes, these containers are used by pharmacies to fill and package liquid medicines. When shipping closures for tablet containers, Centor does without additional outer packaging such as plastic bags. This saves material and reduces the impact on the environment.

In the production of pharma jars and glass cosmetics packaging, large quantities of recycled glass (cullet) are used as a substitute for raw materials. This is sourced out of the Group’s own internal material cycle and, subject to controls, from household recycling. Cullet is deployed where it is available in suitable quantities, there is no compromise to end product quality, and there are no pharmaceutical or cosmetic regulatory requirements to restrict its use. As well as having our own, internal cullet cycle, we work with suppliers such as glass tubing producers. This enables us to return borosilicate glass cullet from our glass converting process to glass tubing producers who then use this to make new borosilicate glass tubes. Our production location in Morganton (North Carolina/USA) was one of several plants in 2017 to successfully implement a special project to increase the collection rate of borosilicate glass cullet, which in turn led to a significant reduction in the volume of waste.

ENVIRONMENTAL PROTECTION IN PRODUCTION

For us at Gerresheimer, environmental protection goes hand in hand with energy efficiency. Glass melting operations in particular use a lot of energy. This is why we regularly overhaul and repair the Group’s energy-intensive equipment, such as the furnaces in our molded glass plants. This enables us to install cutting-edge glass-melting technology and modernize production systems as a whole. As a result, we consistently achieve improvements in energy efficiency through major or minor furnace repairs. A comprehensive overhaul of a furnace in 2017 using the latest furnace technology led to a substantial reduction in energy consumption and CO_2 emissions per ton of glass melted at our plant in Momignies (Belgium). Significant reductions in energy consumption and CO_2 emissions per ton of melted glass were also recorded at our cosmetic glass plant in Tettau in 2017, mainly due to the overhaul of a furnace in 2016. A wastewater reduction project was launched at the same plant in 2017. Thanks to a new circulatory system, the volume of wastewater was reduced by a figure in the double-digit percentage range.

Waste prevention plays an important role at all our plants. At our plant for plastic containers in Boleslawiec (Poland) and at our plant in Zaragoza (Spain), for example, we have taken appropriate measures to significantly reduce the volume of plastic waste. In Boleslawiec, we have reduced the energy needed for the injection molding process by switching to a new compressor technology. In Zaragoza, we have cut energy requirements by a double-digit percentage over two years thanks to the use of new injection molding machines.

In addition to knowledge transfer within the Gerresheimer Group, regional and industry organizations play an ever more important part in matters of energy efficiency and environmental protection. The molded glass plant in Essen, for example, is a member of the ECOPROFIT platform. This is a collaborative project between local authorities and local business aimed at reducing operating costs while conserving natural resources—notably energy and water. The Federal Association of the German Glass Industry (BV Glas), of which we are a member, has joined a German government initiative to create energy efficiency networks. Our cosmetic glass plant in Tettau, for instance, is in the Frankenwald regional network.

We also use renewable energy to meet our plants' energy requirements. One example is our plant in Kundli (India), where some of the energy used in making plastic pharma packaging is provided by solar power.

In the Medical Systems Business Unit, ISO 14001 (environmental management) and ISO 50001 (energy management) certification has been supplemented by introducing a global operational safety management system. This covers occupational safety and health, fire prevention, environmental management and energy management, and anticipates the introduction of ISO 45001 (future occupational health and safety management system). All plants in this business unit are managed via a recently introduced software, with requirements and targets for saving energy and cutting CO_2 emissions. All employees and suppliers are thus required to contribute to achievement of the corresponding targets.

Operating cleanrooms consumes a lot of energy. Energy-saving measures, such as installing the latest-generation, energy-efficient cleanroom technology, are therefore important in cleanroom construction and operation. At our plant in Buende (Germany), a combined heat and power (CHP) plant that has been in operation for three years helps reduce primary energy consumption and CO_2 emissions. The CHP plant is a cogeneration system producing electricity and heat on a decentralized basis.

Further scope for improvement can be identified at many plants for the production of medical plastic systems and prefillable syringes by reviewing the specifications for production sections and cleanrooms. In many cases, we were able to fine-tune the required temperature, moisture and air pressure to meet customer and regulatory requirements while cutting energy consumption spikes from peak loads. The installation of new energy data collection systems also played a crucial role in improvement projects. We were able to reduce the amount of compressed air we use by measuring compressed air leaks. Based on a pilot project at our plant in Pfreimd (Germany) in 2016, we developed a novel material drying control system and process approach that delivers substantial energy savings and is being deployed in Pfreimd and at several other locations. The latest ventilation and cleanroom technologies, which are already successfully in use at our plants in Europe, were also deployed as part of the expansion of the plant for the production of medical plastic systems in Peachtree City (Georgia/USA). As a result of this and various other measures, substantial reductions in energy consumption and CO_2 emissions were recorded there. So much so that the plant received an award from a key customer in recognition of its achievements.

Energy use for lighting is a key factor at many sites. We are thus replacing old bulbs and tubes with energy-saving LEDs in many plants and exploring the use of LED lighting in all building conversions and extensions. In many plants, areas that are not in use all the time, such as store rooms, have been fitted with presence sensors that turn off the lights when there is nobody around.

ENVIRONMENTAL REGULATIONS AND VEHICLE FLEET

Our global vehicle fleet consists of 272 vehicles. Environmental aspects are also a factor for us when stipulating requirements for company cars. To date, most of our vehicles have been diesel-powered. These are currently under review with regard to energy efficiency and environmental impact. The use of diesel-powered vehicles in our fleet will be gradually reduced over time in light of the recent findings on environmental issues and harmful emissions. As a contribution to sustainability and environmental protection, only vehicle models that have passed the ADAC EcoTest and gained a rating of at least four stars are permitted in Germany. Models that have not been tested are not permitted. In the procurement and operation of our vehicle fleet, we aim to adopt the best available technology and reduce pollution. Our guidelines were revised in 2016 to enable the purchase of hybrid or electrically powered vehicles for our fleet.

Unconditional compliance with all statutory and regulatory requirements, also with regard to conserving resources and the environment, is a matter of course at Gerresheimer. We were not found in 2017 to be in breach of any environmental regulations that could lead to regulatory investigations with subsequent restrictions or fines.

ENVIRONMENTAL ISSUES: CLIMATE-RELEVANT EMISSIONS—THE CARBON DISCLOSURE PROJECT

We regularly publish the goals, strategies and positive outcomes of environmental protection initiatives and activities in connection with our participation in the Carbon Disclosure Project (CDP). This is the world's biggest initiative to reduce carbon emissions. For nine years now, we have been actively involved in the CDP. We measure, analyze and manage our CO_2 emissions at all production locations, and report annually on their composition and any changes that have occurred as well as various measures adopted to reduce CO_2 emissions. The data for the financial year 2016 was collected internationally using standardized methods in spring 2017 and published by the CDP in fall 2017.

Our environment strategy target is to reduce the ratio of emissions to revenues. This means that our revenues are to grow faster in the future than the unavoidable CO_2 emissions produced in revenue generation. We met our target once again in the financial year 2017: The ratio of CO_2 emissions to revenues fell by 8.8% between 2015 and 2016. We thus achieved a substantial further percentage improvement. This positive trend is also plain to see from the multi-year analysis.

Our results at a glance:

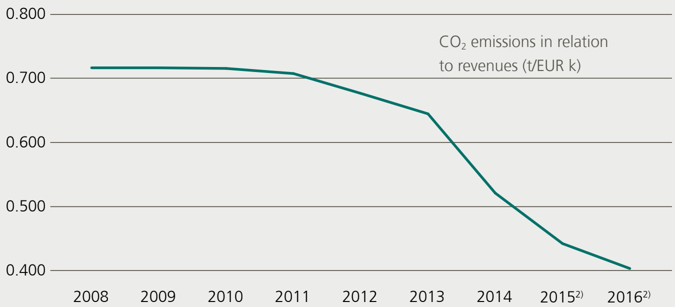
Carbon Disclosure Project 2008 to 2016

	2008	2009	2010	2011	2012	2013	2014	2015[2]	2016[2]
Total CO_2 emissions[1] in tons (t)	760,076	716,702	733,576	775,372	825,235	817,097	672,624	567,451	**554,889**
Revenues in EUR m	1,060.1	1,000.2	1,024.8	1,094.7	1,219.1	1,265.9	1,290.0	1,282.9	**1,375.5**
CO_2 emissions in relation to revenues (t/EUR k)	0.717	0.717	0.716	0.708	0.677	0.645	0.521	0.442	**0.403**

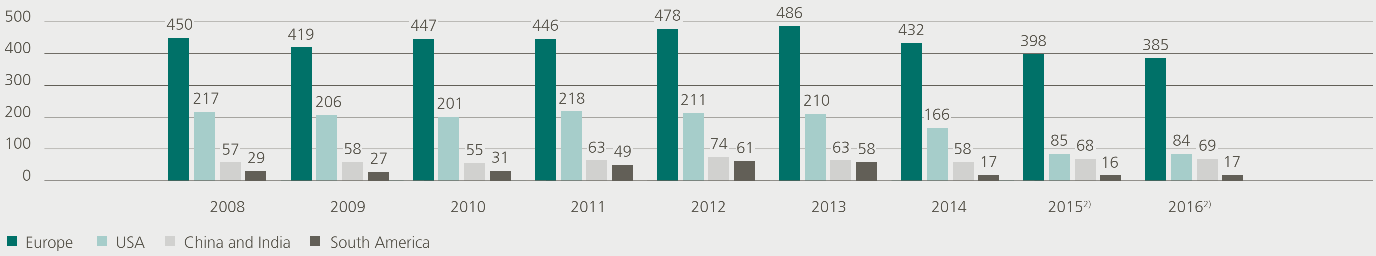
[1] Excluding Scope 3 emissions.
[2] Excluding the Life Science Research Division (sold as of October 31, 2016).

In the financial year 2016, our direct greenhouse gas emissions (Scope 1) totaled 253,814 tons of CO_2, while indirect energy-related greenhouse gases (Scope 2) came to 301,075 tons of CO_2. Compared with 2015, we were able to reduce our carbon emissions by a total of 12,562 tons of CO_2 in the financial year 2016. Accounting for around a third (Scope 1) and around half (Scope 2) of all emissions, combustibles and purchased electricity were the largest source of emissions.

Improved ratio of emissions to revenues



CO_2 emissions by region in tons k[1]



[1] Excluding Scope 3 emissions.
[2] Excluding the Life Science Research Division (sold as of October 31, 2016).

Alongside our own target, we have launched further improvements within the context of CDP. For instance, we have improved the CDP verification criterion in recent years. Our activities and data are checked by the TÜV inspectorate and certified to ISO 14064-3. With an overall score of B this year, we once again surpassed both the average overall score of companies participating in the CDP and the sector-specific average for the healthcare sector (both C). Within our sector, we therefore continue to be ranked in the top five companies in the CDP. The overall aim is for investors and customers to be able to assess, based on wide-ranging data and indices, whether a company gives sufficient consideration to climate change issues in its decisions and structures.

Further information and definitions are available at www.gerresheimer.com/en/company/corporate-social-responsibility/carbon-disclosure-project and www.cdp.net.

EMPLOYEE RIGHTS, EQUAL OPPORTUNITIES AND TRAINING

Further information on employee rights, equal opportunities and training is provided under "Employees".

HUMAN RIGHTS

We see it as our responsibility to do all we can to prevent any violation of human rights, forced and child labor, and discrimination in our Company. This applies to all our locations and plants, particularly those in risk countries such as India, China, Mexico and Brazil. Strict regulations on compliance with human rights and the prohibition of forced and child labor and discrimination also apply there. It goes without saying that we comply with all relevant legislation in these countries and, in many cases, document this for local authorities in accordance with local regulations. We are also committed to ensuring compliance internally, as documented in greater detail in our policy on corporate social responsibility. The same applies to our suppliers, as set out in our principles for responsible supply chain management. Both sets of requirements are part of the Gerresheimer Management System (GMS) and, as such, are audited internally and by our suppliers, see "Business Excellence". An out-of-court settlement was reached following an alleged violation of human rights at one of our plants in the USA in the financial year 2017.

COMMUNITY

At many of our locations, Gerresheimer and our employees embrace responsibility at the local level by supporting local and regional initiatives and charities. We mainly focus on supporting young people and on schooling and education, but are also involved in a variety of local social projects. All plants in Germany provide training for young people, see "Employees". Our German plants also take part in the Girls' Day initiative, an annual event in Germany that aims to enable young women to find out more about technical jobs. In addition to the various activities organized at our locations throughout Germany, a case in point in the area of initial and further training is the creation of co-op education programs at our Czech plant in Horsovsky Tyn, which was once again commended in 2017. Our Medical Systems Business Unit supports the University of Applied Sciences Amberg-Weiden in many ways—among other things, with an endowed chair—and collaborates with the university on a co-op education program in medical engineering. In Tettau (Germany) we are a founder member of a regional intergenerational project to which we have contributed since 2012, as well as a regional innovation network in collaboration with Coburg University of Applied Sciences, among others. With support from the innovation network, the new ZukunftsDesign master's program was developed and is now being offered at Coburg University of Applied Sciences, for example. Our plant in Kundli (India) supports schools for better education and training opportunities. The plant is patron to numerous schools in the region, investing in new classrooms, dining halls, bathrooms and the like. Notably, the schools have clean drinking water for students and teachers thanks to our support. Our plant in Tettau (Germany) supports the town's local school. Headquarters in Duesseldorf made a donation to Ferdinand-Heye-Grundschule to mark the primary school's 150th anniversary. Numerous other activities were organized to support charitable causes in 2017, including Christmas campaigns to support the needy in Vineland (New Jersey/USA) and activities to support seriously ill children in Pfreimd (Germany) and Regensburg (Germany). A One Gerresheimer Week took place at all plants in summer 2017. Staff organized a diverse range of activities that included collecting for and supporting local charities. Further information is provided under "Global Activities" in the "Employees" section.

POLITICAL INFLUENCE

Gerresheimer does not exert political influence beyond the scope of usual industry association activities. Because our glass production plants consume a lot of energy, legislation and tax regulation relating to the purchase and consumption of energy and treatment of emissions is of particular interest to us. As an enterprise, we have no influence on the corresponding legislative process and instead work to establish a joint position on such issues through our involvement in relevant industry associations. Other than this, Gerresheimer is not engaged or involved in any political activities. Gerresheimer does not have offices for political communication in Berlin, Brussels or other cities. We are a member of the following industry associations: Federal Association of the German Glass Industry (BV Glas) (for glass locations in Germany) and the European Glass Container Federation (FEVE) for glass container plants in Germany. Gerresheimer is also a member of relevant employer associations. Gerresheimer makes no donations or contributions to governments, political parties or politicians in any part of the world. The requirements for charitable donations and the award of consultancy contracts are strictly regulated, require corresponding approval and are subject to strict compliance regulations.

LAWFUL CONDUCT AND COMPLIANCE

Information on lawful conduct and compliance with guidelines is provided under "Compliance".

Further information about corporate responsibility and sustainability at Gerresheimer as well as about our principles of responsible supply chain management is provided on our website at www.gerresheimer.com/en/company/corporate-social-responsibility.

EXPECTED DEVELOPMENT OF NON-FINANCIAL SUCCESS FACTORS

EMPLOYEES

In view of the expected growth and additional projected standardization and rationalization measures, we expect that the size of the workforce will remain stable across the Group in future years. With ongoing globalization, there will be a shift in the regional weighting in favor of emerging markets.

RESEARCH AND DEVELOPMENT

We will continue to place major emphasis on our research and development activities in order to secure the Company's long-term growth through innovation.

PROCUREMENT

In 2018, as before, we will effect lasting improvements in procurement. Prices, terms and, above all, quality are key factors in generating further earnings growth. Based on current trends in the financial and real markets, we expect that prices will remain volatile.

PRODUCTION

We target zero defects in mass production. This represents a huge challenge given that we make products for the pharmaceuticals industry in very large quantities—in other words, billions of vials, containers and ampoules. To enhance product quality while reducing operational complexity at our plants, we will continue to invest substantially in standardizing and improving our production machinery in the financial year 2018. In the course of this multi-year initiative, measures include replacing machinery for the production of injection vials with new machinery that offers improved process reliability. These machines are a proprietary development made specially for our needs.

ENVIRONMENT

We have an ongoing commitment to the responsible use of natural resources and protection of the environment. For instance, the financial year saw us take part in the Carbon Disclosure Project for the ninth time in succession. This requires us to measure, analyze and manage carbon emissions at all production locations and submit a comprehensive annual report stating the composition of and changes in emissions and, most importantly, detailing adopted mitigation measures. Under our environmental strategy, we aim to reduce the ratio of emissions to revenues. This means that our revenues are to grow faster in the future than the unavoidable emissions produced in revenue generation. We will once again participate in the Carbon Disclosure Project in 2018.

REMUNERATION REPORT

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

MANAGEMENT BOARD REMUNERATION

STRUCTURE OF REMUNERATION

The total remuneration of active members of the Management Board consists of several components. These are a fixed salary and the customary fringe benefits, a short-term performance-based bonus, a component with a long-term incentive effect, stock appreciation rights and pension benefits.

NON-PERFORMANCE-BASED REMUNERATION

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

PERFORMANCE-BASED REMUNERATION

Short-term variable cash remuneration

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

The short-term variable cash remuneration was previously based on the financial KPIs adjusted EBITDA, revenues, net working capital and capital expenditure. If all targets were met, the short-term variable cash remuneration was 50% of the individual fixed salary. Limited to a maximum of 60% of the individual fixed salary, the short-term variable cash remuneration was also paid out in the subsequent year following approval of the consolidated financial statements by the Supervisory Board. This old rule continues to apply on a pro rata temporis basis to just one Management Board member for the financial year 2017.

Long-term variable cash remuneration

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

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

Target attainment was previously measured against the arithmetic mean of the annual figures in the three-year period. The bonus payable on target attainment is 30% of the individual fixed salary. It is capped (on 133% target attainment) at just under 40% of the individual fixed salary. Bonuses are paid out three years after the base year.

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

The issue price for the 2017 tranche is EUR 74.61 and only takes into account commitments under the new system.

Under the previous agreements, Management Board members were granted a specific number of stock appreciation rights (phantom stocks), according to the share price, for each year of service on the Management Board. Each stock appreciation right entitled the holder to a payment based on the change in the share price, subject to a performance threshold: At the exercise date, this dictated that the Company's share price must exceed the initial price for the relevant tranche by at least 12% or have increased by a larger percentage than the MDAX. It was possible to exercise stock appreciation rights during a 16-month exercise period following a four-year waiting period. The payment amount was equal to the absolute increase in the share price between the issue date of the stock appreciation rights and the exercise date. However, the payment amount was capped at 25% of the initial price of all stock appreciation rights in the same tranche. At the time of termination of the Management Board contract, all exercisable stock appreciation rights, all entitlements resulting from stock appreciation rights already granted but yet to mature and all entitlements to the issue of further stock appreciation rights expired without substitution or compensation. If the day on which the employment contract of the holder ended was after the first anniversary of the issue date of stock appreciation rights in a tranche already issued, but before the exercise date for this tranche, the stock appreciation rights in this tranche remained unaffected.

Pension benefits
Defined pension benefits for active members of the Management Board are generally handled through a provident fund.

After leaving the Gerresheimer Group, the current members of the Management Board are normally eligible to receive pension benefits from age 65. The annual pension is between 1.5% and 2.2% of the final fixed salary, depending on age on joining the pension plan. This percentage increases with years of service as a member of the Management Board to a maximum of 40%. Surviving dependants' pensions are provided for at 60% of the deceased's pension for the spouse and 20% per child for any surviving children. Surviving dependants' pensions are limited in total to 100% of the deceased's pension.

On February 10, 2015, the Supervisory Board of Gerresheimer AG also modified the pension system as an integral part of the new remuneration system for newly appointed Management Board members. The Company pension arrangement for current Management Board members, comprising 1.5% to 2.2% per year of service up to a maximum of 40% of the final fixed salary at age 65, has been replaced for new Management Board members with a defined contribution scheme.

In the future, the amount to be furnished by the Company for new Management Board members' pensions is to be determined as 20% of the fixed salary plus 20% of the short-term variable cash remuneration attained. New Management Board members may choose from three options as to how this amount is used: (1) 20% of the fixed salary paid into an insurance policy and 20% of the short-term variable cash remuneration paid into an investment; (2) 20% of the fixed salary paid into an insurance policy and 20% of the short-term variable cash remuneration paid out for personal pension provision; (3) 20% of the fixed salary and 20% of the short-term variable cash remuneration paid out for personal pension provision.

Under the insurance option, a Management Board member earns entitlement on retirement to payment of an annuity-based old-age, invalidity and surviving dependants' pension. Alternatively, a Management Board member can elect to have the accumulated capital paid out on retirement. The pension entitlement then lapses.

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

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

Termination benefits

Termination benefits in the event of premature termination of a Management Board member's contract other than for cause and premature termination as a result of a change of control are capped as recommended in the German Corporate Governance Code. Severance payments, including fringe benefits, in the event of termination of a Management Board member's contract other than for cause are therefore capped to a maximum of two years' remuneration and do not compensate more than the remaining term of the contract. The cap on termination benefits is determined with reference to total remuneration for the past financial year. The Supervisory Board has agreed with Mr. Röhrhoff a two-year post-employment non-compete clause, which normally provides for compensation relative to Mr. Röhrhoff's fixed salary in the year preceding termination of his contract.

In the event of a change of control, Management Board members have a once-only special right to terminate their contracts at six months' notice effective as of the end of the month and to resign as of the end of the notice period. The special right of termination applies solely within three months of a Management Board member gaining knowledge of the change of control and only if, at the date notice is given, the contract has a remaining term of nine months or more. If a Management Board member exercises his or her special right of termination, the Company is required to pay termination benefit equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as the remuneration of the full financial year prior to the notice of termination including variable remuneration components and entitlements from the stock appreciation rights program.

Mr. Schütte has a special right of termination owing to Mr. Fischer's appointment as Chief Executive Officer. This special right of termination cannot be exercised until twelve months after the date of the new Chief Executive Officer's commencement of service and can then solely be exercised within a period of two weeks. The period of notice after notification of exercise of the special right of termination is nine months. In the event that he exercises this special right of termination, Mr. Schütte does not receive any settlement of residual compensation or any termination benefit. Short and long-term variable cash remuneration is settled pro rata temporis. Should he make use of the aforementioned special right of termination, Mr. Schütte is subject to a non-compete clause for the duration of two years after termination of his contract of employment (post-contractual non-compete clause). This stipulates that he may not act either directly or indirectly on behalf of any other domestic or international company and/or for any person which/who is or may potentially be in competition with Gerresheimer AG or with any affiliated company thereof. The Company cannot waive compliance with (any) such post-contractual non-compete clause until one year before expiration of the post-contractual non-compete clause at the earliest. For the duration of (any) such post-contractual non-compete clause, to wit for two years except in the event of a waiver of the post-contractual non-compete clause, Mr. Schütte will receive annual compensation in the amount of 100% of the fixed basic salary prevailing at the time of termination of the contract of employment. This annual ex gratia compensation is payable in twelve monthly installments at the end of each month. Any pension paid by the Company is taken into account against the ex gratia compensation payable in the event of (any) such post-contractual non-compete clause. The same applies to any pension payments from affiliated companies. In like manner, any other such income is taken into account against the ex gratia compensation as Mr. Schütte may earn by employment elsewhere during the second year of the post-contractual non-compete clause to the extent that the sum total of the ex-gratia compensation and the income earned elsewhere exceeds 110% of the applicable fixed basic salary, with settlement being made on a monthly basis.

A non-compete clause was also agreed with all active Management Board members for the duration of their respective contracts. Mr. Fischer's non-compete clause will continue to apply for two years after termination of his contract. For the duration of the post-contractual non-compete clause, Mr. Fischer will receive annual compensation in the amount of 100% of the fixed basic salary prevailing at the time of termination of the contract of employment and 100% of the amount of short-term variable cash remuneration to be paid on attainment of the financial targets. Mr. Schütte's non-compete clause will also apply for a period of two years if his contract is ended as a result of his exercising the above-mentioned special right of termination. For the duration of the post-contractual non-compete clause, Mr. Schütte will receive annual compensation in the amount of 100% of the fixed basic salary prevailing at the time of termination of the contract of employment.

MANAGEMENT BOARD REMUNERATION IN THE FINANCIAL YEAR

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

Total remuneration of active Management Board members came to EUR 8,872k in the financial year 2017 (2016: EUR 8,492k). This comprised EUR 2,219k in non-performance-based remuneration (2016: EUR 2,050k) and EUR 3,672k in performance-based remuneration (2016: EUR 2,885k). Pension expenses amounted to EUR 1,200k in the financial year 2017 (2016: EUR 1,993k). Vested stock appreciation rights in the financial year under review came to EUR 1,781k (2016: EUR 1,564k).

Remuneration of individual Management Board members in the financial year 2017 is presented in the tables below:

	Uwe Röhrhoff to Aug. 31, 2017				Christian Fischer CEO Primary Packaging Glass from Aug. 1, 2017				Rainer Beaujean CFO				Andreas Schütte Plastics & Devices			
Benefits granted in EUR k	**2017**	2017 min.	2017 max.	2016	**2017**	2017 min.	2017 max.	2016	**2017**	2017 min.	2017 max.	2016	**2017**	2017 min.	2017 max.	2016
Fixed remuneration	577	577	577	770	317	317	317	–	630	630	630	610	630	630	630	605
Non-cash remuneration	18	18	18	24	6	6	6	–	20	20	20	20	21	21	21	21
Total	**595**	**595**	**595**	**794**	**323**	**323**	**323**	**–**	**650**	**650**	**650**	**630**	**651**	**651**	**651**	**626**
Short-term variable remuneration	385	–	539	385	158	158[1]	222	–	315	–	441	305	315	–	415	303
Long-term variable remuneration	**308**	**–**	**424**	**308**	**127**	**127**	**3,214**	**–**	**252**	**–**	**347**	**225**	**226**	**–**	**307**	**182**
Plan 2016–2019	–	–	–	308	–	–	–	–	–	–	–	225	–	–	–	182
Plan 2017–2020	308	–	424	–	127	127[1]	174	–	252	–	347	–	226	–	307	–
Phantom stocks	–	–	–	–	–	–	3,040	–	–	–	–	–	–	–	–	–
Total	**1,288**	**595**	**1,558**	**1,487**	**608**	**608**	**3,759**	**–**	**1,217**	**650**	**1,438**	**1,160**	**1,192**	**651**	**1,373**	**1,110**
Pension expenses	350	350	350	326	95	95	95	–	388	388	388	1,359	367	367	367	308
Total remuneration	**1,638**	**945**	**1,908**	**1,813**	**703**	**703**	**3,854**	**–**	**1,605**	**1,038**	**1,826**	**2,519**	**1,559**	**1,018**	**1,740**	**1,418**

[1] Because Mr. Fischer took up his duties in the financial year 2017, he is guaranteed pro rata temporis short-term variable cash remuneration and long-term variable cash remuneration for this year based on assumed target achievement of 100%.

In the financial year 2017, Mr. Fischer received new stock appreciation rights (tranches 12 to 15) in connection with the appointment as Chief Executive Officer. The tranches are described in detail in the section "Long-term, share-price-based variable cash remuneration (phantom stocks)". Given that it is a value-based commitment, there is no fair value at the grant date.

	Uwe Röhrhoff to Aug. 31, 2017		Christian Fischer CEO Primary Packaging Glass from Aug. 1, 2017		Rainer Beaujean CFO		Andreas Schütte Plastics & Devices	
Benefits received in EUR k	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Fixed remuneration	577	770	317	–	630	610	630	605
Non-cash remuneration	18	24	6	–	20	20	21	21
Total	**595**	**794**	**323**	**–**	**650**	**630**	**651**	**626**
Short-term variable remuneration	392	391	–	–	308	287	309	290
Long-term variable remuneration	**1,128**	**1,028**	**–**	**–**	**801**	**200**	**734**	**689**
Plan 2013–2016	–	252	–	–	–	200	–	171
Plan 2014–2017	222	–	–	–	178	–	168	–
Phantom stocks	906	776	–	–	623	–	566	518
Total	**2,115**	**2,213**	**323**	**–**	**1,759**	**1,117**	**1,694**	**1,605**
Pension expenses	350	326	95	–	388	1,359	367	308
Total remuneration	**2,465**	**2,539**	**418**	**–**	**2,147**	**2,476**	**2,061**	**1,913**

Long-term, share-price-based variable cash remuneration

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

In accordance with IFRS, total remuneration includes the fair value of the benefit vested in the financial year. Within the vesting period, this means that the fair value is recognized as expense over the corresponding period from the grant date. Details of outstanding phantom stocks are provided below in accordance with IFRS 2:

Phantom stocks share based IFRS:

		Uwe Röhrhoff to Aug. 31, 2017	Rainer Beaujean	Andreas Schütte
Portion of total expenses in EUR k	2017	391	433	369
	2016	373	151	492
Fair value in EUR k	2017	859	1,072	1,223
	2016	1,504	1,442	1,593
Number of phantom stocks	2017	80,000	110,000	150,000
	2016	160,000	165,000	200,000

Phantom stocks value based IFRS:

		Uwe Röhrhoff to Aug. 31, 2017	Christian Fischer (CEO) from Aug. 1, 2017	Rainer Beaujean	Andreas Schütte
Portion of total expenses in EUR k	2017	168	101	111	208
	2016	225	–	185	138
Fair value in EUR k	2017	1,403	2,125	998	1,716
	2016	1,518	–	1,102	1,810

Because Mr. Fischer was appointed to the Management Board of Gerresheimer AG as of August 1, 2017, he has been granted, in addition to the 2018 annual tranche, an additional pro rata temporis entitlement to phantom stocks for his work in the 2017 calendar year. This additional entitlement relating to his year of joining is subject to the terms and conditions of the 2018 tranche.

Pension benefits

The pension expenses attributable to each member of the Management Board are shown in the Management Board remuneration table. The present value of the defined benefit obligation must additionally be stated in accordance with IFRS. This is shown in the table below:

in EUR k		Uwe Röhrhoff to Aug. 31, 2017	Rainer Beaujean	Andreas Schütte
Present value	2017	4,919	1,846	2,960
	2016	6,012	1,817	3,163

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

Total compensation in accordance with IFRS is presented in the following table:

in EUR k	**2017**	2016
Fixed remuneration	2,154	1,985
Non-cash remuneration	65	65
Total short-term non-performance-based remuneration	**2,219**	**2,050**
Short-term variable remuneration	1,009	968
Total short-term remuneration	**3,228**	**3,018**
Long-term variable remuneration	2,663	1,917
Phantom stocks vested in the financial year	1,781	1,564
Pension expenses	1,200	1,993
Total long-term remuneration	**5,644**	**5,474**
Total	**8,872**	**8,492**

REMUNERATION OF THE SUPERVISORY BOARD

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

Supervisory Board members receive fixed annual remuneration of EUR 30,000.00. The Chairman of the Supervisory Board is granted two and a half times and the Deputy Chairman one and a half times this amount. The Chairman of the Audit Committee receives an additional fixed remuneration of EUR 20,000.00 and further members of the Audit Committee each receive an additional fixed remuneration of EUR 10,000.00. Chairmen of other committees receive an additional fixed remuneration of EUR 10,000.00 for each chairmanship and further members of other committees each receive an additional remuneration of EUR 5,000.00 for each committee membership. This provision does not apply to the committee in accordance with section 27 (3) German Codetermination Act (MitbestG). Remuneration for the chairmanship and membership of the Nomination Committee is restricted to years in which the Committee meets. In addition to their annual remuneration, Supervisory Board members each receive a EUR 1,500.00 attendance fee for meetings of the Supervisory Board and of Supervisory Board committees to which they belong, capped at a maximum of EUR 1,500.00 per calendar day. Reasonable expenses are reimbursed against receipts.

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

Total remuneration of Supervisory Board members for their activity on the Supervisory Board of Gerresheimer AG in the financial year 2017 came to EUR 1,072,575.34.

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

Name	Attendance fees	Fixed remuneration	Variable remuneration	**Total**
Andrea Abt	9,000.00	36,000.00	30,000.00	**75,000.00**
Lydia Armer (until April 26, 2017)	3,000.00	14,095.89	12,082.19	**29,178.08**
Heike Arndt (since April 26, 2017)	3,000.00	18,000.00	18,000.00	**39,000.00**
Dr. Karin Dorrepaal	7,500.00	32,013.70	30,000.00	**69,513.70**
Franz Hartinger (since April 26, 2017)	4,500.00	18,000.00	18,000.00	**40,500.00**
Eugen Heinz (until April 26, 2017)	1,500.00	12,082.19	12,082.19	**25,664.38**
Dr. Axel Herberg	15,000.00	105,000.00	75,000.00	**195,000.00**
Francesco Grioli	15,000.00	60,000.00	45,000.00	**120,000.00**
Seppel Kraus (until April 26, 2017)	3,000.00	16,109.59	12,082.19	**31,191.78**
Dr. Peter Noé	7,500.00	37,027.40	30,000.00	**74,527.40**
Paul Schilling (since April 26, 2017)	4,500.00	18,000.00	18,000.00	**40,500.00**
Katja Schnitzler	9,000.00	36,000.00	30,000.00	**75,000.00**
Theodor Stuth	10,500.00	50,000.00	30,000.00	**90,500.00**
Markus Rocholz	12,000.00	43,000.00	30,000.00	**85,000.00**
Udo J. Vetter	12,000.00	40,000.00	30,000.00	**82,000.00**
	117,000.00	**535,328.77**	**420,246.57**	**1,072,575.34**

Supervisory Board member Lydia Armer receives appropriate remuneration for her membership of the Supervisory Board of Gerresheimer Regensburg GmbH after the end of each financial year. The remuneration amount is determined by resolution of the ordinary shareholders' meeting of Gerresheimer Regensburg GmbH. The shareholders' meeting set the amount of remuneration for the financial year 2016 at EUR 5,000.00, which was paid out in the financial year 2017. Ms. Lydia Armer's membership of the Supervisory Board of Gerresheimer Regensburg GmbH ended on July 5, 2017. Supervisory Board member Franz Hartinger was appointed to the Supervisory Board of Gerresheimer Regensburg GmbH as of this date. Appropriate remuneration for the financial year 2017 for Supervisory Board duties performed up to Ms. Armer's withdrawal date and as of Mr. Hartinger's appointment date for the remainder of the financial year 2017 will be paid out in the financial year 2018.

Supervisory Board member Markus Rocholz receives remuneration of EUR 5,000.00 after the end of each financial year for his membership of the Supervisory Board of Gerresheimer Tettau GmbH. The remuneration for the financial year 2016 was paid out in the financial year 2017.

DISCLOSURES PURSUANT TO SECTION 315 (4) HGB AND EXPLANATORY REPORT

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

Structure of subscribed capital

The subscribed capital (capital stock) of Gerresheimer AG totaled EUR 31.4m as of November 30, 2017. It is divided into 31.4 million ordinary no-par-value bearer shares with a nominal share in capital stock of EUR 1.00 each. The Company's capital stock is fully paid in.

Restrictions on voting rights or on the transfer of securities

As of the reporting date, there are no restrictions on voting rights or on the transfer of Gerresheimer AG shares by law, under the Articles of Association or otherwise, known to the Management Board. All no-par-value shares in Gerresheimer AG issued as of November 30, 2017 are fully transferable, carry full voting rights and grant the holder one vote in the Annual General Meetings.

Shareholdings exceeding 10% of voting rights

As of November 30, 2017, we are not aware of any direct or indirect shareholdings in the Company's capital stock exceeding 10% of voting rights.

Shares carrying special rights with regard to control

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

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

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

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

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

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

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

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

Authority of the Management Board to issue or buy back shares

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

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

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

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

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

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

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

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

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

The loans under the credit facilities with a total facility amount of EUR 450.0m, of which EUR 0.0m was drawn at the reporting date, may be terminated by the lenders, and would consequently be repayable early and in full by the borrowers, if a third party or several third parties acting in concert were to acquire 50.01% or more of voting rights in Gerresheimer AG.

Gerresheimer AG is obliged to notify holders of the EUR 300.0m in bonds in the event of a change of control. Holders then have the right to call due all or individual bonds at face value plus accrued interest. A change of control applies if one or more parties acquire or otherwise control at least 50.01% of shares or voting rights in Gerresheimer AG and 90 days thereafter the bond no longer has an investment grade rating.

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

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

Compensation agreements for the event of a takeover bid

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

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with section 315 (5) and section 289 (2) sentence 4 of the German Commercial Code (Handelsgesetzbuch/HGB) (old version) is part of the Group Management Report. However, in accordance with section 317 (2) sentence 4 HGB (old version), this information was not included in the audit of the consolidated financial statements.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Gerresheimer AG most recently adopted the following declaration of compliance in accordance with section 161 AktG on September 5, 2017:

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

With the exception of the recommendation of number 5.4.1 paragraph 2 sentence 1, Gerresheimer AG has complied with all recommendations of the 'Government Commission on the German Corporate Governance Code', as amended on May 5, 2015 since its last declaration on September 8, 2016.

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

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

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

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

RISK MANAGEMENT SYSTEM

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

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

CORPORATE RESPONSIBILITY

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

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

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

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

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

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

Under the German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector of April 24, 2015, certain companies in Germany are required to stipulate targets for the percentage of women on the Supervisory Board, Management Board and the two management levels under the Management Board, and also to stipulate by what point in time the quotas are to be attained. Such companies were required to adopt targets and implementation periods for the first time by September 30, 2015. The implementation period specified was not allowed to extend beyond June 30, 2017.

By resolution of September 9, 2015, the Supervisory Board of Gerresheimer AG stipulated a target of 0% for the percentage of women on the Management Board of Gerresheimer AG by April 30, 2017. This target was achieved, as there were no women on the Management Board as of April 30, 2017. At its meeting on April 26, 2017, the Supervisory Board agreed on a new target for the percentage of women on the Gerresheimer AG Management Board of one woman by April 26, 2022.

By resolution of August 24, 2015, the Management Board of Gerresheimer AG stipulated targets of 25% each by June 30, 2017 for the two management levels under the Management Board. At the first management level under the Management Board, the percentage of women was just 20% as of June 30, 2017. This was due to the unanticipated withdrawal of two female executives and the appointment of just one female executive at this level. At the second management level under the Management Board, the percentage of women as of June 30, 2017 was 50%, thus surpassing the target for this level. On June 28, 2017, the Management Board set new targets of 25% by June 30, 2018 for each of the management levels under the Management Board.

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

REPORT ON OPPORTUNITIES AND RISKS

UNIFORM GROUP-WIDE MANAGEMENT OF OPPORTUNITIES AND RISKS

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

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

The overriding objective of our internal control and risk management system in relation to the financial reporting process is to ensure compliance in financial reporting. Establishing and effectively maintaining adequate internal controls over financial reporting is the responsibility of the Management Board and Supervisory Board of Gerresheimer AG, which assess the adequacy and effectiveness of the control system at each financial year-end. The internal controls over financial reporting were found to be appropriate and effective as of November 30, 2017.

We prepare the consolidated financial statements in a multistage process using recognized consolidation systems. The audited, preconsolidated financial statements of a subgroup and the audited or reviewed financial statements of the other subsidiaries are combined to produce the consolidated financial statements of Gerresheimer AG. Gerresheimer AG has responsibility for the uniform Group-wide chart of accounts, for carrying out central consolidation adjustments as well as for scheduling and organizing the consolidation process.

Uniform guidelines on accounting in accordance with IFRS are in place for the companies included in the consolidated financial statements. These include a description of the general consolidation methods as well as the applicable accounting policies in accordance with IFRS. The guidelines are continuously updated to reflect changes to the IFRSs and are available to all subsidiaries on the Gerresheimer intranet. There is also a binding schedule for the financial close process.

In the course of the financial close process, balance sheets, income statements and statements of comprehensive income are entered into the system along with information relevant to the cash flow statement, the statement of changes in equity, the notes and the management report. The system is effectively maintained centrally by Group Accounting. In addition to the automated checks that are in place, manual data completeness and accuracy checks are carried out by the operating companies and head office. The professional aptitude of employees involved in the financial reporting process is examined during their selection process, after which they receive regular training. We fundamentally apply the dual control principle. Other control mechanisms include target-actual comparisons as well as analyses of the content of and changes in the individual items. Accounting ensures that function-related information is reported by the relevant departments and incorporated into the consolidated financial statements. Our Internal Audit Department reviews the effectiveness of the controls implemented at the subsidiaries and head office in order to ensure compliance with financial reporting guidelines. As part of the 2017 year-end audit, the auditors examined our early warning system in accordance with section 317 (4) HGB in conjunction with section 91 (2) AktG and confirmed its compliance.

We prepare the annual financial statements of Gerresheimer AG using the SAP software system. Day-to-day accounting and the preparation of the annual financial statements are divided into functional process steps. Either automated or manual controls are integrated into all process steps. The organizational arrangements ensure that all business transactions and the preparation of the annual financial statements are completed in a timely and accurate manner and are processed and documented within the appropriate time frame. The relevant data from Gerresheimer AG's single-entity financial statements is transferred into the consolidation system and adjusted as necessary to comply with IFRS.

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

OPPORTUNITIES OF FUTURE DEVELOPMENTS

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

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

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

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

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

RISKS OF FUTURE DEVELOPMENTS

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

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

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

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

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

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

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

OVERVIEW OF RISKS AND THEIR FINANCIAL IMPLICATIONS

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

We have slightly modified the presentation of risks relative to the prior year to reflect our internal presentation. Existing risks are discussed in detail in the following:

BUSINESS STRATEGY RISKS

RISKS FROM ACQUISITIONS

Potential impacts:

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

Countermeasures:

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

PRODUCT LAUNCHES

Potential impacts:

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

Countermeasures:

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

EXTERNAL AND INDUSTRY-SPECIFIC RISKS

CUSTOMER MARKET RISK

Potential impacts:

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

Countermeasures:

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

MACROECONOMIC RISKS

Potential impacts:

For the Gerresheimer Group, the performance of the global economy has a key impact on growth. Whereas the IMF initially expected global economic growth to increase, it currently stresses that overall downside risks predominate with regard to this forecast. Any slowdown in global economic growth therefore represents a risk for the Gerresheimer Group’s revenue and earnings performance.

Countermeasures:

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

RISKS OF CHANGE IN THE REGULATORY ENVIRONMENT

Potential impacts:

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

Countermeasures:

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

RISKS FROM THE FUTURE DEVELOPMENT OF STATE HEALTHCARE SYSTEMS

Potential impacts:

In the financial year 2017, Gerresheimer generated 83% of Group revenues in the pharma and healthcare segment. Governments and health insurance funds in Europe and the USA have endeavored to curb the rate of increase in healthcare costs in recent years. The result has been increased price pressure in the pharma industry, where the need for cost control has intensified due to limited patent protection and the constant rise in product development costs. This trend can similarly lead to increasing price pressure on our products, although generally only a small percentage of the total costs a consumer pays for medication relates to pharmaceutical primary packaging. If the price pressure is not offset by cost reductions or enhanced efficiency, this could have a significant negative impact on our net assets, financial position and results of operations.

Countermeasures:

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

TAX RISKS

Potential impacts:

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

Countermeasures:

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

OPERATIONAL RISKS

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

PRODUCTION RISKS

Potential impacts:

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

Countermeasures:

To counter the risk of unplanned, longer-run production plant stoppage or downtime, the Gerresheimer Group has established ongoing plant inspections and preventive maintenance. We also continuously modernize our existing production systems and invest in new, more modern plant and machinery. The Gerresheimer Group uses insurance policies to guard against potential damage and associated production downtimes together with any liability risk. By transferring risk to insurers in this way, we ensure that the financial impact is limited to the agreed deductible. The financial implications for the Group are therefore assessed as moderate. We currently insure possible own loss or damage at replacement value under all-risk property and other insurance policies. An all-risk business interruption and loss-of-earnings policy, which like the all-risk property policy is subject to appropriate deductibles, currently protects us against potential loss of earnings in the event of business interruption at the plants. The scope and substance of these insurance policies are regularly reviewed and modified as needed by our Global Risk Management & Insurance department. We assess the probability of occurrence and hence the potential impact of uninsured loss or damage as improbable and moderate, respectively.

PRODUCT LIABILITY RISKS

Potential impacts:

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

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

ENERGY AND RAW MATERIAL PRICES

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

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

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

HUMAN RESOURCES RISKS

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

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

IT RISKS

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

Countermeasures:
IT systems are standardized, harmonized, reviewed and improved Group-wide to safeguard and enhance the security and efficiency of our business processes. Minimum sectoral IT standards such as backups, redundant data links and distributed data centers help to minimize downtime risk for mission-critical systems such as SAP, websites and IT infrastructure components.

Implementation of the Group IT strategy approved by the Management Board continued apace in the financial year 2017. This included the ongoing rollout of the SAP 2 client strategy. With regard to applications, this notably involved rolling out SAP Templates at subsidiary Triveni Polymers Private Ltd., New Delhi (India). Concerning infrastructure, we implemented further security-related and innovative infrastructure and information security projects such as the launch of the Gx Future Client with a global Gerresheimer Workplace using Microsoft Office 2016 or Microsoft Office 365 for specific user groups, a collaboration platform for improved in-house and external collaboration, and migration of the mail system from IBM Lotus Notes to Microsoft Exchange Online and Outlook. This project also includes global user training in eight languages. The rollout of One Active Directory was completed as a requirement for the Gx Future Workplace project.

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

LEGAL RISKS

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

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

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

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

FINANCIAL RISKS

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

CURRENCY AND INTEREST RATE RISK

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

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

CREDIT RISK

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

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

LIQUIDITY RISK

Potential impacts:

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

Countermeasures:

The Group's liquidity situation is monitored and managed on the basis of multi-year financial planning and monthly liquidity planning. To safeguard liquidity, the Gerresheimer Group additionally has available a revolving credit facility (refinanced in June 2015), a bond issue (maturing in May 2018 and refinanced ahead of schedule in September 2017 by means of a promissory loan) and another promissory loan launched in November 2015. Reference is also to be made here to the quarterly meetings of the Investment Committee and its liquidity monitoring function.

A detailed presentation of the financial risks and their management can be found in the Notes to the Consolidated Financial Statements under Note (6) "Financial Risk Management and Derivative Financial Instruments".

OVERALL ASSESSMENT OF THE GROUP RISK SITUATION

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

There was no significant change in the Gerresheimer Group's risks in the financial year 2017 compared with the prior year. Based on our overall risk assessment, there are currently no risks that raise doubt about the ability of the Gerresheimer Group or Gerresheimer AG to continue as a going concern or that could have a material effect on its net assets, financial position and results of operations.

Gerresheimer's credit rating is regularly assessed by the leading rating agencies Standard & Poor's and Moody's.

The syndicated facility is subject to financial covenants. These are described under "Financing instruments". The stipulated financial covenants were complied with in financial years 2016 and 2017. Based on our multiple-year budget, we project that the financial covenants will continue to be met in the future.

EVENTS AFTER THE BALANCE SHEET DATE

On December 22, 2017, the President of the United States signed the US tax reform, the Tax Cuts and Jobs Act. The main changes from the point of view of the Gerresheimer Group relate to the reduction in the federal corporate tax rate from previously 35% to 21% effective January 1, 2018 and the elimination of certain previously available deductions from taxable income. There are also additional restrictions to the tax-deductibility of certain expenses. As a result of these changes, we expect that remeasurement of deferred taxes recognized at US subsidiaries to be included in our consolidated financial statements will have a one-off positive effect for the financial year 2018 of between USD 50m and USD 55m already to be recognized in the first quarter of 2018. Had the impact of the US tax reform already applied in the financial year 2017, there would have been a positive effect on current income taxes and our net income for 2017 in the low single-digit EUR million range.

Negotiations have also begun in the USA with regard to the North American Free Trade Agreement (NAFTA). This could possibly result in tariffs on certain imports and exports between the USA and other North American countries. The outcome of changes to NAFTA could have a negative impact on our Mexican subsidiary's exports to the USA and hence on our net income. In the financial year 2017, our Mexican subsidiary's exports to the USA were approximately EUR 27m. The effects of the NAFTA negotiations are not currently quantifiable because precise information is lacking. We will continue to track the potential impacts.

Dr. Christian Fischer, Chairman of our Management Board, will leave the Company as of February 5, 2018 with immediate effect. Dr. Fischer has asked for an amicable premature termination of his services due to personal reasons. Such decision is not based on diverging views regarding the strategy or business performance of the Company. The Supervisory Board has accepted such request. The Company will be managed by the remaining three board members until a new CEO has been appointed. The CFO Rainer Beaujean will assume the function of Speaker of the Management Board for the interim period. Andreas Schütte continues to lead the Plastics & Devices Division. Dr. Lukas Burkhardt has taken over responsibility for the Primary Packaging Glass Division since January 1, 2018.

Beyond that there were no further events after November 30, 2017 that are expected to have a material impact on the net assets, financial position or results of operations of the Gerresheimer Group.

OUTLOOK

GROUP STRATEGIC OBJECTIVES

The forward-looking statements on the business performance of the Gerresheimer Group and Gerresheimer AG presented in the following and the assumptions deemed significant regarding the economic development of the market and industry are based on our own assessments, which we currently believe realistic according to the information we have available. However, such assessments entail uncertainty and the inevitable risk that projected developments may not correlate in direction or extent with actual developments.

DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

GLOBAL AND REGIONAL ECONOMIC DEVELOPMENT[5)]

Expected growth in gross domestic product

Change in %	2018	2017
World	**3.9**	**3.7**
USA	2.7	2.3
Eurozone	2.2	2.4
Germany	2.3	2.5
Emerging markets	4.9	4.7
China	6.6	6.8
India	7.4	6.7
Brazil	1.9	1.1
Russia	1.7	1.8

Source: International Monetary Fund: World Economic Outlook Update, January 2018.

In its January 2018 economic outlook, the International Monetary Fund (IMF)[5)] raised its forecast for global economic growth in 2018 by 0.2 percentage points to 3.9%. The reasons given are a generally improved growth momentum and the expected effects of the US tax reform. However, the IMF stresses as before that the outlook fundamentally remains skewed to the downside over the medium term. As potential threats, it notes among other things a tightening of global financial environment due to a faster than expected pace of monetary policy normalization, potentially leading to rising interest rates. It also mentions financial market turbulence in emerging markets where, for example, China's transformation towards consumption and services is currently losing pace and, in conjunction with high debt levels, could lead to a sharp growth slowdown.

For the USA, the IMF expects growth of 2.7% for 2018. It thus increased its October forecast by 0.4 percentage points. Alongside the stronger than expected economic activity in conjunction with a rise in external demand, this is notably attributed to the anticipated macroeconomic effects of the US tax reform.

For the eurozone, estimates for 2018 project a slight decrease in economic growth to about 2.2%—compared with growth of some 2.4% in 2017. The reason cited by the IMF are weaker productivity, demographic change in a number of countries and a public and private debt overhang.

In line with developments in the eurozone, the IMF also a projects a slight decrease in economic growth for Germany to 2.3% in 2018, compared with 2.5% in 2017.

The IMF's growth rate forecast for emerging markets in 2018 is 4.9%, slightly above the prior-year figure of 4.7%. That is substantially higher than the growth rate in industrialized nations. Specifically, the IMF expects 6.6% gross domestic product (GDP) growth for China (2017: 6.8%) and an increase of 7.4% for India (2017: 6.7%); in Brazil, GDP is projected to show growth of 1.9% (2017: 1.1%).

MARKET AND BUSINESS OPPORTUNITIES FOR THE GERRESHEIMER GROUP

PROSPECTS FOR THE FINANCIAL YEAR 2018

The IMF forecasts solid further growth for the global economy in 2018. At the same time, however, the IMF experts stress that risks to the outlook remain skewed to the downside over the medium term. Independently of that, and also in light of an improved market environment in the USA, we expect that we will be able to further expand our core business with primary packaging and drug delivery systems for the pharma and healthcare industry in the financial year 2018.

Recent years have seen emerging markets step up the establishment and development of healthcare provision. This has brought more widespread use of off-patent drugs. We anticipate that this trend will continue and lead to rising demand in 2018.

[5)] International Monetary Fund: World Economic Outlook Update, January 2018.

MEGATRENDS

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

1. TREND TOWARD GENERIC DRUGS

IQVIA projects average volume growth in generics of 2.7% a year for the years 2017 to 2022, which is above the 2.0% expected for medicine spending as a whole.[6] Generics revenues will also show strong growth in pharmerging markets in particular as medicines become affordable for many patients once patent protection no longer applies. In traditional markets further along the development cycle, too, drug licensing and control authorities as well as health insurance funds place emphasis on good outcomes in cost-benefit analysis, in many cases leading to generic drugs being approved and increasingly also prescribed. This is a favorable trend for us, as the selling price of a drug is a secondary concern from our perspective. What counts most for us is volume growth, and so the growth of the generic drugs market drives our Group revenues and hence net income.

2. GROWTH OF HEALTHCARE IN PHARMERGING MARKETS

For the pharmerging markets, IQVIA forecasts that medicine spending will increase by an average of 3.0% a year over the next five years, while the remaining markets are expected to grow by an average of 1.7% a year.[6] The most important markets include China, followed by India and Brazil. Even densely populated China, however, attains only relatively small volumes in terms of pharma revenues compared with the USA. Around USD 116 billion was spent on medication in China in 2016, compared with more than USD 461 billion in the USA. Given the population densities in pharmerging markets, we see huge growth potential in the increasing strength of their healthcare systems and already have a strong presence with numerous plants in China, India, Brazil and Mexico.

3. INCREASING REGULATORY REQUIREMENTS

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

4. DEVELOPMENT OF NEW DRUGS

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

[6] IQVIA (formerly Quintiles IMS), January 10, 2018.

5. RISE OF ACUTE AND CHRONIC ILLNESSES

The prevalence of chronic illnesses is growing. Today, some 425 million people suffer from diabetes. It is estimated that this figure could reach 630 million by 2040. Whereas approximately 9% of the world adult population suffer from diabetes today, this figure is likely to rise beyond 10% by 2040—in parallel with further growth in the global population from 7.5 billion in 2017 to an expected 9.5 billion in 2040. Added to this, only every second diabetes sufferer is so far diagnosed as such.[7] Increasing quantities of drugs are thus needed to treat growing numbers of patients, and each individual pharmaceutical product requires a suitable packaging and delivery solution. To this end, we work together with customers to develop insulin pens, skin-prick aids for diabetics and asthma inhalers that are used in their millions every day. Pharmaceuticals companies wish to attract patients with safe drug delivery products that are not only user-friendly but have an appealing look and feel. Developing such products in close harness with customers is one of our major strengths.

6. GROWING TREND TOWARD SELF-MEDICATION

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

EXPECTED RESULTS OF OPERATIONS

THE GROUP

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

PLASTICS & DEVICES

We anticipate growth for our customer-specific glass and plastic products for safe drug delivery in 2018. Our prescription drug delivery devices remain the main revenue driver in this segment. These primarily comprise insulin pens and inhalers, but also diabetes care products and syringes. Regionally speaking, our business with prescription drug delivery devices will retain its European focus. Overall, our business in this division remains firmly on track for growth thanks to clear, intact long-term trends. This is also reflected in the investment in expansion in the USA with the aim of bringing into operation a new production line.

Sales of our plastic primary packaging products are expected to continue performing well in Europe, the USA and emerging markets in the financial year 2018.

[7] IDF: Diabetes Atlas, 8th Edition, 2017.

PRIMARY PACKAGING GLASS

In our Primary Packaging Glass Division, we anticipate slight revenue growth with our glass primary packaging, such as pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars. Once again in 2018, we will be deploying various measures to further boost productivity. This mainly involves investment in standardizing our glass production machinery. As in prior years, we expect revenue growth above all in our emerging market operations. Based on the favorable outlook for the pharma market in emerging markets, we built a new plant in Kosamba (India) beginning in 2015.

Revenues with glass pharmaceutical packaging are expected to continue showing robust growth. We also anticipate a positive operating environment for the cosmetics business, and likewise expect to slightly increase revenues with glass cosmetic products in the financial year 2018.

EXPECTED FINANCIAL SITUATION AND LIQUIDITY

As a result of the Gerresheimer AG bond issue maturing in May 2018 having been refinanced ahead of schedule by means of a EUR 250.0m promissory loan in September 2017, the Gerresheimer Group had cash and cash equivalents totaling EUR 287.0m as of November 30, 2017 (2016: EUR 118.4m). In addition, as the early refinancing transaction made it possible to clear Gerresheimer AG's revolving credit facility, the full facility amount of EUR 450.0m was available to us as of the reporting date (2016: EUR 287.3m). We are able to draw on the revolving credit facility up to maximum Group leverage (net financial debt/adjusted EBITDA) of 3.5x. This puts us in a sound financial position. In the financial year ahead, we will continue to have sufficient liquidity to finance our planned capital expenditure and meet our other financial obligations.

DIVIDEND POLICY

At the Annual General Meeting on April 25, 2018, the Management Board and Supervisory Board will be jointly proposing that a dividend of EUR 1.10 per share be paid out for the financial year 2017. This represents an increase of 4.8% against the prior-year dividend. The dividend ratio amounts to 27.1% of adjusted net income after non-controlling interests. In line with our operating performance, we plan to retain our dividend policy in the financial year 2018 and distribute to our shareholders between 20% and 30% of adjusted net income after non-controlling interests.

OVERALL OUTLOOK ASSESSMENT

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

OVERALL GROUP

In the following, we set out our expectations for the financial year 2018, in each case based on constant exchange rates. It is currently very difficult to give a forecast for the trend in the US dollar. With approximately a third of Group revenues in 2018 or around 40% of adjusted EBITDA denominated in US dollars, the US dollar is nonetheless likely to have the largest exchange rate impact on the Group currency and will therefore continue to exert a significant influence on our performance. While the US tax reform is especially advantageous to companies that primarily produce and sell in the USA, there are also unresolved issues such as the global trade agreements with the USA that may trigger tariffs on imports to the USA. A number of banks are of the opinion that the US dollar currently remains under pressure. The reason given is that the US administration under the current president has so far only been able, in the form of the tax reform, to deliver on only one election promise in the planned expansionary fiscal policy and protectionist trade policy program. Following the banks' logic, and if US inflation rises in the months ahead, the basis may be laid for the planned interest rate increase by the US Federal Reserve. Additionally assuming that the European Central Bank (ECB) will not start raising interest rates before the fall of 2019, the US dollar will celebrate a major comeback in 2018—as Commerzbank, for example, surmises in its January 2018 forecast[8]. Assessing the trend in the US dollar is very difficult for us, which is why we have decided in our forecast to hold all exchange rates constant—and thus also the US dollar exchange rate—as in the financial year 2017. This provides maximum comparability with the prior-year performance. In the following, in order to make other projections for the trend in the US dollar, we provide a sensitivity analysis as follows around the exchange rate of EUR 1.00 to USD 1.12 assumed for our guidance: As before, about a one cent rise or fall in the US dollar against the euro has an impact of around EUR 4m on revenues and EUR 1m on adjusted EBITDA.

[8] Commerzbank: Strategic Currency Briefing, January 2018.

The actual figure for revenues in the financial year 2017 marks the lower boundary for our expectations for the financial year 2018. At the upper boundary, we expect Group revenues at constant exchange rates to be up to approximately EUR 1.4bn. For adjusted EBITDA at constant exchange rates, we expect a range from EUR 305m to EUR 315m in the financial year 2018, compared with adjusted EBITDA of EUR 307.2m[9)] in the financial year 2017. Additional positive effects below the level of adjusted EBITDA follow, firstly, from redemption of the EUR 300.0m bond issue in May 2018 using the refinancing already been completed with a EUR 250.0m promissory loan. We expect that this alone will lead, on a constant exchange rate basis, to a EUR 5.5m improvement in net finance expense compared with the financial year 2017. Secondly, as a Company that largely serves the US market from US-based production, we also gain a one-off positive effect from the US tax reform in the amount of approximately USD 50m to 55m as a result of remeasurement of deferred taxes already to be recognized in the first quarter of 2018. Had the impact of the US tax reform already applied in the financial year 2017, there would have been a positive effect on current income taxes and our net income for 2017 in the low single-digit EUR million range.

Largely due to our favorable growth prospects, and driven by our initiatives to boost productivity and quality, capital expenditure in the financial year 2018 is expected to amount to around 8% of revenues at constant exchange rates.

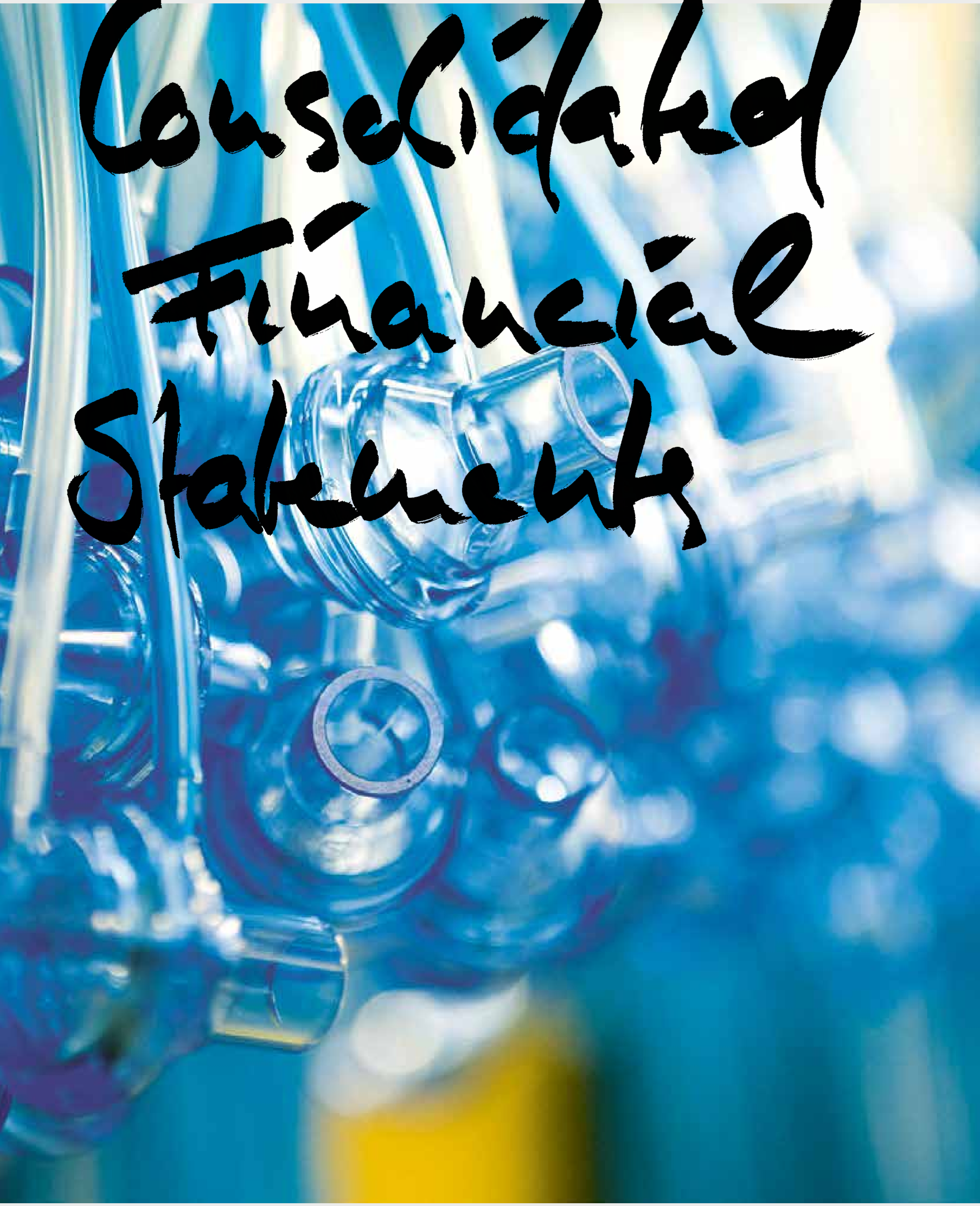
› Our net working capital profile has improved significantly in recent years. We continue to anticipate net working capital as a percentage of revenues to be around 16% as of the financial year 2018-end. Depending on our revenue performance, average net working capital can also slightly exceed 16% in the course of the year, as it may be necessary to produce in advance for some customers in order to meet any higher demand in the second half of 2018 or also for the financial year 2019.

Our long-term targets are as follows:

› We have increased our Gx ROCE guidance to around 15% (previously at least 12%), not least because of the many new products and services, as well as in consideration of further optimization measures as part of the usual productivity improvements at our plants, which we are now putting in place and further developing with our customers and cooperation partners.
› We continue to believe a net financial debt to adjusted EBITDA ratio of 2.5x to be right for Gerresheimer, with temporary variation above or below this tolerated because M&A activity cannot be planned in detail.
› Overall, this leaves us with substantial leeway, most of all for acquisitions, in the form of up to 3.5 times the ratio of net financial debt to adjusted EBITDA, which we have secured through rigorous cash flow management coupled with productivity improvements. We are consequently in a position, primarily through external financing, to capitalize at all times on the opportunities arising in the markets relevant to us.

[9)] Excluding the effect from fair value measurement of the Triveni put option.

Consolidated Financial Statements



CONSOLIDATED INCOME STATEMENT

Financial Year 2017 (December 1, 2016 to November 30, 2017)

in EUR k	Notes	2017	2016
Revenues	(8)	1,348,255	1,375,460
Cost of sales	(9)	-934,415	-943,715
Gross profit		**413,840**	**431,745**
Selling and administrative expenses	(10)	-255,569	-255,374
Other operating income	(11)	33,640	17,545
Restructuring expenses	(12)	-2,558	-2,258
Other operating expenses	(13)	-8,650	-11,215
Share of profit or loss of associated companies	(20)	93	26
Results of operations		**180,796**	**180,469**
Interest income	(14)	4,362	4,757
Interest expense	(14)	-34,995	-34,035
Other financial expenses	(14)	-4,675	-4,248
Net finance expense		**-35,308**	**-33,526**
Net income before income taxes		145,488	146,943
Income taxes	(15)	-42,436	-42,457
Net income from continuing operations		**103,052**	**104,486**
Net income from discontinued operations		–	63,715
Net income		**103,052**	**168,201**
Attributable to equity holders of the parent		100,887	121,638
Attributable to non-controlling interests	(27)	2,165	46,563
Diluted and non-diluted earnings per share (in EUR)	(16)	**3.21**	**3.87**

Notes (1) to (40) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Financial Year 2017 (December 1, 2016 to November 30, 2017)

in EUR k	Notes	2017	2016
Net income		**103,052**	**168,201**
Results from the revaluation of defined benefit plans	(28)	4,990	-1,534
Income taxes		-1,458	456
Other comprehensive income that will not be reclassified subsequently to profit or loss		**3,532**	**-1,078**
Changes in the fair value of interest rate swaps and available-for-sale financial assets		51	-7
Income taxes		-15	2
Other comprehensive income from financial instruments		**36**	**-5**
Currency translation		-45,449	-9,048
Other comprehensive income from currency translation reserve		**-45,449**	**-9,048**
Other comprehensive income that will be reclassified to profit or loss when specific conditions are met		**-45,413**	**-9,053**
Other comprehensive income		**-41,881**	**-10,131**
Total comprehensive income		**61,171**	**158,070**
Attributable to equity holders of the parent		59,876	126,048
Attributable to non-controlling interests		1,295	32,022

Notes (1) to (40) are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of November 30, 2017

ASSETS

in EUR k	Notes	Nov. 30, 2017	Nov. 30, 2016
Non-current assets			
Intangible assets	(18)	1,101,229	1,193,902
Property, plant and equipment	(19)	602,577	610,169
Investment property	(19)	5,732	5,732
Investments accounted for using the equity method	(20)	252	262
Income tax receivables		1,394	1,173
Other financial assets	(21)	5,077	5,262
Other receivables	(22)	1,594	1,481
Deferred tax assets	(23)	11,030	13,570
		1,728,885	**1,831,551**
Current assets			
Inventories	(24)	148,362	155,433
Trade receivables	(25)	242,684	232,051
Income tax receivables		2,522	7,118
Other financial assets	(21)	17,020	10,555
Other receivables	(22)	17,588	19,157
Cash and cash equivalents	(26)	287,036	118,391
		715,212	**542,705**
Total assets		**2,444,097**	**2,374,256**

EQUITY AND LIABILITIES

in EUR k	Notes	Nov. 30, 2017	Nov. 30, 2016
Equity			
Subscribed capital	(27)	31,400	31,400
Capital reserve	(27)	513,827	513,827
IAS 39 reserve	(6)	-5	-41
Currency translation reserve		-71,021	-26,442
Retained earnings	(27)	278,862	207,413
Equity attributable to equity holders of the parent		**753,063**	**726,157**
Non-controlling interests	(27)	36,462	37,138
		789,525	**763,295**
Non-current liabilities			
Deferred tax liabilities	(23)	143,539	157,633
Provisions for pensions and similar obligations	(28)	145,104	159,590
Other provisions	(30)	10,190	7,928
Other financial liabilities	(31)	681,304	744,551
Other liabilities	(32)	1,092	198
		981,229	**1,069,900**
Current liabilities			
Provisions for pensions and similar obligations	(28)	13,580	13,621
Other provisions	(30)	35,214	53,446
Trade payables	(31)	176,303	156,996
Other financial liabilities	(31)	337,667	185,428
Income tax liabilities		9,387	25,001
Other liabilities	(32)	101,192	106,569
		673,343	**541,061**
		1,654,572	**1,610,961**
Total equity and liabilities		**2,444,097**	**2,374,256**

Notes (1) to (40) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial Year 2017 (December 1, 2016 to November 30, 2017)

			Other comprehensive income					
in EUR k	Subscribed capital	Capital reserve	IAS 39 reserve	Currency translation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	**Total equity**
As of November 30/December 1, 2015	**31,400**	**513,827**	**-36**	**-31,938**	**113,152**	**626,405**	**71,726**	**698,131**
Net income	–	–	–	–	121,638	121,638	46,563	168,201
Other comprehensive income	–	–	-5	5,496	-1,081	4,410	-14,541	-10,131
Total comprehensive income	**–**	**–**	**-5**	**5,496**	**120,557**	**126,048**	**32,022**	**158,070**
Change in consolidated group	–	–	–	–	394	394	–	394
Distribution	–	–	–	-	-26,690	-26,690	-66,610	-93,300
As of November 30/December 1, 2016	**31,400**	**513,827**	**-41**	**-26,442**	**207,413**	**726,157**	**37,138**	**763,295**
Net income	–	–	–	–	100,887	100,887	2,165	103,052
Other comprehensive income	–	–	36	-44,579	3,532	-41,011	-870	-41,881
Total comprehensive income	**–**	**–**	**36**	**-44,579**	**104,419**	**59,876**	**1,295**	**61,171**
Distribution	–	–	–	–	-32,970	-32,970	-1,971	-34,941
As of November 30, 2017	**31,400**	**513,827**	**-5**	**-71,021**	**278,862**	**753,063**	**36,462**	**789,525**

Notes (1) to (40) are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Financial Year 2017 (December 1, 2016 to November 30, 2017)

in EUR k	Notes	2017	2016
Net income		103,052	168,201
Income taxes	(15)	42,436	58,745
Amortization/impairment losses of intangible assets	(18)	35,952	40,942
Depreciation/impairment losses of property, plant and equipment	(19)	88,899	85,218
Portfolio adjustment	(13)	–	1,028
Write-ups to property, plant and equipment	(19)	–	-129
Share of profit or loss of associated companies	(20)	-93	-26
Change in other provisions		-15,965	2,551
Change in provisions for pensions and similar obligations		-8,892	-8,526
Gain on the disposal of non-current assets/liabilities		-1,435	-74,948
Net finance expense	(14)	35,308	33,537
Interests paid		-25,673	-25,837
Interests received		1,682	1,741
Income taxes paid		-52,235	-94,370
Income taxes received		2,551	1,545
Change in inventories		3,519	7,820
Change in trade receivables and other assets		-24,315	-19,552
Change in trade payables and other liabilities		9,468	-4,483
Other non-cash expenses/income		24,904	30
Cash flow from operating activities		**219,163**	**173,487**
Cash received from disposals of non-current assets		3,094	1,851
Cash paid for capital expenditure			
in intangible assets		-19,655	-4,024
in property, plant and equipment		-96,864	-106,697
Cash received in connection with divestments, net of cash paid	(7)	1,356	115,714
Cash received for the acquisition of subsidiaries, net of cash received	(7)	–	1,013
Cash flow from investing activities		**-112,069**	**7,857**
Distributions to third parties		-34,889	-92,873
Distributions from third parties		168	102
Raising of loans		288,049	73,668
Repayment of loans		-192,196	-140,912
Cash paid for finance lease		-597	-996
Cash flow from financing activities		**60,535**	**-161,011**
Changes in financial resources		**167,629**	**20,333**
Effect of exchange rate changes on financial resources		-3,776	319
Financial resources at the beginning of the period		107,742	87,090
Financial resources at the end of the period		**271,595**	**107,742**
Components of the financial resources			
Cash and cash equivalents	(26)	287,036	118,391
Bank overdrafts		-15,440	-10,649
Financial resources at the end of the period		**271,596**	**107,742**

Notes (1) to (40) are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Gerresheimer AG for the Financial Year 2017
(December 1, 2016 to November 30, 2017)

(1) General Information

The Gerresheimer Group is a leading international manufacturer of high-quality specialty glass and plastic products for the global pharma and health-care industry. Based on in-house development and the latest production technologies, Gerresheimer offers pharmaceutical primary packaging, drug delivery systems and diagnostic systems and packaging for the cosmetics industry.

The consolidated financial statements as of November 30, 2017 were prepared in accordance with the International Financial Reporting Standards (IFRSs), applicable as of the reporting date, issued by the International Accounting Standards Board (IASB) as adopted by the European Union as well as with regulations under commercial law as set fourth in section 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch/HGB). Gerresheimer AG has its registered office in Klaus-Bungert-Strasse 4, 40468 Duesseldorf (Germany). Gerresheimer AG is entered in the commercial register Duesseldorf District Court (Amtsgericht – HRB 56040).

On June 11, 2007, Gerresheimer AG was listed on the regulated market in the Prime Standard segment of the Frankfurt Stock Exchange. Gerresheimer AG shares have the stock symbol GXI and ISIN DE000A0LD6E6. A total of 22,804 thousand shares were issued. These comprised 11,400 thousand shares from a rights issue, 10,600 thousand from the departing shareholder, BCP Murano, and a further 804 thousand shares provided by BCP Murano to syndicate banks for a greenshoe option. At the issue price of EUR 40.00 per share, the issue thus came to some EUR 912,166k (including greenshoe). Gerresheimer has been included in the MDAX since December 22, 2008.

Other than as noted below, the accounting policies are consistent with the prior year. The following new or revised standards were additionally adopted for the first time:

- Amendments to IFRS 10, IFRS 12, IAS 28, Investment Entities – Applying the Consolidation Exception
- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1, Disclosure Initiative
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41, Bearer Plants
- Amendments to IAS 27, Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012 – 2014 Cycle

First-time adoption of the above-mentioned standards have not had any significant effect on the consolidated financial statements.

The IASB also published the following new or revised standards, which were adopted by the European Commission, were not yet applicable in the financial year and were not applied earlier:

- IFRS 9, Financial Instruments, effective date January 1, 2018
- IFRS 15, Revenue from Contracts with Customers, effective date January 1, 2018
- Clarifications to IFRS 15, Revenue from Contracts with Customers, effective date January 1, 2018
- IFRS 16, Leases, effective date January 1, 2019
- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, effective date January 1, 2018
- Amendments to IAS 7, Disclosure Initiative, effective date January 1, 2017
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses, effective date January 1, 2017

Although Gerresheimer has not yet finalized the analysis of the impact of IFRS 9 on the presentation of the net assets, financial position or results of operations, the effects of the first-time adoption on the allocation of financial instruments to measurement categories and thus on the results of operations are estimated to be immaterial based on current knowledge.

From today´s perspective, the future application of IFRS 15 will tend to lead to later revenue recognition in construction contracts. Revenue recognition over time within the meaning of the percentage of completion method (PoC method) is, in contrast to IAS 11, no longer dependent on the fact that the contract concluded by Gerresheimer involves customer-specific production. Rather, what matters is when the customer obtains control of the goods or services to be provided by the Company. If the control transfers to the customer only after the (partial) manufacturing of the goods owed or the service to be provided, revenues prior to delivery (among other things) shall only be recognized if the product being manufactured could not exploited profitably beyond the concluded customer agreement of Gerresheimer. This requirement is not met in all cases, since the individual components only—after a certain progress in the production process—have a specification which practically excludes their alternative use. While the customer order in these cases is regularly included in the scope of IAS 11 and thus is regularly reported using the percentage of completion method according to IAS 11, the criteria for revenue recognition over time under IFRS 15 are not fulfilled until a later stage. Gerresheimer has not yet finalized the analysis of the impact of IFRS 15 on the presentation of the net assets, financial position or results of operations, so that from today´s perspective it is not practicable to provide a reasonable estimate of the financial effect.

The application of IFRS 16 will have a significant impact on the consolidated financial statements. Gerresheimer has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Gerresheimer has not yet decided whether it will use potential exemptions. In contrast, for those finance lease contracts where Gerresheimer is a lessee, the Group has already recognized an asset and a related finance lease liability for the lease arrangement in the past. In cases where Gerresheimer is a lessor, it does not anticipate that the application of IFRS 16 will have a significant impact on the consolidated financial statements. Gerresheimer has not yet finalized the analysis of the impact of IFRS 16 on the presentation of the net assets, financial position or results of operations, so that from today´s perspective it is not practicable to provide a reasonable estimate of the financial effect.

In order to improve the clarity and information value of the consolidated financial statements, certain items are combined in the consolidated balance sheet and the consolidated income statement and disclosed separately in the notes to the consolidated financial statements. The consolidated income statement has been prepared using the function of expense method.

The consolidated financial statements are presented in euros, the functional currency of the parent company. Individual values as well as subtotal values reflect the value with the smallest rounding difference. Consequently, minor differences to subtotal values can occur when adding up reported individual values.

The consolidated financial statements of Gerresheimer AG are published in German in the Federal Law Gazette and on the Internet at www.gerresheimer.com.

(2) Consolidated Group

a) Changes in the consolidated Group during the financial year 2017

With effective date June 14, 2017, Gerresheimer Singapore Pte. Ltd., Singapore (Singapore) was newly established. This distribution company had no significant impact on the net assets, financial position and results of operations or cash flows of the Gerresheimer Group.

b) Changes in the consolidated Group during the financial year 2016

In line with our strategy to focus on packaging and device solutions for our pharmaceutical customers, Gerresheimer signed an agreement on September 10, 2016, to sell the Life Science Research Division to the Duran group, a portfolio company of One Equity Partners. The transaction was completed on October 31, 2016, after approval of the relevant antitrust authorities.

The Life Science Research Division is a leading producer of special glassware for research, development and analytics. The product portfolio includes reusable laboratory glassware for research, development and analytics, such as beakers, Erlenmeyer flasks and measuring cylinders as well as disposable laboratory products such as culture tubes, pipettes, chromatography vials and other specialty laboratory glassware. It has manufacturing facilities in Rockwood (Tennessee/USA), in Rochester (New York/USA), in Queretaro (Mexico), in Meiningen-Dreissigacker (Germany) and in Beijing (China).

The Life Science Research Division comprised the entity Kimble Chase Life Science and Research Products LLC, Vineland (New Jersey/USA) and its directly and indirectly held subsidiaries. The entity Kimble Chase Life Science and Research Products LLC was a company held by Kimble Chase Holding LLC, Vineland (New Jersey/USA), of which Gerresheimer holds 51% of the capital shares and voting rights. The remaining 49% capital shares and voting rights were held by Chase Scientific Glass Inc., a company owned by the Thermo Fisher group. The following entities were directly or indirectly held by Kimble Chase Life Science and Research Products LLC: Kimble Bomex (Beijing) Labware Co. Ltd., Beijing (China) with a share of 70%, Scherf-Präzision Europa GmbH, Meiningen-Dreissigacker (Germany), Kimble Kontes LLC, Vineland (New Jersey/USA) and Kontes Mexico S. de R.L. de C.V., Queretaro (Mexico) with a share of 100% for each of the entities.

The debt-free purchase price of the transaction before net working capital adjustments and net debt adjustments amounted to USD 131,000k (EUR 119,678k) and was paid in cash. The resulting book gain before taxes arising from the divestment of EUR 74,275k is included in the prior year in the consolidated income statement within net income from discontinued operations. The purchase price adjustment of USD 1,463k, which was already taken into account in the calculation of the book gain in the financial year 2016, was paid to Kimble Chase Holding LLC, Vineland (New Jersey/USA) in the first quarter of 2017.

There was no impairment loss to be recognized as a result of the remeasurement of the discontinued operation at the lower of its carrying amount and fair value less costs to sell.

In detail, the net income from discontinued operations was calculated as follows:

in EUR k	2016
Revenues[1)]	81,810
Cost of sales	-55,304
Gross profit	**26,506**
Selling and administrative expenses	-18,250
Other operating expenses and income	71,758
Result of operations	**80,014**
Net finance expense	**-11**
Net income before income taxes	80,003
Income taxes	-16,288
Net income from disontinued operations	**63,715**
Attributable to equity holders of the parent	19,347
Attributable to non-controlling interests	44,368

[1)] This includes elimination entries for the financial year 2016 in the amount of EUR 4,838k due to the application of the consolidation method (economic view) as described in Note (3).

The assets and liabilities disposed of on October 31, 2016 broke down as follows:

ASSETS	
in EUR k	
Intangible assets	13,607
Property, plant and equipment	9,837
Inventories	22,080
Trade receivables	9,338
Other receivables	3,884
Cash and cash equivalents	8,724
Deferred tax assets	4,811
	72,281

LIABILITIES	
in EUR k	
Provisions for pensions and similar obligations	634
Other provisions	6,810
Trade payables	5,896
Income tax liabilities	239
Other liabilities	5,847
Deferred tax liabilities	21
	19,447

At the closing of the transaction on October 31, 2016, the book gain before taxes was calculated as follows:

in EUR k	
Consideration received[1)]	128,040
Assets disposed of	72,281
Liabilities disposed of	19,447
Cumulative exchange loss in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	-394
Exchange losses	-537
Book gain before taxes	**74,275**

[1)] This position includes the amount of cash and cash equivalents of EUR 7,035k as expected as of the transaction date, as well as a purchase price adjustment, which has been paid in the first quarter 2017.

Discontinued operations had following impact on our consolidated cash flow statement:

in EUR k	2016
Cash flow from operating activities	6,680
Cash flow from investing activities	124,246
Cash flow from financing activities	-65,172

The full list of shareholdings of Gerresheimer AG as of November 30, 2017 is set out below:

in %	Investment (direct and indirect)
Entities included in the consolidated financial statements	
Asia	
Gerresheimer Medical Plastic Systems Dongguan Co. Ltd., Wang Niu Dun Town, Dongguan City (China)	100.00
Gerresheimer Pharmaceutical Packaging Mumbai Private Ltd., Mumbai (India)	100.00
Gerresheimer Singapore Pte. Ltd., Singapore (Singapore)	100.00
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	60.00
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	60.00
Neutral Glass & Allied Industries Private Ltd., Mumbai (India)	100.00
Triveni Polymers Private Ltd., New Delhi (India)	75.00
Europe	
DSTR S.L.U., Epila (Spain)	100.00
Gerresheimer Boleslawiec S.A., Boleslawiec (Poland)	100.00
Gerresheimer Bünde GmbH, Buende (Germany)[1]	100.00
Gerresheimer Chalon SAS, Chalon-sur-Saone (France)	100.00
Gerresheimer Denmark A/S, Vaerloese (Denmark)	100.00
Gerresheimer Essen GmbH, Essen (Germany)[1]	100.00
GERRESHEIMER GLAS GmbH, Duesseldorf (Germany)[1]	100.00
Gerresheimer Group GmbH, Duesseldorf (Germany)[1]	100.00
Gerresheimer Hallenverwaltungs GmbH, Duesseldorf (Germany)[1]	100.00
Gerresheimer Hallenverwaltungs GmbH & Co. Objekt Düsseldorf KG, Duesseldorf (Germany)[2]	100.00
Gerresheimer Holdings GmbH, Duesseldorf (Germany)[1]	100.00
Gerresheimer Horsovsky Tyn spol. s r.o., Horsovsky Tyn (Czech Republic)	100.00
Gerresheimer item GmbH, Muenster (Germany)[1]	100.00
Gerresheimer Küssnacht AG, Kuessnacht (Switzerland)	100.00
Gerresheimer Lohr GmbH, Lohr/Main (Germany)[1]	100.00
Gerresheimer Medical Plastic Systems GmbH, Regensburg (Germany)[1]	100.00
Gerresheimer Momignies S.A., Momignies (Belgium)	100.00
Gerresheimer Moulded Glass GmbH, Tettau (Germany)[1]	100.00
Gerresheimer Plastic Packaging SAS, Besancon (France)	100.00
Gerresheimer Regensburg GmbH, Regensburg (Germany)[1]	100.00
Gerresheimer Spain S.L.U., Epila (Spain)	100.00
Gerresheimer Tettau GmbH, Tettau (Germany)[1]	100.00
Gerresheimer Vaerloese A/S, Vaerloese (Denmark)	100.00
Gerresheimer Valencia S.L.U. in LIQ, Masalaves (Spain)	99.91
Gerresheimer Werkzeugbau Wackersdorf GmbH, Wackersdorf (Germany)[1]	100.00
Gerresheimer Wertheim GmbH, Wertheim (Germany)[1]	100.00
Gerresheimer Zaragoza S.A., Epila (Spain)	99.91

in %	Investment (direct and indirect)
Americas	
Centor Inc., Perrysburg, OH (USA)	100.00
Centor Pharma Inc., Perrysburg, OH (USA)	100.00
Centor US Holding Inc., Perrysburg, OH (USA)	100.00
Gerresheimer Buenos Aires S.A., Buenos Aires (Argentina)	99.91
Gerresheimer Glass Inc., Vineland, NJ (USA)	100.00
Gerresheimer Mexico Holding LLC, Wilmington, DE (USA)	100.00
Gerresheimer MH Inc., Wilmington, DE (USA)	100.00
Gerresheimer Peachtree City (USA) L.P., Peachtree City, GA (USA)	100.00
Gerresheimer Peachtree City Inc., Peachtree City, GA (USA)	100.00
Gerresheimer Plasticos Sao Paulo Ltda., Embu (Brazil)	100.00
Gerresheimer Queretaro S.A., Queretaro (Mexico)	100.00
Gerresheimer Sistemas Plasticos Medicinais Sao Paulo Ltda., Indaiatuba (Brazil)	100.00
Kimble Chase Holding LLC, Vineland, NJ (USA)	51.00
Associated companies	
Gerresheimer Tooling LLC, Peachtree City, GA (USA)	30.00
PROFORM CNC Nastrojarna spol. s r.o., Horsovsky Tyn (Czech Republic)	40.59
Non-consolidated companies[3]	
Nouvelles Verreries de Momignies Inc., Larchmont, NY (USA)	100.00
Corning Pharmaceutical Packaging LLC, Wilmington, DE (USA)	25.00

[1] The Company made use of the exemption offered by section 264 para. 3 of the German Commercial Code (Handelsgesetzbuch/HGB).
[2] The Company made use of the exemption offered by section 264b of the German Commercial Code (Handeslgesetzbuch/HGB).
[3] Company not consolidated since it is not material to the net assets, financial position and results of operations or the cash flows of the Group.

The Gerresheimer Group comprises the following subsidiaries with material **non-controlling interests**:

in EUR k	Nov. 30, 2017 Proportion of ownership interests and voting rights held by non-controlling interests in %	Nov. 30, 2017 Accumulated non-controlling interests	Nov. 30, 2017 Distributions to non-controlling interests[1]	Nov. 30, 2016 Proportion of ownership interests and voting rights held by non-controlling interests in %	Nov. 30, 2016 Accumulated non-controlling interests	Nov. 30, 2016 Distributions to non-controlling interests[1]
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	49.0	3,364	–	49.0	2,924	63,643
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	40.0	8,595	548	40.0	9,223	972
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	40.0	4,857	1,371	40.0	5,035	1,286
Triveni Polymers Private Ltd., New Delhi (India)	25.0	19,642	–	25.0	19,952	282

[1] Distributions are converted at the respective transaction rate.

The following tables provide financial information for subsidiaries with material **non-controlling interests**:

in EUR k	Nov. 30, 2017 Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Net income
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	–	6,918	–	51	–	-216
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	12,646	14,568	–	5,897	23,411	1,364
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	4,674	12,238	–	4,499	18,290	3,911
Triveni Polymers Private Ltd., New Delhi (India)	37,310	15,318	10,417	3,297	21,986	644

in EUR k	Nov. 30, 2016 Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Net income
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	–	6,699	–	196	–	81,177
Kimble Chase Life Science and Research Products LLC, Vineland, NJ (USA) – consolidated subgroup[1]	–	–	–	–	–	6,249
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	13,225	13,268	–	3,618	23,483	1,127
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	3,464	12,015	–	2,600	18,545	4,066
Triveni Polymers Private Ltd., New Delhi (India)	41,862	13,007	11,795	2,746	20,859	469

[1] For further information refer to Note (2).

in EUR k	2017 Cash flow from operating activities	2017 Cash flow from investing activities	2017 Cash flow from financing activities	2016 Cash flow from operating activities	2016 Cash flow from investing activities	2016 Cash flow from financing activities
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	-338	1,356	–	315	124,188	-117,898
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	3,805	-1,943	-1,414	2,165	-543	-2,464
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	5,977	-2,023	-3,514	4,527	-308	-3,260
Triveni Polymers Private Ltd., New Delhi (India)	3,189	-1,141	-24	3,584	-704	-1,114

Changes in non-controlling interests are shown in the consolidated statement of changes in equity.

(3) Consolidation Principles

The consolidated financial statements include Gerresheimer AG and the domestic and foreign subsidiaries it directly or indirectly controls.

Consolidation of subsidiaries begins at the date the parent company obtains control. Subsidiaries are deconsolidated at the date control is lost. Non-controlling interests in equity, profit or loss and comprehensive income are presented separately in the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income. In the consolidated balance sheet, non-controlling interests are presented separately from equity attributable to equity holders of the parent.

Acquisitions of subsidiaries are accounted for using the acquisition method. This stipulates that all identifiable assets and liabilities of an entity acquired in a business combination are measured at acquisition date fair values. Any excess of the sum of the consideration transferred, the fair value of any previously held equity interest in the acquiree and any non-controlling interest over the remeasured net assets of the subsidiary is recognized as goodwill. Any gain from a bargain purchase (negative goodwill), after careful reassessment, is recognized immediately under other operating income in profit or loss.

Investments in associated companies are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associated company is recognized at cost. On the following reporting dates, taking into account any consolidation-specific effects, the carrying amount is increased or decreased by the change in the proportionate equity of the associated company. The two associated companies included in the consolidated financial statements have a reporting date of December 31, and therefore have a different balance sheet date. The consolidated financial statements are based on the last available balance sheet of the associated company. For reasons of practicability and materiality, the preparation of interim financial statements at the consolidated reporting date is waived.

Domestic and foreign entities included in the consolidated financial statements are prepared using uniform accounting policies.

Intra-Group transactions are eliminated. Receivables and payables between consolidated entities are set off against each other, intra-Group profits and losses are eliminated and intra-Group income is set off against corresponding expenses. Deferred taxes are recognized for temporary differences on consolidation.

In order to report net income from discontinued operations in the prior year, income and expenses resulting from intra-Group transactions were allocated to discontinued operations under consideration of future delivery and service agreements (economic view). This leads to a more meaningful presentation of the financial effects in the consolidated income statement as well as in the consolidated statement of comprehensive income.

The Life Science Research Division is included in full in the prior-year figures in the development schedules of the balance sheet items for the prior year until classification as a discontinued operation and in the consolidated cash flow statement until completion of the transaction on October 31, 2016.

(4) Currency Translation

Non-monetary items are translated into the functional currency at the transaction date exchange rate. Monetary items are translated using the closing rate at the reporting date. Exchange gains or losses from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the consolidated income statement except the effective portion of any exchange rate gains or losses on financial instruments designated as a cash flow hedge, which is recognized in other comprehensive income.

The consolidated financial statements are presented in the reporting currency euro. Balance sheet items of all foreign entities whose functional currency is not the euro are translated using the mid-market rates at the reporting date published by the European Central Bank.

Income and expense items as well as cash flows of foreign entities are translated into the reporting currency using the yearly average exchange rate. Any resulting exchange differences are recognized in other comprehensive income and reported in the currency translation reserve in equity unless the exchange difference is not allocated to non-controlling interests. The total amount of cumulative exchange rate differences allocated to the equity holders of the parent of a disposed foreign division is reclassified into the consolidated income statement.

The following exchange rates are used to translate the major currencies in the Group into reporting currency:

		Closing rate		Average rate	
1 EUR		**Nov. 30, 2017**	Nov. 30, 2016	**2017**	2016
Argentina	ARS	**20.6670**	16.6599	**18.5051**	15.7970
Brazil	BRL	**3.8668**	3.6118	**3.5972**	3.9023
Switzerland	CHF	**1.1699**	1.0803	**1.1060**	1.0914
China	CNY	**7.8377**	7.3205	**7.5925**	7.2798
Czech Republic	CZK	**25.4910**	27.0600	**26.4608**	27.0420
Denmark	DKK	**7.4417**	7.4403	**7.4383**	7.4484
India	INR	**76.3875**	72.8590	**73.3309**	73.9900
Mexico	MXN	**22.0035**	21.8775	**21.3084**	20.2194
Poland	PLN	**4.1955**	4.4483	**4.2764**	4.3534
Singapore	SGD	**1.5986**	–	**1.5518**	–
United States of America	USD	**1.1849**	1.0635	**1.1200**	1.1026

(5) Accounting Policies as well as Judgment and Estimates

Assets and liabilities are measured at amortized cost with the exception of available-for-sale financial assets and derivative financial instruments, which are measured at fair value.

Intangible assets

Intangible assets are carried at cost. Intangible assets with finite useful lives are carried at cost less amortization allocated over their useful life and less any impairments. The useful life of licenses and similar rights is one to 20 years. Brand names with finite useful lives are, like technologies, amortized over their estimated useful lives of five to 20 years. Customer bases are amortized over 15 to 20 years.

Other brand names and goodwill are recognized as intangible assets with indefinite useful lives. Goodwill, arising from business combinations, is capitalized at cost less any necessary impairments. Brand names with indefinite useful lives and goodwill are tested for impairment at least once a year. Impairment testing is performed at the end of a financial year and additionally when there are indications of a possible impairment of intangible assets with indefinite useful lives.

Research cost is generally expensed as incurred. Development cost is only recognized as an intangible asset if—among other things—it is likely that the project will be technically and commercially feasible and if the cost attributable to the intangible asset during its development can be measured reliably. Capitalized development costs are amortized on a straight-line basis over three respectively ten years.

The Group receives emission allowances free of charge in certain European countries as part of the European Emissions Trading System. These emission allowances are accounted for using the net liability method. Gerresheimer records the emission allowances as non-monetary government grants at their nominal amount. Obligations in respect of pollution emissions are not taken into account until actual emissions exceed the emission allowances held by the Gerresheimer Group. The obligation is recognized at the fair value of the emission allowances to be procured. Any emission allowances acquired from third parties are recognized at cost and reported under “other receivables”.

Property, plant and equipment
Property, plant and equipment is measured at cost less depreciation and any impairments. As well as directly attributable costs, the cost of property, plant and equipment also includes apportioned indirect material, indirect labor and production-related administrative expenses. Borrowing costs are recognized solely for qualifying assets. Qualifying assets are assets that take at least twelve months to get ready for use. Property, plant and equipment is generally subject to depreciation on a straight-line basis. Depreciation is based on useful lives estimates as follows:

in years	
Buildings	10 to 50
Plant and machinery	5 to 15
Fittings, tools and equipments	3 to 10

Repair and maintenance expenses are recognized in the consolidated income statement in the period in which they are incurred. Gerresheimer recognizes subsequent costs of major servicing and furnace overhauls as part of carrying amount if it is probable that they will result in future economic benefits and can be measured reliably.

Government grants
Government grants are recognized if they have been approved and there is reasonable assurance that the entity will comply with the conditions attached to them. Grants for purchase of assets are released to income in equal annual installments over the expected useful life of the subsidized asset.

Grants paid as compensation for expenses already incurred must be recognized in profit or loss in the period in which the corresponding claim arises.

Investment property
Investment property comprises property held on a long-term basis to earn rental income and/or for capital appreciation. It is recognized at cost less accumulated impairment losses (cost model).

Leases
Economic ownership of leased assets is attributed to the contracting party in the lease to which the substantial risks and rewards incidental to ownership of the asset are transferred.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to the lessee (finance lease), the lessee must recognize the leased asset in the balance sheet. At the commencement of the lease term, the leased asset is capitalized at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognized as expense in the income statement. The lessee recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly. The lessor in a finance lease recognizes a receivable in the amount of the net investment in the lease. Lease income is broken down into repayments of the lease receivable and finance income. The lease receivable is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognized in the balance sheet by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss on a straight-line basis by the lessor. The lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss.

Impairment
Property, plant and equipment, investment property, goodwill and intangible assets are tested for impairment if circumstances or other events indicate that their carrying amount exceeds their recoverable amount. Goodwill and other intangible assets with indefinite useful lives are additionally tested annually for impairment at the level of the cash-generating units to which they belong. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use.

For assets other than goodwill, impairment losses are reversed if the reasons for impairment cease to exist. Impairment losses are recognized in other operating expenses and any subsequent impairment reversals in other operating income.

Investments Accounted for Using the Equity Method
Investments in associates are initially recognized at cost. They are subsequently measured using the equity method, under which the carrying amount is adjusted in accordance with changes in the Group's share in the equity of the associate remeasured at the acquisition date. The percentage of the investment is calculated on the basis of the circulating shares. If an associate has a different functional currency than the reporting currency, its financial statements are translated into the reporting currency prior to equity method adjustment.

Investments in associates are reported under the position "Investments accounted for using the equity method". The share of profit or loss of associated companies is recognized in results of operations, as Gerresheimer holds such investments not for financial purposes but as part of the Group's operating business.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is generally the average cost, and includes production and material overheads in addition to direct costs. Other expenses attributable to production are also included in the costs of conversion. Besides these production costs, the cost of sales shown in the consolidated income statement also include the cost of unused capacity.

Financial assets

A financial asset is recognized when Gerresheimer becomes a contracting party in relation to the financial asset. Initial recognition is at fair value plus directly attributable transaction costs, with the exception of financial assets initially measured at fair value through profit and loss. Transaction costs directly attributable to the acquisition of financial assets that are measured at fair value through profit or loss are recognized directly in the consolidated income statement. The settlement date, i.e., the date on which the asset is delivered to or by the Gerresheimer Group (date of transfer of ownership), is relevant for the first-time recognition and derecognition of regular purchases or sales.

Upon acquisition, financial assets are classified into categories as follows. The classification is reviewed at each balance sheet date.

Financial assets measured at fair value through profit and loss: Financial assets initially measured at fair value through profit and loss comprise assets held for trading. Any gain or loss on subsequent measurement is recognized in consolidated income statement.

At Gerresheimer, these assets exclusively comprise the derivative financial instruments included in other financial assets that are not determined to be an effective hedge. Gerresheimer does not make use of the fair value option. Please see Note (6) for further explanations on derivative financial instruments.

Held-to-maturity financial investments: Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Group has the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are subsequently measured at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in profit or loss when an investment is derecognized or impaired, and through the amortization process.

No financial assets are classified in this category at Gerresheimer.

Available-for-sale financial assets: Available-for-sale financial assets are financial assets that are not allocated to any of the other categories based on their objective characteristics or have been assigned to this category by a designation of the entity. Subsequent to initial measurement, available-for-sale financial assets are generally measured at fair value. Unrealized gains or losses are recognized in other comprehensive income. Upon derecognition or impairment of an asset, any accumulated gain or loss that had previously been recognized in other comprehensive income is to be reclassified to the consolidated income statement.

Gerresheimer has classified investments in other companies as "available-for-sale". As there is no quoted price for these investments and their fair value cannot be reliably determined using a valuation technique, the financial assets are measured at cost less accumulated impairments.

The position "Other" included in other financial assets is classified in the same category.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired.

This category includes trade receivables, loans, refund claims and bills of exchange included in other financial assets, and cash and cash equivalents.

If there are indications of impairment for balances in the loans and receivables category, an impairment test is carried out. For this purpose, it is determined whether the carrying amount exceeds the present value of the estimated future cash flows discounted at the financial asset's effective interest rate. In this case, an impairment loss is recorded in the consolidated income statement for the difference. If an impairment ceases to exist, the impairment loss is reversed, though not in excess of initial cost.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset as well as all risks and rewards of ownership of the financial asset are transferred to a third party.

Objective evidence for impairments can be—among other things—an increased probability that the borrower will enter bankruptcy or other financial reorganization, significant financial difficulty of the contractual party, the disappearance of an active market for that financial asset or a breach of contract.

No reclassifications between the categories were made either in the financial year or in the prior year.

Customer-specific construction contracts
Revenues from customer-specific construction contracts are accounted for using the percentage of completion method. The work performed, including the share in the profit or loss, is recognized in revenues by reference to the stage of completion of the contract. Gerresheimer determines the applicable percentage of completion based on the portion of contract costs incurred for work performed to date relative to the estimated total contract costs (cost to cost method). When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. These amounts are reported as part of trade receivables. When progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. These amounts are reported as part of other liabilities.

Other receivables
Tax receivables, prepayments made and other non-financial assets are recognized at nominal values less impairments.

Cash and cash equivalents
Cash and cash equivalents are carried as financial assets at nominal value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents have terms of three months or less—starting from the date of acquisition.

Non-current assets held for sale and discontinued operations
This item is presented in the balance sheet if there are individual non-current assets or groups of assets that are able to be sold in their current condition and their sale is highly probable within twelve months.

Non-current assets in a disposal group are no longer depreciated or amortized. Instead, they are recognized at the lower of carrying amount and fair value less costs to sell. If the carrying amount exceeds the comparison figure, an impairment loss in the amount of the difference is recognized by Gerresheimer in the consolidated income statement.

Provisions for pensions and similar obligations
The Group has a number of pension schemes geared to the regulations and practices of the countries they apply to. Commitments have also been made in the US to provide additional post-employment medical care.

When accounting for pensions and other post-employment benefits, a distinction is made between defined benefit plans and defined contribution plans. For defined contribution plans, the Group´s obligation is limited to the performance of current annual contributions to an external pension fund. There is no legal or constructive obligation to pay any additional contributions in cases where the fund does not have enough capital to meet its performance obligations for the current and prior years. Accordingly, Gerresheimer does not recognize any assets and liabilities in relation to defined contribution plans with the exception of contribution payments in advance and arrears.

Under defined benefit plans, on the other hand, the Group has an obligation to pay pension benefits. The amount of the defined benefit obligation is tied to factors such as age, years of service and salary. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized in total in the position "Other comprehensive income". Past service cost is immediately expensed.

The defined benefit liability is the net total of the present value of the defined benefit obligation minus the fair value of plan assets out of which the obligations are to be settled directly.

The obligations are measured annually by independent actuaries. The interest payable on net pension obligations is recognized in net finance expense.

Stock appreciation rights (phantom stocks)
Stock appreciation rights are accounted for at fair value. The fair value of phantom stocks is recognized pro rata temporis in personnel expenses and, at the same time, as a provision because there is an obligation to make a cash settlement. The total expense to be recognized until the exercise date of phantom stocks is calculated based on the respective fair value of the phantom stocks and the expected staff turnover rate among beneficiaries; these parameters are reviewed at each balance sheet date.

Other provisions
Other provisions are recognized if a current obligation exists as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Non-current provisions are discounted. If a contractual claim to refund from a third party is sufficiently probable, the refund is recognized as an asset in the consolidated balance sheet.

Other provisions also include partial retirement obligations on a block model basis. The salary portion and the top-up amounts paid by the employer are recognized pro rata temporis during the active phase over the employee's remaining term of service. While the top-up amounts are paid out from the beginning of the active phase, the salary amounts are payable from the beginning of the passive phase.

Post-employment benefits are accounted for when an obligation exists on the basis of a detailed formal plan or a specific offer relating to termination benefits. Benefits not expected to be paid in full within twelve months are discounted to the present value.

Current and deferred income taxes

The incorporated companies included in the Gerresheimer Group (with the exception of the foreign subsidiaries) comprise a tax group for income tax purposes. Gerresheimer AG fulfills the role of taxpayer and/or tax creditor. As a result, the German subsidiaries consolidated into the Group do not generally incur income taxes. In addition to the calculation of current income taxes, deferred tax assets or liabilities are recognized for differences between the amounts recognized in the Company's tax accounts and its IFRS balance sheet. These represent a future tax burden (deferred tax liabilities) or future tax relief (deferred tax assets). Deferred tax assets are also recognized for tax benefits from the use of tax loss carryforwards and tax credits. The calculation is based on the tax rates valid as of the reporting date, unless a tax rate change has already been resolved for the period of expected reversal of the temporary diffeemces or expected use of loss carryforwards and tax credits. Deferred tax assets are only taken into account if realization of the tax benefits within the planning horizon seems likely.

Changes in recognized deferred tax assets or liabilities generally result in deferred tax expense or income. As far as the changes in deferred taxes result from items recognized in other comprehensive income, deferred taxes as well as their changes are equally recognized in other comprehensive income.

Financial liabilities

Financial liabilities include non-derivative financial liabilities and negative fair values of derivative financial instruments.

A non-derivative financial liability is initially recognized when a contractual obligation to payment comes into being. Initial measurement is at fair value less any transaction costs. Subsequent measurement is at amortized cost using the effective interest method. Any differences between the fair value (less any transaction costs) on initial recognition and the amount repayable on maturity are recognized in consolidated income statement over the term of the liability.

Derivative financial instruments not determined to be an effective hedge must be classified as held for trading and accounted for at fair value through profit or loss. If their fair value is negative, they are recognized in financial liabilities. Gerresheimer does not make use of the fair value option. Please see Note (6) for further explanations on accounting for derivative financial instruments. Put options, where Gerresheimer is an option writer, are classified on initial recognition as at fair value through profit and loss.

Financial liabilities are derecognized once the contractual obligations to payment arising from the liabilities have been settled, removed or canceled and have therefore expired.

Other liabilities

Prepayments received, liabilities from other taxes or social security and non-financial liabilities are accounted for at amortized cost.

Revenue recognition

Revenue is recognized when the significant risks and rewards incidental to ownership of the goods to be delivered have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, no continuing right of disposal of the goods exists and the amount of revenue can be measured reliably.

Revenue is stated net of sales taxes, other taxes and sales deductions at the fair value of the consideration received or to be received. Sales deductions are estimated amounts for rebates, cash discounts and product returns. They are deducted at the time the sales are recognized, and appropriate provisions are recorded. Sales deductions are estimated primarily on the basis of historical experience and specific contractual terms. Interest income is recognized using the effective interest method.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognized in the profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed as the ratio of the contract costs incurred to the total expected contract costs. Otherwise, contract revenue is recognized to the extent of contract costs incurred that are likley to be recoverable.

Contract cost are recognized in profit or loss as incurred unless they create an asset related to future contract activity. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Judgments and estimates

Preparation of the consolidated financial statements requires estimates, assumptions and judgments that affect the recognition and measurement of assets and liabilities, the amount of recognized income and expense and the disclosure of contingent liabilities and receivables. Although the estimates are subject to ongoing review and made to the best of management's knowledge of current events and transactions, actual future results may differ from the estimated amounts. Changes in accounting estimates are recognized in the period of the change if the change affects that period only, and in the period of the change and future periods if the change affects both.

The main future-related assumptions subject to estimation uncertainty are set out in the following.

Acquisitions of subsidiaries are accounted for using the acquisition method. This stipulates that all identifiable assets and liabilities of an entity acquired in a business combination are measured at acquisition date fair values. Measuring acquisition date fair values requires estimates. The fair values of land, buildings and office equipment are generally measured on the basis of independent appraiser. Gerresheimer also uses independent appraiser to value intangible assets, depending on the type of asset and the complexity of valuation method. Valuations require regular management estimates regarding the payments achievable with the assets and regarding the appropriate discount rate.

In order to assess the recoverability of **goodwill**, it is necessary to determine the value in use of the cash-generating unit to which the goodwill has been allocated. Measuring the value in use requires an estimation of future cash flows for the cash-generating unit and of an appropriate discount rate. If the future cash flows prove smaller than management estimated, impairment may be required. For further information, please see Note (18).

As a rule, **pensions and similar obligations** for employee benefits are provided on a defined benefit basis. The defined benefit obligation is measured in accordance with actuarial methods based on assumptions regarding the discount rate, increases in salaries and pensions, and life expectancy. These can differ considerably from actual developments because of variations in the market and economic environment. In addition, Gerresheimer provides subsidized healthcare for retired employees in the USA. Should it become necessary to modify the assumptions relating to the aforementioned parameters, this may have an effect on the future amount of pension costs, equity, and provisions for pensions and similar obligations. For further information, please see Note (28).

Gerresheimer recognizes **bad debt allowances for doubtful receivables** in order to account for impairment losses in the event that customers are unable to pay. In determining the appropriateness of the bad debt allowances recognized for doubtful receivables, Gerresheimer comprise the age structure of receivables, past experience with regard to derecognition of receivables, information on customer credit ratings and changes in payment behavior. In the event that a customer's financial situation deteriorates, the extent of actual defaults may exceed the amount of the bad debt allowances. For further information, please see Note (25).

The Gerresheimer Group operates in many different countries and is consequently subject to multiple different tax jurisdictions. If no group taxation regimes such as fiscal unity are used, taxable income tax, tax receivables and payables, temporary differences, tax loss carryforwards and the resulting deferred tax assets and liabilities must be determined separately for each taxable entity. The determination of **current and deferred taxes** requires separate judgment. Deferred tax assets are recognized insofar as their realization within the planning horizon is likely to be expected. This may lead to a restriction of deferred tax assets to the amount of deferred tax liabilities. The realization of deferred tax assets thus notably depends on the ability to generate sufficient taxable income for the applicable type of tax and tax jurisdiction in the future. Various factors have to be taken into account in assessing the probability of the inflow of future economic benefits, such as corporate planning, restrictions on tax loss carryforwards, minimum taxation and tax planning strategies. The amounts recognized for deferred tax assets may decrease if the estimates of budgeted taxable income are to be revised or if changes in tax law restrict the timescale of tax benefits or the extent to which they can be realized. For further information, please see Note (23).

Stock appreciation rights are accounted for in the Gerresheimer Group at fair value. The fair value of phantom stocks is recognized pro rata temporis in personnel expenses and, at the same time, as a provision because there is an obligation to make a cash settlement. Their fair value is determined using a recognized (binomial) option pricing model. The parameters used in this model and the fair values of each tranche are presented in Note (29). Should it become necessary to modify the assumptions relating to the aforementioned parameters, this may have effects on the future amount of expenses, equity and provisions for obligations relating to Gerresheimer stock appreciation rights.

Revenue from customer-specific construction contracts is accounted for using the percentage of completion method. The work performed, including the share in the profit or loss, is recognized in revenues in accordance with the percentage of completion. Gerresheimer determines the applicable percentage of completion as the ratio of contract costs incurred to expected total contract costs (cost to cost method). The main estimates relate to the total contract costs and the contract costs to complete the contract. These estimates are reviewed and adjusted as necessary on an ongoing basis.

(6) Financial Risk Management and Derivative Financial Instruments

Derivative financial instruments are used exclusively for hedging purposes.

The Group's financial risks are monitored centrally as part of Group-wide financial risk management. Identified potential risks are managed using suitable hedging instruments on the basis of clearly defined guidelines.

Except for price risk from fluctuations on money, capital and international commodities markets, risk management also targets credit and liquidity risk.

In line with intra-Group financing guidelines, **exchange rate risks** are hedged using forward exchange contracts and currency swaps. Transaction risks generally solely represent exposures in currency management. The currency derivatives are generally used to hedge specific hedged items and are classified as hedging instruments.

Credit risks resulting from the Group's trade relationships are monitored through credit and receivables management and by the sales divisions of operating entities. With the aim of avoiding losses on receivables, customers are subject to ongoing internal credit checks. Receivables from customers that do not have a first-class credit rating are generally insured.

The Group's **liquidity situation** is monitored and managed using sophisticated planning instruments. Risks in connection with the procurement of funds are identified and monitored on the basis of rolling financial and liquidity plans.

All derivative financial instruments are measured at fair value. Derivative financial instruments with a positive fair value are recognized in other financial assets and derivatives with negative fair values in other financial liabilities.

The fair values of derivative financial instruments are measured using the applicable exchange rates, interest rates and credit standings at the balance sheet date. The fair value is the price that a Group entity would receive or have to pay to transfer a derivative financial instrument in an orderly transaction between market participants at the measurement date.

Changes in the fair value of derivative financial instruments are recognized immediately in profit or loss, except derivatives designated as a hedge of expected future cash inflows or outflows (cash flow hedges). The portion of any changes in the fair value of a cash flow hedge that is determined to be an effective hedge is recognized by Gerresheimer in other comprehensive income (against the IAS 39 reserve). The amounts recognized in other comprehensive income are reclassified to profit or loss in the period(s) in which the hedged cash flows affect profit or loss.

Due to their short-term nature, the currency derivatives used to hedge exchange rate risk are not designated as hedge instruments by Gerresheimer. Changes in their fair value are recognized in profit or loss in accordance with the general rules on accounting for derivatives.

(7) Consolidated Cash Flow Statement

The consolidated cash flow statement shows how the financial resources of the Gerresheimer Group have changed due to cash inflows and outflows during the financial year. The cash flow effects of acquisitions, divestments and other changes in the consolidated group are presented separately. Financial resources as reported in the consolidated cash flow statement comprise cash and cash equivalents, which is cash on hand, checks and bank balances, diminished by bank overdrafts. The item "Cash received in connection with divestments, net of cash paid" in the reporting period refers to the sale of the Life Science Research Division and contains cash inflow from a purchase price adjustment of prior-year accounted receivables. In the prior year it also mainly includes the sale of the Life Science Research Division. The item "Cash received for the acquisition of subsidiaries, net of cash received" in the prior year contains cash inflow from a purchase price adjustment for the acquisition of Centor.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(8) Revenues

in EUR k	2017	2016
By Division		
Plastics & Devices	756,793	764,974
Primary Packaging Glass	591,462	610,486
Revenues	**1,348,255**	**1,375,460**

in EUR k	2017	Pro forma[1] 2016	Transition	2016
By Region[2]				
Europe	428,906	460,316	1,932	458,384
Germany	313,058	324,111	–	324,111
Americas	373,704	363,079	–	363,079
Emerging markets	206,497	202,845	-1,005	203,850
Other regions	26,090	25,109	-927	26,036
Revenues	**1,348,255**	**1,375,460**	**–**	**1,375,460**

[1] Retrospective adjustment in line with the modified definition of emerging markets applied by IQVIA , formerly Quintiles IMS, in the financial year 2017.
[2] The revenues shown here for Europe exclude revenues in Germany, Poland, Russia and Turkey, and the revenues shown for the Americas exclude revenues in Argentina, Brazil, Chile, Colombia and Mexico.

IQVIA, formerly Quintiles IMS, modified its definition of emerging markets in 2017, with 22 countries now classified as emerging markets. Egypt and Thailand have been added, while Romania has been removed from the definition. We have adjusted our reporting in line with the modified definition and restated the prior-year figures for comparison purposes. According to the current definition employed by the IQVIA institute, emerging market revenues comprise revenues in Algeria, Argentina, Bangladesh, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Kazakhstan, Mexico, Nigeria, Pakistan, Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey and Vietnam.

Revenues include EUR 42,162k (prior year: EUR 49,924k) of customer-specific contract revenue recognized under the percentage of completion method. Other revenues mainly result from sales of goods.

(9) Cost of Sales

Cost of sales comprises the cost of goods manufactured and sold and the purchase cost of merchandise sold. Cost of conversion includes direct costs such as direct material, labor and energy as well as indirect costs such as depreciation of production plant and repairs. In addition, cost of sales includes a total of EUR 84,811k (prior year: EUR 80,971k) of depreciation, amortization and impairment losses, of which amortization of fair value adjustments from purchase price allocation amount to EUR 107k (prior year: EUR 1,276k).

The cost of inventories recognized as an expense during the financial year in respect of continuing operations was EUR 348,364k (prior year: EUR 354,777k).

(10) Selling and Administrative Expenses

Selling expenses comprise personnel and non-personnel expenses for the sales organizations and distribution (including freight and commissions). In addition, selling expenses include a total of EUR 35,226k (prior year: EUR 36,735k) of depreciation and amortization, of which amortization of fair value adjustments from purchase price allocation amount to EUR 33,433k (prior year: EUR 35,393k). In the prior year, the amortization of fair value adjustments includes an impairment loss of EUR 277k of customer relationships in the Plastics & Devices Division.

Administrative expenses comprise personnel and non-personnel expenses for administrative functions as well as depreciation and amortization amounting to EUR 4,673k (prior year: EUR 5,793k).

(11) Other Operating Income

Other operating income breaks down as follows:

in EUR k	2017	2016
Income from the reversal of provisions	9,177	5,537
Income from the derecognition of liabilities	6,088	3,491
Income from refund claims against third parties and income from transaction service agreements	4,224	1,656
Income from the fair value evaluation of the put option Triveni	3,614	–
Income from other tax claims	2,547	–
Income from the disposal of intangible assets and property, plant and equipment	1,704	1,217
One-off income	279	993
Income from sale of scrap	825	728
Exchange gains	388	462
Sundry other income	4,794	3,461
Other operating income	**33,640**	**17,545**

The income from the reversal of provisions mainly results from provisions for guarantees, which have been accounted for in prior periods and are no longer needed. For further information, please see Note (30).

The income from the derecognition of liabilities in the amount of EUR 6,088k (prior year: EUR 3,491k) results from liabilities, which have been accounted for in prior periods and a claim is no longer probable, for example due to limitation in time.

Income from refund claims against third parties includes income from insurance reimbursements in the amount of EUR 2,693k, mainly from insured loss events at three of our plants in both divisions Primary Packaging Glass and Plastics & Devices. Moreover, this position includes income from transaction service agreements from completed divestments of EUR 637k. Further EUR 209k relates to a reimbursement due to a termination of a contract in the Plastics & Devices Division.

The income from other tax claims in the amount of EUR 2,547k mainly includes income from a reimbursement of energy tax for the financial years 2014 and 2015 in the Primary Packaging Glass Division of EUR 1,537k.

With the acquisition of a 75% stake in Triveni Polymers Private Ltd., New Delhi (India) on December 20, 2012, Gerresheimer granted the right to tender the remaining 25% stake commencing April 1, 2016 to the non-controlling interests. The non-controlling interests have a right to sell the remaining 25% annually between April 1 and April 30 of the respective year. Due to the fair value evaluation of this put option as of the balance sheet date, which is based on the local EBITDA of the company Triveni Polymers Private Ltd., New Delhi (India), for its financial year ending March 31, 2018, other operating income amounting to EUR 3,614k (prior year: expenses EUR 1,399k) were recognized.

Income from the disposal of intangible assets and property, plant and equipment essentially comprises income from the disposal of land in the amount of EUR 1,126k at one of our locations in the USA.

Exchange gains and losses from the translation of foreign currency operating receivables and payables and the net gain or loss from the remeasurement of derivate financial instruments used as hedges of operating foreign currency risks are netted and recognized in other operating income or other operating expenses. Exchange gains or losses from financing activities are netted and recognized net in the finance expense.

(12) Restructuring Expenses

Gerresheimer recognizes expenses as restructuring expenses if they are incurred for a program planned and controlled by management that materially changes either the scope of a business undertaken by the Group or the manner in which that business is conducted. Due to their materiality to the Gerresheimer Group, restructuring expenses are reported separately from expenses relating to measures that do not meet the foregoing definition.

In the reporting period, restructuring expenses of EUR 2,558k mostly include expenses in connection with a decided and announced factory closure in the Primary Packaging Glass Division, as well as other portfolio adjustments, which can be seen in the context of process standardization and optimization of locations.

In the prior financial year, restructuring expenses of EUR 2,258k mostly include expenses in connection with a restructuring measure to increase efficiency in the Plastics & Devices Division, as well as other portfolio adjustments, which can be seen in the context of process standardization and optimization of locations. Restructuring expenses and income from the reversal of restructuring provisions are netted in restructuring expenses.

(13) Other Operating Expenses

Other operating expenses break down as follows:

in EUR k	2017	2016
Research and development	3,508	3,163
One-off expenses	2,899	1,503
Loss from the fair value evaluation of the put option Triveni	–	1,399
Expenses from related parties (Supervisory Board)	1,114	1,110
Portfolio adjustments	–	1,028
Losses from disposal of fixed assets	269	393
Sundry other expenses	860	2,619
Other operating expenses	**8,650**	**11,215**

Significant components of other operating expenses represent one-off expenses and portfolio adjustments of EUR 2,899k (prior year: EUR 2,531k). The one-off expenses in the current financial year mainly consist of one-off items in connection with the withdrawal of Mr. Röhrhoff from the Management Board of Gerresheimer AG as well as for the restructuring measures and optimization of our business activities. Moreover, this item includes expenses in connection with planned acquisition projects as well as amounts for arbitrated processes.

Exchange gains and losses from the translation of foreign currency operating receivables and payables and the net gain or loss from remeasurement of derivate financial instruments used as hedges of operating foreign currency risks are netted and recognized in other operating income or other operating expenses. Exchange gains or losses from financing activities are netted and recognized in the finance expense.

(14) Net Finance Expense

in EUR k	**2017**	2016
Interest income	4,362	4,757
Interest expense	-34,995	-34,035
Other finance expense	-4,675	-4,248
Net finance expense	**-35,308**	**-33,526**
Thereof: Net interest expense on the defined benefit liability	*-3,043*	*-3,580*

Interest expense comprises interest expenses on liabilities to banks, the bond issued, finance lease liabilities, as well as other financial liabilities and provisions. The item "other finance expense" mainly comprises exchange gains and exchange losses from financing activities as well as related gains and losses from hedging transactions.

Interest in connection with the put option (EUR 1,528k; prior year: EUR 6k) are classified as "At fair value through profit and loss". All other income from financial assets is classified as "Loans and receivables", and all other expenses from financial liabilities are classified as "Liabilities carried at amortized cost".

Gerresheimer successfully launched EUR 250,000k promissory loans on September 27, 2017. This means that refinancing for the EUR 300,000k bond issue maturing on May 19, 2018 is already secure. The liquidity resulting from refinancing at this early stage was principally used to scale back drawings on a revolving credit facility up until redemption of the bond issue.

(15) Income Taxes

in EUR k	**2017**	2016
Current income taxes	-41,721	-42,096
Deferred income taxes	-715	-361
Income taxes	**-42,436**	**-42,457**

Deferred income taxes in connection with items which are recognized in the other comprehensive income result in an decrease of equity by EUR 1,473k (prior year: increase of equity EUR 458k), of which EUR 1,458k (prior year: EUR 456k) relate to income taxes in connection with the remeasurement of defined benefit obligation pension plans. Additional information on deferred taxes is provided in Note (23).

The differences between expected and effective tax expense in the Group reconcile as follows:

in EUR k	**2017**	2016
Net income before income taxes	145,488	146,943
Expected tax expense: 29% (prior year: 29%)	**-42,192**	**-42,613**
Differences:		
Tax loss carryforwards without deferred taxes	-2,460	-1,741
Different foreign tax rates	3,569	4,672
Non-deductible expenses	-2,995	-3,179
Tax-free income and tax benefits	1,913	1,427
Effects from changes in tax rates	291	-69
Change in value allowance for deferred tax assets	-728	-59
Taxes from prior periods	295	-874
Other	-129	-21
Total differences	**-244**	**156**
Effective tax expense	**-42,436**	**-42,457**
Tax rate	**29.2%**	**28.9%**

The corporation tax rate in Germany remains unchanged compared to the prior year at 15.0% plus a 5.5% solidarity surcharge on corporation tax and trade tax of approximately 13.1%. This results in a combined tax rate of approximately 29%.

The tax rates for subsidiaries whose registered offices are not in Germany vary between 14.1% and 38.0% (prior year: 14.1% and 38.0%). Some of the subsidiaries in China benefited from tax privileges in the current financial year, with a resulting tax rate of 15.0%.

Effects from profit and loss transfer agreements

The taxable earnings of 14 German consolidated entities in the same income tax group are assigned to Gerresheimer AG as fiscal unity parent.

Deferred taxes on tax loss carryforwards

Deferred tax assets in the amount of EUR 50,999k (prior year: EUR 37,107k) were not recognized for tax loss carryforwards at foreign Group companies of Gerresheimer AG, as the tax loss carryforwards are not expected to be utilized in the next five years. In addition, as of November 2017, corporate tax loss carryforwards of EUR 27,892k and trade tax loss carryforwards of EUR 47,868k from the time prior to the establishment of the tax group exist for the affiliated companies. Since these tax loss carryforwards cannot be used during the existence of the tax group, no deferred tax assets are recognized.

Deferred tax assets of EUR 5,421k (prior year: EUR 4,250k) were recognized for tax loss carryforwards at foreign Group companies despite losses in the current financial year and in the prior year, as the companies concerned expect to generate future taxable profits. There is sufficient reliability that the tax loss carryforwards can be realized. The tax loss carryforwards, of which EUR 6,310k will expire between 2022 and 2025, relate in their entirety to foreign companies.

Deferred tax liabilities in the amount of EUR 31,703k (prior year: EUR 31,980k) for taxable temporary differences from investments in fully consolidated subsidiaries were not recognized, as Gerresheimer AG is able to control the timing of the reversal of the temporary differences and these will unlikely reverse in the foreseeable future.

(16) Earnings per Share

Basic earnings per share are calculated by dividing net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

No new shares were issued in the financial years 2017 and 2016, such that the weighted average number of shares was 31,400,000 in both financial years.

The existing phantom stock program (see Note (29)) stipulates that when the exercise target is reached, Gerresheimer AG has the option of settling the amount to which beneficiaries are entitled either by issuing shares of Gerresheimer AG or by cash payment. As the Company plans to settle in cash, the program has no dilutive effect. Warrants or conversion rights do not exist. Diluted and basic earnings per share are therefore identical.

in EUR k	2017	2016
Net income from continuing operations	**103,052**	**104,486**
Thereof: Attributable to equity holders of the parent	100,887	102,291
Thereof: Attributable to non-controlling interest	2,165	2,195
Income from discontinued operations	**–**	**63,715**
Thereof: Attributable to equity holders of the parent	–	19,347
Thereof: Attributable to non-controlling interest	–	44,368
Net income	**103,052**	**168,201**
Thereof: Attributable to equity holders of the parent	100,887	121,638
Thereof: Attributable to non-controlling interest	2,165	46,563

in thousand	2017	2016
Average number of issued ordinary shares	31,400	31,400

in EUR	2017	2016
Diluted and non-diluted earnings per Share		
from continuing operations	3.21	3.26
from discontinued operations	–	0.61
from continuing and discontinued operations	3.21	3.87

OTHER INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

(17) Personnel Expenses

Personnel expenses break down as follows:

in EUR k	2017	2016
Wages and salaries	328,646	327,348
Social security and other benefit costs	58,881	57,717
Pension costs	5,150	5,935
Personnel expenses	**392,677**	**391,000**

The Gerresheimer Group had an average of 9,791 employees in the financial year 2017 (prior year: 10,508), comprising 2,260 white-collar employees (prior year: 2,346), 7,308 blue-collar employees (prior year: 7,921) and 223 trainees (prior year: 241).

NOTES TO THE BALANCE SHEET

(18) Intangible Assets

Intangible assets break down as follows:

in EUR k	Goodwill	Customer relationship, brand names, technologies and similar assets	Development costs	Other	**Intangible assets**
As of November 30, 2017					
Prior-year carrying amount	687,750	497,069	3,248	5,835	1,193,902
Currency translation	-30,967	-45,388	10	-65	-76,410
Additions	–	–	3,632	16,023	19,655
Disposals	–	–	–	4	4
Reclassifications	–	–	-82	120	38
Amortization	–	33,540	348	2,064	35,952
Carrying amount	**656,783**	**418,141**	**6,460**	**19,845**	**1,101,229**
Cost	660,633	649,414	16,252	45,343	1,371,642
Accumulated amortization and impairment losses	3,850	231,273	9,792	25,498	270,413
Carrying amount	**656,783**	**418,141**	**6,460**	**19,845**	**1,101,229**
As of November 30, 2016					
Prior-year carrying amount	700,352	542,503	2,524	6,005	1,251,384
Currency translation	-2,587	-4,199	-3	-13	-6,802
Additions	–	–	1,144	2,876	4,020
Disposals	–	–	1	1	2
Reclassifications	–	–	-49	–	-49
Amortization	–	37,859	367	2,439	40,665
Impairment losses	–	277	–	–	277
Change in non-current assets held for sale and discontinued operations	-10,015	-3,099	–	-593	-13,707
Carrying amount	**687,750**	**497,069**	**3,248**	**5,835**	**1,193,902**
Cost	691,575	703,638	12,692	29,612	1,437,517
Accumulated amortization and impairment losses	3,825	206,569	9,444	23,777	243,615
Carrying amount	**687,750**	**497,069**	**3,248**	**5,835**	**1,193,902**

Significant intangible assets result from business combinations. Amortization of intangible assets is mainly disclosed in the functional area selling expenses. While brand names – with the exception of one company – have indefinite useful lives, the remaining identifiable assets will be fully amortized by 2035 at maximum.

In the current financial year, no impairment losses have been included in the amortization of fair value adjustments. In the prior year, impairment losses of EUR 277k on customer relationships in the Plastics & Devices Division are included in the position amortization of fair value adjustments.

Goodwill is assigned to the five (prior year: five) cash-generating units as follows:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Plastics & Devices		
Plastic Packaging	91,365	93,427
Medical Systems	115,468	115,468
Centor	260,289	290,957
Primary Packaging Glass		
Converting	63,341	61,578
Moulded Glass	126,320	126,320
Goodwill	**656,783**	**687,750**

Goodwill is not amortized. It is tested for impairment at least once annually.

The impairment test on goodwill was carried out in all cash-generating units Plastic Packaging, Medical Systems, Centor, Converting and Moulded Glass in accordance with the budget prepared on the basis of historical performance and current market expectations and adopted by the Management Board for the years 2018 to 2022 (prior year: 2017 to 2021).

The growth rate used to extrapolate for subsequent years was 1.0%. This does not exceed the assumed average growth rate for the market or industry. Gerresheimer determines the recoverable amount as value in use, using cash flow projections budgeted for the years 2018 to 2022. Future cash flows are discounted using the weighted average cost of capital (WACC). To determine the cost of equity the beta factor was derived on the basis of a peer group. Borrowing costs were determined from an analysis of the credit facilities in use. A sensitivity analysis was performed to show the effects of a potential increase or decrease to the weighted average cost of capital (WACC). The weighted average cost of capital before tax was determined iteratively from the weighted average cost of capital after tax and breaks down as follows for the cash-generating units:

in %	2017	2016
Plastics & Devices		
Plastic Packaging	6.2	6.1
Medical Systems	6.8	6.3
Centor	5.7	5.5
Primary Packaging Glass		
Converting	6.1	6.3
Moulded Glass	6.3	6.3

As in the prior year, goodwill impairment testing did not indicate any impairment. The change in book values of each of the cash-generating units results merely from currency effects.

For each of the cash-generating units, management is of the opinion that no reasonably possible change in the key assumptions used to determine the value in use would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

As in the prior financial year, **brand names** as of November 30, 2017 are fully allocated to the Plastics & Devices Division. Brand names – with the exception of one company – have an indefinite useful life and were not amortized. Brand names with an indefinite useful life are recorded with an amount of EUR 21,858k as of November 30, 2017 (prior year: EUR 22,309k).

EUR 3,508k (prior year: EUR 3,163k) was spent on research and development in the financial year. The Group has recognized development costs in the amount of EUR 3,632k in 2017 (prior year: EUR 1,144k).

The position “Other” mainly includes licenses, primarily related to an exclusive license for an integrated, passive syringe safety solution and the new Gx® RTF vials product portfolio of prefillable sterile injection vials, together with technological know-how, standard software applications and prepayments on intangible assets.

(19) Property, Plant and Equipment and Investment Property

Property, plant and equipment and investment property break down as follows:

in EUR k	Land, land rights and buildings (used for operating purposes)	Plant and machinery	Other equipment and machinery	Payments on account and assets under construction	**Property, plant and equipment**	**Investment property**
As of November 30, 2017						
Prior-year carrying amount	180,025	332,902	27,480	69,762	610,169	5,732
Currency translation	-2,202	-10,328	-532	-2,847	-15,909	–
Additions	3,109	27,211	4,812	63,778	98,910	–
Disposals	338	578	48	692	1,656	–
Reclassifications	2,348	40,144	2,227	-44,757	-38	–
Depreciation	8,489	72,823	7,550	–	88,862	–
Impairment losses	28	9	–	–	37	–
Carrying amount	**174,425**	**316,519**	**26,389**	**85,244**	**602,577**	**5,732**
Cost	246,194	752,068	85,430	85,341	1,169,033	6,714
Accumulated depreciation and impairment losses	71,769	435,549	59,041	97	566,456	982
Carrying amount	**174,425**	**316,519**	**26,389**	**85,244**	**602,577**	**5,732**
As of November 30, 2016						
Prior-year carrying amount	178,326	339,780	24,558	61,941	604,605	5,791
Currency translation	-684	-4,011	-309	-1,445	-6,449	–
Additions	12,093	31,355	6,793	58,501	108,742	–
Disposals	338	481	75	221	1,116	59
Reclassifications	4,051	38,746	4,938	-47,687	49	–
Depreciation	9,125	68,104	7,811	–	85,040	–
Impairment losses	85	1,028	–	93	1,206	–
Write-up	–	129	–	–	129	–
Change in non-current assets held for sale and discontinued operations	-4,213	-3,484	-614	-1,234	-9,545	–
Carrying amount	**180,025**	**332,902**	**27,480**	**69,762**	**610,169**	**5,732**
Cost	249,875	749,687	80,688	69,855	1,150,105	6,714
Accumulated depreciation and impairment losses	69,850	416,785	53,208	93	539,936	982
Carrying amount	**180,025**	**332,902**	**27,480**	**69,762**	**610,169**	**5,732**

Property, plant and equipment include leased assets in the amount of EUR 8,503k (prior year: EUR 7,245k). As of the end of the reporting period, these comprised finance leases for production, warehouse and office land and buildings in the amount of EUR 6,378k (prior year: EUR 7,002k), finance leases for plant and machinery in the amount of EUR 1,942k (prior year: EUR 26k) and finance leases for other property, plant and equipment in the amount of EUR 183k (prior year: EUR 217k).

Property (land and building) owned by the group with a book value of EUR 1,994k as of November 30, 2017 (prior year: EUR 2,026k) were provided as collateral for the case in which the prior owners of the company concerned are not able to comply to their liabilities to the tax authorities. With regard to the collateral provided, there is a full right of recourse to the prior owners of the company concerned and thus there is no risk for the Gerresheimer Group to be enlisted from these collaterals.

The land not used for operating purposes and classified as investment property in accordance with IAS 40 is leasehold land with a carrying amount of EUR 2,062k (prior year: EUR 2,062k) and a fair value of EUR 4,080k (prior year: EUR 4,080k) and non-operating land. The fair value of leasehold land is determined from various informations which includes past sales, officially published indicative land values and independent appraisals. The fair values of other non-operating land are the same as the carrying amounts.

Rental income from investment properties amounts to EUR 44k in the financial year 2017 (prior year: EUR 44k). Expenses of EUR 41k were incurred (prior year: EUR 51k).

Of the impairment losses, 100.0% (prior year: 8.4%) relate to the Plastics & Devices Division and 0.0% (prior year: 91.6%) to the Primary Packaging Glass Division. Impairment losses reported in the financial year are mainly due to portfolio adjustments.

(20) Investments Accounted for Using the Equity Method

The table below shows a summary of aggregated financial information on individually immaterial companies that are accounted for using the equity method, relating to the shares attributable to Gerresheimer AG. The companies included here are: Gerresheimer Tooling LLC, Peachtree City (Georgia/USA) and PROFORM CNC Nastrojarna spol. s r.o., Horsovsky Tyn (Czech Republic):

in EUR k	**Nov. 30, 2017**	Nov. 30, 2016
Assets	1,601	1,672
Equity	1,035	867
Liabilities	566	804
Revenues	2,808	2,988
Profit or loss	326	334

Changes in at equity accounted investments are shown in the table below:

in EUR k	**Investments accounted for using the equity method**
As of November 30, 2017	
Prior-year carrying amount	262
Distributions	-78
Currency translation	-25
Share of profit or loss of associated companies	93
Carrying amount	**252**
As of November 30, 2016	
Prior-year carrying amount	237
Currency translation	-1
Share of profit or loss of associated companies	26
Carrying amount	**262**

In the prior year, Gerresheimer AG indirectly held 30.15% of the shares in PROFORM CNC Nastrojarna spol. s r.o., Horsovsky Tyn. In the financial year 2017, by decision the involvement of two shareholders of PROFORM CNC Nastrojarna spol. s r.o., Horsovsky Tyn, expired and the share capital was reduced by the contribution of these shareholders. As a result, the share in the share capital has increased to 40.59%.

(21) Financial Assets

Financial assets break down as follows:

in EUR k	Nov. 30, 2017 Total	Nov. 30, 2017 Thereof: Current	Nov. 30, 2017 Thereof: Non-current	Nov. 30, 2016 Total	Nov. 30, 2016 Thereof: Current	Nov. 30, 2016 Thereof: Non-current
Fair Value of derivative financial instruments	1,037	1,037	–	77	77	–
Investments	228	–	228	235	–	235
Refund claims for pension benefits	3,762	304	3,458	3,886	260	3,626
Refund claims from third parties	8,546	8,546	–	7,547	7,547	–
Other loans	1,430	39	1,391	1,383	37	1,346
Other	7,094	7,094	–	2,689	2,634	55
Other financial assets	**22,097**	**17,020**	**5,077**	**15,817**	**10,555**	**5,262**
Trade receivables	242,684	242,684	–	232,051	232,051	–
Cash and cash equivalents	287,036	287,036	–	118,391	118,391	–
Financial assets	**551,817**	**546,740**	**5,077**	**366,259**	**360,997**	**5,262**

The position “Other” includes mainly bills of exchange.

At the reporting date of the financial year 2017, as well as in the prior year, other financial assets that are neither past due nor impaired are recoverable in full and none of the unimpaired financial assets were overdue.

In the financial year, and in the prior year, no impairment losses were recognized on investments.

The carrying amount of financial assets in the consolidated financial statements generally represents the maximum exposure to credit risk for the Group as a whole. Approximately 25% of trade receivables were covered by credit insurance in the financial year 2017 (prior year: approximately 26%).

The above-mentioned trade receivables include EUR 24,843k (prior year: EUR 20,786k) in gross amounts due from customers for contract work.

For further details on the fair values of derivative financial instruments, please see the information provided in Note (34).

(22) Other Receivables

Other receivables break down as follows:

	Nov. 30, 2017			Nov. 30, 2016		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Other tax receivables	9,575	*8,684*	*891*	9,848	*8,790*	*1,058*
Prepaid assets	3,256	*3,220*	*36*	4,846	*4,728*	*118*
Other assets	6,351	*5,684*	*667*	5,944	*5,639*	*305*
Other receivables	**19,182**	***17,588***	***1,594***	**20,638**	***19,157***	***1,481***

The prepaid expenses mainly consist of accrued payments made prior to the reporting date for maintenance, tax, personnel and insurance expenses in the next financial year.

(23) Deferred Taxes

Deferred tax assets break down as follows:

	Nov. 30, 2017		Nov. 30, 2016	
in EUR k	**Realization expected within 12 months**	**Realization expected after 12 months**	Realization expected within 12 months	Realization expected after 12 months
Tax benefits				
Tax loss carryforwards	268	9,972	646	8,602
	268	**9,972**	**646**	**8,602**
Temporary differences				
Fixed assets	481	2,783	474	1,946
Inventories	999	–	1,167	–
Receivables and other assets	209	–	136	3
Provisions for pensions	805	25,211	799	28,902
Other provisions	6,899	1,034	9,342	5,104
Payables and other liabilities	2,283	1,535	1,987	1,419
Cash flow hedge	–	2	–	17
	11,676	**30,565**	**13,905**	**37,391**
	11,944	**40,537**	**14,551**	**45,993**
Offset	-41,451		-46,974	
Recognized as non-current in the balance sheet	**11,030**		**13,570**	

Deferred tax liabilities break down as follows:

in EUR k	Nov. 30, 2017 Realization expected within 12 months	Nov. 30, 2017 Realization expected after 12 months	Nov. 30, 2016 Realization expected within 12 months	Nov. 30, 2016 Realization expected after 12 months
Temporary differences				
Fixed assets	7,378	170,459	6,404	191,151
Inventories	2,906	87	3,011	196
Receivables and other assets	1,433	717	1,242	753
Other provisions and liabilities	1,120	890	618	1,232
	12,837	**172,153**	**11,275**	**193,332**
Offset	-41,451		-46,974	
Recognized as non-current in the balance sheet	**143,539**		**157,633**	

Deferred tax assets and liabilities are offset by company or tax group if, and only if, the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and Gerresheimer has a legally enforceable right to set off current tax assets against current tax liabilities.

(24) Inventories

Inventories break down as follows:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Raw materials, consumables and supplies	49,921	49,968
Work in progress	14,993	18,429
Finished goods and merchandise	81,381	83,983
Prepayments made	2,067	3,053
Inventories	**148,362**	**155,433**

Write-downs of inventories totaling EUR 7,541k (prior year: EUR 7,955k) were recognized as an expense in the financial year. When the circumstances that caused a write-down no longer exist, the write-down is reversed. Reversals of write-downs amounted to EUR 839k (prior year: EUR 712k) in the financial year. These are mainly attributable to the increase of the net realisable value of inventories written down in prior periods and the use of previously blocked stock and therefore previously impaired inventories.

For further details on the cost of inventories recognized as an expense during the financial year in respect of continuing operations, please see the information provided in Note (9).

As in the prior year, no inventories were pledged as security for liabilities as of November 30, 2017.

(25) Trade Receivables

Trade receivables break down as follows:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Trade receivables	244,541	234,206
Less bad debt allowances	1,857	2,155
Net trade receivables	**242,684**	**232,051**

The above-mentioned trade receivables include the following amounts due from customers from construction contracts:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Costs incurred and recognized profits	84,636	97,108
Less progress billing	60,408	76,878
Net amount due from customers for contract work	**24,228**	**20,230**
Thereof: Amounts due from customers for contract work	*24,843*	*20,786*
Thereof: Amounts due to customers for contract work	*615*	*556*

Bad debt allowances are recognized for doubtful receivables. Factors considered in determining the appropriateness of the bad debt allowances recognized for doubtful receivables comprise the age structure of receivables, past experience with regard to the derecognition of receivables, customer credit ratings and changes in payment terms.

As of the balance sheet date, the age structure of unimpaired trade receivables breaks down as follows:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Carrying amount	242,684	232,051
General bad debt allowances	962	1,093
Specific bad debt allowances	895	1,062
Gross carrying amount of receivables for which specific bad debt allowances were recognized	972	1,069
Trade receivables not impaired	**243,569**	**233,137**
Thereof as of the balance sheet date		
not past due	*227,581*	*219,340*
past due by up to 30 days	*8,635*	*9,063*
past due by 31 to 60 days	*2,471*	*1,877*
past due by 61 to 90 days	*2,340*	*539*
past due by 91 to 120 days	*1,249*	*1,002*
past due by more than 120 days	*1,293*	*1,316*
	243,569	**233,137**

The gross carrying amount of trade receivables individually determined to be impaired is EUR 972k (prior year: EUR 1,069k). The corresponding bad debt allowance is EUR 895k (prior year: EUR 1,062k). The net carrying amount of trade receivables individually determined to be impaired is therefore EUR 77k (prior year: EUR 7k).

Bad debt allowances developed as follows:

in EUR k	2017	2016
As of December 1	2,155	3,045
Disposal of Life Science Research Division	–	-579
Allowances recognized in profit or loss	335	698
Utilized	-128	-846
Reversed	-393	-199
Currency translation	-112	36
As of November 30	**1,857**	**2,155**

(26) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits not subject to risk of changes in value.

(27) Equity and Non-controlling Interests

As of November 30, 2017, subscribed capital remains unchanged at EUR 31,400k, and the capital reserve amounts to EUR 513,827k. The capital reserve contains share premiums from the IPO in the year 2007 and cash contributions from shareholders in the years 2004 and 2007.

The number of shares outstanding at the reporting date is 31,400,000 each with a nominal value of EUR 1.00. In the current financial year, a dividend of EUR 32,970k was paid out for the financial year 2016. This corresponds to a dividend of EUR 1.05 per no-par-value share.

Proposal for appropriation of retained earnings

The Management Board and the Supervisory Board will propose to the Annual General Meeting on April 25, 2018 to distribute a dividend of EUR 1.10 per share for the financial year 2017 (prior year: EUR 1.05 per share). This corresponds to a dividend payment of EUR 34,540k, which is an increase of 4.8% compared to the prior-year dividend payment. The dividend ratio amounts to 27.1% (prior year: 24.9%) of adjusted net income after non-controlling interests of EUR 127,459k (prior year: EUR 132,621k). The distribution is in line with our dividend policy of distributing between 20% and 30% of adjusted net income after non-controlling interests to shareholders, according to our operating performance. Furthermore, it will be proposed that the residual retained earnings of the Company of EUR 118,067k should be carried forward to new account. As a result, Gerresheimer shareholders benefit from the business success of the Gerresheimer Group.

in EUR	**2017**	2016
Retained earnings before dividend payment	152,607,004.84	126,271,169.85
Dividend payment	34,540,000.00	32,970,000.00
Carryforward to new account	**118,067,004.84**	**93,301,169.85**

(28) Provisions for Pensions and Similar Obligations

While the Gerresheimer Group has pension plans in various countries, pension plans in Germany and pension and health plans (health insurance for retired employees) in the USA account for 96.6% of the Gerresheimer Group’s total provisions for pensions and similar obligations.

Subject to individual exceptions, no new employees are accepted into the German defined benefit plans. The German plans are in the process of being wound down, with their pension obligations decreasing over time. Pension plans are generally based on an employee’s length of service, pay and position. Pension entitlements are thus acquired for each year of service according to salary. Pension awards for active members of the Management Board are generally handled through a pension fund or provident fund. The pension obligations are funded by annual contribution payments to the provident fund. If the fund assets are insufficient when the pension starts, supplementary contributions are called in. Further details on the Management Board pension plans are provided in the Remuneration Report section of the Group Management Report.

The US defined benefit plans have been closed and the benefits vested. These plans are funded by investments (plan assets). The plans are financed from annual contribution payments. To limit exposure to capital market and demographic risk, all new US pension plans are defined contribution plans.

Retired employees domiciled in the USA also receive subsidized healthcare. Under these plans, retirees are refunded a certain percentage of eligible healthcare expenditure. The healthcare plans in the USA have been closed and the benefits vested. This has limited the risk of continuously increasing refund claims for the Gerresheimer Group. Changes in the legal framework can cause changes to pension and health plans.

Provisions for pensions developed as follows:

in EUR k	2017	2016
As of December 1	173,211	177,502
Utilization	-12,262	-12,695
Additions	6,414	7,869
Change in consolidated group	–	-631
Impact of revaluation	-4,990	1,534
Currency translation	-3,678	-341
Changes in plan surplus recognized in other assets	-11	-27
As of November 30	**158,684**	**173,211**
Thereof: Current	*13,580*	*13,621*

Group provisions of EUR 126,183k (prior year: EUR 133,969k) were recognized in connection with various pension plans and individual agreements entered into by German Group companies; an amount of EUR 32,501k (prior year: EUR 39,242k) primarily relates to US Group entities. The provision also includes the obligations of US Group companies to assume the medical expenses of retired employees. Plan assets in the amount of EUR 0k (prior year: EUR 11k) in relation to these pension provisions are recognized.

The benefits are mainly financed through the systematic accumulation of pension provisions at the entities concerned. External funds that meet the definition of plan assets exist both domestically and internationally.

The following assumptions were made when determining the pension provision and plan assets:

	Domestic		International	
in %	Nov. 30, 2017	Nov. 30, 2016	Nov. 30, 2017	Nov. 30, 2016
Discount rate	1.45	1.43	0.80 – 7.15	0.80 – 7.30
Increase in salaries	3.25	3.25	0.50 – 6.55	0.50 – 5.00
Increase in pensions	1.00	1.00	–	–
Increase in medical costs	–	–	5.00 – 6.00	5.00 – 6.33

The discount rate is based on the yield on high-quality corporate bonds. The Prof. Dr. Heubeck RT 2005 G mortality tables were used as the reference basis with regard to mortality for the determination of domestic pension obligations. For foreign Group companies, current country-specific mortality assumptions were used. The projected income trends reflect expected rates of increase in salaries and income.

The present value of the defined benefit obligation breaks down as follows:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Present value of the defined benefit obligation as of December 1	227,556	239,717
Current service cost	2,847	2,940
Interest expense	4,188	5,021
Employee contributions	533	648
Benefit payments	-15,196	-21,266
Actuarial gains/losses	-2,298	1,619
Financial assumptions	*-711*	*9,775*
Demographic assumptions	*-181*	*-3,385*
Experience assumptions	*-1,406*	*-4,771*
Past service cost	–	1,095
Change in consolidated group	–	-1,004
Administration costs	431	527
Settlement	-18	-1,121
Currency translation and other changes	-7,548	-620
Present value of the defined benefit obligation	**210,495**	**227,556**

Changes in plan assets are as follows:

in EUR k	Nov. 30, 2017	Nov. 30, 2016
Fair value of plan assets as of December 1	54,356	62,253
Interest income on plan assets	1,145	1,441
Actual return on plan assets, excluding interest income on plan assets	2,692	85
Employee contributions	533	648
Employer contributions	1,409	1,505
Benefit payments	-4,454	-10,076
Change in consolidated group	–	-373
Settlement	–	-848
Other changes (primarily currency translation)	-3,870	-279
Fair value of plan assets	**51,811**	**54,356**

The composition of the plan assets used to cover the defined benefit obligation breaks down as follows as of the balance sheet date:

	Domestic		International	
in EUR k	Nov. 30, 2017	Nov. 30, 2016	Nov. 30, 2017	Nov. 30, 2016
Plan assets with quoted market price	5,111	5,288	26,343	27,655
Shares (held directly)	*2,230*	*940*	*11,817*	*13,286*
Fixed-interest securities	*2,848*	*4,312*	*10,160*	*9,648*
Liquidity	*33*	*36*	*1,806*	*2,027*
Insurance contracts	*–*	*–*	*50*	*91*
Other	*–*	*–*	*2,510*	*2,603*
Plan assets with non-quoted market price	5,870	5,448	14,487	15,965
Insurance contracts	*5,791*	*5,366*	*14,487*	*15,965*
Other	*79*	*82*	*–*	*–*
Plan assets	**10,981**	**10,736**	**40,830**	**43,620**

The expected contributions to plan assets in the next financial year are estimated at EUR 1,346k. Contributions are mainly paid by the employer.

The main pension funds relate to the pension plans in the USA and Switzerland. Their investment policy, besides complying with regulatory requirements, is geared to the risk structure within the defined benefit obligation.

In Switzerland, a full insurance policy has been taken out to cover the insurance and investment risk. Contributions to financing of the pension fund in this instance are made in equal amounts by the employees and the employer. Based on the fund’s investment policy, Gerresheimer expects a return on capital ensuring long-term fulfillment of obligations to be generated.

Pension expenses included in the consolidated income statement are calculated as follows:

in EUR k	2017	2016
Current service cost	*2,847*	*2,940*
Past service cost	*93*	*1,095*
Service cost	**2,940**	**4,035**
Interest expense	*4,188*	*5,021*
Return on plan assets	*-1,145*	*-1,441*
Net interest expense	**3,043**	**3,580**
Administration costs	431	527
Effect of settlement	–	-273
	6,414	**7,869**
Thereof: Expense for pension benefits for which there are reimbursement rights	*64*	*79*

With the exception of net interest, all expenses and income are recognized on a net basis in personnel expenses, which is included in functional cost. Net interest expense is shown in the net finance expense.

For one pension obligation in Germany, there is a contractual claim to refund of pension payments against a third party. This refund claim does not conform to the definition of plan assets and therefore cannot be accounted for net of the pension obligations. The refund claim for pension benefits is included in other financial assets. Please see Note (21).

The Gerresheimer Group expects benefit payments in future years as follows:

in EUR k	2018	2019	2020	2021
Expected benefit payments	13,580	12,895	12,690	12,017

The weighted average duration of the defined benefit obligation is between 12.2 years in Germany and between 6.1 and 16.2 years internationally.

The main actuarial assumptions used in the determination of defined benefit obligations are the discount rate and the expected salary trend. The pension provision also includes the partial obligations of US Group companies to assume the medical costs of retired employees. The obligation was determined assuming a cost inflation rate of 6.0% (prior year: 6.3%) falling incrementally to 5.0% by 2021. The sensitivity analyses in the following show how the amount of the defined benefit obligation would have been affected by possible changes in the relevant assumptions. The calculations assume otherwise unchanged assumptions:

	Effect on present value of defined benefit obligation	
in EUR k	**2017**	2016
Increase in discount rate by 0.5 percentage points	-12,056	-13,661
Decrease in discount rate by 0.5 percentage points	13,475	15,023
Increase in salaries by 0.25 percentage points	473	633
Decrease in salaries by 0.25 percentage points	-453	-608
Increase in medical costs by 1.0 percentage point	1,706	2,096
Decrease in medical costs by 1.0 percentage point	-1,584	-1,939

Various interdependencies exist between the above actuarial assumptions. The sensitivity analyses do not take such interdependencies into account.

Contributions of EUR 1,562k (prior year: EUR 1,520k) were paid into defined contribution plans in the financial year, mainly at US Group companies. For a member of the Management Board of Gerresheimer AG, EUR 95k (prior year: EUR 0k) was recognized as an expense for defined contribution pension plans. These will be paid to the member of the Management Board at the end of February 2018. For further information, please refer to the Remuneration Report section of the Group Management Report.

EUR 12,610k (prior year: EUR 12,746k) in statutory pension insurance contributions were paid in Germany.

(29) Gerresheimer Stock Appreciation Rights (Phantom Stocks)

The Company has agreed long-term share-price-based variable remuneration with all members of the Management Board. Under the agreements, members are granted a specific number of stock appreciation rights (phantom stocks), according to the share price, for each year of service on the Management Board. Each stock appreciation right entitles the holder to a payment based on the change in the share price, subject to a performance threshold: At the exercise date, the Company's share price must exceed the initial price for the relevant tranche by at least 12% or have increased by a larger percentage than the MDAX. For stock appreciation rights relating to 2017, the initial price is the EUR 74.61 issue price. The performance threshold is relevant to vesting but not to determination of the payment amount. Stock appreciation rights can be exercised during a 16-month exercise period following a four-year waiting period. The payment amount is equal to the absolute increase in the share price between the issue date of the stock appreciation rights and the exercise date. However, the payment amount is capped at 25% of the initial price of all stock appreciation rights in the same tranche. All unexercised stock appreciation rights expire on departure of the holder, except in the event of death or permanent incapacity, or if the holder has not been a member of the Management Board for at least one full year of the term of each tranche. All entitlements to future stock appreciation rights likewise expire on departure. The Company reserves the right to settle stock appreciation rights with shares; however, cash settlement is planned.

Since approval of the renumeration system at the Annual General Meeting on April 30, 2015, when extending the contracts of existing Management Board members or appointing new Management Board members, a new agreement applies under which each Management Board member receives a value-based allocation. Members of the Management Board are thus no longer allocated a specific number of stock appreciation rights but are awarded an entitlement (in a specific amount) to a payment in the event that the exercise and payment conditions are met. After a vesting period of five years, a Management Board member is entitled, within an ensuing period of 24 months, to demand payment in the amount of the appreciation in the stock market price of Gerresheimer stock between the issue date and the exercise (maturity) date. Payment is conditional on the percentage appreciation being at least 20% or being greater than the percentage increase in the MDAX over the maturity period and on at least one full year's membership of the Management Board within the maturity period. The target-based remuneration is to be 40% of the individual fixed salary for each member of the Management Board on attainment of an exercise target comprising a 20% increase in the share price. If the share price rises during the set period by 40% or more, the entitlement awarded to the members of the Management Board is capped at 80% of their individual fixed salary.

The fair value of the phantom stocks is determined using a recognized (binomial) option pricing model. The volatility of the target value is assumed as 18% p.a. (prior year: 26% p.a.) and the employee turnover rate as 3% p.a. (prior year: 3% p.a.). The yield on German government bonds of matching maturities was used as the risk-free interest rate. Additionally, the following assumptions were made for the fair value valuation:

Members of the Management Board	Tranche 8 (2014)	Tranche 9 (2015)	Tranche 9 new (2015)	Tranche 10 (2016)	Tranche 10 new (2016)	Tranche 11 new (2017)
Grant date	February 9, 2010/ June 24, 2011/ October 23, 2012	June 24, 2011/ October 23, 2012	May 22, 2014	June 24, 2011	May 22, 2014/ February 9, 2015	May 22, 2014/ February 9, 2015/ April 25, 2016
Term of tranche	October 31, 2019	October 31, 2020	June 16, 2022	October 31, 2021	June 10, 2023	June 9, 2024
End of the vesting period	June 13, 2018	June 16, 2019	June 16, 2020	June 10, 2020	June 10, 2021	June 9, 2022
Issue price (in EUR)	48.82	51.89	51.89	68.87	68.87	74.61
Target price (in EUR)	54.68	58.12	62.27	77.13	82.64	89.53
Number of stock appreciation rights issued	185,000	105,000	Entitlement	50,000	Entitlement	Entitlement
Exercise threshold (in %)	12	12	20	12	20	20
Fair value (in EUR k)	1,985	919	616	249	749	988
Maximum pay-out amount (in EUR k)	2,258	1,362	616	861	1,120	1,624

Based on the above assumptions, the fair value of the 2018 to 2021 tranches (tranches 12 to 15) is EUR 3,889k as of the balance sheet date.

The phantom stocks developed as follows:

Management and members of the Management Board	Tranche 7 (2013)	Tranche 8 (2014)	Tranche 9 (2015)	Tranche 10 (2016)
As of November 30, 2012	**–**	**–**	**–**	**–**
Allocated	436,400	–	–	–
Exercised	50,000	–	–	–
Expired during the period	18,900	–	–	–
As of November 30, 2013	**367,500**	**–**	**–**	**–**
Allocated	–	185,000	–	–
Exercised	157,400	–	–	–
Expired during the period	9,100	–	–	–
As of November 30, 2014	**201,000**	**185,000**	**–**	**–**
Allocated	–	–	105,000	–
Exercised	7,600	–	–	–
Expired during the period	8,400	–	–	–
As of November 30, 2015	**185,000**	**185,000**	**105,000**	**–**
Allocated	–	–	–	50,000
Exercised	–	–	–	–
Expired during the period	–	–	–	–
As of November 30, 2016	**185,000**	**185,000**	**105,000**	**50,000**
Allocated	–	–	–	–
Exercised	185,000	–	–	–
Expired during the period	–	–	–	–
As of November 30, 2017	**–**	**185,000**	**105,000**	**50,000**

In the reporting year 2017, an amount of EUR 2,094k was paid for tranche 7.

The provision for the phantom stock program amounted to EUR 4,296k as of the reporting date (prior year: EUR 4,609k). The expenses amounted to EUR 1,781k for the financial year 2017 (prior year: EUR 1,564k).

(30) Other Provisions

Other provisions developed as follows:

in EUR k	As of Dec. 1, 2016	Reclassifica-tions	Utilization	Reversal	Additions	Change in non-current assets held for sale and discontinued operations	Currency translation	**As of Nov. 30, 2017**	*Thereof: Current*	*Thereof: Non-current*
Tax provisions	1,491	–	447	100	2,195	–	-58	3,081	*3,081*	–
Personnel obligations	21,194	–	8,481	593	8,446	–	-729	19,837	*13,150*	*6,687*
Warranties	19,987	–	7,309	6,545	3,740	–	-265	9,608	*9,608*	–
Sales bonuses, rebates and discounts	3,775	–	2,101	360	1,959	–	-46	3,227	*3,227*	–
Other	14,927	–	7,496	2,339	5,159	–	-600	9,651	*6,148*	*3,503*
Other provisions	**61,374**	**–**	**25,834**	**9,937**	**21,499**	**–**	**-1,698**	**45,404**	***35,214***	***10,190***

in EUR k	As of Dec. 1, 2015	Reclassifica-tions	Utilization	Reversal	Additions	Change in non-current assets held for sale and discontinued operations	Currency translation	As of Nov. 30, 2016	*Thereof: Current*	*Thereof: Non-current*
Tax provisions	4,757	–	4,069	–	950	-119	-28	1,491	*1,491*	–
Personnel obligations	21,335	-1,553	6,362	466	9,357	-942	-175	21,194	*13,775*	*7,419*
Warranties	17,105	370	2,921	4,576	11,076	-742	-325	19,987	*19,987*	–
Sales bonuses, rebates and discounts	8,769	69	4,113	70	1,652	-2,454	-78	3,775	*3,775*	–
Other	19,433	-82	10,614	1,159	10,437	-2,780	-308	14,927	*14,418*	*509*
Other provisions	**71,399**	**-1,196**	**28,079**	**6,271**	**33,472**	**-7,037**	**-914**	**61,374**	***53,446***	***7,928***

Provisions for personnel obligations notably include obligations relating to Gerresheimer phantom stocks, long-service awards and phased retirement agreements, and a group health insurance program at the US Group companies.

Provisions for warranties are recorded on the basis of legal or contractual obligations and refer to product related warranty commitments. The amount of provisions recorded is based on management's best estimate. This estimate was done on the basis of past experience and warranty data of similar products. It can fluctuate due to changed production processes as well as due to other parameters influencing the product's quality. In the past years, Gerresheimer has invested in initiatives on quality optimizations, among others by means of modernization. During the current financial year, these investments did not only result in increased reversal of provisions but a reduced need to set up provisions of this kind.

The provisions for sales bonuses, rebates and discounts relate to unpaid compensation granted on revenues realized prior to the balance sheet date.

The position "Other" includes restructuring provisions in connection with the divisional realignment and streamlining. The restructuring provisions of EUR 4,387k at the financial year-end (prior year: EUR 3,730k) are based on detailed formal plans.

Two arbitration proceedings were pending until the prior financial year at the subsidiaries Gerresheimer Group GmbH, Duesseldorf (Germany), and GERRESHEIMER GLAS GmbH, Duesseldorf (Germany). Both proceedings were decided by the Higher Regional Court (Oberlandesgericht) Duesseldorf, Germany, during the financial year. On January 19, 2017, the Higher Regional Court Duesseldorf decided that the cash compensation paid to the former shareholders of GERRESHEIMER GLAS GmbH of EUR 16.12 per share resulting from the exclusion of the minority shareholders is increased by EUR 3.28 to EUR 19.40 per share. The second proceeding relates to the severance pay and compensation under a control and profit transfer agreement. On July 6, 2017, the Higher Regional Court Duesseldorf increased the appropriate compensation for the outstanding shareholders of GERRESHEIMER GLAS GmbH from EUR 14.75 to EUR 15.79 per share. The appropriate compensation payment for the outstanding shareholders of GERRESHEIMER GLAS GmbH for the financial year 2000/2001 was determined at EUR 1.17 (gross) per share and for the financial years 2001/2002 onwards at EUR 1.27 (gross) per share, less any corporate income tax and solidarity surcharge in the amount of the corresponding legal rate. While payments in relation to these arbitration proceedings have been partially effected in the financial year 2017, further payments are expected in the next finanicial year. The position "Other" includes expected expenses for these arbitration proceedings.

Moreover, the position "Other" also includes expected expenses for a large number of items, which are not significant on an individual basis.

The reclassifications in the prior year relate to reclassifications into or out of liability items.

Interest expenses relating to the compounding of long-term accruals amount to EUR 144k (prior year: EUR 271k).

Outflows of economic benefits in relation to provisions are expected in the amount of EUR 35,214k (prior year: EUR 53,446k) within one year, EUR 10,190k (prior year: EUR 7,928k) between two and five years and EUR 0k (prior year: EUR 0k) after more than five years.

(31) Financial Liabilities

Financial liabilities break down as follows:

	Nov. 30, 2017			Nov. 30, 2016		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Promissory loans	673,798	*–*	*673,798*	424,116	*–*	*424,116*
Bond	299,687	*299,687*	*–*	299,016	*–*	*299,016*
Liabilities to banks	15,870	*15,813*	*57*	173,101	*173,101*	*–*
unsecured	*15,870*	*15,813*	*57*	*11,655*	*11,655*	*–*
secured[1]	*–*	*–*	*–*	*161,446*	*161,446*	*–*
Fair Value of derivative financial instruments	372	*372*	*–*	2,990	*2,990*	*–*
Other	29,244	*21,795*	*7,449*	30,756	*9,337*	*21,419*
Other financial liabilities	**1,018,971**	***337,667***	***681,304***	**929,979**	***185,428***	***744,551***
Trade payables	176,303	*176,303*	*–*	156,996	*156,996*	*–*
Financial liabilities	**1,195,274**	***513,970***	***681,304***	**1,086,975**	***342,424***	***744,551***

[1] Secured by guarantor plan.

The carrying amounts of the position "Other" and the trade payables correspond approximately to their fair values.

For further details of derivative financial instruments, please see Note (34).

Gerresheimer successfully launched EUR 250,000k promissory loans on September 27, 2017. This means that funding for the EUR 300,000k bond issue maturing on May 19, 2018 is already secure.

The following table shows maturities, interest rates and fair values for promissory loans, the issued bond and liabilities to banks:

Nov. 30, 2017

Currency in k	Currency	Amount	Due by	Interest rate % p.a.	**Carrying amount (EUR)**	Fair Value (EUR)
Promissory loans	EUR	169,500	2020[1]	0.98	**169,500**	169,500
	EUR	20,000	2020[1]	0.75[2]	**20,000**	20,000
	EUR	160,000	2022[1]	1.44	**160,000**	160,000
	EUR	50,000	2022[1]	0.95[2]	**50,000**	50,000
	EUR	25,500	2025[1]	2.04	**25,500**	25,500
	EUR	90,000	2022[1]	0.82	**90,000**	90,000
	EUR	5,500	2022[1]	0.60[2]	**5,500**	5,500
	EUR	104,500	2024[1]	1.25	**104,500**	104,500
	EUR	4,500	2024[1]	0.75[2]	**4,500**	4,500
	EUR	45,500	2027[1]	1.72	**45,500**	45,500
Capitalized fees	EUR	-1,201	2020–2027[1]	0.60–2.04	**-1,202**	-1,202
					673,798	**673,798**
Bond	EUR	300,000	2018[1]	5.00	**300,000**	306,600[3]
Capitalized fees	EUR	-313	2018[1]	5.00	**-313**	–
					299,687	**306,600[3]**
Liabilities to banks	USD	200	2018	2.20–5.00	**169**	169
	PLN	46,970	2018	2.23–2.26[4]	**11,195**	11,195
	EUR	816	2018	0.23	**816**	816
	ARS	2,518	2018	9.80	**122**	122
	ARS	3,000	2019	22.50	**145**	145
	INR	324,212	–[5]	9.30–9.35[4]	**4,244**	4,244
Capitalized fees	EUR	-274	2020	–	**-274**	-274
	USD	-648	2020	–	**-547**	-547
					15,870	**15,870**
					989,355	**996,268**

Nov. 30, 2016

Currency in k	Currency	Amount	Due by	Interest rate % p.a.	Carrying amount (EUR)	Fair Value (EUR)
Promissory loans	EUR	169,500	2020[1]	0.98	169,500	169,500
	EUR	20,000	2020[1]	0.75[2]	20,000	20,000
	EUR	160,000	2022[1]	1.44	160,000	160,000
	EUR	50,000	2022[1]	0.95[2]	50,000	50,000
	EUR	25,500	2025[1]	2.04	25,500	25,500
Capitalized fees	EUR	-884	2020–2025[1]	0.75–2.04	-884	-884
					424,116	**424,116**
Bond	EUR	300,000	2018[1]	5.00	300,000	320,715[3]
Capitalized fees	EUR	-984	2018[1]	5.00	-984	–
					299,016	**320,715[3]**
Liabilities to banks	USD	172,978	2016	1.61[4]	162,679	162,679
	USD	300	2017	4.00	282	282
	PLN	26,353	2017	2.03–2.26[4]	5,924	5,924
	EUR	724	2017	0.23	724	724
	INR	344,252	–[5]	9.50–9.80[4]	4,725	4,725
Capitalized fees	EUR	-379	2020	–	-379	-379
	USD	-901	2020	–	-854	-854
					173,101	**173,101**
					896,233	**917,932**

[1] Final maturity.
[2] These items relate to variable interest, however here only a margin is reported since the EURIBOR is negative as of the reporting date.
[3] The carrying amount of the bond does not correspond to its fair value.
[4] The indicated positions refer to variable interest.
[5] Operating loan facility, indefinite term.

The interest rates shown are the interest rates at the balance sheet date.

In connection with the refinancing of the syndicated loans, a new revolving loan agreement of EUR 450,000k was signed on June 9, 2015 with a five-year term to maturity.

The bond with a nominal value of EUR 300,000k remains in place. It was issued on May 19, 2011 with an issue price of 99.4%, a coupon of 5.0% p.a. and a term to maturity ending on May 19, 2018.

On November 10, 2015, promissory loans for a total of EUR 425,000k were launched with maturities of five, seven and ten years. In connection with the refinancing of the bond, promissory loans for a total of EUR 250,000k were issued on September 27, 2017 with maturities of five, seven and ten years.

The position "Other" also includes put options granted to non-controlling shareholders, finance lease liabilities and accrued interest liabilities. Regarding lease agreements, please refer to Note (33).

(32) Other Liabilities

Other financial obligations break down as follows:

	Nov. 30, 2017			Nov. 30, 2016		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Prepayments received	29,028	*28,183*	*845*	30,188	*30,188*	*–*
Liabilities from other taxes	10,314	*10,314*	*–*	10,006	*10,006*	*–*
Liabilities from social security obligations	5,763	*5,763*	*–*	5,454	*5,454*	*–*
Other	57,179	*56,932*	*247*	61,119	*60,921*	*198*
Other liabilities	**102,284**	***101,192***	***1,092***	**106,767**	***106,569***	***198***

Prepayments received include EUR 23,492k (prior year: EUR 22,632k) relating to customer-specific construction contracts.

For prepayments received in the amount of EUR 29,028k (prior year: EUR 30,188k) collaterals were given by means of assets amounting to EUR 3,880k (prior year: EUR 6,211k).

The position "Other" primarily relate to obligations to employees.

(33) Other Financial Obligations

Other financial obligations not balanced on an account break down as follows:

in EUR k	**Nov. 30, 2017**	Nov. 30, 2016
Obligations under rental and operating lease agreements	39,810	44,172
Capital expenditure commitments	9,822	11,391
Sundry other financial obligations	7,516	7,564
Other financial obligations	**57,148**	**63,127**

The obligations from rental and operating lease agreements mainly relate to plant as well as to land and buildings used for operating purposes.

Finance lease and operating lease obligations fall due as follows:

in EUR k	Finance leases			Rentals and operating leases
	Minimum lease payments	Interest component	Present value	Nominal value
Due within 1 year	922	253	669	10,599
Due 1 to 5 years	5,787	692	5,095	21,216
Due after 5 years	2,586	346	2,240	7,995
November 30, 2017	**9,295**	**1,291**	**8,004**	**39,810**

in EUR k	Finance leases			Rentals and operating leases
	Minimum lease payments	Interest component	Present value	Nominal value
Due within 1 year	831	182	649	11,358
Due 1 to 5 years	5,638	472	5,166	23,412
Due after 5 years	1,584	154	1,430	9,402
November 30, 2016	**8,053**	**808**	**7,245**	**44,172**

EUR 14,120k (prior year: EUR 14,429k) was recognized as expense in the consolidated income statement in the financial year 2017 in connection with rentals and operating leases. Thereof, EUR 0k (prior year: EUR 1,317k) is reported as part of the net income from discontinued operations.

(34) Reporting on Capital Management and Financial Instruments

The Group's capital management objectives primarily consist of maintaining and ensuring the best-possible capital structure to reduce cost of capital, ensuring a sufficient level of cash and cash equivalents as well as active management of net working capital. Net financial debt as of November 30, 2017 amounts to EUR 712,660k (prior year: EUR 788,188k); net working capital is EUR 185,715k (prior year: EUR 200,300k).

The Gerresheimer Group's risk management system for credit risk, liquidity risk and individual market risks, including interest risks, currency risks and other price risks, is described, including its objectives, policies and processes and their measures to monitor the covenants to be complied with, in the Opportunity and Risk Report section of the Group Management Report. Please see Note (6) for further explanations.

Information on financial instruments by category and class

By type of determination of the fair values of financial assets and financial liabilities, three hierarchy levels must be distinguished. Gerresheimer reviews the categorization of fair value measurements to levels in the fair value hierarchy at the end of each reporting period.

Level 1: Fair values are determined on the basis of quoted prices in an active market.

Level 2: If no active market for a financial asset or a financial liability exists, fair value is established by using valuation techniques. The fair value measurements categorized in Level 2 were determined on the basis of prices in the most recent transactions with willing and independent parties or using valuation techniques that only take into account directly or indirectly observable inputs.

Level 3: The fair value measurements are based on models incorporating unobservable inputs that are significant to the measurement.

	Nov. 30, 2017				Nov. 30, 2016			
in EUR k	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets designated "available-for-sale"								
Securities	75	–	–	75	646	–	–	646
Financial assets designated "at fair value through profit and loss"								
Derivative financial assets	–	1,037	–	1,037	–	77	–	77
Measured at fair value	**75**	**1,037**	**–**	**1,112**	**646**	**77**	**–**	**723**
Financial liabilities designated "at fair value through profit and loss"								
Derivative financial liabilities	–	372	–	372	–	2,990	–	2,990
Put options	–	–	11,897	11,897	–	–	14,706	14,706
Measured at fair value	**–**	**372**	**11,897**	**12,269**	**–**	**2,990**	**14,706**	**17,696**

The following table shows the carrying amounts and fair values of the individual financial assets and financial liabilities for each category of financial instruments and reconciles them to the corresponding balance sheet items:

	Nov. 30, 2017				Nov. 30, 2016			
	At amortized cost		At fair value		At amortized cost		At fair value	
in EUR k	Carrying amount	*For information purposes: Fair Value*	Carrying amount	**Balance sheet amount**	Carrying amount	*For information purposes: Fair Value*	Carrying amount	**Balance sheet amount**
Trade receivables	217,841	*217,841*	–	217,841[1]	211,265	*211,265*	–	211,265[1]
Loans and receivables	217,841	*217,841*	–	–	211,265	*211,265*	–	
Other financial assets	20,985	*20,757*	1,112	22,097	15,094	*14,859*	723	15,817
Available-for-sale financial assets	228[2]	–	75	–	235[2]	–	646	
At fair value through profit or loss	–	–	1,037	–	–	–	77	
Loans and receivables	20,757	*20,757*	–	–	14,859	*14,859*	–	
Cash and cash equivalents	287,036	*287,036*	–	287,036	118,391	*118,391*	–	118,391
Financial assets	**525,862**	***525,634***	**1,112**	**526,974**	**344,750**	***344,515***	**723**	**345,473**
Other financial liabilities	1,006,702	*1,013,615*	12,269	1,018,971	912,283	*933,982*	17,696	929,979
At amortized cost	1,006,702	*1,013,615*	–	–	912,283	*933,982*	–	
At fair value through profit or loss	–	–	12,269	–	–	–	17,696	
Trade payables	176,303	*176,303*	–	176,303	156,996	*156,996*	–	156,996
At amortized cost	176,303	*176,303*	–	–	156,996	*156,996*	–	
Financial liabilities	**1,183,005**	***1,189,918***	**12,269**	**1,195,274**	**1,069,279**	***1,090,978***	**17,696**	**1,086,975**

[1] Receivables under construction contracts are additionally recognized in the consolidated balance sheet in the amount of EUR 24,843k (prior year: EUR 20,786).
[2] Due to the non-availability of a reliably estimable quoted price, the valuation at fair value of investments with a carrying amount of EUR 228k (prior year: EUR 235k) is waived.

Liabilities measured at amortized cost include finance lease liabilities for which Group companies are the lessees. As of November 30, 2017, these liabilities amount to EUR 8,004k (prior year: EUR 7,245k).

The fair values of receivables, loans and liabilities are measured at the present value of future cash flows discounted at the current interest rate as of the balance sheet date. The fair values are discounted at an interest rate, taking into account the maturity of the asset or the remaining term of the liability and the counterparty's credit standing as of the balance sheet date.

Due to the predominantly short terms, the fair values of trade receivables, trade payables, other financial assets, other financial liabilities as well as cash and cash equivalents do not differ significantly from their carrying amounts.

Receivables relating to application of the percentage of completion method amount to EUR 24,843k (prior year: EUR 20,786k).

Maturity analysis

The Group continually monitors liquidity risk. The maturities of the Group's financial liabilities as of November 30, 2017 are as follows. The amounts are stated on the basis of the contractual, non-discounted payments.

Nov. 30, 2017

in EUR k	Due or due in 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Promissory loans	–	–	–	495,000	180,000	**675,000**
Bond and liabilities to banks	4,380	391	311,864	56	–	**316,691**
Interest payments on bond and liabilities to banks	–	47	23,345	28,434	8,154	**59,980**
Trade payables	141,674	23,764	10,865	–	–	**176,303**
Finance lease liabilities	78	195	649	5,787	2,586	**9,295**
Other	–	–	12,271	114	–	**12,385**
	146,132	**24,397**	**358,994**	**529,391**	**190,740**	**1,249,654**

Nov. 30, 2016

in EUR k	Due or due in 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Promissory loans	–	–	–	189,500	235,500	425,000
Bond and liabilities to banks	173,449	429	456	300,000	–	474,334
Interest payments on bond and liabilities to banks	563	7	20,118	33,630	4,861	59,179
Trade payables	110,728	40,002	6,256	10	–	156,996
Finance lease liabilities	69	165	597	5,638	1,584	8,053
Other	–	–	10	16,745	–	16,755
	284,809	**40,603**	**27,437**	**545,523**	**241,945**	**1,140,317**

The liabilities from bond and liabilities to banks existing as of November 30, 2017 in the amount of EUR 16,692k include no (prior year: EUR 162,679k) drawings from the revolving credit facility, which have been agreed firmly, until June 2020. These drawings in the prior year were fully included under the item "Due or due in 1 month".

Hedges

Derivative financial instruments are used exclusively for hedging purposes. The Group's financial risks are monitored centrally as part of Group-wide financial risk management. Identified potential risks are managed using suitable hedging instruments on the basis of clearly defined guidelines.

The following table provides an overview of hedges as of the financial year-end:

in EUR k	**Nov. 30, 2017 Exchange rate hedges**	Nov. 30, 2016 Exchange rate hedges
Nominal value (gross)	372,616[1]	267,432[1]
Fair value (net)	665	-2,913
Residual term	05/2018	06/2017
Carrying amount (underlying assets)	25,038	17,700
Carrying amount (underlying liabilities)	15,617	23,112

[1] This also includes forward exchange contracts for receivables and payables between consolidated companies in the amount of EUR 331,961k (prior year: EUR 226,509k) that have been eliminated in the consolidation.

The put option of Triveni is included in the carrying amount of the underlying liabilities of the exchange rate hedges in both financial years.

The derivative financial instruments are measured at fair values determined by banks. As hedges, there is generally an economic relationship between the hedging instruments and hedged operating items.

Cash flow hedges

As of November 30, 2017, there is no hedging against interest rate risks.

Foreign exchange hedges

In accordance with internal financing guidelines, the Gerresheimer Group used forward exchange contracts and currency swaps in the financial year 2017 to hedge currency risks on foreign currency-denominated receivables and payables. The sole risk exposure in connection with currency management relates to transaction risks. The currency-derivatives are used to hedge specific hedged items and are classified as hedging instruments.

Gains from derivative financial instruments of EUR 14,689k were recognized in profit and loss in the financial year 2017 (prior year: EUR 9,528k losses).

Sensitivity analyses

Interest rate risk is presented using sensitivity analyses. The following section describes the sensitivity of net income before taxes and of the cash flow hedge reserve recognized in equity to a reasonably possible change in interest rates.

The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rate of non-derivative financial instruments with fixed interest rates only affect earnings when the instruments are measured at fair value. In the Gerresheimer Group, all non-derivative liabilities are measured at amortized cost. No financial liabilities with fixed interest rates are therefore exposed to interest rate risk.

If the market interest rate had been 100 basis points higher or 100 basis points lower as of November 30, 2017 (prior year: 100 basis points higher or 50 basis points lower), net income before taxes would have been EUR 954k lower or EUR 954k higher (prior year: EUR 1,676k lower or EUR 838k higher).

The following section describes the sensitivity of net income before taxes (due to the change in the fair values of monetary assets and liabilities) to a reasonably possible change in exchange rates, with Gerresheimer AG only being exposed to currency risk on unhedged monetary financial instruments. All other variables remain constant.

If the euro had increased (decreased) by 10% against all currencies as of November 30, 2017, net income before taxes would have decreased by EUR 633k or increased by EUR 815k (prior year using the same sensitivities: increase of EUR 332k and decrease of EUR 743k).

OTHER NOTES

(35) Segment Reporting

Segment reporting follows internal reporting according to the management approach.

In the Gerresheimer Group, the Management Board of Gerresheimer AG, as the chief operating decision maker, allocates resources to the operating segments and assesses their performance. The reportable segments and regions as well as the performance data shown are consistent with the internal management and reporting system.

The Gerresheimer Group is managed through strategic business units organized as divisions. These are aggregated into reporting segments based on the economic characteristics of their businesses.

Already with the start of the financial year 2014, Gerresheimer realigned its formerly three divisions. The organization was geared more closely to customer needs while businesses with similar technologies were pooled. The sale of the Life Science Research Division was closed on October 31, 2016 after approval of the relevant antitrust authorities. Since then, Gerresheimer Group has been subdivided into the two divisions Plastics & Devices and Primary Packaging Glass.

Plastics & Devices

The Plastics & Devices Division encompasses complex customer-specific system solutions for easy and safe drug administration. These include insulin pens, inhalers and prefillable syringes. Also included are diagnostics and medical technology products, such as skin-prick aids and test systems as well as pharmaceutical plastic containers for liquid and solid medicines with closure and safety systems.

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

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

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

Primary Packaging Glass

The Primary Packaging Glass Division produces glass primary packaging products for drugs and cosmetics. This includes pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars, plus special glass containers for the food and drinks industry.

Our range for the pharmaceutical industry covers a wide selection of glass primary packaging products. Moulded glass products meet market and customer needs with a diverse range of injection, dropper and syrup bottles. We also produce high-quality specialty products such as ampoules, vials and cartridges from borosilicate glass tubing. On this basis, we offer a virtually end-to-end range of pharmaceutical packaging in flint and amber glass.

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

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

The effects of services of Gerresheimer AG, consolidation measures and inter-segment reconciliations are presented in the segment reporting in the column "Head office/consolidation". The measurement principles for segment reporting are based on the IFRSs applied in the consolidated financial statements.

Segmental performance is assessed and calculated according to the following criteria:

- Intra-Group revenues are measured on an arm's length basis. There were no revenues with key accounts amounting to more than 10% of Gerresheimer Group revenues neither for the financial year 2017 nor for the prior year.
- Adjusted EBITDA is not defined in IFRS but represents key performance indicator for the Gerresheimer Group. Adjusted EBITDA is net income before income taxes, net finance expense, amortization of fair value adjustments, depreciation and amortization, impairments, restructuring expenses and one-off income and expenses.
- Net working capital is defined as inventories, trade receivables and prepayments made less downpayments received and trade payables.
- Operating cash flow is a key performance indicator comprising adjusted EBITDA plus changes in net working capital at constant exchange rates less capital expenditures adjusted by additions to finance leases.
- Capital expenditures comprise all additions to intangible assets and property, plant and equipment measured at cost.
- Non-current assets do not include financial instruments, deferred tax assets, post-employment benefits or rights arising from insurance contracts.

In the following, the control parameters used by Gerresheimer AG for assessing the performance of the divisions and additional parameters by region are shown:

Segment Data by Division

in EUR k	Plastics & Devices		Primary Packaging Glass		Life Science Research[4]		Head office/consolidation		Group	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment revenues	757,179	765,403	591,994	610,600	–	–	–	–	1,349,173	1,376,003
Intra-Group revenues	-386	-429	-532	-114	–	–	–	–	-918	-543
Revenues with third parties	**756,793**	**764,974**	**591,462**	**610,486**	**–**	**–**	**–**	**–**	**1,348,255**	**1,375,460**
Adjusted EBITDA	215,226	203,955	115,971	124,713	–	–	-20,371	-20,820	310,826	307,848
Depreciation and amortization[1]	-45,603	-42,517	-44,546	-43,707	–	–	-1,163	-690	-91,312	-86,914
Adjusted EBITA	169,623	161,438	71,425	81,006	–	–	-21,534	-21,510	219,514	220,934
Net Working Capital	90,580	105,407	99,218	97,573	–	–	-4,083	-2,680	185,715	200,300
Operating Cash Flow[2]	157,996	148,463	71,950	60,971	–	11,723	-25,302	-23,839	204,644	197,318
Capital expenditure including finance lease[3]	70,871	51,576	41,316	58,844	–	1,363	6,377	1,367	118,564	113,150
Employees (average)	4,518	4,653	5,167	5,201	–	558	106	96	9,791	10,508

[1] This includes impairments of EUR 37k (prior year: EUR 178k), thereof EUR 0k (prior year: EUR 93k) relating to the Primary Packaging Glass Division and EUR 37k (prior year: EUR 85k) relating to the Plastics & Devices Division.
[2] Operating cash flow: Adjusted EBITDA plus or minus change in net working capital at constant exchange rates less capital expenditure.
[3] Capital expenditure includes additions due to finance lease contracts amounting to EUR 2,045k (prior year: EUR 2,429k), which were not cash-effective in the reporting period.
[4] Prior-year figures of the cash flow statement, capital expenditure as well as the employee figures continue to include the Life Science Research Division.

Key Indicators by Region[1]

in EUR k	Europe		Germany		Americas		Emerging markets		Other regions		Group	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenues by target region[2]	428,906	460,316	313,058	324,111	373,704	363,079	206,497	202,845	26,090	25,109	1,348,255	1,375,460
Revenues by region of origin[3]	256,207	295,822	513,557	511,399	350,462	354,475	228,029	213,764	–	–	1,348,255	1,375,460
Non-current assets[4]	142,960	142,173	631,096	619,295	738,232	845,953	200,490	205,298	–	–	1,712,778	1,812,719
Employees (average)	1,867	1,882	3,365	3,451	1,034	1,303	3,525	3,872	–	–	9,791	10,508

[1] For further explanations on the regions we refer to Note (8).
[2] Revenues by location of customer registered office.
[3] Revenues by location of supplier registered office.
[4] Non-current assets do not include financial instruments, deferred tax assets, post-employment benefits or rights arising from insurance contracts.

Reconciliation from adjusted segment EBITA of the divisions to net income before income taxes of the Group is shown in the following table:

in EUR k	**2017**	2016
Adjusted segment EBITA	241,048	242,444
Head office/consolidation	-21,534	-21,510
Adjusted Group EBITA	**219,514**	**220,934**
Refinancing	-313	–
Sale of the glass tubing business	–	322
Acquisition Centor	–	-83
Portfolio optimization	-2,705	-3,485
One-off expenses and income	-2,160	-550
Amortization of fair value adjustments	-33,540	-36,669
Result of operations	**180,796**	**180,469**
Net finance expense	-35,308	-33,526
Net income before income taxes	**145,488**	**146,943**

(36) Auditor Fees

The auditor of the individual and consolidated financial statements of Gerresheimer AG is Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf (Germany). The audit opinion is signed by André Bedenbecker (since the financial year 2016) and René Kadlubowski (since the financial year 2016). René Kadlubowski is deemed to be the auditor in charge since the financial year 2016 in accordance with section 38 para. 2 BS WP/vBP ("Berufssatzung der Wirtschaftsprüfer und vereidigten Buchprüfer") for Gerresheimer AG.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft has been the auditor for Gerresheimer AG since 2009.

The following fees have been recognized as expense for services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft:

in EUR k	2017
Financial statements auditing	574
Other assurance services	11
Auditor fees	**585**

(37) Related Party Disclosures

In the course of our operating activities, we conduct business with legal entities and individuals who are able to exert influence on Gerresheimer AG or its subsidiaries or are controlled or significantly influenced by Gerresheimer AG or its subsidiaries.

Related parties include companies that are related parties of members of the Supervisory Board of Gerresheimer AG, non-consolidated companies and associates, and members of the Gerresheimer AG Supervisory Board and Management Board.

For information on the remuneration of the Management Board and the Supervisory Board, please refer to Note (38) and to the remuneration report in the Group Management Report.

The table below shows transactions with related parties:

	Financial Year 2017		**Nov. 30, 2017**	
in EUR k	**Sale of goods and services**	**Purchase of goods and services**	**Trade receivables**	**Trade payables**
Company in relation to a member of the Gerresheimer AG Supervisory Board	2,968	–	452	–
Associated companies	17	3,261	–	393
	2,985	**3,261**	**452**	**393**

	Financial Year 2016		Nov. 30, 2016	
in EUR k	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
Company in relation to a member of the Gerresheimer AG Supervisory Board	2,610	–	308	–
Associated companies	–	2,938	–	39
	2,610	**2,938**	**308**	**39**

The transactions carried out include the Vetter Pharma-Fertigungs GmbH & Co. KG, Ravensburg (Germany), which is related to a member of the Supervisory Board.

All transactions are conducted at market prices and on arm's length terms.

(38) Total Remuneration of the Members of the Supervisory Board and Management Board

Remuneration of the members of the Supervisory Board of Gerresheimer AG totaled EUR 1,073k in the financial year 2017 (prior year: EUR 1,076k).

Remuneration of the active Management Board members during the financial year, made up of fixed salary (including fringe benefits), performance-linked bonuses and components with a long-term incentive effect, came to EUR 5,740k in the financial year 2017 (prior year: EUR 4,935k).

The fair value of the 2017 to 2021 tranches of Management Board stock appreciation rights (tranches 11 to 15) was EUR 4,877k as of the reporting date (prior year: tranches 10 to 15 EUR 4,096k). Expenses for additions to the provision for stock appreciation rights as granted at the reporting date (tranches 7 to 15) amount to EUR 1,781k (prior year: tranches 6 to 15 EUR 1,564k). For further details, please see Note (29).

With effect from May 1, 2007, the pension obligations for active members of the Management Board were transferred to a pension fund. Benefits vesting since May 1, 2007 are generally processed through a provident fund. The present value of the defined benefit obligation for active members of the Management Board, before offset against plan assets, is EUR 4,806k (prior year: EUR 8,065k).

The present value of the defined benefit obligation for former members of management and their dependents, before offset against plan assets, is EUR 29,965k (prior year: EUR 27,746k). Regular payments for pensions and other benefits amounted to EUR 1,278k (prior year: EUR 1,294k).

Further information on the remuneration of the members of the Management Board is provided in the Remuneration Report section of the Group Management Report.

(39) Corporate Governance

Corporate governance represents a company's entire management and monitoring system, including its organization, business policies and guidelines as well as internal and external control mechanisms. The aim of good corporate governance is responsible and transparent corporate management and control geared to sustained value creation. This enhances the confidence of national and international investors, business partners, financial markets, employees and the public in the management and control of Gerresheimer AG.

Gerresheimer AG is required as a listed Company to stating to what extent it complies with the recommendations of the German Corporate Governance Code and any recommendations it has not or will not comply with and why not ("comply or explain").

The Management Board and Supervisory Board of Gerresheimer AG most recently adopted the following declaration of compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG) as follows on September 5, 2017:

With the exception of the recommendation of number 5.4.1, paragraph 2 sentence 1 Gerresheimer AG has complied with all recommendations of the "Government Commission on the German Corporate Governance Code" as amended on May 5, 2015 since its last declaration on September 8, 2016. Gerresheimer AG will in future comply with all recommendations of the "Government Commission on the German Corporate Governance Code" as amended on February 7, 2017, again with the following exception: Number 5.4.1, paragraph 2 sentence 2: The Supervisory Board has not defined a regular limit for length of membership on the Supervisory Board.

The declaration is available from the Company website (www.gerresheimer.com/en/investor-relations).

(40) Events after the Balance Sheet Date

On December 22, 2017, the US President signed the US tax reform, also known as the "Tax Cuts and Jobs Act". The main changes from our standpoint concern the reduction of the federal corporate tax rate from previously 35% to now 21% effective from January 1, 2018 and the elimination of certain previously available deductions from taxable income. There are also additional restrictions on the tax deductibility of certain expenses. As a result of these changes, we anticipate a one-time deferred tax benefit from the revaluation of deferred tax assets and liabilities of our US subsidiaries included in the consolidated financial statements between USD 50m and USD 55m for the financial year 2018, recorded in the first quarter of 2018. In addition, the changes from the US tax reform have a positive effect on current income taxes. If these changes had already been applied for the financial year 2017, this would have had a positive effect on current income taxes and thus also on our 2017 net income in the low single digit million Euro amount.

Negotiations have also begun in the USA with regard to the North American Free Trade Agreement (NAFTA). This could possibly result in tariffs on certain imports and exports between the USA and other North American countries. The outcome of changes to NAFTA could have a negative impact on our Mexican subsidiary's exports to the USA and hence on our net income. In the financial year 2017, our Mexican subsidiary's exports to the USA were approximately EUR 27m. The effects of the NAFTA negotiations are not currently quantifiable because precise information is lacking. We will continue to track the potential impacts.

Dr. Christian Fischer, Chairman of our Management Board, will leave the Company as of February 5, 2018 with immediate effect. Dr. Fischer has asked for an amicable premature termination of his services due to personal reasons. Such decision is not based on diverging views regarding the strategy or business performance of the Company. The Supervisory Board has accepted such request. The Company will be managed by the remaining three board members until a new CEO has been appointed. The CFO Rainer Beaujean will assume the function of Speaker of the Management Board for the interim period. Andreas Schütte continues to lead the Plastics & Devices Division. Dr. Lukas Burkhardt has taken over responsibility for the Primary Packaging Glass Division since January 1, 2018.

Beyond that there were no further subsequent events after November 30, 2017 that are expected to have a material impact on the net assets, financial position or results of operations of the Gerresheimer Group.

The financial statements were prepared by the Management Board at its meeting on February 6, 2018, authorized for publication and will be submitted by the Audit Committee to the Supervisory Board for approval in its meeting on February 20, 2018.

Duesseldorf, Germany, February 6, 2018.

Rainer Beaujean	Dr. Lukas Burkhardt	Andreas Schütte

RESPONSIBILITY STATEMENT

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

Duesseldorf, Germany, February 6, 2018

Rainer Beaujean   Dr. Lukas Burkhardt   Andreas Schütte

INDEPENDENT AUDITORS' REPORT

To Gerresheimer AG, Düsseldorf/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of Gerresheimer AG, Düsseldorf/Germany, and its subsidiaries (the Group), which comprise the group balance sheet as at 30 November 2017, the group income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the business year from 1 December 2016 to 30 November 2017 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Gerresheimer AG, Düsseldorf/Germany, for the business year from 1 December 2016 to 30 November 2017. We have not audited the Chapter "Non-financial group declaration pursuant to the CSR Directive Implementation Act" included in the group management report with regard to its content. Furthermore, in conformity with the German legal regulations, we have not audited the group statement concerning corporate governance included in the group management report with regard to its content.

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

› the accompanying consolidated financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary German legal regulations to be applied in accordance with the unamended version of Section 315a (1) German Commercial Code (HGB) in all material respects and give a true and fair view of Group's net assets and financial position as at 30 November 2017 as well as its results of operations for the business year from 1 December 2016 to 30 November 2017 in accordance with these requirements and
› the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not extend to the content of the parts of the group management report detailed in the Chapter "Other information".

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

Basis for the audit opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the business year from 1 December 2016 to 30 November 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate opinion on these matters.

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

1. Recoverability of goodwill

2. Deferred taxes on deductible temporary valuation differences and on loss carryforwards

3. Adjustment of EBITDA

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

(a) Description of matters (including reference to related disclosures in consolidated financial statements)

(b) Audit procedure

(c) Significant findings

1 Recoverability of goodwill

(a) In the consolidated financial statements of Gerresheimer AG, goodwill totaling mEUR 656.8 (26.9% of the balance sheet total) is disclosed under the balance sheet item "intangible assets".

The goodwill is tested for impairment at least annually or on specific occasions (impairment tests), with the carrying amounts of the cash-generating units being compared with the respective realizable amount. The realizable amount is determined based on the value in use. For this purpose, the planned future cash inflows (cash flows) are discounted (DCF method). The cash flow forecasts are based on the corporate planning for the next five years approved by the Executive Board, taken note of by the Supervisory Board, and valid at the time the impairment test is conducted, which also takes into account expectations concerning the future market trend and country-related assumptions concerning the trends of macroeconomic variables. The discounting is made by means of weighted capital costs of the respective cash-generating unit.

Since the result of these measurements depends to a large extent on the assessment of the future cash flows through the Executive Board and on the discount factor used and thus involves a high degree of uncertainty, this matter was of most significance in our audit.

The entity's disclosures on goodwill are included in Notes 5 and 18 of the notes to the consolidated financial statements.

ⓑ As part of our audit, we verified, calling in our valuation experts, among other things, the methodical procedure for performing the impairment tests, assessed the determination of weighted capital costs, and assessed the method of computing the impairment test. We satisfied ourselves that the future cash flows used for valuation purposes are appropriate by, among other things, reconciling these cash flows with the current 5 year planning prepared by the Executive Board and taken not of by the Supervisory Board as well as by obtaining from the Executive Board information about the material assumptions underlying this planning. In addition, we reconciled these cash flows with general and industry-related market expectations. Our audit also covered auditing whether costs for group functions have appropriately been taken into account in the impairment tests of the respective cash-generating units.

Knowing that even relatively minor changes in the discount factor used may have major effects on the amount of the realizable value determined, we intensively dealt with the parameters used in determining the discount factor used and verified the computation formula. Furthermore, we performed supplementary own sensitivity analyses on account of the material importance of the goodwill for the Group's net assets in order to be able to assess a potential impairment risk in the event of a potential change in a major assumption underlying the measurement. Moreover, we audited the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required to be made under IAS 36.

ⓒ The discounted future cash flows of the goodwill exceed the respective carrying amounts. The valuation parameters and assumptions used by the Executive Board are within the ranges of industry-related market expectations.

2 Deferred taxes on deductible temporary differences and on loss carryforwards

ⓐ In the consolidated financial statements of Gerresheimer AG, deferred tax assets totaling mEUR 11.0 net of deferred tax liabilities (before netting mEUR 52.5; of which mEUR 10.2 on tax loss carryforwards) are disclosed in the group balance sheet. The tax planning is based on the corporate planning approved by the Executive Board and taken note of by the Supervisory Board.

From our point of view, the deferred tax assets were of most significance because the corporate planning, as the basis of deferred tax asset recoverability, is to a large extent depending on the assessment and the assumptions of the Executive Board and therefore involves a high degree of uncertainty.

The entity's disclosures on deferred taxes are included in Notes 5, 15 and 23 of the notes to the consolidated financial statements.

ⓑ As part of our audit, we verified, calling in our tax experts, the recognition and measurement of deferred taxes. We evaluated the recoverability of deferred tax assets related to deductible differences and loss carryforwards on the basis of the corporate planning and internal forecasts of the entity concerning the future tax income situation of the respective entity and assessed the appropriateness of the assumptions used. Furthermore, we verified the reconciliation to the tax result and the computational accuracy. Moreover, we audited the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required to be made under IAS 12.

ⓒ The tax planning has been derived from the corporate planning. No deferred tax assets were recognized in relation to tax loss carryforwards totaling mEUR 126.8 because these arose at a time prior to the establishment of the group taxation relationship (mEUR 75.8) or are not expected to the realized within the next five years (mEUR 51.0).

3 Adjustment of EBITDA

a Gerresheimer defined the following ratios as most significant financial performance indicators, which play a major role within the framework of capital market communication: revenue growth, adjusted EBITDA, operating cash flow, capital investments, net working capital and ROCE. These are used by the entity as the central financial performance indicators.

The growth is measured by Gerresheimer by means of the organic revenue variation, i.e. in the event of acquisitions or disinvestments, both resulting effects and currency effects are adjusted.

Profitability is primarily determined by Gerresheimer by means of the adjusted EBITDA. The EBITDA adjustments shown in the consolidated financial statements total mEUR -5.2. The adjusted EBITDA are consolidated earnings before income taxes, finance result, write-downs of fair value adjustments, depreciation, amortization and impairment losses, restructuring expense as well as one-off income and expenses.

The operating cash flow has been defined as follows: Adjusted EBITDA plus or less changes in net working capital less capital investments. The net working capital includes inventories, trade receivables, trade payables as well as payments received/made on account.

ROCE has been defined by Gerresheimer as follows: Adjusted EBITA in relation to average capital employed, i.e. equity plus interest-bearing liabilities less cash and cash equivalents or alternatively balance sheet total less interest-free liabilities and cash and cash equivalents.

The adjustments of the most important financial performance indicators were most significant in our audit because these are made on the basis of Gerresheimer's internal definition and there is a risk of unilateral judgments through the Executive Board. The definition used by the Executive Board was reconciled with the Supervisory Board in April 2013.

The disclosures on the adjustments as well as their determination are presented in Note 35 of the notes to the consolidated financial statements as well as in the Chapters "Overview of business development", "Revenue trend", "Results of operations", "Net assets", "Financial and cash position" of the group management report.

b We audited the determination of the ratios and assessed the special factors identified by the Executive Board in a skeptical manner. In line with this, we audited, on the basis of the findings of the audit and the information obtained from the Supervisory Board, whether the adjustments were made in accordance with the definition and procedure specified in the explanations in the segment reporting.

c The definition of the adjusted EBITDA remained unchanged and the adjustments were made by continuously applying this definition. In the reporting year, they mainly relate to portfolio optimization (mEUR -2.7) and to one-off expenses (mEUR -2.2).

Other information

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

- the Chapter "Non-financial group declaration pursuant to the CSR Directive Implementation Act" included in the group management report,
- the group statement on business management included in the group management report,
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code,
- the assurance pursuant to Section 297 (2) Sentence 4 German Commercial Code (HGB) regarding the consolidated financial statements and the assurance pursuant to the unamended version of Section 315 (1) Sentence 6 German Commercial Code (HGB) regarding the group management report, and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report as well as our auditors' report.

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

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

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

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

The Executive Board is responsible for the preparation of the consolidated financial statements, which comply with IFRS as adopted by the EU and the supplementary requirements of the German legal regulations pursuant to the unamended version of Section 315a (1) German Commercial Code (HGB) in all material respects, so that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the Executive Board is responsible for the internal controls it has identified as necessary in order to enable the preparation of consolidated financial statements that are free from material misstatements, whether intentional or unintentional.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, it has the responsibility to disclose matters related to going concern, as applicable. In addition, it is responsible for using the going concern basis of accounting, unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

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

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

› identify and assess the risks of material misstatements in the consolidated financial statements and in the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
› obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
› evaluate the appropriateness of the accounting policies used by the Executive Board and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
› conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements and group management report, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
› evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS as adopted by the EU and the supplementary requirements of German law pursuant to the unamended version of Section 315a (1) German Commercial Code (HGB).
› obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
› evaluate the consistency of the group management report with the consolidated financial statements, its legal consistency and the view provided of the Group's position.
› perform audit procedures on the forward-looking information presented by the Executive Board in the group management report. On the basis of sufficient appropriate audit evidence, we particularly evaluate the significant assumptions underlying the forward-looking information by the Executive Board and evaluate the correct derivation of forward-looking information from these assumptions. We do not issue an independent opinion on the forward-looking information or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other information pursuant to Article 10 EU Audit Regulation

We were appointed by the annual general meeting on 26 April 2017 to audit the consolidated financial statements. We were engaged by the Supervisory Board on 5 September 2017. Our total uninterrupted period of engagement as auditor of the consolidated financial statements covers the period since the business year 2008/2009, we have been engaged continuously as the group auditor of Gerresheimer AG, Düsseldorf/Germany.

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

RESPONSIBLE AUDITOR

The auditor responsible for the audit is René Kadlubowski.

Düsseldorf/Germany, 6 February 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Bedenbecker)	(Kadlubowski)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Financial year 2017

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

Francesco Grioli
Deputy Chairman of the Supervisory Board
Member of the Governing Board of IG Bergbau, Chemie, Energie
a) BASF SE
Villeroy & Boch AG
b) Steag New Energies GmbH (Deputy Chairman) (until December 31, 2017)
Villeroy & Boch Fliesen GmbH

Andrea Abt
Master of Business Administration
Former Head of Supply Chain Management of the Siemens AG Sector Infrastructure
b) Brammer plc., United Kingdom (until February 6, 2017)
SIG plc., United Kingdom
Petrofac Ltd., Jersey

Lydia Armer (until April 26, 2017)
Member of the Company Works Council of Gerresheimer Regensburg GmbH
a) Gerresheimer Regensburg GmbH

Heike Arndt (since April 26, 2017)
Regional Deputy Director Westphalia of IG Bergbau, Chemie, Energie
a) RAG Verkauf GmbH
b) Wohnungsbaugesellschaft für das Rheinische Braunkohlenrevier mbH (until August 31, 2017)
GSG Wohnungsbau Braunkohle GmbH (until August 31, 2017)
DTM GmbH & Co. KG (Vice Chairman of the Supervisory Board)

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

Franz Hartinger (since April 26, 2017)
Chairmann of the Company Works Council of Gerresheimer Regensburg GmbH
a) Gerresheimer Regensburg GmbH

Eugen Heinz (until April 26, 2017)
Member of the Company Works Council of Gerresheimer Lohr GmbH

Seppel Kraus (until April 26, 2017)
Regional Director Bavaria of IG Bergbau, Chemie, Energie
a) Hexal AG
Novartis Deutschland GmbH
Wacker Chemie AG

Dr. Peter Noé
Degree in Business Administration
Former member of the Management Board of Hochtief AG
b) BlackRock Asset Management Schweiz AG, Switzerland

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

Paul Schilling (since April 26, 2017)
Chairman of the Company Works Council of Gerresheimer Bünde GmbH

Katja Schnitzler
Group Director Business Excellence and Continuous Improvement of Gerresheimer AG

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

Udo J. Vetter
Pharmacist and General Partner of UV-Cap GmbH & Co. KG
a) ITM AG (Chairman)
b) Vetter Pharma-Fertigungs GmbH & Co. KG (Chairman)
HSM GmbH & Co. KG
Gland Pharma Pte. Ltd., India (until September 30, 2017)
Paschal India Pvt. Ltd., India (Chairman)

a) Membership in Supervisory Boards according to German legal regulations
b) Membership in comparable domestic and foreign control boards of economic enterprises

MANAGEMENT BOARD

Financial year 2017

Dr. Christian Fischer (from August 1, 2017 to February 5, 2018)
Chairman (from September 1, 2017 to February 5, 2018)
Responsible for the Primary Packaging Glass Division
(from September 1, 2017 to December 31, 2017)
a) Gerresheimer Tettau GmbH (Chairman) (since August 18, 2017)
Gerresheimer Regensburg GmbH (Chairman) (since August 18, 2017)
b) Gerresheimer Glass Inc., USA (Chairman) (since August 18, 2017)
Gerresheimer Queretaro S.A., Mexico (Chairman)
(since August 18, 2017)
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., China (Chairman) (since September 1, 2017)
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., China (Chairman) (since September 1, 2017)
Corning Pharmaceutical Packaging LLC, USA (since August 18, 2017)

Uwe Röhrhoff (until August 31, 2017)
Chairman
Responsible for the Primary Packaging Glass Division
a) Gerresheimer Tettau GmbH (Chairman) (until August 18, 2017)
Gerresheimer Regensburg GmbH (Chairman) (until August 18, 2017)
Klöckner & Co SE (Deputy Chairman) (since May 12, 2017)
b) Gerresheimer Glass Inc., USA (Chairman) (until August 18, 2017)
Gerresheimer Momignies S.A., Belgium (Chairman) (until July 12, 2017)
Gerresheimer Queretaro S.A., Mexico (Chairman)
(until August 18, 2017)
Neutral Glass and Allied Industries Pvt. Ltd., India (until July 13, 2017)
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., China (Chairman) (until August 31, 2017)
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., China (Chairman) (until August 31, 2017)
Corning Pharmaceutical Packaging LLC, USA (until August 18, 2017)
Catalent Inc., USA (since February 3, 2017)

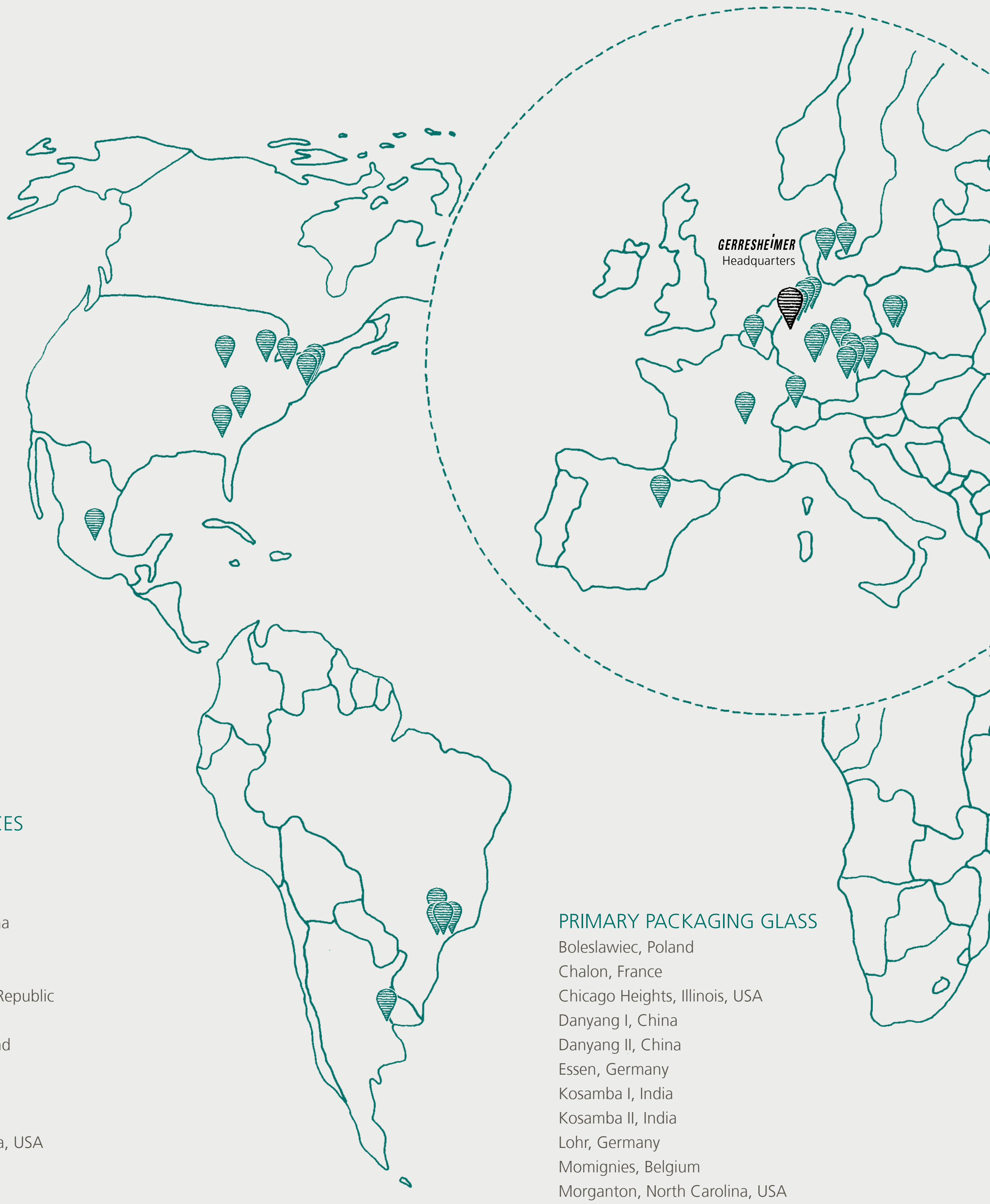
Rainer Beaujean
Chief Financial Officer
Speaker of the Management Board (since February 5, 2018)
a) Gerresheimer Tettau GmbH (Deputy Chairman)
Gerresheimer Regensburg GmbH (Deputy Chairman)
b) Gerresheimer Glass Inc., USA
Gerresheimer Momignies S.A. (since July 12, 2017)
Kimble Chase Holding LLC, USA (Chairman)
Centor US Holding Inc., USA
Centor Inc., USA
Centor Pharma Inc., USA

Dr. Lukas Burkhardt (since January 1, 2018)
Management Board
Responsible for the Primary Packaging Glass Division

Andreas Schütte
Management Board
Responsible for the Plastics & Devices Division
a) Gerresheimer Regensburg GmbH (since September 1, 2017)
b) Gerresheimer Denmark A/S, Denmark (Chairman)
Gerresheimer Vaerloese A/S, Denmark (Chairman)
Gerresheimer Zaragoza S.A., Spain (Deputy Chairman)
Gerresheimer Plasticos Sao Paulo Ltda., Brazil
Gerresheimer Boleslawiec S.A., Poland (Chairman)
Triveni Polymers Pvt. Ltd., India
Centor US Holding Inc., USA (Chairman)
Centor Inc., USA (Chairman)
Centor Pharma Inc., USA (Chairman)

a) Membership in Supervisory Boards according to German legal regulations
b) Membership in comparable domestic and foreign control boards of economic enterprises

GERRESHEIMER AG LOCATIONS



LOCATIONS

PLASTICS & DEVICES

Berlin, Ohio, USA
Boleslawiec, Poland
Buende, Germany
Buenos Aires, Argentina
Dongguan City, China
Haarby, Denmark
Horsovsky Tyn, Czech Republic
Indaiatuba, Brazil
Kuessnacht, Switzerland
Kundli, India
Muenster, Germany
New Delhi, India
Peachtree City, Georgia, USA
Perrysburg, Ohio, USA
Pfreimd, Germany
Regensburg, Germany
Singapore, Singapore
Sao Paulo Butanta, Brazil
Sao Paulo Cotia, Brazil
Sao Paulo Embu, Brazil
Vaerloese, Denmark
Wackersdorf, Germany
Zaragoza, Spain

PRIMARY PACKAGING GLASS

Boleslawiec, Poland
Chalon, France
Chicago Heights, Illinois, USA
Danyang I, China
Danyang II, China
Essen, Germany
Kosamba I, India
Kosamba II, India
Lohr, Germany
Momignies, Belgium
Morganton, North Carolina, USA
Mumbai, India
Queretaro, Mexico
Tettau, Germany
Vineland, New Jersey, USA
Vineland (Crystal Avenue), New Jersey, USA
Vineland (Forest Grove), New Jersey, USA
Wertheim, Germany
Zhenjiang, China

HEADQUARTERS

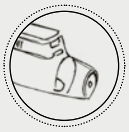
Duesseldorf, Germany (Gerresheimer AG)

As of November 30, 2017

PRODUCT OVERVIEW BY DIVISION

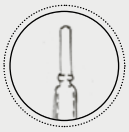
PLASTICS & DEVICES

The product portfolio of the Plastics & Devices Division includes complex, customer-specific products for the simple and safe administration of medicines, such as insulin pens, inhalers and prefillable syringes. Also included are diagnostics and medical technology products such as skin-prick aids and test systems as well as pharmaceutical plastic containers for liquid and solid medicines with closure and safety systems. For the North American end consumer market, the division has a portfolio of regulatory-compliant plastic containers for prescription medication.



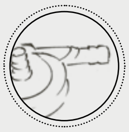
DRUG DELIVERY SYSTEMS

Drug delivery systems transport drugs simply and rapidly into the body. They include plastic systems such as inhalers, pen systems and injection systems.



PREFILLABLE SYRINGE SYSTEMS

Prefillable syringe systems made of glass and COP (cyclic olefin polymer) are supplied to customers in the pharmaceutical and biotech industry for filling with drugs. Gerresheimer offers a widely diversified range of sterile and non-sterile syringe systems. Gx RTF® (ready-to-fill) and Gx RTF® ClearJect® syringe systems are delivered to the customer washed, siliconized, assembled with a closure cap and sterilized, i.e., completely ready to fill.



MEDICAL TECHNOLOGY PRODUCTS

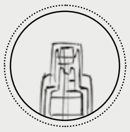
Gerresheimer produces disposables for various analysis systems in laboratories and medical practices, quick tests for patients in medical practices or hospitals, skin-prick aids and lancets for diabetics, disposables and components for dialysis machines, catheters and surgical devices made of plastic.

CONTAINERS FOR SOLID DOSAGE

For non-liquid forms of delivery such as tablets and powder, Gerresheimer offers a wide spectrum of high-quality, user-friendly products which are complemented by a multifaceted range of alternatives in terms of specific closures, tamper-evident closures and other design options.

CONTAINERS FOR LIQUID DOSAGE

For liquid applications in the field of pharma and healthcare, Gerresheimer has a host of container types made of PET, PE and PP in its range. Numerous system accessories allow individual tailoring to the customer's needs.



CONTAINERS FOR OPHTHALMIC AND RHINOLOGICAL APPLICATIONS

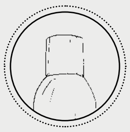
Gerresheimer also produces special plastic-based vials for eye drops and nasal sprays. These user-friendly containers, which can be complemented by different drop, spray or pump system components, facilitate precise drug dosage and application.

CONTAINERS FOR PARENTERAL PACKAGING: MULTISHELL® PLASTIC VIALS

Due to the triple-layer structure (COP/PA/COP), these Gerresheimer vials (2 – 100 ml) have oxygen barrier properties which are unique for plastic vials. These vials are manufactured out of heavy-metal-free polymers, are transparent and biocompatible, and are particularly suitable for sensitive parenteral medicines. They are also available in monolayer COP.

CONTAINERS FOR ORAL PRESCRIPTION MEDICATION

Gerresheimer Company Centor supplies a portfolio of plastic packaging and closures for oral prescription medication in the North American end-consumer market. The precise amount of oral medication stated in a prescription is specially packaged by the pharmacist in a plastic container for each patient. Centor's 1-Clic® and Screw-Loc® product lines are the two leading forms of plastic packaging in the USA.

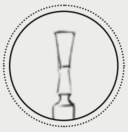


CONTAINERS FOR COSMETICS

Gerresheimer's portfolio of innovative plastic packaging encompasses a wide variety of standard shapes and sizes as well as customer-specific packaging in accordance with individual requirements. Gerresheimer deploys the latest technologies to provide custom finishing and decorating options for our top-quality skin-care and hair-care packaging solutions.

PRIMARY PACKAGING GLASS

The Primary Packaging Glass Division produces glass primary packaging for medicines and cosmetics, such as pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars.



AMPOULES

An ampoule is a sealed container made of tubular glass in standardized ISO types. In the case of pharmaceutical ampoules, a distinction is made between various break-open methods such as the One Point Cut, Color Break and Score Ring procedures.

CARTRIDGES

The cartridge is a glass cylinder which is closed at the front end by an aluminum cap with a membrane which is penetrated by an injection needle for the actual injection. The rear end of the cartridge is closed by a rubber stopper. Cartridges are used primarily in dental medicine as a primary packaging form for local anesthetics and, in diabetes therapy, for insulin pens.

VIALS FOR PHARMACEUTICALS

Vials (injection vials) are small-volume primary packaging containers made of tubular or molded glass. The filling volume of vials for pharmaceutical applications ranges from 0.6 to 50 ml.

BOTTLES AND JARS FOR PHARMACEUTICALS

Gerresheimer supplies glass containers for pharmaceutical use in a wide variety of shapes and sizes. These include syrup and dropper bottles, tablet jars, wide-neck jars as well as injection, infusion and transfusion bottles.

FLACONS AND POTS FOR COSMETICS

Gerresheimer produces flacons, jars, samplers, vials and ampoules in the widest possible variety of forms and finishes — for example, for fragrances, deodorants, care cosmetics and decorative cosmetics.

BOTTLES AND JARS FOR BEVERAGES AND FOOD

Gerresheimer supplies customer-specific small-volume containers for spirits and food.

GLOSSARY

1-Clic®
1-Clic® is the brand name of a well-known product line from our American subsidiary Centor Inc. The semitransparent orange plastic containers with white closures are used in pharmacies to package up prescription medication in the quantity specified by a patient's physician.

Ampoule
Sealed container made of tubular glass in three standardized ISO types (B, C and D). Pharmaceutical ampoules feature different opening systems, including One Point Cut (OPC), Color Break and Score Ring.

Autoinjector
Medical device for administering a single dose (injection) of a liquid drug. Autoinjectors were mainly developed for self-administration by the patient. The devices use prefilled syringes.
› Pen system

Backstop
The backstop is an ingenious addition to the Gerresheimer syringe range. The plastic system component is clipped onto the finger flange of a glass syringe. It narrows the top opening and stops the plunger head from being pulled out of the syringe. The ergonomically shaped wings also enlarge the finger flange for improved ease of use.

Baked-on siliconization
› Gx Baked-On RTF®

BioPack
In addition to conventional PE and PET packaging, Gerresheimer also supplies new, environment-friendly plastic packaging for pharmaceutical and cosmetic applications. One of the main feedstock sources for biomaterials is sugarcane. "Green" PE and PET from sugarcane is 100% recyclable. BioPack products have the same properties as conventional plastic containers and can be produced on existing filling and packaging lines. Using biomaterials helps reduce greenhouse gas emissions and so protects the environment.

Biopharmaceutics
Also known as biopharmaceutical drugs or biotech drugs. Drugs produced in genetically modified organisms by means of biotechnology. Biopharmaceutics is one of the fastest-growing product categories in the pharma and biotech industry.

Borosilicate glass
Glass with very high hydrolytic resistance thanks to its chemical makeup. Its low alkali emission makes borosilicate glass well suited as a packaging material for injectables.
› Hydrolytic resistance

Bulk syringes
Syringe barrels supplied to the customer in an unsterilized state. Washing, siliconization, mounting of the closure cap/needle shield and sterilization before filling is carried out by the pharma company.

Camera inspection systems
The quality of Gerresheimer products is monitored during and after manufacture using in-process controls. Advanced inspection systems help pick out defective items at an early stage with the aid of dedicated computer technology and digital image processing.

Cartridge
Tubular glass cylinder closed at the front end by an aluminum cap with a membrane that is penetrated by a pen needle to draw up the injection solution.

Child-resistant closure
Closure that protects children from harm by making pharmaceutical packaging hard for them to open. Opening these special closures requires actions that (without instruction) are generally beyond the dexterity of a child. They typically call for non-intuitive opening actions or a combination of movements simultaneously or in sequence (e.g. press-and-turn caps).

Clean room
Room in which special air-handling processes and systems are used to control particulate and microbial air quality. An integral feature of pharmaceutical production technology, this is essential to the manufacture of numerous drug delivery and primary packaging solutions.

ClearJect® TasPack® (COP syringe)
A brand of sterile prefillable plastic syringes from our Japanese partner company Taisei Kako Co. Ltd. The syringes are made of cyclic olefin polymer (COP), a special plastic with glass-like transparency. COP syringes are especially well suited for demanding applications in cytostatics and biopharmaceutics. Like Gx RTF® syringes, they are packaged sterile in nested tub format (TasPack® Taisei Kako Sterile Packaging).

Cold end
The cold end refers to the final steps of the molded glass production process from removal from the lehr to the packaging section. Once glass containers come out of the lehr, at which point they have cooled to about 100°C, the bottles and jars are quality controlled in ultra-modern testing systems. The glass is then ready for finishing in a further process step. This involves a wide variety of techniques (such as printing and engraving), after which, following a final quality check, it is packaged, palleted and shipped out of the glassworks.

COP syringe (ClearJect® TasPack®)
› ClearJect® TasPack®

Cytostatics
Cytostatics are natural or synthetic substances that inhibit cell growth. They are notably used in cancer treatment (chemotherapy) and in some treatments for autoimmune diseases.

Delamination
In the context of glass as a primary packaging material, delamination relates to the appearance of glass flakes by spalling. Under certain conditions, glass can be reactive and susceptible to surface disintegration. This loss of structural integrity can result in the formation of glass lamellae that separate from the surface. Numerous parameters involved in glass chemistry and production can contribute to delamination. The flakes are not visible to the naked eye.

Diabetes care
Medical specialism covering diabetes diagnosis and therapy. In this business field, Gerresheimer focuses on developing and producing highly innovative lancets, skin-prick aids and insulin pen systems.

Diagnostic systems
Systems for analyzing organic liquids and materials outside the body (in vitro). Such systems can analyze patient samples for specific parameters—in many cases fully automatically.

Dropper bottle system
Special glass or plastic bottle system consisting of bottle, dropper and closure for administering medication in drop form.

Drug delivery system
System to transport a drug's active substance in various ways (by pulmonary or nasal inhalation, through the skin, via the mucous membranes or orally) to exactly where it is needed in the body. Examples: inhalers for the treatment of respiratory disease and prefillable syringes for injection drugs.

Drug master file (DMF)
Document recording the (pharmaceutical) manufacturing process and drug quality assurance system used for regulatory agencies (such as the FDA in the USA or Health Canada in Canada). Drug master files enable producers who are not the final distributor of a drug (such as the producer of the active agent or primary packaging) to provide drug regulators with all necessary information without passing on trade secrets to their business partners.

Duma®
The Duma® brand name encompasses a large variety of pharmaceutical plastic primary packaging containers made by the Plastic Packaging Business Unit. Duma® containers are primarily used for drugs in solid dosage forms such as tablets and powders. The containers combine with a great variety of closure systems for different applications and users.

Furnace
Used for the melting process in glass production. The raw materials are mixed in batches and melted in the furnace at about 1,600°C. Gerresheimer's furnaces run 24 hours a day, 365 days a year.

Gx® ARMOR vials
The new Gx® ARMOR vials product line is designed for parenteral solutions with aggressive active agents and specially equipped to prevent delamination. Gx® ARMOR stands for Gerresheimer Advanced Risk Management and Operational Response.

Gx Baked-On RTF®
Gx Baked-On RTF® optimizes Gx RTF® syringes for silicone oil-sensitive biotech drugs. This Gerresheimer process is patented in Europe and the USA. Baked-on siliconization permanently fixes the silicone oil to the glass surface and significantly reduces the number of free oil droplets.

Gx® Elite Glass
The Gx® Elite Glass product family made of type I borosilicate glass was developed for pharmaceutical vials in highly demanding applications. Gx® Elite Glass vials are two to three times as robust as conventional type I glass, significantly more break-resistant on the filling line and in lyophilization, and exceed industry standards cosmetically and dimensionally.

Gx® FLASH
Gx® FLASH is a proprietary Gerresheimer test procedure to predict the susceptibility of vials to delamination. Specific thresholds in the production process are continuously monitored. Vials are randomly sampled at regular intervals and tested for susceptibility to delamination.

Gx® G3 inspection system
The Gx® G3 inspection system is the latest (third) generation inspection system for tubular glass products. In syringe production, the system allows all parts of the glass body to be cosmetically inspected in extremely high resolution. The system also offers highly accurate inspection of product geometry.

Gx® InnoSafe™
With their exposed needles, used syringes are an ever-present hazard at doctors' practices, laboratories and hospitals. Gx® InnoSafe™ is a syringe provided by Gerresheimer with an integrated passive safety system that avoids inadvertent needleprick injuries, precludes reuse and is optimized both for pharma industry production workflows and for easy and intuitive use by medical personnel.

Gx® RHOC
Gx® RHOC is a proprietary Gerresheimer camera system offering superior dimensional quality. The system consists of three high-resolution matrix cameras on each side plus a hyper-centric ID camera. Further features include integration with the forming machine and Infinity SPC software.

Gx RTF® ClearJect®
Brand name of the first COP (cyclic olefin polymer) plastic syringe made by Gerresheimer in Europe. The new Gx RTF® ClearJect® syringe with cannula offers key advantages with regard to the primary packaging of demanding medications, notably when it comes to biocompatibility. The COP material does not release metal ions into the drug solution. Since the entire manufacturing procedure for the syringe, including insert-molding the cannula, is accomplished in a single step, the product is also free of tungsten and adhesives. COP has high pH tolerance and, unlike glass, does not cause a pH shift during storage. It is an exceptionally inert, break-resistant material, making it well suited for packaging sensitive or toxic agents. Its higher elasticity in comparison with similar materials gives syringes made of COP greater mechanical resilience.

Gx RTF® syringe systems
The letters RTF in Gerresheimer's Gx RTF® syringe brand stand for "ready-to-fill". Gx RTF® syringe systems are delivered to the customer washed, siliconized, assembled with the closure cap, packed in nests and tubs, and sterilized — completely ready to fill, as the name suggests. This cuts out a whole chain of elaborate process steps for pharma manufacturers. Customers can therefore start filling injectables straightaway, saving a lot of time and money in the process.

Gx® RTF vials
The new Gx® RTF vials with the recognized Ompi EZ-Fill® packaging technology combine the two Gerresheimer core competencies of molding vials from glass tubing and the ready-to-fill process for prefillable syringes. Gx® RTF vials are washed, packed in trays or nest and tub, sterilized and shipped to pharma customers. These can then start filling straightaway without any additional process steps.

Gx® Tekion®
Gx® Tekion® is a system developed by Gerresheimer for cleaning glass tubes with ionized air.

Gx TELC® (Tamper Evident Luerlock Closure)
Tamper-evident closure system developed by Gerresheimer for prefilled syringes. The system combines a Luerlock adapter with a tamper-evident closure.

Gx TERNS® (Thermoplastic Elastomer Rigid Needle Shield)
Gx TERNS® is a shield developed by Gerresheimer for needle tips, with a soft sealing element made of thermoplastic elastomer (TPE) and a firm plastic shell.

Gx® THOR (Thermal Hydrolytic Optimization and Reduction)
Gx® THOR is a new Gerresheimer technology to reduce delamination susceptibility in vials. The technology is integrated into existing forming lines. Gx® THOR links critical areas of the converting process and guarantees that 100% of vials are controlled to optimum temperature forming profile. Specified acceptance thresholds are monitored using statistical process control.

Hot end
The hot end refers to the first steps of the molded glass production process from the furnace to the lehr. Material is melted in the furnace at approximately 1,600°C and then enters the feeder. Here, the glass is brought to the desired temperature and the glass gob formed. The glass gob — exact to the gram — then drops into the molding machine, where the glass container takes shape. Fully formed and scorching hot, the containers are transported on a conveyor belt to the lehr, where they are cooled at a specified rate so that the glass retains no residual tension that could lead to spontaneous breakage.

Hydrolytic resistance
The resistance of glass to the leaching of alkali ions from the glass surface, and the parameter used to grade glass into hydrolytic classes.

Inhaler
Device used in the treatment of asthma, bronchitis and other chronic or acute respiratory ailments. It transports aerosol and powder-based medications into the upper and lower respiratory tracts.

Injection vial
› Vial

Inner surface treatment
Special surfacing process for the inside of a pharmaceutical container, e.g. to ensure compatibility with the medication.

Insulin pen system
An insulin pen is a special injection system for safe and near-painless delivery of insulin from a cartridge.

Integrated moisture absorber
A moisture absorber protects medication from the effects of moisture during storage and absorbs atmospheric humidity entering the container as a result of it being repeatedly opened. Gerresheimer integrates the desiccant in a capsule affixed to the inside of the Duma® Twist-Off cap.

Lancet
Plastic-coated blood-sampling needle for insertion into a skin-prick aid for diabetic patients.

Lancet magazine
Magazine with integrated lancets in a drum housing.

Laser coding
In the new laser coding process for syringes, a tiny data matrix code uniquely identifying the respective packaging container's type and origin is indelibly laser-etched onto the finger flange. In this way, Gerresheimer offers an innovative track-and-trace solution for pharma containers and helps combat drug counterfeiting.

Luer system (luer lock/luer cone)
The luer system is a connector system, standardized under the DIN EN ISO 80369 standards series, for syringes, cannulas and various medical tube systems. A seal is achieved in the luer system by the tapered design of the connecting parts, known as the luer cone. The inner cone of the one connector end is referred to as female and the outer cone of its counterpart as male. On Gx RTF® syringes, the female part is made of glass and is integral to the syringe barrel. Where the connection to the female cone is secured with an inside thread, the system is referred to as a luer lock. The connection is made and undone with a half-turn and cannot be released inadvertently.

Metal-free syringe
Especially for drugs based on biotech products, prefillable syringes are needed that preclude the possibility of contamination with tungsten or other metals. For the new metal-free 1 ml long Gx RTF® Luerlock syringe, the pin used to shape the cone is therefore made of a special ceramic material.

Molded glass
Molded glass packaging is produced in a single operation directly after the melting process.

Molecular diagnostics
Molecular diagnostics refers to analysis methods based on examination of genetic material (DNA or RNA). These allow more precise information to be obtained than with traditional diagnostic procedures so that illnesses can be detected faster.

Multifunctional closure system
Gerresheimer closures feature secure, air-tight opening and closure systems to meet varied requirements. All caps conform to ISO standards and can be combined with our glass and plastic packaging containers for liquids and solids. The multifunctional closures are tamper-evident, child-resistant, senior-citizen-friendly and moisture-absorbing.

MultiShell® plastic vials
These primary packaging vials are made from cyclic olefin polymer (COP) and polyamide (PA). MultiShell® plastic vials are glass-clear, break-resistant and biocompatible, making them especially well suited to long-term storage of sensitive parenteral medicines. A new development, Gerresheimer's MultiShell® combines two COP outer layers with a middle layer of polyamide for improved barrier properties against gas permeation compared with vials made of COP alone.

Needle safety system
› Gx® InnoSafe™

Needle shield
Syringe part made of a pharmaceutical rubber compound that is placed over the taper to protect the needle and stopper the front end of the syringe.

Nest
A nest is a packaging unit for vials, syringes and cartridges that ensures there is no glass-to-glass contact. Nests are positioned in a tub. The new prefillable Gx® RTF vials, for example, are washed, sterilized and then packaged in nests and tubs (or alternatively in trays) for shipment. This prevents breakage and safeguards the high cosmetic quality of the vials. The nest and tub arrangement is suitable for direct filling and closure of the vials while still positioned in the nest (as with Gx RTF® syringes).

Ophthalmology
The medical field of ophthalmology deals with eye and sight diseases as well as malfunctions and their medical treatment.

Paste mold technology
Glass-forming (blowing) process using a rotating mold to produce a round and seamless piece of glassware.

Pen system
A pen system is used to administer medication in multiple doses. Unlike autoinjectors (which are non-reusable), pen systems are mostly used multiple times. A pen system contains a prefilled cartridge as the primary packaging.
› Insulin pen system

PharmaPlus
PharmaPlus is a range of high-caliber technical solutions in glass forming for unprecedented levels of precision. This includes the production of borosilicate glass tubes, which Gerresheimer itself manufactures as an intermediary product. The subsequent forming processes likewise produce an excellent new standard of quality in primary packaging, for syringes, cartridges, vials and ampoules alike.

Plastic systems
Complex and technically sophisticated assemblies made of multiple plastic components.

Plunger (head)/rubber stopper
Syringe part made of a pharmaceutical rubber compound that closes the syringe end after filling.

Plunger rod
Syringe part that is threaded or clipped onto the plunger head. For an injection, the user's thumb pushes down on the plunger rod to move the plunger and empty the syringe.

Pour-and-count system
The pour-and-count system is the usual way of selling prescription medicines in the USA and Canada and contrasts with the standardized pack units sold in Europe. In the pour-and-count system, drug producers package large quantities (100 to 1,000 units) of tablets and capsules in containers delivered to pharmacies by drug wholesalers on demand. The pharmacist pours tablets or capsules from the containers and counts out the precise quantity stipulated in the prescription. The tablets or capsules are dispensed in special plastic containers such as those provided by our American subsidiary Centor, with a customer-specific label (in many cases both the dispensing and labeling process are automated).

Prefillable syringe systems
Prefillable syringe systems in the form of Gx RTF® and Gx RTF® ClearJect® syringes are supplied sterile to customers in the pharma and biotech industry. They are ready to be filled with liquid medication and sealed on accredited production lines.
› Gx RTF® syringe systems

Primary packaging
Packaging that is in direct contact with medication, cosmetic and food products.

Safe Pack
Pharmaceutical packaging is subject to stringent requirements and must be kept free of germs and particles. The hygienic Safe Pack ensures that sterile containers produced in the high-temperature process arrive at the filler free of contamination. Pharmaceutical containers are vacuum-packed and hermetically sealed in compliance with the most stringent certified hygiene requirements.

Screw-Loc®
Screw-Loc® is the brand name of a well-known product line from our American subsidiary Centor Inc. The semitransparent orange plastic containers with white closures are used in pharmacies to package up prescription medication in the quantity specified by a patient's physician.

Siliconization
Silicone oil is used as a glide agent in the inner surface treatment of pharmaceutical containers. This makes it easier for the plunger to slide along the syringe barrel — an essential feature in a properly functioning syringe system.
› Gx Baked-On RTF®

Skin-prick aid
Device for diabetics allowing a lancet to be inserted near-painlessly into the skin. Some models allow for different penetration depths to cater for variations in skin thickness.

Tamper-evident closure
A tamper-evident closure reliably signals that a pharmaceutical container has been previously opened. This means physicians, nurses and patients know if a drug has been tampered with. Gerresheimer's Duma® Twist-Off tamper-evident screw caps for tablet bottles have a ring on the cap that is detached by the twisting action when the container is first opened. The pieces of plastic connecting the ring to the cap are torn off in the process, clearly indicating that the product has been opened before. Likewise, the tamper-evident closure for Gerresheimer syringe systems with Luerlock adapter is activated by twisting. The twist action causes the tabs on the twist-off closure (Gx TELC®) to spread out, showing that the syringe has been previously opened.

TCC
Technical Competence Center, where products and systems are developed and made ready for series production in collaboration with the customer.

TE ring (tamper-evident ring)
› Tamper-evident closure

Tip cap
Syringe part made of a pharmaceutical rubber compound that is placed over the taper to stopper the front end of the syringe.

TPE (Thermoplastic Elastomer)
Plastic with thermoplastic properties, behaving like a classical elastomer at room temperatures but allowing its shape to be modified when heated.

Tray
A tray is a packaging unit for vials, syringes and cartridges that ensures there is no glass-to-glass contact. The new prefillable Gx® RTF vials, for example, are washed, sterilized and then packaged in trays (or alternatively in nests and tubs) for shipment. This prevents breakage and safeguards the high cosmetic quality of the vials. Trays are generally used for manual filling in the case of small quantities for laboratory use, or conventionally in large-volume fill lines where the vials are taken out and separated beforehand.

Tub
› Nest

Tubular glass
Tubular glass involves two separate processes: first, the production of glass tubes and, second, the manufacture from those tubes of primary packaging such as syringes, cartridges, ampoules and vials.

Type I borosilicate glass
High-quality type I borosilicate glass has the highest-possible hydrolytic resistance due to its chemical composition. Its low alkali emissions make borosilicate glass well suited as a packaging material for injectables. Ampoules, cartridges, vials and syringe barrels are the main products for which chemically highly resistant type I borosilicate glass is the preferred material.

Type II glass
Type II glass is a soda-lime-silica glass that has been de-alkalized. This treatment gives type II glass very high hydrolytic resistance, making it suitable for acid and neutral aqueous parenterals.

Type III glass
Type III glass is a soda-lime-silica glass with medium hydrolytic resistance. This type of glass is suitable for all other liquid as well as for solid preparations. It is used for products such as cough syrups and tablets.

Vial
A small-volume primary packaging container made of tubular glass. Gerresheimer makes vials for pharmaceutical applications with filling volumes ranging from 0.6 to 50 ml. Often referred to as an injection vial as the liquid is drawn out with an injection needle (disposable syringe).

The definitions in this glossary apply in context as used by Gerresheimer and are not intended as generally applicable definitions.

FINANCIAL CALENDAR

February 22, 2018	Annual Report 2017
April 12, 2018	Interim Report 1st Quarter 2018
April 25, 2018	Annual General Meeting 2018
July 17, 2018	Interim Report 2nd Quarter 2018
October 11, 2018	Interim Report 3rd Quarter 2018

IMPRINT

Publisher
Gerresheimer AG
Klaus-Bungert-Strasse 4
40468 Duesseldorf
Germany
Phone +49 211 6181-00
Fax +49 211 6181-295
E-mail info@gerresheimer.com
www.gerresheimer.com

FSC www.fsc.org MIX Paper from responsible sources FSC® C006990

Concept and Layout
Kirchhoff Consult AG, Hamburg, Germany

Text
Gerresheimer AG, Duesseldorf, Germany

Photography
Claudia Kempf, Wuppertal, Germany
Daniel Gebauer, Willich, Germany
Dirk Moll, Cologne, Germany
de-Agentur, Schwandorf, Germany
Dominik Obertreis, Althuette-Waldenweiler, Germany
Frank Springer, Bielefeld, Germany
Gerresheimer, Duesseldorf, Germany

Printing
Woeste Druck + Verlag GmbH & Co. KG, Essen, Germany

Note to the Annual Report
This Annual Report is the English translation of the original German version; in case of deviations between these two, the German version prevails.

Note regarding the rounding of figures
Due to the commercial rounding of figures and percentages, small deviations may occur.

Disclaimer
This Annual Report contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as "believe", "estimate", "assume", "expect", "forecast", "intend", "could" or "should" or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the Company's current assumptions, which may not in the future take place or be fulfilled as expected. The Company points out that such future-oriented statements provide no guarantee for the future and that actual events including the financial position and profitability of the Gerresheimer Group and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed or described in these statements. Even if the actual results for the Gerresheimer Group, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented statements in this Annual Report, no guarantee can be given that this will continue to be the case in the future.

MULTI-YEAR OVERVIEW

Financial Year-end November 30	2017	2016	Change in %[8]	2015	2014	2013	Pro forma[9] 2012
Results of Operations during Reporting Period in EUR m							
Revenues	1,348.3	1,375.5	-2.0	1,282.9	1,207.9[10]	1,185.3[10]	1,124.4[10]
Adjusted EBITDA[1]	310.8	307.8	1.0	262.6	241.0[10]	238.4[10]	226.4[10]
in % of revenues	23.1	22.4	–	20.5	20.0[10]	20.1[10]	20.1[10]
Adjusted EBITA[2]	219.5	220.9	-0.6	178.1	155.1[10]	156.4[10]	147.2[10]
in % of revenues	16.3	16.1	–	13.9	12.8[10]	13.2[10]	13.1[10]
Result from operations	180.8	180.5	0.2	182.0	120.7[10]	124.8[10]	124.6[10]
Adjusted net income[3]	130.0	130.4[11]	-0.3	117.7[12]	97.9[12]	103.5[12]	88.3[12]
Net Assets as of Reporting Date in EUR m							
Total assets	2,444.1	2,374.3	2.9	2,419.4	1,655.9	1,615.8	1,555.9
Equity	789.5	763.3	3.4	698.1	604.4	563.4	538.2
Equity ratio in %	32.3	32.1	–	28.9	36.5	34.9	34.6
Net working capital	185.7	200.3	-7.3	213.7	233.1	201.9	175.2
in % of revenues of the last twelve months	13.8	14.6	–	16.7	19.4[10]	17.1[10]	15.6[10]
Capital expenditure	118.6	113.2	4.8	125.8	126.6	119.1	118.9
Net financial debt	712.7	788.2	-9.6	877.5	423.8	416.6	366.5
Adjusted EBITDA leverage[4]	2.3	2.6	–	2.9	1.7	1.7	1.5
Financial and Liquidity Position during Reporting Period in EUR m							
Cash flow from operating activities	219.2	173.5	26.3	203.8	158.3	146.7	173.6
Cash flow from investing activities	-112.1	7.9	< -100.0	-600.1	-125.0	-168.6	-148.6
thereof cash paid for capital expenditure	*-116.5*	*-110.7*	*-5.2*	*-125.8*	*-125.6*	*-119.0*	*-118.9*
Free cash flow before financing activities	107.1	181.3	-40.9	-396.3	33.3	-21.9	25.0
Employees							
Employees as of the reporting date (total)	9,749	9,904	-1.6	10,684	11,096	11,239	10,952
Stock Data							
Number of shares at reporting date in million	31.4	31.4	–	31.4	31.4	31.4	31.4
Share price[5] at reporting date in EUR	67.06	68.85	-2.6	73.90	44.44	49.67	39.41
Market capitalization at reporting date in EUR m	2,105.7	2,161.9	-2.6	2,320.5	1,395.4	1,559.6	1,237.5
Share price high[5] during reporting period in EUR	78.01	76.86	–	76.32	56.42	50.14	41.34
Share price low[5] during reporting period in EUR	61.03	57.10	–	41.99	42.31	37.60	31.00
Earnings per share in EUR	3.21	3.87	-17.1	3.32	2.11	1.98	1.98
Adjusted earnings per share[6] in EUR	4.06	4.07[13]	-0.2	3.41[12]	2.89[12]	3.08[12]	2.62[12]
Dividend per share in EUR	1.10[7]	1.05	4.8	0.85	0.75	0.70	0.65

1) Adjusted EBITDA: Earnings before income taxes, net finance expense, amortization of fair value adjustments, depreciation and amortization, impairment losses, restructuring expenses, and one-off income and expenses.
2) Adjusted EBITA: Earnings before income taxes, net finance expense, amortization of fair value adjustments, impairment losses, restructuring expenses, and one-off income and expenses.
3) Adjusted net income: Consolidated net income before non-cash amortization of fair value adjustments, restructuring expenses, impairment losses, one-off income and expenses (including significant non-cash expenses), and the relevant tax effects.
4) Adjusted EBITDA leverage: The relation of net financial debt to adjusted EBITDA of the last twelve months according to the credit agreement currently in place.
5) Xetra closing price.
6) Adjusted earnings from continuing operations per share after non-controlling interests divided by 31.4m shares.
7) Proposed appropriation of retained earnings.
8) The change has been calculated on a EUR k basis.
9) Retrospective restatement due to the early adoption of IAS 19 (amended in 2011) from December 1, 2012. A detailed explanation of the effects from the restatement can be found in the notes to the Annual Report 2013.
10) Retrospective restatement due to the sale of the Life Science Research Division and related classification as discontinued operation.
11) Adjusted net income from continuing operations.
12) Including the in 2016 sold Life Science Research Division.
13) Adjusted earnings from continuing operations per share after non-controlling interests.

DIVISIONS

› Plastics & Devices

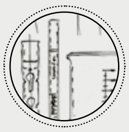
The product portfolio of the Plastics & Devices Division includes complex, customer-specific products for the simple and safe administration of medicines, such as insulin pens, inhalers and prefillable syringes. Also included are diagnostics and medical technology products such as lancets and test systems as well as pharmaceutical plastic containers for liquid and solid medicines with closure and safety systems.

in EUR m	**2017**	2016	Change in %[3]
Revenues[1]	**757.2**	765.4	-1.1
Adjusted EBITDA[2]	**215.2**	204.0	5.5
in % of revenues	**28.4**	26.6	–
Capital expenditure	**70.9**	51.6	37.4

› Primary Packaging Glass

The Primary Packaging Glass Division produces glass primary packaging for medicines and cosmetics, such as pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars.

in EUR m	**2017**	2016	Change in %[3]
Revenues[1]	**592.0**	610.6	-3.0
Adjusted EBITDA[2]	**116.0**	124.7	-7.0
in % of revenues	**19.6**	20.4	–
Capital expenditure	**41.3**	58.8	-29.8

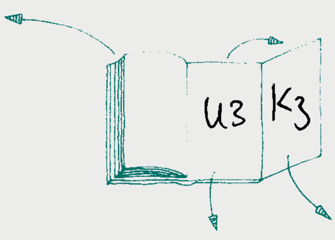


› Life Science Research (sold as of October 31, 2016)

The Life Science Research Division produces reusable laboratory glassware for research, development and analytics, such as beakers, Erlenmeyer flasks and measuring cylinders, as well as disposable laboratory products such as culture tubes, pipettes, chromatography vials and other specialty laboratory glassware. For further information we refer to note (2) in the notes to the consolidated financial statements.

in EUR m	**2017**	2016	Change in %[3]
Revenues[1]	**–**	–	–
Adjusted EBITDA[2]	**–**	–	–
in % of revenues	**–**	–	–
Capital expenditure	**–**	1.4	-100.0

[1] Revenues by division include intercompany revenues.
[2] Adjusted EBITDA: Earnings before income taxes, net finance expense, amortization of fair value adjustments, depreciation and amortization, impairment losses, restructuring expenses, and one-off income and expenses.
[3] The change has been calculated on a EUR k basis.



Multi-year overview

Financial calendar